

## THE THIRD QUARTER IN BRIEF

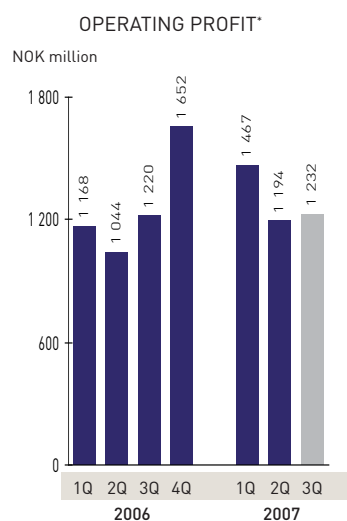
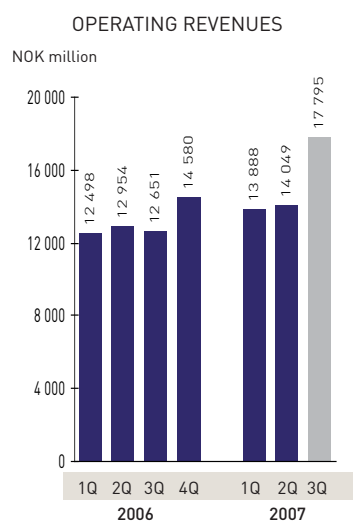
- Group pre-tax profit in the third quarter totalled NOK 2,234 million (NOK 1,461 million)<sup>1</sup>. The NOK 773 million increase was largely due to high portfolio gains. Operating profit before amortisation was on a par with last year.
- Orkla Branded Consumer Goods has implemented a number of measures to improve profitability at Orkla Foods. These measures will take effect gradually and the aim is to correct the profit situation in the course of 2008. Orkla Brands reported satisfactory profit for the third quarter.
- In Orkla Aluminium Products, Sapa's and Alcoa's profile businesses have been merged and the new company, Sapa AB, was fully operational from the third quarter of 2007. This resulted in a significant rise in operating revenues and a good foundation for future growth but, as expected, the contribution to third quarter profit was more moderate.
- Orkla Materials reported 2 % profit growth. Generally good markets for many of its business areas were partially offset by higher raw material costs and an unfavourable currency situation. The combination of a strong NOK and a weak USD has a negative impact for both Borregaard and Elkem.
- Orkla Associates had another good quarter and the contribution to profit from associates increased by 32 % to NOK 197 million. REC increased its EBITDA by 23 % to NOK 643 million, while Jotun continued to report good profit growth.
- The exposure of the Share Portfolio has been reduced somewhat and net portfolio gains of NOK 1,398 million were realised in the third quarter. The return on the portfolio was 13.3 % at the end of September.

<sup>1</sup> The figures in brackets refer to the corresponding period of the previous year

### KEY FIGURES THIRD QUARTER FOR ORKLA ASA

Amounts in NOK million	1.1.-30.9.		1.1.-31.12.		1.7.-30.9.	
	2007	2006	2006	2007	2006	
Operating revenues	<b>45,732</b>	38,103	52,683	<b>17,795</b>	12,651	
Operating profit (EBITA)*	<b>3,893</b>	3,432	5,084	<b>1,232</b>	1,220	
Profit before taxes	<b>8,792</b>	5,560	8,525	<b>2,234</b>	1,461	
Earnings per share diluted (NOK)	<b>7.1</b>	8.4	10.9	<b>1.7</b>	5.1	
Cash flow from operations	<b>3,200</b>	2,591	4,555	<b>1,313</b>	1,285	
Net interest-bearing debt	<b>16,969</b>	19,430	11,420			
Equity (%)	<b>57.6</b>	53.6	60.4			
Net gearing	<b>0.32</b>	0.44	0.24			

\* Before amortisation and other expenses



\* Before amortisation and other expenses

## THE ORKLA GROUP

At the end of the second quarter, Orkla and Alcoa signed an agreement to merge their aluminium profile businesses to form a global leading company. The former Alcoa operations were consolidated into the accounts with effect from 1 June 2007. This is the main reason why Group operating revenues increased by 41 %, from NOK 12,651 million in the third quarter of 2006 to NOK 17,795 million in the third quarter of 2007. The NOK strengthened against both the USD and EUR-related currencies in the third quarter. This resulted in a negative currency translation effect of NOK -360 million on operating revenues.

Group operating profit before amortisation increased to NOK 1,232 million in the third quarter (NOK 1,220 million)<sup>1</sup>. Negative currency translation effects amounted to NOK -23 million for the quarter. While Orkla Aluminium Products, Orkla Materials and Orkla Financial Investments reported profit growth, weak results for Orkla Foods counteracted the progress made by Orkla Brands and resulted in an overall decline for Orkla Branded Consumer Goods.

Goodwill impairment tests were carried out for the Group in the third quarter. In this connection, a decision was made to write down book goodwill related to the Romanian Branded Consumer Goods businesses by a total of NOK 265 million. Combined with sale and restructuring provisions in Poland, the writedown of book value in the Russian snacks business and the winding up of the Swedish food business Topp, this resulted in other expenses amounting to NOK 429 million in the third quarter. However, most of this will not affect cash flow.

Orkla's ownership interests in REC (39.75 %) and Jotun (42.5 %) are presented according to the equity method on the line for associates. The contribution from REC to Orkla's profit was NOK 123 million in the third quarter (NOK 91 million)<sup>1</sup>, while the contribution from Jotun was NOK 72 million (NOK 55 million)<sup>1</sup>.

Book portfolio gains and the change in fair value of associates, reported under Orkla Financial Investments, amounted to NOK 1,398 million (NOK 199 million)<sup>1</sup>. At quarter-end, unrealised gains amounted to over NOK 4 billion. The return on the share portfolio was 13.3 % at the end of the third quarter, compared with 12.7 % for the Oslo Stock Exchange Benchmark Index and 20.0 % for the Morgan Stanley Nordic Index.

In connection with the purchase of additional REC shares in the first quarter of 2007, Orkla issued three put options in REC to Q-Cells AG. According to IFRS, ongoing changes in the value of these options must be recognised in the income statement, and in the third quarter the change in value amounted to a calculated financial income of NOK 37 million.

The tax charge for 2007 is estimated to be approximately 16 %.

Group earnings per share (diluted) amounted to NOK 1.7 for the third quarter. In the third quarter of last year, earnings per share totalled NOK 5.1, of which NOK 4 was related to the sale of Orkla Media. Adjusted for discontinued business and amortisation, and for other revenues and expenses, earnings per share were NOK 2.1, which is NOK 0.9 higher than last year. This is primarily due to substantial portfolio gains.

## ORKLA BRANDED CONSUMER GOODS

- Satisfactory growth for Orkla Brands
- High raw material prices and market challenges for Bakers and in Eastern Europe resulted in continued weak profit growth for Orkla Foods
- The effects of price increases, restructuring and intensified improvement programmes are expected to return Orkla Foods to its previous profit trend in the course of 2008
- Progress for Orkla Food Ingredients

Operating revenues for Orkla Branded Consumer Goods increased by NOK 111 million in the third quarter, of which organic growth accounted for 1 %. So far this year, operating revenues have increased by NOK 927 million to NOK 16,076 million. Third quarter operating profit before amortisation was NOK 72 million lower than last year. Operating profit before amortisation for the first nine months amounted to NOK 1,522 million (NOK 1,667 million)<sup>1</sup>.

## ORKLA FOODS

Third quarter operating revenues amounted to NOK 3,553 million (NOK 3,506 million)<sup>1</sup>, equivalent to an underlying<sup>2</sup> decline of 1.7 % compared with the third quarter of 2006. Operating profit before amortisation was NOK 245 million (NOK 341 million)<sup>1</sup>. Year-to-date operating revenues amount to NOK 10,496 million (NOK 10,065 million)<sup>1</sup>, while operating profit before amortisation was NOK 612 million (NOK 819 million)<sup>1</sup> at the end of September.

Efforts to turn around the negative trend at Orkla Foods have been intensified. Higher prices for factor inputs continue to pose a challenge for Orkla Foods, and the prices of important raw materials continued to rise in the third quarter. This must be partially compensated by increasing the price of finished products. Due to contractual factors, however, the price increases will take effect gradually during the last half of 2007 and the first half of 2008. Further price increases are assessed continuously in relation to the increases in raw material prices that are reflected on the market. The existing cost-cutting programmes have been reinforced with a view to achieve total cost savings of NOK 750 million in the period 2006-2008. Bakers faces a challenging market situation in Norway, but the profitability trend is expected to be turned around in the course of 2008. In Poland, an agreement was signed in the third quarter for the sale of Superfish (seafood), and further structural changes will be considered.

Orkla Foods Nordic reported third quarter operating revenues of NOK 2,253 million (NOK 2,287 million)<sup>1</sup> and underlying<sup>2</sup> operating revenues were down 1.6 %. Operating profit before amortisation was NOK 232 million (NOK 288 million)<sup>1</sup>. Profit declined in Sweden and Norway, while profit performance improved in Denmark and Finland.

Operating revenues for Orkla Foods International totalled NOK 599 million (NOK 607 million)<sup>1</sup>. Operating profit before amortisation was NOK -27 million (NOK 18 million)<sup>1</sup>.

Orkla Food Ingredients reported operating revenues of NOK 785 million (NOK 692 million)<sup>1</sup>. Operating profit before amortisation totalled NOK 40 million (NOK 35 million)<sup>1</sup>.

<sup>2</sup> Excluding acquisitions, divestments and currency translation effects

## GROUP INCOME STATEMENT

	1.1.–30.9.		1.1.–31.12.		1.7.–30.9.	
Amounts in NOK million	2007	2006	2006	2007	2006	2006
Operating revenues	45,732	38,103	52,683	17,795		12,651
Operating expenses	(40,335)	(33,335)	(45,800)	(15,990)		(10,984)
Depreciations and write-downs property, plant and equipment	(1,504)	(1,336)	(1,799)	(573)		(447)
Amortisation intangible assets	(167)	(159)	(216)	(53)		(53)
Other income and expenses	(429)	0	(388)	(429)		0
Operating profit	3,297	3,273	4,480	750		1,167
Profit from associates	843	171	289	197		149
Dividends	719	717	769	65		119
Gains and losses/write-downs Share Portfolio	3,290	1,555	3,271	1,398		199
Financial items, net	643	(156)	(284)	(176)		(173)
Profit before taxes	8,792	5,560	8,525	2,234		1,461
Taxes	(1,407)	(1,001)	(1,346)	(424)		(222)
Profit after taxes	7,385	4,559	7,179	1,810		1,239
Discontinued operations	0	4,144	4,109	0		4,002
Profit for the period	7,385	8,703	11,288	1,810		5,241
Minority interests' share of profit	96	35	52	47		9
Profit attributable to equity holders	7,289	8,668	11,236	1,763		5,232
Profit before tax, Industry division	4,165	3,130	4,150	662		1,127
Profit before tax, Orkla Financial Investments	4,627	2,430	4,375	1,572		334
Earnings per share (NOK)	7.1	8.4	10.9	1.7		5.1
Earnings per share diluted (NOK)	7.1	8.4	10.9	1.7		5.1
Earnings per share diluted (NOK) *	7.5	4.5	7.3	2.1		1.2

\* Excl. amortisation, other income and expenses and discontinued operations

The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the same accounting policies and methods of computation are followed as compared with the most recent annual financial statements.

In the third quarter, NOK 324 million was expensed under other revenues and expenses in connection with the write-down of goodwill in Orkla Foods Romania, the sale of Superfish and other restructuring in Poland.

### ORKLA BRANDS

Orkla Brands' third quarter operating revenues amounted to NOK 1,810 million (NOK 1,737 million)<sup>1</sup>. The underlying<sup>2</sup> rise in operating revenues was 7 %. All units reported increased sales compared with last year, and Snacks and Confectionery performed particularly well. The main innovations in the third quarter were Yade (Confectionery), Colour Define (Lilleborg), Naturchips (Snacks) and new products under the Pierre Robert label (Textiles). At the end of the third quarter of 2007, underlying<sup>2</sup> revenue growth was 5 %.

Third quarter operating profit before amortisation totalled NOK 351 million, which is NOK 24 million higher than in the corresponding period of last year. NOK 20 million of this is ascribable to a positive accruals effect in the third quarter and underlying<sup>2</sup> profit was on a par with last year. Dietary Supplements reported good profit growth, primarily related to the positive effects of coordinating the operations of the businesses acquired in recent years. Lilleborg reported a decline in profit, while the results from the other businesses were on a par with or somewhat better

than last year. Several businesses are experiencing stronger pressure on margins due to higher raw material prices. At quarter-end, accumulated profit was NOK 62 million higher than last year.

All in all, market shares were on a par with last year. Lilleborg's increased market shares for skin and personal hygiene products were offset by a decline in market shares for dishwashing products. Market shares for dietary supplements declined somewhat in Norway, while the biscuits business in Sweden strengthened its position slightly.

A decision has been made to close down the Swedish food company, Topp, which is part of the Snacks business. As a result of this, combined with the writedown of assets in the Russian snacks business, NOK 105 million has been expensed under other revenues and expenses in the third quarter.

### ORKLA ALUMINIUM PRODUCTS

- The consolidation of Alcoa's former aluminium profile business has led to a significant rise in operating revenues but lower margins
- Underlying<sup>2</sup> operating revenues up 10 % compared with the third quarter of 2006
- A decline on the US market and certain signs of weakening on the European market, especially in the construction industry

## OPERATING PROFIT PER BUSINESS AREA\*

Amounts in NOK million	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2007	2006	2006	2007	2006
<b>Orkla Group</b>	<b>3,893</b>	<b>3,432</b>	<b>5,084</b>	<b>1,232</b>	<b>1,220</b>
<b>Orkla Branded Consumer Goods</b>	<b>1,522</b>	<b>1,667</b>	<b>2,455</b>	<b>596</b>	<b>668</b>
Orkla Foods	612	819	1,278	245	341
Orkla Brands	910	848	1,177	351	327
<b>Orkla Aluminium Products</b>	<b>982</b>	<b>603</b>	<b>839</b>	<b>254</b>	<b>190</b>
Sapa Profiles	571	333	442	114	93
Sapa Heat Transfer & Building System	411	270	397	140	97
<b>Orkla Materials</b>	<b>1,370</b>	<b>1,178</b>	<b>1,804</b>	<b>402</b>	<b>393</b>
Elkem	1,098	885	1,438	286	277
Borregaard	272	293	366	116	116
<b>Orkla Financial Investments</b>	<b>182</b>	<b>98</b>	<b>185</b>	<b>34</b>	<b>(4)</b>
<b>Orkla HQ/Other Business</b>	<b>(163)</b>	<b>(114)</b>	<b>(199)</b>	<b>(54)</b>	<b>(27)</b>

\* Before amortisation and other income and expenses

See appendix for detailed split on operating revenues and operating profit.

The agreement to merge Sapa's and Alcoa's aluminium profile businesses was signed on 8 June this year, and Alcoa's operations were consolidated in the accounts as from 1 June 2007.

In the four-month period from 1 June, Alcoa's former profile business sold 179,100 tonnes. Sapa's original profile businesses reported third quarter sales of 106,700 tonnes, which is 4 % higher than in the same period last year.

Third quarter operating revenues totalled NOK 8,776 million (NOK 3,904 million)<sup>1</sup>, of which Alcoa's former business contributed NOK 4,640 million.

For the profile business in particular, the holiday break has a seasonally negative impact on third quarter results. However, the market trend in important markets, such as the USA, the UK and Spain was also weaker. The German and Scandinavian markets remained strong.

Operating profit before amortisation increased from NOK 190 million in the third quarter of 2006 to NOK 254 million in the third quarter of 2007.

The merged profile business reported operating profit before amortisation of NOK 114 million, compared with pro forma profit of NOK 120 million in 2006. The positive effect of consolidating Alcoa's profile business into the accounts from 1 June is estimated to have been NOK 15 million in the third quarter.

Both Heat Transfer and Building System reported profit growth compared with the third quarter of last year and achieved operating profit before amortisation of NOK 140 million (NOK 97 million)<sup>1</sup>. In Heat Transfer, the Shanghai business continued to perform very well. A

decision has been made to invest NOK 450 million to increase capacity in China from the current 50,000 tonnes to 80,000 tonnes.

### ORKLA MATERIALS

- Profit growth for the silicon business, driven by good markets and strong demand
- A weak USD and higher commodity prices resulted in lower profit for Primary Aluminium
- Good markets and profit growth for Borregaard's chemicals business
- High level of production and good trading results for Elkem Energy, while Borregaard Energy reported weaker profit growth due to reduced contract volume (winding down of the DNN contract)

Operating revenues for Orkla Materials amounted to NOK 3,403 million (NOK 3,314 million)<sup>1</sup> in the third quarter. Operating profit before amortisation was NOK 402 million (NOK 393 million)<sup>1</sup>.

### ELKEM

Third quarter operating revenues totalled NOK 2,219 million (NOK 2,143 million)<sup>1</sup>. Operating profit before amortisation ended at NOK 286 million, up NOK 9 million from the same period last year. At the end of the third quarter, operating revenues amounted to NOK 7,003 million (NOK 6,719 million)<sup>1</sup>, while operating profit before amortisation was NOK 1,098 million (NOK 885 million)<sup>1</sup>.

Profit for Primary Aluminium was lower than in the third quarter of last year, largely due to higher alumina costs, a weaker USD and a strong NOK. The average price of aluminium for three-month delivery on the London Metal Exchange (LME) was USD 2,605 in the third quarter of 2007, compared with USD 2,527 in the third quarter of 2006. Primary aluminium prices have declined throughout the quarter. A loss of NOK 90 million on metal hedges was realised in the third quarter. Delivered

volume totalled 76,000 tonnes. The investment in a new anode factory in Mosjøen, Norway was completed in the quarter.

The energy business reported satisfactory profit in the third quarter of 2007, primarily driven by good results from power trading and high electricity production. Heavy precipitation and high reservoir inflow enabled hydropower production of 820 GWh for Elkem's operation in Norway in the third quarter, which is 219 GWh higher than in the corresponding period last year. Elkem's water resource situation in the form of reservoir storage is significantly stronger at the end of the third quarter than normal for the time of year. At 14.0 øre/kWh in July, 13.2 øre/kWh in August and 19.8 øre/kWh in September, the system price on the Nordic market was low in the third quarter. Profit from trading was high in the quarter, and significantly better than in the corresponding period of last year. The development of Saudefaldene is proceeding in line with revised plans.

Profit from the silicon-related units was significantly better than in the third quarter of 2006, mainly due to higher selling prices. The market for silicon metal and ferrosilicon continued to strengthen in the third quarter. The other silicon-related units reported a good operating situation and profit growth. The construction of a new industrial plant for Elkem Solar at Fiskaa in Kristiansand is forging ahead and is expected to start up in the second half of 2008. Costs totalling NOK 59 million were expensed in connection with Elkem Solar in the third quarter.

#### BORREGAARD

Borregaard's third quarter operating revenues amounted to NOK 1,189 million (NOK 1,196 million)<sup>1</sup>, equivalent to an underlying<sup>2</sup> increase of 2 % compared with the same period last year. Operating profit before amortisation was NOK 116 million (NOK 116 million)<sup>1</sup>. At the end of the first nine months, operating revenues totalled NOK 3,443 million, equivalent to an underlying<sup>2</sup> increase of 1 % compared with last year. Operating profit before amortisation amounted to NOK 272 million (NOK 293 million)<sup>1</sup>.

The company's chemicals business reported good profit improvement compared with the third quarter of 2006 (NOK 99 million compared with NOK 61 million). This was especially ascribable to good market conditions for lignin products, particularly for the construction industry. Due to limited raw material supplies, the total sales volume in the quarter was on a par with last year, while higher selling prices and a better product mix more than counterbalanced a weaker USD. Demand for speciality cellulose, particularly dissolving cellulose for use in textile production, increased and prices were higher. However, profit growth was slowed by continued high timber and energy costs and a weaker USD and EUR.

As expected, Borregaard's energy business posted significantly lower profit in the third quarter (NOK 17 million compared with NOK 55 million), due to a reduced volume of contract-based power (the DNN contract). Prices were low in the quarter and profit from financial power trading declined compared with last year.

#### ORKLA ASSOCIATES

Orkla Associates consists of investments in the Renewable Energy Corporation ASA (REC) (39.75 % stake), Jotun AS (42.5 % stake) and Hjemmet Mortensen AS (40 % financial ownership interest). REC and Jotun are presented in Orkla's financial statements according to the equity method and Orkla's share of profit after tax is reported on the line for "Profit from associates". Hjemmet Mortensen is presented as a joint venture and the figures are reported line by line under "Orkla HQ/Other business". The figures below are on a 100 % basis.

REC continues to grow strongly and its third quarter operating revenues rose 30 % to NOK 1,480 million (NOK 1,139 million)<sup>1</sup>. EBITDA were up 23 %, from NOK 522 million in the third quarter of 2006 to NOK 643 million in the same quarter of 2007. Operating revenues for the first nine months have increased 58 % to NOK 4,768 million (NOK 3,014 million)<sup>1</sup> and EBITDA for the same period were up 80 % to NOK 2,324 million (NOK 1,289 million)<sup>1</sup>. REC's third quarter operating profit was negatively affected by NOK 70 million in costs relating to operational disruptions caused by power outages and experimentation with the use of recycled material, as well as NOK 66 million in further expansion costs. REC continues to expand strongly and, in connection with the presentation of its third quarter results, announced that it has entered into a major agreement with Photovoltch for the supply of wafers at prices that are still very good. The contract will run until 2015 and has a value of NOK 5.3 billion. At the same time, the company announced plans to build the world's largest fully-integrated manufacturing complex for the production of silicon wafers, cells and modules in Singapore. The investment is estimated to total EUR 3 billion and production is scheduled to begin in 2010. The plan is for the complex to deliver modules that produce a total of 1.5 GWh power, which is three times REC's current production of silicon wafers. REC also signalled that it has plans for further investment to increase its silicon production capacity.

Jotun continued to report underlying growth in sales and operating profit in the third quarter of 2007. At NOK 2,273 million, operating revenues were up 12 % from the same period of 2006 (NOK 2,032 million)<sup>1</sup>. Jotun's operating revenues for the first nine months of 2007 totalled NOK 6,785 million, compared with NOK 5,792 million at the same time last year. At the end of the first eight months, Jotun reported operating profit of NOK 701 million (NOK 528 million)<sup>1</sup> and profit before tax of NOK 687 million (NOK 489 million)<sup>1</sup>. Sales for the second four-month period were significantly higher than for the corresponding period last year, particularly in the Marine and Protective segment. All business areas reported profit improvement. However, persistently high raw material prices and a weaker USD reduced margins somewhat in the core areas. Jotun is continuing to expand its operations internationally and is currently building a new plant in India. It has also decided to build new plants in Korea and Libya.

Third quarter operating revenues for Hjemmet Mortensen amounted to NOK 412 million (NOK 394 million)<sup>1</sup>, and operating profit before amortisation was NOK 73 million (NOK 77 million)<sup>1</sup>. Year-to-date operating revenues increased with 6 % to NOK 1,276 million, while operating profit before amortisation for the first nine months came to NOK 190 million (NOK 216 million)<sup>1</sup>.



## GROUP BALANCE SHEET

Amounts in NOK million	30.9. 2007	30.9. 2006	31.12. 2006
Intangible assets	16,409	17,457	17,571
Property, plant and equipment	19,906	16,086	16,568
Financial non-current assets	13,449	5,663	7,914
<b>Non-current assets</b>	<b>49,764</b>	<b>39,206</b>	<b>42,053</b>
<b>Assets held for sale</b>	<b>0</b>	<b>0</b>	<b>113</b>
Inventories	8,486	6,587	6,510
Receivables	13,630	17,538	10,924
Share Portfolio etc.	17,728	17,621	18,224
Cash and cash equivalents	2,520	2,402	1,788
<b>Current assets</b>	<b>42,364</b>	<b>44,148</b>	<b>37,446</b>
<b>Total assets</b>	<b>92,128</b>	<b>83,354</b>	<b>79,612</b>
Paid-in equity	2,001	2,007	2,008
Earned equity	48,429	42,265	45,765
Minority interests	2,600	382	336
<b>Equity</b>	<b>53,030</b>	<b>44,654</b>	<b>48,109</b>
Provisions	5,269	5,393	5,308
Non-current interest-bearing liabilities	16,734	11,187	10,849
Current interest-bearing liabilities	3,207	11,202	3,552
Other current liabilities	13,888	10,918	11,794
<b>Equity and liabilities</b>	<b>92,128</b>	<b>83,354</b>	<b>79,612</b>
Equity ratio (%)	57.6	53.6	60.4

## CHANGE IN EQUITY

Amounts in NOK million	1.1.-30.9. 2007	1.1.-30.9. 2006	31.12. 2006
Equity 1 January	47,773	37,177	37,177
Profit for the period after minorities	7,289	8,668	11,236
Dividends	(2,061)	(1,643)	(1,643)
Sale/buy back of own shares	(656)	(171)	(158)
Change in fair value shares	(2,121)	125	929
Change in fair value hedging instruments	213	120	(133)
Options costs	19	16	21
Gains on deemed disposals	676	-	-
Translation effects	(702)	(20)	344
<b>Equity at end of period</b>	<b>50,430</b>	<b>44,272</b>	<b>47,773</b>

## CASH FLOW\*

Amounts in NOK million	1.1.-30.9. 2007	1.1.-30.9. 2006	1.1.-31.12. 2006	1.7.-30.9. 2007	1.7.-30.9. 2006
<b>Industry division:</b>					
Operating profit	3,115	3,175	4,295	715	1,172
Amortisation, depreciations and impairment charges	1,965	1,491	2,377	926	499
Changes in net working capital, etc.	(808)	(912)	(770)	56	1
Cash flow from operations before net replacement expenditures	4,272	3,754	5,902	1,697	1,672
Net replacement expenditures	(1,072)	(1,163)	(1,347)	(384)	(387)
Cash flow from operations	3,200	2,591	4,555	1,313	1,285
Financial items, net	(539)	(451)	(814)	(138)	(152)
<b>Cash flow from Industry division</b>	<b>2,661</b>	<b>2,140</b>	<b>3,741</b>	<b>1,175</b>	<b>1,133</b>
<b>Cash flow from</b>					
<b>Orkla Financial Investments</b>	<b>1,294</b>	<b>1,234</b>	<b>1,113</b>	<b>209</b>	<b>(146)</b>
Taxes paid	(1,029)	(1,159)	(1,607)	(98)	(109)
Other	79	250	375	9	280
<b>Cash flow from capital transactions</b>	<b>3,005</b>	<b>2,465</b>	<b>3,622</b>	<b>1,295</b>	<b>1,158</b>
Dividends paid	(2,095)	(1,698)	(1,704)	(128)	(230)
Net buy back own shares	(656)	(171)	(158)	(688)	(292)
<b>Cash flow before expansion</b>	<b>254</b>	<b>596</b>	<b>1,760</b>	<b>479</b>	<b>636</b>
Expansion investments,					
Industry division	(2,129)	(751)	(1,291)	(810)	(268)
Sold companies/share of companies	1,813	394	7,797	75	387
Acquired companies/share of companies	(7,584)	(3,534)	(5,094)	(458)	(900)
Net purchases/sales Share Portfolio	1,413	242	1,710	1,282	(598)
<b>Net cash flow</b>	<b>(6,233)</b>	<b>(3,053)</b>	<b>4,882</b>	<b>568</b>	<b>(743)</b>
Currency translation net interest-bearing debt	684	(341)	(266)	191	(426)
<b>Change in net interest-bearing debt</b>	<b>5,549</b>	<b>3,394</b>	<b>(4,616)</b>	<b>(759)</b>	<b>1,169</b>
<b>Net interest-bearing debt</b>	<b>16,969</b>	<b>19,430</b>	<b>11,420</b>		

\* The cash flow is based on that Orkla Media is presented as discontinued operations in 2006

## ORKLA FINANCIAL INVESTMENTS

Third quarter profit before tax totalled NOK 1,572 million (NOK 334 million)<sup>1</sup>.

Net asset value for the Share Portfolio was in the third quarter reduced with around NOK 500 million, while the return on the Share Portfolio for the first nine months was 13.3 %, compared with 12.7 % for the Oslo Børs Benchmark Index and 20.0 % for the Morgan Stanley Nordic Index. The exposure has been reduced somewhat and at quarter-end the market value of the Share Portfolio was NOK 17,686 million after net sales of shares worth NOK 1.282 million. The largest transaction was

the sale of Steen & Strøm shares. The shares were sold to Canica AS after an equal offer to all shareholders. Unrealised gains totalled NOK 4,014 million at the end of the third quarter. Realised portfolio gains amounted to NOK 1,398 million (NOK 199 million)<sup>1</sup>, while dividends received totalled NOK 65 million (NOK 119 million)<sup>1</sup>.

Orkla Finans' third quarter operating revenues totalled NOK 41 million (NOK 55 million)<sup>1</sup> and operating profit came to NOK -7 million (NOK 5 million)<sup>1</sup>.

Orkla Eiendom (real estate) posted operating profit of NOK 53 million (NOK -2 million)<sup>1</sup> for the third quarter.

## STRUCTURAL CHANGES

On 8 June this year, Orkla and Alcoa signed an agreement to merge their aluminium profile businesses to form a leading global company, Sapa AB. The opening balance for the new company was calculated on the basis of the balance sheet total on 31 May 2007. Orkla has therefore found it most correct, from an accounting point of view, to consolidate the new company effective from 1 June this year. This means that four months of Alcoa's operations have been reported in the third quarter. In accordance with IFRS, excess value has been ascribed to the inventories that were taken over. As a result of this, the cost of goods in June was correspondingly higher than normal and the book contribution to profit from Alcoa's businesses in June was therefore modest.

Preliminary excess value analyses in connection with the transaction have been carried out and value shortfalls of approximately NOK 650 million relating to some of the plants taken over were identified. The residual value of the acquisition consists of goodwill totalling just under NOK 200 million. A final excess value analysis will be completed in time for presentation of the annual financial statements for 2007 at the latest. Further explanatory comments may be found in the stock exchange notice of 6 July 2007.

Pro forma figures for the new company for 2006 were communicated in a separate notice on 18 October 2007 and are also provided in an attachment to the quarterly report.

## CASH FLOW AND FINANCIAL SITUATION

Cash flow from operating activities amounted to NOK 1,313 million in the third quarter, an improvement of NOK 28 million compared with the same quarter last year.

Working capital was on a par with the preceding quarter and the third quarter of 2006.

Third quarter expansion investments totalled NOK 810 million, largely relating to Elkem. Elkem Solar and the hydropower development project at Saudefaldene accounted for the largest outgoings.

Net sales of portfolio shares in the third quarter totalled NOK 1,282 million (net purchases of NOK 598 million)<sup>1</sup>. Net purchases of Orkla's own shares in the same period amounted to NOK 688 million (NOK 292 million)<sup>1</sup>.

After expansion and net portfolio investments, the Group had a positive net cash flow of NOK 568 million in the third quarter. Net interest-bearing liabilities were reduced by NOK 759 million to a total of NOK 16,969 million at quarter-end.

The average borrowing rate for the Group's net interest-bearing liabilities in the third quarter was 4.9 %. Of the interest-bearing liabilities, which were mainly in SEK, EUR, DKK, USD and NOK, 85 % were at floating interest rates.

The balance has increased by about NOK 13 billion since the start of the year, mainly as a result of the above-mentioned establishment of Sapa AB (NOK 5.9 billion) and further purchases of REC shares (NOK 6.9 billion). The equity-to-assets ratio was 57.6 % at quarter-end.

## OUTLOOK

The uncertainty on the financial markets and the degree to which this will affect the real economy, particularly in the USA, raises the biggest questions as regards the economic situation in the months ahead.

In the short term, a more negative trend in the USA is primarily expected to affect Orkla in the form of weaker international equity and financial markets, and through Orkla's increased exposure to the US aluminium profiles market.

Although the Nordic grocery market is expected to continue its stable growth, higher raw material prices must to a greater degree be compensated for by price rises. However, because of the contract structures in the retail sector, there is a time lag before price increases can be introduced. Outside the Nordic region, further structural measures will be considered and, on the whole, Orkla Branded Consumer Goods aims to return to its former positive profit trend in the course of 2008.

The trend for Orkla Aluminium Products in Europe is expected to be more uneven, but on the whole the division is expected to achieve relatively stable volume growth. However, the US market is significantly weaker than last year with a 15-20 % decline in volume. Operations in Asia are expected to continue to achieve positive growth. Sapa AB was formally established on 8 June this year and the establishment and adaptation of a new and considerably larger organisation with its own systems and routines will entail comprehensive processes that will continue throughout 2008 and into 2009. During this period, both increased investments and non-recurring expenses may be incurred. Furthermore, restructuring projects, which will also give rise to expenses, will be carried out during this period.

Demand is again expected to be good for Orkla Materials on most markets in the fourth quarter. However, a strong NOK and a weak USD will have a negative impact on Orkla Materials. On an annual basis, Orkla Materials' aggregate exposure to the USD is more than USD 400 million.

In the short term the Nordic stock markets will be significantly affected by the international trend. The markets were unstable throughout the third quarter and there is considerable uncertainty as to future developments. Orkla Financial Investments reduced its exposure to the stock markets to some degree in the third quarter.

Rising market rates and increased credit margins due to uneasy financial markets will result in a slightly higher average borrowing rate for the Orkla Group. Based on the current currency composition of liabilities, the average borrowing rate for 2007 is expected to rise by an estimated 1 percentage point compared with 2006.

Oslo, 30 October 2007  
The Board of Directors of Orkla ASA

## APPENDIX: OPERATING REVENUES AND OPERATING PROFIT\* PER BUSINESS AREA AND SEGMENT

### OPERATING REVENUES

Amounts in NOK million	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2007	2006	2006	2007	2006
<b>Orkla Group</b>	<b>45,732</b>	<b>38,103</b>	<b>52,683</b>	<b>17,795</b>	<b>12,651</b>
<b>Orkla Branded Consumer Goods</b>	<b>16,076</b>	<b>15,149</b>	<b>21,398</b>	<b>5,326</b>	<b>5,215</b>
Orkla Foods	10,496	10,065	14,266	3,553	3,506
Orkla Foods Nordic	6,751	6,685	9,283	2,253	2,287
Orkla Food Ingredients	2,245	2,020	2,857	785	692
Orkla Foods International	1,724	1,581	2,429	599	607
Eliminations Orkla Foods	(224)	(221)	(303)	(84)	(80)
Orkla Brands	5,680	5,165	7,250	1,810	1,737
Eliminations Orkla Branded Consumer Goods	(100)	(81)	(118)	(37)	(28)
<b>Orkla Aluminium Products</b>	<b>18,165</b>	<b>11,993</b>	<b>16,318</b>	<b>8,776</b>	<b>3,904</b>
Sapa Profiles	13,681	8,079	10,984	7,349	2,609
Sapa Heat Transfer & Building System	5,301	4,750	6,425	1,666	1,552
Eliminations Orkla Aluminium Products	(817)	(836)	(1,091)	(239)	(257)
<b>Orkla Materials</b>	<b>10,417</b>	<b>10,103</b>	<b>13,798</b>	<b>3,403</b>	<b>3,314</b>
Elkem	7,003	6,719	9,180	2,219	2,143
Elkem Energy	928	1,252	1,677	299	412
Elkem Primary Aluminium	1,978	1,952	2,590	596	593
Elkem Silicon-related	4,618	4,235	5,621	1,525	1,456
Eliminations Elkem	(521)	(720)	(708)	(201)	(318)
Borregaard	3,443	3,421	4,658	1,189	1,196
Borregaard Energy	127	323	428	42	100
Borregaard Chemicals	3,437	3,209	4,369	1,188	1,133
Eliminations Borregaard	(121)	(111)	(139)	(41)	(37)
Eliminations Orkla Materials	(29)	(37)	(40)	(5)	(25)
<b>Orkla Financial Investments</b>	<b>692</b>	<b>502</b>	<b>763</b>	<b>166</b>	<b>108</b>
<b>Orkla HQ/Other Business/Eliminations</b>	<b>382</b>	<b>356</b>	<b>406</b>	<b>124</b>	<b>110</b>

### OPERATING PROFIT\*

Amounts in NOK million	1.1.–30.9.		1.1.–31.12.	1.7.–30.9.	
	2007	2006	2006	2007	2006
<b>Orkla Group</b>	<b>3,893</b>	<b>3,432</b>	<b>5,084</b>	<b>1,232</b>	<b>1,220</b>
<b>Orkla Branded Consumer Goods</b>	<b>1,522</b>	<b>1,667</b>	<b>2,455</b>	<b>596</b>	<b>668</b>
Orkla Foods	612	819	1,278	245	341
Orkla Foods Nordic	593	721	1,057	232	288
Orkla Food Ingredients	110	94	166	40	35
Orkla Foods International	(91)	4	55	(27)	18
Orkla Brands	910	848	1,177	351	327
<b>Orkla Aluminium Products</b>	<b>982</b>	<b>603</b>	<b>839</b>	<b>254</b>	<b>190</b>
Sapa Profiles	571	333	442	114	93
Sapa Heat Transfer & Building System	411	270	397	140	97
<b>Orkla Materials</b>	<b>1,370</b>	<b>1,178</b>	<b>1,804</b>	<b>402</b>	<b>393</b>
Elkem	1,098	885	1,438	286	277
Elkem Energy	475	389	711	165	116
Elkem Primary Aluminium	292	398	527	58	95
Elkem Silicon-related	331	98	200	63	66
Borregaard	272	293	366	116	116
Borregaard Energy	71	167	229	17	55
Borregaard Chemicals	201	126	137	99	61
<b>Orkla Financial Investments</b>	<b>182</b>	<b>98</b>	<b>185</b>	<b>34</b>	<b>(4)</b>
<b>Orkla HQ/Other Business</b>	<b>(163)</b>	<b>(114)</b>	<b>(199)</b>	<b>(54)</b>	<b>(27)</b>

\* Before amortisation and other income and expenses



## APPENDIX: ORKLA ALUMINIUM PRODUCTS - PRO FORMA 2006

### OPERATING REVENUES

	Q1	Q2	Q3	Q4	
Amounts in NOK million	2006	2006	2006	2006	2006
Sapa AB (Alcoa + Sapa Profiles)	6,427	7,063	6,650	6,696	26,836
Sapa Heat Transfer & Building System	1,532	1,666	1,552	1,675	6,425
Eliminations	(300)	(279)	(257)	(255)	(1,091)
<b>Pro Forma operating revenues</b>	<b>7,659</b>	<b>8,450</b>	<b>7,945</b>	<b>8,116</b>	<b>32,170</b>

### EBITA

	Q1	Q2	Q3	Q4	
Amounts in NOK million	2006	2006	2006	2006	2006
Sapa AB (Alcoa + Sapa Profiles)	141	238	120	217	716
Sapa Heat Transfer & Building System	97	76	97	127	397
<b>Pro Forma EBITA</b>	<b>238</b>	<b>314</b>	<b>217</b>	<b>344</b>	<b>1,113</b>

## ORKLA ALUMINIUM PRODUCTS - SAPA GROUP AS REPORTED 2006

### OPERATING REVENUES

	Q1	Q2	Q3	Q4	
Amounts in NOK million	2006	2006	2006	2006	2006
Sapa Profiles	2,712	2,758	2,609	2,905	10,984
Sapa Heat Transfer & Building System	1,532	1,666	1,552	1,675	6,425
Eliminations	(300)	(279)	(257)	(255)	(1,091)
<b>Operating revenues</b>	<b>3,944</b>	<b>4,145</b>	<b>3,904</b>	<b>4,325</b>	<b>16,318</b>

### EBITA

	Q1	Q2	Q3	Q4	
Amounts in NOK million	2006	2006	2006	2006	2006
Sapa Profiles	135	105	93	109	442
Sapa Heat Transfer & Building System	97	76	97	127	397
<b>EBITA</b>	<b>232</b>	<b>181</b>	<b>190</b>	<b>236</b>	<b>839</b>