

The Orkla Group

Preliminary results 1998

12 February 1999

1998 - An unsatisfactory year for Orkla

- Weak profits for Nordic Beverages, Procordia Food in Sweden and Kotlin in Poland
- Gradual improvement for other branded consumer goods during the year
- Mixed performance for Chemicals
- Portfolio outperformed the OSE Index in a weak market
- Substantial non-recurring items to improve competitive edge

Profit and loss account

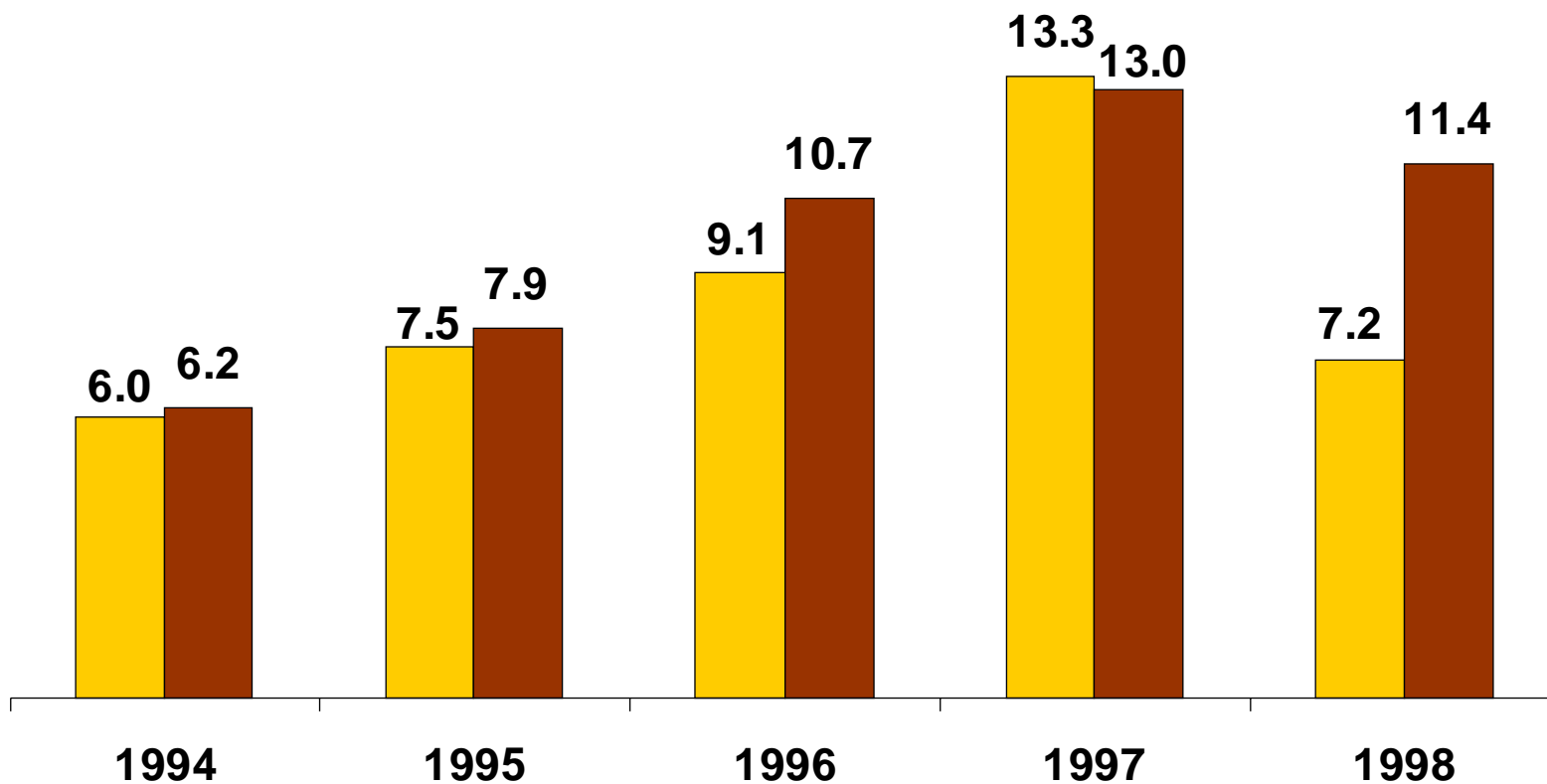
NOK million

	1.1.-31.12.		1.9.-31.12.	
	1998	1997	1998	1997
Operating revenues	30 819	30 970	10 548	10 802
Operating profit before goodwill amortisation and non-recurring items	2 553	2 851	804	940
Operating profit	1 797	2 613	582	814
Associated companies	165	442	-7	314
Dividends received	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	1257
Taxes	-555	-863	-46	-270
Minority interests	-124	-112	-32	-33
Profit after tax and minorities	1 378	2 562	93	954
<u>Excl. goodwill amortisation and non-recurring items:</u>				
Profit before tax	3 007	3 449	405	1 094

Earnings per share fully diluted

NOK

■ Book figures ■ Excl. non-recurring items and goodwill amortisation



Non-recurring items

NOK million

Reported	1998	1997	Specification	1998	1997
Other revenues and costs	-335	181	Orkla Foods	-60	46
			Orkla Beverages	-174	171
			Orkla Brands	-25	20
			Orkla Media	-44	16
			Head Office/unallocated	-32	-22
			Chemicals		-50
Financial items, net	-138	61	Currency loss BBH	-138	
			Gain from sale of Hansa		61
Associated companies	-15	303	Gain from sale of Jotun Polymer		283
			Gain from sale of limited partnership		20
			Impact 20.5% interest Hartwall	-15	
Total	-488	545			

Financial items

NOK million	1.1.-31.12		1.9.-31.12	
	1998	1997	1998	1997
Net interest expenses	-826	-698	-292	-203
Currency loss	-153	-36	-8	9
Other financial items, net	-20	42	-2	1
Net financial items	-999	-692	-302	-193
Avg. net interest bearing debt (billion)	14.6	12.8	14.6	13.4
Average interest rate	5.7%	5.5%	6.0%	5.3%

Cash flow statement

NOK million	1.1.-31.12.		1.9.-31.12.	
	1998	1997	1998	1997
Cash flow from operations	3 629	4 200	1 513	1 738
Net capital expenditure	-1 726	-1 526	-657	-347
Financial items paid	-631	-565	-184	-180
Free cash flow Industry	1 272	2 109	672	1 211
Free cash flow Financial Investments	321	168	453	38
Taxes and dividends paid	-1 494	-999	-459	-260
Miscellaneous	-102	762	71	323
Self-financing capacity	-3	2 040	737	1 312
Expansion investments, Industry	-1 295	-5 935	-285	-655
Net acquisitions/sales portfolio investment	421	-994	145	-621
Net cash flow	-877	-4 889	597	36

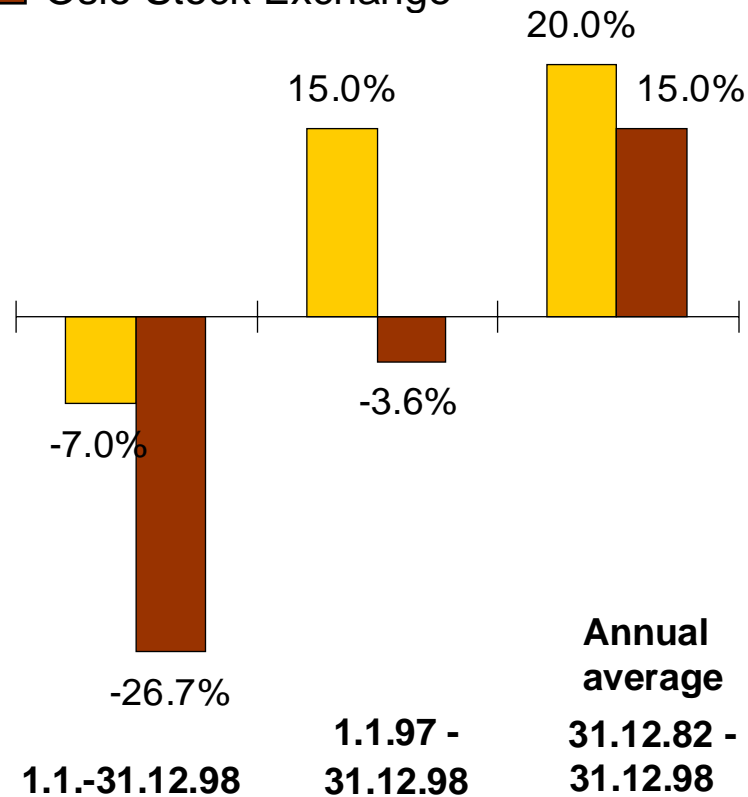
Balance sheet - some key figures

NOK million	31.12.98	31.12.97
Current assets	8 702	9 042
Portfolio investments	8 851	8 188
Long-term assets	21 222	19 635
Total assets	38 775	36 865
Equity to total assets ratio		
- Book	34.2%	32.9%
- Incl. unrealised capital gains before tax	40.5%	42.6%
Net interest-bearing debt	14 544	13 667

Portfolio performance

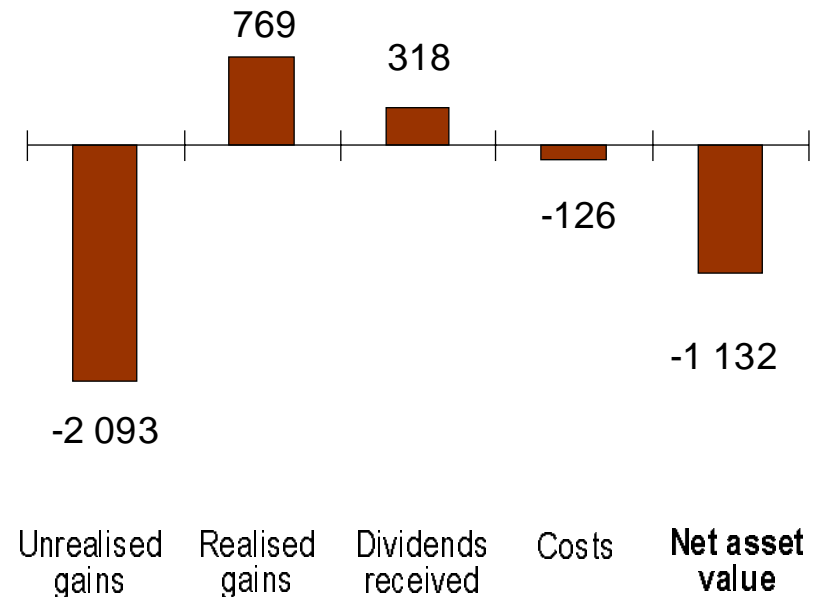
Return %

- Orkla's portfolio
- Oslo Stock Exchange



Value reduction 1.1.-31.12.1998

NOK million



Portfolio - key figures

NOK million	31.12.98	31.12.97	Change 1998
Market value	12 624	14 410	- 1 786
Net asset value	10 410	11 542	- 1 132
Unrealised gains before tax	4 129	6 222	- 2 093
Debt to total assets	18.1%	20.0%	-1.9%-points

Portfolio 31 December 1998

Principal holdings	Industry	Share of equity (%)	Share of portfolio (%)	Market value (NOK million)
Storebrand	Insurance	10.0	13.1	1 659
Elkem	Metals	25.3	9.2	1 166
NetCom	Telecommunications	11.0	8.4	1 056
Nokia	Telecommunications	0.1	5.0	629
Dyno	Chemicals	18.1	4.4	550
Hafslund	Energy	8.3	3.1	391
Lindex	Retailing	10.0	3.0	381
Nycomed Amersham	Pharmaceuticals	1.1	2.9	360
Bure	Investments	4.9	2.3	287
Chips	Food	14.0	2.2	280
Total principal holdings			53.5	6 759

Orkla Foods

NOK million	1.1.-31.12.		1.9.-31.12.	
	1998	1997	1998	1997
Operating revenues	10 238	10 094	3 743	3 509
Goodwill amortisation	-162	-169	-54	-65
Operating profit*	579	655	248	271
Operating margin*	5.7%	6.5%	6.6%	7.7%

* Excluding other revenues and costs

- Procordia Food in Sweden and Kotlin in Poland - major challenges
- Positive trend for Stabburet (Norway) during the last six months
- Improved profits for Abba Seafood (Sweden), Beauvais (Denmark) and Felix Abba (Finland)

Improvements in Poland and Sweden

- Need for cost reductions in Kotlin and Procordia Food
- Several improvement projects identified
- Turnaround will take time
- Sales trend positive for Procordia Food at year-end
- Improved market shares in Poland

Orkla Beverages

NOK million	1.1.-31.12.		1.9.-31.12.	
	1998	1997	1998	1997
Operating revenues	6 741	7 656	2 022	2 356
Goodwill amortisation	-143	-139	-48	-50
Operating profit*	508	799	43	161
Operating margin*	7.5%	10.4%	2.1%	6.8%

* Excl. other revenues and costs

- Loss of TCCC volumes and weaker Nordic markets
- Continued high volume growth in BBH
 - RUB devaluation weakens margins

Weak Nordic markets

1998 vs. 1997

	Norway			Sweden		
	Beer	Soft drinks	Water	Beer	Soft drinks	Water
Pripps Ringnes						
Market share	59%	26%	72%	40%	20 %	58 %
Change from 1997	+1%-p	-2%-p*	0%-p	0%-p	+1%-p	0%-p
Total market change	- 5%	-4%	-3%	-6%**	+1%	-2%

* Change own brands (excl. Pepsi)

** Excl. private imports of beer

- Market shares largely maintained
- Total market decline in both Norway and Sweden
 - High beer taxes result in falling beer sales

Nordic markets

NOK million	1.1.-31.12.		1.9.-31.12.	
	1998	1997	1998	1997
Operating revenues	5 033	6 393	1 644	1 918
Operating profit*	125	529	51	84
Operating margin*	2.5%	8.3%	3.1%	4.4%

* Excl. other revenues and costs

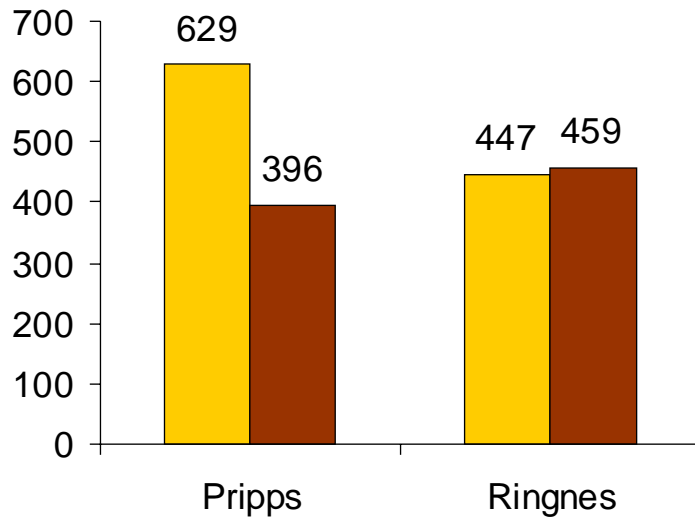
- Excess capacity and structural changes hurt profits
- Substantial negative impact from cold summer and beer taxes
- Slightly improved market shares in T3
- Positive trend for Pepsi in Norway at year-end
 - Improved distribution
- Cost reduction programme proceeds as planned

Nordic Beverages

mill. litre

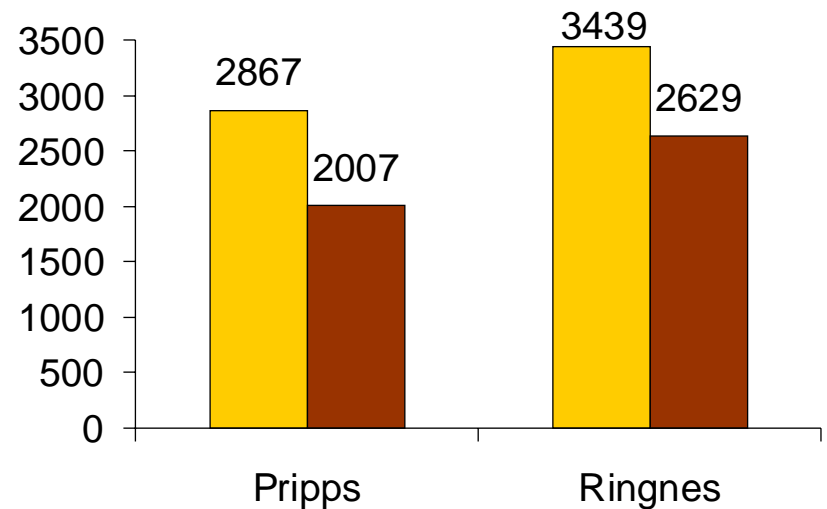
1995 1998

Volume



1995 1998

Man-year



BBH - Baltic Beverages Holding

NOK million	1.1. - 31.12.		1.9.-31.12.	
	1998	1997	1998	1997
Operating revenues (50%)	1 715	1 263	385	438
Operating profit (50%)	563	443	51	146
Operating margin	32.8%	35.1%	13.2%	33.3%
Volume in million litres (100%)	913	616	292	198
Total assets incl. goodwill - NOK b. (50%)	2.1	1.5		

- Satisfactory result in BBH given new macro conditions
 - Continued strong volume growth in T3
 - Further significant capacity expansions
- Further expansion in Russia and Ukraina
 - Interest in Chelyabinsk to increase to 75% in 1999
 - 42% interest in Kolos and 66% interest in Slavuta acquired

Russia

- Beer prices increased by 30-55% in T3
- Wages increased by 40-50% in T3
- Inflation 70% in T3
- Beer excluded from the Alcohol Act
- Moderate tax increase

Market trends

	1998 Per capita consumption litres	Market growth % change 1998	BBH market share 1998	Change BBH market share 1998
Russia	23	+ 23 %	21%*	+ 4%-points
Ukraine	12	+ 10 %	13%**	+ 1%-points
Estonia	47	+ 15 %	48 %	+ 1%-points
Latvia	31	+ 5 %	50 %	- 5%-points
Lithuania	44	+ 8 %	29%***	+2%-points

* Exclusive Chelyabinsk acquired January 1999 (Marketshare 2%)

** Exclusive Kolos, ownership increased to 42% February 1999 (Marketshare 3%)

*** Exclusive Utenos Alus, ownership increased to 50% January 1999 (Marketshare 15%)

Impact of devaluation on monetary assets

- USD1=RUB 22.58 - 71% RUB devaluation

NOK million

	31.08	1.9-31.12	31.12
Devaluation effect on Operating profit	0	-66	-66
Net devaluation effect on Financial Items	-138	0	-138
Devaluation effect on Associated Companies	-15	-10	-25
Net effect on Profit before tax	-153	-76	-229
Effect on Minorities	44	24	68
Net profit impact for Orkla	-109	-52	-161

Orkla Brands

NOK million	1.1.-31.12.		1.9.-31.12.	
	1998	1997	1998	1997
Operating revenues	4 273	4 146	1 538	1 506
Goodwill amortisation	-27	-28	-9	-10
Operating profit*	456	458	186	180
Operating margin*	10.7%	11.0%	12.1%	12.0%

* Excl. other revenues and costs

- Detergents and Personal Products maintain market shares
- Focus on core brands brings profit growth for Confectionery
- Declining market shares for Biscuits
 - Corrective action taken in Norway and Sweden
- Mixed performance for Snacks
 - Strong performance in Denmark
 - Increasing competition in Norway at year-end

Orkla Media

NOK million	1.1.-31.12.		1.9.-31.12.	
	1998	1997	1998	1997
Operating revenues	3 153	2 569	1 139	980
Goodwill amortisation	-68	-63	-26	-23
Operating profit*	208	204	117	97
Operating margin*	6.6%	7.9%	10.3%	9.9%

* Excl. other revenues and costs

- Improved profits for Norwegian and Polish newspapers in T3
- Increased advertising volumes in Norway and Poland
- Increased paper prices and labour costs
- New printing facilities and slimmer organisation will reduce costs
- Weak performance for Direct Marketing

Chemicals

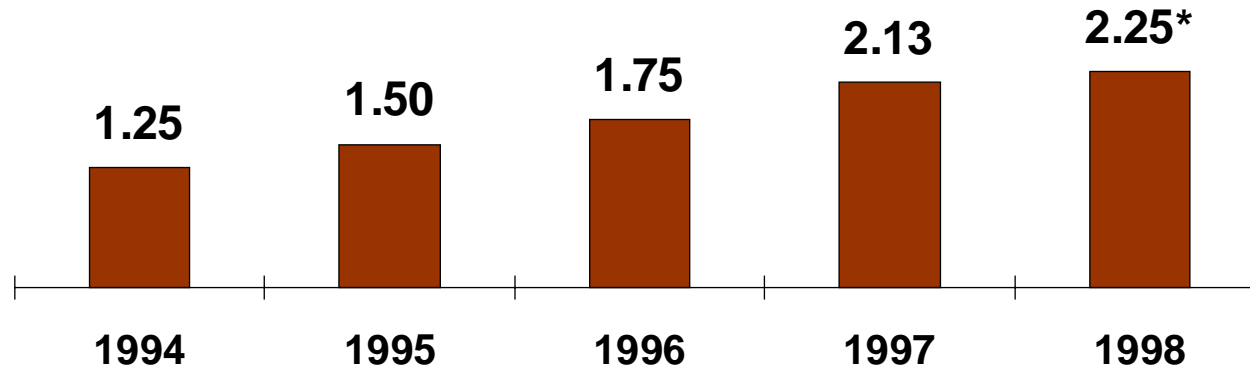
NOK million	1.1.-31.12.		1.9.-31.12.	
	1998	1997	1998	1997
Operating revenues	5 777	5 733	1 950	2 200
Operating profit*	402	324	91	100
Operating margin*	7.0%	5.7%	4.7%	4.5%

* Excluding other revenues and costs

- Progress for Fine Chemicals and Speciality Cellulose
 - New products bring volume and profit growth for Fine Chemicals
 - Improved product quality and production rate for Speciality Cellulose
- Positive currency effects
- Lignin has been hurt by Asian crisis in T3
- As expected, lower profits from Ingredients in T3
- Profit improvement programme implemented
 - Modest effect in 1999

Dividend

NOK



* Dividend proposed by the Board of Directors

- Average annual growth 15.8%

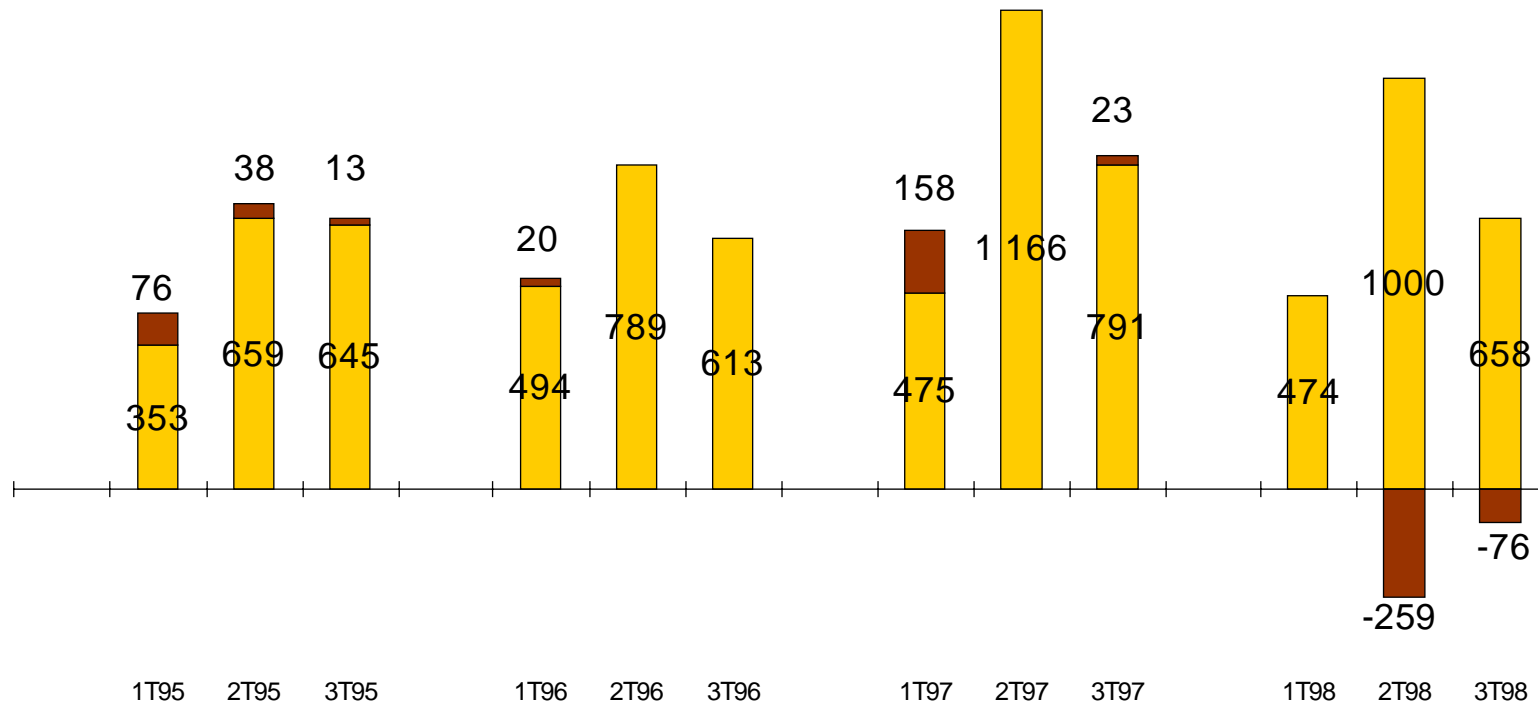
	1994	1995	1996	1997	1998
Payout ratio	21%	20%	19%	16%	31%
Payout ratio *	22%	21%	19%	20%	25%

*In relation to earnings per share adjusted for non-recurring items.

Operating profit by 4-month period

NOK million

- Profit before other revenues and costs
- Other revenues and costs



BBH breweries 1998

Brewery	Country	Share- holding Febr. 99	Year acquired	Sales volume	Consoli- dated volume	National market share
Saku	Estonia	75 %	1991	41	41	48%
Aldaris	Latvia	75 %	1992	49	49	50%
Baltika	Russia	74 %	1993	497	497	14%
Kalnapilis	Lithuania	86 %	1994	46	46	29%
Yarpivo	Russia	50.6%	1996	131	131	4%
Slavutich	Ukraine	70 %	1996	78	78	13%
Taopin	Russia	69 %	1997	83	83	3%
Don Pivo*	Russia	82.6%	1997	-	-	-
Utenos Alus**	Lithuania	50 %	1997	23	-	15%
Kolos***	Ukraine	42 %	1998	17	-	3%
Chelyabinsk****	Russia	20 %	1999	47	-	2%
BBH					913	

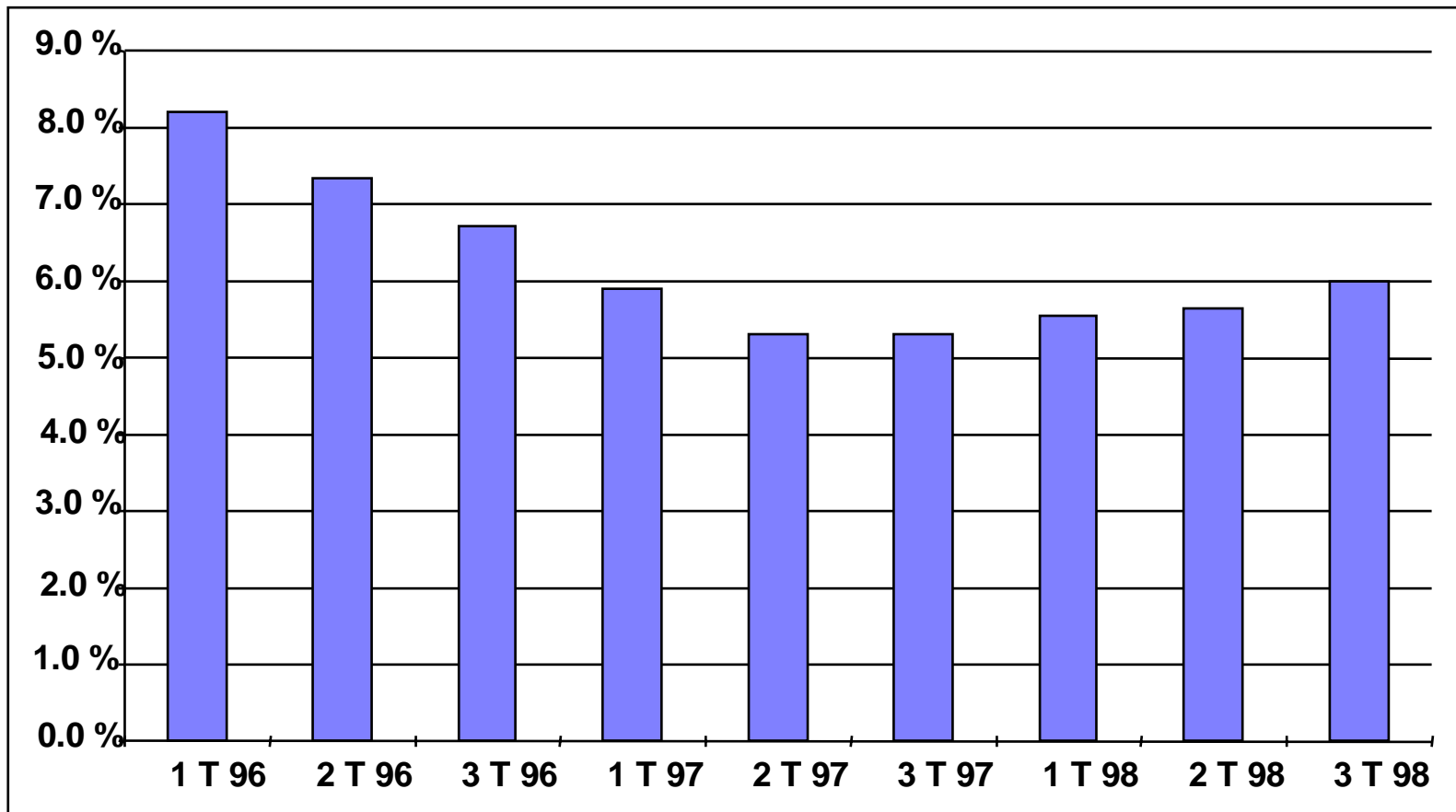
* Owned by Baltika (83%), included in Baltika's figures

** January 1999-Ownership increased to 50%

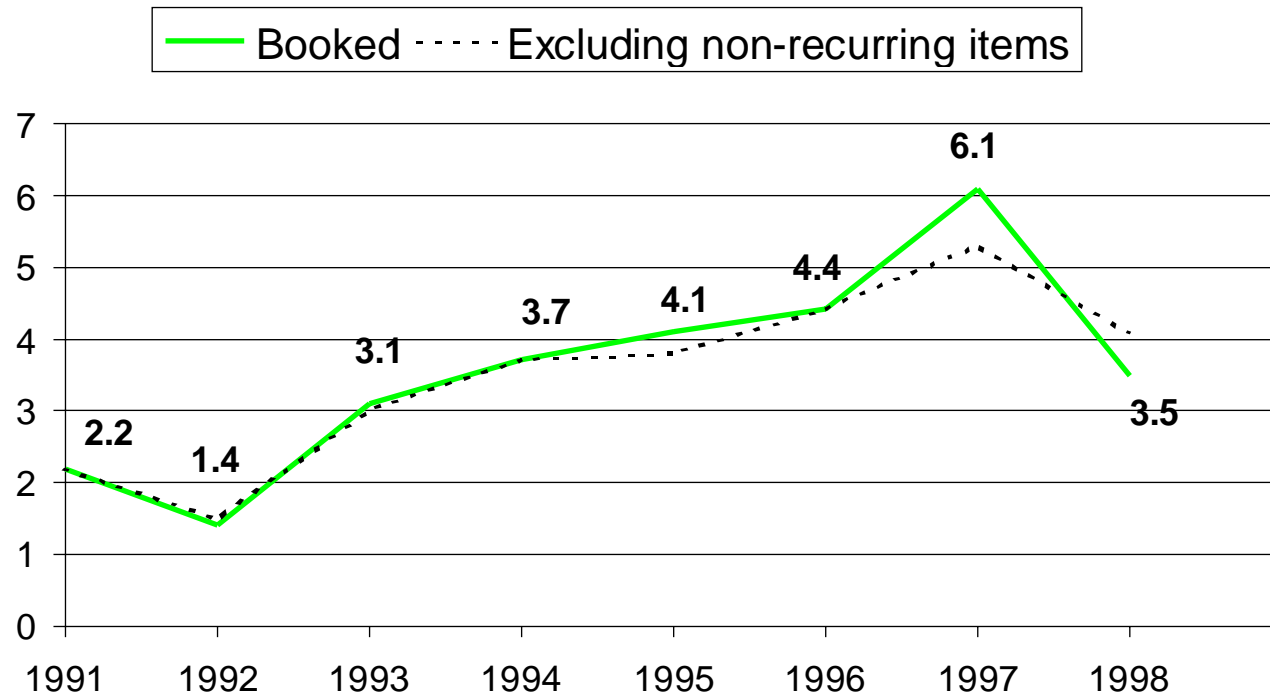
***February 1999-Ownership increased to 42%

**** Acquired January 1999

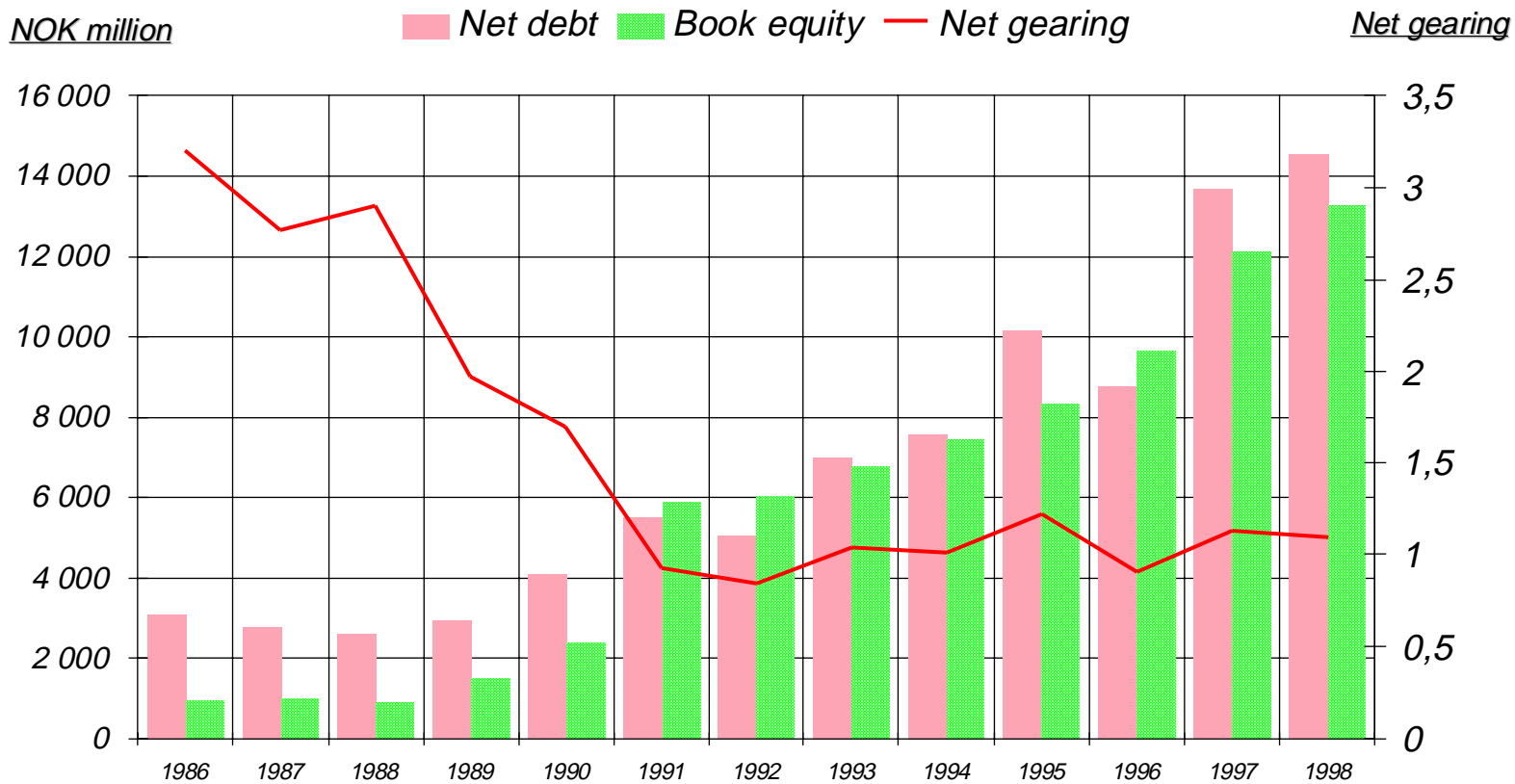
Development in average interest rate



Interest cover

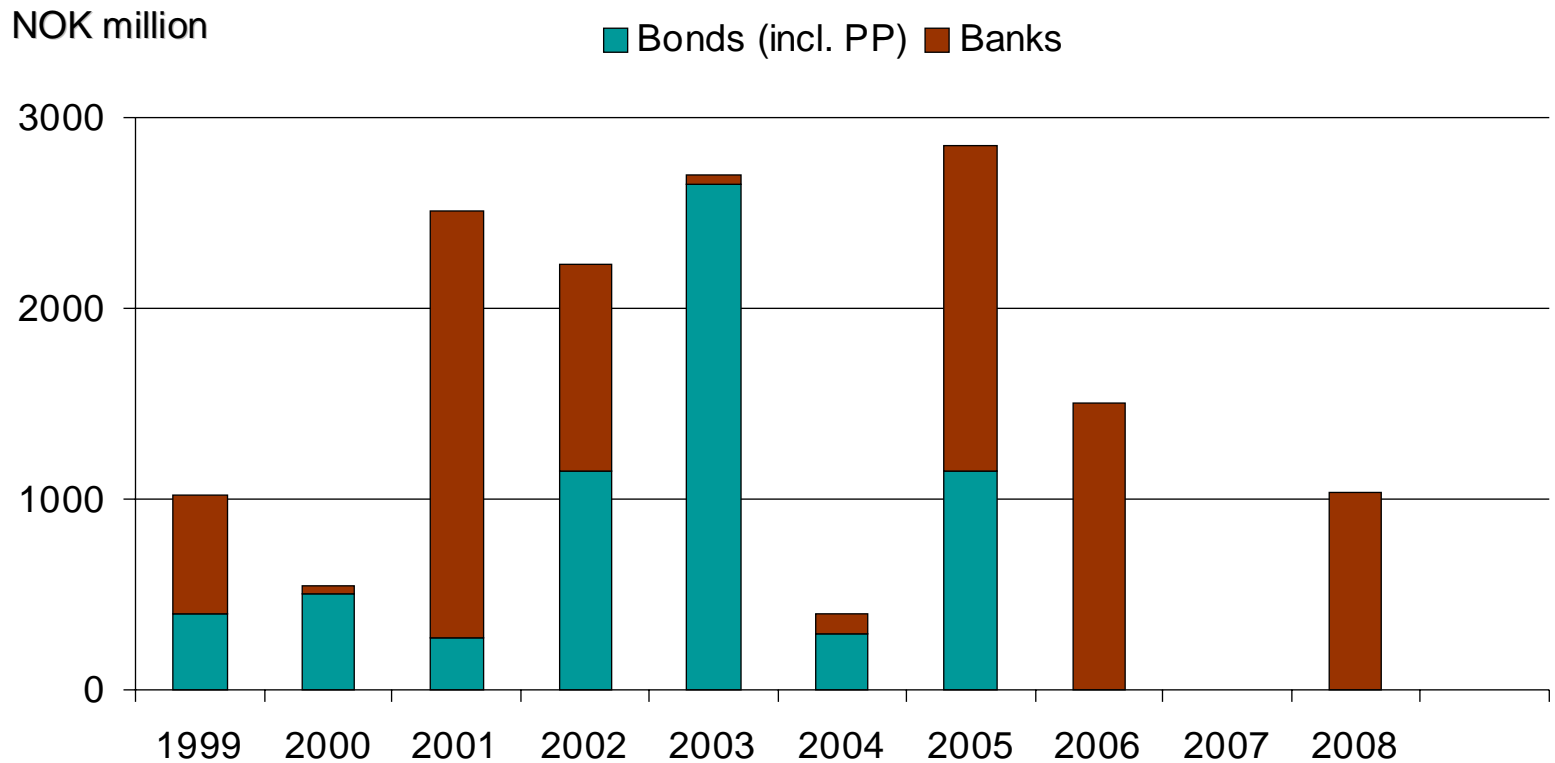


Debt and equity



Debt maturity profile

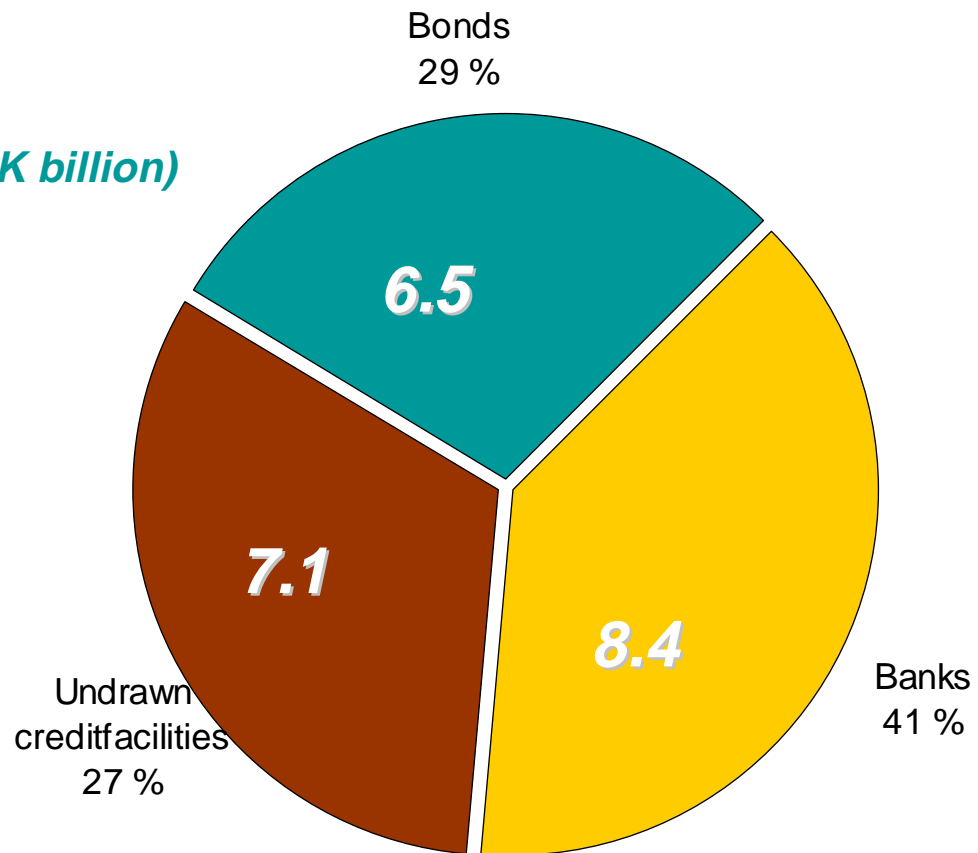
31.12.98

Average maturity 4.7 years

Funding Sources

31.12.98

(NOK billion)



Goodwill amortisation

	Goodwill book value NOK million	Goodwill amortisation NOK million 1.1.-31.12.	
	31.12.98	1998	1997
Orkla Foods	2 339	162	169
Orkla Beverages	2 083	143	139
Orkla Brands	327	27	28
Orkla Media	698	68	63
Branded Consumer Goods	5 447	400	399
Chemicals	126	13	12
Other	15	8	8
Total	5 588	421	419