
FIRST QUARTER
2010



ORKLA

CONTENTS

The First Quarter in Brief	3
The Group	4
The Business Areas	4
Orkla Brands	4
Expansion	5
Orkla Foods Nordic	5
Orkla Brands Nordic	5
Orkla Brands International	5
Orkla Food Ingredients	5
Orkla Aluminium Solutions	6
Sapa Profiles	6
Sapa Heat Transfer & Building System	6
Orkla Materials	6
Elkem Silicon-related	6
Borregaard Chemicals	7
Orkla Materials Energy	7
Orkla Associates	7
Orkla Financial Investments	8
Structural changes	8
Cash flow and financial situation	8
Other matters	8
Outlook	9
The Group's condensed income statement	10
Earnings per share	10
The Group's condensed comprehensive income	10
The Group's condensed balance sheet	11
Changes in equity	11
The Group's condensed cash flow	12
Notes	13

THE FIRST QUARTER IN BRIEF

- Improved market conditions for Orkla Aluminium Solutions and Elkem's silicon operations contributed to 11% growth in sales: NOK 14,893 million compared to NOK 13,448 million in the first quarter of 2009.
- Group EBITA¹ totalled NOK 704 million, compared to NOK 233 million last year.
- Satisfactory profit improvement for Orkla Brands compared to a relatively weak first quarter in 2009.
- Orkla Aluminium Solutions reduced its cost base and experienced positive market growth that led to a significant turnaround in profits. First-quarter EBITA¹ amounted to NOK 129 million (NOK -342 million)².
- Increased capacity utilisation and higher prices for Elkem Silicon-related (excluding Elkem Solar). Due to the extreme weather situation experienced by the Saudefaldene plant, with low inflow and low reservoir levels, production was considerably lower than normal, and the results for Elkem's remaining energy operations were weak. Comparative figures for 2009 include divested power plants.
- REC reported EBITDA of NOK 415 million for the first quarter (NOK 510 million)². Jotun has had a satisfactory start to the year, with results that are slightly better than last year.
- The Group's investment in REC is accounted for according to the equity method. Orkla calculates the value of its stake on the basis of the market price, as long as the market price is lower than the carrying value under the principles applicable to associates. The market price was NOK 27.80 kroner on 31 March 2010, compared to NOK 44.75 on 31 December 2009. A total of NOK -4.552 million has been recognised in the income statement in connection with REC in the first quarter.
- Including the change in the value of REC, the Group's pre-tax result in the first quarter was NOK -3.422 million (NOK -315 million)².
- The Share Portfolio delivered a first-quarter return of 11.2%, compared to the 10.2% return of the Morgan Stanley Nordic Index and the 1.4% return of the Oslo Stock Exchange Benchmark Index.
- Net interest-bearing liabilities remained more or less unchanged during the first quarter, totalling NOK 19,861 million at the end of the quarter.

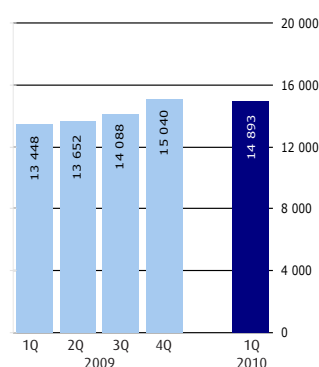
¹ Operating result before amortisation, gain on sale of power plants, restructuring and significant impairments

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

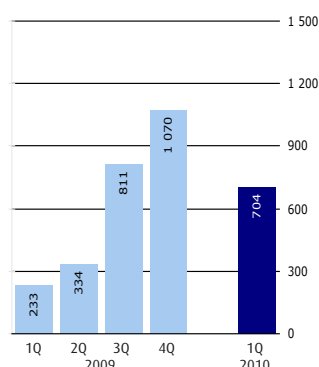
KEY FIGURES FOR THE ORKLA GROUP

Amounts in NOK million	Note	1.1. – 31.3.		1.1. – 31.12.
		2010	2009	2009
Operating revenues		14,893	13,448	56,228
Adjusted EBITA ¹	2	704	233	2,448
Profit/loss before taxes		(3,422)	(315)	1,071
Earnings per share diluted (NOK)		(3.6)	0.7	2.5
Cash flow from operating activities		(50)	255	5,802
Net interest-bearing liabilities		19,861	26,588	19,848
Equity ratio (%)		52.9	49.9	51.7
Net gearing ²		0.43	0.56	0.41

OPERATING REVENUES
NOK million



EBITA¹
NOK million



¹ Before amortisation, gain on sale of power plants, restructuring and significant impairments

² (Net interest-bearing liabilities)/(Equity)

THE GROUP

Orkla's first-quarter operating revenues totalled NOK 14,893 million, compared to NOK 13,448 million in the weak first quarter of 2009. The improvement is due to the increased demand and volume growth experienced by Orkla Aluminium Solutions, as well as higher prices and better markets for Orkla Materials' silicon-related products. Currency translation effects had a negative impact of NOK 846 million on first-quarter operating revenues.

Group EBITA¹ for the first quarter totalled NOK 704 million (NOK 233 million)². Profit was impacted by negative currency translation effects totalling NOK 24 million in the quarter.

Orkla Brands delivered yet another good quarter. There was a positive trend in volume/mix, but sales were also positively affected by the timing of Easter compared to last year. Profit growth was broad-based and driven by innovations, cost improvements and positive currency effects related to purchasing.

Orkla Aluminium Solutions' markets showed a positive trend in the first quarter. There was market growth in most segments in North America, and there were signs of improvement in several European markets. The exception is the building and construction market, which remains weak on both continents.

As regards Orkla Materials, Elkem Silicon-related reported a positive underlying³ trend, with higher capacity utilisation and higher prices for key products. While Borregaard Chemicals reported improved profits for the speciality chemicals and ingredients businesses, this was more than counteracted by the more demanding market conditions faced by the fine chemicals business. Orkla Materials Energy reported abnormally weak results in the first quarter, due to the extraordinary weather situation at Saudefaldene. Extremely low inflow and very little snow resulted in low reservoir levels at quarter-end. Production totalled only 203 GWh, compared to a presumed normal first-quarter level of over 500 GWh. Elkem Solar continued to ramp up its plant in Kristiansand, and around 400 tonnes of solar-grade silicon were produced 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 uses the market price as the value of its stake in REC, as long as the market price is lower than the carrying value in accordance with the principles applicable to associates. The market price was NOK 27.80 on 31 March 2010, compared to NOK 44.75 on 31 December 2009. A total of NOK -4,552 million was recognised in the income statement in connection with REC in the first quarter.

The return on Orkla's Share Portfolio in the first quarter was 11.2%, compared to the 10.2% return of the Morgan Stanley Nordic Index (1.4% for the Oslo Stock Exchange Benchmark Index). At quarter-end, the market value of the Share Portfolio was NOK 11,727 million, after net share sales totalling NOK 389 million. Gains, losses and write-downs on the Share Portfolio

amounted to NOK 339 million in the quarter (NOK -315 million)². Accounting write-downs totalled NOK 11 million in the first quarter.

Dividends received by the Group in the first quarter totalled NOK 138 million (NOK 45 million)².

Orkla's diluted earnings per share were NOK -3.6 in the first quarter, compared to NOK 0.7 in 2009. The change in the value of REC accounted for NOK -4.5 per share.

THE BUSINESS AREAS

ORKLA BRANDS

Amounts in NOK million	1.1. – 31.3.		1.1. – 31.12.
	2010	2009	2009
Operating revenues	5,403	5,398	23,046
EBITA ¹	624	522	2,793
EBITA margin (%)	11.5	9.7	12.1
Cash flow from operations before			
net replacement expenditures	527	591	3,745
Net replacement expenditures	98	137	476
Expansion investments	5	22	132

¹ Before amortisation, restructuring and significant impairments

- Satisfactory profit growth
- Positive volume and mix trends in the quarter
- Purchase of branded companies in Russia and Estonia, and a B2B business in the Netherlands

Orkla Brands achieved first-quarter operating revenues of NOK 5,403 million (NOK 5,398 million)², which represented underlying³ growth of 3% from last year. However, sales were positively impacted by the fact that part of the Easter selling period fell in the first quarter this year, whereas last year it fell in the second quarter. The adjusted revenue-growth figure (taking the difference in selling period into account), is just over 1%. Orkla Brands achieved a positive volume and mix performance, despite challenging markets in the out of home and export industries and weak markets in Russia and the Baltics.

First-quarter EBITA¹ amounted to NOK 624 million (NOK 522 million)². Taking into account structural changes, currency effects related to consolidation to NOK, and the timing of Easter, profit grew by around 13%. This improvement in profit must also be seen in conjunction with the fact that the first quarter of 2009 was weak.

The main drivers behind the profit growth were innovations, cost improvements in Orkla Brands' own companies, and currency effects related to purchasing. Internationally, trends for the main raw materials varied, but overall prices fell slightly.

In the first quarter, the innovation programme was slightly better than last year. However, for the rest of the year it will be difficult to maintain the level achieved last year, when there were several

³ Excluding acquisitions, divestments and currency translation effects.

major launches such as the Smash chocolate bar, Bergene Melk, Sunsilk and the Pierre Robert Young Collection. The most important new launches in the first quarter were Ballerina Kladdkaka/Dots, the Pierre Robert Sport Collection and Stratos Dobbelt.

The markets in Russia are weak, and Krupskaya in particular is experiencing declines in volume. These are assumed to be short-term effects, but they will have a negative impact in the current year.

Expansion

Felix Abba has entered into an agreement to acquire Kalev Chocolate Factory, which is the leading company within chocolate and sugar confectionery in Estonia. The company was established in 1806, and today's brands were launched in 1948. The company has annual sales of about EUR 28 million. The acquisition is subject to the approval of the Estonian competition authorities.

Krupskaya has entered into an agreement to acquire Peterhof, a company located outside St. Petersburg, which has positions primarily in the chocolate-based spreads and biscuits markets. Annual sales total around NOK 85 million. Peterhof has a relatively new factory, which will enable it to manufacture Pekar's product portfolio (acquired by Krupskaya in 2009). Pekar's products are currently manufactured by the former owner. The acquisition has been approved by the Russian competition authorities.

Orkla Food Ingredients (OFI) has concluded an agreement to acquire the Sonneveld Group, the market leader in the bread-improvers sector in the Benelux countries. The company, which is located in Papendrecht in the Netherlands, was established in 1956, and has annual sales of around EUR 55 million. The acquisition is subject to the approval of the Dutch competition authorities.

Orkla Foods Nordic

Orkla Foods Nordic posted first-quarter operating revenues of NOK 2,190 million (NOK 2,283 million)². Taking account of the earlier Easter season, there was an underlying³ decline of 3.3%. First-quarter EBITA¹ totalled NOK 194 million (NOK 171 million)², which was equivalent to underlying³ profit growth of around 8%.

Procordia continued its positive performance. As a result of a good innovation programme, the company strengthened its market shares and improved its profits. Stabburet also strengthened its market shares, but its sales and profits were slightly weaker than last year. At Bakers, weak volume growth was offset by cost adjustments, and results were slightly better than last year. As from the second quarter, Bakers will lose approximately NOK 130 million in annual sales of unpackaged small baked goods. The company is actively considering various alternatives with a view to reducing the negative impacts.

The companies in Denmark and Finland reported profit improvement, while Abba and the Baltic companies posted results on a par with those achieved last year. All in all, Orkla Foods Nordic maintained its market shares.

Orkla Brands Nordic

Orkla Brands Nordic reported first-quarter operating revenues of NOK 1,949 million (NOK 1,870 million)². Taking into account the earlier Easter season, there was underlying³ growth of 4.5%. First-quarter EBITA¹ totalled NOK 385 million (NOK 327 million)². This constituted an underlying³ improvement of 14% on last year. However, the profit improvement must also be seen in conjunction with the fact that the first quarter of 2009 was weak, partly due to a weak NOK and weak SEK.

All of the companies achieved profit growth, particularly Lilleborg Profesjonell, Lilleborg, the Pierre Robert Group, the Chips Group and Nidar. For several of the companies, the quarter's new launches had a positive impact on revenue and profit growth. The innovation programme in the first quarter was slightly stronger than in the same period last year.

The market shares of Orkla Brands Nordic in the first quarter were approximately on a par with 2009 levels.

Orkla Brands International

Orkla Brands International posted first-quarter operating revenues of NOK 412 million (NOK 430 million)², but underlying³ growth totalled around 4%. First-quarter EBITA¹ was NOK 0 million (NOK -3 million)². Underlying³ profit improved by NOK 1 million.

Higher raw material prices, particularly for cocoa beans and sugar, put pressure on the margins of the companies in Russia and India. Sales growth was primarily driven by price increases, which in sum compensated for the higher raw material costs, but squeezed margins.

Orkla Food Ingredients

Orkla Food Ingredients reported first-quarter operating revenues of NOK 916 million (NOK 898 million)², representing an underlying³ improvement of 4%. This can partly be ascribed to the fact that a larger share of Easter sales fell in the first quarter this year, but clear volume growth is also being seen in several markets. First-quarter EBITA¹ totalled NOK 45 million (NOK 27 million)². The good profit performance was broad-based, and driven by the successful implementation of price strategies and volume growth.

ORKLA ALUMINIUM SOLUTIONS

Amounts in NOK million	1.1. – 31.3.		1.1. – 31.12.
	2010	2009	2009
Operating revenues	6,120	4,883	20,803
EBITA ¹	129	(342)	(344)
EBITA margin (%)	2.1	(7.0)	(1.7)
Cash flow from operations before			
net replacement expenditures	(226)	14	1,388
Net replacement expenditures	96	79	263
Expansion investments	58	111	445

¹ Before amortisation, restructuring and significant impairments

- Recovering markets and a reduced cost base improved results
- Volume-related increase in working capital
- Strategic development on track

The development in net sales and volumes was positive through the quarter. Operating revenues were NOK 6,120 million (NOK 4,883 million)² in the first quarter of the year. EBITA¹ ended at NOK 129 million (NOK -342 million)².

Recent market developments indicate market growth in most North American market segments and some of the European market segments, although from historically low levels. The exception is Building and Construction, which remains weak in both Europe and North America. The market is in general weaker in Europe as most countries lag behind the trend in the US, particularly in southern Europe. The exception is the solar segment where the market demand remains very strong. This is expected to last also throughout the second quarter, but the trend in the second half of 2010 is more uncertain, following the announced cuts in feed-in tariffs in Germany this summer.

Break-even levels were further reduced as cost take-outs are beginning to show full effect. The integration of Indalex is now completed and about NOK 300 million in annual synergy effects have been taken out and are included in previously communicated cost-saving programs. The continuous efforts to improve productivity keep driving results in a positive direction. The cash flow was negative in the first quarter, due in part to a volume-induced increase in working capital and higher metal prices, but seen over the last two quarters cash flow is still positive.

The expansion of Sapa Heat Transfer's plant in Shanghai started at the end of the first quarter. The capacity is expected to increase from today's 40,000 tonnes to 75,000 tonnes, and full production capacity is expected to be achieved in 2010.

Sapa Profiles

Sapa Profiles' sales volumes reached 185,000 tonnes and EBITA¹ was NOK 43 million (NOK -313 million)². Compared to the fourth quarter of 2009, this was an improvement of NOK 30 million, mainly driven by strong volumes, good mix and the effect of previously implemented cost reductions. Several entities are now delivering EBITA¹-margins that exceed the Group's target.

Sapa Heat Transfer & Building System

Sapa Heat Transfer's volumes for the quarter were at 37,000 tonnes. Sapa Heat Transfer and Building System had an aggregate EBITA¹ of NOK 86 million (NOK -29 million)². Sapa Heat Transfer's order intake has continued to increase and the outlook for the coming quarter is good. Sapa Heat Transfer's plant in Finspång, Sweden had a relatively serious fire in one of the cold rolling mills on 12 February. Production is expected to start up again in early June. The damage caused by the fire is covered by insurance and a process has been initiated with the insurance companies in order to determine the final compensation. The impact on results is expected to be limited. Sapa Building System is still affected by a weak building and construction market, and there are few signs of improved activity in this market in Europe.

ORKLA MATERIALS

Amounts in NOK million	1.1. – 31.3.		1.1. – 31.12.
	2010	2009	2009
Operating revenues	2,890	2,770	11,317
EBITA ¹	60	138	436
EBITA margin (%)	2.1	5.0	3.9
Cash flow from operations before			
net replacement expenditures	122	106	2,044
Net replacement expenditures	75	82	329
Expansion investments	70	481	1,188

¹ Before amortisation, gain on sale of power plants, restructuring and significant impairments

- Higher demand and improved market prices for silicon-related products.
- New customer contracts for Elkem Solar.
- The extreme weather experienced by the Saudefaldene plant, which caused low inflow and low reservoir levels, resulted in significantly lower production than normal.
- Challenging markets within the fine chemicals business in Borregaard Chemicals were partly offset by profit growth within the speciality chemicals and ingredients businesses.

In the first quarter, Orkla Materials generated operating revenues of NOK 2,890 million (NOK 2,770 million)², and EBITA¹ of NOK 60 million (NOK 138 million)².

Elkem Silicon-related

The silicon-related units, excluding Elkem Solar, experienced stronger demand and higher market prices, generating positive EBITA¹ of NOK 228 million for the quarter, compared to NOK 25 million for the corresponding period last year. The market conditions faced by the silicon-related businesses improved during the quarter, with European and Asian customers ordering greater volumes of silicon and ferrosilicon. The carbon business, like the rest of the silicon business, experienced increased demand during the period. Overall, the silicon-related business achieved an average capacity utilisation of 84%, compared to 71% during the same period last year. One-off effects improved EBITA¹ by approximately NOK 90 million during the quarter, partly due to the reversal of previously eliminated intra-group profits from power

sales. Elkem Solar continued the ramp-up of its plant. Elkem Solar has entered into an agreement to supply one of the world's leading solar companies with up to 1,000 tonnes of solar-grade silicon in 2010. The two parties are also discussing a long-term contract beyond 2010. In addition Elkem Solar signed an agreement with CaliSolar in the fourth quarter of 2009. EBITA¹ amounted to NOK -184 million in the first quarter of 2010, compared to NOK -159 million in the first quarter of 2009. Depreciation for the quarter amounted to NOK 77 million. Production increased gradually during the quarter, and production volume totalled 400 tonnes.

Borregaard Chemicals

Weak results for the fine chemicals business in both Norway and Italy meant that the chemicals business as a whole experienced a drop from the first quarter of last year. Borregaard Chemicals' EBITA¹ totalled NOK 30 million (NOK 38 million)². However, demand for key speciality chemicals products was cautiously positive. Currency hedging compensated for the significant weakening of the USD and EUR against the Norwegian krone since the first quarter of last year.

The speciality cellulose business continued to show weak profitability, but improved its result somewhat compared to the previous year due to increased sales volumes and a more favourable net currency situation. However, production volumes, prices and variable costs contributed negatively. Bioethanol made a lower contribution to profits than last year. The lignin business generated a somewhat better result, due to a higher volume of sales for industrial applications. A stronger Norwegian krone and increased supply to the market had a negative effect on prices. Overall, the ingredients business (aroma products and Denomega) generated higher sales than last year, and showed profit growth, while very demanding market conditions led to a significant decline (in profits) for the fine chemicals business.

Orkla Materials Energy

The EBITA¹ of Orkla Materials Energy totalled NOK -14 million (NOK 234 million)². However, the 2009 figures include results for power plants divested as at 31 December 2009, corresponding to 1.7 TWh.

Elkem Energi delivered a weak result due to low production resulting from extremely limited accumulation of snow in the mountains and low inflow to the reservoirs at Saudafaldene. The reservoir level at the end of the quarter was 27%, while the snow reservoirs showed much lower levels than normal. In 2010, about half of normal production of 1.9 TWh per year is tied up in fixed delivery contracts. A corresponding volume is linked to lease agreements with lease prices that are more or less fixed. The remaining volume is sold at market prices. During the first quarter, the production volume totalled 203 GWh, compared to an assumed normal production volume of over 500 GWh.

Borregaard's energy business showed growth. The strong result for the quarter was primarily due to last year's losses on power-

contracts trading, and to somewhat higher production by its own plants.

The average Nordpool system prices were 48.5 øre/KWh in the first quarter, compared to 34.4 øre/KWh in the corresponding period last year.

ORKLA ASSOCIATES

	1.1. – 31.3.		1.1. – 31.12.
Amounts in NOK million	2010	2009	2009
Profit/loss, gains and write-downs from associates	(4,484)	135	(3,919)
<i>Of which Renewable Energy Corporation (REC)</i>			
Share of profit/loss REC	137	157	(931)
Write-down REC	(4,689)	-	(3,135)

Orkla Associates consists primarily of the investments in Renewable Energy Corporation ASA (REC) (39.7% stake), and Jotun AS (42.5% stake). In Orkla's financial statements, REC and Jotun are presented in accordance with the equity method, and Orkla's share of the post-tax result is shown on the line for profit/loss from associates. The figures below are on a 100% basis.

REC's first-quarter operating revenues were NOK 2,360 million, 22% higher than last year. Production and sales volumes rose during the quarter, but this was partially counteracted by price pressures. EBITDA for the quarter amounted to NOK 415 million (NOK 510 million)². The drop in EBITDA was primarily caused by reduced wafer prices and costs associated with expansion and ramping up. Pre-tax profits for the first quarter totalled NOK 730 million (NOK 650 million)². The Singapore plant shipped its first modules during the quarter.

Jotun's underlying³ operating revenues were on a par with the same period last year. There was a moderate increase in terms of volume. In terms of profits, the group marginally exceeded the figure for the same period last year, but there were large market-related and geographic variations. Jotun is exposed to certain late-cycle segments, such as shipbuilding and large real estate projects, and these are expected to develop more weakly in future.

ORKLA FINANCIAL INVESTMENTS

	1.1. – 31.3.		1.1. – 31.12.
Amounts in NOK million	2010	2009	2009
EBITA ¹	(39)	(21)	(85)
Dividends	138	45	251
Gains, losses and write-downs in the Share Portfolio	339	(315)	584
Other financial items	56	(29)	11
Profit/loss before taxes	494	(320)	761
Market value of the Share Portfolio	11.727	9.906	11.037
Return on the Share Portfolio (%)	11,2	(5,7)	39,0
Unrealised gains on the Share Portfolio	4.257	518	3.522

¹ Before amortisation, restructuring and significant impairments

Pre-tax profits for Orkla Financial Investments totalled NOK 494 million (NOK -320 million)² in the first quarter.

The Share Portfolio showed a return of 11.2% for the quarter, compared to a Morgan Stanley Nordic Index return of 10.2% and an Oslo Stock Exchange Benchmark Index return of 1.4%. The market value of the Share Portfolio was NOK 11,727 million. Net share sales during the quarter totalled NOK 389 million. Unrealised gains amounted to NOK 4,257 million as at the first quarter of 2010.

During the quarter, realised portfolio gains and changes in the fair value of associates totalled NOK 339 million (NOK -315 million)², while dividends received amounted to NOK 138 million (NOK 45 million)². Accounting write-downs in accordance with IFRS totalled NOK 11 million for the quarter.

Orkla Finans posted operating revenues of NOK 28 million (NOK 26 million)² for the quarter, and EBITA¹ totalled NOK -14 million (NOK -16 million)². Orkla Eiendom reported EBITA¹ of NOK 9 million (NOK -20 million)² for the quarter. Elkem Energi Handel generated EBITA¹ of NOK -23 million (NOK 26 million)² for the quarter.

STRUCTURAL CHANGES

An agreement was concluded in October 2009 for the sale of Elkem's hydropower plants at Salten and Bremanger, and a payment of NOK 4.3 billion was received on 4 January 2010 in respect of the Salten plant. However, financial risk and control were transferred to the purchasers on 31 December 2009, and the transaction produced an accounting gain after tax of NOK 4.2 billion in Orkla's 2009 financial statements.

On 31 March 2010, REC announced a plan to replace existing syndicated loan facilities with new bank loans and a rights issue to existing shareholders. The new issue, which totals NOK 4 billion, has been guaranteed by REC's principal shareholders: Orkla, Folketrygdfondet and a syndicate consisting of DnB NOR Markets, Nordea and SEB. Orkla will participate in the rights issue in proportion to its shareholding. After the issue, the average cost price for Orkla's investment in REC will be NOK 33.99 per share, and the carrying value will be NOK 22.48 per share.

CASH FLOW AND FINANCIAL SITUATION

Cash flow from operations amounted to NOK -50 million for the quarter, compared to NOK 255 million in the first quarter of 2009. Working capital increased during the quarter, primarily as a result of increased volumes and higher aluminium prices experienced by Sapa, and seasonal fluctuations experienced by Orkla Brands.

Expansion investments during the quarter totalled NOK 133 million (NOK 614 million)². The most important investment was Sapa Heat Transfer's expansion in Shanghai.

Acquired companies amounted to NOK 103 million, consisting primarily of Orkla Brands' purchase of the Tomtegløgg brand and Orkla Food Ingredients' purchase of Din Baker Handel.

Net portfolio investment sales amounted to NOK 389 million, compared to net sales of NOK 362 million during the same quarter last year.

After expansion and net portfolio investments, the Group had a net cash flow of NOK 25 million. After negative currency translation effects of NOK -38 million, net interest-bearing liabilities increased by NOK 13 million, to NOK 19,861 million.

In the first quarter, the Group's interest-bearing liabilities bore an average borrowing rate of 2.1%, and the majority of the liabilities were subject to floating interest terms. The interest-bearing liabilities are primarily distributed among the following currencies: NOK, SEK, EUR, DKK and USD.

Since 31 December 2009, the Group's balance sheet has been reduced by NOK 8.0 billion, primarily due to the receipt of a payment of NOK 4.3 billion in connection with the sale of the Salten power plant and a change in the value of the REC shares. As at 31 March 2010, the equity ratio was 52.9%, while net gearing⁴ was 0.43 compared to 0.56 at the same time last year.

OTHER MATTERS

At the Annual General Meeting on 22 April 2010, the 2009 dividend was set at NOK 2.25 per share, identical to the 2008 and 2007 dividends. The dividend was paid on 4 May 2010 to the shareholders of record as at the date of the annual general meeting.

Johan H. Andresen jr., Idar Kreutzer, Rune Bjerke, Kjetil Houg, Nils-Henrik Pettersson, Gunn Wærsted, Lars Windfeldt, Olaug Svarva, Dag Mejdell, Marianne Blystad, Nils Selte and Terje Venold were re-elected as members of the corporate assembly for a term of one year, while Claus R. Flinder and Ann Kristin Brautaset were elected as new members for a term of one year.

Anne Birgitte Fossum, Scilla Treschow Hokholt, Benedikte Bjørn, Andreas Enger and Mimi K. Berdal were re-elected as deputy members of the corporate assembly for a term of one year, while Odd Gleditsch d.y. was elected as a new deputy member for a term of one year.

⁴ [Net interest-bearing liabilities]/Equity capital

Knut Brundtland has given notice of his resignation as a member and chair of the Nomination Committee. A decision has been made not to replace Knut Brundtland as a member of the Nomination Committee, and the committee will therefore have three members. Olaug Svarva, Idar Kreutzer and Leif Askvig were re-elected as members of the Nomination Committee for a term of two years. Idar Kreutzer was elected the new chair of the Nomination Committee, for a term of two years.

The Board of Directors thanks the Chair of the Corporate Assembly, Knut Brundtland, and other retiring members for their contributions to the good development of the Orkla Group.

OUTLOOK

The macro-picture in general is somewhat more positive at the beginning of the second quarter, but uncertainty remains about the further economic trend in 2010. Orkla is well-positioned for a cyclical upturn, but is also prepared to deal with new setbacks.

Orkla Brands expects a relatively stable trend in the Nordic grocery market. The pricing situation relating to raw materials is complicated, and some falls are expected outside Norway. In Norway, the prices of agricultural products are expected to increase further. Outside the Nordic region, particularly in Russia and the Baltics, markets are expected to be somewhat more challenging in 2010.

Orkla Aluminium Solutions has lowered its break-even levels significantly, which combined with positive market trends has produced profit growth. Improvement is expected in most North American markets in 2010, with the exception of the building and construction industry. European markets are also expected to show positive trends, with the exception of the building and con-

struction and automotive industries. Markets are not expected to return to pre-financial crisis levels until 2011 at the earliest. Sapa Heat Transfer expects volumes to increase in 2010, as a result of increased demand and capacity in China. Sapa Building System is expecting weaker markets as a consequence of low activity within the building and construction industry.

As regards Orkla Materials, Elkem Silicon-related expects increased demand and higher market prices. However, the price effect in the different segments will vary due to different contract structures. At the end of the quarter, capacity utilisation was 87%. This figure is expected to increase further. Borregaard Chemicals expects a moderate increase in demand for the year as a whole, while demanding market conditions will have a negative effect on the fine chemicals business in the second quarter. As regards Orkla Materials Energy, there was very low inflow during the quarter, and reservoir levels at the Sauda power plants were approximately 400 GWh lower than normal at the end of the first quarter. Accordingly, production and the results for the rest of the year are also expected to be lower than in a normal year.

The market for solar power is expected to grow significantly over time. In the short-term, however, the market will be more volatile and driven, not least, by changes in public subsidy schemes. For both REC and Elkem Solar, the highest priority in 2010 will be completing expansion projects, thereby securing long-term competitiveness.

Orkla's average borrowing rate in the first quarter was 2.1%. The Group's liabilities are spread across currencies in accordance with its net investments in countries outside Norway. Liabilities measured in NOK will therefore fluctuate in step with exchange rate movements.

Oslo, 4 May 2010
The Board of Directors of Orkla ASA

THE GROUP'S CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	1.1. – 31.3.		1.1. – 31.12.
		2010	2009	2009
Operating revenues	2	14,893	13,448	56,228
Operating expenditures		(13,566)	(12,597)	(51,303)
Depreciation and impairment charges on tangible assets		(623)	(618)	(2,477)
Amortisation of intangible assets		(10)	(50)	(213)
Gain on sale of power plants		-	-	3,066
Restructuring and significant impairments	3	27	0	(195)
Operating profit		721	183	5,106
Profit/loss, gains and write-downs associates	8	(4,484)	135	(3,919)
Received dividends		138	45	252
Gains, losses and write-downs in the Share Portfolio		339	(315)	584
Financial items, net		(136)	(363)	(952)
Profit/loss before taxes		(3,422)	(315)	1,071
Taxes		(190)	(40)	496
Profit/loss for the period for continued operations		(3,612)	(355)	1,567
Gains/profit discontinued operations		0	993	993
Profit/loss for the period		(3,612)	638	2,560
Minority interest's share of the profit/loss for the period		8	(70)	(31)
Majority interest's share of the profit/loss for the period		(3,620)	708	2,591
Profit/loss before taxes, the Industry division		(3,916)	5	310
Profit/loss before taxes, Orkla Financial Investments		494	(320)	761

EARNINGS PER SHARE

Amounts in NOK million	1.1. – 31.3.		1.1. – 31.12.
	2010	2009	2009
Earnings per share	(3.6)	0.7	2.5
Earnings per share (diluted)	(3.6)	0.7	2.5

THE GROUP'S CONDENSED COMPREHENSIVE INCOME

Amounts in NOK million	1.1. – 31.3.		1.1. – 31.12.
	2010	2009	2009
Profit/loss for the period	(3,612)	638	2,560
Change in unrealised gains on shares	735	(329)	2,511
Change in hedging reserve	(110)	55	591
Translation effects	(118)	(1,069)	(2,398)
The Group's comprehensive income	(3,105)	(705)	3,264

THE GROUP'S CONDENSED BALANCE SHEET

	31.3. 2010	31.12. 2009
Amounts in NOK million		
Intangible assets	14,724	14,731
Property, plant and equipment	24,587	24,694
Financial assets	10,762	15,922
Non-current assets	50,073	55,347
Inventories	8,043	7,531
Receivables	13,300	16,568
Share Portfolio, etc.	11,740	11,087
Cash and cash equivalents	3,546	4,153
Current assets	36,629	39,339
Total assets	86,702	94,686
Paid-in equity	1,995	1,995
Earned equity	43,474	46,560
Minority interests	373	370
Equity	45,842	48,925
Provisions and other non-current liabilities	4,134	4,339
Non-current interest-bearing liabilities	22,549	29,042
Current interest-bearing liabilities	2,764	1,746
Other current liabilities	11,413	10,634
Equity and liabilities	86,702	94,686
Equity ratio (%)	52.9	51.7

CHANGES IN EQUITY (excluding minority interests)

	1.1. – 31.3. 2010	1.1. – 31.12. 2009
Amounts in NOK million		
Equity 1 January	48,555	47,383
The Group's comprehensive income	(3,105)	3,264
Deducted minority interests	(8)	31
Dividends	0	(2,288)
Buybacks of Orkla shares	10	94
Option costs	17	71
Equity at the close of the period	45,469	48,555

THE GROUP'S CONDENSED CASH FLOW

Amounts in NOK million	1.1. – 31.3.		1.1. – 31.12.
	2010	2009	2009
Cash flow in the Industry division:			
Operating profit	760	204	5,191
Amortisation, depreciation and impairment charges	623	658	2,653
Gain on sale of power plants presented as «sale of companies»	0	-	(3,066)
Changes in net working capital, etc.	(1,133)	(282)	2,197
Cash flow from operations before net replacement expenditures	250	580	6,975
Net replacement expenditures	(300)	(325)	(1,173)
Cash flow from operations	(50)	255	5,802
Financial items, net	(183)	(506)	(1,261)
Cash flow from Industry division	(233)	(251)	4,541
Cash flow from Orkla Financial Investments	257	471	1,003
Taxes paid	(175)	(456)	(1,402)
Other payments	15	55	25
Cash flow before capital transactions	(136)	(181)	4,167
Paid dividends	(2)	(1)	(2,354)
Net sale/purchase of Orkla shares	10	0	94
Cash flow before expansion	(128)	(182)	1,907
Expansion investments in Industry division	(133)	(614)	(1,765)
Sale of companies/share of companies	0	0	5,914
Purchase of companies/share of companies	(103)	(67)	(3,282)
Net sale/purchase of portfolio investments	389	362	2,866
Net cash flow	25	(501)	5,640
Currency effects of net interest-bearing liabilities	(38)	1,337	1,936
Change in net interest-bearing liabilities	13	(836)	(7,576)
Net interest-bearing liabilities	19,861	26,588	19,848

NOTES

NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements for the first quarter of 2010 were approved at a meeting of the Board of Directors on 4 May 2010. 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, and the same accounting principles and methods of calculation have been applied as in the last annual financial statements.

As of 1 January 2010, the Group applies the new revised IFRS 3 Business Combinations and the new IAS 27 Consolidated and Separate Financial

Statements. These standards deal with matters such as goodwill relating to subsequent measurement of acquisitions, minority interests and contingent consideration. However, the main change for the Orkla Group is that acquisition costs are to be expensed immediately. These are presented under the item «Restructuring and significant impairments» in the income statement. There were only minor acquisition costs in the first quarter.

The Group also applies the new IFRIC 15 as from the first quarter of 2010. This means that real estate projects are no longer to be regarded as construction contracts. Revenue is not to be recognised until delivery.

NOTE 2 SEGMENTS

As from the first quarter, Orkla Materials is reported as Elkem Silicon-related, Borregaard Chemicals and Orkla Materials Energy. Last year's figures are presented similarly. In contrast with the reporting on the first quarter of 2009, Elkem Energi

Handel has been moved to Orkla Financial Investments. This change in reporting was made in the third quarter of 2009.

OPERATING REVENUES

Amounts in NOK million	1.1. – 31.3.		1.1. – 31.12.
	2010	2009	2009
Orkla Group	14,893	13,448	56,228
Orkla Brands	5,403	5,398	23,046
Orkla Foods Nordic	2,190	2,283	9,754
Orkla Brands Nordic	1,949	1,870	7,722
Orkla Brands International	412	430	1,939
Orkla Food Ingredients	916	898	3,966
Eliminations Orkla Brands	(64)	(83)	(335)
Orkla Aluminium Solutions	6,120	4,883	20,803
Sapa Profiles	4,827	3,780	15,621
Sapa Heat Transfer & Building System	1,481	1,290	5,856
Eliminations Orkla Aluminium Solutions	(188)	(187)	(674)
Orkla Materials	2,890	2,770	11,317
Elkem Silicon-related	1,934	1,456	6,332
Borregaard Chemicals	913	987	3,815
Orkla Materials Energy	99	382	1,353
Eliminations Orkla Materials	(56)	(55)	(183)
Orkla Financial Investments	835	844	2,977
Orkla HQ/Other Business/Eliminations	(355)	(447)	(1,915)

OPERATING PROFIT - EBITA*

Orkla Group	704	233	2,448
Orkla Brands	624	522	2,793
Orkla Foods Nordic	194	171	1,088
Orkla Brands Nordic	385	327	1,380
Orkla Brands International	0	(3)	89
Orkla Food Ingredients	45	27	236
Orkla Aluminium Solutions	129	(342)	(344)
Sapa Profiles	43	(313)	(574)
Sapa Heat Transfer & Building System	86	(29)	230
Orkla Materials	60	138	436
Elkem Silicon-related	44	(134)	(581)
Borregaard Chemicals	30	38	216
Orkla Materials Energy	(14)	234	801
Orkla Financial Investments	(39)	(21)	(85)
Orkla HQ/Other Business	(70)	(64)	(352)

* Before amortisation, gain on sale of power plants, restructuring and significant impairments

NOTE 3 RESTRUCTURING AND SIGNIFICANT IMPAIRMENTS

This amount chiefly relates to the accounting in connection with the termination of the old contractual early retirement (AFP) scheme in Norway. In February 2010, the Storting (Norwegian parliament) adopted a resolution to terminate the old AFP scheme, and the provisions must therefore be taken to income in the first quarter. In 2004, Orkla in Norway switched to a defined contribution pension plan for all employees under 60 years of age. Pensioners and persons aged over 60 remained in the old fund-based defined benefit plan. The plan is fully financed and Orkla has no further obligation to pay in more funds. Under the accounting rules, however, it is not possible to remove this plan from the balance sheet. Orkla will therefore issue paid-up policies to the pensioners in these funded plans, thereby enabling the Group to eliminate pension assets and liabilities from the balance sheet. The pensioners receive an extra adjustment to compensate for the anticipated marginally lower future return, and otherwise retain their full rights. Actuarial gains and losses related to pension plan settlements are recognised at the same time. The net amount taken to income also takes into account any uncertainty linked to the winding-up of the old AFP scheme and other uncertain factors.

IFRS requires the recognition of income upon termination of old AFP schemes even if it is more likely than not that the new AFP scheme will be more comprehensive than the old one. It is emphasised that no form of provisions relating to a new AFP scheme have been made in the financial statements as of the first quarter. If a new AFP scheme can be recognised as a defined benefit plan in accordance with the same principles as those applied for the old scheme, the provision will most likely be larger than the old AFP schemes over time.

NOTE 4 ACQUISITION OF COMPANIES/AGREEMENT TO PURCHASE ASSETS

In the first quarter, Orkla Brands bought a small company and a brand. Furthermore, a small associate interest share was acquired by Orkla Eiendom.

The balance sheet total increased by NOK 108 million as a result of these acquisitions. The acquired companies increase the Group's results and sales by only a small amount.

NOTE 5 RELATED PARTIES

There were no special transactions between the Group and related parties in the first quarter of 2010. The Canica system (largest shareholder in Orkla with 23.3%) and Orkla both have equity interests in certain investments. The Group has provided subordinated loans totalling NOK 83 million to joint ventures and associates within its real estate operations (Eiendom).

NOTE 6 OPTIONS AND TREASURY SHARES

A total of 275,000 options were exercised in the reporting period. As of 31 March, 14,692,000 options were outstanding. A corresponding total of 275,000 treasury shares were sold in connection with the exercise of options. As of 31 March 2010, Orkla owned 9,582,815 treasury shares.

Change in number of options:

Outstanding number of options as of 1 January 2010	14,967,000
Granted during the period	0
Exercised during the period	(275,000)
Forfeited during the period	0
Outstanding number of options as of 31 March 2010	14,692,000

Change in treasury shares:

Total as of 1 January 2010	9,857,815
Options exercised in treasury shares	(275,000)
Total as of 31 March 2010	9,582,815

NOTE 7 ASSESSMENTS RELATING TO IMPAIRMENT

There were no indications in the first quarter of any impairment in the value of the Group's property, plant and equipment and intangible assets, and no write-downs were taken in the reporting period.

In accordance with the Group's accounting principles, the Share Portfolio was written down by NOK 11 million as of 31 March 2010.

In line with the principle stated in the 2009 financial statements, the Group's investment in REC was written down to the market price of NOK 27.80 per share as of 31 March 2010. The total amount reported in the income statement, which includes the write-down and the Group's share of equity transactions in REC, was NOK 4,552 million.

In connection with recognition of the Group's share of loss, the investment in Fornebu Utvikling ASA was adjusted downwards by NOK 9 million. The carrying value of the Group's interest in Fornebu Utvikling ASA is NOK 607 million. The market value of the interest is NOK 510 million (NOK 1.9 per share). There is little trading in the share and the carrying value of the equity capital in Fornebu Utvikling ASA is NOK 2.4 billion, which means NOK 761 million for Orkla's 32.36% interest.

NOTE 8 OTHER MATTERS

On 4 May 2010, Orkla will pay a dividend for the 2009 financial year amounting to NOK 2,179 million. Withholding tax amounting to NOK 115 million is deducted and will be paid in July.

As part of an overall solution, Orkla will, subject to certain conditions, participate in the proposed rights issue in REC proportionately to its equity interest. The issue is expected to be implemented in the second quarter of 2010 for a total amount of NOK 1.6 billion. Orkla is one of the underwriters for the rights issue. The subscription price will be NOK 12.10 per share.

In the legal proceedings concerning the taxation of REC convertible debentures, the main hearing in Borgarting Court of Appeal has been scheduled for 2 February 2011.

Orkla Brands has after the reporting period entered into agreements to acquire Peterhof in Russia (Orkla Brands International), the Sonneveld Group in the Netherlands (Orkla Food Ingredients) and Kalev in Estonia (Orkla Foods Nordic). Annual sales in the companies are approximately NOK 750 million.

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.