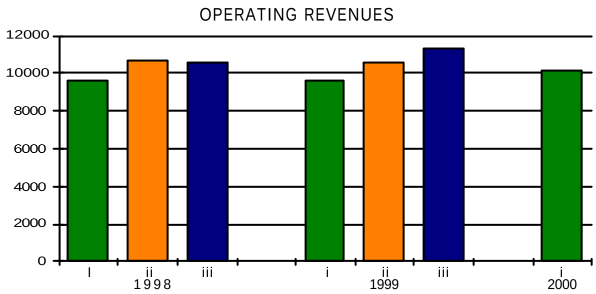
Orkla – First four months • 2000

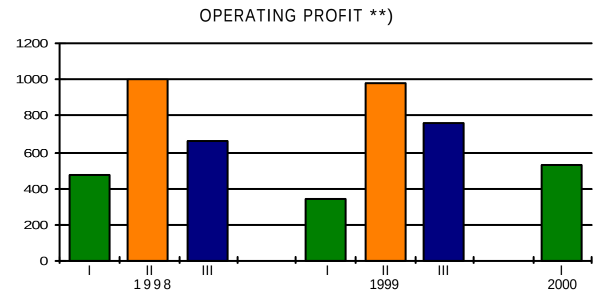
Group income statement

Amounts in NOK million	1.1.-30.4. 2000	1.1.-30.4. 1999	1.1.-31.12. 1999
Operating revenues	**10,137**	9,633	31,492
Cost of goods sold	**(3,859)**	(3,828)	(12,376)
Other operating expenses	**(5,062)**	(4,803)	(15,022)
Ord. depreciation and write downs	**(534)**	(512)	(1,565)
Operating profit before goodwill and other revenues and expenses	**682**	490	2,529
Goodwill amortisation and write-downs	**(158)**	(149)	(443)
Other revenues and expenses	**40**	0	91
Operating profit	**564**	341	2,177
Profit from associates	**53**	32	114
Dividends	**105**	132	325
Portfolio gains	**621**	274	595
Financial items, net	**(305)**	(311)	(892)
Profit before tax	**1,038**	468	2,319
Taxes	**(270)**	(126)	(527)
Profit after tax	**768**	342	1,792
Of this minority interests	**39**	19	125
Profit before tax, Industry area	**288**	52	1,375
Profit before tax, Financial Investments	**750**	416	944
Earnings per share fully diluted (NOK)	**3.4**	1.5	7.9
Earnings per share fully diluted (NOK) *)	**4.1**	2.3	9.7

*) Excluding goodwill amortisation and non-recurring items.

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





**) Excluding «Other revenues and expenses».

The Orkla Group

Main trends

Orkla posted a pre-tax profit of NOK 1,038 million for the first four months of 2000 compared with NOK 468 million for the same period last year. The improvement is due to a positive trend for both the Industry and Financial Investments areas.

In the case of the Industry area the main factors contributing to the improvement are substantial volume growth at Baltic Beverages Holding (BBH) and better results for the Chemicals business. Volume figures for BBH in the first four months were 74 % higher than in the same period last year. The other branded goods businesses also show a generally positive trend. An improved market situation combined with effects from the "Redesign" project explain the favourable outturn for the Chemicals business.

The Financial Investments area recorded gains of NOK 621 million in the period under review. The biggest single transaction, the sale of the Elkjøp shareholding, produced a gain of NOK 306 million. So far this year the share portfolio has shown a return of 1.1 %, which is 6.3 percentage points higher than the Oslo Stock Exchange all-share index. The net asset value rose by NOK 123 million.

The Group recorded a negative and weaker than normal cash flow in the first four months. This was due to transient factors related to an increase in working capital and net purchase of shares.

Orkla's earnings per share came to NOK 3.4 compared with NOK 1.5*) in the first four months of last year.

**) Adjusted for the rights issue in autumn 1999 in connection with the amalgamation of A and B shares.*

The Group

Orkla's operating revenues of NOK 10,137 million were NOK 504 million higher than last year's figure. For continuing business*) growth was about 5 %. Considerable volume growth in BBH, both through acquisitions and organic growth, contributed to higher turnover. The Norwegian grocery market has shown positive volume growth of 1.2 % so far this year. Equivalent figures from Sweden indicate a growth of 2.5 %. After relatively weak volume figures for January and February, in part the result of stockpiling ahead of the transition to year 2000, performance was again satisfactory towards the end of the first four months.

Orkla's operating profit came to NOK 564 million compared with NOK 341 million last year. When adjusted for non-recurring items (a negative NOK 30 million spent on relocating the Biscuits business and a gain of NOK 70 million on the sale of Viking Fottøy) the operating profit was 53 % higher. The increase largely referred to BBH, Chemicals and Orkla Finans. Volume growth and improved margins at Baltica, as well as a positive trend for the Chelyabinsk and Yarpivo breweries explain BBH's advance. The picture was less uniform for the Nordic beverages business. Ringnes performed well, thanks primarily to the cost reduction programme and buoyant sales of carbonated soft drinks, while Pripps showed a negative trend owing to loss of beer market shares.

All core Chemicals areas reported growth in operating profit. The biggest advance was by Borregaard ChemCell, due both to favourable market conditions and higher productivity. Work on establishing a partnership for this business is continuing.

Profit from associated companies came to NOK 53 million, i.e. NOK 21 million higher than for the same period last year.

Profit after tax and minority interests was NOK 729 million compared with NOK 323 million last year. When adjusted for non-recurring items and goodwill amortisation, profit rose by 80 % as a result of high realised gains on the share portfolio and the improved performance of the Industry area.

The strike in the first week of May affected several of the Group's Norwegian businesses. The financial consequences are expected to be of the order of NOK 30 million.

Orkla Foods

Orkla Foods' operating revenues came to NOK 3,443 million in the first four months of 2000. For continuing business this was on a par with last year's figure. The operating profit was NOK 172 million compared with NOK 167 million for the same period last year. Market positions were largely maintained or strengthened.

Operating revenues for Procordia Food in Sweden were 2 % down on the first four months of last year when revenues were positively affected by conditions related to market shortages of several key raw materials. This benefited Procordia Food. Moreover, the Swedish grocery trade also stocked up with large purchases ahead of the millennium crossover. The cost reduction programme is proceeding as planned. Abba Seafoods posted higher sales for herring and anchovy in the reporting period, but the firm Swedish currency dampened exports.

In Norway Stabburet continues to perform favourably. Stabburet's progress is ascribable to long-range brand-building, innovation and product development.

Orkla Food Ingredients showed a positive trend both in operating revenues and operating profit. The purchase of 50 % of Jästbolaget's shares in February was a further step towards establishing an integrated business system in bakery ingredients.

Beauvais in Denmark showed improved operating revenues and operating profit. Felix Abba, Finland, recorded operating revenues on a par with last year's figure, but marginally lower profit. In the first two months of the year Orkla Foods acquired the Estonian company Formeer (mayonnaise) and 70 % of the shares of the Lithuanian company UAB Suslavicius ir Partneriai (ketchup).

Orkla Foods International's sales revenues rose in the reporting period, particularly in the Czech Republic (Guseppe) and Poland (Kotlin). Operating profit in the division remains negative. The pizza manufacturer Mirelite in Hungary was acquired in May.

Bakers is the market leader in Norway in fresh bakery products, and the company had a favourable performance in the first four months of the year.

In the second half-year Orkla Foods intends to take its product category structure a stage further. A stronger focus will be put on those parts of the business that offer the greatest potential in terms of cross-border collaboration and international growth.

Orkla Beverages

Operating profit before other revenues and expenses came to a positive NOK 32 million in the first four months compared with a negative NOK 35 million last year. The improvement is due to substantial volume growth at BBH and to improved results in Norway.

At NOK 2,042 million, operating revenues in the period were18 % higher than in the first four months of 1999. Substantial volume growth at BBH, both through acquisitions and organic growth, contributed to the higher turnover. Turnover in the Nordic business was on a par with last year despite somewhat reduced volumes.

Operating profit before goodwill amortisation for the Nordic business was a negative NOK 26 million in the reporting period compared with a negative NOK 40 million in the first four months of 1999. Ringnes recorded higher operating profit while Pripps showed lower volumes and hence a slight decline in profit. Rent a Cooler, the water cooler business, has been demerged as a separate enterprise as from the first four months of 2000, and is proceeding according to plan. The "Competitive Edge" cost reduction programme, designed to cut costs in the Nordic business by NOK 600 million, is now in its final year and is on schedule.

The overall market for beverages (in terms of volume sales of beer, soft drinks and mineral water) grew by 3 % in Norway, while the Swedish market was on a par with last year (+1 %). In Norway Ringnes largely retained its market position with a volume increase of 2 %. In Sweden Pripps lost market shares in the low-price segment of the beer market (-3 percentage points), reducing its total volume by 7 % compared with the first four months of last year. The loss of market share is mainly ascribable to a strategic focus on margins which Pripps implemented last year to boost profit in significant segments of the Swedish beer market.

BBH's operating profit (50 % stake) before goodwill amortisation was NOK 125 million in the period under review compared with NOK 67 million in 1999. The improvement was due to vigorous

**) Continuing business has been adjusted for acquisitions and divestitures and non-recurring items. New businesses in 2000 have been included in the 1999 figures for the corresponding period, while divested businesses have been excluded in both 1999 and 2000.*

Amounts in NOK million	Operating revenues 1.1.-30.4. 2000	1.1.-30.4. 1999	1.1.-31.12. 1999	Operating profit*) 1.1.-30.4. 2000	1.1.-30.4. 1999	1.1.-31.12. 1999
Orkla Foods	**3,443**	3,298	10,757	**172**	167	709
Orkla Beverages	**2,042**	1,730	6,373	**32**	(35)	482
Orkla Brands	**1,410**	1,431	4,531	**123**	108	477
Orkla Media	**1,130**	1,080	3,332	**56**	62	171
Elimination	**(45)**	(55)	(151)	**0**	0	0
Branded Consumer Goods	**7,980**	7,484	24,842	**383**	302	1,839
Chemicals	**1,826**	1,850	5,621	**101**	42	250
H.O./Unallocated/Elimination	**69**	163	481	**(42)**	(29)	(114)
Other revenues and expenses	**0**	0	0	**40**	0	91
Industry	**9,875**	9,497	30,944	**482**	315	2,066
Financial Investments	**262**	136	548	**82**	26	111
Group	**10,137**	9,633	31,492	**564**	341	2,177

*) The business areas' operating profit is shown exclusive of «Other revenues and expenses». Other revenues and expenses totalled NOK 91 million in 1999: NOK +110 million in Orkla Foods and NOK -19 million in Chemicals. In January-April 2000: NOK -30 million in Orkla Brands, NOK +70 million on the sale of Viking Fottøy.

growth posted by the Russian breweries Baltika and Yarpivo, and a positive trend for Slavutich in Ukraine.

BBH's operating revenues (50 % stake) came to NOK 628 million in the first four months, i.e. 77 % up on the 1999 figure. Volume was 74 % higher than in the same period last year and 65 % higher when adjusted for continuing business. The average RUR/USD exchange rate was 28.5 compared with 24.0 in the same period of 1999. The rouble exchange rate was stable in the first four months of the current year, and the trend in the Russian economy has generally been positive.

The volume growth in the first four months shows that BBH is continuing to take market shares in a vigorously expanding market. In Russia BBH increased its market share by 5 percentage points to 25 % compared with the same period of last year. Market growth in the first four months was 33 % in Russia, 38 % in Ukraine and 16 % in the Baltic States.

Orkla Brands

Orkla Brands posted operating revenues totalling NOK 1,410 million, i.e. 1.5 % down on last year's figure. For continuing business, adjusted for foreign exchange effects, operating revenues were on a par with last year. Operating profit before other revenues and expenses amounted to NOK 123 million, i.e a 14 % improvement on last year.

Biscuits showed an improved sales and profit performance, accompanied by a good outturn for the cost-rationalisation programme. NOK 30 million was set aside under other expenses to phase out production at Sætre Fabrikker and assemble all Nordic biscuit production in Kungälv in Sweden. This process is proceeding as planned and will be completed in the current year.

Confectionery showed a favourable cost and margin development, and profit continued to improve. The Ferrero agency agreement, which accounted for less than 10 % of turnover, was terminated in the period. This will be compensated for by increased sales of Orkla's own brands as well as of new products. The effect on profit is viewed as marginal.

Stiffer competition and weaker distribution resulted in a weaker sales and profit performance for Household Textiles in Sweden. An intensified sales effort and a keener focus on agreements with the major grocery chains will remedy this development.

Snacks Denmark met its production target for potato crisps. Local production of peanuts was resumed, and this will make an added contribution to reducing costs. In Norway the sales and market position remains under pressure from stiff competition. Other business areas showed sales and profits on a par with last year.

Orkla Media

Operating revenues for continuing business rose by 2 % to NOK 1,130 million. The operating profit for continuing business fell by NOK 9 million to NOK 56 million, due to poorer results for Direct Marketing. Other sectors showed an improvement.

Newspapers Nordic Region posted improved profit figures compared with 1999. The general expansion in the advertising market brought volume growth for daily newspapers. Circulation figures improved. Adopted workforce cuts are proceeding more rapidly than planned, and the co-ordination project in administrative and IT-supported business is on schedule. Publication on the Internet is receiving considerable attention, and joint local Internet portals have been established.

Operating revenues for Magazines showed a slight improvement on the same period last year. Advertising sales fell by 6 % compared with a 2 % fall for the overall market. Orkla Media's share of the advertising market is now 38 %, i.e. 2 percentage points lower than at the same point last year. Frequency-adjusted circulation figures for Magazines showed some growth, albeit somewhat weaker than for the overall market. The start-up of a new offset press is on schedule, although running-in costs have been higher than budgeted.

Direct Marketing reported appreciably lower profit, continuing the negative trend which started in the second four month period of last year. This is due to substantial development costs associated with the new IT platform at StroedeRalton in Sweden. Costs will remain high in the second four months but are expected to resume a normal level towards year-end.

The operating profit for continuing business for Newspapers Eastern Europe is on a par with the same period last year. Advertising volume for newspapers was positive in terms of local currency compared with last year, while circulation figures were lower than last year. The recently acquired MediaTak (a joint venture focusing on advertising collaboration) is evolving as intended.

The Orkla Media Group's investments Internet/electronic publishing effort were split out into a separate business area at the end of last year. Several of the group companies have shown a positive performance in this area, and the group has invested in a number of new operations. Many of the companies are in the process of internationalising their business.

Chemicals

The Chemicals area's operating revenues came to NOK 1,826 million in the in the first four months of 2000, 1 % lower than in the same period last year. Lower purchase prices for marine oils, and hence lower selling prices for derivative products, were only partly offset by higher sales of lignin products and speciality cellulose.

The operating profit before other revenues and expenses was NOK 101 million in the first four months compared with NOK 42 million the previous year. All core areas showed improved results. Speciality cellulose showed the biggest improvement aided by prices, exchange rates and productivity.

The lignin business posted somewhat higher operating revenues and improved earnings in the period under review than in the same four months of last year. Contracts to supply the construction industry in Asia are showing steady growth compared with levels prior to the Asian crisis, although prices remain under pressure. Some speciality product segments performed creditably in the period under review, and sales to the agriculture sector are on a par with last year. Stiffer competition is in evidence in some volume segments in Europe. Favourable exchange rates compensated for higher energy costs and freight rates.

Results posted by the speciality cellulose business improved markedly in the first four months. This was due to better prices and favourable exchange rates along with production improvements and lower expenditure on the ongoing productivity enhancement programme. The process of establishing a partnership for speciality cellulose is continuing as planned.

Fine chemicals also showed progress compared with the same period last year. The advance is primarily related to improved productivity at the businesses in Norway and the United States, while increased competition has resulted in a weaker trend for diphenols in Italy. Development of new products for the pharmaceuticals industry continues and is expected to bear fruit ahead.

Ingredients performed somewhat better in the first four months than in the same period last year. Higher volumes and margins related to crushing of soy beans were the main contributors.

Downward pressure on prices and weak results are still in evidence for most basic chemicals products. High levels of power production by Orkla's own power stations, efficient water resource management and power trading made for a better result than last year for the Energy area. Borregaard Skoger was transferred from the Chemicals area to the Financial Investments area in the period.

The productivity enhancement programme at the Sarpsborg plant is now on schedule. Appreciable improvements were made in capacity utilisation and quality in the first four months. A similar programme at Denofa is proceeding as planned, but will have little impact on results in 2000.

Financial Investments

After a 45 % advance in 1999, the Oslo Stock Exchange all-share index fell by 5.2 % in the first four months. The other Nordic markets showed a positive development, topped by the Finnish bourse with an advance of 21.6 %.

Orkla's investment portfolio achieved a return of 1.1 % in the period under review. Thanks to a sound trend for Nokia and Nycomed Amersham, and the admission of Stepstone to listing, the Orkla portfolio performed better than the Oslo Stock Exchange's all-share index.

The Financial Investments area's pre-tax profit was NOK 750 million compared with NOK 416 million in the same period last year. Realised gains came to NOK 621 million compared with NOK 274 million last year. Dividends received totalled NOK 104 million. The Orkla Finans Group posted an operating profit of NOK 74 million compared with NOK 12 million in the same period last year. After the establishment of Orkla Enskilda Securities, 22.5 % of the profit of the Enskilda Securities Group will be taken to revenue as an associated company as from 1 May 2000.

Shares worth about NOK 1.2 billion, net, were purchased in the first four months. The biggest single transaction was the sale of the stake in Elkjøp for NOK 534 million. The sale of the Dyno holding is in abeyance pending approval by various authorities.

The net asset value of the share portfolio rose by NOK 123 million to NOK 16,727 million in the period under review. The portfolio's market value was NOK 21,907 million at end-April, of which foreign investors accounted for 40 %. Unrealised capital gains on the portfolio came to NOK 9,007 million.

Cash flow, investments and financial situation

The Group's net cash flow in the first four months was a negative NOK 2.791 million, which is NOK 1,800 million lower than in the same period of 1999. A positive cash flow is expected for the rest of the year.

The cash flow from the Financial Investments area was NOK 1,092 million down on last year's figure. This is mainly because net share investments in the period were NOK 968 million higher than in the same period of last year, and because of the negative impact that Orkla Finans Fondsmegling's switch from consolidation as a subsidiary to consolidation as an associated company has on cash flow.

Free cash flow from operations for the Industry area was NOK 586 million lower than last year, primarily as a result of a substantial NOK 768 million increase in working capital. A large portion of this increase is due to Denofa's temporary build-up of soy bean stocks in Brazil, which have to be purchased in connection with the recently completed harvest. This is done to secure a supply of genetically unmodified soy beans. The aggregate value of the Industry area's

Group Balance Sheet

Amounts in NOK milion	30.4. 2000	30.4. 1999	31.12. 1999
Assets:			
Long-term assets	**22,310**	21,108	21,223
Portfolio investments etc.	**12,906**	9,300	11,375
Short-term assets	**9,733**	8,866	9,026
Total assets	**44,949**	39,274	41,624
Equity and Liabilities:			
Equity and Minority interests	**15,053**	13,406	14,226
Interest-bearing liabilities	**20,441**	17,292	17,829
Interest-free liabilities and provisions	**9,455**	8,576	9,569
Total equity and liabilities	**44,949**	39,274	41,624
Equity to total assets ratio (%):			
Book	**33.5**	34.1	34.2
Incl. unrealised gains before tax	**44.6**	42.0	46.4

Cash flow

Amounts in NOK million	1.1.-30.4. 2000	1.1.-30.4. 1999	1.1.-31.12. 1999
Industry area:			
Operating profit	**482**	315	2,066
Depreciation and write-downs	**683**	667	2,059
Change in net working capital	**(887)**	(119)	(369)
Cash flow from operating activities	**278**	863	3,756
Net replacement expenditure	**(383)**	(382)	(1,270)
Free cash flow operating activities	**(105)**	481	2,486
Financial items, net	**(219)**	(256)	(758)
Free cash flow from Industry area	**(324)**	225	1,728
Free cash flow from Financial Investments	**(449)**	(325)	598
Taxes and dividends paid	**(244)**	(221)	(1,035)
Sold companies	**139**	0	333
Miscellaneous capital transactions	**38**	80	63
Group's self-financing capacity	**(840)**	(241)	1,687
Expansion investments (Industry area)	**(477)**	(194)	(546)
Acquisitions	**(191)**	(306)	(665)
Net purchases/sales portfolio investments	**(1,218)**	(250)	(1,653)
Share buy back/share issue	**(65)**	0	(117)
Net cash flow	**(2,791)**	(991)	(1,294)
Currency translations net interest-bearing liabilities	**(275)**	140	129
Change in net interest-bearing liabilities	**3,066**	851	1,165
Net interest-bearing liabilities	**18,775**	15,395	15,709

expansion investments and company acquisitions was somewhat higher than in the first four months of 1999.

Net interest-bearing debt at end-April totalled NOK 18,775 million, and the average borrowing rate at the same point was 5.5 %. The proportion of interest-bearing debt carrying floating interest was about 76 %, and about 16 % of interest-bearing debt was exposed to short-term Norwegian money market rates at the end of the period.

As at 30 April 2000, the Group's book equity ratio was 33.5 %. Including gains on the share portfolio (before tax), the equity ratio was 44.6 %.

Orkla repurchased a total of 508,600 shares in the first four months of 2000 and now owns, directly and indirectly 8.9 million shares. The General Meeting decided on 4 May 2000 to renew the Board of Directors' authorisation to buy Orkla's own shares, limited to a maximum of 13 million shares. The authorisation runs until 4 November 2001.

Outlook

Although general developments and growth impulses in the global economy remain positive, uncertainties about accelerating wage and price inflation seem to be growing. This applies both in the United States and in the EU.

Expectations of further interest rate increases and a steep fall in the value of a number of companies operating in the "new" economy could have a negative impact on the stockmarket.

Several economies in central and eastern Europe are currently experiencing positive economic growth. The outlook ahead is viewed as relatively promising despite the substantial risk attached to these countries' economic and political setting. This augurs well for Orkla's Nordic branded goods businesses in general, and the beverages business in particular, and BBH is therefore expected to continue to expand, albeit at a slower rate than in the first four months of the current year.

No significant change is expected in the market parameters for Orkla's Nordic branded goods business. The Finnish and Swedish economies will continue to show the strongest growth impulses. The productivity enhancement programmes under way in the Group's business areas are expected to proceed as planned.

Profit for the Chemicals area is expected to continue to improve after the weak performance in 1999.

Oslo, 29 May 2000
The Board of Directors of Orkla ASA