

# Press Release



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## Growth for Orkla's Industry division

**Orkla's Industry division is developing positively, and first quarter operating profit before goodwill amortisation increased from NOK 561 million in 2001 to NOK 582 million this year. However, due to lower realised gains and dividends received, Orkla's pre-tax profit in the first quarter was reduced to NOK 425 million, compared with NOK 596 million for the corresponding period last year.**

Pre-tax profit from the Industry division was approximately 20 per cent higher than in the corresponding period last year, despite slow markets and lower profit from Orkla Media. The Beverages business reported the strongest growth.

“Orkla's industrial activities have had a good start this year, and we see a positive development apart from in Media. The fact that first quarter profit before tax has nonetheless declined is primarily because we have realised lower profit on sales of shares than in the corresponding period last year,” says President and Group CEO Finn Jebsen.

The Financial Investments division achieved a return of 5.1 per cent, compared with a negative - 9.6 per cent in the corresponding period last year. However, due to lower realised gains and dividends received than in the first quarter of 2001, book profit from the Financial Investments division was around NOK 200 million lower than last year.

For Orkla Media, the first quarter is seasonally the weakest, but profit for the period was nonetheless lower than expected. Advertising markets are still slow, particularly in Denmark and Poland. Profit was also affected by investments in the free newspaper Urban in Copenhagen. Staffing reductions and other cost-cutting measures have so far not been sufficient to offset the marked loss of revenue.

Despite the poor results from Media, the Industry division as a whole has nonetheless achieved growth. This is largely due to Beverages, which has reported higher volumes and profit in all market areas.

## **BRANDED CONSUMER GOODS:**

- **Orkla Foods** reported operating profit before goodwill amortisation of NOK 167 million, on a par with the corresponding period last year. First quarter operating revenues totalled NOK 2.7 billion. In nominal NOK, this is a slight decline, but for continuing business and adjusted for exchange rate fluctuations it is a rise of 4 per cent from last year. Stabburet, Procordia Food, Felix Abba, Beauvais and Orkla Food International all achieved profit growth compared with last year. The main product groups maintained or strengthened their positions.
- **Orkla Beverages** (40% of Carlsberg Breweries). Operating profit before goodwill amortisation amounted to NOK 141 million, up from NOK 48 million for the first quarter of 2001. While there was profit growth in all market areas, profit performance was particularly good in Western Europe and at BBH (Baltic Beverages Holding).  
Operating revenues rose by 3 per cent from the corresponding period last year, to NOK 3.2 billion. Growth is still strong at BBH, but Carlsberg Breweries has also achieved higher sales in most European markets. In total, its sales volume for beer increased by 21 per cent to 16 million hectolitres, while volumes for carbonated soft drinks and mineral water remained on a par with the corresponding period last year.
- **Orkla Brands** increased its operating profit before goodwill amortisation to NOK 175 million, almost 7 per cent higher than in the first quarter of last year. Operating revenues totalled NOK 1.1 billion, down two per cent from the corresponding period of 2001 when adjusted for currency effects. This is primarily due to weaker retail distribution for Household Textiles, coupled with the anticipated drop in export revenues for Lilleborg from its contract production for Unilever.
- Operating revenues for **Orkla Media** totalled just over NOK 1.7 billion. Operating profit before goodwill amortisation was NOK - 9 million, down from NOK 73 million in the first quarter of 2001. Orkla Media has implemented staffing reductions and other cost-cutting measures, but has been unable to fully offset weaker advertising markets, particularly in Denmark and Poland. No immediate improvement is anticipated in the situation in Orkla Media's market areas.

## **CHEMICALS:**

Borregaard's operating revenues totalled NOK 1.5 billion, on a par with the first quarter of last year. Operating profit before goodwill amortisation rose from NOK 127 million to NOK 140 million. Borregaard LignoTech achieved particularly good profit growth, while the other businesses reported profit close to or on a par with results for the first quarter of 2001.

## **FINANCIAL INVESTMENTS:**

After falling 14.6 per cent in 2001, the Oslo Stock Exchange Benchmark Index rose 7.1 per cent in the first quarter of 2002. The other Nordic markets performed poorly in the first quarter. The strongest decline was on the Finnish stock exchange, where share prices fell by 7.4 per cent.

The return on Orkla's investment portfolio was 5.1 per cent in the first quarter. The Group's investment in Elkem contributed positively to the return on the portfolio, while its investment in Storebrand had the most negative impact. The Financial Investment division's book profit before tax amounted to NOK 163 million, compared with NOK 377 million in the corresponding period last year. Realised gains totalled NOK 138 million, compared with NOK 243 million last year. Net asset value increased by NOK 709 million in the first quarter to NOK 13.2 billion. As of 31 March 2002, the market value of the investment portfolio was NOK 15.3 billion. Just over 30 per cent were foreign investments. Unrealised gains totalled NOK 3.3 billion.

## **FINANCIAL SITUATION:**

Since 31 December 2001, Orkla's net interest-bearing liabilities have increased by NOK 1.3 billion to NOK 20.4 billion. The balance sheet total is NOK 54.1 billion, and the book equity to total assets ratio

is 34.6 per cent. If unrealised capital gains before tax are included, the equity ratio increases to 38.4 per cent.

Capacity expansions at BBH account for most of the expansion investments in the Industry division, which totalled NOK 209 million. During the first quarter, Carlsberg Breweries increased its shareholdings in the businesses in Italy and South Korea to 100 per cent and 25 per cent, respectively. These purchases accounted for a significant proportion of Orkla's acquisitions in this period. The Group's net purchases of portfolio shares in the first quarter totalled NOK 562 million.

#### **OUTLOOK:**

Orkla generally maintains its views on the economic outlook for 2002. There are now relatively clear indications that the international slowdown has bottomed out. However, as regards Orkla Media, which has been hardest hit by slow markets, no significant improvement is expected in 2002. Despite a generally more positive view of future developments, uncertainty in the stock markets seems to have increased in the near term, and has been further aggravated by poor first quarter results in a number of sectors.

## Group income statement

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.
	2002	2001	2001
<b>Operating revenues</b>	<b>10,278</b>	10,405	44,799
Operating expenses	<b>(9,144)</b>	(9,301)	(38,965)
Ord. depreciation and write-downs	<b>(552)</b>	(543)	(2,148)
Operating profit before goodwill and other revenues and expenses	<b>582</b>	561	3,686
Goodwill amortisation and write-downs	<b>(117)</b>	(109)	(454)
Other revenues and expenses <sup>1)</sup>	<b>0</b>	19	28
<b>Operating profit</b>	<b>465</b>	471	3,260
Profit from associates	<b>87</b>	63	1,510
Dividends	<b>13</b>	98	545
Portfolio gains	<b>138</b>	243	(760)
Financial items, net	<b>(278)</b>	(279)	(1,302)
<b>Profit before tax</b>	<b>425</b>	596	3,253
Taxes	<b>(115)</b>	(161)	(773)
<b>Profit after tax</b>	<b>310</b>	435	2,480
Of this minority interests	<b>40</b>	33	211
Profit before tax, Industry area	<b>262</b>	219	3,363
Profit before tax, Financial Investments	<b>163</b>	377	(110)
<b>Earnings per share fully diluted (NOK)</b>	<b>1.3</b>	1.9	10.7
<b>Earnings per share fully diluted (NOK) <sup>2)</sup></b>	<b>1.8</b>	2.3	13.3

1) Other revenues and expenses totalled NOK 19 million in First 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.

2) Excluding goodwill amortisation and non-recurring items.

### Operating revenues

### Operating profit before goodwill amortisation

Amounts in NOK million	1.1.-31.3.		1.1.-31.12.	1.1.-31.3.		1.1.-31.12.
	2002	2001	2001	2002	2001	2001
Orkla Foods	<b>2,688</b>	2,706	11,133	<b>167</b>	169	952
Orkla Beverages	<b>3,195</b>	3,091	14,924	<b>141</b>	48	1,311
Orkla Brands	<b>1,132</b>	1,166	4,527	<b>175</b>	164	648
Orkla Media	<b>1,738</b>	1,843	7,453	<b>(9)</b>	73	294
Eliminations	<b>(39)</b>	(43)	(153)	<b>0</b>	0	0
<b>Branded Consumer Goods</b>	<b>8,714</b>	8,763	37,884	<b>474</b>	454	3,205
<b>Chemicals</b>	<b>1,527</b>	1,529	6,581	<b>140</b>	127	569
H.O./Unallocated/Eliminations	<b>(14)</b>	54	79	<b>(35)</b>	(35)	(117)
<b>Industry</b>	<b>10,227</b>	10,346	44,544	<b>579</b>	546	3,657
<b>Financial Investments</b>	<b>51</b>	59	255	<b>3</b>	15	29
<b>Group</b>	<b>10,278</b>	10,405	44,799	<b>582</b>	561	3,686

## Group Balance Sheet

Amounts in NOK million	<b>31.3.</b> <b>2002</b>	31.3. 2001	31.12. 2001
<b>Assets:</b>			
Long-term assets	<b>27,731</b>	28,152	28,434
Portfolio investments etc.	<b>12,182</b>	12,895	11,599
<u>Short-term assets</u>	<b>14,160</b>	14,152	14,612
<b>Total assets</b>	<b>54,073</b>	55,199	54,645
<b>Equity and Liabilities:</b>			
Equity and minority interests	<b>18,711</b>	17,829	18,957
Interest-bearing liabilities	<b>23,857</b>	24,094	22,712
<u>Interest-bearing liabilities and provisions</u>	<b>11,505</b>	13,276	12,976
<b>Total equity and liabilities</b>	<b>54,073</b>	55,199	54,645
Equity to total assets ratio (%):			
Book	<b>34.6</b>	32.3	34.7
Incl. unrealised gains before tax	<b>38.4</b>	36.3	37.8