

# Press release



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## Positive growth for Orkla

**Orkla's pre-tax profit in the first quarter totalled NOK 596 million, compared with NOK 779 million in the corresponding period last year. The Industry division continued to perform well and Orkla's operating profit before goodwill amortisation increased by 33% to NOK 561 million.**

The Group achieved growth in both the Branded Consumer Goods and Chemicals areas. Profit growth for Chemicals was driven by volume growth in the lignin business and generally favourable exchange rates. The fact that the pre-Easter sales came in the first quarter had a positive impact on the results from the Branded Consumer Goods business. The Financial Investments division reported lower realised portfolio gains than in the first quarter of last year and was also affected by the negative trend on the Norwegian and international stock markets.

The establishment of Carlsberg Breweries and the acquisitions of Det Berlingske Officin (Denmark) and Superfish (Poland) represent a significant expansion of the Orkla Group. Group operating revenues totalled NOK 10.4 billion in the first quarter, NOK 3 billion higher than in the first quarter of last year,

Carlsberg Breweries is now operational after the final agreement on the establishment of the company was signed on 13 February 2001. From the first quarter of this year, Orkla's Beverage business, represented by 40% of Carlsberg Breweries, has been consolidated as a jointly controlled business area. The first quarter is traditionally a slow sales period for the brewery industry. Carlsberg Breweries reported a 5% decline in profit in comparison with the pro forma figures for the first quarter of 2000.

The new Nordic structure for the snacks business, Chips Scandinavian Company, achieved positive profit growth. Newly acquired Superfish in Poland also got off to a good start and is performing better than expected. Berlingske is developing as anticipated but, as previously pointed out, in the next few years this investment will have a negative impact on profit after goodwill amortisation and financial items.

## **BRANDED CONSUMER GOODS:**

- **Orkla Foods** reported operating profit of NOK 128 million, up from NOK 89 million on the corresponding period last year. Operating revenues totalled NOK 2.7 billion in the first quarter. For continuing business, this represents a rise of 5% compared with last year. The rise in sales and profit in comparison with last year was largely due to the fact that a larger proportion of the pre-Easter sales took place in March this year. Market positions were largely maintained or strengthened.

Orkla Foods implemented a number of preventive measures in the first quarter of 2001 as a result of the outbreak of foot and mouth disease and BSE (mad cow disease). Orkla Foods purchases beef for approximately NOK 265 million a year, but has so far suffered little commercial damage as a result of these livestock diseases.

- **Orkla Beverages** (40% of Carlsberg Breweries). Operating profit before goodwill amortisation amounted to NOK 48 million, 5% lower than the pro forma figures for the first quarter of 2000. Increased operating revenues were partly due to Feldschlösschen Getränke and Carlsberg Breweries Thailand, which were not included in last year's figures, and a larger shareholding in Carlsberg Malaysia. Sales growth continued in Eastern Europe. Total operating revenues for the first quarter (40% basis) thereby totalled NOK 3.1 billion, approximately NOK 1 billion higher than the pro forma figures for last year. However, the trend in the three market areas varied significantly: volume and profit growth continued in Central and Eastern Europe, Asia developed as anticipated, while the trend in Northern and Western Europe was unsatisfactory.

Carlsberg Breweries' most important transactions since the agreement was signed on 31 May 2000 have been the acquisition of Feldschlösschen (Switzerland), the establishment of Carlsberg Asia and the takeover of Coca-Cola bottling in Denmark and Finland.

- **Orkla Brands** increased its operating profit to NOK 155 million, equivalent to 44% growth for continuing business. Operating revenues totalled NOK 1.2 billion. For continuing business this represents a rise of 13% compared with the first quarter of last year. While all units achieved profit growth, most of it was generated by Lilleborg Home and Personal Care and Confectionery. The rise in sales and profit were partly ascribable to Easter sales coming in the first quarter. Orkla Brands increased its profit levels throughout the last six months of 2000 and the profit growth in the first quarter of 2001 will not be representative of the year as a whole.
- Operating revenues for **Orkla Media** almost doubled after the acquisition of Berlingske, amounting to NOK 1.8 billion. Operating profit totalled NOK 40 million, equivalent to 6% growth for continuing business.

The newly acquired Berlingske (consolidated from 1 January 2001) is developing as expected. Advertising volume for the group's newspapers was lower than last year, although it declined less than the total market.

## **CHEMICALS:**

Borregaard's operating revenues totalled NOK 1.5 billion in the first quarter and were up 10% for continuing business. All business areas reported higher sales figures. Operating profit before other revenues and expenses was NOK 123 million, compared with NOK 79 million in the first quarter of last year. All areas also reported profit growth.

Fredrikstad Blikk- og Metallvarefabrikk was sold at the beginning of the year with an accounting gain of NOK 46 million. Borregaard plans to invest NOK 310 million in a new incineration plant for waste materials from cellulose and vanillin production. The plant will

support the specialisation strategy for the cellulose business and lead to environmental advantages in the form of environmentally sound production of steam, reduced emissions and less transport.

#### **FINANCIAL INVESTMENTS:**

After a 1.7% decline in 2000, the Oslo Stock Exchange All Share Index dropped a further 4.5% in the first quarter of 2001. The trend was also negative on the other Nordic markets. The Finnish stock market suffered the most significant decline, falling 36% in the first quarter. The return on Orkla's investment portfolio was down 9.6% in the first quarter. The investments in Nokia, Merkantildata, StepStone and Storebrand had the largest negative impact on profit, while Elkem made a positive contribution.

Book profit from the Financial Investments division amounted to NOK 377 million, compared with NOK 664 million in the corresponding period last year. Realised portfolio gains totalled NOK 243 million, compared with NOK 621 million last year. The net asset value of the share portfolio dropped NOK 1.8 billion to NOK 14.1 billion. The market value of the portfolio was NOK 16.1 billion at the end of the quarter. Foreign investments accounted for 37% of the portfolio. Unrealised gains amounted to just under NOK 3.5 billion.

#### **FINANCIAL SITUATION:**

Orkla's net interest-bearing liabilities have increased by NOK 2.6 billion to NOK 20.6 billion since the beginning of the year. The balance sheet total was NOK 55.2 billion and the book equity ratio 32.3%. If unrealised portfolio gains (before tax) are included, the equity ratio was 36.3%.

The Group's net cash flow at the end of the first quarter was NOK - 2.9 billion, which reflects the high rate of investment. The situation is characterised by the structural changes Orkla undertook in 2000, particularly in the Beverages business, with subsequent acquisitions. NOK 3.5 billion was charged against cash flow in the first quarter in connection with expansion investments and acquisitions by Carlsberg Breweries in the period 31 May 2000 - 31 March 2001.

For the Industry division, free cash flow from operations was NOK 549 million higher than last year, primarily as a result of higher operating profit and a reduction in net working capital.

#### **OUTLOOK:**

Orkla's Board of Directors points out that there is a great deal of uncertainty about the economic situation for US industry, and further developments will significantly affect economic growth in the rest of the world. Global growth is expected to be lower this year than in 2000, and this also applies to Orkla's main markets.

However, Orkla's Branded Consumer Goods business is less vulnerable to cyclical fluctuations than many other types of business.

In the second quarter alone, a correction is anticipated for Orkla's Branded Consumer Goods business after the positive impact of earlier Easter sales in the first quarter.

## Group Income Statement

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2001	2000	2000
Operating revenues	<b>10,405</b>	7,405	34,083
Cost of goods sold	<b>(4,134)</b>	(2,816)	(13,850)
Other operating expenses	<b>(5,167)</b>	(3,771)	(15,565)
Ord. depreciation and write downs	<b>(543)</b>	(397)	(1,618)
Operating profit before goodwill and other revenues and expenses	<b>561</b>	421	3,050
Goodwill amortisation and write-downs	<b>(109)</b>	(117)	(479)
Other revenues and expenses	<b>19</b>	40	36
<b>Operating profit</b>	<b>471</b>	344	2,607
Profit from associates	<b>63</b>	20	242
Dividends	<b>98</b>	15	555
Portfolio gains	<b>243</b>	621	2,727
Financial items, net	<b>(279)</b>	(221)	(960)
<b>Profit before tax</b>	<b>596</b>	779	5,171
Taxes	<b>(161)</b>	(209)	(1,388)
<b>Profit after tax</b>	<b>435</b>	570	3,783
Of this minority interests	<b>33</b>	14	182
Profit before tax, Industry area	<b>219</b>	115	1,816
Profit before tax, Financial Investments	<b>377</b>	664	3,355
<b>Earnings per share fully diluted (NOK)</b>	<b>1.9</b>	2.6	17.0
<b>Earnings per share fully diluted (NOK) *)</b>	<b>2.3</b>	3.1	19.5

\*) Excluding goodwill amortisation and non-recurring items.

Amounts in NOK million	OPERATING REVENUES			OPERATING PROFIT*)		
	1.1.-31.3.		1.1.-31.12.	1.1.-31.3.		1.1.-31.12.
	2001	2000	2000	2001	2000	2000
Orkla Foods	<b>2,706</b>	2,487	11,039	<b>128</b>	89	787
Orkla Beverages	<b>3,091</b>	1,400	7,424	<b>25</b>	(42)	712
Orkla Brands	<b>1,166</b>	1,080	4,586	<b>155</b>	101	543
Orkla Media	<b>1,843</b>	846	3,585	<b>40</b>	39	205
Elimination	<b>(43)</b>	(36)	(146)	<b>0</b>	0	0
<b>Branded Consumer Goods</b>	<b>8,763</b>	5,777	26,488	<b>348</b>	187	2,247
<b>Chemicals</b>	<b>1,529</b>	1,374	6,926	<b>123</b>	79	450
H.O./Unallocated/Elimination	<b>54</b>	55	252	<b>(34)</b>	(24)	(200)
Other revenues and expenses	<b>0</b>	0	0	<b>19</b>	40	36
Industry	<b>10,346</b>	7,206	33,666	<b>456</b>	282	2,533
Financial Investments	<b>59</b>	199	417	<b>15</b>	62	74
<b>Group</b>	<b>10,405</b>	7,405	34,083	<b>471</b>	344	2,607

\*) Other revenues and expenses totalled NOK 19 million in 1. quarter 2001: Gains from sale of Fredrikstad Blikk- og Metallvarefabrikk (NOK 46 million), as well as provisions for future demolition costs (NOK -27 million), both in Chemicals. 1. quarter 2000: Gains from sale of Viking Fottøy (NOK 70 million), and discontinuation of biscuit production at Kolbotn, Norway (NOK -30 million).

## Group Balance Sheet

	31.3. 2001	31.3. 2000	31.12 2000
Amounts in NOK million			
<b>Assets:</b>			
Long-term assets	28,152	21,603	24,696
Portfolio investments etc.	12,895	12,572	12,758
Short-term assets	14,152	9,274	11,193
<b>Total assets</b>	<b>55,199</b>	43,449	48,647
<b>Equity and Liabilities:</b>			
Equity and minority interests	17,829	14,893	17,301
Interest-bearing liabilities	24,094	19,505	19,746
Interest-free liabilities and provisions	13,276	9,051	11,600
<b>Total equity and liabilities</b>	<b>55,199</b>	43,449	48,647
Equity to total assets ratio (%):			
Book	32.3	34.3	35.6
Including unrealised gains before tax	36.3	46.0	42.0