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FIRST HALF-YEAR  
**2010**

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**ORKLA**

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## THE FIRST HALF-YEAR IN BRIEF

- Improved market conditions for Orkla Aluminium Solutions and Elkem's silicon-related operations boosted sales by 14% in the first half-year and 17% in the second quarter.
- Orkla's operating profit (EBITA<sup>1</sup>) for the first half-year increased to NOK 1,641 million (NOK 567 million)<sup>2</sup>. Second-quarter EBITA<sup>1</sup> was NOK 937 million (NOK 334 million)<sup>2</sup>.
- Orkla Brands continued its positive profit trend, achieving 10% profit growth in the first half-year, when EBITA<sup>1</sup> totalled NOK 1,281 million (NOK 1,160 million)<sup>2</sup>. The corresponding figure for the second quarter was NOK 657 million (NOK 638 million)<sup>2</sup>.
- Orkla Aluminium Solutions experienced higher demand and sales volumes through the first half-year and achieved EBITA<sup>1</sup> of NOK 427 million (NOK -490 million)<sup>2</sup>. In the second quarter, which is seasonally the strongest quarter, EBITA<sup>1</sup> amounted to NOK 298 million (NOK -148 million)<sup>2</sup>.
- Orkla Materials saw good demand for silicon-related products and attained close to full capacity utilisation (excl. Elkem Solar) at the end of the first half-year. Low inflow and reservoir levels for the Saudefaldene power plants led to substantially lower production than normal and weaker results for Orkla Materials Energy. First-half EBITA<sup>1</sup> for Orkla Materials was NOK 121 million (NOK 84 million)<sup>2</sup>, while second-quarter EBITA<sup>1</sup> was NOK 61 million (NOK -54 million)<sup>2</sup>.
- The first-half return on the Share Portfolio was 9.3%, compared with 5.9% for the Morgan Stanley Nordic Index (Oslo Stock Exchange Benchmark Index -11.7%).
- REC reported first-half EBITDA of NOK 869 million (NOK 760 million)<sup>2</sup>. Jotun continued to show positive growth at the end of the first four months, with an operating profit of NOK 446 million (NOK 339 million)<sup>2</sup>.
- The Group's investment in REC is accounted for according to the equity method. Orkla bases the value of its equity interest on the market price as long as the market price is lower than the carrying value, according to the principles applied for associates. The market price as of 30 June 2010 was NOK 15.61. This generated an accounting charge of NOK -7.6 billion for the first half-year and NOK -3.0 billion for the second quarter.
- Group pre-tax profit/loss for the first half-year thus totalled NOK -5,211 million (NOK -33 million)<sup>2</sup>, and NOK -1,789 million (NOK 282 million)<sup>2</sup> for the second quarter alone.

<sup>1</sup> Operating profit before amortisation and other income and expenses

<sup>2</sup> Figures in parentheses are for the corresponding period in the previous year

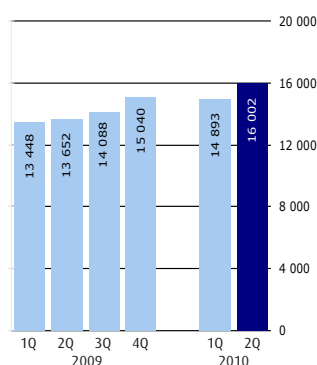
<sup>3</sup> Excluding acquired and sold operations and currency translation effects

<sup>4</sup> [Net interest-bearing liabilities]/Equity

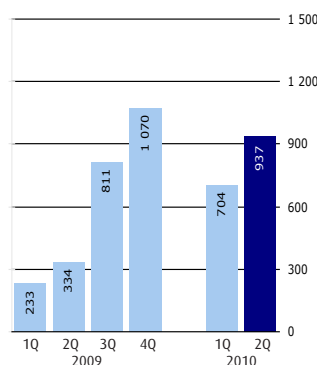
## KEY FIGURES FOR THE ORKLA GROUP

Amounts in NOK million	Note	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
		2010	2009	2009	2010	2009
Operating revenues	2	30,895	27,100	56,228	16,002	13,652
Adjusted EBITA <sup>1</sup>	2	1,641	567	2,448	937	334
Profit/loss before taxes		(5,211)	(33)	1,071	(1,789)	282
Earnings per share diluted (NOK)		(5.6)	0.9	2.5	(2.0)	0.3
Cash flow from operating activities		5	1,452	5,802	55	1,197
Net interest-bearing liabilities		24,786	27,903	19,848		
Equity ratio (%)		47.3	50.0	51.7		
Net gearing <sup>2</sup>		0.60	0.59	0.41		

**OPERATING REVENUES**  
NOK million



**EBITA<sup>1</sup>**  
NOK million



<sup>1</sup> Before amortisation and other income and expenses

<sup>2</sup> [Net interest-bearing liabilities]/Equity

## THE GROUP

Orkla's operating revenues for the first half-year totalled NOK 30,895 million (NOK 27,100 million)<sup>2</sup>, while second-quarter operating revenues amounted to NOK 16,002 million (NOK 13,652 million)<sup>2</sup>. The improvement on last year's results was primarily driven by the increased demand experienced by Orkla Aluminium Solutions and Elkem's silicon business.

Compared with the first half of 2009, the euro has weakened against the Norwegian krone. In the first half of 2010, the Group had negative currency translation effects that reduced operating revenues by around NOK 1.5 billion and, for the second quarter alone, by around NOK 630 million.

Group EBITA<sup>1</sup> for the first half-year was NOK 1,641 million (NOK 567 million)<sup>2</sup>, while second-quarter EBITA<sup>1</sup> came to NOK 937 million (NOK 334 million)<sup>2</sup>. Orkla Brands reported a satisfactory profit performance and underlying<sup>3</sup> profit improvement in both the first half-year and the second quarter alone. Better markets and the positive effects of internal improvement projects resulted in a profit upturn for Orkla Aluminium Solutions of NOK 917 million, compared with the very weak first half of 2009. Orkla Materials posted first-half profit of NOK 121 million (NOK 84 million)<sup>2</sup>. Increased demand for silicon-related products resulted in nearly full capacity utilisation and EBITA<sup>1</sup> of NOK 435 million for the silicon-related units (excl. Elkem Solar). Elkem Solar is in a ramp-up phase entailing scheduled stoppages to carry out adjustments and optimisations. Elkem Solar reduced EBITA<sup>1</sup> by NOK 381 million in the first half-year. Orkla Materials Energy's contribution to profit was lower than normal due to the extremely low reservoir levels at Saudefaldene. Comparative figures for the first half of 2009 also include results from divested power assets. For the Group as a whole, EBITA<sup>1</sup> was negatively affected by currency translation effects totalling NOK 58 million in the first half-year, and NOK 34 million in the second quarter alone.

Other income and expenses came to NOK -161 million in the first half-year (NOK -188 million in the second quarter). The largest items can be ascribed to the second quarter and consisted of the write-down of goodwill in Orkla Finans by NOK 105 million and a provision of NOK 63 million for the closure of Borregaard's factory in Italy, which also produced raw material for Borregaard's vanillin production in Sarpsborg. Meanwhile, Borregaard has entered into a long-term agreement for raw material deliveries from an external supplier. On a full-year basis, these changes are expected to have a positive impact on profit on the order of NOK 25 million.

The Group's equity interests in REC (39.7%) and Jotun (42.5%) are presented according to the equity method on the line for associates. Orkla bases the value of its interest in REC on the market price as long as the market price is lower than the carrying value, according to the principles applied for associates. The market price as at 30 June 2010 was NOK 15.61. A total of NOK -7,576 million was thus recognised in the income statement for the first half-year and NOK -3,024 million for the second quarter in connection with REC. Associates' contribution to profit at 30 June (year to date)

totalled NOK -7,392 million (NOK -75 million)<sup>2</sup>, and NOK -2,908 million (NOK -210 million)<sup>2</sup> for the second quarter.

The first-half return on the Share Portfolio was 9.3%, compared with a return of 5.9% for the Morgan Stanley Nordic Index (-11.7% for the Oslo Stock Exchange Benchmark Index). Gains, losses and write-downs on the Share Portfolio totalled NOK 587 million (NOK -87 million)<sup>2</sup> in the first half-year. The second-quarter contribution to profit was NOK 248 million (NOK 228 million)<sup>2</sup>. Dividends received by the Group came to NOK 389 million (NOK 225 million)<sup>2</sup> in the first half-year and NOK 251 million (NOK 180 million)<sup>2</sup> in the second quarter.

Orkla's first-half diluted earnings per share were NOK -5.6 (NOK 0.9)<sup>2</sup>. The change in the value of REC represented NOK -3.0 per share in the second quarter and NOK -7.4 per share in the first half-year. First-half tax is calculated to be NOK 428 million.

On 6 May 2010, Orkla subscribed for a total of 132,078,878 shares at a subscription price of NOK 12.10 per share in the rights issue in REC. The subscription entailed that Orkla ASA subscribed for all of the subscription rights allocated to Orkla ASA and Elkem AS. After the completed rights issue, Orkla ASA owns 396,236,635 shares, thereby maintaining its equity interest in REC of approximately 39.7%.

## THE BUSINESS AREAS

### ORKLA BRANDS

	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
Amounts in NOK million	2010	2009	2009	2010	2009
Operating revenues	10,843	11,061	23,046	5,440	5,663
EBITA <sup>1</sup>	1,281	1,160	2,793	657	638
EBITA margin (%)	11.8	10.5	12.1	12.1	11.3
Cash flow from operations before					
net replacement expenditures	1,211	1,369	3,745	684	778
Net replacement expenditures	(247)	(265)	(476)	(149)	(128)
Expansion investments	(15)	(84)	(132)	(10)	(62)

<sup>1</sup> Before amortisation and other income and expenses

- Satisfactory profit growth
- Flat top-line performance and stable market shares
- Demanding markets in Russia and for Bakers in Norway

Orkla Brands reported first-half operating revenues of NOK 10,843 million (NOK 11,061 million)<sup>2</sup>. Second-quarter operating revenues totalled NOK 5,440 million (NOK 5,663 million)<sup>2</sup>. Underlying<sup>3</sup> sales grew by 0.3% in the first half-year and -0.8% in the second quarter of 2010 (adjusted for the timing of Easter).

Overall, Orkla Brands saw flat volume growth in the first half-year. Growth is still weakest for the out-of-home channels and exports. Performance in the second quarter was somewhat weaker, particularly for Orkla Brands International.

First-half EBITA<sup>1</sup> came to NOK 1,281 million (NOK 1,160 million)<sup>2</sup>. Underlying<sup>3</sup> profit growth was around 13%. However, the growth in profit must be seen in conjunction with last year's weak start. Orkla Brands Nordic achieved the greatest improvement in profit. Growth was primarily driven by innovations and cost improvements, as well as by currency effects related to purchasing. The cost improvement programmes aimed at reducing purchasing, production and indirect costs are progressing as planned and, seen overall, are on a par with last year.

International price trends for the main raw materials remained variable. On the whole, prices were at the same level as last year.

Second-quarter EBITA<sup>1</sup> totalled NOK 657 million (NOK 638 million)<sup>2</sup>. Underlying<sup>3</sup> growth was 6%, but profit was negatively impacted by the timing of Easter. The biggest launches in the quarter were Familiens Juice (juice, Stabburet), Bergene Nøtt (chocolate, Nidar), Fredagsmiks (snacks, Kims) and the Stor Mia Pai (pie, Stabburet). Stabburet also launched a keyhole-labelled (indicating healthy food) pizza (Grandiosa Biff & Løk) in the quarter. The second-quarter launch programme was somewhat weaker than last year.

#### Orkla Foods Nordic

Orkla Foods Nordic posted first-half operating revenues of NOK 4,452 million (NOK 4,719 million)<sup>2</sup>. Second-quarter operating revenues were NOK 2,262 million (NOK 2,436 million)<sup>2</sup>. There was an underlying<sup>3</sup> decline of 4% in the first half-year and 6% in the second quarter. First-half EBITA<sup>1</sup> amounted to NOK 472 million (NOK 450 million)<sup>2</sup>, while second-quarter EBITA was NOK 278 million (NOK 279 million)<sup>2</sup>. Underlying<sup>3</sup> profit had risen 6% at 30 June, while second-quarter profit was on a par with last year.

Procordia and Abba continued their positive performance. A good programme of innovations strengthened their market shares and improved profit. Stabburet also strengthened its market shares, but sales and profit were slightly lower than last year. As expected, Bakers saw weak volume growth, but this was counteracted by cost reductions and profit was slightly higher than last year. The businesses in Denmark and Finland reported profit growth, while the results achieved by the Baltic businesses were somewhat weaker than last year. Overall, Orkla Foods Nordic has improved its market shares.

#### Orkla Brands Nordic

Orkla Brands Nordic reported first-half operating revenues of NOK 3,781 million (NOK 3,747 million)<sup>2</sup>. Second-quarter operating revenues came to NOK 1,832 million (NOK 1,877 million)<sup>2</sup>. Underlying<sup>3</sup> growth at 30 June was 3%, while growth in the second quarter was flat. First-half EBITA<sup>1</sup> amounted to NOK 715 million (NOK 622 million), while second-quarter EBITA<sup>1</sup> was NOK 330 million (NOK 295 million)<sup>2</sup>. Underlying<sup>3</sup> profit had improved by 17% at 30 June, while profit grew 14% in the second quarter. The timing of Easter had a negative effect on both sales and profit figures for the second quarter compared with last year's results.

Lilleborg, Lilleborg Profesjonell, Göteborgs/Sætre and Axellus in particular achieved profit growth in the first half-year. In several of the businesses, the improvement was ascribable to successful innovations. However, some of the profit growth must be seen in conjunction with the slow start in the first two months of last year, partly due to a weak Norwegian and Swedish krone.

#### Orkla Brands International

Orkla Brands International posted first-half operating revenues of NOK 840 million (NOK 890 million)<sup>2</sup>. Second-quarter operating revenues totalled NOK 428 million (NOK 460 million)<sup>2</sup>. Underlying<sup>3</sup> growth in sales was 1% at 30 June, while there was negative growth of -3% in the second quarter. First-half EBITA<sup>1</sup> amounted to NOK -15 million (NOK 1 million)<sup>2</sup>, and second-quarter EBITA<sup>1</sup> came to NOK -15 million (NOK 4 million)<sup>2</sup>. The underlying<sup>3</sup> decline in the first half-year and the second quarter totalled around NOK 10 million.

Results for the first half-year were affected by the economic decline in Russia and Austria. The Russian chocolate market saw weak growth with intensified campaign activity in an effort to maintain volumes. Higher raw material prices, primarily for cocoa beans, put further pressure on margins for SladCo and Krupskaya. MTR Foods achieved good sales growth in the first half-year, driven by volume growth in the spices, ready mixes and pasta product segments.

Peterhof was acquired with accounting effect from 1 May 2010. The company is well positioned in the chocolate spread market, and is also a producer of biscuits and instant porridge.

#### Orkla Food Ingredients

Orkla Food Ingredients reported first-half operating revenues of NOK 1,896 million (NOK 1,870 million)<sup>2</sup>, and achieved underlying<sup>3</sup> growth of 2%. First-half EBITA<sup>1</sup> amounted to NOK 109 million (NOK 87 million)<sup>2</sup>. Underlying<sup>3</sup> profit rose by 25%. Second-quarter operating revenues totalled NOK 980 million (NOK 972 million)<sup>2</sup>, representing an underlying<sup>3</sup> decline of -0.5%. Second-quarter EBITA<sup>1</sup> amounted to NOK 64 million (NOK 60 million)<sup>2</sup>, an underlying<sup>3</sup> increase in profit of 7%.

Sales growth in the second quarter was somewhat lower than in the first quarter due to more challenging markets, particularly in Central and Eastern Europe as a result of the financial crisis, and to the timing of Easter. The relatively good profit growth in the first half-year was broad-based and driven by the successful implementation of price strategies and volume growth.

The acquisition of Sonneveld has been completed, and will be included in the Group's results as from the third quarter.

## ORKLA ALUMINIUM SOLUTIONS

	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
Amounts in NOK million	2010	2009	2009	2010	2009
Operating revenues	13,371	9,787	20,803	7,251	4,904
EBITA <sup>1</sup>	427	(490)	(344)	298	(148)
EBITA margin (%)	3.2	(5.0)	(1.7)	4.1	(3.0)
Cash flow from operations before					
net replacement expenditures	(341)	382	1,388	(115)	368
Net replacement expenditures	(259)	(189)	(263)	(163)	(110)
Expansion investments	(138)	(196)	(445)	(80)	(85)

<sup>1</sup> Before amortisation and other income and expenses

- Recovering markets and increased demand
- Volume-related increase in working capital
- Expansion in Asia developing according to plan

The development in volumes and net sales has been positive through the first two quarters of the year. Operating revenues increased to NOK 13,371 million (NOK 9,787 million)<sup>2</sup> in the first half of the year. EBITA<sup>1</sup> ended at NOK 427 million (NOK -490 million)<sup>2</sup> in the first half of the year, while EBITA<sup>1</sup> in a seasonally strong second quarter was NOK 298 million (NOK -148 million)<sup>2</sup>.

Market trends in the past few months indicate market growth in most North American and Central and Northern European market segments, although from historically low levels. The exception is building and construction, which remains weak in both Europe and North America. The solar segment continues to show very strong demand and Sapa has strengthened its position.

The cost improvement programme which targets a further reduction of the cost-base by NOK 500 million through 2010 is developing according to plan. Together with other strategic initiatives, it is contributing to the improvement in results. Increased working capital contributed to a negative cash flow from operations in the first half of the year, mainly due to increased volumes, but also due to a more seasonal increase in working capital.

Sapa's organisation in Asia was strengthened during the quarter, in connection with Sapa's strategy to expand in Asia. An agreement to acquire 65% of Vietnamese extruder Vijalco has been signed. The company has 150 employees, and Sapa's investment is approximately NOK 50 million.

The ramp-up phase of the expansion of Sapa Heat Transfer's plant in Shanghai started at the end of the first quarter and the expansion will continue through 2010. The capacity is expected to increase from today's 40,000 tonnes to 75,000 tonnes per year.

### Sapa Profiles

Sapa Profiles' sales volumes reached 395,000 tonnes and EBITA<sup>1</sup> was NOK 244 million (NOK -519 million)<sup>2</sup> in the first half of the year, while EBITA<sup>1</sup> reached NOK 201 million (NOK -206 million)<sup>2</sup> in the second quarter. The positive development from the first to the second quarter was mainly driven by strong volumes, and the effect of implemented cost reductions.

## Sapa Heat Transfer & Building System

Sapa Heat Transfer's volumes for the first half of 2010 were 78,000 tonnes. Sapa Heat Transfer and Building System had an aggregated first-half EBITA<sup>1</sup> of NOK 183 million (NOK 29 million)<sup>2</sup> in the first half of the year, while second-quarter EBITA<sup>1</sup> was NOK 97 million (NOK 58 million)<sup>2</sup>. Sapa Heat Transfer's order intake has continued to increase and the outlook for the coming quarter is good. However, Sapa Building System is affected by the weak building and construction market, and sees few signs of improved activity in the European market.

## ORKLA MATERIALS

	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
Amounts in NOK million	2010	2009	2009	2010	2009
Operating revenues	5,893	5,484	11,317	3,003	2,714
EBITA <sup>1</sup>	121	84	436	61	(54)
EBITA margin (%)	2.1	1.5	3.9	2.0	(2.0)
Cash flow from operations before					
net replacement expenditures	134	505	2,044	12	399
Net replacement expenditures	(183)	(122)	(329)	(108)	(40)
Expansion investments	(139)	(814)	(1,188)	(69)	(333)

<sup>1</sup> Before amortisation and other income and expenses

- Elkem's silicon-related units (excl. Elkem Solar) were running at nearly full capacity at the end of the first half-year
- There were good market trends for key product categories at Borregaard Chemicals, although they were curbed by lower production in Sarpsborg and challenging market conditions for fine chemicals
- As expected, Orkla Materials Energy posted a weak result owing to low reservoir levels and low production at the Saudefaldene plant

Orkla Materials posted first-half operating revenues of NOK 5,893 million (NOK 5,484 million)<sup>2</sup> and EBITA<sup>1</sup> of NOK 121 million (NOK 84 million)<sup>2</sup>. Second-quarter operating revenues came to NOK 3,003 million (NOK 2,714 million)<sup>2</sup> and EBITA<sup>1</sup> was NOK 61 million (NOK -54 million)<sup>2</sup>.

### Elkem Silicon-related

First-half operating revenues were NOK 3,914 million (NOK 3,043 million)<sup>2</sup>. First-half EBITA<sup>1</sup> was positive at NOK 54 million, compared with NOK -328 million in the same period in 2009. At Elkem Solar, first-half EBITA<sup>1</sup> came to NOK -381 million. The other silicon-related units, excluding Elkem Solar, experienced satisfactory growth in demand and higher market prices compared with a weak market for silicon-related products during the same period of last year.

Market conditions for the silicon-related units improved through the first-half, with higher volumes of silicon and ferrosilicon going to the steel industry, the aluminium industry and the chemicals market. Carbon operations also experienced a rise in demand during the period. At end-June, silicon-related units were operating at nearly full capacity, compared with 50% at the end of June last year. Non-recurring items improved operating profit by about NOK 90 million in the first quarter, but had a negative impact of NOK



33 million in the second quarter due to write downs of fixed assets in China.

Throughout the first half-year, Elkem Solar focused on optimizing the individual process stages. This has entailed scheduled stops and test runs and low production volumes of 748 tonnes in the first half-year and 348 tonnes in the second quarter. In the second half of 2010, the plant will gradually be ramped up and aims at reaching full capacity towards year end. Elkem Solar had an adverse impact of NOK -381 million on first-half EBITA<sup>1</sup> (NOK -322 million)<sup>2</sup>, and NOK -197 million (NOK -163 million)<sup>2</sup> in the second quarter.

As a result of a tragic accident at Elkem's plant on Iceland on 29 June, an Elkem employee was killed. An internal investigation has been initiated to identify the causes of the accident.

### Borregaard Chemicals

Borregaard's chemicals business had first-half 2010 operating revenues of NOK 1,850 million (NOK 1,918 million)<sup>2</sup>, marking underlying<sup>3</sup> growth of 5% from last year. EBITA<sup>1</sup> was NOK 61 million, compared with NOK 80 million a year earlier. Borregaard's factory in Sarpsborg has had production problems, but after a scheduled break for maintenance in June, production is expected to improve in the second half. Market conditions for the fine chemicals business in both Norway and Italy are challenging, while there is a positive trend in demand and prices for key lignin and cellulose product categories. Currency hedges compensated for a lower EUR and USD exchange rate against the NOK.

Results for the lignin business have improved since last year. Sales volume climbed by 9% due to better market conditions, primarily in the USA and for special products. The demand for products for the construction industry was stable compared with the first half of 2009. Speciality cellulose posted a somewhat better result than last year, but profitability is still weak. A more favourable mix and higher prices for textile cellulose were partially offset by a reduced production volume, somewhat lower prices for speciality products and higher costs. The fine chemicals business saw very demanding market conditions and reported significantly weaker performance. In the ingredients business, aroma products made progress, while Denomex's results were stable relative to last year.

Borregaard has decided to close its diphenol plant in Italy. A provision of NOK 63 million has been made under "Other income and expenses" related to this. Among other things, the plant in Italy has produced raw materials for Borregaard's vanillin production in Sarpsborg. To ensure access to raw materials, a long-term delivery contract was signed with a major supplier at the same time. This is estimated to improve profitability by an estimated NOK 25 million annually.

### Orkla Materials Energy

First-half EBITA<sup>1</sup> for Orkla Materials Energy was NOK 6 million (NOK 332 million)<sup>2</sup>. However, the comparative figures for 2009 include results totalling NOK 162 million from power plants

disposed of as at 31 December 2009. Moreover, the first half of last year was favourably impacted by one-off effects totalling NOK 58 million.

Elkem Energy posted a weak first-half result since reservoir levels at Sauda were substantially below normal at the outset of 2010, compounded by a very dry and cold first quarter and little inflow in the second quarter. First-half production volume totalled 422 GWh, compared with anticipated normal production of just over 800 GWh. In 2010, about half of Saudefaldene's normal annual production of 1.9 TWh 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.

Borregaard's energy operations reported better results in the first half of 2010, primarily due to higher market prices and somewhat higher power production by its own plants.

NordPool system prices averaged 42 øre/kWh in the first half, compared with 32.2 øre/kWh in the corresponding period last year.

### ORKLA ASSOCIATES

	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
Amounts in NOK million	2010	2009	2009	2010	2009
Profit/loss, gains and write-downs from associates	(7,392)	(75)	(3,919)	(2,908)	(210)
<i>Of which Renewable Energy Corporation (REC)</i>					
<i>Share of profit/loss REC</i>	438	(115)	(931)	301	(272)
<i>Write-down REC</i>	(8,014)	0	(3,135)	(3,325)	0

Orkla Associates consists mainly of investments in Renewable Energy Corporation ASA (REC) (39.7% stake) and Jotun AS (42.5% stake). The figures below are on a 100% basis.

REC's first-half operating revenues were NOK 5,118 million (NOK 4,215 million)<sup>2</sup>, and EBITDA was NOK 869 million (NOK 760 million)<sup>2</sup>. Profit before tax from continuing operations was NOK 1,596 million (NOK -39 million)<sup>2</sup> in the first half.

In the second quarter, operating revenues were NOK 2,758 million, 21% higher than in the corresponding quarter last year. REC experienced positive market development and growth in demand, with improved operations and progress according to plan in Singapore. EBITDA for the quarter was NOK 455 million (NOK 250 million)<sup>2</sup>. Second-quarter profit before tax from continuing operations was NOK 866 million (NOK -689 million)<sup>2</sup>.

Reference is also made to [www.recgroup.com](http://www.recgroup.com).

Jotun reported operating profit of NOK 446 million for the first four months, compared with NOK 339 million during the same period last year. Jotun has seen a positive trend, with relative geographical and market-related variations in the various business

segments. In this year's first four months, operating revenues were 3% weaker than in the same period last year. Partly due to cost improvements, operating profit was nevertheless better than for the same period last year. However, a weaker trend is expected going forward in certain markets, including the markets for new ships and major real estate projects.

## ORKLA FINANCIAL INVESTMENTS

Amounts in NOK million	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
	2010	2009	2009	2010	2009
EBITA <sup>1</sup>	(43)	(38)	(85)	(4)	(17)
Other income and expenses	(105)	-	-	(105)	-
Dividends	388	224	251	250	179
Gains, losses and write-downs in the Share Portfolio	587	(87)	584	248	228
Other financial items	109	13	11	53	42
Profit/loss before taxes	936	112	761	442	432
Market value Share Portfolio	11,244	10,113	11,037		
Return Share Portfolio (%)	9.3	13.7	39.0		
Unrealised gains Share Portfolio	3,547	2,045	3,522		

<sup>1</sup> Before amortisation and other income and expenses

Pre-tax profit for Orkla Financial Investments totalled NOK 936 million (NOK 112 million)<sup>2</sup> in the first half-year. In the second quarter alone, pre-tax profit came to NOK 442 million (NOK 432 million)<sup>2</sup>.

In the first half of 2010, the Share Portfolio showed a return of 9.3% (Morgan Stanley Nordic Index 5.9% and Oslo Stock Exchange Benchmark Index -11.7%).

The market value of the portfolio was NOK 11,244 million after the net sale of shares for NOK 504 million in the first half-year, and unrealised gains amounted to NOK 3,547 million. In the second quarter, net share sales aggregated NOK 115 million.

Gains, losses and write-downs totalled NOK 587 million (NOK -87 million)<sup>2</sup> at 30 June. Dividends received added up to NOK 388 million (NOK 224 million)<sup>2</sup>. During the quarter, gains, losses and write-downs totalled NOK 248 million (NOK 228 million)<sup>2</sup>. Dividends received amounted to NOK 250 million (NOK 179 million)<sup>2</sup>.

Orkla Finans posted first-half operating revenues of NOK 58 million (NOK 53 million)<sup>2</sup> and EBITA<sup>1</sup> of NOK -23 million (NOK -26 million)<sup>2</sup>. During the quarter, operating revenues totalled NOK 31 million (NOK 28 million)<sup>2</sup> and EBITA<sup>1</sup> was NOK -9 million (NOK -10 million)<sup>2</sup>.

Orkla Eiendom (real estate) had a first-half EBITA<sup>1</sup> of NOK 25 million (NOK -35 million)<sup>2</sup>. In the second quarter alone, EBITA<sup>1</sup> was NOK 16 million (NOK -15 million)<sup>2</sup>.

Elkem Energi Handel (energy trading) generated first-half EBITA<sup>1</sup> of NOK -26 million (NOK 49 million)<sup>2</sup>, while the corresponding figure for the second quarter was NOK -3 million (NOK 23 million)<sup>2</sup>. It has been decided to discontinue financial energy trading.

In the second quarter, a goodwill write-down of NOK 105 million associated with Orkla Finans is presented under "Other income and expenses".

## CASH FLOW AND FINANCIAL SITUATION

Cash flow from operating activities totalled NOK 5 million (NOK 1,452 million)<sup>2</sup> in the first half-year. Cash flow was adversely impacted by higher working capital. The increase in working capital was largely related to higher sales for Sapa and Elkem, as well as a seasonal build-up in the second quarter for most of the Group's businesses.

Dividends totalling NOK 2,198 million were paid out in the first half of 2010. The sale of NOK 17 million in treasury shares was linked to fulfilment of the option programme.

Expansion investments in the first half-year came to NOK 291 million, which is NOK 802 million lower than at 30 June last year. This is primarily related to Sapa Profiles' facility in Feltre (Italy), but there are also some payments remaining in connection with the Saudefaldene plants and Elkem Solar's factory at Fiskaa.

The acquisition of companies cost a total of NOK 2,563 million in the first half, and is related to the rights issue in REC (NOK 1.6 billion), as well as Orkla Brands' acquisition of the Kaley Chocolate Factory, Peterhof, Sonneveld, Call Caterlink and Tomtegløgg.

Net sales of portfolio investments amounted to NOK 504 million at 30 June, while net first-half sales of shares in 2009 totalled NOK 1,930 million.

Following expansion and net portfolio investments, the Group had a net cash flow of NOK -4,575 million in the first half-year. After negative foreign currency effects of NOK -363 million, net interest-bearing liabilities thus increased by NOK 4,938 million to NOK 24,786 million.

During the first half-year, the Group's interest-bearing liabilities had an average interest rate of 2.1% and the bulk of the liabilities carried floating interest rates. The Group's liabilities are spread across currencies in accordance with its net investments, so liabilities measured in NOK will fluctuate in step with exchange rate movements. The interest-bearing liabilities are generally distributed among NOK, SEK, EUR, DKK, and USD.

Since 31 December 2009, the consolidated balance sheet has been reduced by NOK 7.0 billion, predominantly owing to the payment of receivables on the sale of power plants and changes in the value of REC shares. Equity ratio was 47.3% at 30 June 2010, while net gearing<sup>4</sup> at the end of the quarter was 0.6.

## OTHER MATTERS

At the Corporate Assembly meeting on 27 May 2010, Stein Erik Hagen, Svein S. Jacobsen, Åse Aulie Michelet, Bjørg Ven, Peter Ruzicka and Kristin Skogen Lund were re-elected to Orkla's Board



of Directors. Stein Erik Hagen was re-elected Chair of the Board and Svein S. Jacobsen was re-elected Deputy Chair. All the above were re-elected for a one-year term, i.e. up to the first meeting of the Corporate Assembly after the Annual General Meeting in 2011. Lennart Jeansson stepped down from the Board, while Jesper Ovesen was elected as a new member of Orkla's Board. Orkla's Board of Directors now comprises the following shareholder-elected members: Stein Erik Hagen (Chair of the Board), Svein S. Jacobsen (Deputy Chair), Åse Aulie Michelet, Bjørn Ven, Peter Ruzicka, Kristin Skogen Lund and Jesper Ovesen. As regards the Board's employee-elected members, Per Arnfinn Solberg stepped down from the Board, while Bjørn Rune Henriksen was elected as a new member of the Orkla Board. Orkla's Board of Directors now comprises the following employee-elected members: Aage Andersen, Gunn Liabø and Bjørn Rune Henriksen. The Board thanks former Board members for their work to promote Orkla's best interests.

Dag J. Opedal has notified the Board of Directors of Orkla ASA that he would like to step down as President and CEO during the current year. In agreement with the Board of Directors, Mr Opedal will continue in his position until his successor is in place. The Board has commenced the process of hiring a new CEO. Mr Opedal will continue to chair the Board of REC ASA after leaving Orkla. He will also continue to attend to Orkla's interests on Jotun AS' Board. The Board of Directors of Orkla ASA thanks Dag J. Opedal for his wide-ranging efforts and for more than 20 years of contributions to the Group's development and growth, not least as President and CEO since 2005.

## OUTLOOK

The financial outlook indicates growth for 2010 as a whole, although with more uncertainty associated with the development of the economic cycle, and with large geographical variations. Continued buoyant growth is expected in Asia, accompanied by increased activity in North America, while growth in Europe is less certain. Orkla is well-positioned for cyclical recovery, but it is also prepared to deal with new setbacks.

Orkla Brands expects a relatively stable trend in the Nordic grocery market. Raw material prices are complex, but after a period with a rather flat trend in raw material prices, there are now several signs of new price growth in certain categories of raw materials. Further price increases are expected for agricultural products in Norway. Somewhat more demanding markets are expected outside the Nordic countries in 2010, especially in Russia and the Baltic States, and the market situation for Bakers in Norway still presents challenges.

Orkla Aluminium Solutions expects cyclical improvement in most markets in North America in 2010, with the exception of the building and construction industry. The market is also showing growth in Europe, although the outlook is more uncertain, especially in Southern Europe. Sapa Building System expects weaker markets as a result of low activity in the building and construction industry in Europe. Seasonally, the second quarter is the strongest for Sapa, whereas the summer holiday season in July/August affects third quarter-results negatively, especially in Southern Europe.

At Orkla Materials, Elkem's silicon-related units expect to see good capacity utilisation and to maintain price levels in the second half of the year. However, price effects will vary in the different segments due to varying contract structures. Borregaard Chemicals expects good demand for the year as a whole. Within Orkla Materials Energy, the inflow was low during the quarter, and reservoir levels at the power plants in Sauda were thus abnormally low at the end of the first half-year. Consequently, production and results for the rest of the year are also expected to be lower than in a normal year.


## STATEMENT FROM THE BOARD OF DIRECTORS

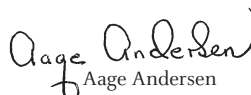
We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half-year of 2010 which has been prepared in accordance with IAS 34 Interim Financial Statements gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Oslo, 20 July 2010

The Board of Directors of Orkla ASA

  
Stein Erik Hagen  
Chair

  
Svein S. Jacobsen  
Deputy Chair

  
Aage Andersen

  
Bjørn Rune Henriksen

  
Gunn Liabø

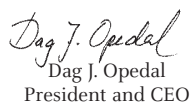
  
Kristin Skogen Lund

  
Åse Aulie Michelet

  
Jesper Ovesen

  
Peter Ruzicka

  
Bjørn Ven

  
Dag J. Opedal  
President and CEO

## THE GROUP'S CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
		2010	2009	2009	2010	2009
<b>Operating revenues</b>	2	<b>30,895</b>	27,100	56,228	<b>16,002</b>	13,652
Operating expenditures		<b>(27,990)</b>	(25,328)	(51,303)	<b>(14,424)</b>	(12,731)
Depreciation and impairment charges on tangible assets		<b>(1,264)</b>	(1,205)	(2,477)	<b>(641)</b>	(587)
Amortisation of intangible assets		<b>(25)</b>	(100)	(213)	<b>(15)</b>	(50)
Other income and expenses	3	<b>(161)</b>	(10)	2,871	<b>(188)</b>	(10)
<b>Operating profit</b>		<b>1,455</b>	457	5,106	<b>734</b>	274
Profit/loss, gains and write-downs associates	7	<b>(7,392)</b>	(75)	(3,919)	<b>(2,908)</b>	(210)
Received dividends		<b>389</b>	225	252	<b>251</b>	180
Gains, losses and write-downs in the Share Portfolio		<b>587</b>	(87)	584	<b>248</b>	228
Financial items, net		<b>(250)</b>	(553)	(952)	<b>(114)</b>	(190)
<b>Profit/loss before taxes</b>		<b>(5,211)</b>	(33)	1,071	<b>(1,789)</b>	282
Taxes		<b>(428)</b>	(79)	496	<b>(238)</b>	(39)
<b>Profit/loss for the period for continued operations</b>		<b>(5,639)</b>	(112)	1,567	<b>(2,027)</b>	243
Gains/profit discontinued operations		<b>0</b>	993	993	<b>0</b>	0
<b>Profit/loss for the period</b>		<b>(5,639)</b>	881	2,560	<b>(2,027)</b>	243
Profit/loss attributable to non-controlling interests		<b>39</b>	(82)	(31)	<b>31</b>	(12)
Profit/loss attributable to owners of the parent		<b>(5,678)</b>	963	2,591	<b>(2,058)</b>	255
Profit/loss before taxes, the Industry division		<b>(6,147)</b>	(145)	310	<b>(2,231)</b>	(150)
Profit/loss before taxes, Orkla Financial Investments		<b>936</b>	112	761	<b>442</b>	432

## EARNINGS PER SHARE

Amounts in NOK	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
	2010	2009	2009	2010	2009
<b>Earnings per share</b>	<b>(5.6)</b>	0.9	2.5	<b>(2.0)</b>	0.3
<b>Earnings per share (diluted)</b>	<b>(5.6)</b>	0.9	2.5	<b>(2.0)</b>	0.3

## THE GROUP'S CONDENSED COMPREHENSIVE INCOME

Amounts in NOK million	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
	2010	2009	2009	2010	2009
<b>Profit/loss for the period</b>	<b>(5,639)</b>	881	2,560	<b>(2,027)</b>	243
Change in unrealised gains on shares	<b>25</b>	1,198	2,511	<b>(710)</b>	1,527
Change in hedging reserve	<b>(186)</b>	241	591	<b>(76)</b>	186
Translation effects	<b>470</b>	(1,038)	(2,677)	<b>588</b>	327
<b>The Group's comprehensive income</b>	<b>(5,330)</b>	1,282	2,985	<b>(2,225)</b>	2,283
Comprehensive income attributable to non-controlling interests	<b>37</b>	(393)	(310)		
Comprehensive income attributable to owners of the parent	<b>(5,367)</b>	1,675	3,295		

## THE GROUP'S CONDENSED BALANCE SHEET

	30.6. 2010	31.12. 2009
Amounts in NOK million		
Intangible assets	14,969	14,731
Property, plant and equipment	25,185	24,694
Financial assets	9,891	15,922
<b>Non-current assets</b>	<b>50,045</b>	<b>55,347</b>
Inventories	8,551	7,531
Receivables	14,622	16,568
Share Portfolio, etc.	11,282	11,087
Cash and cash equivalents	3,150	4,153
<b>Current assets</b>	<b>37,605</b>	<b>39,339</b>
<b>Total assets</b>	<b>87,650</b>	<b>94,686</b>
Paid-in equity	1,995	1,995
Earned equity	39,065	46,560
Non-controlling interests	393	370
<b>Equity</b>	<b>41,453</b>	<b>48,925</b>
Provisions and other non-current liabilities	4,166	4,339
Non-current interest-bearing liabilities	26,578	29,042
Current interest-bearing liabilities	3,533	1,746
Other current liabilities	11,920	10,634
<b>Equity and liabilities</b>	<b>87,650</b>	<b>94,686</b>
Equity ratio (%)	47.3	51.7

## CHANGES IN EQUITY

	1.1. – 30.6.2010			1.1. – 31.12.2009		
Amounts in NOK million	Attributed to equity holders of the parent	Non- controlling interests	Total equity	Attributed to equity holders of the parent	Non- controlling interests	Total equity
Equity 1 January	48,555	370	48,925	47,383	2,686	50,069
The Group's comprehensive income	(5,367)	37	(5,330)	3,295	(310)	2,985
Dividends	(2,179)	(19)	(2,198)	(2,288)	(66)	(2,354)
Buybacks of Orkla shares	17	-	17	94	-	94
Option costs	34	-	34	71	-	71
Change in non-controlling interests	-	5	5	-	(1,940)	(1,940)
<b>Equity at the close of the period</b>	<b>41,060</b>	<b>393</b>	<b>41,453</b>	<b>48,555</b>	<b>370</b>	<b>48,925</b>

## THE GROUP'S CONDENSED CASH FLOW

Amounts in NOK million	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
	2010	2009	2009	2010	2009
<b>Cash flow in the Industry division:</b>					
Operating profit	1,603	495	5,191	843	291
Amortisation, depreciation and impairment charges	1,287	1,283	2,653	664	625
Gain on sale of power plants presented as «sale of companies»	-	-	(3,066)	0	-
Changes in net working capital, etc.	(2,155)	304	2,197	(1,022)	586
Cash flow from operations before net replacement expenditures	735	2,082	6,975	485	1,502
Net replacement expenditures	(730)	(630)	(1,173)	(430)	(305)
Cash flow from operations	5	1,452	5,802	55	1,197
Financial items, net	(310)	(815)	(1,261)	(127)	(309)
<b>Cash flow from Industry division</b>	<b>(305)</b>	<b>637</b>	<b>4,541</b>	<b>(72)</b>	<b>888</b>
<b>Cash flow from Orkla Financial Investments</b>	<b>592</b>	<b>645</b>	<b>1,003</b>	<b>335</b>	<b>174</b>
Taxes paid	(436)	(1,445)	(1,402)	(261)	(989)
Other payments	105	(6)	25	90	(61)
<b>Cash flow before capital transactions</b>	<b>(44)</b>	<b>(169)</b>	<b>4,167</b>	<b>92</b>	<b>12</b>
Paid dividends	(2,198)	(2,169)	(2,354)	(2,196)	(2,168)
Net sale/purchase of Orkla shares	17	0	94	7	0
<b>Cash flow before expansion</b>	<b>(2,225)</b>	<b>(2,338)</b>	<b>1,907</b>	<b>(2,097)</b>	<b>(2,156)</b>
Expansion investments in Industry division	(291)	(1,093)	(1,765)	(158)	(479)
Sale of companies/share of companies	0	0	5,914	0	0
Purchase of companies/share of companies	(2,563)	(91)	(3,282)	(2,460)	(24)
Net sale/purchase of portfolio investments	504	1,930	2,866	115	1,568
<b>Net cash flow</b>	<b>(4,575)</b>	<b>(1,592)</b>	<b>5,640</b>	<b>(4,600)</b>	<b>(1,091)</b>
Currency effects of net interest-bearing liabilities	(363)	1,113	1,936	(325)	(224)
<b>Change in net interest-bearing liabilities</b>	<b>4,938</b>	<b>479</b>	<b>(7,576)</b>	<b>4,925</b>	<b>1,315</b>
<b>Net interest-bearing liabilities</b>	<b>24,786</b>	<b>27,903</b>	<b>19,848</b>		

## NOTES

## NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements for the first half-year of 2010 were approved at a meeting of the Board of Directors on 20 July 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 step acquisitions, non-controlling 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 «Other income and expenses» in the income statement. There were only minor acquisition costs in the first half-year.

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 have been restated. In contrast with the reporting on the first half 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

	1.1. – 30.6.		1.1. – 31.12.	1.4. – 30.6.	
Amounts in NOK million	2010	2009	2009	2010	2009
<b>Orkla Group</b>	<b>30,895</b>	27,100	56,228	<b>16,002</b>	13,652
<b>Orkla Brands</b>	<b>10,843</b>	11,061	23,046	<b>5,440</b>	5,663
Orkla Foods Nordic	4,452	4,719	9,754	2,262	2,436
Orkla Brands Nordic	3,781	3,747	7,722	1,832	1,877
Orkla Brands International	840	890	1,939	428	460
Orkla Food Ingredients	1,896	1,870	3,966	980	972
Eliminations Orkla Brands	(126)	(165)	(335)	(62)	(82)
<b>Orkla Aluminium Solutions</b>	<b>13,371</b>	9,787	20,803	<b>7,251</b>	4,904
Sapa Profiles	10,575	7,312	15,621	5,748	3,532
Sapa Heat Transfer & Building System	3,186	2,848	5,856	1,705	1,558
Eliminations Orkla Aluminium Solutions	(390)	(373)	(674)	(202)	(186)
<b>Orkla Materials</b>	<b>5,893</b>	5,484	11,317	<b>3,003</b>	2,714
Elkem Silicon-related	3,914	3,043	6,332	1,980	1,587
Borregaard Chemicals	1,850	1,918	3,815	937	931
Orkla Materials Energy	224	612	1,353	125	230
Eliminations Orkla Materials	(95)	(89)	(183)	(39)	(34)
<b>Orkla Financial Investments</b>	<b>1,512</b>	1,498	2,977	<b>677</b>	654
<b>Orkla HQ/Other Business/Eliminations</b>	<b>(724)</b>	(730)	(1,915)	<b>(369)</b>	(283)

## OPERATING PROFIT - EBITA\*

	1.1. – 30.6.	1.1. – 31.12.	1.4. – 30.6.
<b>Orkla Group</b>	<b>1,641</b>	2,448	<b>937</b>
<b>Orkla Brands</b>	<b>1,281</b>	2,793	<b>657</b>
Orkla Foods Nordic	472	1,088	278
Orkla Brands Nordic	715	1,380	330
Orkla Brands International	(15)	89	(15)
Orkla Food Ingredients	109	236	64
<b>Orkla Aluminium Solutions</b>	<b>427</b>	(344)	<b>298</b>
Sapa Profiles	244	(574)	201
Sapa Heat Transfer & Building System	183	230	97
<b>Orkla Materials</b>	<b>121</b>	436	<b>61</b>
Elkem Silicon-related	54	(581)	10
Borregaard Chemicals	61	216	31
Orkla Materials Energy	6	801	20
<b>Orkla Financial Investments</b>	<b>(43)</b>	(85)	<b>(4)</b>
<b>Orkla HQ/Other Business</b>	<b>(145)</b>	(352)	<b>(75)</b>

\* Before amortisation and other income and expenses

**NOTE 3 OTHER INCOME AND EXPENSES**

Amounts in NOK million	1.1. – 30.6.		1.1. – 31.12.		1.4. – 30.6.	
	2010	2009	2009	2010	2009	
Termination of the old AFP schemes	30	-	-	-	-	-
M&A costs	(23)	-	-	(20)	-	-
Closure of Borregaard Italy	(63)	-	-	(63)	-	-
Write-down of goodwill						
Orkla Finans	(105)	-	-	(105)	-	-
Orkla Brands, settlement Kotlin and Elbro	-	(10)	(10)	-	(10)	(10)
Orkla Aluminium Solutions, restructuring Indalex and Benelux			(185)			
Gain on sale of power plants	-	-	3,066	-	-	-
	(161)	(10)	2,871	(188)	(10)	(10)

Termination of the former contractual early retirement (AFP) scheme resulting in recognition of AFP provisions in the income statement following the Storting resolution in February 2010 to terminate the scheme. 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 has therefore decided to 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. Variances from estimates 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 half-year. 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 increase over time.

**NOTE 4 ACQUISITION OF COMPANIES/AGREEMENT TO PURCHASE ASSETS**

In the first half-year, Orkla Brands has bought businesses and a brand at a total cost of approx. NOK 900 million. The largest acquisitions are Peterhof in Russia, Sonneveld Group in the Netherlands and Kalev Chocolate Factory in Estonia. In each acquisition, 100% of the shares were taken over. Peterhof, located in St. Petersburg, holds positions in the chocolate-based spreads and biscuits markets. Its annual sales are on the order of NOK 85 million. Sonneveld Group is market leader for bread improvers in the Benelux countries and its annual sales total around EUR 55 million. Kalev Chocolate Factory is the leading company in the chocolate and confectionery segment in Estonia. The company has annual sales of around EUR 28 million. The profit impact of these acquisitions has only a minor effect on the Group's position.

These acquisitions were made in order to establish new and strengthen existing market positions for Orkla Brands. The excess value related to the acquisitions is mainly attributable to goodwill and brands. The balance sheet total increased by NOK 998 million as a result of the Orkla Brands acquisitions.

On 6 May Orkla ASA subscribed for 132,078,878 shares in the rights issue in REC at a subscription price of NOK 12.10 per share. At the same time, Orkla ASA took over all of Elkem AS's shares and subscription rights in REC. After the completed rights issue, Orkla ASA owns 396,236,635 shares, thereby maintaining its equity interest in REC of approximately 39.7%.

Furthermore, some minor associate interests were acquired by Orkla's real estate operations (Eiendom).

**NOTE 5 RELATED PARTIES**

There were no special transactions between the Group and related parties in the first half-year 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 119 million to joint ventures and associates within its real estate operations (Eiendom).

**NOTE 6 OPTIONS AND TREASURY SHARES**

A total of 6,495,000 options have been awarded to senior executives and key employees in the first half-year. A total of 540,000 options were exercised in the same period. As of 30 June, 20,922,000 options were outstanding. A corresponding total of 540,000 treasury shares were sold in connection with the exercise of options. As of 30 June 2010, Orkla owned 9,317,815 treasury shares.

Change in number of options:

Outstanding number of options as of 1 January 2010	14,967,000
Granted during the period	6,495,000
Exercised during the period	(540,000)
Outstanding number of options as of 30 June 2010	20,922,000

Change in treasury shares:

Total as of 1 January 2010	9,857,815
Options exercised in treasury shares	(540,000)
Total as of 30 June 2010	9,317,815

**NOTE 7 ASSESSMENTS RELATING TO IMPAIRMENT**

Goodwill related to the operations of Orkla Finans was written down by NOK 105 million to nil. The business unit has reported weak results for some time and the Group has determined that the capitalised goodwill can no longer justify its value.

No significant impairments were identified in the first half-year in the value of the Group's other non-current or intangible assets, and only a few minor write-downs were taken in the reporting period.

In accordance with the Group's accounting principles, the Share Portfolio was written down by NOK 166 million as of 30 June 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 15.61 per share as of 30 June 2010. The total amount reported in the income statement, which includes the write-down and the Group's share of equity in REC, was NOK -7.6 billion.

In connection with recognition of the Group's share of results, the investment in Fornebu Utvikling ASA was adjusted downwards by NOK 13 million. The carrying value of the Group's interest in Fornebu Utvikling ASA is NOK 603 million. The market value of the interest is NOK 451 million (NOK 1.68 per share). There is little trading in the share and the carrying value of the equity capital in Fornebu Utvikling ASA was NOK 2.4 billion as of the first quarter, which means NOK 761 million for Orkla's 32.36% interest.

**NOTE 8 OTHER MATTERS**

In connection with the payment of dividends, NOK 115 million was withheld in tax and will be paid in July.

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.

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.