

THE TINE GROUP - ANNUAL REPORT AND ACCOUNTS 2003



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TINE – a high profile food group

TINE's comprehensive value chain impacts on almost all of Norway's economic activity. Nearly all Norwegians have an opinion of us and they nearly all eat one or more of our products. Many eat a lot of them. We supply everyday food of the highest quality. People have a positive impression of us. Our most loyal age group is in the 15 to 26 bracket. We also have a high profile presence abroad through Jarlsberg, which has an excellent reputation. Some 30 million people consume this cheese and consumption is rising. The only way to meet this demand is to produce the cheese abroad.

Our industry is state-of-the-art and our farmers take good care of their production plant. However, we still have problems with production levels at many of our plants. Within the drinks branch, we have insufficient variety in packaging, excess capacity in the tapping lines and inadequate storage capacity. We are working on this, and there will be casualties as a result. Laying off staff is never pleasant, however this is unfortunately inevitable. New jobs will also be created and our products are constantly becoming more refined.

Although TINE offers a wide range of products, consumers are constantly seeking greater choice. There is limited shelf space in the shops and the battle for space can almost be compared to a team sport; the better side does not always win. We are not complaining, but very few shops stock our entire product range. This is evident from the questions we receive on a daily basis from the public. We welcome diversity. Following the foundation of Ostecompagniet we are pleased to see the number of newly established cheese producers. This creates diversity and gives consumers greater choice.

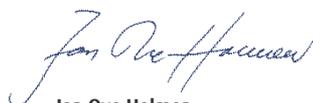
The farmers have formed a co-operative to market their high-quality products. So simple on the face of it and yet so difficult. Although there are several ways of organising this, within the dairy sector, co-operatives are more often the rule than the exception. I believe that TINE has come up with a model that works. In our opinion, conditions for TINE's competitors have been made easy by the authorities. Thanks to money available from the Agricultural Agreement, a number of milk producers are choosing to leave TINE. This is regrettable, as we believe that they too would benefit most from a strong TINE.

Given all the advantages of healthy competition we anticipate that the government will recognise the future value of having a strong food industry in Norway. Quite clearly this means that the government must do all in its power to sustain Norwegian agricultural production and that conditions become such that today's major players by Norwegian standards remain competitive in the face of future competition.

As owners, the farmers must make demands of TINE. Have we achieved anything by the formation of the group? I believe so. We were serious about the group model from the very beginning. It is not easy to establish the impact this has had on results, however the fact that owners and employees are pulling in the same direction is, in my view, more beneficial than we often think. Throughout the entire organisation, we have new control systems in place, whose effectiveness we will be able to calculate in twelve month's time.

We are able to demonstrate our results in another way in the year's Accounts. This presentation takes into account the change made to the market arrangement where TINE Raw Materials forms a separate area of accounting. This change has been successful, and what we are now able to show in the Accounts is really informative, especially for those who are not completely familiar with the structure of a co-operative.

For the owners, the milk producers, the effect we have had on milk prices is the most important figure, which is as it should be.



Jan Ove Holmen
CEO



TINE's vision, mission statement and goals

Our vision

"We will be Norway's most important creator of value"

Why we are Norway's most important creator of value

Many businesses in Norway create value, but not many of them can take on the role of the country's most important value creator. TINE can and will achieve this because:

- we have a large turnover and a large number of employees
- we are vital to the nation's economy
- we operate throughout the country and support less densely populated areas
- we maintain the beauty of the Norwegian landscape by protecting the countryside
- we create a valuable interplay between the Norwegian environment, Norwegian food and the Norwegian people
- we stand for good animal welfare
- we safeguard and develop Norwegian food culture
- we are one of the most important suppliers to grocery outlets
- we own Norway's strongest brands
- we have created one of Norway's few successful brands internationally - Jarsberg
- we develop new, exciting products and businesses
- we focus on quality throughout the food chain

Our mission statement

- TINE creates a valuable interplay between the Norwegian environment, Norwegian food and the Norwegian people
- TINE processes pure and natural raw materials for good and healthy food which consumers prefer and is Norway's leading food supplier
- TINE is a co-operative owned by Norway's milk producers

Our goals

1. To give our members the best possible milk price and a company with the power to do so in the future
2. To give our employees a company which focuses on the best and provides opportunities for the majority
3. To give our customers and consumers value for money
4. To provide the community with a company which creates sustainable food production.

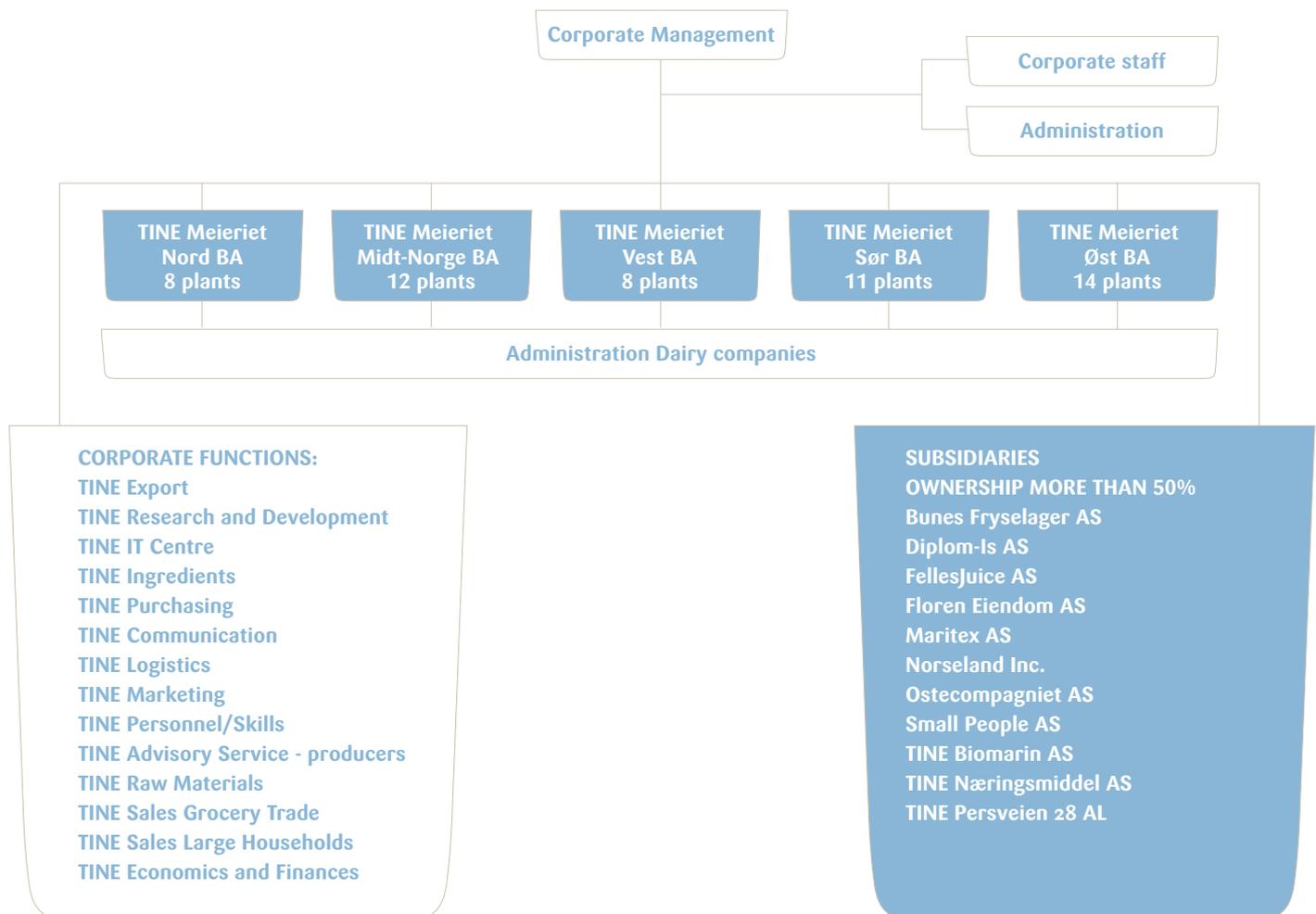
Key figures and organisational chart

Key figures for 2003

	2002	2003	
Milk producers			
– cows' milk, with delivery over the year	19.531	18.785	
Milk producers			
– goats' milk, with delivery over the year	613	603	
Dairy cows, total	286.164	279.287	
Dairy cows per herd	15,2	15,8	
Dairy goats, total	47.441	46.914	
Dairy goats per herd	76,6	78,3	
Output per cow, cow control	6.190	6.314	kg
Output per goat, goat control	577	576	kg
Average delivery per producer:			
cows' milk	75.943	78.893	litres
goats' milk	32.826	32.654	litres
Diary delivery:			
cows' milk	1.483	1.482	million litres
goats' milk	20,1	19,7	million litres
Price paid to the farmer for milk	3,46	3,54	NOK per litre

	2002	2003	
Turnover of the TINE Group, total	12,6	13,4	NOK billion
Turnover of TINE BA	10,0	10,1	NOK billion
Capital adequacy/equity ratio	50,0	48,0	%
Debt-equity ratio	1,0	1,0	
Average credit period	29,2	35,2	days
No. of employees:			
TINE BA	363	403	persons
The dairy companies	4.347	4.371	persons
Other companies	690	656	persons
TINE Group, total	5.400	5.430	persons

Organisation chart as at 1 January 2004



The Board of Director's report

TINE BA is the parent company in the co-operative TINE Group, which has its headquarters in Oslo. From Norwegian milk only, the group processes and sells milk and milk products. The Group has five regional dairy companies, as well as several wholly- and part-owned subsidiaries within the food industry. The Group also has a subsidiary in the US.

TINE BA is owned by approximately 19,400 milk producers. The TINE Group has 5,430 employees and an annual turnover of approximately NOK 13.4 billion.

The early years of the Group

The TINE Group has now been operational for two years. Our experiences to date show that we have succeeded in achieving a group mentality at every level. Within the owner organisation this is evident from the active participation in the forums where owners and management meet. We have organised both board conferences and council meetings where key topics have been discussed with employee representatives.

On the commercial side of the operation, time has been spent creating and putting into practice effective control and reporting systems for the entire Group. Throughout the year, the Board of Directors has followed the reporting in TINE Operations Control, TINE Vis, where monthly results are reported from a financial, customer and internal perspective.

Effective control systems have enabled us to achieve effective utilisation of raw materials and production capacity so as to optimise milk utilisation. On the whole, operating profits, together with sales and milk price to the owner, have fulfilled our expectations.

Our business strategy, TINE 2005, continues to be the fundamental management document. The Board of Directors considers that in accordance with the strategy's outlined goals, many measures were implemented to increase efficiency and innovation.

It is now time to look further ahead, and the Board of Directors and group management have begun a process to pave the way for our operations up to 2010.

Analyses were undertaken of the way in which the political and market conditions for TINE's operations may develop in this period. In conjunction with this, TINE's opportunities and limitations were reviewed. The conclusions of the strategy review are to produce goals and targets both for the commercial operations and the owner organisation. Owners and employees are kept continuously updated on the process in various forums. The strategy will be finally considered following the annual meeting in 2004.

Framework conditions

NEW SYSTEM OF MARKET ORGANISATION FROM 1 JANUARY 2004 Of the matters that are of importance to TINE's framework conditions, it is the problems relating to the Norwegian Ministry of Agriculture's regulations for the new system of market organisation in the milk sector that received the most attention in this year's report.

The Board of Directors is positive to the main aspects of the changes that have now been implemented as a result of one target price being set for all milk irrespective of use. However, there are other aspects



From left:
Anders Road and Aksel Njosen,
TMV Byrkjelo.

of the arrangement with which the Board disagrees in principle. These concern matters relating to the obligation to supply, return on capital, the distribution of fresh goods and the special subsidy schemes. The Board believes that it is wrong in principle to use TINE's intangible assets as the basis for the return on capital when calculating the target price. The Board of Directors made its response to these matters in its submission. It was emphasised that unless our points of view were taken into consideration, TINE would consider relinquishing its responsibilities as market regulator.

In November the parties to the agreement agreed on a common protocol that sets a new target price for milk at NOK 3.75 per litre applicable from 1 January 2004.

TINE's comments were not taken into account. In its final review of the matter, the Board of Directors still disagrees in principle with the way in which the capital basis is calculated when setting the target price, but emphasises that TINE accepts its responsibility following the implementation of a negotiated agricultural agreement. Following meetings held with parties to the agreement representing agriculture, there is reason to believe that neither intangible capital nor the size of the interest rate in this respect will be subject to future assessment or calculations.

ESTABLISHMENT OF TINE RAW MATERIALS In conjunction with the implementation of the new system of market organisation for milk, it became necessary to establish a clear administrative and accounting division between raw materials handling and further processing at TINE. This resulted in the foundation of a separate unit, TINE Raw Materials, which became operational on 1 January 2004.

The establishment of TINE Raw Materials and the use of a new common Movex version changed the internal division of labour and roles at TINE. The main processes in TINE's logistics will be totally integrated through the use of a common control system at group level.

An agreement has been entered into between Norway's State Agricultural Administration and TINE to secure the requirements of the division of administration and accounting at TINE Raw Materials.



Jostein Frøyland
Chairman of the Board
Region South



Ole Martin Pettersen
Deputy Chairman
Region North



Steinar Grimsrud
Region East



Tor Inge Eidesen
Region South



Wenche Stuvland Knjgh
Region North



Terje Falstad
Region Central Norway



Eva Kaldahl
Region Central Norway

WTO The Board of Directors has been kept up-to-date on the ongoing round of negotiations at WTO. The outcome of the Council of Ministers meeting in Cancun in September 2003 resulted in a breakdown in negotiations. The breakdown was not over agriculture-related issues, but over issues concerning, for example, international competition rules, investments and government purchasing. The cause of the breakdown was the source of major discord between industrialised countries and developing countries. In a WTO meeting in Geneva in December attempts were made to resolve the negotiations, without success. As the situation stands today, little progress is likely to be made on the negotiating front in 2004. There is no doubt that the proposal put forward in Cancun will have major negative consequences for Norwegian agriculture and the Norwegian food industry.

The market

MILK PRODUCTION Total production in 2003 amounted to 1,482 million litres of cows' milk and 19,7 million litres of goats' milk, 1.0 million litres less cows' milk and 0.4 million litres less goats' milk than in 2002.

THE COMPETITIVE SITUATION Today TINE faces competition at all levels of its value chain. It is important for the Board of Directors to emphasise the significance of the fact that TINE is owned by the milk producers. In 2003 151 milk producers moved elsewhere, whilst two milk producers returned to TINE.

SALES The Board of Directors has received regular reports regarding developments in sales. In order to maintain TINE's market shares in the face of increasingly tougher competition, it is important that we continue to develop the TINE brand name, whilst at the same time investing in innovation and creativity.



EQUAL OPPORTUNITIES TINE BA has a good ratio of male to female workers, 53% women and 47% men. TINE's management group comprises three women and seven men and the Board consists of eleven men and three women. The women represent the owners' interests. In 2003 an Equal Opportunities co-ordinator was appointed for TINE, upon the initiative of the Norwegian Agriculture Co-operative, in order to lay the foundations for equal opportunities. We have focussed on the appointment of women to key positions. In 2003 TINE paved the way for diversity in our staff and will continue to focus on this in the future.

In 2004 we will aim to increase the number of female managers at TINE, and also offer motivational courses to women willing and able to take on senior positions. At the same time we will make every effort to rectify discrepancies in pay in order to achieve equal pay for equal work and responsibility, regardless of gender. We will also make every effort to adapt work time arrangements and benefits for employees with parental responsibilities. Men will be encouraged to utilise their rights to paternity leave following the birth of a child.



From left: Oskar Aarnes and Svein Gryttingslien, TMØ Frya.

Our experience in 2003 has made us realise that in both areas of investment we need to reorganise our commitments. Within the seafood project we agreed with Norsk Kjøtt that Fjordland should take over the operations of Marian Seafood. This enabled us to strengthen the sales and marketing resources for this work. At the same time Marian's holdings in Sunnfisk in Fosnavågen were shared equally between TINE BA and Norsk Kjøtt. As regards marine ingredients, TINE BA contributed to a refinancing of the operation in Maritex AS in Vesterålen. The operation is now 100% owned by TINE BA. This resulted in a charge of NOK 24.9 million to the TINE Group. TINE is now fully committed to developing the company further. We believe that it now has a healthy financial basis and will develop the market sector for marine ingredients by integrating it within TINE Ingrediens from the turn of the year 2003/04.

Other current issues

MARINE INVESTMENTS Two years have passed since TINE decided to invest in two areas in the marine sector, namely fresh seafood and marine-based ingredients. The ambitious goals for these investments remain unchanged, and this year we have been able to confirm our prediction that it will take us a few more years until we can achieve commercial success.

INVESTMENT IN NORDIC ICE CREAM During the course of spring 2003, the Board of Directors approved the acquisition by Diplom-Is AS of 50% of the shares in the Swedish company Triumf Glass. A key element of this takeover was that operations in Triumf Glass and the Swedish operations of Diplom-IS were simultaneously co-ordinated, in order to achieve economies of scale in Sweden and to lift marketing activities beyond a financially critical level. As a result, Diplom-Is is the largest producer of ice cream in Scandinavia.

Oslo, 23 February 2004
The Board of Directors of TINE BA

Jostein Frøyland
Jostein Frøyland
Chairman of the Board

Marit Bårnes
Marit Bårnes

Svein E. Bekken
Svein E. Bekken

Tor Inge Eidesen
Tor Inge Eidesen

Terje Falstad
Terje Falstad

Ola K. Feste
Ola K. Feste

Eva Kaldahl
Eva Kaldahl

Wenche Stuvland Knygh
Wenche Stuvland Knygh

Kjell Mjaatvedt
Kjell Mjaatvedt

Fredmund Sandvik
Fredmund Sandvik

Jan Ove Tryggestad
Jan Ove Tryggestad

Egil Torland
Egil Torland

Steinar Grimsrud
Steinar Grimsrud

Ole Martin Pettersen
Ole Martin Pettersen

Jan Ove Holmen
Jan Ove Holmen
CEO



Ola K. Feste
Region West



Jan Ove Tryggestad
Region West



Marit Bårnes
Region East



Fredmund Sandvik
Region Central Norway



Egil Torland
Region South



Svein E. Bekken
Region South



Kjell Mjaatvedt
Region West

Profit and loss account

In NOK 1,000

TINE GROUP			TINE BA	
2003	2002		2003	2002
		OPERATING REVENUES		
12 483 282	11 787 250	Sales revenue, finished goods	4 258 906	4 115 488
481 105	369 675	Sales revenue, raw materials for processing	5 632 905	5 621 661
479 865	491 009	Other operating revenues	238 539	264 313
13 444 252	12 647 934	TOTAL OPERATING REVENUES	10 130 350	10 001 462
		OPERATING EXPENSES		
5 216 935	5 122 188	Purchase of raw materials from producer	5 216 935	5 122 188
398 101	347 590	Purchase of finished goods	3 831 322	3 888 875
1 965 513	1 810 760	Packaging, additives, adjuvants, charges, etc	115 021	89 782
2 344 687	2 188 227	Staff expenses	226 244	189 725
484 106	465 279	Ordinary depreciation	141 719	114 381
23 051	0	Write-down fixed operating assets	5 059	0
2 755 448	2 595 970	Other operating expenses	763 164	803 811
13 187 841	12 530 014	TOTAL OPERATING EXPENSES	10 299 464	10 208 762
256 411	117 920	OPERATING LOSS	-169 114	-207 300
		FINANCIAL INCOME/EXPENSES		
0	0	Income on investments in subsidiary companies	341 773	188 112
0	0	Interest received from group companies	95 124	162 109
173 068	154 443	Other financial income	145 544	112 935
10 297	-21 308	Value change of market-based financial current assets	1 665	-10 746
3 708	3 669	Loss on investments in associated companies	-3 212	0
1 269	59 036	Write-down of financial assets	55 967	96 868
250 583	153 899	Other financial expenses	195 542	88 872
-72 195	-83 469	FINANCIAL ITEMS, NET	335 809	266 670
184 216	34 451	PROFIT FOR THE YEAR BEFORE TAX	166 695	59 370
8 784	19 185	Taxes	30 988	11 129
175 432	15 266	PROFIT FOR THE YEAR	135 707	48 241
		Transfers:		
		Paid to milk producers	105 147	79 979
		Transferred to/from funds	30 560	-31 738
		TOTAL TRANSFERRED	135 707	48 241
		Net group contributions paid to subsidiaries	94 075	21 392

Balance sheet

In NOK 1,000

TINE GROUP			TINE BA	
2003	2002		2003	2002
		ASSETS		
		Intangible assets		
-	1 521	Deferred tax assets	24 988	11 239
5 120	10 240	Goodwill	0	0
11 906	8 437	Other intangible assets	0	0
17 026	20 198	TOTAL INTANGIBLE ASSETS	24 988	11 239
		FIXED ASSETS		
		Tangible fixed assets		
1 376 760	1 300 971	Land, dwellings, cabins and buildings	1 223 833	1 223 270
1 812 462	1 730 306	Machinery, fixtures, means of transport	156 933	146 815
3 189 222	3 031 277	TOTAL TANGIBLE FIXED ASSETS	1 380 766	1 370 085
		FINANCIAL ASSETS		
1 484	371	Investments in subsidiary companies	924 134	862 836
-	0	Loans to group companies	1 895 579	1 578 108
98 937	100 824	Investments in associated companies	52 897	64 055
30 275	27 139	Other shares/units	29 955	22 922
656 376	654 279	Pension funds	61 956	63 533
65 954	59 897	Bonds/other long-term receivables	2 939	56 879
853 026	842 510	TOTAL FINANCIAL ASSETS	2 967 460	2 648 333
4 042 248	3 873 787	TOTAL FIXED ASSETS	4 348 226	4 018 418
		CURRENT ASSETS		
1 318 172	1 202 852	Stock in hand	2 798	96 596
		RECEIVABLES		
1 424 101	1 205 655	Accounts receivable from customers, external	619 272	548 878
0	0	Internal receivables	1 493 867	1 081 727
0	0	Internal receivables group contributions	338 735	160 133
116 245	120 251	Other short-term receivables	31 568	11 932
80 079	107 526	VAT credit	84 715	-5 781
1 620 425	1 433 432	TOTAL SHORT-TERM RECEIVABLES	2 568 157	1 796 889
89 857	139 853	Bonds/Investments in money-market securities	18 219	76 848
215 715	262 863	Bank deposits, cash	0	0
3 244 169	3 039 000	TOTAL CURRENT ASSETS	2 589 174	1 970 333
7 303 443	6 932 985	TOTAL ASSETS	6 962 388	5 999 990

Balance sheet

In NOK 1,000

TINE GROUP			TINE BA	
2003	2002		2003	2002
		LIABILITIES AND SHAREHOLDERS' EQUITY		
		Shareholders' equity		
		Subscribed equity:		
12 316	12 406	Unit/share capital	12 316	12 406
12 316	12 406	TOTAL SUBSCRIBED EQUITY	12 316	12 406
		Accrued equity:		
0	0	Reserve for valuation variances	10 578	10 578
3 523 101	3 452 942	Other equity	3 272 895	3 242 381
3 523 101	3 452 942	TOTAL ACCRUED EQUITY	3 283 473	3 252 959
3 535 417	3 465 348	TOTAL EQUITY	3 295 789	3 265 365
		LONG-TERM LIABILITIES		
		Provision for liabilities		
179 607	176 062	Pension commitments	26 869	24 956
49 204	105 594	Deferred tax liabilities	0	0
228 811	281 656	TOTAL PROVISION FOR LIABILITIES	26 869	24 956
		OTHER LONG-TERM LIABILITIES		
840 574	771 746	Debts to credit institutions	710 301	662 268
491 154	9 186	Other long-term liabilities	459 825	8 882
1 331 728	780 932	TOTAL OTHER LONG-TERM LIABILITIES	1 170 126	671 150
1 560 539	1 062 588	TOTAL LONG-TERM LIABILITIES	1 196 995	696 106
		CURRENT LIABILITIES		
495 345	474 423	Debts to credit institutions	440 976	332 851
		CREDITORS		
656 720	742 320	Debts to milk producers	656 633	738 504
-	0	Debts to group companies	749 610	649 075
526 412	621 792	Creditors	373 311	176 899
1 183 132	1 364 112	TOTAL CREDITORS	1 779 554	1 564 478
24 527	8 986	Tax payable	12 761	6 687
311 178	306 423	Tax withholdings, duties, holiday allowances, etc	43 180	51 041
		Internal liabilities group contributions	130 660	29 711
193 305	251 105	Other current liabilities	62 473	53 751
2 207 487	2 405 049	TOTAL CURRENT LIABILITIES	2 469 604	2 038 519
7 303 443	6 932 985	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6 962 388	5 999 990

Oslo, 23 February 2004


Jostein Frøyland
Chairman of the Board


Marit Bårnes


Svein E. Bekken


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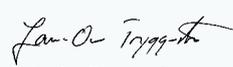

Eva Kaldahl

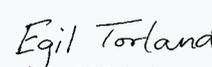

Wenche Stuvland Knygh


Ole Martin Pettersen


Kjell Mjaatvedt


Fredmund Sandvik


Jan Ove Tryggestad


Egil Torland


Jan Ove Holmen
CEO

Report on activities in the TINE Group

TINE has a clear vision; to be Norway's most important creator of value. We have formulated our values and vision of the reputation we seek. We work consciously to abide by our work ethics. We refer back to our vision and values as often as possible and evaluate our work and activities according to these. In all our communications, TINE's reputation is paramount. Although we are proud of the fact that we have come top in MMI's profile survey for several years running, we know that our work requires constant care and attention if we are to avoid the long hard fall from favour.

As a major player in the food industry, TINE has an important obligation to abide by and fulfil all official requirements and regulations. In particular, this applies to food safety and environmental matters in all sections of the value chain, both internally and externally. You can read more about how TINE is fulfilling these obligations in TINE's environmental and social report, which should be read in conjunction with TINE's annual report.

MAIN POINTS On the whole, the operating profit, sales and milk price offered to the TINE farmer in 2003 were satisfactory in view of market conditions. This is largely explained by the sales results, good control of cost development and continued strong management of the raw materials utilisation and production capacity.

The main challenges ahead are to reverse the stagnation in some product categories, create growth through new product launches and innovations and further improve cost management through the use of new management systems, amongst other things.

TINE AND THE MARKET TINE is above all a major food group, offering a wide range of products. With our 1,100 or so different product lines, you might be inclined to think that the market is saturated; however consumers are constantly demanding more choice. We welcome diversity and have therefore founded Ostecompagniet as a separate subsidiary to secure the interests of all TINE's niche products, also those of other cheese producers.



FOCUSING ON FOOD CULTURE TINE aims to be seen as a company that promotes food culture and positive food experiences. As part of this work we sponsor a number of professional food organisations. We work closely with Norway's Gastronomic Institute (GI) to increase awareness of Jarlsberg via the National Chef Team, trade fairs and other events.

With this in mind, we have begun working with Norwegian representation abroad to make our cheeses a natural part of Norway's presentation abroad. TINE has also taken the initiative of including food culture in the Norwegian Parliament's Report on Culture.



SALES Overall, TINE products sold well in 2003. We have particularly strengthened our position within cheese in the grocery section, and sales of school milk continue to rise. The goal of stable milk sales has not been achieved. Sales of TINE's whole milk fell by 3.5 per cent, whilst total milk sales in Norway were 2% lower than last year.

The transition to more processed products such as sliced cheese, and new product launches such as Kesam and whipped cream cheese, have also helped to create value.

Sales results are presented in the tables at the back.

INTERNATIONAL ACTIVITY AND TRADING

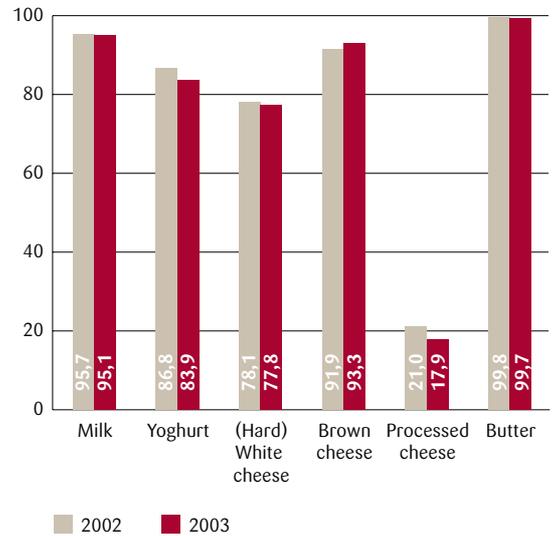
CONDITIONS Growth in the export of brand names such as Jarlsberg, Ridder, Snøfrisk and Gudbrandsdals cheese was extremely positive in 2003.

The EU quota increased significantly from 1 July, enabling us to establish new export markets, in the first instance, to Greece, Spain and Austria. Continued expansion of the market area is being considered, and the work to investigate the setting up of production in Ireland is underway. At the year's end, TINE's cheeses were being exported to 11 different markets.

Sales in the US increased favourably in 2003, owing to increased quantities from Norway as well as Ohio, where production and quality continued to develop well. Overall our sales reached 9,500 tons in the US. The markets are supplied from Norway as far as available export and import quotas permit. These are then supplemented by production abroad until the demand is met. At present, rounds of Jarlsberg, our flag ship product in several markets, is only supplied from Norway.

Norway's cheese export quota under GATT/WTO was fully exploited in 2003. In the EU area the quota was 71% filled and is rising. In terms of earnings we were affected by the plummeting dollar rate, whilst the EU markets are showing a significant improvement, particularly following the quota expansion.

MARKET SHARES IN VOLUME (grocery stores) - 2002/2003



Wholly-owned subsidiaries

Norseland Inc.

1260 East Main Street
Stamford, CT 06902 USA
Tel.: +1 203-324-5620/Fax: +1 203-325-3189
President & CEO: David M. Brohel

Founded in 1978, Norseland Inc. is a wholly-owned subsidiary of TINE BA. The company is responsible for the sale, marketing and distribution of TINE's cheeses in the US. It also has a regional office in Canada that markets TINE BA's products in Canada.

Its main product, Jarlsberg, has been distributed in the US since 1965 and in Canada since 1963. As well as TINE's products, Norseland Inc. represents other high-quality European brands of cheese, including the cream cheese Boursin from Unilever, Laura Chenel's Chevre and Tholstrup's Castello and Saga cheeses, which are all well-known brands in the American market.

Norseland's main products are Norwegian-produced Jarlsberg, Jarlsberg Lite, Ridder, Snøfrisk, Ski-Queen (brown cheese) and Frozen Curd. The company's increasing dominance in the import of well-known cheese brands makes it an interesting partner for other producers attempting to secure a foothold in the American market.

In October 2000, the licensed production of Jarlsberg commenced in Ohio, since when American-produced Jarlsberg has been on sale, supplemented by imports from Norway. In 2003 sales of Jarlsberg reached a historical high at approximately 9200 tons. In 2003 Jarlsberg further consolidated its position in the US, where it is the strongest "brand" in its sector.

American-produced Jarlsberg accounted for approximately 30% of total sales of Jarlsberg in 2003. Imports to the US are licence - and quota regulated by the American Department of Agriculture. Subsidised exports from Norway are quantum - and value regulated under the GATT/WTO Agreement.

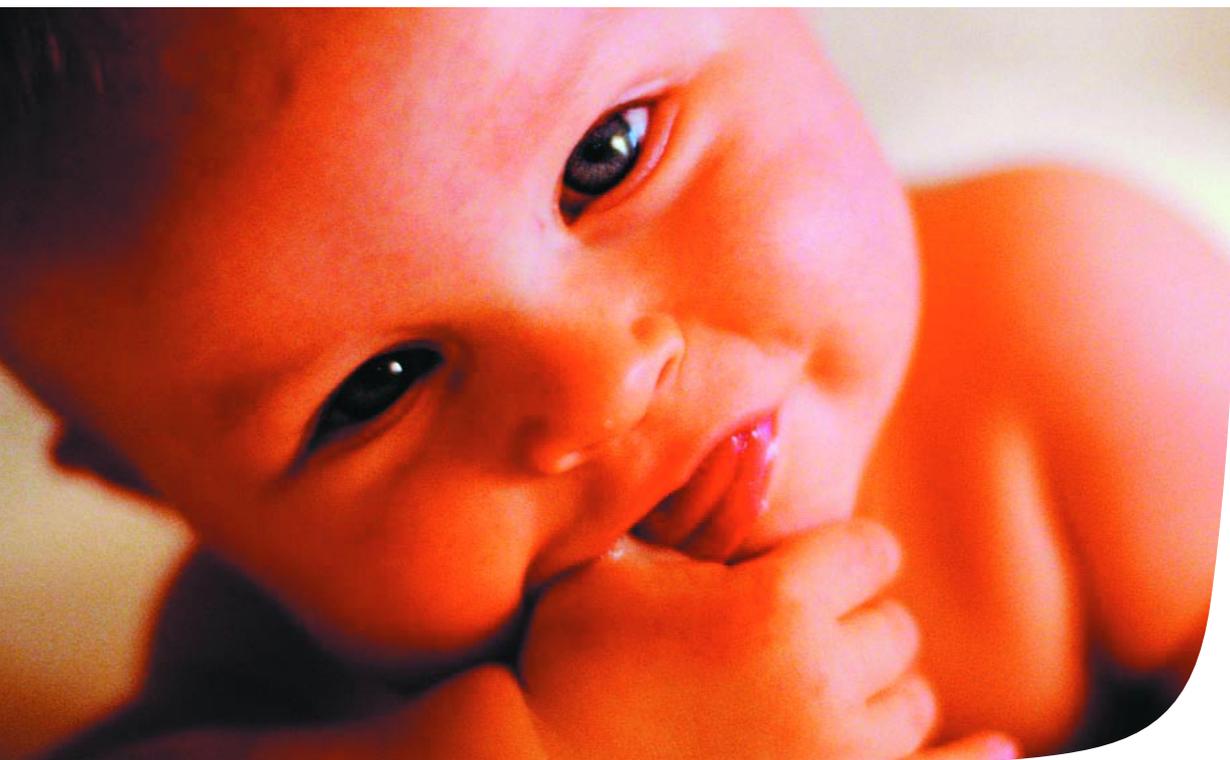


29 people work for Norseland Inc. in the US. Six regional sales managers ensure national distribution via a network of brokers in grocery stores, large households and member stores, as well as other distributors.

Norseland Inc. employs two people at its regional office in Montreal, Canada.

MAIN CHALLENGES IN 2004 Maintain Jarlsberg's high profile and continue to look for opportunities for profitable brand expansion.

Boost sales as much as possible by combining permitted imported quotas from Norway with American-produced Jarlsberg.



Small People AS

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General Manager: Fredrik Hannestad

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Although Small People AS was founded on 1 January 1996, the production and sale of its products began in 1999.

The company sells baby food in jars, baby cereals and ready-to-use infant formula. In 2003 Small People achieved sales of approximately NOK 24 million in Norwegian grocery stores. Small People AS employed 3.5 people in 2003 and purchases its administrative services from TINE BA. Its products are produced and sold by TINE, and distributed via wholesalers and the TINE dairies.

Small People AS sells its products under the brand name SMÅFOLK (SMALL PEOPLE), and has a market share of approximately 15% of baby food in jars, and approximately 11% of the cereal segment in value in grocery stores. In 2003 sales from shops rose by

approximately 30%, putting us in a strong second place and boosting growth in the sector. SMÅFOLK was not sold via other channels in 2003.

SMÅFOLK is marketed as "Healthy Norwegian food for small tummies". In terms of price, SMÅFOLK is on a par with its competitors, and is perceived by its customers as healthy, Norwegian-produced baby food that tastes as good as homemade. Surveys in the market show that SMÅFOLK is seen as welcome competition in a market that has long been dominated by one supplier.

MAIN CHALLENGES IN 2004 The main challenge will be to maintain our level of quality and ensure that at all times it satisfies the requirements of the baby food production directive. We will also focus on expansion and maintaining our range and shelf position with supermarket chains whilst at the same time retaining our high rate of innovation.



FellesJuice AS

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Managing Director and Chairman of the Board:

Stein Øiom

E-mail: stein.oiom@tine.no

FellesJuice AS was founded on 1 January 2000, although juice has been produced and sold in dairies since 1969.

Within its first three years of operation, FellesJuice achieved sales of around NOK 500 million. The main challenges in 2003 were to develop more flavours, which also meant developing more unique seasonal products. Our key suppliers were audited in order to enhance quality.

FellesJuice launched the following new products in 2003:

- Meierienes Juice Tropical 1 litre and 500 ml with screw top
- Chai isTe Raspberry 500 ml with screw top
- Larger screw top on the 500 ml cartons

Overall growth in the juice market has been weak.

Sales of chilled juice are increasing at the expense of longlife unchilled juice. Consumers are looking for high quality juices with a good flavour and are willing to pay more for them.

FellesJuice consolidated its market position in 2003, capturing market share from its competitors and thus increasing its market share.

Share of volume in 2002: 32% - in 2003: 34%

Share of value in 2002: 45% - in 2003: 48%

Meierienes Juice has a recognition factor of 92% and an impressive 47% of people prefer the brand (Source: tns-Gallup).

THE MAIN CHALLENGES IN 2004

- There will be new competition for chilled juice in winter 2004
- New top on 1 litre cartons as soon as possible
- Develop new juices in the category "not from concentrate"
- Introduce our new series of Mana juice with antioxidants in the supermarket chains and increase sales

Ostecompagniet AS

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General Manager: Susanne Almestad

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In December 2002 the Board of Directors decided to set up a wholly-owned subsidiary, under the working title, TINE Nisje AS, to secure the interests of TINE's niche products:- imported cheese and the products of small-scale producers. Ostecompagniet AS became operational in January 2004, with the aim of concentrating on diversity and developing our cheese portfolio for the grocery market. The cheese company's primary target group will be grocery stores looking to stock Norwegian or imported cheeses with a difference.

The General Manager of Ostecompagniet AS was appointed in February 2003 and began building up and implementing the company's business concept. In this phase the final product portfolio was defined, target groups were established, organisational form and size were determined, the company's visual profile was developed, the location of the company's office determined and the lay-out finalised.

In October 2003 Ostecompagniet AS moved into its office premises in Brynsveien 12, and on the same date the company's five key employees took up their positions. At the same time, operations entered a new phase, in which the administration laid the foundations for the company's operations in 2004 by building up key internal procedures, adding to and adjusting the product range as well as targeting the supermarket chains with our concept and products.

THE WORK AIMED AT SMALL-SCALE PRODUCERS.

Ostecompagniet AS will be a market channel to the grocery trade for small-scale producers. To this end an action plan was drawn up containing an overview of potential producers as well as a requirement specification/recommendation to producers for the sale of products to the grocery trade. As Ostecompagniet has received financial support from the Programme for Value Creation for Food, the action plan was developed in partnership with SND and will extend over a three-



year period. Ostecompagniet has established contact with 4-5 potential producers who will be present in the market in the course of 2004.

TINE'S NICHE PRODUCTS AND SPECIALITIES

Ostecompagniet AS has taken over responsibility for the brand name, the sale and marketing of selected niche products and special cheeses from TINE BA. In conjunction with this, a marketing and activity plan was drawn up with the aim of promoting the sale of these products at manual cheese counters. Ostecompagniet AS will emphasise distribution, logistics, profitability, range monitoring as well as training/skills development of key persons in the grocery trade.

IMPORTED CHEESE Ostecompagniet AS plays a pivotal role in cheese imports in the Norwegian market. During the course of autumn 2003, Ostecompagniet AS signed a number of agreements with European producers for the sale, marketing and distribution of imported cheese in the Norwegian market. In 2004, therefore, Ostecompagniet AS will emerge as a supplier of imported cheese with a wider variety of products to complement and supplement the rest of Ostecompagniet's range.

Ostecompagniet will be in full commercial operation as from 1 January 2004.

TINE Biomarin AS

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General Manager: Gunnar Hovland

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At present the company has no employees, and has appointed a general manager and project staff from TINE BA. In 2003 the company's main activities centred on the continued commercial development of the Maritex and NutriMarine Life Science subsidiaries. Both companies are in an early phase of the industrial development of marine bio-ingredients. We have laid the foundations for a closer partnership with our own subsidiaries and other marine ingredients suppliers, to ensure that work in the market is conducted as cost-efficiently as possible and that research and development resources in the various companies are utilised. TINE Biomarin is working to link industrial partners on the customer side to development projects, so that large-scale development projects correspond to market requirements and distribution availability.

TINE Biomarin has carried out a project in Japan to establish the health benefits of marine ingredients, as

part of a larger documentation project under the auspices of SND, the Norwegian Research Council, NIFES.

We are working in close partnership with TINE R&D on a major project for innovative salmon processing. The project will look towards the international markets, and we have begun working with strategic partners in several selected countries. The project is progressing according to plan. Sales revenues were not included in the budget in 2003.

Although NutriMarine Life Science AS is developing according to plan, the company does not have a positive cash flow in 2004. Maritex AS was restructured in 2003 and transferred to TINE BA.

The commercial part of TINE Biomarin will be integrated with TINE's other ingredients sales in 2004. The development projects will continue apace in line with the agreed strategies.





Diplom-Is AS

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Managing Director: Harald Knutzen

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The Diplom-Is trademark was first used in 1930, when Melkeforsyningen in Oslo was manufacturing ice cream. Until 1964 ice cream was manufactured in a department of Fellesmeieriet, and production sites were spread across the entire country. In 1964 Diplom-Is A/L was created as a separate company. Since then there have been several mergers and changes to the structure of the company. In 2002 Norsk Iskrem BA, as the company was then called, became Diplom-Is AS, which is now a wholly-owned subsidiary of Tine BA. Ice cream and coconut snowballs are manufactured and marketed for the Scandinavian market. The company has three production sites in Norway, in Brevik, Rakkestad and at Gjelleråsen, north of Oslo. The brand is represented in Denmark by Diplom-Is Danmark I/S, a wholly-owned subsidiary of Diplom-Is AS. Its market share in volume is approximately 12 per cent. Triumf Glass & Diplom-Is AB was formed in Sweden when Diplom-Is AS acquired 50 per cent of the shares in the privately owned Triumf Glass AB. Its market share in volume is approximately 17 per cent.

Diplom-Is AS supplies a full range of ice cream and frozen desserts, comprising the following product groups:

- Individually wrapped ice creams and ice lollies
- Home freezing products (litre-packs of ice cream, multi-packs of individually wrapped ice creams and ice lollies, ice cream cakes and other desserts)
- Large-scale household products (soft ice cream, milkshake, scoop ice cream, undecorated ice cream, ice cream for special occasions and confectioner's ice cream)
- Coconut snowballs

The most important and best known brand names are: Diplom Royal, Diplom Krone-Is, Diplom Sandwich, Dream, Pin Up, Lollipop, Pia, Gigant, Gullpinne and Sol-Is. The company also produces and markets the Swiss brand Mövenpick and distributes the following

brands in Scandinavia: Snickers, Mars, Bounty, Twix and M&Ms. The annual consumption of ice cream in Norway has remained stable since the early 1990s at around 12.5 to 13.5 litres per capita, which is approximately the same as in Sweden and slightly higher than in Denmark. Consumption correlates to the number of days of sunshine in the summer months.

Diplom-Is AS markets its products under the Diplom-Is brand name, and is the clear market leader in the overall market for ice cream and frozen desserts in Norway, with a total market share in volume of 52.3% (Source: Markedsfakta October 03, over 12 months). Sales in 2003 rose in value by 3.9% (Source: Internal figures as at November 03). Diplom-Is has achieved healthy sales compared with the industry as a whole.

Diplom-Is is marketed as: "Norway's Favourite Ice Cream", and is regarded as one of Norway's best-known brand names. In an extensive survey conducted by MMI (2003) of 192 large and high profile Norwegian companies, Diplom-Is came second in the category for "Positive overall impression", which reflects the public's perception of the company's "Environmental awareness", "Social responsibility and ethics", "Finance and profitability" and "Advertising/information".

MAIN CHALLENGES IN 2004

To continue the explosive growth in volume of recent years in Scandinavia, particularly in Sweden, and also to remain focused on maximising synergy effects in Norway, Sweden and Denmark. Total quality will remain a priority in Diplom-Is' marketing strategy.





Associated companies

(20-50% ownership)

Agri-Kjøp AS
 ANS Høgseth
 Bondevennen AS
 BoviBank AS
 Fjordland AS
 Fjordkjøkken AS
 Landbrukets Hus AS
 Landbrukets
 Ferskvaredistribusjon AS
 Tun Media AS
 Landteknikk AL
 Lofotprodukt AS
 Marian Seafood AS
 Norsk Mat- and
 Miljøanalyse AS
 Opplysningskontor for
 meieriprodukter AS
 Rørosmeieriet AS
 Sunna Eiendom AS
 Triumf Glass &
 Diplom-Is AB

Maritex AS

Havnegata 17, 8600 N-Sortland
 Tel.: +47 76061100, Fax: +47 76110610
 General Manager: Viktor Johnsen
 E-mail: vbj@maritex.com

As of October 2003 Maritex AS was a wholly-owned subsidiary of the TINE Group. The company's main activity is the production of high-quality marine oils from cod liver. In 2003 Maritex initiated wide-reaching projects to develop bio-technical ingredients from the raw material base in Lofoten and Vesterålen. As of 31 December 2003 the company employed 17 people.

The company's profits in 2003 were weaker than budgeted, as sales of bio-technical products developed more slowly in the market than predicted.

The company's share capital was written down to a reasonable level, and as of 22 October 2003, TINE BA became the sole owner. Following on the transfer of ownership, changes were made to the company's management and board, and an extensive programme got underway to develop plant, operations and marketing structures.

In the second half of 2003, a number of contracts were signed with international customers for newly developed products in the operation's bio-technical sector.

In 2004 Maritex AS will further upgrade its plant and production, and continue its integration with the sales activities of TINE Ingrediens.

TINE's Corporate Management as at 1 January 2004

Jan Ove Holmen
CEO



Astrid Holmlund
Administrative manager



Per Magnus Mæhle
Corporate staff, director



Hanne Refsholt
Senior Vice President
Research and development
Export business



Kjetil Thu
Group Director
Economy/Finance
Logistics, TCT
Purchasing, TINE Raw Materials



Ingrid Strøm-Olsen
Group Director
Market, Sales
Ingredients



Bjørg Bruset
Group Director
Communication
Organisation



Clement Roaldstveit
Managing Director
TINE Meieriet Nord
Group Director



Stein Aasgaard
Managing Director
TINE Midt-Norge
Group Director
Personnel and Skills



Leif Arne Berge
Managing Director
TINE Meieriet Vest
Group Director



Trond Smeby
Managing Director
TINE Meieriet Sør
Group Director



Stein Øiom
Managing Director
TINE Meieriet Øst
Group Director

Statistics

1. Production of TINE products (tons)

	2002	2003
White cheese	60 512	62 358
Brown cheese/Soft cheese spread	13 005	13 069
Processed cheese	1 617	1 489
Butter	8 830	8 653

2. Domestic sales, liquid products (TINE)

(in 1000 litres)	2002	2003	% of 2002
TINE Milk (all types)	483 129	468 384	-3.1 %
TINE Cream	24 961	25 103	0.6 %
TINE Soured cream	13 094	13 336	1.8 %
TINE Yoghurt	30 875	31 380	1.6 %

3. Domestic sales, firm products (TINE)

(in tons)	2002	2003	% of 2002
White cheese, total	43 913	43 988	0.2 %
Brown cheese, total	10 212	10 426	2.1 %
Processed cheese, total	1 382	1 319	-4.5 %
Butter	6 849	6 884	0.5 %
Desserts	11 455	11 772	2.8 %

4. Per capita consumption (TINE products)

	1999	2000	2001	2002	2003
TINE Milk, l	119.1	114.7	110.2	106.5	102.4
TINE Yoghurt, l	6.2	6.3	6.4	6.8	6.9
TINE Cream/Soured Cream, l	8.2	8.2	8.3	8.4	8.4
Cheese (brown, white, imported and processed cheese), kg	12.5	12.3	12.3	12.3	12.2
Butter, kg	1.8	1.7	1.5	1.5	1.5

5. Cheese exports per country (tons)

	2002	2003
Japan	5.034	5.496
USA	6.339	7.181
Australia	1.538	1.432
UK	1.093	1.249
Canada	994	1.103
Sweden	637	602
Other markets	301	396
Germany	577	395
Denmark	111	122
Total	16.624	17.975

6. Cheese exports per category (tons)

	2002	2003
Jarlsberg	10.328	11.094
Norvegia	3.476	4.337
CWC	1.789	1.579
Brown cheese	466	499
Ridder	105	77
Frozen Curd	302	269
Snøfrisk	128	98
Processed cheese	6	9
Other cheeses	23	13
Total	16.624	17.975

7. Total exports

	2002	2003
White cheese	14.362	15.888
CWC	1.782	1.579
Butter	1.231	970
Casein/Milk Powder	616	805
Brown cheese	473	499
Other dairy products	10	3
Processed cheese	6	9
Total	18.480	19.753

TINE TERMS

- **The TINE Group** is used to denote the entire group
- **TINE BA** is used to denote the parent company and the remitter's name for our products
- **TINE** is used in informal contexts to denote the group and/or the parent company
- **Dairy companies** is used to denote TINE Meieriet Nord, TINE Midt-Norge, TINE Meieriet Vest, TINE Meieriet Sør and TINE Meieriet Øst. E.g.: TINE Meieriet Nord, Head Office, Harstad
- **Plant** is used to denote the dairy companies' production plant. E.g.: TINE Meieriet Sør, Sola
- **Subsidiaries** is used to denote the wholly-owned companies, with the exception of the dairy companies.
- **Part-owned companies** is used to denote subsidiaries with minor shareholdings
- **The TINE Dairies** is used to denote TINE BA and the dairy companies
- **The dairy co-operative** is used to denote the TINE Dairies and TINE's milk producers
- **The dairy industry** is used to denote overall dairy activities in Norway, i.e. TINE and similar concerns

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