

Press release



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Orkla second quarter 2002: Underlying operations on a par with 2001

Operating profit remained fairly stable, but lower realised gains contributed, as in the first quarter, to a lower profit before tax; 1.1 billion NOK this quarter compared to 1.5 billion in the same period last year. Orkla Brands and Orkla Beverages achieved growth in the second quarter, while Orkla Foods posted lower profit than anticipated. The advertising market is still weak and, as expected, this had a negative effect on Orkla Media.

The strong Norwegian krone has a negative impact on Orkla. Adjusted for currency effects the Orkla Group's underlying revenues as well as operating profit were two per cent higher than in the corresponding period of last year.

The Orkla Group's operating revenues in the first six months amounted to NOK 21.5 billion, NOK 488 million lower than in the first half of last year. Group Operating profit before goodwill amortisation for the first six months of this year totalled NOK 1.7 billion, on a par with the same period last year. Profit before tax the first six months was 1.5 bn NOK, compared with 2.1 billion last year.

At the end of the first six months, Orkla's earnings per share were NOK 4.8, compared with NOK 6.8 at the end of June last year. The decline was due to lower realised gains and dividends received for the Financial Investments division, while the negative currency effects contributed to somewhat lower profit for the Industry division than in the corresponding period last year.

"Orkla is less exposed to economic fluctuations than most industrial companies. However, a strong exchange rate for the krone will have a negative effect on our accounts since we report in Norwegian kroner, while three quarters of our sales take place outside Norway," says Group President and CEO Finn Jebsen. Currency effects are calculated to amount to more than NOK 800 million for Group operating revenues and NOK 76 million for profit for the first six months.

"We are satisfied with the development of Carlsberg Breweries and Orkla Brands, but overall we must increase the effectiveness of our improvement programmes," says Finn Jebsen.

Jebsen has the following comments to outlooks for the rest of the year:

“We expect increased uncertainty in the general economy, with considerable risk in the financial markets. As previously stated for Orkla Media we do not expect any improvements in the advertising markets this year, and we anticipate that Orkla Foods will be on a par with or somewhat below last year. We do however expect a year-on-year progress for Carlsberg Breweries and Orkla Brands.”

BRANDED CONSUMER GOODS

- **Orkla Foods**’ operating profit before goodwill amortisation amounted to NOK 352 million for the first six months, down NOK 32 million from the corresponding period last year. Approximately NOK 10 million of this is ascribable to currency effects. Abba Seafood had a poor quarter, in which the Polish company Superfish in particular experienced a decline in profit. Significant price hikes for raw materials combined with the generally weaker Polish economy had a negative impact on sales volumes. A number of measures have been implemented to counter this, including the closure of two production plants and a reduction in the workforce of 140 persons. Further cost-cutting measures will be implemented. A special improvement programme is also being initiated at Procordia Food in the third quarter.
- **Orkla Beverages** (40 per cent of Carlsberg Breweries)
In the first six months, Orkla’s 40 per cent interest in Carlsberg Breweries generated operating profit before goodwill amortisation of NOK 666 million, up from NOK 541 million in the corresponding period of the last year. Operating revenues in the first six months totalled NOK 7.3 billion, NOK 187 million higher than in the first half of 2001. Carlsberg Breweries’ sales growth in the first six months was primarily due to continued strong organic growth at BBH, acquisitions in Poland and the consolidation of Türk Tuborg. The Carlsberg brand achieved 7 per cent volume growth during the period.
- At the end of the first six months, **Orkla Brands** had increased its operating profit before goodwill amortisation by 12 per cent to NOK 367 million. In the second quarter alone, profit was 18 per cent higher than in the second quarter of last year. Orkla Brands managed to increase its margins and reduce costs, and launches of new products had a positive impact. The most important launch was Define, a new hair care range from Lilleborg Home and Personal Care. After six months, Define has established a position as market leader in the hair care segment in Norway. With the exception of household textiles, there were minimal changes in market shares for Orkla Brands’ products. The improvement project being carried out in the Biscuits business, which was initiated towards the end of 2001, is proceeding as planned.
- **Orkla Media**’s operating profit before goodwill amortisation for the first six months totalled NOK 47 million, down from NOK 177 million last year. Operating revenues amounted to NOK 3.6 billion. For continuing business, adjusted for currency effects, this represents a decline of 5 per cent, which is mainly due to the sharp downturn on the advertising markets, particularly in Poland and Denmark. The free newspaper, Urban, in Copenhagen continued to have a negative impact on profit in the second quarter. The journalists’ strike in Norway also reduced profit by NOK 7-8 million. Magazines performed well and circulation figures for the weekly magazine Her og Nå continue to rise .

CHEMICALS

Borregaard’s operating profit before goodwill amortisation for the first six months totalled NOK 311 million, compared with NOK 326 million last year. Borregaard LignoTech continued to achieve profit growth, while the market for Speciality Cellulose remained stable. The currency situation and high energy costs had a negative impact on profit. Operating revenues in the first six months totalled NOK 3.0 billion, down from NOK 3.3 billion for the corresponding period of last year.

FINANCIAL INVESTMENTS

At the end of the second quarter, profit before tax for the Financial Investments division totalled NOK 508 million, compared with NOK 1,056 million at the end of June last year. Realised gains amounted to NOK 179 million, compared with NOK 507 million last year. Dividends received totalled NOK 315 million. Unrealised gains totalled NOK 2.1 billion. The market value of the portfolio at the end of the quarter was NOK 13.9 billion.

The Oslo Stock Exchange Benchmark Index dropped 17.1 per cent in the second quarter, the Helsinki Stock Exchange fell 25.7 per cent, and the FT World Index 12.7 per cent. At the end of the first six months, Orkla's investment portfolio had a negative return of 0.7 per cent. The investment in Elkem made a positive contribution to the return on the portfolio, while the investment in Storebrand made the strongest negative contribution.

FINANCIAL SITUATION

At the end of the second quarter, net interest-bearing debt amounted to NOK 19.8 billion, up NOK 0.6 billion from the beginning of the year. The average borrowing rate in the first six months was 5.4 per cent. The equity ratio increased by 0.8 percentage points during the quarter and was 35.4 per cent at the end of the first six months.

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Group income statement

Amounts in NOK million	1.1.-30.6.		1.1.-31.12.	1.4.-30.6.	
	2002	2001	2001	2002	2001
Operating revenues	21,451	21,939	44,799	11,173	11,534
Operating expenses	(18,644)	(19,146)	(38,965)	(9,500)	(9,845)
Ord. depreciation and write-downs	(1,112)	(1,068)	(2,148)	(560)	(525)
Operating profit before goodwill and other revenues and expenses	1,695	1,725	3,686	1,113	1,164
Goodwill amortisation and write-downs	(244)	(221)	(454)	(127)	(112)
Other revenues and expenses 1)	(32)	19	28	(32)	0
Operating profit	1,419	1,523	3,260	954	1,052
Profit from associates	172	160	1,510	85	97
Dividends	320	485	545	307	387
Portfolio gains	179	507	(760)	41	264
Financial items, net	(587)	(593)	(1,302)	(309)	(314)
Profit before tax	1,503	2,082	3,253	1,078	1,486
Taxes	(406)	(562)	(773)	(291)	(401)
Profit after tax	1,097	1,520	2,480	787	1,085
Of this minority interests	94	90	211	54	57
Profit before tax, Industry	995	1,026	3,363	733	807
Profit before tax, Financial Investments	508	1,056	(110)	345	679
Earnings per share fully diluted (NOK)	4.8	6.8	10.7	3.5	4.9
Earnings per share fully diluted, adjusted (NOK)²⁾	6.1	7.8	13.3	4.3	5.5

1) Other revenues and expenses totalled NOK -32 million in second quarter 2002: Gains from sale of Kemetyl (NOK 25 million), restructuring Orkla Foods (NOK -49 million), Orkla Beverages (NOK -8 million). In second quarter 2001 NOK 19 million: Gains from sale of Fredrikstad Blikk- og Metallvarefabrikk (NOK 46 million), as well as provisions for future demolition costs (NOK -27 million), both in Chemicals.

2) Excluding goodwill amortisation and non-recurring items.

Amounts in NOK million	Operating revenues					Operating profit before goodwill amortisation				
	1.1.-30.6.		1.1.- 31.12. 2001	1.4.-30.6.		1.1.-30.6.		1.1.- 31.12. 2001	1.4.-30.6.	
	2002	2001	2001	2002	2001	2002	2001	2001	2002	2001
Orkla Foods	5,329	5,397	11,133	2,641	2,691	352	384	952	185	215
Orkla Beverages	7,270	7,083	14,924	4,075	3,992	666	541	1,311	525	493
Orkla Brands	2,202	2,248	4,527	1,070	1,082	367	327	648	192	163
Orkla Media	3,620	3,773	7,453	1,882	1,930	47	177	294	56	104
Eliminations	(68)	(69)	(153)	(29)	(26)	0	0	0	0	0
Branded										
Consumer Goods	18,353	18,432	37,884	9,639	9,669	1,432	1,429	3,205	958	975
Chemicals	3,017	3,282	6,581	1,490	1,753	311	326	569	171	199
H.O./Unallocated/ Eliminations	(31)	120	79	(17)	66	(58)	(51)	(117)	(23)	(16)
Industry	21,339	21,834	44,544	11,112	11,488	1,685	1,704	3,657	1,106	1,158
Fin. Investments	112	105	255	61	46	10	21	29	7	6
Group	21,451	21,939	44,799	11,173	11,534	1,695	1,725	3,686	1,113	1,164

Group balance sheet

Amounts in NOK million	30.6. 2002	30.6. 2001	31.12 2001
Assets:			
Long-term assets	27,468	28,404	28,434
Portfolio investments etc.	12,017	13,346	11,599
Short-term assets	14,287	14,644	14,612
Total assets	53,772	56,394	54,645
Equity and Liabilities:			
Equity and minority interests	19,015	18,933	18,957
Interest-bearing liabilities	22,968	24,827	22,712
Interest-free liabilities and provisions	11,789	12,634	12,976
Total equity and liabilities	53,772	56,394	54,645
Equity to total assets ratio (%):			
Book	35.4	33.6	34.7
Incl. unrealised gains before tax	37.8	37.0	37.8