

# Press release



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## Marked progress in the third quarter

**Orkla's pre-tax profit in the third quarter was 37 per cent higher than in the corresponding period of last year. The Branded Consumer Goods business achieved profit growth during the quarter, while the Chemicals business was affected by difficult market conditions. Positive cash flow and low interest rates contributed to lower financial expenses.**

In the third quarter, Orkla's operating profit before goodwill amortisation was up 14 per cent compared with last year, amounting to NOK 1.2 billion. At the end of the first nine months, operating revenues totalled NOK 33.3 billion, NOK 1.3 billion higher than in the corresponding period of last year.

"Orkla's Branded Consumer Goods business has performed increasingly well throughout 2003. Profit growth continued for Orkla Foods and Orkla Brands, and Carlsberg Breweries also achieved good results in the third quarter. With respect to operational performance the quarter was an all time high," says Group President and CEO Finn Jebsen.

"Lower interest rates and strong financial markets also make a positive contribution. However, we anticipate a tougher competitive climate in future and our cost reduction and operational improvement programmes are therefore continuing in all business areas and in many countries," says Jebsen.

Orkla Beverages made the greatest progress in the third quarter, with especially positive profit growth in Turkey, Poland and Switzerland. In Russia, BBH reported an 11 per cent rise in volume for the quarter, but currency translation effects had a negative impact due to the decline in the value of the rouble against the euro.

Continued stock market growth led to a rise in the value of Orkla's investment portfolio. The return has been 14.1 per cent so far this year and at the end of the third quarter market value exceeded book value by more than NOK 1.4 billion.

### BRANDED CONSUMER GOODS

- **Orkla Foods'** operating profit before goodwill amortisation was NOK 671 million for the first nine months, compared with NOK 591 million for the corresponding period of last year. Both Stabburet in Norway and Procordia Food in Sweden made good progress. The results for the other areas were also better than or on a par with the first nine months of last year. Orkla Foods is seeing the results of cost improvement programmes.

- **Orkla Beverages** (40 per cent of Carlsberg Breweries)  
Orkla's share of Carlsberg Breweries generated operating profit before goodwill amortisation of NOK 1.1 billion, compared with NOK 1.2 billion last year. Carlsberg Breweries achieved volume growth in Southern Europe and Russia, and cost savings on several markets. At the end of the third quarter, operating revenues amounted to NOK 11.3 billion, compared with NOK 11.0 billion in the corresponding period of 2002.
- **Orkla Brands** reported operating profit before goodwill amortisation of NOK 667 million at the end of the third quarter. This is 18 per cent higher than in the corresponding period of last year. The most important contributions came from Biscuits and Confectionery. At the same time, revenues from Dietary Supplements increased on all the main markets.
- **Orkla Media** posted operating profit before goodwill amortisation of NOK 107 million for the first nine months, up from NOK 79 million last year. The newspaper businesses in Norway, Denmark and Poland achieved somewhat better results than in the corresponding period of last year. The magazine *Her og Nå* continued to grow. Orkla Media sold two newspaper businesses in Lower Silesia, Poland, in the third quarter.

## CHEMICALS

Borregaard's operating profit for the first nine months totalled NOK 318 million, down from NOK 406 million. The lignin business achieved good, stable profit. The other business areas were affected by weak markets, which led to negative profit growth. Improvement programmes and strict cost controls helped to limit the effects of the downturn.

## FINANCIAL INVESTMENTS

After rising 16.5 per cent in the first six months of the year, the Oslo Stock Exchange Benchmark Index rose a further 6.3 per cent in the third quarter. The Index was thus 23.8 per cent higher than at the end of last year. In the same period, the return on Orkla's investment portfolio was 14.1 per cent.

Pre-tax profit for the Financial Investments division is NOK 944 million so far this year, compared with NOK 518 million in the corresponding period of last year. Realised losses amounted to NOK 30 million, compared with realised gains of NOK 153 million last year. Dividends received totalled NOK 377 million, compared with NOK 339 million last year. At the end of the third quarter, the market value of the portfolio was approximately NOK 12.8 billion.

## FINANCIAL SITUATION

Free cash flow from operations in the third quarter amounted to NOK 1.7 billion, which is NOK 626 million better than in the third quarter of last year. Carlsberg Breweries reported particularly high cash flow, largely due to lower working capital and income from the sale of properties in the UK and Sweden.

The Industry division's expansion investments, which amounted to NOK 159 million, are mainly related to Carlsberg Breweries' operations. Acquired companies totalled NOK 107 million net. Divested companies, which amounted to NOK 123 million in the third quarter, are largely related to Orkla Media's sale of a real estate company in the Berlingske Group.

Net cash flow was NOK 824 million in the third quarter. Net interest-bearing liabilities were down NOK 1 billion.

## GROUP INCOME STATEMENT

Amounts in NOK million	1.1.–30.9.		2002	1.7.–30.9.	
	2003	2002		2003	2002
<b>Operating revenues</b>	<b>33 254</b>	31 996	42 979	<b>11 765</b>	10 545
Operating expenses	(28 660)	(27 572)	(37 084)	(9 933)	(8 928)
Ordinary depreciation and write-downs	(1 763)	(1 658)	(2 232)	(606)	(546)
<b>Operating profit before goodwill amortisation</b>	<b>2 831</b>	2 766	3 663	<b>1 226</b>	1 071
Ordinary goodwill amortisation and write-downs	(398)	(365)	(499)	(135)	(121)
Other revenues and expenses <sup>1)</sup>	(57)	(20)	(143)	(8)	12
<b>Operating profit</b>	<b>2 376</b>	2 381	3 021	<b>1 083</b>	962
Profit from associates	713	257	305	87	85
Dividends	384	353	369	1	33
Portfolio gains	(30)	153	(95)	72	(26)
Financial items, net	(655)	(862)	(1 193)	(177)	(275)
<b>Profit before tax</b>	<b>2 788</b>	2 282	2 407	<b>1 066</b>	779
Taxes	(753)	(616)	(630)	(288)	(210)
<b>Profit after tax</b>	<b>2 035</b>	1 666	1 777	<b>778</b>	569
Of this minority interests	129	159	166	58	65
Profit before tax, Industry division	1 844	1 764	2 067	971	769
Profit before tax, Financial Investments division	944	518	340	95	10
<b>Earnings per share fully diluted (NOK)</b>	<b>9.2</b>	7.2	7.7	<b>3.5</b>	2.4
<b>Earnings per share fully diluted, adjusted (NOK) <sup>2)</sup></b>	<b>11.4</b>	9.0	10.6	<b>4.3</b>	2.9

1) Other revenues and expenses totalled net NOK -57 million per third quarter 2003. This is primarily related to provision regarding improvements programmes in Orkla Foods.

2) Excluding goodwill amortisation and other revenues and expenses.

### OPERATING REVENUES

### OPERATING PROFIT BEFORE GOODWILL AMORTISATION

Amounts in NOK million	1.1.–30.9.		2002	1.7.–30.9.		2002	1.1.–30.9.		2002	1.7.–30.9.	
	2003	2002		2003	2002		2003	2002		2003	2002
Orkla Foods	8 534	8 021	11 062	2 973	2 692		671	591	902	286	239
Orkla Beverages	11 335	11 045	14 516	4 406	3 775		1 144	1 199	1 364	660	533
Orkla Brands	3 450	3 278	4 500	1 146	1 076		667	565	787	223	198
Orkla Media	5 388	5 291	7 079	1 799	1 671		107	79	148	33	32
Eliminations	(138)	(109)	(157)	(50)	(41)		0	0	0	0	0
<b>Branded Consumer Goods</b>	<b>28 569</b>	27 526	37 000	<b>10 274</b>	9 173		<b>2 589</b>	2 434	3 201	<b>1 202</b>	1 002
<b>Chemicals</b>	<b>4 526</b>	4 345	5 726	<b>1 439</b>	1 328		<b>318</b>	406	537	<b>55</b>	95
H.O./Unallocated/ Eliminations	(70)	(53)	(58)	(22)	(22)		(84)	(88)	(116)	(32)	(30)
<b>Industry division</b>	<b>33 025</b>	31 818	42 668	<b>11 691</b>	10 479		<b>2 823</b>	2 752	3 622	<b>1 225</b>	1 067
<b>Financial Investments division</b>	<b>229</b>	178	311	<b>74</b>	66		<b>8</b>	14	41	<b>1</b>	4
<b>Group</b>	<b>33 254</b>	31 996	42 979	<b>11 765</b>	10 545		<b>2 831</b>	2 766	3 663	<b>1 226</b>	1 071

**GROUP BALANCE SHEET**

Amounts in NOK million	30.9. 2003	30.9. 2002	31.12. 2002
<b>Assets:</b>			
Long-term assets	27 779	26 663	26 786
Portfolio investments etc.	11 477	12 064	11 998
Short-term assets	14 934	13 325	14 338
<b>Total assets</b>	<b>54 190</b>	<b>52 052</b>	<b>53 122</b>
<b>Equity and Liabilities:</b>			
Equity and minority interests	20 844	19 607	18 691
Interest-bearing liabilities	20 753	20 947	22 443
Interest-free liabilities and provisions	12 593	11 498	11 988
<b>Total equity and liabilities</b>	<b>54 190</b>	<b>52 052</b>	<b>53 122</b>
Equity to total assets (%):			
Book	38.5	37.7	35.2
Including unrealised gains before tax	40.0	37.8	35.4