
FOURTH QUARTER
2010



ORKLA

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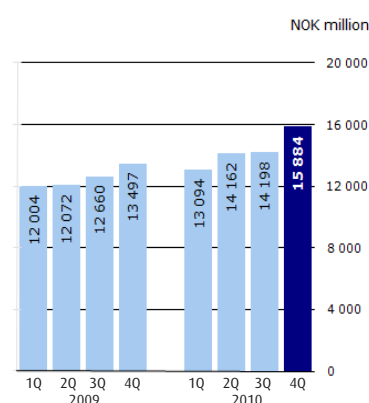
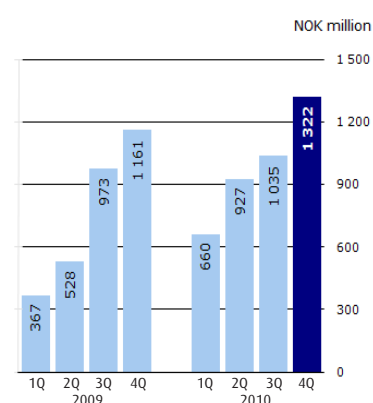
THE FOURTH QUARTER IN BRIEF

- Broad-based profit improvement. Group EBITA¹ in the fourth quarter increased to NOK 1,322 million (NOK 1,161 million)². Full-year profit rose to NOK 3,944 million (NOK 3,029 million)².
- Orkla Brands reported underlying³ sales growth in the quarter and EBITA¹ increased by 4% to NOK 910 million. Full-year profit amounted to NOK 2,967 million (+6%).
- Sapa's fourth-quarter EBITA¹ totalled NOK 155 million (NOK 117 million)². Profit for 2010 rose by NOK 1,088 million, to NOK 744 million.
- Good market conditions and higher prices led to improvement for Borregaard Chemicals, which posted fourth-quarter profit of NOK 85 million (NOK 46 million)².
- REC reported a good fourth quarter and posted EBITDA of NOK 1,836 million (NOK 595 million)².
- The Share Portfolio achieved good results in 2010 with a return of 31.8%, compared to 25.4% for the Morgan Stanley Nordic Index and 18.3% for the Oslo Stock Exchange Benchmark Index. At the end of 2010, the market value of the Share Portfolio was NOK 11,661 million.
- The sale of Borregaard Skoger for approximately NOK 1.7 billion generated an overall gain of NOK 1.4 billion.
- Net interest-bearing liabilities decreased by NOK 4,331 million in the quarter and totalled NOK 19,652 million at year-end.
- The Board of Directors proposes an ordinary dividend of NOK 2.50 per share for the 2010 financial year.
- As of 10 January 2011, Orkla has entered into a binding agreement on the sale of Elkem's silicon-related operations. The value of the agreement for Orkla is around NOK 12.5 billion. In accordance with this, Elkem Silicon-related is presented as discontinued operations in the consolidated financial statements, and historical profit/loss figures have been restated accordingly.

KEY FIGURES FOR THE ORKLA GROUP

Amounts in NOK million	Note	1.1. – 31.12.		1.10. – 31.12.	
		2010	2009	2010	2009
Operating revenues	2	57,338	50,233	15,884	13,497
Adjusted EBITA ¹	2	3,944	3,029	1,322	1,161
Profit/loss before taxes		20	1,855	1,811	714
Earnings per share diluted (NOK)		(0.9)	2.5	1.6	1.1
Cash flow from operating activities		2,469	5,802	1,748	2,687
Net interest-bearing liabilities		19,652	19,848		
Equity ratio (%)		53.6	51.7		
Net gearing ⁴		0.42	0.41		

OPERATING REVENUES

EBITA¹

¹ Operating profit before amortisation and other income and expenses

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

³ Excluding acquired and sold operations and currency translation effects

⁴ [Net interest-bearing liabilities]/Equity

THE GROUP

Orkla's fourth-quarter revenues totalled NOK 15,884 million (NOK 13,497 million)². The improvement from last year was primarily driven by better markets and volume growth for Sapa, but increased sales for Orkla Brands and Borregaard Chemicals have also contributed positively. Full-year operating revenues totalled NOK 57,338 million (NOK 50,233 million)². Currency translation effects had a positive impact of NOK 160 million on fourth-quarter operating revenues, but a negative effect of NOK 1,659 million for the full year.

Group EBITA¹ for the fourth quarter totalled NOK 1,322 million (NOK 1,161 million)², and full-year EBITA¹ amounted to NOK 3,944 million (NOK 3,029 million)². Fourth-quarter profit was strengthened by positive currency translation effects amounting to NOK 14 million, while currency translation effects had a negative impact of NOK 62 million for the full year.

Orkla Brands reported good results in the fourth quarter due to increased market shares and positive volume/mix trends. Fourth-quarter EBITA¹ totalled NOK 910 million (NOK 874 million)². For 2010 as a whole, Orkla Brands maintained its improved performance trend from 2009, delivering EBITA¹ of NOK 2,967 million (NOK 2,793 million)².

The underlying growth in Sapa's markets continued in the fourth quarter. However, sales volumes decreased by 12,000 tonnes from the third quarter. EBITA¹ totalled NOK 155 million (NOK 117 million)². For the full year, better markets, increased market shares and internal improvement projects all helped to increase EBITA¹ by around NOK 1.1 billion.

Due to good markets with increased demand and higher prices, Borregaard Chemicals posted fourth-quarter EBITA¹ of NOK 85 million (NOK 46 million)². Hydro Power's fourth-quarter EBITA¹ amounted to NOK 73 million (NOK 258 million)². However, the comparative figures for the fourth quarter of 2009 include NOK 153 million from power plants sold as of 31 December 2009. For 2010 as a whole, very dry weather and subnormal precipitation had a negative impact on Hydro Power's results.

Other income and expenses in the fourth quarter totalled NOK 506 million net. This included an accounting gain of around NOK 1.3 billion from the sale of Borregaard Skoger. NOK 60 million in reversed deferred tax is presented on the line for taxes. Historical goodwill related to Bakers was written down by NOK 276 million to zero. In connection with the restructuring of the energy area, which included the winding-up of Elkem Energi Handel, previously allocated excess values at Group level were written down in their entirety. This resulted in a net accounting charge of NOK 254 million. Sapa has made provisions totalling NOK 212 million under "Other income and expenses" in connection with the fire at the Sapa plant in Finspång. These costs are covered by insurance, and are expected to be refunded when the claim is settled. Since the settlement has yet to be finalised, a conservative accounting

assumption has been made in this connection in compliance with strict formal IFRS requirements.

In 2010, Orkla's Share Portfolio achieved a return of 31.8%, compared with a return of 25.4% on the Morgan Stanley Nordic Index (18.3% on the Oslo Stock Exchange Benchmark Index). At year-end, the market value of the Share Portfolio was NOK 11,661 million after net sale of shares totalling NOK 2,130 million during the year. In the fourth quarter the Share Portfolio reported net gains of NOK 867 million (NOK 337 million)², while the corresponding figure for the full year was NOK 1,772 million (NOK 584 million)². Accounting write-downs in compliance with IFRS amounted to NOK 55 million in the fourth quarter and NOK 266 million for the full year.

Dividends received by the Group totalled NOK 73 million (NOK 13 million)² in the fourth quarter and NOK 522 million (NOK 252 million)² for the full year.

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 REC share price fell during the fourth quarter, from NOK 19.92 to NOK 17.79. The total accounting effect on profit was NOK -0.9 billion in the fourth quarter. For the full year, the total accounting effect was NOK -6.4 billion. Reference is otherwise made to Note 8 in this report. Jotun continued to improve its profit performance in 2010.

Group profit before tax amounted to NOK 1,811 million (NOK 714 million)² in the fourth quarter and NOK 20 million (NOK 1,855 million)² for the full year. The tax charge for 2010 is estimated to be NOK 844 million. Orkla's diluted earnings per share amounted to NOK -0.9 in 2010 (NOK 2.5)², of which the earnings per share for discontinued operations amounted to NOK 0.0. The Board of Directors proposes to pay out an ordinary dividend of NOK 2.50 per share for the 2010 financial year.

THE BUSINESS AREAS

ORKLA BRANDS

Amounts in NOK million	1.1. – 31.12.		1.10. – 31.12.	
	2010	2009	2010	2009
Operating revenues	23,627	23,046	6,980	6,324
EBITA ¹	2,967	2,793	910	874
EBITA margin (%)	12.6	12.1	13.0	13.8
Cash flow from operations before				
net replacement expenditures	3,582	3,745	1,465	1,417
Net replacement expenditures	(618)	(476)	(216)	(100)
Expansion investments	(43)	(132)	(24)	(23)

¹ Operating profit before amortisation and other income and expenses

- Positive volume/mix trend in the fourth quarter
- Stronger market shares
- Purchase of the Nutrilett brand and initiation of Bakers sale process
- Highly volatile raw material prices, with an upward trend during the year

Orkla Brands posted fourth-quarter operating revenues of NOK 6,980 million (NOK 6,324 million)². Underlying³ sales growth was 3%, primarily related to volume and an improved mix. Except for Orkla Foods Nordic, which was affected by lower revenues from Bakers, the other business units reported good growth in sales in the fourth quarter.

Global raw material prices continued to fluctuate, with a clear rising trend. Wheat- and oil-based products showed particularly strong price growth. All in all, raw material costs were significantly higher in the fourth quarter than in the preceding quarter, and Orkla Brands is expected to have to increase prices further.

Following a very weak economic trend in the first half-year, combined with a heat wave in the summer months, market performance in Russia is now closer to normal. However, competition among chocolate manufacturers is very tough. On the whole, the Nordic grocery markets showed a stable trend.

Fourth-quarter EBITA¹ amounted to NOK 910 million (NOK 874 million)². Underlying³ profit growth was approximately 1%. However, last year's result was, as previously communicated, positively impacted by one-off effects related to the netting of an agreement with a key supplier. When this is taken into account, the underlying³ growth in profit was around 5%, primarily driven by Orkla Brands Nordic. In sum, cost improvements had a somewhat more positive effect on Orkla Brands' results than in previous quarters, which could mainly be ascribed to improvements in purchasing. Sales growth also contributed to the improved results in the fourth quarter. For the full year, underlying³ EBITA¹ rose by 7%, to NOK 2,967 million.

As usual, there were no major launches in the fourth quarter. Overall market shares were slightly strengthened.

Orkla Brands has announced that a process to sell Bakers has been initiated. A number of interested parties have received the

sales prospectus, and the aim is to clarify the situation in the first half of 2011. Effective from 1 January 2011, Axellus took over the Nutrilett brand. The product was launched in 1989, and was taken over by Orkla as a licensed product in connection with the acquisition of Collett Pharma in 2005. The brand has performed very well, and will be a strategically important brand for Axellus in the future.

In 2010, Orkla Brands acquired a total of 11 companies and one brand, representing aggregate sales revenues of around NOK 1.3 billion.

Orkla Foods Nordic

Orkla Foods Nordic reported fourth-quarter operating revenues of NOK 2,719 million (NOK 2,658 million)². This represented an underlying³ decline of 3%, primarily related to slower sales at Bakers. Fourth-quarter EBITA¹ amounted to NOK 353 million (NOK 341 million)², equivalent to an underlying³ decline in profit of 4%.

At Bakers, cost adjustments were counteracted by weak volume growth, and results were not as good as in 2009. Abba Seafood's decision not to sell lutefisk resulted in somewhat weak volume growth. Furthermore, the write-down due to the closure of the factory in Hovenäset had a negative impact on Abba's profit. Procordia continued to perform well, with stronger market shares and improved profit. Beauvais reported profit improvement, while Stabburet strengthened both market shares and profit. The results of the Finnish and Baltic businesses were on a par with results in 2009.

Orkla Brands Nordic

Orkla Brands Nordic posted fourth-quarter operating revenues of NOK 2,176 million (NOK 2,085 million)², an underlying³ improvement of 4%. EBITA¹ amounted to NOK 411 million (NOK 391 million)², equivalent to an underlying³ improvement of 5%.

Particularly Lilleborg, Lilleborg Profesjonell, Axellus and the Chips Group achieved good profit growth. For most of the companies, this improvement was ascribable to good volume-related sales growth. A favourable product mix in several of the businesses also contributed to the improved results. All in all, the innovation programme for 2010 had a slightly stronger impact on sales than in the corresponding period in 2009.

Market share performance varied in the fourth quarter, but on the whole remained largely unchanged. OLOW, Chips Finland, KiMs Denmark, Axellus Sweden and Norway, and Lilleborg increased their market shares, while Axellus Denmark, Nidar, KiMs Norway, Göteborgs Kex and Sætre saw a decline.

Orkla Brands International

Orkla Brands International reported fourth-quarter operating revenues of NOK 705 million (NOK 590 million)², an underlying³ improvement of about 14%. Fourth-quarter EBITA¹ amounted to NOK 55 million (NOK 57 million)², equivalent to an underlying³ improvement of 4%.

The economic situation in Russia remains uncertain, but after a slow start to the year, the Russian companies achieved sales growth in the fourth quarter. In India, MTR Foods continued to achieve good growth driven by its core categories, spices and ready mixes. After a weak performance last year, Felix Austria reported higher sales in the fourth quarter. Higher raw material prices are still squeezing margins, but all in all higher costs were offset by price increases.

One-off items in connection with the write-down of production equipment in India and the relocation of Krupskaya production lines from leased premises to Peterhof had a negative impact on profit performance in the fourth quarter.

Orkla Food Ingredients

Orkla Food Ingredients posted fourth-quarter operating revenues of NOK 1,463 million (NOK 1,078 million)², and there was underlying³ growth of 9%. This growth was broad-based, and was attributable to a combination of increased market shares and higher prices due to the rising cost of factor inputs. Fourth-quarter EBITA¹ amounted to NOK 91 million (NOK 85 million)². There was an underlying³ decline in profit of 7%. Many of the companies reported profit growth based on volume growth, but results for Dragsbæk's butter and margarine products were weaker than in 2009. A sharp rise in raw material costs was not adequately compensated for in the market.

SAPA

Amounts in NOK million	1.1. – 31.12.		1.10. – 31.12.	
	2010	2009	2010	2009
Operating revenues	27,684	20,803	7,289	5,592
EBITA ¹	744	(344)	155	117
EBITA margin (%)	2.7	(1.7)	2.1	2.1
Cash flow from operations before net replacement expenditures	144	1,388	322	662
Net replacement expenditures	(732)	(263)	(319)	(81)
Expansion investments	(339)	(445)	(104)	(116)

¹ Operating profit before amortisation and other income and expenses

- Revenue and profit growth
- Three small acquisitions completed during the quarter
- Good market growth in 2010

Underlying volume and sales performance in the fourth quarter was positive. Fourth-quarter operating revenues totalled NOK 7,289 million (NOK 5,592 million)². EBITA¹ totalled NOK 155 million (NOK 117 million)² in the fourth quarter. Overall, the market for Sapa Profiles was slightly lower than in the previous quarter, and somewhat below expectations. One reason was the harsh weather conditions that led to a stand-still in some segments and in transportation generally across Europe and North America. Sapa Profiles gained market share in the fourth quarter.

Three small acquisitions were made by Sapa Profiles during the fourth quarter. Sapa took over Thule's roof rail business on

22 October, which included two production plants and sales, design and engineering resources in Poland and the UK. Sapa acquired 65% of the shares of the aluminium extrusion company Vijalco in Vietnam and formed a jointly owned company with the Ben Thanh Group on 23 November. In order to strengthen Sapa's North American operations, Arch Extrusions in Miami, USA was acquired on 31 December. The agreement is an asset purchase agreement. The facility includes two extrusion presses and an anodising line. It has been announced that Sapa will close the Vancouver factory at the end of the first quarter of 2011, and that all volume will be transferred to the Portland facility.

Sapa Profiles

Sapa Profiles' sales volumes totalled 190,000 tonnes, and EBITA¹ was NOK 30 million (NOK 13 million)² in the fourth quarter. The decrease in volume of 14,000 tonnes compared with the third quarter is due to a somewhat lower total market. However, compared to 2009, there was some market growth in Europe and North America in the fourth quarter. The transportation sector showed good growth, while the building and construction sector remained weak in both Europe and North America. The solar segment continued to show strong demand at the beginning of the fourth quarter. The first quarter is seasonally slow in the solar segment, and the outlook is uncertain. The preliminary ruling in the anti-dumping case concerning Chinese imports to the US has reduced import volumes as anticipated. One-off costs related to a write-down of inventories in Portugal had a negative impact of approximately NOK 30 million on fourth-quarter results. The build-up of a new organisation in Asia negatively affected results for Sapa Profiles in Asia.

As customers in several markets took a prolonged Christmas vacation, some factories took the opportunity to undertake major maintenance activities, incurring extra costs in the quarter.

Sapa Heat Transfer & Building System

Sapa Heat Transfer's volume for the fourth quarter of 2010 was 44,000 tonnes. Sapa Heat Transfer and Building System had EBITA¹ of NOK 125 million (NOK 104 million)² in the quarter. Sapa Heat Transfer's order intake has continued to increase, and the outlook for the coming quarter is positive. The new part of the facility in Shanghai is operating as planned. Sapa Building System is being affected by a weak building and construction market, and sees few signs of improved activity in the European market.

Production at Heat Transfer's plant in Finspång (Sweden) is back to normal after the fire in February 2010, and the plant is now again running at full capacity in accordance with the ramp-up plan. The fire caused damage to the plant, increased costs to ensure customer deliveries, and business interruption losses resulting from the production stop. Sapa is insured against these types of incidents, and is in a dialogue with the insurers to clarify the final compensation. The total effect on results is expected to be limited. In compliance with strict, formal IFRS requirements, Sapa has recognised net costs of NOK 212 million under "Other income and expenses" in the fourth quarter.

INVESTMENTS

Orkla Financial Investments

Amounts in NOK million	1.1. – 31.12.		1.10. – 31.12.	
	2010	2009	2010	2009
EBITA ¹	151	(85)	192	(15)
Other income and expenses	1,131	-	1,236	-
Dividends	521	251	73	13
Gains, losses and write-downs				
Share Portfolio	1,772	584	867	337
Other financial items	177	11	9	(16)
Profit/loss before taxes	3,752	761	2,377	319
Market value Share Portfolio	11,661	11,037		
Return Share Portfolio (%)	31.8	39.0		
Unrealised gains Share Portfolio	4,438	3,522		

¹ Operating profit before amortisation and other income and expenses

Pre-tax profit for Orkla Financial Investments amounted to NOK 2,377 million (NOK 319 million)² in the fourth quarter. Pre-tax profit for 2010 was NOK 3,752 million (NOK 761 million)². The total increase in net asset value before tax was NOK 4,668 million for the year.

In 2010, the return on the Share Portfolio was 31.8%, compared to 25.4% for the Morgan Stanley Nordic Index (18.3% for the Oslo Stock Exchange Benchmark Index).

The market value of the Share Portfolio was NOK 11,661 million after net sales of shares totalling NOK 2,130 million in 2010. As of 31 December, unrealised gains amounted to NOK 4,438 million. Net share sales in the fourth quarter totalled NOK 952 million.

During the quarter, realised portfolio gains and changes in the fair value of associates amounted to NOK 867 million (NOK 337 million)², while the figure for the year as a whole was NOK 1,772 million (NOK 584 million)².

Accounting write-downs in accordance with IFRS totalled NOK 55 million for the quarter and NOK 266 million for 2010.

Dividends received in the quarter and for the year totalled NOK 73 million (NOK 13 million)² and NOK 521 million (NOK 251 million)², respectively.

Orkla Eiendom (real estate) delivered fourth-quarter operating profit of NOK 220 million (NOK 38 million)², which to a large extent is attributable to profits from the sale of Karenslyst allé 6 (Orkla ASA's head office). Operating profit for 2010 amounted to NOK 274 million (NOK -15 million)².

The sale of Borregaard Skoger during the quarter contributed pre-tax profit of NOK 1,309 million. The sale also triggered a reversal of NOK 60 million in deferred tax. The sale of Orkla Finans was completed in the fourth quarter. In the future, Orkla Financial Investments will encompass the Share Portfolio and further development of property assets.

Borregaard Chemicals

Borregaard's chemicals business reported fourth-quarter operating revenues of NOK 967 million (NOK 960 million)², an underlying³ increase of 4% from 2009. EBITA¹ amounted to NOK 85 million (NOK 46 million)².

The quarter saw better market conditions, with growth in demand and stable or higher prices for key product categories. All of the main segments experienced growth from the fourth quarter of 2009. However, the impact on profit was limited by higher raw material and energy costs and an overall negative currency trend.

The speciality cellulose business achieved significantly better results than last year. Higher invoiced selling prices and a more favourable mix more than offset lower sales and production volumes and higher costs. The lignin business also achieved better results, primarily due to a higher volume of sales. There was growth in the speciality products area and new applications, while sales to the construction industry remained stable, although hampered by stagnation in some key markets. Prices were on the same level as in 2009. In the Ingredients and Pharma businesses, aggregate results for continuing business were better than last year. Good market conditions in the aroma area and stable sales in Denomega resulted in profit improvement for the Ingredients business, while the Pharma area was weakened by a demanding market situation and low capacity utilisation.

Hydro Power

Hydro Power's fourth-quarter EBITA¹ totalled NOK 73 million (NOK 258 million)². EBITA¹ for the year as a whole totalled NOK 177 million (NOK 801 million)². The comparative figures for 2009 include profit contributions from sold power operations of NOK 153 million in the fourth quarter and NOK 397 million for the year.

Borregaard Energi reported a result on par with the same quarter of 2009. Increased production resulting from good flows in the Glomma River in the first part of the quarter was counteracted by increased contract power prices. A cold spell in the latter part of the quarter triggered a reduction in production and higher market prices in the Nordic power market.

AS Saudefaldene delivered weak results in the fourth quarter due to low production and high contract power prices. The reservoir level at Sauda was lower than normal at the end of the third quarter of 2010, and inflows during the fourth quarter were lower than normal due to abnormally small amounts of precipitation in November and December. Fourth-quarter EBITA¹ for AS Saudefaldene totalled a positive NOK 35 million (NOK 218 million)². The comparative figure for 2009 includes profit contributions of NOK 153 million from sold power operations.

Associated companies

	1.1. – 31.12.		1.10. – 31.12.	
Amounts in NOK million	2010	2009	2010	2009
Profit/loss from associates	(6,169)	(3,919)	(866)	(3,516)
<i>Of which Renewable Energy Corporation (REC)</i>				
Share of profit/loss REC	393	(931)	311	(415)
Revaluation/write-down REC	(6,841)	(3,135)	(1,198)	(3,135)

Renewable Energy Corporation ASA (REC) (39.7% interest)

The figures below are on a 100% basis.

REC reported a good quarter with revenues of NOK 4,874 million (NOK 2,545 million)² up 29% compared with the third quarter of 2010. Markets were stronger than expected. EBITDA came in at NOK 1,836 million (NOK 595 million)², up from NOK 827 million in the third quarter of 2010. The result includes NOK 332 million in special items, mainly related to a cancellation fee received for a wafer sales contract. There was higher FBR production and improved product quality in REC Silicon. The average selling prices for polysilicon and wafer increased in the quarter. In addition, REC signed new wafer sales contracts worth approximately NOK 2.3 billion at the end of the year.

Jotun AS (Jotun) (42.5% interest)

The figures below are on a 100% basis.

Jotun had a satisfactory end of the year, and achieved profit growth for the year as a whole. Growing markets in Asia and the Middle East continued to show strong growth, while market growth was weaker in Europe. Total volume growth for the year was 10%. Key raw materials have increased in price during the quarter. Jotun continued the programme of extensive investment in accordance with the strategy of organic growth. The Group has excellent liquidity, and had no net interest-bearing liabilities at the end of the year. Jotun has not yet presented the financial statements for the last four months of 2010. Operating revenues for the first eight months totalled NOK 8,044 million (NOK 7,811 million)², a rise of approximately 3%. Operating profit for the same period ended at NOK 1,041 million (NOK 858 million)².

CASH FLOW AND FINANCIAL SITUATION

As expected, working capital was reduced during the fourth quarter, and cash flow from operations amounted to NOK 1,748 million (NOK 2,687 million)² for the quarter. For the full year, cash flow from operations totalled NOK 2,469 million, compared to NOK 5,802 million in 2009.

Cash flow from Elkem Silicon-related in 2010 is included in the line "Discontinued operations and other payments".

Expansion investments totalled NOK 509 million in 2010 (NOK 1,765 million)². The investments primarily relate to Sapa's expansion of the Heat Transfer factory in Shanghai (China) and remaining payments linked to AS Saudefaldene.

Company acquisitions amounted to NOK 2,878 million in 2010 (NOK 3,282 million)², of which NOK 1.6 billion is related to REC's rights issue. In 2010, Orkla Brands completed 11 acquisitions and one brand acquisition, including Kalev Chocolate Factory, Peterhof and Sonneveld, while Sapa has acquired Thule's roof rail business, Arch Extrusions, and 65% of the shares in Vijalco. Companies sold in 2010 – Borregaard Skoger, Orkla Finans and Ringnes Park Næring 1 DA – totalled NOK 1,854 million.

Net sales of portfolio investments totalled NOK 952 million in the fourth quarter (NOK 250 million)². The full-year figure was NOK 2,130 million (NOK 2,866 million)².

Net Group cash flow was NOK 4,440 million in the fourth quarter (NOK 8,187 million)², while cash flow for the year was NOK 230 million (NOK 5,640 million)². After negative currency effects of NOK 34 million, net interest-bearing liabilities totalled NOK 19,652 million at the end of the year, a reduction of NOK 196 million compared to the beginning of 2010.

During the fourth quarter, the Group's interest-bearing liabilities bore an average interest rate of 2.1%, and almost all debt was subject to floating interest terms. The average interest rate for the year as a whole was 2.2%, on average interest-bearing liabilities of NOK 22,132 million, including discontinued operations. The interest-bearing liabilities are primarily distributed among the following currencies: NOK, SEK, EUR, DKK and USD.

During 2010, the consolidated balance sheet was reduced by approximately NOK 7.1 billion, to NOK 87.5 billion at year end. The reduction compared to 31 December 2009 is predominantly due to the payment of receivables on the sale of power plants and changes in the value of the REC share.

At the end of 2010, the equity ratio was 53.6%, compared to 51.7% at the end of 2009, while net gearing⁴ was 0.42 (0.41)².

GENERAL MEETING

The Ordinary General Meeting will take place on 14 April 2011 at 3 p.m., in Gamle Logen in Oslo. The registration deadline is on 11 April 2011 at 3 p.m. The Orkla share will be listed ex-dividend on 15 April 2011, and the dividend will be paid on 29 April, in accordance with the resolution of the General Meeting. The 2011 Annual Report will be published on 24 March 2010.

OTHER MATTERS

Effective as of 1 January 2011, Karin Aslaksen has been appointed new Executive Vice President in charge of the Orkla Group's strategic HR and communications work, and has joined Orkla ASA's Group Executive Board.

Orkla has concluded a binding agreement with China National Bluestar (Group) Co., Ltd (Bluestar) relating to the sale of Elkem's silicon-related operations. The transaction comprises the divisions Elkem Silicon Materials, Elkem Foundry Products, Elkem Carbon and Elkem Solar. The value of the agreement for Orkla is approximately NOK 12.5 billion. Completion of the transaction is contingent upon the necessary approvals from the Chinese authorities and competition authorities, as well as from relevant Norwegian authorities. The transaction is expected to be completed during the first half of 2011.

The agreement to sell the wholly-owned forestry companies Borregaard Skoger AS, AS Børresen and Borregaard Vafos to Statskog was completed on 20 December 2010. The licence relating to the sale of Elkem Energi Bremanger AS was granted on 21 December 2010, and the transaction was finally completed on the same day.

OUTLOOK FOR 2011

The Nordic grocery market is expected to show a relatively stable trend. Outside the Nordic region, particularly in Russia, the Baltics and Eastern Europe, there are prospects of a cautious improvement

in the markets, but the level of uncertainty is relatively high. Raw material prices have risen throughout the year, and have lately increased rapidly to record high levels. The uncertainty in the raw material markets is therefore greater than normal for 2011. Orkla Brands' companies are following the development closely and aim to compensate for the increase by raising prices. Very substantial, rapid changes in raw material prices can result in delays in implementing price rises in the market.

Sapa has experienced market growth throughout 2010, and Orkla expects this to continue into 2011, even though achieving growth in some markets will be difficult. Market growth has flattened out somewhat during the second half of 2010, and Sapa is expecting Sapa Profiles to experience moderate market growth in 2011. The market and demand for Sapa Heat Transfer are good at the beginning of 2011. Sapa's strategic initiative and internal improvement projects will be intensified in 2011, with a view to spurring further profit growth.

Borregaard Chemicals expects the strong demand in key product categories to continue into 2011. Increased prices for important raw materials and the strengthening of NOK against EUR and USD may have a negative impact on Borregaard.

Hydro Power's reservoirs were at low levels at the beginning of 2011. Overall, Saudefaldene expects lower production than normal in 2011, due to the low reservoir levels and little snow at the beginning of 2011. Average energy prices are expected to be lower than in 2010.

Assuming a stabilising global economy, stock markets are also expected to develop positively into 2011, but negative economic and political events may have a negative impact. The interest-rate level is expected to rise somewhat from the historic lows of 2010.

Oslo, 9 February 2011
The Board of Directors of Orkla ASA

THE GROUP'S CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	1.1. – 31.12.		1.10. – 31.12.	
		2010	2009	2010	2009
Operating revenues	2	57,338	50,233	15,884	13,497
Operating expenditures		(51,582)	(45,378)	(14,094)	(11,871)
Depreciation and impairment charges on tangible assets		(1,812)	(1,826)	(468)	(465)
Amortisation of intangible assets		(52)	(213)	(15)	(60)
Other income and expenses	3	330	2,871	506	2,975
Operating profit		4,222	5,687	1,813	4,076
Profit/loss from associates		(6,169)	(3,919)	(866)	(3,516)
Received dividends		522	252	73	13
Gains, losses and write-downs in the Share Portfolio		1,772	584	867	337
Financial items, net		(327)	(749)	(76)	(196)
Profit/loss before taxes		20	1,855	1,811	714
Taxes		(844)	276	(98)	558
Profit/loss for the period for continued operations		(824)	2,131	1,713	1,272
Gains/profit discontinued operations	9	(40)	429	(50)	(74)
Profit/loss for the period		(864)	2,560	1,663	1,198
Profit/loss attributable to non-controlling interests		53	(31)	15	28
Profit/loss attributable to owners of the parent		(917)	2,591	1,648	1,170
Profit/loss before taxes, the Industrial Activities		(3,732)	1,094	(566)	395
Profit/loss before taxes, Orkla Financial Investments		3,752	761	2,377	319

EARNING PER SHARE

Amounts in NOK	1.1. – 31.12.		1.10. – 31.12.	
	2010	2009	2010	2009
Earnings per share	(0.9)	2.5	1.6	1.2
Earnings per share (diluted)	(0.9)	2.5	1.6	1.1

THE GROUP'S CONDENSED COMPREHENSIVE INCOME

Amounts in NOK million	1.1. – 31.12.		1.10. – 31.12.	
	2010	2009	2010	2009
Profit/loss for the period	(864)	2,560	1,663	1,198
Change in unrealised gains on shares	950	2,511	100	557
Change in hedging reserve	359	591	755	125
Translation effects	(305)	(2,677)	(259)	(606)
The Group's comprehensive income	140	2,985	2,259	1,274
Comprehensive income attributable to non-controlling interests	51	(310)		
Comprehensive income attributable to owners of the parent	89	3,295		

THE GROUP'S CONDENSED BALANCE SHEET

Amounts in NOK million	Note	31.12. 2010	31.12. 2009
Intangible assets		12,960	14,731
Property, plant and equipment		17,730	24,694
Financial assets	8, 5	10,985	15,922
Non-current assets		41,675	55,347
Assets in discontinued operations	9	13,891	-
Inventories		7,102	7,531
Receivables	5	10,380	16,568
Share Portfolio, etc.		11,674	11,087
Cash and cash equivalents	5	2,819	4,153
Current assets		31,975	39,339
Total assets		87,541	94,686
Paid-in equity		1,999	1,995
Earned equity		44,567	46,560
Non-controlling interests		365	370
Equity		46,931	48,925
Provisions and other non-current liabilities		4,081	4,339
Non-current interest-bearing liabilities	5	21,820	29,042
Current interest-bearing liabilities	5	1,380	1,746
Liabilities in discontinued operations	9	2,544	-
Other current liabilities		10,785	10,634
Equity and liabilities		87,541	94,686
Equity ratio (%)		53.6	51.7

CHANGES IN EQUITY

Amounts in NOK million	1.1. – 31.12.2010			1.1. – 31.12.2009		
	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	89	51	140	3,295	(310)	2,985
Dividends	(2,294)	(66)	(2,360)	(2,288)	(66)	(2,354)
Buybacks of Orkla shares	138	-	138	94	-	94
Option costs	78	-	78	71	-	71
Change in non-controlling interests	-	10	10	-	(1,940)	(1,940)
Equity at the close of the period	46,566	365	46,931	48,555	370	48,925

THE GROUP'S CONDENSED CASH FLOW

Amounts in NOK million	Note	1.1. – 31.12.		1.10. – 31.12.	
		2010	2009	2010	2009
Cash flow in the Industry division:					
Operating profit		2,940	5,191	385	4,000
Amortisation, depreciation and impairment charges		2,503	2,653	1,134	720
Gain on sale of power plants presented as «sale of companies»		-	(3,066)	-	(3,066)
Changes in net working capital, etc.		(1,462)	2,197	726	1,376
Cash flow from operations before net replacement expenditures		3,981	6,975	2,245	3,030
Net replacement expenditures		(1,512)	(1,173)	(497)	(343)
Cash flow from operations		2,469	5,802	1,748	2,687
Financial items, net		(544)	(1,261)	(145)	(239)
Cash flow from Industry division		1,925	4,541	1,603	2,448
Cash flow from Orkla Financial Investments		1,236	1,003	539	(72)
Taxes paid		(686)	(1,402)	(192)	284
Discontinued operations and other payments		(620)	25	248	3
Cash flow before capital transactions		1,855	4,167	2,198	2,663
Paid dividends		(2,360)	(2,354)	(41)	(26)
Net sale/purchase of Orkla shares		138	94	116	91
Cash flow before expansion		(367)	1,907	2,273	2,728
Expansion investments in industry division		(509)	(1,765)	(156)	(301)
Sale of companies/share of companies		1,854	5,914	1,630	5,837
Purchase of companies/share of companies	4	(2,878)	(3,282)	(259)	(327)
Net sale/purchase of portfolio investments		2,130	2,866	952	250
Net cash flow		230	5,640	4,440	8,187
Currency effects of net interest-bearing liabilities		(34)	1,936	(109)	191
Change in net interest-bearing liabilities		(196)	(7,576)	(4,331)	(8,378)
Net interest-bearing liabilities	5	19,652	19,848		

NOTES

NOTE 1 GENERAL INFORMATION

Orkla ASA's condensed consolidated financial statements for the fourth quarter of 2010 were approved at a meeting of the Board of Directors on 9 February 2011. 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. On the whole, the same accounting principles and methods of calculation have been applied as in the last annual financial statements, with such exceptions and requirements as are prescribed by IFRS amendments (see next paragraph).

On 11 January 2011, the Group publicly announced that it had entered into an agreement to sell the Elkem Silicon-related segment. As a consequence of this sale, Elkem Silicon-related is presented on a separate line/separate lines, respectively, of the income statement and the balance sheet as discontinued operations. The income statement has been restated with regard to historical figures.

The Group's investment in REC is presented at market price as long as the market price is lower than the carrying value, in accordance with the principles applied for associates. In 2010, this has entailed a write-down totalling NOK 6.4 billion (see further information in Note 8). Furthermore, items of a special nature are presented as «Other income and expenses» in the income statement. These are presented and commented on in Note 3.

As of 1 January 2010, the Group has applied 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 (see Note 3).

As from the first quarter of 2010 the Group has also applied the new IFRIC 15, under which real estate projects are no longer to be regarded as construction contracts. Revenue must not be recognised until the building has been taken over.

NOTE 2 SEGMENTS

Due to the presentation of Elkem Silicon-related as discontinued operations, the segment structure of the Group has been changed. Orkla Brands and Sapa are reported in the same way as before, while all other activities apart from HQ/Other Business are presented as «Investments». The comparative figures have been restated accordingly.

OPERATING REVENUES

Amounts in NOK million	1.1. – 31.12.		1.10. – 31.12.	
	2010	2009	2010	2009
Orkla Group	57,338	50,233	15,884	13,497
Orkla Brands	23,627	23,046	6,980	6,324
Orkla Foods Nordic	9,438	9,754	2,719	2,658
Orkla Brands Nordic	7,896	7,722	2,176	2,085
Orkla Brands International	2,009	1,939	705	590
Orkla Food Ingredients	4,560	3,966	1,463	1,078
Eliminations Orkla Brands	(276)	(335)	(83)	(87)
Sapa	27,684	20,803	7,289	5,592
Sapa Profiles	21,671	15,621	5,519	4,189
Sapa Heat Transfer & Building System	6,814	5,856	1,980	1,501
Eliminations Sapa	(801)	(674)	(210)	(98)
Investments:				
Borregaard Chemicals	3,750	3,815	967	960
Hydro Power	1,321	1,353	604	405
Orkla Financial Investments	2,015	2,977	321	770
HQ/Other Business/Eliminations	(1,059)	(1,761)	(277)	(554)

OPERATING PROFIT - EBITA*

	2010	2009	2010	2009
Orkla Group	3,944	3,029	1,322	1,161
Orkla Brands	2,967	2,793	910	874
Orkla Foods Nordic	1,115	1,088	353	341
Orkla Brands Nordic	1,544	1,380	411	391
Orkla Brands International	40	89	55	57
Orkla Food Ingredients	268	236	91	85
Sapa	744	(344)	155	117
Sapa Profiles	373	(574)	30	13
Sapa Heat Transfer & Building System	371	230	125	104
Investments:				
Borregaard Chemicals	238	216	85	46
Hydro Power	177	801	73	258
Orkla Financial Investments	151	(85)	192	(15)
HQ/Other Business	(333)	(352)	(93)	(119)

* Operating profit before amortisation and other income and expenses

NOTE 3 OTHER INCOME AND EXPENSES

Amounts in NOK million	1.1. – 31.12.		1.10. – 31.12.	
	2010	2009	2010	2009
Termination of the old AFP schemes and issued paid-up policies	1	-	(29)	-
M&A costs	(28)	-	10	-
Provision closure of Borregaard Italy	(63)	-	-	-
Loss and write-down of goodwill Orkla Finans	(172)	-	(67)	-
Gain on sale of property in Switzerland, Borregaard	47	-	47	-
Gain on sale of Borregaard Skoger	1,309	-	1,309	-
Net costs fire Finspång, Sweden	(212)	-	(212)	-
Final settlements regarding Sapa Holland	3	-	3	-
Write-down buildings and machinery	-	-	-	-
Magnolia and Drunen Sapa	(27)	-	(27)	-
Write-down goodwill Bakers	(276)	-	(276)	-
Settlement sale power plants and correction value power contracts regarding sale of Elkem	(254)	-	(254)	-
Orkla Brands, settlement	-	-	-	-
Russian Snack Company Kotlin and Elbro	2	(10)	2	-
Sapa, restructuring Indalex og Benelux	-	(185)	-	(91)
Gain on sale of power plants	-	3,066	-	3,066
	330	2,871	506	2,975

In February, there was a fire at Sapa Heat Transfer's plant in Finspång, Sweden. The fire caused limited property damage and business interruption loss. However, Sapa Heat Transfer works in a market where delivery times are short and the recipients have limited inventories. A production halt therefore gives rise to contract production costs, in addition to which manufactured goods must be shipped by faster means in order to maintain customers' stable production. Costs related to contract production and air freight are therefore substantial items in the insurance claim. The total claim amounts to SEK 658 million, and the claims settlement process has not been concluded. Orkla expects its entire claim to be covered by the insurance company, but pending final clarification has recognised part of the claim as «Other income and expenses». The cost of NOK 212 million is a consequence of compliance with stringent formal IFRS requirements. A corresponding amount of revenue is expected to be presented on the same line in 2011. The impact of the fire on fourth-quarter EBITA is considered to be relatively neutral. Assets totalling NOK 57 million have been recognised in the balance sheet.

Termination of the former contractual early retirement (AFP) scheme has resulted 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. Paid-up policies have therefore been issued to the pensioners in these funded plans, thereby making it possible 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 end of the fourth quarter of 2010. If a new AFP scheme is to 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.

See also the information disclosed under Note 8 «Assessments relating to impairment».

NOTE 4 ACQUISITION OF COMPANIES/AGREEMENT TO PURCHASE ASSETS

At the end of the fourth quarter, Orkla Brands had bought businesses and a brand at a total cost of approx. NOK 989 million. The largest acquisitions are Peterhof (consolidated from 1 May) in Russia, Sonneveld Group (consolidated from 1 July) in the Netherlands and Kalev Chocolate Factory (consolidated from 27 May) 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 arising from the acquisitions is mainly related to goodwill, tangible assets and some minor intangible assets. The balance sheet total increased by NOK 1,207 million as a result of the Orkla Brands acquisitions.

In the fourth quarter, Sapa acquired three companies, Thule (22 October), Vijalco 65% (31 December) and Arch Extrusions (31 December) at a total cost of NOK 179 million. These acquisitions have only had a minor impact on results for 2010. The companies were purchased in order to strengthen Sapa's market position. The excess values are largely related to customer contracts and production equipment, and the balance sheet total has increased by NOK 269 million as a result of the 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 39.7%.

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

NOTE 5 NET INTEREST-BEARING LIABILITIES

The Group's interest-bearing liabilities are more or less unchanged from the end of 2009. The presentation of Elkem Silicon-related as «discontinued operations» does not include net interest-bearing liabilities. The various elements of net interest-bearing liabilities are shown in the following table:

	31.12. 2010	31.12. 2009
Net interest-bearing liabilities		
Non-current interest-bearing liabilities	(21,820)	(29,042)
Current interest-bearing liabilities	(1,380)	(1,746)
Non-current receivables (in «Financial assets»)	600	452
Current receivables (in «Receivables»)	129	6,335
Cash and cash equivalents	2,819	4,153
Net interest-bearing liabilities	(19,652)	(19,848)

NOTE 6 RELATED PARTIES

There were no special transactions between the Group and related parties in 2010. The Canica system (largest Orkla shareholder with a 23.3% holding) and Orkla both have equity interests in certain investments. The Group has provided subordinated loans totalling NOK 111 million and NOK 124 million, respectively, to joint ventures and associates within its real estate operations (Eiendom) and Sapa.

On 8 September, Orkla's Board of Directors appointed Bjørn M. Wiggen as new President and CEO to succeed Dag J. Opedal.

NOTE 7 OPTIONS AND TREASURY SHARES

Changes in outstanding options and treasury shares are shown in the following table.

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	(1,532,500)
Forfeited during the period	(160,000)
Outstanding number of options as of 31 December 2010	19,769,500

Change in treasury shares:

Total as of 1 January 2010	9,857,815
Options exercised in treasury shares	(1,386,576)
Share purchase programme for employees'	(1,525,490)
Total as of 31 December 2010	6,945,749

NOTE 8 ASSESSMENTS RELATING TO IMPAIRMENT

Orkla Finans was sold to Pareto on 1 October at an accounting loss of NOK 67 million, after goodwill had been written down by NOK 105 million in the second quarter.

In the third quarter, the Group carried out impairment tests for all intangible assets with an indefinite useful life and all goodwill using the same method as in previous years. No significant impairments were identified in the Group's property, plant or equipment or intangible assets, and only a few minor write-downs were taken in the reporting period.

Bakers has in the fourth quarter been subject to a separate analysis based on indicators. Orkla Brands has in the fourth quarter announced that a process in which a sale of Bakers will be considered has been initiated. Further analysis, based on new information, resulted in the write down of goodwill by NOK 276 million, to zero.

In connection with the restructuring of the energy area, which included the winding-up of Elkem Energi Handel, previously allocated excess values at Group level were written down in their entirety. This resulted in a net accounting charge of NOK 254 million.

In accordance with the Group's accounting principles, the Share Portfolio was written down by NOK 266 million as of 31 December 2010. The write-down in the fourth quarter alone was NOK 55 million.

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 17.79 per share as of 31 December 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 6,448 million. In the fourth quarter alone, the trend was negative with a decline in value of NOK 887 million. Reported profit/loss from REC does not tally exactly with changes in the market price multiplied by the number of shares. The reason

for this is that underlying translation differences recognised in REC's comprehensive income statement will be an income statement element in Orkla's financial statements. Translation differences are normally reported against the equity interest, but in a situation where the value of the interest is determined by the market price, items reported directly against the interest will have to be compensated for through recognition in the income statement. Profit/loss from REC as of 31 December was impacted by NOK 114 million due to this effect.

In connection with recognition of the Group's share of results, the investment in Fornebu Utvikling ASA was adjusted downwards by NOK 43 million. The carrying value of the Group's interest in Fornebu Utvikling ASA is NOK 573 million. The market value of the interest is NOK 583 million (NOK 2.17 per share). There is little trading in the share and the carrying value of the equity capital in Fornebu Utvikling ASA was NOK 2.3 billion as of the third quarter, which means NOK 736 million for Orkla's 32.4% interest.

NOTE 9 DISCONTINUED OPERATIONS

As stated in the introductory paragraphs, an agreement was entered into on 10 January 2011 to sell the Elkem-Silicon related operations. The business is presented on a single line in the Group's income statement and an ordinary income statement for the business is therefore presented in a separate note. The transaction is expected to be completed in the first half of 2011, and the value of the agreement for Orkla is NOK 12.5 billion.

Elkem Aluminium was sold in 2009 and is therefore also included in the presentation.

Amount in NOK million	2010	2009
Operating revenues	8,655	6,830
External operating expenditures	(7,577)	(6,815)
Depreciation and impairment charges on tangible assets	(696)	(698)
Amortisation of intangible assets	-	(5)
Operating profit	382	(688)
Financial items, net	(250)	(203)
Profit/loss before taxes	132	(891)
Taxes	(55)	220
Profit/loss after taxes	77	(671)
Gain on sale	-	1,116
M&A costs	(117)	-
Tax on gain	-	(16)
Profit/loss for discontinued operations	(40)	429

NOTE 10 OTHER MATTERS

In the legal proceedings concerning the taxation of REC convertible debentures, the main hearing in Borgarting Court of Appeal has been held on 3 – 9 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.