



First half 2012

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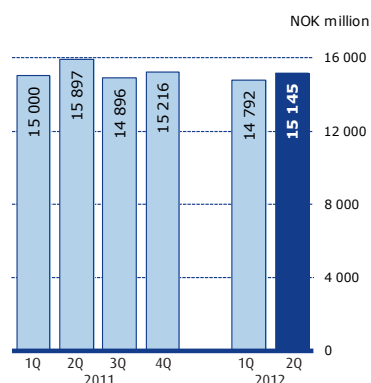
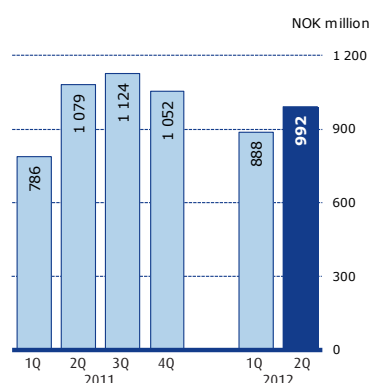
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The first half in brief

- A new Group Executive Board has been appointed to reflect the Group's strategic prioritisation of the Branded Consumer Goods area.
- In the second quarter, Orkla entered into an agreement to purchase the Nordic branded consumer goods company Jordan. This acquisition will strengthen Orkla's position in the Nordic market.
- Stable underlying development for the Nordic branded consumer goods business in the first half of 2012. Loss of contract production in the second half of 2011 had a negative impact on profit. To strengthen the business's competitiveness, a decision was made to further restructure the Russian branded goods operations.
- Markets remain weak for Sapa in Europe with a 9% decline in volume for Profiles in the first half of 2012. In North America, market and profit trends remained positive. Satisfactory performance by Sapa Heat Transfer, with substantial improvement from the weak second half of 2011.
- Market conditions remain good for Borregaard Chemicals, which continues to deliver strong results. The structural sales process is proceeding as planned.
- The Share Portfolio is being sold off as planned, and net sales of shares totalled NOK 2,015 million in the first half of 2012. The first-half return on the Share Portfolio was 7.1%, 1.3% higher than the return on the Oslo Stock Exchange Benchmark Index.

KEY FIGURES FOR THE ORKLA GROUP		1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
Amounts in NOK million	Note	2012	2011	2011	2012	2011
Operating revenues	2	29,937	30,897	61,009	15,145	15,897
EBITA ¹	2	1,880	1,865	4,041	992	1,079
Profit/loss before taxes		2,091	(427)	(923)	541	(2,387)
Earnings per share, diluted (NOK)		1.6	0.3	(0.8)	0.3	(2.6)
Cash flow from operating activities	12	695	(317)	2,460	679	120
Net interest-bearing liabilities	6	10,693	9,218	10,645		
Equity ratio (%)		51.0	57.5	51.8		
Net gearing ⁴		0.33	0.22	0.31		

OPERATING REVENUES

EBITA¹

¹ Operating profit before amortisation and other income and expenses

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

³ Excluding acquired and sold operations and currency translation effects

⁴ [Net interest-bearing liabilities]/Equity

The Group

Orkla's operating revenues totalled NOK 29,937 million (NOK 30,897 million)² in the first half of 2012, while operating revenues for the second quarter alone amounted to NOK 15,145 million (NOK 15,897 million)². The Branded Consumer Goods area posted underlying³ sales growth of 1.5% in the first half, with stable development in the Nordic markets. Due to soft markets, Sapa saw a decline in volume for Profiles Europe, while lower power prices contributed to weak sales development for Hydro Power. Currency translation effects had a negative impact of some NOK 160 million on operating revenues in the first half of 2012.

Group EBITA¹ amounted to NOK 1,880 million (NOK 1,865 million)² in the first half of 2012, while second-quarter EBITA¹ was NOK 992 million (NOK 1,079 million)². The Branded Consumer Goods area accounted for around 60% of the profit. Due to a gain on the sale of real estate, Orkla Eiendom made a substantial contribution to profit, posting total EBITA¹ of NOK 162 million (NOK -11 million)² in the first half of 2012. Overall, currency translation effects had a neutral impact on profit.

Other income and expenses totalled NOK -256 million in the first half of 2012, most of which is related to a provision for the restructuring of Orkla Brands Russia and the immediate recognition in the income statement of M&A costs at Group level.

The first-half loss from associated companies amounted to NOK -93 million (NOK -2,957 million)². The accounting gain on the sale of the shares in Fornebu Utvikling ASA amounted to NOK 77 million, while the accounting effect on profit related to the investment in REC was NOK -375 million.

The Share Portfolio reported a net accounting gain of NOK 658 million (NOK 1,019 million)² in the first half of 2012. Net sales of shares totalled NOK 2,015 million in the first half and NOK 965 million in the second quarter alone. As at 30 June 2012, the return on the portfolio was 7.1%, 1.3 percentage points higher than the first-half return on the Oslo Stock Exchange Benchmark Index.

Net financial costs amounted to NOK 250 million (NOK 225 million)² in the first half of 2012. Interest expenses were equivalent to an average borrowing rate of 3.7%. As at 30 June 2012, the Group's net interest-bearing liabilities totalled NOK 10,693 million.

Group profit before tax amounted to NOK 2,091 million (NOK -427 million)² in the first half of 2012. The first-half tax charge was NOK 486 million. Orkla's diluted earnings per share were NOK 1.6 in the first half, compared with NOK 0.3 in the same period of 2011.

The business areas

The Branded Consumer Goods area

	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
Amounts in NOK million	2012	2011	2011	2012	2011
Operating revenues	11,245	11,722	24,621	5,662	6,008
EBITA ¹	1,110	1,146	2,784	587	626
EBITA margin (%)	9.9	9.8	11.3	10.4	10.4
Cash flow from operations before net replacement expenditures	1,178	785	2,800	675	445
Net replacement expenditures	(273)	(285)	(646)	(164)	(172)
Cash flow from operations	905	500	2,154	511	273
Expansion investments	(65)	(145)	(216)	(41)	(27)

For the Nordic branded consumer goods business, underlying³ profit for the first half of 2012 was on a par with the same period of last year. The loss of contract production in the second half of 2011 is impacting negatively on profit. For the second quarter alone, underlying³ profit growth, adjusted for Easter timing effects, is considered to be on a par with the same period of last year.

Underlying³ first-half operating revenues rose by 1.5%. The increase was driven by sales to the retail sector. Overall market shares were maintained.

Towards the end of the quarter, Orkla entered into an agreement to purchase the branded consumer goods company Jordan. The company holds very good market positions and has a strong organisation. As part of Orkla's branded consumer goods area, the company should be able to achieve further growth. In terms of reporting, the company will be part of Orkla Brands Nordic. The purchase price based on debt-free operations is NOK 1,180 million. The acquisition is subject to the approval of the Norwegian Competition Authority, which is expected to be granted in the third quarter.

Orkla Foods Nordic

Orkla Foods Nordic reported first-half operating revenues of NOK 4,089 million (NOK 4,604 million)². In the second quarter alone, operating revenues totalled NOK 2,063 million (NOK 2,391 million)². Underlying³ growth in the first half of 2012 was 1%. The gradual loss of contract production for an industrial customer in Procordia through the second half of 2011 is affecting growth figures negatively.

EBITA¹ amounted to NOK 456 million (463 million)² in the first half of 2012, and NOK 259 million (NOK 277 million)² in the second quarter. Underlying³ first-half profit was slightly weaker than in the same period of 2011 (-3%). The decline in profit so far this year is related to the loss of contract production in Procordia. Profit for the second quarter alone was on a par with last year, taking into account the timing of Easter.

Raw material costs for the first half of 2012 were higher than for the corresponding period of 2011, but show a declining trend.

For Stabburet, a good programme of launches, driven by innovations like Big One American Diner and Kokkeklare kjøttkaker & karbonader, has helped to improve results in the form of sales growth and stronger market shares. The results reported by the Swedish businesses, and by Felix Abba, were weaker than last year. Panda, the Baltic businesses and Beauvais foods strengthened their results. Overall market shares have been maintained.

Felix Abba has entered into an agreement to purchase the Finnish company Boyfood. The company manufactures and supplies refrigerated herring products under the brand name BOY. In 2011, Boyfood had annual sales on the order of EUR 18 million.

Orkla Brands Nordic

Orkla Brands Nordic posted first-half operating revenues of NOK 3,802 million (NOK 3,848 million)². Operating revenues for the second quarter alone totalled NOK 1,878 million (NOK 1,911 million)². Underlying³, there was a decline of 1% in the first half of 2012. Growth figures have been negatively impacted by the loss of contract production as from the fourth quarter of 2011, as well as by slightly weaker growth in B2B and export sales. The overall trend in the volume of sales to the retail sector was positive. EBITA¹ amounted to NOK 610 million (NOK 675 million)² in the first half of 2012, and NOK 276 million (NOK 312 million)² in the second quarter.

Raw material costs were slightly higher in the first half of 2012 than in the corresponding period of 2011, but show a declining trend.

The Chips Group reported improvement in both sales and profit in the first half of 2012, which was particularly related to the Swedish and Danish markets. For Axellus, differences in the timing of major campaigns and weak sales growth in Poland and Finland resulted in a weaker first-half performance than last year. The loss of contract production led to lower results for Lilleborg Profesjonell. Overall market shares are on a par with 2011.

Orkla Brands International

Orkla Brands International reported first-half operating revenues of NOK 923 million (NOK 893 million)². For the second quarter alone, operating revenues totalled NOK 471 million (NOK 448 million)². So far this year, underlying³ sales have increased by 7%, while sales grew 10% in the second quarter alone. EBITA¹ amounted to NOK -52 million (NOK -89 million)² for the first half of 2012 and NOK -15 million (NOK -26 million)² for the second quarter. So far this year, underlying³ profit has improved by NOK 36 million,

while second-quarter profit showed an improvement of NOK 11 million.

The positive trend in operating revenues was primarily related to India and sustained growth for the core categories spices and ready mixes. Sales performance in Russia and Austria showed moderate improvement. A total of NOK 30 million more has been invested in advertising in the first half of 2012 than in the same period of last year. Synergy effects from the merger of the Russian businesses, coupled with lower raw material costs, have contributed positively.

In Austria, Felix Austria reported growth in the grocery sector and strengthened its market shares for ketchup and pasta sauces.

It is necessary to further strengthen competitiveness in Russia, and the number of factories will therefore be reduced from four to three. This will reduce production costs and free up a property in St. Petersburg. Under "Other income and expenses", a provision has been made for costs related to the closure of the factory in St. Petersburg and the write-down of fixed assets and inventories totalling NOK 92 million. Net investment after the expected sale of property will be positive. In addition cost savings are gradually expected to take effect from the second half of 2013.

Orkla Food Ingredients

Orkla Food Ingredients posted first-half operating revenues of NOK 2,540 million (NOK 2,517 million)², equivalent to an underlying³ improvement of 3%. In the second quarter alone, operating revenues totalled NOK 1,308 million (NOK 1,325 million)². Growth in the first half of 2012 was primarily related to the bakery segment in Norway and Sweden as well as the categories marzipan and yeast, and is ascribable to increased volume and higher prices. The markets in Denmark and several countries in Southern and Eastern Europe were characterised by economic decline and increased competition. EBITA¹ amounted to NOK 96 million (NOK 97 million)² for the first half of 2012, and NOK 67 million (NOK 63 million)² for the second quarter. Underlying³ profit increased by NOK 2 million in the first half of the year and NOK 5 million in the second quarter.

Raw material costs for the second quarter were on a par with the corresponding quarter of last year.

In line with Orkla Food Ingredients' growth strategy, Orkla Food Ingredients has, so far this year, entered agreements to purchase several small sales and distribution companies in Poland, Slovakia and Romania. Total revenues from the purchased companies amount to some NOK 390 million on a yearly basis.

Sapa

	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
Amounts in NOK million	2012	2011	2011	2012	2011
Operating revenues	15,675	16,189	30,844	7,963	8,307
EBITA ¹	433	535	812	251	320
EBITA margin (%)	2.8	3.3	2.6	3.2	3.9
Cash flow from operations before net replacement expenditures	207	(699)	312	359	(243)
Net replacement expenditures	(398)	(286)	(659)	(184)	(77)
Cash flow from operations	(191)	(985)	(347)	175	(320)
Expansion investments	(129)	(249)	(588)	(62)	(163)

- Continued improvement in Sapa Profiles North America
- Weak European market, volumes down by 9% for Profiles
- Lower volumes for Sapa Heat Transfer, but improved profit compared with second quarter 2011

Volume for the first half of 2012 totalled 552,000 tonnes, 5,000 tonnes higher than in 2011, whereof 7,000 tonnes came from the ramp-up of the profiles business in Asia. While Sapa Profiles North America continued to grow, the activity level in Sapa Profiles Europe, Sapa Building System and Sapa Heat Transfer fell as a result of the negative market trend in Europe. This caused operating revenues to decline to NOK 15,675 million (NOK 16,189 million)² and EBITA¹ to NOK 433 million (NOK 535 million)². Restructuring activities are proceeding according to plan.

Sapa Profiles

Sapa Profiles' sales volume in the first half of 2012 was 457,000 tonnes. This was a volume increase of 10,000 tonnes (2%), whereof 7,000 tonnes were related to Asia. EBITA¹ declined to NOK 264 million (NOK 334 million)².

The satisfactory trend for Sapa Profiles North America continued in the first half of 2012, and volumes came in at 236,000 tonnes. This was a year-on-year increase of 25,000 tonnes (12%), driven by stronger markets and market share gain. Optimisation of production footprint and operational improvements over the last two years have increased profitability. EBITA¹ margin for the first six months reached 5% in a market that is still very soft.

The European market continued its negative trend and Sapa Profiles Europe's sales volume decreased to 212,000 tonnes in the first half of 2012, 22,000 tonnes (-9%) lower than in the same period in 2011. Lower volumes and increasing price pressure within the standard segments led to a first-half EBITA¹ margin of 2.2%. Due to the uncertain European market situation, further restructuring is needed.

The comprehensive establishment and build-up phase in Asia, which includes organisational, manufacturing and market development, is expected to impact EBITA¹ positively as from the end of 2013. For 2012, contributions will be negative. First-half EBITA¹ for Sapa Profiles Asia amounted to NOK -47 million (NOK -15 million)².

Sapa Heat Transfer & Building System

Sapa Heat Transfer sold 95,000 tonnes in the first half of 2012, a year-on-year decrease of 5,000 tonnes (-5%). EBITA¹ for Sapa Heat Transfer & Building System came in at NOK 169 million (NOK 201 million)². The fall in EBITA¹ was ascribable to softer European markets, but the result was a strong improvement on the second half of 2011.

Sapa Heat Transfer's programme to improve results through restructuring, operational improvements and price increases is on track, and EBITA¹ margin for the first half of 2012 was 7.4%. The Swedish entity increased its EBITA¹ compared to 2011. In China, the Shanghai plant has completed investments in capacity and productivity enhancements to provide an improved platform for profitable growth as the automotive market regains momentum. Compared to last year, the Shanghai entity's export margins were negatively impacted by local metal prices that were higher than the global market price.

Sapa Building System is still affected by the low activity in the European building and construction market, which has generated lower sales compared to last year. Sapa Building System continues to gradually improve its market position.

Other businesses

Orkla Financial Investments

	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
Amounts in NOK million	2012	2011	2011	2012	2011
EBITA ¹	145	(41)	(58)	42	(41)
Other income and expenses	(19)	0	(20)	(19)	0
Dividends received	172	320	438	120	236
Gains, losses and write-downs					
Share Portfolio	658	1,019	1,643	231	658
Other financial matters	102	77	94	21	63
Profit/loss before taxes	1,058	1,375	2,097	395	916
Share Portfolio:					
Market value	3,662	9,460	5,497		
Unrealised gains	797	3,374	1,180		

Profit before tax for the Share Portfolio amounted to NOK 761 million (NOK 1,440 million)² in the first half of 2012.

Net sales of portfolio shares in the first half of 2012 totalled NOK 2,015 million. As at 30 June 2012, the market value of the Share Portfolio was NOK 3,662 million, while unrealised gains amounted to NOK 797 million. First-half gains, losses and write-downs amounted to NOK 658 million (NOK 1,019 million)². Write-downs under IFRS totalled NOK -209 million (NOK -164 million)².

First-half EBITA¹ for Orkla Eiendom amounted to NOK 162 million (NOK -11 million)². The increase is primarily ascribable to the delivery of apartments in an ongoing property development project (Idun), and the sale of property in

Switzerland and Widerøveien 5 AS. In the Idun project, the apartments are delivered on an ongoing basis throughout the year, and are expected to generate a profit contribution on the order of NOK 30-50 million in the third quarter. The accounting gain of NOK 77 million on the sale of Fornebu Utvikling ASA is included in profit from associated companies.

Borregaard Chemicals

Borregaard Chemicals posted first-half operating revenues of NOK 2,017 million (NOK 2,048 million)², equivalent to underlying³ growth of 4% compared with last year. EBITA¹ amounted to NOK 283 million, compared with a strong result in the same period last year (NOK 287 million)². The high result is primarily ascribable to the continued favourable market conditions for speciality cellulose and several other key product categories. This trend was counteracted to some extent by the slightly weaker EUR against the NOK. In connection with the demerger of the power entity in Borregaard, internal profit from the power operations is now eliminated at HQ/Other businesses level rather than, as before, at Borregaard Chemicals level. This has resulted in a positive one-off effect of NOK 18 million in Borregaard Chemicals, with a corresponding negative one-off effect in HQ/Other businesses.

The speciality cellulose business reported higher profit than in the first half of 2011 due to higher selling prices, increased production volume and somewhat lower variable costs. A less favourable product mix and the stronger NOK pulled profit down slightly. The market situation for the lignin business was positive, on the whole, with 9% volume growth and higher prices. The construction industry showed good improvement, especially in Asia. However, higher costs and a slightly weaker product mix resulted in a small decline in profit compared to the first half of 2011. Due to lower volumes and prices for aroma products, the ingredients business posted lower profit. Despite somewhat lower sales, the fine chemicals business achieved moderate profit growth, due to the good cost effect of capacity adjustments carried out in the first half of 2011.

Hydro Power

Hydro Power had EBITA¹ of NOK 78 million (NOK 80 million)² in the first half of 2012, and NOK 45 million (NOK 93 million)² in the second quarter alone. Production volumes for the hydro power business were somewhat higher in the second quarter. However, power prices in the second quarter were down by 50% from the same quarter of 2011 due to high reservoir and snowpack levels. The weak price situation at the end of the first half of 2012 is expected to continue in the third quarter.

Jotun (42.5% stake)

For Jotun, sales increased year on year in the second quarter, particularly in decorative paints. This is largely due to continued growth in Asia and the Middle East, and to the fact that parts of Europe are showing a positive trend. Margins were also improved, year on year, due in part to raw material prices and in part to price increases. In 2012, Jotun has continued to pursue its extensive investment programme in line with the company's strategy. The main investments in the period were the construction of new factories in Norway, China and the USA.

Cash flow and financial situation

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

Cash flow from operations in the first half of 2012 amounted to NOK 695 million (NOK -317 million)². Due to seasonal fluctuations, the level of working capital was higher. However, this effect was lower than for the corresponding period of 2011. A reduction in working capital is expected in the second half of 2012.

Expansion investments totalled NOK 270 million in the first half of 2012 (NOK 440 million)². Company acquisitions amounted to NOK 128 million in the first half, and consisted of the purchase of Pharma- Vinci A/S and a few minor acquisitions in Orkla Food Ingredients. First-half divestments totalled NOK 933 million, consisting primarily of the sale of shares in Fornebu Utvikling ASA and Bakers. Net sales of portfolio shares in the first half of 2012 amounted to NOK 2,015 million. The sell-off of shares is proceeding as planned.

Share buybacks totalled NOK 467 million in the first half of 2012.

The Group had a net cash flow of NOK -168 million in the first half of 2012 (NOK 10,215 million)². As at 30 June, the Group's net interest-bearing liabilities totalled NOK 10,693 million, and bore an average interest rate of 3.7%. The interest-bearing liabilities are chiefly distributed among the following currencies: NOK, SEK, EUR and USD. At quarter end, the equity ratio was 51.0%, while net gearing⁴ was 0.33.

Other matters

On 22 June, Orkla entered into an agreement to purchase Jordan, a leading branded consumer goods company in the oral hygiene, cleaning and painting tools segments. Jordan will become a part of Orkla Brands Nordic. Under the purchase agreement, Orkla ASA will acquire 100% of the shares in Jordan Personal & Home Care AS and Jordan House Care AS. In 2011, sales totalled around NOK 900 million and EBITA¹ was NOK 90 million. The purchase price of the company is NOK 1,180 million on a cash and debt-free basis. The agreement is subject to the approval of the Norwegian Competition Authority and a final decision is expected in the course of the third quarter.

In connection with an increase in capital in REC, Orkla entered into an agreement on 3 July to subscribe for 133,333,333 new shares in REC at a share price of NOK 1.50. Provided that the capital increase is approved by the General Meeting of REC, Orkla's stake will be reduced.

In April, Åge Korsvold was appointed as new President and CEO, following the resignation of Bjørn M. Wiggen. In May, Torkild Nordberg resigned from his position as CEO of Orkla Brands. The Board of Directors of Orkla ASA wishes to thank Bjørn M. Wiggen and Torkild Nordberg for their work in the Group Executive Board and his efforts on behalf of the Group over many years.

As from 1 June 2012, the heads of the four business areas in Orkla Brands became part of Orkla's Group Executive Board. At the same time, Håkon Mageli was appointed as Executive Vice President, Corporate Communications and Corporate Affairs, which includes governmental affairs, food safety and nutrition. Orkla's Group Executive Board now consists of President and CEO Åge Korsvold, business area heads Atle Vidar Johansen (Orkla Foods Nordic), Jan-Ove Rivenes (Orkla Brands Nordic), Pål Eikeland (Orkla Food Ingredients) and Paul Jordahl (Orkla Brands International), and Executive Vice Presidents Terje Andersen, Karin Aslaksen, Karl Otto Tveter and Håkon Mageli. In line with Orkla's decision to separate Sapa from the Group's core activities, Svein Tore Holsether has withdrawn from the Group Executive Board in order to devote his full attention to his tasks as CEO of Sapa and the implementation of the adopted strategy. Holsether will continue to report to President and CEO Åge Korsvold.

At the Corporate Assembly meeting held on 24 May 2012, Stein Erik Hagen, Bjørge Ven, Peter A. Ruzicka, Jesper Ovesen and Barbara M. Thoralfsson were re-elected as members of Orkla's Board of Directors. Stein Erik Hagen was re-elected as Board Chair. All the members of the Orkla Board of Directors were re-elected for a term of one year, i.e. until the first meeting of the Corporate Assembly after the Annual General Meeting in 2013. Åge Korsvold and Åse Aulie Michelet withdrew from the Board of Directors. The Nomination

Committee of Orkla ASA has recommended Grace Reksten Skaugen and Jo Lunder as new members of the company's Board of Directors. Furthermore, Terje Venold has been recommended as new deputy chair of the Corporate Assembly to succeed Dag Mejdell, who has resigned as member of the Corporate Assembly due to other duties. An extraordinary meeting of the Corporate Assembly will be convened to consider the recommendation. The meeting is expected to be held in August. Orkla's Board of Directors now comprises the following shareholder-elected members: Stein Erik Hagen (Board Chair), Bjørge Ven, Peter A. Ruzicka, Jesper Ovesen and Barbara M. Thoralfsson. Among the Board's employee-elected representatives, Aage Andersen and Sidsel Kjeldaas Salte have withdrawn from the Board, while Terje Utstrand and Sverre Josvanger were elected as new members of the Board. Orkla's Board of Directors now comprises the following employee-elected members: Gunn Liabø, Terje Utstrand and Sverre Josvanger. The Board wishes to thank the former Board members for their efforts on behalf of Orkla.

Outlook

There is still uncertainty with regard to future global economic trends. The uncertainty surrounding the financial situation in Europe has increased, and the market is expected to remain soft. A moderately positive trend is expected in the USA, but for the time being the upturn is fragile. Orkla is well prepared to deal with slower growth and, due to its composition and structure, is not particularly vulnerable to individual factors or markets. Nevertheless, a weaker economic climate will have a negative impact, particularly on Sapa.

Orkla anticipates a relatively stable trend on the Nordic grocery market. Raw material prices have remained high, but the FAO Food Price Index is showing a declining trend in the short term. Due to the mix of raw materials and a certain contractual time lag, raw material costs in the branded consumer goods business are still higher than last year. Selling prices are being raised to compensate for this effect.

Sapa Profiles North America is expected to continue its positive performance, but with a slightly lower growth rate than in the first half of 2012. Markets for Sapa Profiles Europe are expected to remain soft throughout 2012 and, as usual, July and August will be negatively affected by the summer holiday period. Markets for Sapa Heat Transfer and Sapa Building System are expected to remain at the same level as in the first half of 2012. The restructuring carried out towards the end of last year and in the first half of 2012 is contributing to profit growth as planned, but this effect is being counteracted by unfavourable market conditions in Europe. In order to adjust to the declining European market further re-structuring is needed.

Borregaard Chemicals expects market conditions to remain generally good in the third quarter, but anticipates greater uncertainty as regards certain product markets. Raw material and energy prices remain high, but are expected to fall somewhat. A weak EUR will have a negative impact on profitability. At the end of the first half of 2012, Hydro Power's reservoir levels were normal, while the snowpack level was still slightly higher than normal. Power prices were extremely low at the end of the first half of 2012, and are expected to remain low in the third quarter.

Statement by the Board of Directors

We confirm that, to the best of our knowledge, the unaudited, condensed half-year financial statements for the period 1 January to 30 June 2012 have been prepared in accordance with IAS 34 Interim Financial Reporting, and that the information in the financial statements gives a true and fair view of the enterprise and the Group's assets, liabilities, financial position and overall results, and that the half-year report gives a fair overview of the information specified in section 5-6, fourth paragraph, of the Securities Trading Act.

Oslo, 19 July 2012
The Board of Directors of Orkla ASA


Stein Erik Hagen
Chair



Jesper Ovesen



Peter A. Ruzicka


Barbara M. Thoralfsson


Bjørge Ven


Terje Utstrand


Sverre Josvanger


Gunn Liabø


Åge Korsvold
President and CEO

CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
		2012	2011	2011	2012	2011
Operating revenues	2	29,937	30,897	61,009	15,145	15,897
Operating expenses		(27,148)	(28,091)	(55,107)	(13,690)	(14,355)
Depreciation and write-down property, plant and equipment		(909)	(941)	(1,861)	(463)	(463)
Amortisation intangible assets		(22)	(14)	(55)	(11)	(7)
Other income and expenses	3	(256)	(435)	(1,041)	(216)	(369)
Operating profit		1,602	1,416	2,945	765	703
Profit/loss from associates	9	(93)	(2,957)	(5,505)	(446)	(3,877)
Dividends received		174	320	440	122	236
Gains, losses and write-downs Share Portfolio		658	1,019	1,643	231	658
Financial items, net		(250)	(225)	(446)	(131)	(107)
Profit/loss before taxes		2,091	(427)	(923)	541	(2,387)
Taxes		(486)	(470)	(1,018)	(241)	(251)
Profit/loss for the period for continued operations		1,605	(897)	(1,941)	300	(2,638)
Gains/profit discontinued operations	10	0	1,213	1,213	0	0
Profit/loss for the period		1,605	316	(728)	300	(2,638)
Profit/loss attributable to non-controlling interests		31	16	48	15	14
Profit/loss attributable to owners of the parent		1,574	300	(776)	285	(2,652)

EARNINGS PER SHARE

Amounts in NOK	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
	2012	2011	2011	2012	2011
Earnings per share	1.6	0.3	(0.8)	0.3	(2.6)
Earnings per share (diluted)	1.6	0.3	(0.8)	0.3	(2.6)

CONDENSED COMPREHENSIVE INCOME STATEMENT

Amounts in NOK million	Note	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
		2012	2011	2011	2012	2011
Profit/loss for the period		1,605	316	(728)	300	(2,638)
Change in unrealised gains on shares after tax	4	(382)	(1,005)	(3,143)	(583)	(767)
Change in hedging reserve after tax	4	8	(451)	(770)	(120)	(720)
Translation effects		(433)	(785)	(109)	149	(243)
The Group's comprehensive income		798	(1,925)	(4,750)	(254)	(4,368)
Comprehensive income attributable to non-controlling interests		29	10	48		
Comprehensive income attributable to owners of the parent		769	(1,935)	(4,798)		

CONDENSED BALANCE SHEET

Amounts in NOK million	Note	30.6.	31.12.
		2012	2011
Intangible assets		12,616	12,801
Property, plant and equipment		18,142	18,058
Financial assets	6, 9	4,683	5,682
Non-current assets		35,441	36,541
Assets held for sale	5	-	391
Inventories		7,936	8,047
Receivables	6	11,189	10,462
Share Portfolio etc.		3,666	5,502
Cash and cash equivalents	6	4,909	5,453
Current assets		27,700	29,855
Total assets		63,141	66,396
Paid in equity		1,984	1,997
Earned equity		29,930	32,109
Non-controlling interests		307	280
Equity		32,221	34,386
Provisions and other non-current liabilities		3,097	3,165
Non-current interest-bearing liabilities	6	15,350	15,488
Current interest-bearing liabilities	6	1,103	1,472
Liabilities held for sale	5	-	177
Other current liabilities		11,370	11,708
Equity and liabilities		63,141	66,396
Equity ratio (%)		51.0	51.8

CONDENSED CHANGES IN EQUITY

Amounts in NOK million	1.1. – 30.6.2012			1.1. – 30.6.2011		
	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	34,106	280	34,386	46,566	365	46,931
The Group's comprehensive income	769	29	798	(1,935)	10	(1,925)
Dividends	(2,525)	-	(2,525)	(2,556)	(5)	(2,561)
Net buy-back/sale of Orkla shares	(467)	-	(467)	(171)	-	(171)
Option costs	35	-	35	40	-	40
Change in non-controlling interests	(4)	(2)	(6)	-	(59)	(59)
Equity at the close of the period	31,914	307	32,221	41,944	311	42,255

CONDENSED CASH FLOW STATEMENT IFRS

Amounts in NOK million	Note	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
		2012	2011	2011	2012	2011
Cash flow from operations before net replacement expenditure ¹		2,057	(215)	3,430	1,672	(378)
Received dividends and financial items		(13)	300	109	(32)	276
Taxes paid		(952)	(369)	(603)	(697)	(182)
Cash flow from operating activities		1,092	(284)	2,936	943	(284)
Net investments fixed assets		(1,190)	(1,190)	(2,437)	(649)	(556)
Net sale (purchase) of companies	5, 10	775	12,704	12,165	(16)	12,923
Net sale portfolio investments		2,015	2,051	4,494	965	1,421
Discontinued operations and other payments		201	(543)	(479)	(8)	215
Cash flow from investing activities		1,801	13,022	13,743	292	14,003
Net paid to shareholders		(3,091)	(2,732)	(7,545)	(2,423)	(2,747)
Change in interest-bearing liabilities and interest-bearing receivables		(264)	(6,051)	(6,488)	(420)	(6,611)
Cash flow from financing activities		(3,355)	(8,783)	(14,033)	(2,843)	(9,358)
Currency effects cash and cash equivalents		(82)	(115)	(12)	-	(80)
Change in cash and cash equivalents		(544)	3,840	2,634	(1,608)	4,281
Cash and cash equivalents	6	4,909	6,659	5,453		

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

NOTES

NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements for the first half of 2012 were approved at a meeting of the Board of Directors on 19 July 2012. The figures in the statements have not been audited. Orkla ASA is a public limited liability company and its offices are located in Skøyen, Oslo (Norway).

Orkla shares are traded on the Oslo Stock Exchange. The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting principles and methods of calculation have been applied as

in the last Annual Financial Statements. The future effects of new accounting standards were described in the Annual Financial Statements. The entry into force of the standards IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities may be postponed for a year, until 1 January 2014. This will entail a corresponding delay in amendments to the associated standards IAS 27 Consolidated and Separate Financial Statements and IAS 28 Investments in Associates.

NOTE 2 SEGMENTS

OPERATING REVENUES

Amounts in NOK million	1.1. – 30.6.		1.1. – 31.12.		1.4. – 30.6.	
	2012	2011	2011		2012	2011
Orkla Group	29,937	30,897	61,009		15,145	15,897
Branded Consumer Goods	11,245	11,722	24,621		5,662	6,008
Orkla Foods Nordic	4,089	4,604	9,496		2,063	2,391
Orkla Brands Nordic	3,802	3,848	7,928		1,878	1,911
Orkla Brands International	923	893	2,113		471	448
Orkla Food Ingredients	2,540	2,517	5,392		1,308	1,325
Eliminations Branded Consumer Goods	(109)	(140)	(308)		(58)	(67)
Sapa	15,675	16,189	30,844		7,963	8,307
Sapa Profiles	12,365	12,824	24,479		6,272	6,656
Sapa Heat Transfer & Building System	3,753	3,846	7,280		1,931	1,905
Eliminations Sapa	(443)	(481)	(915)		(240)	(254)
Borregaard Chemicals	2,017	2,048	4,004		1,036	1,016
Hydro Power	403	1,235	1,691		195	529
Orkla Financial Investments	618	136	328		297	58
HQ/Other Business/Eliminations	(21)	(433)	(479)		(8)	(21)

Intercompany sales within the different segments are eliminated on separate lines in the above table. The only segment with material intercompany sales is Hydro Power: in the first half these amounted to NOK 106 million (NOK 451 million). The other segments have entirely immaterial intercompany sales, as follows: Orkla Brands NOK 4 million (NOK 10 million), Sapa 0 million (NOK 3 million), Borregaard NOK 8 million (NOK 9 million) and Orkla Financial Investments NOK 2 million (NOK 0 million).

OPERATING PROFIT - EBITA*

Amounts in NOK million	1.1. – 30.6.		1.1. – 31.12.		1.4. – 30.6.	
	2012	2011	2011		2012	2011
Orkla Group	1,880	1,865	4,041		992	1,079
Branded Consumer Goods	1,110	1,146	2,784		587	626
Orkla Foods Nordic	456	463	1,082		259	277
Orkla Brands Nordic	610	675	1,464		276	312
Orkla Brands International	(52)	(89)	8		(15)	(26)
Orkla Food Ingredients	96	97	230		67	63
Sapa	433	535	812		251	320
Sapa Profiles	264	334	534		154	215
Sapa Heat Transfer & Building System	169	201	278		97	105
Borregaard Chemicals	283	287	531		158	153
Hydro Power	78	80	260		45	93
Orkla Financial Investments	145	(41)	(58)		42	(41)
HQ/Other Business	(169)	(142)	(288)		(91)	(72)

Reconciliation against operating profit

EBITA*	1,880	1,865	4,041		992	1,079
Amortisation intangible assets	(22)	(14)	(55)		(11)	(7)
Other income and expenses	(256)	(435)	(1,041)		(216)	(369)
Operating profit	1,602	1,416	2,945		765	703

* Operating profit before amortisation and other income and expenses

NOTE 3 OTHER INCOME AND EXPENSES

	1.1.–30.6.		1.1.–31.12.		1.4.–30.6.	
Amounts in NOK million	2012	2011	2011	2012	2011	
M&A costs	(87)	(21)	(124)	(50)	(7)	
Special IFRS effects	(3)	-	-		-	
Final settlements Group Executive Board and Orkla Financial Investments	(39)	-	-	(39)	-	
Restructuring Orkla Brands Russia	(92)	-	-	(92)	-	
Insurance settlements Sapa	29	(48)	(41)	29	-	
Write-down intangible assets in Brazil and property, plant and equipment in Denomega	(42)	-	(55)	(42)	-	
Restructuring Profiles and Heat Transfer/ Building Systems, Sapa	(22)	(404)	(679)	(22)	(396)	
Step acquisition in Orkla Brands and Orkla Eiendom	-	4	(6)	-	-	
Gain on sale/settlements provisions etc., Borregaard	-	34	19	-	34	
Write-down and expenses related to Bakers	-	-	(155)	-	-	
Total other income and expenses	(256)	(435)	(1,041)	(216)	(369)	

The item "Final settlements" refers to the change of President and CEO, the resignation of the head of Orkla Brands and liquidation of the Share Portfolio.

"Restructuring Orkla Brands Russia" consists of costs related to the relocation of production.

"Insurance settlements Sapa" mainly refers to the recognition in income of the remainder of the provision following the settlement with the insurance company. The provision was calculated to cover customer claims in connection with the first fire in Finspång. No payments have been received in connection with the insurance settlements related to the fires in Finspång.

Intangible assets related to Borregaard's operations in Brazil have been written down. The assets were related to deliveries of lye, and the main supplier of lye to the Borregaard factory is having financial difficulties, which have been exacerbated by drought in the area. Furthermore, the value of the assets in Denomega have been further adjusted downwards by NOK 7 million.

Additional costs have been incurred in connection with the restructuring in Sapa. These costs have been recognised as "Other income and expenses" as an extension of the provision made in 2011. Due to the uncertain European market situation, further restructuring within Sapa Profiles Europe is needed.

NOTE 4 STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income shows changes in the value of the Share Portfolio (unrealised gains) and hedging instruments (hedging reserve). These figures are presented after tax. The tax effect for the first half of 2012 relating to unrealised gains amounts to NOK 7 million, while the tax effect relating to the hedging reserve amounts to NOK 8 million.

Unrealised gains on shares and the hedging reserve included in equity at 30 June 2012 (after tax) total NOK 752 million and NOK -263 million, respectively.

NOTE 5 ACQUISITIONS AND SALES OF COMPANIES

In the first half of 2012, Orkla Brands acquired a few small companies representing an enterprise value of NOK 128 million. The largest of these acquisitions was made by the Axellus Group, which purchased the company Pharma-Vinci, thereby strengthening its investment in the pharmacy segment in Denmark. In 2011, Pharma-Vinci had total sales of around DKK 50 million and 35 employees. Orkla Food Ingredients acquired Sebmag (Poland), Kobo (Poland) and Food Distribution Services (Romania), all of which are sales and distribution companies in the bakery and confectionery ingredients segments. In 2011, the companies' aggregate sales totalled around EUR 15 million and they employed a total of 79 persons.

Orkla sold Fornebu Utvikling, Widerøveien 5 and Bakers in the first half of 2012 for a total of NOK 933 million.

NOTE 6 NET INTEREST-BEARING LIABILITIES

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

	30.6.	31.12.
Amounts in NOK million	2012	2011
Non-current interest-bearing liabilities	(15,350)	(15,488)
Current interest-bearing liabilities	(1,103)	(1,472)
Non-current interest-bearing receivables (in "Financial Assets")	792	798
Current interest-bearing receivables (in "Receivables")	59	64
Cash and cash equivalents	4,909	5,453
Net interest-bearing liabilities	(10,693)	(10,645)

NOTE 7 RELATED PARTIES

The Canica system (largest shareholder, with a 24.3% stake) and Orkla both have equity interests in certain investments.

Prior to the sale of Widerøveien 5 AS, Sjøflyhavna Eiendom AS was sold by Widerøveien. Three of the buyers of Sjøflyhavna Eiendom are Canica AS (20%), Ventotene (15%) and Punis AS (15%). Ventotene is wholly-owned by Peter Ruzicka and Punis is owned by Canica employees. The sale was transacted on commercial terms and conditions.

There were no other special transactions between the Group and related parties in the first quarter of 2012.

In April, Åge Korsvold was appointed as new President and CEO, following the resignation of Bjørn M. Wiggen. In May, Torkild Nordberg resigned from his position as CEO of Orkla Brands.

The Group has provided loans totalling NOK 114 million and NOK 179 million, respectively, to joint ventures and associates within Sapa and Orkla's real estate investments.

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 as of 1 January 2012	22,651,500
Allocated during the period	0
Exercised during the period	0
Forfeited during the period	0
Outstanding options as of 30 June 2012	22,651,500

As at 31 December 2011, Orkla had a hedge through a cash-settled financial derivative of 600,000 underlying shares related to its option programme. The hedge agreement was terminated on 20 March 2012 and NOK 1 million was expensed in this connection.

Change in number of treasury shares:

Treasury shares as of 1 January 2012	8,920,791
External purchase of treasury shares	10,188,000
Options exercised in treasury shares	0
Share programme for Orkla employees	0
Treasury shares as of 30 June 2012	19,108,791

On 19 April 2012, the General Meeting of Orkla ASA decided to reduce share capital by NOK 12,500,000 from NOK 1,286,163,712.50 to NOK 1,273,663,712.50 by cancelling 10,000,000 shares owned by Orkla ASA. The number of shares in the company will be reduced from 1,028,930,970 to 1,018,930,970. The amount by which the share capital is reduced will be used to cancel treasury shares.

NOTE 9 ASSESSMENTS RELATING TO IMPAIRMENT

In accordance with the Group's accounting principles, the Share Portfolio was written down by NOK 209 million in the first half of 2012.

Apart from the write-downs presented as "Other income and expenses", no other deficit values have been identified in the Group's property, plant or equipment or intangible assets.

In line with the principle stated in the Annual Financial Statements, the Group's investment in REC is reported at market price as long as this is lower than the carrying value under the principles applied for associates. As at 30 June 2012, the market price was NOK 2.19 per share, compared with NOK 3.32 as at 31 December 2011. A total of NOK 375 million relating to REC was expensed in the first half of 2012. Reported profit/loss from REC does not tally exactly with changes in the market price multiplied by the number of shares. The reason for this is that underlying translation differences recognised in REC's comprehensive income statement will be an income statement element in Orkla's financial statements. Translation differences are normally reported against the equity interest, but in a situation where the value of the interest is determined by the market price, items reported directly against the interest will have to be offset through recognition in the income statement. Profit/loss from REC as at 30 June 2012 was positively impacted by NOK 73 million due to this effect.

NOTE 10 DISCONTINUED OPERATIONS

On 10 January 2011, Orkla ASA entered into a binding agreement regarding the sale of Elkem to China National Bluestar Group Co., Ltd. Settlement took place on 14 April 2011 in accordance with the conditions for the sale. For accounting purposes, the transaction was completed in the first quarter of 2011 when all the official approvals had been obtained. Profit and the gain on the sale of Elkem are presented on a single line in the consolidated income statement. The profit item consists of the following elements:

	1.1. – 30.6.	
Amounts in NOK million	2012	2011
Operating revenues	-	2,675
Operating expenses	-	(2,126)
Depreciation and impairment charges	-	(157)
Amortisation intangible assets	-	(20)
Operating profit	-	372
Financial items, net	-	(39)
Profit/loss before taxes	-	333
Taxes	-	(72)
Profit/loss after taxes	-	261
Gain on sale after tax	-	1,137
M&A costs	-	(185)
Profit/loss for discontinued operations	-	1,213

NOTE 11 OTHER MATTERS**Acquisition of Jordan**

As at 30 June, Orkla had entered into an agreement to purchase Jordan, a leading branded consumer goods company in the oral hygiene, cleaning and painting tools segments. Under this agreement, Orkla ASA will acquire 100% of the shares in Jordan Personal & Home Care AS and Jordan House Care AS. In 2011, sales totalled approximately NOK 900 million. Operating profit (EBITA) was NOK 90 million and operating profit before depreciation and write-downs (EBITDA) was NOK 120 million. At the end of 2011, the company had around 620 employees.

The purchase price of the company is NOK 1,180 million on a cash and debt-free basis. The seller is Jordan AS, which has been a family-owned company ever since its establishment in 1837.

Jordan is market leader in the Nordic region in toothbrushes, toothpicks and dental floss, as well as painting tools. In Norway, Jordan is also the leading supplier of dishwashing brushes and microfiber cloths to the grocery sector. The company also exports its products to several countries outside the Nordic region. Jordan is Europe's third largest manufacturer of painting tools, under brands such as Anza, Spekter and Hamilton. Its subsidiary Peri-dent is one of the world's leading manufacturers of dental floss.

The agreement is subject to the approval of the Norwegian Competition Authority and a final decision is expected in the course of the third quarter.

REC capital increase

In connection with an increase in capital in REC, Orkla entered into an agreement on 3 July to subscribe for 133,333,333 new shares in REC at a share price of NOK 1.50. Provided that the capital increase is approved by the General Meeting of REC, Orkla's stake will be reduced.

Other

Felix Abba has entered into an agreement to purchase the Finnish company Boyfood. The company manufactures and supplies refrigerated herring products under the brand name BOY. In 2011, Boyfood had annual sales on the order of EUR 18 million.

In line with Orkla Food Ingredients' growth strategy, Orkla Food Ingredients has, so far this year, entered agreements to purchase several small sales and distribution companies in Poland, Slovakia and Romania. Total revenues in 2012 from all the new companies within Orkla Food Ingredients amount to some NOK 390 million on a yearly basis.

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

NOTE 12 CASH FLOW STATEMENT ORKLA-FORMAT

The bottom line item of the Orkla-format cash flow statement is the change in net interest-bearing liabilities, which is an important key figure for the Group that is used directly in the management of the business areas, and is included in the presentation of segment information. Cash flow from operations differentiates between industrial activities and investing activities, and shows the Group's overall financial capacity generated by operations to cover the Group's financial items, taxes and items more subject to Group control such as dividends and treasury share transactions. The last part of the cash flow statement

shows which expansion measures have been carried out in the form of direct expansion investments, acquisition of companies, disposal of companies and changes in the level of investments in the Share Portfolio. The cash flow statement is presented on the basis of an average monthly exchange rate, while the change in net interest-bearing liabilities is an absolute figure measured at the closing rate. The difference is explained by the currency translation effect related to net interest-bearing liabilities.

CASH FLOW STATEMENT ORKLA-FORMAT

Amounts in NOK million	Note	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
		2012	2011	2011	2012	2011
Cash flow Industrial Activities:						
Operating profit		1,477	1,457	3,023	743	744
Amortisation, depreciation and impairment charges		967	1,051	2,088	518	574
Changes in net working capital, etc.		(888)	(2,160)	(1,094)	(99)	(906)
Cash flow from operations before net replacement expenditures		1,556	348	4,017	1,162	412
Net replacement expenditures		(861)	(665)	(1,557)	(483)	(292)
Cash flow from operations		695	(317)	2,460	679	120
Financial items, net		(244)	(229)	(488)	(160)	(107)
Cash flow from Industrial Activities		451	(546)	1,972	519	13
Cash flow from Orkla Financial Investments		675	(104)	66	607	(460)
Taxes paid		(952)	(369)	(603)	(697)	(182)
Discontinued operations and other payments		199	(558)	(509)	(10)	215
Cash flow before capital transactions		373	(1,577)	926	419	(414)
Paid dividends		(2,624)	(2,561)	(7,436)	(2,387)	(2,558)
Net sale/purchase of Orkla shares		(467)	(171)	(109)	(36)	(189)
Cash flow before expansion		(2,718)	(4,309)	(6,619)	(2,004)	(3,161)
Expansion Industrial Activities		(270)	(440)	(906)	(133)	(211)
Sale of companies/share of companies (enterprise value)	5, 10	933	13,503	13,503	-	13,503
Purchase of companies/share of companies (enterprise value)	5	(128)	(590)	(1,498)	(7)	(239)
Net purchase/sale portfolio investments		2,015	2,051	4,494	965	1,421
Net cash flow		(168)	10,215	8,974	(1,179)	11,313
Currency effects of net interest-bearing liabilities		120	219	33	(27)	133
Change in net interest-bearing liabilities		48	(10,434)	(9,007)	1,206	(11,446)
Net interest-bearing liabilities	6	10,693	9,218	10,645		