

Press Release



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P.O. Box 423 Skøyen, N-0213 Oslo Telephone: +47-22 54 40 00 E-mail: info@orkla.no

Ref.: Ole Kristian Lunde
Rune Helland

Sr. VP Corporate Communications Tel.: +47 22 54 44 31
VP Investor Relations Tel: +47 22 54 40 00

Date: 19 February 2004

Growth for Orkla in 2003

Orkla's operating profit before goodwill amortisation was NOK 3.8 billion in 2003, up NOK 164 million from 2002. The entire Branded Consumer Goods business achieved good growth, while the Chemicals business had a challenging year. The value of the investment portfolio increased by NOK 3.4 billion in the course of the year, which represents a return of 29.8 per cent in 2003.

Group operating revenues in 2003 amounted to NOK 45.4 billion, an increase of 4 per cent after adjustments for currency translation effects. Operating profit before goodwill amortisation in the fourth quarter was NOK 996 million, 11 per cent higher than in the corresponding period of 2002. The Branded Consumer Goods business alone achieved 33 per cent growth.

For Orkla Foods, the positive trend seen earlier in the year continued in the fourth quarter. Stabburet in Norway, Procordia Food in Sweden and Felix Abba all produced good quarterly results. Orkla Brands had another strong quarter, with Confectionery and Dietary Supplements achieving the strongest profit growth. Orkla Beverages reported profit growth in the Nordic region. An eighteen per cent rise in beer sales volume in Russia in the fourth quarter was offset by higher costs and a weaker rouble, which all in all resulted in lower profit for Baltic Beverages Holding. Orkla Media reported broad-based profit growth in the fourth quarter, mainly in Norway and Denmark.

The results for the Chemicals business were affected by a loss of NOK 81 million in connection with soybean operations, NOK 28 million of which was a provision booked under other expenses. Continuing low prices on the general cellulose market and low sales of specialty products had a negative impact on the cellulose business, while underlying growth for the lignin business remained satisfactory. For the year as a whole, net realised gains on the investment portfolio totalled NOK 259 million. Unrealised gains increased by NOK 2.7 billion over the year. Group pre-tax profit for the year increased from NOK 2.4 to NOK 2.9 billion. Cash flow from operations rose 18 per cent to almost NOK 5 billion.

The advertising markets in Denmark now appear to be flattening out, but there is still uncertainty about how rapid and strong the upturn will be. Orkla Media has therefore decided to adopt a conservative approach and has written down goodwill in Berlingske by NOK 712 million to zero. This represents NOK 3.50 per share.

Orkla's earnings per share thus amounted to NOK 9.2, compared with NOK 7.7 the previous year. Adjusted for GW amortizations and other revenues and expenses the result amounted to NOK 16.2, vs. 10.6 the previous year. The Board of Directors proposes an ordinary dividend of NOK 4.00 per share, up from NOK 3.40 in 2002.

"The positive trend we saw in the second and third quarters continued in the fourth quarter and, with the exception of Chemicals, underlying profit growth for the quarter was satisfactory," says Group President and CEO Finn Jebsen.

"We are confident that Berlingske will reach its set targets, but we want to be precautionous and decided to do a goodwill amortisation. The Group results before GW amortizations were up by 11 per cent, and annual earnings per share adjusted for this was up by more than 50 per cent. This indicates a good underlying development."

BRANDED CONSUMER GOODS

- **Orkla Foods** reported operating profit before goodwill of NOK 1 billion in 2003, 14 per cent higher than in 2002. The improvement programmes are proceeding as planned and there is intensified focus on building the most important brands. For the full year, underlying operating revenues increased by one per cent compared with the previous year, to NOK 11.9 billion.
- **Orkla Beverages** (40 per cent of Carlsberg Breweries)
In 2003, Orkla's 40 per cent stake in Carlsberg Breweries represented operating profit before goodwill of NOK 1.41 billion, compared with NOK 1.36 billion in 2002. Operating revenues totalled NOK 15.2 billion, up from NOK 14.5 billion in 2002. Profit growth in the fourth quarter was boosted by gains on the sale of assets in Northern and Western Europe and continued good growth in Turkey and Poland. The Carlsberg brand achieved seven per cent volume growth.
- **Orkla Brands** increased its operating profit before goodwill amortisation from NOK 787 million to NOK 929 million. While this growth was broadly based, the main contributors were Confectionery and Biscuits. Profit growth was primarily driven by new product launches and internal rationalisation projects. In addition to many successful launches in 2003, launches carried out in 2002 also had a positive impact on sales and profit growth. Orkla Brands' operating revenues for 2003 totalled NOK 4.7 billion, up from NOK 4.5 billion in 2002.
- **Orkla Media's** operating profit before goodwill amounted to NOK 242 million, up from NOK 148 million the previous year. Magazines, with a strong rise in circulation for Her og Nå in particular, Berlingske and Newspapers Norway all achieved good growth. Orkla Media's sales totalled NOK 7.4 billion in 2003.

CHEMICALS

Borregaard's operating profit before goodwill amortisation was NOK 344 million in 2003, compared with NOK 537 million in 2002. The main reasons for the decline in profit were substantial losses for Denofa, lower volumes for several product groups, lower prices for standard cellulose and the weak US dollar. Operating revenues totalled NOK 6 billion, up from NOK 5.7 billion in 2002.

FINANCIAL INVESTMENTS

Pre-tax profit for the Financial Investments division amounted to NOK 336 million in the fourth quarter. Net realised gains in 2003 totalled NOK 259 million. While the Oslo Stock Exchange Benchmark Index rose 48.8 per cent and the FT World Index rose 25.8 per cent (adjusted for dividends), the return on Orkla's investment portfolio was 29.8 per cent in 2003. The largest single transaction in the fourth quarter was the purchase of shares in Rieber & Søn for NOK 176 million. In 2003 net sales of shares, primarily in Bergesen, Hafslund and Lindex, totalled NOK 765 million. The Financial Investments division's net asset value increased by NOK 3.4 billion to NOK 13.6 billion in the course of the year.

FINANCIAL SITUATION

Annual cash flow from operations totalled NOK 5 billion, NOK 745 million better than in 2002. The improvement is ascribable to a positive trend for working capital, a lower level of investment, and revenues from the sale of real estate and other assets in Carlsberg Breweries. The book equity to total assets ratio grew to 35.9 per cent.

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GROUP INCOME STATEMENT

	1.1.-31.12.		1.10.-31.12.	
Amounts in NOK million	2003	2002	2003	2002
Operating revenues	45 368	42 979	12 114	10 983
Operating expenses	(39 155)	(37 084)	(10 495)	(9 512)
Ordinary depreciation and write-downs	(2 386)	(2 232)	(623)	(574)
Operating profit before goodwill amortisation	3 827	3 663	996	897
Ordinary goodwill amortisation and write-downs	(538)	(499)	(140)	(134)
Other revenues and expenses*	(967)	(143)	(910)	(123)
Operating profit	2 322	3 021	(54)	640
Profit from associates	730	305	17	48
Dividends	437	369	53	16
Portfolio gains	259	(95)	289	(248)
Financial items, net	(881)	(1 193)	(226)	(331)
Profit before tax	2 867	2 407	79	125
Taxes	(815)	(630)	(62)	(14)
Profit after tax	2 052	1 777	17	111
Of this minority interests	151	166	22	7
Profit before tax, Industry division	1 587	2 067	(257)	303
Profit before tax, Financial Investments division	1 280	340	336	(178)
Earnings per share fully diluted (NOK)	9.2	7.7	0	0.5
Earnings per share fully diluted, adjusted (NOK)**	16.2	10.6	4.8	1.6

This quarterly report has been prepared in accordance with the same accounting principles as the annual accounts and in accordance with Norwegian Accounting Standard No. 11.

* Other revenues and expenses totalled net NOK -967 million per fourth quarter 2003. This is primarily related to goodwill amortisation in Berlingske and restructuring in Orkla Beverages, Orkla Foods and Denofa.

** Excluding goodwill amortisation and other revenues and expenses.

	OPERATING REVENUES				OPERATING PROFIT BEFORE GOODWILL AMORTISATION			
	1.1.–31.12.		1.10.–31.12.		1.1.–31.12.		1.10.–31.12.	
Amounts in NOK million	2003	2002	2003	2002	2003	2002	2003	2002
Orkla Foods	11 913	11 062	3 379	3 041	1 030	902	359	311
Orkla Beverages	15 208	14 516	3 873	3 471	1 405	1 364	261	165
Orkla Brands	4 739	4 500	1 289	1 222	929	787	262	222
Orkla Media	7 378	7 079	1 990	1 788	242	148	135	69
Eliminations	(202)	(157)	(64)	(48)	0	0	0	0
Branded Consumer Goods	39 036	37 000	10 467	9 474	3 606	3 201	1 017	767
Chemicals	6 048	5 726	1 522	1 381	344	537	26	131
H.O./Unallocated/Eliminations	(66)	(58)	4	(5)	(131)	(116)	(47)	(28)
Industry division	45 018	42 668	11 993	10 850	3 819	3 622	996	870
Financial Investments division	350	311	121	133	8	41	0	27
Group	45 368	42 979	12 114	10 983	3 827	3 663	996	897

GROUP BALANCE SHEET*

	31.12.	31.12.
Amounts in NOK million	2003	2002
Intangible assets	5 887	5 944
Tangible assets	17 942	17 131
Financial long-term assets	3 960	3 711
Long-term assets	27 789	26 786
Inventories	4 207	4 069
Receivables	8 627	8 091
Portfolio investments	11 867	11 998
Cash and cash equivalents	2 468	2 178
Short-term assets	27 169	26 336
Total assets	54 958	53 122
Paid-in equity	2 010	2 023
Accumulated profit	16 724	15 777
Minority interests	983	891
Equity	19 717	18 691
Provisions	2 547	1 897
Long-term interest-bearing liabilities	17 963	17 980
Short-term interest-bearing liabilities	3 463	4 463
Other short-term liabilities	11 268	10 091
Equity and liabilities	54 958	53 122
Equity to total assets (%):		
Book	35,9	35,2
Including unrealised gains before tax	39,1	35,4

* In addition to ordinary dividend of NOK 4.00 the Board of Directors has decided to pay an extraordinary dividend of NOK 25.00. The figures presented above is exclusive the effect of the extraordinary dividend, which will be included in the final annual accounts.