



The Orkla Group

Second Quarter 2003

15 August 2003



Agenda

- ◆ Highlights second quarter 2003
- ◆ Key figures
- ◆ Operational development
- ◆ Special topics
 - Improvement programmes in Foods
 - Hard discount
- ◆ Q&A

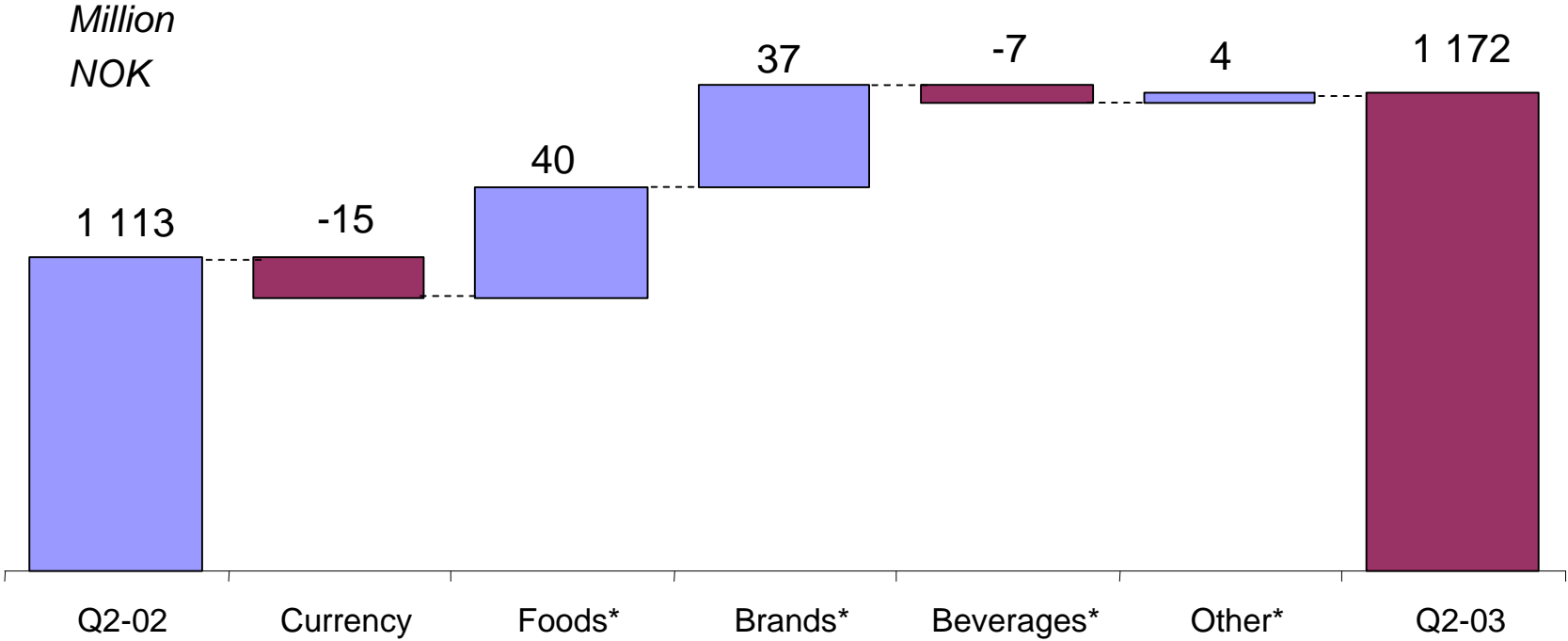


Highlights Q2-2003

- ◆ Satisfactory improvement for the Orkla Group
 - Profit before tax +61%, EBITA +5%
- ◆ Solid performance by Foods and Brands
- ◆ Positive momentum for Beverages
- ◆ Increase in net asset value of the investment portfolio
- ◆ Strong cash generation



EBITA: Sources of growth Q2-02 to Q2-03



* Adjusted for currency translation



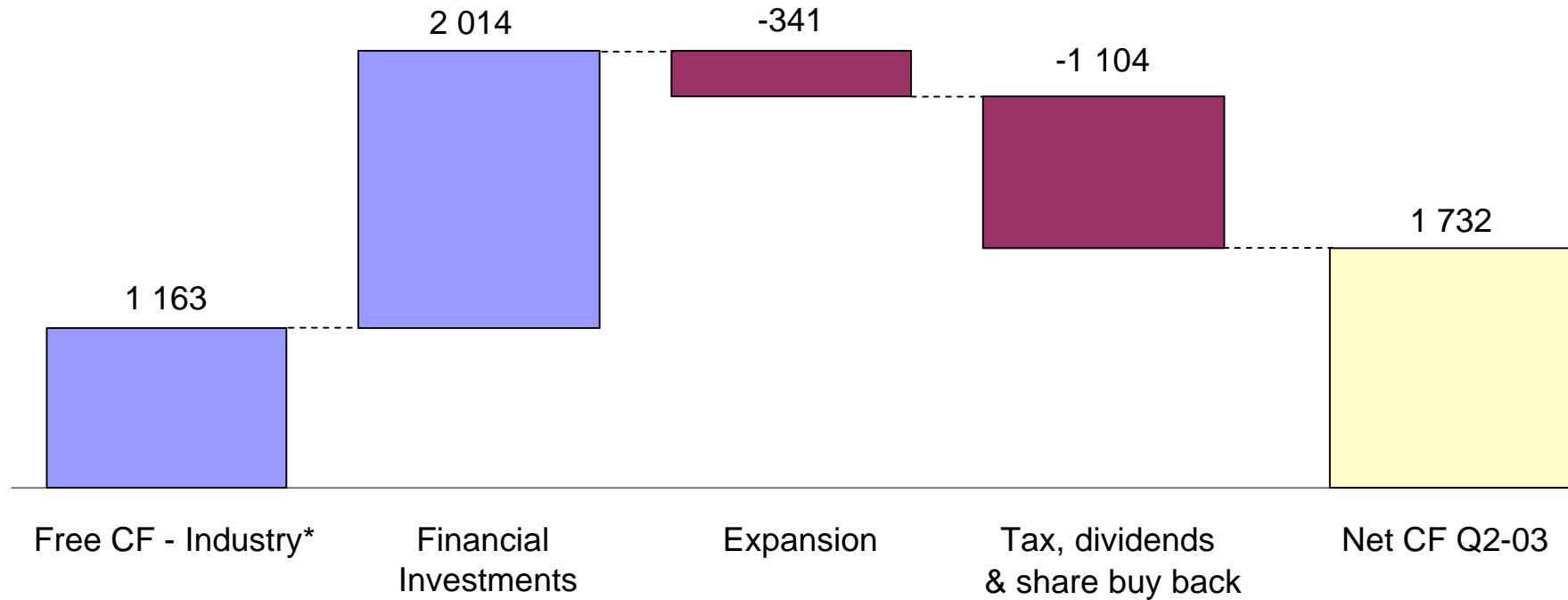
Key figures Q2-2003

NOK million	1 Apr - 30 Jun		Change
	2003	2002	
Operating revenues	11 619	11 173	4 %
EBIT A *	1 172	1 113	5 %
Goodwill amortisation	- 133	- 127	
Other revenues and expenses	- 48	- 32	
EBIT	991	954	
Associated companies	55	85	
Portfolio gains	538	41	
Dividends and net financial items	147	- 2	
Profit before tax	1 731	1 078	61 %
Earnings per share (NOK)	5.8	3.5	
Free cash flow Industry	1 163	1 474	

* Excl. other revenues and expenses



Strong cash flow in Q2



*After maintenance capex and finance



Balance sheet items

	30 Jun 2003	31 Dec 2002
Total assets	54 376	53 122
Equity to total assets ratio		
- Book	37.1 %	35.2 %
- Incl. unrealised capital gains before tax	38.3 %	35.4 %
Net interest-bearing liabilities	19 201	19 516
Net gearing	0.95	1.04
Average interest rate in period	4.8 %	5.4 %



Operational development per business unit



Foods - Cost improvements and margin growth

<i>in NOK million</i>	1 Apr - 30 Jun		Organic
	2003	2002	Change*
Operating revenues	2 898	2 641	3 %
EBITA	241	185	21 %
EBITA-margin	8.3 %	7.0 %	

*Adjusted for acquisitions and currency translation

- ◆ Cost reductions raise margins in second quarter, especially at Procordia Food in Sweden
- ◆ Increased focus and quality in innovation and brand building
- ◆ Cost reduction programmes with targeted annual effect of NOK 500 million 2003/2004



Beverages – Positive momentum

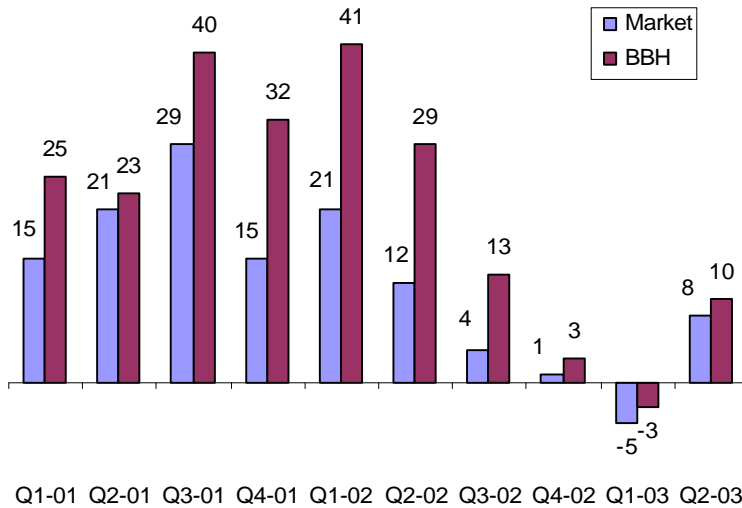
<i>in NOK million</i>	1 Apr - 30 Jun		
	2003	2002	Change*
Operating revenues	4 083	4 075	1 %
EBITA	493	525	-1 %
EBITA-margin	12.1 %	12.9 %	

*Adjusted for currency translation

- ◆ Positive sales growth and satisfactory margins in Russia
- ◆ Currency translation effect on EBITA amounts to NOK - 25 million
- ◆ Carlsberg brand growth of 4% YTD
- ◆ Asian JV-agreements terminated



Back to growth in Russia



Market shares in Russia

Brewery	2003 H1	2002 H1
BBH	33.4	33.1
Sun Interbrew	13.5	11.2
Ochakova	7.5	8.3
Krasny Vostok	7.0	7.2
Bravo (Heineken)	4.6	4.0
Efes	3.3	2.8
Stepan Razin	2.1	2.6
Others	<u>28.6</u>	<u>30.8</u>
Total	100.0	100.0



Improvement programmes

- ◆ Successful turn-around in Turkey
- ◆ Feldschlösschen improves profit, operating margin, and market share due to successful refocusing projects
- ◆ Performance in Poland reflects positive recovery
- ◆ Closure of Bromma plant in Sweden under consideration
- ◆ Production Excellence Programme
 - Reducing costs in anchor plants, and capex in support plants
 - The programme will lead to savings of more than DKK 300 million (2006)



CB - Expectations for 2003 unchanged

- ◆ Operating profit (EBITA) in line with last year
- ◆ Carlsberg brand growth of 7%
- ◆ Reduction of capital employed by more than DKK 1 billion



Brands – Sales growth from innovations

<i>in NOK million</i>	1 Apr - 30 Jun		Organic
	2003	2002	Change*
Operating revenues	1 131	1 070	3 %
EBITA	231	192	18 %
EBITA-margin	20.4 %	17.9 %	

*Adjusted for acquisitions and currency translation

- ◆ Improved results and EBITA margin in second quarter
 - Consistent contribution from launched innovations
 - Tougher comparison in H2
- ◆ Cost reductions from efficiency programmes in Biscuits and Confectionery
- ◆ Focus on product innovation and brand building to counter increased competition in the detergent market



Important innovations



Brands	Business area	Achievements
◆ 2003 Nidar Favoritter	Confectionery	Recently introduced
◆ 2003 New Energy-Müsli	Confectionery	Recently introduced
◆ 2003 Smash red	Confectionery	Recently introduced
◆ 2002 Define	Personal care	Market leader in hair care
◆ 2002 Bocca	Confectionery	New segment in Norway
◆ 2002 Cafe Cookies/Brownies	Biscuit	Strong category growth
◆ 2001 Laban Seigdamer	Confectionery	Strong growth for the Laban brand



Media – Positive in Norway, still weak in Denmark

<i>in NOK million</i>	1 Apr - 30 Jun 2003	2002	Organic Change*
Operating revenues	1 863	1 882	-2 %
EBITA	58	56	13 %
EBITA-margin	3.1 %	3.0 %	

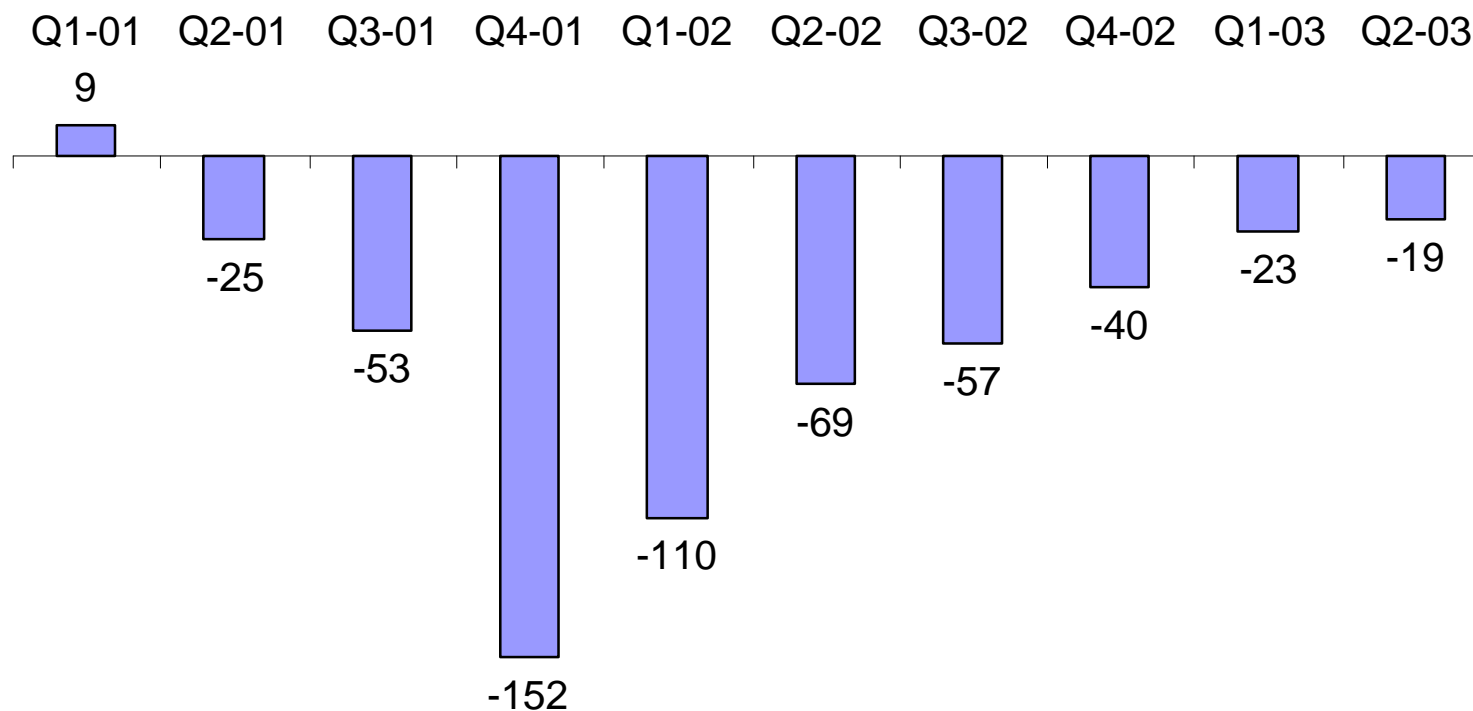
*Adjusted for acquisitions and currency translation

- ◆ Advertising market in Denmark still in decline
 - Pressure on advertising prices in real estate market
 - Strengthened position within free-sheet market in Copenhagen
- ◆ Margin improvements in Magazines
- ◆ No clear improvement in the Polish advertising market
- ◆ Continue to focus on lowering costs by reducing man-years
 - Denmark: Fixed costs down by 6% for comparable activities



Change in advertising revenues

Change in advertising revenues, compared with corresponding quarter the year before
(NOK million)



Chemicals – Satisfactory performance despite weak markets

<i>in NOK million</i>	1 Apr - 30 Jun		Organic
	2003	2002	Change*
Operating revenues	1 625	1 490	-4 %
EBITA	160	171	0 %
EBITA-margin	9.8 %	11.5 %	

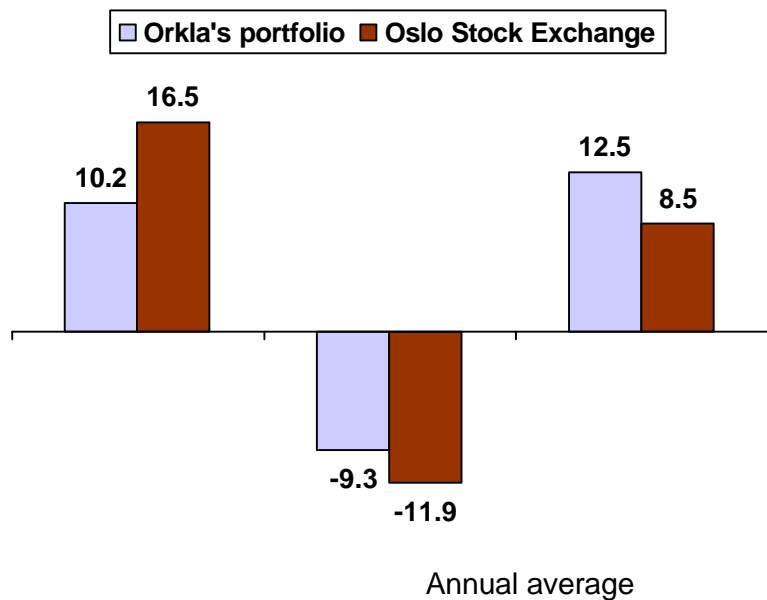
*Adjusted for acquisitions and currency translation

- ◆ Continued weak market conditions in most areas
- ◆ Positive contribution from improvement programmes and tight cost control
 - Counteracting price pressure in NOK
- ◆ Drive for specialisation and concentration
 - New lignin plant opened in South Africa
 - Borregaard Schweiz integration on schedule



Portfolio performance

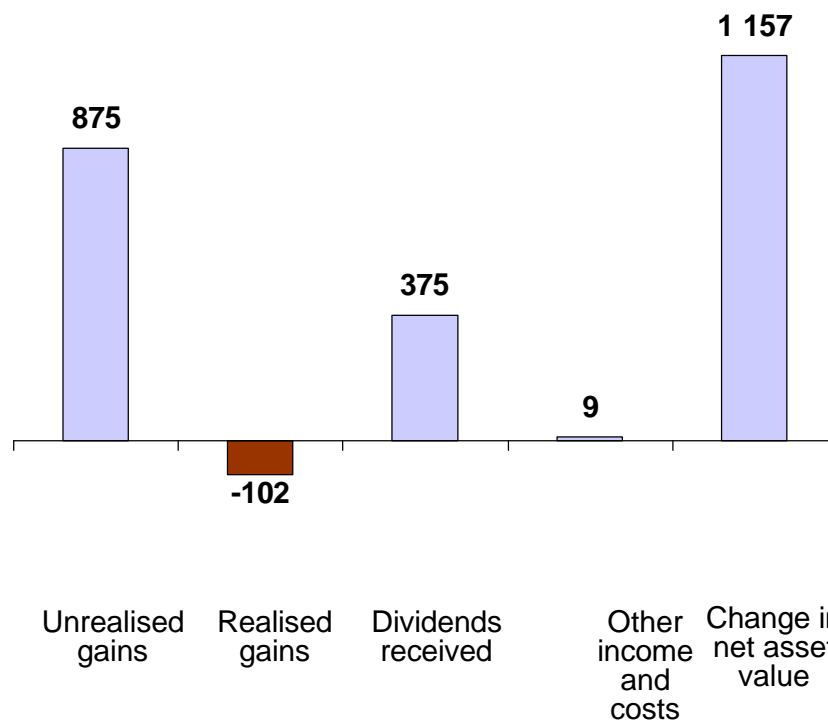
Return (%)



Change in Net Asset Value

1 Jan - 30 Jun 03

NOK million



1 Jan 03-30 Jun 03

1 Jul 00 - 30 Jun 03

1 Jan 93 - 30 Jun 03



Portfolio key figures

in NOK million	30 Jun 03	31 Dec 02	Change 03
Market value	11 943	12 060	-117
Net asset value	11 397	10 240	1 157
Unrealised gains before tax	1 065	190	875
Share of portfolio invested outside Norway	32 %	30 %	+2 %-p
in listed companies	76 %	77 %	-1 %-p



Portfolio as of 30 June 2003

Principal holdings	Industry	Market value (NOK million)	Share of portfolio (%)	Share of equity (%)
Elkem	Metals	3 044	25.5	39.9
Storebrand	Insurance	802	6.7	10.0
DnB Holding	Bank	579	4.8	2.1
Norway Seafoods Holding ¹	Industrial	557	4.7	N/A
Norsk Hydro	Energy and materials	530	4.4	0.6
Industri Kapital 2000 ²	Investment	481	4.0	3.6
Rieber & Søn	Food	402	3.4	9.9
Industri Kapital 97 ²	Investment	348	2.9	8.0
Steen & Strøm	Real estate	316	2.6	11.3
Capio	Health care	299	2.5	6.4
Total principal holdings		7 358	61.6	
Market value of entire portfolio		11 943		

1) Not listed, bond

2) Not listed



Special topics

- Improvement programmes in Foods
- Hard discount



Targets 2005

- ◆ Cost reductions to be achieved: NOK 500 million*
 - Reduction of man-years: approx. 15%
- ◆ Top line growth of 3% on average
 - 5% for key brands
- ◆ Increase EBITA margin to approx. 10%
- ◆ A stronger and more focused organisation



* Annual pace by year-end 2004, compared to level in 2002.

Improvement through cost saving programmes.....

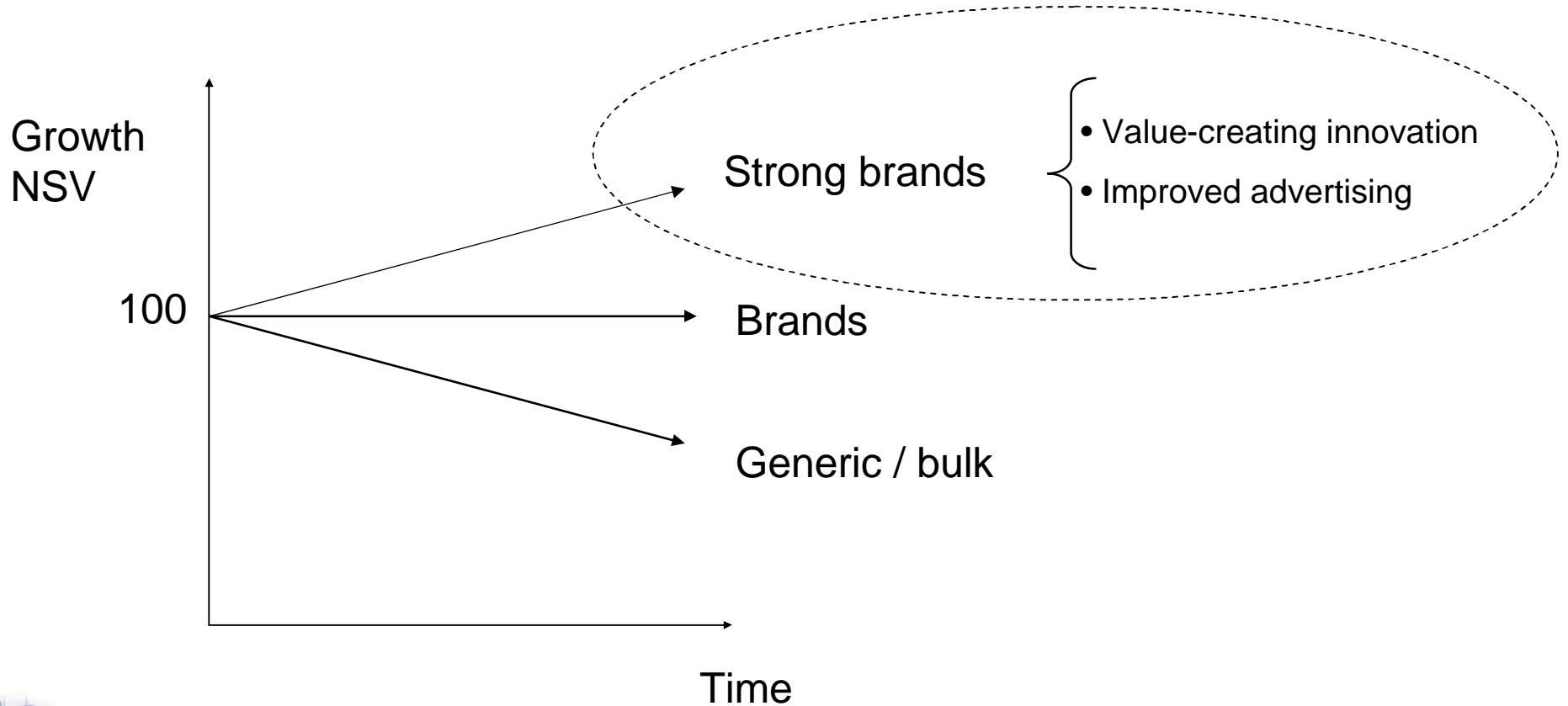
- ◆ Continuous improvement
 - Step-by-step changes and daily improvements
 - Focus in all business areas

- ◆ Redesign
 - Significant improvement programmes within current structure
 - Changes in processes and down-scaling of staff

- ◆ Structural projects
 - Efficient production – increased capacity utilisation
 - Closure of plants and transfer of production



.....and top line growth



Hard Discount

Assumptions:

- ◆ Chain concepts of this format will gain a foothold in the Nordic countries
- ◆ The new players will bring dynamics to the market
- ◆ The competitive climate will intensify



Hard Discount – Finland's experiences

- ◆ Lidl has approx. 40 outlets and a 2-3% market share one year after launch
- ◆ Lidl's share is significantly higher in its focal categories
- ◆ Lidl's range comprises approx. 1,000 product lines, 85% of which are private labels (11% produced in Finland the rest imported mainly from Germany)
- ◆ Offerings of private labels/price fighters in the trade have increased



Hard Discount – Orkla’s response

- ◆ Hard discount will primarily be regarded as a competitor
- ◆ Orkla’s strategy is to be a leading branded consumer goods provider, with a high level of innovation and advertising support to ensure category growth
- ◆ Private labels are not a focal area for Orkla, but we are not opposed to private labels in principle if win-win situations can be created for the trade and for Orkla
- ◆ Orkla companies’ efficiency will be improved across the entire value chain
 - Quicker pace of innovation (“a moving target”)
 - Cost reductions
 - Closer collaboration with chain profiles which focus on branded products



Hard Discount – Orkla's performance in Finland

- ◆ Leading brands well positioned to handle increased competition
 - Orkla Foods and Brands – more than 80% of turnover from no 1 positions
- ◆ Felix Abba
 - Maintained operating profit and margins after Lidl's entrance
 - No launches of new low-priced brands to compete with Lidl
- ◆ Sinebrychoff
 - Retained market share
 - Have introduced low priced beer distributed in traditional grocery stores
 - Lidl is estimated to increase the total market of beer



Hard Discount - Conclusions

- ◆ Hard discount will be treated as a challenging new competitor
- ◆ Too early to assess the long term impact
- ◆ Strong brands will manage, generic brands will lose
- ◆ Orkla is well positioned to face this challenge





ORKLA



Enclosures



Cash Flow Statement - key figures

in NOK million	1 Jan - 30 Jun		1 Apr - 30 Jun	
	2003	2002	2003	2002
Cash flow from operations	2 368	2 811	1 745	2 088
- <i>change in net working capital</i>	- 392	39	- 8	443
Net capital expenditure	- 776	- 668	- 386	- 258
Free cash flow Industry	1 143	1 598	1 163	1 474
Free cash flow Financial Investments	150	458	306	412
Taxes paid and miscellaneous	- 445	- 870	- 234	- 193
Cash flow before capital transactions	848	1 186	1 235	1 693
Dividends paid and share buy-back	-1 044	- 963	- 870	- 896
Cash flow before expansion	- 196	223	365	797
Expansion investments, Industry	- 277	- 364	- 227	- 155
Companies sold	883	74	698	74
Acquisitions	- 190	- 828	- 124	- 587
Net purchases/sales portfolio investments	1 262	- 588	1 020	- 26
Net cash flow	1 482	-1 483	1 732	103
Currency translation differences	-1 167	837	- 496	540
Change in net interest-bearing liabilities	- 315	646	-1 236	- 643
Net interest-bearing liabilities	19 201	19 778		



Balance Sheet - some key figures

in NOK million	30 Jun 03	31 Dec 02
Long-term assets	28 125	26 786
Portfolio investments etc.	10 983	11 998
Short-term assets	15 268	14 338
Total assets	54 376	53 122
Equity to total assets ratio		
- Book	37.1 %	35.2 %
- Incl. unrealised capital gains before tax	38.3 %	35.4 %
Net interest-bearing liabilities	19 201	19 516
Net gearing	0.95	1.04



Income Statement

NOK million	1 Jan - 30 Jun		1 Apr - 30 Jun	
	2003	2002	2003	2002
Operating revenues	21 489	21 451	11 619	11 173
EBITA	1 605	1 695	1 172	1 113
Goodwill amortisation	- 263	- 244	- 133	- 127
Other revenues and expenses	- 49	- 32	- 48	- 32
Operating profit	1 293	1 419	991	954
Associated companies	626	172	55	85
Dividends received	383	320	357	307
Portfolio gains	- 102	179	538	41
Financial items, net	- 478	- 587	- 210	- 309
Profit before tax	1 722	1 503	1 731	1 078
Profit after tax	1 257	1 097	1 263	787
- Minority interests	71	94	55	54



Currency translation effects in Q2-2003

<i>NOK million</i>	Revenues	EBITA
Foods	81	8
Beverages	-42	-25
Brands	16	2
Media	39	-3
Chemicals	-6	3
Total	89	-15

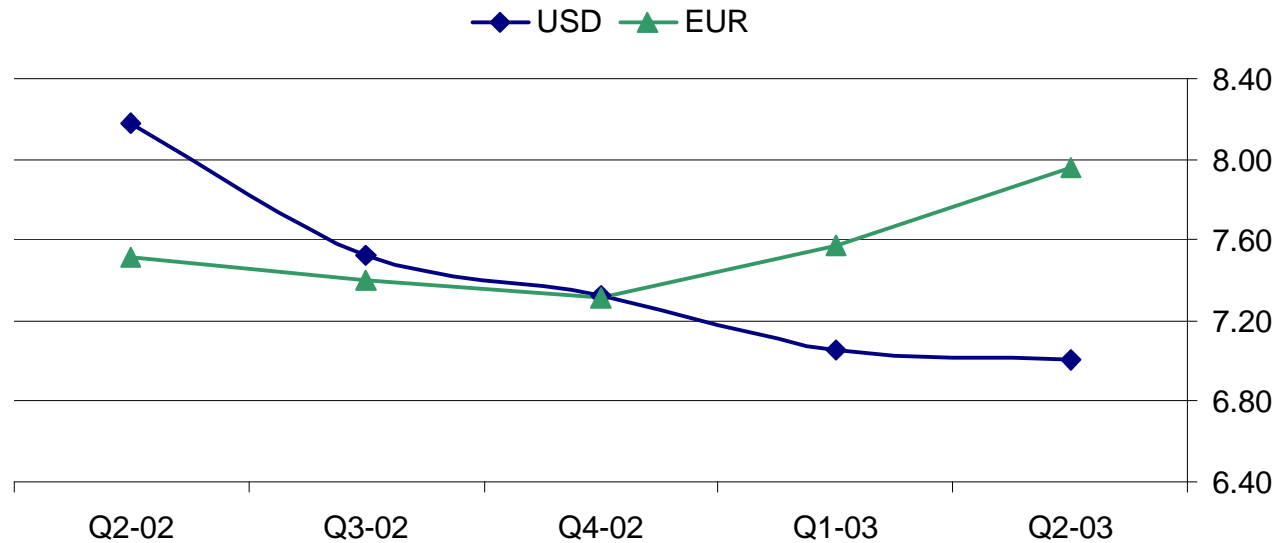
The above figures show translation effects only
(Figures for Beverages include RUR depreciation vs. DKK)



Currency translation effects

- ◆ Impact on revenues in Q2 is NOK +89 million, impact on EBITA is NOK -15 million

Performance of NOK versus USD and EUR



*) Primarily Branded Consumer Goods



Goodwill amortisation in Q2-03

<i>in NOK million</i>	Goodwill		
	EBITA amortisation		EBIT
Foods	241	-46	195
Beverages	493	-37	456
Brands	231	-10	221
Media	58	-39	19
Chemicals	160	0	160



Baltic Beverages Holding (50%)

in DKK million	1 Apr - 30 Jun		Change		1 Jan - 30 Jun		Change	
	2003	2002	Acc.	FX transl.	2003	2002	Acc.	FX transl.
Operating revenues	1 250	1 434	-13 %	5 %	2 051	2 383	-14 %	5 %
EBITA	343	414	-17 %	-1 %	453	635	-29 %	-15 %
EBITA-margin	27.4 %	28.9 %	-1.5 p.		22.1 %	26.6 %	-4.5 p.	



Financial items

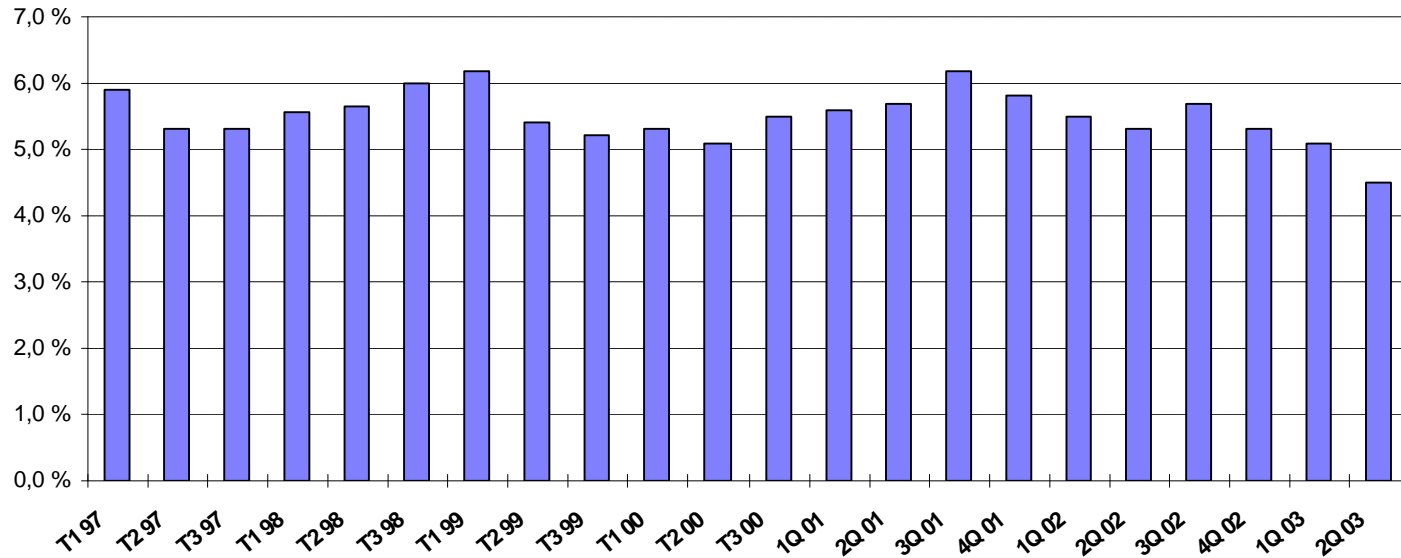


Financial items, Orkla Group

In NOK million	1 Jan - 30 June		Year
	2003	2002	2002
Net interest expenses	-420	-515	-997
Currency gain/loss	-4	-35	-85
Other financial items, net	-54	-37	-111
Net financial items	-478	-587	-1 193
Avg. net interest-bearing liabilities	19 565	19 762	19 455
Average interest rate	4.8 %	5.4 %	5.4 %

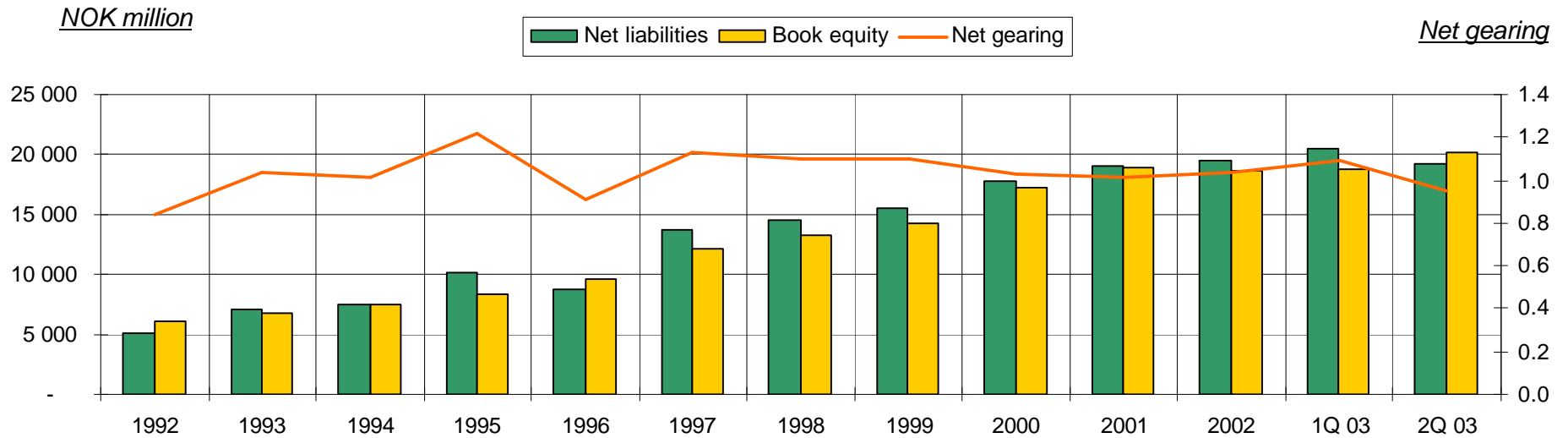


Average interest rate, Orkla Group



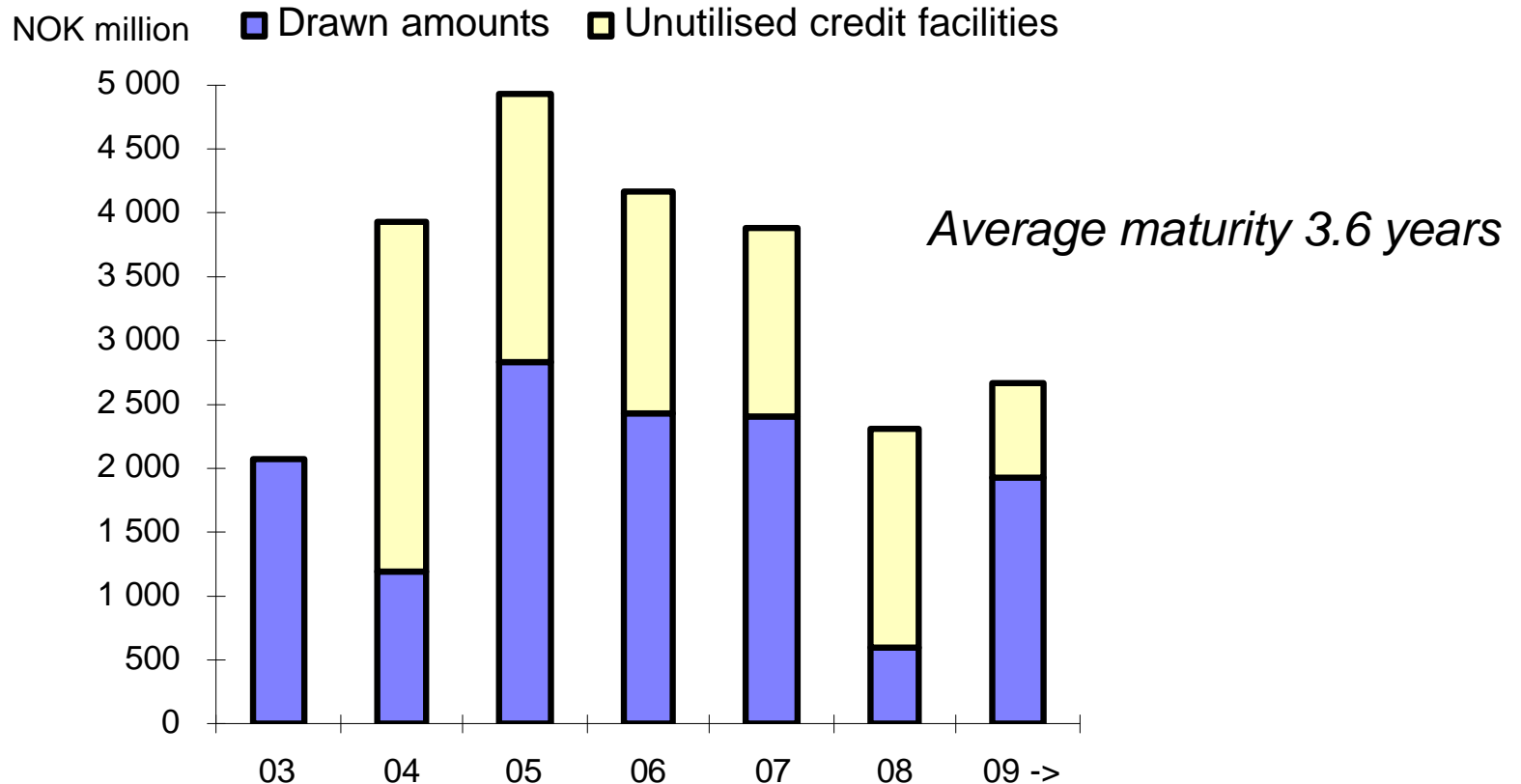
Equity and liabilities, Orkla Group

30 June 2003



Debt maturity profile, Orkla ASA*

30 June 2003



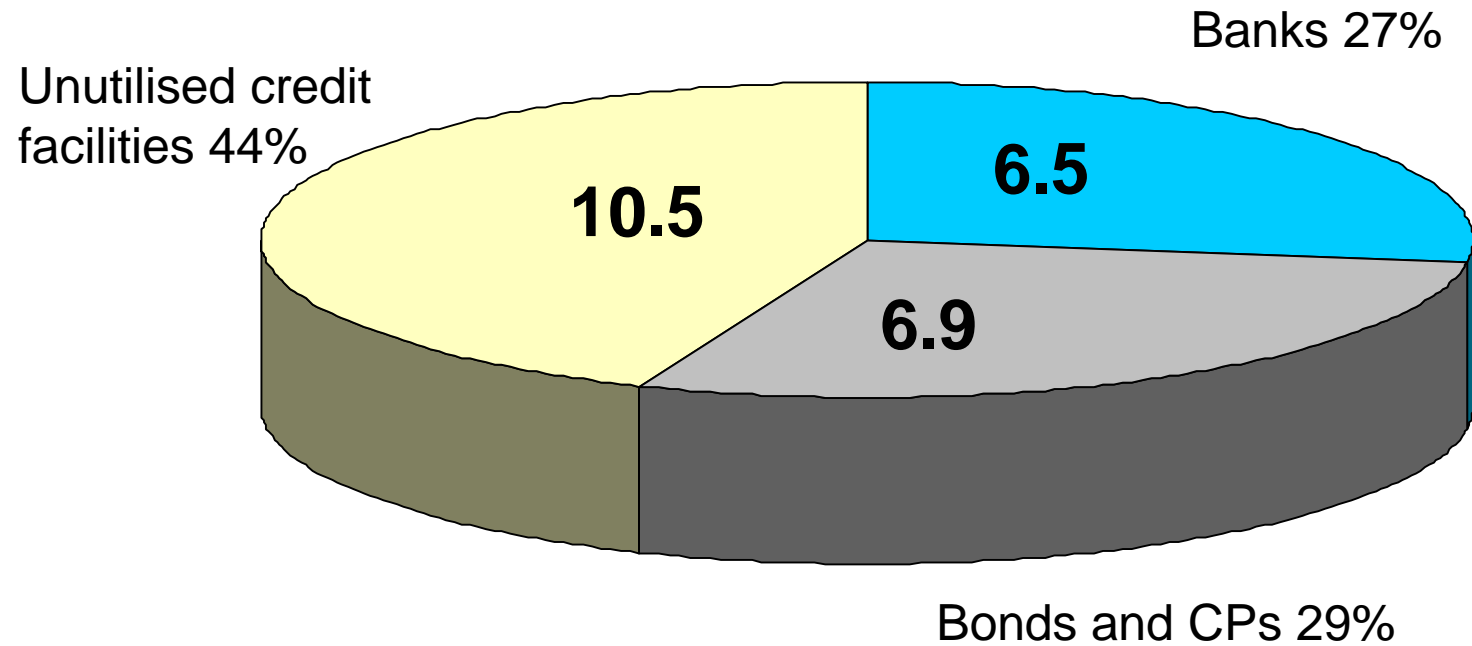
* Figures represent Orkla ASA only, i.e. do not include joint ventures like Carlsberg Breweries



Funding Sources, Orkla ASA*

30 June 2003

NOK billion



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