



TINE GROUP

1st quarter 2010



Volume growth and good cost control strengthened first quarter results

A portfolio of branded goods strengthened through growth and the launching of new products, improved operating margin as a result of cost reductions and positive non-recurring items related to contractual pensions, resulted in an operating profit of NOK 356 million for the TINE Group in the first quarter of 2010.

The TINE Group

Sales in the first quarter amounted to NOK 4.56 billion, an increase of 3.1 per cent compared with the corresponding period in 2009. The increase was mainly due to a combination of better prices and volume growth.

The operating profit of NOK 356 million includes positive non-recurring items of NOK 143 million as a result of the Norwegian parliament (Storting) adopting amendments to the rules for contractual pension (AFP) in the first quarter of 2010. Corrected for these non-recurring items, the operating profit for the TINE Group totalled NOK 212 million, corresponding to an operating margin of 4.7 per cent. The corresponding margin in the first quarter of 2009 was 2.5 per cent.

TINE GROUP NOK millions	Q1 2010	Q1 2009	2009
TINE's domestic dairy operations	296	191	977
TINE's international dairy operations	11	10	43
Other activities	(82)	(80)	(79)
Group elimination	(13)	(10)	(29)
Reversal of contractual pension obligations	143	0	0
TINE Group	356	111	911

TINE's domestic dairy operations

The operating profit for TINE's domestic dairy operations was NOK 296 million in the first quarter of 2010, an increase of NOK 105 million compared with the same period in 2009.

Following a challenging year in 2009 for Norvegia and TINE's brown cheeses, sales so far in 2010 are showing a positive development. In addition, the good development in the sale of cooking ingredients such as cream, sour cream and butter has continued. The sale of fresh milk through Norwegian retailers has shown a positive development in the two previous years, and sales in the first quarter were in line with the corresponding period in 2009. TINE saw some growth in sale of fresh milk in the first quarter, but this was primarily due to sales in the first quarter of 2009 being somewhat low. Within the yoghurt segment, Fjordland's Yoplait continued its positive development from the autumn of 2009, while

TINE's own yoghurt products showed a reduction in sales compared with the first quarter of last year.

TINE's new training food and drinks range, YT, has been very well received by consumers. Sales have significantly exceeded our expectations and one in every four Norwegians has now bought an YT product. The product range has been developed in cooperation with the Norwegian Top Athlete Centre, and has been nominated for the "best new product" award among international dairy products.

Both new and previously initiated cost reduction measures contributed positively to the result improvement in the first quarter, while higher energy prices offset some of the effect of these measures.

TINE's international dairy operations

The operating profit for TINE's international dairy operations was NOK 11 million in the first quarter of 2010, an increase of NOK 1 million compared with the same period in 2009.

The sale of Jarlsberg in our international markets, measured by volume, increased by 14 per cent compared with the first quarter of 2009. The growth was mainly generated by Jarlsberg produced in the US and Ireland. The stronger NOK contributed to limiting the positive effect of the volume growth on the operating profit for the period.

In the US, our largest individual market, Jarlsberg sales were significantly higher than last year following a successful campaign in one of the largest retail chains. In Sweden, Jarlsberg sales were lower than last year, while sales in the UK market resumed their positive development following a challenging year in 2009.

Other activities

The operating loss for other activities in the TINE Group was NOK 82 million in the first quarter of 2010, a decrease of NOK 2 million compared with the same period in 2009.

TINE's largest subsidiary, Diplom-Is, sold its Swedish operations in February, and now has operations in Norway and Denmark only. For Diplom-Is, the first quarter is the low season, but ongoing cost-reduction measures contributed to making the beginning of 2010 somewhat better than the beginning of 2009.

Fjordland's sales of yoghurt and fresh convenience food showed a good development in the first quarter of 2010, while FellesJuice experienced continued stiff competition from the other players in the juice segment.

For Salmon Brands, the positive development from 2009 continued, with solid sales growth for the Salma products in the first quarter of 2010.

Finances

Net financial expenses in the first quarter of 2010 were NOK 35 million, NOK 15 million lower than in the first quarter of 2009. The gain from the sale of TINE's shares in Lofotprodukt AS was recognised in the first quarter of 2010.

The strengthening of NOK compared to Euro contributed to an unrealised loss for TINE's currency hedging in Euro. Over time, this loss will be offset by lower costs when buying intermediary products in Euro. During the first quarter of 2009, the result was impacted negatively by an unrealised loss in the interest hedging portfolio due to the drop in interest rates in the winter and spring of 2009, and by transaction costs related to a bond issue in March 2009.

The total balance in the Group has increased by NOK 284 million since 31 December 2009. This is mainly due to increased investments and seasonal increases in working capital. The net interest-bearing debt at the end of the first quarter was NOK 2051 Million, an increase of NOK 593 million since 31 December 2009. In addition to the effect mentioned above, the increase is also due to the remaining disbursement to the owners, disbursed in March in the amount of NOK 277 million. The equity-to-assets ratio in the TINE Group has risen from 47 per cent as of 31 December 2009 to 48 per cent at the end of the first quarter of 2010. The equity-to-assets ratio was 44.5 per cent at the end of the first quarter of 2009. The increase is in line with the need for increased equity preparing for several major investments in TINE's industry structure.

Result

TINE GROUP (MNOK)	Q1 2010	Q1 2009	YTD 2009
Total operating revenues	4 558	4 420	18 884
Operating expenses			
Cost of goods sold	2 468	2 359	10 325
Payroll expense	663	880	3 302
Depreciations	177	165	708
Write-down of tangible and intangible assets	-	-	77
Other operating expenses	894	905	3 561
Total operating expense	4 202	4 309	17 973
EBIT	356	111	911
Financial items			
Income from associated companies	11	(1)	14
Net interest income/expense	(22)	(22)	(104)
Net exchange gain/loss	(21)	(4)	38
Net other financial income/expense	(4)	(22)	(11)
Net financial items	(35)	(50)	(63)
EBT	321	61	848

Balance sheet

TINE GROUP				TINE BA		
31.03.2010	31.03.2009	31.12.2009	(MNOK)	31.03.2010	31.03.2009	31.12.2009
258	297	270	Intangible assets	125	109	125
4 513	4 052	4 325	Fixed assets	1 783	1 371	1 693
1 667	1 665	1 620	Long term financial assets	3 798	3 626	3 594
1 649	1 766	1 578	Inventories	5	16	14
1 884	1 739	1 643	Accounts receivable	3 164	4 013	3 523
172	302	423	Other current assets	39	27	299
10 143	9 822	9 859	TOTAL ASSETS	8 914	9 164	9 248
4 871	4 373	4 631	Equity	4 689	4 214	4 461
1 523	1 627	1 518	Long term interest bearing debt	1 435	1 402	1 421
424	588	563	Other long term debt	43	64	43
1 444	1 473	1 798	Trade payables	1 309	1 585	2 342
670	692	334	Current interest bearing debt	649	551	300
1 211	1 069	1 016	Other current liabilities	789	1 348	681
10 143	9 822	9 859	TOTAL EQUITY AND LIABILITIES	8 914	9 164	9 248

Cash flow

TINE GROUP				TINE BA		
31.03.2010	31.03.2009	31.12.2009	(MNOK)	31.03.2010	31.03.2009	31.12.2009
138	577	1 457	Operating activities	(127)	350	1 099
(434)	(205)	(986)	Investing activities	(201)	13	(347)
46	(497)	(479)	Financing activities	67	(477)	(600)
(251)	(124)	(9)	Net change in cash and cash equivalents	(261)	(114)	152
394	403	403	Cash and cash equivalents 01.01.	271	119	119
143	280	394	Cash and cash equivalents 31.03.	10	5	271

Income statement for the TINE Group and TINE BA

The consolidated accounts comprise the parent company TINE BA and all subsidiaries, including amongst others Diplom-Is, Norseland Inc,

Wernersson, Maritex, OsteCompagniet, Fellesjuice, Norseland Ltd, Fjordland and Salmon Brands.

Result

TINE BA (MNOK)	Q1 2010	Q1 2009	YTD 2009
Total operating revenues	5 253	5 292	21 355
Operating expenses			
Cost of goods sold	4 636	4 670	18 653
Payroll expense	12	146	514
Depreciations	43	40	168
Write-down of tangible and intangible assets	-	0	-
Other operating expenses	240	275	1 149
Total operating expense	4 931	5 131	20 484
EBIT	322	161	871
Financial items			
Income from investment group company	-	13	34
Income from associated companies	19	-	3
Net interest income/expense	(1)	9	4
Net exchange gain/loss	(22)	(29)	15
Net other financial income/expense	(1)	(19)	(44)
Net financial items	(5)	(25)	11
EBT	318	136	882

The figures for TINE BA are presented here, but are commented on separately as TINE BA is part of the collaboration with TINE Meieriene. Focusing exclusively on the parent company therefore yields little relevant information when it comes to understanding the TINE Group as a whole. TINE BA purchases all milk from the milk producers and sells all products to TINE's customers. The parent company TINE BA sells milk from the milk producers to the dairy companies and buys back the finished products. This means that turnover and the costs of purchasing goods are higher in the parent company than in the group.