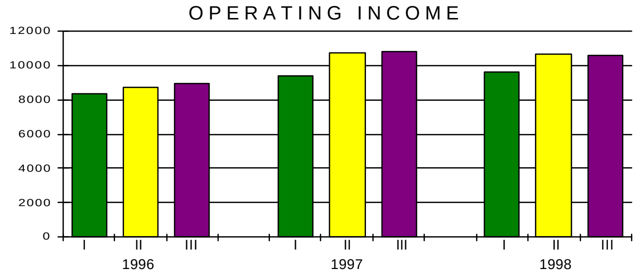
Orkla - Last four months
Preliminary results

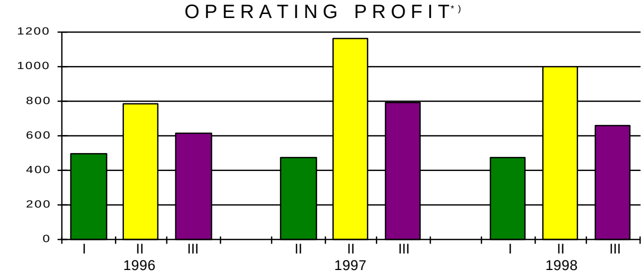
Group Income Statement

Amounts in NOK million	1.1.-31.12. 1998	1997	1.9.-31.12. 1998	1997
Operating income	30,819	30,970	10,548	10,802
Operating expenses	(26,810)	(26,777)	(9,265)	(9,416)
Ord. depreciation and write-downs	(1,456)	(1,342)	(479)	(446)
Operating profit before goodwill and other income and expenses	2,553	2,851	804	940
Goodwill amortisation and write-downs	(421)	(419)	(146)	(149)
Other income and expenses	(335)	181	(76)	23
Operating profit	1,797	2,613	582	814
Profit from associates	165	442	(7)	314
Dividends	325	298	32	57
Portfolio gains	769	876	(134)	265
Financial items, net	(999)	(692)	(302)	(193)
Profit before tax	2,057	3,537	171	1,257
Taxes	(555)	(863)	(46)	(270)
Minority interests	(124)	(112)	(32)	(33)
Net profit	1,378	2,562	93	954
Profit before tax, Industry	1,015	2,381	282	914
Profit before tax, Financial Investments	1,042	1,156	(111)	343
Earnings per share fully diluted (NOK)	7.2	13.3	0.5	4.9
Earnings per share fully diluted (NOK)*)	11.4	13.0	1.6	4.0

*) Excluding goodwill amortisation and non-recurring items.

Operating income and Operating profit*) in NOK million, 4 month periods





*) Excluding «Other income and expenses».

The Orkla Group

Main trends

Orkla's profit before tax in 1998 totalled NOK 2,057 million, NOK 1,480 million lower than in 1997. Profit was negatively affected by non-recurring items and a decline in profit from the Nordic beverages business, Procordia Food and the food business in Poland. Overall profit from other industrial activities was higher in 1998. Several comprehensive measures were initiated in the course of the year to improve the Group's competitiveness. Consequently, more than NOK 300 million were allocated under "Other income and expenses" in connection with these improvement programmes. In all, non-recurring items totalling NOK -488 million were charged against pre-tax profit. In 1997, non-recurring items totalled NOK +545 million. Excluding non-recurring items, profit before tax in 1998 was 15% lower than in 1997.

For Baltic Beverages Holding (BBH), operating profit increased by 27% and volume by 48% in 1998. Volumes continued to rise in the last four months of the year, despite the economic situation in Russia.

The return on the investment portfolio was down 7% in 1998. In comparison, the Oslo Stock Exchange All Share Index dropped 26.7%. At year-end, unrealised gains totalled NOK 4,129 million. Profit before tax from financial investments was NOK 1,042 million, compared with NOK 1,156 million in 1997.

Excluding goodwill amortisation and non-recurring items, Group earnings per share were NOK 11.4, compared

The group

NOK 1,033 million of the NOK 1,480 million decline in profit was ascribable to the difference in non-recurring items. Of the total debit of NOK - 488 million, NOK 138 million was a loss on exchange for BBH. Moreover, NOK 335 million was allocated for restructuring programmes in the Beverages, Procordia Food, Biscuits, Daily Newspapers and Magazines sectors and the winding up of pizza and snacks operations in Asia. While most of these allocations were made in the second four-month period, further allocations amounting to NOK 76 million were made in the last four months of the year,

primarily to cover restructuring programmes in the food sector. A comprehensive improvement project is also being implemented in the Chemicals area. The measures that have been initiated are expected to substantially improve the Group's competitiveness over time, but the short-term results are uncertain.

Orkla's operating income, which totalled NOK 30,819 million, were on a par with last year. Group operating income from continuing business*) give a growth rate of just over 3%.

*) Continuing business has been adjusted for acquisitions and divestitures, exchange rate fluctuations and non-recurring items. New businesses in 1998 have been included in the 1997 figures for the corresponding period, while divested businesses have been excluded in both 1997 and 1998.

Growth on both the Norwegian and Swedish grocery markets was weak in 1998. Orkla Foods and Orkla Brands largely maintained their market shares in Norway, while Ringnes' performance was mixed; market shares for beer were marginally strengthened but shares for carbonated soft drinks declined, although there was an upswing in the last four months of the year. In Sweden, Pripps strengthened its share of the carbonated soft drinks market while its share of the beer market was marginally lower. Abba Seafood strengthened its position in 1998 while Procordia Food lost market shares.

Improvements in speciality cellulose production and favourable exchange rates were the main reasons for improved profit from the Chemicals area. However, weaker demand for lignin in Asia in the last four months of the year had a negative impact on profit.

Operating profit for the Orkla Group totalled NOK 1,797 million in 1998, compared with NOK 2,613 million in 1997. Adjusted for non-recurring items, operating profit declined by NOK 300 million, or 12%. In the last four months of the year, Group operating profit adjusted for non-recurring items was NOK 133 million lower, primarily due to weaker profit from BBH resulting from the devaluation of the rouble.

Net financial items were NOK 307 million higher than in 1997. The higher level of debt led to higher interest costs. BBH's loss on exchange due to the devaluation of the Russian and Ukrainian currencies, which amounted to NOK 138 million, was charged against financial items in August 1998. However, the effect of the further gradual weakening of these currencies in the last four-months of the year was charged against operating profit. Furthermore, last year's results included a gain of NOK 61 million on the sale of Hansa.

Profit after tax and minority interests totalled NOK 1,378 million, compared with NOK 2,562 million the year before. Adjusted for goodwill amortisation and non-recurring items, profit was 13% lower.

The tax charge for 1998 is estimated to be 27%, compared with 24.4% in 1997.

Orkla Foods

Operating income totalled NOK 10,238 million in 1998. Compared with 1997, the growth rate for continuing business was 1%.

Operating profit before other income and expenses was NOK 579 million, 12% lower than in 1997. The unsatisfactory results were mainly due to lower sales in Procordia Food, weak profit performance in Poland (Kotlin) and higher raw materials costs for Stabburet. In the last four months alone, operating profit amounted to NOK 248 million, 8% lower than in the corresponding period of 1997. The trend for Stabburet was positive in the last four months of the year, but this did not compensate for the weaker performance of Procordia Food.

At Procordia Food, a restructuring programme has been initiated that affects all areas of the business. The restructuring process is expected to take some time. In Poland, manpower reductions will be implemented to achieve more cost-effective operations. In the last four months of the year, NOK 60 million was allocated in connection with these programmes.

In Norway, Stabburet's profit was somewhat lower than in 1997. The main reasons for the decline were start-up problems in connection with the new pizza plant and higher raw materials costs, which were only partially offset by higher prices. However, profit increased in the course of the year and market positions were largely maintained.

Operations on the Swedish market brought mixed results. The weaker performance of Procordia Food was mainly due to tougher competition from private labels and international players, plus excessively high cost levels. However, Procordia Food achieved volume growth towards the end of 1998. The profit trend for Abba Seafood was positive in 1998. The winding up of unprofitable product groups, focus on core products and cost reductions throughout the added value chain contributed to the improvement in profit.

Profit trends for the Danish and Finnish businesses were positive.

Orkla Foods International is still in the establishment phase and its performance is still weak. Operating income for 1998 were just over NOK 500 million, 35% of which was related to the Polish business. Sales in Poland are rising and market shares for important product groups have been strengthened in 1998.

The Bakery business achieved satisfactory results.

Orkla Beverages

Orkla Beverages reported operating income of NOK 6,741 million in 1998, 12% lower than last year. The decline was mainly due to the loss of and changes in production of The Coca Cola Companie's (TCCC) products, amounting to more than NOK 1.2 billion. Operating profit before other income and expenses totalled NOK 508 million, compared with NOK 799 million in 1997.

Operating profit before other income and expenses in the last four months of the year was NOK 43 million, compared with NOK 161 million in 1997. Profit in the last four months was strongly affected by the weak currency situation on BBH's markets, primarily Russia.

BBH's operating income (50% interest) rose 36% in 1998 to NOK 1,715 million. Operating profit increased by 27% to NOK 563 million. The BBH breweries (100%) sold a total volume of 913 million litres in 1998, equivalent to 48% growth. This rate of growth continued in the last four months of the year. The volume sold by BBH's four breweries in Russia increased by 61% in 1998 and their combined market share rose to 21%.

The continuing weakening of the Russian and Ukrainian currencies has affected BBH's operating profit in the last four months, translated into NOK. BBH's operating profit in the last four-month period was NOK 51 million after a loss on exchange of NOK 66 million in connection with the re-translation of balance-sheet items. BBH's operating margin was therefore 38% in the first two periods but dropped to 13% in the last four-month period. As a result of the high inflation rate, BBH increased its beer prices in Russia by 30-55% during autumn 1998. The proportion of imported raw materials was somewhat reduced during the autumn. When new maltery capacity comes on line in autumn 1999 the situation will be further improved.

In January 1999, BBH bought 20% of the Russian brewery Chelyabinsk Pivo. BBH's share will subsequently be increased to 75% through a private placement. The brewery has an annual capacity of 60 million litres. BBH has also acquired up to 66% of Ukraine's largest maltery, Slavuta, in order to secure its supply of malt, and increased BBHs interest to 50% in the Lithuanian brewery Utenos Alus. In February BBH increased it's interest in the Ukrainian brewery Kolos to 42%. After new share issues by Taopin and Slavutich in 1998, BBH's interests in these companies increased to 69% and 70% respectively.

Operating income from the Nordic business fell 21% to NOK 5,033 million in 1998. For comparable business, i.e. excluding TCCC, operating income fell 3%. Excluding other income and expenses, operating profit from the Nordic business totalled NOK 125 million in 1998, compared with NOK 529 million in 1997. In the last four months of the year, operating profit excluding other income and expenses dropped NOK 33 million to NOK 51 million.

The loss of TCCC products in Sweden, the transition to tollfilling in Norway, the cold summer and the weak overall market all contributed to the decline in profit.

In both Norway and Sweden, the market declined in 1998. The rise in Norwegian beer taxes from the beginning of the year, the continued high level of private imports of beer to Sweden and the poor summer led to a decline in the total market of 5% in Norway and 2% in Sweden.

In Norway, Ringnes increased its share of the beer market but its own carbonated soft drinks lost market shares in 1998. Private labels have been expanding, particularly in the carbonated soft drinks sector. The commencement of cooperation with Pepsi in Norway generated lower volumes than planned, but the trend towards the end of the year was satisfactory. In order to meet competition on a market where there is considerable over-capacity, Ringnes chose to reduce the prices of its own carbonated soft drinks in Norway, effective from the latter part of 1998, with favourable consequences.

In Sweden, Pripps increased its share of the carbonated soft drinks market in 1998. Pripps strengthened its share of the beer market for both class 3 and class 1 beers, while it lost shares in the class 2 market. The launch of the low-price beer BlåGul in October 1998 was a success and this label rapidly attained a clear no. 1 position at Systembolaget (the Swedish state wine and liquor monopoly). The launch of the quality beer 1828 in August was also successful.

In order to increase the competitiveness of the Nordic

Amounts in NOK million	Operating income 1.1.-31.12. 1998	1997	1.9.-31.12. 1998	1997	Operating profit*) 1.1.-31.12. 1998	1997	1.9.-31.12. 1998	1997
Orkla Foods	10,238	10,094	3,743	3,509	579	655	248	271
Orkla Beverages	6,741	7,656	2,022	2,356	508	799	43	161
Orkla Brands	4,273	4,146	1,538	1,506	456	458	186	180
Orkla Media	3,153	2,569	1,139	980	208	204	117	97
Elimination	(167)	(169)	(68)	(67)	0	0	0	0
Branded Consumer Goods	24,238	24,296	8,374	8,284	1,751	2,116	594	709
Chemicals	5,777	5,733	1,950	2,200	402	324	91	100
H.O./Unallocated/Elimination	429	525	143	141	(85)	(111)	(40)	(56)
Other income and expenses	0	0	0	0	(335)	181	(76)	23
Industry	30,444	30,554	10,467	10,625	1,733	2,510	569	776
Financial Investments	375	416	81	177	64	103	13	38
Group	30,819	30,970	10,548	10,802	1,797	2,613	582	814

*) The business areas' operating profit is shown exclusive of «Other income and expenses». Other income and expenses NOK -335 million in 1998: NOK -60 million in Orkla Foods, NOK -174 million in Orkla Beverages, NOK -25 million in Orkla Brands, NOK -44 million in Orkla Media and NOK -32 million in H.O./Unallocated. In 1997 NOK 181 million: NOK 46 million in Orkla Foods, NOK 171 million in Orkla Beverages, NOK 20 million in Orkla Brands, NOK 16 million in Orkla Media, NOK -50 million in Chemicals and NOK -22 million in H:O./Unallocated.

beverages business and adapt it to lower volumes, a substantial restructuring programme has been initiated which will be implemented in the course of 1999 and 2000. Annual cost levels will be reduced by more than NOK 600 million in the course of this two-year period. The programme is well under way and is proceeding according to plan. In August NOK 174 million was allocated under "other income and expenses" for this purpose. The restructuring costs are primarily related to manpower reductions and the winding up of production capacity.

Orkla Brands

Operating income for Orkla Brands rose 3% to NOK 4,273 million. Market growth was moderate and, with the exception of Biscuits, market shares were generally stable throughout the year. Excluding other income and expenses, operating profit for 1998 was on a par with the previous year, totalling NOK 456 million. The operating margin for continuing business was 0.3 percentage points lower than in the corresponding period of 1997.

Profit performance for Biscuits was unsatisfactory throughout the year. Measures have been initiated to improve the situation and work on a new production structure for the Biscuits business is proceeding according to plan. NOK 25 million was allocated in the second four-month period to cover the costs of winding up biscuit production in Finland and moving it to Sweden.

Snacks in Denmark performed satisfactorily. In Norway, the successful launch of new products such as EasyChips and Anywhere boosted sales, but tougher competition weakened profitability on the Norwegian market.

Lilleborg Home and Personal Care reduced the prices of certain laundry detergents, while unfavourable exchange rates led to higher raw materials costs. The new liquid detergent factory is fully operational and productivity improved substantially during the year. Moreover, due to the amalgamation of the former Detergents and Personal Care/Cosmetics divisions, fixed costs were lower than last year. Profit therefore increased towards the end of the year.

Chocolate/Confectionery strengthened its market shares by focusing on its own brands and profits continue to rise.

Orkla Media

Orkla Media's operating income amounted to NOK 3,153 million. The growth rate for continuing business was 6%. Excluding other income and expenses, operating profit totalled NOK 208 million compared with NOK 204 million in 1997. Adjusted for acquisitions and divestitures, operating profit was on a par with 1997. In the last four months of the year, operating profit for continuing business excluding other income and expenses increased by 12% in comparison with the corresponding period of 1997. Other income and expenses include NOK 44 million for cost reductions in the Norwegian Newspapers and Magazines sectors.

Norwegian Newspapers reported profit growth in 1998, although profit was affected by increasing wages costs. Circulation increased and advertising volume was up 3%, and paper prices rose moderate compared to 1997. The poor performance of local radio/TV and electronic publishing had a negative impact on profit.

Magazines reported profit on a par with 1997. Magazine-paper prices rose considerably in 1998. Advertising volume for magazines was up 3%, while overall market growth was 7%. The frequency-adjusted circulation figures for Magazines were slightly lower, but declined less than the total market. Specialised magazines made progress.

Operating profit from the Direct Marketing business was also on a par with 1997. Some of the companies in this sector continue to report declining sales. The measures that were introduced to improve profitability in 1998 did not have sufficient impact and will be intensified in 1999. The newly-acquired Swedish company Mitcom made a positive contribution to profit.

Orkla Media Poland improved its operating profit in 1998. Advertising income for Orkla Media Poland's businesses rose 22% (measured in PLN). In January 1999, Orkla Media Poland entered into an agreement to acquire the Polish regional newspaper Gazeta Lubuska (circulation of 70 000).

Chemicals

Borregaard's operating income rose 1% to NOK 5,777 million in 1998. Weaker sales of lignin products and ingredients were offset by stronger sales of speciality cellulose and fine chemicals.

Operating profit before other income and expenses totalled NOK 402 million, compared with NOK 324 million in 1997. The improvement in profit can mainly be ascribed to more favourable exchange rates, and improved production and increased sales of fine chemicals and speciality cellulose.

In the last four months of the year, operating profit excluding other income and expenses was NOK 9 million lower than in the corresponding period of 1997. The positive trend for Speciality Cellulose and Fine Chemicals was offset by weaker profit from the lignin business and ingredients.

The Lignin business reported weaker profits than in 1997. The market situation in Asia resulted in lower sales to the building industry and contributed to the decline in volumes and pressure on prices. Favourable exchange rates, a somewhat improved product mix and lower freight costs partially compensated for the drop in sales. The new production plant in South Africa was completed at the end of the year.

Profit from Speciality Cellulose improved substantially in comparison with 1997, although the improvement process for the new qualities of cellulose is still in progress. The rise in profit was due to increased sales of high-value products, improved production at the new highly processed cellulose plant, lower costs and favourable exchange rates. Sales prices were relatively stable throughout 1998.

Fine Chemicals achieved a clear improvement in profit compared with 1997. The introduction of new products and improved capacity utilisation led to higher profit from intermediates for the pharmaceutical industry. In the case of the Italian business, productivity improvements led to increased sales and satisfactory profits. The trend for the Chinese business was favourable, while the aroma business was affected by tougher competition on a slowly growing market.

Profit from the Ingredients business was satisfactory, alt-

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Shareholders must notify their account manager (bank, etc.) of any change of address.

Financial information about Orkla may be found at:
http://www.huginonline.com/Norway/ORK

Group Balance Sheet

Amounts in NOK million	31.12. 1998	31.12 1997
Assets:		
Current assets	8,702	9,042
Share portfolio	8,851	8,188
Long-term assets	21,222	19,635
Total assets	38,775	36,865
Liabilities and Equity:		
Interest-free liabilities	9,082	9,067
Interest-bearing liabilities	16,453	15,679
Minority interests	552	478
Equity	12,688	11,641
Total liabilities and equity	38,775	36,865
Equity to total assets ratio (%):		
Book	34.2	32.9
Incl. unrealised gains before tax	40.5	42.6

Cash flow

	1.1.-31.12.		1.9.-31.12.	
Amounts in NOK million	1998	1997	1998	1997
Cash flow Industry:				
Operating profit	1,733	2,510	569	776
Depreciation and write-downs	1,913	1,862	617	622
Changes in net working capital	(17)	(172)	327	340
Cash flow from operations	3,629	4,200	1,513	1,738
Net replacement expenditure	(1,726)	(1,526)	(657)	(347)
Free cash flow from operations	1,903	2,674	856	1,391
Financial items paid	(631)	(565)	(184)	(180)
Free cash flow - Industry	1,272	2,109	672	1,211
Cash flow from Financial Investments before net purchases/sales	321	168	453	38
Taxes and dividends paid	(1,494)	(999)	(459)	(260)
Miscellaneous capital transactions, foreign exchange differences	(102)	762	71	323
Group's self-financing capacity	(3)	2,040	737	1,312
Expansion investments Industry	(1,295)	(5,935)	(285)	(655)
Net purchases/sales portfolio investments	421	(994)	145	(621)
Net cash flow	(877)	(4,889)	597	36
Change in net interest-bearing debt	877	4,889	(597)	(36)
Net interest-bearing debt	14,544	13,667		

hough lower than in 1997. The decline was primarily due to lower export sales resulting from the economic crisis in Russia and record-high prices for fish oil, which is used as a raw material. Sales of edible oils to the Norwegian market were somewhat lower than in previous years. Brisk sales of fish oil for fish meal and favourable purchasing arrangements for raw materials made a positive contribution.

Profit from basic chemicals increased due to improved regularity of production at the new choralkali factory and the sulphuric acid plant. The other areas reported profit on a par with 1997. Low electricity prices were offset by increased electricity production. At the end of the year, Borregaard initiated a comprehensive improvement programme for its Sarpsborg plant. The purpose of the programme is to establish a long-term, continuous process to improve competitiveness from the year 2000 onwards.

Financial Investments

1998 was the weakest year on the Norwegian stock market since 1974. The Oslo Stock Exchange (OSE) All Share Index plummeted 26.7%, having risen 31.5% the year before. In the last four months of 1998 alone, the OSE All Share Index fell 5.3%. The Norwegian stock market declined despite the fact that, in general, the other western bourses did well in 1998.

The return on Orkla's investment portfolio was -7.0% in 1998. The good return in comparison with the OSE All Share Index can be ascribed to the fact that the three largest items (Storebrand, Elkem and NetCom) all performed considerably better than the OSE All Share Index, and to the fact that Orkla had little exposure in the oil and offshore sector. The international portfolio, which accounted for 19.5% of the total portfolio at the beginning of 1998, also achieved a substantially better return than the OSE All Share Index.

The Financial Investments area reported profit before tax of NOK 1,042 million, which was NOK 114 million lower than in 1997. Realised portfolio gains totalled NOK 769 million, compared with NOK 876 million the previous year. Dividends received, which amounted to NOK 318 million, were NOK 26 million higher than in 1997.

The net asset value of the share portfolio dropped NOK 1,132 million to NOK 10,410 million in 1998. The market value of the portfolio as of 31 December 1998 was NOK 12,624 million. The unrealised capital gain on the portfolio was reduced by NOK 2,093 million to NOK 4,129 million in 1998.

The Orkla Finance group reported lower profit in 1998 than in 1997 due to the decline in share issue activity and costs in connection with the establishment of an office in Stockholm. However, Orkla Finance's position on the market was further enhanced in 1998 when the group became market leader for stockbroking services on the Oslo Stock Exchange. In 1998, the Real Estate section completed the development of the Skøyen area and the premises have been leased out on satisfactory terms.

Associates

Profit from associates totalled NOK 165 million in 1998. This was NOK 277 million lower than in 1997, when profit was boosted by a gain of NOK 283 million in connection with Jotun's sale of its polymer business. The share of profit from Hartwall (20.5%) amounted to NOK 70 million after goodwill amortisation.

Cash flow, Investments and Financial situation

The Group's net cash flow was NOK -877 million in 1998. The NOK 4,012 million improvement from 1997 can mainly be ascribed to a lower rate of expansion investments; the takeover of the remainder of Pripps Ringnes required substantial investments in 1997.

Net interest-bearing debt increased to NOK 14.5 billion. At the end of 1998, the Group's average borrowing rate was 5.8%, 0.4 percentage points higher than at the end of 1997. The proportion of interest-bearing debt at floating interest rates was approximately 62%, and about 20% of interest-bearing debt was exposed to Norwegian short term money-market rates at the end of 1998.

As of 31 December 1998, the Group's book equity ratio was 34.2%, 1.3 percentage points higher than on the same date the previous year. Including unrealised gains on the share portfolio (before tax), the equity ratio as of 31 December 1998 was 40.5%.

Dividend/RISK

The Board of Directors will propose a dividend for 1998 of NOK 2.25 per share, which is 6% higher than in 1997. The RISK amounts as of 1 January 1999 is estimated to be NOK 2,40 per share, while the RISK amount as of 1 January 1998 has been set at NOK 5,16 (converted after split 1:4) per share.

General Meeting

An Ordinary General Meeting will be held on 6 May 1999 at 3 p.m. in Sarpsborg. The annual report will be distributed in week 15.

Oslo, 11 February 1999
The Board of Directors of Orkla ASA