

# The Orkla Group

## First six months 2002

8 August 2002



# Agenda

- ▶ Key figures and highlights
- ▶ Trading conditions
  - Currency effects
- ▶ Q2 results by division
- ▶ Balance Sheet and Cash Flow Statement
- ▶ Outlook



# Key figures and highlights Q2

- Revenues +2% and EBITA +2% when adjusted for currency effects
- Mixed picture for Industry division
  - Solid performance by Brands and Carlsberg Breweries
  - Foods below ambitions and Media weak as expected
- Return on portfolio significantly better than OSEBX on a weak stock market
- Strong cash flow from operations due to reduction in working capital

NOK million	1 Apr - 30 Jun		
	2002	2001	Change
Operating revenues	11 173	11 534	-3 %
EBITA*	1 113	1 164	-4 %
Portfolio gains	41	264	
Profit before tax	1 078	1 486	
Earnings per share (NOK)	3.5	4.9	
Cash flow from operations	2 088	796	

\* Excl. other revenues and expenses



# Trading conditions Q2

- ▶ Stable operating parameters for Branded Consumer Goods
  - Advertising markets still weak for Media business
- ▶ Relatively stable markets for specialised chemical products
- ▶ Sharp downturn in equity markets: OSEBX -17.1%
- ▶ Stronger NOK



# Currency effects

- ▶ In Q2, the NOK has appreciated considerably against the EUR and other Nordic currencies as well as the USD
  - EUR and other Nordic currencies: approximately -6% (43% of revenues in 2001)
  - USD: -11% (5% of revenues in 2001)
  
- ▶ Equity in foreign currency is hedged by matching interest-bearing debt in the same currency
  - Translation gains on interest-bearing debt NOK 837 million (YTD 02) - not reflected in income statement
  
- ▶ In general, Orkla normally hedges cash flows for a period of 6-9 months
  - Contractual cash flows are hedged in full, expected cash flows are hedged partially and only insofar as it is highly probable that they will be realised
  
- ▶ 75% of Chemicals' net exposure in USD is hedged 2 years ahead and 50% is hedged for a further (3rd) year.



## Currency effects (continued)

NOK million	Revenues		EBITA		Main exposure
	YTD	Q2	YTD	Q2	
Foods	-206	-115	-10	-6	Translation
CB	-420	-285	-43	-43	Translation
Brands	-27	-17	-3	-3	Translation and imports
Media	-136	-90	-5	-4	Translation
Chemicals	-55	-45	-15	-20	Export sales
<b>Total</b>	<b>-844</b>	<b>-552</b>	<b>-76</b>	<b>-76</b>	
Financial items, net			-6	-12	



# Orkla Foods

in NOK million	1 Jan - 30 Jun		Change		1 Apr - 30 Jun		Change	
	2002	2001	Acc.	FX neutral	2002	2001	Acc.	FX neutral
Op. revenues	5 329	5 397	-1 %	3 %	2 641	2 691	-2 %	3 %
EBITA*	352	384	-8 %	-6 %	185	215	-14 %	-11 %
GW-amortisation	-81	-81			-41	-40		
Operating profit*	271	303			144	175		
EBITA-margin*	6.6 %	7.1 %			7.0 %	8.0 %		

\* Excluding other revenues and expenses

- ▶ Seafood business below expectations
  - Reduced volumes (particularly in Poland) mainly due to increased raw material prices
- ▶ Other units on a par with or slightly below last year
- ▶ Cost reduction programmes introduced in Sweden and Poland
  - SEK 60 million restructuring provision booked in Q2-02 (Procordia Food)



# Orkla Foods - Seafood business

- ▶ Profit down in Q2 due to lower sales for both Abba Seafood (Sweden) and Superfish (Poland)
- ▶ Lower sales caused by sales price increases necessitated by higher raw material prices
  - For example, herring and cod roe prices have doubled over the last couple of years
- ▶ Raw material prices expected to decline next year from all time high
  
- ▶ Cost measures under progress
  - Redesign programme in Sweden has been initiated
  - Production capacity and cost base at Superfish reduced by closing two out of four plants
    - Number of employees reduced by 144 (11%) since year-end
    - Reorganisation of sales and distribution departments





# Orkla Beverages (40% of Carlsberg Breweries)

in NOK million	1 Jan - 30 Jun		Change		1 Apr - 30 Jun		Change	
	2002	2001	Acc.	FX neutral	2002	2001	Acc.	FX neutral
Op. revenues	7 270	7 083	3 %	9 %	4 075	3 992	2 %	10 %
EBITA*	666	541	23 %	34 %	525	493	6 %	17 %
GW-amortisation	-51	-47			-25	-24		
Operating profit*	615	494			500	469		
EBITA-margin*	9.2 %	7.6 %			12.9 %	12.3 %		

\* Excluding other revenues and expenses and excluding Hite (consolidated as an associated company)

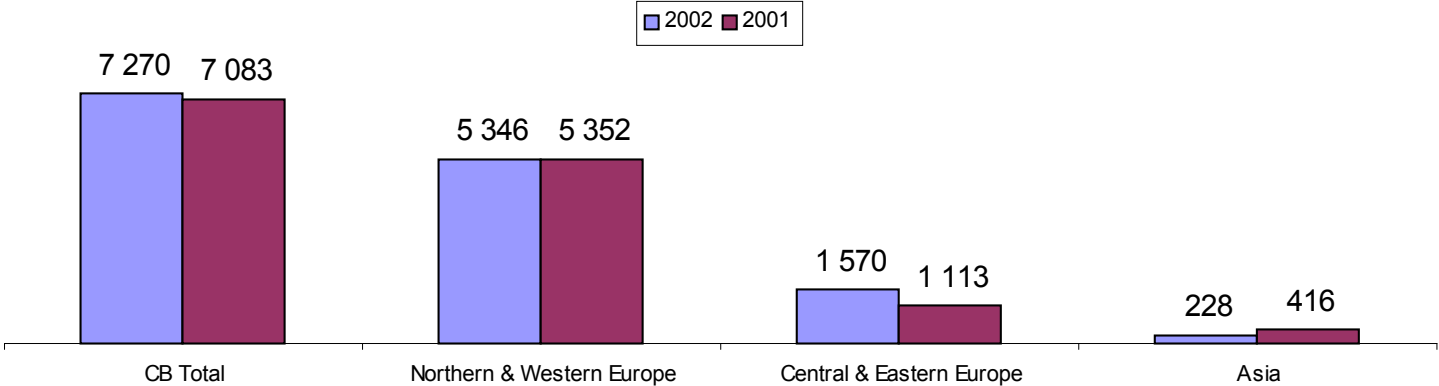
- ▶ Continued growth in all regions in Q2 - underlying volume growth 17%
- ▶ Carlsberg Brand up 7% in Q2 (YTD up 6 %)
  - Increased investments in brand-building activities
- ▶ Continued profitable growth at BBH
- ▶ Improved cash flow from Project Cash Race
- ▶ Continued participation in brewery consolidation, particularly in Central and Eastern Europe
- ▶ Negative currency impact



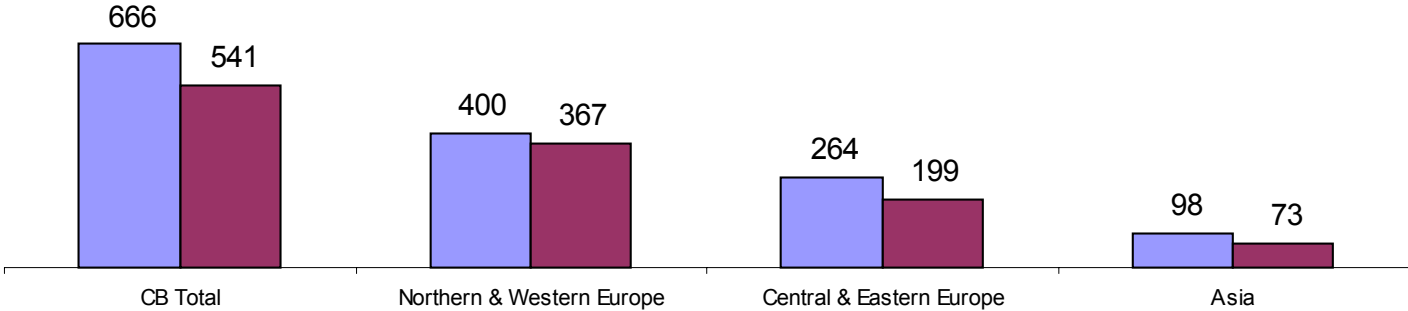
# Carlsberg Breweries (40%)

Year to date in NOK million

Operating revenues



EBITA



Difference between CB Total and sum of the regions is HQ/Unallocated



# Carlsberg Breweries - change in volume

Million HL	1 Apr - 30 Jun			1 Jan - 30 Jun		
	2002	2001		2002	2001	
<b>Beer</b>						
<b>Western Europe</b>	7.4	7.1	3 %	12.9	12.6	3 %
<b>Central and Eastern Europe</b>	10.6	8.2	31 %	18.1	13.2	37 %
<b>Carlsberg Asia*</b>	3.8	2.6	49 %	6.9	5.4	27 %
<b>Total</b>	21.8	17.9	22 %	37.9	31.2	22 %
<b>Soft drinks, water and others</b>						
<b>Total</b>	6.3	6.0	6 %	10.6	10.1	4 %

• Hite included in Carlsberg Asia from 2002



# Orkla Brands

in NOK million	1 Jan - 30 Jun		Change		1 Apr - 30 Jun		Change	
	2002	2001	Acc.	FX neutral	2002	2001	Acc.	FX neutral
Op. revenues	2 202	2 248	-2 %	-1 %	1 070	1 082	-1 %	0 %
EBITA*	367	327	12 %	13 %	192	163	18 %	20 %
GW-amortisation	-18	-18			-9	-9		
Operating profit*	349	309			183	154		
EBITA-margin*	16.7 %	14.5 %			17.9 %	15.1 %		

\* Excluding other revenues and expenses

- ▶ Continued strong profit growth due to new product launches and improved gross margins
  - The new “Define” hair care range has been successful so far
- ▶ Operating revenues on a par with last year when adjusted for currency effects
  - Development in Q2 better than in Q1
- ▶ Sound profit and market share growth for most business areas



# Orkla Media

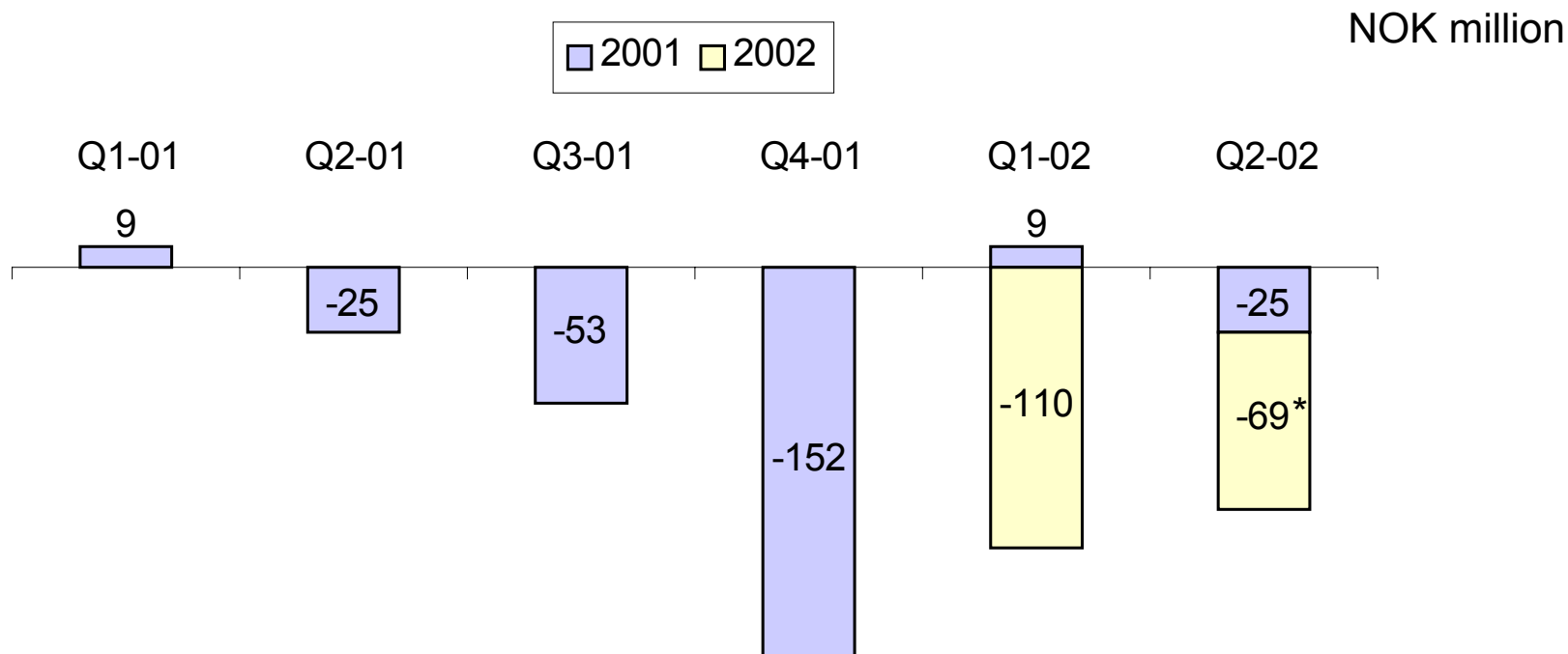
in NOK million	1 Jan - 30 Jun		Change		1 Apr - 30 Jun		Change	
	2002	2001	Acc.	FX neutral	2002	2001	Acc.	FX neutral
Op. revenues	3 620	3 773	-4 %	0 %	1 882	1 930	-2 %	2 %
EBITA*	47	177	-73 %	-73 %	56	104	-46 %	-44 %
GW-amortisation	-84	-68			-46	-35		
Operating profit*	-37	109			10	69		
EBITA-margin*	1.3 %	4.7 %			3.0 %	5.4 %		

\* Excluding other revenues and expenses

- ▶ Weak advertising markets - as anticipated
  - Recovery not expected until 2003
- ▶ Competition between free newspapers in the Copenhagen area is still intense
  - Increased distribution and higher circulation figures for Urban
  - Our commitment to defend our market leader position in the Copenhagen area will continue to generate considerable costs
- ▶ Continued strong growth for Magazines
- ▶ Co-operation with other media players on printing (Denmark) and classified advertising on the Internet (Norway)



# Trends in advertising revenues for newspaper businesses



Each quarter compared with the corresponding quarter the year before

\* Journalists' strike in Norway reduced revenues by approximately NOK 10 million



# Chemicals

in NOK million	1 Jan - 30 Jun		Change		1 Apr - 30 Jun		Change	
	2002	2001	Acc.	FX neutral	2002	2001	Acc.	FX neutral
Op. revenues	3 017	3 282	-8 %	-7 %	1 490	1 753	-15 %	-13 %
EBITA*	311	326	-5 %	0 %	171	199	-14 %	-4 %
GW-amortisation	-6	-8			-3	-4		
Operating profit*	305	318			168	195		
EBITA-margin*	10.3 %	9.9 %			11.5 %	11.4 %		

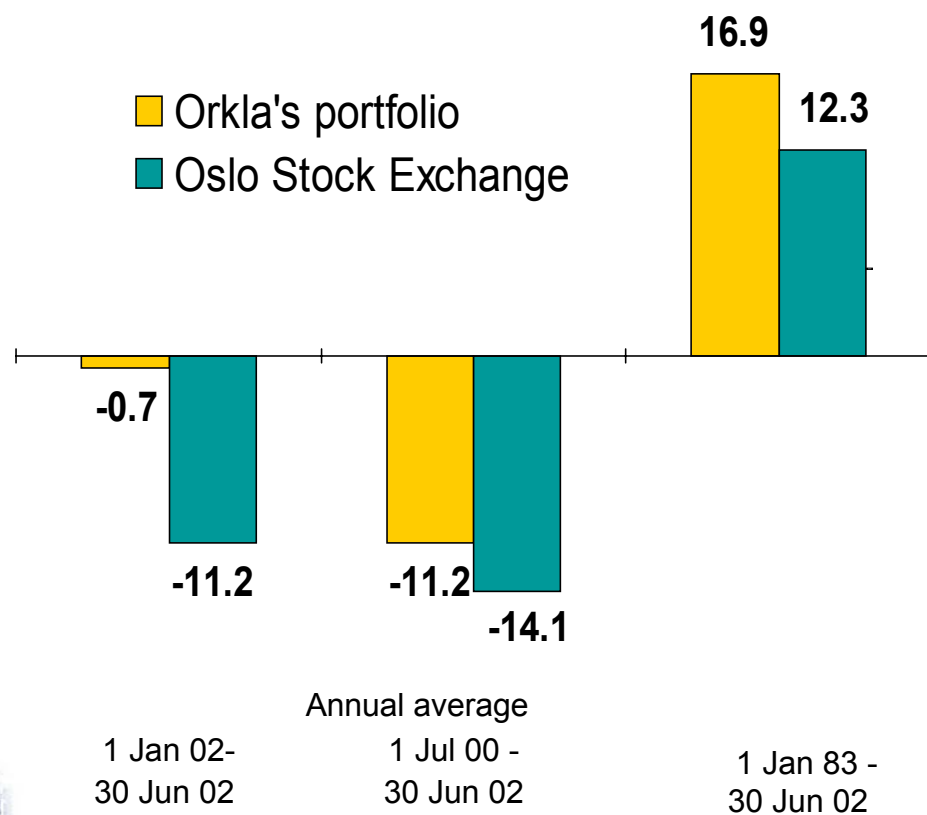
\* Excluding other revenues and expenses

- ▶ Drop in revenues due to reduced trading and lower sales for Denofa as well as weaker USD and stronger NOK/EUR
- ▶ Continued progress for Borregaard LignoTech
  - Capacity expansion at plant in South Africa on schedule
- ▶ Stable markets for speciality cellulose, but higher energy costs depress profits
- ▶ Weaker results for Borregaard Synthesis, as expected
- ▶ Sale of non-core assets



# Financial Investments - portfolio performance

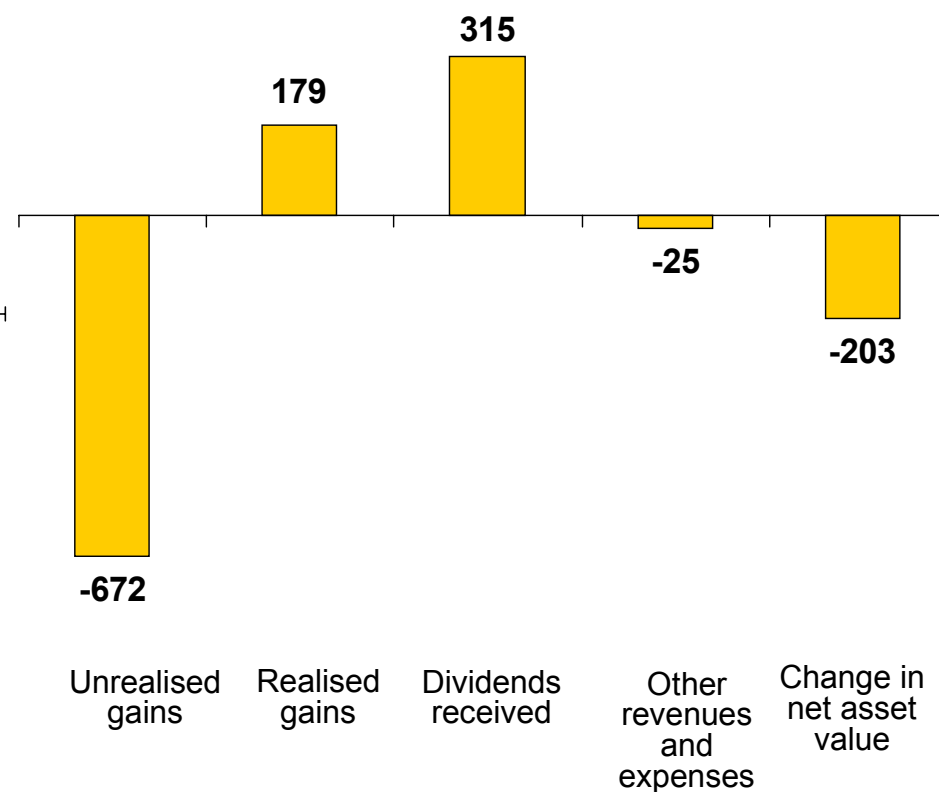
## Return (%)



## Change in Net Asset Value

1 Jan - 30 Jun 02

NOK million





# Portfolio as of 30 June 2002

Principal holdings	Industry	Market value (NOK million)	Share of portfolio (%)	Share of equity (%)
Elkem	Metals	3 201	23.0	38.5
Storebrand	Insurance	1 255	9.0	10.0
Norway Seafoods Holding <sup>1, 2</sup>	Industrial	1 017	7.3	20.6
DnB Holding	Bank	568	4.1	1.8
Industrikapital 2000 <sup>2</sup>	Investment	423	3.0	3.6
Telia Overseas <sup>2,3</sup>	Telecom	401	2.9	13.1
Industrikapital 97 <sup>2</sup>	Investment	380	2.7	8.0
Bergesen	Shipping	376	2.7	4.0
Nordstjernen Holding <sup>2</sup>	Investment	364	2.6	35.0
Hafslund	Utilities	326	2.3	5.1
<b>Total principal holdings</b>		<b>8 311</b>	<b>59.7</b>	
<b>Market value of entire portfolio</b>		<b>13 930</b>		

- 1) Shares and convertible bonds
- 2) Not listed
- 3) Shares and loan



# Financial Investments - key portfolio figures

in NOK million

Market value

Net asset value

Unrealised gains before tax

Share of portfolio invested

outside Norway

in listed companies

	<b>30 Jun 02</b>	<b>31 Dec 01</b>	<b>Change 02</b>
	13 930	14 140	-210
	12 320	12 523*	-203
	2 074	2 746	-672
	29 %	32 %	-3 %-p
	73 %	75 %	-2 %-p

\* Adjusted from last year NOK 12 909 mill.



## Balance Sheet - some key figures

in NOK million	30 Jun 02	31 Dec 01
Long-term assets	27 468	28 434
Portfolio investments etc.	12 017	11 599
Short-term assets	14 287	14 612
<b>Total assets</b>	<b>53 772</b>	<b>54 645</b>
<b>Equity to total assets ratio</b>		
- Book	35.4 %	34.7 %
- Incl. unrealised capital gains before tax	37.8 %	37.8 %
<b>Net interest-bearing liabilities</b>	<b>19 778</b>	<b>19 132</b>
<b>Net gearing</b>	<b>1.04</b>	<b>1.01</b>



# Cash Flow Statement - key figures

in NOK million	1 Jan - 30 Jun		1 Apr - 30 Jun	
	2002	2001	2002	2001
<b>Free cash flow Industry</b>	<b>1 598</b>	<b>762</b>	<b>1 474</b>	<b>305</b>
<b>Free cash flow Financial Investments</b>	<b>458</b>	<b>698</b>	<b>412</b>	<b>503</b>
Taxes and dividends paid	-1 581	-1 274	-872	-1156
Sold companies and misc. capital transactions	8	189	-3	23
Expansion investments and acquisitions, Industry	-1 192	-4 208	-742	-519
Net purchases/sales portfolio investments	-588	-173	-26	-258
Share buy back	-186	0	-140	0
<b>Net cash flow</b>	<b>-1 483</b>	<b>-4 006</b>	<b>103</b>	<b>-1 102</b>
Currency translation differences	837	327	540	36
<b>Change in net interest-bearing liabilities</b>	<b>646</b>	<b>3 679</b>	<b>-643</b>	<b>1 066</b>



# Outlook for the rest of the year

- ▶ Increased uncertainty in the general economy
- ▶ Considerable risk in the financial markets
  
- ▶ Orkla Media
  - No improvements expected in advertising markets before 2003
  - Total annual costs to be reduced by approximately NOK 175 million from 2001 to 2002 (comparable activities)
- ▶ Profit in Orkla Foods anticipated to be on a par with or somewhat below last year
- ▶ Weakened USD negative for Chemicals but effect is reduced by hedging contracts that have been entered into
- ▶ Year-on-year progress expected for Carlsberg Breweries and Orkla Brands
  - EBITA growth expected to be approximately 20% in DKK for Carlsberg Breweries





# ORKLA



# Enclosures



# Income Statement\*

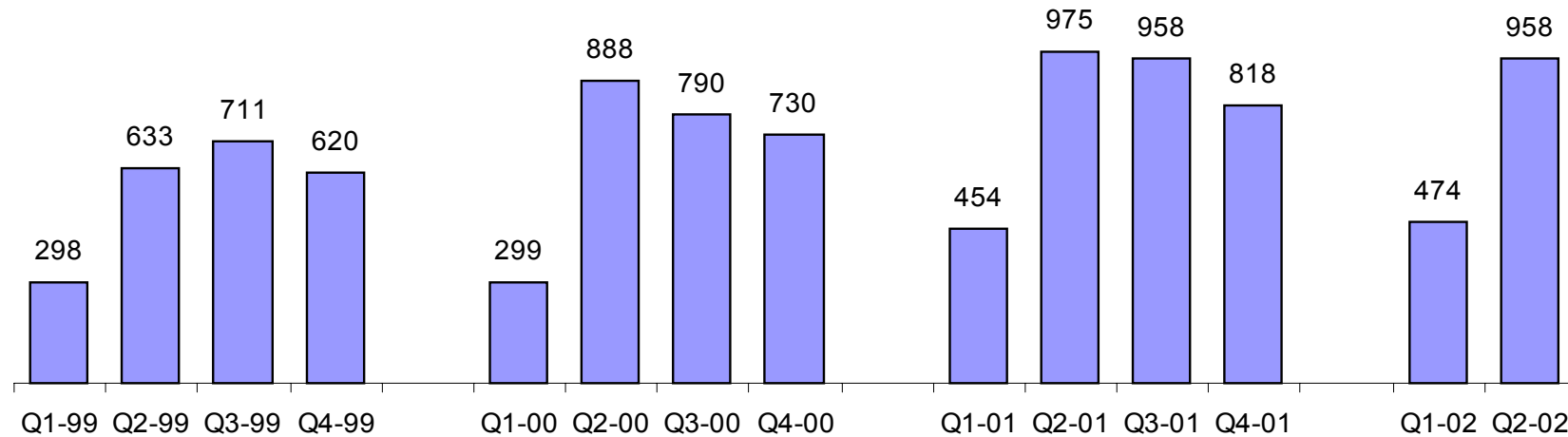
NOK million	1 Jan - 30 Jun		1 Apr - 30 Jun	
	2002	2001	2002	2001
Operating revenues	21 451	21 939	11 173	11 534
<b>EBITA</b>	<b>1 695</b>	<b>1 725</b>	<b>1 113</b>	<b>1 164</b>
Goodwill amortisation	-244	-221	-127	-112
Other revenues and expenses	-32	19	-32	0
<b>Operating profit</b>	<b>1 419</b>	<b>1 523</b>	<b>954</b>	<b>1 052</b>
Associated companies	172	160	85	97
Dividends received	320	485	307	387
Portfolio gains	179	507	41	264
Financial items, net	-587	-593	-309	-314
<b>Profit before tax</b>	<b>1 503</b>	<b>2 082</b>	<b>1 078</b>	<b>1 486</b>
<b>Profit after tax</b>	<b>1 097</b>	<b>1 520</b>	<b>787</b>	<b>1 085</b>
- Minority interests	94	90	54	57

\*CB consolidated 40% line by line





# EBITA per quarter for Branded Consumer Goods



- ▶ Effect of Easter Holiday sales was mainly incorporated in Q1 in both 2001 and 2002, but this may vary from year to year
- ▶ Division of summer sales for Carlsberg Breweries between Q2 and Q3 can vary from year to year



# Development of NOK

NOK vs.	YTD 2002	YTD 2001	YTD Change	Q2 2002	Q2 2001	Q2 Change	Share of revenues	H2-2002
SEK	0.84	0.89	-6.5 %	0.82	0.88	-6.5 %	16 %	0.85
DKK	1.03	1.09	-5.2 %	1.01	1.07	-5.9 %	15 %	1.07
EUR	7.66	8.11	-5.5 %	7.51	8.02	-6.3 %	12 %	7.99
GBP	12.33	13.00	-5.2 %	12.0	13.0	-8.3 %	7 %	12.89
USD	8.55	9.03	-5.4 %	8.18	9.18	-10.8 %	5 %	8.95
PLN	2.09	2.24	-6.5 %	2.02	2.30	-12.0 %	5 %	2.16
CHF	5.21	5.30	-1.6 %	5.13	5.24	-2.2 %	5 %	5.36
RUR	0.27	0.31	-12.2 %	0.26	0.32	-17.0 %	4 %	0.30



# Financial items

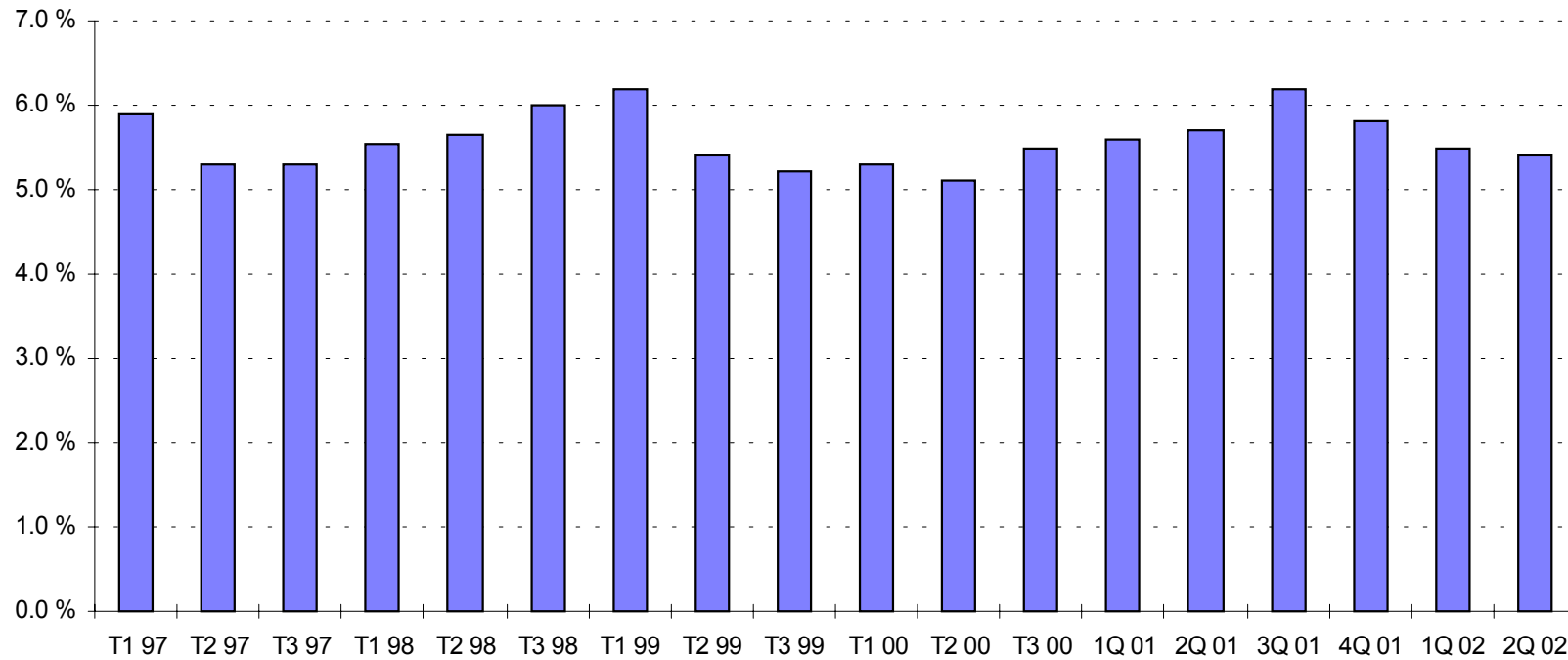


# Financial items

In NOK million	1 Jan - 30 June		Year
	2002	2001	2001
Net interest expenses	-515	-569	-1 204
Currency gain/loss	-35	9	-7
Other financial items, net	-37	-33	-91
<b>Net financial items</b>	<b>-587</b>	<b>-593</b>	<b>-1 302</b>
Avg. net interest-bearing liabilities	19 762	21 130	20 741
Average interest rate	5.4 %	5.7 %	6.0 %

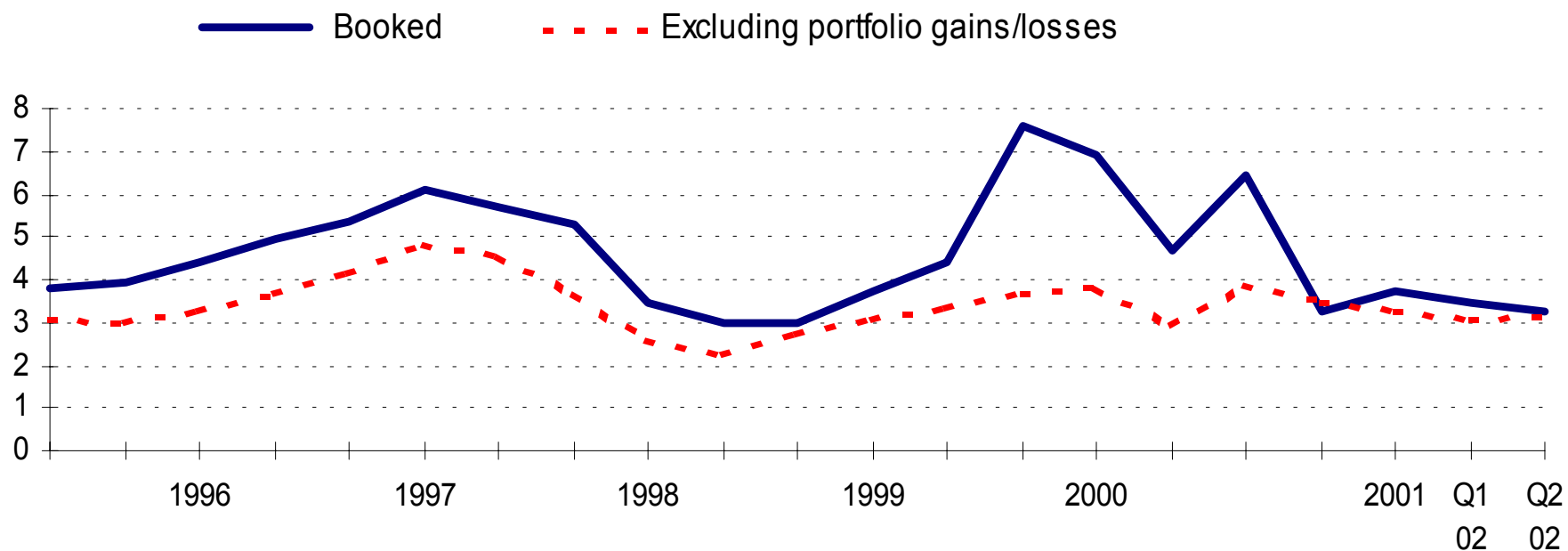


# Average interest rate



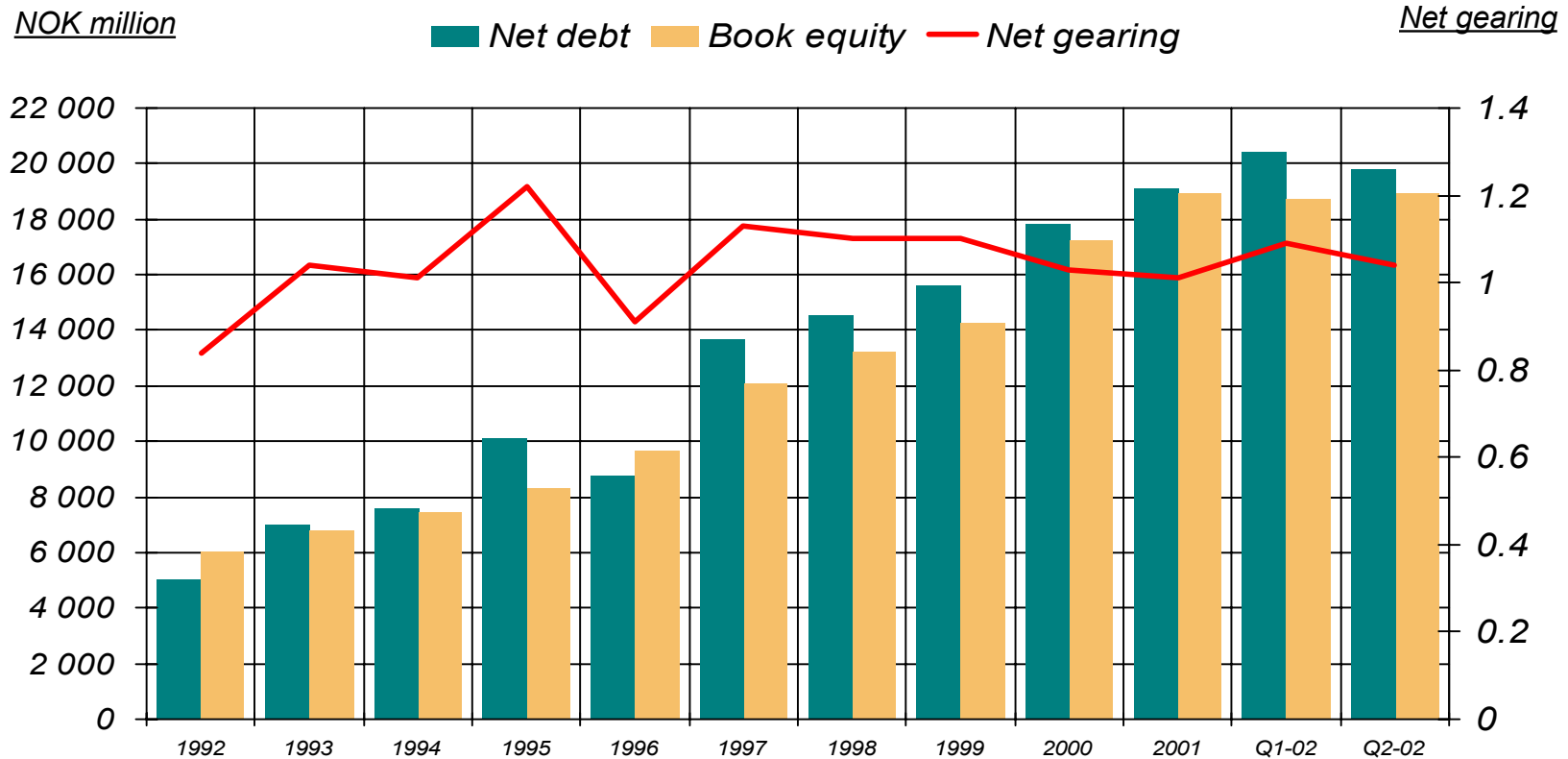
# Interest cover

## 12 month rolling average



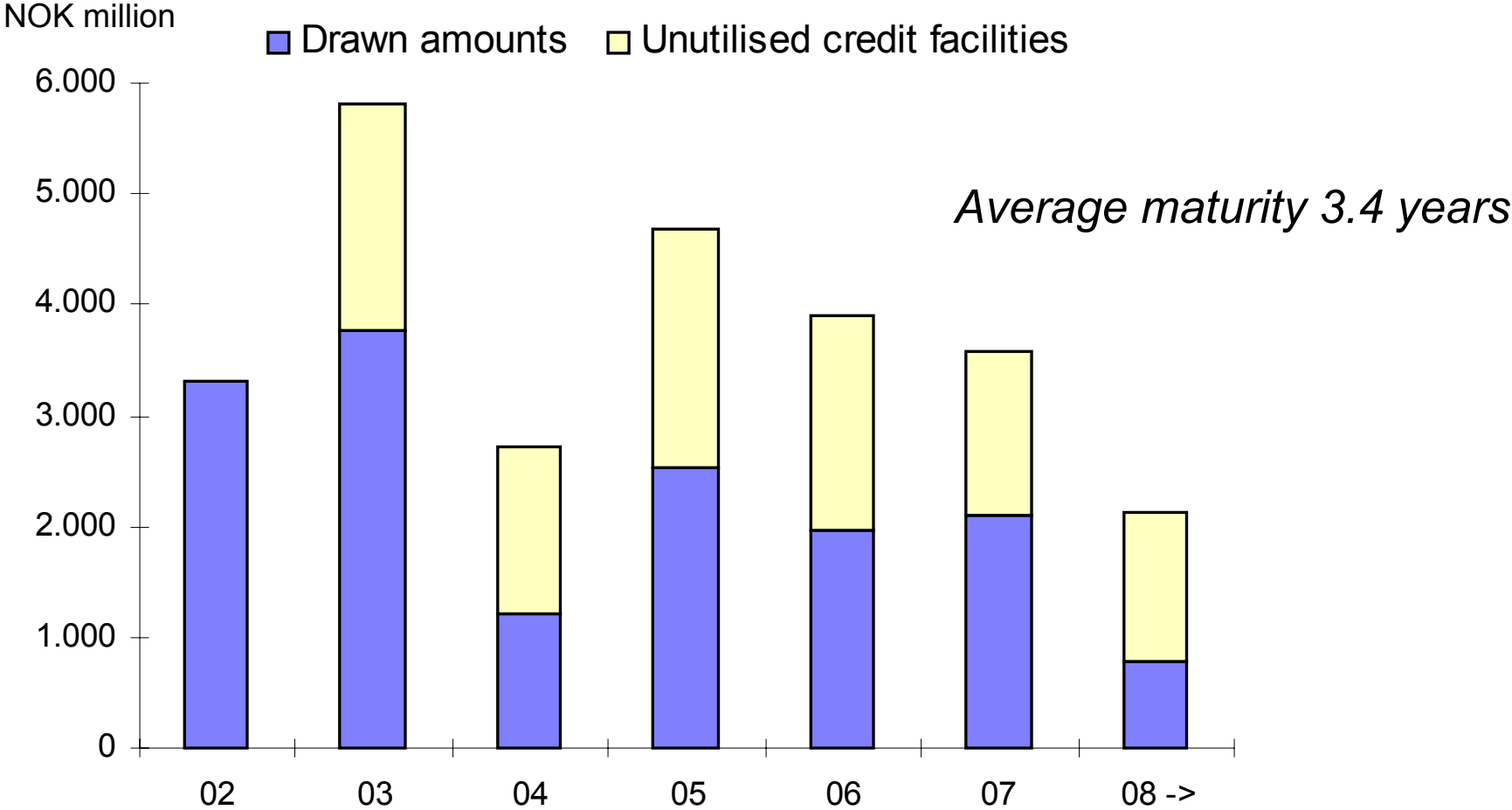
# Debt and equity

30 June 2002



# Debt maturity profile, Orkla ASA

30 June 2002





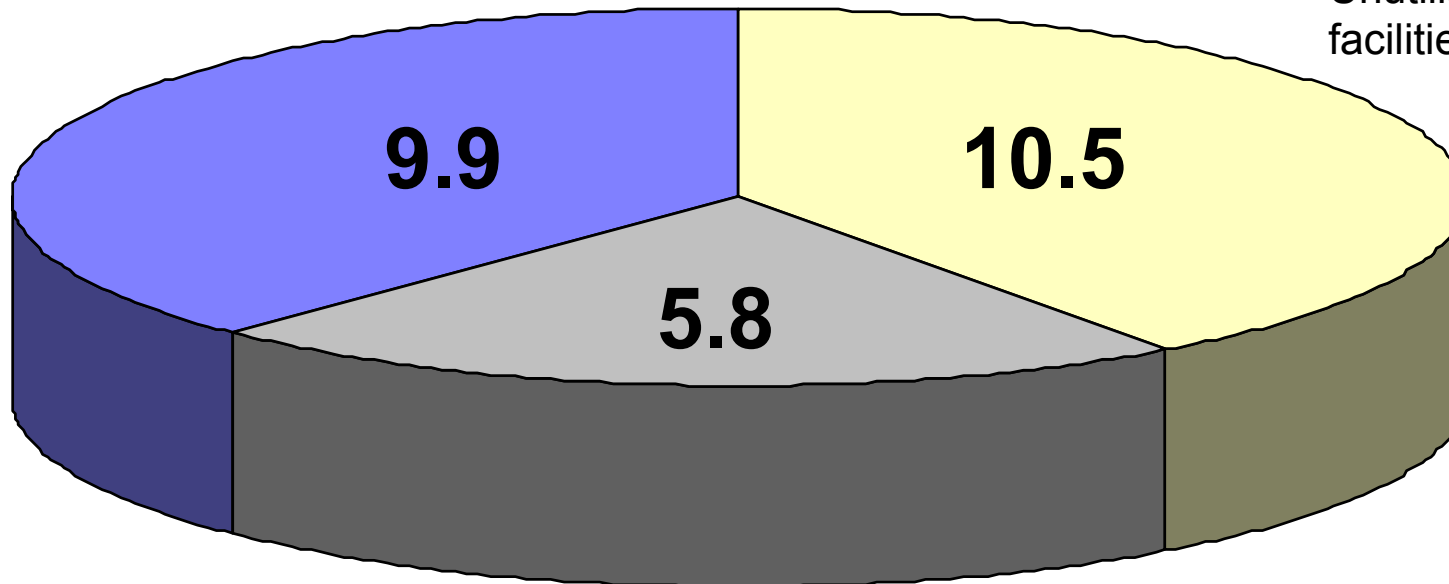
# Funding Sources, Orkla ASA

30 June 2002

*NOK billion*

Bonds and CPs 38%

Unutilised credit facilities 40%



Banks 22%

