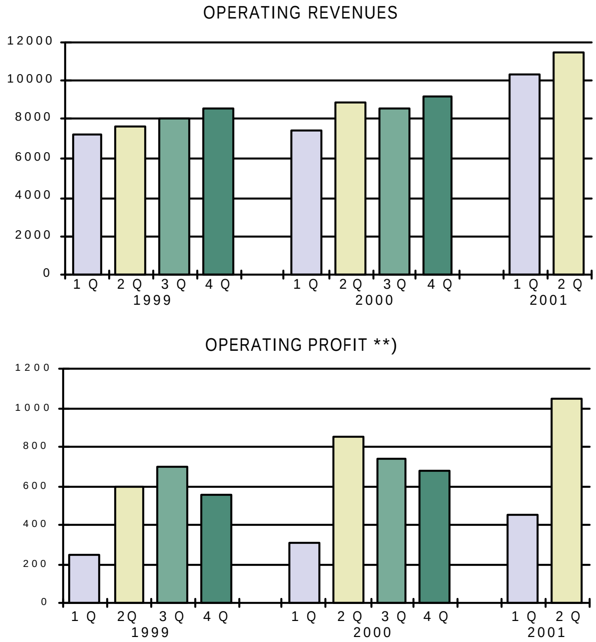
Orkla – Second quarter 2001

Group Income Statement

Amounts in NOK million	1.1.-30.6. 2001	1.1.-30.6. 2000	1.1.-31.12. 2000	1.4.-30.6. 2001	1.4.-30.6. 2000
Operating revenues	**21,939**	16,280	34,083	**11,534**	8,875
Cost of goods sold	**(8,669)**	(6,418)	(13,850)	**(4,535)**	(3,602)
Other operating expenses	**(10,477)**	(7,665)	(15,565)	**(5,310)**	(3,894)
Ord. depreciation and write downs	**(1,068)**	(803)	(1,618)	**(525)**	(406)
Operating profit before goodwill and other revenues and expenses	**1,725**	1,394	3,050	**1,164**	973
Goodwill amortisation and write-downs	**(221)**	(240)	(479)	**(112)**	(123)
Other revenues and expenses	**19**	40	36	**0**	0
Operating profit	**1,523**	1,194	2,607	**1,052**	850
Profit from associates	**160**	128	242	**97**	108
Dividends	**485**	367	555	**387**	352
Portfolio gains	**507**	731	2,727	**264**	110
Financial items, net	**(593)**	(476)	(960)	**(314)**	(255)
Profit before tax	**2,082**	1,944	5,171	**1,486**	1,165
Taxes	**(562)**	(521)	(1,388)	**(401)**	(312)
Profit after tax	**1,520**	1,423	3,783	**1,085**	853
Of this minority interests	**90**	79	182	**57**	65
Profit before tax, Industry area	**1,026**	842	1,816	**807**	727
Profit before tax, Financial Investm.	**1,056**	1,102	3,355	**679**	438
Earnings per share fully diluted (NOK)	**6.8**	6.4	17.0	**4.9**	3.8
Earnings per share fully diluted (NOK) *)	**7.8**	7.5	19.5	**5.5**	4.4

*) Excluding goodwill amortisation and non-recurring items.

Operating revenues and Operating profit) in NOK million second quarter**



**) Excluding «Other revenues and expenses».

The Orkla Group

Main trends

With the establishment of Carlsberg Breweries and the acquisition of Det Berlingske Officin (Denmark) and Superfish (Poland), the Orkla Group has expanded significantly and Group operating revenues in the first six months of the year were 35 % higher than last year.

At the end of the second quarter, pre-tax profit had increased by NOK 138 million to NOK 2,082 million. The Industry division continues to make progress. Operating profit before other revenues and expenses was up 30 % and totalled NOK 1,504 million. Profit growth was driven by expansion at Orkla Beverages and the strong performance of Orkla Brands and Chemicals.

The Financial Investments division realised portfolio gains of NOK 507 million in the first six months, compared with NOK 731 million last year. The return on Orkla's investment portfolio was -8.2 % at the end of the second quarter and the net asset value has declined by NOK 1,570 million since the beginning of the year.

Orkla consolidated Carlsberg Breweries into the accounts from 1 January 2001. Consequently, the expansion that took place at Carlsberg Breweries between the date of the agreement, 30 May 2000, and 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 is NOK 7.7 billion higher than at the end of last year, and is also one of the main reasons why the Group has negative cash flow of NOK 4,006 million in the first six months and thereby an increase in net interest-bearing debt. In the second quarter alone, net interest-bearing debt rose by approximately NOK 1.1 billion, primarily due to a seasonal rise in working capital and payments of dividends and taxes. At the end of the second quarter, the equity ratio was 33.6 %, 1.3 percentage points higher than at the end of the first quarter.

Group earnings per share in the first six months amounted to NOK 6.8, compared with NOK 6.4 last year. Before goodwill amortisation and non-recurring items, earnings per share were NOK 7.8 in the first six months, compared with NOK 7.5 in 2000. These calculations are based on a 27 % tax charge, which is on a par with last year.

The Orkla Group

Group operating revenues at the end of the second quarter totalled NOK 21,939 million, NOK 5,659 million higher than last year. This growth was significantly influenced by the expansion of Orkla Beverages and Orkla Media, and by the positive sales performance of Orkla Brands and the Chemicals business. Orkla Foods, which has a substantial proportion of its operations in Sweden, was negatively affected by the weak exchange rate for SEK and posted operating revenues on a par with last year. Orkla Media was affected by negative growth in advertising volumes in Poland and Denmark, while the trend in Norway remained positive. Despite a general economic slowdown, the Chemicals business reported volume growth, while prices of important products and exchange rates remained favourable. In the first six months, Orkla's Branded Consumer Goods business strengthened or maintained the market positions of its priority categories.

Group operating profit totalled NOK 1,523 million, compared with NOK 1,194 million last year. Operating profit for the Industry division, before other revenues and expenses, was up 39 %. The operating margin for the Industry division (before goodwill amortisation) was 7.8 %.

Orkla's 40 % interest in Carlsberg Breweries represents a significant expansion, and operating profit for the Beverages business was 58 % higher. Growth continued in Eastern Europe, while the situation in Western Europe was mixed. In Asia, the final closure and full implementation of the joint venture agreement is delayed. Consequently, the full impact of the merger will not be reflected in this year's profit.

Successful launches and the positive performance of the new Snacks business contributed to continued progress for Orkla Brands. However, a larger proportion of new launches took place in the first half of this year, whereas there were more new launches in the second half of last year.

Volume growth for the lignin business and favourable exchange rates (USD) had a positive impact on profit growth for Chemicals.

Profit from associated companies totalled NOK 160 million, up NOK 32 million in comparison with the corresponding period last year. NOK 17 million of this increase is ascribable to Enskilda Securities, which was included as an associated company from 1 May 2000.

Orkla Foods

Orkla Foods' operating revenues totalled NOK 5,397 million in the first six months of the year. The trend in Norway remains positive. In Sweden, the weaker SEK had a significant impact on operating revenues. For continuing business, adjusted for exchange rate effects, operating revenues rose 1.6 %. In the second quarter, operating revenues were lower because a larger proportion of the pre-Easter sales took place in the first quarter, whereas they were recorded in the second quarter of last year.

Operating profit before other revenues and expenses totalled NOK 303 million at the end of the second quarter, compared with NOK 307 million in the same period last year. For continuing business, however, operating profit was 1.5 % higher, measured on the basis of constant exchange rates. The decline in profit is mainly ascribable to the fact that the value of Swedish krone has, on average, been 8 % lower than in the corresponding period last year. This has led to higher purchase prices in local currency for the Swedish companies and a negative impact on the translation of profit figures into Norwegian kroner. In addition to this, towards the end of last year Orkla Foods experienced a rise in prices for certain raw materials which continued throughout the first six months of this year. In the second quarter, prices were increased to compensate for this. The operating margin before goodwill amortisation was 7.1 %, compared with 7.4 % last year.

In the first six months of this year, Stabburet achieved a 5 % rise in operating revenues in Norway despite a weak overall market, and continued to strengthen its market positions.

Procordia Food's sales in Sweden, in local currency, in the first six months were on a par with last year. Fixed expenses showed a positive trend as a result of the cost improvement projects, but raw materials costs increased, partly due to the weaker SEK.

Abba Seafood has underlying positive sales growth in the Nordic region, while Superfish in Poland is performing as anticipated.

Felix Abba's turnover in Finland was 4 % higher than last year, while Beauvais' operating revenues in Denmark rose 1 %. Orkla Food Ingredients' Nordic sales were 1 % higher than last year for continuing business in local currency.

Orkla Foods International's operating profit was slightly higher than in the first half of last year due to positive growth for the companies in Austria and the Czech Republic. In Poland, the cost reduction programmes are continuing and the measures that have been implemented are expected to gradually contribute to improved profitability.

Despite tougher competition, Bakers increased its operating revenues in Norway by 3 % in the first six months compared with last year, while its profit performance remained positive.

Orkla Beverages (40 % of Carlsberg Breweries)

In the first six months of the year, Orkla's 40 % interest in Carlsberg Breweries represented a turnover of NOK 7,083 million, twice the turnover of Orkla Beverages in the first half of 2000. The rise in operating revenues was largely due to increased sales in Central and Eastern Europe and to the acquisition of the Swiss brewery Feldschlösschen.

At the end of the second quarter, operating profit before goodwill amortisation totalled NOK 541 million, compared with NOK 397 million for Orkla Beverages in the corresponding period of last year. The rise in profit was, among other things, due to strong growth in the Central and Eastern Europe market and the consolidation of Feldschlösschen.

Carlsberg Breweries' total volume of beer sold in the second quarter was 31.6 million hl, equivalent to a 13 % growth. The rise in beer sales volume mainly took place in Central and Eastern Europe, while approximately one third of the growth was ascribable to Feldschlösschen. The total sales volume of soft drinks and water rose by 19 % to 6.4 million hl. Much of this growth was due to Feldschlösschen.

Operating revenues from Northern and Western Europe at the end of the second quarter totalled NOK 5,352 million, 15 % higher than the Carlsberg Breweries' pro forma figures for the correspond-

Amounts in NOK million	Operating revenues 1.1.-30.6. 2001	1.1.-30.6. 2000	1.1.-31.12. 2000	1.4.-30.6. 2001	1.4.-30.6. 2000	Operating profit*) 1.1.-30.6. 2001	1.1.-30.6. 2000	1.1.-31.12. 2000	1.4.-30.6. 2001	1.4.-30.6. 2000
Orkla Foods	**5,397**	5,317	11,039	**2,691**	2,830	**303**	307	787	**175**	218
Orkla Beverages	**7,083**	3,545	7,424	**3,992**	2,145	**494**	312	712	**469**	354
Orkla Brands	**2,248**	2,193	4,586	**1,082**	1,113	**309**	238	543	**154**	137
Orkla Media	**3,773**	1,744	3,585	**1,930**	898	**109**	98	205	**69**	59
Eliminations	**(69)**	(59)	(146)	**(26)**	(23)	**0**	0	0	**0**	0
Branded Consumer Goods	**18,432**	12,740	26,488	**9,669**	6,963	**1,215**	955	2,247	**867**	768
Chemicals	**3,282**	3,135	6,926	**1,753**	1,761	**318**	215	450	**195**	136
H.O./Unallocated/Eliminations	**120**	114	252	**66**	59	**(50)**	(99)	(200)	**(16)**	(75)
Other revenues and expenses	**0**	0	0	**0**	0	**19**	40	36	**0**	0
Industry	**21,834**	15,989	33,666	**11,488**	8,783	**1,502**	1,111	2,533	**1,046**	829
Financial Investments	**105**	291	417	**46**	92	**21**	83	74	**6**	21
Group	**21,939**	16,280	34,083	**11,534**	8,875	**1,523**	1,194	2,607	**1,052**	850

*) Other revenues and expenses totalled NOK 19 million in 2. 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 2. quarter 2000: Gains from sale of Viking Fottøy (NOK 70 million) and discontinuation of biscuit production at Kolbotn, Norway (NOK -30 million).

ing period of last year. Operating profit before goodwill amortisation was NOK 367 million, compared with the pro forma figure of NOK 398 million for last year. However, the trend was more positive in the second quarter than in the first.

On the Nordic markets, Carlsberg Breweries achieved profit growth in Finland and Norway at the end of the second quarter, while profit in Denmark was somewhat lower than in the first six months of last year. The strong decline on the Swedish beer market in the first quarter continued in the second quarter. Profit performance in Sweden was therefore poor in the first six months.

Carlsberg-Tetley reported a decline in profit in the first six months due to pressure on margins. Nevertheless, the trend was more positive in the second quarter than in the first.

On other markets, there was positive growth in Portugal. Feldschlösschen is performing as anticipated, but the measures that have been implemented will not have any significant impact until 2002. The situation in Germany remains unsatisfactory.

The Central and Eastern Europe market grew strongly in the first half of 2001. Operating revenues totalled NOK 1,113 million and operating profit before goodwill amortisation was NOK 199 million, equivalent to a rise of 44 % and 35 % respectively in comparison with Carlsberg Breweries' pro forma figures for the corresponding period of last year. This growth is ascribable to continued growth for BBH and a substantial rise in profit and volume for the Vena brewery in Russia and the Svyturys brewery in Lithuania. At the end of the second quarter, Vena had a market share of 1.5 %, twice as high as in the corresponding period of last year. Svyturys strengthened its market position in Lithuania by 5.6 percentage points to 28.8 % in the first six months of this year.

Orkla's share of operating profit from BBH, before goodwill amortisation, totalled DKK 145 million in the first six months of the year, 30 % higher than in the corresponding period of 2000. Profit growth was primarily due to continued strong volume growth in Russia.

Orkla's share of operating revenues from BBH at the end of the second quarter totalled DKK 635 million, 51 % higher than in the first half of 2000. In the first six months of the year, the exchange rate for the rouble has been stable and the Russian economy has generally developed favourably.

At the end of the second quarter, BBH reported total volume growth of 22 %. Volume growth was strongest in Russia, and BBH had a share of just under 28 % of the Russian beer market in the first six months of the year, equivalent to a rise of 1.6 percentage points compared with the corresponding period of 2000. At the end of the second quarter, market growth was 18 % in Russia and 10 % in Ukraine, while there was a total decline of 2 % in the Baltic markets.

For precautionary reasons, a provision of NOK 12 million was charged against BBH's profit in the first quarter to hedge against possible future exchange rate depreciations, particularly relating to the RUR and the UAH. No further provisions were made in the second quarter.

In Poland, Carlsberg Breweries has decided to form a new brewery group, Carlsberg Okocim, which consists of the Okocim, Piast, Bosman and Kasztelan breweries, in which Carlsberg Breweries has a 67 % interest. Carlsberg Okocim will be operational from April 2002 and will hold a strong No. 3 position on the Polish beer market. In July, Carlsberg Breweries increased its stake in the Turkish brewery Türk Tuborg to 50.01 %.

The formal basis for the establishment of Carlsberg Asia is not yet in place. The process of finalising the legal contracts and the necessary official approvals has taken somewhat longer than expected. As a result of this, Carlsberg Breweries is reporting on the Asian market in the second quarter according to Carlsberg's original Asian structure. Consequently, Carlsberg Thailand is not included in the accounts for the second quarter. As a result of this, operating revenues for the Asian market at the end of the second quarter totalled NOK 416 million, 18 % higher than in the corresponding period last year. Operating profit before goodwill amortisation was NOK 73 million compared with NOK 45 million in the first half of last year.

Orkla Brands

Operating revenues for Orkla Brands in the first half of 2001 totalled NOK 2,248 million, which for continuing business, adjusted for exchange rate effects, is NOK 195 million (9 %) higher than last year. In the second quarter alone, operating revenues rose correspondingly by 5 %. Lilleborg Home and Personal Care made the most progress, but growth is now tapering off. The Biscuits business in Sweden reported weaker sales growth in the second quarter.

Operating profit before other revenues and expenses so far this year amounted to NOK 309 million, which is 30 % higher than in 2000. In the second quarter alone, profit totalled NOK 154 million, up 12 % from the corresponding quarter last year. Although profit growth is primarily related to Lilleborg Home and Personal Care and Snacks, most of the business areas achieved higher profit. Market positions have largely been strengthened or maintained.

Profit growth at Lilleborg Home and Personal Care is primarily ascribable to sales growth related to activities in Norway and increased exports. However, a larger percentage of new products were launched in the first half of this year, while in 2000 the most important launches took place in the second half of the year.

Confectionery reported growth in both revenues and profit at the end of the first half of 2001, as new product launches helped to boost sales.

As a result of its newly established structure, the Snacks business posted higher profit in all markets and continuously strengthened its position as market leader in the grocery trade in Sweden.

Slower sales growth in Sweden and a weaker SEK have resulted in weaker profit growth for Biscuits so far this year.

Orkla Media

Operating revenues for Orkla Media totalled NOK 3,773 million at the end of the second quarter. For continuing business, adjusted for exchange rate effects, growth was 5 % compared with last year. For the second quarter alone, operating revenues rose by 1 %. Operating profit increased by 11 % to NOK 109 million. For continuing business, adjusted for exchange rate effects, this represents a decline of 3 %. The fall in profit is primarily attributable to Newspapers Eastern Europe, which reported negative growth in advertising sales in the second quarter. Orkla Media's results were also affected by higher paper prices.

Berlingske has developed as planned so far, but the Danish advertising market has clearly slowed, thereby also negatively affecting Berlingske's results. However, cost reductions have offset much of the drop in advertising sales. A continued weakening of the advertising market will further affect profit negatively. Circulation figures for the Berlingske Group's newspapers have declined slightly compared with last year.

Newspapers Norway/Sweden posted operating profit for continuing business on a par with last year. Advertising volume increased slightly in relation to last year, while circulation figures remained stable.

Operating profit from Newspapers Eastern Europe declined for continuing business compared with last year. The fall in profit occurred in the second quarter alone and can largely be ascribed to a sharp decline in advertising volume on the Polish newspaper market. The advertising market in Poland is expected to remain slow. Profit was also affected by higher paper prices and increased marketing investments. Several cost reduction measures have been implemented to counter this decline. Circulation growth for the Group's newspapers in Poland is slower than last year, but better than that of other regional newspapers and the overall market.

Operating profit from Magazines improved for continuing business. Advertising volume for Magazines increased by approximately 13 % compared with last year, and market shares in terms of circulation are growing. Second quarter profit was affected by the launch of a new weekly. Medströms Media, the recently acquired specialised magazine publisher, is performing as expected.

Direct Marketing achieved profit growth compared with last year. This increase is mainly due to increased activity for Stroede Customer Development, which is the sector's main focus in the CRM segment, and to the completion of costly development projects.

Chemicals

Borregaard's operating revenues totalled NOK 3,282 million in the first half of 2001. Growth for continuing business, adjusted for exchange rate effects, was 10 % compared with last year.

Operating profit before other revenues and expenses amounted to NOK 318 million, compared with NOK 215 million in the corresponding period last year. In the second quarter alone, operating profit before other revenues and expenses totalled NOK 195 million, compared with NOK 136 million in 2000. Both Borregaard LignoTech and Borregaard ChemCell made significant progress, while Borregaard Synthesis posted weaker results for the quarter.

Borregaard LignoTech reported higher sales volume and substantially higher profit than last year. Growth is particularly related to products for the construction industry, where the closure of competitor Georgia-Pacific's plant on the US west coast has created a supply shortage. The trend for the oil drilling segment was also positive, while results for other specialty products and products for the agricultural sector were on a par with last year. Favourable foreign exchange rates made a positive contribution, but were offset by a continued rise in energy and raw material costs.

Borregaard ChemCell achieved substantial profit growth compared with last year. Efficient operations, positive exchange rate effects and an improved market for caustic soda were only partly offset by higher energy and operating costs. The slowdown of the global economy has led to a marked decline in the price of paper pulp, as well as in certain segments of the specialty cellulose market. The prices of Borregaard's highly specialised niche products have been well maintained and the launch of new products has had a positive effect.

Borregaard Synthesis has reported lower profit so far this year than in the corresponding period last year due to weakened markets for most products, a significant rise in certain raw material prices and higher energy costs. Results were particularly poor for diphenols and agrochemicals. Deliveries of pharmaceutical intermediates vary from one quarter to the next, and second quarter sales were lower than those for the first quarter. For the first six months as a whole, however, deliveries increased compared with last year.

Denofa achieved slightly higher profit than in the corresponding period in 2000. Improved market conditions for soya meal in

Group Balance Sheet

Amounts in NOK million	**30.6. 2001**	30.6. 2000	31.12 2000
Assets:			
Long-term assets	**28,404**	22,271	24,696
Portfolio investments etc.	**13,346**	12,991	12,758
Short-term assets	**14,644**	9,870	11,193
Total assets	**56,394**	45,132	48,647
Equity and Liabilities:			
Equity and minority interests	**18,933**	15,722	17,301
Interest-bearing liabilities	**24,827**	20,853	19,746
Interest-free liabilities and provisions	**12,634**	8,557	11,600
Total equity and liabilities	**56,394**	45,132	48,647
Equity to total assets ratio (%):			
Book	**33.6**	34.8	35.6
Including unrealised gains before tax	**37.0**	46.2	42.0

Cash flow

Amounts in NOK million	1.1.-30.6. **2001**	1.1.-30.6. 2000	1.1.-31.12. 2000	1.4.-30.6. **2001**	1.4.-30.6. 2000
Industry area:					
Operating profit	**1,502**	1,111	2,533	**1,046**	829
Depreciation and write-downs	**1,280**	1,033	2,077	**633**	526
Change in net working capital	**(631)**	(1,044)	(353)	**(883)**	(703)
Cash flow from operating activities	**2,151**	1,100	4,257	**796**	652
Net replacement expenditure	**(796)**	(671)	(1,443)	**(137)**	(370)
Free cash flow operating activities	**1,355**	429	2,814	**659**	282
Financial items, net	**(593)**	(416)	(990)	**(354)**	(224)
Free cash flow from Industry area	**762**	13	1,824	**305**	58
Free cash flow from Financial Investments	**698**	(480)	(77)	**503**	(128)
Taxes and dividends paid	**(1,274)**	(833)	(1,173)	**(1,156)**	(722)
Sold companies	**101**	131	121	**0**	(2)
Miscellaneous capital transactions	**88**	7	(31)	**23**	94
Group's self-financing capacity	**375**	(1,162)	664	**(325)**	(700)
Expansion investments (Industry area)	**(457)**	(666)	(1,233)	**(375)**	(491)
Acquisitions	**(3,751)**	(176)	(2,280)	**(144)**	(149)
Net purchases/sales portfolio investm.	**(173)**	(1,346)	657	**(258)**	(268)
Share buy back	**0**	(66)	(35)	**0**	(1)
Net cash flow	**(4,006)**	(3,416)	(2,227)	**(1,102)**	(1,609)
Currency translations net interest-bearing debt	**327**	(132)	(45)	**36**	5
Change in net interest-bearing debt	**3,679**	3,548	2,272	**1,066**	1,604
Net interest-bearing debt	**21,660**	19,257	17,981		

Norway and on the continent were partly offset by reduced contributions from the sale of vegetable oils to the domestic market and a decline in exports of edible oils and fats.

Borregaard Energy posted significantly higher profit than last year as a result of financial trading on the power market and higher spot prices for electric power. Satisfactory sales of ethanol-based products boosted profit for Kemetyl. Borregaard Vafos (mechanical pulp) and Borregaard Hellefos (book paper) achieved profit growth due to lower unit costs and satisfactory market conditions.

Financial Investments

After a decline of 4.5 % in the first quarter of 2001, the Oslo Stock Exchange All Share Index rose 1.5 % in the second quarter, representing a decline of 3.1 % from the start of the year. The other Nordic markets have also performed poorly so far this year, topped by the Finnish stock exchange where share prices have fallen 35.6 %. By comparison, the FT World Index declined by 7.3 %.

Orkla's investment portfolio has yielded a negative return of -8.2 % so far this year. The Group's investments in Nokia, StepStone, Merkantildata and Enitel made the largest negative contributions to the difference in comparison with the OSE All Share Index, while Elkem, Storebrand and Bergesen contributed positively.

Book profit from the Financial Investments division totalled NOK 1,056 million, compared with NOK 1,102 million for the corresponding period last year. Realised capital gains amounted to NOK 507 million, down from NOK 731 million last year. Dividends received totalled NOK 484 million. The Orkla Finance Group reported profit of NOK 48 million, compared with NOK 107 million in the corresponding period last year. The 22.5 % share of profit from Enskilda Securities AB accounted for NOK 41 million of this amount.

Net purchases of shares totalled NOK 283 million in the second quarter and NOK 208 million so far this year. Nokia shares totalling NOK 360 million were sold in the second quarter.

The net asset value of the share portfolio declined by NOK 1,570 million in the first half of 2001 to NOK 14,352 million. The market value of the portfolio was NOK 16,184 million at the end of the second quarter, and foreign investments accounted for approximately 34 % of the total portfolio. Unrealised capital gains totalled NOK 3,076 million.

Cash flow, investments and financial situation

At the end of the second quarter, Group net cash flow was NOK -4,006 million, reflecting the high rate of investment. However, the expansion that took place at Carlsberg Breweries in the latter half of 2000 is shown as expansion investments in Orkla's consolidated accounts in 2001. This applies to almost all of the expansion investments, which total NOK 4.2 billion.

For the Industry division, free cash flow from operations was NOK 926 million higher than last year, primarily due to higher operating profit. A seasonal increase in working capital and payments of dividends and taxes partly explain the change in net cash flow in the second quarter alone.

Net interest-bearing debt increased by NOK 1.1 billion during the quarter, totalling NOK 21,660 million at the end of the first half of 2001. The average borrowing rate at that time was 5.8 %. The per-

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Shareholder service
P.O. Box 423 Skøyen
NO-0213 OSLO, Norway

In the event of a change of address, shareholders are requested to contact their account manager (bank etc.).

Information on Orkla is available at: www.orkla.com

centage of interest-bearing debt at floating interest rates at the end of the second quarter was approximately 81 %, mainly in NOK, SEK, EUR, CHF and USD.

As of 30 June 2001, the book equity ratio was 33.6 %. Including unrealised gains on the share portfolio (before tax), the equity ratio was 37.0 %.

Other matters

A new corporate assembly was elected at Orkla's Annual General Meeting held on 3 May 2001, and appointed its officers at a meeting on 14 May 2001. The members of the corporate assembly are listed below.

As mentioned in the Annual Report for 2000, Jens P. Heyerdahl d.y. wished to step down from his position as President and Group Chief Executive in the course of summer 2001, after heading the Group for the last 22 years, and in December the Board of Directors appointed Finn Jebsen as his successor. This change of leadership took place on 2 July 2001, as of which date Halvor Stenstadvold, Dag J. Opedal and Roar Engeland were also appointed members of the Group Executive Board.

Orkla's Board of Directors has completed its consideration of the recommendations of the committee that investigated certain issues related to the sale of a block of approximately 20 million shares in Orkla ASA. In accordance with a resolution adopted by the corporate assembly, the reports of the committee were published on 5 July 2001. The information may be found on Orkla's web site www.orkla.com.

Outlook

Activity in the global economy is expected to remain at a relatively low level in the second half of 2001. Interest rate cuts, lower energy prices and substantial tax reductions in the USA may help to stabilise the economic situation towards the end of the year. At the same time, there are considerable risks related to the situation in Japan, which may slip into a recession.

In Norway, economic growth is expected to slow, while a high rate of capacity utilisation will continue to put pressure on prices and costs. Growth in Orkla's main markets outside Norway will also be weaker this year than last. In all the Nordic countries, activity in the retail trade is expected to remain relatively moderate for the rest of the year.

The economic slowdown in Continental Europe, coupled with generally turbulent financial markets, is expected to contribute to weaker growth than last year in Central Europe. Particularly in Poland, there are clear signs of declining demand and low GDP growth. In Russia, the economic situation is expected to remain relatively stable, even though there is considerable uncertainty as regards oil prices.

It is assumed that most of Orkla's product groups in the branded consumer goods area will only be affected to a moderate degree by an economic slowdown. However, slower growth in advertising volume may affect Orkla Media in the short term. Positive developments on the supply side in the lignin segment and the larger percentage of specialty products in ChemCell's product range will offset cyclical effects in Orkla's chemicals business.

Oslo, 8 August 2001
The Board of Directors of Orkla ASA

Corporate Assembly, Orkla ASA

Elected by the shareholders
Harald Arnkværn
Chairman

Svein Erik Amundsen
Johan H. Andresen jr.
Kurth A. Augustson
Elisabeth Grieg
Marianne Lie Harg
Jan Kildal
Bjørn Kristoffersen
Tore Lindholt
Svein Rennemo
Anniken Thue
Bjørn Trondsen
Allan Åkerstedt
Svein Aaser

Deputies
Atle Eide
Niels G. Stolt-Nielsen
Astrid E. Sørgaard
Terje R. Venold
Gun Wærsted
Margareth Øvrum

Election Committee
Harald Arnkværn
Tore Lindholt
Allan Åkerstedt

Elected by the employees
Stefan Andersson
Jon-Ivar Fjeld
Gitte Møller Hansen
Harald Johansen
Gunn Liabø
Esa Mäntylä
Sverre Olsen

Observers
Robert Johansson
Solveig Kvidal
Eli Raaen-Iversen

Personal deputies for the Swedish and Danish representatives
Johnny Dahlström
Kent Fink
Karin Buchwald Nielsen
Margareta Nordström

Deputies elected by the employees
Arne Amundsen
Thor Åge Christiansen
Kolbjørn Hole
Pål Isnes
Heidi Bjerkelien Leiksett
Trygve Leivestad
Roy Løkkemyhr
Tor Wangen

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