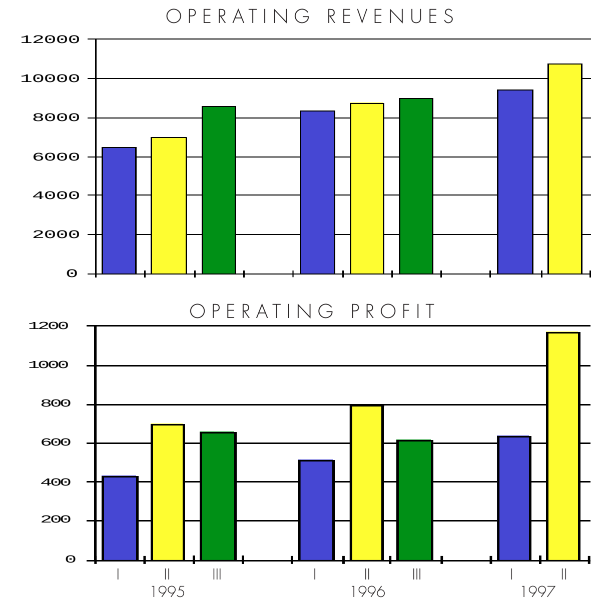
Orkla

First eight months 1997

GROUP PROFIT AND LOSS ACCOUNT

NOK million	1.1.-31.8. 1997	1.1.-31.8. 1996	1.1.-31.12. 1996	1.5.-31.8. 1997	1.5.-31.8. 1996
OPERATING REVENUES	20,168	17,028	25,998	10,749	8,720
Operating expenses	(17,361)	(14,879)	(22,772)	(8,996)	(7,495)
Depreciation/write-downs goodwill	(270)	(171)	(283)	(143)	(89)
Ord. depreciation and write-downs	(896)	(695)	(1,047)	(444)	(347)
Other revenues and costs	158	20	20	0	0
OPERATING PROFIT	1,799	1,303	1,916	1,166	789
Financial items, net	(258)	(260)	(398)	(104)	(30)
Profit from associated companies	128	81	97	93	43
Portfolio gains	611	580	816	192	209
PROFIT BEFORE TAX	2,280	1,704	2,431	1,347	1,011
Taxes and minority interests	(672)	(469)	(679)	(387)	(259)
NET PROFIT	1,608	1,235	1,752	960	752
Profit before tax, Industry	1,467	919	1,332	984	616
Profit before tax, Investment area	813	785	1,099	363	395
EARNINGS PER SHARE (NOK)	33.5	25.7	36.5	20.0	15.6

OPERATING REVENUES AND OPERATING PROFIT IN NOK MILLION*) 4 MONTH PERIODS



*) Inclusive «Other revenues and costs».

The Orkla Group

MAIN TRENDS

Orkla continued to achieve profit growth in the first eight months of the year. Group profit before tax totalled NOK 2,280 million, 34% higher than in the same period last year. Earnings per share rose by 30% to NOK 33.50. Group operating profit totalled NOK 1,799 million. Excluding non-recurring items ("Other revenues and costs"), this is 28% higher than at the end of the first eight months of 1996. The rise in profits was due to a favourable trend for Branded Consumer Goods. In this area, the beverage business in Eastern Europe (Baltic Beverages Holding) made particularly good progress. The Chemicals business continued to report weak results, although better than in the two previous periods. Since the end of 1996, the net asset value of the investment portfolio has increased by approximately NOK 3 billion, NOK 727 million of which is reflected in profit while the remaining NOK 2,271 million is included in the rise in unrealised gains.

In the second four months alone, Group profit before tax rose by 33% to NOK 1,347 million while operating profit rose by 48% to NOK 1,166 million.

In the first eight months of the year, operating revenues increased by 18% to NOK 20,168 million, primarily as a result of the acquisition of Volvo's 55% financial interest in Pripps Ringnes. For continuing business*), adjusted for exchange rate fluctuations, growth was more than 3%. Growth was rather stronger in the second four months than in the first four-month period.

Trends on the Group's most important markets have been mixed. Volume growth was low on both the Swedish and the Norwegian grocery markets. There is still strong competition on these markets, with resulting pressures on prices and margins. Market shares for beer were somewhat lower in Sweden and Norway, but the Group has otherwise maintained its market positions.

In the case of Chemicals, specialty pulp prices continued to be significantly lower than last year, but remained at the same level as in the first four months of this year. Ingredients achieved positive sales and profit growth.

Group operating profit was NOK 1,799 million at the end of the first eight months. This includes NOK 158 million in "Other revenues and costs". Adjusted for these items, businesses bought and sold and exchange rate fluctuations, operating profit rose by approximately 4%. Adjusted for exchange rate fluctuations, the Branded Consumer Goods area has achieved underlying growth of 14% so far this year, while Chemicals declined by 33%. In the second four months alone there was a clear rise in profit, with an underlying growth in Group operating profit of approximately 12%, compared with -12% in the first four months of the year.

At the end of the first eight months, net financial items totalled NOK 258 million. In spite of increased borrowing, net financial items are at the same level as the corresponding period last year due to an approximately 2 percentage point reduction in the Group's average borrowing rate and a gain on the sale of Hansa (NOK 62 million).

Profit after tax and minority interests is NOK 1,608 million so far this year, compared with NOK 1,235 million for the same period last year.

The Group's tax charge for 1997 is expected to remain at

**) Continuing business has been adjusted for acquisitions and divestitures. New businesses for 1997 have been adjusted into the 1996 figures for the corresponding period, while divested businesses have been excluded in both 1996 and 1997.*

the same level as in 1996 (26.4%). Minority interests' share of profit will increase as a result of the profit growth achieved by BBH.

No non-recurring items were booked in the second four-month period. In September, however, agreements were signed concerning the divestment of industrial plants which will lead to gains of just under NOK 400 million being taken to income in the last four months of the year. A significant proportion of this amount is Orkla's share (41.7%) of the gain on the sale of Jotun Polymer.

ORKLA FOODS

Orkla Foods' operating revenues totalled NOK 6,585 million at the end of the first eight months. For continuing business, adjusted for exchange rate fluctuations, operating revenues rose by just under 1%. Growth in the second four months was approximately 3%. So far this year, operating profit amounts to NOK 384 million, approximately 9% higher than last year. Profit growth was stronger in the second four months than in the first four-month period.

Since its establishment on 1 October 1995, Orkla Foods has realised synergy gains totalling approximately NOK 150 million per year. Synergy gains are being realised rather more rapidly than anticipated.

In keeping with the stronger focus on core businesses, Ringstads Ferskvare (fresh meat products), formerly Stabburet Ferskvare, was sold to Norsk Kjøttindustri in September. The Orkla Group's gain of NOK 47 million on the sale will be taken to income in the last four months of 1997.

In recent years, Orkla Foods has been making a concerted effort to establish operations in Eastern Europe. With accounting effect from May this year, Orkla Foods has acquired 65% of the Polish company Kotlin, which will produce and market frozen pizza, ketchup, jam and canned vegetables. With the exception of seafood, Orkla Foods' previous business in Poland will be amalgamated with Kotlin. In September this year, an agreement was entered into concerning the acquisition of the Czech company Guseppe, which holds a roughly 70% share of the Czech pizza market. The takeover will take place on 1 January 1998. So far this year, operating profit has been affected by the costs arising from these projects. During the initial period, significant investments will be made in advertising and marketing in these countries.

Procordia Food has largely maintained its market positions on the Swedish grocery market. At the end of the first eight months, operating revenues totalled SEK 2,803 million. Adjusted for exchange rate fluctuations and divestments, operating revenues were 5% lower than last year. The decline is primarily due to a generally weak trend on the Swedish catering market. At the end of the first eight months and during the second four-month period, operating profit was on a par with last year.

Abba Seafoods' operating revenues so far this year total SEK 797 million. The positive profit trend continued, and is a clear improvement on the corresponding period last year. The rise in profit was mainly due to an improved product mix, lower costs and the beneficial effects of divestments. The market positions of important product groups have been strengthened.

At the end of the first eight months, the Norwegian food business reported higher operating revenues and operating profit than in the same period last year. Stabburet (Wholesale) achieved the strongest profit growth and maintained or strengthened its market positions. This year's collective agreement for the agricultural sector has led to increased prices for important raw materials, such as cheese and meat.

ORKLA BEVERAGES

After the acquisition of Volvo's 55% financial interest in Pripps Ringnes, the entire business is now recorded in Orkla Beverages' accounts, as opposed to 45% in 1996.

In August 1997, Pripps Ringnes entered into an agreement with Pepsi Co for the production, distribution and sale of Pepsi Cola and 7UP in Sweden. The agreement is for a period of 20 years with the possibility for a five-year extension and will enter into force by 1 January 2001 at the latest. Discussions have also been initiated on cooperation in Norway. In August 1997, Pripps entered into an agreement with Guinness concerning the sale and distribution of Guinness brands in Sweden from 1 January 1998. Ringnes and Guinness have already been working together in Norway for several years. In July 1997, BBH entered into an agreement concerning the acquisition of 20% of Utena, one of the leading breweries in Lithuania (25% market share).

At the end of the first eight months, Orkla Beverages reported operating revenues of NOK 5,300 million. Adjusted for new businesses and exchange rate fluctuations, this figure is approximately 6% higher than last year. Operating profit before other revenues and costs was NOK 638 million at the end of the first eight months. Adjusted for new businesses and exchange rate fluctuations, underlying growth was approximately 20%. Profit growth can mainly be ascribed to higher profits from BBH and a warm summer.

At the end of the first eight months, the beverage business in the Nordic countries had achieved operating revenues of NOK 4,475 million. Adjusted for exchange rate fluctuations, this was on a par with last year. Operating profit before other revenues and costs was NOK 445 million, compared with NOK 479 million last year. The decline is due transition to toll-filling of Coca-Cola products in Sweden from 1 April 1997 and production costs in Norway. At the same time the advertising investments increased due to product launches.

Operating revenues for Pripps totalled SEK 2,562 million at the end of the first eight months, 3% lower than last year. During the period, the volume of beer sold dropped by approximately 7% primarily due to the continuing high rate of imports. So far this year, the total market for beer with 2.8% alcohol content has shown a somewhat weaker trend than expected while beer with 3.5% alcohol content has shown a stronger trend. Pripps' own brands of carbonated soft drinks and water products have done extremely well in the second period, with volumes of carbonated soft drinks rising by 25% and water by 11%. At the end of the first eight months, Pripps' operating profit was somewhat higher than in the corresponding period last year. The positive price and product mix for beer and volume growth for carbonated soft drinks and water largely balanced the lower volume of beer and the transition to toll-filling of the Coca-Cola products from 1 April 1997.

At the end of the first eight months, Ringnes reported operating revenues of NOK 2,158 million compared with NOK 2,095 million last year, mainly due to the exceptionally warm summer. Total volume rose by 4%. Although the volume of beer increased, market shares were weaker, primarily due to stronger competition, particularly from private labels. Ringnes' own carbonated soft drinks and water products showed an upward trend during the period, with volume growth so far this year of 17% and 20% respectively. At the end of the first eight months, Ringnes' operating profit was somewhat lower than last year.

At the end of the first eight months, operating revenues for BBH (50% basis) were SEK 890 million, compared with SEK 385 million last year. Increased sales can primarily be ascribed to volume growth for the Russian brewery Baltika, which has increased its capacity and continues to strengthen its market position in the St. Petersburg region. Baltika is the market leader for beer in Russia. The acquisition of new breweries has also increased revenues. At the end of the first eight months, operating profit (50% basis) was SEK 320 million compared with SEK 111 million last year. Profit growth was primarily due to strong volume growth.

ORKLA BRANDS

At the end of the first eight months, Orkla Brands reported operating revenues of NOK 2,640 million, 2% lower than in the same period last year. Adjusted for currency fluctuations, operating revenues from continuing business were 1.5% higher than last year. Sales of chocolate were lower than expected last summer due to the exceptionally warm weather. Exports of Personal Products have shown satisfactory growth so far this year.

At the end of the first eight months, operating profit was NOK 278 million, NOK 20 million higher than last year. With the exception of Chocolate/Confectionery, profit growth was

	OPERATING REVENUES					OPERATING PROFIT*)				
	1.1.-31.8.		1.1.-31.12.	1.5.-31.8.		1.1.-31.8.		1.1.-31.12.	1.5.-31.8.	
NOK million	**1997**	1996	1996	**1997**	1996	**1997**	1996	1996	**1997**	1996
Orkla Foods	**6,585**	6,964	10,527	**3,459**	3,530	**384**	351	608	**244**	217
Orkla Beverages	**5,300**	2,245	3,265	**3,067**	1,294	**638**	266	300	**565**	221
Orkla Brands	**2,640**	2,702	4,213	**1,296**	1,322	**278**	258	431	**155**	153
Orkla Media	**1,589**	1,389	2,220	**800**	731	**107**	88	175	**38**	29
Elimination	**(102)**	(105)	(168)	**(44)**	(45)	**0**	0	0	**0**	0
BRANDED CONSUMER GOODS	**16,012**	13,195	20,057	**8,578**	6,832	**1,407**	963	1,514	**1,002**	620
CHEMICALS	**3,533**	3,309	5,161	**1,860**	1,632	**224**	326	441	**145**	173
H.O./Unallocated/Elimination	**384**	358	514	**201**	179	**(55)**	(45)	(124)	**(8)**	(22)
Other revenues and costs	**0**	0	0	**0**	0	**158**	20	20	**0**	0
INDUSTRY	**19,929**	16,862	25,732	**10,639**	8,643	**1,734**	1,264	1,851	**1,139**	771
INVESTMENT AREA	**239**	166	266	**110**	77	**65**	39	65	**27**	18
GROUP	**20,168**	17,028	25,998	**10,749**	8,720	**1,799**	1,303	1,916	**1,166**	789

*) The business areas' operating profit is shown exclusive of «Other revenues and costs». Other revenues and costs first eight months 1997: NOK 170 million in Orkla Beverages and NOK -12 million H.O./Unallocated. First eight months 1996: NOK 20 million in Orkla Foods.

evenly distributed among the remaining segments. Profit growth for continuing business, adjusted for exchange rate fluctuations, was approximately 9%.

The operating margin rose by almost 1 percentage point to 10.5%. The increase was primarily due to lower variable costs. Price trends for certain raw materials were favourable while ongoing product improvements and the effect of investments in the factories have made a positive contribution. The new production line at Göteborgs Kex became operational during the period. Advertising investments were 8% higher than in the same period last year.

Market shares are generally stable. The Nordic biscuit market is growing, but competition is increasing in both Sweden and Norway. Market shares for Chocolate/Confectionery have increased so far this year. The agency agreement for Nestlé chocolate products was terminated during the period since these products increasingly conflicted with efforts to promote our own brands.

As part of the continuous focus on the environment, both Detergents and Personal Products have launched new, environmentally friendly refills for several products. The new liquid detergent factory at Ski was opened in August. The factory is designed to conform to extremely strict environmental standards and will also be a model for environmentally sound production.

In order to ensure future competitiveness and cost-effective operations, the Lilleborg Detergent and Personal Products divisions will be amalgamated into one division.

ORKLA MEDIA

Orkla Media achieved operating revenues of NOK 1,589 million at the end of the first eight months, a rise of 4% for continuing business in comparison with the same period last year. Adjusted for acquisitions and divestments, underlying growth in the second four months was on a par with the first four months, mainly due to increased advertising revenues. Orkla Media's operating profit was NOK 107 million at the end of the first eight months, a rise of approximately 22%. For continuing business, operating profit rose by 12%. The operating margin for continuing business was 6.8% at the end of the first eight months, compared with 6.2% for the same period last year. Paper prices for newspapers and magazines have fallen.

At the end of the first eight months, Norwegian Newspapers reported an increase of 1.8% in advertising volume. Advertising volume for Magazines rose by 18.2% and the market share of advertising rose by approximately 2 percentage points to 46%.

Circulation figures for Norwegian Newspapers have increased. Magazines also continued to experience circulation growth, and new launches by Hjemmet Mortensen have so far achieved satisfactory results.

Direct Marketing has shown a weak trend so far this year as a result of declining revenues.

The trend for Orkla Media's operations in Poland has been positive. Growth can primarily be ascribed to increased advertising revenues and lower paper prices. The Polish operations were not significantly affected by the floods in July. In August, the new printing plant for Orkla Media's two newspapers in Bialystok became operational.

After an amendment to the articles of association at the last annual general meeting, the local newspaper Østlandets Blad has been consolidated as a subsidiary with accounting effect from 1 May 1997. The Norwegian Newspapers division has acquired the newspapers Kragerø Blad, Drangedal Blad and Vestmar with accounting effect from 1 July 1997. Forbruker-Kontakt AS was divested at a gain of NOK 17 million with accounting effect in the last four months of this year. The general meeting of the local newspaper A/S Østlendingen passed a resolution on 22 September 1997 to place shares worth NOK 48 million with Orkla Dagspresse AS. This will give Orkla Dagspresse a 50% interest.

CHEMICALS

Borregaard's operating revenues totalled NOK 3.533 in the first eight months of the year, 7% higher than in the corresponding period last year. The rise was due to increased sales of Ingredients and Lignin. Operating profit was NOK 224 million compared with NOK 326 million last year. The decline in profit may be ascribed to Specialty Pulp and Fine Chemicals, while Ingredients achieved clearly improved profits. The increase in the value of the dollar and the pound had a favourable effect on profit.

At the end of the first eight months, the Lignin business had achieved a higher profit than last year thanks to increased sales of dispersing agents and the stronger US dollar. The favourable trend on the Asian market continues, but there is uncertainty as to the possible effect of the currency turmoil on future sales on these markets.

So far this year, profits from Specialty Pulp have declined significantly in comparison with last year. This can be ascribed to lower prices and reduced production due to start-up problems in connection with the new plant for highly processed pulp. The prices have changed relatively little since the first four months of 1997 but are significantly lower than at the end of the first eight months of last year.

Operating profit for Fine Chemicals has declined so far this year. In 1996, sales of advanced intermediates to the pharmaceutical industry were particularly high, whereas sales to this segment have been significantly lower in 1997. Efforts are under way to integrate the fine chemicals business of the US company Poly Organix, which recently was taken over.

Ingredients achieved improved profits compared with the first eight months of last year from both animal feed and foodstuffs. Demand has been good and capacity has been fully utilised. The positive trend for the fish feed market and special fat for Eastern Europe continued. Coverage of the fish oil market has been good although the raw materials market has suffered from scarcity of supplies and historically high prices. In accordance with its customers' wishes, Denofa continued to manufacture its soya products on the basis of soya beans that have not been genetically modified.

Profits from Other Areas improved compared with the first eight months of 1996 due to increased sales of electricity.

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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.sol.no/ORK/index_e.shtml

GROUP BALANCE SHEET

NOK million	31.8. 1997	31.8. 1996	31.12. 1996
Assets:			
Current assets	**16,232**	14,416	13,719
Long-term assets	**18,366**	13,022	12,777
TOTAL ASSETS	**34,598**	27,438	26,496
Liabilities and equity:			
Interest-free liabilities	**8,285**	6,573	6,753
Interest-bearing liabilities	**14,888**	11,472	10,070
Minority interests	**480**	172	183
Equity	**10,945**	9,221	9,490
LIABILITIES AND EQUITY	**34,598**	27,438	26,496
Equity to total assets ratio (%):			
Book	**33.0**	34.2	36.5
Incl. unrealised gains before tax	**44.1**	41.6	45.9

CASHFLOW

NOK million	1.1.-31.8. 1997	1.1.-31.8. 1996	31.12. 1996	1.5.-31.8. 1997	1.5.-31.8. 1996
Cashflow Industry:					
Operating profit	**1,734**	1,264	1,851	**1,139**	771
Depreciation and write-downs	**1,240**	859	1,319	**582**	433
Changes in net working capital	**(512)**	40	420	**(341)**	130
Cashflow from operations	**2,462**	2,163	3,590	**1,380**	1,334
Net replacement expenditure	**(1,179)**	(609)	(967)	**(601)**	(348)
Free cashflow from operations	**1,283**	1,554	2,623	**779**	986
Financial items paid	**(385)**	(381)	(613)	**(206)**	(123)
Free cashflow - Industry	**898**	1,173	2,010	**573**	863
Cashflow from Investments area before net purchases/sales	**130**	401	312	**643**	385
Taxes and dividends paid	**(739)**	(558)	(762)	**(462)**	(313)
Misc. capital transactions, foreign exchange diff.	**439**	(52)	204	**10**	(49)
Group's self-financing capacity	**728**	964	1,764	**764**	886
Expansion investments Industry	**(5,280)**	(495)	(664)	**(316)**	(377)
Net purchases/sales portfolio investments	**(373)**	136	264	**(410)**	(3)
Net cashflow	**(4,925)**	605	1,364	**38**	506
Change in net interest-bearing debt	**4,925**	(605)	(1,364)	**(38)**	(506)
Net interest bearing debt	**13,703**	9,537	8,778		

FINANCIAL INVESTMENTS

Favourable economic trends, low interest rates and a significant rise in the value of the US dollar have led to a sharp rise in share prices on the Scandinavian stock markets in the second four month period.

The Oslo Stock Exchange All Share Index rose by 16.8 % in the second four-month period and has thereby risen by 31.8% since the beginning of the year. In an international context, the trend on the Oslo Stock Exchange has been good, while the Asian stock exchanges have experienced a particularly weak period.

Orkla's portfolio has achieved a return of 27.6% so far this year. The return was lower than for the All Share Index due to lower degree of investment in shipping/offshore.

At the end of the first eight months, the Investment area has reported pre-tax profit of NOK 813 million compared with NOK 785 million last year. Realised gains totalled NOK 611 million, compared with NOK 580 million last year. Dividends received amounted to NOK 237 million, NOK 47 million less than last year. Book profit before tax was NOK 363 million in the second four months compared with NOK 395 million in the same period last year. Realised gains in the second four months totalled NOK 192 million.

The net asset value of the share portfolio has risen by NOK 2,998 million to NOK 11,907 million since the beginning of the year. The market value of the portfolio as of 31 August 1997 was NOK 14,315 million. Only a small proportion of the increased value is reflected in the accounts. Unrealised capital gains rose by NOK 2,271 million to NOK 6,883 million and now account for almost 50% of the total value of the portfolio. There were no significant changes in the portfolio in the second four-month period. Activities in the field of financial services and real estate have made satisfactory progress during the period.

CASH FLOW, INVESTMENTS AND FINANCIAL SITUATION

The Group's net cash flow was NOK - 4,925 million at the end of the first eight months, NOK 5,530 million lower than in the same period last year. The reduction can primarily be ascribed to expansion investments linked to the full acquisition of Pripps Ringnes. At the end of the first eight months, net interest-bearing debt had increased by NOK 4,925 million to NOK 13,703 million.

The Group's average borrowing rate at the end of the second four months was approximately 5.8%.

As of 31 August 1997, the Group's book equity ratio was 33.0%, which is 3.5 percentage points lower than on 31 December 1996 but 2.2 percentage points higher than at the end of the first four months. The decline since 31 December 1996 is mainly due to the debt-financed acquisition of Volvo's 55% financial interest in Pripps Ringnes. If unrealised gains on the share portfolio (before tax) are included, the equity ratio as of 31 August 1997 was 44.1%.

FUTURE PROSPECTS

No significant changes are anticipated on the market or in the competitive situation for the nordic and eastern european branded consumer goods businesses in 1997. Volume on the Norwegian grocery market is expected to rise slightly in the last four months of the year, but competition is expected to remain strong. Continued weak volume growth is anticipated on the Swedish grocery market.

For Chemicals, no significant changes are expected on the most important markets. In spite of the measures that have been implemented, the introductory period for the new speciality pulp products will continue to lead to reduced production in the last four months, thereby affecting profits.

After a long period of mainly favourable news for the financial markets, they are now facing somewhat greater uncertainty due to downward adjustment of estimates for economic growth in Asia and a certain amount of uncertainty concerning the effects of this. On the whole, however, the favourable economic climate appears set to continue and interest rates are expected to remain low.

Oslo, 1 October 1997
The Board of Directors of Orkla ASA