Orkla - First four months 1999

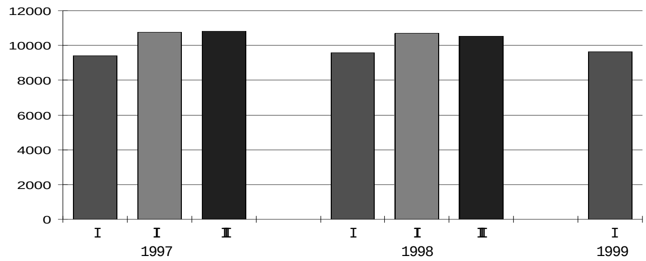
Group Income Statement

NOK million	1.1.-30.4. 1999	1.1.-30.4. 1998	1.1.-31.12. 1998
Operating income	9,633	9,579	30,819
Operating expenses	(8,631)	(8,490)	(26,810)
Ord. depreciation and write-downs	(512)	(480)	(1,456)
Operating profit before goodwill and other income and expenses	490	609	2,553
Goodwill amortisation and write-downs	(149)	(135)	(421)
Other income and expenses	0	0	(335)
Operating profit	341	474	1,797
Profit from associates	32	87	165
Dividends	132	98	325
Portfolio gains	274	390	769
Financial items, net	(311)	(271)	(999)
Profit before tax	468	778	2,057
Taxes	(126)	(202)	(555)
Profit after tax	342	576	1,502
Minority interests	19	39	124
Profit before tax, Industry area	62	301	1,015
Profit before tax, Financial Investments	406	477	1,042
Earnings per share fully diluted (NOK)	1.7	2.8	7.2
Earnings per share fully diluted (NOK) *)	2.5	3.5	11.4

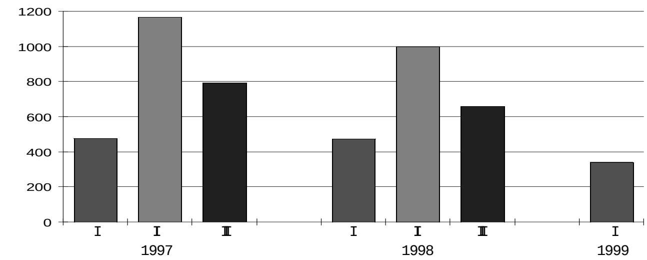
*) Excluding goodwill amortisation and non-recurring items.

Operating Income and Operating profit**) in NOK million 4 month periods

OPERATING INCOME



OPERATING PROFIT **)



**) Excluding «Other Income and Expenses».

The Orkla Group

Main trends

Orkla's profit before tax for the first four months of 1999 totalled NOK 468 million, compared with NOK 778 million for the corresponding period last year. The decline in profit is due to lower operating profit for Baltic Beverages Holding (BBH) and the Chemicals area, coupled with lower book profit from the Financial Investments area. Profit from associates also decreased.

As expected, BBH's profit has been negatively affected by a weaker currency. There is continued volume growth on the Russian market. While the foods area has achieved satisfactory profit growth, profit from the other branded consumer goods businesses is slightly lower than last year.

The Financial Investments area posted lower book profit than last year, but the value adjusted profit increased. The investment portfolio has yielded a return of 12.8% so far this year, and the net asset value of the portfolio has risen by NOK 1.6 billion since the beginning of the year. Only 20% of this increase is reflected in book profit.

In the course of last year, several major improvement programmes were initiated to strengthen the Group's competitiveness and profitability. The projects are proceeding as planned, but have had little effect on profit in the first four months.

Group earnings per share, excluding goodwill amortisation, amounted to NOK 2.50, compared with NOK 3.50 for the first four months of 1998.

The Group

Of the NOK 310 million decline in pre-tax profit compared with last year, NOK 71 million is related to lower book profit for the Financial Investments area. However, value adjusted profit for this area (taking into account unrealised capital gains) was higher than last year. The rest of the drop in profit is chiefly related to lower operating profit for BBH (NOK –95 million) and Chemicals (NOK –88 million), and lower profit from associates (NOK –55 million). The main reason for the fall in profit for BBH is the low rate of exchange for the Russian rouble. Volume growth is lower than before, but remains at a high level (25%). Profit for the Chemicals area for the first four months was weak, and must be seen in the light of the gradual decline that took place in 1998 as a result of the drop in demand in Asia, which primarily affected the lignin business. Ingredients also reported a substantial decline in profit compared with the same period last year, chiefly due to lower raw material prices. Profit from associates was NOK 55 million lower than last year, mainly as a result of lower profit for Hartwall (20.4% interest).

Orkla's operating income for continuing business*) was NOK 9,633 million, on a par with last year. Growth for Orkla Media and

**) Continuing business has been adjusted for acquisitions and divestitures, exchange rate fluctuations and non-recurring items. New businesses in 1999 have been included in the 1998 figures for the corresponding period, while divested businesses have been excluded in both 1998 and 1999.*

Orkla Foods was 5% and 4%, respectively, while Orkla Brands reported operating income for continuing business comparable to that of last year. Beverages and Chemicals posted lower income from sales than last year. So far in 1999, trends on the Norwegian and Swedish grocery markets have been favourable. The Group largely maintained its market shares for important product groups. However, the Biscuits business in Sweden and the Group's own carbonated soft drinks business in Norway are reporting a slight decline in market shares.

Operating profit for Orkla totalled NOK 341 million, compared with NOK 474 million for the same period last year. Profit for the first four months of 1999 was not affected by non-recurring items.

Net financial items amounted to NOK –311 million, NOK 40 million higher than last year. This can be ascribed to slightly higher interest rates and increased interest-bearing liabilities.

Profit excluding tax and minority interests totalled NOK 323 million, compared with NOK 537 million last year. The Group anticipates a tax charge of 27% for 1999, on a par with last year.

Orkla Foods

Orkla Foods reported operating income of NOK 3,298 million for the first four months of 1999. For continuing business, operating income was 4% higher than in the same period last year. Operating profit amounted to NOK 167 million, compared with NOK 104 million for the corresponding period last year. Last year's profit was negatively affected by the reduction in wholesalers'stocks in Sweden and start-up problems in connection with the new pizza factory in Norway. Profit this year was enhanced by a shift of sales to the first four months for some of Procordia Foods' products. Most of Orkla Foods' other businesses also achieved profit growth. Market positions were largely maintained or strengthened. Orkla Foods expects to increase its investments in marketing throughout the rest of 1999.

In Sweden, operating income for Procordia Food rose by 13%, as a result of increased marketing and sales activity. Furthermore, retailers increased their purchases of potato-based products following the announcement of a price increase from 1 May. The restructuring programme initiated last year is proceeding as planned. Abba Seafood continues to report profit growth.

In Norway, Stabburet has performed well. The profit improvement that took place towards the end of 1998 has continued into 1999. This profit growth is due to long-term focus on brand-building, innovation and product development, and to the fact that production at the new pizza factory has been normalised after the teething problems in 1998.

While operating profit for Orkla Foods International remained negative, it has improved slightly compared with last year. In the course of 1999, Kotlin in Poland will reduce its labour force by approximately 200 persons.

Orkla Foods has signed an agreement for the purchase of the marzipan and bakery ingredients supplier KåKå from the Swedish company Cerealia and the sale of the Norwegian flour milling business Regal Mølle to Cerealia. This will increase Orkla Foods' annual operating income by about NOK 600 million, while operating profit in short term will decline slightly. Orkla Foods will receive a cash payment of NOK 150 million as part of the deal. The transaction, which is subject to official approval, will give Orkla an accounting gain in the order of NOK 100 million. This is expected to be taken to income in the second four months of 1999.

Orkla Beverages

Orkla Beverages reported operating income for the first four months of 1999 of NOK 1,730 million, down 12% from last year. This decline is due to the termination of Ringnes' tollfilling of The Coca Cola Company (TCCC) products from 1 February 1999, together with a drop in income from BBH calculated in NOK. Operating profit excluding other income and expenses amounted to NOK –35 million, compared with NOK 70 million last year, after a charge of NOK 50 million for goodwill amortisation in the first four months of 1999, and NOK 46 million in 1998. Profit from the Nordic business was on a par with last year, while profit for BBH declined due to the devaluation of East European currencies, primarily the Russian rouble.

Operating income for the Nordic business fell by 7% to NOK 1,377 million, mainly due to the winding-up of tollfilling for TCCC in Norway. Operating profit for the Nordic business, excluding goodwill amortisation, totalled NOK –40 million, compared with NOK –35 million last year. The loss of the TCCC products and the decline in volumes for Ringnes' beer and its own carbonated soft drink brands had a negative impact on profit, while increased volumes for Pripps, the satisfactory performance of Pepsi in Norway and reduced unit costs at both Pripps and Ringnes contributed favourably.

Overall volumes on the Norwegian and Swedish beverage markets increased by 1% in Norway and 3% in Sweden. In Norway, beer sales declined by 2%, partly due to high beer taxes which result in high consumer prices. In Sweden, beer sales fell by 2%. In the same period, sales of carbonated soft drinks rose by 2% in Norway and 4% in Sweden, while sales of mineral water increased by 3% in Norway and 8% in Sweden. Ringnes maintained its market share for beer, but lost market shares for its own carbonated soft drinks. The market share of private labels for both beer and carbonated soft drinks remained stable. Cooperation with Pepsi in Norway has developed favourably and the Pepsi brands achieved satisfactory volume growth and increased market shares. In 1998, Pripps increased its market shares for carbonated soft drinks, despite an increase in capacity on the market when TCCC opened its own production plant. This trend continued in 1999. As far as beer is concerned, Pripps succeeded in winning substantial shares of the market for strong beer. This is largely due to the BlåGul brand, which now holds a strong no. 1 position at Systembolaget (the Swedish state wine and liquor monopoly) after its successful introduction in autumn 1998. The launch of the quality beer 1828 last autumn was also successful. Sales of Pripps' medium-strength beer and light beer declined slightly, as did the market as a whole. In the water segment, Pripps maintained its strong no. 1 position in a growing (+8%) market.

The breweries sector in both Norway and Sweden is under strong pressure. Norway has the highest beer tax in Europe, and the beer tax in Sweden is twice as high as in Denmark and eight times as high as in Germany. The political authorities in Norway and Sweden must give domestic breweries the same operating parameters as breweries in other countries, and significantly reduce beer taxes in both countries.

"Competitive Edge", a programme launched in autumn 1998 to improve cost effectiveness in the Nordic business, aims at reducing annual costs by over NOK 600 million in the two-year period 1999-2000. On the whole, the programme is proceeding as planned.

The introduction of a lower tax on non-returnable packaging in Norway was carried out in early May 1999. Ringnes expects that approximately 20-25% of beer and over 5% of carbonated soft drinks will eventually be sold in cans.

The turbulent situation in Russia with a substantial decline in the value of the Russian rouble last autumn has negatively affected BBH's profit performance. Inflation in Russia was about 84% in 1998, but the inflation rate was lower in the first four months of 1999. Neverthless, beer sales have continued to rise in Russia in 1999. Overall market growth for the first four months is estimated at 22%, which is on a par with annual volume growth in 1997 and 1998. However, the market share held by imports declined from about 9% in 1998 to 2% in 1999. BBH breweries in Russia reported volume growth of about 28% in the first four months of 1999, and have a market share of over 20%. The decline in Ukraine last year has been turned around to a slight increase this year, mainly as a result of lower beer taxes. For BBH as a whole, the volume of beer sold increased by 25% in the first four months of 1999 to 143 million litres (50%). Half of this growth can be ascribed to new breweries. Operating income (50%) fell by 27% from last year to NOK 355 million, due to the weak currency. Operating profit excluding goodwill amortisation (50%) amounted to NOK 67 million, compared with NOK 162 million in the first four months of 1998 and NOK 52 million in the last four months of 1998. Foreign exchange effects related to the translation of balance sheet items were significantly lower in the first four months than in the last four months of 1998. The operating margin fell from 33% in the first four months of 1998 to 19% in the first four months of 1999.

Orkla Brands

Operating income totalled NOK 1,431 million, up 7% from the first

Amounts in NOK million	Operating Income 1.1.-30.4. 1999	1.1.-30.4. 1998	1.1.-31.12. 1998	Operating Profit*) 1.1.-30.4. 1999	1.1.-30.4. 1998	1.1.-31.12. 1998
Orkla Foods	3,298	3,093	10,238	167	104	579
Orkla Beverages	1,730	1,973	6,741	(35)	70	508
Orkla Brands	1,431	1,335	4,273	108	117	456
Orkla Media	1,080	1,011	3,153	62	59	208
Elimination	(55)	(54)	(167)	0	0	0
Branded Consumer Goods	7,484	7,358	24,238	302	350	1,751
Chemicals	1,869	1,933	5,777	49	137	402
H.O./Unallocated/Elimination	163	148	429	(29)	(46)	(85)
Other income and expenses	0	0	0	0	0	(335)
Industry area	9,516	9,439	30,444	322	441	1,733
Financial Investments	117	140	375	19	33	64
Group	9,633	9,579	30,819	341	474	1,797

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

four months of 1998. Adjusted for acquisitions and exchange rate effects, operating income was on a par with last year.

Market growth was moderate, and market shares generally remained stable. However, the sales performance of the Swedish Biscuits business and the Norwegian Snacks business was weaker. From 1 January 1999, the Home Textiles business acquired the Swedish company Freds AB, which has an annual turnover of approximately SEK 300 million.

Operating profit excluding other income and expenses amounted to NOK 108 million, a decline of NOK 9 million from last year.

Strong competition has led to lower prices for some products and, combined with a slight increase in indirect costs, explains the 0.7 percentage point decline in operating margin for continuing business.

The performance of Lilleborg Home and Personal Care and Industrial Ingredients, as well as that of the Chocolate/ Confectionery business, has been stable, and profits were on a par with last year. The Cod Liver Oil business continued to achieve profit growth. The acquisition and integration of Freds AB is taking place as planned and profit performance is in line with the assumptions on which the takeover was based.

Biscuits reported lower profit growth than in the same period last year. The Swedish business got off to a slow start this year, but Norwegian and Finnish companies achieved higher sales. Lower prices and a negative product mix have affected profit, but measures to remedy this situation are now being implemented. Work on a new production structure is proceeding as planned.

Profit for the Snacks business was lower than last year. In Norway, tougher competition has resulted in slower sales growth. In Denmark the market position is stable,but starting up the potato crisps production line after it was moved from Give to Søndersø has taken longer than anticipated and resulted in higher costs for the period. Productivity is expected to reach the target level during the autumn.

Orkla Media

Operating income for continuing business rose by 5% to NOK 1,080 million. Operating profit of NOK 62 million for continuing business was on a par with last year. The operating margin for continuing business was 5.7%, which is 0.3 percentage-points lower than in the same period last year.

Operating profit for Newspapers Norway rose slightly compared with the corresponding period last year. The general decline in the advertising market has led to a 3.6% drop in volume compared with 1998. Circulation is still increasing, but the rate of growth is slowing compared to last year. Orkla Trykk performed satisfactorily, but still has slightly higher start-up costs than targeted. The decision to reduce the workforce in Newspapers Norway is being implemented somewhat more rapidly than planned. In the first four months of 1999, majority interests were acquired in four small local newspapers.

Magazines achieved higher profit compared with the corresponding period last year. Advertising volume dropped by 0.7%, while the overall market declined by 3.2%. Magazines' share of the total advertising market increased by 1 percentage point. The frequency-adjusted circulation figures for Magazines showed a decline equivalent to that of the overall market. Investments in a new offset press are being carried out as planned, and are expected to be completed in the first half of 2000.

Operating profit for the Direct Marketing business was on a par with the corresponding period last year.

Newspapers Eastern Europe reported slightly lower operating profit than last year for continuing business. This decline can largely be ascribed to costs in connection with intensified marketing activities. The two printing plants currently being built by the newspaper Rzeczpospolita are due to be completed in summer 1999. The newly acquired newspaper Gazeta Lubuska was consolidated with effect from 1 January 1999 and is making a positive contribution to profit.

Chemicals

Borregaard's operating income for the first four months of 1999 totalled NOK 1,869 million, down 3% from the same period last year. Most of this decline can be explained by lower sales of lignin products, basic chemicals and diphenols. Operating profit amounted to NOK 49 million, compared with NOK 137 million last year. The drop in profit is due to significantly lower profit from the lignin, ingredients and basic chemicals businesses.

Profit for the lignin business was substantially lower than in the first four months of 1998, when the Asian crisis had not yet had a significant impact. Reduced demand for ingredients for concrete and special products for the dyestuff industry and the petroleum sector was only partly offset by favourable exchange rates and lower freight rates.

Speciality Cellulose achieved better results than last year, and productivity improved.

Operating profit for Fine Chemicals was on a par with last year. Efforts to develop new products for the pharmaceuticals industry are progressing and profit for this business is now showing a positive trend compared with last year. Increased competition and a weaker market in Asia resulted in lower profit for both the vanillin and diphenol businesses.

The Ingredients business also reported significantly weaker profit than in 1998, which was a particularly good year. A sharp drop in the price of raw materials reduced the contribution from the sale of fish oil. A lower margin from soya bean crushing operations also added to the decline in profit. Export sales of edible oils were lower than last year due to the economic crisis in Russia, but this was partly offset by an improvement on other export markets.

Profit from the Basic Chemicals business was lower than last year. A weaker market and falling prices for sulphuric acid were only partly compensated for by improved operating regularity at the ethanol and chloralkali factory.

The productivity work at the Sarpsborg factory is proceeding as planned. Since the start of the year, a survey of the entire company has been carried out, new planning and monitoring tools are now in

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

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

Group Balance Sheet

Amounts in NOK million	30.4. 1999	30.4.*) 1998	31.12.*) 1998
Assets:			
Long-term assets	21,108	20,513	21,079
Portfolio investments etc.	9,300	8,728	8,851
Short-term assets	8,866	8,665	8,702
Total assets	39,274	37,906	38,632
Equity and Liabilities:			
Equity and Minority interests	13,406	12,660	13,240
Interest-bearing liabilities	17,292	16,315	16,453
Interest-free liabilities and provisions	8,576	8,931	8,939
Total equity and liabilities	39,274	37,906	38,632
Equity to total assets ratio (%):			
Book	34.1	33.4	34.3
Incl. unrealised gains before tax	42.0	44.0	40.6

*) Deferred tax benefit is deducted from deferred tax according to the new accountancy law.

Cash flow

Amounts in NOK million	1.1.-30.4. 1999	1.1.-30.4. 1998	1.1.-31.12. 1998
Industry area:			
Operating profit	322	441	1,733
Depreciation and write-downs	668	610	1,913
Change in net working capital	(189)	(84)	(17)
Cash flow from operating activities	801	967	3,629
Net replacement expenditure	(391)	(538)	(1,726)
Free cash flow from operating activities	410	429	1,903
Financial items, net	(254)	(175)	(631)
Free cash flow from Industry area	156	254	1,272
Free cash flow from Financial Investments	(332)	76	321
Taxes and dividends paid	(221)	(491)	(1,494)
Miscellaneous capital transactions, foreign exchange differences, etc.	281	(55)	(102)
Group's self-financing capacity	(116)	(216)	(3)
Expansion investments (Industry area)	(485)	(695)	(1,295)
Net purchases/sales portfolio investments	(250)	(18)	421
Net cash flow	(851)	(929)	(877)
Change in net interest-bearing liabilities	851	929	877
Net interest-bearing liabilities	15,395	14,596	14,544

use and efforts to put in place a new, simplified organizational structure are well under way. The programme is gradually expected to have an effect in the course of the year in the form of increased capacity utilisation and reduced costs, but the net impact on profit this year will be limited.

Financial Investments

The Oslo Stock Exchange (OSE) performed very well in the first four months of 1999. The All Share Index increased by 21.5%, making the OSE one of the best stock exchanges in the world. Internationally, the strongest upswings were on the Russian and Asian stock markets.

The return on Orkla's investment portfolio was 12.8% in the first four months. Its relatively weak performance compared to the OSE All Share Index was partly due to the weak performance of Storebrand and Orkla's limited exposure in Norsk Hydro, the largest company on the exchange.

Book profit for the Financial Investments area was NOK 406 million compared with NOK 477 million for the same period last year. Realised capital gains totalled NOK 274 million, compared with NOK 390 million in 1998. Dividends received amounted to NOK 132 million. The Orkla Finance group posted lower profit in the same period last year.

Orkla purchased shares for a net total of approximately NOK 250 million in the first four months, making its largest single investment in Elkjøp.

The net asset value increased by NOK 1,592 million in the first four months to NOK 12,002 million. The market value of the portfolio totalled NOK 14,260 million at the end of the first four months, 30% of which were foreign investments. The unrealised capital gain on the portfolio amounted to NOK 5,341 million, an increase of NOK 1,212 million since the start of the year.

Orkla's portfolio investments are recorded at cost price, as the investments are not considered to fulfil the Accounting Act's requirements regarding market-based current financial assets.

Cash flow, investments and financial situation

The Group's net cash flow was NOK –851 million, a slight improvement from last year. The Industrial area's expansion investments, totalling NOK 485 million, were largely related to the purchase of the Polish newspaper Gazeta Lubuska, the home textile supplier Freds AB and capacity expansion at BBH. Net interest-bearing liabilities at the end of the first four months amounted to NOK 15,395 million, and the average borrowing rate at that time was 5.9%. The proportion of interest-bearing liabilities at floating interest rates was approximately 50%, and about 11% of interest-bearing liabilities was exposed to Norwegian short-term money market rates at the end of the first four months of 1999.

As of 30 April 1999, the Group's book equity ratio was 34.1%. Including unrealised gains on the share portfolio (before tax), the equity ratio was 42.0%.

Outlook

The world economy is still characterised by uncertainty and the growth rate for this year is expected to be lower than in 1998. Positive trends include the tendency towards growth and stabilisation in Asia, and the continued low rate of inflation. However, there is uncertainty as to the interest rate in the USA and the economic and political situation in Eastern Europe.

As far as the Group's Nordic branded consumer goods businesses are concerned, no significant changes in market-related operating conditions are expected. Continued strong competition make it necessary to focus on the measures that have been initiated to improve Orkla's competitiveness.

Orkla Foods achieved a substantial increase in profit in the first four months of the year. Due to a shift of sales to the first four months of the year, the same relative improvement is not expected for the rest of the year.

The BBH beverages business expects the market to develop favourably, but the weak currency will continue to have a negative effect on profit.

High national taxes on beer continue to be a major disadvantage for Pripps Ringnes' breweries in Norway and Sweden. If taxes remain at this level, it will be difficult to maintain local production over time.

Although the Chemicals area expects profit performance to improve during the rest of the year, it anticipates lower profit for the overall year than in 1998.

Oslo, 3 June 1999
The Board of Directors of Orkla ASA