

Orkla – Third quarter

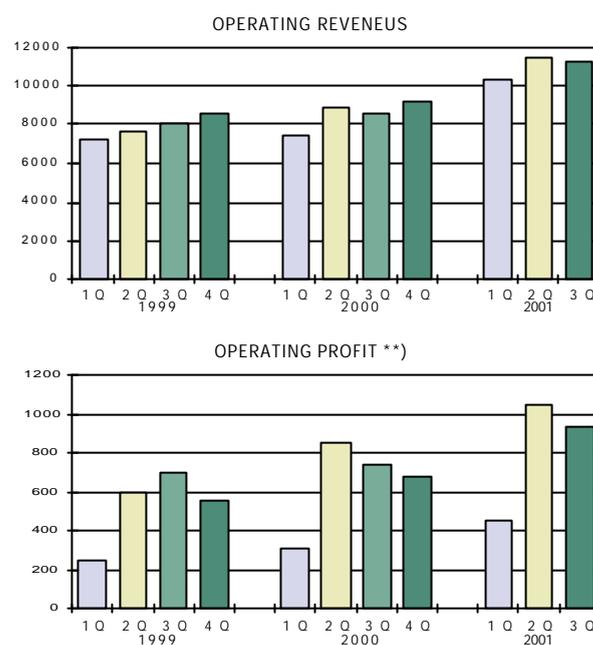
2001

Group Income Statement

Amounts in NOK million	1.1.-30.9.		1.1.-31.12.	1.7.-30.9.	
	2001	2000	2000	2001	2000
Operating revenues	33,222	24,903	34,083	11,283	8,623
Cost of goods sold	(13,092)	(10,077)	(13,850)	(4,423)	(3,659)
Other operating expenses	(15,760)	(11,361)	(15,565)	(5,283)	(3,696)
Ord. depreciation and write downs	(1,601)	(1,213)	(1,618)	(533)	(410)
Operating profit before goodwill and other revenues and expenses	2,769	2,252	3,050	1,044	858
Goodwill amortisation and write-downs	(332)	(361)	(479)	(111)	(121)
Other revenues and expenses	19	40	36	0	0
Operating profit	2,456	1,931	2,607	933	737
Profit from associates	235	239	242	75	111
Dividends	541	411	555	56	44
Portfolio gains	172	3,080	2,727	(335)	2,349
Financial items, net	(952)	(681)	(960)	(359)	(205)
Profit before tax	2,452	4,980	5,171	370	3,036
Taxes	(662)	(1,337)	(1,388)	(100)	(816)
Profit after tax	1,790	3,643	3,783	270	2,220
Of this minority interests	162	136	182	72	57
Profit before tax, Industry area	1,675	1,428	1,816	649	586
Profit before tax, Financial Investm.	777	3,552	3,355	(279)	2,450
Earnings per share fully diluted (NOK)	7.7	16.5	17.0	0.9	10.1
Earnings per share fully diluted (NOK^{*)}	9.3	18.3	19.5	1.5	10.8

*) Excluding goodwill amortisation and non-recurring items.

Operating revenues and Operating profit^{**)} in NOK million third quarter



**) Excluding «Other revenues and expenses».

The Orkla Group

Main trends for the Orkla Group

The Industry division continued to perform well. With the exception of the Financial Investments division, which posted weak results, and the Media business, where declining advertising markets had an impact, the Group was only affected to a limited extent by the weak general operating parameters in the third quarter.

Operating profit before other revenues and expenses increased by 27 % in the third quarter to NOK 933 million. Profit growth was primarily driven by Orkla Beverages, where Baltic Beverages Holding (BBH) achieved satisfactory quarterly growth. Carlsberg Breweries' expansion in Poland and acquisition in Turkey are included in the third quarter, two and three months respectively. Growth in operating profit so far this year is also 27 %. In addition to beverages, Orkla Brands and Chemicals also made significant progress, while Orkla Media posted poor results.

Pre-tax profit in the third quarter totalled NOK 370 million (NOK 3,063 million). The decline in comparison with last year was wholly due to the Financial Investments division, which made an accounting loss of NOK 279 million in the third quarter alone, while

in the corresponding period last year it realised high gains from the sale of NetCom and Dyno shares. The net asset value of the Financial Investments area declined by NOK 2,325 million, from NOK 14,352 million to NOK 12,027 million, in the quarter. So far this year, the return on Orkla's investment portfolio has been -21.0 %, but this is nevertheless somewhat better than the Oslo Stock Exchange Benchmark (-24.9 %) and the FT World Index (-23.0 %).

Orkla's operating revenues in the third quarter, which totalled NOK 11,283 million, were NOK 2,660 million higher than in the third quarter of last year. This growth is mainly ascribable to the expansion of Orkla Beverages and Orkla Media. The weak exchange rate for the Swedish krone had a negative impact on Orkla Foods and operating revenues were on a par with the third quarter of 2000. The positive trend for Chemicals continued, although operating revenues were lower in the third quarter of this year than in the corresponding period last year because Denofa's contract production of soya beans in Brazil was wound up at the beginning of the year.

Profit from associated companies amounted to NOK 75 million in the third quarter, NOK 36 million lower than in the corresponding period last year. At the end of the third quarter, provisions have been made related to Jotun's businesses in the USA. The other operations in Jotun are in progress.

Net financial items were negatively affected by a NOK 22 million write-down on Orkla Media's Internet portfolio and book losses on foreign currency loans (NOK 16 million) at Carlsberg Breweries.

Orkla consolidated Carlsberg Breweries into the accounts from 1 January 2001, which means that the expansion that took place at Carlsberg Breweries from the time the contract was signed on 30 May 2000 until 31 December 2000 was not reflected in Orkla's balance sheet and cash flow statements until 2001. This is the main reason why the balance sheet total has increased by NOK 7.7 billion since the beginning of the year, and is also one of the main reasons why the Group posted negative cash flow of NOK 3,638 million at the end of the third quarter. In the third quarter alone, net interest-bearing debt was down NOK 254 million.

The equity ratio at the end of the third quarter was 33.6 %, on a par with the end of the second quarter.

Orkla's earnings per share totalled NOK 7.7 for the first nine months of the year, compared with NOK 16.5 last year. Before goodwill amortisation and non-recurring items, earnings per share was NOK 9.3 compared with NOK 18.3 in 2000. These figures are based on a tax rate of 27 %, which is on a par with last year.

Orkla Foods

Orkla Foods' operating revenues in the third quarter totalled NOK 2,682 million, approximately the same as for the third quarter of last year. Operating profit before other revenues and expenses amounted to NOK 204 million, 4 % higher than in the third quarter of 2000.

At the end of the third quarter, Orkla Foods' operating revenues amounted to NOK 8,079 million. For continuing business, adjusted for currency effects, this represents growth of just under 2 %. Operating profit before other revenues and expenses was NOK 507 million, compared with NOK 503 million for the first nine months of last year.

With 45 % of its sales in Sweden, Orkla Foods is strongly affected by a weak Swedish krone. The value of the Swedish krone in the third quarter was, on average, 12 % lower than last year. This had a negative impact on the translation of profit into Norwegian kroner. The weak Swedish krone also led to higher purchase prices in local currency.

In Norway, Stabburet had achieved a 5 % rise in operating revenues at the end of the third quarter. After a relatively weak first six months, the total Norwegian market has developed positively in the last three months. Stabburet continues to strengthen its market positions.

In Sweden, Procordia Food achieved a rise in sales, measured in local currency. However, the cost of raw materials was higher due to the weaker Swedish krone and operating profit was somewhat lower than last year.

For continuing business, Abba Seafood posted 8 % growth in operating revenues. Superfish in Poland is still developing positively. Prices for fish-based raw materials have risen and price increases have been implemented to partially compensate for this.

Felix Abba's sales in Finland were up 5 % compared with last year. Beauvais' operating revenues in Denmark increased by 2 %. For Orkla Food Ingredients, sales for continuing business were on a par with last year. However, due to tougher competition in Sweden and Denmark and the weak Swedish krone, profit was slightly down.

Orkla Foods International reported sales on a par with last year and profit growth. Restructuring and cost rationalisation have resulted in higher profit for Kotlin (Poland).

Bakers' operating revenues at the end of the third quarter were 3 % higher than last year. Thanks to efficient operations and active product development, Bakers has managed to achieve a better profit margin than last year.

Orkla Beverages (40 % of Carlsberg Breweries)

In the third quarter, Orkla's 40 % interest in Carlsberg Breweries represented operating revenues totalling NOK 4,144 million, which was NOK 2,125 million higher than Orkla Beverages last year. The rise in operating revenues was due to the establishment of Carlsberg Breweries, further expansion and growth in Central and Eastern Europe and the acquisition of the Swiss brewery group Feldschlösschen. Operating profit before other revenues and expenses totalled NOK 527 million, compared with NOK 310 million for Orkla Beverages in 2000. The rise in profit was primarily due to strong growth at BBH, although other areas also made progress during the quarter.

At the end of the third quarter, operating revenues totalled NOK 11,227 million and profit before other revenues and expenses amounted to NOK 1,021 million, up 102 % and 64 % respectively.

For Carlsberg Breweries, the total volume of beer sales in the first nine months was 51.5 million hl, up approximately 16 %. This rise in volume was largely ascribable to growth in Eastern Europe and approximately one third of it was due to new business. The total volume of soft drinks and water rose 25 % to 10.3 million hl.

Operating revenues for Northern and Western Europe at the end of the third quarter totalled NOK 8,316 million, 16 % higher than Carlsberg Breweries' pro forma figures for the corresponding period of last year. Operating profit before goodwill amortisation amounted to NOK 713 million, compared with the pro forma figure of NOK 692 million for last year. The rise in operating revenues is ascribable to Feldschlösschen, which was not included in last year's figures.

On the Nordic markets, Carlsberg Breweries reported profit growth, except in Sweden. In this case, the market trend for beer, particularly in the grocery sector, was weak. The current integration process also had a short-term negative impact on profit in Sweden.

Carlsberg-Tetley in the UK reported lower profit at the end of the third quarter, but after a poor start to the year, performance in the second and third quarters was more positive.

In Switzerland, Feldschlösschen is developing as anticipated and the measures that have been implemented are expected to have a further positive impact in future.

Operating revenues in Central and Eastern Europe at the end of the third quarter were 55 % higher, totalling NOK 2,000 million. Operating profit before goodwill amortisation was NOK 422 million, compared with the pro forma figure of NOK 263 million for the corresponding period last year. This progress was ascribable to continued strong growth for BBH, profit growth for Vena and

Amounts in NOK million	Operating revenues						Operating profit ^{*)}			
	1.1.-30.9.		1.1.-31.12.	1.7.-30.9.		1.1.-30.9.		1.1.-31.12.	1.7.-30.9.	
	2001	2000	2000	2001	2000	2001	2000	2000	2001	2000
Orkla Foods	8,079	8,010	11,039	2,682	2,693	507	503	787	204	196
Orkla Beverages	11,227	5,564	7,424	4,144	2,019	1,021	622	712	527	310
Orkla Brands	3,328	3,349	4,586	1,080	1,156	451	392	543	142	154
Orkla Media	5,517	2,585	3,585	1,744	841	89	114	205	(20)	16
Eliminations	(105)	(94)	(146)	(36)	(35)	0	0	0	0	0
Branded Consumer Goods	28,046	19,414	26,488	9,614	6,674	2,068	1,631	2,247	853	676
Chemicals	4,923	4,971	6,926	1,641	1,836	426	311	450	108	96
H.O./Unallocated/Eliminations	102	182	252	(18)	68	(80)	(126)	(200)	(30)	(27)
Other revenues and expenses	0	0	0	0	0	19	40	36	0	0
Industry	33,071	24,567	33,666	11,237	8,578	2,433	1,856	2,533	931	745
Financial Investments	151	336	417	46	45	23	75	74	2	(8)
Group	33,222	24,903	34,083	11,283	8,623	2,456	1,931	2,607	933	737

*) Other revenues and expenses totalled NOK 19 million in 3. quarter 2001: 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. Per 3. quarter 2000: Gains from sale of Viking Fottøy (NOK 70 million) and discontinuation of biscuit production at Kolbotn (NOK -30 million).

Svtyrurs, and the fact that Türk Tuborg was consolidated in the accounts from the beginning of the third quarter.

BBH has strengthened its market shares in Russia and for the first nine months the market share was 28 %, equivalent to a rise of 2.1 percentage points compared with the corresponding period last year. At the end of the third quarter, market growth was 21 % in Russia, 20 % in Ukraine and 4 % in the Baltic States. BBH's volume growth on these markets was 32 %, 31 % and 7 % respectively.

The formalities in connection with the establishment of Carlsberg Asia have taken somewhat longer than expected and Carlsberg Breweries is still waiting for official approval on certain markets. Carlsberg Asia has been consolidated with Carlsberg Breweries' original Asian structure for the third quarter, and is expected to be consolidated on the basis of a new structure from the beginning of 2002.

Carlsberg Asia's operating revenues totalled NOK 623 million at the end of the third quarter, 7 % higher than in the corresponding period of last year. Operating profit before goodwill amortisation amounted to NOK 125 million, compared with NOK 90 million in the first nine months of 2000. This improvement was primarily due to sale of the unprofitable brewery in China in 2000. Profit growth in Asia was somewhat lower than expected.

Carlsberg Breweries is implementing a large number of improvement projects in many of its businesses. In the fourth quarter, a comprehensive project will be initiated to reduce costs at the company's head office in Copenhagen. This will impact on profit from the beginning of 2002.

Orkla Brands

Operating revenues for Orkla Brands totalled NOK 1,080 million in the third quarter, 7 % lower than in the third quarter of 2000. For continuing business, adjusted for currency effects, operating revenues were NOK 9 million (1 %) higher than last year. The lower growth rate in the third quarter was primarily due to lower sales growth for Household Textiles in Sweden. In the third quarter, profit

before other revenues and expenses amounted to NOK 142 million, which was NOK 12 million (8 %) less than in the third quarter of last year. This situation must be viewed in conjunction with the strong third quarter of 2000 (+39 %). The decline in the third quarter was primarily related to the Household Textiles and Biscuits businesses in Sweden, where sales were lower than expected.

Operating revenues for Orkla Brands at the end of the third quarter totalled NOK 3,328 million, which, for continuing business adjusted for currency effects, was NOK 200 million (6 %) higher than last year. The main contributor was Lilleborg Home and Personal Care.

Operating profit before other revenues and expenses so far this year totals NOK 451 million, which is 15 % higher than last year. All businesses, with the exception of Biscuits in Sweden, reported profit growth. Lilleborg Home and Personal Care achieved the strongest growth, although, as anticipated, the growth rate was somewhat lower in the third quarter than in the very good third quarter last year. Thanks to higher sales revenues, primarily driven by new launches, Confectionery reported a rise in profit in the third quarter compared with last year.

Orkla Brands' market positions were strengthened or maintained.

Orkla Media

In the third quarter, operating revenues for Orkla Media increased by 107 % totalling NOK 1,744 million. The third quarter is usually slow for the media business. Quarterly profit was down due to a negative trend in advertising volume for the newspaper business in Eastern Europe and for Berlingske in Denmark. The slowdown in the advertising market is now also affecting Norway and Sweden.

At the end of the third quarter, operating revenues totalled NOK 5,517 million. Operating profit before other revenues and expenses amounted to NOK 89 million, which is NOK 25 million lower than last year. For continuing business, adjusted for currency effects, operating profit was down 21 %.

Profit growth for Berlingske was weaker than anticipated, mainly due to a significant decline in the Danish advertising market. This trend is expected to continue until the end of the year. A comprehensive rationalisation programme has been initiated to counteract the negative trend. In response to the new competitive situation in Copenhagen, Berlingske launched the free newspaper Urban in September and this will have a negative impact on this sector's results in the coming quarters. Circulation figures for the Berlingske Group's newspapers have declined slightly in comparison with last year.

Norwegian and Swedish newspapers posted lower operating profit for continuing business than in the corresponding period of last year. This was ascribable to higher paper prices, higher distribution costs and a slight decline in advertising volume in comparison with last year. Circulation figures are stable. The advertising market is expected to continue to decline.

Operating profit for Newspapers Eastern Europe was lower for continuing business than last year. The advertising slowdown on the Polish newspaper market, higher paper prices and intensified marketing were the main reasons for the decline in profit. The advertising market in Poland, which is expected to remain slow, will have a negative impact on this sector's performance. Several cost reduction measures have been implemented to counter this trend.

The Magazine business reported higher operating profit for continuing business, mainly due to a positive trend for advertising revenues and productivity improvements.

In the Direct Marketing sector, Orkla Media reported higher profit than last year.

Chemicals

Operating revenues for Borregaard amounted to NOK 1,641 million in the third quarter, compared with NOK 1,836 million in the corresponding period last year. The decline was due to lower revenues for Denofa as a result of the discontinuation of contract production of soya beans in Brazil. Operating profit before other revenues and expenses nevertheless rose by just above 12 % to NOK 108 million.

Borregaard's operating revenues at the end of the third quarter totalled NOK 4,923 million, equivalent to 6 % growth for continuing business compared with last year. Operating profit before other revenues and expenses amounts to NOK 426 million so far this year, up 37 %. Profit growth in most areas, particularly for Borregaard LignoTech, was, to a certain extent, offset by significantly lower profit for Borregaard Synthesis.

Borregaard LignoTech reported sales growth and a significant rise in profit compared with last year. The closure of its competitor, Georgia-Pacific's factory on the US west coast has led to a general scarcity in supplies of lignin products, particularly for the construction industry and the petroleum sector. Other speciality segments have achieved more modest sales growth since last year. The agricultural sector is stable. Active efforts are being made to increase production capacity in South Africa and Finland.

Borregaard ChemCell also achieved substantial profit growth compared with last year. Positive currency effects and an improved market for caustic soda were only partially offset by higher energy costs and fixed expenses. The high degree of specialisation has lessened the impact of a generally weak cellulose market. In

September, a planned maintenance stoppage took place at the Sarpsborg plant.

In the course of the summer, the Chemicals business increased the extent of its USD currency hedging at favourable levels.

So far this year, Borregaard Synthesis has posted lower sales and significantly lower profit than in the corresponding period last year due to declining demand, tougher competition, pressure on prices for several products and higher raw material and energy prices. While this particularly applies to diphenols and agrochemicals, pharmaceutical intermediates also posted lower profit in the third quarter.

Due to improved market conditions for soya meal, both in Norway and on the continent, Denofa posted higher profit than in the same period last year. However, lower contributions from sales of vegetable oils to the domestic market and lower exports of edible oils and fats had a negative impact.

As a result of higher electricity prices and financial power trading, Borregaard Energy achieved substantial profit growth. For Kemetyl, higher volumes resulted in satisfactory sales and profit growth. Borregaard Vafos performed less well because the wood pulp market is affected by the general cellulose market. Borregaard Hellefos reported profit growth as a result of lower unit costs and a satisfactory market situation for book-quality paper.

Financial Investments

After declining 0.2 % in the first six months of the year, the Oslo Stock Exchange Benchmark dropped 23.4 % in the third quarter. The index was thus 24.9 % lower than at the beginning of the year. The other Nordic markets have also performed poorly so far this year. The largest decline was on the Finnish stock exchange, which dropped 52.9 %.

The negative return on Orkla's investment portfolio has been 21.0 % so far this year. The investment in Elkem made the strongest contribution to the positive difference in comparison with the Oslo Stock Exchange Benchmark.

In the third quarter, Orkla's investments in Enitel and AP Holdings were written down to zero, to the tune of NOK 363 million, which is the main reason why pre-tax profit for the Financial Investments division in the third quarter was NOK - 279 million.

Pre-tax profit for the Financial Investments division totals NOK 777 million so far this year, compared with NOK 3,552 million in the corresponding period last year. Realised gains amounted to NOK 172 million, compared with NOK 3,080 million last year. Dividends received totalled NOK 539 million. The Orkla Finance Group reported profit of NOK 45 million compared with NOK 151 million in the same period last year.

Net divestments of shares totalled approximately NOK 252 million in the third quarter and NOK 71 million for the year so far.

The net asset value of the share portfolio fell NOK 2,325 million in the third quarter, to NOK 12,027 million. The market value of the portfolio was NOK 13,535 million at the end of the quarter and the proportion of foreign investments was 31.7 %. Unrealised capital gains (total market value - total book value) as of 30 September 2001 amounted to NOK 1,047 million, equivalent to 8 % of the total market value.

Divestments of shares and the write-down of Enitel in particular

Group Balance Sheet

Amounts in NOK million	30.9. 2001	30.9. 2000	31.12 2000
Assets:			
Long-term assets	28,914	21,306	24,696
Portfolio investments etc.	12,689	12,856	12,758
Short-term assets	14,727	9,635	11,193
Total assets	56,330	43,797	48,647
Equity and Liabilities:			
Equity and minority interests	18,939	17,819	17,301
Interest-bearing liabilities	24,681	16,935	19,746
Interest-free liabilities and provisions	12,710	9,043	11,600
Total equity and liabilities	56,330	43,797	48,647
Equity to total assets ratio (%):			
Book	33.6	40.7	35.6
Including unrealised gains before tax	34.8	49.0	42.0

Cash flow

Amounts in NOK million	1.1.-30.9. 2001 2000		1.1.-31.12. 2000		1.7.-30.9. 2001 2000	
Industry area:						
Operating profit	2,433	1,856	2,533	931	745	
Depreciation and write-downs	1,919	1,558	2,077	639	525	
Change in net working capital	(544)	(911)	(353)	87	133	
Cash flow from operating activities	3,808	2,503	4,257	1,657	1,403	
Net replacement expenditure	(1,248)	(914)	(1,443)	(452)	(243)	
Free cash flow operating activities	2,560	1,589	2,814	1,205	1,160	
Financial items, net	(891)	(694)	(990)	(298)	(278)	
Free cash flow from Industry area	1,669	895	1,824	907	882	
Free cash flow from Financial Investments	814	(285)	(77)	116	195	
Taxes and dividends paid	(1,365)	(969)	(1,173)	(91)	(136)	
Sold companies	223	131	121	122	0	
Miscellaneous capital transactions	(137)	(61)	(31)	(225)	(68)	
Group's self-financing capacity	1,204	(289)	664	829	873	
Expansion investments (Industry area)	(224)	(738)	(1,233)	(25)	(72)	
Acquisitions	(4,452)	(292)	(2,280)	(443)	(116)	
Net purchases/sales portfolio investm.	(99)	1,207	657	74	2,553	
Share buy back	(67)	(66)	(35)	(67)	0	
Net cash flow	(3,638)	(178)	(2,227)	368	3,238	
Currency translations net interest-bearing back	213	(45)	(45)	(114)	87	
Change in net interest-bearing debt	3,425	223	2,272	(254)	(3,325)	
Net interest-bearing debt	21,406	15,932	17,981			

contributed to a negative book profit for portfolio shares. It is possible that there may be further divestments of shareholdings with negative unrealised capital gains in the fourth quarter as well.

Cash flow, investments and financial situation

At the end of the third quarter, the Orkla Group's net cash flow was NOK - 3,638 million, reflecting a high rate of investment. The expansion that took place in Carlsberg Breweries in the last half of 2000 was not posted as expansion investments in Orkla's consolidated accounts until 2001. This accounts for the most of the expansion investments and acquisitions, which totalled NOK 4.7 billion.

For the Industry division, free cash flow from operations in the third quarter was NOK 1,205 million. After Carlsberg Breweries' further expansion and acquisitions in Poland and Turkey, net interest-bearing debt was reduced by NOK 254 million in the quarter and amounted to NOK 21.406 million at the end of the third quarter.

The average borrowing rate at the end of the third quarter was 5.7 %. The proportion of interest-bearing debt at floating rates at the end of the third quarter was approximately 80 %. This was mainly split between NOK, SEK, EUR, CHF and USD.

As of 30 September 2001, the book equity ratio was 33.6 %. Including gains on the share portfolio (before tax) the equity ratio was 34.8 %.

Outlook

The global economy is expected to enter the new year with low economic growth, and despite strong monetary and fiscal policy instruments, there does not appear to be any reason to expect a significant improvement in the global economic situation before the second half of next year at the earliest. At the same time the economic situation is expected to be characterised by falling interest rates and declining inflation.

In most of Orkla's main markets, it is clear that economic growth will be lower this year than last year, and that the general prospects up to the end of the year must be described as gloomy.

The impact of the economic slowdown is expected to be relatively moderate for most of Orkla's product groups in the Branded Consumer Goods area. However, the Media business will continue to be affected by the negative trend on advertising markets. Although the Chemicals business is traditionally vulnerable to global economic cycles, a favourable competitive situation for lignin, favourable exchange rates and the positive impact of Orkla's specialisation strategy in the cellulose market are helping to offset this. After a sharp fall on most stock exchanges, there may be hope that the markets have largely bottomed out. However, there is still considerable uncertainty on the stock markets.