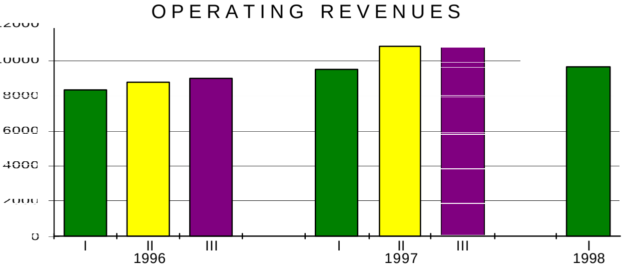
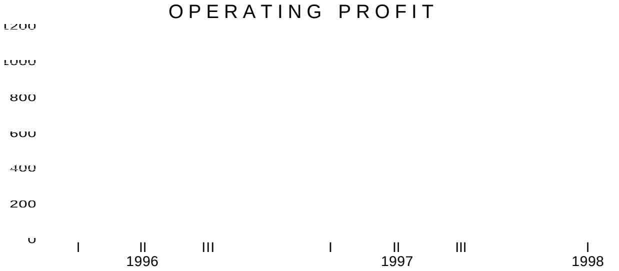
Orkla - First four

Group Profit and Loss Account

NOK million	1.1.-30.4. 1998	1997	1.1.-31.12. 1997
Operating revenues	9,579	9,419	30,970
Operating expenses	(8,490)	(8,365)	(26,777)
Ord. depreciation and write-downs	(480)	(452)	(1,342)
Operating profit before goodwill and other revenues and costs	609	602	2,851
Goodwill amortisation and write-downs	(135)	(127)	(419)
Other revenues and costs	0	158	181
Operating profit	474	633	2,613
Financial items, net	(179)	(154)	(394)
Profit from associated companies	87	35	442
Portfolio gains	396	419	876
Profit before tax	778	933	3,537
Taxes	(202)	(261)	(863)
Minority interests	(39)	(24)	(112)
Net profit	537	648	2,562
Profit before tax, Industry	301	483	2,381
Profit before tax, Investment area	477	450	1,156
Earnings per share (NOK)	2.8	3.4	13.4
Earnings per share fully diluted (NOK)	2.8	3.4	13.3

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





*) Excluding «Other revenues and costs».

The Orkla Group

Main trends

In the first four months of 1998, profit before tax for the Orkla Group totalled NOK 778 million. Excluding non-recurring items, which amounted to NOK 220 million in the first four months of 1997 compared with 0 in 1998, profit growth was 9%. Total Group operating profit, excluding non-recurring items, was on a par with last year. For the Branded Consumer Goods area, operating profit for continuing business*) was 13% lower than last year, since weaker profit from the Nordic companies was only partially offset by the good performance of BBH. Operating profit from continuing business for the Chemicals area increased by 15%. The Financial Investments area achieved a return of 10% on its portfolio in the first four months. Since the beginning of the year, the net asset value of the investment portfolio has increased by NOK 1,398 million, of which NOK 434 million is reflected in book profit while the remaining NOK 964 million is reflected in the rise in unrealised gains. Earnings per share of NOK 2.8 (after the split) was 17% lower than last year. Earnings per share before goodwill amortisation and non-recurring items was 12% higher than last year.

Orkla's operating revenues rose by NOK 160 million to NOK 9,579 million. Orkla Beverages reported lower operating revenues than last year because the loss of revenues from The Coca Cola Company's (TCCC) products in Sweden and the transition to tollfilling for TCCC in Norway were only partially compensated by the sales growth achieved by BBH. The Chemicals area and Orkla Media increased their operating revenues in comparison with last year. Adjusted for TCCC effects, operating revenues for continuing business rose by approximately 5%.

The trend on the Norwegian and Swedish grocery markets was negative in the first months of the year. In Sweden, tougher competition has increased pressure on important product groups manufactured by Orkla Foods, and the Group's share of the beer market has dropped slightly. The beer markets in Eastern Europe are still growing strongly and all BBH's breweries reported volume growth. Market positions on the Norwegian market were largely maintained. In the Chemicals area, increased sales of fine chemicals and continuing good results from the edible oils business contributed to profit growth. Specialty cellulose prices were at the same level as last

**) Continuing business has been adjusted for acquisitions and divestitures, exchange rate fluctuations and non-recurring items. New businesses in 1998 have been included in the 1997 figures for the corresponding period, while divested busi-*

year.

Orkla's operating profit totalled NOK 474 million, compared with NOK 633 million last year. Excluding last year's positive non-recurring items, operating profit was on a par with last year. For continuing business, operating profit fell by some 7%.

Net financial items, which totalled NOK -179 million, were NOK 37 million lower than last year if the NOK 62 million gain on the sale of Hansa in 1997 is excluded. The beneficial effect of lower interest rates and increased dividends was partially offset by a higher level of debt.

Profit after tax and minority interests amounted to NOK 537 million, compared with NOK 648 million last year. However, adjusted for goodwill amortisation and non-recurring items, profit rose by 12%. Profit for the first four months of this year includes no non-recurring items.

The Group's tax charge for 1998 is expected to be 26%, compared with 24.4% in 1997.

Orkla Foods

Orkla Foods' operating revenues totalled NOK 3,093 million in the first four months of the year. For continuing business, operating revenues were on a par with last year. Operating profit, which amounted to NOK 104 million, was 25% lower than in 1997 for continuing business, mainly due to lower sales on the Swedish market and higher raw materials costs in Norway.

Procordia Foods reported operating revenues of SEK 1,060 million in the first four months of the year, equivalent to a decline of 7% for continuing business. Profit was also lower than last year. The main reasons for the fall in sales were a weak trend on the Swedish grocery market and stronger competition from both European competitors and private labels. Approximately half the drop in sales is regarded as being temporary and mainly due to the restructuring of wholesale stocks. In Sweden, market shares for certain product groups declined. In Finland and Estonia, market positions were maintained or improved. The Nordic position in the field of desserts and between-meal snacks was strengthened with the acquisition of the Jacky brand and Unilever's Finnish production plants in this area.

Abba Seafood's operating revenues of SEK 366 million were 5% lower than last year. The decline was mainly due to the phasing out of unprofitable product groups. Profit was on a par with last year and Abba Seafood strengthened or maintained its market positions in the Nordic region.

Stabburet achieved operating revenues of NOK 755 million, 3% higher than last year for continuing business. The company's market positions were largely maintained or improved. Stabburet reported somewhat lower profit in the first four months of the year due to higher Norwegian raw materials prices and start-up costs in connection with the new pizza factory at Stranda.

The Danish business, Beauvais, reported operating revenues of DKK 113 million in the first four months of 1998, 2% higher than last year.

Orkla Foods' international division is currently being established and is therefore continuing to have a negative effect on Orkla Foods' operating profit. Orkla Foods intends to continue to expand on East European markets.

Orkla Beverages

Orkla Beverages' operating revenues in the first four months of 1998 totalled NOK 1,973 million, 12% lower than last year. The decline was due to the loss of revenue from TCCC products. Operating profit excluding other revenues and costs totalled NOK 70 million, compared with NOK 73 million last year.

Operating revenues for the Nordic business fell by 25% to NOK 1,486 million, mainly due to the changes in production for TCCC in both Norway and Sweden. Operating profit before other revenues and costs totalled NOK -36 million, compared with NOK 57 million last year. The fall in profit was largely due to the loss of TCCC production and weak beer markets in both Norway and Sweden. The decline in the total volume of beer sold on the Norwegian and Swedish markets amounted to 3% and 6% respectively. A rationalisation programme has been initiated to reduce costs to a level proportionate to the volume produced. However, the loss of contribution margin from tollfilling and the time-lag in the adjustment of fixed costs must be expected to have a negative impact on profit in 1998 and 1999.

In the first four months of 1997, Pripps' sales of TCCC products totalled more than SEK 400 million. All production for TCCC ceased as of 1 January 1998, and this is the main reason why Pripps' total operating revenues fell by 38% to SEK 745 million in the first four months of 1998. Pripps increased its total sales volume by 1% in the first four months on a stagnant overall market. Sales volumes for beer declined by 9% in the same period, compared with a decline of 6% for the beer market as a whole (excluding imports). Private beer imports are still at a high level. For Class III beer, Pripps maintained its market share and increased its volumes. On the restaurant market, both volume and market share increased. In the case of Class II beer, Pripps lost market shares in the low-price segment. In April, Pripps launched the TT brand as a Class II product in order to strengthen its position in the high-quality range of this market segment. The launch has been successful so far. Pripps' own carbonated soft drinks brands continued to perform well, achieving 26% growth compared with 4% growth for the carbonated soft drinks market as a whole. Volume growth for mineral water was 1%.

Ringnes' operating revenues declined by 13% to NOK 790 million in the first four months of the year, mainly due to the transition to tollfilling for TCCC since the beginning of the year. Ringnes' total sales volume was unchanged in comparison with the first four months of 1997. The strong rise in beer taxes from 1st January reduced total beer sales in Norway by 3% in the first four months of 1998. Since Ringnes' sales declined by 1%, the company has gained market shares. The launch of Lysholmer Millennium beer in April has made a good start. Ringnes reported a 2% decline in volume for carbonated soft drinks, while sales of mineral water increased by 5% in the first four months of the year. Ringnes' operating profit was lower than last year, primarily due to the lower contribution to profit from TCCC production. As one important measure in the effort to establish more cost-effective production in Norway, a decision has been made to move tapping of Ringnes beer to Gjelleråsen. The plant will be operational from the year 2000 and the total investment will amount to more than NOK 200 million.

Operating revenues for BBH (50% basis) rose by 85% to NOK 487 million. The volume sold increased by 72% to 230 million litres (100% basis). The beer market expanded on all BBH's domestic markets and all the breweries in the group reported volume growth. The total Russian beer market increased by some 30% in the first four months of 1998. Baltika, which is the largest brewery in the group, strengthened its market shares on this market in the same period. Operating profit from BBH (50% basis) totalled NOK 161 million, compared with NOK 66 million the previous year. As a result of this positive trend, an already substantial investment programme will be further accelerated in order to increase production capacity.

NOK million	Operating revenues 1.1.-30.4. 1998	1997	1.1.-31.12. 1997	Operating profit*) 1.1.-30.4. 1998	1997	1.1.-31.12. 1997
Orkla Foods	3,093	3,126	10,094	104	140	655
Orkla Beverages	1,973	2,233	7,656	70	73	799
Orkla Brands	1,335	1,344	4,146	117	123	458
Orkla Media	1,011	789	2,569	59	69	204
Elimination	(54)	(58)	(169)	0	0	0
Branded Consumer Goods	7,358	7,434	24,296	350	405	2,116
Chemicals	1,933	1,673	5,733	137	79	324
H.O./Unallocated/Elimination	148	183	525	(46)	(47)	(111)
Other revenues and costs	0	0	0	0	158	181
Industry	9,439	9,290	30,554	441	595	2,510
Investment area	140	129	416	33	38	103
Group	9,579	9,419	30,970	474	633	2,613

*) The business areas' operating profit is shown exclusive of «Other revenues and costs». Other revenues and costs NOK 158 million in first four months result 1997: NOK 170 million in Orkla Beverages, NOK -12 million in H.O./Unallocated.

BBH's stake in the Slavutich and Taopin breweries will increase from approximately 50% to 68%. In the case of Slavutich, this took place in May 1998.

In March, Pripps Ringnes signed a contract with PepsiCo International (PCI) to take over the franchise for over 70% of the Norwegian market. The contract is for a period of 20 years from 27 April 1998 with the option of further extension. The remaining 30% will be taken over at the beginning of 1999. Pripps Ringnes and PCI have previously entered into a similar agreement for Sweden, due to enter into force by 1 January 2001 at the latest.

Orkla Brands

In the first four months of 1998, Orkla Brands' operating revenues amounted to NOK 1,335 million, 1% lower than last year.

Operating profit totalled NOK 117 million, NOK 6 million (-5%) lower than last year. For continuing business, operating profit was 2% lower. Lilleborg Home and Personall care has reduced the prices of some of its textile detergents, which in conjunction with unfavourable exchange rates and the delayed effect of the new liquid detergent factory has led to somewhat lower margins. The Biscuits business reported weaker volume growth in Norway and Finland and unchanged volume in Sweden. Snacks are performing well in Denmark. In Norway, a large number of new products have been launched which are expected to perform well in the years ahead. The Chocolate/Confectionery business is continuing its strategy of focusing more on its own products. The new chocolate brand, Soho, has achieved higher sales than the target for the launch period.

Market shares are generally stable, with the exception of certain categories and markets which have had a somewhat weaker start to the year than last year.

Work on improvement projects is continuing, and total fixed and indirect costs were lower than in the same period last year. The restructuring of Snacks production in Denmark is proceeding according to plan. A new, more competitive production structure for Biscuits has been approved and will be implemented in the course of 1999.

Orkla Media

Orkla Media's operating revenues totalled NOK 1,011 million in the first four months of the year. For continuing business, operating revenues rose by 6%. Operating profit, which amounted to NOK 59 million, was 14% lower than last year. For continuing business it was 12% lower. The decline was primarily due to increased focus on editorial content and increased wage costs for Norwegian Newspapers. Paper prices rose by 1.7% for Norwegian Newspapers and 12% for Magazines. Investments in local radio/TV and electronic publishing also had a negative impact on operating profit, although the effect was relatively limited.

Advertising volume for the Norwegian Newspapers business rose by 3% in comparison with last year. Circulation is increasing and the growth achieved last year continued.

The Magazines business reported a 3% rise in advertising volume, whereas the total advertising market was 7% higher than last year. Magazines' share of the advertising market declined by 2 percentage points to 38%, primarily due to new launches of specialised magazines by other, competing publishers. Comparable advertising revenues for Magazines rose by 6% from last year while frequency-adjusted circulation was at the same level. The new products launched by Hjemmet Mortensen in recent years have been progressing satisfactorily so far.

The Direct Marketing business continued to report declining sales for some of its product areas, but operating profit was slightly higher.

Orkla Media Poland achieved an 11% rise in revenues compared with last year, while operating profit was somewhat weaker. The decline can mainly be ascribed to the loss of the largest printing job to the magazine printing plant in Bydgoszcz and start-up costs in connection with the launch of theme supplements in Rzeczpospolita, Orkla Media Poland's largest newspaper.

Mitcom (direct mail in Sweden), Scan Direct (direct mail in Denmark) and Norrländska Socialdemokraten (newspaper in Sweden) have been consolidated, effective from 1 January 1998. As of 1 May 1998, Orkla Media acquired 100% of the shares in Lithuania's largest regional newspaper Kauno diena, which in 1997 had a circulation of 58,000 and operating revenues of NOK 28 million. Orkla Media's new printing plant in Vestfold county, Norway, started up in April and is expected to be fully operational by autumn 1998.

Chemicals

In the first four months of the year, Borregaard's operating revenues rose to NOK 1,933, 16% higher than last year. The good performance was due to particularly high sales of Edible Oils and Fine Chemicals. Operating profit totalled NOK 137 million, compared with NOK 79 million for the first four months of last year. The rise in profit can mainly be ascribed to improved margins for the Lignin business, improved production of specialty cellulose and increased sales of fine chemicals. The rise in the value of the US dollar and the pound sterling made a positive contribution to profit.

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Financial information about Orkla can be found at the internet

Group Balance Sheet

NOK million	30.4. 1998	30.4. 1997	31.12 1997
Assets:			
Current assets	8,665	8,912	9,042
Share portfolio	8,728	6,804	8,188
Long-term assets	20,619	17,783	19,635
Total Assets	38,012	33,499	36,865
Liabilites and Equity:			
Interest-free liabilities	9,037	8,237	9,067
Interest-bearing liabilities	16,315	14,954	15,679
Minority interests	509	328	478
Equity	12,151	9,980	11,641
Total Liabilities and Equity	38,012	33,499	36,865
Equity to total assets ratio (%):			
Book	33.3	30.8	32.9
Incl. unrealised gains before tax	43.9	41.2	42.6

Cash flow

NOK million	1.1.-30.4. 1998	1.1.-30.4. 1997	1.1.-31.12. 1997
Cash flow Industry:			
Operating profit	441	595	2,510
Depreciation and write-downs	610	658	1,862
Changes in net working capital	(84)	(171)	(172)
Cash flow from operations	967	1,082	4,200
Net replacement expenditure	(538)	(578)	(1,526)
Free cash flow from operations	429	504	2,674
Financial items paid	(175)	(179)	(565)
Free cash flow - Industry	254	325	2,109
Cash flow from Investment area before net purchases/sales	246	(513)	168
Taxes and dividends paid	(491)	(277)	(999)
Miscellaneous capital transactions, foreign exchange differences	(225)	429	762
Group's self-financing capacity	(216)	(36)	2,040
Expansion investments Industry	(695)	(4,964)	(5,935)
Net purchases/sales portfolio investments	(18)	37	(994)
Net cash flow	(929)	(4,963)	(4,889)
Change in net interest-bearing debt	929	4,963	4,889
Net interest-bearing debt	14,596	13,741	13,667

The Lignin business improved its profit in comparison with the first four months of last year and operating revenues increased by 8%. An improved product mix and the effect of favourable exchange rates for the US dollar and pound sterling resulted in higher margins and offset reduced sales to the Asian market.

Specialty cellulose achieved higher profit than in the first four months of last year. The effort to solve start-up problems in connection with the new highly-processed cellulose plant is now proceeding as planned. Prices for specialty cellulose in Norwegian kroner are at the same level as last year.

The Fine Chemicals business reported higher profit than last year, mainly due to high sales volumes for Borregaard Italy. Profit from the vanillin business was on a par with last year. The effort to expand the range of technology and products for the pharmaceutical industry is under way. The full effect of the new products is not expected to be realised until 1999.

Denofa's operating profit was on a par with last year. Prices and margins for the Soya business were higher than at the same time last year. Sales of edible oils to the food industry were somewhat weaker than last year due to lower consumption in Norway. As a result of record high raw materials prices and reduced supplies of fish oil, Denofa's fish oil-based products for the animal feed and food industries will be less competitive.

Other areas of business reported weaker profit than last year, primarily due to low electricity prices.

Financial Investments

The upward trend on western stock markets continued in the first four months of the year and the Oslo Stock Exchange All Share Index rose by 9.8%. However, this was significantly lower than the results reported by stock exchanges in Sweden, Finland and continental Europe, which performed particularly strongly.

Orkla's investment portfolio achieved a return of 10.0% in the first four months. Book profit for the Financial Investments area was NOK 477 million, compared with 450 million in the same period last year. Realised gains totalled NOK 396 million, compared with NOK 419 million last year. The largest gains came from the sale of Kværner and Nycomed Amersham shares. Dividends received totalled NOK 98 million, compared with NOK 54 million last year.

Sales of shares slightly exceeded purchases in the first four months of the year. However, foreign investments increased, the largest single investment being in the Finnish company, Nokia.

The net asset value of the share portfolio rose by NOK 1,398 million to NOK 12,940 million in the first four months of the year. The market value of the portfolio as of 30 April 1998 was NOK 15,968 million and the debt-equity ratio was reduced to 19%. Since the beginning of the year, unrealised capital gains have increased by NOK 964 million to NOK 7,186 million.

The Orkla Finance group posted satisfactory profit in the first four months of the year.

Cash flow, investments and financial situation

The Group's net cash flow of NOK - 929 million in the first four months was an improvement of NOK 4,034 million on the same period last year. The difference is ascribable to last year's expansion investments in connection with the full takeover of Pripps Ringnes. As of 30 April 1998, net interest-bearing debt had increased by NOK 929 million to NOK 14,596 million.

At the end of the four-month period, the Group's average borrowing rate was approximately 5.4%, 0.2 percentage points lower than at the beginning of the year. Approximately 70% of interest-bearing debt is at floating interest rates, a somewhat smaller proportion than at the beginning of the year.

The Groups' book equity ratio was 33.3%, 0.4 percentage points higher than on 31 December 1997 and 2.5