

Press Release



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Good progress for Orkla in the first half of 2004

Orkla achieved growth in both operating revenues and profit in the first half of this year. Cost reduction programmes, new product launches and a rise in advertising revenues for Orkla Media had a positive effect, while two strikes had a negative impact. Compared with the first six months of 2003, Group earnings per share, excluding the gain on the sale of Orkla's interest in Carlsberg Breweries, were up 19 per cent, amounting to NOK 6.8.

In comparison with the first half of 2003, Group operating profit before goodwill amortisation increased by NOK 105 million to NOK 1,226 million.

The Branded Consumer Goods business continued to grow. Second quarter's underlying growth¹ in operating profit before goodwill amortisation was 18 per cent. Denofa's weak quarterly results had a negative impact on profit for the Chemicals business. Furthermore, Denofa has written down inventories and raw material contracts by NOK 250 million. The write-down has been posted under "Other expenses".

The Financial Investments division received significantly higher dividends in the second quarter than in the corresponding period of last year, and also realised a substantial gain on the sale of property at Skøyen in Oslo. At the end of the quarter, the market value of the investment portfolio was NOK 15.9 billion, up almost NOK 1.2 billion since the beginning of the year².

"Most of our businesses are now on the right track. The steady focus on new products and cost control is bringing results. In addition we see an improvement of certain markets, particularly for Orkla Media," says Group President and CEO Finn Jebsen.

In the first half of 2004, Group operating revenues totalled NOK 15.7 billion, up from NOK 14.6 billion in the first half of last year. In the second quarter, Orkla's earnings per share amounted to NOK 4.0, compared with NOK 5.8 in the second quarter of 2003.

¹ Excluding acquisitions, divestments and currency translation effects.

² Due to the weak financial markets, a book loss on the portfolio of NOK 668 million was posted in 1Q2003. It was reversed in its entirety in 2Q2003. Excluding this technical adjustment in the second quarter of last year, profit for the Financial Investments division was higher in 2Q2004. In order to neutralise the effect of the write-down and write-up and various Easter effects, this press release has largely been written from a six-monthly rather than quarterly perspective.

BRANDED CONSUMER GOODS

- **Orkla Foods** posted operating profit before goodwill amortisation of NOK 446 million for the first six months of the year, up from NOK 385 million in the first half of 2003. In the second quarter, Stabburet in Norway, Abba Seafood in Sweden and Felix Abba in Finland and the Baltic States made a particularly strong contribution to the positive performance, while Procordia Food in Sweden and Beauvais in Denmark reported slightly weaker operating profit.
- **Orkla Brands** increased its operating profit before goodwill amortisation for the first half year from NOK 444 million to 464 million. For the second quarter, Orkla Brands reported positive margin and cost trends, plus positive effects from new launches and an improved product mix. Orkla Brands launched several new products in the first quarter. Market shares have changed only slightly compared with the first quarter.
- **Orkla Media's** operating profit before goodwill amortisation totalled NOK 172 million for the first six months, up from NOK 74 million last year. The rise in profit is largely ascribable to the newspaper businesses in Denmark and Norway. Berlingske continued to achieve significant profit growth in the second quarter compared with the corresponding period of last year, due to positive advertising and cost trends.

CHEMICALS

Borregaard's operating profit before goodwill amortisation for the first six months totalled NOK 212 million, compared with NOK 263 million last year. Borregaard reported good, stable results for its lignin business and improved prices and profit for speciality cellulose, but Denofa continued to be affected by the weak market situation and made a substantial loss. Operating revenues in the first half of 2004 totalled NOK 3.2 billion, equivalent to 1 per cent underlying growth¹ compared with last year.

FINANCIAL INVESTMENTS

At the end of the first six months, pre-tax profit for the Financial Investments division amounted to NOK 1.2 billion, compared with NOK 849 at the end of June last year. In the first half of 2004, the return on Orkla's investment portfolio was 11.5 per cent. This is lower than the Oslo Stock Exchange (19.6 per cent) but higher than most other stock exchanges. (FT World Index: 4.8 per cent.) At the end of June, the net asset value of the portfolio was NOK 15.3 billion, and unrealised gains totalled NOK 3.6 billion, compared with 2.9 at the beginning of the year.

¹ Excluding acquisitions, divestments and currency translation effects.

GROUP INCOME STATEMENT

Amounts in NOK million	1.1.–30.6.		1.1.–31.12.	1.4.–30.6.	
	2004	2003	2003	2004	2003
Operating revenues	15 738	14 560	30 160	7 854	7 536
Operating expenses	(13 894)	(12 838)	(26 495)	(6 866)	(6 551)
Ordinary depreciation and write-downs	(618)	(601)	(1 243)	(303)	(306)
Operating profit before goodwill amortisation	1 226	1 121	2 422	685	679
Ordinary goodwill amortisation and write-downs	(186)	(190)	(391)	(93)	(96)
Other revenues and expenses*	(112)	(50)	(790)	(112)	(50)
Operating profit	928	881	1 241	480	533
Profit from associates	102	603	658	56	42
Dividends	649	382	437	561	358
Portfolio gains	372	(102)	259	62	538
Financial items, net	(118)	(314)	(609)	(8)	(147)
Ordinary profit before tax	1 933	1 450	1 986	1 151	1 324
Taxes	(483)	(397)	(624)	(280)	(355)
Ordinary profit after tax	1 450	1 053	1 362	871	969
Gains/discontinued operations	12 529	152	574	0	251
Profit for the year	13 979	1 205	1 936	871	1 220
Of this minority interests	25	19	35	17	12
Profit before tax, Industry division	706	601	706	325	387
Profit before tax, Financial Investments division	1 227	849	1 280	826	937
Earnings per share (NOK)	67.6	5.7	9.2	4.1	5.8
Earnings per share fully diluted (NOK)	67.5	5.7	9.2	4.0	5.8
Earnings per share fully diluted, adjusted (NOK)**	8.2	7.1	16.2	5.0	6.6

To make the figures in 2003 comparable with the presentation of 2004, Orkla Beverages is presented on a single line as discontinued operation. The gain from Orkla Beverages in 2004 is presented on the same line.

* Other revenues and expenses totalled NOK -112 million in second quarter. This is related to write-downs of raw material stocks and contracts in Denofa (NOK -250 million), provision for restructuring in Chemicals (NOK -50 million) and gain on sale of properties (NOK 188 million).

** Excluding goodwill amortisation, other revenues and expenses and gain on sale of share in Carlsberg Breweries.

OPERATING REVENUES

OPERATING PROFIT BEFORE GOODWILL AMORTISATION

	1.1–30.6.		1.1.-1.12.	1.4.–30.6.		1.1.–30.6.		1.1-31.12.	1.4.–30.6.	
Amounts in NOK million	2004	2003	2003	2004	2003	2004	2003	2003	2004	2003
Orkla Foods	6 118	5 561	11 913	3 006	2 898	446	385	1 030	241	241
Orkla Brands	2 362	2 304	4 739	1 162	1 131	464	444	929	241	231
Orkla Media	4 011	3 589	7 378	2 041	1 863	172	74	242	118	58
Eliminations	(93)	(88)	(202)	(39)	(38)	0	0	0	0	0
Branded Consumer Goods	12 398	11 366	23 828	6 170	5 854	1 082	903	2 201	600	530
Chemicals	3 177	3 087	6 048	1 599	1 625	212	263	344	115	160
H.O./Unallocated/Eliminations	(43)	(48)	(66)	(21)	(22)	(88)	(52)	(131)	(38)	(16)
Industry division	15 532	14 405	29 810	7 748	7 457	1 206	1 114	2 414	677	674
Financial Investments										
division	206	155	350	106	79	20	7	8	8	5
Group	15 738	14 560	30 160	7 854	7 536	1 226	1 121	2 422	685	679

GROUP BALANCE SHEET

Amounts in NOK million	30.6. 2004	30.6. 2003	31.12. 2003
Intangible assets	3 850	4 072	3 728
Tangible assets	9 441	9 815	9 662
Discontinued operations	0	4 871	4 949
Financial long-term assets	6 599	2 174	2 176
Long-term assets	19 890	20 932	20 515
Inventories	3 024	3 212	2 996
Receivables	5 655	4 878	4 770
Portfolio investments	12 334	10 983	11 867
Cash and cash equivalents	1 690	701	1 276
Short-term assets	22 703	19 774	20 909
Total assets	42 593	40 706	41 424
Paid-in equity	2 011	2 009	2 010
Accumulated profit	25 491	17 217	11 569
Minority interests	234	243	247
Equity	27 736	19 469	13 826
Provisions	1 421	1 211	1 516
Long-term interest-bearing liabilities	6 232	12 436	13 038
Short-term interest-bearing liabilities	512	1 853	1 261
Other short-term liabilities	6 692	5 737	11 783
Equity and liabilities	42 593	40 706	41 424
Equity to total assets (%):			
Book	65.1	47.8	45.8*
Including unrealised gains before tax	67.8	49.2	49.4*

* Calculated before allocation to additional dividend.