



ORKLA

Third Quarter 2008

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**THIRD
QUARTER
2008**

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THE THIRD QUARTER IN BRIEF

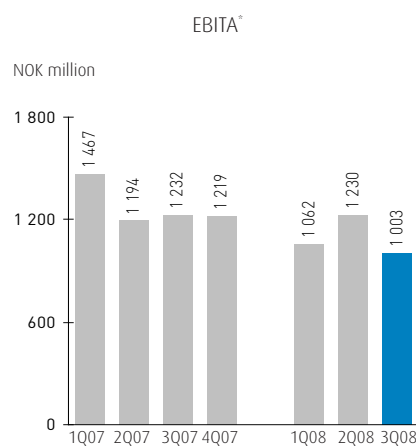
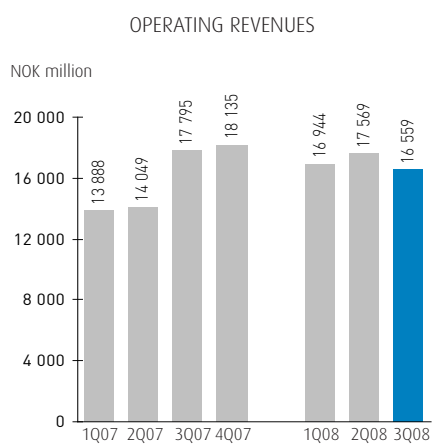
- Orkla's operating profit (EBITA) for the third quarter came to NOK 1,003 million (NOK 1,232 million)¹, whereas EBITA so far this year amounted to NOK 3,295 million (NOK 3,893 million)¹.
- Orkla Brands had a good quarter and the positive profit trend from the first and second quarters continued with a growth in EBITA of 19 % in the quarter. Year-to-date EBITA is 17 % better than last year.
- The profit for Orkla Aluminium Solutions is affected by weak markets with a decline in volume of extrusions in both the USA and Europe. Heat Transfer and Building System had a satisfactory profit and has been less affected by the financial crisis and lower economic growth.
- Orkla Materials had an EBITA in the third quarter that was NOK 78 million weaker than in the third quarter a year ago. Losses in energy trading and poor results in primary aluminium were only partly counteracted by continued high prices and profit growth for its silicon business.
- Within Orkla Associates, REC had an increase in EBITDA in the third quarter of 11 % to NOK 711 million, while Jotun had an increase in EBITA of 15 % to NOK 807 million per the second four-month period.
- So far in 2008, the Share Portfolio had a return of -27.6 % compared with -31.7 % for Morgan Stanley Nordic Index (Oslo Børs Benchmark Index -35.1 %). Orkla Financial Investments had a net book loss in the Share Portfolio of NOK -2,323 million (NOK 1,398 million)¹ in the third quarter, of which accounting writedowns as a result of impairment losses in portfolio investments amounted to NOK 2,170 million. This is the main explanation why the Group's results before tax came to NOK -955 million in the third quarter (NOK 2,234 million)¹.
- The Group has a strong balance sheet with an equity ratio of 51.2 % and net gearing of 0.5. The Group also has a robust financing structure with long-term committed drawing facilities that more than adequately cover the refinancing needs for 2009 and 2010.

¹ Figures in brackets are for the corresponding period in the previous year.

KEY FIGURES FOR THE ORKLA GROUP

Amounts in NOK million	1.1. – 30.9.		1.1. – 31.12.	1.7. – 30.9.	
	2008	2007	2007	2008	2007
Operating revenues	51,072	45,732	63,867	16,559	17,795
Operating profit (EBITA) ¹	3,295	3,893	5,112	1,003	1,232
Profit/loss before tax	2,424	8,792	10,059	(955)	2,234
Earnings per share (diluted) (NOK)	1.3	7.1	8.1	(1.2)	1.7
Cash flow from operations	1,359	3,200	4,443	202	1,313
Net interest-bearing liabilities	25,244	16,969	16,178		
Equity ratio (%)	51.2	57.6	58.3		
Net gearing	0.50	0.32	0.29		

¹ Before amortisation, restructuring and significant impairments.



* EBITA = Earnings before amortisation, restructuring and significant impairments.

THE GROUP

Orkla's operating revenues came to NOK 16,559 million (NOK 17,795 million)¹ in the third quarter. After correcting for the consolidation of four months of Alcoa's former extrusion operations effective in the third quarter of 2007, the operating revenues was at approximately the same level as last year. So far this year, the operating revenues has come to NOK 51,072 million (NOK 45,732 million)¹. This growth is primarily due to the consolidation of Alcoa's former extrusion operations in Orkla Aluminium Solutions effective from 1 June 2007.

Both Orkla Brands and Orkla Materials had an underlying² growth in operating revenues during the quarter. Also in the third quarter, the Norwegian kroner was substantially stronger measured against USD than last year, whereas it was somewhat weaker measured against the Euro. Net currency translation effects lifted operating revenues by NOK 19 million during the quarter, whereas the effect at the close of the third quarter was NOK -1,328 million.

The Group's EBITA for the third quarter came to NOK 1,003 million (NOK 1,232 million)¹, whereas year-to-date EBITA amounted to NOK 3,295 million (NOK 3,893 million)¹. Orkla Brands is relatively less exposed to the international financial crisis and lower economic growth, and this business also had very good profit growth in the third quarter. Among the remaining businesses, Sapa Profiles and Orkla Financial Investments in particular have been negatively affected by this crisis during the quarter, and these had EBITAs that were NOK 142 million and NOK 76 million lower respectively than in the same period last year. EBITA in Sapa Profiles were diminished by NOK -40 million in non-recurring costs related to the unrealised acquisition project Kam Kiu in China. Naturally, the profit/loss from financial power trading may fluctuate considerably, and even be negative at times. In the third quarter, EBITA from this power trading in Elkem came to NOK -44 million compared with a profit of NOK 76 million last year. Elkem Aluminium had a poor result caused by a weak USD and increased prices on input factors. In addition, a higher percentage of hedge contracts were realised at lower prices in the second half of 2008 than in the first half. There is still a good market for silicon and ferrosilicon metal, and the silicon business had profit growth of NOK 92 million during the quarter. Borregaard had a profit at the same level as last year, but also here it was noted that demand is declining in some market segments. Demanding markets and reduced activity for Orkla Finans caused that Orkla Financial Investments had EBITA in the third quarter that was NOK 76 million lower than a good third quarter in 2007. The Group's EBITA was negatively affected by currency translation effects of NOK -55 million so far this year, whereas the effects in the quarter have been positive with a gain of NOK 10 million.

Orkla's stakes in REC (39.73 %) and Jotun (42.5 %) are presented according to the equity method on the line for associates. The contribution from associates to Group profit so far this year amounted to a total of NOK 1,905 million (NOK 843 million)¹, whereas the contribution in the quarter came to NOK 573 million (NOK 197 million)¹. Of this, the year-to-date contribution from REC to Orkla's profit amounted to NOK 776 million (NOK 610 million)¹, of which NOK 496 million (NOK 123 million)¹ was the contribution in the third quarter.

At the close of the third quarter, the Share Portfolio had a return of -27.6 % compared with -31.7 % for the Morgan Stanley Nordic Index (-35.1 % for Oslo Børs Benchmark Index). Gross portfolio gains of NOK 38 million were realised in the quarter, but due to impairment charges of NOK -2,170 million under IFRS, net realised portfolio gains and changes in the fair value of associates amounted to NOK -2,323 million (NOK 1,398 million)¹. Dividends received in the third quarter amounted to NOK 58 million (NOK 65 million)¹.

So far this year, Orkla's profit per share (diluted) was NOK 1.3. The key figure has been negatively affected by NOK -3.2 from impairment charges on portfolio investments. At the same time, there were high portfolio gains in 2007, which caused that the profit per share (diluted) in the same period last year amounted to NOK 7.1.

The Group's overall tax charge is considerably affected by the Financial Investments division's share of the profit/loss before tax. The most substantial part of the profit/loss from the Financial Investments division is exempt from taxation. In 2008, the Financial Investments division had a large accounting loss, which will therefore not be deductible either. In such a case, the Group's tax charge will appear to be especially high and based on the situation after the third quarter a tax charge of about 40 % for the year in total is estimated.

THE BUSINESS AREAS

ORKLA BRANDS

Amounts in NOK million	1.1. – 30.9.		1.1. – 31.12.		1.7. – 30.9.	
	2008	2007	2007	2008	2007	
Operating revenues	16,657	16,076	22,253	5,646	5,326	
EBITA	1,786	1,522	2,218	708	596	
EBITA margin (%)	10.7	9.5	10.0	12.5	11.2	

- Profit growth driven by good underlying² profit performance for several of the major companies
- Price increases to compensate for a considerable cost increase related to factors such as raw materials, labour, transport and energy
- Sale of businesses in Orkla Brands International

Operating revenues in the third quarter came to NOK 5,646 million (NOK 5,326 million)¹. There was an underlying² revenue increase of 7 % in the quarter, primarily driven by price increases. EBITA was NOK 708 million (NOK 596 million)¹. There was underlying² profit growth of about 20 %, which is on a level with the growth in the second quarter.

The positive profit performance from the second quarter continued and all four business units had underlying² profit growth. Important explanatory variables for the growth during the quarter are that necessary price increases on finished products have been carried out, and that there have been positive effects from internal efforts to promote improvement. This is primarily related to reduced production costs and continuous improvements in the whole value chain.

Internationally, there has been a fluctuating price trend for raw materials. There is great uncertainty related to the future trend in

² Excluding acquisitions, divestments and currency translation effects.

the international raw material prices. Norwegian agricultural products have risen in price as a result of the collective agricultural agreement. There will be further increases in Norwegian raw material prices at year end. Orkla Brands is still experiencing a high cost increase related to labour.

Orkla Brands International has carried out a number of structural measures in Eastern Europe. Superfish (Poland) was sold at the end of 2007; Guseppe (Czech Republic) and Kotlin and Elbro (both in Poland) were sold and agreed to be sold in the third quarter. The latter two companies must be granted approval by Polish competition authorities.

Losses through the sale of Guseppe and a revenue recognition of parts of a too high provision that was made in the fourth quarter of 2007 related to the liquidation of the Swedish food business, Topp, have an overall neutral effect on the line for "restructuring and significant impairments" in the quarter.

In the third quarter several new products were launched. Among the most important were Grandiosa Pizzasnurrer (Stabburet), Doc Stærk (Nidar) and Wool Collection (Pierre Robert).

Orkla Foods Nordic

In the third quarter, Orkla Foods Nordic had operating revenues of NOK 2,392 million (NOK 2,308 million)¹. Underlying² growth in revenue was about 5 %. Third-quarter EBITA was NOK 287 million (NOK 235 million)¹, and underlying² growth in profits was approximately 27 %. Equally high growth cannot be expected in the coming months.

In the third quarter, there was also good underlying² growth in profit for the two biggest divisions, Stabburet and Procordia. Bakers (Norway) had growth in profits, but the profitability is still at a low level. In Finland and the Baltic States, there was growth in both operating revenues and EBITA. Abba Seafood (Sweden) and Beauvais (Denmark) had some decrease in profits in the quarter. The market shares for Orkla Foods Nordic are in total somewhat reduced relative to the same period last year.

Orkla Brands Nordic

In the third quarter, Orkla Brands Nordic had operating revenues of NOK 1,869 million (NOK 1,810 million)¹, equivalent to underlying² growth of about 6 %. EBITA in the third quarter came to NOK 360 million (NOK 351 million)¹, and underlying² growth in profits was about 5 %.

All of the businesses had sales growth. Tekstiler and Lilleborg Profesjonell, both of which have many new design concepts and products on the market, enjoyed an especially good trend. Most of the businesses had profit growth. Despite increased competition, Lilleborg's EBITA was on a level with the previous year. Kjeks had good profit growth that can be related to a good innovation programme in Norway. In Snacks, the price increases have not been sufficient to compensate for increased raw material prices. Overall market shares for Orkla Brands Nordic declined slightly.

Orkla Brands International

In the third quarter, Orkla Brands International had operating revenues of NOK 565 million (NOK 528 million)¹, and underlying² growth was about 19 %. Third-quarter EBITA came to NOK 9 million (NOK -30 million)¹. Underlying² profit growth was a little less than NOK 40 million.

In the third quarter, there was sales and profit growth in Krupskaya, SladCo and MTR Foods. The growth in Krupskaya and SladCo in Russia was partly driven by increased sales cooperation, where Krupskaya sells SladCo-products in its domestic market in the St. Petersburg area. Both of the businesses experienced continued significant cost increases in the quarter, but this will be compensated to an increasing extent by further price increases on the finished products. Felix Austria and Orkla Foods Romania had sales growth, but EBITA was on a level with the corresponding period last year.

Orkla Food Ingredients

In the third quarter, Orkla Food Ingredients had operating revenues of NOK 902 million (NOK 785 million)¹, and there was underlying² growth of about 7 %. EBITA in the third quarter came to NOK 52 million (NOK 40 million)¹. The underlying² growth in profit was about 25 %.

Also in the third quarter Orkla Food Ingredients succeeded in passing on increases in raw material prices to the market, and most of the businesses reported higher profits. K&K Cz (Czech Republic), the Dragsbæk Group (Denmark/foreign subsidiaries) and Idun Industri (Norway) had the biggest growth.

In August, Orkla Food Ingredients purchased the Slovakian margarine company, Belusa. The new company, Belusa Foods, will have a yearly turnover of about NOK 120 million and 58 employees.

ORKLA ALUMINIUM SOLUTIONS

Amounts in NOK million	1.1. – 30.9.		1.1. – 31.12.		1.7. – 30.9.	
	2008	2007	2007	2008	2007	2007
Operating revenues	21,670	18,165	25,335	6,696	8,776	
EBITA	799	982	1,187	92	254	
EBITA margin (%)	3.7	5.4	4.7	1.4	2.9	

- **Substantial decline in volume, but better margins than expected.**
A further decline in sales volume is expected
- **Stiffer competition in most markets will result in pressure on prices**
- **Strong focus on costs in all units and adjustments will be carried out in order to adapt the organisation to weaker demand in the markets**

Operating revenues in the third quarter came to NOK 6,696 million (NOK 8,776 million)¹. The operating revenues in the third quarter of 2007 was affected by the consolidation of Alcoa's former extrusion operations, effective from 1 June (four months). Corrected for this, the operating revenues in the third quarter was about 11 % lower than last year, which is related to the weaker markets, primarily for the extrusion operations, but the other operations are also noticing the slowdown in the world economy. EBITA closed at NOK 92 million compared with NOK 254 million in 2007. The results were diminished by NOK -40 million in non-recurring costs related to the unrealised

acquisition project Kam Kiu in China.

The quarter was negatively affected by the fact that both July and August are traditionally holiday months, which entails lower activity during these months. In addition, many customers extended their holiday period compared with previous years. In September, which is normally a stronger month, the activity did not pick up appreciably, the main reason being the global financial turbulence. There was a slight tendency toward stabilisation in the markets near the close of the second quarter, but the events in recent months have changed that, so that further signs of a slowdown can now be observed in most markets. High production costs have resulted in extra pressure on the margins in all markets, and the low volumes make it more difficult to adjust costs. Most units have had to make dismissals and laid off all temporary personnel in order to meet lower volumes. Planned restructuring projects are carried out on an ongoing basis.

The stabilisation of the North American market that was observed in the first part of the third quarter is now threatened because the turbulence in the financial markets is being reflected in the real economy. A further slowdown in the building and construction market is now expected, at the same time as the housing market is no longer expected to have a positive trend in the current year. All markets are expected to remain at low levels with very few strong segments. The market shares in the North American market, however, are stable or rising as a result of good utilisation and operation. A weaker demand in the previously strong Nordic market is also expected now in the latter part of the year. The downward trend has come faster than expected, and pressure on prices can be expected in the Swedish market. The British market has seen a downward trend in the building and construction industry and in formerly strong niche segments in the automotive industry. Big companies are placed in administration, and the market is uncertain with regard to the further trend. The markets in both Central and Southern Europe are experiencing tough competition with increased pressure on prices. Operations at the Noblejas plant in Spain have been closed down in the quarter, in keeping with approved restructuring plans. On the brighter side, there is still good performance in the solar industry, even though volumes have been low. The Chinese market has also remained strong throughout the third quarter and is still experiencing relatively good growth. However, the general slowdown in the automotive market is now affecting China as well, and the competition is growing, with increased pressure on prices. Positive growth figures are still expected, but at a lower rate than before.

Sapa Profiles

Sapa Profile's operating revenues for the third quarter came to NOK 5,247 million (NOK 7,349 million)¹, whereas EBITA amounted to NOK -28 million (NOK 114 million)¹. However, corrected for NOK 40 million in non-recurring costs related to the acquisition analysis of Kam Kiu, the quarterly result is positive. Volumes delivered during the quarter amounted to 170,000 tonnes compared with 200,000 tonnes in 2007. The decline is driven by the weak market trend. Measures are taken in order to adjust the cost-level to lower volumes in all units. Sapa Profiles in Sweden has initiated measures that reduce the workforce in line with the market trend. Restructuring processes that entail reducing the workforce are en route in Spain and Portugal as well.

Sapa Heat Transfer & Building System

Sapa Heat Transfer og Building System's operating revenues for the third quarter came to NOK 1,671 million (NOK 1,666 million)¹, whereas EBITA amounted to NOK 120 million (NOK 140 million)¹. Sapa Heat Transfer had a volume of 33,000 tonnes in the third quarter.

ORKLA MATERIALS

	1.1. – 30.9.		1.1. – 31.12.	1.7. – 30.9.	
Amounts in NOK million	2008	2007	2007	2008	2007
Operating revenues	12,208	10,417	14,891	4,076	3,403
EBITA	999	1,370	1,732	324	402
EBITA margin (%)	8.2	13.2	11.6	7.9	11.8

- Poor results from Elkem Aluminium due to a weak dollar, and higher power-, freight- and raw material costs
- Weaker results for Elkem Energi so far this year due to losses in the trading business
- Recognised costs at Elkem Solar year to date came to NOK 243 million compared with NOK 118 million in the same period last year
- Market prices for Silicon and Ferrosilicon have stayed at a high level throughout the third quarter
- For Borregaard, weaker markets for cellulose used in textile production and a volume decrease in important lignin segments resulted in lower profits for the chemicals business

Elkem

Elkem's operating revenues in the third quarter came to NOK 2,975 million (NOK 2,219 million)¹. EBITA was NOK 214 million, a reduction of NOK 72 million relative to the same period last year. Poorer results in energy trading accounted for NOK -120 million of the difference in profit, while Elkem Aluminium had a third-quarter profit that was NOK 75 million lower than last year. Despite NOK 22 million in higher recognised costs at Elkem Solar, the silicon-related units had an improvement in profits of NOK 92 million compared with the same period last year.

The profits for primary aluminium were lower than in the third quarter last year, primarily due to increased power-, freight- and raw material costs in addition to a weaker dollar. The increased cost base was not sufficiently compensated for by higher prices since a substantial part of the sales volumes was hedged below market prices. The average price of aluminium for three-month delivery on the London Metal Exchange (LME) in the quarter was USD 2,838 compared with USD 2,605 in the third quarter of 2007. A loss of NOK 88 million on metal hedges was realised in the third quarter. The hedged volume in the fourth quarter is somewhat higher than in the third quarter, and the hedged price in the fourth quarter is equivalent to the hedged price in the third quarter. The volume produced from the foundry totalled 86,000 tonnes on a 100 % basis.

Energy operations had poorer results than in the third quarter last year. EBITA from trading was NOK -44 million, which was NOK 120 million lower than in the same period in 2007. Production in the quarter was 782 GWh, which is 38 GWh lower compared to last year. The reduction was mainly due to lower inflow from precipitation to the reservoirs.

Despite increased recognised costs of NOK 22 million at Elkem Solar, the total profit for the silicon-related units was considerably higher than in the third quarter last year. The recognised costs at Elkem Solar were NOK 81 million in the third quarter and have totalled NOK 243 million so far this year. Higher prices for Silicon and Ferrosilicon have been achieved in this quarter than in the previous quarters, and this has had a positive effect on the profit performance. Elkem Chartering realised a time charter contract during the quarter with a positive non-recurring effect on profits equivalent to NOK 20 million.

Elkem Solar is a comprehensive technology project where further development of technology and processes has taken place simultaneously with the construction of the first industrial plant in Kristiansand. The quality of Elkem Solar's materials has been improved through ongoing development work, and quality tests both internally and with customers show the same cell efficiency as for polysilicon. The plant's capacity has also increased by 15-20 % so that the production volume at full capacity will be approximately 6,000 tonnes. Simultaneously, however, the investment in the first plant also increased to roughly NOK 4.0-4.2 billion. As of the third quarter, the industrial plant was 93.6 % mechanically completed.

Borregaard

Borregaard's operating revenues in the third quarter of 2008 came to NOK 1,104 million (NOK 1,189 million)¹. The underlying² reduction is 7 % from last year. EBITA was NOK 110 million (NOK 116 million)¹. Year to date, operating revenues has come to NOK 3,569 million (NOK 3,443 million)¹, and the underlying² increase is 6 %. EBITA after three quarters is NOK 352 million compared with NOK 272 million last year.

The chemicals business had a decline in third-quarter EBITA from NOK 99 million last year to NOK 52 million this year. The decline applies to all main segments, where price increases do not fully compensate for higher raw material and energy costs and unfavourable currency exchange rates.

As expected, the market for cellulose used in textile production was considerably weaker than in the first half, but in total, the prices for special cellulose were somewhat higher than in the same quarter last year. Nevertheless, strong growth in both fixed and variable costs caused that results were poorer. In the lignin operations, the sales volume was 12 % lower than last year as a result of lower demand, especially from the construction industry in some parts of Europe and America. An altered operational and logistical pattern related to measures following the outbreak of Legionella in Sarpsborg had a negative effect on profits, and efforts are now being made to come up with more long-term solutions that should eliminate the risk of Legionella at the plant. The decline in volume was partly counteracted by a satisfactory trend in price and product mix. In the Ingredients business, a price increase in aroma and yeast products had a positive effect on profits. A continued positive market trend in Denomega was counteracted by high costs associated with expansion. The first commercial deliveries of Omega-3 products from the new plant in Ålesund took place during the quarter. The fine chemicals business in Italy has demanding market conditions and profitability is under pressure.

The energy business had good growth in profits to an EBITA of NOK 58 million (NOK 17 million)¹. This is due to higher market prices than in the same quarter last year and a greater contribution from financial power trading. In addition, inflow above the normal level has increased the power production at the run-of-river hydropower plants.

During the quarter, Borregaard has introduced a closure process for the production of cellulose in Switzerland with a view to shut down production during December 2008. Efforts are being made to liquidate the business in a way that preserves the inherent value of production equipment, buildings and sites.

ORKLA ASSOCIATES

	1.1. – 30.9.		1.1. – 31.12.	1.7. – 30.9.	
Amounts in NOK million	2008	2007	2007	2008	2007
Profit/loss from associates	1,905 ¹	843	848	573	197
<i>Of which Renewable Energy Corporation (REC)</i>	<i>776</i>	<i>610</i>	<i>607</i>	<i>496</i>	<i>123</i>

¹ Of which NOK 830 million were a profit from the sale of a 40 % stake in Hjemmet Mortensen.

Orkla Associates primarily consists of investments in the Renewable Energy Corporation ASA (REC) (39.73 % stake) and Jotun AS (42.5 % stake). The figures below are on a 100 % basis.

REC's third-quarter operating revenues totalled NOK 1,919 million, 30 % higher than last year, while EBITDA in the quarter was NOK 711 million compared to NOK 643 million in 2007. Compared to last year, currency development had negative translation effects on operating revenues and EBITDA of NOK -35 million and NOK -32 million respectively. At the same time, NOK 56 million more is charged to EBITDA as expansion costs than in the third quarter last year. Profit before tax was NOK 1,761 million compared with NOK 57 million in 2007. Embedded derivatives in individual sales contracts had a positive effect of NOK 1,207 million on profits during this quarter, whereas this effect was NOK -394 million in the third quarter last year.

REC Silicon and REC Solar continued to report solid growth in the third quarter in both operating revenues and production. However, EBITDA was negatively affected by a planned production shutdown and expansion costs. Together with increased variable costs based on lower capacity utilisation than expected, this resulted in a somewhat lower margin in the quarter than last year. Compared with the previous quarter, operating revenues and EBITDA were reduced as a result of a shutdown in wafer production.

REC has signed a long-term contract for delivery to Taiwan worth NOK 2.6 billion. At the third quarter of 2008, REC had a long-term contract portfolio of over NOK 60 billion.

The Jotun Group has continued its progress. As in previous periods, high shipbuilding activity, major projects in oil and gas and considerable construction activity in the Middle East are contributing to the positive trend. Operating revenues increased per the second four-month period by 10 % compared with the same period last year. There was growth

in all divisions. At the same time, EBIT improved by 15 %. High raw material prices and a relatively weak US dollar contributed to a certain amount of pressure on margins in most segments. Given that few markets will avoid a global recession, Jotun expects to be affected by the general economic trend going forward. It is still too early to predict the extent to which this will take root. Regardless, the Jotun Group will pursue a strategy of long-term growth, which entails, among other things, the opening of a new factory in Korea during the first half of 2009 together with plans for the construction of a factory in Libya.

ORKLA FINANCIAL INVESTMENTS

Amounts in NOK million	1.1. – 30.9.		1.1. – 31.12.		1.7. – 30.9.	
	2008	2007	2007	2008	2007	
EBITA	(71)	182	237	(42)	34	
Dividends	455	718	1,076	58	65	
Gains and losses/writedowns the Share Portfolio	(2,506)	3,290	3,627	(2,323)	1,398	

Profit/loss before tax came to NOK -2,210 million (NOK 1,572 million)¹ in the third quarter.

The Share Portfolio had a return per third quarter of -27.6 % compared with -31.7 % for the Morgan Stanley Nordic Index and -35.1 % for the Oslo Børs Benchmark Index. The market value of the Share Portfolio was NOK 13,763 million after a net purchase of shares of NOK 804 million during the quarter. Unrealised gains amounted to NOK 752 million in the third quarter.

Gross realised gains in the quarter came to NOK 38 million, but due to writedowns of NOK 2,170 million, realised portfolio gains and changes in the fair value of associates amounted to NOK -2,323 million (NOK 1,398 million)¹. Dividends received amounted to NOK 58 million (NOK 65 million)¹.

The Share Portfolio is presented in the accounts as a short-term asset at fair value. Shares and units where the Group owns less than 20 % are recognized at fair value as available for sale with changes in value taken directly to equity, whereas shares and units in companies where the Group owns between 20 % and 50 % are recognised as associates with changes in value recognised in the income statement. Items in the Share Portfolio defined as available for sale at a lower value than book value, are written down in the income statement if the impairment is significant or long-term. The writedown cannot be reversed in the income statement until the value is realised. Especially the writedown criteria at persistently lower value than book value may entail further writedowns in the future, even if the market and market values should rise.

The turbulence in the financial markets affected Orkla Finans during the quarter. Third-quarter operating revenues totalled NOK 34 million (NOK 41 million)¹ and EBITA was NOK -21 million (NOK -7 million)¹.

Orkla Eiendom had a profit/loss before tax in the quarter of NOK -12 million (NOK 66 million)¹, a decline that must be viewed in connection with the good third quarter last year.

CASH FLOW AND FINANCIAL SITUATION

Cash flow from operating activities totalled NOK 202 million in the third quarter, compared with NOK 1,313 million in the same quarter last year. The decrease was mainly due to a negative trend in working capital as a result of increases in the value of trade debtors and inventory. Price increases in both raw materials, finished products and other input factors resulted in increased tied-up capital in most of Orkla's business areas. Net replacement investments were also somewhat higher than in the same period last year, primarily due to the ongoing efficiency enhancement processes in Orkla Aluminium Solutions.

Financial items paid were NOK -261 million in the third quarter compared with NOK -138 million at the same point last year. Increased interest costs related to higher interest bearing debt explain the greater part of the change.

Expansion investments of NOK 1,079 million in the quarter were primarily related to projects in Elkem. The construction of Elkem Solar is clearly the largest, although there were also outgoings related to completion of the hydropower development at Sauda.

Net purchases of portfolio shares totalled NOK 804 million in the third quarter as against net sales of NOK 1,282 million in the same period last year. In the quarter the dividend payments for the year were completed through the payment of withholding tax on dividends to foreign shareholders amounting to NOK 137 million.

After expansion and net portfolio gains, the Group had a negative net cash flow of NOK 2,341 million in the third quarter. Allowing for negative currency translation effects, net interest-bearing liabilities increased by NOK 2,595 million during the quarter. The settlement from the sale of the shares in Hjemmet Mortensen had a value date of 1 October 2008 and thus are not included in the reported cash flow for the third quarter. Allowing for the sales price of NOK 950 million, the net interest-bearing liabilities would have shown an increase of NOK 1,645 million.

The average borrowing rate for the Group's net interest-bearing liabilities in the third quarter was 5.2 %. The liabilities all have floating interest rate terms and are mainly distributed among the currencies NOK, SEK, EUR, DKK and USD.

Group balance sheet assets rose by NOK 4.6 billion compared with the end of 2007, mainly as a result of expansion investments, but also driven by an increase in the value of trade debtors and inventory. Allowing for the settlement for the shares in Hjemmet Mortensen on 1 October, the balance sheet assets have risen by NOK 3.7 billion since the start of the year.

OTHER MATTERS

The Group has carried out impairment tests for all intangible assets with indefinite useful life and for all goodwill. As of the third quarter, a permanent impairment with a need for writedowns had not been ascertained. However, the preparation and presentation of the accounts for the third quarter is occurring in a very turbulent market, and several

of the assumptions on which the impairment tests are based may change in the future. Therefore there will be further work with the impairment tests in the fourth quarter. Assumptions about both interest rates and the real economy will be reviewed and possibly adjusted in keeping with the market trend, and budgets and plans for the coming years will be simultaneously updated in keeping with new constraints.

The main market for Borregaard's cellulose business in Switzerland has shown a diminishing demand and a rapid drop in prices throughout the third quarter and on into 2009. Even though a number of improvement measures have been implemented, it is not very likely in the current market situation that operating procedures that can ensure adequate profitability in the coming years, can be established. A process has therefore been initiated with the aim of liquidating the business. This process is expected to be concluded in the fourth quarter. A preliminary assessment shows that the value of the property and buildings will primarily correspond to book values of non-current assets and liquidation costs. In keeping with IFRS, however, liquidation costs will have to be recognised as expenses in the fourth quarter, while gains from the sale of real estate and buildings will most likely come in subsequent periods.

OUTLOOK

The crisis in the financial sector has developed rapidly during the autumn and real fear arose in the market of a serious collapse in the global financial system. After extensive and partly coordinated measure from central banks and authorities, together with clear signals from the same entities that they will do what is necessary to prevent a collapse, the risk of a serious systemic crisis is regarded as somewhat diminished.

With its diversified portfolio and sound balance sheet, Orkla is well equipped to handle weaker market trends.

Orkla Brands and energy production, which represent about 52 % of EBITA in 2007 are expected to be affected to a smaller extent by the weak business conditions.

Orkla Aluminium Solutions expects further decreases in volume for its extrusion operations in the USA and Europe and Sapa Profiles therefore expects continued poor results in the short term. Sapa Heat Transfer and Sapa Building System have a customer and product portfolio that are expected to give a more satisfactory profit-performance.

Orkla Materials is still experiencing strong markets and good prices for silicon metals. Aluminium prices have fallen in the third quarter due to lower demand, and in combination with an increased cost level, this will result in lower margins for the unhedged volumes as well. For historical reasons, Elkem Aluminium has sold significant parts of its volume on forward contracts at a lower price than the current LME price. The negative effect from the hedges will increase in the short term as a result of high realisation of hedged amounts in the second half of 2008. Energy prices have developed favourably during the quarter, but the outlook in the coming months is more uncertain. Borregaard expects weaker markets for certain parts of the chemicals business.

The persistent turbulence in the financial markets affects Orkla Financial Investments through the value of the Share Portfolio, but also through a lower activity level in Orkla Finans. Writedowns have been made in the Share Portfolio so far in 2008 and additional weakening will prompt further writedowns.

The Group has a total annual exposure to the USD and EUR of NOK 500 and NOK 200 million respectively. A weaker Norwegian krone relative to both EUR and USD will give positive currency translation effects in the coming months, but this effect will come gradually because the contracts that have been signed and predictable cash flows are hedged continually.

The Group has a strong balance sheet with an equity ratio of 51.2 % and net gearing of 0.5. The Group also has a robust financing structure with long-term committed drawing facilities that more than sufficiently cover the refinancing needs for 2009 and 2010.

Oslo, 30 October 2008
The Board of Directors of Orkla ASA

CONDENSED GROUP INCOME STATEMENT

Amounts in NOK million	1.1. – 30.9.		1.1. – 31.12.	1.7. – 30.9.	
	2008	2007	2007	2008	2007
Operating revenues	51,072	45,732	63,867	16,559	17,795
Operating expenses	(46,204)	(40,335)	(56,729)	(15,042)	(15,990)
Depreciation and impairment charges on property, plant and equipment	(1,573)	(1,504)	(2,026)	(514)	(573)
Amortisation of intangible assets	(172)	(167)	(230)	(57)	(53)
Restructuring and significant impairments	(34)	(429)	(814)	0	(429)
Operating profit	3,089	3,297	4,068	946	750
Profit/loss from associates	1,905	843	848	573	197
Dividends	457	719	1,076	58	65
Gains and losses/writedowns the Share Portfolio	(2,506)	3,290	3,627	(2,323)	1,398
Financial items, net	(521)	643	440	(209)	(176)
Profit/loss before tax	2,424	8,792	10,059	(955)	2,234
Tax expenses	(970)	(1,407)	(1,614)	(260)	(424)
Profit/loss for the accounting period	1,454	7,385	8,445	(1,215)	1,810
Minority interest's share of the profit/loss for the accounting period	131	96	46	1	47
Majority interest's share of the profit/loss for the accounting period	1,323	7,289	8,399	(1,216)	1,763
Profit/loss before tax, the Industry division	4,206	4,165	4,579	1,255	662
Profit/loss before tax, Orkla Financial Investments	(1,782)	4,627	5,480	(2,210)	1,572

EARNINGS PER SHARE

Amounts in NOK	1.1. – 30.9.		1.1. – 31.12.	1.7. – 30.9.	
	2008	2007	2007	2008	2007
Earnings per share	1.3	7.1	8.2	(1.2)	1.7
Earnings per share (diluted)	1.3	7.1	8.1	(1.2)	1.7
Earnings per share (diluted)¹	1.4	7.5	9.0	(1.2)	2.1

¹ Excl. amortisation, restructuring, significant impairments and discontinued operations.

CONDENSED GROUP BALANCE SHEET

	<u>30.9.</u>	<u>31.12.</u>
Amounts in NOK million	<u>2008</u>	<u>2007</u>
Intangible assets	16,605	16,626
Property, plant and equipment	25,655	21,481
Financial assets	16,562	14,999
Non-current assets	58,822	53,106
Inventories	9,433	8,533
Receivables	14,416	12,628
Share Portfolio, etc.	13,819	17,559
Cash and cash equivalents	2,932	2,966
Current assets	40,600	41,686
Total assets	99,422	94,792
Paid-in equity	1,990	2,002
Earned equity	46,255	50,661
Minority interests	2,686	2,601
Equity	50,931	55,264
Provisions	6,008	6,142
Non-current interest-bearing liabilities	25,777	16,093
Current interest-bearing liabilities	2,578	3,188
Other current liabilities	14,128	14,105
Equity and liabilities	99,422	94,792
Equity ratio (%)	51.2	58.3

CHANGES IN EQUITY

	<u>1.1. – 30.9.</u>	<u>1.1. – 31.12.</u>
Amounts in NOK million	<u>2008</u>	<u>2007</u>
Equity 1 January	52,663	47,773
Profit for the accounting period after minority interests	1,323	8,399
Dividends	(2,282)	(2,061)
Buybacks of Orkla shares	(653)	(566)
Change in unrealised gains on shares	(3,060)	(2,646)
Change in hedging reserve	(105)	(14)
Option costs	17	25
Gains on deemed disposals	-	938
Equity adjustments REC ¹ and change in accounting principles	-	1,610
Translation effects foreign subsidiaries	342	(795)
Equity at the close of the accounting period	48,245	52,663

¹ The equity adjustment is primarily due to the fact that Orkla did not participate in the share issue in 2006, a share issue that was at a higher rate than Orkla's capitalised value of REC.

CONDENSED CASH FLOW

Amounts in NOK million	1.1. – 30.9.		1.1. – 31.12.	1.7. – 30.9.	
	2008	2007	2007	2008	2007
Cash flow in the Industry division:					
Operating profit	3,160	3,115	3,831	988	715
Amortisation, depreciation and impairment charges	1,743	1,965	2,556	563	926
Changes in net working capital, etc.	(1,944)	(808)	(286)	(709)	56
Cash flow from operations before net replacement expenditures	2,959	4,272	6,101	842	1,697
Net replacement expenditures	(1,600)	(1,072)	(1,658)	(640)	(384)
Cash flow from operations	1,359	3,200	4,443	202	1,313
Financial items, net	(897)	(278)	(618)	(261)	(138)
Cash flow from Industry division	462	2,922	3,825	(59)	1,175
Cash flow from Orkla Financial Investments	330	1,033	1,352	(188)	209
Taxes paid	(1,273)	(1,029)	(1,089)	(92)	(98)
Miscellaneous	160	79	132	6	9
Cash flow before capital transactions	(321)	3,005	4,220	(333)	1,295
Dividends paid	(2,331)	(2,095)	(2,114)	(137)	(128)
Net buy back of Orkla shares	(653)	(656)	(566)	8	(688)
Cash flow before expansion	(3,305)	254	1,540	(462)	479
Expansion investment in Industry division	(3,051)	(2,129)	(2,964)	(1,079)	(810)
Sale of companies/shares of companies	168 ¹	1,813	1,900	57	75
Purchase of companies/shares of companies	(1,050)	(7,584)	(7,513)	(53)	(458)
Net purchase/sale of the Share Portfolio	(1,567)	1,413	1,821	(804)	1,282
Net cash flow	(8,805)	(6,233)	(5,216)	(2,341)	568
Currency effects of net interest-bearing liabilities	(261)	684	458	(254)	191
Change in net interest-bearing liabilities	9,066	5,549	4,758	2,595	(759)
Net interest-bearing liabilities	25,244¹	16,969	16,178		

¹ Hjemmet Mortensen was sold to Egmont in the second quarter. The settlement of NOK 950 million was received on 1 October and has thus not reduced interest-bearing liabilities in the third quarter.

NOTES

NOTE 1 General information

Orkla ASA's condensed, consolidated financial statements for the first nine months of 2008 was approved by the board meeting on 30 October 2008. The accounting figures have not been audited. Orkla ASA is a public limited liability company with office at Skøyen in Oslo (Norway).

The shares are traded on Oslo Børs (the Oslo Stock Exchange). The interim report has been drawn up in keeping with IAS 34 Interim Reporting, and it has followed the same accounting principles and calculation methods as in the last financial statements.

NOTE 2 Segments

OPERATING REVENUES

Amounts in NOK million	1.1. – 30.9.		1.1. – 31.12.		1.7. – 30.9.	
	2008	2007	2007	2007	2008	2007
Orkla Group	51,072	45,732	63,867		16,559	17,795
Orkla Brands	16,657	16,076	22,253		5,646	5,326
Orkla Foods Nordic	7,121	6,937	9,548		2,392	2,308
Orkla Brands Nordic	5,608	5,680	7,666		1,869	1,810
Orkla Brands International	1,616	1,513	2,262		565	528
Orkla Food Ingredients	2,562	2,245	3,200		902	785
Eliminations Orkla Brands	(250)	(299)	(423)		(82)	(105)
Orkla Aluminium Solutions	21,670	18,165	25,335		6,696	8,776
Sapa Profiles	17,130	13,681	19,305		5,247	7,349
Sapa Heat Transfer & Building System	5,308	5,301	7,060		1,671	1,666
Eliminations Orkla Aluminium Solutions	(768)	(817)	(1,030)		(222)	(239)
Orkla Materials	12,208	10,417	14,891		4,076	3,403
Elkem	8,649	7,003	10,293		2,975	2,219
Elkem Energy	1,389	928	1,370		527	299
Elkem Primary Aluminium	2,120	1,978	2,657		706	596
Elkem Silicon-related	5,922	4,618	7,009		2,014	1,525
Eliminations Elkem	(782)	(521)	(743)		(272)	(201)
Borregaard	3,569	3,443	4,637		1,104	1,189
Borregaard Energy	169	127	177		64	42
Borregaard Chemicals	3,542	3,437	4,628		1,086	1,188
Eliminations Borregaard	(142)	(121)	(168)		(46)	(41)
Eliminations Orkla Materials	(10)	(29)	(39)		(3)	(5)
Orkla Financial Investments	722	692	933		197	166
Orkla HQ/Other Business/Eliminations	(185)	382	455		(56)	124

OPERATING PROFIT (EBITA*)

Orkla Group	3,295	3,893	5,112	1,003	1,232
Orkla Brands	1,786	1,522	2,218	708	596
Orkla Foods Nordic	709	606	893	287	235
Orkla Brands Nordic	991	910	1,218	360	351
Orkla Brands International	(48)	(104)	(71)	9	(30)
Orkla Food Ingredients	134	110	178	52	40
Orkla Aluminium Solutions	799	982	1,187	92	254
Sapa Profiles	380	571	590	(28)	114
Sapa Heat Transfer & Building System	419	411	597	120	140
Orkla Materials	999	1,370	1,732	324	402
Elkem	647	1,098	1,363	214	286
Elkem Energy	258	475	648	76	165
Elkem Primary Aluminium	69	292	312	(17)	58
Elkem Silicon-related	320	331	403	155	63
Borregaard	352	272	369	110	116
Borregaard Energy	123	71	109	58	17
Borregaard Chemicals	229	201	260	52	99
Orkla Financial Investments	(71)	182	237	(42)	34
Orkla HQ/Other Business	(218)	(163)	(262)	(79)	(54)

* Before amortisation, restructuring and significant impairments.

NOTE 3 BUSINESS COMBINATIONS

In 2008, Orkla has acquired a number of minor businesses, especially in Orkla Brands. In addition, the Group has purchased a 33 % share in Finansgruppen Eiendom, which will be recognised as a joint venture, and units in Scandinavian Property Development, in which Orkla now owns 32.99 %. This will be recognised as an associate.

The balance sheet has increased by a total of NOK 811 million as a result of the acquisitions. As a result of excess value analyses that have been carried out, excess value of NOK 261 million has been allocated to buildings while NOK 72 million has been allocated to goodwill.

The acquired companies only constitute minor increases in the Group's profit/loss and operating revenues.

NOTE 4 RESTRUCTURING AND SIGNIFICANT IMPAIRMENT CHARGES

The amount concerns the shut-down of LignoTech Finland. The closure was approved at the beginning of April and production was halted on 20 June. Altogether, provisions and impairments amount to NOK 34 million.

NOTE 5 RELATED PARTIES

There have not been any special transactions between the Group and related parties in 2008. The Canica system (biggest owner in Orkla with 23.2 % at 30 October) and Orkla ASA both own shares in certain companies.

NOTE 6 OPTIONS AND OWN SHARES

In keeping with the General Meeting's decision of 24 April 2008, 2,915,000 options were issued on 8 May, and 35,000 options were issued on 15 August to managers and key personnel. The options have exercise prices of NOK 81.40 and NOK 78.10 respectively with a 6-year lifetime and are exercisable during the last three years. The total ceiling that was approved by the general meeting is set at 3,500,000 options.

The trend in the number of options from year end is as follows:

Balance 1 January 2008	8,307,170
Awarded after decision in General Meeting	2,950,000
Forfeited in 2008	(75,000)
Exercised in 2008	(400,000)
Balance at 30 September 2008	10,782,170

In addition, 25,000 options have been exercised in a cash bonus. The number of outstanding options in cash bonus at 30 September 2008 was 676,500.

In the first 9 months of the year, the net buyback of Orkla shares amounted to a total of NOK 653 million. The Group owned a total of 21,677,390 of its own shares at 30 September 2008.

On 24 April 2008, Orkla's General Meeting approved a reduction in the Company's share capital of NOK 9,375,000 by exercising (amortising) 7,500,000 shares owned by Orkla ASA. The exercising was carried out on 20 October, and the number of shares in the Company was thereby reduced from 1,036,430,970 to 1,028,930,970. The share capital has been reduced from NOK 1,295,538,712.50 to NOK 1,286,163,712.50. After this, Orkla owns 14,177,390 of its own shares.

NOTE 7 IMPAIRMENT TESTS

The Group has carried out impairment tests for all intangible assets with indefinite useful life and for all goodwill.

The preparation and presentation of the accounts for the third quarter is occurring in a very turbulent market, and many of the assumptions on which the impairment tests are based may change in the coming months. Financial prices that were set at 30 September must therefore be interpreted and adjusted in many cases in order to be useable in the disclosure of accounts. The trend in the 4th quarter will be crucial for whether there may be further impairments as a result of the ongoing financial crisis and crisis in the real economy. There will therefore be further work with the impairment tests in the fourth quarter. Assumptions about both interest rates and the real economy will be reviewed and perhaps adjusted in keeping with the market outlook, and budgets and plans for the coming years will be simultaneously updated to accommodate any new constraints. There will be a special focus on acquisitions made in the last three years, and these will be reviewed and assessed against the assumptions on which the acquisition calculations were based.

NOTE 8 OTHER MATTERS

No events have occurred after the balance sheet date that would have affected the accounts or implemented assessments.

The Group's stake in Hjemmet Mortensen has been sold with a profit of NOK 830 million.

In connection with the acquisition of REC in the first quarter of 2007, Orkla issued three sales options in REC to Q-Cells AG. At the same time, Orkla had certain rights related to any sale that might occur of these shares by Q-Cells. An agreement with Q-Cells was entered into with regard to cancelling these options where Orkla simultaneously relinquished its rights related to these shares. At the start of the year, the net value of options and rights was valued at NOK 67 million. This entails an equivalent imputed financial income.

In keeping with the Group's principles, individual shares in the Share Portfolio that have a significant or long-term decline in value will be written down to fair value in the income statement. In the event of any further decline in value, shares that have already been written down will automatically be written down further, regardless of the above-mentioned criteria. This has entailed writedowns in the third quarter of NOK 3,227 million, and additional weakening will prompt further writedowns.