Orkla

FIRST EIGHT MONTHS 1996

ORKLA

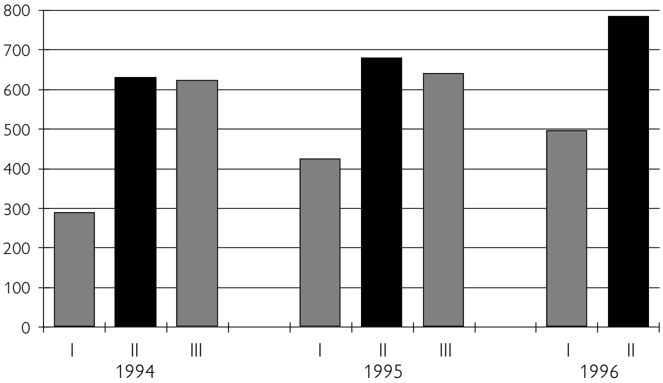
GROUP PROFIT AND LOSS ACCOUNT - *Proforma*

NOK million	1.1.-31.8. **1996**	1.1.-31.8. 1995	1.1.-31.12. 1995	1.5.-31.8. 1996	1.5.-31.8. 1995
Operating revenues	**16,744**	13,126	21,529	8,589	6,795
Operating expenses	**(14,628)**	(11,429)	(18,831)	(7,376)	(5,795)
Ordinary depreciation	**(855)**	(706)	(1,080)	(429)	(358)
Other revenues and costs	**20**	114	127	0	38
Operating profit	**1,281**	1,105	1,745	784	680
Financial items, net	**(253)**	(195)	(448)	(26)	(22)
Profit from associated companies	**140**	115	148	75	67
Portfolio gains	**580**	358	481	209	63
Profit before tax	**1,748**	1,383	1,926	1,042	788
Taxes and minority interests	**(513)**	(354)	(494)	(290)	(202)
Net profit	**1,235**	1,029	1,432	752	586
Profit before tax, Industry	**963**	950	1,428	647	609
Profit before tax, Investment area	**785**	433	498	395	179
Earnings per share (NOK) *)	**25.7**	21.4	29.8	15.6	12.2

*) It is applied a taxrate of 24.4 % in 1995 and 28 % in 1996.

OPERATING PROFIT **) 4 MONTH PERIODS

NOK million



**) Inclusive of "Other revenues and costs".

Orkla Group

MAIN TRENDS

The Orkla Group has continued to achieve positive profit growth. In the first eight months Group profit before tax totalled NOK 1,748 million, NOK 365 million (26%) higher than in the same period last year. Earnings per share had risen by 20%. Operating profits totalled NOK 1,281 million. Adjusted for other revenues and costs, this is an increase of NOK 270 million (27%). In the Branded Consumer Goods area, profit trends were particularly satisfactory for both foods and beverages. Trends on the most important markets for the Group's Branded Consumer Goods operations were positive. So far this year, the Investments area has achieved a return of 15% and contributed strong book profits, resulting both from a rise in realised portfolio gains and from higher dividends received.

For the first eight months period, the Group's operating revenues had increased by NOK 3,618 million to NOK 16,744 million. This growth was primarily due to acquisitions of new companies. Adjusted for companies acquired and sold, growth was approximately 5%.

Eight-months net profits totalled NOK 1,235 million, 20 % higher than in the corresponding period last year. The strong growth of 28% in the second four months period was primarily due to a marked increase in profits from the Investment area. In the Industry area, profit before tax for the first eight months period, adjusted for other revenues and costs, rose by approximately 13%. This is in line with the trend in the first four months.

While volume declined throughout 1995, so far this year volume on the Swedish groceries market has risen by about 2%, mainly as a result of the VAT reduction at the beginning of the year. Volume growth on the Norwegian groceries market so far this year is about 1.8%. For Chemicals, market trends continue to be mixed. Price trends for Specialty Pulp have been negative.

ORKLA FOODS

Operating revenues of NOK 3,530 million in the second four months were almost twice as high as in the same period last year, mainly because Procordia Food and Abba Seafood were not consolidated into the accounts in the first nine months of last year. The new Swedish companies achieved operating revenues of NOK 1.6 billion during the four-month period. For continuing business, eight-months operating profit before goodwilldepreciations increased by 26%. In the same period the operating margin improved by 1.2 percentage points.

The synergy projects are proceeding according to plan. The completion of the integration of BOB and Procordia Food and an associated new production structure for fruit and berry products in Sweden have been the main focus of activity during the period. Work is also in progress on productivity improvements and a study of the future structure of the sauce business (ketchup, dressings etc.). The synergy effects are only moderately reflected in the eight-month profits.

Orkla's original food operations, which were primarily related to the Norwegian and Danish markets, showed continued profit growth. Groceries did particularly well, while profits from the Industry Division were at the same level as last year. The market position of important product groups has been consolidated.

Procordia Food (including BOB) had operating revenues of SEK 1.5 billion in the second four months, which in the case of continuing business are in line with last year. The effect of the improvements at BOB and the price increases that have been implemented in the Swedish grocery sector contributed towards increased profits. Procordia's market position has largely been maintained. The Swedish VAT reduction from 1 January 1996 did not include the catering sector, which explains the weaker trend in this segment.

For comparable activities, Abba Seafood's operating revenues of SEK 490 million in the second four months were 6% lower than in the same period last year. Operating profits were weak, but marginally better than last year. As a consequence of the company's new strategy, all Abba Seafood's operations in Germany and the factories in Løgstør (mackerel) and Frederikshavn (shrimp) have been sold, effective from 1 September 1996. From the same date, the ownership interest in the Danish mussel factory Nykøbing has been reduced to 20%. Focusing on fewer products and markets, Abba Seafood's remaining operations will provide a good basis for increased profitability. The restructuring will not effect profits until 1997. On an annual basis, the sale will reduce Abba Seafood's operating revenues by SEK 320 million (18%) and will be carried out within the provision of NOK 160 million in the 1995 accounts.

ORKLA BEVERAGES

Operating profits for Orkla Beverages (45% financial interest in Pripps Ringnes) increased by NOK 25 million to NOK 221 million in the second four-month period. Orkla's wholly-owned Polish operation was sold on 31 August 1995. It was included in the figures for the second four-month period of 1995 with operating revenues of NOK 165 million and an operating loss of NOK 4 million.

Pripps Ringnes' (100% basis) operating revenues in the second four months were SEK 2,963 million compared with SEK 3,143 million last year. Operating profits of SEK 502 million for continuing business were at the same level as last year. Eight-months operating profits increased by SEK 93 million to SEK 612 million (+18%). Profits from operations in Norway and Eastern Europe continued to rise in the second four months while profits from the Swedish operation were rather weaker. Sales volume increased by 0.7% to 472 million litres. Gains from coordinated purchasing contributed to profits for the period.

Operating revenues for the Swedish company (Pripps) fell by 5.4% in the second four-month period to SEK 1,513 million. A volume reduction of 7.2% can be ascribed partly to a cold summer and partly to increased private beer imports. This was partially offset by favourable developments in prices and product mix.

In the Swedish brewing industry, volume fell by 6.3% in the second four months period. During this period, the volume of beer fell by 8.7% and the volume of carbonated soft drinks and water products fell by 4.9%. While Pripps Ringnes has increased its market share for beer in relation to other Swedish breweries, the market share for carbonated soft drinks and water was rather lower than at the same time last year.

Operating revenues for the Norwegian operation (Ringnes) fell by 3.1% to NOK 1,164 million in the second four-month period. A volume decline of 3.7% was partly offset by an improved product mix for beer. In spite of the decline in operating revenues, profits in Norway continued to rise due to lower production and distribution costs.

In the second four months period, the Norwegian beer market showed a decline of 0.3% while the market for carbonated soft drinks and water products fell by 1,7%. Market shares for beer and mineral water were somewhat lower than in the corresponding period last year due to increased competition,

Operating revenues for Baltic Beverages Holding - BBH (50% basis) increased in the second four-month period from SEK 163 million to SEK 265 million and profits continued to rise. Higher sales volumes and price levels in Russia made a positive contribution.

BBH has acquired 50% of the shares in the Slavutich brewery in Ukraine. The brewery is Ukraine's second largest and has an annual production volume of approximately 75 million litres. Roughly 30 million of Ukraine's 50 million inhabitants live within a radius of 300 km from the brewery. BBH is investing a total of approximately USD 10 million which will mainly be spent on upgrading the brewery.

On 19 June 1996, Pripps Ringnes and The Coca Cola Company (TCCC) signed a letter of intent concerning the orderly winding up of the parties' cooperation in Norway and Sweden. Hansa is not included in the agreement. In the letter of intent it is assumed that TCCC from March 1997 will take over responsibility for marketing and sales. Distribution in Sweden will be taken over from the same date, while distribution in Norway will be taken over in May. Pripps Ringnes will produce for TCCC until the end of 1998. Pripps Ringnes will receive financial compensation totalling approximately SEK 1.1 billion. In addition to a lump-sum payment the compensation includes profit contribution for the services Pripps Ringnes will provide during the winding up period.

The winding up of cooperation with TCCC will entail considerable restructuring of Pripps Ringnes in both Norway and Sweden. In Sweden this is covered by a provision of SEK 200 million in the 1995 accounts. The need for restructuring in Norway and associated provisions are expected to be rather higher than this. Non-recurring items will mainly be booked in the 1996 and 1997 accounts and will increase profits during the winding up period. Pripps Ringnes' pre-tax profits are expected to be only marginally affected after the winding up period. Orkla considers the negotiated letter of intent to be expedient for both parties. Negotiations on the final agreement have not yet been completed.

ORKLA BRANDS

Operating revenues of NOK 1,322 in the second four-month period were in line with last year. Growth in operating revenues for continuing business, adjusted for changes in exchange rates, was about 8% in the second four months and 5% so far this year. Exports of detergents and personal hygiene products are increasing and helping to ensure that the production is internationally competitive. The increase in operating revenues on the Nordic domestic market was 4%. The market position of the most important products was maintained.

Operating profits in the second four months increased by NOK 39 million to NOK 258 million (18%). Continuing business, adjusted for changes in exchange rates, also rose by 18%. Compared with the second four months of 1995, operating profits were NOK 24 million higher. The improvement in profits is primarily due to increased operating revenues and a strong focus on cost effectiveness in all parts of the business. This allowed for another significant increase in advertising investments in this period.

Profit growth was highest for Detergents, Personal Products and Biscuits. The Detergents sector has re-launched improved versions of Omo and Blenda and this has contributed towards continued market growth. The construction of a new factory for liquid detergents is proceeding according to plan and will be completed next summer. As regards Industrial Detergents, a minor acquisition was made on 1 August. Exports of Personal Products increased considerably and contributed towards profit growth. Biscuits have shown excellent volume growth in Norway, while the total market for cheese biscuits in Sweden declined. Sales trends in Finland were unsatisfactory. A decision has been made to invest SEK 50 million in a new production line at Gøteborgs Kex. General rationalisation measures will be carried out and the workforce will be reduced by approximately 60 man-years.

The Danish snacks operation has made progress. In Norway, all snacks production now takes place at one plant.

NOK million	OPERATING REVENUES 1.1.-31.8. 1996	1.1.-31.8. 1995	1.1.-31.12. 1995	1.5.-31.8. 1996	1.5.-31.8. 1995	OPERATING PROFIT*) 1.1.-31.8. 1996	1.1.-31.8. 1995	1.1.-31.12. 1995	1.5.-31.8. 1996	1.5.-31.8. 1995
Orkla Foods	**6,964**	3,620	7,003	**3,530**	1,844	**351**	193	368	**217**	115
Orkla Beverages	**2,245**	2,347	3,328	**1,294**	1,394	**266**	174	245	**221**	196
Orkla Brands	**2,702**	2,696	4,229	**1,322**	1,332	**258**	219	360	**153**	129
Orkla Media	**1,443**	1,137	1,791	**785**	569	**97**	82	161	**38**	36
Elimination	**(442)**	(381)	(597)	**(229)**	(175)	**(30)**	(21)	(39)	**(13)**	(17)
Branded Consumer Goods	**12,912**	9,419	15,754	**6,702**	4,964	**942**	647	1,095	**616**	459
Chemicals	**3,309**	3,192	5,033	**1,632**	1,576	**326**	333	543	**173**	173
H.O./Unallocated/Elimination	**357**	409	570	**178**	186	**(46)**	0	(40)	**(23)**	(9)
Other revenues and costs	**0**	0	0	**0**	0	**20**	114	127	**0**	38
Industry	**16,578**	13,020	21,357	**8,512**	6,726	**1,242**	1,094	1,725	**766**	661
Investment area	**166**	106	172	**77**	69	**39**	11	20	**18**	19
Group	**16,744**	13,126	21,529	**8,589**	6,795	**1,281**	1,105	1,745	**784**	680

*) The business areas' operating profit it shown exclusive of "Other revenues and costs". These are split between NOK 20 million in Orkla Foods in 1996 and NOK 114 million in H.O./Unallocated in 1995. In 1995 they are split between NOK -162 million in Orkla Foods, NOK 175 million in Orkla Beverages and NOK 114 million in H.O./Unallocated.

Nidar considerably increased advertising investments, and important brands such as Troika, Laban and Sfinx are making clear advances.

La Mote's business in Sweden is proceeding as planned and sales are rising rapidly. Peter Møller is continuing to increase sales of cod-liver oil in Norway and exports to the Baltic States are growing.

ORKLA MEDIA

Operating revenues in the second four months increased by 38% to NOK 785 million, mainly as a result of acquisitions and consolidating Orkla Media's Polish newspaper companies in the accounts. So far this year, operating revenues have increased by 27% to NOK 1,443 million.

In the second four-months period, Orkla Media concluded its agreement with the French media group Hersant to take over its ownership in the newspaper company Presspublica (51%), which consists of the national daily Rzeczpospolita and the newspaper's printing company Warszawa Print (50.8%) in Warsaw. The acquisition involves annual goodwill depreciation of approximately NOK 23 million.

Orkla Media increased operating profits in the second four months by 6% to NOK 38 million. The rise in profits was mainly due to the acquisition of Rzeczpospolita (consolidated as a subsidiary with accounting effect from 1 May 1996), increased advertising revenues in the Norwegian Newspaper-sector and cost improvements in magazine operations. Increased paper prices (+18%) had a negative effect on profits for the period compared with last year. As of 31 August 1996, paper prices were 10% above last year's level. So far this year, operating profits have increased by 18% to NOK 97 million.

Advertising volume in the Norwegian Newspaper-sector fell by 0.9% in the second four months compared with last year. However, revenues increased by 1.7% due to higher prices. Advertising volume in the Magazine sector declined by 0.5% during the period. This is a rather weaker trend than for the market as a whole.

Circulation figures for Orkla Media's newspapers increased in the second four months while magazine circulation declined by 3.2%.

CHEMICALS

Borregaard's operating revenues rose by 4% to NOK 1.632 million in the second four- month period. Operating profits were NOK 173 million, on a par with the same period last year. Falling pulp prices during the period were largely offset by profit growth for Fine Chemicals. So far this year, operating profits are NOK 326 million, which is NOK 7 million lower than last year.

Specialty Chemicals experienced positive profit growth in the second four-month period, mainly due to volume growth in the building and construction sector and a favourable trend on the Asian market. Borregaard started production of lignin-based products (60% share) in north-east China in August.

Fine Chemicals achieved increased profits compared with the corresponding period last year. Volumes of Fine Chemicals for the pharmaceutical industry rose during the period. Efforts are in progress to improve the profitability of the vanillin business. Specialty Pulp achieved lower prices in the second four months and profits were considerably weaker than in the corresponding period last year. So far profits are on a par with the corresponding period last year.

Ingredients (edible oils) have achieved rather lower profits in this period than in the corresponding period last year. The first half of last year was affected by a strong demand for soya oil due to the low supply of other vegetable oils. The resulting high oil prices, combined with moderate raw materials prices, led to particularly favourable results. Market conditions are now more normalised.

Profits in other sectors were similar to those of last year.

FINANCIAL INVESTMENTS

The Norwegian and international stock markets were volatile in the second four months, affected by fears of increasing inflation and higher interest rates followed by optimism due to the continued growth of the global economy.

The Oslo Stock Exchange All-Share Index fell by 1.1% in the second four months but has risen 12.2% since the beginning of the year, while Orkla's share portfolio has achieved a return of 15%.

Profit before tax for the Investment area totalled NOK 395 million in the second four months period compared with NOK 179 million in the same period last year. Realised gains on the portfolio were NOK 209 million in the second four months. At the end of the second four-month period, profit before tax had risen by NOK 352 million to NOK 785. Realised gains were NOK 580 million compared with NOK 358 million last year. Dividends received so far this year total NOK 284 million, which is an increase of NOK 88 million. There have been no significant structural changes in the portfolio in the second four-months period.

Since the beginning of the year, net asset value has risen by NOK 1,182 million to NOK 7,307 million. As of 31 August 1966, the market value of the portfolio was NOK 9,723 million. Unrealised gains were NOK 3,465 million, NOK 446 million higher than at the beginning of the year.

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

Financial information about Orkla can be found at
the internet address: http://hugin.sn.no

GROUP BALANCE SHEET - *Proforma*

NOK million	**31.8. 1996**	31.8. 1995	31.12. 1995
Assets:			
Current assets	**14,232**	13,943	14,051
Long-term assets	**13,116**	9,995	12,489
Total assets	**27,348**	23,938	26,540
Liabilities and equity:			
Interest-free liabilities	**6,437**	4,902	6,655
Interest-bearing liabilities	**11,472**	10,933	11,558
Minority interests	**218**	219	131
Equity	**9,221**	7,884	8,196
Liabilities and equity	**27,348**	23,938	26,540
Equity ratio (%):			
Book	**34.5**	33.9	31.4
Incl. unrealised gains before tax	**41.9**	40.6	38.4

CASHFLOW - *Proforma*

NOK million	1.1.-31.8. **1996**	1.1.-31.8. 1995	1.1.-31.12. 1995	1.5.-31.8. **1996**	1.5.-31.8. 1995
Cashflow Industry:					
Operating profit	**1,242**	1,094	1,725	**766**	661
Ord. depreciation and write-downs	**848**	698	1,259	**426**	354
Changes in net working capital	**15**	72	(592)	**96**	(125)
Cashflow from operations	**2,105**	1,864	2,392	**1,288**	890
Net replacement expenditure	**(590)**	(277)	(256)	**(331)**	(218)
Free cashflow from operations	**1,515**	1,587	2,136	**957**	672
Financial items, net	**(384)**	(269)	(440)	**(123)**	(75)
Free cashflow - Industry	**1,131**	1,318	1,696	**834**	597
Cashflow from Investment area before net purchases/sales	**401**	30	(33)	**385**	8
Taxes and dividends paid	**(561)**	(480)	(616)	**(316)**	(318)
Misc. capital transactions, foreign exch.diff.	**(42)**	(141)	(311)	**(39)**	83
Group's self-financing capacity	**929**	727	736	**864**	370
Expansion investments Industry	**(486)**	(298)	(3,755)	**(368)**	(161)
Net purchases/sales portfolio inv.	**136**	146	361	**(3)**	(19)
Net cashflow	**579**	575	(2,658)	**493**	190
Change in net interest-bearing debt	**(579)**	(575)	2,658	**(493)**	(190)
Net interest-bearing debt	**9,705**	7,051	10,284		

CASH FLOW, INVESTMENTS AND FINANCIAL SITUATION

The Group's net cash flow of NOK 579 million for the first eight months period is at the same level as last year. However, last year's cash flow was strongly influenced by the sale of industrial enterprises. Cash flow in the second four months alone was NOK 493 million, NOK 303 million higher than in the corresponding period last year. This was primarily due to higher cash flow from the Industry area. Since the beginning of the year, net interest-bearing debt has been reduced by NOK 579 million to NOK 9,705 million. The Group's average interest rate at the end of the second four-month period was approximately 7.3% while the average interest rate so far this year is 7.7%, rather higher than at the same time last year. This can be ascribed to somewhat longer fixed interest periods and a higher proportion of debt in SEK.

As of 31 August 1996, the Group's book equity ratio was 34.5%, which is 3.1%-points higher than at the beginning of the year. Including unrealised gains on the share portfolio, the equity ratio as of 31 August1996 was 41.9%.

FUTURE PROSPECTS

No significant changes are expected in the operating parameters for the Group's Branded Consumer Goods in the near future. However, the Swedish economy seems to be moving in a rather more positive direction. Trends on the Swedish beer market are being closely followed in view of the strong increase in private imports of beer. The situation for the Swedish breweries may deteriorate if beer duties are not harmonised rapidly and adequately.

The decline in standard pulp prices in the first half of 1996 has also had a negative impact on our specialty qualities, although to a lesser extent. There are still uncertainty surrounding future prices. A further decline in profits are expected for the last four months period.

In the short term, we expect the Norwegian economy to continue to show an upward trend, but in the longer term inflation and interest levels may increase. This may have negative consequences for the competitiveness of Norwegian business and industry and for the stock market.

ORKLA GROUP - *Formal*)*

PROFIT AND LOSS ACCOUNT

NOK million	1.1.-31.8. **1996**	1.1.-31.8. 1995	1.1.-31.12. 1995
Operating revenues	**14,500**	11,036	18,458
Operating expenses	**(12,776)**	(9,686)	(16,217)
Ordinary depreciation	**(729)**	(561)	(897)
Other revenues and costs	**20**	114	171
Operating profit	**1,015**	903	1,515
Financial items, net	**(232)**	(177)	(425)
Profit from associated companies	**375**	291	344
Gains/losses on sale of shares	**580**	358	481
Profit before tax	**1,738**	1,375	1,915
Taxes and minority interests	**(503)**	(346)	(483)
Profit after tax	**1,235**	1,029	1,432
Earnings per share	**25.7**	21.4	29.8

BALANCE SHEET

NOK million	**31.8. 1996**	31.8. 1995	31.12. 1995
Assets:			
Current assets	**13,369**	13,067	13,063
Long-term assets	**12,360**	9,579	11,575
Total assets	**25,729**	22,646	24,638
Liabilities and equity:			
Interest-free liabilities	**5,354**	3,821	5,517
Interest-bearing liabilities	**10,998**	10,769	10,824
Minority interests	**156**	172	101
Equity	**9,221**	7,884	8,196
Liabilities and equity	**25,729**	22,646	24,638

*) In Orkla's opinion the Group's financial interest in Pripps Ringnes (45 %), and thus its investment in beverages, should be valued and consolidated using the gross method. This is in line with the proposed new Accounting Act. All comments on the business development are based on this accounting principle. In order to satisfy current account legislation Orkla has also prepared formal accounts in which Pripps Ringnes is valued and included as an associated company using the equity method. The profit and earnings per share are not affected by this.

Lysaker, 3 October 1996
The Board of Directors of Orkla ASA