- Decline in profit for beverages in the Nordic region, Procordia Food in Sweden and Kotlin in Poland
- Improvement towards the end of the year for other branded consumer goods
- Continued strong volume growth for East European breweries, despite weaker currencies in Russia and Ukraine
- Improved performance for Chemicals, but weaker towards the end of the year
- Return on the share portfolio (-7 %) better than the performance of the Oslo Stock Exchange (-26.7 %) in a weak market
- Comprehensive measures initiated to improve competitive edge
- Substantial non-recurring items charged against the accounts

1998 - In brief

NOK million	**1998**	1997	1996	1995	1994
Operating income	**30,819**	30,970	25,998	21,977	21,144
Operating profit	**1,797**	2,613	1,916	1,784	1,573
Operating margin (%)	**5.8**	8.4	7.4	8.1	7.4
Profit before tax	**2,057**	3,537	2,431	1,890	1,533
Earnings per share, fully diluted (NOK)	**7.2**	13.3	9.1	7.5	6.0
Earnings per share, fully diluted [1] (NOK)	**11.4**	13.0	10.5	7.9	6.2
Return on capital employed [2] (%)	**9.0**	14.9	13.8	16.6	17.3
Equity ratio (%)	**34.2**	32.9	36.5	31.2	34.6

1) Excluding goodwill amortisiation and non-recurring items
2) The Industry area

This is Orkla

The Orkla Group

Orkla is one of the largest listed companies in Norway in terms of market capitalisation (NOK 21.3 billion as of 31.12.1998) and its core businesses are Branded Consumer Goods, Chemicals and Financial Investments. The Group has achieved significant growth since the beginning of the 1980s. Operating income increased from NOK 1.2 billion in 1982 to NOK 30.8 billion in 1998 while earnings per share rose from NOK 0.2 to NOK 7.2. In 1998, 54 % of the Group's operating income was derived outside Norway. At the end of 1998, Orkla had 24,833 employees of whom 52 % were outside Norway.

Development Strategy

On the basis of the Group's expertise in the field of Branded Consumer Goods, Chemicals and Financial Investments, Orkla will continue to expand in product and market areas where Orkla's products have a good potential for becoming the preferred choice of customers and consumers.

Orkla's strategy for growth requires that the Group's core expertise is continuously improved and developed. In the coming years, Orkla will therefore be making further efforts to systematically develop human resources by organising joint programmes and on-the-job training, and facilitating the transfer of expertise. Orkla also gives high priority to developing a good corporate culture based on proximity to the market and the will to achieve quality, efficiency and continuous improvement.

The Branded Consumer Goods business will continue to strengthen its position as the leading supplier of branded products to Nordic households. Future growth will primarily be achieved by increasing focus on the most successful product groups and gradual growth outside the Nordic region, primarily in selected markets in Eastern Europe.

The Chemicals business will be further developed within global niche areas, primarily on the basis of fine and specialty chemicals. Profitability will be improved and sensitivity to economic fluctuations further reduced by focusing more on highly processed products tailored to customer needs and increased specialisation.

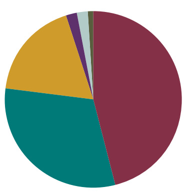
Building on its strong base of analytical expertise, Orkla will continue to be a major equity investor with a long-term focus, primarily in the Nordic region.

Historical Background

Orkla has been one of Norway's fastest growing businesses in the 1980s and 1990s. From its start as a relatively small company with its basis in traditional Norwegian heavy industry, the Group has grown through mergers and acquisitions to become a leading Nordic player in the grocery sector, a world-wide niche manufacturer of selected organic chemical products and one of the largest portofolio investors in the Nordic region.

Operating income by geographical area

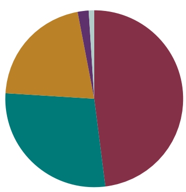
- Norway 46 %
- Nordic region 31 %
- Europe 18 %
- USA 2 %
- Asia 2 %
- Other 1 %



Total operating income
NOK 30,819 million

Employees by geographical area

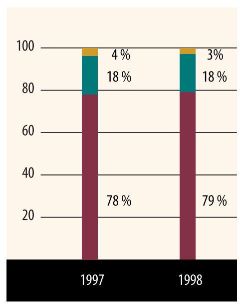
- Norway 48 %
- Other Nordic countries 28 %
- Eastern Europe 21 %
- Other European countries 2 %
- Other 1 %



Number of employees 24,833

Operating income by business area

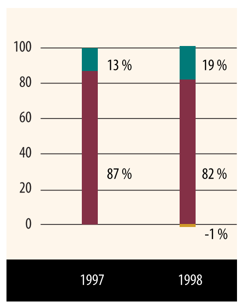
- Branded Consumer Goods
- Chemicals
- Other



Total operating income
1997: NOK 30,970 million
1998: NOK 30,819 million

Operating profit by business area

- Branded Consumer Goods
- Chemicals
- Other



Operating profit (excl. other income and expenses)
1997: NOK 2,432 million
1998: NOK 2,132 million

Orkla's roots can be traced back to the pyrite mines at Løkken Verk, where mining operations first began in 1654. Mining continued to be the Group's main business until the beginning of the 1980s, although by then the company was also involved in financial investments and had initiated its first media operations.

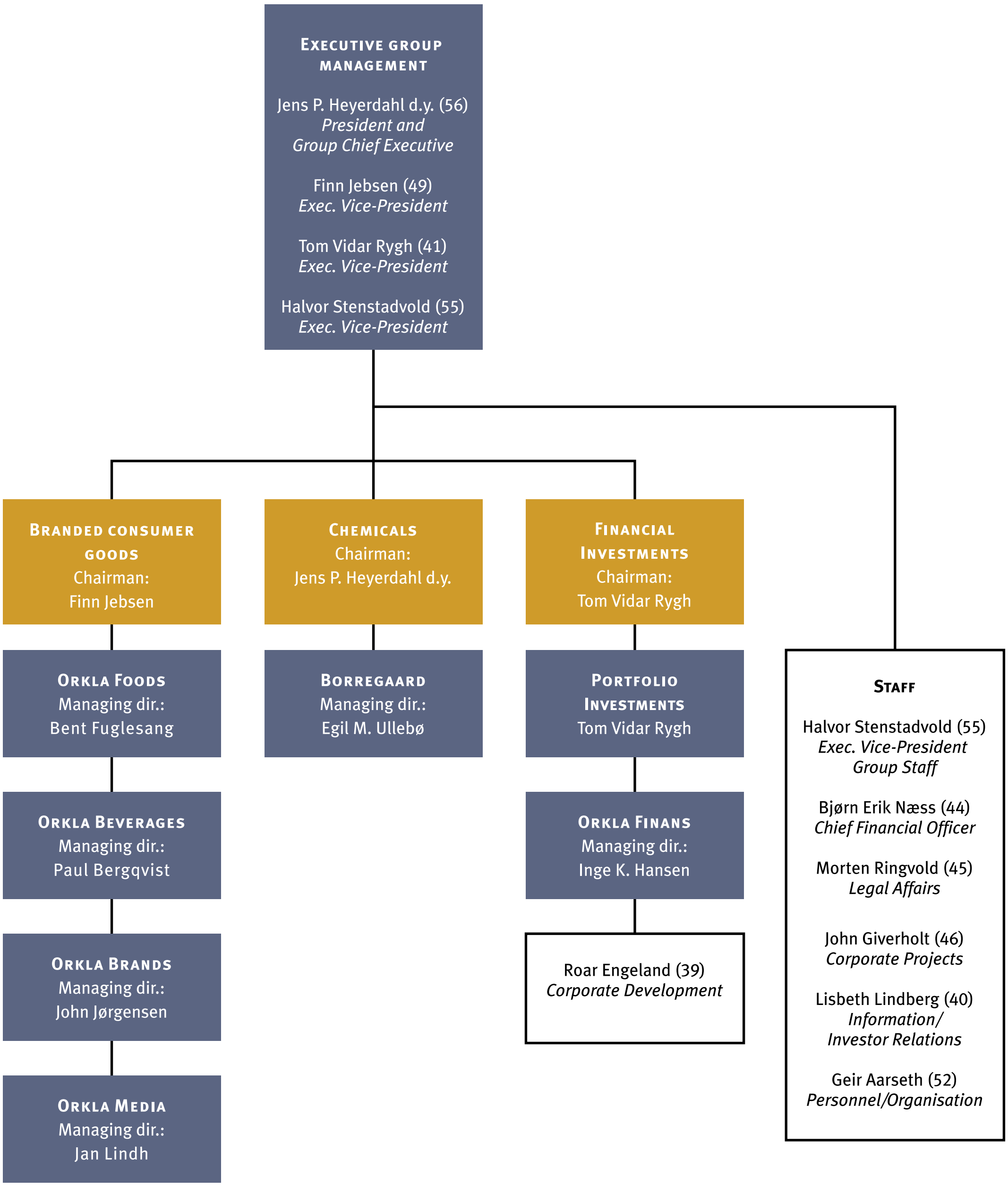
In 1986, Orkla Industrier merged with Borregaard. In addition to its wood processing and chemicals operations, Borregaard owned several strong branded goods companies. With this background, the merger provided the basis for the present strategy of focusing on the business areas Branded Consumer Goods, Chemicals and Financial Investments. After the merger in 1986, the branded consumer goods business was restructured while Borregaard reorganised to become a global producer of niche products in the field of specialty and fine chemicals.

Orkla Borregaard and Nora Industrier merged in 1991, thereby significantly strengthening Orkla's position on the Norwegian branded consumer goods market and laying the foundations for Nordic expansion. The merger led to a strengthening of the food and snacks business, while the Norwegian beverages business, chocolate and confectionery were new additions to the Group. This merger was also followed by comprehensive restructuring and acquisitions and divestments.

In 1995, Orkla acquired the Swedish food companies Procordia Food and Abba Seafood. At the same time, Swedish Pripps and Norwegian Ringnes merged to become the jointly owned beverages company Pripps Ringnes. In 1997, Orkla acquired the remaining part of Pripps Ringnes. This acquisition confirmed Orkla's position in the Nordic region, and strengthened the Group's position in Eastern Europe.

In the 1990s, Orkla's branded consumer goods business has developed strongly in Eastern Europe. The Group's activities are primarily concentrated around Orkla Media's operations in Poland and Baltic Beverages Holding's (BBH) breweries in the Baltic States, Russia and Ukraine.

Specialisation and globalisation of the chemicals business have accelerated in the 1990s.



Branded Consumer Goods

	1998	1997	1996	1995	1994
Operating income [1]	**24,238**	24,296	20,057	16,202	14,288
Operating profit [1]	**1,751**	2,116	1,514	1,134	972
Operating margin	**7.2 %**	8.7 %	7.5 %	7.0 %	6.8 %
Return on capital employed	**11.3 %**	13.9 %	15.0 %	15.4 %	15.8 %

Excluding non-recurring items
1) NOK million

The Branded Consumer Goods area, which accounts for approximately 80 % of the Group's total operating income, comprises Orkla Foods, Orkla Beverages, Orkla Brands and Orkla Media. Orkla is the leading supplier of branded consumer goods to the Nordic grocery trade.

The Branded Consumer Goods business has expanded significantly in the 1990s through the development of Orkla's own brands and a number of acquisition, synergy and restructuring projects, thereby establishing a sound business system for the Nordic operations. There are further possibilities for growth within selected markets and product categories in the Nordic region. However, future growth is expected to be strongest, relatively speaking, in selected markets in Eastern Europe.

Orkla Foods is the Nordic region's leading supplier of manufactured food products for the grocery trade and the catering sector. Orkla is market leader in the product groups frozen pizza, ketchup, juice, jam and conserved vegetables. The Group also has strong positions in the product groups frozen ready meals, bread and yeast in Norway and processed potato products and seafood in Sweden.

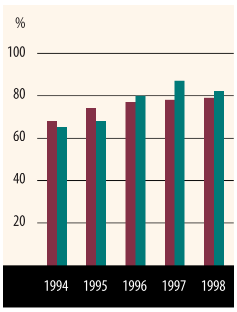
Through Pripps Ringnes, Orkla Beverages is market leader for beer and water products, and the second largest supplier of carbonated soft drinks in Sweden and Norway. Baltic Beverages Holding (50 % interest) is the leading producer of beer in Russia and the Baltic States.

Orkla Brands is market leader in most of its product groups. Orkla is the largest supplier of biscuits in the Nordic region with operations in Norway, Sweden and Finland. The Group holds number one positions for detergents and cod liver oil, and strong number two positions in the chocolate and snacks market in Norway. In Denmark, Orkla is market leader in snacks through its company KiMs.

Orkla Media comprises newspapers, magazines and direct marketing, and is the third largest media company in the Norwegian market. Its newspaper business in Norway consists of local newspapers that hold number one positions. Furthermore, Orkla Media has a strong position in the Norwegian magazines market. Orkla Media is also the second largest player in the Polish newspaper market.

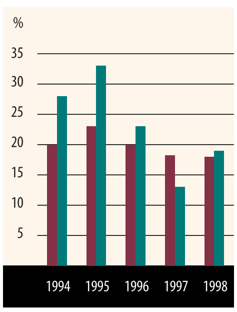
Branded Consumer Goods share of the Group's operating income and operating profit 1994-1998

- Operating income
- Operating profit (excl. other income and expenses)



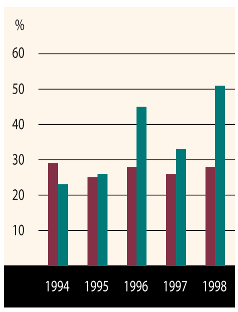
Chemicals share of the Group's operating income and operating profit 1994-1998

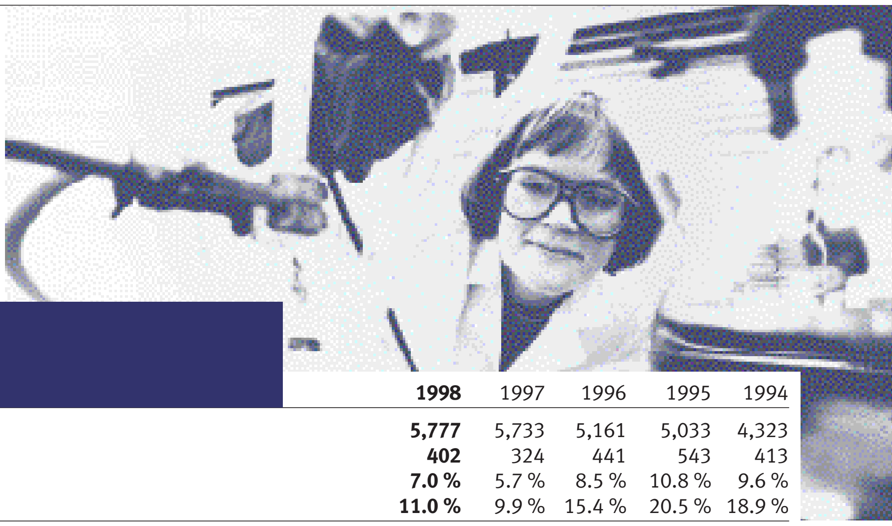
- Operating income
- Operating profit (excl. other income and expenses)



Financial Investments' share of the Group's balance sheet and profit before tax 1994-1998

- Balance Sheet
- Profit before tax





Chemicals

	1998	1997	1996	1995	1994
Operating income [1]	**5,777**	5,733	5,161	5,033	4,323
Operating profit [1]	**402**	324	441	543	413
Operating margin	**7.0 %**	5.7 %	8.5 %	10.8 %	9.6 %
Return on capital employed	**11.0 %**	9.9 %	15.4 %	20.5 %	18.9 %

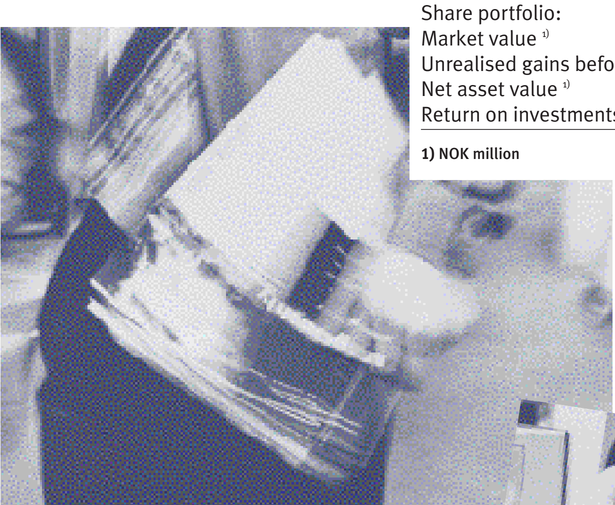
Excluding non-recurring items
1) NOK million

The Chemicals business, which comprises Borregaard's production of specialty chemicals, fine chemicals and ingredients, is Orkla's most international area of activity. The company has production facilities on every continent except Australia, and holds strong global positions in its chosen niches. The activity accounts for approximately 20 % of Group operating income. In recent years, activities have primarily been concentrated on fine and specialty chemicals, and within product niches which are profitable and offer potential for global development. The main focus has been on specialisation and adapting highly processed products to meet specific customer needs.

Financial Investments

	1998	1997	1996	1995	1994
Profit before tax [1]	**1,042**	1,156	1,099	498	350
Share portfolio:					
Market value [1]	**12,624**	14,410	11,043	8,761	8,194
Unrealised gains before tax [1]	**4,129**	6,222	4,612	3,019	2,663
Net asset value [1]	**10,410**	11,542	8,909	6,125	5,252
Return on investments	**-7.0 %**	24.5 %	32.5 %	12.7 %	9.5 %

1) NOK million



Orkla owns one of Norway's largest equity portfolios, with a market value as of 31 December 1998 of NOK 12.6 billion. The Group has a long term investment horizon, and investments are based on in-house analysis. The Nordic region is the main market.

Through its investment activities, Orkla has established a broad network of contacts in Norwegian and international financial markets. The insight that has thereby been gained contributes towards developing the Group's industrial activities, and the proximity to an industrial environment provides the investments business with access to know-how and analyses which are not always available to a portfolio manager. This duality is of significant value to the entire Group.

Stockbroking and other financial services are provided through the company Orkla Finans.

Report of the Board of Directors

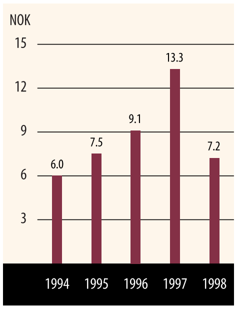
1998 was a year of major challenges for the Group and profit performance was unsatisfactory. Earnings per share declined by 46 %. Adjusted for non-recurring items and excluding goodwill amortisation, the fall in earnings was 13 %. After a substantial rise in the price of the Orkla share in 1997 and the first part of 1998, share price performance for the rest of the year was extremely weak. In 1998 the price fell by about 29 %, more or less on a par with the performance of the Oslo Stock Exchange All Share Index.

Both external and internal factors had an adverse impact. External factors included falling oil prices, a lack of confidence in the Norwegian economy and the economic downturn in Asia, Eastern Europe and Latin America. The immediate consequences were the weak performance of the Norwegian stock market (-27 % in 1998), a doubling of short-term interest rates in Norway and a significant currency loss for the Group's activities in Eastern Europe and particularly in Russia. The Asian crisis had a negative impact on the Chemicals area, particularly in the last four months of 1998. As regards internal factors, the food businesses in Sweden (Procordia Food) and Poland (Kotlin) did not perform as well as anticipated. Profit was also negatively affected by stronger competition and the need to restructure the Nordic beverages business.

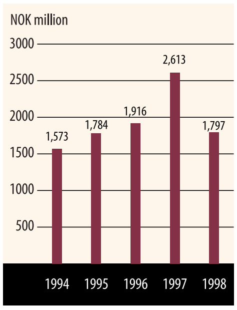
A number of restructuring measures are being implemented throughout the Group to strengthen Orkla's competitiveness. Extensive programmes are being carried out in the Nordic beverages business, the Chemicals area, Procordia Food, Kotlin and Orkla Media. Over time, these measures are expected to lead to an improvement in the Group's competitive position, but the short term effects on profit are uncertain.

1998 was also a year of consolidation, and only minor acquisitions were made. Expansion investments in the Industry area totalled NOK 1.3 billion, most of which were related to increases in the capacity of the breweries owned by Baltic Beverages Holding (BBH). The largest acquisitions were Orkla Media's purchase of Mitcom (Swedish company in the Direct Mail sector), *Norrländska Socialdemokraten* (49 % interest in this Swedish regional newspaper), and two small newspapers in Lithuania and Ukraine. Orkla Foods acquired the Finnish dessert brand, Jacky, and Norgeskaker (a Norwegian manufacturer of bakery goods). All in all, these acquisitions represent operating income of over NOK 600 million. Acquisitions were also made in early 1999. These include Orkla Media's purchase of *Gazeta Lubuska* (a Polish regional newspaper), Orkla Brands' purchase of Freds (a Swedish household textiles company), BBH's purchase of Chelyabinsk Pivo (a Russian brewery) and Orkla Food's agreement to purchase Kåkå (a supplier of marzipan and bakery ingredients) and the sale of Regal Mølle (flour mill).

Earnings per share (fully diluted)



Group operating profit



Results

Profit before tax and minority interests declined by NOK 1,480 million (-42 %) to NOK 2,057 million in 1998. Profit was negatively affected by the fall in profit for both the food and beverages businesses. However, most of the decline in profit can be ascribed to non-recurring items, which totalled NOK –488 million in 1998, compared with NOK +545 million in 1997. Excluding these items, the fall in profit was 15 %. Note 12 of the accounts contains a specification of non-recurring items.

Earnings per share declined from NOK 13.30 to NOK 7.20 (fully diluted). Adjusted for non-recurring items and excluding goodwill amortisation, earnings fell 13 %. The Board of Directors proposes a dividend of NOK 2.25 per share, an increase of 6 % from 1997.

Group operating income totalled NOK 30.8 billion, on a par with the previous year. Adjusted for acquisitions and divestitures and the loss of revenues in connection with the termination of the franchise for The Coca Cola Company (TCCC), operating income rose by more than 3 %.

Corporate operating profit amounted to NOK 1,797 million, compared with NOK 2,613 million in 1997 (-31 %). The decline in profit from 1997 is largely due to non-recurring items. Adjusted for such items, operating profit fell by 12 %. The underlying decline of –17 % for the Branded Consumer Goods area reflects a considerably weaker performance than the previous year. The Chemicals area reported a rise in profit (NOK +78 million; +24 %).

Other income and expenses totalled NOK –335 million in 1998. The large single item is related to the rationalisation programme in the Nordic beverages business (NOK –174 million). Other items are related to restructuring in Orkla Foods in Poland and Sweden, Biscuits Finland and Magazines in Norway and the phasing out of investments in the Branded

Consumer Goods area in Asia (see note 12 of the accounts and the section on rationalisation on page 10).

The Group's operating margin was 5.8 %, compared with 8.4 % in 1997. Adjusted for other income and expenses, the operating margin for the Industry area declined by 0.8 percentage points to 6.8 %.

The Branded Consumer Goods area reported a drop in operating margin of 1.5 percentage points to 7.2 %. This decline is mainly attributable to the weaker performance of Orkla Beverages and Orkla Foods. Profit growth for the Chemicals area boosted operating margin by 1.3 percentage points to 7.0 %.

Profit from associates amounted to NOK 165 million, compared with NOK 442 million in 1997. Last year's figures include gains on asset sales totalling NOK 303 million. The underlying growth in profit of NOK 26 million can largely be ascribed to Hartwall (20.5 % interest). The Group's share of profit from Hartwall was NOK 70 million, after charges for goodwill amortisation of NOK 32 million.

Corporate net financial items, which totalled NOK –999 million, were NOK 307 million higher than the year before. Net currency losses related to the devaluation of the Rouble amounted to NOK 138 million. Net financial items were negatively affected by a higher level of debt, in addition to which the figures for 1997 were high due to a gain of NOK 61 million related to the sale of Hansa Bryggerier.

Dividends received and portfolio gains of NOK 1,094 million were NOK 80 million lower than the year before.

Corporate pre-tax profit totalled NOK 2,057 million, down 42 % from 1997. Tax expenses amounted to NOK 555 million, equivalent to 27 % of pre-tax profit.

Comments on individual business areas

The Industry area reported pre-tax profit of NOK 1,015 million, which is NOK 1,366 million lower than in 1997. Adjusted for non-recurring items, profit declined by 18 %.

Orkla Foods' operating profit, excluding non-recurring items, was NOK 579 million, compared with NOK 655 million in 1997. The fall in profit is largely a result of lower sales in Procordia Food, higher raw materials costs and start-up costs in connection with the new pizza plant at Stabburet. Profit from international operations remained weak, especially in Poland.

Trends on the Swedish market were mixed. Increased competition from both private labels and European competitors has put pressure on some of Procordia Food's product groups. Measures to reduce costs and improve the product range have already been implemented, and more will follow. However, the restructuring process at Procordia Food will necessarily take some time. The food business outside the Nordic region (the International Division) is currently being built up, and a loss was reported for 1998. In the Polish business, manpower reductions will be carried out to achieve cost-effective operations. In 1998, a provision of NOK 60 million was made for restructuring the food businesses in Sweden and Poland.

In the last couple of years, Abba Seafood has considerably reorganised its operations. Concentration on fewer products and markets and strong focus on costs have resulted in marked profit improvement. The performance of the food businesses in Denmark and Finland also improved.

The beverages business was negatively affected by the weakened RUB and by the transition to tollfilling for The Coca Cola Company in Norway and winding-up of similar tollfilling in Sweden. The cold summer also had an adverse impact. Operating profit, excluding non-recurring items, fell from NOK 799 million in 1997 to NOK 508 million in 1998. A significant decline in profit for the Nordic businesses was only partly offset by continued improvement for BBH.

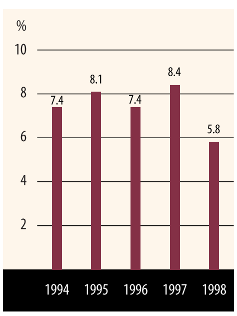
Competition on the Nordic beverages market intensified considerably in the course of 1998. Operating profit excluding other income and expenses for the Nordic business declined by NOK 404 million to NOK 125 million. Pressure on prices due to overcapacity and the loss of market shares for carbonated soft drinks in Norway, a decline in the overall market for beer in Norway, and the loss of and changes in TCCC production all contributed to the fall in profit. To strengthen its competitive position, in 1998 the Group decided to implement a comprehensive cost reduction project in the Nordic beverages business.

Despite serious economic problems in Russia and the substantial weakening of the RUB towards the end of the year, BBH reported overall growth of 27 % in operating profit for the year. This is primarily due to a very strong rise in profit up until the devaluation of the RUB in August 1998. The company's operating profit for the last four months of the year was NOK 51 million, compared with NOK 146 million in the same period in 1997. BBH's breweries achieved volume growth of 48 % in 1998, and maintained the same rate of growth even after the decline in value of the Russian currency.

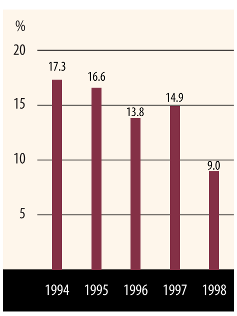
In March 1998 an agreement was signed with PepsiCo International regarding manufacturing under licence for the Norwegian market. The agreement will run for 20 years from 27 April 1998 with an option for extension. Pripps Ringnes has previously entered into a similar agreement for Sweden, effective by 1 January 2001 at the latest.

Operating profit excluding non-recurring items for *Orkla Brands* was NOK 456 million, compared with NOK 458 million for 1997. A reduction in the

Operating margin



Return on capital employed Industry Area



prices of certain laundry detergents, combined with unfavourable exchange rates in connection with the purchase of raw materials and the somewhat delayed impact on costs of the new liquid detergent factory, explains the slight fall in profit for Home and Personal Care products (Detergents and Personal Care/ Cosmetics). Profit performance for Biscuits was unsatisfactory and measures to improve the situation have been initiated, including reducing the number of biscuits factories in the Nordic region from three to two.

Chocolate/Confectionery continued to pursue its strategy of increased focus on its main brands, and reported higher profit than the year before. Further increases in investments in advertising and market-oriented activities helped to strengthen market shares. Snacks Denmark achieved profit growth, while Snacks Norway reported a slight decline in profit despite several successful product launches. This was primarily due to somewhat weaker distribution and tougher competition. The other business areas reported results on a par with 1997.

Orkla Media increased operating profit excluding non-recurring items by NOK 4 million to NOK 208 million in 1998. Norwegian Newspapers reported a minor improvement in profit, but higher wage costs necessitated further cost reduction measures. Good growth in advertising volume for the Polish newspaper business generated profit growth in 1998. To some extent, Orkla Media's operating profit for 1998 is still negatively affected by the Group's involvement in local TV and radio and electronic publishing.

The Chemicals area posted operating profit, excluding non-recurring items, of NOK 402 million in 1998, NOK 78 million higher than the year before. The profit growth was mainly due to internal improvements and favourable exchange rates. The lignin business, in particular, but also specialty cellulose were negatively affected in 1998 by declining demand on Asian markets, particularly in the last four months of 1998. Improved production performance and favourable exchange rates were the main reasons why Specialty Cellulose nevertheless achieved profit growth in 1998. Fine Chemicals also reported improved profit, primarily due to new products and increased utilisation of capacity. Edible Oils posted satisfactory results, although slightly lower than the year before. High raw material prices, especially for fish oil, had a negative impact on export volumes.

The value-adjusted return on the Group's investment portfolio was –7 %, compared with +24.5 % in 1997. The Oslo Stock Exchange All Share Index fell by 26.7 % in 1998. The value-adjusted result before tax for the portfolio was NOK –1,132 million. NOK 961 million was reflected in the profit and loss accounts, while unrealised gains on the Investment portfolio were reduced by NOK 2,093 million. The market value of the portfolio as of 31 December 1998 was NOK 12,624 million and unrealised gains totalled NOK 4,129 million. The Orkla Finance group achieved weaker results in 1998, mainly due to its establishment of operations in Sweden.

Cash flow, investments and equity

As a result of poorer results for the Industry area, cash flow from operations declined by NOK 571 million to NOK 3.6 billion. A net amount of NOK 1,726 million was invested in the renewal of plants and equipment, which was NOK 200 million more than the year before.

Expansion investments in the Industry area totalled NOK 1,295 million, while the Investments area contributed NOK 421 million in freed-up capital. The largest expansion investment in the Industry area was related to increased capacity at BBH and the acquisition of Mitcom. Corporate net interest-bearing debt increased by NOK 877 million, totalling NOK 14,544 million at year-end.

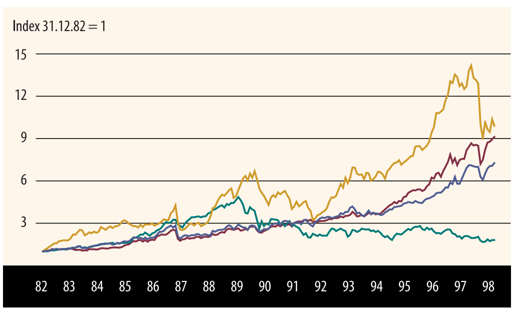
Orkla's interest rate policy is normally to overweight floating interest rates on the loan portfolio, thereby enabling the Group to adapt to short-term market fluctuations. During 1998, the proportion of debt at floating interest rates was reduced from 80 % to 62 %, due to the fact that more of the NOK-debt in the portfolio was contracted at fixed interest rates in the first half of 1998. At year-end, about 20 % of interest-bearing debt was exposed to short-term Norwegian money market rates. Orkla's average borrowing rate in 1998 was 5.7 %, compared with 5.5 % in 1997. At the end of 1998, the borrowing rate was 5.8 %.

Of the Group's total interest-bearing debt of NOK 16,453 million as of 31 December 1998, 44 % (53 % in 1997) was in Norwegian kroner and 29 % (25 %) in Swedish kroner.

In 1998 the Group's balance sheet total rose by NOK 1.9 billion to NOK 38.8 billion, while the equity ratio increased by 1.3 percentage points to 34.2 %. If unrealised gains on the share portfolio (before latent

Stock market performance Oslo and internationally

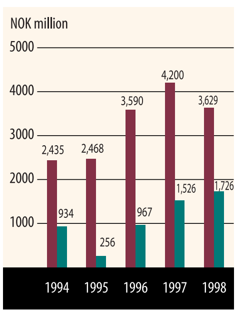
New York ■ Tokyo ■ Oslo ■ London



Source: Oslo Stock Exchange All Share Index, Dow Jones Industrial Average, FT-SE 100, Nikkei Index

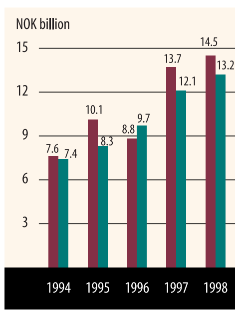
Cash flow Industry Area

■ Cash flow from operations
■ Net replacement expenditure



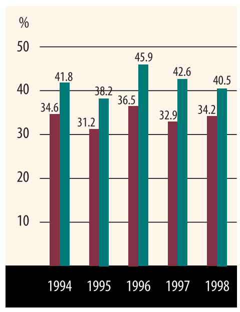
Debt and equity

■ Net interest-bearing debt
■ Equity (incl. min. int.)



Equity ratio

■ Book value
■ Incl. unrealised gains on the security portfolio



tax) are included, the equity ratio was 40.5 % as of 31 December 1998.

Orka's foreign exchange exposure in Russia and Ukraine is mainly related to the Group's 50 % interest in BBH. The devaluation in August 1998 had an impact on profit in connection with the translation of balance sheet items totalling NOK –138 million (50 % interest), and this was charged as an expense in the second four months of 1998 under "Financial Items". In the last four months of 1998, the total effect of the gradual weakening of the currencies concerned was charged against operating profit, in the amount of NOK 66 million.

Markets and operating parameters

Volume growth on the Swedish grocery market remained modest in 1998. The preliminary figures indicate a rise of 0.2 %. Volume on the Norwegian grocery market increased by 1.2 %, but there were clear signs of a slowdown towards the end of the year.

A cold summer was the main reason for a 3 % decline in volume on the Nordic beverages market, in comparison with 7 % growth in 1997. Some of Orkla Foods' product categories were also negatively affected by the cold summer. In line with Group policy, price trends for the Group's Branded Consumer Goods area have been moderate for a fairly long time, and lower than the general inflation rate. This situation was largely unchanged in 1998. Orkla focuses continuously on product development, the further development of cooperation with the retail trade and increased emphasis on effective brand-building. Advertising investments in the branded goods area continued to rise and were equivalent to 7 % of operating income in 1998. However, there were significant variations between the various product groups and the strongest growth in advertising investments was related to Orkla Foods and Orkla Beverages.

Orkla Foods' Norwegian businesses maintained their market shares in 1998 but the situation was more mixed in Sweden, where tougher competition from European manufacturers and private labels put pressure on market shares for some product groups. Market positions in Finland were maintained or improved.

With a few exceptions, Orkla Brands maintained its market shares.

The situation for Orkla Beverages was more mixed. In Norway the total beverages market dropped 5 %, the breakdown being -5 % for beer, -4 % for carbonated soft drinks and -3 % for water. In Sweden the overall decline was 2 %; -6 % for beer, +4 % for carbonated soft drinks and -2 % for water. In Norway, Ringnes strengthened its share of the beer market but its share of the carbonated soft drinks and water markets declined somewhat. In the latter categories there has been growing pressure from private labels, which now account for approximately 14 % of the carbonated soft drinks market. Price reductions introduced in the latter part of 1998 had a positive effect on market shares for carbonated soft drinks in Norway. So far, sales of Pepsi have been somewhat lower than expected due to limited distribution, but distribution improved towards the end of the year. The Swedish beer market continued to be affected by high levels of private imports from Denmark. Pripps maintained its shares of the beer market despite a fall in the market share for Class II beer. The market share for Pripps' own carbonated soft drinks increased somewhat.

There was substantial growth in the volume of beer sold in Russia and the Baltic States throughout the year (15-25 %). BBH strengthened its market share in 1998 and is by far the largest player on the Russian market. BBH currently owns five breweries in Russia, two in Ukraine and four in the Baltic States. Most of them are modern breweries with well-established products and leading positions on local markets. From a longer-term perspective, this is an industrial position that should provide a basis for good profitability. In the short term, however, BBH's profit is expected to be significantly lower due to the fall in the value of the currency (see separate article on the development of BBH on p. 63).

Orkla Media operated in markets where growth was satisfactory in 1998. Advertising volume for Norwegian Newspapers and Magazines rose 3 %, while growth in advertising revenues in Poland was 22 %. Circulation figures for both Norwegian Newspapers and Magazines increased.

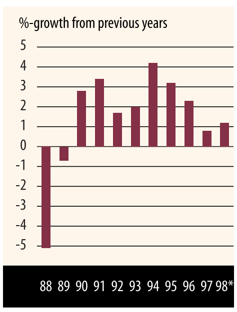
In the Chemicals area, the market situation in Asia led to lower volumes and prices for lignin-based products and the effects were felt increasingly strongly throughout 1998. New products contributed to a rise in sales volume in the Fine Chemicals area.

After several years of growth, 1998 was a poor year on the Norwegian stock market, where the trend was substantially weaker than in the rest of the world. The Oslo Stock Exchange All Share Index dropped 26.7 % in 1998, compared with a rise of 31.5 % the previous year. Some of the factors affecting the Norwegian market were peculiar to Norway, such as low oil prices, strong wage growth and uncertainty about economic policy. The economic downturn in Asia, Eastern Europe and Latin America also affected the global economy and share prices.

Preperations for Year 2000

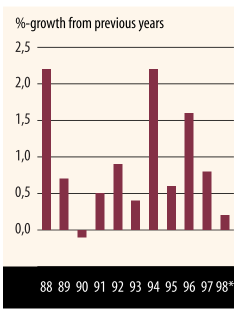
The Board reported in 1997 that companies in the Orkla Group had already begun the process of analysing the situation in connection with the turn of the millennium and implementing measures to avoid computer problems. This process had high priority in 1998 and work is in progress in connection with

Volume in grocery retailing, Norway



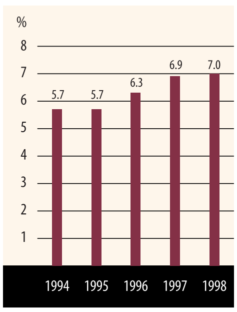
Source: HSH
* Estimate

Volume in grocery retailing, Sweden



Source: Fri Köpenskap
* Estimate

Branded Consumer Goods' advertising expenses as % of revenues



more than one hundred local Year 2000 projects. The Group's ongoing reporting shows that Orkla companies are making focused efforts in this area, but that a great deal of time will also be spent in 1999 on adapting and testing critical systems. Parallel with this, contingency plans are being prepared in case any unforeseen events should occur. As of 31 December 1998, the Group had devoted about 50 internal man-years to the Year 2000 problem and approximately 40 internal man-years' work remains to be done in order to complete the process. It is assumed that adaptation of systems to the year 2000 will require approximately NOK 50 million for purchases of external consultancy services, upgrading or new versions of systems, etc., solely to solve the Year 2000 problem. The entire amount has therefore been charged against income in the 1998 accounts. Furthermore, many of the Group's ongoing renewal investments will solve Year 2000 problems at the same time.

Rationalisation

In order to succeed in the face of increasing international competition, the Group's costs must be on a par with those of its leading competitors. This requires continuous focus on rationalisation in all links of the added value chain. However, in certain cases it may be necessary to implement special measures. They may include situations where either ongoing rationalisation efforts have been neglected, major changes occur in the market situation, or acquisitions/divestitures of businesses create new structures. Such measures may lead to substantial cost provisions in the accounts, defined as non-recurring items ("Other income and expenses"). In 1998, several comprehensive improvement measures were implemented in order to strengthen the Group's competitive position. The following major projects were initiated:

1) In recent years, the Beverages area has been making efforts to reduce costs in connection with the winding up of cooperation with TCCC. In 1998 it was decided that a further two large projects would be implemented. The first was to move Ringnes' beer-tapping operations to Gjelleråsen, where the new plant will be operational from 2000. Total investments will amount to more than NOK 200 million. The project will result in more cost-effective production in Norway. Secondly, it was decided that another cost-effectiveness programme would be implemented at both Pripps and Ringnes, the objective being to bring costs down to European levels. In this case, the cost level is expected to be reduced by more than NOK 600 million over a three year period. The programme was initiated in connection with the effort to increase competitiveness and adapt the Nordic beverages business to a lower total volume. The programme does not involve any significant changes in production structure but it will nevertheless lead to major restructuring. It is scheduled to be completed by the end of 2000. In the 1998 accounts, NOK 174 million has been allocated in connection with cuts in the workforce and the winding up of production capacity. The extent to which these cost-cutting measures will bear fruit in the form of increased profit will depend on the competitive situation on the Nordic beverages market.

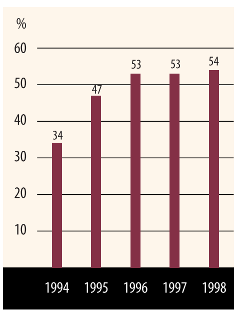
2) As a result of the weak profit performance of Procordia Food and the loss of market shares throughout 1998, measures have been implemented to strengthen competitiveness. It is necessary to reduce cost levels and at the same time focus on stronger prioritizing of the product portfolio. At Kotlin, the Polish food business, there will be manpower reductions. A total of NOK 60 million has been allocated for these projects.

3) Several rationalisation projects are under way at Orkla Brands, although they are less extensive. The largest project concerns the Biscuits business, where the Nordic production structure is being coordinated. The 1998 accounts include a provision of NOK 25 million under "Other income and expenses" in connection with this project.

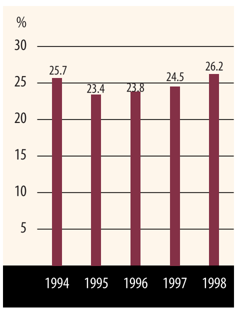
4) Orkla Media's new printing plant for Group newspapers on the west coast of the Oslo Fjord was opened in 1998. Initial teething problems on the packing line led to delivery problems and delays. As a result of the compensation paid by the suppliers, however, this had only a minor negative effect on ordinary operating profit for 1998. As one of the elements of the cost-cutting programme for Norwegian Newspapers, it has been decided that the workforce will be reduced by about 130 man-years over the next two or three years. Hjemmet Mortensen is investing in new printing technology. This will enable the company to reduce the workforce by approximately 70 man-years (100 % basis) over a three year period from the time the new printing technology is operational. Total investments (100 % basis) in machines will amount to just over NOK 150 million. NOK 44 million was allocated in 1998 in connection with these projects at Orkla Media.

5) At the end of 1998 Borregaard initiated a comprehensive improvement programme at its Sarpsborg plant. The objective of the programme is to establish continuous improvements in competitiveness. The programme is expected to increase capacity utilisation and reduce costs. The main focus will be on day-to-day operations and operational management, improved operational performance, improved utilisation of plants, organisational improvements, better planning and closer monitoring. The programme will

Sales outside Norway



Fixed costs* as % of revenues



* All fixed costs excl. advertising, R&D and depreciation.

initially focus on Borregaard's Sarpsborg business, but will gradually include other parts of the Chemicals area.

Personnel and organisation

At the end of 1998 the Group had 24,833 employees, 12,884 of whom were working outside Norway and 5,973 in countries outside the Nordic region. Orkla places great emphasis on working systematically to develop the skills and management resources required to achieve long-term objectives. The growth and internationalisation that have taken place in recent years have affected this process in terms of both its scope and its cultural and linguistic content.

The goal of further developing a common value base and a common identity that interacts with valuable, unique local characteristics remains firm. The emphasis on internal measures to further develop the competence of employees and the Group in selected areas will continue. The design and content of decentralised management development programmes will be coordinated and a special programme for senior Group management will be established. The Group's trainee programme, the Orkla Brand School and the Orkla School for Business Relations, which have been operating for several years, will continue. An Orkla Production School was established in 1998 and the training programme for sales managers will be extended to cover the Swedish grocery market.

The Group also seeks to provide organisational training by encouraging mobility within the organisation. Managers and key personnel are trained in various functions, companies and business areas. In order to further structure this training programme, in 1998 there was particular emphasis on concretising and defining career opportunities within the Group.

Work is being done on several measures to ensure the recruitment of staff with suitable, relevant skills to Orkla. In the years ahead, special priority will be given to presenting the Group outside Norway.

In 1998 there has been particular focus on improvements in the Group's existing businesses. Several projects have helped to identify new ways of organising and doing work which will bring substantial gains in terms of costs. In order to ensure that the potential of the various projects is realised, high standards are set for human resource development programmes, and for the initiative and adaptability of individual managers and employees.

Cooperation with employees' organisations through the established cooperative and representational systems is good and makes a valuable contribution towards addressing the challenges faced by the Group and by individual companies in a constructive manner.

The Board of Directors wishes to express its gratitude to all employees for their dedicated efforts and its appreciation of the results that have been achieved.

Details concerning remuneration for the Corporate Assembly, the Board of Directors, the Group Chief Executive and the Auditor are given in Note 2 to the Orkla ASA accounts (page 29).

Health, safety and environment (HSE)

Total sickness absence increased in 1998. The rise was mainly related to the Beverages area and is probably linked to the substantial restructuring that has been taking place. Sickness absence declined in the Chemicals area. Injury frequency in the Group is stable and there was no serious damage to buildings or equipment during the period. We refer otherwise to Orkla's Environmental Report.

Allocation of profit for the year

In 1998, Orkla ASA recorded profit for the year of NOK 1,097 million after group transfers received. The Board proposes the following allocations (NOK million):

Allocated to dividend	(426)
Allocated to free reserves	(671)
Total	(1,097)

Prospects for 1999

There is a great deal of uncertainty about the global economy and growth is expected to slacken in 1999. The international stock markets are considered to be over-valued, but since there is good liquidity in the market, this situation may continue.

Tough competition is anticipated for many of the Group's Nordic branded consumer goods businesses. The measures that have been initiated to improve competitiveness will gradually be realised over the next few years. These measures will have only a limited effect on profit, since some of the cost savings that are achieved will have to be invested in various market-oriented measures. As a result of the full-year effect of the devaluation of the Russian currency in August 1998 and the loss of tollfilling for TCCC in Norway, the beverages business must be expected to achieve lower profit in 1999, particularly in the first four months. If the high level of tax on beer continues, we must expect a further decline in beer volumes. In this case, profitability for Pripps Ringnes will be negatively affected.

Parts of the Chemicals business reported both reduced volumes and lower prices in 1998 due to the economic crisis in Asia. This trend intensified towards the end of the year and will continue to affect performance in 1999.

Oslo, 10 March 1999

The Board of Directors of Orkla ASA

Svein Ribe-Anderssen
Chairman

Harald Norvik

Eva Bergquist
Observer

Jonny Bengtsson

Björn Savén

Kjell Kjønigsen
Observer

Odd Gleditsch jr.

Arvid Strand

Jens P. Heyerdahl d.y.
Group Chief Executive

Truls Holthe

Stein Stugu

Income Statement

Amounts in NOK million	*Note*	**1998**	1997	1996
Operating income	*1*	**30,819**	30,970	25,998
Raw materials, work in progress and finished goods	*9*	**(12,128)**	(12,618)	(11,500)
Payroll expenses	*2*	**(7,024)**	(6,734)	(5,474)
Other manufacturing, selling and administrative expenses	*5*	**(7,658)**	(7,425)	(5,798)
Ordinary depreciation and write-downs	*12, 15*	**(1,456)**	(1,342)	(1,047)
Operating profit before goodwill and other income and expenses		**2,553**	2,851	2,179
Goodwill amortisation and write-downs	*15*	**(421)**	(419)	(283)
Other income and expenses	*12*	**(335)**	181	20
Operating profit		**1,797**	2,613	1,916
Profits from associates	*14*	**165**	442	97
Dividends		**325**	298	342
Portfolio gains		**769**	876	816
Financial items, net	*6*	**(999)**	(692)	(740)
Profit before taxes and minority interests		**2,057**	3,537	2,431
Taxes	*7*	**(555)**	(863)	(641)
Minority interests	*18*	**(124)**	(112)	(38)
Profit for the year		**1,378**	2,562	1,752
Fully diluted earnings per share (NOK) 1)	*Page 32-34*	**7.2**	13.3	9.1
Fully diluted earnings per share, adjusted (NOK) 2)	*Page 32-34*	**11.4**	13.0	10.5

1) Because of minimal differences between earnings per share and fully diluted earnings per share we have chosen to present only the latter.
2) Excluding goodwill amortisation and non-recurring items.

Balance Sheet

Amounts in NOK million	Note	1998	1997	1996
Assets				
Cash and cash equivalents	*8*	**1,125**	1,222	1,063
Portfolio investments etc.	*3*	**8,851**	8,188	6,512
Trade and other short-term receivables	*5*	**4,367**	4,744	3,400
Inventories	*9*	**3,210**	3,076	2,744
Short-term assets		**17,553**	17,230	13,719
Interests in associates	*14*	**2,086**	1,911	1,061
Shares and investments in other companies	*10*	**123**	103	91
Other long-term receivables	*4*	**1,392**	1,364	637
Goodwill, other intangible assets	*15*	**5,588**	5,656	3,704
Tangible fixed assets	*15*	**12,033**	10,601	7,284
Long-term assets		**21,222**	19,635	12,777
Total assets		**38,775**	36,865	26,496
Liabilities and Equity				
Short-term interest-bearing liabilities	*16, 17*	**1,683**	1,463	726
Short-term interest-free liabilities	*11*	**7,206**	7,244	5,308
Short-term liabilities		**8,889**	8,707	6,034
Long-term interest-bearing liabilities	*16, 17*	**14,770**	14,216	9,344
Long-term interest-free liabilities	*19*	**1,876**	1,823	1,445
Long-term liabilities		**16,646**	16,039	10,789
Minority interests	*18*	**552**	478	183
Share capital		**1,234**	1,233	1,219
Other equity		**11,454**	10,408	8,271
Equity	*24*	**12,688**	11,641	9,490
Liabilities and equity		**38,775**	36,865	26,496
Liabilities secured by mortgage	*21*	**136**	128	167
Guarantees and other commitments	*21, 22, 23*	**1,671**	1,089	830

Cash Flow Statement [1)]

Amounts in NOK million	Note	1998	1997	1996
Industry area:				
Operating profit		**1,733**	2,510	1,851
Depreciation and write-downs		**1,913**	1,862	1,319
Changes in net working capital		**(17)**	(172)	420
Cash flow from operating activities	*Page 35-37*	**3,629**	4,200	3,590
Sale of tangible fixed assets		**117**	212	236
Replacements expenditure and environmental investments	*15, page 35-37*	**(1,843)**	(1,738)	(1,203)
Free cash flow from operating activities		**1,903**	2,674	2,623
Financial items, net		**(631)**	(565)	(613)
Free cash flow from Industry area		**1,272**	2,109	2,010
Free cash flow from Financial Investments		**321**	168	312
Taxes and dividends paid		**(1,494)**	(999)	(762)
Miscellaneous capital transactions, currency translation differences, etc.		**(102)**	762	204
Group's self-financing capacity		**(3)**	2,040	1,764
Expansion investments (Industry area)	*15, page 35-37*	**(1,295)**	(5,935)	(664)
Net purchase/sale of portfolio shares		**611**	(874)	301
Net purchase/sale of properties (Financial Investments)		**(190)**	(120)	(37)
Net cash flow		**(877)**	(4,889)	1,364
Change in gross interest-bearing liabilities		**774**	5,609	(1,488)
Change in liquid assets/interest-bearing receivables		**103**	(720)	124
Change in net interest-bearing liabilities		**877**	4,889	(1,364)
Net interest-bearing liabilities	*17*	**14,544**	13,667	8,778

1) Orkla has decided to present the cash flow statement in its own format. However, the cash flow statement according to Norwegian Accounting Standards Board (NASB) is presented in note 13.

Cash flow from operating activities expresses the gross cash flow generated by the Industry area, adjusted for changes in funds employed in providing working capital.
Free cash flow from operating activities represents the gross interest payment capacity of the Industry area and their ability to expand when the current level of activity has been maintained through replacement and environmental investments.
Free cash flow from Industry area shows the Industry area's ability to expand after financial items, before taxes and dividends paid.
Group's self-financing capacity represents the amount the Group can use for expansion investments without increasing net interest-bearing liabilities.
Net cash flow shows the Group's ability to repay debt and its borrowing requirement after expansion investments and net purchase/sale of portfolio shares/properties.

The Group Accounts

The Orkla Group in its present form was established through mergers between Orkla Industrier A.S and Borregaard A.S in 1986 and between Orkla Borregaard and Nora Industrier A.S in 1991. The Group has concentrated its activities in three main areas: Branded Consumer Goods, Chemicals and Financial Investments. Since 1991 the Group has developed as follows:

1991. Purchase of Daishowa Chemicals (USA) makes Borregaard LignoTech the world's largest lignin producer. The Vanillin area is strengthened through cooperation with the Italian company EniChem in EuroVanillin (50-50). Orkla Media acquires the newspapers *Sunnmørsposten, Haugesunds Avis* and *Romsdals Budstikke.*

1992. 49 % of the shares in Göteborgs Kex are acquired. Option on the remaining 51 %. Orkla Media and Norske Egmont establish a joint company, Hjemmet Mortensen, for magazines.

1993. Orkla Foods purchases BOB Industrier, a leading Swedish supplier of jams, squashes, etc. The Chemicals area acquires Metsä-Serlas' lignin business in Finland. The acquisition expands the product range and provides increased access to the markets in Eastern Europe. New plant for the production of lignin completed in October. Orkla Media acquires a minority interest in Bergens Tidende and simultaneously establishes strategic minority holdings in a total of 6 Polish newspapers. Orkla Media's shares in TVNorge are sold.

1994. Orkla Brands acquires the remaining 51 % of Göteborgs Kex and acquires Kantolan in Finland. Orkla Media purchases 91.5 % of the shares in *Drammens Tidende* & *Buskerud Blad,* acquires 87.5 % of the shares in Varden and strengthens its position in Poland. The Chemicals area purchases the difenols business in Italy, the remainder of EuroVanillin, together with 55 % of Taicang (China). At the same time the Chemicals area continues its growth through further investments in a new fine chemicals plant in Norway. The polymer business is sold. The Group sells its holding in the Emo Group.

1995. Orkla buys the food products companies Procordia Food and Abba Seafood from Volvo and establishes a joint venture with Volvo for their combined beverages businesses through Pripps Ringnes including 50 % of Baltic Beverages Holding (BBH). Orkla is instructed to sell Hansa Bryggerier (accounting effect in 1997). Pripps Ringnes buys a 20.5 % interest in the Finnish beverages company Oy Hartwall Ab. Media's investments in Poland are increased. Orkla sells Norgro, Høvellast, Dacapo, Smaks Salater and 50 % of Helly-Hansen.

1996. Orkla Media's involvement in Poland is further increased through the purchase of 51 % of *Rzeczpospolita,* one of Poland's leading newspapers, plus the paper's printing company Warsaw-Print (50.8 %). Orkla Foods sells Österberg and Löfquist in Sweden, Beauvais Catering in Denmark and Abba Germany and the production operations in Denmark. The Kalas brand is sold in December. BBH increases activities in Russia and Ukraine. The Chemicals area and the Chinese Kaishantun establish a joint venture for production of lignin-based products.

1997. In February Orkla acquires Volvo's 55 % financial interest in Pripps Ringnes and achieves 100 % control (see page 16). BBH expands further in Lithuania and Russia. Orkla Foods buys 65 % of the Polish food manufacturer Kotlin. Orkla Foods also takes over the Czech pizza company Guseppe, effective from 1 January 1998. Ringstads Ferskvare (formerly Stabburet Ferskvare) is sold. Orkla Media acquires *Østlendingen AS* (51 %). It acquires a controlling interest in *Østlandets Blad* and has agreed to buy 49 % of the Swedish newspaper *Norrländska Socialdemokraten.* Orkla Media also buys several small newspapers in the eastern part of Norway. *Forbrukerkontakt* is sold. Chemicals buys the fine chemicals business PolyOrganix. Chemicals also establishes a joint venture company with Sappi Saiccor for the production of lignin-based products in South Africa.

1998. Orkla Media acquires the newspapers *Kauno diena* in Lithuania and *Vysokoy Zamok* in Ukraine. In addition Orkla Media has strengthened its position in direct marketing via the take-over of Mitcom in Sweden. Baltic Beverages Holding buys the malthouse, Slavuta, and the Kolos brewery in Ukraine. Meanwhile BBH continues its growth via further investments in capacity. Bakers takes over Norgeskaker. Orkla Foods buys Jacky, a Finnish dessert label, together with the Finnish herring brand Ahti.

1999. *Gazeta Lubuska,* one of Poland's largest regional newspapers, Freds AB, a market leader in textiles in Sweden, and 20 % of the Russian brewery Chelyabinsk Pivo were bought in January 1999. In February 1999 Orkla Foods enters into an agreement to buy KåKå, the supplier of marzipan and baking ingredients, and to sell the Norwegian business, Regal Mølle.

Pro forma information 1996

Pripps Ringnes has been included 100 %. Goodwill amortisation due to the take-over has been entered with the same amount as in 1997.

Amounts in NOK million	1998	1997	**1996**
Operating income	30,819	30,970	**29,989**
Operating expenses	(26,810)	(26,777)	**(26,130)**
Ordinary depreciation and write-downs	(1,456)	(1,342)	**(1,313)**
Goodwill amortisation and write-downs	(421)	(419)	**(424)**
Operating profit before other income and expenses	2,132	2,432	**2,122**

1998 in particular

The Group accounts for 1998 are in accordance with principles and classifications used previously.

General

The Group accounts show the consolidated profit and financial position when the parent company Orkla ASA and its interests in other companies are presented as one entity. Companies in which the Group has a controlling interest are consolidated 100 % in accordance with the purchase method. The minority interests' share of profit after tax is presented separately. Interests in joint ventures are presented using the proportionate consolidation method. ***Interests in associates*** where the Group has a strategic interest and significant influence (20-50 %), are included based on the ***equity method***. Assets defined as «Financial Investments» are valued using the ***cost method*** irrespective of the equity holding.

The Group's cost prices for assets and liabilities in subsidiaries, joint ventures and associated companies are used as a basis for recording results in the Group accounts. The Group's equity comprises only the parent company's equity plus the post-acquisition retained earnings of the above-mentioned companies, less amortisation/depreciation on acquired excess values and goodwill and less minority interests.

Accounting and consolidation principles

Each of the company accounts consolidated in the Group has been prepared using consistent accounting and valuation principles, and items in the income statement and balance sheet have been classified on the basis of uniform definitions.

Shares in subsidiaries have been eliminated and the cost price of the shares replaced by the company's assets and liabilities, valued at the cost price to the Group. The difference between the purchase price for the shares and the company's aggregate equity capital at the date of acquisition has been analysed and primarily allocated to those of the company's assets (or liabilities) which have values different from the book value. Any residual value is treated as goodwill in the Group accounts. The remainder of the required company's equity and the minorities' share of excess values are presented as minority interests.

The Group's investments in ***joint ventures*** have been eliminated using the same principles as for subsidiaries. Orkla's share of each item is included in the Group accounts (proportionate consolidation method, see note 20).

Investments in associates have been valued in accordance with the equity method and the Group's share of the results after amortisation of goodwill has been added to the cost of the investment. The treatment of goodwill in associates is based on the same principles as for subsidiaries and joint ventures, see note 14.

Investments in foreign subsidiaries which are not an integrated part of the parent company have been translated using the exchange rate at 31.12. for the balance sheet and monthly average exchange rates for the income statement. Translation differences have been charged directly against equity.

In countries defined as hyperinflationary, the accounts have been inflation adjusted. Depreciation and the book value of operating assets and inventories have been translated at the exchange rate in effect on the date of acquisition. The income statement has been translated using monthly average exchange rates. Other balance sheet items have been translated at the year-end exchange rate. Translation differences have been recorded under «Other financial items». In markets without a normal market for hedging due to political control of exchange rates and de/revaluations Orkla uses exchange rates adjusted for the estimated effect of such conditions.

Accrual principles, Classification and Valuation

The Group accounts are based on the basic accounting principles accrual, matching and going concern. The accounts also rely on consistent definitions and the principle of congruence. The historical cost and prudence principles are used for estimating values. The Orkla Group focuses on the reporting of substance and the disclosure of important information about transactions and events during the year.

Classification of accounting items. All assets relating to the commodity cycle, receivables due within one year and «assets not intended to be permanently retained or used in the business» are current assets. Other assets are fixed assets. The dividing line between short-term and long-term liabilities is one year prior to the maturity date.

Operating income is income after deduction of discounts, VAT, and all other government fees.

Valuation of current assets is effected at the lower of original cost and market value. Fixed assets are valued at original cost less accumulated ordinary depreciation. If the market value of a fixed asset has suffered a permanent diminution, it is written down. Investments in associates are valued in accordance with the equity method (see above).

Trade receivables are valued at estimated realisable value at 31.12. The Group's aggregate provision for bad debts on trade receivables is stated in Note 5.

Inventories of materials are valued at the lower of cost or market value based on the FIFO principle. Finished goods and work in progress are valued at cost of production. A provision is made for obsolescence.

Shares and other investments which represent financial investments, separate from the Group's strategic industrial investments, are classified as short-term assets and valued using the portfolio principle. The portfolio is managed as a whole and an adjustment in value is only made if the aggregate holdings have a lower value than original cost. Individual investments in the portfolio which have incurred a long-term fall in value are written down. Long-term shareholdings and other interests which are not treated as investments in associates are recorded using the cost method. The cost method means that shares/investments are recorded in the balance sheet at cost and cash payments received are treated as dividends.

Tangible fixed assets are capitalised and depreciated if they have a useful economic life in excess of 3 years and a cost price in excess of NOK 15,000. Maintenance of fixed assets is recorded as an operating cost, whereas expenditure on additions or improvements is capitalised and depreciated in line with the corresponding asset. Asset replacements are capitalised. Except for new systems and upgrading of existing systems, all computer and IT-equipment costs in connection with the transition to the Year 2000 are being expensed. Excess values arising from mergers are allocated in the Group accounts to the relevant fixed assets and depreciated accordingly. Fixed assets are depreciated on a straight line basis using the following rates: buildings 2-4 %, machinery, fixtures and fittings 7-15 %, transport equipment and reusable bottles and crates 15-25 % and computer equipment 16-33 %.

Research and development (R&D). R&D costs are expensed as incurred.

Goodwill. On acquiring another company for a consideration which exceeds the value of the individual assets, the difference, to the extent it represents an economic value, is recorded in the balance sheet as goodwill. Goodwill is amortised over its expected useful life, based on calculations made at the time of purchase, but never over more than 20 years. The book value of goodwill is written down if the market value is considered to be less than the book value and the reduction is considered permanent.

Pensions. Accounting for pension costs is in accordance with the preliminary Norwegian accounting standard on pension costs. Pension costs and liabilities are calculated using assumptions about discount rates, future salary adjustments, state pension benefits, future returns and actuarial calculations on deaths and early retirement etc. The pension funds are valued in the balance sheet at market value less net pension liabilities. Any overfunding is recorded in the balance sheet to the extent it is likely that it may be utilised. Changes in pension liabilities due to alterations in the terms of pension plans are allocated to the income statement over the estimated average remaining pensionable service of the employees. Changes in pension assets and liabilities due to changes in and deviations from the calculation assumptions (estimate changes) are allocated to the income statement over the estimated average remaining pensionable service of the employees if the differences exceed 10 % of the gross pension liability (or pension assets if larger). Unamortised differences are disclosed in note 2.

Foreign currency translation. The treatment of currency in the Group differs between hedged and unhedged items. «Hedged» means that the economic effect of fluctuations in the relevant currency has been minimised. Balance sheet items which hedge each other are presented at the exchange rate on the balance sheet date while balance sheet items which are hedged by off-balance sheet financial instruments are presented using the hedge rate. Hedging transactions undertaken to hedge contractual cash flows are valued together with those cash flows while any loss on hedging transactions which do not cover contractual cash flows is expensed under the caption «Financial items». Unhedged foreign exchange positions are treated in aggregate on a portfolio basis. If there is an overall unrealised net loss on the portfolio it is expensed, but unrealised net gains are not recorded as income.

Taxes. The tax charge is based on the financial result and consists of the aggregate of taxes payable and changes in deferred tax. Deferred tax is calculated at the nominal tax rate for timing differences arising between accounting and tax values.

Cash flow statement. Orkla has decided to present the cash flow statement in its own format. The reason is that the new preliminary standard from NASB is not compatible with informative segment information. See note 13 for the NASB cash flow statement.

The new accountancy law has been adopted with effect from 1.1.1999. Apart from the changes in presentation, the accounting consequences of the new law will be minor for the Orkla Group.

Notes

1 Operating income

Amounts in NOK million	**1998**	1997	1996
Revenues in Norway	**13,525**	13,848	11,682
Revenues in Sweden	**7,402**	8,076	6,887
Revenues in Denmark	**1,587**	1,499	1,474
Revenues in Finland and Iceland	**685**	553	560
Revenues in Nordic region	**23,199**	23,976	20,603
Revenues in the rest of Western Europe	**2,757**	2,489	2,671
Revenues in Eastern Europe	**2,888**	2,383	970
Revenues in Asia	**651**	776	562
Revenues in the rest of the world	**775**	716	752
Revenues outside the Nordic region	**7,071**	6,364	4,955
Total revenues	**30,270**	30,340	25,558
Miscellaneous operating income	**549**	630	440
Operating income	**30,819**	30,970	25,998
Revenues in EU-countries	***12,285***	*12,474*	*11,428*

For further segment information please see pages 35-37, «Summary account for the business areas».

2 Payroll expenses

Payroll expenses consist of costs directly related to the remuneration of employees and officers, costs related to pension arrangements for both present and past employees and government employment taxes. The costs consist of:

Amounts in NOK million	**1998**	1997	1996
Wages and holiday pay	**(5,578)**	(5,368)	(4,401)
Other remuneration	**(58)**	(59)	(22)
National insurance contributions	**(1,130)**	(1,079)	(873)
Pension costs	**(258)**	(228)	(178)
Payroll expenses	**(7,024)**	(6,734)	(5,474)

Pensions

Most employees in the Group are members of the Group occupational pension schemes. As at 31.12.1998, a total of 16,782 present employees were members of the Group pension schemes. In addition the Group pension schemes include 6,422 previous employees. The Group pension schemes are defined as «net schemes» which do not bind the Group to liabilities arising from any changes in benefits from the State's National Insurance Fund. The Norwegian pension plans are treated as defined benefit plans. Pension plans in Sweden are treated as both defined benefit plans and defined contributions plans, and in Denmark as defined contribution plans.

In addition, the Group has pension liabilities which are not covered by an outside insurance company. These relate to early retirement pensions, discretionary pensions to early retired employees, pensions with a pension base higher than the Taxes Act maximum limit, pensions to previous board members and pensions to people who for various reasons have not been included in the service pension schemes which are to be paid by the Group. 3,611 people are covered by these schemes.

During 1998 the pensionable age in the AFP scheme in Norway was reduced to 62 years. From 1.1.1999 the companies' own share is increased to 20 %. The one-off effect constitutes approximately NOK 120 million for the Group, and is treated as a change in the plan, and is amortised over 15 years starting from 1.1.1999.

Several of the Group's insured pension schemes are overfunded. The overfunding has been evaluated, and it is assumed in the accounts that all overfunding can be utilised by some uninsured schemes that can be covered from these funds, known future liabilities and the constant development which is taking place in the Group's business and organisation.

Pension costs for the year are calculated by an independent actuary based on information as at 1.1.1998. The calculation is adjusted for any subsequent material changes. Pension costs and liabilities in foreign countries are calculated by actuaries and accounted for using local accounting principles, and assumptions as at 1.1.1998. Adjustments are made for material divergence from generally accepted Norwegian accounting principles. Norway represents 81 % and Sweden represents 16 % of the gross pension liability in the Group.

Orkla's legal obligations are not influenced by the accounting treatment.

Assumptions:

	Norway	Sweden
Discount rate	6 %	8 %
Future salary adjustment	3 %	5 %
Average remaining pensionable service	15 years	15 years
Pension base rate adjustment	2 %	4 %
Return on pension funds	7 %	-
Estimated return 1998	3 %	-

Breakdown of net pension costs

Amounts in NOK million	**1998**	1997	1996
Present value of this year's pension benefits (including national insurance contributions)	**(187)**	(165)	(132)
Interest expenses on pension liability	**(211)**	(202)	(157)
Expected return on pension funds	**200**	182	142
Amortisation of deferred liability due to differences between plan/assumptions	**(4)**	(7)	0
Net pension cost of benefit plans	**(202)**	(192)	(147)
Contribution plans	**(56)**	(36)	(31)
Net pension cost	**(258)**	(228)	(178)

Breakdown of net pension liability at 31.12.

Amounts in NOK million	**1998**	1997	1996
Gross pension liability	**(3,837)**	(3,454)	(2,711)
Pension funds (market value)	**2,885**	2,815	2,188
Actual net pension liability	**(952)**	(639)	(523)
Unamortised differences from plan/assump.	**220**	(33)	30
Capitalised net pension liability	**(732)**	(672)	(493)
Capitalised pension liability	**(946)**	(884)	(662)
Capitalised pension funds	**214**	212	169

Breakdown of pension funds (market value) at 31.12.

	1998	1997	1996
Liquid assets	**2 %**	1 %	2 %
Money market investments	**9 %**	2 %	3 %
Bonds	**52 %**	48 %	48 %
Loans	**1 %**	11 %	16 %
Shares	**24 %**	27 %	24 %
Property	**12 %**	11 %	7 %
Total pension funds	**100 %**	100 %	100 %

Approximately 17 % of pension funds are managed by the companies themselves and 83 % by life assurance companies.

3 Portfolio Investments, etc.

Financial Investments is one of the Group's three strategic business areas. The securities are managed as a portfolio. The portfolio represents financial investments as a whole and is separate from the Group's strategic industrial investments. The portfolio is characterised by a focus on large individual holdings and has historically had a long term nature. However, there are no directions regulating the Financial Investments' timing of a sale of shares in any given company.

Amounts in NOK million	Shares/ investments	Book value	Market value	Share owned %
Owned by Orkla ASA				
Norwegian listed shares				
Banking/Insurance				
Bolig- og Næringsbanken	358,900	55	66	3.7
Den norske Bank	5,000,000	140	136	0.8
Sparebank NOR, Grunnfondsbevis	1,065,160	184	157	4.1
Storebrand	27,648,956	470	1,659	10.0
Industry				
Adresseavisen	325,931	72	117	17.1
Aker RGI A	2,045,860	191	168	3.8
Aker RGI B	942,761	93	68	
Alcatel STK	255,762	33	74	3.0
Ark	340,000	31	29	1.8
Avantor	1,629,878	100	65	7.4
Braathens	660,600	50	20	2.1
Dyno	4,623,262	518	550	18.1
EDB	1,225,000	34	24	5.8
Elkem	12,474,867	486	1,167	25.3
Elkjøp	231,150	51	66	3.2
Gyldendal	127,295	5	32	5.4
Hafslund A	5,107,156	172	245	8.3
Hafslund B	4,516,537	163	146	
Håg	1,896,550	54	161	19.8
Kverneland	888,733	134	167	9.1
Merkantildata	675,000	46	52	0.7
Nera	9,721,294	217	100	10.1
NetCom	5,212,772	26	1,056	11.0
Norsk Hydro	400,000	130	105	0.2
Norske Skog B	206,686	39	41	0.5
Norway Seafoods	11,831,299	328	91	16.2
PGS	447,774	55	46	0.5
Raufoss	775,172	68	50	10.3
Rica Hotell	2,394,600	69	111	10.0
Scana	1,876,164	85	54	8.8
Schibsted	2,874,631	239	280	4.2
SensoNor	2,864,450	122	65	10.8
Software Innovation	183,412	32	29	9.6
Steen & Strøm	2,806,961	143	264	10.1
Miscellaneous		174	73	
Shipping				
Benor Tankers	1,227,900	39	22	5.7
Bergesen A	1,439,542	194	137	3.4
Bergesen B	1,140,823	172	104	
Fred Olsen Energy	350,000	51	17	0.6
Leif Høegh	272,800	25	24	0.9
NCL Holding	1,932,000	35	34	0.8
ProSafe	947,355	109	50	3.7
Ugland Nordic Shipping	418,064	18	29	3.8
Miscellaneous		32	21	
Investment Funds				
Omega Investment Fund	2,008	41	82	na
Miscellaneous		11	10	
Total Norwegian listed shares		5,536	8,064	
Foreign listed shares				
Nordic				
Alma Media II	160,825	35	39	1.0
Astra A	925,000	119	143	0.1
Bure	2,667,500	91	287	4.9
Chips Pref. [1]	852,367	53	254	12.7
Danisco	80,000	32	33	0.1
Hartwall A [2]	401,000	8	49	0.7
Instrumentarium A	11,700	5	4	
Instrumentarium B	48,104	17	15	

1) See note 10.
2) See note 14.

Amounts in NOK million	Shares/ investments	Book value	Market value	Share owned %
Owned by Orkla ASA continued				
KCI Konecranes	463,403	13	159	3.1
Kesko	300,000	29	34	0.3
LM Ericsson B	100,000	21	18	
Lindex	1,376,428	40	381	10.0
Nokia A	680,000	227	629	0.1
TV4 A	200,000	23	18	
Miscellaneous		111	88	
Other countries				
Bristol Myers Squibb	19,200	4	19	
Cisco System	45,000	2	32	
Glaxo Wellcome	300,000	57	78	
Intel	42,000	5	38	
Lernout & Hauspie	80,000	17	20	
Nycomed Amersham A	6,863,615	244	360	1.1
Paychex	45,000	5	18	
Peoplesoft	110,000	22	16	
Pfizer	45,000	28	43	
SAP Ord.	14,000	22	46	
SAP Pref.	14,000	22	51	
Sita Unit	9,000	5	18	
Miscellaneous		316	277	
Total foreign listed shares		1,573	3,167	
Total listed shares		7,109	11,231	
Unlisted shares, options and other securities				
Berlingske Officin A	116,100	48	48	10.9
Berlingske Officin B	118,100	49	49	
Carl Aller	6,500	50	50	3.6
Chips Stam.	87,075	10	26	1.3
Dagbladet A	101,466	37	39	14.4
Dagbladet Pref.	71,677	23	27	
Eiendomsspar	223,444	33	40	3.0
EniTel	8,000	20	20	1.8
Helly Hansen Holding	3,267,000	0	181	30.0
Holberg Ind. Ord.	520,750	33	33	33.9
Holberg Ind. Pref.	71,944	52	52	
Sentereiendom	5,000	25	25	18.6
Telia Overseas	1,483,587	144	144	13.1
Venture Partners Multimedia II	250,000	12	13	35.0
Venture Partners Multimedia	150,000	15	15	29.3
Miscellaneous		186	122	
Total unlisted shares, options and other securities		737	884	
Limited partnerships				
EAC II	2,173,850	19	19	
EAC	2,858,878	24	24	
Head KS	5,000,000	34	34	
IK 94	13,513,770	110	109	
IK 97	21,382,299	175	175	
Miscellaneous		36	33	
Total limited partnerships, current assets		398	394	
Loss on hedging, recorded in balance sheet		116		
Shares owned by subsidiaries				
First Olsen Tankers	500,000	35	20	2.5
Nordstjernen Holding	100,000	100	95	40.0
Total shares owned by Group companies		135	115	
Total portfolio investments		8,495	12,624	

In addition there are shareholdings in Orkla Finans, among others, of NOK 356 million. These shares are placed as security for trading of derivatives.

4 Other long-term receivables

Amounts in NOK million	1998	1997	1996
Loan to employees [1]	**70**	74	61
Pension assets	**214**	212	169
Deferred tax allowance	**143**	110	79
Other long-term receivables	**965**	968	328
Total	**1,392**	1,364	637

1) In addition loans to employees totalling NOK 18 million are included in other short-term receivables. Guarantees totalling NOK 7 million have been provided for employees.

5 Other manufacturing, selling and administrative expenses

Amounts in NOK million	1998	1997	1996
Freight costs	**(983)**	(946)	(924)
Energy costs	**(741)**	(684)	(483)
Repair and maintenance costs	**(707)**	(725)	(615)
Advertising	**(1,720)**	(1,705)	(1,290)
Other	**(3,507)**	(3,365)	(2,486)
Total	**(7,658)**	(7,425)	(5,798)

1) Including NOK 50 million in accrued and expected «Year 2000 costs».

The reserve for bad debts is included in «Other» above. The reserve has developed as follows:

Amounts in NOK million	1998	1997	1996
Bad debt reserve at 1.1.	**78**	59	61
Realised losses	**(36)**	(25)	(24)
Bad debts expensed in the year	**44**	44	22
Bad debt reserve at 31.12.	**86**	78	59

6 Financial items, net

Amounts in NOK million	1998	1997	1996
Interest income	**217**	177	179
Interest expenses	**(1,043)**	(875)	(885)
Net interest	**(826)**	(698)	(706)
Net foreign exchange gains/losses	**(153)** [1]	(36)	3
Other financial items, net	**(20)**	42 [2]	(37)
Financial items, net	**(999)**	(692)	(740)

1) Effect of devaluation in Russia and Ukraine at 31.8.1998 (NOK -138 million).
2) Including gain from sale of Hansa Brewery of NOK 61 million.

7 Taxes

Amounts in NOK million	1998	1997	1996
Taxes payable in Norway	**(331)**	(649)	(425)
Taxes payable abroad	**(273)**	(315)	(136)
Total taxes payable	**(604)**	(964)	(561)
Change in deferred tax Norway	**(17)**	120	(20)
Change in deferred tax abroad	**66**	(19)	(60)
Total change in deferred tax [1]	**49**	101	(80)
Total tax charge	**(555)**	(863)	(641)
Taxes as % of «Profit before taxes and minorities»	**27.0**	24.4	26.4

1) See note 19.

8 Cash and cash equivalents

Amounts in NOK million	1998	1997	1996
Unrestricted deposits	**530**	697	734
Restricted deposits	**74**	87	90
Group bank account system	**-**	253	130
Short-term receivables	**521**	185	109
Total cash and cash equivalents	**1,125**	1,222	1,063

1) Includes cash and cash equivalents in joint ventures limited companies, see note 20.

9 Inventories and cost of goods sold [1]

Amounts in NOK million	1998	1997	1996
Raw materials	**1,338**	1,244	1,104
Work in progress	**198**	241	172
Finished goods and merchandise	**1,674**	1,591	1,468
Total	**3,210**	3,076	2,744
Orkla Foods	**1,301**	1,360	1,400
Orkla Beverages	**383**	371	144
Orkla Brands	**433**	380	362
Orkla Media	**39**	38	29
Chemicals	**1,014**	861	737
H.O./Unallocated	**40**	66	72
Total	**3,210**	3,076	2,744

1) No single raw material represented more than 6 % of total cost of goods sold in 1998.

10 Shares and interests in other companies/partnerships

Amounts in NOK million	Shares/ investments	Book value	Share owned %
Owned by Orkla ASA			
AB Chips OY [1]	375,000	60	5.6
Owned by Group companies			
Harvik Rubber Ind. [2]	2,400,000	6	30.0
Solo [2]	1,420	1	71.0
Norsk Avfallshåndtering	4,330	4	2.0
Utenos Gerimai (Lithuania)	22,440	6	4.9
Utenos Alus (Lithuania)	3,900,000	20	9.8
Miscellaneous		18	
Total shares		115	
Interests in partnerships [3]		8	
Total Group		123	

1) Interest in voting share capital. In addition to the above item, the Financial Investments area owns shares in AB Chips OY, recorded as current assets. In total the group owns 13.4 % of the voting share capital and 19.6 % of the total share capital of AB Chips OY.
2) Evaluation of the Group's influence and strategic intention led to the conclusion that it would not be correct to present these interests as «associates».
3) Of which owned by Orkla ASA: ANS Høgset (7.2 %) NOK 2 million.

11 Short-term interest-free liabilities

Amounts in NOK million	1998	1997	1996
Trade accounts payable	**1,813**	1,847	1,402
Unpaid tax, tax withholdings, holiday pay etc.	**1,812**	1,753	1,383
Unpaid company taxes	**432**	826	511
Allocated to dividend	**443**	426	339
Other short-term liabilites	**2,706**	2,392	1,673
Total	**7,206**	7,244	5,308

12 Other income and expenses [1]

Other income and expenses are income statement items of a special nature which are material to the different business areas. These have been entered collectively on a separate line in order to improve the comparability of the other lines in the income statement.

Amounts in NOK million	**1998**	1997	1996
Restructuring Kotlin	**(20)**	-	-
Restructuring Procordia Food	**(40)**	-	-
Restructuring Beverages Nordic Region	**(174)**	-	-
Restructuring Brands, biscuits Finland	**(25)**	-	-
Restructuring, start-up and redundancy costs in Orkla Media	**(44)**	-	-
Liquidation costs - snacks and pizza operations in Asia	**(32)**	-	-
Net settlement and structure costs related to winding up the agreement with The Coca-Cola Company	**-**	171	-
Gains on divestitures	**-**	86	20
Restructuring, write-downs etc.	**-**	(76)	-
Total	**(335)**	181	20
Of this:			
Write-downs fixed assets	**(53)**	(116)	-

1) In addition non-recurring items related to exchange losses in BBH are included in «Financial items, net» (NOK -138 million) and in «Profits from associates» (NOK -15 million). The total charge of non-recurring items to «Profit before tax» is NOK -488 million (1997: NOK +545 million).

13 Cash flow in accordance with the NASB preliminary accounting standard

Amounts in NOK million	**1998**	1997	1996
Profit before tax	**2,057**	3,537	2,431
Taxes paid	**(1,004)**	(799)	(448)
Changes in working capital and other adjustments	**234**	158	442
Depreciation and write-downs	**1,930**	1,877	1,330
Gains and associates	**(942)**	(1,449)	(983)
Cash flow from operating activities	**2,275**	3,324	2,772
Investments in fixed assets	**(2,866)**	(2,315)	(1,388)
Other long-term investments	**(424)**	(4,394)	(414)
Sales of assets	**125**	220	252
Other sales	**-**	117	116
Net purchases/sales of portfolio shares	**611**	(874)	301
Cash flow from investing activities	**(2,554)**	(7,246)	(1,133)
Dividends paid	**(463)**	(324)	(289)
Increased long-term liabilities	**2,481**	4,914	4,231
Payment of long-term liabilities	**(2,054)**	(1,486)	(3,194)
Changes in short-term financing	**240**	1,562	(2,489)
Long-term receivables	**-**	(600)	(230)
New equity	**1**	18	-
Cash flow from financing activities	**205**	4,084	(1,971)
Other changes	**(23)**	(3)	(21)
Change in cash and cash equivalents	**(97)**	159	(353)
Cash and cash equivalents 1.1. [1]	**1,222**	1,063	1,416
Cash and cash equivalents 31.12. [1]	**1,125**	1,222	1,063

1) For specification, see note 8.

See cash flow statement on page 14 and general accounting principles on page 17.

14 Interests in associates

Amounts in NOK million	Share owned %	Original cost price at 1.1.	Book value at 1.1.	Additions/ disposals during the year	**Share [1] of profit**	Dividends received/ price adjustment	**Book value 31.12.98**	Goodwill amortisation in 1998	Book value of goodwill at 31.12.
Jotun A.S	42.4	150	894	19	**80**	(21)	**972**	(4)	27
Oy Hartwall Ab	20.5	598	635	-	**70**	17	**722**	(32)	355
Bergens Tidende A.S	28.4	67	100	-	**5**	(2)	**103**	(1)	10
Asker og Bærums Budstikke A.S	30.5	75	86	-	**6**	(8)	**84**	(2)	23
Norgesbuss Invest A.S	25.1	39	44	-	**(1)**	-	**43**	-	-
Orkla Exolon K/S	42.3	4	31	-	**1**	-	**32**	-	-
Oskar Sylte A.S	44.0	15	24	-	**4**	(4)	**24**	-	2
Mediacompanies Poland	-	12	13	2	**3**	-	**18**	(1)	3
Norsk Telegrambyrå A.S	22.1	3	16	-	**-**	(1)	**15**	-	-
Kolos (Ukraine)	24.5	-	-	13	**-**	-	**13**	-	-
Miscellaneous	-	77	68	6	**(3)**	(11)	**60**	(1)	7
Total		1,040	1,911	40	**165**	(30)	**2,086**	(41)	427

Main figures for the largest associates (100 % figures):

Amounts in NOK million	**1998** [1]	1997	1996
Jotun			
Operating income	**4,375**	5,250	5,294
Operating profit	**259**	462	372
Profit after taxes and minority interests	**146**	955	156
Total assets	**3,814**	3,535	3,564

1) Preliminary figures.

Amounts in FIM million	**1998** [1]	1997	1996
OY Hartwall Ab			
Operating income	**2,894**	2,648	2,000
Operating profit	**561**	568	238
Profit after taxes and minority interests	**272**	313	95
Total assets	**2,893**	2,353	1,954

15 Fixed assets and goodwill, etc.

Fixed assets

Amounts in NOK million	Land and other property	Buildings	Assets under construction	Machinery, fixtures and fittings, vehicles etc.	Total fixed assets	Goodwill etc.	**Total**
Cost at 1.1.	550	5,677	978	12,045	19,250	7,029	**26,279**
Revaluations at 1.1.	61	120	-	-	181	-	**181**
Write downs at 1.1.	(10)	(37)	-	(93)	(140)	(131)	**(271)**
Depreciation at 1.1.	(33)	(1,572)	-	(7,085)	(8,690)	(1,242)	**(9,932)**
Book value at 1.1.	568	4,188	978	4,867	10,601	5,656	**16,257**
Companies acquired in the year	3	75	54	174	306	181	**487**
Investments in the year	269	306	141	2,037	2,753	172	**2,925**
Transferred from assets under construction	47	64	(236)	125	-	-	**-**
Disposals book value	(4)	(46)	-	(68)	(118)	-	**(118)**
Ordinary depreciation and write-downs in the year	(5)	(242)	-	(1,262)	(1,509)	(421)	**(1,930)**
Book value at 31.12.	878	4,345	937	5,873	12,033	5,588	**17,621**
Investments / sales 1994	24 / 7	587 / 284	(103) / -	1,275 / 165	1,783 / 456	658 / -	**2,441 / 456**
Investments / sales 1995	26 / 70	728 / 570	- / -	1,565 / 542	2,319 / 1,182	2,431 / -	**4,750 / 1,182**
Investments / sales 1996	31 / 39	253 / 105	214 / -	1,085 / 163	1,583 / 307	211 / 109	**1,794 / 416**
Investments / sales 1997	115 / 27	1,887 / 126	422 / -	2,588 / 199	5,012 / 352	2,371 / 62	**7,383 / 414**
Investments / sales 1998	272 / 2	381 / 37	195 / -	2,211 / 93	3,059 / 132	353 / -	**3,412 / 132**

Treatment of goodwill etc. distributed between major acquisitions

	Year of acquisition: amortisation time	Amortisation in 1998[1]	**Book value at 31.12.98**
Pripps Ringnes 55 %	1997: 17 years	(132)	**1,952**
Procordia Food/Abba Seafood	1995: 20 years	(104)	**1,720**
Gøteborgs Kex	1994: 20 years	(17)	**242**
Bob Industrier	1993: 20 years	(14)	**198**
Rzeczpospolita	1996: 10 years	(23)	**167**
Drammens Tidende og Buskeruds Blad	1994: 20 years	(9)	**143**
Odense Marcipan	1990: 20 years	(12)	**127**
Miscellaneous		(110)	**1,039**
Total		(421)	**5,588**

1) Charged to operating profit, see also note 14 for total goodwill amortisation in associates.

Matching of additions 1998 against cash flow statement (see page 14)

Additions 1998 as presented above			3,412
Replacement expenditures and environmental investments, cash flow		1,843 [1]	
Expansion investments, cash flow	1,295		
Of which associates	(40)	1,255 [2]	
Replacement expenditures Financial Investments area	15		
Real estate investments	190	205	
Change in accounts payable investments	(44)		
Foreign exchange-rate translation effect	158		
Without cash flow effect	(5)	109	3,412

1) Largest individual projects: Orkla Trykk, take-over of contract with PepsiCo, new printing press assets Rzeczpospolita, new vegetable structure Procordia Food, new production structure Beauvais.
2) Largest individual projects: Increased capacity and repleacement expenditure BBH, take-over Mitcom, LignoTech South Africa, Norgeskaker and Kauno diena together with new pizza factory Stranda.

16 Borrowings

The Group's interest-bearing borrowings by type and maturity

Amounts in NOK million	**Balance at 31.12.98**	Maturity 1999	2000	2001	2002	2003	After 2003
Certificates [1]	**162**	162	-	-	-	-	-
Bond issues [1]	**6,342**	231	502	267	1,150	2,642	1,550
Bank loans	**9,811**	1,864	69	2,269	1,104	72	4,433
Mortgage institutions, insurance companies	**104**	9	9	10	56	2	18
Miscellaneous	**34**	2	14	-	2	-	16
Total interest-bearing liabilities	**16,453**	2,268	594	2,546	2,312	2,716	6,017
Unutilised drawing facilities	**7,119**	-	1,106	321	821	57	4,814

1) Certificates and bond issues are described separately in this note.

The average time to maturity at 31.12.1998 on the Group's interest-bearing borrowings was 5 years, compared to 4 years at 31.12.1997. Corresponding figures for the Group's unutilised drawing facilities were 6 years and 3 years, respectively.

At 31.12.1998 unutilised drawing facilities were unusually high. This is because of the refinancing process that the company is undergoing in which syndicated loans are being replaced by bilateral drawing facilities.

Orkla ASA has a group bank account system in Norway, Sweden and Denmark. Orkla ASA's (and in Denmark, Orkla (DK) A/S's) accounts are the only accounts settled directly with the banks, whilst all subsidiaries' accounts are treated as intercompany transactions. At 31.12.1998 the aggregate amount drawn was NOK 446 million, while the total drawing rights totalled to NOK 980 million.

Orkla may not sell shares in the following companies without the consent of the lenders in the long-term syndicated bank loans: Borregaard Industries Ltd, Lilleborg as, Orkla Foods A.S and Orkla AB.

Note 16 continued

Amounts in million ISIN	Coupon [1]	Term	Currency	Out-standing
Bond issues listed (Orkla ASA) at 31.12.1998				
NO 185855	10.00 %	1981/1999	NOK	31[2]
NO 185861	9.40 %	1993/2000	NOK	500
NO 185862	7.75 %	1993/2003	NOK	500
NO 185863	6.10 %	1994/2002	NOK	500
NO 185866	8.00 %	1995/2002	NOK	650
NO 185867	7.40 %	1995/2005	NOK	1,000
NO 185868	7.05 %	1996/2003	NOK	1,000
NO 185869	5.00 %	1997/1999	NOK	200
NO 185871	5.70 %	1997/2003	NOK	300
SE 312050	9.00 %	1996/2004	SEK	400
SE 418915	6.00 %	1997/2001	SEK	200
NO 185873	6.15 %	1998/2005	NOK	250
EMTN LSE	5.15 %	1998/2003	SEK	200
Certificates at 31.12.1998				
NO 2513724	8.75 %	4.12.98-6.1.99	NOK	162

1) The coupon rate does not reflect the Group's interest costs, as there are various interest rate swaps.
2) Convertible bonds, see note 24.

17 Currency and interest rate management

Breakdown of the loan portfolio by currency and fixed interest period
(including hedging transactions)

Amounts in NOK million	Balance at 31.12.98	Next interest rate adjustm. 1999	2000	2001	2002	After 2002	Average (years)
NOK	**7,198**	3,698	500	750	-	2,250	2.4
SEK	**4,733**	2,839	468	935	-	491	1.5
EUR	**2,136**	1,599	-	-	-	538	1.5
USD	**1,105**	763	342	-	-	-	0.8
DKK	**743**	743	-	-	-	-	0.4
PLN	**174**	174	-	-	-	-	0.4
Others	**364**	341	23	-	-	-	0.5
Total interest-bearing liabilities	**16,453**	10,157	1,332	1,685	-	3,279	1.8
Liquid assets	**(1,125)**	(1,125)	-	-	-	-	
Other interest-bearing receivables	**(784)**	(784)	-	-	-	-	
Net interest-bearing liabilities	**14,544**	8,248	1,332	1,685	-	3,279	

The average remaining fixed interest period for Orkla's gross interest-bearing liabilities (including hedging transactions) was at 31.12.1998 1.8 years, compared with 0.9 years at 31.12.1997.

Interest rate management
The objectives of the Orkla Group's interest rate management are to follow the general trends in market rates and to make dispositions to moderate market fluctuations. The loan portfolio's fixed interest profile is shaped by the choice of interest rate structure for the Group's borrowings and by the use of interest rate derivatives.

Currency risk management
Exposure related to balance sheet items and shares in operations abroad are hedged through continuous adjustments of the loan portfolio's currency composition. Foreign exchange risk exposure relating to balance sheet items is generally eliminated through financial hedging activities. Exposure relating to shares in operations outside Norway is minimised by adjusting the composition of the loan portfolio in accordance with the relative importance of the respective currencies.

Hedging activites relating to balance sheet items and shares in activities outside Norway are supplemented by hedging of the Group's operations. Exposure relating to future cash flows in current contracts is normally hedged 100 per cent. Additional expected cash flows in currencies other than NOK are hedged for a limited period only, and only when the probability of realising such cash flows is deemed to be sufficiently high.

Outstanding forward contracts[1] and currency options[2] relating to hedging of operating exposure
(10 largest outstanding currencies)

Amounts in million Purchase currency	Amount	Sale currency	Amount
NOK	143	EUR	16
NOK	33	GBP	3
NOK	519	USD	70
SEK	106	EUR	12
SEK	19	USD	2
DKK	30	GBP	3
DKK	15	NOK	19
USD	12	DKK	75
EUR	16	USD	18
EUR	4	PLN	18

1) Forward contracts are agreements for purchasing or selling currencies at a specific price at a specific future date.
2) Currency options are agreements where the buyer of the option has a right to purchase or sell a specific currency at a specific price on a specific future date.

The volume of outstanding forward contracts and currency options relating to hedging of operating exposure totalled NOK 1,293 million at 31.12.1998, compared with NOK 1,034 million at 31.12.1997.

18 Minorities

Amounts in NOK million	1998	1997	1996
Minorities' share of:			
Depreciation	**48**	38	25
Operating profit	**178**	167	53
Profit before taxes and minority interests	**174**	172	54
Taxes	**50**	60	16
Development in minority interests:			
Minority interests at 1.1.	**478**	183	131
Minorities' share of profit	**124**	112	38
Increase due to the year's acquisition of new companies	**13**	220	51
Decrease due to further acquisition of shares in group companies	**(14)**	(7)	(24)
Balance of dividends to minorities and translation differences	**(49)**	(30)	(13)
Minority interests at 31.12.	**552**	478	183
Minority interests relating to:			
Orkla Foods	**42**	37	38
Orkla Beverages	**365**	309	87
Orkla Brands	**8**	5	4
Orkla Media	**69**	67	19
Chemicals	**17**	16	13
Others	**51**	44	22
Total	**552**	478	183

19 Long-term interest-free liabilities

Amounts in NOK million	1998	1997	1996
Pension liabilities [1]	**946**	884	662
Deferred tax	**824**	831	709
Other long-term liabilities	**106**	108	74
Total	**1,876**	1,823	1,445

1) Pension liabilities are classified as interest-free because interest expenses are presented together with other pension costs under payroll expenses.

Deferred tax
The table below shows the correlation between the Group figures for accounting purposes and tax purposes. These differences are mainly due to a gap between accounting values and tax values. Deferred tax deferred tax benefit represents the timing difference multiplied by the nominal tax rate.

The table shows how the Group's deferred tax base is composed, in order to indicate when deferred taxes will fall due for payment. Net positive timing differences are the net total of the tax relating to positive and negative timing differences which will fall due in the same time period. Negative differences which either relate to pensions or cannot be reversed in the same period are presented separately.

Amounts in NOK million	1998	1997	1996
Net positive timing differences:			
Short-term receivables	**(50)**	(60)	(53)
Shares	**(249)**	(175)	(56)
Inventories	**69**	65	65
Other short-term items	**(346)**	(208)	(229)
Total short-term items	**(576)**	(378)	(273)
Fixed assets	**2,684**	2,824	2,308
Net pension funds	**214**	198	163
Other long-term items	**603**	387	262
Total long-term items	**3,501**	3,409	2,733
Losses carried forward	**(8)**	(38)	(50)
Basis for calculation of deferred tax	**2,917**	2,993	2,410
Deferred tax	**824**	831	709
Net negative timing differences which cannot be set off:			
Net pension liabilities	**236**	330	195
Other negative differences not set off	**178**	53	92
Basis for calculation of deferred tax benefit	**414**	383	287
Deferred tax benefit	**143**	110	79
Net deferred tax	**681**	721	630
Change in deferred tax	**40**	(91)	(58)
Effect of accounting reform pensions	**-**	-	(10)
Purchase of new companies, translation diff. etc.	**9**	192	(12)
Change in deferred tax income statement	**49**	101	(80)

20 Joint ventures

The Group's main joint ventures comprise Baltic Beverages Holding (50 %), Hjemmet Mortensen (50 %) and Rzeczpospolita (51 %) and are included line by line in the financial statements. The related amounts for operating income, operating profit, cash and cash equivalents and total assets are as follows (before goodwill):

Amounts in NOK million	1998	1997	1996
Operating income			
Pripps Ringnes	**-**	-	3,265
Hjemmet Mortensen	**507**	488	461
Rzeczpospolita-group	**217**	199	129
Baltic Beverages Holding [1]	**1,715**	1,263	-
Operating profit			
Pripps Ringnes	**-**	-	300
Hjemmet Mortensen	**70**	71	54
Rzeczpospolita-group	**48**	57	28
Baltic Beverages Holding [1]	**567**	451	-
Cash and cash equivalents			
Pripps Ringnes	**-**	-	175
Hjemmet Mortensen	**118**	96	87
Rzeczpospolita-group	**59**	78	44
Baltic Beverages Holding [1]	**48**	103	-
Total assets			
Pripps Ringnes	**-**	-	2,475
Hjemmet Mortensen	**579**	436	367
Rzeczpospolita-group	**180**	128	89
Baltic Beverages Holding [1]	**1,871**	1,196	-

1) Baltic Beverages Holding is owned 50-50 by Pripps Ringnes and Hartwall. In addition Pripps Ringnes owns 20.5 % of Hartwall. This 20.5 % interest is presented as an associate.

21 Mortgages and guarantees

Amounts in NOK million	1998	1997	1996
Liabilities secured by mortgages	**136**	128	167
Mortgaged assets:			
Machinery, vehicles, etc.	**1,208**	1,235	668
Buildings and plant	**677**	646	567
Other real property	**59**	67	58
Assets under construction	**136**	168	273
Inventories, etc.	**80**	87	67
Total book value	**2,160**	2,203	1,633
Guarantees etc.:			
Joint and several guarantees	**6**	7	48
Subscribed, uncalled limited partnership capital	**664**	525	132
Other guarantee liabilities [1]	**1,001**	557	650
Total guarantee liabilities	**1,671**	1,089	830

1) Includes guarantee limits for Orkla Finans of NOK 776 million (NOK 250 million in 1997 and NOK 170 million in 1996).

22 Other issues

Orkla Foods has an obligation to purchase additional shares in Dragsbæk Margarinefabrik A.S (50 %) and Margarinefabriken Blume IS (50 %). Orkla's existing holdings were acquired in 1989 for approximately NOK 45 million. The price for additional shares will be based on an indexation of this amount, adjusted for the development in earnings during the three years prior to the obligation/right being exercised. The acquisition must be finalised before 2006.

The minority shareholders in KiMs in Denmark hold an agreement which, on certain conditions, allows them to increase their share from 6 % to 20 % in 2000 without making further payments.

AB Pripps Bryggerier is currently involved in a dispute with the Swedish customs regarding exports to Russia in 1992. The customs authorities are claiming SEK 57 million exclusive of interest. This claim is not considered to be justified by the Group management.

23 Long-term cooperation agreements

The Unilever agreement
Orkla has a cooperation agreement with Unilever relating to detergents and personal care/cosmetic products. This agreement, which was originally signed in 1958, was renegotiated in February 1995. The renegotiated agreement continues the cooperation on the same main business principles as previously, and runs until 2014.

PepsiCo-agreement
In June 1997 Pripps Ringnes and PepsiCo agreed that Pripps Ringnes should start licenced production, distribution and sales of Pepsi products on the Swedish market. The agreement will be effective from no later than 1.1.2001 because PepsiCo's agreement with the current licence-holder expires on that date. The agreement runs for a 20 year period with an option on an additional 5 years.

In March 1998, Pripps entered into an agreement with PepsiCo concerning the take-over of the franchise agreement in 70 % of the market in Norway. The agreement runs for 20 years from 27.4.1998, with a possibility for extension. The remaining 30 % was taken over around the year-end.

24 Development in equity over the last 5 years

Amounts in NOK million	Share capital	Legal reserve	Special tax reserve	Distributable reserve	Orkla ASA	Group reserve	Total
Equity at 31.12.1993	1,219	573	103	2,050	3,945	2,628	6,573
Profit for the year Orkla ASA	-	-	-	198	198	(198)	-
Entries resulting from introduction of new pension standard	-	6	-	51	57	(57)	-
Group contribution	-	-	-	711	711	(711)	-
Allocation to dividend	-	-	-	(236)	(236)	-	(236)
Transfers to/from legal reserve and distributable reserves	-	77	(36)	(41)	-	-	-
Group profit for the year	-	-	-	-	-	1,149	1,149
Charge as a result of the introduction of new pension standard	-	-	-	-	-	(285)	(285)
Translation difference on foreign subsidiaries etc.	-	-	-	-	-	28	28
Equity at 31.12.1994	1,219	656	67	2,733	4,675	2,554	7,229
Profit for the year Orkla ASA	-			2,217	2,217	(2,217)	-
Group contribution	-			814	814	(814)	-
Allocation to dividend	-			(283)	(283)	-	(283)
Transfers to/from legal reserve and distributable reserves	-	318	(36)	(282)			
Group profit for the year	-					1,432	1,432
Adjustment due to the merger between Pripps and Ringnes	-					(182)	(182)
Translation difference on foreign subsidiaries etc.	-	-	-	-	-	0	0
Equity at 31.12.1995	1,219	974	31	5,199	7,423	773	8,196
Profit for the year Orkla ASA	-	-	-	535	535	(535)	-
Group contribution	-	-	-	741	741	(741)	-
Allocation to dividend	-	-	-	(330)	(330)	-	(330)
Transfers to/from legal reserve and distributable reserves	-	164	(31)	(133)	-	-	-
Group profit for the year	-	-	-	-	-	1,752	1,752
Adjustment pension liability	-	-	-	-	-	(26)	(26)
Translation difference on foreign subsidiaries etc.	-	-	-	-	-	(102)	(102)
Equity at 31.12.1996	1,219	1,138	-	6,012	8,369	1,121	9,490
Profit for the year Orkla ASA	-	-	-	676	676	(676)	-
Group contribution	-	-	-	615	615	(615)	-
Allocation to dividend	-	-	-	(410)	(410)	-	(410)
Transfers to/from legal reserve and distributable reserves	-	242	-	(242)	-	-	-
Share issue related to employees' 1993 bonus programme	14	-	-	-	14	4	18
Group profit for the year	-	-	-	-	-	2,562	2,562
Translation difference on foreign subsidiaries etc.	-	-	-	-	-	(19)	(19)
Equity at 31.12.1997	1,233	1,380	-	6,651	9,264	2,377	11,641
Profit for the year Orkla ASA	-	-	-	581	581	(581)	-
Group contribution	-	-	-	516	516	(516)	-
Allocation to dividend	-	-	-	(426)	(426)	-	(426)
Share issue related to employees' 1993 bonus programme	1	-	-	-	1	-	1
Group profit for the year	-	-	-	-	-	1,378	1,378
Translation difference on foreign subsidiaries etc.	-	-	-	-	-	94	94
Equity at 31.12.1998	1,234	1,380 [1]	-	7,322	9,936	2,752	12,688

1) Beacause of both the new Companies Act and accountancy law regarding the new classification of equity in 1999, there is no allocation to the legal reserve in 1998.

Share capital development

Amounts in NOK Date/year	Number of shares	Nominal value	Type of issue	Amount (million)	Ratio	Correction factor [1]	Issue price	Share capital (million)
31.12.1987	7,216,997	100				21.28		721.7
1988	14,433,994	50	split		2:1	9.68		721.7
1988	15,558,110	50	bonus issue	56.2	1:10	9.68		777.9
1988	12,365,274	50	amortisation	159.6		9.68		618.3
31.12.1988	12,365,349	50	conversion			9.68		618.3
1989	13,275,874	50	internat. offering	45.5		9.68	365.00	663.8
31.12.1989	13,339,097	50	conversion	3.2		9.68		667.0
1990	26,678,194	25	split		2:1	4.40		667.0
1990	29,346,582	25	bonus issue	66.7	1:10	4.40		733.7
1990	31,646,582	25	internat. offering	57.5		4.40	230.00	791.2
1990	31,886,582	25	merger	6.0		4.40		797.2
31.12.1990	31,894,938	25	conversion	0.1		4.40		797.4
1991	44,314,828	25	merger	310.5		4.40		1,107.9
31.12.1991	44,314,895	25	conversion			4.40		1,107.9
1992	48,746,384	25	bonus issue	110.8	1:10	4.00		1,218.7
31.12.1992	48,746,384	25				4.00		1,218.7
31.12.1993	48,747,241	25	conversion			4.00		1,218.7
31.12.1994	48,747,241	25				4.00		1,218.7
31.12.1995	48,747,241	25				4.00		1,218,7
31.12.1996	48,747,241	25				4.00		1,218.7
31.12.1997	49,333,393	25	share issue, empl.	14.8		4.00		1,233,3
1998	49,366,359	25	share issue, empl.	0.9		4.00		1,234.2
1998	197,465,436	6.25	split		4:1			1,234.2
31.12.1998	197,465,436	6,25						1,234.2

1) The correction factor is multiplied by the number of old shares to make these figures comparable to the number of shares in 1998.

On 7.5.1997 the Board was authorised to issue up to 13.2 million new shares without preferential rights for existing shareholders. This authorisation is valid until the Annual General Meeting in 1999.

The Annual General Meeting of 10.5.1994 decided to give all employees of the Norwegian enterprises options on up to 2.6 million B shares at a subscription price of NOK 6.25. Remaining options equivalent to 76,472 B shares may be exercised by 1.5.1999.

Summary of RISK-calculation for Orkla's shareholders

(concerns only shareholders who are subject to tax in Norway)

The tax value is made up of the cost price of the share (cost price of shares acquired before 1.1.1989 adjusted upwards) plus accumulated RISK, adjusted for dividends in the years of purchase and sale. Account has been taken of the share split on 15.5.1998. All amounts in NOK.

Year of purchase	The year's RISK at 1.1.	Accumulated RISK for year of purchase	Dividend paid out	Dividend date
up to 1992	-	24.14	0.85	14.5.92
1993	(0.60)	24.74	0.94	15.5.93
1994	3.90	20.84	1.03	10.5.94
1995	3.23	17.61	1.25	10.5.95
1996	3.84	13.77	1.50	8.5.96
1997	6.21	7.56	1.75	7.5.97
1998	5.16	2.40	2.13	7.5.98
1999	2.40	-	2.25	6.5.99

The table shows accumulated RISK at different points in time for the Orkla share. When calculating taxable gain on a sale in 1999, accumulated RISK for the year of purchase is adjusted for the following factors:
• If the sale takes place before the year's dividend is paid the dividend can be added.
• If the share was bought in 1992 or 1993 after the dividend for the year was paid out it can be added.
• If the share was bought before the dividend was paid out in a year from 1994 onwards, the unpaid dividend in the year of purchase shall be deducted.
• RISK as at 1.1.1999 is Orkla's estimate. If the estimate varies from the finally determined RISK, the figure must be adjusted for the variance.
For Orkla shares bought before 1.1.1989 the cost price as at 1.1.1992 is adjusted upwards to:
A share NOK 38.20
B share NOK 35.91

Own shares and convertible bonds

Amounts in 1,000	Nominal value	A shares	B shares	Total shares	Book value
Shares owned by:					
A/S Drammen Kjexfabrik	3,246	469,504	49,816	519,320	-
Rederi-A/S Orkla	4,183	608,436	60,840	669,276	-
Chr. Salvesen & Chr. Thams's Comm. A/S	-	52	4	56	-
Oktav Invest A.S [1]	25,128	3,350,467	670,089	4,020,556	-
Total own shares	32,557	4,428,459	780,749	5,209,208	-
Convertible bonds owned by:					
A/S Drammen Kjexfabrik	30,097	7,817,402	781,740	8,599,142	132,423
Orkla ASA	413	107,273	10,727	118,000	4,463
Total own convertible bonds [2]	30,510	7,924,675	792,467	8,717,142	136,886
Total	63,067	12,353,134	1,573,216	13,926,350	136,886

1) Oktav Invest owns 5,025,696 shares in Orkla ASA and Orkla ASA owns 80 % of Oktav Invest.
2) Orkla holds convertible bonds with a nominal value of NOK 30.5 million. The total nominal value of the issued convertible bonds is NOK 30.6 million. The conversion price is NOK 3.50 per share. The loan expires on 31.12.1999.

At 31.12.1998 managers on different levels in the Orkla Group held options on 20,000 shares with an average price of NOK 59. National insurance contributions relating to the value of these options have been expensed.

The Orkla-Group has a cash bonus scheme, the value of which is tied to the performance of Orkla's A shares on the Oslo Stock Exchange. The scheme includes about 30-40 managers. Each cash bonus is tied for a minimum period of 3 years. The cut off in change in value and corresponding national insurance contributions have been expensed.

Accruals amounting to NOK 63 million have been recorded as of 31.12.1998 in connection with these schemes.

Authorisation

The Annual General Meeting resolved on 7.5.1998 to give the Board authorisation to acquire shares in Orkla ASA. At the Annual General Meeting on 6.5.1999 the Board will propose that this authorisation be renewed, limited to 13.4 million shares.

Accounts for Orkla ASA

The accounts of the holding company Orkla ASA consist of, in addition to all Head Office activities, the Group's share portfolio, the Peter Möller company and real estate activities which for business purposes are grouped under Orkla Eiendom.

The activity at the Head Office includes the Group's senior management and staff functions in the following departments: information, legal, corporate development, personnel and accounting/finance. To a large extent, the staff departments carry out assignments for the Group's other companies, and charge the companies for these services.

The central finance department acts as a Group bank which is responsible for the Group's external financing, management of the Group's liquidity and overall management of the Group's foreign exchange and interest risks.

All holdings in subsidiaries are presented using the cost method.

In certain cases the notes for the Group will include Orkla ASA.

Income statement

Amounts in NOK million	*Note*	**1998**	1997
Operating income		**322**	335
Raw materials, etc.		**(45)**	(40)
Payroll expenses	*1, 2*	**(116)**	(194)
Other operating expenses		**(219)** [1]	(131)
Ordinary depreciation	*7*	**(21)**	(20)
Operating profit		**(79)**	(50)
Dividends from others		**324**	296
Financial income, Group companies		**583**	339
Other financial income		**809**	660
Financial expenses, Group companies		**(149)**	(54)
Other financial expenses		**(1,656)**	(1,280)
Share of profit, associates		**2**	2
Portfolio gains		**769**	876
Profit before tax		**603**	789
Taxes	*4*	**(22)**	(113)
Profit for the year		**581**	676
Group contribution		**516**	615
Allocated to dividend		**(426)**	(410)
Allocated to legal reserve		**-**	(242)
Allocated to distributable reserves		**(671)**	(639)

1) Includes NOK 93 million in bad debts associated with Abba Seafood, Germany.

Balance Sheet

Assets

Amounts in NOK million	Note	1998	1997
Cash and cash equivalents		**158**	225
Portfolio investments		**8,357**	8,112
Short-term receivables, Group companies		**969**	1,303
Short-term receivables, others		**59**	30
Inventories		**26**	26
Short-term assets		**9,569**	9,696
Shares in subsidiaries	*3*	**8,271**	8,263
Shares and investments in other companies		**98**	95
Loans to Group companies		**9,593**	8,437
Other long-term receivables	*6*	**718**	690
Tangible fixed assets	*7*	**167**	178
Long-term assets		**18,847**	17,663
Total assets		**28,416**	27,359

Liabilites and Equity

VAT, taxes etc.		**25**	25
Unpaid company taxes		**25**	100
Dividends payable		**430**	410
Short-term liabilties to Group companies		**1,299**	1,978
Other short-term liabilities		**949**	1,323
Short-term liabilities		**2,728**	3,836
Long-term liabilities to Group companies		**1,304**	371
Other long-term liabilities		**14,448**	13,888
Long-term liabilities		**15,752**	14,259
Share capital		**1,234**	1,233
Legal reserve		**1,380**	1,380
Free reserve		**7,322**	6,651
Equity		**9,936**	9,264
Liabilities and Equity		**28,416**	27,359
Guarantees and other commitments	*5*	**913**	855

Cash flow statement

Amounts in NOK million	1998	1997
Cash flow NASB		
Profit before tax	**603**	789
Taxes paid	**(97)**	(84)
Changes in working capital	**347**	237
Depreciation and write-downs	**21**	20
Gains and associates	**(771)**	(886)
Cash flow from operating activities	**103**	76
Investments in fixed assets	**(11)**	(26)
Other long-term investments	**(1)**	(31)
Sale of tangible fixed assets	**1**	15
Net purchase/sale of portfolio shares	**522**	(833)
Cash flow from investing activities	**511**	(875)
Distribution of dividends	**(406)**	(330)
Group contribution	**843**	743
New long-term borrowing	**2,481**	4,914
Repayment of long-term borrowing	**(2,049)**	(423)
Changes in short-term financing	**(77)**	1,986
Long-term receivables	**-**	(600)
New equity	**1**	14
Change in financing of Group companies	**(1,425)**	(5,663)
Cash flow from financing activities	**(632)**	641
Other changes	**(49)**	89
Change in cash and cash equivalents	**(67)**	(69)
Cash and cash equivalents available at beginning of year	**225**	294
Cash and cash equivalents available at end of year	**158**	225

Notes

1 Pensions

Breakdown of net pension costs

Amounts in NOK million	1998	1997
Present value of the year's acquired pension rights (including national insurance contribution)	**(7)**	(6)
Interest expense on pension liability	**(12)**	(10)
Expected return on pension funds	**18**	15
Amortisation of deferred liabilities due to deviation from plan/assumptions	**(1)**	0
Net pension costs	**(2)**	(1)

Breakdown of net pension liability at 31.12.

Amounts in NOK million	1998	1997
Gross pension liability	**(215)**	(189)
Pension funds (market value)	**241**	236
Actual net pension funds	**26**	47
Unamortised deviation from plan/assumptions	**27**	2
Capitalised net pension funds	**53**	49

Breakdown of pension funds (market value) at 31.12.

	1998	1997
Liquid assets	**6 %**	2 %
Money market investments	**0 %**	0 %
Bonds	**60 %**	61 %
Loans	**0 %**	0 %
Shares	**34 %**	37 %
Real property	**0 %**	0 %
Total pension funds	**100 %**	100 %

2 Remuneration and contractual arrangements

Remuneration to the Group Chief Executive amounted to NOK 2,158,125. Other taxable remuneration amounted to NOK 141,626. The Group Chief Executive received no internal director's fees.

The Group Chief Executive's pension on full pensionable service will amount to two thirds of the pension base. If he resigns prior to the pensionable age, he will receive a payment equivalent to three years' salary based on his salary at the date of resignation.

Remuneration to the Board, Corporate Assembly and Auditor
Remuneration to the Board and Corporate Assembly amounted to NOK 1,216,000 and NOK 300,000. According to a separate agreement, the Chairman of the Board received an additional remuneration of NOK 104,000 as manager of The Orkla School for Business Relations. The Auditor's fees amounted to NOK 548,000. In addition, NOK 593,000 was paid to the Auditor for other services.

3 Shares in subsidiaries (directly owned)

Amounts in NOK million	Currency	Company's share capital	Book value	Owned by the Group %
Orkla AB	SEK	550	5,468	100.0
Orkla Foods A.S		436	493	100.0
Bakers AS		2	249	100.0
Lilleborg as		18	87	100.0
Sætre AS		5	11	100.0
Kantolan OY	FIM	10	41	100.0
Swebiscuits AB	SEK	10	512	100.0
Nidar AS		110	110	100.0
Orkla Media A.S		487	503	100.0
Borregaard Industries Limited				
Ordinary shares	GBP	20	271	100.0
Preference shares	GBP	1	43	99.9
Denofa A.S		10	118	100.0
Kemetyl AB	SEK	4	36	100.0
Borregaard NEA AS		5	101	100.0
Borregaard Skoger A.S		7	3	100.0
The Borregaard Comp. Inc.	USD	-	-	100.0
Orkla Finans ASA		19	21	94.7
Orkla Eiendom A.S		1	1	100.0
Oktav Invest A.S		65	-	80.0
Chr. Salvesen & Chr. Thams's Comm. A/S		7	34	100.0
Viking Fottøy A.S		25	27	100.0
Viking Askim A.S		36	104	100.0
Rederi-A/S Orkla		-	-	100.0
Omega Consultants A.S		-	-	100.0
AB Orklaprodukter	SEK	-	-	100.0
A.S Drammen Kjexfabrik		-	12	100.0
Nora A.S		1	1	100.0
NINO A.S		21	24	100.0
Scan-TV A.S		-	-	100.0
Peter Möller Omega-3 GmbH	DEM	-	-	100.0
Orkla Asia Pte Ltd [1]	SGD	5	1	100.0
Total			8,271	

1) The shares in Orkla Asia have been written down by NOK 21 million as a result of the liquidation of the snacks and pizza operations in Asia. The amount is included in other financial costs.

4 Relationship between profit before tax and the year's tax base for Orkla ASA

Amounts in NOK million	**1998**	1997
Profit before tax	**603**	789
Timing differences:		
Realization of previously written down shares	**(4)**	(34)
Taxable exchange of bonds	**(153)**	153
Change in other timing differences	**(150)**	10
Total	**(307)**	129
Permanent differences:		
Non-deductible expenses	**2**	2
Cost price adjustment for shares sold	**(46)**	(85)
RISK adjustments for shares sold	**(62)**	(33)
Profit, intragroup transfer	**-**	(175)
Total	**(106)**	(291)
Taxable group contribution	**38**	(63)
Total taxable income	**228**	564
Tax calculated (28 %)	**64**	158
Deduction for allowance on share dividends, and tax at source	**(64)**	(62)
Witholding tax foreign dividends	**9**	9
Underprovision previous years	**13**	8
Total tax payable	**22**	113

5 Guarantees and mortgages

Mortgages and other guarantees

Amounts in NOK million	**1998**	1997
Guarantees for Group companies	**182**	179
Other guarantee liabilities	**158**	223
Joint and several guarantees	**2**	2
Subscribed, uncalled limited partnership capital	**571**	451

6 Loans to employees

Other receivables include loans to employees totalling NOK 15 million. In addition, the company has provided guarantees totalling NOK 1 million.

7 Tangible fixed assets

Amounts in NOK million	Land and other property	Buildings	Machinery, fixtures and fittings, vehicles etc.	Total fixed assets	Goodwill etc.	**Total**
Cost at 1.1.	20	138	110	268	18	**286**
Depreciation at 1.1.	-	(37)	(57)	(94)	(14)	**(108)**
Book value at 1.1.	20	101	53	174	4	**178**
Investments in the year	-	3	8	11	-	**11**
Disposals book value	-	-	(1)	(1)	-	**(1)**
Ordinary depreciation and write-downs in the year	-	(5)	(12)	(17)	(4)	**(21)**
Book value at 31.12.	20	99	48	167	0	**167**
Depreciation rates	0	0-5 %	15-25 %	-	20 %	**-**
Investments / sales 1994	3 / 2	20 / -	11 / 1	34 / 3	- / -	
Investments / sales 1995	11 / 3	14 / 7	14 / 2	39 / 12	18 / -	
Investments / sales 1996	- / 2	9 / -	13 / 5	22 / 7	- / -	
Investments / sales 1997	(12) / 4	19 / 9	19 / 2	26 / 15	- / -	
Investments / sales 1998	- / -	3 /-	8 / -	11 / -	- / -	

Audit Report to the Annual General Meeting of Orkla ASA

We have audited the annual accounts of Orkla ASA for 1998, showing net income of NOK 581 million for the company and net income of NOK 1,378 million for the Group. The annual accounts, which consist of the Board of Directors' report, statement of income, balance sheet, statement of cash flows, notes and the corresponding consolidated financial statement, are the responsibility of the Board of Directors and the Group Chief Executive.

Our responsibility is to examine the company's annual accounts, its accounting records and the conduct of its affairs.

We have conducted our audit in accordance with applicable laws, regulations and generally accepted auditing standards. We have performed the auditing procedures we considered necessary to determine that the annual accounts are free of material errors or omissions. We have examined, on a test basis, the accounting material supporting the financial statements, the appropriateness of the accounting principles applied, the accounting estimates made by management and the overall presentation of the annual report and accounts. To the extent required by generally accepted auditing standards we have also evaluated the company's asset management and internal controls.

The allocation of net income and equity transfers, as proposed by the Board of Directors, complies with the requirements of corporate law.

In our opinion, the annual accounts have been prepared in conformity with corporate law and present fairly the company's and the Group's financial position as of 31 December 1998 and the result of its operations for the fiscal year in accordance with generally accepted accounting principles.

Oslo, 10 March 1999
Arthur Andersen & Co.

Finn Berg Jacobsen
State Authorised Public Accountant (Norway)

Statement from the Corporate Assembly to The Annual General Meeting of Orkla ASA

The Corporate Assembly of Orkla ASA has received the Board of Directors' proposed Income Statement and Balance Sheet for 1998 for Orkla ASA and the Group and recommends that the Annual General Meeting adopt the accounts and the proposal of the Board of Directors for the allocation of profit for 1998.

Oslo, 18 March 1999
The Corporate Assembly of Orkla ASA

Øystein Eskeland
Chairman of the Corporate Assembly

Shares and Shareholders

Shareholder policy
Orkla's shareholders should, over time, receive a competitive return on their shares in the form of a combination of dividends and a rise in the share price. Provided that the underlying trend is satisfactory, there should be a steady, stable increase in dividends paid to shareholders. Orkla pursues a policy in which the interests of existing shareholders are decisive. The Group's main profitability indicator is the rate of return on capital employed.

Building shareholder value
Over time, Orkla shareholders have had a good return on their investments. In the period since 1986, when the current strategy and structure were established, annual return has averaged 19.2 %, compared with a 10.5 % return on the Oslo Stock Exchange All Share Index. In 1998, the share value fell by 28.5 %, excluding dividends. In the same period, the OSE All Share Index fell by 26.7 %.

For 1998, the Board of Directors proposes a dividend of NOK 2.25 per share, compared to NOK 2.13 in 1997. The dividend will be paid on 26 May 1999 to shareholders of record on the date of the Annual General Meeting.

Average annual return

	1982-98	1986-98	1991-98
Orkla A	29.0 %	19.2 %	18.1 %
OSE all share index	15.0 %	10.5 %	12.3 %

Share price 1998*

NOK	Orkla A-share	Orkla B-share
Close at 30.12.1997	158.75	143.50
High	225.00	202.25
Low	80.50	69.00
Close at 30.12.1998	113.50	99.50

* Converted after split 4:1

Shares by size of shareholding at 31.12.1998

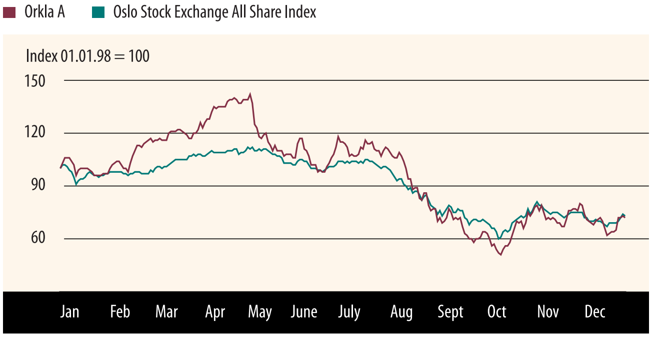
No. of shares	No. of shareholders	% of capital
1 - 100	13,110	0.3 %
101 - 1,000	16,558	3.1 %
1,001 - 10,000	4,638	6.5 %
10,001 - 100,000	539	8.4 %
100,001 - 500,000	120	13.7 %
500,001 -	52	68.0 %

Share price performance 1998
The Oslo Stock Exchange and most of the international stock exchanges underwent a turbulent period throughout 1998. Up until May 1998, the Oslo Stock Exchange performed favourably, and share prices rose. The international economic slowdown and low oil prices pulled prices down in the second quarter, but performance improved slightly in the last half of the year. The decline in share prices in the second half of the year was stronger on the Oslo Stock Exchange than on the other Western stock exchanges.

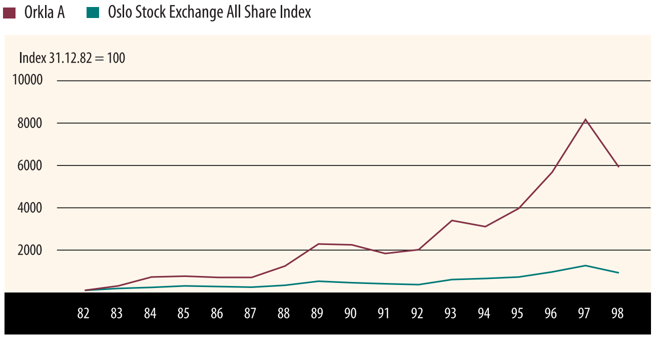
The price of Orkla shares increased until the beginning of May, reaching a high of NOK 225.00 for the A-share and NOK 202.25 for the B-share. At the Annual General Meeting on 7 May 1998, shareholders were informed about the decline in profit for Orkla's Nordic branded consumer goods business in the first quarter of 1998, causing the share prices to fall sharply. The prices rose slightly during the summer, but declined further in mid-August due to the devaluation of the Russian and Ukrainian currencies. The share prices hit their lowest point in October, at NOK 80.50 for the A-share and NOK 69.00 for the B-share, but rose towards the end of the year. As of 31 December 1998 the Orkla A-share was quoted at NOK 113.50 and the B-share at NOK 99.50. This represented a market capitalisation value of NOK 21.3 billion as of 31 December 1998, NOK 8.6 billion lower than on 1 January 1998, making Orkla one of the largest companies on the Oslo Stock Exchange at year-end. The company accounts for approximately 7 % of the OSE All Share Index.

Trading in the Orkla share
Orkla shares are listed on the Oslo Stock Exchange. Both classes of shares may also be traded on SEAQ in London and through Orkla's Level-1 ADR programme in the USA. Close to 306 million shares

Share price development 1998



Share price development 31.12.82 - 31.12.98



were registered as traded in 1998, just over 1.5 times the number of shares outstanding. This is slightly lower than in 1997. Orkla shares traded on the Oslo Stock Exchange amounted to NOK 12.4 billion, equivalent to 3,8 % of the Exchange's total turnover. 76 million shares were traded through SEAQ, or GBP 835 million. Call and put options and forwards with the Orkla A-share as the underlying share were listed on the Oslo Stock Exchange from March 1998. Due to cooperation on stock exchange and clearing operations between the Oslo Stock Exchange, OM Stockholm and OMLX London, options are also available on these markets.

Voting rights and ownership

Orkla has two classes of shares. A-shares carry one vote per share, while B-shares do not carry voting rights. At the Annual General Meeting on 7 May 1998, a decision was made to split the share in four, resulting in a nominal value per share of NOK 6.25. The company has no limitations on ownership other than those imposed by Norwegian concession laws. Voting rights may be exercised at the earliest two weeks after the Norwegian Registry of Securities has been notified of the name of the shareholder. Under Norwegian law, votes may only be cast for shares that are registered in the owner's name. Notice of attendance must be received by Orkla no later than 3.00 p.m. on the third working day before the date of the General Meeting.

Shareholder structure

As of 31 December 1998, Orkla had 35,017 shareholders. International investors and analysts continued to show broad interest in Orkla shares in 1998. At year-end 40.2 % of the shares were owned by foreign investors, compared to 44.7 % on 1 January 1998. The ownership structure has remained stable on the whole, with only minor changes in 1998. Most of the brokerage houses in Oslo and London follow the Orkla share and analyses are also published in Stockholm and Copenhagen.

Share-purchase scheme for employees

The Annual General Meeting on 10 May 1994 resolved to give all employees in the Norwegian companies options to purchase a total of up to 2,600,000 B-shares at a subscription price of NOK 6.25. Remaining options equivalent to 76,472 B-shares may be exercised by 1 May 1999. As of 31 December 1998 employees in management positions in the Group held options to purchase 20,000 shares. See also note 24 regarding "Own shares and convertible bonds".

Average number of shares outstanding, fully diluted

	1998	1997	1996	1995
Average number of shares issued	**197,399,504**	196,161,268	194,988,964	194,988,964
Average number of own shares	**-5,210,208**	-5,277,140	-5,332,720	-5,332,720
Average number of externally owned shares	**192,189,296**	190,884,128	189,656,244	189,656,244
Convertible bonds	**8,741,282**	8,741,282	8,741,282	8,741,282
Own convertible bonds	**-8.717,142**	-8,717,142	-8,717,142	-8,717,142
Employee share scheme options, average number	**227,364**	1,667,036	2,906,020	3,160,504
Estimated antidilution effect [1]	**-39,460**	-133,392	-404,504	-709,244
Average number of externally owned shares, fully diluted	**192,401,340**	192,441,912	192,181,900	192,131,644

1) Average share price - estimated antidilution effect:

	A-shares	B-shares
1998	153.17	137.13
1997	143,00	130,00
1996	87,25	80,75
1995	69,00	65,50

The ten largest shareholders at 31.12.1998

Shareholders	A-shares	B-shares	Total shares	% of capital	% of votes
Folketrygdfondet	16,853,420	0	16,853,420	8.5 %	10.7 %
Chase Manhattan Bank	14,885,975	1,966,054	16,852,029	8.5 %	9.4 %
Capital Research c/o Chase [1]	9,128,000	3,404,000	12,532,000	6.3 %	5.8 %
Storebrand [2]	11,046,132	0	11,046,132	5.6 %	7.0 %
State Street Bank	7,911,172	919,415	8,830,587	4.5 %	5.0 %
Avanse Forvaltning	5,285,080	599,900	5,884,980	3.0 %	3.3 %
Kommunal Landspensjonskasse	4,895,336	979,840	5,875,176	3.0 %	3.1 %
Oktav Invest A.S [3]	4,188,084	837,612	5,025,696	2.5 %	2.7 %
Boston Safe Deposit	3,842,866	309,072	4,151,938	2.1 %	2.4 %
Gjensidige	3,245,497	407,300	3,652,797	1.8 %	2.1 %
Total	81,281,562	9,423,193	90,704,755	45.9 %	51.5 %
Total all shares	157,955,844	39,509,592	197,465,436	100 %	100 %

1) Divided between two separate funds
2) A grouping of several legal entities with intercompany relationships
3) 80 % owned by Orkla ASA

Issue of shares
The Board of Directors holds an authorisation, granted on 7 May 1997 and valid until the Annual General Meeting in 1999, to issue up to 13.2 million shares without preferential rights for existing shareholders. This authorisation was initially granted at an Extraordinary General Meeting on 2 September 1991 and has subsequently been renewed, but has not as yet been utilised.

Repurchase of own shares
On 7 May 1998, the General Meeting adopted a resolution authorising the Board of Directors to acquire own shares of Orkla ASA. At the Annual General Meeting on 6 May 1999 the Board of Directors will present a proposal to extend an authorisation to buy back the company's own shares, limited to 13.4 million shares. The text of the proposal is as follows: "The General Meeting of Orkla ASA hereby authorises the Board of Directors to permit the company to acquire A and B shares in Orkla ASA at par value for up to NOK 84,000,000. The price paid per share may be no lower than NOK 20.00 and no higher than NOK 500.00. The Board of Directors has a free hand with respect to methods of acquisition and sale of its own shares. This authorisation will replace the authorisation granted at the Annual General Meeting on 7 May 1998 and will apply from 7 May 1999 to 6 November 2000."

The extent to which this authorisation is utilised will be determined by the extent to which the repurchase of Orkla's own shares is considered advantageous for the company's shareholders.

Risk regulation
Under Norwegian tax law, when calculating gains on the sale of assets, company shareholders who are subject to tax in Norway must adjust the historical cost price of the shares upwards or downwards by the RISK amount, which is equivalent to the tax-related profit or loss after taxes and dividends. In this way, shareholders avoid double taxation of that part of the gain which is related to the retention of previously taxed profits. The RISK amount for 1997 was NOK 5.16 per share, and the corresponding amount for 1998 is provisionally estimated at NOK 2.40 per share. The final RISK amount for 1998 will not be available until 1 January 2000. Shareholders who are not subject to tax in Norway are not affected by the Norwegian RISK rules. See note 24 regarding "Summary of RISK calculation for Orkla's shareholders" for an explanation of the RISK calculation for Orkla shareholders.

Investor relations
Communication with owners, investors and analysts, both in Norway and abroad, is a priority for Orkla. The Group's objective is to make sure that financial markets have sufficient information about the company to ensure that pricing reflects underlying values. Orkla arranges regular presentations in the main financial centres in Europe and the USA, in addition to holding frequent meetings with investors and analysts. Important events affecting the Group are reported immediately.

In 1999 Orkla will expand its information activities on the Internet, and plans to establish its own home page with permanent pages for investors. Orkla's Internet address will be:

http://www.orkla.no

Until Orkla's home page is established, financial information on Orkla may be found at the following Internet address:

http://www.huginonline.com/norway/ORK

Investors may contact the following persons:

Lisbeth Lindberg
Tel.: +47 22 54 44 23
e-mail: lisbeth.lindberg@orkla.no

Anne Borgen
Tel.: +47 22 54 44 18
e-mail: anne.borgen@orkla.no

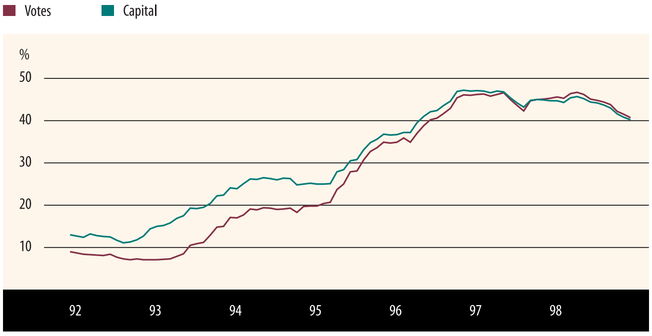
Astrid Løken Øyehaug
Tel.: +47 22 54 44 25
e-mail: astrid-loken.oyehaug@orkla.no

Financial calendar 1999

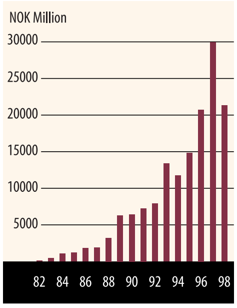
6 May	Annual General Meeting
7 May	Shares quoted excluding dividend
26 May	Dividend paid
4 June	Publication of first four-monthly report
1 October	Publication of second four-monthly report

All dates are subject to change.

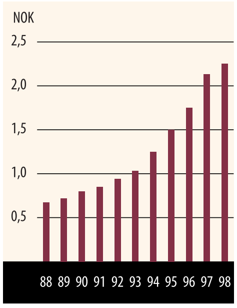
Ownership by foreign investors



Market capitalisation 31.12.82 - 31.12.98



Dividend per share



Summary Accounts for the Business Areas

Industry area (Branded Consumer Goods, Chemicals and Head Office/Unallocated)

	1998	1997	1996	1995	1994
Income Statement (NOK million)					
Operating income	**30,466**	30,575	25,743	21,819	20,998
Operating expenses	**(26,539)**	(26,499)	(22,593)	(19,097)	(18,400)
Ordinary depreciation and write-downs	**(1,440)**	(1,330)	(1,038)	(930)	(1,013)
Operating profit before goodwill	**2,487**	2,746	2,112	1,792	1,585
Goodwill amortisation and write-downs	**(419)**	(417)	(281)	(155)	(110)
Operating profit before other income and expenses	**2,068**	2,329	1,831	1,637	1,475
Other income and expenses	**(335)**	181	20	127	82
Operating profit	**1,733**	2,510	1,851	1,764	1,557
Profit from associates	**165**	442	97	76	62
Financial items, net	**(883)**	(571)	(616)	(448)	(436)
Profit before tax	**1,015**	2,381	1,332	1,392	1,183
Cash flow (NOK million)					
Cash flow from operating activities	**3,629**	4,200	3,590	2,468	2,435
Replacements expenditure and environmental investments	**(1,843)**	(1,738)	(1,203)	(1,035)	(1,079)
Expansion investments	**(1,295)**	(5,935)	(664)	(3,765)	(1,179)
Key figures					
International sales (NOK million)	**16,745**	16,492	13,876	10,361	7,135
Operating margin (%)	**5.7**	8.2	7.2	8.1	7.4
Return on capital employed (%)	**9.0**	14.9	13.8	16.6	17.3
Total man-years	**23,560**	23,262	18,181	15,833	16,196
Balance sheet (NOK million)					
Assets					
Short-term assets	**10,488**	11,471	9,183	10,890	9,198
Long-term assets	**21,391**	19,424	12,636	12,331	9,492
Total assets [1)]	**31,879**	30,895	21,819	23,221	18,690
Liabilities and Equity					
Interest-free liabilities	**9,214**	9,406	7,043	7,071	5,638
Interest-bearing liabilities	**16,578**	15,507	10,016	11,472	8,674
Equity	**6,087**	5,982	4,760	4,678	4,378
Total liabilities and equity	**31,879**	30,895	21,819	23,221	18,690
Net interest-bearing liabilities	**12,228**	10,660	6,591	7,436	4,485
1) Of which lending to Financial Investments	**2,902**	3,080	2,282	2,699	3,083

Financial Investments

	1998	1997	1996	1995	1994
Income statement (NOK million)					
Operating income	**375**	416	266	172	158
Operating expenses	**(293)**	(298)	(190)	(140)	(131)
Ordinary depreciation and write-downs	**(18)**	(15)	(11)	(12)	(11)
Operating profit	**64**	103	65	20	16
Portfolio gains	**769**	876	816	481	418
Dividends received	**318**	292	339	200	130
Financial items, net	**(109)**	(115)	(121)	(203)	(214)
Profit before tax	**1,042**	1,156	1,099	498	350
Securities portfolio (NOK million)					
Market value	**12,624**	14,410	11,043	8,761	8,194
Book value	**8,495**	8,188	6,431	5,742	5,531
Unrealised gains before tax	**4,129**	6,222	4,612	3,019	2,663
Net asset value [1)]	**10,410**	11,542	8,909	6,125	5,252
Equity ratio, value adjusted (%)	**82.0**	80.1	80.7	69.9	64.1
Balance sheet (NOK million)					
Assets					
Short-term assets	**9,303**	8,833	6,795	6,051	5,789
Long-term assets	**1,459**	883	599	518	521
Total assets	**10,762**	9,716	7,394	6,569	6,310
Liabilities and Equity					
Interest-free liabilities	**460**	412	204	168	145
Interest-bearing liabilities	**3,149**	3,167	2,277	2,753	3,101
Equity	**7,153**	6,137	4,913	3,648	3,064
Total liabilities and equity	**10,762**	9,716	7,394	6,569	6,310
Net interest-bearing liabilities	**2,316**	3,007	2,187	2,706	3,068

1) Market value - liabilities

Summary Accounts for the Business Areas

Industry area	Branded consumer goods 1998	1997	1996	1995	1994	Chemicals 1998	1997	1996	1995	1994	Head office/Unallocated 1998	1997	1996	1995	1994
Income statement (NOK million)															
Operating income	**24,238**	24,296	20,057	16,202	14,288	**5,777**	5,733	5,161	5,033	4,323	**638**	721	657	718	2,533
Cost of goods sold	**(9,408)**	(9,692)	(8,867)	(7,162)	(5,978)	**(2,594)**	(2,749)	(2,365)	(2,203)	(1,881)	**(262)**	(278)	(344)	(414)	(1,528)
Payroll expenses	**(5,770)**	(5,534)	(4,384)	(3,649)	(3,305)	**(914)**	(866)	(817)	(794)	(692)	**(241)**	(264)	(206)	(154)	(409)
Other expenses	**(5,786)**	(5,521)	(4,268)	(3,441)	(3,183)	**(1,572)**	(1,515)	(1,290)	(1,252)	(1,131)	**(178)**	(254)	(183)	(162)	(440)
Ordinary depreciation and write-downs	**(1,124)**	(1,034)	(770)	(683)	(756)	**(282)**	(267)	(244)	(230)	(198)	**(35)**	(28)	(25)	(17)	(58)
Operating profit before goodwill depreciation	**2,150**	2,515	1,768	1,267	1,066	**415**	336	445	554	421	**(78)**	(103)	(101)	(29)	98
Goodwill amortisation and write-downs	**(399)**	(399)	(254)	(133)	(94)	**(13)**	(12)	(4)	(11)	(8)	**(7)**	(6)	(23)	(11)	(8)
Operating profit before other income and expenses	**1,751**	2,116	1,514	1,134	972	**402**	324	441	543	413	**(85)**	(109)	(124)	(40)	90
Other income and expenses	**(303)**	253	20	13	0	**0**	(50)	0	0	50	**(32)**	(22)	0	114	32
Operating profit	**1,448**	2,369	1,534	1,147	972	**402**	274	441	543	463	**(117)**	(131)	(124)	74	122
Profits from associates	**163**	413	94	73	50	**(1)**	1	5	5	5	**2**	27	(2)	(2)	7
Minority interests' of net profit	**(106)**	(94)	(30)	(12)	(8)	**(9)**	(4)	(1)	(5)	(3)	**(9)**	(14)	(6)	(6)	(4)
Cash flow (NOK million)															
Cash flow from operating activities (see page 14)	**3,190**	3,849	2,889	1,469	1,763	**508**	471	741	546	481	**(69)**	(119)	(40)	452	191
Replacements expenditure and environmental investments (see page 14)	**(1,440)**	(1,269)	(859)	(683)	(814)	**(348)**	(416)	(284)	(178)	(201)	**(55)**	(56)	(60)	(174)	(64)
Expansion investments (see page 14)	**(1,180)**	(5,643)	(455)	(3,637)	(759)	**(115)**	(204)	(203)	(87)	(390)	**0**	(87)	(6)	(41)	(30)
Capital employed at 31.12. (NOK million)															
Net working capital	**1,070**	1,017	1,032	1,318	3	**1,326**	1,108	937	938	681	**(65)**	(59)	(40)	184	(93)
Associates	**1,991**	1,806	979	938	721	**22**	24	20	39	35	**73**	82	61	235	202
Goodwill	**5,452**	5,510	3,624	3,706	1,436	**176**	125	16	10	25	**13**	18	59	53	37
Tangible fixed assets	**8,880**	7,835	4,906	4,920	4,437	**2,323**	2,177	1,984	1,756	1,729	**252**	253	182	149	282
Capital employed	**17,393**	16,168	10,541	10,882	6,597	**3,847**	3,434	2,957	2,743	2,470	**273**	294	262	621	428
Key figures															
International sales (NOK million)	**12,293**	12,005	9,780	6,310	3,128	**4,298**	4,291	3,833	3,753	3,097	**153**	197	263	298	910
Operating margin (%) 1)	**7.2**	8.7	7.5	7.0	6.8	**7.0**	5.7	8.5	10.8	9.6					
Return on capital employed (%) 2)	**11.3**	13.9	15.0	15.4	15.8	**11.0**	9.9	15.4	20.5	18.9					
Total man-years	**20,367**	20,000	15,174	12,960	11,786	**2,583**	2,633	2,547	2,487	2,406	**610**	630	460	386	2,004

1) Operating profit before other income and expenses/Operating income.
2) (Operating profit before other income and expenses + Profit from associates)/Average capital employed.

Branded Consumer Goods	Orkla Foods 1998	1997	1996	1995	1994	Orkla Beverages 1998	1997	1996	1995	1994
Income statement (NOK million)										
Operating income	**10,238**	10,094	10,527	7,003	5,286	**6,741**	7,656	3,265	3,328	3,322
Cost of goods sold	**(5,270)**	(5,287)	(5,656)	(3,788)	(3,001)	**(1,825)**	(2,291)	(1,019)	(1,156)	(892)
Payroll expenses	**(1,912)**	(1,826)	(1,895)	(1,329)	(873)	**(1,822)**	(1,950)	(875)	(855)	(1,010)
Other expenses	**(1,981)**	(1,842)	(1,874)	(1,212)	(822)	**(1,944)**	(1,993)	(853)	(845)	(924)
Ordinary depreciation and write-downs	**(334)**	(315)	(330)	(232)	(186)	**(500)**	(484)	(208)	(225)	(332)
Operating profit before goodwill depreciation	**741**	824	772	442	404	**650**	938	310	247	164
Goodwill amortisation and write-downs	**(162)**	(169)	(164)	(74)	(42)	**(142)**	(139)	(10)	(2)	(1)
Operating profit before other income and expenses	**579**	655	608	368	362	**508**	799	300	245	163
Other income and expenses	**(60)**	46	20	(162)	0	**(174)**	171	0	175	0
Operating profit	**519**	701	628	206	362	**334**	970	300	420	163
Profits from associates	**1**	1	4	0	0	**75**	36	12	(1)	4
Minority interests' of net profit	**(7)**	(5)	(5)	(4)	(12)	**(89)**	(84)	(20)	(3)	11
Cash flow (NOK million)										
Cash flow from operating activities (see page 14)	**1,175**	1,192	1,283	(214)	521	**984**	1,679	637	814	523
Replacements expenditure and environmental investments (see page 14)	**(552)**	(313)	(348)	(293)	(223)	**(431)**	(313)	(180)	(156)	(354)
Expansion investments (see page 14)	**(183)**	(213)	(24)	(3,349)	(62)	**(767)**	(5,316)	(91)	(169)	(27)
Capital employed at 31.12. (NOK million)										
Net working capital	**1,083**	1.069	1,090	1,279	97	**(160)**	(88)	(29)	(13)	(67)
Associates	**4**	4	4	4	1	**775**	675	177	153	15
Goodwill	**2,341**	2,415	2,583	2,864	585	**2,085**	2,092	16	26	13
Fixed assets	**2,572**	2,213	2,098	2,189	1,202	**4,243**	3,742	1,349	1,348	1,899
Capital employed	**6,000**	5,701	5,775	6,336	1,885	**6,943**	6,421	1,513	1,514	1,860
Key figures										
International sales (NOK million)	**6,189**	5,889	6,339	3,002	1,525	**4,089**	4,554	1,912	1,954	318
Operating margin (%) 1)	**5.7**	6.5	5.8	5.3	6.8	**7.5**	10.4	9.2	7.4	4.9
Return on capital employed (%) 2)	**9.8**	11.3	10.0	11.7	19.2	**8.8**	12.4	21.3	14.8	8.8
Total man-years	**6,534**	6,346	6,494	4,378	3,234	**7,457**	7,685	3,102	3,886	3,792

Branded Consumer Goods	Orkla Brands 1998	1997	1996	1995	1994	Orkla Media 1998	1997	1996	1995	1994
Income statement (NOK million)										
Operating income	**4,273**	4,146	4,213	4,229	4,162	**3,153**	2,569	2,220	1,791	1,726
Cost of goods sold	**(1,813)**	(1,746)	(1,849)	(1,968)	(1,898)	**(667)**	(540)	(511)	(400)	(394)
Payroll expenses	**(819)**	(792)	(802)	(790)	(791)	**(1,217)**	(966)	(812)	(675)	(629)
Other expenses	**(1,017)**	(1,000)	(967)	(938)	(978)	**(844)**	(683)	(574)	(445)	(463)
Ordinary depreciation and write-downs	**(141)**	(122)	(134)	(144)	(161)	**(149)**	(113)	(97)	(82)	(76)
Operating profit before goodwill depreciation	**483**	486	461	389	334	**276**	267	226	189	164
Goodwill amortisation and write-downs	**(27)**	(28)	(30)	(29)	(27)	**(68)**	(63)	(51)	(28)	(24)
Operating profit before other income and expenses	**456**	458	431	360	307	**208**	204	175	161	140
Other income and expenses	**(25)**	20	0	0	0	**(44)**	16	0	0	0
Operating profit	**431**	478	431	360	307	**164**	220	175	161	140
Profits from associates	**80**	366	63	62	29	**8**	11	15	12	17
Minority interests' of net profit	**(2)**	(1)	(1)	(1)	0	**(7)**	(5)	(4)	(5)	(6)
Cash flow (NOK million)										
Cash flow from operating activities (see page 14)	**582**	595	617	608	410	**449**	383	352	262	309
Replacements expenditure and environmental investments (see page 14)	**(161)**	(282)	(209)	(163)	(131)	**(296)**	(361)	(121)	(71)	(106)
Expansion investments (see page 14)	**(20)**	(12)	0	(51)	(269)	**(210)**	(102)	(340)	(68)	(401)
Capital employed at 31.12. (NOK million)										
Net working capital	**296**	261	167	215	195	**(149)**	(225)	(196)	(164)	(222)
Associates	**972**	894	550	504	452	**240**	233	248	278	253
Goodwill	**327**	355	382	436	451	**699**	648	643	380	386
Fixed assets	**961**	979	849	833	794	**1,104**	900	610	550	541
Capital employed	**2,556**	2,489	1,948	1,988	1,892	**1,894**	1,556	1,305	1,044	958
Key figures										
International sales (NOK million)	**1,234**	1,156	1,239	1,353	1,284	**781**	406	290	0	0
Operating margin (%) 1)	**10.7**	11.0	10.2	8.5	7.4	**6.6**	7.9	7.9	9.0	8.1
Return on capital employed (%) 2)	**20.8**	24.5	24.7	20.7	18.1	**12.3**	15.1	16.1	16.8	18.8
Total man-years	**2,615**	2,837	2,905	3,024	3,104	**3,761**	3,133	2,673	1,672	1,656

1) Operating profit before other income and expenses/Operating income.
2) (Operating profit before other income and expenses + Profit from associates)/Average capital employed.

Key Figures

	Notes		1998	1997	1996	1995	1994	1993	1992
Income statement									
1 Operating income		(NOK million)	**30,819**	30,970	25,998	21,977	21,114	18,292	17,014
2 Operating profit before gw. and other income and expenses		(NOK million)	**2,553**	2,851	2,179	1,814	1,602	1,362	1,265
3 Operating profit		(NOK million)	**1,797**	2,613	1,916	1,784	1,573	1,296	1,198
4 Proft before tax		(NOK million)	**2,057**	3,537	2,431	1,890	1,533	1,283	277
5 Profit after tax and minority interests		(NOK million)	**1,378**	2,562	1,752	1,432	1,149	984	211
6 Non-recurring items (before tax)		(NOK million)	**(488)**	545	20	127	82	0	0
7 - Of this other income and expenses		(NOK million)	**(335)**	181	20	127	82	0	0
8 Goodwill amortisation and write-downs charged against op. profit		(NOK million)	**(421)**	(419)	(283)	(157)	(111)	(66)	(67)
Cash Flow									
9 Free cash flow from operations (Industry area)		(NOK million)	**1,903**	2,674	2,623	2,212	1,501	875	1,484
10 Expansion investments (Industry area)		(NOK million)	**(1,295)**	(5,935)	(664)	(3,765)	(1,179)	(941)	(802)
11 Net cash flow (Group)		(NOK million)	**(877)**	(4,889)	1,364	(2,589)	(539)	(1,837)	308
Key figures									
12 Operating margin	1	(%)	**5.8**	8.4	7.4	8.1	7.4	7.1	7.0
13 Return on capital employed (Industry area)	2	(%)	**9.0**	14.9	13.8	16.6	17.3	17.8	17.7
14 Return on portfolio investments		(%)	**(7.0)**	24.5	32.5	12.7	9.5	67.0	(9.8)
Capital as per 31.12									
15 Book value of total assets		(NOK million)	**38,775**	36,865	26,496	26,696	21,528	19,614	16,857
16 Market capitalisation	3	(NOK million)	**21,278**	29,910	20,737	14,818	11,727	13,358	7,912
17 Equity ratio	4	(%)	**34.2**	32.9	36.5	31.2	34.6	34.5	35.8
18 Equity ratio incl. portfolio gains before tax	5	(%)	**40.5**	42.6	45.9	38.2	41.8	41.8	35.9
19 Net interest-bearing debt	6	(NOK million)	**14,544**	13,667	8,778	10,142	7,553	7,014	5,177
20 Interest coverage ratio	7		**3.5**	6.1	4.4	4.1	3.7	3.2	1.5
21 Average borrowing rate		(%)	**5.7**	5.5	7.4	7.6	7.7	9.9	12.0
22 Share of floating interest-bearing debt	8	(%)	**62**	80	57	69	56	77	76
23 Average time to maturity debt		(year)	**5.0**	4.0	5.3	3.4	3.3	3.4	2.4
Shares [1]									
24 Average no. of externally owned shares (fully diluted)		(x 1,000)	**192,401**	192,442	192,182	192,132	191,268	189,680	189,740
25 Average no. of externally owned shares		(x 1,000)	**192,189**	190,884	189,656	189,656	189,656	189,656	189,652
Share-related key figures									
26 Share price at 31.12. A-shares		(NOK)	**113.5**	158.8	111.3	78.8	62.5	70.0	41.8
27 Share price at 31.12. B-shares		(NOK)	**99.5**	143.5	101.3	75.5	60.0	69.5	41.3
28 Earnings per share (fully diluted)	9	(NOK)	**7.2**	13.3	9.1	7.5	6.0	5.2	1.1
29 Earnings per share (adjusted)	10	(NOK)	**11.4**	13,0	10.5	7.9	6.2	5.3	1.5
30 RISK per share	11	(NOK)	**2.40**	5.16	6.21	3.84	3.23	3.90	(0.60)
31 Dividend per share (proposed 1998)		(NOK)	**2.25**	2.13	1.75	1.50	1.25	1.03	0.94
32 Payout ratio	12	(%)	**31.3**	16.0	19.2	20.1	20.8	19.7	87.2
33 Price/earnings ratio	13		**15.8**	11.9	12.2	10.6	10.4	13.5	39.0
Personnel									
34 Total employees			**24,833**	23,946	18,869	18,353	16,873	15,081	14,679
35 Total man years			**23,709**	23,378	18,277	15,920	16,281	14,532	13,606

1) See also page 33.

1. (Operating profit/Operating income) x 100
2. (Operating profit + Profit from associates)/(Average interest - free short-term assets - Average interest - free current liabilities + Average long-term assets)
3. Market capitalisation is calculated on the basis of number of shares held externally x average share price at year end
4. Book equity capital including minority interests/Total assets
5. (Book equity capital including minority interests + Unrealised portfolio gains)/(Book value of total capital + Unrealised portfolio gains)
6. Total interest-bearing debt - Interest-bearing receivables and liquid assets (cash and cash equivalents)
7. (Profit before tax + Net interest expenses)/Net interest expenses
8. Debt with remaining fixed interest for less than one year
9. Profit for the year/Number of shares held externally (fully diluted) at year end
10. Profit for the year (excluding goodwill amortisation and non-recurring items) /Number of shares held externally (fully diluted) at year end
11. RISK: Regulation on input value on taxable value of shares. The RISK amount as of 1 January 1999 is estimated to be NOK 2.40 and will be given to shareholders as of 1 January 1999 who are subject to tax in Norway.
12. (Dividend per share/Earnings per share (fully diluted)) x 100
13. Relates to Orkla A-shares (fully diluted)

Asset Values

One possible model for valuing Orkla is to distinguish between industrial assets, where the value is related to future earnings from continuing operations, and negotiable assets with identifiable market values.

Set out below are details of the main data necessary for a valuation of Orkla's assets. On this basis, and on the basis of his own assumptions, the investor will be able to assess the value of the various assets in order to undertake a valuation of the Group.

Forests

The Group owns about 110,000 hectares of forest, of which approximately 80,000 hectares are productive. Forests have a book value under fixed assets of NOK 113 million. The annual quantity harvested is approximately 107,000 sm3, which is sold at market price. The market price for comparable timber in 1998 was approximately NOK 370 per sm3.

Power

The Group's hydropower production in a normal year is 640 GWh, of which 635 GWh is derived from waterfalls not subject to reversion. In addition, there is 45 GWh of replacement power. Power is sold or set off internally at market prices, mainly on long-term contracts. The book value under "Fixed assets" of assets related to the power business is NOK 154 million.

Financial Investments

As of 31 December 1998, the Group's securities portfolio had a market value of NOK 12,624 million. The book value was NOK 8,495 million. The Group owns office buildings totalling 34,500 m2, and a multi-storey car park with an area of 4,500 m2 at Skøyen in Oslo. The book value of Orkla's real estate interest was NOK 499 million as of 31 December 1998. As of 31 December 1998, the Financial Investments area had net interest-bearing liabilities of NOK 2,316 million and book equity of NOK 7,153 million.

Industry

Orkla owns a number of Norwegian and Nordic brands that are important for the Group's future earnings. Since 1958 Orkla has also had long-term cooperation agreements with Unilever relating to detergents, personal products and cosmetics. The current agreements expire in 2014. Most of the brands covered by the agreements are owned by Orkla for use in Norway.

The Industry area's results for 1998 are affected by non-recurring items totalling NOK -488 million. NOK -335 million is recorded under "Other revenues and costs", NOK -138 million under "Net financial items" and NOK -15 million under "Profit from associates". NOK 419 million in depreciation and goodwill amortisation has been charged against the Industry area's reported operating profit in 1998, while NOK 41 million in goodwill amortisation has been charged against "Profit from associates". Operating profit, cash flow and investments for the various business areas are shown in the tables on pages 36 and 37. As of 31 December 1998, the Industry area had net interest-bearing liabilities of NOK 12,228 million.

Tax

The average tax rate for the Industry area is normally around 30 %. As a result of dividends received from the share portfolio, RISK adjustments of the cost price base and unutilised cost price adjustments related to the tax reform, the tax charge for the Financial Investments area is normally low.

Adjusted profit, Industry	**1998**	1997	1996	1995	1994
Operating profit, Industry	**1,733**	2,510	1,851	1,764	1,557
Adjustments for forests and power	**(98)**	(66)	(46)	(51)	(63)
Goodwill amortisation	**419**	417	281	155	110
Other income and expenses	**335**	(181)	(20)	(127)	(82)
Adjusted operating profit	**2,389**	2,680	2,066	1,741	1,522
Profit from associates [1]	**180**	139	97	76	62
Goodwill amortisation associates	**41**	38	15	12	10
Net financial expenses [2]	**(744)**	(632)	(616)	(448)	(436)
Adjusted profit before tax	**1,866**	2,225	1,562	1,381	1,158
Minority interests	**120**	107	35	23	14

1) Excl. NOK 15 million due to BBH's loss on exchange in 1998. Excl. gain from sale of Jotun Polymer (NOK 283 million) in 1997, gain from sale of vessels in KS Swan Sea (NOK 20 million) in 1997

2) Excl. NOK 138 million due to BBH's loss on exchange in 1998. Excl. gain from sale of Hansa Brewery (NOK 61 million) in 1997.

Orkla intends to:

- **Strengthen the leading positions of its branded products on the Nordic grocery market and continue to be the preferred choice of consumers**
- **Continue the cost reduction programme. Substantial cost-cutting measures will be implemented as planned in the Nordic region and Eastern Europe**
- **Further expand in selected markets and product categories in Eastern Europe**

Branded Consumer Goods

Branded consumer goods and branded goods culture

A branded product is primarily a concept that describes a set of associations, perceived qualities and values which are associated with specific products and services by virtue of product characteristics, a name, a symbol, a design or a logo, and which can thus be recognised repeatedly by potential purchasers.

A branded goods culture is a common, well-organised system of working and thinking, adapted to a branded product, which facilitates optimum development of that product's economic potential.

Results

In 1998, Orkla's Branded Consumer Goods business achieved operating revenues of NOK 24,238 million, equivalent to a decline of 1 % for continuing business. Operating profit before other revenues and costs was 17 % lower at NOK 1,751 million.

Factors relating to Orkla Foods and Orkla Beverages were the main reason for the weaker development of the branded consumer goods area in 1998. Competition on the Nordic beverages market is strong and growing. In Sweden, continuing high taxes on beer led to large-scale private imports. The performance of the beverages sector was also affected by the poor summer weather in the Nordic Region. Moreover, private labels increased their market shares in Norway. The devaluation of the Russian rouble had a negative effect on Baltic Beverages Holding's performance towards the end of the year. This negative effect is expected to intensify and continue throughout 1999. Increasing competition is leading to a loss of shares for some of Procordia Foods' product groups in Sweden. The food business in Poland will continue to face significant market and organisational challenges before achieving positive results.

In 1998, volumes in the Norwegian grocery trade rose by 1.2 %. In Sweden growth was 0.2 %.

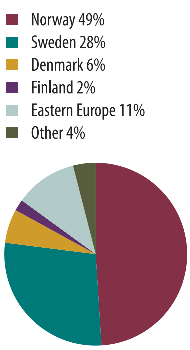
Orkla's branded consumer goods strategy

The Branded Consumer Goods area comprises Orkla Foods, Orkla Beverages, Orkla Brands and Orkla Media. Orkla holds many no. 1 and no. 2 positions in strategically important product areas and is the leading supplier of branded products to the grocery trade in the Nordic region. With the exception of certain product groups in food and beverages in Sweden and carbonated soft drinks in Norway, Orkla's market positions were generally strengthened in 1998.

The Group's Branded Consumer Goods business has expanded significantly in the 1990s through the development of Orkla's own brands and a number of acquisition, synergy and structural projects, thereby establishing a sound business system for Nordic operations. There are still opportunities for growth in selected markets and product categories in the Nordic countries. However, future growth is expected to be strongest, relatively speaking, in selected markets in Eastern Europe.

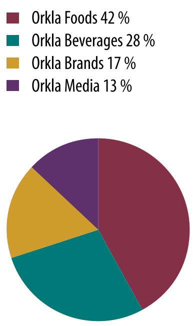
Product improvements and competitive prices provide added value for consumers. Orkla makes continuous efforts to strengthen its market positions by using rational production methods and concentrating on developing products that meet consumer

Operating income by market



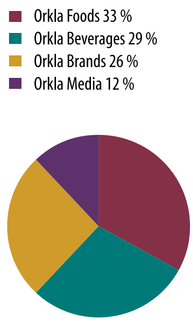
Total operating income
NOK 24,238 million

Operating income by business area



Total operating income
NOK 24,238 million

Operating profit by business area



Operating profit NOK 1,751 million
(excl. other income and expenses)

needs and also have the branded product's ability to generate consumer loyalty. Orkla's Nordic base is an advantageous position from which to develop products that are adapted to Nordic consumers.

Leading market positions, combined with sound marketing techniques, product development expertise and a continued moderate price policy, are Orkla's most important competitive parameters in the face of competition from international players and private labels. Due to tougher competition and the concentrated nature of the grocery sector, there is a need for strong focus on costs. Cost reductions and rationalisation measures are implemented on an ongoing basis. Orkla places great emphasis on realising the planned synergy gains after acquiring new businesses. Cost levels are still too high, particularly in the beverages area. Consequently, substantial rationalisation and cost-cutting programmes for both beverages and other branded goods areas have already been initiated. Procordia Food will also be increasing its rate of development of new, improved products. One of Orkla's main challenges will be to ensure that these projects proceed as planned as we approach the millennium.

Organisational structures encompassing all the Nordic countries have been established for most product categories, thus improving the potential for strengthening product development and market positions in the various product areas. Orkla's existing brand names will be strengthened on their national home markets. In cases where the market situation is appropriate, national brands may be launched in other countries. The juice product Fun Light is one example of a Norwegian brand, launched at different times in Sweden and Finland, for which further joint marketing and advertising strategies are now being developed for all the Nordic markets. New products and concepts are increasingly being launched as Nordic brands. The pizza brands *Pizza Originale* and *Big One* are examples of products that have been developed and launched on a joint Nordic basis.

Branded consumer goods in the Nordic Region

At the end of 1998, grocery sales on the Nordic market totalled approximately NOK 376 billion. Consumers in the Nordic countries generally have high purchasing power and the operating parameters are stable. International brand names are broadly represented in most product categories on Nordic grocery markets.

Orkla's market positions are currently clearly strongest in Norway and Sweden. Our objective is to improve Orkla's position in Finland and Denmark. Orkla has a well-developed sales apparatus in all the Nordic countries. With its size, expertise and long experience, the Group is a professional partner that wishes to cooperate with retailers in order to increase retailer efficiency by introducing time-saving and cost-saving measures.

Pizza is one of Orkla Foods' most important product categories. Consumption is rising, mainly due to a growing demand for easy, nutritious meals and an increasing variety of pizza products. Pizza Originale is produced by Procordia Food in Sweden and marketed in Sweden, Finland and Norway.

In Norway, one grocery chain has decided that in the course of 1999 it will take over the work that is currently done in its stores by the suppliers' sales teams. The other three chains have not yet reached a final decision in this area. In Orkla's view, it is uncertain whether the retailers will achieve cost savings from this reorganisation and what effect it will have on sales. Orkla intends to implement cost-cutting measures in accordance with its reduced retail sales activities as soon as any such decisions are made.

The grocery trade in the Nordic region is strongly concentrated. However, the proportion of retailers' own brands, known as "private labels", is still modest compared with other West European markets. In 1998, the retail trade continued to increase the market shares of its private labels in several product groups. Orkla was particularly affected by the rise in market shares of carbonated soft drinks sold under private labels in Norway. In practice, Orkla has pursued a restrictive policy as regards producing for private labels. Our goal of having our own, strong brands can easily come into conflict with this type of production. However, Orkla will consider establishing private label production provided certain basic conditions are met. For instance, Orkla will not produce products of identical quality to its own brands in priority product categories. Any private label production must meet Orkla's profit requirements, and Orkla must have production capacity available on a long-term basis for the product groups concerned.

Branded consumer goods outside the Nordic region

Orkla intends to increase its activities in selected markets outside the Nordic region. The Group is currently operating in the Baltic States, Poland, Czech Republic, Austria, Hungary, Russia and Ukraine. On the whole, these markets, except Austria, are at an early stage of development and have considerable potential for growth. Orkla therefore has a good chance of establishing a position as preferred supplier for large consumer groups which are expected to be able to increase their purchasing power over time. However, investments in these markets involve both increased currency risk and greater political risk. The devaluation of the Russian rouble in August was a clear example of this.

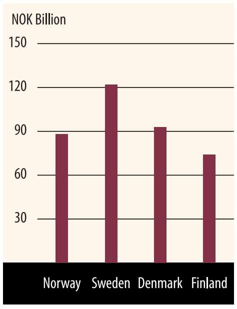
In the current economic and political situation, further expansion in Eastern Europe will require caution and thorough evaluation. Nevertheless, Orkla wishes to continue to acquire companies with strong market positions and good local managements that wish to cooperate with Orkla. There must also be, or it must be possible to develop, a suitable sales and distribution system for the geographical area concerned. During the first phase after an acquisition, considerable resources will normally have to be invested in upgrading product quality, strengthening local brand names and training management and other personnel. There is also emphasis on building up a good relationship with local authorities.

In 1998 Baltic Beverages Holding (BBH) acquired interests in the Slavuta maltery and the Koloss brewery in Ukraine and increased the capacity of several of its existing breweries. Orkla's share of these investments amounted to aproximately SEK 780 million.

Orkla Media has established a strong no. 2 position on the Polish newspaper market in the 1990s and is continuing to expand into other East European markets. In 1998, Orkla Media acquired interests in the newspapers *Kauno diena* in Lithuania and *Vysokyj Zamok* in Ukraine. It has also acquired *Gazeta Lubuska,* one of the biggest regional newspapers in Poland, effective from January 1999.

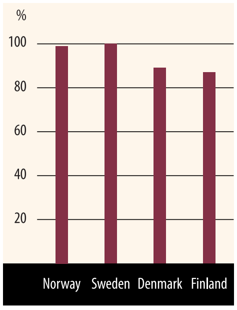
Orkla has wound up its snacks and pizza business in Asia as a result of the change in operating parameters since the business was established in 1994.

Grocery sales in the Nordic countries



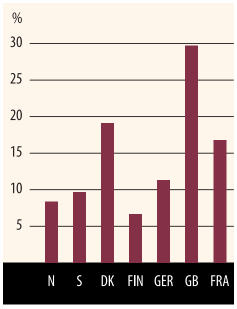
Source: Nielsen Norway

The four largest retailers' market share



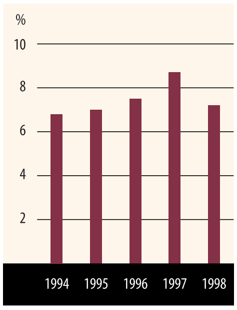
Source: Nielsen Norway

Private labels' share of total grocery sales by country (%)



Source: AC Nielsen International Survey

Development in operating margin for the Branded Consumer Goods area



Orkla Foods

Main challenges and areas of focus in 1999

- **Improve profitability and reduce fixed costs, particularly at Procordia Food and Kotlin**
- **Focus on brand-building and product development**
- **Maintain product credibility and consumer loyalty and achieve the status of preferred supplier of branded goods to the retail trade**
- **Achieve international competitiveness on the Nordic markets and profitable growth in Central and Eastern Europe**

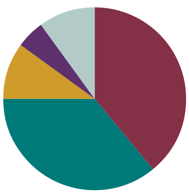
Orkla Foods is a leading developer, producer and marketer of food products. Activities are concentrated around the company's own strong brands and concepts. Orkla Foods intends to further develop the Nordic region as its domestic market and gradually expand into selected markets in Central and Eastern Europe (Poland, Czech Republic, Hungary, Ukraine, Austria, Estonia, Lithuania, and Latvia).

90 % of operating income in 1998 was derived from the Nordic market, where 32 of the company's 36 production plants were located at year-end. 6,500 man-years were worked at Orkla Foods in 1998.

1998 was the first full year of operation under the company's new organisation by category. The core of Orkla Foods' new organisational structure consists of seven divisions and eight category teams. Teams have been established for the following product categories: pizza, ready meals, fruit and berries, sauces, vegetables, seafood, potato products and baking ingredients. These teams focus on realising corporate synergies through marketing and product development across company divisions and national borders.

Operating income by market

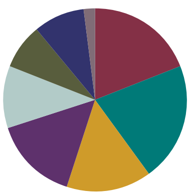
- Norway 39 %
- Sweden 36 %
- Denmark 10 %
- Finland 5 %
- Other 10 %



Total operating income
NOK 10,238 million

Operating income by product group

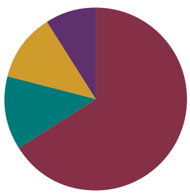
- Ready meals, pizza and meat 19 %
- Fruit and berry products 21 %
- Seafood 15 %
- Ingredients to bakeries 15 %
- Potatoes and vegetables 11 %
- Dressing, ketchup and sauces 8 %
- Bread and bakery products 9 %
- Other 2 %



Total operating income
NOK 10,238 million

Income by segment

- Retail 66 %
- Catering sector 13 %
- Industry 12 %
- Export 9 %



Total operating income
NOK 10,238 million

All the divisions in the Orkla Foods group have established their own projects to identify and solve any problems that may arise in connection with the transition to the year 2000. Moreover, contingency plans will be prepared for handling any problems that may occur at the beginning of the year.

Profit

Operating income totalled NOK 10,238 million in 1998. For continuing business, adjusted for exchange rate fluctuations, income declined by 1 % compared with 1997. Operating profit before other income and expenses amounted to NOK 579 million. For continuing business, operating profit fell by 12 % compared with 1997.

The main reasons for the decline in profit were lower sales at Procordia Food (Sweden), substantial establishment expenses at Kotlin (Poland) and high costs at Stabburet (Norway), primarily related to raw materials.

Profit performance for Orkla Foods was unsatisfactory. A number of measures have been implemented to reverse the negative trend. This applies in particular to Procordia Food, where the entire value chain is being examined with a view to increasing efficiency and reducing costs. Emphasis is also placed on developing more new products and increasing the focus on branded goods. At Kotlin, efforts are concentrated on increasing productivity and adopting a more professional approach to marketing and sales. A total of NOK 60 million has been allocated for these measures. At Stabburet, cost reduction programmes were initiated, generating positive effects in the second half of 1998.

Stabburet

Stabburet posted operating income of NOK 2,492 million in 1998, a rise of 5 % from the previous year. Operating profit declined slightly, primarily due to increased costs and the steady rise in prices of Norwegian raw materials. However, profit performance gradually improved during the year as a result of cost reduction measures and price increases.

Volume on the Norwegian grocery market grew by 1.2 % in 1998. Stabburet achieved particularly strong growth in product groups such as pizza, juice/nectar, liver paste and mackerel in tomato sauce. On the whole, Stabburet maintained its market positions.

Competition on the Norwegian catering market continued to intensify in 1998. Retailers have reorganised into fewer groups, and there is pressure on prices.

In 1998 Stabburet launched a new series featuring ten different types of Nora juices and nectars, and eight varieties of Nora Home-Made Jams were introduced on the market last spring. Both launches were well received. A number of products were also relaunched.

Procordia Food

Procordia Food's operating income in 1998 totalled SEK 3,191 million, down 2 % for continuing business compared with the same period the year before. Operating profit was lower than in 1997 due to a decline in sales, especially in the first few months of the year, and increased costs. Market shares were slightly lower for some of Procordia Food's product groups.

Volume on the Swedish grocery market rose by 0.2 % in 1998. The Swedish retail trade is marketing a growing number of private labels, and there was increased competition from manufacturers in other EU countries, resulting in weaker growth in market shares. Price competition increased on the catering market, particularly in the ready meal segment.

Procordia Food launched several new products on the Swedish grocery market in 1998 in the condiments, ready meals and fruit and berries categories.

A new production plant for pickled vegetables came on line in 1998. The new plant made it possible to rationalise the production process, which in turn led to workforce reductions.

Towards the end of 1998, Procordia Food initiated a project that will lead to substantial cost reductions. The restructuring process, which affects all parts of the company, will take some time to complete.

Beauvais

Beauvais reported operating income of DKK 394 million in 1998, a rise of 8 % from 1997. Operating profit also increased.

Beauvais strengthened its market shares for ketchup, pickled vegetables and canned dinners, while its share of the jam/marmalade market declined slightly.

The Danish operations of Beauvais and Abba Seafood were merged in autumn 1998. A new joint organisation was established, resulting in a workforce reduction of 25 employees.

In February 1998 Beauvais' factories at Frørup and Skrave were closed down and production was amalgamated at Svinninge. Beauvais has invested NOK 49 million in the new jam and marmalade plant at Svinninge.

Felix Abba

Felix Abba's operating income for 1998 was FIM 274 million (excluding seafood and biscuits, which account for FIM 98 mill.). For continuing business, this was a rise of 12 %. Operating profit was higher than in 1997, due to increased sales in a number of product groups.

Felix Abba, formerly part of Procordia Food, was made a separate division of Orkla Foods in 1998. The company is market leader for pickled gherkins, ketchup, fish roe spread, pickled herring, desserts and between-meal snacks, and holds the No. 2 position for dressings.

In April 1998 Felix Abba purchased Unilever's desserts and between-meal snacks business in Finland, as well as the leading brand *Jacky.* The acquisition also included a production plant in Lahti. Later in the year, Felix Abba took over the *Ahti* brand, the market leader for herring in Finland, from Unilever.

Orkla Foods International

Orkla Foods International reported operating income of NOK 504 million in 1998. For continuing business, this was a rise of 10 % from the year before. Operating profit declined due to substantial expenses related to the establishment of new operations in Poland.

Kotlin is market leader for pizza and holds the No. 2 position for ketchup in Poland. It has taken longer than anticipated to become a national supplier. Sales trends in Poland show that progress is being made, and in the course of 1998 market shares for important product groups were strengthened. Kotlin is carrying out manpower cuts in order to make operations more cost-effective. More resources will be provided for sales and marketing.

A decision was made to close down Felix Hungaria's operations, since it was considered difficult to achieve long-term profitability. However, Hungary is still an attractive market for Orkla Foods International. The company will explore the possibility of purchasing a business with a larger production, marketing and sales apparatus.

Despite a decline in the purchasing power of Czech consumers, Guseppe achieved satisfactory growth on the pizza market where the company is market leader.

Stabburet launched eight varieties of Nora's Hjemmelagede (Home-Made) jam in 1998. The jam has a high berry content and a runnier consistency, similar to Norwegian home-made jam. The product was well received on the market

Felix Austria significantly improved its operating profit, and maintained its position as market leader on the Austrian ketchup market.

Abba Seafood

Abba Seafood's operating income for 1998 totalled SEK 1,286 million. For continuing business, this was a decline of 2 % resulting from planned reductions in the company's product range. Cost reductions throughout the value chain led to an improvement in profit.

Abba Seafood improved its market shares for fish roe spread in tubes and pickled herring, and maintained its position as market leader for fish balls and fish roe in glass jars. Efforts to develop and launch new products were intensified. Launches of the new herring products *Brännvinsill, Skärgårdssill* and *Gästabudssill* were well received by the market.

Sales in Denmark and Norway were on a par with the 1997 level, and increased in Finland.

In the past few years, Abba Seafood has carried out a comprehensive restructuring process involving the sale of factories and concentration on a smaller range of products. An improvement project entitled "Abba 100" has been in progress since 1997. The original goal of the project, to increase profit by SEK 70 million, has been achieved. In the company's view, there is still some potential for improvement.

In August 1998 Abba Seafood initiated a programme to cut 50 jobs at Kungshamn and Hovenäset. The manpower reductions were completed by the end of the year. In September 1998 work began on merging Abba Seafood's Danish subsidiary with Beauvais (a division of Orkla Foods). One result of the merger, which was completed at the end of the year, was a reduction of 25 jobs. The new organisation has given both businesses a stronger position on the Danish market.

Industry

The Industrial division of Orkla Foods posted operating income of NOK 1,759 million in 1998, a rise of 8 % from the previous year. Operating profit was slightly higher than in 1997. Dragsbæk Margarinefabrik in Denmark and Sunda (sweet sandwich toppings) in Norway achieved the greatest improvement in profit. Regal Mølle increased its market shares for both flour and breakfast cereals in Norway, while Idun Industri gained larger shares of the baking ingredients market. Odense Marcipan faced growing competition from European competitors, but is still market leader in Denmark.

In February 1999 Orkla Foods established a business system to encompass the entire Nordic market for baking ingredients. Kåkå, a supplier of marzipan and baking ingredients, was taken over from the Swedish company Cerealia, while the Norwegian business Regal Mølle was sold to Cerealia.

Kåkå will be incorporated into Orkla Foods' Industrial division, which will then consist of Idun Industri, Odense Marcipan, Kåkå and Dragsbæk Margarinefabrik (50 % interest). A large proportion of the activities of all these companies target the bakery and food industries. The companies will focus on product and human resource development to better serve customers in the Nordic region.

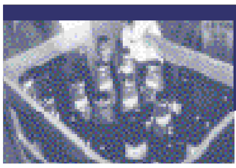
With this acquisition, Orkla Foods' Industrial division will have total annual sales amounting to NOK 2.4 billion.

Bakers

Operating income rose by 18 % to NOK 958 million in 1998, with acquisitions in the course of the year contributing about 15 % of the increase. Tougher competition and a costly wage settlement led to a slight decline in the operating margin in 1998. The operating margin is regarded as satisfactory for this sector. The company focuses continuously on increasing efficiency and active product development.

A number of products under the Felix label were re-launched in 1998. One of the innovations was a new design for the entire Dagens rätt ready meals range. On the Swedish market, competition and the demand for frozen single-portion meals are rising. In 1998 Felix single-portion meals were re-designed and the range was extended to include, for example Kebabtallerken (Kebab Dish), Orientalsk Gryte (Oriental Casserole) and Havsymfoni (Ocean Symphony).

Abba Seafood has carried out a major restructuring programme in the last few years, selling factories and concentrating on fewer products. Since 1997 this process has taken place through the "Abba 100" project. Beauvais and Abba Seafood's Danish businesses were merged in 1998. The merger will enable Orkla Foods to serve the Danish market even better.



Orkla Beverages

Main challenges and areas of focus in 1999

- **Improve the group's market position on the Norwegian carbonated soft drinks market and the Swedish beer market.**
- **Prepare for the introduction of cans in Norway**
- **Strengthen the competitive position of the Nordic business by implementing the Competitiveness Project.**
- **Reduce dependency on imported raw materials in Eastern Europe**
- **Balanced expansion in Eastern Europe.**

Pripps Ringnes is market leader for beer, carbonated soft drinks and mineral water in Sweden and Norway. Through Baltic Beverages Holding (BBH), the company is market leader on the beer market in the Baltic countries and in Russia. BBH is a joint venture (50 %) with the Finnish company Oy Hartwall Ab. Pripps Ringnes owns 20.5 % of Oy Hartwall Ab, which is market leader on the Finnish beer, carbonated soft drinks and water market. After a period of strong expansion, BBH is now part-owner of 11 breweries in Russia, Ukraine and the Baltic States.

In 1997 an agreement was signed concerning the winding up of cooperation with The Coca-Cola Company (TCCC). TCCC took over responsibility for the sale and distribution of its products in Sweden from 1 April 1997. Pripps continued to produce TCCC products until 31 December 1997. In Norway cooperation on sales and distribution ended on 1 October 1997. However, Ringnes continued to be responsible for production until 31 January 1999.

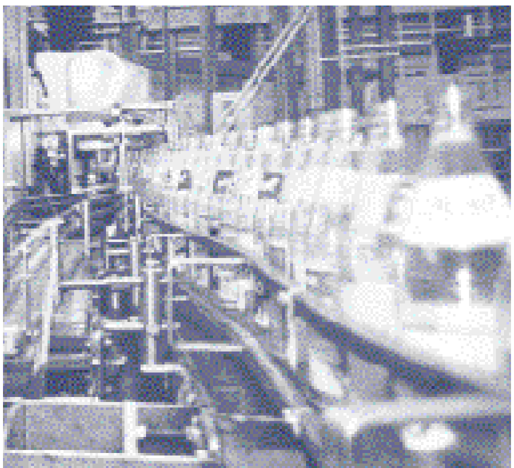
Ringnes has entered into a licensing agreement with PepsiCo for the Norwegian market. In April 1998 Ringnes took over the licence for Lerum's contract area (approximately 70 % of the Norwegian market), and from 1 January 1999 the company also took over Trio and CB's contract areas, thereby covering all of Norway from 1999. A licensing agreement has also been signed with PepsiCo for the Swedish market from the year 2001, when PepsiCo's agreement with its current partner expires. This agreement covers the Pepsi, Pepsi Light, Pepsi Max and 7-Up brands in both Norway and Sweden.

Orkla Beverages has implemented a broadly-based project to ensure that all computer systems are prepared to handle any problems that may occur in connection with the year 2000. The project is proceeding according to plan

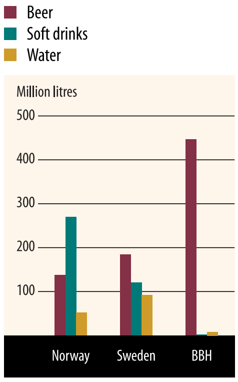
Orkla Beverages

Orkla Beverages reported operating income of NOK 6,741 million in 1998, compared with NOK 7,656 in 1997. Operating profit excluding other income and expenses dropped from NOK 799 million in 1997 to NOK 508 million in 1998 after goodwill amortisation totalling to NOK 142 million. In the Nordic markets, profit dropped from NOK 531 million to NOK 131 million (before goodwill amortisation) as a result of the changes in cooperation with TCCC and the poor summer weather compared with the year before. The profit performance of the businesses in Eastern

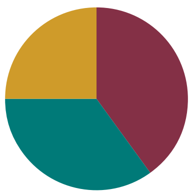
Parts of the production process in the brewery sector are highly automated. A fully automated sniffer ensures that returned bottles have been properly cleaned and that no residues of any kind are left in or on the bottles.



Volume sold by product group



Operating income by market



Total operating income NOK 6,741 million

Europe was very satisfactory up to August 1998. After the strong devaluation in Russia and Ukraine in autumn 1998, profitability declined significantly.

The Competitiveness Project

In autumn 1998, Pripps Ringnes decided to implement a comprehensive cost cutting project for its Nordic operations. The project, which is called the Competitiveness Project, was based on a benchmarking study, and ambitious goals were established for future, internationally competitive cost positions for Pripps and Ringnes. When the project has been completed, annual savings will total more than NOK 600 million compared with the cost level at the end of 1997. The project, which is to be carried out in 1999 and 2000, has been divided up into a large number of sub-projects, each with its own project manager, action plan and schedule. A system for measuring and following up results has been established in order to ensure the necessary progression. All the sub-projects are to be completed by the end of 2000.

The project has got off to a good start, and virtually all activities had been initiated by the beginning of 1999. In the second four months of 1998, NOK 174 million was allocated under "Other income and expenses" for restructuring costs in connection with the project. The restructuring costs are primarily related to workforce reductions and the phasing out of production capacity.

Pripps

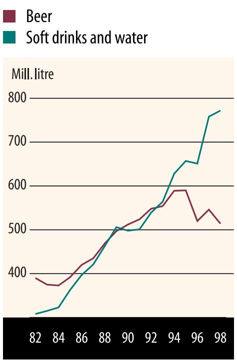
Operating income for the Swedish business (Pripps) totalled SEK 2,499 million in 1998, which was 30 % lower than in 1997, largely due to the loss of the TCCC production. Operating profit was also considerably lower than the year before. Factors contributing to the decline in profit, besides the loss of TCCC production, were lower prices, somewhat lower sales volumes for the company's own brands, tougher competition on the beer market and the higher level of private imports from Denmark. The high Swedish tax on beer is the main cause of the continued high volume of cross-border trade.

In 1998 the Swedish beverage market declined by 2 %, and Pripps' products, except for TCCC products, also declined by 2 % in the same period. The Swedish beer market fell by 6 % in 1998. Volume growth for Pripps' beer was on a par with the overall market growth, and the company's share of the beer market (excluding imports) was 40 %. The performance of Class II beers was poor and had a negative impact on profit. Pripps won market shares for both Class I and Class III beers in 1998, and remains the clear leader on the Swedish beer market. Several successful product launches helped consolidate its position in 1998. After its introduction in autumn 1998, the trend-beer *BlåGul* soared to first place at *Systembolaget,* the Swedish state wine and liquor monopoly. The launch of the quality beer *1828* in August was also successful.

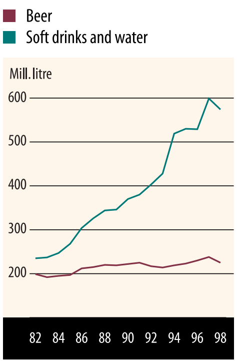
The Swedish carbonated soft drinks market grew by 4 % in 1998. Pripps' own carbonated soft drinks achieved 7 % growth, and won market shares. The company's own soft drink brands, especially *Apotekarnas* and *Festis,* made substantial gains. In

Cost-effective distribution is an important competitive factor. From the distribution centre at Gjelleråsen outside Oslo, which has a fully-automated high-stacked warehouse, beer, carbonated soft drinks and water are supplied to the whole of south-eastern Norway.

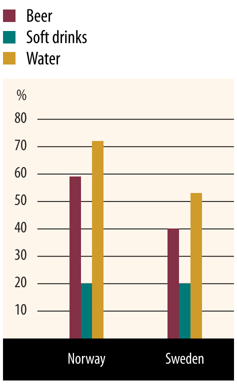
Sweden: Overall market Trends



Norway: Overall Market Trends



Market share by product group



1998 Pripps held the No. 2 position on the Swedish carbonated soft drink market. The market for water declined by 2 % in 1998, and Pripps' products followed the same trend. Pripps holds a strong No. 1 position on this market through its leading brands *Ramlösa* and *Vichy Nouveau.*

Through the Swedish Brewery Association, Pripps continued its joint project with the Ministry of Social Affairs in the field of alcohol policy in 1998. The goal of the project is to promote beer consumption, but prevent its abuse.

Ringnes

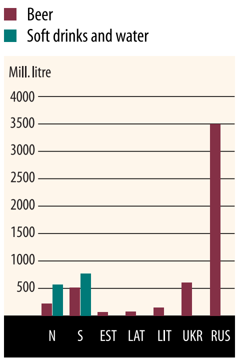
The Norwegian business (Ringnes) reported operating income of NOK 2,687 million in 1998, which was 14 % lower than in 1997. This decline is primarily due to the transition to tollfilling for TCCC in autumn 1997. Operating profit for 1998 was considerably lower than in 1997.

The Norwegian beverage market declined by 5 % in 1998, and Ringnes' own products, except for PepsiCo, fell by 9 % in the same period. The beer market dropped 5 % in 1998, due to weak summer sales on account of poor weather and higher taxes as from 1 January 1998. Ringnes reported a 4 % decline for beer, nonetheless performing better than the overall market. The company's market share for beer rose to 59 % in 1998. Ringnes has a strong position as market leader for beer in Norway. The Ringnes, Tou and E.C. Dahls brands achieved particularly strong growth in 1998. *Munkholm* confirmed its position as market leader for non-alcoholic beer.

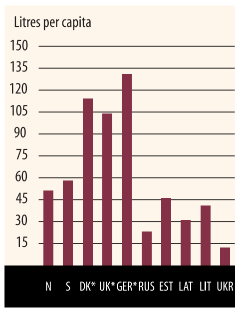
The carbonated soft drink market declined by 4 % in 1998. Ringnes' own brands performed poorly during the summer and autumn, partly due to strong competition from private labels. In autumn 1998 Ringnes substantially reduced the prices of its own carbonated soft drinks, whereupon the trend reversed and the company's own brands won market shares in the last months of the year. The takeover of the Pepsi licence, which took place gradually starting in April, initially posed a number of major challenges, for instance in connection with the structure of the agreement with the retail trade. These problems were eventually solved, and sales of Pepsi were considerably higher at the end of the year than in the first few months. The market for water fell by 3 % in 1998, after strong growth in 1997. Ringnes products hold a very strong position in this segment under the *Farris* and *Imsdal* labels, and largely maintained their market shares.

__Ringnes Pils__ is the clear market leader on the Norwegian beer market. A comprehensive relaunch of the Ringnes label will take place in spring 1999. The new premium beer __1828__ was launched as part of Pripps' 170th anniversary celebrations. Ringnes began to produce, distribute and sell PepsiCo's branded products in 1998. __Farris__ is the leading mineral water on the Norwegian market.

Beverage market



Beer consumption



* World drink trends 1997

Preparations have now been completed for the introduction of a system to handle deposits on and the return of non-reusable glass and plastic packaging and cans, and the system will be initiated in the second quarter of 1999. The system will be managed by Resirk, a company jointly owned by the industry.

A decision was made in May 1998 to transfer beer tapping operations from the brewery in Oslo to Gjelleråsen. This project will be completed in early 2000, and will further rationalise operations.

Beer tax in Norway was increased substantially in 1998, and further increases were effected in early 1999. In this respect, Norwegian policy runs totally counter to trends elsewhere in Europe. New rules for beer advertising were also introduced in 1998, imposing further restrictions. A judicial decision in early 1999 upheld the brewery industry's interpretation of the new rules, which is somewhat less restrictive than that of the central government agencies.

The first step when a new brewery is acquired is to rapidly improve the quality of raw materials, processes, hygiene, tapping - even the label on the bottle. This is what the leading brand from the Yarpivo brewery in Yaroslavl, Russia, looks like today.

BBH

Operating income in BBH (50 %) totalled NOK 1,715 million in 1998, which was 36 % higher than in 1997. Operating profit before goodwill amortisation rose to NOK 567 million, compared with NOK 451 million in 1997. Volumes sold by BBH breweries increased by 48 % in 1998. The BBH breweries (100 %) produced a total of 913 million litres in 1998. The Russian market grew by 23 %, while BBH's four Russian breweries increased their volume by 61 %, thereby increasing their market share to 21 %.

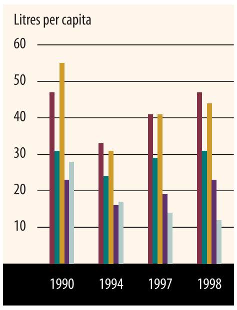
The unstable currency situation in Russia and Ukraine from August 1998 resulted in substantially weaker profit for BBH, translated into Western currency, in the last four months of the year. The rouble fell in value by 71 % from mid-August to the end of 1998. The immediate effect of the devaluation was a currency loss of NOK 138 million in connection with the translation of balance sheet items. This loss was charged under "Financial items" in the second four-month period. In the last four months of 1998, a currency loss of NOK 66 million on the translation of balance sheet items was charged against BBH's operating profit. Due to high inflation, BBH raised its beer prices by 30-55 % during the autumn. The proportion of imported raw materials was reduced slightly in the course of the autumn. When new maltery capacity comes on line in autumn 1999, the company's dependence on imported raw materials will be further reduced.

In 1998 BBH took over a 24.5 % interest in the Ukrainian brewery Kolos, which was increased to 42 % in February 1999. BBH has also increased its interest in Slavuta, the largest Ukrainian brewery, to 66 %. Through new share issues in 1998 in Taopin (Russia) and Slavutich (Ukraine), BBH's interest in these breweries increased to 69 % and 70 %. In January 1999, BBH acquired 20 % of the Russian brewery Chelyabinsk Pivo, and will later increase this interest to 75 % through a private placement. The brewery has an annual production capacity of 60 million litres. BBH's interest in the Lithuanian brewery Utenos Alos was increased to 50 %.

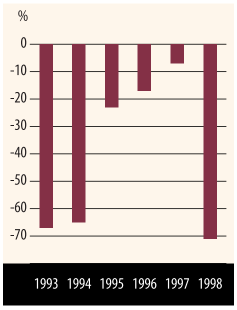
See separate article on the development of BBH on p. 63.

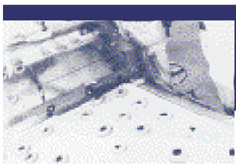
Trends in beer consumption (per capita)

- Estonia
- Latvia
- Lithuania
- Russia
- Ukraine



Percentage annual change RUB/USD





Orkla Brands

Main challenges and areas of focus in 1999

- **Achieve sales growth**
- **Strengthen our position in relation to customers and consumers by concentrating marketing campaigns on important brands and products with growth potential**
- **Strengthen our competitiveness by reducing costs**
- **Turn the Biscuits business and snacks business in Norway around**

Orkla Brands comprises the most marketing-intensive product groups in Orkla: Detergents, Personal Care/Cosmetics, Chocolate/Confectionery, Snacks, Biscuits, Cod Liver Oil and Household Textiles.

1998 was a satisfactory year for Orkla Brands. Most business areas posted results on a par with or better than the previous year. However, the performance of the Biscuits business was far weaker than anticipated. An improvement plan has been initiated and the negative trend is expected to be reversed.

The group's strong market positions were generally maintained. Orkla Brands' strategy is to focus on strong brands and market positions and concentrate innovation and market support in these areas. The Chocolate/Confectionery business in particular has been pursuing this strategy for several years and its profit performance has improved continuously during the period.

Orkla Brands strongly emphasises having a good relationship with its partners in the retail trade. The major changes that are taking place in the retail trade, particularly in Norway, will make tougher demands on suppliers. It will be increasingly important to develop relevant products, build up suitable expertise, and adapt the use of resources in order to provide added value for both retailers and consumers.

Since autumn 1997, Orkla Brands has been working systematically on the Year 2000 problem. Both adminstrative and production-related systems have been analysed in detail. No serious problems have emerged, and Orkla Brands has the necessary resources available to implement the measures that have been planned well before the end of 1999. All known expenses in connection with this process have been charged against the 1998 accounts.

Results

Orkla Brands' operating income totalled NOK 4,273 million in 1998, up 3 % in comparison with the previous year. Operating profit excluding other income and expenses was NOK 456 million. Adjusted for changes in the exchange rate, the performance of continuing business was on a par with 1997. In general, the performance of the Biscuits area was weaker than expected. Moreover, the weak Norwegian krone led to higher costs for certain imported raw materials. Fixed and indirect expenses were also somewhat higher than in the same period last year. This is partly due to the planned strengthening of certain business areas and partly due to costs associated with the Year 2000 and other major IT projects. NOK 25 million has been allocated for restructuring of the Biscuits area.

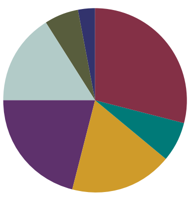
Lilleborg Home and Personal Care

Operating income for Lilleborg Home and Personal Care was NOK 1,267 million, which is 1 % higher than in 1997. Operating profit was somewhat weaker than in 1997, primarily because Lilleborg Home and Personal Care reduced the prices of certain laundry products while the unfavourable exchange rate led to higher raw materials costs.

The Detergents and Personal Care/Cosmetics divisions were amalgamated to become Lilleborg Home and Personal Care, effective from October 1997. This has contributed towards improving the utilisation of expertise and resources and led to a more cost-effective structure.

Operating income by business area

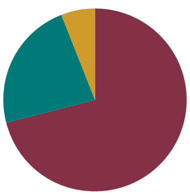
- Home and Personal Care 29 %
- Industrial Detergents 7 %
- Biscuits 18 %
- Chocolate/Confectionery 21 %
- Snacks 16 %
- Household Textiles 6 %
- Cod Liver Oil 3 %



Total operating income
NOK 4,273 million

Operating income by market

- Norway 71 %
- Other Nordic countries 23 %
- Outside Nordic region 6 %



Total operating income
NOK 4,273 million

The new liquid detergent factory is fully operational and planned cost reductions began to bear fruit towards the end of the year. Fixed and indirect expenses was lower than last year.

The Norwegian market for detergents and personal care/cosmetics products grew slightly in 1998. Lilleborg Home and Personal Care maintained its position on the domestic market, while exports rose by about 6 %.

Lilleborg Industrial Detergents

Operating income for Lilleborg Industrial Detergents amounted to NOK 308 million, 4 % higher than in 1997. Operating profit was better than the previous year, primarily due to the rise in sales. There was hardly any growth in the overall market in 1998. Lilleborg Industrial Detergents has increased its market share.

Chocolate/Confectionery (Nidar)

The Chocolate/Confectionery area posted operating income of NOK 919 million in 1998, which is 2 % higher than in 1997. Chocolate/Confectionery is continuing its strategy of focusing more on its own brands and reported profit growth in comparison with last year. This can be ascribed to a rise in sales of Nidar's own products, improved margins and lower fixed production costs.

The overall market for Chocolate/Confectionery grew approximately 1 % in 1998 and Nidar increased its market shares in the course of the year. *Soho* made a very good start to the year. This product will be re-launched at the beginning of 1999 and is expected to stabilise at a satisfactory level. The launch of a new variety of Doc throat pastilles combined with increased market support has given this brand a leading position on the pastille market. Nidar successfully implemented its new IT management systems (SAP) in the course of the year.

Snacks

The snacks area reported operating income of NOK 664 million, 11 % higher than in 1997. Snacks Denmark maintained its strong no. 1 position and sales and profit increased. In Norway, the successful launch of KiMs *EasyChips* and *Anywhere* contributed towards a rise in sales, but tougher competition has reduced profitability on the Norwegian market. The Lithuanian business was affected by problems with local deliveries of raw materials and the difficult economic situation. Performance has therefore been weaker than anticipated. Total operating profit for the Snacks business was on a par with the previous year. In December 1997, it was decided that all production would take place in one place in Denmark. Potato

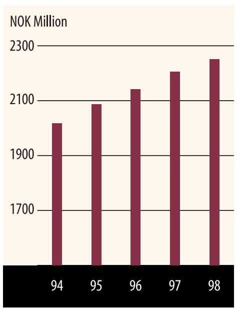
Lilleborg's R&D programme is bearing fruit. The launch of ***Solidox Hvite Tenner*** *(White Teeth), which was developed in cooperation with Norwegian dentists, has been extremely successful.*

Nidar is investing strongly in further developing its strongest branded products. This filled chocolate bar, ***Troika****, was re-launched in 1998.*

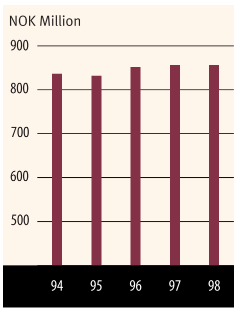
In 1998 KiMs was the first to launch crisps in cylindrical packaging on the Norwegian market.

The successful re-launch of ***Blenda*** *helped to strengthen the market position of this traditional brand.*

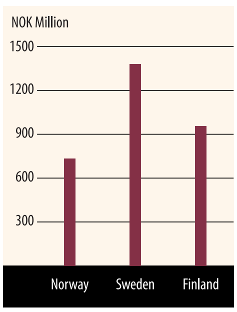
Personal products market (value) Norway



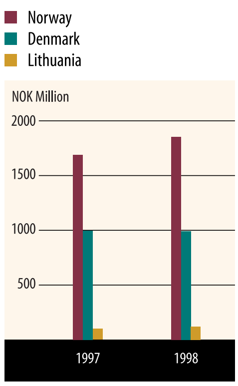
Detergents market (value) Norway



Biscuits market (value)



Snacks market (value)



crisp production in Give has been wound up and transferred to the KiMs plant in Søndersø. The restructuring costs were provided for in the 1997 accounts. This provision is expected to cover the costs and the project is expected to be completed in the first half of 1999.

Biscuits

The Biscuits business posted operating income of NOK 770 million, 1 % higher than in 1997. The trend was weaker than anticipated in both Norway and Sweden and the market position is somewhat weaker. Strengthening certain functions to meet anticipated volume growth led to higher fixed and indirect expenses and operating profit was therefore weaker than in 1997. An improvement plan was implemented in the course of 1998. Work on the introduction of a new production structure is proceeding according to plan and a NOK 25 million provision for restructuring costs in connection with the winding up of biscuit production in Finland was charged against the 1998 accounts.

Household Textiles

The Household Textiles division reported operating income of NOK 236 million in 1998, on a par with 1997. Due to growing competition from private labels, the division's market position was slightly weaker, but Household Textiles is still the dominant market leader in Norway. In Sweden the upward trend continued with a 12 % rise in sales. The establishment and development of operations in Sweden have taken longer than planned. However, the Household Textiles division has acquired 100 % of the shares in Freds AB, effective from 1 January 1999. This will make Household Textiles market leader in both Sweden and Norway and provide good opportunities for synergy gains in terms of both organisation and procurement. Operating profit was slightly higher than in 1997, primarily due to reduced costs.

Cod Liver Oil

Operating income from the Cod Liver Oil business totalled NOK 122 million, 9 % higher than the previous year. The overall market for cod liver oil and fish oils rose 8 %, on a par with the previous year. Peter Møller maintained its market share in Norway. Exports were higher than in 1997, but growth was weaker than anticipated. Profit was higher than last year.

In 1998 it was decided that major restructuring was required in the biscuits business. One of the elements of the restructuring programme is to move biscuit production from Finland to Göteborgs Kex in Kungälv, Sweden. The transfer of production lines and products is proceeding according to plan.

Orkla Media

Main challenges and areas of focus in 1999

- **Cost and manpower reductions in the Newspapers area**
- **Optimum operations at Orkla Trykk**
- **Investment in new printing plants at Hjemmet Mortensen and at Rzeczpospolita**
- **Regionalisation and coordination of administrative functions**
- **Measures to improve profitability at Orkla Direct Marketing**

Orkla Media is one of Norway's largest privately-owned media companies, comprising businesses in the newspaper, magazine, direct marketing and electronic publishing sectors.

Considerable attention has been focused on preparations for the year 2000. Relevant IT systems are now being replaced and upgraded, a process which is expected to be completed well before the end of the year.

Results

Operating income in 1998 totalled NOK 3,153 million, 23 % higher than in 1997. For continuing business, operating income was 6 % higher than in 1997.

Operating profit excluding other income and expenses was NOK 208 million, compared with NOK 204 million in 1997. For continuing business, operating profit excluding other income and expenses was on a par with 1997. The operating margin excluding other income and expenses was 6.6 %, compared with 7.9 % in 1997. For continuing business, the operating margin was 6.7 %, which is 0.4 percentage points lower than in 1997. Acquisitions made in 1998 made a positive contribution.

The local TV/radio and electronic publishing businesses had a negative impact on profit.

Norwegian/Swedish Newspapers

Norwegian/Swedish Newspapers posted operating income of NOK 1,593 million in 1998, compared with NOK 1,314 million in 1997. For continuing business, operating income rose 8 % while operating profit excluding other income and expenses increased by 10 %. Other income and expenses included NOK 27 million in connection with start-up of the new printing plant, Orkla Trykk, and costs relating to approved staffing cuts.

The operating margin for continuing business rose from 7.6 % in 1997 to 7.8 % in 1998. Measures have been initiated to reduce personnel costs. Orkla Media's new printing plant in Vestfold was delayed due to teething problems. Newsprint prices were approximately 3 % higher in 1998 than in 1997.

Circulation and advertising both increased in 1998. The circulation of Orkla Media's 22 majority-owned newspapers in Norway and Sweden rose approximately 1 % to approximately 401,000 copies, while growth in advertising volume in 1998 was approximately 3 %.

Orkla Media's daily newspaper business includes Norwegian, Swedish, Polish, Lithuanian and Ukrainian newspapers.

Orkla Media invested substantial sums in new pre-print technology and modern printing plants in 1998. Orkla Trykk's new plant in Vestfold county, Norway, currently prints ten newspapers. In Poland new, state-of-the-art newspaper printing plants in Warsaw and Poznan are scheduled to start production in spring 1999. Hjemmet Mortensen's printing plant, with a new rotary press and new pre-print technology, is expected to be operational by the beginning of 2000.

In 1998, Norwegian Newspapers acquired a 49 % interest in *Norrländska Socialdemokraten,* which was consolidated effective from 1 January 1998.

Work on product development, productivity improvements and human resource development continued in 1998.

Magazines

Operating income from the Magazines sector totalled NOK 508 million in 1998, up 2 % on 1997. Operating profit excluding other income and expenses was NOK 70 million, compared with NOK 77 million in 1997. The operating margin for continuing business was 13.9 %, 0.3 percentage points lower than in 1997. Paper prices rose by approximately 13 % in 1998. NOK 17 million was allocated under non-recurring items in connection with a new printing facility.

On the overall Norwegian magazine market, advertising volume rose 7 % in 1998, while Hjemmet Mortensen reported volume growth of 3 % compared with 1997. In terms of volume, the company's market share fell from 41.9 % in 1997 to 40.4 % in 1998.

Frequency-adjusted circulation figures* for Magazines fell slightly, but were somewhat better than for the market as a whole. Circulation figures for family magazines declined, while figures for specialised magazines increased.

Direct Marketing

The Direct Marketing area posted operating income of NOK 590 million in 1998, compared with NOK 352 million in 1997. The rise in operating income was due to the acquisition of new business. Operating profit excluding other income and expenses was NOK 9 million, on a par with 1997. The operating margin for continuing business was 1.4 % in 1998, 2.3 percentage points lower than in 1997. Measures to improve profitability in 1998 did not have sufficient impact and will be intensified in 1999.

Effective from 1 January 1998, the Direct Marketing sector acquired the Mitcom Group in Sweden, which made a positive contribution to profit. With this acquisition, the sector has become the largest player in dialogue marketing in the Nordic region. Since the acquisition there has been emphasis on developing cooperation between the Swedish and Norwegian businesses on market data bases and IT-supported activities.

Orkla Media Poland

Operating income for Orkla Media Poland totalled NOK 434 million in 1998, which is NOK 28 million higher than in 1997. Operating profit was NOK 26 million, compared with NOK 19 million in 1997. The operating margin excluding goodwill amortisation was 12 %, on a par with the year before.

Orkla Media Poland has entered into an agreement concerning the takeover of the Polish No. 1 regional newspaper, *Gazeta Lubuska,* the newspaper has a circulation of approximately 70,000. With this acquisition, Orkla Media Poland holds strategic positions in 12 newspapers and has a roughly 21 % share of the Polish newspaper market. The rolling 12-month circulation figures for Orkla Media Poland's newspapers declined slightly in comparison with 1997.

Advertising revenues for Orkla Media Poland's operations rose 22 %, compared with 1997 measured in local currency. Two printing plants currently being built under the auspices of *Rzeczpospolita* (Warsaw and Poznan) are expected to be completed in the first half of 1999. These printing plants will substantially improve newspaper quality and will be an important competitive parameter in a growing advertising market.

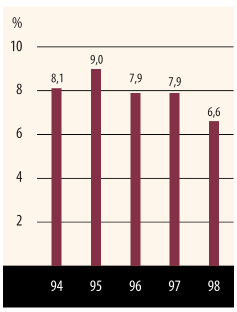
Work on product development, productivity improvements, human resource development and realisation of corporate synergies was intensified in 1998.

The rest of Eastern Europe

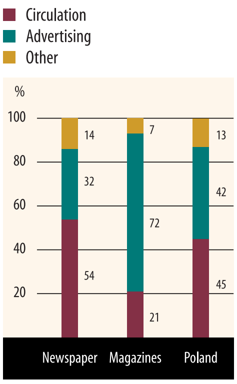
Orkla Media increased its involvement in Eastern Europe in 1998. Effective from 1 May 1998, the group acquired 100 % of the shares in Lithuania's largest regional newspaper *Kauno diena,* which had a circulation of 55,000 in 1998. Effective from 1 July 1998, Orkla Media acquired 50 % of the shares in two regional No. 1 newspapers in Ukraine; *Vysokyj Zamok,* with a circulation of about 70,000 and *Industrialnoje Zaporazje,* with a circulation of about 17,000.

*)Circulation figures adjusted for frequency of publication

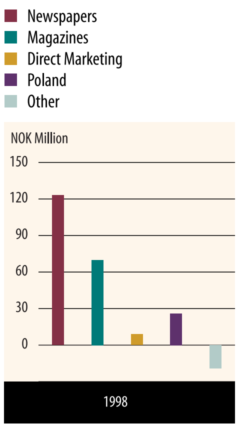
Trends in operating margins (excl. other income and expenses)



Breakdown of operating income

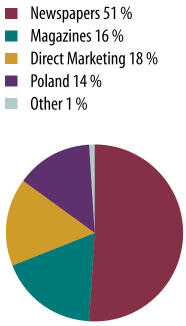


Operating profit by sector



Operating profit (excl. other income and expenses) NOK 208 million

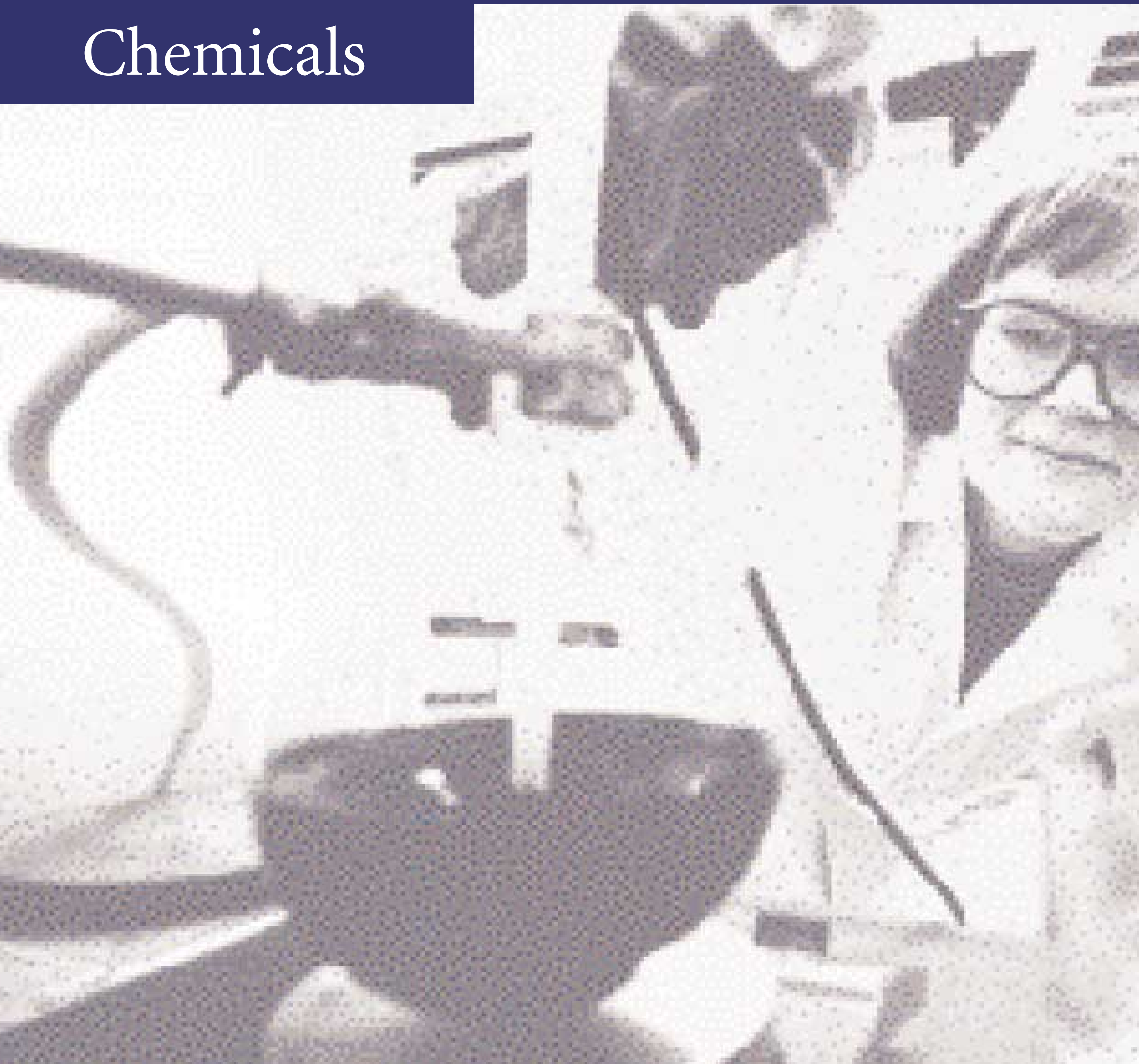
Operating income by sector



Total operating income NOK 3,153 million

- In 1999, Borregaard will be focusing on new markets and will exploit new business opportunities in cases where the company has a good chance of establishing attractive positions
- Through the Redesign improvement programme, Borregaard will increase capacity utilisation and reduce costs
- The development of expertise and an efficient, professional organisation are essential to the achievement of long-term objectives. A training centre has been established for production managers

Chemicals



Borregaard is an international chemicals company with strong global positions in selected niches of specialty chemicals, fine chemicals and ingredients. Borregaard's core business areas are based on a targeted, long-term strategy that focuses on developing products that are highly processed and offer possibilities for differentiation and specialisation. The company's core areas comprise lignin-based binding and dispersing agents, specialty cellulose for chemical applications, fine chemicals for the pharmaceutical industry, the food industry and other selected markets, and oils, fats and proteins for the food manufacturing and animal feed industries. The company also produces a number of basic chemicals for internal use and external sale. Borregaard has more than 20 production units in 12 countries and sales offices in Europe, America, Asia, the Middle East and Africa.

In 1998, Borregaard continued to pursue its long-term strategy of specialisation, niche-orientation and focus on added-value products.

The new production plant for lignin-based products in South Africa was completed at the end of the year. This is a 50-50 joint venture between Borregaard and the South African company Sappi Saiccor.

Progress is being made on pre-production testing of the new high purity cellulose plant, although efforts are still in progress to improve the new cellulose qualities. After a few teething problems at the beginning of the year, operational regularity at the new chloralkali factory improved substantially during the year and is now at a satisfactory level.

In 1998, Borregaard steadily improved its position as a supplier of advanced intermediates for the pharmaceutical industry. The acquisition of the production plant for fine chemicals in the US in 1997 played an important role in this respect.

In order to increase Borregaard's proximity to and involvement in important markets, a number of sales offices and agencies have been established in the last few years - in Russia, Poland, Romania, Turkey, the United Arab Emirates and India.

Preparations for the Year 2000 have high priority at Borregaard. Both administrative and production-related systems have been reviewed and analysed, and replacement and upgrading of the systems is well under way. Work is also in progress on contigency plans in case anything should go wrong. All the necessary measures are expected to have been completed well before the end of the year.

Results

Borregaard's operating income increased by 1 % to NOK 5,777 million in 1998. Weaker sales from the Lignin and Ingredients businesses were offset by higher sales from the Specialty Cellulose and Fine Chemicals areas.

Operating profit excluding other revenues and expenses totalled NOK 402 million, compared with NOK 324 million in 1997. The rise in profit can mainly be ascribed to improved production and increased sales of fine chemicals and specialty cellulose. Exchange rate fluctuation had a positive impact.

Asia is an important market for several of Borregaard's product areas. The difficult economic situation in the region had a negative impact on profit, and sales to Asia declined by 17 % in 1998. Sales to Asia accounted for 11 % of Borregaard's total sales in 1998. The situation in Asia has, to a certain extent, affected other markets, with increasing pressure on prices due to increased competition caused by the downturn in Asia.

Specialty Chemicals

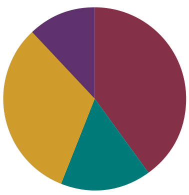
Borregaard's Specialty Chemicals business is based on the further development of natural polymers into a range of added value products. The Specialty Chemicals business consists of Borregaard LignoTech and Borregaard ChemCell. Operating income from this business area totalled NOK 2,556 million in 1998, on a par with 1997.

Borregaard LignoTech is the world's leading supplier of binding and dispersing agents based on lignin technology. The company's products are used as dispersing agents in concrete, ceramic products, textile dyes, agrochemicals and drilling mud, and as binding agents in animal feed, briquetting, etc.

Borregaard LignoTech posted operating income of NOK 1,155 million, a decline of 4 % compared with 1997. Operating profit was somewhat weaker. The market situation in Asia, particularly sales to the building industry, was the main reason for falling volumes and pressure on prices. Favourable exchange

Operating income by business area

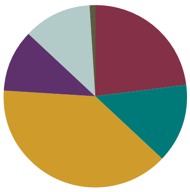
- Specialty chemicals 40 %
- Fine chemicals 16 %
- Ingredients 32 %
- Other 12 %



Total operating income
NOK 5,777 million

Omsetning pr. marked

- Norge 23 %
- Øvrige Norden 14 %
- Øvrige Europa 39 %
- Asia 11 %
- Amerika 12 %
- Øvrig 1 %



Totale driftsinntekter 5.777 mill. kroner rates, a somewhat improved product mix and lower freight costs partially offset the decline in sales.

The difficult market situation also affected other regions to varying degrees. There was an upward trend in parts of Europe, particularly Spain, but sales are still relatively modest in Russia and the rest of Eastern Europe.

Borregaard ChemCell is the leading European supplier of specialty cellulose for chemical applications. The business focuses on applications of the cellulose molecule, which is a natural, biodegradable polymer. Borregaard's chemical expertise provides a platform for specialisation in highly processed products with properties suitable for applications in the chemicals industry. Borregaard ChemCell primarily supplies tailor-made products which add specific properties to customers' products and processes. This makes the business less sensitive to cyclical fluctuations and stabilises and improves earnings.

In 1998, operating income rose 10 % to NOK 1,401 million and profit improved considerably in comparison with 1997, although the improvement programme for the new qualities of cellulose is still in progress. Profit growth was due to increased sales of added value segments, improved production at the new highly processed cellulose plant, lower costs and favourable exchange rates. Sales prices were relatively stable throughout 1998.

The Asian crisis had the greatest impact on Specialty Cellulose at the beginning of the year when the demand for certain qualities declined. This was offset by sales to other markets.

Basic Chemicals, which is division of Borregaard ChemCell, achieved a substantial rise in profit as a result of improved regularity of operations at the new chloralkali factory and in sulphuric acid production.

Fine chemicals

Borregaard Synthesis is an international supplier of fine chemicals for the pharmaceutical industry, food products and agrochemicals and its operations are based on expertise in selected core areas. This business area has production plants in Norway, Italy, China and the USA.

Borregaard Synthesis has a leading position as a supplier of advanced fine chemicals for diagnostic applications and medicines. The company is a preferred partner for several major international pharmaceutical companies and invests considerable resources in research and development to develop advanced intermediates for these companies.

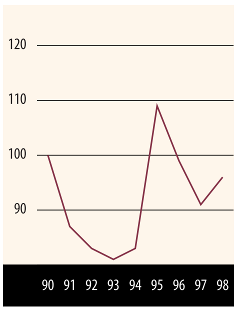
In 1998, operating income rose 11 % to NOK 919 million and the company achieved clear profit growth in comparison with 1997. The introduction of new products and better capacity utilisation led to higher profit from intermediates for the pharmaceutical industry. In the case of the Italian business, productivity improvements led to higher sales and satisfactory profit. The performance of the Chinese business was favourable, while the aroma business was affected by tougher competition on a slowly-growing market.

The Fine Chemicals business in the US, which was acquired in 1997, strengthened both its product range and its customer base in the pharmaceutical industry, and has provided better access to the US market. Borregaard Synthesis is a leading vanillin producer and the only company able to offer both lignin and guaiacol-based vanillin, as well as ethyl vanillin. Vanillin is used as a flavouring and fragrance in the food manufacturing industry and as an intermediate in the production of pharmaceuticals. The profit performance of this business area was unsatisfactory in 1998.

The Italian plants produce diphenols and diphenol derivatives. This secures Borregaard Synthesis' control of strategic input factors for the production of vanillin in Norway and agrochemicals in China. The factories also produce fine chemicals for pharmaceutical products, agrochemicals and photochemicals. Sales and profit trends in 1998 were satisfactory.

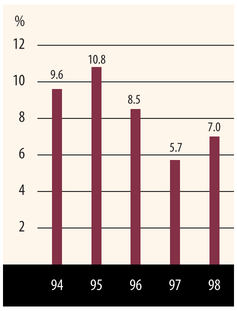
In China, Borregaard has a majority interest (61 %) in Borregaard Taicang Chemicals, which produces an active substance used in crop protection chemicals. Borregaard supplies the technology and the main raw material comes from the diphenol plants in Italy. After a difficult start, the business performed well in 1998.

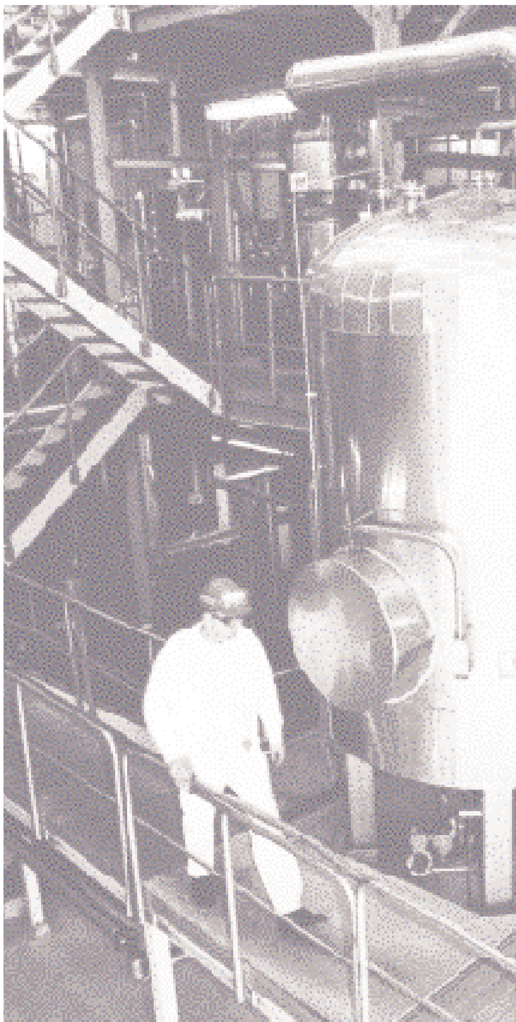
Price trends for specialty cellulose (NOK)



Index 1990 = 100

Operating margin (excl. other income and expenses)





Borregaard Synthesis is a leading supplier of advanced fine chemicals for diagnostic applications (x-ray contrast dyes) and pharmaceuticals. Production is subject to extremely strict quality assurance and quality control standards.

Asia is an important market for several of Borregaard Synthesis' products. Up to now, sales problems in Asia have largely been offset by increased sales to other markets. However, there is stronger pressure on prices due to increased competition on other markets arising from the loss of sales in Asia.

Ingredients

Denofa processes marine and vegetable raw materials for oils, fats and animal feed products. The company has a leading position in Norway in oils and fats for the food manufacturing industry and a strong international position in marine fats. The company is a main supplier of soya protein to the Norwegian and Swedish animal feed market, and an important supplier to the growing fish feed market.

In 1998, Denofa continued to focus on acquiring a broader raw materials base and on improving its expertise relating to new applications for its products. In addition to the functional qualities of the products, the development process focuses on health and nutrition. The development programme is based on the company's own resources and on alliances with other Orkla companies, universities, colleges and customers.

Operating income from Ingredients dropped 6 % to NOK 1,878 million in 1998. Profit was satisfactory, but lower than in 1997. The decline was mainly ascribable to lower export sales due to the economic crisis in Russia and a record high price for fish oil, which is a raw material used in the production process. Sales of edible oils to the Norwegian market were somewhat lower than in previous years. The high level of sales of fish oil for fish feed and favourable purchasing arrangements for raw materials made a positive contribution.

In response to customer demand, Denofa continued to manufacture soya products based on non-genetically modified soya beans. Denofa is one of two players on the European market that can offer non-genetically modified products.

Other areas

Operating profit excluding other income and expenses was on a par with 1997.

Borregaard Energy posted operating profit well above the 1997 level. Low electricity prices were offset by an increase in electricity production. The company's own production of hydroelectric power totalled 677 GWh. As a consequence of a long-term contract with Tinfos, 504 GWh of surplus power were sold on the spot market.

The continuing weak market for pulp for the cardboard industry was offset by a substantial rise in sales of pocket book paper.

Products and areas of application

Specialty Chemicals

Lignin
Dispersing agents in concrete, textile dyes, ceramics agrochemicals and drilling mud. Binding agents for animal feed and briquetting.

Specialty cellulose
Building supplies (including glue, paint and varnish), textiles (artificial silk and viscose fibre), moulded plastics, filters, thickening for food products (including ice-cream and yoghurt) and for pharmaceuticals.

Fine chemicals

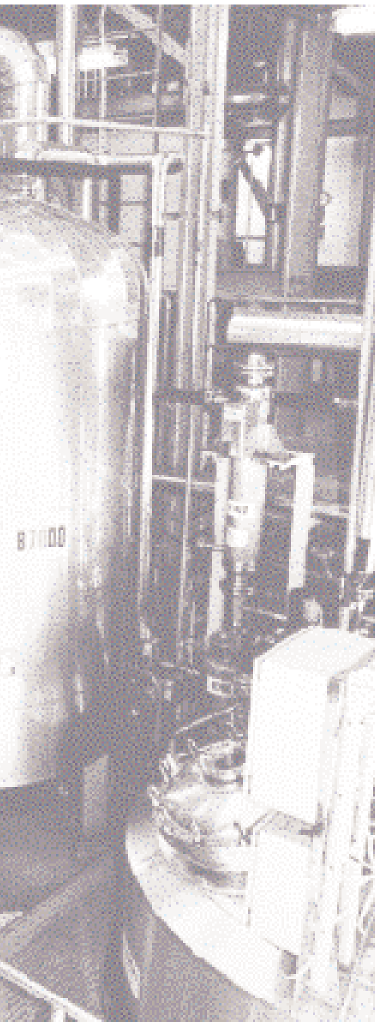
Pharmaceutical products
Intermediates for medicines and diagnostic applications (X-ray contrast media).

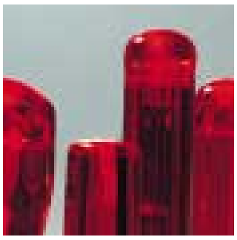
Aroma chemicals
Flavourings and fragrances in foods, raw materials for pharmaceuticals.

Diphenols
Photochemicals, intermediates for the pharmaceutical, aroma and agrochemical industries.

Ingredients

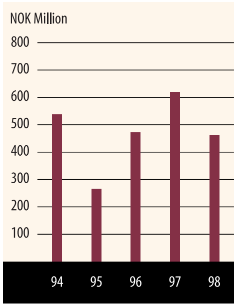
Oils, fats and proteins
The food manufacturing industry and animal and fish feed production.



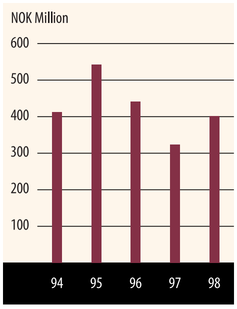


Borregaard's products cover a wide field. Bakeries purchase a large proportion of Denofa's oils. Borregaard LignoTech has developed a feed product for dairy cattle that makes the composition of fat in milk healthier and butter produced from the milk spreadable at refrigerator temperature. Materials for things like tool handles are just one of many applications for Borregaard ChemCell's specialty cellulose.

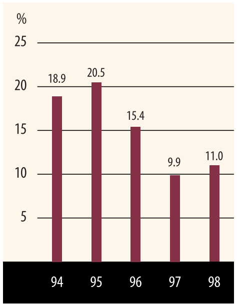
Total investments



Operating profit (excl. other income and expenses)

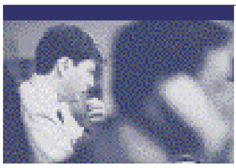


Return on capital employed



- Focus on fundamental analysis and a long-term investment horizon have resulted in a significantly higher return than on the Oslo Stock Exchange
- Investments are increasingly being made outside Norway, mainly in the Nordic region
- A subsidiary has been established in Switzerland as a result of internationalisation and in order to further enhance expertise

Financial Investments



Orkla manages one of Norway's largest share portfolios and has a long tradition in the field of equity investment. The Group has achieved a high level of value creation, both in absolute terms and in relation to the Oslo Stock Exchange All Share Index, although there may be substantial year-on-year variations. Since 1982, the average annual return on the investment portfolio has been 20.0 %, while the average annual return on the Oslo Stock Exchange has been 15.0 %. Furthermore, the business provides Orkla with broad insight into and contacts with Norwegian and international financial markets. This business area also includes the Orkla Finance group and the Real Estate section.

Market situation

1998 was a turbulent year on the international financial markets and stock market trends varied considerably. In general, the return on western stock markets was good, but the Oslo Stock Exchange was a negative exception. The Oslo Stock Exchange All Share Index dropped 26.7 % and experienced its weakest year since 1974. By comparison, the OSE Index rose 31.5 % in 1997. The drop in prices in 1998 came after five good years on the Norwegian market, where stock prices rose an impressive 242 % from 1993 to 1997.

In 1998 the global economy was influenced by the continuing strong growth of the US economy. There was also sound growth in the European economy, although it tapered off towards the end of the year. Thanks to a continuing downward trend in interest rates and inflation, the US and European stock markets did well last year. In large parts of Asia, however, including Japan, there was a serious recession in 1998. This led to falling demand for a wide range of products where Asia was formerly the driving force for demand growth. The substantial devaluation of Asian currencies improved their competitive edge, and towards the end of the year several Asian countries reported a rise in industrial production and a significantly improved balance of trade. However, there must be a rise in domestic production before Asia once again becomes a driving force in the global economy.

Towards the end of the summer, Russia dominated the news headlines when the RUB was allowed to find its own level and its value fell dramatically in a very short time. This led to a serious drop in global stock markets due to fears that the crisis would spread to Latin America and China. However, stock prices rose in the autumn and the US Dow Jones Index reached a record high in November.

In Norway, a number of special factors contributed to the negative stock market trend. As late in the year as 6 May, the OSE All Share Index was up 11.7 %, thereafter dropping 34.3 % in the rest of the year. One important negative element was the decline in oil prices. The spot price of North Sea oil (Brent) dropped from USD 16 per barrel to USD 10.50 per barrel in the course of the year. A healthy surplus on the current account balance turned into a deficit in the second half of the year. Due to pressure on the NOK, the Central Bank of Norway raised the overnight deposit rate from 3.75 % to 8 % in the period from May to the end of August. This came after an expensive collective wage agreement which weakened the competitiveness of Norwegian companies. Moreover, market players were sceptical about the current minority government. It has a weak parliamentary base and there has generally been uncertainty regarding the Government's understanding of economics and its economic policies. All in all, the negative factors led to a substantial fall in the total earnings of the companies listed on the Oslo Stock Exchange in 1998, while the general picture in Europe was a two-digit percentage rise.

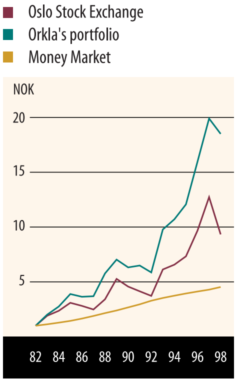
Of the sub-indices on the Oslo Stock Exchange, the shipping index was weakest, plummeting 45.5 %. The financial index did best, falling 2.4 %. While in 1997 there was strong focus on small and medium-sized companies, the SME index dropped 42.5 % in 1998.

Of the Nordic countries, the exception was Finland, where the HEX index rose an impressive 68.5 %. However the index was strongly dominated by Nokia, which rose 250 % over the year.

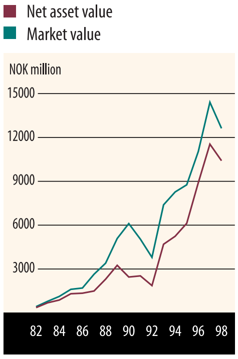
Portfolio

The return on the total portfolio in 1998 was -7.0 %, which was 19.7 percentage points better than the OSE All Share Index. The largest items in the portfolio (Storebrand, Elkem and NetCom) achieved a substantially better return than the All Share Index. Moreover, Orkla was little exposed to the oil and off-

Growth of NOK 1 (31.12.82 - 31.12.98)



Market value and net asset value 1982-1998



shore sector, which performed poorly in 1998 and accounts for a large proportion of the companies listed on the Oslo Stock Exchange.

The foreign investment portfolio is dominated by Nordic shares and achieved a good return in 1998. This also contributed to the positive deviation in relation to the OSE All Share Index. The good performance of Nokia, Lindex and KCI Konecranes should receive particular mention. Investments outside Norway accounted for approximately 29 % of the total portfolio at year-end, compared with 19.5 % the previous year.

Shares for a net total of approximately NOK 600 million were sold in 1998. The largest items were the sale of Storebrand shares, which totalled about NOK 680 million, and Kværner shares, which totalled about NOK 450 million. The largest investment was NOK 115 million in Nokia shares at the beginning of the year. At the end of the year, Nokia was the fourth largest item in the portfolio with a market value of NOK 629 million.

At the end of 1998, the market value of the portfolio was NOK 12,624 million, and the net asset value before tax was NOK 10,410 million. The debt-equity ratio ended up at about 18 %, compared with 20 % at the beginning of the year.

As a result of the internationalisation of this business area and in order to further improve its expertise, in 1998 Orkla established an office in Switzerland to be responsible for administring Orkla's foreign financial investments.

Results

The Financial Investments area posted total profit before tax of NOK 1,042 million in 1998, compared with NOK 1,156 million the previous year. Realised portfolio gains totalled NOK 769 million while dividends received amounted to NOK 318 million. Unrealised portfolio gains dropped NOK 2,093 million to NOK 4,129 million in 1998.

Orkla Finance is one of Norway's leading companies in the field of stockbroking and other financial services. In 1998 the company was market leader in secondary trading of shares on the Oslo Stock Exchange. Orkla Finance has offices in Oslo, Stockholm and London. Operating profit was NOK 78 million in 1998 compared with NOK 121 million the year before. The Stockholm office was opened in 1998 and the establishment of this office led to a loss in the first year.

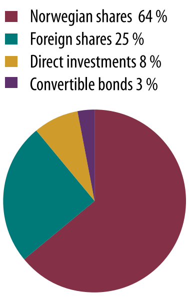
The Real Estate section manages properties which have been released from Orkla's industrial operations. It is also developing an investment portfolio of real estate projects which is currently focused mainly on the Skøyen area of Oslo. In 1998, the Real Estate section continued its efforts to optimise the value of the Group's properties. The section also further developed new investment projects for future rental/sale. The development projects in the Skøyen area have now been completed and are rented out at satisfactory rates. The occupancy rate is 96 % and the average remaining rental period is 8.7 years. In the accounts, all the real estate projects are valued at cost price, approximately NOK 500 million. The total rental area is 57,000 m2 and the total rental income was about NOK 60 million at year-end.

Future prospects

Global economic growth is expected be slower in 1999 than in 1998. The "Asian Crisis" has spread to Russia and Latin America and there is still a risk of China having to devalue its currency. International stock markets are considered to be over-valued, but since there is good liquidity in the market this situation may continue. In Norway, falling interest rates are expected to offset the negative impulses from weak international economic trends.

Orkla Finance is one of Norway's leading stockbroking houses and has offices in Oslo, Stockholm and London.

Portfolio structure 31.12.1998



Market value NOK 12,624 million

Main shareholdings 31.12.1998

	Share of portfolio (%)	Ownership (%)	Market value (NOK million)
Storebrand	13,1 %	10,0 %	1,659
Elkem	9,2 %	25,3 %	1,167
NetCom	8,4 %	11,0 %	1,056
Nokia	5,0 %	0,1 %	629
Dyno	4,4 %	18,1 %	550
Hafslund	3,1 %	8,3 %	391
Lindex	3,0 %	10,0 %	381
Nycomed Amersham	2,9 %	1,1 %	360
Bure	2,3 %	4,9 %	287
Chips	2,2 %	14,0 %	280
Total	53,5 %		6,760

The brewery business in Eastern Europe

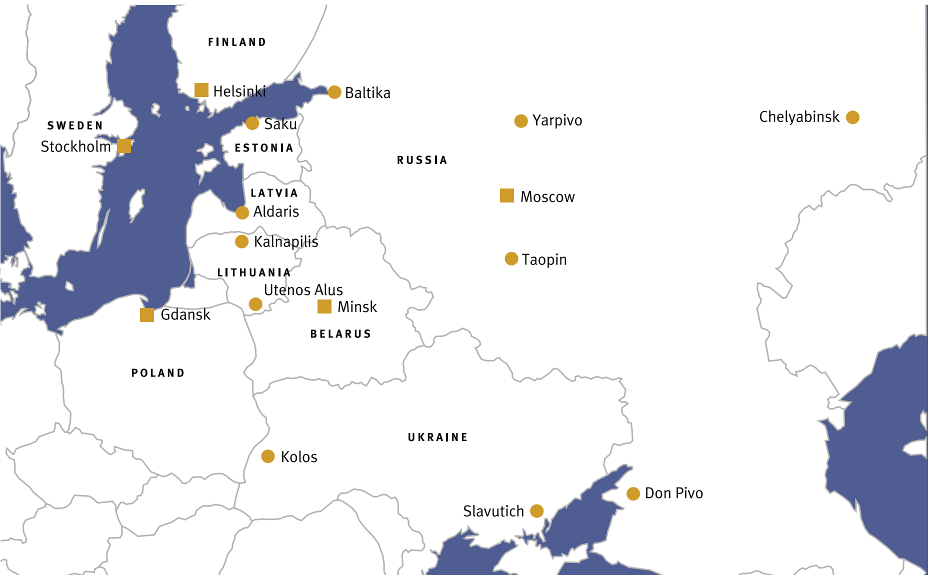
Orkla has extensive brewery interests in countries that were former members of the Soviet Union. The brewery business is run by Baltic Beverages Holding (BBH), which is owned on a 50-50 basis by Orkla's beverages company Pripps Ringnes and the largest Finnish brewery group, Hartwall. Orkla also has a 20.5 % stake in Hartwall.

BBH was established jointly by Hartwall and Pripps in 1991. Since then, the business has expanded rapidly. BBH currently has interests in eleven breweries in Russia, the Baltic States and Ukraine, and is the leading player on the brewery market in this region, which has a population of approximately 210 million.

BBH's strategic plan is to acquire majority interests in local breweries with established brands and a good management. Each brewery is run by the local management which is relatively independent. BBH contributes modern technology, and the local brew is improved to meet western quality standards. BBH also provides expertise in the field of distribution, sales and marketing. A large proportion of profit from these activities is spent on further expansion, and BBH's brands hold leading positions on their regional and national beer markets.

BBH in 1998

BBH continued its strong growth in 1998, despite the turbulent economic situation in the main countries. Sales volumes rose 48 % to 913 million litres. By comparison, Pripps Ringnes' nordic business' prodused 321 million litres of beer.



Market shares continued to rise in Russia, Ukraine, Lithuania and Estonia. From the time the economic crisis occurred in August and up to the end of the year, the Russian rouble was devalued by 71 % and the Ukrainian hrivna by 45 %. The effects of the unrest in Russia were also felt in the Baltic States. Nevertheless, beer consumption on BBH's markets increased. While the strong growth continued in Russia, also towards the end of the year, it gradually slowed down in Ukraine. Despite the devaluations, BBH's total operating income rose by NOK 904 million to a total of just over NOK 3.4 billion.

As a consequence of strong demand, in 1998 investments were made in further increasing the capacity and upgrading the quality of the breweries. A total of approximately NOK 1.5 billion was invested for these purposes.

In 1998, BBH acquired a 24.5 % interest in the Kolos brewery in western Ukraine. At the beginning of 1999, the stake was increased to 42 %. In 1998 BBH also increased its interest in the Slavutich brewery in eastern Ukraine from 50.7 % to 70 %, and the technical upgrading of this brewery was completed in the course of the year. All in all, BBH's position on the Ukrainian market was substantially strengthened by these measures. In Russia, BBH's interest in the Taopin brewery was increased from 50 % to 69 %, the technical upgrading of the Yarpivo and Don Pivo breweries was completed and new quality beers were launched. In order to reduce its dependency on imported malt as much as possible, BBH acquired Ukraine's biggest maltery, Slavuta, and at the same time, in cooperation with the French company Soufflet, started construction on a new maltery close to BBH's biggest brewery, Baltika in St. Petersburg. BBH has a 66 % stake in this maltery, which will be the biggest in Russia and will be completed in autumn 1999. In the Baltic States, new returnable glass bottles and new packaging were introduced in the course of the year.

BBH is maintaining its long-term expansion strategy, despite the uncertain economic situation in Russia. Consumption trends in the last six months of the year confirm the correctness of this strategy, and in January 1999 BBH entered into an agreement to acquire 20 % of the Chelyabinsk Pivo brewery in the town of Chelyabinsk in the Urals. The town is situated in the second most highly populated region of Russia, which has about 20 million inhabitants. Under the agreement, BBH will increase its interest in the brewery to 75 % through a private placement. The modernisation of the plant will begin after the share issue, with a view to increasing capacity and at the same time raising quality to western levels.

Russia

Beer consumption in Russia increased by 23 %, from 19 to 23 litres per capita in 1998. BBH's four Russian breweries increased their sales by a total of 61 %, and the rise from September to year-end was an impressive 72 % compared with the year before. While the share of imported beer dropped from about 10 % to about 5 % of total consumption after the crisis, BBH's market share rose to 21 % in the course of the year.

The strong expansion of capacity at the Baltika brewery continued throughout the year and the investment programme, which totals more than SEK 940 million, will bring Baltika's capacity up to 600 million litres in 1999. Baltika is currently Russia's only national brand, with a 14 % share of the national market. In the St. Petersburg region, which is Baltika's core area, the market share is between 55 % and 60 %.

At Baltika's subsidiary company, Don Pivo in southern Russia, the first phase of the upgrading programme was completed in the summer and annual capacity was increased to approximately 100 million litres. The brewery produces both Baltika beer and its own local brand, Don Pivo, and both brands strengthened their positions in the region.

The Yarpivo brewery, which is located about 200 km north of Moscow, completed the first phase of its modernisation programme in January 1998 and during the year became the fourth largest and fastest growing brewery in Russia.

At the Taopin brewery, which is located in Tula, 160 km south of Moscow, new capacity will be on line in spring 1999 and improved qualities will be launched at that time. Despite the comprehensive modernisation programme at the brewery, it has managed to increase sales by about 50 % in comparison with 1997.

The Russian Duma passed new alcohol legislation in autumn 1998, but in the end beer products were excluded from the new law. Beer tax was increased 20 % at year-end, but inflation was far higher than this.

Ukraine

In Ukraine, which has a population of 52 million, economic unrest and an overall devaluation of about 45 % had a negative effect on beer consumption, which nevertheless rose 10 % compared with the previous year. Towards the end of the year, consumers' purchasing power was further weakened and the impact on beer consumption was clearly visible, with a swing towards cheaper beer. While the authorities originally introduced a stiff increase in alcohol tax, the tax was reduced to a moderate level again at the end of the year. Annual beer consumption is still low in Ukraine - only approximately 12 litres per capita.

The technical upgrading of the Slavutich brewery was completed in May and the Slavutich label rapidly achieved a position as Ukraine's leading quality beer and no. 2 overall. Despite weak market growth, Slavutich's sales volume rose 20 % in 1998 and its market share increased from 11 % to 12 %. In the course of the year, work was also done on the development of a national distribution system. BBH increased its interest in the Kolos brewery to 42 % in January 1999. Kolos is situated in the town of Lviv in western Ukraine. The acquisition was a further contribution towards strengthening BBH's position on the Ukrainian beer market. At the same time, the economic collapse led to an acceleration of the start-up of the Slavuta maltery, in which BBH has a 66 % stake, so that dependence on imported malt can be reduced over time.

Estonia

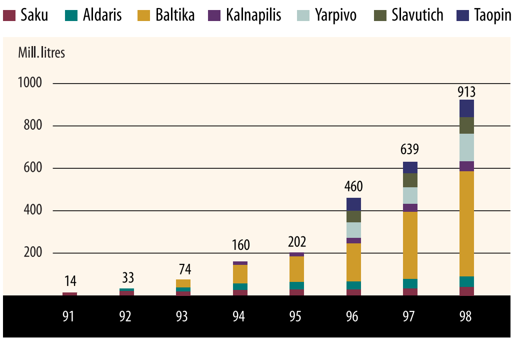
Up to now, the Estonian economy has only been slightly influenced by the economic collapse in Russia. In 1998 the inflation rate was 6.5 % and GNP rose 4.2 %. Beer consumption continued to rise and at 47 litres per capita has almost reached western levels. However, competition has also been noticeable.

BBH's Estonian brewery, Saku, made clear progress during the year. The brewery now has a mar-

Brewery	Country	BBH's interest	Acqui-red	Sales volume*)	Growth	Market share 1998	No of employees 31.12.1998
SAKU	Estonia	75 %	1991	41	31 %	49 %	231
ALDARIS	Latvia	75 %	1992	49	6 %	50 %	316
BALTIKA [1]	Russia	74 %	1993	497	64 %	14 %	2,634
KALNAPILIS	Lithuania	86 %	1994	46	24 %	29 %	373
YARPIVO	Russia	51 %	1996	131	65 %	4 %	662
SLAVUTICH	Ukraine	70 %	1996	78	20 %	13 %	628
TAOPIN	Russia	69 %	1997	83	50 %	3 %	930
Internal sales				-12			
BBH CONSOLIDATED				**913**			**5,774**
UTENOS ALUS [2]	Lithuania	19.5 %	1997	23		15 %	593
KOLOS [3]	Ukraine	24.5 %	1998	17		3 %	500
CHELYABINSK [4]	Russia	20 %	1999	47		2 %	700
TOTAL BBH				**1,000**			**7,567**

*) Million litres
1) Including sales volume and employees in Don Pivo. Interst 83 %.
2) On 29 January 1999 the interest was increased to 50 %. Not consolidated with the Group.
3) On 1 February 1999 the interest was increased to 41 %. Not consolidated with the Group.
4) Acquired 29 January 1999. After a private placement, BBH's interest will increase to 75 %

Sales volume



ket share of about 50 % in Estonia. The main event during the year was the introduction of an entirely new bottle onto the market to replaced the old East European design. The new bottle will be the new industrial standard in Estonia and will be introduced in the other Baltic countries in the course of 1999. Saku has also invested in a tapping line for canned beer.

For a long time the Estonian authorities maintained a discriminatory beer tax which, in practice, meant that Saku has been in a higher tax group than competing breweries. A decision has now been made to repeal this Act in spring 1999 and introduce new beer tax legislation with a more traditionally western content.

Latvia

Latvia has felt the effects of the collapsed Russian economy far more strongly than Estonia. Unemployment has risen and purchasing power has declined. Nevertheless, beer consumption increased slightly and is currently 31 litres per capita. However, the increase was due to a slight rise in consumption of cheap, low quality beer, while the quality beer segment, where the BBH brewery Aldaris has a 68 % market share, fell slightly. As a result of this, Aldaris' total market share also declined somewhat and at year-end Aldaris had 50 % of the total Latvian beer market.

Aldaris produces Vichy Classic mineral water in PET bottles for the entire Baltic market. Sales volume increased in 1998 to 12 million litres and market shares are rising rapidly in all the Baltic countries. Nevertheless, the profitability of this part of the business is currently poor.

Aldaris was one of the first companies in Latvia and in BBH to achieve ISO 9001 certification in 1998. The company will be introducing the new Baltic bottles towards the end of this year.

Lithuania

Lithuania was also affected by the breakdown of the Russian economy towards the end of the year. Nevertheless, inflation was only 2.4 % and GNP rose 4.4 %. In 1998 beer consumption rose strongly in the first six months, but flattened out due to the cold summer and subsequently due to the negative influence from Russia. In 1998 beer consumption was 44 litres per capita compared with 41 litres the year before.

The BBH brewery Kalnapilis further strengthened its position. Its market share rose 2 percentage points to 29 % and volume growth was 24 %. Comprehensive technical modernisation took place at the Utenos Alus brewery, where BBH has a 19.5 % stake. The new system will be operational in March 1999 and the brewery will then be launching a new quality series on the market. In the period prior to the launch, however, the brewery sold lower volumes in 1998. At the end of 1998, the Lithuanian authorities authorised BBH to increase its interest in Utenos Alus to 50 %, which will lead to valuable synergy gains from coordination with Kalnapilis.

Further development

BBH currently holds good positions in Russia, Ukraine and the Baltic States. The breweries are modern, capacity is considerable, and brands and market positions are generally strong. The breweries have good local managements which have the benefit of being able to draw on further expertise through their cooperation with BBH. The operational skills the BBH breweries have acquired and their knowledge of their respective markets will give BBH a good basis for utilising its competitive edge in the years ahead.

The economic crisis in Russia and Ukraine will not change BBH's strategy, which will be to further develop its leading market position in Russia, consolidate its positions in the Baltic States, and become a clear market leader in Ukraine. The company will primarily concentrate on further developing the existing units, but new acquisitions may also be relevant in order to secure satisfactory geographical coverage in the most highly populated areas.

While political stability remains fragile in Russia, it appears to be more substantial in Ukraine. The Russian rouble, and probably also the Ukrainian hrivna, must be expected to continue to weaken in 1999. The Baltic currencies may also come under periodic pressure. The breweries will be sorely tested when this situation has to be met with a combination of further price rises and cost-cutting measures. BBH takes the view that a continued rise in beer consumption is a realistic possibility, but the growth rate will probably slow down due to a further decline in purchasing power. However, the authorities are making efforts to reduce the high level of vodka consumption and there is a trend from vodka to beer, particularly among the younger age-groups. In the longer term, per capita beer consumption may increase substantially. However, we must emphasise that the risk of operating on these markets is higher than in western Europe. We must be prepared for occasional setbacks of the kind we saw an example of in autumn 1998. On the other hand, the opportunities are also far greater than in the West. So far, BBH has managed to establish a very valuable position as market leader in a highly populated area. The further development of this position will generate substantial value for Orkla's shareholders.

Governing Bodies and Elected Representatives

CORPORATE ASSEMBLY

Elected by the shareholders

Øystein Eskeland (4,880)
Chairman

Synnøve Liaaen Jensen (152)
Deputy Chairman

Svein Erik Amundsen (332)

Ebbe C. Astrup (391,712)

Westye Egeberg (2,024)

Svein R. Hagen (0)

Hans Herman Horn (61,200)

Leif Kjær (45,200)

Borger A. Lenth (460)

Tore Lindholt (50)

Cathrine Mellbye Schultz (9,708)

Leiv L. Nergaard (0)

Halvor Svenkerud (5,344)

Halgrim Thon (6,500)

Deputies

Egil Alnæs jr.

Mari Pran

Anders Ringnes

Fabian Stang

Olaug Svarva

Elisabeth Wille

Election Committee

Øystein Eskeland (4,880)

Tore Lindholt (50)

Svein R. Hagen (0)

Elected by the employees

Stefan Andersson (0)

Jon-Ivar Fjeld (0)

Harald Johansen (0)

Sussi Larsen (0)

Gunn Liabø (188)

Esa Mäntylä (0)

Sverre Olsen (16)

Observers

Einar Bjordal (0)

Robert Johansson (0)

Solveig Kvidal (0)

Personal deputies for the Swedish and Danish representatives

Gert Johansson

Magnus Svensson

Johnny Dahlström

Karin Nielsen

Deputies elected by the employees

Heidi Bjerkelien

Øyvind Hatletveit

Anita Bøe Haugesten

Eli Raaen Iversen

Anne May Kristiansen

Trygve Leivestad

Arvid Liland

Tor Wangen

THE BOARD OF DIRECTORS

Svein Ribe-Anderssen (636)
Chairman

Jonny Bengtsson* (0)

Odd Gleditsch jr. (1,840)

Jens P. Heyerdahl d.y. (422,036)

Truls Holthe (29,596)

Harald Norvik (44)

Björn Savén (20.000)

Arvid Strand* (0)

Stein Stugu* (0)

* Elected by the employees

Board observers elected by the employees

Eva Bergquist (0)

Kjell Kjønigsen (16)

Personal deputies for the Swedish and Danish representatives

Monica Bengtsson (0)

Benny Löfgren (0)

Deputy board members elected by the employees

Thor Arild Bolstad (196)

Odd Ingar Hansen (0)

Terje Vidar Hansen (0)

Hans Johnsen (0)

Jan A. Jørgensen (120)

Tom Stokstad (489)

Reidar Aaserød (0)

AUDITOR

Arthur Andersen & Co. (0)
Finn Berg Jacobsen (0)
State Authorized Public Accountant

Figures in brackets indicate the number of shares owned at 31 December 1998, including shares owned by spouse and dependent minors.

INDUSTRIAL DEMOCRACY AT ORKLA

Active participation by the employees in the governing bodies both at Group level and in the individual subsidiaries are important elements in the decision-making processes at Orkla. A common aim has been to evolve representational arrangements which adequately secure a broad base for involvement and genuine influence.

The employees elect three of Orkla's nine Board members and two observers. One third of the Corporate Assembly's members are elected by the Group's employees.

The industrial democracy arrangements encompassing the employees in the Norwegian, Swedish and Danish companies in the Group have been organised in the form of an International Committee of Union Representatives. This arrangement ensures broad representation for the Group's employees by company, union and country. The Committee of Representatives has regular meetings with the Group management to discuss issues relevant to the Group.

To ensure that the employees in the Group's other companies in Europe are also informed and aware of important issues concerning the Group, an agreement regarding a European Works Council at Orkla has been established.

In addition to the Group arrangements mentioned here, the employees have representatives on the Boards of Directors of the individual subsidiaries.

The summary shows the members of Orkla's International Committee of Union Representatives as of 1998.

THE INTERNATIONAL COMMITTEE OF UNION REPRESENTATIVES

Working Committee

Stein Stugu
Chairman

Eva Bergquist
First Deputy Chairman

Bjarne Poulsen
Second Deputy Chairman

Thor Arild Bolstad
Secretary

Aage Andersen
Committee Member

Jonny Bengtsson
Committee Member

Kjell Kjønigsen
Committee Member

Åke Ligardh
Committee Member

Committee of Representatives

Monica Bengtsson

Jon-Ivar Fjeld

Inge Hansen

Terje Vidar Hansen

Kolbjørn Hole

Harald Johansen

Roland Larsson

Gunn Liabø

Jan Lillebo

Ulf Ling

Benny Löfgren

Karin Nielsen

Arvid Frode Strand

Reidar Aaserød

Deputies

Heidi Bjerkelien

Kjell Egge

Inge Gunnes

Harald Iversen

Steinar N. Johansen

Kristin Kvikstad

Tom Stokstad

Alvhild Strandabø

Ann Elise Theigmann

Personal Deputies for the Swedish and Danish representatives

Roger Börjesson

Stefan Hall

Paul Hallberg

Mona-Lisa Jagstedt

Christer Johansson

Jette Kofoed

Bo Lindquist

Jens Nielsen

Peer Sørensen

Group Directory

THE PARENT COMPANY

Orkla ASA
Karenslyst allé 6
P.O. Box 423 Skøyen
N-0212 Oslo
Tel. +47 22 54 40 00
Fax. +47 22 54 45 90
http://www.huginonline.com/Norway/ORK

Orkla ASA
P.O. Box 162
N-1701 Sarpsborg
Tel. +47 69 11 80 00
Fax. +47 69 11 87 70

Orkla ASA
P.O. Box 8
N-7331 Løkken Verk
Tel. +47 72 49 90 00
Fax. +47 72 49 90 01

The registered office is in Sarpsborg.
The Group Management is located in Oslo.

BRANDED CONSUMER GOODS

ORKLA FOODS

Orkla Foods A.S
P.O. Box 711
N-1411 Kolbotn
Tel. +47 66 81 61 00
Fax. +47 66 80 63 78

Stabburet

Stabburet AS
P.O. Box 711
N-1411 Kolbotn
Tel. +47 66 81 61 00
Fax. +47 66 80 63 67

- Stabburet AS Fredrikstad
- Stabburet AS Øyenkilen
- Stabburet AS Brumunddal
- Stabburet AS Rygge
- Stabburet AS Ualand
- Stabburet AS Vigrestad
- Stabburet AS Dep. Idun Rygge, Rygge
- Stabburet A.S Gimsøy Kloster, Skien
- Stabburet AS Stranda
- Sunda A.S, Oslo

Procordia Food

Procordia Food AB
S-241 81 Eslöv
Sweden
Tel. +46 413 65 000
Fax. +46 413 14 984

Procordia Food
- Eslövsfabrikerna Eslöv, Sweden
- Tollarpsfabriken Tollarp, Sweden
- Fågelmarafabriken Fågelmara, Sweden
- Ölandsfabriken Färjestaden, Sweden
- Kumlafabriken Kumla, Sweden
- Örebrofabriken Örebro, Sweden
- Vansbrofabriken Vansbro, Sweden

Empaco AB
Åhus, Sweden

Felix Abba Oy
Åbo, Finland

AS Pôltsamaa Felix
Pôltsamaa, Estonia

Beauvais

Aktieselskabet Beauvais
P.O. Box 139
DK-2630 Tåstrup
Denmark
Tel. +45 43 58 93 00
Fax. +45 43 58 93 93

- Aktieselskapet Beauvais Svinninge, Denmark

Felix Abba

Felix Abba OY
P.O. Box 683
FIN-203 61 Åbo
Finland
Te. +358 2 410 414
Fax +358 2 410 4100

- AS Pôltsamaa Felix Pôltsamaa, Estland
- Felix Abba OY Lahtis, Finland

International

Orkla Foods International
Top 402 - Building D
Wienerbergerstrasse 7
A-1810 Vienna
Austria
Tel. +43 1 641 6330
Fax. +43 1 641 6330 10

- Felix Austria GmbH Mattersburg, Austria
- Kotlin Sp. z o.o. Kotlin, Poland
- Guseppe a.s. Rokytnice, Czechia

Abba Seafood

Abba Seafood AB
P.O. Box 206
S-401 23 Gothenburg
Sweden
Tel. +46 31 701 44 00
Fax. +46 31 701 44 90

- Abba Seafood AB Kungshamn, Sweden
- Abba Seafood AB Uddevalla, Sweden
- Abba Skaldjur AB Hovenäset, Sweden

Industry

Regal Mølle a.s
- Regal Mølle a.s Division Bjølsen
- Regal Mølle a.s Division Kristiansand
- Regal Mølle a.s Division Moss

Idun Industri A.S
- Idun Industri A.S Oslo
- Idun Industri A.S Rakkestad
- Idun Industri A.S Kokstad

Odense Marcipan A/S
Odense C, Denmark

Dragsbæk Margarinefabrik A/S
Thisted, Denmark

Margarinefabriken Blume I/S
Randers, Denmark

Bakery Products

Bakers AS
P.O. Box 43 Økern
N-0508 Oslo
Tel. +47 22 88 03 00
Fax. +47 22 65 82 12

- Bakers Arendal, Arendal
- Bakers Brennåsen, Brennåsen
- Bakers Bryne AS, Bryne
- Bakers Bærum AS, Rud
- Bakers Heba, Brumunddal
- Bakers Kløfta AS, Kløfta
- Bakers Larvik, Larvik
- Bakers Martens AS, Kokstad
- Bakers Trøndelag AS, Trondheim
- Bakers Økern AS, Oslo
- Berthas Bakerier AS, Hov
- Kvalitetsbakeren AS, Nesttun
- Norgeskaker AS, Rasta
- Singsås Bakeri AS, Singsås
- Slottslompa, Rasta

ORKLA BEVERAGES

Pripps Ringnes AB
S-161 86 Stockholm
Sweden
Tel. +46 8 757 70 00
Fax. +46 8 28 98 61

AB Pripps Bryggerier
S-161 86 Stockholm
Sweden
Tel. +46 8 757 70 00
Fax. +46 8 28 98 61

- Pripps Bryggeri Stockholm, Sweden
- Pripps Bryggeri Gothenburg, Sweden
- Ramlösa Hälsobrunn Helsingborg, Sweden

Ringnes a.s
P.O. Box 7152 Majorstua
N-0307 Oslo
Tel. +47 22 06 95 00
Fax. +47 22 06 97 70

- Ringnes Bryggeri, Oslo
- Ringnes Gjelleråsen, Nittedal
- Ringnes Arendals Bryggeri, Arendal
- Ringnes E.C. Dahls Bryggeri, Trondheim
- Ringnes Nordlandsbryggeriet, Bodø
- Ringnes Tou Bryggeri, Forus
- Ringnes Farris, Larvik
- Ringnes Imsdalen, Koppang

Baltic Beverages Holding AB
P.O. Box 20182
S-161 02 Bromma
Sweden
Tel. +46 8 799 84 00
Fax. +46 8 29 13 03

- Saku Brewery, Saku, Estonia
- Aldaris Brewery, Riga, Latvia
- Kalnapilis Brewery Panevezys, Lithuania
- Utenos Brewery, Vilnius, Lithuania
- Baltika Brewery St. Petersburg, Russia
- Don Pivo Brewery Rostov-na-Don, Russia
- Taopin Brewery, Tula, Russia
- Yarpivo Brewery Yaroslavl, Russia
- Slavutych Brewery Zaporozhye, Ukraine
- Kolos Brewery Lvov, Ukraine
- Chelyabinsk Pivo Chelyabinsk, Russia

ORKLA BRANDS

Detergents, Personal Products, etc.

Lilleborg as
P.O. Box 4236 Torshov
N-0401 Oslo
Tel. +47 22 89 50 00
Fax. +47 22 15 74 89

- Lilleborg as, Ski
- Lilleborg as, avd. Ello, Kristiansund N
- Elico, Oslo
- La Mote AS, Oslo
- AB Freds, Malmö, Sweden
- Otares AS, Oslo
- Otares AS, avd. Renimex, Sandnes
- Meling & Co., Bergen
- Peter Möller, Oslo

Biscuits

Göteborgs Kex AB
P.O. Box 73
S-442 82 Kungälv
Sweden
Tel. +46 303 20 90 00
Fax. +46 303 20 90 50

- Sætre AS, Kolbotn
- Esskå, avd. i Sætre AS, Sagstua
- Kantolan Keksi OY Hämeenlinna, Finland

Snacks

Sætre AS
P.O. Box 4272 Torshov
N-0401 Oslo
Tel. +47 22 89 25 00
Fax. +47 22 89 50 93

- KiMs A/S, Søndersø, Denmark
- KiMs, avd. i Sætre AS, Skreia
- UAB KiMs Snacks Vilnius, Lithuania

Confectionery

Nidar AS
N-7005 Trondheim
Tel. +47 73 58 30 00
Fax. +47 73 91 78 28

- Nidar AS, Oslo

ORKLA MEDIA

Orkla Media A.S
P.O. Box 424 Skøyen
N-0212 Oslo
Tel. +47 22 54 43 00
Fax. +47 22 54 43 90

Newspapers (Norway/Sweden)

Orkla Dagspresse A.S
P.O. Box 20
N-1324 Lysaker
Tel. +47 67 58 77 20
Fax. +47 67 11 08 99

Norway
- Avisenes Pressebyrå, Oslo
- Moss Avis A/S, Moss
- A/S Fredriksstad Blad, Fredrikstad
- A/S Østlandets Blad, Ski
- Avisenes Rotasjonstrykk AS, Fredrikstad
- Tønsbergs Blad AS, Tønsberg
- Vestfold Distribusjon AS, Tønsberg
- Sandefjords Blad AS, Sandefjord
- A/S Gjengangeren, Horten
- A/S Romsdals Budstikke, Molde
- A/S Åndalsnes Avis, Åndalsnes
- A/S Driva Trykk, Sunndalsøra
- Sunnmørsposten AS, Ålesund
- Sunnmøringen A/S, Stranda
- Vaagsø Bladforetagende A/S (Fjordenes Tidende), Måløy
- A/S Haugesunds Avis Haugesund
- Drammens Tidende og Buskeruds Blad A/S, Drammen
- A/S Laagendalsposten Kongsberg
- Telen A/S, Notodden
- Telemark Trykk AS, Notodden
- Røyken og Hurums Avis AS Slemmestad
- A/S Buskerud Distribusjon Drammen
- A/S Varden, Skien
- Kragerø Blad A/S, Kragerø
- Drangedal Blad, A/S, Drangedal
- Orkla Trykk AS, Stokke
- Mediateam Orkla Trykk AS, Skien
- A/S Østlendingen, Elverum
- TV Vestfold AS, Tønsberg
- TV Buskerud A.S, Strømsø
- Radio Grenland, Porsgrunn
- Kanal 1 Buskerud, Drammen

Sweden
- Tryckeriaktiebolaget Norrländska Socialdemokraten, Luleå

Magazines (Norway)

Hjemmet Mortensen AS
P.O. Box 5001 Majorstua
N-0301 Oslo
Tel. +47 22 58 50 00
Fax. +47 22 58 50 69

- Hjemmet Mortensen Trykkeri AS Oslo

Direct Marketing

Orkla DM AS
P.O. Box 137 Lilleaker
N-0216 Oslo
Tel. +47 22 51 10 10
Fax. +47 22 52 54 34

- Selektiv A.S, Grimstad
- DM-Distribusjon AS, Grimstad
- Sandberg AS, Oslo
- Metropolis Reklamebyrå AS, Oslo
- ODM Kompetansesenter i Dialogmarkedsføring AS, Oslo
- Dialogprosjekt AS, Oslo
- DM- Partner DK AS Lyngby, Denmark
- Ralton AB, Helsingborg, Sweden
- Stroede Data AB, Kungsbacka, Sweden
- Stroede Print Media AB, Gothenburg, Sweden
- Stroede Norge A.S. Oslo

Orkla Media (Poland)

P.O. Box 424 Skøyen
N-0212 Oslo
Tel. +47 22 54 43 00
Fax. +47 22 54 43 90

Al. Jana Pawla II 15 (ILMET)
00-828 Warszawa
Poland
Tel. +48 22 69 77 300
Fax. +48 22 69 77 318

Poland
- Presspublica Sp. z o.o. (Rzeczpospolita) Warszawa
- Warszawa Print Sp. z o.o. Warszawa
- Slowo Media (Slowo Polskie) Wroclaw
- Wieczor Wroclawia Sp. z o.o. Wroclaw
- Koncern Wydawniczy FORUM Sp. z o.o. (Glos Pomorza), Koszalin
- A.W.H. Edytor S.A. (Kurier Poranny), Bialystok
- Gazeta Pomorska Media Sp. z o.o. (Gazeta Pomorska), Bydgoszcz
- R-press Sp. z o.o. (Nowiny), Rzeszow
- Kresy BO Sp. z o.o. (Gazeta Wspolczesna), Bialystok
- PRO-MEDIA Sp. z o.o. (Nowa Trybuna Opolska), Opole
- Edytor Press Sp. z o.o. (Dziennik Wschodni), Lublin
- DEWU PRESS Sp. z o.o. (Dziennik Wieczorny), Bydgoszcz
- Slowo Druk Sp. z o.o. Wroclaw
- Orkla Media Magazines Sp. z o.o. Bydgoszcz
- Lubpress Sp. z o.o. (Gazetta Lubuska), Zielonia Gora

Eastern-Europe
- Kauna diena, Kaunas, Lithuania
- Vysokyj Zamok, Lviv, Ukraine
- Industrialnoje Zaporozje, Zaporozje, Ukraine

Electronic Publishing

- Telemark Info-Media A.S, Skien
- Mimer A.S, Ålesund
- DrammensNett A.S, Drammen
- Bilnett AS, Oslo

CHEMICALS

Borregaard
P.O. Box 162
N-1701 Sarpsborg
Tel. +47 69 11 80 00
Fax. +47 69 11 87 70

Specialty Chemicals

- Borregaard ChemCell, Sarpsborg
- Borregaard LignoTech, Sarpsborg
- LignoTech Sweden AB Vargön, Sweden
- LignoTech Finland Oy Tampere, Finland
- Borregaard Deutschland GmbH LignoTech Werk Karlsruhe, Karlsruhe, Germany
- LignoTech Schweiz AG Luterbach, Switzerland
- LignoTech USA Inc. Wisconsin, USA
- LignoTech USA Inc. Mount Vernon, USA
- LignoTech USA Inc. New Jersey, USA
- Borregaard UK Ltd. Cheshire, England
- LignoTech Iberica S.A Torrelavega, Spain
- LignoTech Yanbian Kaishantun Ltd., Jilin Province, China
- LignoTech South Africa, Umkomaas, South Africa

Fine Chemicals

- Borregaard Synthesis, Sarpsborg
- Borregaard Italia S.p.A. Madone, Italy
- Borregaard Taicang Chemicals Co. Ltd., Jiangsu Province, China
- Borregaard Synthesis Inc. Newburyport, USA

Ingredients

- Denofa AS, Oslo
- Denofa AS, Fredrikstad
- Denofa Foods Romania S.R.L. Buchuresti, Romania
- Nordic Food Company Pskov, Russia
- Marine Lipids AS, Leknes

Other areas

- Fredrikstad Blikk & Metallvarefabrikk A.S Fredrikstad
- Borregaard NEA AS, Hokksund
- Borregaard Trælandsfos AS, Hokksund
- Borregaard Hellefos AS, Hokksund
- Borregaard Vafos AS, Kragerø
- A/S Tronstad Brug Ltd., Sylling
- A/S Børresen, Sylling
- Borregaard Skoger A.S, Elverum
- Orkla Exolon KS, Orkanger
- Kemetyl AB, Haninge, Sweden

Sales offices abroad

- Borregaard S.E.A. Pte. Ltd. Singapore Science Park, Singapore
- Borregaard Industries Ltd. Shanghai Rep. Office, Shanghai, China
- Borregaard Industries Limited Japan Branch,Tokyo, Japan
- Borregaard France Paris, France
- Borregaard Deutschland GmbH Düsseldorf, Germany
- Denofa Foods Poland sp.z.o.o. Borregaard Poland from May 1999 Poznan, Poland
- Borregaard Moscow Rep. Office, Moskva, Russia
- Borregaard Middle East, Dubai, U.A.E.
- Borregaard Turkey, Istanbul, Turkey
- Borregaard Industries Ltd. Mumbai Rep. Office, India

FINANCIAL INVESTMENTS

Portfolio investments

Orkla ASA
Portfolio investments
P.O. Box 423 Skøyen
N-0212 Oslo
Tel. +47 22 54 40 00
Fax. +47 22 54 45 95

- Orkla ASA Swiss Branch, Neuhausen am Rheinfall, Switzerland

Financial Services

Orkla Finans A.S
P.O. Box 1724 Vika
N-0121 Oslo
Tel. +47 22 40 08 00
Fax. +47 22 33 14 41

OTHER ACTIVITIES

Chr. Salvesen & Chr. Thams's Communications Aktieselskab
P.O. Box 8
N-7332 Løkken Verk
Tel. +47 72 49 90 00
Fax. +47 72 49 90 01

Hemne Orkladal Billag AS
P.O. Box 23
N-7200 Kyrksæterøra
Tel. +47 72 45 14 11
Fax. +47 72 45 21 73

Viking Fottøy A.S
P.O. Box *33* Alnabru
N-0614 Oslo
Tel. +47 22 07 24 00
Fax. +47 22 07 24 99

- Viking Fottøy A.S, Askim
- Viking Sko AB Mölndal, Sweden
- Viking Jalkineet OY Vantaa, Finland
- Viking Footwear A/S Ringsted, Denmark

Orkla - Annual Report

1998

Contents

Design and layout
Anisdahl, Sand & Partnere

Photo
Terje Marthinusen
Tommy Normann Hansen

Print
Grønlands Grafiske AS

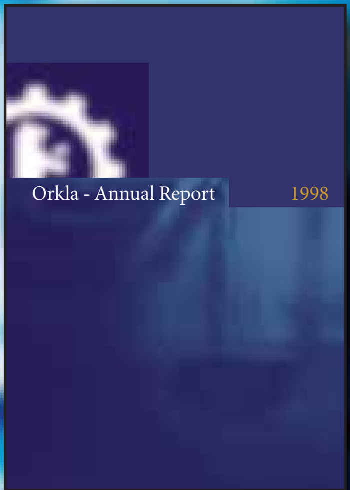
March 1999

ORKLA

Orkla ASA
P.O. Box 423 Skøyen
N-0212 Oslo
Tel +47 22 54 40 00
Fax +47 22 54 45 90
Enterprise number N 910 747 711

Office address:
Karenslyst allé 6
N-0277 Oslo

Orkla



HUGIN
Investor Relations Made Easy