Orkla – Fourth quarter 2002

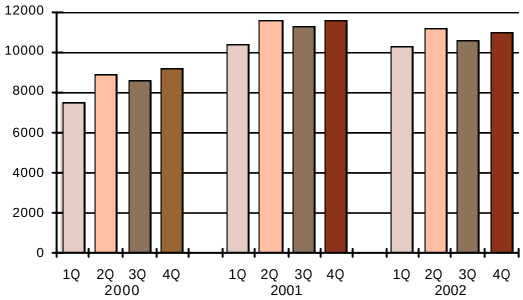
Group Income statement

Amounts in NOK million	1.1.-31.12. 2002	1.1.-31.12. 2001	1.10.-31.12. 2002	1.10.-31.12. 2001
Operating revenues	42,979	44,799	10,983	11,577
Operating expenses	(37,084)	(38,965)	(9,512)	(10,113)
Ord. depreciation and write-downs	(2,232)	(2,148)	(574)	(547)
Operating profit before goodwill and other revenues and expenses	3,663	3,686	897	917
Ord. goodwill amortisation and write-downs	(499)	(454)	(134)	(122)
Other revenues and expenses [i]	(143)	28	(123)	9
Operating profit	3,021	3,260	640	804
Profit from associates	305	1,510	48	1,275
Dividends	369	545	16	4
Portfolio gains	(95)	(760)	(248)	(932)
Financial items, net	(1,193)	(1,302)	(331)	(350)
Profit before tax	2,407	3,253	125	801
Taxes	(630)	(773)	(14)	(111)
Profit after tax	1,777	2,480	111	690
Of this minority interests	166	211	7	49
Profit before tax, Industry area	2,067	3,363	303	1,688
Profit before tax, Financial Investments	340	(110)	(178)	(887)
Earnings per share fully diluted (NOK)	7.7	10.7	0.5	3.0
Earnings per share fully diluted, adjusted (NOK) [ii]	10.6	12.8	1.6	3.5

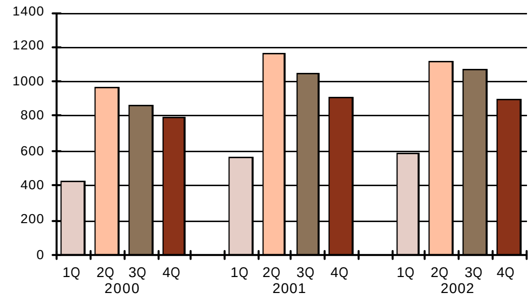
[i] Other revenues and expenses totaled NOK -143 million in fourth quarter 2002: Restructuring Orkla Foods (NOK -59 million), restructuring Orkla Beverages (NOK -9 million), write-downs and restructuring Media (NOK -120 million), gains from sale of Kemetyl (NOK 25 million), gains from sale of power plants (NOK 129 million), write-downs and restructuring Chemical (NOK -109 million). In fourth quarter 2001, NOK 28 million: Gains from sale of Fredrikstad Blikk- og Metallvarefabrikk (NOK 48 million) as well as provisions for future demolition costs (NOK -27 million), all in Chemicals. Gains from sale of Kalnapilis, Orkla Beverages (NOK 20 million) and restructuring Carlsberg Breweries' head office (NOK -13 million).
[ii] Excluding goodwill amortisation and other revenues and expenses.

Operating revenues and Operating profit before goodwill amortisation in NOK million quarterly

OPERATING REVENUES



OPERATING PROFIT BEFORE GOODWILL AMORTISATION



The Orkla Group

Main trends in the fourth quarter

- Group profit before tax totalled NOK 125 million in the fourth quarter of 2002, compared with NOK 801 million in the corresponding period of 2001. This decline is largely attributable to the fact that Orkla sold its holding in Hartwall in the fourth quarter of 2001, realising a total gain of NOK 1.35 billion.
- As of 31 December 2002, profit before tax amounted to NOK 2,407 million compared with NOK 3,253 million in 2001. Earnings per share in 2002 were NOK 7.7 compared with NOK 10.7 in 2001. The Board of Directors proposes to pay a dividend for 2002 of NOK 3.40 per share, which is approximately 5 % higher than the dividend of NOK 3.25 for 2001.
- On the whole, underlying operations in the Industry Division were positive in the fourth quarter. The substantially improved performance of Orkla Brands was partly offset by continued weak results for the media business. Adjusted for currency translation effects, operating profit before goodwill amortisation for the Group was approximately 4 % higher than in 2001. The comparison with the fourth quarter of 2001 is also affected by a change in accounting practices at Carlsberg Breweries due to the introduction of new Danish accounting legislation as from 2002. If Orkla had adjusted its 2001 figures in line with Carlsberg Breweries' new accounting practices, the beverages business would also have shown profit growth in the fourth quarter. For the year as a whole, the effect of Carlsberg Breweries' new accounting practices is relatively limited.
- In the extremely weak stock market in 2002, Orkla's share portfolio did better than the stock exchange indices with which it is relevant to compare Orkla's performance. The total return on the investment portfolio as of 31 December 2002 was -14.8 %, compared with -31.1 % for the Oslo Stock Exchange Benchmark Index. In the fourth quarter of 2002, sales of shares resulted in a net realised loss of NOK 248 million, compared with a loss of NOK 932 million in 2001. At year-end 2002, unrealised gains on the share portfolio totalled NOK 190 million, compared with NOK 2.7 billion at year-end 2001. As of 18 February 2003, the unrealised net loss on the share portfolio was more than NOK -400 million.

Group operating revenues in the fourth quarter totalled NOK 10,983 million, compared with NOK 11,577 million in the corresponding period of 2001. Currency translation effects for foreign activities amounted to NOK -674 million in the fourth quarter. Operating revenues for the Chemicals division continued to be affected negatively in the fourth quarter by the stronger NOK and weaker USD. In addition, deliveries of marine oil to the fish feed industry declined.

Group operating profit before goodwill amortisation amounted to NOK 897 million in the fourth quarter, compared with NOK 917 million in the corresponding period of 2001. Most of the Group's industrial operations achieved profit growth, both in the fourth quarter alone and for the year as a whole. However, this general improvement was offset by the fact that certain businesses, particularly in the media and seafood sectors, are struggling with weak market conditions and low profitability. For the year as a whole, the return on capital employed for the Industry division was 12.7 %, compared with 12.6 % in 2001.

Adjusted for currency translation effects, underlying growth in operating profit before goodwill amortisation in the quarter amounted to 4 %. However, the comparison with last year is also affected by a change in accounting practices at Carlsberg Breweries due to the introduction of new Danish accounting legislation as from 2002. In this connection, Carlsberg Breweries revised its accounts for 2001 in accordance with the new practices. This particularly affected the accruals-based reporting of packaging costs, since return packaging was previously charged directly against income, but in conformity with the new practices these costs are now capitalised and written off evenly over the packaging's expected useful life. For Orkla, the recalculation of the figures for the whole of 2001 reduced operating profit by only NOK 44 million compared with the figures reported by Orkla for 2001. This was not considered to be a significant difference, and Orkla therefore chose not to adjust its accounts for 2001. However, for the fourth quarter alone, the effect was NOK -82 million, and underlying growth for both Orkla Beverages and the Group as a whole is therefore correspondingly stronger in the fourth quarter. Taking into account this effect and currency translation effects, growth for the Group would have been 14 %.

Other revenues and expenses totalled NOK -123 million in the fourth quarter. The Chemicals business sold nine small power plants (160 GWh), realising a total gain of about NOK 130 million, and wrote down goodwill and fixed assets in China and the USA by a total of approximately NOK 110 million. In Orkla Media, Berlingske took write-downs and made provisions totalling around NOK 120 million in connection with its decision to establish joint printing plant operations with Politiken and make further workforce reductions. Taking into account the business plans that are already in place, Orkla has not found reason to write down goodwill elsewhere.

Excluding the gain on the sale of Orkla's shareholding in Hartwall in 2001, profit from associates rose to NOK 48 million. This increase is primarily due to improved profit performance at Jotun, coupled with higher profit contributions from associates in Carlsberg Breweries.

While Group operating profit was negatively affected by the stronger Norwegian krone, the effect on the Group's foreign currency liabilities was positive. Combined with generally lower interest rates, this helped to reduce net interest expenses. However, the positive effect was offset by currency losses for Carlsberg Breweries in BBH and Turkey, as well as by write-downs of certain long-term financial assets.

Realised losses on the investment portfolio in the fourth quarter totalled NOK 248 million, compared with a loss of NOK 932 million in the corresponding period in 2001. For the year as a whole, the realised net loss on the portfolio amounted to NOK 95 million (loss of NOK 760 million)[1].

Orkla's earnings per share were NOK 7.7 in 2002, compared with NOK 10.7 in the previous year. Before goodwill amortisation and other revenues and expenses, earnings per share were NOK 10.6 (NOK 12.8)[1]. The differences are largely ascribable to the sale of Orkla's shareholding in Hartwall in the fourth quarter of 2001, which generated NOK 3.8 per share. The tax charge for 2002 is calculated to be 26.2 %, which is slightly higher than in 2001. The Board of Directors proposes a dividend of NOK 3.40, compared with NOK 3.25 in 2001.

Orkla Foods - EBITA[2] = NOK 311 million v NOK 324 million

- Profit growth for Stabburet in Norway and Orkla Foods International
- Weak results for seafood operations in Poland
- Pizza production in Hungary to be moved to the Czech Republic

Orkla Foods' operating revenues for the fourth quarter of 2002 totalled NOK 3,041 million. For continuing business, adjusted for currency translation effects, revenues were 2 % higher than in 2001.

Operating profit before goodwill amortisation in the fourth quarter of 2002 amounted to NOK 311 million. For continuing business, adjusted for currency translation effects, this was on a par with the fourth quarter of 2001. For the year as a whole, operating profit before goodwill amortisation totalled NOK 902 million. For continuing business, adjusted for currency translation effects, this was NOK 21 million lower than in 2001.

The main reason for the decline in operating profit was the very negative performance of Superfish (seafood) in Poland. In order to ensure stronger control of operations, Orkla Foods took over the remaining 49 % of the shares in the company in February 2003. A new managing director has been appointed. A detailed plan of action has been drawn up to improve the company's operations. Among other things, Superfish will be transferred from Abba Seafood to Orkla Foods International and integrated with Orkla Foods' other operations in Poland.

Stabburet in Norway had a good fourth quarter, as a result of which profit for the year was higher than in 2001. Grandiosa Pizza Toast was launched on the frozen snack market in August, and at year-end the product was market leader.

Procordia Food in Sweden achieved underlying profit growth in the fourth quarter, and for the year as a whole operating profit before goodwill amortisation in local currency was 10 % higher than in 2001. This increase is attributable to higher sales and efficiency improvement measures designed to cut both variable and fixed costs. The "Lyftet" improvement programme, which aims at reducing the cost base by approximately SEK 110 million by the end of 2003, is proceeding as planned.

Both Beauvais in Denmark and Felix Abba in Finland reported lower fourth quarter operating profit than in the corresponding period of 2001. However, Felix Abba achieved higher profit for 2002 as a whole. Abba Seafood in Sweden posted profit growth for the fourth quarter.

Orkla Foods International achieved significantly higher profit in the fourth quarter, even though profit for the year as a whole has still not reached a satisfactory level. As expected, Orkla Foods Romania delivered profit growth. In order to strengthen its competitiveness prior to the EU's

1) Figures in parentheses are for the corresponding period in 2001.
2) These figures show operating profit before goodwill amortisation for the fourth quarter of 2002 compared with the fourth quarter of 2001.

Amounts in NOK million	Operating revenues 1.1.-31.12. 2002	2001	1.10.-31.12. 2002	2001	Operating profit before goodwill amortisation 1.1.-31.12. 2002	2001	1.10.-31.12. 2002	2001
Orkla Foods	11,062	11,133	3,041	3,054	902	952	311	324
Orkla Beverages [1]	14,516	14,924	3,471	3,697	1,364	1,311	165	221
Orkla Brands	4,500	4,527	1,222	1,199	787	648	222	171
Orkla Media	7,079	7,453	1,788	1,936	148	294	69	102
Eliminations	(157)	(153)	(48)	(48)	0	0	0	0
Branded Consumer Goods	37,000	37,884	9,474	9,838	3,201	3,205	767	818
Chemicals	5,726	6,581	1,381	1,658	537	569	131	132
H.O./unallocated/Eliminations	(58)	79	(5)	(23)	(116)	(117)	(28)	(39)
Industry area	42,668	44,544	10,850	11,473	3,622	3,657	870	911
Financial Investments	311	255	133	104	41	29	27	6
Group	42,979	44,799	10,983	11,577	3,663	3,686	897	917

[1] Due to the change in the accounting principles applied by Carlsberg Breweries, quarterly results are not directly comparable.

eastward expansion, Orkla Foods will move production of frozen pizza from Hungary to its factory in the Czech Republic.

Orkla Food Ingredients posted lower operating profit than in 2001, but fourth quarter profit was on a par with profit in the corresponding period of 2001. The Danish company Credin was formally taken over as planned at the beginning of 2003.

Bakers reported good volume and profit growth in the fourth quarter, largely due to increased investment in bake-off products and strong sales of Christmas products.

Orkla Beverages - EBITA[2] = NOK 165 million v NOK 221 million (NOK 165 million v NOK 139 million if new accounting principles are applied)

- Profit growth in the Nordic region
- Positive effects of restructuring programmes
- 6 % volume growth for the Carlsberg brand in 2002

Orkla's 40 % interest in Carlsberg Breweries represented operating revenues of NOK 3,471 million in the fourth quarter of 2002. Adjusted for currency translation effects, this was equivalent to 3 % growth compared with the corresponding period of 2001.

Operating profit before goodwill amortisation amounted to NOK 165 million for the fourth quarter of 2002. If the same accounting principles had been applied, the corresponding figures for 2001 would have been NOK 139 million. For 2002 as a whole, operating profit before goodwill amortisation totalled NOK 1,364 million, a rise of 14 % compared with 2001, adjusted for currency translation effects. All market areas reported profit growth for the year, with the Nordic region posting the greatest improvement. For 2002 as a whole, profit from associates increased by NOK 43 million.

As explained above, changes in accounting practices have significant effects on comparisons with the figures reported by Orkla for the fourth quarter of 2001. Underlying operations at Carlsberg Breweries in the fourth quarter are best described by comparing results for the fourth quarter of 2002 with Carlsberg Breweries' figures for 2001 in accordance with the new, comparable accounting practices. Comments on the performance of the individual market areas are therefore based on Carlsberg Breweries' accounting figures on a 100 % basis and in DKK, also in order to eliminate the effect of the NOK's rising exchange rate.

Carlsberg Breweries' beer sales volume in the fourth quarter of 2002 totalled 18.1 million hectolitres, up 12 % compared with the corresponding period of 2001. The volume for other beverages was 4.6 million hectolitres, a decline of 6 % compared with the fourth quarter of 2001.

Fourth quarter operating revenues for the Northern and Western Europe market area totalled DKK 6,869, down 1 % from the corresponding period of 2001. EBITA increased by DKK 253 million to DKK 391 million. As of 31 December 2002, EBITA was DKK 2,269 million, 27 % higher than the previous year.

Profit performance in the Nordic region remained positive in the fourth quarter. The ongoing restructuring efforts in Sweden generated positive effects in the quarter. At year-end 2002, all the businesses in the Nordic region had achieved profit growth compared with 2001, with particularly satisfactory profit improvement in Norway and Finland. The businesses in Switzerland and Germany also reported higher profit in the fourth quarter as a result of the effects of the restructuring projects.

Operating revenues in the Central and Eastern Europe market area totalled DKK 1,442 million in the fourth quarter of 2002, which is a rise of 5 % compared with the corresponding period of 2001. EBITA amounted to DKK 146 million, 12 % lower than in the fourth quarter of 2001. Turkey is still affected by a very difficult economic climate with high inflation, a weak currency and high interest rates. This resulted in a weak performance by Türk Tuborg and EBITA for 2002 was a negative DKK -133 million. Comprehensive changes in management have been carried out and a new business plan is currently being implemented. As of 31 December 2002, the Central and Eastern Europe market area had EBITA of DKK 1,274 million, compared with DKK 1,204 million in 2001.

Beer market growth in Russia was relatively low in the second half of 2002. However, high growth at the beginning of the year contributed to growth of around 9 % for the year as a whole. Although reported market growth may vary from one quarter to the next, the figure of 9 % for the year as a whole is considered to be representative of underlying growth in the market, and on a par with anticipated growth for 2003. At year-end 2002, market growth was 14 % in Ukraine and 18 % in the Baltic States. BBH posted volume growth in the Russian, Ukrainian and Baltic States markets of 22 %, 27 % and 20 %, respectively, and increased its share of the Russian market to 33 % in 2002.

The new business structure in Poland led to higher fourth quarter sales, which were also boosted by the continued positive effect of the launch in the third quarter of the Carlsberg brand in half-litre bottles.

Operating revenues for Carlsberg Asia (50 %) in the fourth quarter totalled DKK 222 million and EBITA amounted to DKK 70 million. Results in Thailand still include the previously reported profit guarantee from Carlsberg Breweries' partner in Carlsberg Asia.

The company's performance in Malaysia and Singapore was satisfactory, while the performance of the business in Thailand was weaker than expected.

Orkla Brands - EBITA[2] = NOK 222 million v 171 million

- Sales growth in the fourth quarter
- Broad-based profit growth in the fourth quarter driven by new launches and the positive impact of internal efficiency projects
- Redesign project in the biscuits business completed. Effect on profit positive from the fourth quarter of 2002 but neutral for the year as a whole

Orkla Brands' operating revenues for the fourth quarter of 2002 totalled NOK 1,222 million. Adjusted for currency translation effects, revenues were 3 % higher than in 2001. Satisfactory sales growth in several business areas had a positive impact. The strongest growth was reported by Biscuits, Dietary Supplements and Lilleborg Industrial Detergents. The good performance of the biscuits business was partly due to satisfactory sales of the year's new launches, Café Cookies and Café Brownie Cookies. Operating revenues for Household Textiles declined, largely due to weaker distribution. At year-end, Orkla Brands' operating revenues amounted to NOK 4,500 million which, adjusted for currency translation effects, was 1 % higher than last year.

Fourth quarter operating profit before goodwill amortisation totalled NOK 222 million (NOK 171 million)[1]. Profit growth was broad-based, but strongest for Lilleborg Home and Personal Care and Biscuits. This improved performance was due to good profitability and sales growth for the year's new launches, the positive effects of improvement projects, particularly in the Biscuits business, a continued high level of exports from Lilleborg Home and Personal Care and favourable prices for certain factor inputs. Operating profit before goodwill amortisation totalled NOK 787 million at the end of the fourth quarter, 21 % up on the previous year. All businesses except Household Textiles achieved profit growth.

Orkla Brands' market positions were largely maintained in 2002, with the exception of Household Textiles. No major product launches took place in the fourth quarter. The most important launch during the year was the Define hair care series from Lilleborg Home and Personal Care. Define is now market leader in the hair care segment in Norway. The improvement project in the Biscuits business, which was initiated in the fourth quarter of 2001, has been completed and the workforce has been reduced. The net effect on fourth quarter profit was positive, but on an annual basis it was neutral due to non-recurring expenses, primarily in the first half of the year.

Orkla Media - EBITA[2] = NOK 69 million v 102 million

- Continued decline on the Danish and Polish advertising markets
- Continued profit growth for Magazines in Norway

Fourth quarter operating revenues for Orkla Media totalled NOK 1,788 million. For continuing business adjusted for currency translation effects, this was equivalent to a decline of 6 %. The negative trend was due to the continued decline in advertising revenues in Denmark and Poland. Operating profit before goodwill amortisation amounted to NOK 69 million in the fourth quarter. For continuing business adjusted for currency translation effects, this was NOK 40 million lower than in the corresponding period of 2001.

In Denmark, Berlingske again reported a drop in advertising revenues compared with the corresponding period of the previous year. The decline in the classified market for situations vacant continued. However, advertising volumes and total circulation figures for Berlingske were on a par with the total Danish market. Substantial cost reductions, which totalled some NOK 190 million in 2002, are still not enough to fully offset the loss of advertising revenues. Cooperation on printing with Politiken and further workforce reductions will help to improve the cost position in the months ahead.

Profit for Newspapers Norway was up in the fourth quarter compared with the corresponding period of 2001. This improvement was largely due to the positive impact of cost reduction measures. The trend in advertising volume for the Group's Norwegian newspapers in the fourth quarter was on a par with the corresponding period of 2001 and in line with the trend on the overall market.

Newspapers Eastern Europe reported a slight fall in profit in the fourth quarter in comparison with 2001. This continued to be due to the decline on the Polish advertising market. The advertising market declined relatively less in the fourth quarter than in previous quarters. Cost reductions offset part of the loss of advertising revenues. Circulation figures continued to fall, although Orkla newspapers' share of total circulation increased. The Group's newspapers are market leader in terms of circulation in Poland.

Magazines reported higher profit in the fourth quarter than in the corresponding period of 2001. This was largely ascribable to continued circulation growth for Her og Nå in Norway, the positive earnings and cost performance of the Swedish magazine publisher Medströms and general cost reductions.

Direct Marketing reported profit for continuing business on a par with the fourth quarter of 2001.

Write-downs and provisions were made in the fourth quarter in connection with the decision to cooperate on printing with Politiken in Denmark and further workforce reductions at Berlingske.

Chemicals - EBITA[2] = NOK 131 million v 132 million

- Stronger NOK and weaker USD had a negative impact on sales and profit
- International economic situation led to lower sales volumes for most areas
- Continued satisfactory profit from the lignin business
- Good profit from financial power trading in the fourth quarter

Borregaard's operating revenues amounted to NOK 1,381 million in the fourth quarter, down 11 % for continuing business adjusted for currency translation effects. Operating profit before goodwill amortisation totalled NOK 131 million (NOK 132 million)[1]. Borregaard LignoTech continued to achieve profit growth in the fourth quarter. The performance of Borregaard ChemCell and Denofa was somewhat weaker than in the corresponding period of 2001, but this was offset by the high contribution to profit from financial power trading. The new Swiss business was consoli-

Group balance sheet

Amounts in NOK million	31.12. 2002	31.12 2001
Assets:		
Long-term assets	26,786	28,434
Portfolio investments etc.	11,998	11,599
Short-term assets	14,338	14,612
Total assets	53,122	54,645
Equity and Liabilities:		
Equity and minority interests	18,691	18,957
Interest-bearing liabilities	22,443	22,712
Interest-free liabilities and provisions	11,988	12,976
Total equity and liabilities	53,122	54,645
Equity to total assets ratio (%):		
Book	35.2	34.7
Including unrealised gains before tax	35.4	37.8

Changes in equity

Amounts in NOK million	31.12. 2002	31.12. 2001
Equity at 1 January	17,969	16,447
Profit for the year after minority	1,611	2,269
Dividend	(708)	(685)
Repurchase of own shares	(351)	(64)
Translation difference etc.	(721)	2
Total	17,800	17,969

Cash flow

Amounts in NOK million	1.1.-31.12. 2002	1.1.-31.12. 2001	1.10.-31.12. 2002	1.10.-31.12. 2001
Industry area:				
Operating profit	2,981	3,231	614	798
Depreciation and write-downs	2,895	2,606	869	687
Change in net working capital	195	12	297	556
Cash flow from operating activities	6,071	5,849	1,780	2,041
Net replacement expenditure	(1,843)	(1,960)	(787)	(932)
Free cash flow operating activities	4,228	3,889	993	1,109
Financial items, net	(1,143)	(1,301)	(369)	(410)
Free cash flow from Industry area	3,085	2,588	624	699
Free cash flow from Financial Investments	715	955	40	141
Taxes paid	(973)	(1,192)	(102)	(551)
Miscellaneous	(207)	(116)	(22)	22
Cash flow before capital transactions	2,620	2,235	540	311
Dividends paid	(781)	(739)	0	(16)
Share buy back	(351)	(64)	(36)	3
Cash flow before expansion	1,488	1,432	504	298
Expansion investments (Industry area)	(740)	(726)	(247)	(282)
Sold companies	210	2,455	136	2,232
Acquired companies	(1,920)	(4,769)	(983)	(317)
Net purchases/sales portfolio investm.	(920)	41	(377)	140
Net cash flow	(1,882)	(1,567)	(967)	2,071
Currency translations net interest-bearing debt	1,498	416	506	203
Change in net interest-bearing debt	384	1,151	461	(2,274)
Net interest-bearing debt	19,516	19,132		

dated in the accounts as from 31 December 2002.

Borregaard's operating revenues totalled NOK 5,726 million for 2002 as a whole, down 8 % for continuing business adjusted for currency translation effects. Operating profit before goodwill amortisation was NOK 537 million (NOK 569 million)[1]. The stronger Norwegian krone and weaker dollar led to lower revenues and profitability, particularly for exports from Norway. Somewhat lower volumes in general and a drop in the marine oil market also contributed to the decline in operating revenues and operating profit. In the second half of 2001, the Chemicals business decided to increase its hedging of future cash flows in USD. This helped to reduce the impact of the strong Norwegian krone and the weak dollar. At year-end, the unrealised currency gain amounted to approximately NOK 400 million. This gain will vary with the exchange rate for USD and be taken to income in step with sales of products that are paid for in USD, primarily in 2003 and 2004.

For Borregaard LignoTech, the fourth quarter was characterised by a certain decline in volume and the weaker currency situation. The decline in volume was due to the international economic situation, tougher competition and seasonal effects. The expansion of the factory in South Africa is proceeding according to plan and the start-up is scheduled to take place in the second quarter of 2003.

Borregaard ChemCell reported lower profit than in the fourth quarter of 2001, mainly due to a decline in the market for certain basic chemicals. For speciality cellulose, the effects of lower variable costs and higher production were offset by the stronger NOK and lower sales volume.

For Borregaard Synthesis, fourth quarter sales were slightly lower than in 2001. Nevertheless, fourth quarter profit was significantly better. This improvement was due to a better product mix, good production, cost reductions and lower prices for certain factor inputs.

Denofa's profit was lower in the fourth quarter than in the corresponding period of 2001, largely due to lower deliveries of marine oil to the fish feed industry, a lower industrial crushing margin and a decline in exports of oil and fat products.

Borregaard Energy is a significant player on the Norwegian power market and its own production amounts to approximately 490 GWh. Financial trading in power contracts is an integral part of this business. The contribution to profit from financial power trading is usually insignificant, but in the extreme market situation in Norway in the fourth quarter, realised gains totalled NOK 44 million. However, this was partially offset by a reduction in the company's own production during the period. Both Borregaard Hellefoss and Borregaard Vafos reported a negative impact on profit from the strong exchange rate for the Norwegian krone. Borregaard Hellefos also reduced its production due to the general market situation for book quality paper.

Financial Investments

- Very weak stock markets in 2002 and no significant recovery in the fourth quarter
- Return on the portfolio clearly better than for the market as a whole in 2002

After a decline of 33.8 % at the end of the third quarter of 2002, the Oslo Stock Exchange Benchmark Index rose 4.1 % in the fourth quarter. Consequently, the Index was 31.1 % lower than at the beginning of the

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year. The FT World Index rose 5.7 % during the quarter, but was 24.6 % lower for the year as a whole. Since the beginning of 2003, the stock market trend has once again been negative.

The return on Orkla's investment portfolio amounted to -14.8 % in 2002. Among the largest investments, the performance of the Elkem share was relatively positive in 2002, while the Storebrand share performed poorly.

Profit before tax for the Financial Investments division amounted to NOK 340 million (loss of NOK 110 million)[1]. Realised losses for the quarter totalled NOK 248 million, compared with a loss of NOK 932 million in the corresponding period of the previous year. Net realised losses amounted to NOK 95 million for 2002 as a whole (loss of NOK 760 million)[1]. In 2002, dividends received amounted to NOK 362 million, down NOK 182 million compared with 2001. The Orkla Finans Group reported a decline in profit as a result of reduced activity in Enskilda Securities (22.5 %-owned).

Total net investments amounted to NOK 286 in the fourth quarter. The largest transactions were net purchases of shares in Rieber & Søn amounting to NOK 307 million and divestment of the stake in Norway Seafoods Holding for NOK 361 million.

The net asset value of the share portfolio after tax dropped NOK 2,318 million in 2002 to NOK 10,240 million. The decline in the fourth quarter amounted to NOK 124 million. At year-end the market value of the portfolio was NOK 12,060 million. Foreign investments accounted for 29.8 % of the portfolio. Unrealised gains totalled NOK 190 million, equivalent to 1.6 % of the market value of the portfolio. Due to the continued decline on the stock markets so far in 2003, the unrealised net loss on the portfolio as of 18 February 2003 was more than NOK -400 million.

Cash flow and financial situation

Free cash flow from the Industry division in 2002 was NOK 500 million higher than in 2001. This was partly ascribable to the positive trend in working capital, primarily driven by Beverages, and lower financial items.

Expansion investments in the Industry division, which amounted to more than NOK 700 million, largely consisted of investments in Carlsberg Breweries' companies in Central and Eastern Europe. Acquired companies accounted for a net outlay of approximately NOK 1,700 million in 2002. This was primarily related to acquisitions in the Beverages area, Orkla Foods' purchase of the Danish company Credin and Borregaard's acquisition of a chemicals company in Switzerland.

The Orkla Group's net purchases of portfolio shares amounted to just over NOK 900 million in 2002. The increased stake in Elkem was the most significant investment.

Buy-backs of Orkla's own shares in 2002 amounted to NOK 351 million, compared with NOK 64 million in 2001. Buy-backs for the year were equivalent to 1.2 % of outstanding shares.

Positive currency effects on net interest-bearing liabilities amounted to approximately NOK 1,500 million. Net interest-bearing liabilities increased by NOK 384 million in 2002.

The average interest rate in 2002 was 5.4 %. At the beginning of 2003, the average borrowing rate is 5.1 % and the proportion of interest-bearing debt at floating rates is 85 %, mainly in NOK, EUR, SEK, DKK and USD, of which 23 % is in NOK and 77 % in foreign currencies.

The Group balance sheet total, which largely comprises assets outside Norway, has been reduced as a result of the stronger Norwegian krone, since these assets have a lower translated value. Similarly, Group equity has declined by approximately NOK 700 million while Group liabilities, which are largely also in foreign currencies, have been reduced as a result of translation effects amounting to some NOK 1,500 million. At the end of the fourth quarter, the book equity ratio was 35.2 %, up 0.5 percentage points compared with 31 December 2001.

Other matters

At a meeting of the Corporate Assembly on 21 November 2002, Johan Fr. Odfjell was elected as a member and Chairman of the Board of Directors of Orkla ASA. He replaced Tom Ruud, who resigned as a result of his new responsibilities in the Nordea Group, which were not compatible with a position as Chairman of the Board of the Orkla Group. The Board thanks Tom Ruud for his fine efforts on behalf of the Orkla Group.

General Meeting

An Ordinary General Meeting will be held on 30 April 2003 at 3 p.m. at Ingeniørenes Hus, Oslo. The annual report will be distributed in week 13.

Outlook

Uncertainty still reigns with respect to global economic developments in 2003. Most of Orkla's product groups in the Branded Consumer Goods area are only moderately affected by the general economic situation and profit growth is more affected by the competitive situation on individual markets. As far as future prospects can be judged at the time of writing, all in all Orkla Foods, Orkla Brands and Orkla Beverages appear likely to achieve a certain amount of profit growth. Carlsberg Breweries anticipates an estimated rise in operating profit before goodwill amortisation of 5-10 % in 2003 (in local currencies). For Orkla Media, there is still no sign of improvement on the advertising markets. However, cost reduction measures that have already been implemented are expected to contribute to profit growth. The Chemicals area is exposed to global economic trends and exchange rates, and the operating parameters are weaker for the Chemicals business at the beginning of 2003 than they were at the same time last year.

The uncertain global economic situation also affects the stock markets. For Orkla's Financial Investments division, the realisation of portfolio gains in 2003 will depend on a positive market trend. A possible decline on the stock market will result in unrealised losses that will have to be posted in the accounts.

The trend in the Norwegian economy, with a strong krone and high wage growth, gives cause for concern and has a negative impact on the competitiveness of Orkla's Norwegian companies. This will in turn affect Orkla's investment in Norway, since, over time, the Group must locate its businesses in places where it has the best competitive advantages.

Oslo, 19 February 2003
The Board of Directors of Orkla ASA

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