



# The Orkla Group

## First Four Months of 1999

4 June 1999

# Highlights 1st four months 1999

- Improvement for Orkla Foods
- Volume growth, but expected profit decline for BBH
- Disappointing result from Chemicals
- Substantial value increase for Investment Portfolio
- Improvement programmes on schedule

# Profit and loss account

in NOK million

	1 Jan - 30 Apr 1999	1998	Year 1998
Operating income	9 633	9 579	30 819
<b>Operating profit before goodwill amortisation and other income and expenses</b>	<b>490</b>	609	2 553
Goodwill amortisation	-149	-135	-421
Other income and expenses	0	0	-335
<b>Operating profit</b>	<b>341</b>	474	1 797
Associated companies	32	87	165
Dividends received	132	98	325
Portfolio gains	274	390	769
Financial items, net	-311	-271	-999
<b>Profit before tax</b>	<b>468</b>	778	2 057
<b>Profit after tax</b>	<b>342</b>	576	1 502
- Minority interests	19	39	124

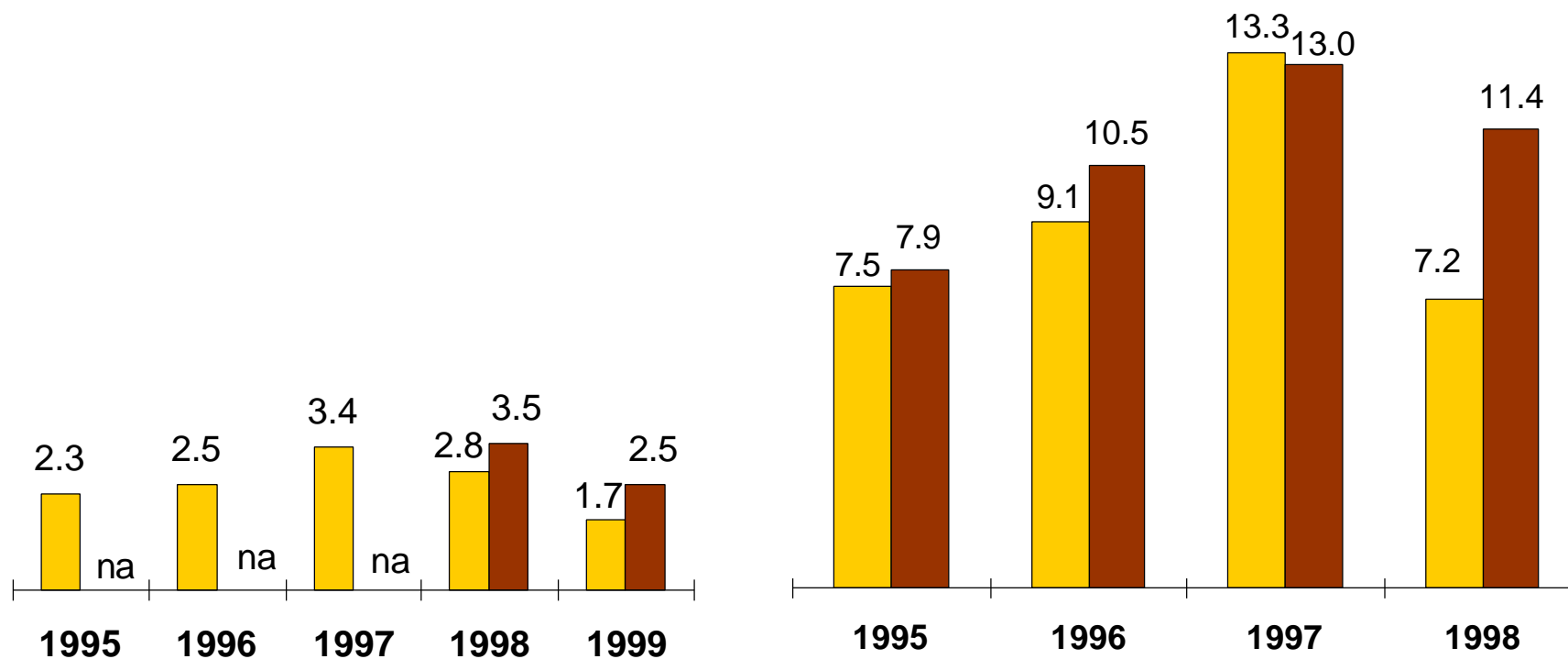
# Earnings per share fully diluted

in NOK

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

1 Jan - 30 April

Year



## Extensive cost cutting programmes

	Target for cost reduction	Net effect on costs		Activities completed
		1 Jan - 30 Apr 99	1999	
Procordia Food	Approx. NOK 160 mill.	Modest	Some	2002
Pripps Ringnes	More than NOK 600 mill.	Some	Substantial	2001
Chemicals	Approx. NOK 200 mill.	None	None	2000

### Other projects:

- Kotlin, Poland
- Nordic Biscuits
- Newspapers Norway
- Magazines Norway

# Cash flow statement

in NOK million

## Cash flow from operations

Net capital expenditure

Financial items paid

**Free cash flow Industry**

**Free cash flow Financial Investments**

Taxes and dividends paid

Miscellaneous

**Self-financing capacity**

Expansion investments, industry

Net acquisitions/sales portfolio investments

**Net cash flow**

1 Jan - 30 Apr  
1999

1998

Year  
1998

801

967

3 629

-391

-538

-1 726

-254

-175

-631

156

254

1 272

-332

76

321

-221

-491

-1 494

281

-55

-102

-116

-216

-3

-485

-695

-1 295

-250

-18

421

-851

-929

-877

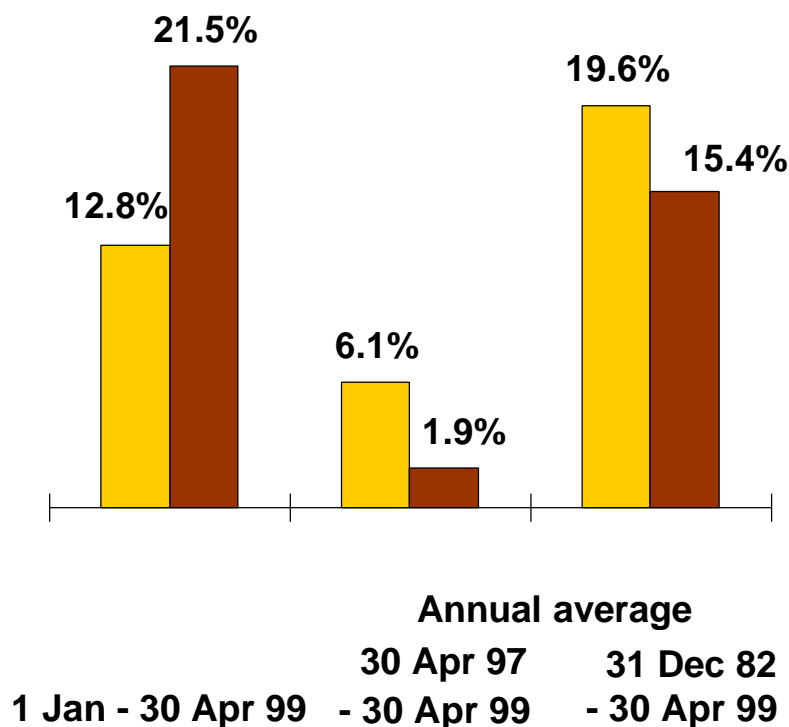
# Balance sheet - some key figures

NOK million	30 Apr 99	31 Dec 98
Long-term assets	21 108	21 079
Portfolio investments	9 300	8 851
Short-term assets	8 866	8 702
<b>Total assets</b>	<b>39 274</b>	<b>38 632</b>
<b>Equity to total assets ratio</b>		
- Book	34.1%	34.3%
- Incl. unrealised capital gains before tax	42.0%	40.6%
<b>Net interest-bearing liabilities</b>	<b>15 395</b>	<b>14 544</b>

## Portfolio performance

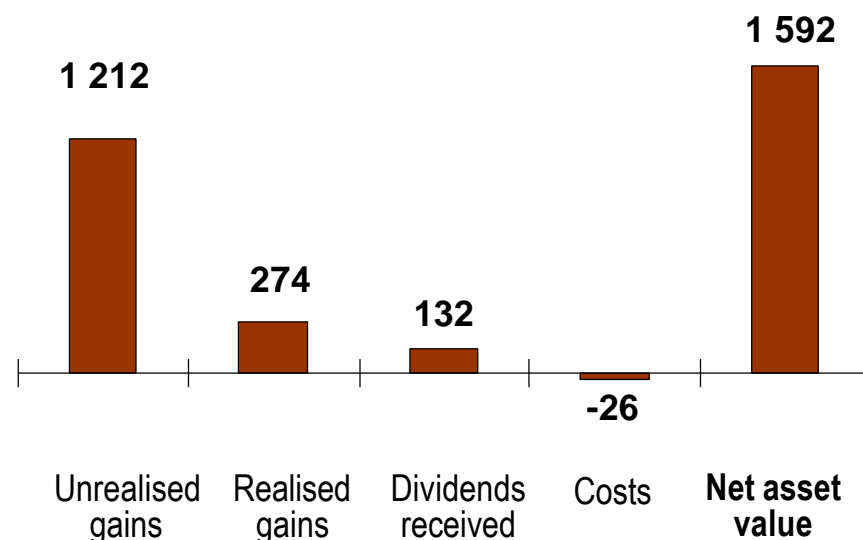
### Return

- Orkla's portfolio
- Oslo Stock Exchange



### Value added 1 Jan - 30 Apr 1999

NOK million





# Portfolio key figures

in NOK million

	<b>30 Apr 99</b>	<b>31 Dec 98</b>	<b>Change 1999</b>
Market value	14 260	12 624	1 636
Net asset value	12 002	10 410	1 592
Unrealised gains before tax	5 341	4 129	1 212
Share of portfolio invested outside Norway	30%	29%	+1 %-p

# Portfolio as of 30 April 1999

Principal holdings	Industry	Share of equity (%)	Share of portfolio (%)	Market value (NOK million)
Elkem	Metals	25.3	12.1	1 734
Storebrand	Insurance	10.0	10.9	1 562
NetCom	Telecommunications	10.1	7.7	1 107
Nokia	Telecommunications	0.2	5.0	722
Dyno	Chemicals	18.1	4.4	633
Nycomed Amersham	Pharmaceuticals	1.4	3.9	562
Steen & Strøm Invest	Real estate	10.6	2.5	361
Hafslund	Energy	8.6	2.5	355
Chips	Food	14.0	2.5	352
Aker RGI	Miscellaneous	3.8	2.2	304
<b>Total principal holdings</b>			<b>53.7</b>	<b>7 692</b>

## Orkla Foods

in NOK million

	1 Jan - 30 Apr 1999	1998	Year 1998
<b>Operating income</b>	<b>3 298</b>	3 093	10 238
Goodwill amortisation	-55	-53	-162
<b>Operating profit*</b>	<b>167</b>	104	579
<b>Operating margin*</b>	<b>5.1%</b>	3.4%	5.7%

\* Excluding other income and expenses

- Continued positive trend in Norway
- Underlying profit in Sweden in line with 1st four months 98
- Satisfactory performance for Danish and Finnish business
- Milling business (N) to be swapped for bakery ingredients (S, DK)

# Orkla Beverages

in NOK million

	1 Jan - 30 Apr 1999	1998	Year 1998
<b>Operating income</b>	<b>1 730</b>	1 973	6 741
Goodwill amortisation	-50	-46	-143
<b>Operating profit*</b>	<b>-35</b>	70	508
<b>Operating margin*</b>	<b>-2.0%</b>	3.6%	7.5%

\* Excluding other income and expenses

- Nordic profit in line with first four months 1998
- RUB devaluation weakens BBH profit

## Nordic market shares 1st four months 1999 and 1998

	Norway			Sweden		
	Beer	Soft drinks	Water	Beer	Soft drinks	Water
Total market change	- 2%	+2%	+3%	-2%*	+4%	+8%
<b>Pripps Ringnes</b> Market share	59%	24%	72%	39%	20 %	56 %
Change from 1998	0 %-p	-2%-p	0 %-p	+2 %-p	0 %-p	0 %-p

\* Excluding private imports of beer

- Continued excessive beer tax level a threat to Nordic brewery industry
- Stronger market positions for beer and soft drinks in Sweden
- Weaker market shares for own soft drinks brands in Norway
  - Improved position for Pepsi-products

# Nordic markets

in NOK million

	1 Jan - 30 Apr 1999	1998	Year 1998
<b>Operating income</b>	1 377	1 486	5 033
<b>Operating profit*</b>	-40	-35	131
<b>Operating margin*</b>	-2.9%	-2.4%	2.6%

\* Excluding goodwill amortisation and other income and expenses

- Improved profits in Sweden
  - Reduced costs and improved market positions
- Weaker profits in Norway
  - Volumes down 22% due to loss of production for TCCC
- System for return of cans introduced in Norway
  - Expected to take 20-25% of the beer market and 5% of the soft drinks market

## BBH - Baltic Beverages Holding

in NOK million

	1 Jan - 30 Apr 1999	1998	1 Sept - 31 Dec 1998	Year 1998
<b>Operating income</b> (50%)	<b>355</b>	487	385	1 715
<b>Operating profit</b> (50%) *	<b>67</b>	162	52	567
<b>Operating margin</b> *	<b>18.9%</b>	33.3%	13.5%	33.1%
<b>Volume in million litres</b> (100%)	<b>287</b>	230	292	913
Total assets incl. goodwill - NOK billion (50%)	<b>2.3</b>	1.9		2.1
Average RUB/USD exchange rate	<b>24.0</b>	6.1	17.7	10.1

\* Excluding goodwill amortisation

- 25% volume growth
- Average price increase still lower than inflation
- Strong market leader in most markets
- Tougher competition

## Volume growth BBH breweries first four months

mill. litres	1999	1998	Change 1998-99	Year 1998
<b>Russia</b>	222	173	+ 28 %	699
<b>Ukraine</b>	21	19	+ 8 %	78
<b>Baltic States</b>	44	37	+ 19 %	136
<b>BBH total</b>	<b>287</b>	<b>229</b>	<b>+ 25 %</b>	<b>913</b>



## Market trends first four months



	Market growth	BBH market share	Litres per capita
	1998-99	1999	Year 1998
<b>Russia</b>	22 %	20 %*	23
<b>Ukraine</b>	9 %	13 %**	12
<b>Estonia</b>	22 %	50 %	47
<b>Latvia</b>	17 %	42 %	31
<b>Lithuania</b>	9 %	37 %	44

\* Including Chelyabinsk, acquired Jan 99

\*\* Including Kolos, ownership increased to 42% Feb 99

# Orkla Brands

in NOK million

**Operating income**

Goodwill amortisation

**Operating profit\***

**Operating margin\***

1 Jan - 30 Apr  
1999

1998

Year  
1998

1 431

1 335

4 273

-11

-9

-27

108

117

456

7.5%

8.8%

10.7%

\* Excluding other income and expenses

- Profits improved or maintained for most product groups
- The textile business acquires Swedish market leader as of Jan 1 1999
- Profit decline for biscuits and snacks

## Orkla Media

in NOK million

### Operating income

Goodwill amortisation

### Operating profit\*

### Operating margin\*

	1 Jan - 30 Apr 1999	1 Jan - 30 Apr 1998	Year 1998
Operating income	1 080	1 011	3 153
Goodwill amortisation	-26	-20	-68
Operating profit*	62	59	208
Operating margin*	5.7%	5.8%	6.6%

\* Excluding other income and expenses

### ● Progress in Norway

- Improved output from new printing plant for newspapers
- Increased income from newspaper advertising, but lower volumes
- Magazines have gained market shares in declining advertising market

### ● Further expansion in Poland

- Positive contribution from Gazeta Lubuska, consolidated from Jan 1 1999
- Reduced profit for continuing business due to cost increases

## Weak start to the year

in NOK million	1 Jan - 30 Apr		Year
	1999	1998	1998
<b>Operating income</b>	<b>1 869</b>	1 933	<b>5 777</b>
<b>Operating profit*</b>	<b>49</b>	137	<b>402</b>
<b>Operating margin*</b>	<b>2.6%</b>	7.1%	<b>7.0%</b>

\* Excluding other income and expenses

- Lignin: Asian markets explain negative price/mix
- Ingredients: Lower margin on trading and crushing
- Fine Chemicals: Volumes expected to rise later in 1999
- Basic chemicals: Weak markets and lower production

# Annual General Meeting decisions

- A and B shares to become one common class of shares
  - Equal voting rights and equal share price
- Compensation for A shares
  - Seven old shares entitle holder to subscribe for one new share against payment of NOK 6.25 (nominal value)
  - Compensation based on differences in market prices between A and B shares
  - Prospectus distributed second half of 1999
- Authorisation to buy back up to 10% of Orkla shares renewed
  - Limited to nominal value of NOK 84 million/13.44 million shares
  - Renewed until Nov 2000

# Orkla Beverages

in NOK million

### Total operating revenues

Operating revenues Nordic markets

Operating revenues BBH (50%)

Operating profits Nordic markets

Operating profits BBH (50%)

Amortisation and depreciation of goodwill

Unallocated overhead

### Total operating profits

### Operating margin

	1 Jan - 30 Apr 1999	1998	Year 1998
<b>Total operating revenues</b>	<b>1 730</b>	<b>1 973</b>	<b>6 741</b>
Operating revenues Nordic markets	1 377	1 486	5 033
Operating revenues BBH (50%)	355	487	1 715
Operating profits Nordic markets	-40	-35	131
Operating profits BBH (50%)	67	162	567
Amortisation and depreciation of goodwill	-50	-46	-143
Unallocated overhead	-12	-11	-47
<b>Total operating profits</b>	<b>-35</b>	<b>70</b>	<b>508</b>
<b>Operating margin</b>	<b>-2.0%</b>	<b>3.6%</b>	<b>7.5%</b>

# Operating profit by 4-month period

NOK million

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

