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THOMSON  
FINANCIAL

SUPPL

## Improvement driven by Nordic Branded Consumer Goods and Sapa

**Orkla's pre-tax profit in the second quarter totalled close to NOK 2 billion. So far this year, Group earnings per share amount to NOK 16.6, compared with NOK 12.9 last year. Orkla Foods and Orkla Brands have reported a good performance driven by organic growth in the Nordic region. Sapa continued to achieve significant volume growth in the second quarter.**

After the end of the quarter, an agreement was signed regarding the sale of Orkla Media to Mecom for NOK 7.6 billion. Final completion of the agreement is expected to take place in September/October.

Group operating profit before amortisation totalled NOK 1,044 million (NOK 1,047 million)<sup>1</sup> in the second quarter. At the end of the first six months of 2006, operating profit before amortisation amounted to NOK 2,212 million (NOK 2,172 million)<sup>1</sup>. In the second quarter, a good performance in the Nordic countries contributed to 9 per cent underlying profit growth for Orkla Foods. In Russia, SladCo posted lower profit than last year, due to changes in the company's sales and distribution system and marketing investments. Despite challenging market conditions in Sweden, both Procordia Food and Abba Seafood reported improved results. Orkla Brands' performance was generally stable and satisfactory in the second quarter.

Volume-driven profit growth at Sapa was partially offset by non-recurring costs of over NOK 40 million related to restructuring projects in several parts of the company. In April, leaks concerning CO<sub>2</sub> quotas resulted in a sudden, sharp fall in energy prices. As previously announced, this meant that Elkem had to realise a loss on its energy contracts. So far this year, however, the aggregate profit from Elkem's and Borregaard's energy operations is higher than at the same time last year.

Elkem's aluminium business reported good profit growth due to high market prices and stable operations at its plants. Costs incurred in the second quarter in connection with Elkem's solar project totalled NOK 47 million, of which NOK 32 million has been capitalised. The development project is nearing completion and this autumn the Board of Directors is expected to discuss a formal decision regarding investment in the construction of a 5,000-tonne plant.

<sup>1</sup> Figures in brackets refer to the corresponding period in the previous year.

Borregaard achieved higher profit in the second quarter, but low production and high costs at its plant in Switzerland had a negative impact on results.

-o0o-

## GROUP INCOME STATEMENT

Amounts in NOK million	1.1.-30.6.		1.1.-31.12.		1.4.-30.6.	
	2006	2005	2005	2006	2005	2006
<b>Operating revenues</b>	<b>25,452</b>	23,336	47,307	<b>12,954</b>	11,990	
Operating expenses	<b>(22,351)</b>	(20,214)	(40,925)	<b>(11,469)</b>	(10,447)	
Depreciations and write-downs of tangible assets	<b>(889)</b>	(950)	(1,888)	<b>(441)</b>	(496)	
Amortisation intangible assets	<b>(106)</b>	(86)	(223)	<b>(54)</b>	(43)	
Other revenues and expenses	<b>0</b>	(115)	(214)	<b>0</b>	(115)	
<b>Operating profit</b>	<b>2,106</b>	1,971	4,057	<b>990</b>	889	
Profit from associates	<b>22</b>	91	152	<b>(22)</b>	65	
Dividends	<b>598</b>	672	1,018	<b>449</b>	527	
Gains and losses/write-downs portfolio	<b>1,356</b>	1,092	2,186	<b>660</b>	580	
Financial items, net	<b>17</b>	(220)	(464)	<b>(126)</b>	(139)	
<b>Profit before taxes</b>	<b>4,099</b>	3,606	6,949	<b>1,951</b>	1,922	
Taxes	<b>(779)</b>	(789)	(1,089)	<b>(346)</b>	(406)	
<b>Profit after taxes</b>	<b>3,320</b>	2,817	5,860	<b>1,605</b>	1,516	
Discontinued operations	<b>142</b>	40	154	<b>94</b>	44	
<b>Profit for the year</b>	<b>3,462</b>	2,857	6,014	<b>1,699</b>	1,560	
Minority	<b>26</b>	190	216	<b>5</b>	30	
Profit before tax, Industry division	<b>2,003</b>	1,702	3,465	<b>786</b>	802	
Profit before tax, Financial Investments division	<b>2,096</b>	1,904	3,484	<b>1,165</b>	1,120	
<b>Earnings per share (NOK)</b>	<b>16.6</b>	12.9	28.1	<b>8.2</b>	7.4	
<b>Earnings per share diluted (NOK)</b>	<b>16.6</b>	12.9	28.1	<b>8.2</b>	7.4	
<b>Earnings per share diluted (NOK) *</b>	<b>16.9</b>	14.2	30.1	<b>8.4</b>	8.5	

\* Before amortisation and other revenues and expenses

# Structural changes and operational improvement

Second quarter results 2006  
10 August 2006

CEO Dag J. Opedal



## Agenda

- Highlights second quarter
- Sale of Orkla Media
- Q2 results
- Financial Investments
- Operational performance
  - Branded Consumer Goods
  - Speciality Materials
- Special topic: Update Elkem Solar



## Highlights Q2

- Satisfactory performance in Nordic region for Branded Consumer Goods
- Strong volume growth and profit improvement at Sapa
- Elkem Solar on track for commercialisation turn of the year 2007/2008
- Realised losses from energy contracts in April as communicated
- EPS increased by 28.7 % to NOK 16.6 as end Q2
- Agreement to sell Orkla Media signed with Mecom
  - Sales price NOK 7.6 billion

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## Sale of Orkla Media

- Solid value creation for Orkla's shareholders
- Attractive solution for Orkla Media
- The agreement is expected to be carried through around September/October

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## Solid value creation for Orkla's shareholders

- Favourable price NOK 7.6 billion
  - EV NOK 7 billion corresponding to 12x EV/EBITDA
- Book value of gain on sale NOK 4 billion (approx.)
  - Minimal tax impact (less than NOK 100 million)
- Analysts' valuation of Orkla Media excl. HM\* before start of process
  - Average EV according to eight analysts (Q3-05) NOK 5.3 billion
  - Actual value as % of average value 132 %

\* Ownership in Hjemmet Mortensen (50 % voting interest/40 % financial interest) and Netzeitung GmbH not included



## The transaction – total proceed NOK 7.6 billion

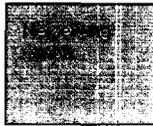
- Cash settlement NOK 5 608 million
- Share in Mecom
  - Value of received shares as indicated NOK 852 million
  - Corresponding ownership interest increased to 19.97 %
- Vendor loan GBP 93.4 million (NOK 1 090 million)
  - Attractive terms (LIBOR + 5 %) and designed as an incentive for Mecom to repay within 2 years
  - In the event the loan is not repaid within 2 years, loan will be converted into Mecom shares at market price, but maximum 65p per share
- The agreement covers certain assets whose existing owners have a pre-emptive right of purchase
  - The total transaction value of these assets is NOK 544 million



## Orkla Media's business units

Not included  
in the sale

Included in the sale



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## Attractive solution for Orkla Media

- Ensures the continuation of Orkla Media
- Orkla Media will form the core of a listed media company with growth ambitions
- Orkla Media will be managed from Oslo
- Mecom builds on Orkla Media's management, organisation and publishing principles
- Mecom has a long-term industrial perspective
- Orkla will become a significant shareholder in Mecom

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## Sale of Orkla Media, no change in strategy

➤ Orkla has an opportunity oriented approach

- Resource allocation (capital and human)
- Long-term, proactive approach
- A dynamic, industrial owner
- Continuity and renewal

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## Further development and value creation

1. Create and pursue opportunities for further structural growth
2. Increase intensity on the operational improvement programmes
3. Further strengthening of organisation quality and quantity

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# Q2 results

Terje Andersen  
CFO



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## Group income statement Q2

Key figures *in NOK million*

1 Apr - 30 Jun	2006	2005
<b>Operating revenues</b>	<b>12 954</b>	<b>11 990</b>
<b>EBITA*</b>	<b>1 044</b>	<b>1 047</b>
Amortisation intangibles	-54	-43
Other revenues and expenses	0	-115
<b>EBIT</b>	<b>990</b>	<b>889</b>
Associates	-22	65
Portfolio gains	660	580
Dividends and net financial items	323	388
<b>Profit before tax</b>	<b>1 951</b>	<b>1 922</b>
Taxes	-346	-406
<b>Profit after tax</b>	<b>1 605</b>	<b>1 516</b>
<b>Discontinued operations</b>	<b>94</b>	<b>44</b>
<b>Profit for the year</b>	<b>1 699</b>	<b>1 560</b>
Earnings per share diluted (NOK)	8.2	7.4
Earnings per share diluted (NOK)*	8.4	8.5

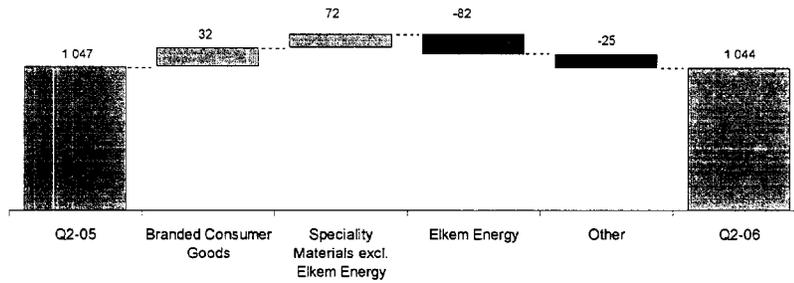
\* Before amortisation and other revenues and expenses

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## Sources of growth from Q2-05 to Q2-06

### Change in EBITA



Figures in NOK million

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## Balance sheet

### Key figures in NOK million

30 Jun	2006	2005
Non current assets	37 828	32 769
Discontinued operations	3 477	3 389
Portfolio investments etc.	16 040	13 981
Current assets	17 821	17 456
<b>Total assets</b>	<b>75 166</b>	<b>67 595</b>
Equity to total assets ratio	51.3 %	49.9 %
Net interest bearing liabilities	18 261	17 294
Net gearing	0.5	0.5

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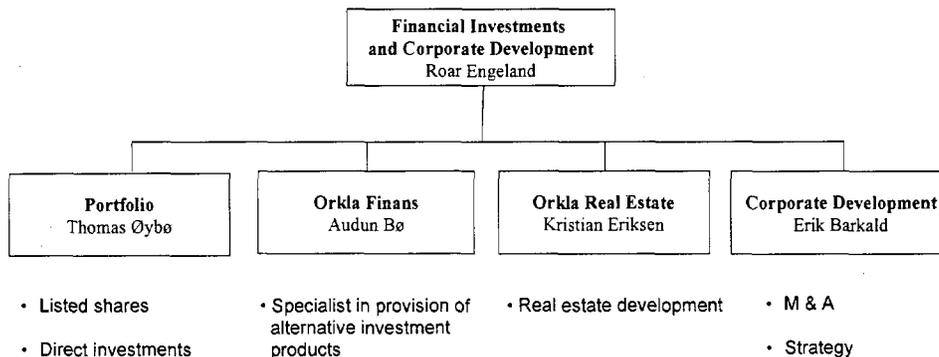
# Financial Investments



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# Organisation of Financial Investments and Corporate Development



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## Orkla Foods – Strong improvement in Nordic

- Underlying top line growth in Nordic +4.5 %
  - H1 + 3.8 %
- Improved sales for Swedish operations
- Weak performance at SladCo
  - Changes in the sales and distribution organisation
- Cost reduction programmes on track

### Orkla Foods in NOK million

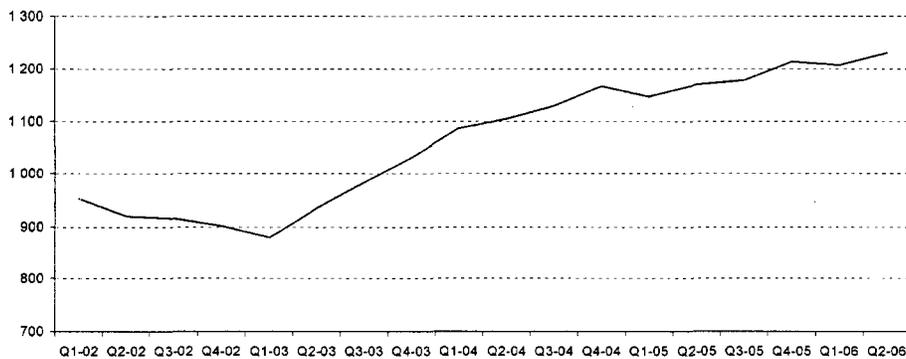
1 Apr - 30 Jun	2006	2005	Change
<b>Revenues</b>			
Nordic	2 287	2 191	4 %
Ingredients	677	664	2 %
International	469	515	-9 %
Eliminations	- 73	- 60	
<b>Orkla Foods</b>	<b>3 360</b>	<b>3 310</b>	<b>2 %</b>
<b>EBITA</b>			
Nordic	281	261	8 %
Ingredients	40	35	14 %
International	- 17	- 16	- 6 %
<b>Orkla Foods</b>	<b>304</b>	<b>280</b>	<b>9 %</b>
<b>EBITA-margin</b>	<b>9.0 %</b>	<b>8.5 %</b>	

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## EBITA 12 months rolling basis

NOK million



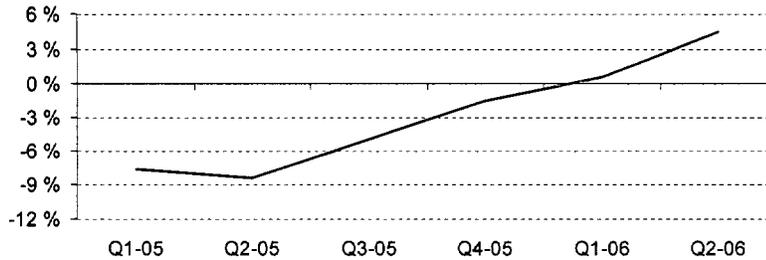
Orkla Foods

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## Underlying top line growth in Orkla Foods Nordic, Swedish operations

**Orkla Foods Sweden**  
(Including estimated Easter effects)



Orkla Foods

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## Orkla Brands - Strong, stable performance

- Positive sales and profit trend in Q2
  - Negative Easter effects
- Nordic position within health-related consumer products strengthened by acquisition of Dansk Droge
- Positive growth in market shares, except for Biscuits in Sweden
- Satisfactory contribution from cost reduction programmes

### Orkla Brands

*in NOK million*

1 Apr - 30 Jun	2006	2005	Change
Revenues	1 720	1 666	3 %
EBITA	270	262	3 %
EBITA-margin	15.7 %	15.7 %	

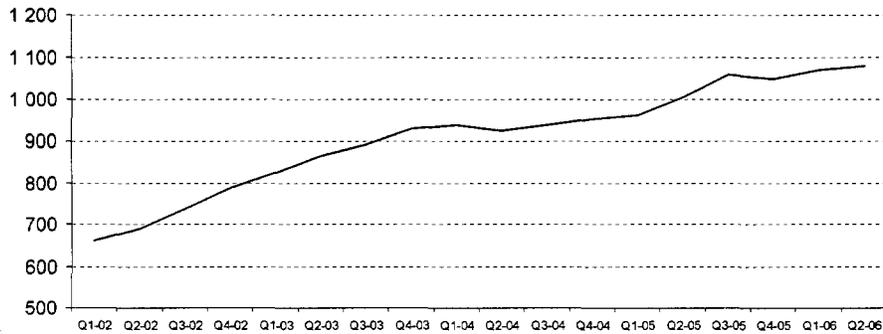


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## EBITA 12 months rolling basis

NOK million



Orkla Brands

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## Acquisition of Dansk Droge

### Dansk Droge:

- Revenues of NOK 450 million in 2005
- 260 employees
- Set of leading brands; Gerimax, Futura, Livol, Maxim and Litozin
- Revenues mainly in Denmark, with Poland as the most important export market
- Distribution through MöllerCollett in Norway and Finland



Orkla Brands

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## Leading Nordic player

- A leading Nordic player within health-related branded consumer products
- Total revenues of approx. NOK 1.000 million (2005)
- Develop and strengthen our positions
  - No 1 positions in Norway, Denmark and Finland
  - Critical mass in Sweden for further expansion
  - Interesting positions in Poland, Baltics and CIS
- Distribution through grocery, pharmacy and health food stores
- Cost efficient production units



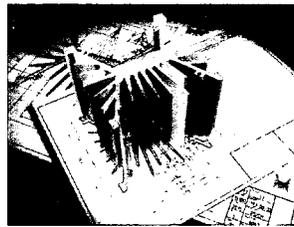
Orkla Brands

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## Speciality Materials

Ole Enger  
Executive Vice President



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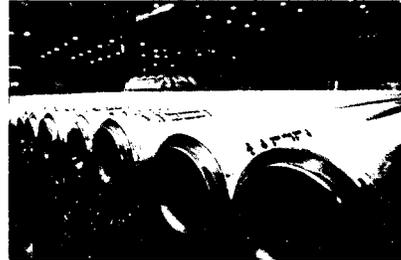
## Elkem – Losses realised on energy contracts in April

- Losses realised on energy contracts in April
  - Significant drop in energy prices due to collapse in CO<sub>2</sub> quotas
- Solid results for primary aluminium due to continued high prices
- Elkem Solar on track for commercialisation turn of the year 2007/2008

### Elkem

in NOK million

1 Apr - 30 Jun	2006	2005	Change
Revenues	2 383	2 410	-1 %
EBITA	196	250	-22 %
EBITA-margin	8.2 %	10.4 %	

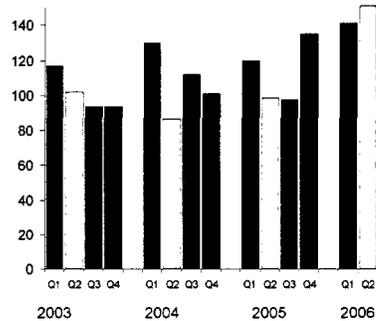


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## Solid results for primary aluminium

- EBITA +63.6 % in second quarter
- Continued high aluminium prices
  - Loss realised on hedge by NOK 107 million in Q2
- Sales volume on a par with last year
- Strong markets expected to continue

EBITA per quarter - Aluminium



IFRS accounting from 2004  
 Figures in NOK million

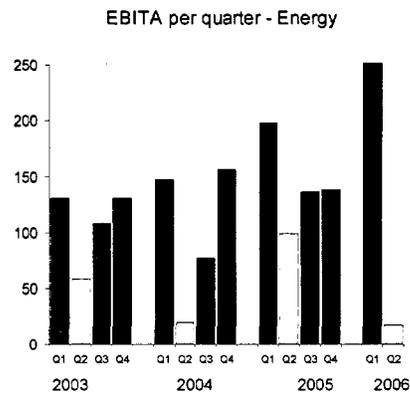
Elkem

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## Significant drop in energy prices in April

- Losses realised on energy contracts in April
  - Significant drop in energy prices due to collapse in CO<sub>2</sub> quotas
- Somewhat lower hydropower production than last year
  - 566 GWh in Norway in Q2
- Good progress for the Sauda project
  - Production from Dalvatn from Q3-06 (195 GWh per year in capacity)



IFRS accounting from 2004  
Figures in NOK million

Elkem

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## Silicon-related

- Weak markets for silicon and ferrosilicon
- Materials, Carbon and Calcium Carbide performed well and according to expectations
- Shutdown of Meraker in May (third and last furnace)
- Accident at Thamshavn in April had negative impact on results

### Silicon-related in NOK million

	1 Apr - 30 Jun	2006	2005	Change
Revenues		1 424	1 732	-18 %
EBITA		17	52	-67 %
EBITA-margin		1.2 %	3.0 %	

Elkem

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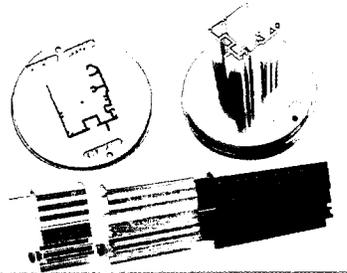
## Sapa – Continued strong improvements

- Operating profit increased by 18.3 %
  - Volume growth +14 %
- Significant increase in demand for Profiles and Building System in Europe
- Expansion and continued strong performance for Heat Transfer in China
- Restructuring costs of NOK 42 million

### Sapa

*in NOK million*

1 Apr - 30 Jun	2006	2005	Change
Revenues	4 145	3 274	27 %
EBITA	181	153	18 %
EBITA-margin	4.4 %	4.7 %	



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## Borregaard – Profitable energy operations

- Significant increase in results from energy operations
- Speciality cellulose market improving, but overall business conditions still challenging
  - Production problems in Switzerland
- Improvement programmes strengthened to offset unfavourable currency situation and high oil-related costs
  - Programmes on schedule

### Borregaard

*in NOK million*

1 Apr - 30 Jun

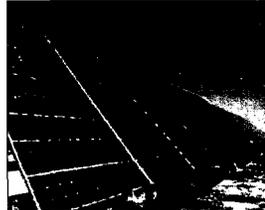
Revenues	2006	2005	Change
Energy	127	76	67 %
Chemicals	1 032	1 088	-5 %
Eliminations	- 35	- 44	
<b>Borregaard</b>	<b>1 124</b>	<b>1 120</b>	<b>0 %</b>
<b>EBITA</b>			
Energy	61	32	91 %
Chemicals	51	64	-20 %
<b>Borregaard</b>	<b>112</b>	<b>96</b>	<b>17 %</b>
EBITA-margin	10.0 %	8.6 %	



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# Special topic: Update Elkem Solar

Ole Enger  
Executive Vice President

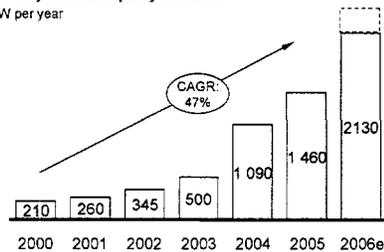


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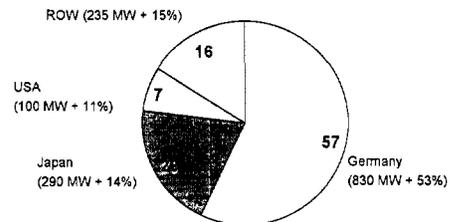
## Market for PV up 34% to 1.5 GW in 2005.... ...up to 2.4 GW expected in 2006

Annually installed capacity 2000-2006  
MW per year



10% non-silicon cells in 2005  
Source: Solar Buzz

100% = 1,460 MW installed in 2005

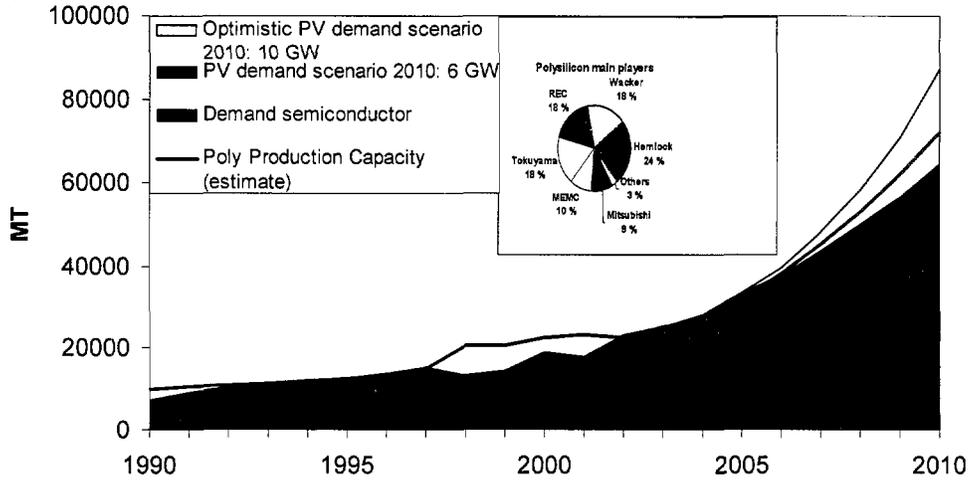


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# Feedstock may remain bottleneck for growth in the next 3 - 5 yrs

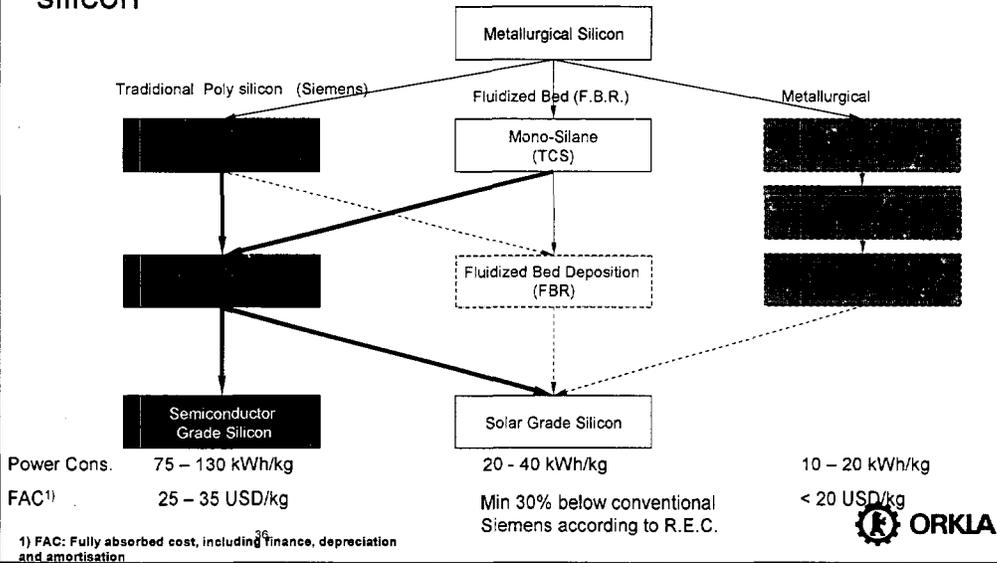
Polysilicon Supply-Demand 1990 - 2010



Source: Photon Int., ES analysis  
35

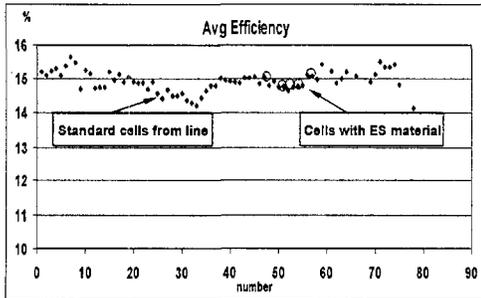


# Siemens Technology dominating, Fluidized Bed (F.B.R.) and Metallurgical refining new, promising routes to solar silicon



## Product qualified on industrial line Record 18.1% efficiency achieved in lab

### Product qualified on industrial line....



- Verification: > 50.000 cells tested and qualified for release to market
- Product qualified for commercial supply
- Negotiating long term sales contracts

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### ...record 18% efficiency achieved in UKON lab

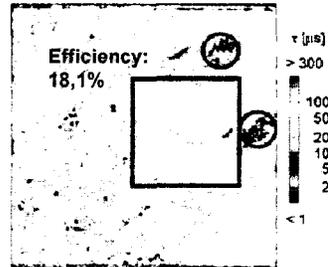


Fig. 3: Bulk lifetime mapping of a 12.5x12.5 cm<sup>2</sup>

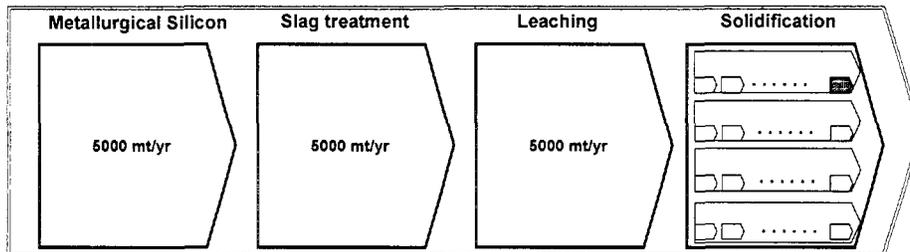
18.1 % efficiency on small area cell proves potential of feedstock

- Photolithographic cell process
- Up to 18.6% efficiency
- Results confirmed by Fraunhofer ISE



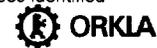
Process verification: challenges in solidification step...  
..... root causes identified...

..modular design gives flexibility in implementation.....



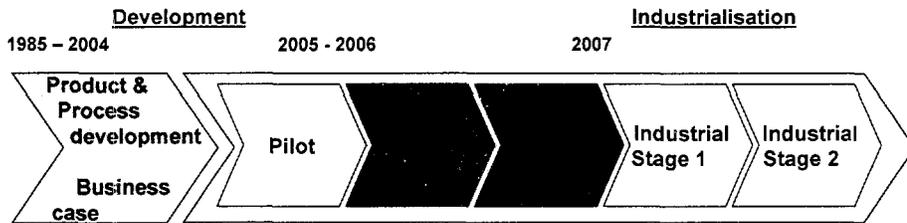
- Verified in several full scale test campaigns at Fiskaa
- Verified in several test campaigns in semi-industrial scale
- Verified at pilot scale
- Operating at full industrial scale with silicon at one of Elkem plants
- Verified at pilot scale
- Encountered challenges in final verification of industrial scale
- Root causes identified

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# ELKEM SOLAR MASTERPLAN

Time to market remains unchanged; industrialisation in 2007/2008



- Product qualified for commercial supply
- Pre-study finalised, site selected
- Time to market remains unchanged
- Development of new technology and processes do imply considerable risks

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## Appendix

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## Special accounting issues in Q2

### EBITA:

- HQ includes Hjemmet Mortensen and Netzeitung GmbH  
(not included in the sale of Orkla Media)

### Profit from associates:

- In Q1, REC recognised a substantial imputed cost in connection with convertible bonds in its income statement. The effect of this on profit was unknown when Orkla presented Q1 financial statements, which has led to a negative adjustment of NOK 104 million in Q2.

### Discontinued operations:

- Results for Orkla Media after finance, tax and minority interests

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## Cash flow statement

### Key figures in NOK million

1 Jan - 30 Jun	2006	2005
<b>Industry division:</b>		
Operating profit	2 003	1 812
Amortisations, depreciations and write-downs	992	1 127
Changes in net working capital	- 913	-1 139
Net replacement expenditure	- 776	- 719
<b>Cash flow from operations</b>	<b>1 306</b>	<b>1 081</b>
Financial items, net	- 299	- 196
<b>Cash flow from Industry division</b>	<b>1 007</b>	<b>885</b>
<b>Cash flow from Financial Investments</b>	<b>1 380</b>	<b>591</b>
Taxes paid and miscellaneous	-1 080	- 676
<b>Cash flow before capital transactions</b>	<b>1 307</b>	<b>800</b>
Dividends paid and shares buy back	-1 347	-1 783
<b>Cash flow before expansion</b>	<b>- 40</b>	<b>- 983</b>
Net expansion	-3 110	-17 712
Net purchases/sales portfolio investments	840	299
<b>Net cash flow</b>	<b>-2 310</b>	<b>-18 396</b>
Currency translation net interest-bearing debt	85	449
<b>Change in net interest-bearing debt</b>	<b>2 225</b>	<b>17 947</b>
<b>Net interest-bearing debt</b>	<b>18 261</b>	<b>17 294</b>

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## Portfolio key figures

### Key figures in NOK million

	30 Jun 06	31 Dec 05	Change 06
Market value portfolio	16 014	16 149	- 135
Net asset value*	17 921	17 042	879
Unrealised gains before tax	4 542	5 102	- 560
Share of portfolio invested			
- outside Norway	52 %	53 %	-1 % pts
- in listed companies	86 %	85 %	+1 % pts

\* NOK 500 million capital contribution to Orkla ASA in 2006

Financial Investments<sup>43</sup>



## Largest holdings in the portfolio

### Market value in NOK million

per 30 June 2006

Principal holdings	Industry	Market value	Share of portfolio (%)	Share of equity (%)
Storebrand	Insurance	906	5.7	5.5
Steen & Strøm	Real Estate	854	5.3	11.3
Fast Search	Systems Software	722	4.5	10.3
DnB NOR	Bank	693	4.3	0.7
Hennes & Mauritz	Retailing	611	3.8	0.3
Capio	Health care	577	3.6	5.1
Rieber & Søn	Food	553	3.5	14.3
Tomra	Industry	509	3.2	5.7
Norsk Hydro	Energy	496	3.1	0.2
Vimpelcom	Telecommunication	421	2.6	0.7
<b>Total principal holdings</b>		<b>6 342</b>	<b>39.6</b>	
<b>Market value of entire portfolio</b>		<b>16 014</b>		

Financial Investments<sup>44</sup>

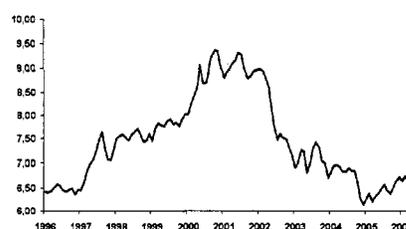


## Aluminium hedge in Elkem

Primary Aluminium - LME 3 month USD/MT



Foreign exchange - USD/NOK



- Elkem Aluminium recorded a loss of NOK 107 million on its metal hedging in Q2-06 (50 % basis)
- At the end of second quarter 454 775 MT of aluminium have been sold forward at an average price of USD 1,742 per MT (100 % basis). Put options for 30 000 MT have been purchased with an average strike price of USD 1,730 per MT. This corresponds to approximately to 2.4 years of exposure
- Unrealised metal hedging losses total NOK 965 million (50 % basis), distributed over 2006-2010
- Elkem Aluminium recorded a gain of NOK 13 million on its currency hedging in Q2-06 (50 % basis)
- At the end of Q2 USD 11 million of estimated income in USD have been hedged over the next year (100 % basis), corresponding to approximately 0.05 years of exposure
- Unrealised currency gains total NOK 7 million for 2006 (50 % basis)



## Currency translation effects Q2-06

Revenues	Q2	per Q2
Orkla Foods	-58	-106
Orkla Brands	-22	-40
Elkem	0	0
Sapa	-58	-69
Borregaard	-15	-19
<b>Total</b>	<b>-153</b>	<b>-234</b>

EBITA	Q2	per Q2
Orkla Foods	-3	-5
Orkla Brands	-2	-3
Elkem	0	0
Sapa	0	-1
Borregaard	-1	-1
<b>Total</b>	<b>-6</b>	<b>-10</b>



## Financial items

47



## Financial items

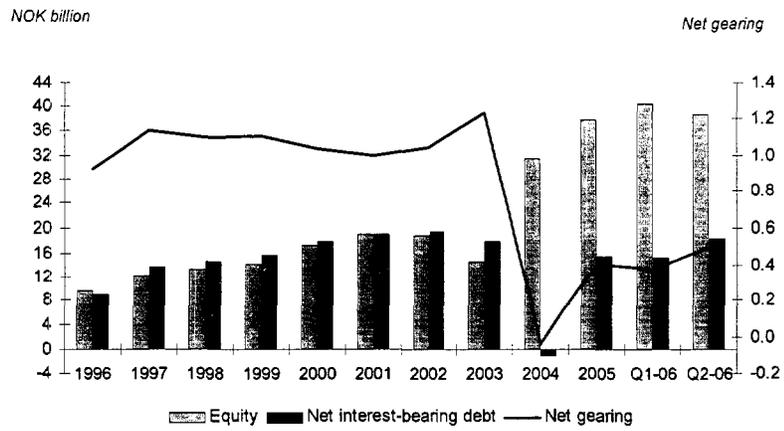
### Key figures *in NOK million*

1 Jan - 30 Jun	Full year		
	2006	2005	2005
Net interest expenses	-268	-223	-469
Currency gain/loss	14	20	8
Other financial items, net	271	-17	-3
<b>Net financial items</b>	<b>17</b>	<b>-220</b>	<b>-464</b>

48



## Equity and liabilities

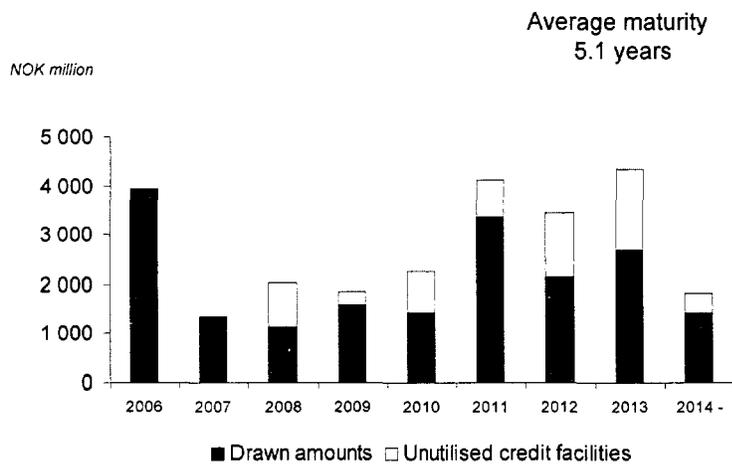


Figures as reported  
IFRS accounting from 2004

49



## Debt maturity profile 30 Jun 2006



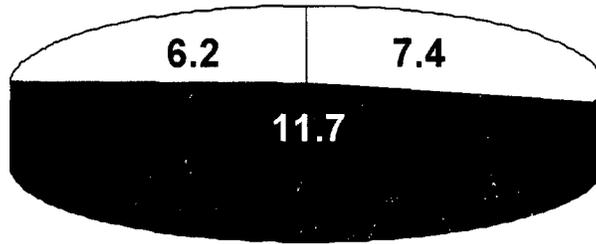
50



## Funding Sources 30 Jun 2006

Unutilised credit facilities 25 %

Bonds and CP 29 %



Banks 46 %

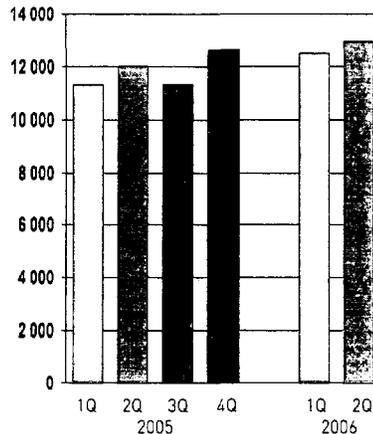
Figures in NOK billion

**KEY FIGURES SECOND QUARTER FOR ORKLA ASA**

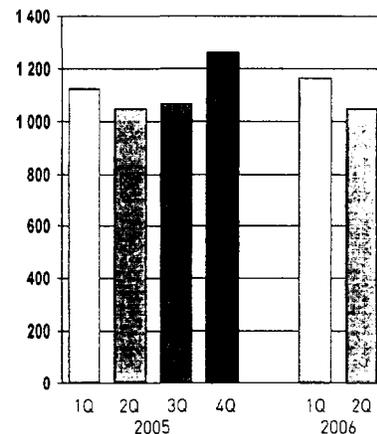
Amounts in NOK million	1.1.-30.6.		1.1.-31.12.		1.4.-30.6.	
	2006	2005	2005	2006	2005	2006
Operating revenues	25,452	23,336	47,307	12,954	11,990	
Operating profit before amortisation and other revenues and expenses	2,212	2,172	4,494	1,044	1,047	
Profit before taxes	4,099	3,606	6,949	1,951	1,922	
Earnings per share (diluted) (NOK)	16.6	12.9	28.1	8.2	7.4	
Cash flow from operations	1,306	1,081	3,765	640	390	
Net interest-bearing debt	18,261	17,294	16,036			
Equity (%)	51.3	49.9	51.9			
Net gearing	0.47	0.51	0.43			

**OPERATING REVENUES**

NOK million


**OPERATING PROFIT\***

NOK million



\* Before amortisation and other revenues and expenses

## THE SECOND QUARTER IN BRIEF

- Group pre-tax profit in the second quarter totalled NOK 1,951 million (NOK 1,922 million)<sup>1</sup>. So far this year, Group earnings per share amount to NOK 16.6, compared with NOK 12.9 at the same time last year.
- The Branded Consumer Goods business achieved good, stable growth in the second quarter. Both Orkla Foods and Orkla Brands made progress on the Nordic market.
- In the Speciality Materials area, Sapa and Elkem Primary Aluminium reported growth driven by a good market situation and contributions from internal improvement projects. In the second quarter, Sapa charged just over NOK 40 million against operating profit in connection with restructuring projects that have been initiated.
- The previously announced loss on power trading in April led to seasonally low profit for Elkem's energy business. Aggregate profit from Elkem's and Borregaard's energy operations was about 6 % higher than last year.
- In the Financial Investments division, book portfolio gains amounted to NOK 660 million in the second quarter (NOK 580 million)<sup>1</sup>. At the end of June the return on the investment portfolio was 8.7 %. The net asset value of the portfolio declined by NOK 479 million in the second quarter.
- After the end of the quarter, an agreement was signed to sell Orkla Media to the British media company Mecom for NOK 7,550 million. Final completion of the agreement is expected to take place in September/October.

<sup>1</sup> The figures in brackets are for the same period last year

## MAIN TRENDS

At the end of July, an agreement was signed concerning the sale of Orkla Media to Mecom. The agreement does not include Hjemmet Mortensen or the German Internet company Netzeitung GmbH.

The contribution to profit from discontinued operations is recognised after tax and minority interests on a single line in the income statement. Similarly, the net value of discontinued operations is shown on a single line in the balance sheet. Comparable historical figures have been adjusted accordingly.

After adjustments for discontinued operations, Group operating revenues in the second quarter totalled NOK 12,954 million (NOK 11,990 million)<sup>1</sup>. Strong volume growth and high aluminium prices contributed to strong revenue growth for Sapa, which increased its underlying<sup>2</sup> operating revenues by 25 % in the second quarter compared with last year. In the Branded Consumer Goods area, new businesses contributed approximately NOK 150 million in operating revenues. The fact that Easter came later this year than last year had a negative impact on Orkla Brands in the second quarter, while the overall effect for Orkla Foods was more or less neutral. The NOK is still strong against euro-related currencies and the USD, and negative currency translation effects reduced operating revenues by more than NOK 150 million in the second quarter. At the end of the first six months, operating revenues amounted to NOK 25,452 million (NOK 23,336 million)<sup>1</sup>.

Group operating profit before amortisation totalled NOK 1,044 million in the second quarter (NOK 1,047 million)<sup>1</sup>. At the end of the first six months, operating profit before amortisation amounted to NOK 2,212 million (NOK 2,172 million)<sup>1</sup>. In the second quarter, a good performance in the Nordic countries contributed to 9 % underlying<sup>2</sup> profit growth for Orkla Foods. In Russia, SladCo posted weaker profit than last year due to changes in the sales and distribution systems and investments in marketing. Despite a challenging Swedish market, both Procordia Food and Abba Seafood made progress. Orkla Brands' performance was generally stable and satisfactory in the second quarter.

Volume-driven profit growth for Sapa was partially offset by non-recurring costs of more than NOK 40 million in connection with restructuring projects in several parts of the company. In April, leaks concerning CO<sub>2</sub> quotas led to a sudden, sharp drop in energy prices. As previously announced, this meant that Elkem had to realise losses on its power contracts. So far this year, however, profit from Elkem's and Borregaard's energy operations is higher than at the same time last year. Elkem's aluminium business achieved good profit growth as a result of high market prices and stable operations at the factories. Costs in connection with Elkem's solar project amounted to NOK 47 million in the second quarter, NOK 32 million of which has been capitalised. The development project is nearing completion and a formal decision concerning the construction of a 5,000-tonne plant is expected to be discussed by the Board of Directors this autumn. As previously announced, the plant could be completed around the turn of the year 2007/2008. Borregaard achieved profit growth in the second quarter, although low production and high costs at the Swiss factory had a negative impact.

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

After another quarter with a high level of activity in investment advisory services and the provision of alternative investment products, Orkla Finans reported operating profit of NOK 37 million in the second quarter (NOK 29 million)<sup>1</sup>.

Associates primarily consist of Jotun (42.5%) and the Renewable Energy Corporation (REC) (26.5%). So far this year, underlying sales and profit growth have been positive for both Jotun and REC. REC was listed on the stock exchange on 9 May and at the end of the second quarter reported rises in operating revenues and EBITA of 123 % and 329 % respectively, compared with the same period last year. In the first six months of 2006, REC's operating revenues and EBITA amounted to NOK 1,875 million (NOK 841 million)<sup>1</sup> and NOK 614 million (NOK 143 million)<sup>1</sup> respectively. In the first four months, Jotun increased its operating revenues by 15 % to NOK 2,420 million (NOK 2,098 million)<sup>1</sup>. In the same period, EBITA totalled NOK 235 million (NOK 184 million)<sup>1</sup>. In the first quarter, REC recognised a substantial imputed cost in connection with convertible bonds in its income statement. The effect of this on profit was unknown when Orkla presented its first quarter financial statements, which has led to a negative adjustment of NOK 104 million in the second quarter. The latter helps to explain the negative contribution to profit from associates in the second quarter.

The return on Orkla's investment portfolio at the end of the first six months was 8.7 %, compared to a rise of 5.3 % for the Morgan Stanley Nordic Index and 13.2 % for the Oslo Stock Exchange Benchmark Index. The dividend-adjusted FTSE World Index rose 3.5 %. Realised portfolio gains amounted to NOK 660 million (NOK 580 million)<sup>1</sup> in the second quarter. At quarter-end, unrealised gains totalled just over NOK 4.5 billion.

Group earnings per share (diluted) at the end of June amounted to NOK 16.6 (NOK 12.9)<sup>1</sup>. The improvement was due to positive profit growth for the Industry division and, overall, a positive contribution to profit from the investment in REC. In the Financial Investments division, realised portfolio gains made a positive contribution, while dividends received were somewhat lower than the high level in 2005. Before amortisation and other revenues and expenses, earnings per share amounted to NOK 16.9 (NOK 14.2)<sup>1</sup>. As of the end of June, the tax charge is estimated to be 19 %.

## ORKLA FOODS

- Good growth and broad-based profit growth in the Nordic region
- Extensive top-line improvement programme combined with cost reduction measures
- Acquisitions of Royal Brinkers (Romania) and Krupskaya (Russia) completed

Orkla Foods' operating revenues amounted to NOK 3,360 million in the second quarter (NOK 3,310 million)<sup>1</sup>. Underlying<sup>2</sup> growth was 1 %. Operating profit before amortisation totalled NOK 304 million (NOK 280 million)<sup>1</sup>. Underlying<sup>2</sup> profit growth was 9 %, primarily due to broad-based growth in the Nordic region. Operating revenues for the first six months totalled NOK 6,559 million (NOK 6,464 million)<sup>1</sup>. Profit

**GROUP INCOME STATEMENT**

Amounts in NOK million	1.1.-30.6.		1.1.-31.12.	
	2006	2005	2005	2006
<b>Operating revenues</b>	<b>25,452</b>	23,336	47,307	<b>12,954</b>
Operating expenses	(22,351)	(20,214)	(40,925)	(11,469)
Depreciations and write-downs of tangible assets	(889)	(950)	(1,888)	(441)
Amortisation intangible assets	(106)	(86)	(223)	(54)
Other revenues and expenses	0	(115)	(214)	0
<b>Operating profit</b>	<b>2,106</b>	1,971	4,057	<b>990</b>
Profit from associates	22	91	152	(22)
Dividends	598	672	1,018	449
Gains and losses/write-downs portfolio investments	1,356	1,092	2,186	660
Financial items, net	17	(220)	(464)	(126)
<b>Profit before taxes</b>	<b>4,099</b>	3,606	6,949	<b>1,951</b>
Taxes	(779)	(789)	(1,089)	(346)
<b>Profit after taxes</b>	<b>3,320</b>	2,817	5,860	<b>1,605</b>
Discontinued operations	142	40	154	94
<b>Profit for the year</b>	<b>3,462</b>	2,857	6,014	<b>1,699</b>
Minority	26	190	216	5
Profit before tax, Industry division	2,003	1,702	3,465	786
Profit before tax, Financial Investments division	2,096	1,904	3,484	1,165
<b>Earnings per share (NOK)</b>	<b>16.6</b>	12.9	28.1	<b>8.2</b>
<b>Earnings per share diluted (NOK)</b>	<b>16.6</b>	12.9	28.1	<b>8.2</b>
<b>Earnings per share diluted (NOK)'</b>	<b>16.9</b>	14.2	30.1	<b>8.4</b>

The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting

' Before amortisation and other revenues and expenses

for the first six months amounted to NOK 478 million, compared with NOK 461 million in 2005. Adjusted for acquisitions and divestments, profit growth amounted to 5 % for the first six months.

Orkla Foods Nordic reported operating revenues of NOK 2,287 million (NOK 2,191 million)<sup>1</sup>. Underlying<sup>2</sup> growth was some 4 %, mainly due to a number of successful launches. Operating profit before amortisation was NOK 281 million (NOK 261 million)<sup>1</sup>. Adjusted for acquisitions and divestments, profit was up 9 %. The cost reduction programmes continued to have a positive impact in the second quarter. Stabburet (Norway), Abba Seafood and Procordia Food (both in Sweden) achieved marked profit growth. Beauvais (Denmark), Felix Abba and Panda (both in Finland) reported operating profit on a par with last year, while Bakers (Norway) reported slightly weaker operating profit.

Operating revenues for Orkla Foods International totalled NOK 469 million (NOK 515 million)<sup>1</sup>. Operating profit before amortisation was NOK -17 million (NOK -16 million)<sup>1</sup>. SladCo's operating profit was still weak, mainly due to ongoing changes in the sales and distribution system. Most of the other companies reported improved profit performance as a result of cost reduction programmes. Sales growth was good in the Baltic States. The Romanian and Russian competition authorities have approved the acquisitions of Royal Brinkers (margarine) and Krupskaya (chocolate), respectively. The companies will be consolidated in the accounts from 1 June and 1 July 2006.

Orkla Food Ingredients reported operating revenues of NOK 677 million (NOK 664 million)<sup>1</sup>. Operating profit before amortisation totalled NOK 40 million (NOK 35 million)<sup>1</sup>. This improvement was achieved in spite of higher prices for important raw materials. Idun Industri (Norway), K&K& and Jästbolaget (both Sweden) achieved good profit growth.

**ORKLA BRANDS**

- The acquisition of Dansk Droge is an important contribution towards the establishment of a Nordic platform for Dietary supplements and health products
- Underlying<sup>2</sup> operating profit in the second quarter on a par with last year
- Positive improvement in market shares for most of the categories

Orkla Brands' operating revenues totalled NOK 1,720 million (NOK 1,666 million)<sup>1</sup> in the second quarter. When new business (Collett Pharma) and changed exchange rates are taken into account, operating revenues were on a par with last year. Easter effects had a negative impact on sales revenues in the second quarter, but sales performance is considered to be positive for the quarter. Aggregate underlying<sup>2</sup> growth was approximately 1 %. The Snacks business, detergents and Household Textiles reported good revenue growth in the second quarter, mainly ascribable to improved distribution, new launches and a high level of activity. Measures related to improved product design and more effective sales systems have had a positive effect for the Biscuits business in

**OPERATING REVENUES**

Amounts in NOK million	1.1.-30.6.		1.1.-31.12.		1.4.-30.6.	
	2006	2005	2005	2006	2005	
Orkla Foods Nordic	4,398	4,250	8,864	2,287	2,191	
Orkla Food Ingredients	1,328	1,286	2,743	677	664	
Orkla Foods International	974	1,052	2,312	469	515	
Eliminations Orkla Foods	(141)	(124)	(269)	(73)	(60)	
<b>Orkla Foods</b>	<b>6,559</b>	<b>6,464</b>	<b>13,650</b>	<b>3,360</b>	<b>3,310</b>	
<b>Orkla Brands</b>	<b>3,428</b>	<b>3,014</b>	<b>6,336</b>	<b>1,720</b>	<b>1,666</b>	
Eliminations Branded Consumer Goods	(53)	(109)	(249)	(24)	(46)	
<b>Branded Consumer Goods</b>	<b>9,934</b>	<b>9,369</b>	<b>19,737</b>	<b>5,056</b>	<b>4,930</b>	
Elkem Energy	840	733	1,473	482	386	
Elkem Primary Aluminium	1,359	1,201	2,333	697	597	
Elkem Silicon-related	2,779	3,333	6,469	1,424	1,732	
Eliminations Elkem	(402)	(601)	(1,147)	(220)	(305)	
<b>Elkem</b>	<b>4,576</b>	<b>4,666</b>	<b>9,128</b>	<b>2,383</b>	<b>2,410</b>	
<b>Sapa</b>	<b>8,089</b>	<b>6,466</b>	<b>12,517</b>	<b>4,145</b>	<b>3,274</b>	
Borregaard Energy	223	145	343	127	76	
Borregaard Chemicals	2,076	2,154	4,170	1,032	1,088	
Eliminations Borregaard	(74)	(89)	(155)	(35)	(44)	
<b>Borregaard</b>	<b>2,225</b>	<b>2,210</b>	<b>4,358</b>	<b>1,124</b>	<b>1,120</b>	
Eliminations Speciality Materials	(80)	(45)	(92)	(81)	(21)	
<b>Speciality Materials</b>	<b>14,810</b>	<b>13,297</b>	<b>25,911</b>	<b>7,571</b>	<b>6,783</b>	
<b>H.O./Other operations/Eliminations</b>	<b>314</b>	<b>295</b>	<b>655</b>	<b>160</b>	<b>143</b>	
<b>Industry division</b>	<b>25,058</b>	<b>22,961</b>	<b>46,303</b>	<b>12,787</b>	<b>11,856</b>	
<b>Financial Investments division</b>	<b>394</b>	<b>375</b>	<b>1,004</b>	<b>167</b>	<b>134</b>	
<b>Group</b>	<b>25,452</b>	<b>23,336</b>	<b>47,307</b>	<b>12,954</b>	<b>11,990</b>	

**OPERATING PROFIT\***

	1.1.-30.6.		1.1.-31.12.		1.4.-30.6.	
	2006	2005	2005	2006	2005	
	433	412	997	281	261	
	59	53	143	40	35	
	(14)	(4)	73	(17)	(16)	
	-	-	-	-	-	
	478	461	1,213	304	280	
	521	492	1,049	270	262	
	-	-	-	-	-	
	999	953	2,262	574	542	
	273	297	571	17	99	
	303	219	452	162	99	
	32	106	131	17	52	
	-	-	-	-	-	
	608	622	1,154	196	250	
	413	286	496	181	153	
	112	65	157	61	32	
	65	110	142	51	64	
	-	-	-	-	-	
	177	175	299	112	96	
	-	-	-	-	-	
	1,198	1,083	1,949	489	499	
	(87)	(23)	(23)	(54)	(11)	
	2,110	2,013	4,188	1,009	1,030	
	102	159	306	35	17	
	2,212	2,172	4,494	1,044	1,047	

\* Before amortisation and other revenues and expenses

Sweden, but the market situation is still challenging and sales was somewhat weaker than last year. Confectionery sales were weaker than last year, but this was mainly due to negative Easter effects.

Second quarter operating profit before amortisation amounted to NOK 270 million (NOK 262 million)<sup>1</sup>. Underlying<sup>2</sup> profit was on a par with last year. The Snacks business outside the Nordic region and the Biscuits business reported a slight decline in profit. The other Orkla Brands companies posted profit on a par with or slightly better than last year. Work is in progress on reducing costs in all parts of the value chain.

As previously announced, Orkla has signed an agreement to take over all the shares in Dansk Droge. The company will play an important role in Orkla's focus on health-related consumer products in the years ahead, and with this acquisition the Group has established a Nordic position in the industry. Final completion will take place when the relevant authorities have given their approval.

The main launches in the second quarter were Nidar Smågodtfavoritter (Confectionery), Bixit Sport (the Biscuits business), Dove Summer Glow (Lilleborg) and KiMs Minimal (the Snacks business). New launches in the first quarter, such as Jif Window System and OMO

tablets (Lilleborg), Café Mini Brownies (the Biscuits business) and Pierre Robert (the Household Textiles business) also made a good contribution.

All in all, market shares increased. Lilleborg Personal Care, especially the Hair category, achieved growth, while the Biscuits business in Sweden continued to decline.

**ELKEM**

- High market prices for Primary Aluminium
- Volatile electricity prices and weak trading results for Energy
- Stable profit growth for the silicon-related businesses

Elkem's second quarter operating revenues amounted to NOK 2,383 million (NOK 2,410 million)<sup>1</sup>. Operating profit before amortisation was NOK 196 million, down NOK 54 million from the second quarter of last year.

Profit for Primary Aluminium was higher than in the second quarter of last year. The average price of aluminium for three-months' delivery on the London Metal Exchange (LME) was USD 2,681 in the second quarter, compared with USD 1,796 in the second quarter of 2005. Delivered volume was 83,300 tonnes. Production volume was on a

par with the second quarter of last year. The operating situation was good at both aluminium plants during the period. In the second quarter, a loss of NOK 107 million was realised on metal hedging, while a gain of NOK 13 million was realised on currency hedging. At the beginning of the third quarter, prices for primary aluminium are still high, but lower than the average price for the second quarter. The market is expected to remain strong for the rest of the third quarter.

Profit from the Energy business was weak in the second quarter. Elkem's hydropower production in Norway totalled 566 GWh, which is 55 GWh lower than in the same period last year. Inflow in Western Norway has been less than normal, while in Northern Norway it has improved since the first quarter of 2006. Trading results were weak in the second quarter due to the sharp drop in electricity prices at the end of April. The spot price on the Nordic market fell from 41 øre/kWh in April to 29 øre/kWh in May before rising again to 35 øre/kWh in June. At the end of the second quarter, the resource situation, in the form of reservoirs and especially snow accumulation, was somewhat weaker than normal for the time of year, however the resource situation for Elkem's reservoirs is better than the average in Norway.

The results for the silicon-related units were slightly weaker than in the same period last year. The markets for silicon metal and ferrosilicon remained weak in the second quarter. Market prices for ferrosilicon have increased slightly in the second quarter due to reduced production capacity in Europe and closures initiated by the authorities in China. The explosion and fatal accident at Thamshavn and the resulting stoppage had a negative impact on profit. The operational performance of the production plant on Iceland was weaker than anticipated. The operational and profit performance of the other silicon-related units was good. The strong focus on Elkem's project for manufacturing silicon metal for the solar cell industry continued in the second quarter. The development project is nearing completion and a final decision concerning investment in the construction of a 5,000-tonne plant is expected to be reached by the Board of Directors this autumn. The factory could be completed around the turn of the year 2007/2008.

#### **SAPA**

- Strong demand and strong volume growth for most of Sapa's operations
- Positive impact from improvement programmes

Delivered volume in the second quarter amounted to 116,060 tonnes (101,840 tonnes)<sup>1</sup>, equivalent to 14 % growth. In terms of volume, Profiles in Europe, Profiles in the USA and Heat Transfer grew 20 %, 2 % and 7 % respectively. The acquisition of the Slovakian company Sapa Profily contributed 4,400 tonnes of the total volume.

The strong demand on the European extrusion market continued in the second quarter. At the end of June, market growth is estimated to have been 5-10 % and Sapa Profiles has probably increased its market share on most markets. The market for building systems developed well in the second quarter. This was due partly to seasonal variations, but also to improved prospects in the German construction sector and continuing strong markets in France and Scandinavia.

In the USA, market growth was on a par with the first quarter. Demand was good in all market segments, with the exception of the market for new housing. Heat Transfer in China had another good quarter, while the Swedish business reported lower volume, partly due to weaker demand. In addition, by being firm on its price policy Heat Transfer in Sweden probably has lost some market share to competition.

Operating revenues in the second quarter amounted to NOK 4,145 million (NOK 3,274 million)<sup>1</sup>. In SEK, growth was 30 %, largely due to higher metal prices as well as volume growth. Compared with the second quarter of 2005, the average price in USD for aluminium delivered on the LME was 50 % higher. Acquisitions led to a 4 % rise in operating revenues.

Operating profit before amortisation increased by 18 % in the second quarter, to NOK 181 million (NOK 153 million)<sup>1</sup>. Profiles and Building System achieved good profit growth compared with last year, while profit from Heat Transfer was slightly lower. Restructuring costs of NOK 42 million were recognised in the second quarter, mainly related to workforce reduction programmes. The increase in volume did not have full effect on profit because the rise in sale prices did not fully compensate for the rise in aluminium prices, but the situation improved towards the end of the quarter. The improvement programmes that were initiated in the first half of 2005 have led to improved productivity and had a positive impact on profit.

#### **BORREGAARD**

- Good profit for the Energy business
- Production problems in Switzerland continued to have a negative impact on profit for Speciality Cellulose
- Price rises and improvement programmes offset high oil-related costs and the reduced effect of currency hedging

Borregaard's operating revenues in the second quarter totalled NOK 1,124 million (NOK 1,120 million)<sup>1</sup>, equivalent to 9 % underlying<sup>2</sup> growth compared with the same period last year.

Operating profit before amortisation amounted to NOK 112 million (NOK 96 million)<sup>1</sup>. The good performances of Borregaard Energy and Borregaard LignoTech were counteracted by weaker results for Borregaard ChemCell. Production problems in Switzerland, high oil-related costs (energy and freight), the weaker exchange rate for the USD and the EUR against the NOK and the reduced effect of currency hedges had a negative impact on profit, while price increases and the effects of improvement programmes made a positive contribution.

In the first six months, operating revenues amounted to NOK 2,225 million (NOK 2,210 million)<sup>1</sup>, an underlying<sup>2</sup> rise of 7 % compared with last year. So far this year, operating profit before amortisation amounts to NOK 177 million, NOK 2 million higher than at the end of June last year.

Borregaard LignoTech achieved slightly higher profit than in the second quarter of last year. Slightly weaker sales volume, higher oil-related costs and the reduced effect of currency hedging were offset by higher prices. A long-term agreement for delivery of lignin by the Russian company Vyborg and the acquisition of the Brazilian lignin company

**GROUP BALANCE SHEET**

	30.6.	30.6.	31.12.
Amounts in NOK million	2006	2005	2005
Intangible assets	16,849	15,368	16,700
Tangible assets	15,511	15,044	15,098
Financial non-current assets	5,468	2,357	3,130
<b>Non-current assets</b>	<b>37,828</b>	<b>32,769</b>	<b>34,928</b>
<b>Discontinued operations*</b>	<b>3,477</b>	<b>3,389</b>	<b>3,330</b>
Inventories	6,234	5,906	6,003
Receivables	10,123	9,982	10,204
Portfolio investments	16,040	13,981	16,157
Cash and cash equivalents	1,464	1,568	1,747
<b>Current assets</b>	<b>33,861</b>	<b>31,437</b>	<b>34,111</b>
<b>Total assets</b>	<b>75,166</b>	<b>67,595</b>	<b>72,369</b>
Paid-in equity	2,013	2,009	2,010
Earned equity	36,153	31,380	35,167
Minority interests	390	352	380
<b>Equity</b>	<b>38,556</b>	<b>33,741</b>	<b>37,557</b>
Provisions	5,349	5,796	5,539
Non-current interest-bearing liabilities	15,178	11,980	13,025
Current interest-bearing liabilities	5,090	7,027	5,613
Other current liabilities	10,993	9,051	10,635
<b>Equity and liabilities</b>	<b>75,166</b>	<b>67,595</b>	<b>72,369</b>
Equity ratio (%)	51.3	49.9	51.9

\* Discontinued operations split on assets and liabilities:

Assets	5,798	5,512	5,572
Liabilities	2,321	2,123	2,242
<b>Discontinued operations</b>	<b>3,477</b>	<b>3,389</b>	<b>3,330</b>

**CHANGE IN EQUITY**

	1.1.-30.6.		31.12.
Amounts in NOK million	2006	2005	2005
Equity 1 January	37,177	31,246	31,246
Profit for the year after minorities	3,436	2,667	5,798
Dividend	(1,551)	(1,957)	(1,952)
Sale of own shares	121	41	63
Change in fair value portfolio	(83)	618	1,536
Change in fair value hedging instruments	(560)	(168)	(571)
Option costs	10	6	26
All-inclusive principle due to acquisitions		1,220	1,445
Translation effects	(384)	(284)	(414)
<b>Equity at end of period</b>	<b>38,166</b>	<b>33,389</b>	<b>37,177</b>

Effects of implementing IAS 32/39 Financial Instruments are recognised in the opening balance at 1 January 2005

**CASH FLOW**

	1.1.-30.6.		1.1.-31.12.		1.4.-30.6.	
Amounts in NOK million	2006	2005	2005	2006	2005	
<b>Industry division:</b>						
Operating profit	2,003	1,812	3,751	954	872	
Amortisation, depreciations and write-downs	992	1,127	2,145	493	634	
Change in net working capital	(913)	(1,139)	(411)	(389)	(816)	
Cash flow from operations before net replacement expenditures	2,082	1,800	5,485	1,058	690	
Net replacement expenditures	(776)	(719)	(1,720)	(418)	(300)	
Cash flow from operations	1,306	1,081	3,765	640	390	
Financial items, net	(299)	(196)	(507)	(130)	(136)	
<b>Cash flow from Industry division</b>	<b>1,007</b>	<b>885</b>	<b>3,258</b>	<b>510</b>	<b>254</b>	
<b>Cash flow from Financial Investments division</b>	<b>1,380</b>	<b>591</b>	<b>706</b>	<b>818</b>	<b>681</b>	
Taxes paid	(1,050)	(736)	(1,235)	(559)	(407)	
Other	(30)	60	694	84	168	
<b>Cash flow before capital transactions</b>	<b>1,307</b>	<b>800</b>	<b>3,423</b>	<b>853</b>	<b>696</b>	
Dividends paid	(1,468)	(1,824)	(2,049)	(1,447)	(1,823)	
Sale of own shares	121	41	63	96	17	
<b>Cash flow before expansion</b>	<b>(40)</b>	<b>(983)</b>	<b>1,437</b>	<b>(498)</b>	<b>(1,110)</b>	
Expansion investments, Industry division	(483)	(231)	(737)	(227)	(229)	
Sold companies	7	0	383	(3)	0	
Acquired companies	(2,634)	(17,481)	(18,560)	(1,869)	(7,589)	
Net purchases/sales portfolio investments	840	299	660	362	526	
<b>Net cash flow</b>	<b>(2,310)</b>	<b>(18,396)</b>	<b>(16,817)</b>	<b>(2,235)</b>	<b>(8,402)</b>	
Currency translation net interest-bearing debt	85	449	128	47	425	
<b>Change in net interest-bearing debt</b>	<b>2,225</b>	<b>17,947</b>	<b>16,689</b>	<b>2,188</b>	<b>7,977</b>	
<b>Net interest-bearing debt</b>	<b>18,261</b>	<b>17,294</b>	<b>16,036</b>			

Melbar were finalised in the second quarter. These two measures will increase Borregaard LignoTech's total capacity by about 10 %.

Borregaard ChemCell reported lower profit than in the second quarter of last year. This was primarily due to production problems at the Swiss factory which, despite improvements during the quarter, still resulted in lost volume and higher costs. The reduced effect of currency hedges, higher timber prices in Switzerland and high energy costs also had a

negative impact. Production in Norway has been high. The sales volume was slightly lower in the second quarter than last year, but the company sold more specialised products at higher prices.

Borregaard Ingredients and Pharma reported profit on a par with the second quarter of last year. Deliveries of pharmaceutical intermediates were high and capacity utilisation was good. The remaining factory in Italy (diphenols) achieved positive growth. Prices for aroma chemicals

increased. The yeast business in Switzerland reported higher sales and an improved product mix, but profitability is still unsatisfactory. Denomega intensified its marketing investments for Omega-3 oils.

Borregaard Energy achieved very good quarterly profit that was significantly higher than last year. This was due to high contract based supply which resulted in high sales volume on the market at good prices. Borregaard's own production was also slightly higher. However, the contribution to profit from financial power trading was somewhat lower than last year.

### FINANCIAL INVESTMENTS

Total pre-tax profit for the Financial Investments division was NOK 1,165 million in the second quarter (NOK 1,120 million)<sup>1</sup>.

The return on the portfolio was -2.5 %, compared with -7.5 % for the Morgan Stanley Nordic Index and -5.0 % for the Oslo Stock Exchange Benchmark Index. So far this year, the return on the portfolio has been 8.7 %, compared with 5.3 % for the Morgan Stanley Nordic Index and 13.2 % for the Oslo Stock Exchange Benchmark Index.

Realised portfolio gains amounted to NOK 660 million (NOK 580 million)<sup>1</sup>. Dividends received totalled NOK 445 million (NOK 525 million)<sup>1</sup>.

Net divestments of shares totalled NOK 362 million in the second quarter. The net asset value of the portfolio declined by NOK 479 million during the quarter and amounted to NOK 17,921 million at quarter-end. The market value of the portfolio was NOK 16,014 million and investments outside Norway accounted for 52 %. At the end of June, unrealised gains amounted to NOK 4,542 million, equivalent to 28 % of the portfolio's market value.

There was a high level of activity at Orkla Finans in the field of investment advisory services and the provision of alternative investment products. Operating revenues for the second quarter amounted to NOK 105 million (NOK 86 million)<sup>1</sup> and operating profit was NOK 37 million (NOK 29 million)<sup>1</sup>.

Operating profit for Orkla Real Estate was NOK 2 million in the second quarter (NOK -2 million)<sup>1</sup>. Activities are concentrated on the development of Ringnes, Rygge Civilian Airport, Hundsdun and Idun.

### DISCONTINUED OPERATIONS

The net contribution to profit from discontinued operations was NOK 94 million (NOK 44 million)<sup>1</sup> in the second quarter and NOK 142 million (NOK 40 million)<sup>1</sup> so far this year.

Orkla's interests in Hjemmet Mortensen and Netzeitung GmbH are reported under «Other operations». At the end of the first six months, Orkla's 40 % financial stake in Hjemmet Mortensen represented operating profit before amortisation of NOK 55 million (NOK 57 million)<sup>1</sup>. The German business is still in the development phase and had a minor deficit.

The agreement to sell Orkla Media to Mecom stipulates a sale price for the shares of NOK 7,550 million, equivalent to an enterprise value for transferred assets of NOK 6,966 million. Settlement for the sale will consist of NOK 5,608 million in cash, NOK 852 million (GBP 73 million) in Mecom shares and NOK 1,090 million (GBP 93.4 million) the form of a vendor loan note from Orkla. The agreement is expected to be effected in September/October (reference is otherwise made to Orkla's Notice to the Stock Exchange dated 25 July). The anticipated book gain on the sale is estimated to be approximately NOK 4 billion, with a tax charge of up to NOK 100 million. In the first six months, operating revenues for the discontinued operations amounted to NOK 4,182 million (NOK 3,984 million)<sup>1</sup> and operating profit before amortisation was NOK 178 million (NOK 141 million)<sup>1</sup>.

### CASH FLOW AND FINANCIAL SITUATION

Cash flow from operating activities was NOK 640 million in the second quarter, up NOK 250 million from the second quarter of last year. There was a seasonal rise in working capital in the Branded Consumer Goods area due to higher receivables. Elkem's finished goods inventories for silicon metal and ferrosilicon were somewhat lower in the second quarter. High aluminium prices and increased sales led to a higher value for receivables for Sapa.

Expansion investments amounted to NOK 227 million in the second quarter and were largely related to Elkem, where the largest disbursements were related to the hydropower development at Saudefaldene, the anode factory at Mosjøen and the solar project.

In the second quarter, acquisitions amounted to NOK 1,869 million, most of which was related to Elkem's investment in REC. Orkla Foods completed its acquisitions of the Russian chocolate company Krupskaya and the Romanian margarine company Royal Brinkers in the second quarter.

Net second quarter sales of portfolio investments amounted to NOK 362 million (NOK 526 million)<sup>1</sup>. In the second quarter, net sales of Orkla's own shares amounted to NOK 96 million (NOK 17 million)<sup>1</sup>. These were related to the exercise of options and the employee share purchase programme.

The Group had negative net cash flow of NOK 2,235 million in the second quarter. Net interest-bearing liabilities increased by NOK 2,188 million and amounted to NOK 18,261 at quarter-end.

The Group's average borrowing rate on interest-bearing liabilities was 3.3 % in the second quarter and the proportion of interest-bearing liabilities at floating interest rates was 85 %. These loans were mainly in SEK, EUR, USD and NOK. At the end of June, the equity-to-total-assets ratio was 51.3 %.

### OTHER MATTERS

At the meeting of the Corporate Assembly on 23 May 2006, Johan Fr. Odfjell left the Board of Directors and Stein Erik Hagen was elected as the new Chairman of the Board for a period of two years. Kjell E.

Almskog was re-elected to the Board, while Bjørg Ven and Lennart Jeansson were elected as new members of the Board for a period of two years. Anne Birgitte Lundholt stepped down at the same time. The Board of Directors thanks Johan Fr. Odfjell and Anne Birgitte Lundholt for their efforts on behalf of the company.

#### **OUTLOOK**

The macro-economic situation is more uncertain as a result of the Middle East conflict and signs of slowing growth in the USA. In Europe there are signs of accelerating growth. The NOK is expected to remain strong against the USD and the EUR.

Moderate growth is anticipated on the Nordic grocery market, but with a larger proportion of private labels the market still appears to be challenging in most categories.

The resource situation for Elkem Energy improved somewhat in the second quarter, but reservoir levels are still lower than normal for the time of year. After the drop in prices in April/May, energy prices rose again in June. As a result of the resource situation, forward prices are higher for the rest of 2006. The market for primary aluminium was still strong and prices are expected to remain high in the third quarter. The trend on most of Sapa's markets is positive, but high aluminium prices put pressure on margins. Demand and prices for Borregaard's products are expected to improve somewhat but the company continues to face challenging operating parameters.

Following the downward trend in May and the beginning of June, the Nordic financial markets turned upwards towards the end of the quarter. However, due to high oil prices and political uncertainty the future development is difficult to predict.

Oslo, 9 August 2006  
The Board of Directors of Orkla ASA