

ORKLA

F I R S T F O U R M O N T H S 1 9 9 5

BRANDED CONSUMER GOODS

ORKLA IS A LEADING SUPPLIER
OF BRANDED CONSUMER
GOODS TO THE SCANDINAVIAN
MARKET. BRANDED GOODS
REPRESENT AROUND 80%
OF THE GROUP'S TOTAL SALES.

FINANCIAL INVESTMENTS

ORKLA OWNS ONE OF NORWAY'S
LARGEST INVESTMENT PORTFOLIOS
WHICH REPRESENTS AROUND 25%
OF THE GROUP'S BALANCE SHEET.
THE PORTFOLIO HAS PROVIDED A
BETTER RETURN THAN THE OSLO
STOCK EXCHANGE OVER A NUMBER
OF YEARS.

CHEMICALS

ORKLA HAS STRONG GLOBAL
MARKET POSITIONS IN SELECTED
NICHES OF SPECIALITY AND FINE
CHEMICALS. MORE THAN 80%
OF SALES ARE OUTSIDE NORWAY.
THE CHEMICALS BUSINESS REPRESENTS
AROUND 15% OF THE
GROUP'S SALES AND IS SHOWING
GOOD GROWTH.

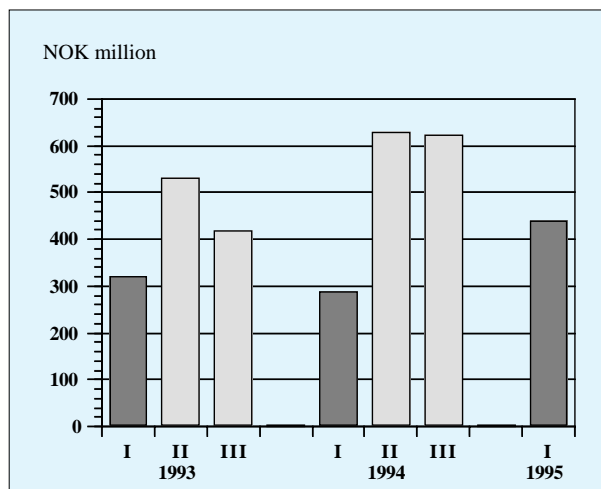


ORKLA

Group profit and loss account

NOK million	1.1.-30.4.		1.1.-31.12.
	1995	1994	1994
Operating revenue	6,442	6,423	20,780
Operating expenses	(5,634)	(5,785)	(18,121)
Ordinary depreciation	(368)	(349)	(1,118)
Operating profit	440	289	1,541
Financial items, net	(187)	(198)	(514)
Profit from ass. companies, etc.	48	39	129
Gains/losses on sale of shares, etc.	295	169	418
Profit before tax	596	299	1,574
Taxes and minority interests	(147)	(81)	(425)
Profit after tax and minorities	449	218	1,149
Earnings per share (NOK)	9.3	4.6	24.0
Cashflow per share (NOK)	17.2	11.5	46.6
Profit before tax - Industry	342	155	1,224
Profit before tax - Investment area	254	144	350

Operating profit, 4 month periods



Orkla Group First four months of 1995

Main aspects

The Group's profit before tax was NOK 596 million, an increase of NOK 297 million from the same period last year. The operating profit rose by NOK 151 million to NOK 440 million. Roughly half of the improvement in the operating profit is the result of a good overall advance in the industrial businesses due, among other things, to favourable economic conditions and continued improvement measures. In addition, the development in profits has been positively influenced by sales gains on the disposal of Norgro and 50% of the shares in Helly-Hansen. Realised gains on portfolio shares were considerably higher than in the first four months of 1994. At 30 April 1995 unrealised gains on the Group's share portfolio amounted to NOK 2,391 million.

On 2 April 1995 Orkla signed an agreement to acquire Volvo's foods business which mainly consists of Procordia Food and Abba Seafood. In addition, an agreement was signed to merge the beverages businesses to form a jointly-owned company, Pripps Ringnes. This is a significant step towards realising important strategic goals of Orkla's branded goods area. The agreement has been approved by the Corporate Assembly of Orkla A.S. The Norwegian competition authorities have approved the acquisition by Orkla of Volvo's foods business. Consideration by the Swedish competition authorities of the foods business and by the EU Commission of the combined beverages business is continuing. Completion will take place once the agreement has been approved by the authorities, whose decision is expected during the early autumn. These companies have thus had no effect on the results for this four-month period.

During the first four months the Group sold Norgro and 50% of the shares in Helly-Hansen. The sales have been booked at a total gain of NOK 76 million.

The Group's operating revenue rose by NOK 19 million to NOK 6,442 mil-

lion. Adjusted for businesses bought and sold, there was an increase in operating revenue of 6%, of which roughly half was due to the resumption of soya meal sales from the edible oils business' extraction plant in April 1994.

The Group's operating margin in the first four months was 6.8%, which represents an improvement of 2.3 percentage points from the same period last year. Adjusted for the effect of sales gains in the first four months of 1995, the improvement is 1.2 percentage points. This is mainly explained by higher prices and volumes in the Group's cyclical areas and by lower costs.

ORKLA BEVERAGES

Operating revenue increased by 5% from the first four months in 1994 to NOK 988 million, mainly as a result of a higher volume of carbonated soft drink sales in Norway and Poland.

The operating result improved by NOK 25 million to NOK -7 million. In Norway the operating result improved by NOK 34 million to NOK 18 million, while there was a deterioration in results from the businesses in Poland of NOK 10 million to NOK -25 million, mainly as a result of a fall in the prices

of carbonated soft drinks in real terms. The Coca-Cola Company and Ringnes are holding discussions on a restructuring of the Polish businesses. A possible outcome of these discussions may be that Ringnes divests its operations in Poland.

There was an increase of 4% in sales of carbonated soft drinks in Norway, but a 2% decline in volume terms in beer sales. Ringnes' market shares for carbonated soft drinks and beer were stable. Farris achieved growth during the period of 45% due, among other things, to the launch of Farris Lime. Products from The Coca-Cola Company performed well in a market characterised by increasing competition from other producers and own brands. In the beer market Lysholmer achieved good sales during the period, following the launch of a new bottle.

Net prices in Norway for beer and soft drinks are at the same level as in the corresponding period of 1994.

Ringnes' restructuring process, which involved the start-up of the Gjelleråsen plant outside Oslo, was completed in 1994. This has had a positive effect on the operating result for the first four months.

Operating revenue

Operating profit

NOK million	1.1.-30.4.	1.1.-30.4.	1.1.-31.12.	1.1.-30.4.	1.1.-30.4.	1.1.-31.12.
	1995	1994	1994	1995	1994	1994
Orkla Beverages	988	945	3,322	(7)	(32)	163
Orkla Foods	1,776	1,659	5,286	78	89	362
Orkla Brands	1,823	1,630	5,386	147	111	421
Orkla Media	568	513	1,726	46	34	140
Elimination	(223)	(224)	(709)	(4)	(2)	(32)
Branded Consumer Goods	4,932	4,523	15,011	260	200	1,054
Chemicals	1,158	965	3,155	103	67	349
H.O./Unalloc./Elimination	315	874	2,456	85	9	122
Industry	6,405	6,362	20,622	448	276	1,525
Investment area	37	61	158	(8)	13	16
Group	6,442	6,423	20,780	440	289	1,541

ORKLA FOODS

Operating revenue in the first four months amounted to NOK 1,776 million, an increase of 7% largely due to newly-acquired businesses. The operating profit was NOK 78 million against NOK 89 million in the corresponding period last year. The reduction was due to higher costs for raw materials and packaging, poorer results in Catering and Fresh Products, a weak volume development in the Swedish market and higher advertising expenditure.

Profits advanced for products sold to grocery retailers and industrial users. Price levels in the Norwegian grocery trade are at the same level as at the end of last year. In the Catering sector the measures carried out appear to have provided a foundation for an improvement in profits.

The Foods area has secured its market position during the first four months in important product areas and has launched a number of new products during the period, including Pizza Mexicana, Idun Salsa ketchup and new varieties of RisiFrutti.

ORKLA BRANDS

Operating revenue rose by 12% to NOK 1,823 million, mainly as a result of resumed sales of soya meal following the start-up of the edible oils business' extraction plant in April last year.

Most business areas reported unchanged or increased market shares. Sales have risen for the confectionery business, which last year experienced problems on the transition to wholesale distribution in Norway.

Advertising expenditure shows a moderate increase compared with the first four months of last year. Several major product launches were made in the first four months. The most impor-

tant ones were Frank Farmer potato crisps, the skin care range Pond's and Möller's Dobbelt, a health supplement which combines Omega-3 fatty acids and vitamins. So far the new products have exceeded sales expectations.

The snacks business has acquired two companies which are expected to lead to growth in sales of around NOK 100 million in 1995.

High priority is being given to increasing the efficiency of the administrative functions in Orkla Brands.

The operating profit has increased by NOK 36 million to NOK 147 million. The main reason for the improvement in profits has been good market conditions for the edible oils business. These are expected to level off during the second half-year.

Sætre's biscuits factory suffered a fire on 13 May 1995. The damage appears to be less than first feared, and most of the production was resumed after two weeks.

ORKLA MEDIA

Operating revenue rose by 11% to NOK 568 million, mainly as a result of businesses acquired and higher advertising income in the Newspaper sector.

The operating profit for the period increased by NOK 12 million to NOK 46 million. All sectors reported higher profits.

The operating margin for the period compared with the first four months of last year increased by 1.5 percentage points to 8.1%. The increase was mainly due to higher advertising volume in the newspapers and cost improvements in the Magazine sector.

Advertising volume in the Newspaper sector rose by 9.3% compared with the first four months of last year. This is in line with the rest of the

Norwegian daily press. Advertising volume in the Hjemmet Mortensen magazines increased by 4.5%, compared with an increase of 3.6% in the Norwegian magazine market in general.

Orkla Media's newspapers recorded a positive development in circulation during the first four months (+0.5%), while the Hjemmet Mortensen magazines experienced a fall in circulation in line with the Norwegian magazine market in general.

CHEMICALS

Borregaard's operating revenues rose by NOK 193 million to NOK 1,158 million compared with the first four months of last year. Adjusted for new units, the growth was 9%. The operating profit increased by 54% to NOK 103 million and the operating margin by 2.0 percentage points to 8.9%. The margin improvement relates entirely to Specialty pulp. The development in exchange rates was not favourable for Borregaard during the period and restricted the positive development.

Specialty Chemicals reported a weaker result which was due to a decrease in volumes of the least processed products and unfavourable exchange rate developments. High value products are increasing their contribution and account for an increasingly greater proportion of sales. A new specialty chemicals plant in the USA began production in February and was officially opened on 19 April 1995.

Fine Chemicals reported a slight improvement in profits due to higher volumes. The new diphenol business in Italy is contributing positively to this.

Specialty Pulp has increased prices on all qualities and is continuing to shift towards higher value-added pulps.

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When changing address, shareholders are requested
to contact their account operator

Group balance sheet

NOK million	30.4. 1995	30.4. 1994	31.12. 1994
Assets:			
Current assets	12,892	10,706	11,755
Long-term assets	9,523	10,007	9,647
Total assets	22,415	20,713	21,402
Liabilities and equity:			
Interest-free liabilities	4,836	5,127	5,268
Interest-bearing liabilities	9,831	8,662	8,692
Minority interests	159	209	213
Equity	7,589	6,715	7,229
Liabilities and equity	22,415	20,713	21,402
Equity ratio	34.6%	33.4%	34.8%

Cashflow

NOK million	1.1.-30.4. 1995	1994	1.1.-31.12. 1994
Cashflow - Industry:			
Operating profit	448	276	1,526
Ordinary depreciation	364	348	1,107
Changes in net working capital	69	(318)	(250)
Cashflow from operations	881	306	2,383
Net replacement expenditure	(232)	(328)	(891)
Free cashflow from operations	649	(22)	1,492
Financial items, net	(208)	(232)	(391)
Free cashflow - Industry	441	(254)	1,101
Cashflow from Investment area before net purchases/sales	22	(56)	(93)
Tax and dividends	(155)	(152)	(522)
Misc. capital transactions, for.exch.diff.	(101)	63	188
Group's self-financing capacity	207	(399)	674
Expansion investments Industry	(129)	(379)	(1,175)
Net purchases/sales portfolio inv.	165	(131)	(43)
Net cashflow	243	(909)	(544)
Change in net interest-bearing debt	(243)	909	544

However, higher wood prices and more extensive maintenance projects during the first four months led to the operating result being at the same level as the last four months of 1994. An improvement is expected in profits from Specialty Pulp over the remainder of 1995.

Other areas showed progress due to high sales and favourable price developments.

FINANCIAL INVESTMENTS

There was a mixed development in international stockmarkets during the first four months of the year. The fall in the dollar led to instability in financial markets and had a negative impact on the Oslo Stock Exchange. There are clear signs of a lower rate of economic growth in the USA. This has led to a significant fall in interest rate levels and a good stockmarket in the opening months of the year.

The Oslo Stock Exchange All Share Index rose by 0.4% during the first four months. Orkla's portfolio has had a return of -0.1% since the year-end.

The Investment area's result before tax was NOK 254 million against NOK 144 million in the same period last year. Realised gains totalled NOK 295 million against NOK 169 million at 30 April 1994. The gains were mainly derived from the sale of the holding in Nora Eiendom. Dividends received

amounted to NOK 21 million against NOK 29 million last year. On an annual basis dividends received, however, are expected to be higher than in 1994. Apart from the sale of the shareholding in Nora Eiendom for NOK 296 million, there were no significant changes in the portfolio during the first four months.

At 30 April 1995 unrealised gains totalled NOK 2,391 million, which is a reduction of NOK 272 million since the year-end. The market value of the portfolio was NOK 8,170 million.

CAPITAL SITUATION AND CASHFLOW

The Group's net cashflow in the first four months was NOK 243 million. This is an improvement of NOK 1,152 million from the corresponding period last year. The improvement mainly relates to the release of capital through the sale of Helly-Hansen (50%), Norgro and the shareholding in Nora Eiendom. In addition, the Group's cashflow benefited from a lower level of expansion investments and higher profits. Normally Orkla has a negative cashflow in the first four months due, among other things, to the seasonal build-up of net working capital.

Expansion investments in the first four months relate to Orkla Foods and expansion in the core operations of the Chemicals area.

Net interest-bearing debt at 30 April 1995 was NOK 7,383 million.

The Group's book equity ratio at 30 April 1995 was 34.6%. In connection with settlement of the agreement signed with Volvo, funds have been drawn on established facilities invested in the market short-term, thus increasing the balance sheet. This has led to a reduction in the equity ratio of roughly 2.6 percentage points.

FUTURE PROSPECTS

No major price changes are expected for the Group's branded goods businesses over the remainder of the year. However, costs of raw materials and packaging are expected to rise. In Sweden there is some uncertainty as to the short-term trend in the groceries market. With regard to the companies covered by the Volvo agreement, Pripps has had a slightly weaker start to the year than in 1994, while the food businesses have recorded an improvement in profits as a whole.

Good economic conditions are expected to lead to higher prices for the Chemicals area's most cyclical products.

Norwegian listed companies are expected to report continued good profits growth. Combined with prospects of stable interest rate levels, the conditions are in place for a good development in the Norwegian stockmarket.

Oslo, 7 June 1995

The Board of Directors of ORKLA A.S