



# The Orkla Group Preliminary results 1997

13 February 1998



# 1997 a good year for Orkla

## EPS increased by 46%

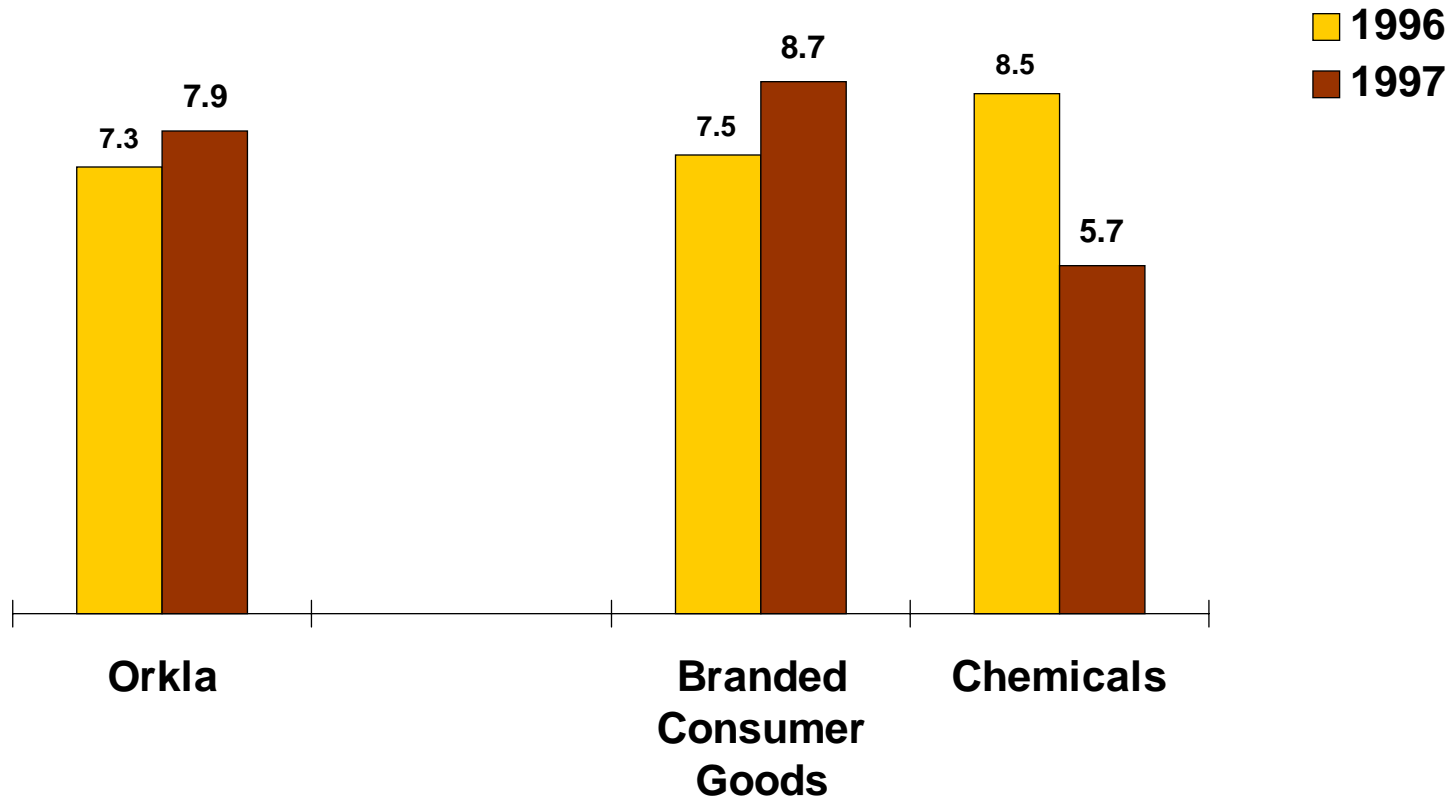
- Acquisition of Pripps Ringnes completed
  - Strong performance for BBH
- Overall progress for Nordic consumer products in spite of challenges
- Significant profit contribution from non-recurring items
- Falling interest rates have favoured debt financed growth
- Substantial value creation from Financial Investments
- Share price up by 43% to NOK 635 (A-share)

# Profit and loss account

(NOK mill.)	Year		Sept.-Dec.	
	1997	1996	1997	1996
Operating revenues	30 970	25 998	10 802	8 970
Goodwill amortisation	-419	-283	-149	-112
Other revenues and costs	181	20	23	0
<b>Operating profit</b>	<b>2 613</b>	<b>1 916</b>	<b>814</b>	<b>613</b>
Financial items, net	-394	-398	-136	-138
Associated companies	442	97	314	16
Portfolio gains	876	816	265	236
<b>Profit before tax</b>	<b>3 537</b>	<b>2 431</b>	<b>1 257</b>	<b>727</b>
Taxes	-863	-641	-270	-188
Minority interests	-112	-38	-33	-22
<b>Net profit</b>	<b>2 562</b>	<b>1 752</b>	<b>954</b>	<b>517</b>
<b>EPS fully diluted (NOK)</b>	<b>53.2</b>	<b>36.5</b>	<b>19.8</b>	<b>10.8</b>

# Operating margin 1997\*

%

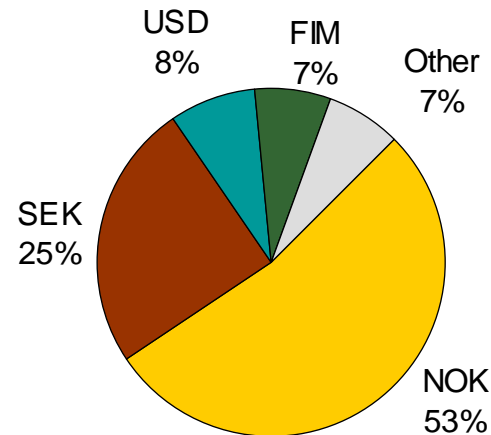


\*Excluding other revenues and costs

# Non-recurring items 1997

<b>Booked under</b>	<b>NOK mill.</b>	<b>Specification</b>	<b>NOK mill</b>
<b>Other revenues and costs</b>	<b>181</b>	Orkla Foods	46
		Orkla Beverages	171
		Orkla Brands	20
		Orkla Media	16
		Chemicals	-50
		Head Office/unallocated	-22
<b>Financial items</b>	<b>61</b>	Gain from sale of Hansa	
<b>Associated companies</b>	<b>303</b>	Gain from sale of Jotun Polymer	283
		Other gains from sales	20
<b>Total</b>	<b>545</b>		

# Limited currency exposure



Breakdown of total debt portfolio NOK 15.7 bill.

- Short term operational risk policy
  - Cash flow from operations and balance sheet items are hedged
- Long term financial risk policy
  - Debt portfolio is structured to reflect each currency's relative importance
- Exceptions:
  - Absence of efficient currency market (Baltic Beverages Holding)
  - Indirect exposure (Chemicals)

# Cash flow statement

(NOK mill.)

	Year	
	1997	1996
<b>Cash flow from operations</b>	<b>4 200</b>	<b>3 590</b>
Replacement expenditure	-1 738	-1 203
Disposal of industrial assets	212	236
Financial items paid	-565	-613
<b>Free cash flow Industry</b>	<b>2 109</b>	<b>2 010</b>
<b>Free cash flow Financial Investments</b>	<b>168</b>	<b>312</b>
Taxes and dividends paid	-999	-762
Miscellaneous	762	204
<b>Self-financing capacity</b>	<b>2 040</b>	<b>1 764</b>
Expansion investments, industry	-5 935	-664
Net acquisitions/sales portfolio investments	-994	264
<b>Net cash flow</b>	<b>-4 889</b>	<b>1 364</b>

# Balance sheet - some key figures

(NOK mill.)

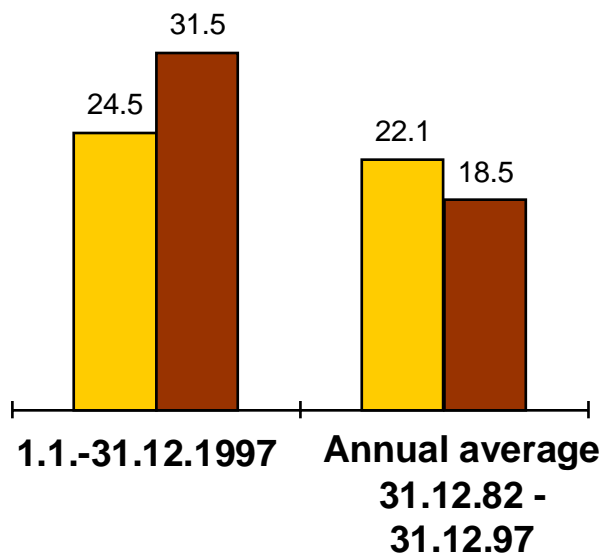
	31.12.1997	31.12.1996
Portfolio investments	8 188	6 512
Other current assets	9 042	7 207
Long-term assets	19 635	12 777
<b>Total assets</b>	<b>36 865</b>	<b>26 496</b>
<b>Equity to total assets ratio (%)</b>		
- Book	32.9	36.5
- Incl. unrealised capital gains before tax	42.6	45.9
<b>Net interest-bearing debt</b>	<b>13 667</b>	<b>8 778</b>



# Portfolio performance

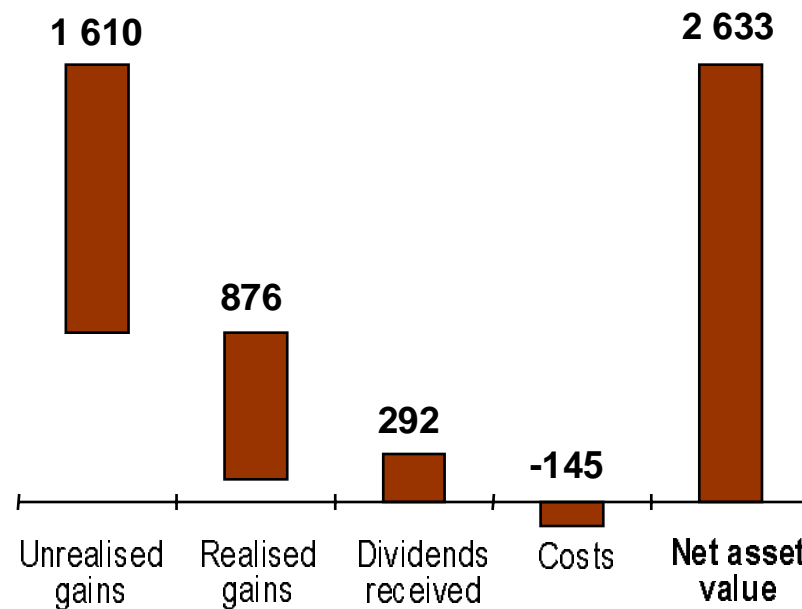
## Return %

- Orkla's portfolio
- Oslo Stock Exchange



## Value added 1.1.-31.12.1997

NOK mill.



# Portfolio key figures

NOK billion	<b>12/31/97</b>	<b>Increase 1997</b>	<b>Increase last 5 years</b>
Market value	14.4	3.4	10.6
Net asset value	11.5	2.6	9.6
Unrealised gains before tax	6.2	1.6	6.2

<b>31.12.</b>	<b>Debt to total assets</b>
1997	20%
1992	51%

# Portfolio 31 December 1997

Principal holdings	Industry	Share of equity (%)	Share of portfolio (%)	Market value (NOK mill.)
Storebrand	Insurance	10.0	13.8	1 995
Elkem	Metals	25.3	8.7	1 254
NetCom	Telecomm.	11.1	6.6	954
Kværner	Engineering	4.7	5.3	766
Dyno	Chemicals	18.1	4.6	659
Bergesen d.y.	Shipping	3.8	3.5	502
Nycomed Amersham	Pharmaceuticals	1.4	3.3	482
Schibsted	Media	4.3	2.6	379
Hafslund	Energy	6.7	2.2	320
Lindex	Retailing	9.7	2.1	301
Steen & Strøm Invest	Real estate	9.9	2.0	291
Den norske Bank	Banking	1.2	1.9	275
<b>Total principal holdings</b>			<b>56.6</b>	<b>8 178</b>

# Nordic markets 1997

- Moderate volume growth
- Continued competitive pressure
- Increasingly dominant retail trade
  - Growth for private labels within some product groups

# Orkla Foods

	Year		Sept.-Dec.	
	1997	1996	1997	1996
Operating revenues (NOK mill.)	10 094	10 527	3 509	3 563
Goodwill amortisation (NOK mill.)	-169	-164	-65	-57
Operating profit (NOK mill.)*	655	608	271	257
Operating margin (%)	6.5	5.8	7.7	7.2
- continuing business at constant exchange rates	6.7	6.4		

\* Excluding other revenues and costs

- Reduced sales due to divestitures
- Favourable profit trend on Nordic markets
- Challenges
  - Further cost improvements
  - Strengthen market positions



# 1997 highlights

- Improved profits on Nordic markets
  - Volume growth and stronger market positions in Norway
  - Increased profits, but stronger competition in Sweden
  - Progress in Denmark
- Abba Seafood: Strong recovery
  - Successful restructuring and improved cost structure
  - Improved product mix and stronger positions
  - Significant profit increase
- Orkla Foods International established
  - Negative contribution due to start-up investments

# Orkla Beverages

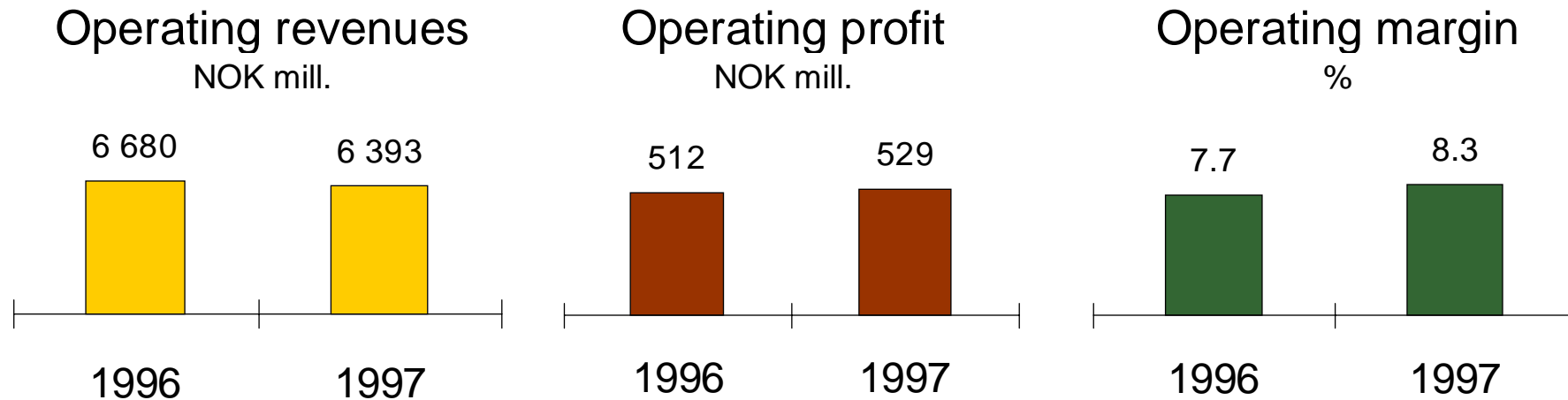
	1997	Year 1996	1996*	Sept.-Dec. 1997	1996*
Operating revenues (NOK mill.)	7 656	3 265	7 256	2 356	2 267
Goodwill amortisation (NOK mill.)	-139	-10	-151	-50	-66
Operating profit (NOK mill.)**	799	300	526	161	24
Operating margin (%)	10.4	9.2	7.2	6.8	1.1
- continuing business at constant exchange rates	10.4	7.1	7.1		

\* Pro forma Pripps Ringnes 100%

\*\* Excluding other revenues and costs

- Downscaling of Nordic TCCC-relationship
- Profit level well maintained in Nordic markets
- Strong volume and profit growth for Baltic Beverages Holding (BBH)

# Nordic markets\*



- TCCC-relationship ended in Sweden as of 31.12.97
  - Bottling to continue in Norway until year-end 98
- Favourable trend for own soft drinks and water
- Strong competition for beer in both markets

\* Pripps Ringnes 100% in both years.

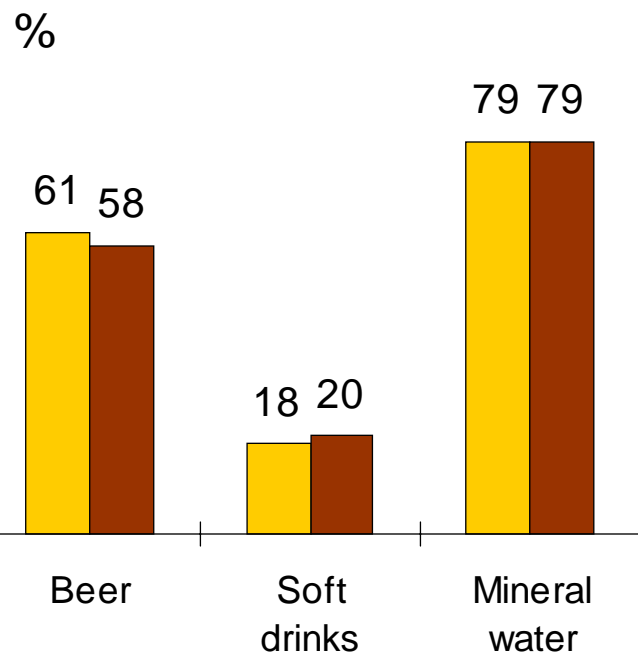
Operating profit and margin before goodwill amortisation and other revenues and costs



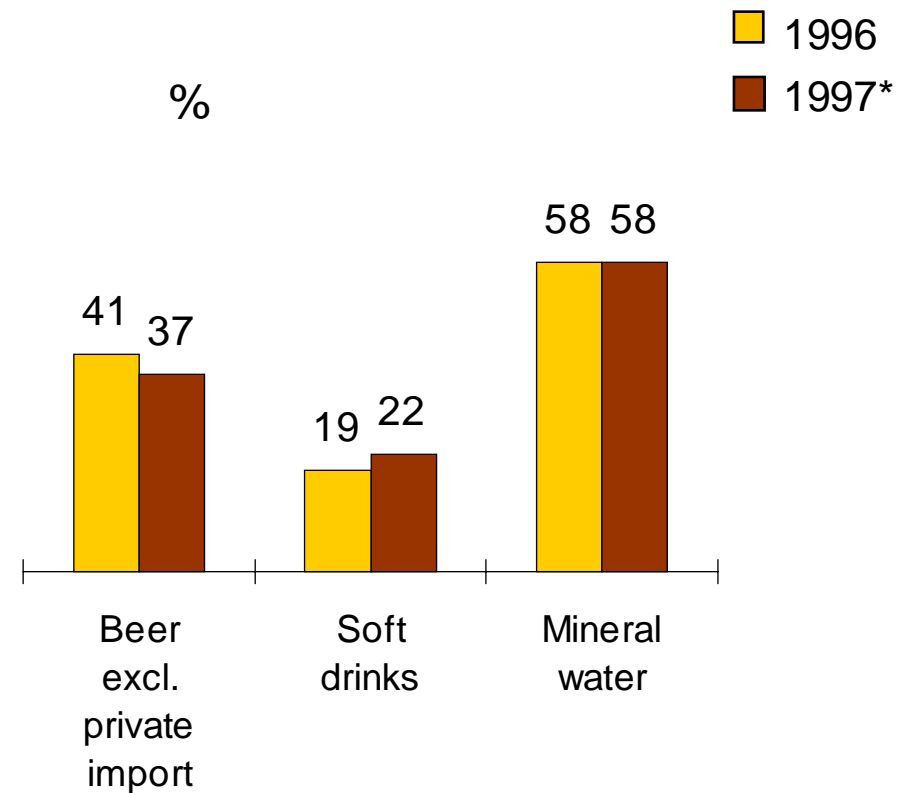


# Nordic market shares

## Ringnes in Norway



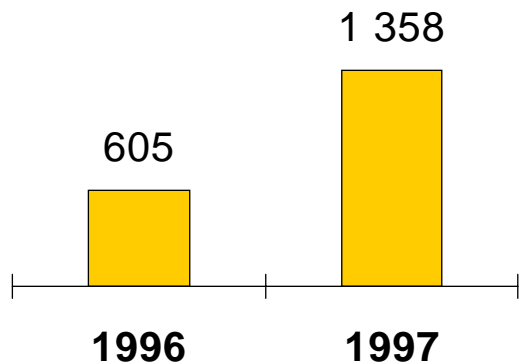
## Pripps in Sweden



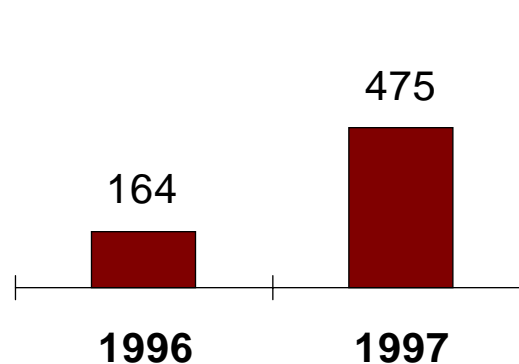
\* Preliminary figures

# BBH - Baltic Beverages Holding

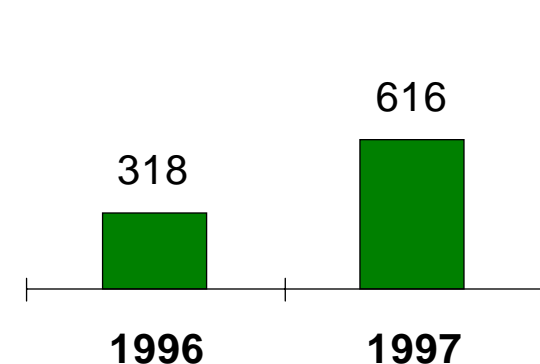
Operating revenues (50%)  
SEK mill.



Operating profit (50%)  
SEK mill.



Volume produced (100%)  
Mill. litres



- Strong sales and profit growth
  - Volume growth 50/50 organic and acquisitions
  - Market growth 15-20%
  - Improved market shares - now 17% in Russia
- Continued expansion through organic growth and acquisitions
  - Expansion into Southern Russia
  - Capacity and sales volumes will continue to increase in 1998



# Orkla Brands

	Year		Sept.-Dec.	
	1997	1996	1997	1996
Operating revenues (NOK mill.)	4 146	4 213	1 506	1 511
Goodwill amortisation (NOK mill.)	-28	-30	-10	-9
Operating profit (NOK mill.)*	458	431	180	173
Operating margin (%)	11.0	10.2	12.0	11.4
- continuing business at constant exchange rates	10.8	10.1		

\* Excl. other revenues and costs

- Margin growth primarily due to cost reductions
- Advertising investments rose by 12%
- Investments in more cost efficient production facilities



# Orkla Media

	Year		Sept.-Dec.	
	1997	1996	1997	1996
Operating revenues (NOK mill.)	2 569	2 220	980	831
Goodwill amortisation (NOK mill.)	-63	-51	-23	-21
Operating profit (NOK mill.)*	204	175	97	87
Operating margin (%)	7.9	7.9	9.9	10.5
- continuing business at constant exchange rates	8.1	7.3		

\* Excl. other revenues and costs

- Increased advertising volumes
- Improved cost effectiveness for weekly magazines
- Local TV/radio and electronic publishing activities are currently running at a loss
- Progress in Poland



# Chemicals

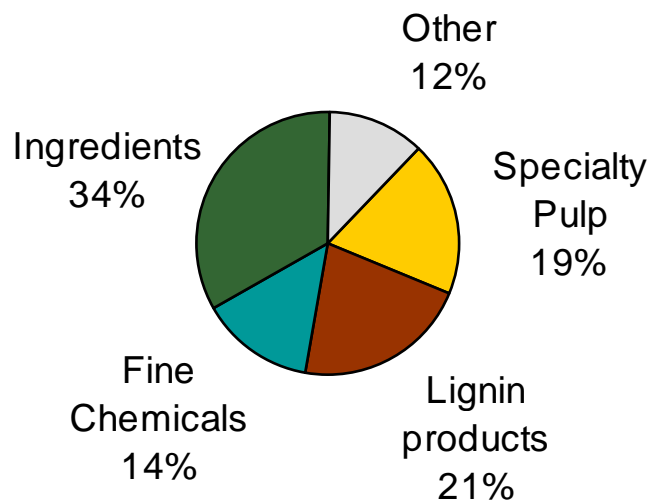
	Year		Sept.-Dec.	
	1997	1996	1997	1996
Operating revenues (NOK mill.)	5 733	5 161	2 200	1 852
Operating profit* (NOK mill.)	324	441	100	115
Operating margin (%)	5.7	8.5	4.5	6.2
- continuing business at constant exchange rates	5.6	8.7		

\* Excluding other revenues and costs

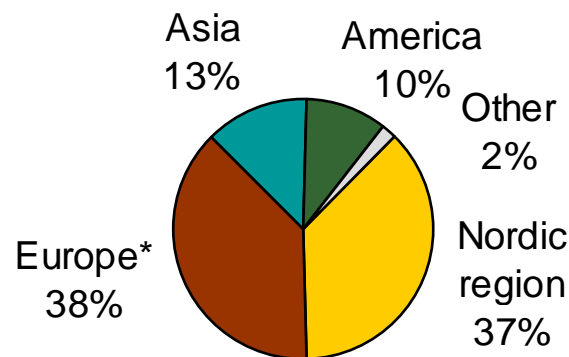
- Profit growth for Ingredients and lignin products
  - Increased volumes of value added lignin products
  - Export growth Ingredients
- Weak profits for Specialty Pulp and Fine Chemicals
  - Production problems in connection with new pulp technology
  - Weak prices for Specialty Pulp
  - Low volumes of intermediates to the pharmaceutical industry

# Breakdown of sales

By business area



By market

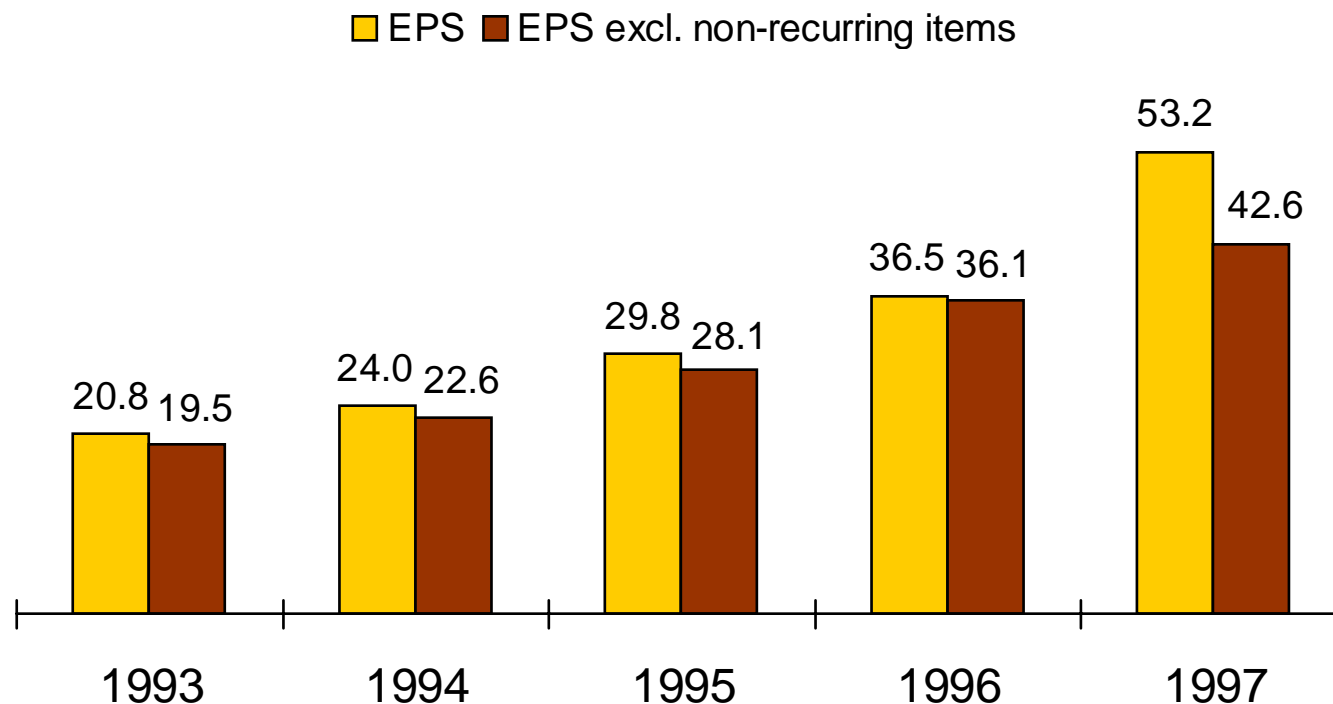


\* Excluding Nordic region

- Expected rise in profits from sale of high grade pulps
- Asian crisis will impact the market for low grade pulps negatively
- Range of advanced intermediates for the pharmaceutical industry will gradually increase

# Earnings per share fully diluted

NOK

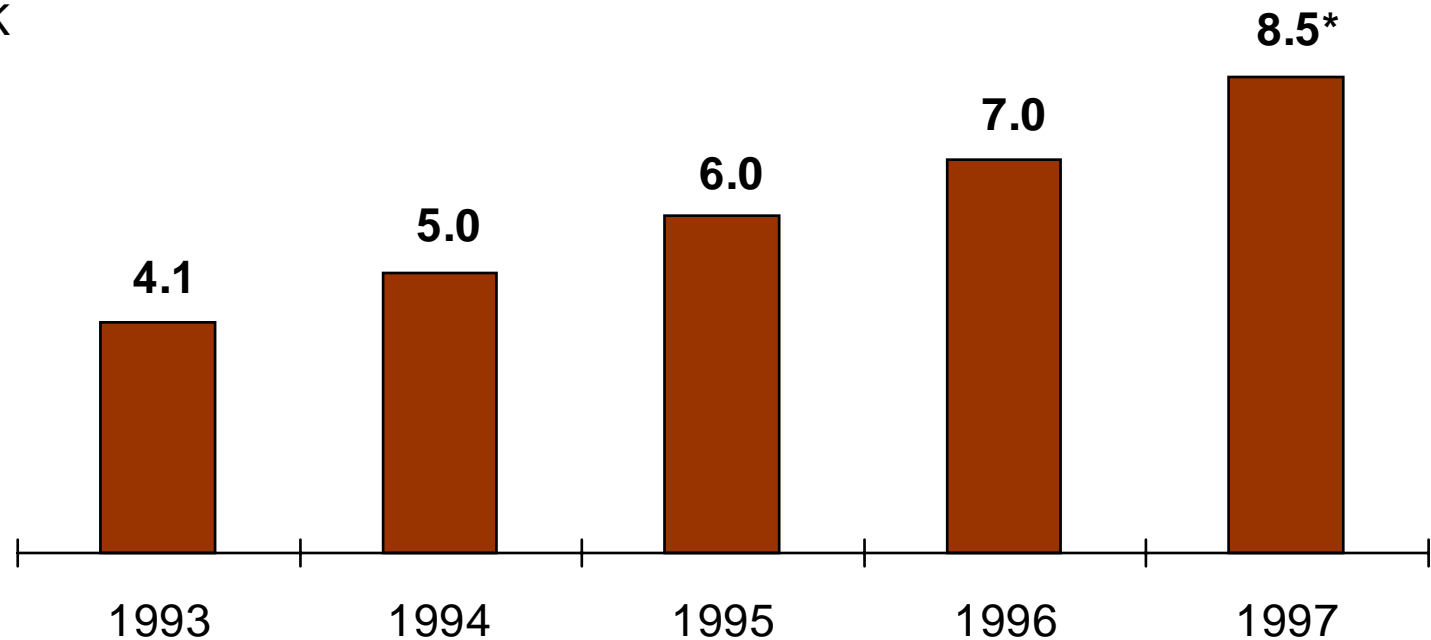


## EPS excluding non-recurring items

- Average annual growth of 18.2% last four years
- Growth of 18% in 1997

# Dividend

NOK



\*Dividend proposed by the Board of Directors

- Average annual growth 20%



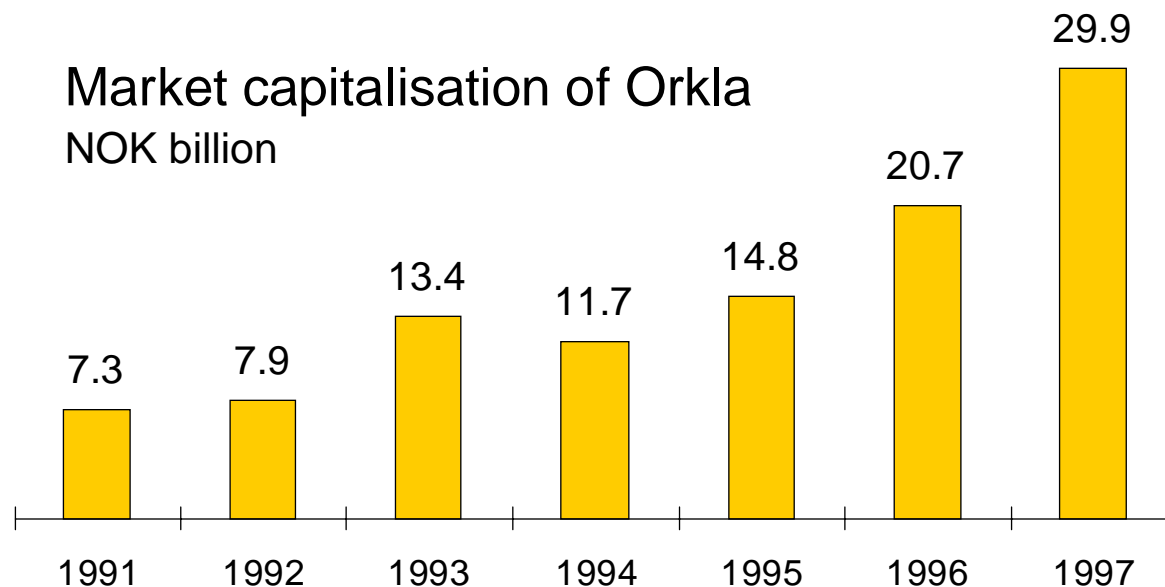
# Share split

The Board of Directors has proposed splitting the share

- Suggested split 1:4
- Number of shares issued will increase to 197 333 572
- New par value NOK 6.25
- Subject to the approval of the Annual General Meeting May 7, 1998

# Shareholder value

Market capitalisation of Orkla  
NOK billion



- Share price rose by 42.4% in 1997
  - Excluding dividend of NOK 7 per share
- Current strategy implemented since 1987
  - Average annual return of 24.8%
  - Average annual return of the OSE All Share Index 14.7%