

# Press release



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## Continued progress for Orkla

**Orkla's pre-tax profit increased to NOK 5.2 billion in 2000, up NOK 2.9 billion from 1999. The Financial Investments division made substantial gains on sales of shares, and profits from the Industry division improved significantly. While Chemicals and Beverages posted the largest increase in profit from the previous year, all business areas reported profit growth.**

Operating profit in the Industry division increased by 26 per cent to NOK 2.5 billion before other revenues and expenses. The Chemicals area was positively affected by both productivity improvements at the Sarpsborg plant and favourable market conditions. Orkla's brewery operations in Russia strengthened their market position, and reported substantial growth in both volume and profit.

2000 was a year of several historically important structural moves: the agreement with Carlsberg, which gives Orkla 40 per cent of the world's fifth largest brewery group, the acquisition of Det Berlingske Officin in Denmark, the establishment of a Nordic snacks company with the Finnish company Chips Oy and the merger of Orkla Finans and Enskilda Securities. Through Carlsberg Breweries, Orkla will be involved for the first time in developing one of the world's foremost brands.

Orkla's aggregate turnover rose by NOK 2.6 billion from 1999 to a total of NOK 34 billion. All business areas reported higher turnover. Continuing business posted growth of about 6 per cent. In the course of 2000, Orkla implemented several comprehensive cost reduction programmes in different parts of the Group. This process is achieving the desired results, thereby contributing to profit growth.

The Financial Investments division reported pre-tax profit of NOK 3.4 billion, compared with NOK 944 million in 1999. Net realised capital gains totalled NOK 2.7 billion, largely related to sales of sizeable Norwegian shareholdings. Unrealised capital gains were reduced by NOK 4.1 billion to NOK 5.4 billion, primarily as a result of the substantial realised gains. As of 31 December 2000, the Oslo Stock Exchange All Share Index was 1.7 per cent lower than at year-end 1999. Orkla's share portfolio showed a return of -1.5 per cent for the same period. In the last four months of the year, Financial Investments chose to write down its investment in parts of the US company, Holberg Industries, by over NOK 200 million.

The Group's earnings per share amounted to NOK 17.0 compared with NOK 7.9 in 1999. The Board of Directors proposes that a dividend of NOK 3.00 per share be paid for 2000, compared with NOK 2.50 in 1999.

## BRANDED CONSUMER GOODS

- **Orkla Foods** increased its operating profit for the year as a whole by 11 per cent to NOK 787 million. Profit for the last four months alone was up 19 per cent from 1999. Most divisions reported profit growth. Increased focus on category management and product mix management contributed to a favourable sales mix with emphasis on more profitable products. Cost-cutting measures have also had a positive impact, particularly for Procordia Food. Operating revenues totalled NOK 11 billion.
- **Orkla Beverages** posted a 48 per cent increase in operating profit from 1999 to NOK 712 million, while total turnover amounted to NOK 7.4 billion. Strong volume growth at Baltic Beverages Holding (BBH) and more cost-effective operations in Norway contributed to this improvement. Profit performance at Pripps was slightly weaker due to declining volumes and strong price competition in certain segments.

BBH increased its operating revenues by 65 per cent to NOK 2.6 billion (Orkla's share), and BBH breweries now have a 25 per cent share of the Russian market.

The agreement to transfer Orkla's beverage operations to the newly created company, Carlsberg Breweries, in which Orkla will have a 40 per cent shareholding, was signed in May 2000. The necessary regulatory approvals have now been obtained, and the company is in the process of organising and coordinating its activities. For the year 2000, Orkla will report its beverage business as before, but will also provide pro forma figures for Carlsberg Breweries.

- **Orkla Brands**'s operating profit rose by NOK 66 million to NOK 543 million. While good sales growth in Lilleborg Home and Personal Care contributed substantially to this increase, most businesses reported higher profit. This growth is largely related to systematic efforts to increase revenues, improve structures and reduce costs. Lilleborg Home and Personal Care, the biscuits business in Sweden and Confectionery have increased their market shares. Otherwise, market positions have remained relatively stable. The Snacks business has undergone significant structural changes, and Chips Scandinavian Company, 60 per cent of which is controlled by Chips Oy and 40 per cent by Orkla, was established with effect from 1 November 2000. The new constellation positions the Snacks business firmly in the Nordic market.
- **Orkla Media**'s operating profit for 2000 as a whole increased by 14 per cent to NOK 205 million for continuing business. In December, Orkla Media acquired Det Berlingske Officin, Denmark's largest newspaper company, which operates mainly in the printed media and Internet sectors. This acquisition makes Orkla Media the fifth largest media company in the Nordic region. The business will be consolidated into the income statement as of 15 December 2000, and will be included in the balance sheet as of 31 December 2000. Newspapers in both Poland and Norway/Sweden posted profit growth in 2000, primarily due to increased advertising volumes. Circulation figures are stable and workforce cuts have been carried out more rapidly than planned. In 2001, Hjemmet Mortensen has entered into an agreement to purchase all the shares of the Swedish company, Medströms Media AB. With a turnover of SEK 250 million, the company is one of Sweden's largest publishers of magazines for the consumer market. Direct Marketing posted weaker profit for the year as a whole than in 1999, but after comprehensive restructuring profit growth was reported for the last four months of 2000 alone.

## CHEMICALS

Operating profit rose by NOK 200 million from 1999 to NOK 450 million. Borregaard ChemCell posted particularly substantial profit growth after a weak year in 1999. Turnover increased significantly, totalling NOK 6.9 billion. A sizeable share of the increase derived from Denofa's production of soy flour and soy oil under contract in Brazil. This activity had only a marginal impact on profit, and will not be continued in 2001. The productivity enhancement programmes at the Sarpsborg and Fredrikstad plants have resulted in lasting improvements and are expected to achieve their full effect from 2001, as planned. Efforts to establish new structural solutions for Borregaard ChemCell have been completed. The process confirmed that ChemCell has a good market position. Borregaard has decided that continuing to operate on its own will generate the greatest value in the current situation.

## **FINANCIAL INVESTMENTS**

Pre-tax profit in the Financial Investments division totalled NOK 3,355 million, compared with NOK 944 million in 1999. Realised portfolio gains amounted to NOK 2.7 billion, compared with NOK 595 million the year before. Dividends received totalled NOK 548 million, compared with NOK 315 million in 1999. Large holdings of NetCom, Dyno and Elkjøp shares were sold in 2000, resulting in record-high book profit for the division.

In 2000 the net asset value of the share portfolio fell by NOK 623 million to NOK 16 billion. As of 31 December 2000, the market value of the portfolio was NOK 18 billion. Unrealised capital gains on the portfolio were reduced by NOK 4.1 billion to NOK 5.4 billion. However, this decline must be viewed in conjunction with the high book profit. While the Oslo Stock Exchange All Share Index ended the year at -1.7 per cent, the total return on Orkla's portfolio was -1.5 per cent.

The Orkla Finans group had a good year in 2000. The bulk of its contribution to Group profit comes from its holding of 22.5 per cent of Enskilda Securities, after the merger of Orkla's and Enskilda's brokerage operations in the first half of 2000.

## **FINANCIAL SITUATION**

Based on the balance sheet total of NOK 48.6 billion, the book equity ratio was 35.6 per cent. Including unrealised capital gains on the share portfolio (before tax), the equity ratio was 42 per cent. In the Industry division, a total of NOK 3.5 billion was spent on expansion investments and acquisitions in 2000 (NOK 1.2 billion in 1999).

Orkla's net interest-bearing debt increased by NOK 2.3 billion to NOK 18 billion. The increase in net interest-bearing debt must be considered in conjunction with the significant structural moves that have been made in the course of the year, and the continued substantial investments in increased capacity in the BBH system.

## GROUP INCOME STATEMENT

Amounts in NOK million	1.1.-31.12.		1.9.-31.12.	
	2000	1999	2000	1999
<b>Operating revenues</b>	<b>34,083</b>	31,492	<b>12,041</b>	11,315
Cost of goods sold	(13,850)	(12,376)	(4,918)	(4,444)
Other operating expenses	(15,565)	(15,022)	(5,533)	(5,425)
Ord. depreciation and write downs	(1,618)	(1,565)	(543)	(533)
Operating profit before goodwill and other revenues and expenses	<b>3,050</b>	2,529	<b>1,047</b>	913
Goodwill amortisation and write-downs	(479)	(443)	(157)	(147)
Other revenues and expenses	<b>36</b>	91	(4)	(2)
<b>Operating profit</b>	<b>2,607</b>	2,177	<b>886</b>	764
Profit from associates	<b>242</b>	114	<b>24</b>	17
Dividends	<b>555</b>	325	<b>181</b>	12
Portfolio gains	<b>2,727</b>	595	(319)	253
Financial items, net	(960)	(892)	(368)	(287)
Profit before tax	<b>5,171</b>	2,319	<b>404</b>	759
Taxes	(1,388)	(527)	(196)	(168)
<b>Profit after tax</b>	<b>3,783</b>	1,792	<b>208</b>	591
Of this minority interests	<b>182</b>	125	<b>53</b>	26
Profit before tax, Industry area	<b>1,816</b>	1,375	<b>512</b>	475
Profit before tax, Financial Investments	<b>3,355</b>	944	(108)	284
<b>Earnings per share fully diluted (NOK)</b>	<b>17.0</b>	7.9	<b>0.7</b>	2.7
<b>Earnings per share fully diluted (NOK)*</b>	<b>19.5</b>	9.7	<b>1.7</b>	3.4

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

Amounts in NOK million	OPERATING REVENUES				OPERATING PROFIT*)			
	1.1.-31.12.		1.9.-31.12.		1.1.-31.12.		1.9.-31.12.	
	2000	1999	2000	1999	2000	1999	2000	1999
Orkla Foods	<b>11,039</b>	10,757	<b>3,964</b>	4,066	<b>787</b>	709	<b>339</b>	285
Orkla Beverages	<b>7,424</b>	6,373	<b>2,407</b>	2,086	<b>712</b>	482	<b>116</b>	98
Orkla Brands	<b>4,586</b>	4,531	<b>1,699</b>	1,668	<b>543</b>	477	<b>226</b>	208
Orkla Media	<b>3,585</b>	3,332	<b>1,311</b>	1,206	<b>205</b>	171	<b>119</b>	98
Elimination	(146)	(151)	(70)	(61)	0	0	0	0
<b>Branded Consumer Goods</b>	<b>26,488</b>	24,842	<b>9,311</b>	8,965	<b>2,247</b>	1,839	<b>800</b>	689
<b>Chemicals**)</b>	<b>6,926</b>	5,621	<b>2,536</b>	1,961	<b>450</b>	250	<b>183</b>	112
H.O./Unallocated/Elimination	<b>252</b>	481	<b>97</b>	144	(200)	(114)	(92)	(90)
Other revenues and expenses	<b>0</b>	0	<b>0</b>	0	<b>36</b>	91	(4)	(2)
<b>Industry</b>	<b>33,666</b>	30,944	<b>11,944</b>	11,070	<b>2,533</b>	2,066	<b>887</b>	709
<b>Financial Investments**)</b>	<b>417</b>	548	<b>97</b>	245	<b>74</b>	111	(1)	55
<b>Group</b>	<b>34,083</b>	31,492	<b>12,041</b>	11,315	<b>2,607</b>	2,177	<b>886</b>	764

\*) The business areas' operating profit is shown exclusive of «Other revenues and expenses». Other revenues and expenses totalled NOK 91 million in 1999:

NOK +110 million in Orkla Foods and NOK -19 million in Chemicals.

Last four months 2000: NOK -29 million in Orkla Brands, NOK +65 million on sale of Viking Fottøy.

\*\*\*) Orkla's forest properties are moved from Chemicals to Financial Investments.

## GROUP BALANCE SHEET

	31.12. 2000	31.12. 1999
Amounts in NOK million		
<b>Assets:</b>		
Long-term assets	24,696	21,223
Portfolio investments etc.	12,758	11,375
Short-term assets	11,193	9,026
<b>Total assets</b>	<b>48,647</b>	41,624
<b>Equity and Liabilities:</b>		
Equity and minority interests	17,301	14,226
Interest-bearing liabilities	19,746	17,829
Interest-free liabilities and provisions	11,600	9,569
<b>Total equity and liabilities</b>	<b>48,647</b>	41,624
Equity to total assets ratio (%):		
Book	35.6	34.2
Including unrealised gains before tax	42.0	46.4