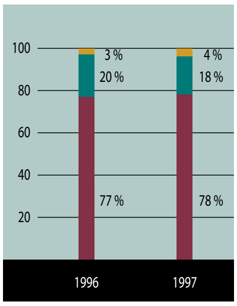
This is Orkla

Operating revenues by business area

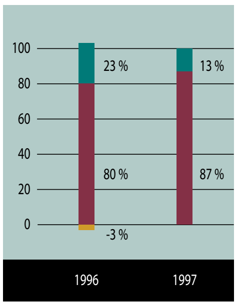
- Branded Consumer Goods
- Chemicals
- Other



Total operating revenues
1996: NOK 25,998 million
1997: NOK 30,970 million

Operating profit by business area

- Branded Consumer Goods
- Chemicals
- Other



Operating profit (excl. other revenues and costs)
1996: NOK 1,896 million
1997: NOK 2,432 million

The Orkla Group

Orkla is the second largest listed company in Norway in terms of market capitalisation (NOK 29.9 billion as of 31.12.1997) and its core businesses are Branded Consumer Goods, Chemicals and Financial Investments. The Group has achieved significant growth since the beginning of the 1980s. Operating revenues increased from NOK 1.2 billion in 1982 to NOK 31.0 billion in 1997 while earnings per share rose from NOK 0.80 to NOK 53.20. In 1997, 53 % of the Group's operating revenues were derived outside Norway. At the end of 1997, Orkla had 23,946 employees of whom 49 % were outside Norway.

Development Strategy

On the basis of the Group's expertise in the field of Branded Consumer Goods, Chemicals and Financial Investments, Orkla will continue to expand in product and market areas where Orkla's products have a good potential for becoming the preferred choice of customers and consumers.

Orkla's strategy for growth requires that the Group's core expertise is continuously improved and developed. In the coming years, Orkla will therefore be making further efforts to systematically develop human resources by organising joint programmes and on-the-job training, and facilitating the transfer of expertise. Orkla also gives high priority to developing a good corporate culture based on proximity to the market and the will to achieve quality, efficiency and continuous improvement.

The Branded Consumer Goods business will continue to strengthen its position as the leading supplier of branded products to Nordic households. Future growth will primarily be achieved by increasing focus on the most successful product groups and gradual growth outside the Nordic region, primarily in selected markets in Eastern Europe.

The Chemicals business will be further developed within global niche areas, primarily on the basis of fine and specialty chemicals. Profitability will be improved and sensitivity to economic fluctuations further reduced by focusing more on highly processed products tailored to customer needs and increased specialisation.

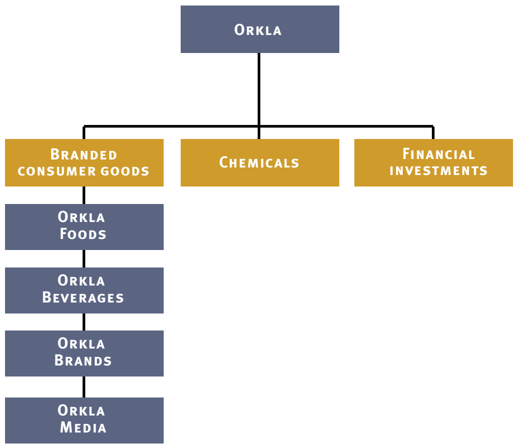
Building on its strong base of analytical expertise, Orkla will continue to be a major equity investor with a long-term focus, primarily in the Nordic region.

Historical Background

Orkla's roots can be traced back to the pyrite mines at Løkken Verk, where mining operations first began in 1654. Mining continued to be the Group's main business until the beginning of the 1980s, although the company was also involved in financial investments and had initiated its first media operations.

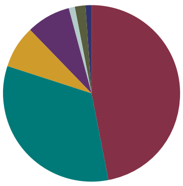
In 1986, Orkla Industrier merged with Borregaard. In addition to its wood processing and chemicals operations, Borregaard owned several strong branded goods companies. With this background, the merger provided the basis for the present strategy of focusing on the business areas Branded Consumer Goods, Chemicals and Financial Investments. After the merger in 1986, the branded consumer goods business was restructured while Borregaard reorganised to become a global producer of niche products in the field of specialty and fine chemicals.

Orkla Borregaard and Nora Industrier merged in 1991, thereby significantly strengthening Orkla's



OPERATING REVENUES BY GEOGRAPHICAL AREA

- Norway 47 %
- Nordic region* 33 %
- Europe** 8 %
- Eastern Europe 8 %
- USA 1 %
- Asia 2 %
- Other 1 %



Total operating revenues
NOK 30,970 million
* Excl. Norway
** Excl. Nordic region and Eastern Europe

position on the Norwegian branded consumer goods market and laying the foundations for Nordic expansion. The merger led to a strengthening of the food and snacks business, while the Norwegian beverages business, chocolate and confectionery were new additions to the Group. This merger was also followed by comprehensive restructuring and acquisitions and divestments.

In 1995, Orkla acquired the Swedish food companies Procordia Food and Abba Seafood. At the same time, Swedish Pripps and Norwegian Ringnes merged to become the jointly owned beverages company Pripps Ringnes. In 1997, Orkla acquired the remaining part of Pripps Ringnes. This acquisition confirmed Orkla's position in the Nordic region. At the same time the Group was strengthening its position in Eastern Europe.

In the 1990s, Orkla's branded consumer goods business has developed strongly in Eastern Europe. The Group's activities are primarily concentrated around Orkla Media's operations in Poland and Baltic Beverages Holding's (BBH) breweries in the Baltic states, Russia and Ukraine.

Specialisation of the chemicals business has accelerated in the 1990s.

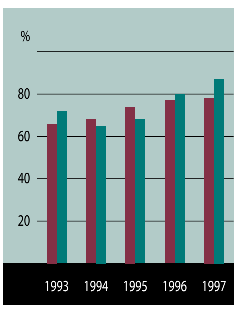
Branded Consumer Goods

	1997	1996	1995	1994	1993
Operating revenues [1]	**24,296**	20,057	16,202	14,288	12,158
Operating profit [1]	**2,116**	1,514	1,134	972	931
Operating margin	**8.7 %**	7.5 %	7.0 %	6.8 %	7.7 %
Return on capital employed	**13.9 %**	15.0 %	15.4 %	15.8 %	20.0 %

Excluding non-recurring items
1) NOK million

BRANDED CONSUMER GOODS SHARE OF THE GROUP'S OPERATING REVENUES AND OPERATING PROFIT

- Operating revenues
- Operating profit (excl. other revenues and costs)



The Branded Consumer Goods area, which comprises Orkla Foods, Orkla Beverages, Orkla Brands and Orkla Media, accounts for approximately 80 % of the Group's total operating revenues.

Orkla Foods is the leading supplier of manufactured food products for the retail trade and the catering sector in the Nordic region. Orkla is market leader in the product groups frozen pizza, ketchup, juice, jam and conserved vegetables. Orkla also has strong positions in the product groups frozen ready meals, cereals, bread and yeast in Norway and processed potato products and seafood in Sweden.

Through Pripps Ringnes, Orkla Beverages is market leader for beer and water products and the second largest supplier of carbonated soft drinks in Sweden and Norway. Baltic Beverages Holding (50 % interest) is the leading producer of beer in the Baltic States and Russia.

Orkla Brands comprises several companies with marketing-intensive products and is market leader in most of its product groups. Orkla is the largest supplier of biscuits in the Nordic region and has companies in Norway, Sweden and Finland. Detergents and cod-liver oil hold number one positions while chocolate and snacks hold strong number two positions in Norway. In Denmark, Orkla is market leader in snacks.

Orkla Media comprises newspapers, magazines and direct marketing and is the third largest media company in the Norwegian market. The newspaper business in Norway consists of local newspapers that hold number one positions. Furthermore, Orkla Media has a sound position on the Norwegian magazine market. Orkla Media is currently also the second largest player on the Polish newspaper market.

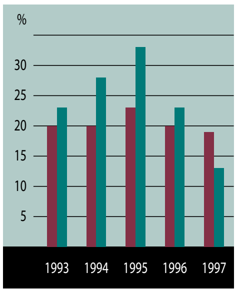
Chemicals

	1997	1996	1995	1994	1993
Operating revenues [1]	**5,733**	5,161	5,033	4,323	3,739
Operating profit [1]	**324**	441	543	413	301
Operating margin	**5.7 %**	8.5 %	10.8 %	9.6 %	8.0 %
Return on capital employed	**9.9 %**	15.4 %	20.5 %	18.9 %	15.7 %

Excluding non-recurring items
1) NOK million

Chemicals share of the Group's operating revenues and operating profit

Operating revenues
Operating profit (excl. other revenues and costs)



The chemicals area, Borregaard, comprises Specialty Chemicals, Fine Chemicals and Ingredients and accounts for approximately 20 % of Group operating revenues.

The Specialty Chemicals business is world leader in the field of lignin-based binding and dispersing agents for applications in product areas like concrete, textile dyes, animal feed and agrochemicals, and a supplier of specialty pulp for further chemical processing. Investments in research and development in the field of specialty pulp have resulted in highly processed products which hold a leading position on the European market.

Through its Fine Chemicals business, Borregaard is a leading supplier of advanced fine chemicals for the pharmaceutical industry and food products. Several leading international pharmaceutical companies have chosen Borregaard as a partner in cooperation in

connection with their various core technologies. The Ingredients business produces edible oils, fats and proteins for the food industry and feed production.

Orkla also owns extensive forests and hydro-electric power resources.

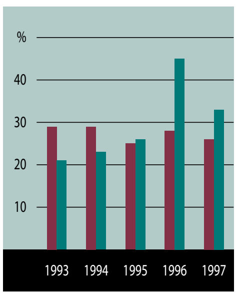
Financial Investments

	1997	1996	1995	1994	1993
Profit before tax [1]	**1,156**	1,099	498	350	273
Share portfolio:					
Market value [1]	**14,410**	11,043	8,761	8,194	7,361
Unrealised gains before tax [1]	**6,222**	4,612	3,019	2,663	2,473
Net asset value [1]	**11,542**	8,909	6,125	5,252	4,690
Return on investments	**24.5 %**	32.5 %	12.7 %	9.5 %	67.0 %

1) NOK million

Financial Investments share of the Group's balance sheet and profit before tax

Balance Sheet
Profit before tax



Orkla owns one of Norway's largest equity portfolios. As of 31 December 1997, the market value was NOK 14.4 billion, of which approximately NOK 6.2 billion was unrealised gains before tax. The net asset value of the securities portfolio (market value less debt) was approximately NOK 11.5 billion.

Through its investment activities, Orkla has established a broad network of contacts on Norwegian and international financial markets. While the resulting insight contributes towards developing the Group's industrial activities, proximity to an industrial environment provides the investments business with access to know-how and analyses which are not always available to a portfolio manager. This duality is of significant value to the entire Group.

Stockbroking and other financial services are provided through the company Orkla Finans.

Report of the Board of Directors

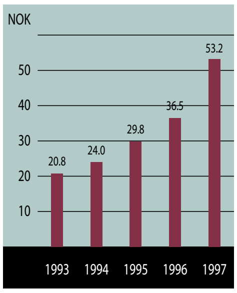
After a period of operational and financial consolidation of the Group in 1996, 1997 was a year of growth, particularly for the branded consumer goods business. The acquisition of the remaining financial interest in Pripps Ringnes in February 1997 confirmed Orkla's market position in the Nordic region and strengthened the Group's position in Eastern Europe. At the same time, Financial Investments contributed substantial added value. Profit per share rose by 46 % to NOK 53.20 (fully diluted).

In recent years, Orkla has mainly financed its expansion by borrowing. The continuous decline in interest rates during the same period has therefore been beneficial for the Group.

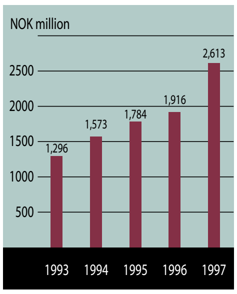
Orkla's shareholders achieved a good return on their shares in 1997. The share price rose by approximately 42 % and the total return, including dividend payments, was approximately 43 %.

The Group continued its strategy of concentrating on three core business areas, branded consumer goods, chemicals and financial investments.

Earnings per share



Operating profit



Included other revenues and costs

Results

Profit before tax and minority interests rose by NOK 1,106 million (+46 %) to NOK 3,537 million. Some of this profit growth can be ascribed to non-recurring items, which totalled NOK 545 million compared with NOK 20 million in 1996. Profit growth excluding these items was 24 %. Non-recurring items are specified in Note 12 to the accounts.

Profit per share rose by 46 % to NOK 53.20 (fully diluted). Adjusted for non-recurring items, growth was 18 %. The Board is satisfied with the Group's profit performance and proposes a dividend of NOK 8.50 per share. This represents a rise of 21 % from 1996. At the annual general meeting on 7 May 1998, the Board will also propose a 4-for-1 split of the share in order to increase share liquidity.

Group operating revenues totalled NOK 31.0 billion, 19 % (NOK 5.0 billion) higher than in 1996. Businesses acquired and divested account for some NOK 4.1 billion of this growth. The largest acquisition was the takeover of the remaining interests in Pripps Ringnes. Orkla Foods' fresh meat products business was sold in autumn 1997 because this type of product was unsuitable for the development of a strong brand identity. The rise in operating revenues for continuing business (calculated at fixed exchange rates) was approximately 5 % and was mainly related to volume growth and a different product mix for the branded consumer goods business and a strong rise in operating revenues from Ingredients (Chemicals). The Group's internationalisation strategy continued in 1997. The proportion of operating revenues generated outside Norway was approximately 53 %. Sales revenues from Eastern Europe accounted for some 8 % of total operating revenues, twice as much as in 1996.

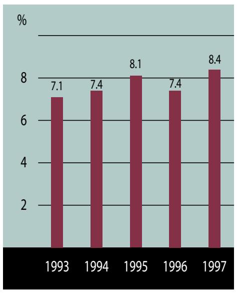
Group operating profit was NOK 2,613 million compared with NOK 1,916 million in 1996 (+36 %). The rise in profit in comparison with 1996 was due to non-recurring items, businesses acquired and divested and changes in exchange rates. Adjusted for these items, operating profit rose by 14 %, which is somewhat higher than in 1996. Underlying growth for the Branded Consumer Goods business was 23 %, on a par with growth in 1996. The Chemicals business experienced a fall in profit (-31 %), a somewhat larger decline than in 1996.

Other revenues and costs totalled NOK 181 million in 1997. The main items are related to the winding up of the agreement with The Coca-Cola Company (TCCC), a restructuring provision for Ringnes (NOK 171 million net) and gains on the sale of businesses outside the core business areas. In the Chemicals area, non-strategic business was written down by NOK 50 million.

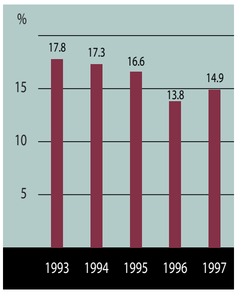
The Group's operating margin was 8.4 % compared with 7.4 % in 1996. Adjusted for other revenues and costs, the operating margin for the Group's industrial activities improved by 0.5 percentage points to 7.6 per cent. The Branded Consumer Goods business increased its operating margin by 1.2 percentage points to 8.7 %. There was progress in most areas. The best performance was achieved by the beverages business as a result of continued profitable growth for Baltic Beverages Holding (BBH) in the Baltic States and Russia. The decline in profit led to a 2.8 percentage point drop in the operating margin of the Chemicals business, to 5.7 %.

Profits from associated companies totalled NOK 442 million compared with NOK 97 million in 1996.

Operating margin



Return on capital employed Industry Area



The strong rise was mainly due to Orkla's shares (41.8 %, equivalent to NOK 283 million) of the gain on the sale of Jotun's polymer business. The share of profit from Hartwall amounted to NOK 28 million after deducting goodwill amortisation of NOK 29 million.

Group net financial items, NOK 394 million, were on a par with 1996. Lower interest rates compensated for increased borrowing in connection with the full takeover of Pripps Ringnes. Dividends received from the securities portfolio (NOK 292 million) were NOK 47 million lower than the year before. Net financial items also include a gain of NOK 61 million from the sale of the Hansa Brewery.

Group profit before tax was NOK 3,537 million, 46 % higher than in 1996. Taxes were NOK 863 million, equivalent to 24.4 % of pre-tax profit. The tax rate was low due to the high share of profit from associated companies (where the share of profit is included after tax) and low tax on the divestment of industrial businesses. Minorities' share of profit after tax increased from NOK 38 million in 1996 to NOK 112 million in 1997. The rise was due to minority interests in BBH.

Comments on individual business areas

Profit before tax for the Industry area totalled NOK 2,381 million, NOK 1,049 million higher than in 1996. Adjusted for non-recurring items, profit growth was 40 %. The return on capital employed in the Industry area was 14.9 %, compared with 13.8 % in 1996.

Orkla Foods' operating profit before non-recurring items was NOK 655 million, compared with NOK 608 million in 1996. The effort to realise synergy gains on a Nordic basis is progressing as planned. Some of the synergy gains are reinvested in brand building, improved cost-effectiveness and continued internationalisation. The 8 % rise in profit was due to the progress of the Nordic business, where volume growth and increased market shares in Norway made a particularly strong contribution. The trend on the Swedish market was more mixed, due partly to increased competition in the EU and partly to a weak catering market. In 1997 Abba Seafood carried out a comprehensive restructuring process. Concentration on fewer products and markets and strong focus on costs led to a clear improvement in profits. The food businesses outside the Nordic region have been amalgamated under a new international division. However, investments in restructuring and product and market development led to negative profit in this area in 1997.

The beverages business benefited from strong volume growth, ascribable to BBH and a warm summer. Operating profit was negatively affected by the transition to tollfilling for The Coca-Cola Company. Profit rose from NOK 300 million in 1996 to NOK 799 million in 1997. Of the profit growth of NOK 499 million, NOK 376 million is attributable to the full takeover of Pripps Ringnes. The remaining growth can mainly be ascribed to strong profit growth for BBH. Despite fierce competition on the Nordic beverages market, operating profit (before goodwill amortisation) for the Nordic business rose by NOK 17 million to NOK 529 million. Volume growth for Ringnes, progress for the Group's own carbonated soft drinks and water products in Norway and Sweden and improved prices and product mix for beer in Sweden all contributed to profit growth. The Group's share (50 %) of BBH's operating profit rose from SEK 164 million to SEK 475 million. Focus on product and quality improvements, strengthened distribution and a generally favourable market trend for beer, particularly in Russia, contributed towards increased profitability.

In 1997 a tollfilling agreement was entered into with PepsiCo for the Swedish market, due to enter into force from 2001 at the latest, when PepsiCo's agreement with its current partner expires. Discussions are also taking place regarding possible future cooperation on the Norwegian market.

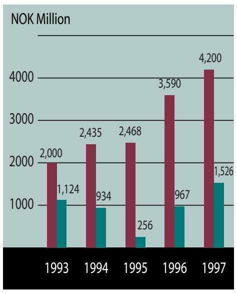
Operating profit (before non-recurring items) for Orkla Brands was NOK 458 million, compared with NOK 431 million in 1996. With the exception of Snacks, all businesses in this area achieved results that were better than, or on a par with 1996. A favourable price trend for certain raw materials and productivity improvements resulting from investments in new plants and technology led to improved profit growth. A continued rise in advertising and marketing investments helped to maintain market shares in markets where growth was generally weak.

Orkla Media increased its operating profit (before non-recurring items) by NOK 29 million to NOK 204 million in 1997. Profit growth can be ascribed to growth in the advertising market for newspapers and magazines. Lower paper prices and productivity improvements for Magazines also made a positive contribution. Orkla Media's Polish businesses achieved higher profit due to the full-year effect of the *Rzeczpospolita* newspaper and a growing advertising market. Orkla Media's operating profit for 1997 was negatively affected by the Group's involvement in local TV/radio and electronic publishing.

Operating profit for the Chemicals area before non-recurring items totalled NOK 324 million in 1997, NOK 117 million lower than the previous year. The rise in profit from Lignin and Ingredients was

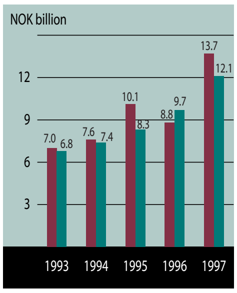
Cash flow Industry Area

- Cash flow from operations
- Net replacement expenditure



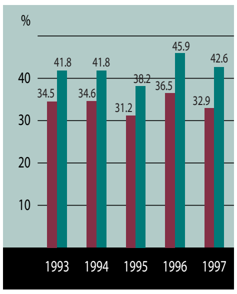
Debt and equity

- Net interest-bearing debt
- Equity (incl. min. int.)



Equity ratio

- Book value
- Incl. unrealised gains in the security portfolio



insufficient to outweigh the decline in profit from Specialty Pulp and Fine Chemicals.

Increased sales of highly processed products and a stronger US dollar contributed to continued profit growth for Lignin. Ingredients also achieved significant growth in both sales and operating profit. Good raw materials transactions and a strong rise in sales of special fats to Eastern Europe accounted for the good performance. In 1997, profit from Specialty Pulp was negatively affected by lower prices and reduced production as a result of running-in problems at the new highly-processed pulp plant. In the case of Fine Chemicals, the decline in profit was primarily due to lower sales of intermediates for diagnostica.

In 1997 13 % of the Chemicals area's sales were to Asia, primarily from the Lignin and Specialty Pulp businesses. The economic crisis in Asia is causing some uncertainty concerning future price trends for some highly processed products.

The value adjusted return for Financial Investments was 24.5 % compared with 32.5 % in 1996. In the course of 1997, the Oslo Stock Exchange All Share Index rose by 31.5 %. The value adjusted result before tax for Financial Investments was NOK 2,766 million, of which NOK 1,156 million (42 %) was reflected in the profit and loss accounts. The remaining NOK 1,610 million is shown as an increase in unrealised gains on the Investment portfolio. In addition to this, the Group's real estate projects at Skøyen in Oslo are assumed to have increased in value. The market value of the portfolio as of 31 December 1997 was NOK 14,410 million and unrealised gains totalled NOK 6,222 million. The Orkla Finance group achieved a substantial rise in profit in 1997, thereby confirming its strong position.

Group profit was negatively affected by items relating to Head Office and activities outside the Group's core business areas.

Full takeover of Pripps Ringnes and winding up of cooperation with The Coca-Cola Company

In February 1997, Orkla and Volvo entered into an agreement concerning the acquisition of Volvo's remaining 55 % financial interest in Pripps Ringnes. The company thereby became a wholly-owned subsidiary of the Orkla Group.

Volvo's interest was valued at approximately NOK 4 billion on the date of sale. The acquisition included total goodwill worth approximately NOK 2.4 billion. Annual goodwill amortisation consequently reduced 1997 operating profit by NOK 141 million. The full takeover of Pripps Ringnes nevertheless had a favourable effect on profit after tax and minority interests in 1997.

The final agreement concerning the winding up of cooperation with TCCC was signed on 28 January 1997. The agreement was essentially based on the letter of intent of 19 June 1996, with the exception of reduced transitional periods, particularly in Sweden. TCCC took over responsibility for sale and distribution of its products in Sweden on 1 April 1997. Pripps continued tollfilling until 31 December 1997, when all cooperation with Sweden ceased. In Norway, TCCC took over sale and distribution from 1 October 1997 while Ringnes continued tollfilling for the remainder of the year. Tollfilling will continue until 31 December 1998. At the beginning of the winding-up period, annual sales of TCCC products totalled just over NOK 2 billion. Comprehensive workforce reduction programmes are being implemented at both Pripps and Ringnes. However, the loss of a contribution margin for tollfilling, and the expected time lag in the adjustment of fixed costs is likely to affect profit negatively in 1998 and 1999.

Compensation for winding up the agreement with TCCC and the provision for necessary restructuring of the Norwegian operation netted some NOK 380 million. Of this, 45 % is recorded under "Other revenues and costs" and the remaining 55 % is discounted in the goodwill analysis in connection with the Group's acquisition of Volvo's 55 % financial interest in Pripps Ringnes. The provision for restructuring the Swedish operation was made in the 1995 accounts.

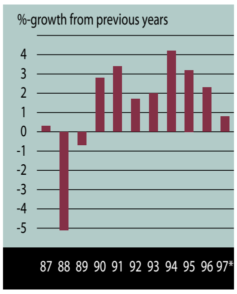
Cash flow, investments and equity

Group cash flow in 1997 was strongly affected by the acquisition of Pripps Ringnes. The takeover was loan-financed, which is the main reason for the 3.6 percentage point reduction in the Group's equity ratio to 32.9 %. If we include unrealised gains (before latent tax) on the securities portfolio, the equity ratio as of 31 December 1997 was 42.6 %.

Due to the rise in profit from the Industry area, cash flow from operations rose by NOK 610 million to NOK 4.2 billion. In 1997, a net amount of NOK 1,526 million was invested in the renewal of plants and equipment, NOK 559 million more than the year before. The increase was partly a result of full ownership of Pripps Ringnes and partly due to substantial individual investments, such as the new chloralkali plant (Chemicals), the new printing plant (Orkla Media) and the liquid detergent factory (Orkla Brands).

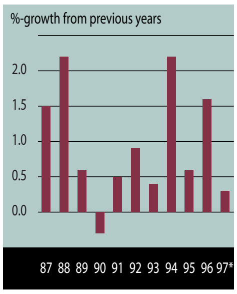
Expansion investments totalled NOK 6,929 million, NOK 994 million of which was related to the Investments area and NOK 5,935 million to the Industry area. The largest expansion investment by the Industry area was the full takeover of Pripps Ringnes.

Volume in grocery retailing, Norway



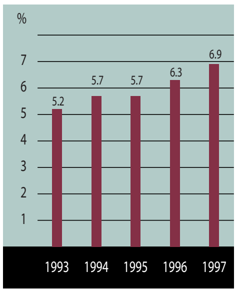
Source: HSH
* Estimate per Feb 98

Volume in grocery retailing, Sweden



Source: Fri Köpenskap
* Estimate per Feb 98

Branded Consumer Goods' advertising expenses in % of revenues



To this must be added major projects such as the new pizza factory at Stranda, the acquisition of the food business in Poland (Kotlin), the acquisition of the fine chemicals business in the USA and capacity expansion at breweries owned by BBH. Of total expansion investments by the Investments area, NOK 120 million was related to investments in real estate. The Group's net interest-bearing debt rose by NOK 4.9 billion, totalling NOK 13,667 million at year-end.

As of 31 December 1997, 80 % of the Group's interest-bearing debt was at floating interest rates, which partially explains why the Group's average borrowing rate was reduced by 2 percentage points to 5.6 % in 1997.

Of the Group's total interest-bearing debt of NOK 15,679 million as of 31 December 1997, 53 % was in Norwegian kroner and 25 % in Swedish kronor. As of 31 December 1997, Orkla had long-term unutilised drawing facilities of NOK 2,530 million.

In 1997 the Group's balance sheet total rose by NOK 10.4 billion to NOK 36.9 billion, primarily due to the full acquisition of Pripps Ringnes.

Markets and operating parameters

In general, trends on the most important markets for the Group's branded consumer goods businesses were favourable in 1997. Volume growth on the Swedish grocery market was limited. Preliminary figures indicate a rise of 0.3 %. Volume on the Norwegian grocery market increased by approximately 0.8 %. On the Danish and Finnish grocery markets, volume growth was somewhat higher. On the whole, the market for beer, carbonated soft drinks and water in Norway and Sweden grew relatively strongly (about 7 %) in 1997, mainly as a result of a warm summer.

Price growth was moderate and lower than the general inflation rate. Continuous focus on product development, further development of cooperation with the retail trade and increased emphasis on brand building have enabled us to maintain and sometimes strengthen the market positions of important product groups. Advertising investments in the branded goods area were equivalent to approximately 6.9 % of operating revenues, 0.6 percentage points higher than in 1996 and 2.7 percentage points higher than in 1992. However, there are consid-erable variations between product groups. While all sectors of the branded consumer goods business increased their advertising expenditure in 1997, the rise can mainly be ascribed to increased advertising investments in the areas covered by Orkla Brands.

Orkla Foods' Norwegian businesses improved their market shares in 1997. In the case of the Swedish businesses, the picture was more differentiated. Market shares in the catering sector and for certain potato products declined while pizza and Abba Seafoods' main products strengthened their positions. In general, companies in the Orkla Brands group maintained their market shares while the situation for Orkla Beverages was more mixed.

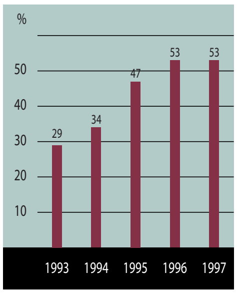
The Nordic beverages business is strongly affected by the changes that are taking place in market and competitive parameters. New cooperative and ownership structures have emerged. Furthermore, retailers in Norway have introduced their own private labels for beer, carbonated soft drinks and mineral water. In Sweden, private labels have not developed in the same way. Both Pripps' and Ringnes' shares of their respective beer markets have declined. In Norway the main reason was the rise in private labels, while in Sweden a high level of competitive activity and own focus on products with higher margins led to somewhat lower market shares. The market share for water was maintained while market shares for Orkla's own brands on the carbonated soft drinks market increased in both countries.

The Swedish beer market in 1997 continued to be affected by the high level of private imports from Denmark. From 1 January 1997, a new, lower beer duty was introduced in Sweden, but the level is still significantly higher than in Denmark. Although private imports were high (estimated to be approximately 16 % of consumption), growth appears to have stagnated.

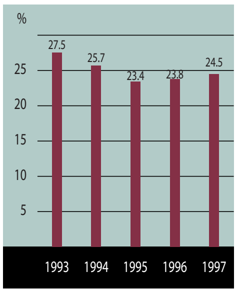
Volume growth for beer in Russia and the Baltic States was around 15-20 %, which helps to explain BBH's volume growth of almost 100 %. The full-year effect of breweries acquired in 1996 and new breweries acquired in 1997 account for approximately half the volume growth.

In the Chemicals area, average price level for specialty pulp in 1997 was lower than in 1996. The prices were relatively stable in 1997. In general, the lignin business achieved sales volumes on a par with 1996, while growth in Asia was more marked. Volumes rose for the vanillin business. Sales volumes for Fine Chemicals are affected by variations in the volumes purchased by certain major customers from one year to the next. In 1996 sales of advanced intermediates for diagnostica were particularly high while sales to this segment were significantly lower in 1997. Sales of fine chemicals to the pharmaceutical industry are expected to increase gradually in 1998, primarily due to new products that are currently being developed. The full effect is not expected until 1999.

Sales outside Norway



Fixed costs* in % of revenues



All fixed costs excl. advertising, R&D and depreciation.

1997 was a good year on the world's stock markets. The European markets were among the strongest and all the Nordic stock exchanges reported satisfactory growth. The Norwegian stock market, represented by the Oslo Stock Exchange All Share Index, rose by 31.5 % in 1997, compared with 32.1% the previous year, which was considerably higher than the global average. The Norwegian market benefited from the strong growth of the world economy, falling interest rates, a rise in real incomes and a stronger US dollar. During the autumn, however, events in Asia dominated stock market trends and companies with significant exposure in Asia experienced a substantial drop in share prices in the latter part of 1997.

In 1997 the Group initiated two major consequence analyses in connection with preparations for the year 2000 and the introduction of European Economic and Monetary Union (EMU). Both projects have high priority. With respect to the year 2000 problem and IT systems' handling of it, companies are well under way in their efforts to identify and implement the necessary changes. Progress in this area is monitored continuously and reports are sent regularly to the boards of individual companies and head office. From 1999 the EU will be introducing EMU, which will, among other things, entail a new common currency, the Euro. The Group's direct involvement in the EMU zone is initially expected to be limited mainly to Finland and Austria. If Sweden and Denmark should choose to join EMU at a later date, the Group's exposure will increase considerably. The direct effects of EMU on the Group are considered to be limited. The necessary adjustments will be made on an ongoing basis.

Rationalisation

In order to maintain and strengthen the Group's market positions, every link in the value chain must be cost effective. At Orkla there is continuous emphasis on improving efficiency. Over time, the Group has pursued a cautious price policy whereby price increases for most products have been lower than the general rate of inflation. Any rise in profit margins is there-fore dependent upon effective cost control.

In Orkla Foods, several projects are in progress to improve productivity. The acquisition of Procordia Food and Abba Seafood on 1 October 1995 laid the foundations for improving the group's competitive position on Nordic markets. Efforts to integrate the new companies and realise the expected synergy gains have had high priority. The projects have separate organisations, each with their own resources for purchasing, production, sales/marketing, R&D and administration. The results are favourable.

Cost-cutting projects at Orkla Beverages are primarily related to the winding up of cooperation with TCCC. Cost levels must be adapted to the reduced volume, and cost reductions will take place in production, distribution/sales and administration.

Orkla Media's most important cost-cutting projects are linked to the new printing plant for the Group's newspapers on the western side of the Oslo Fjord. The total investment is just over NOK 300 million. The printing plant will be completed by April 1998 and fully operational from 1999. For the Polish businesses, there is still potential for improvement in most parts of the value chain and the effort to implement these improvements continues.

Orkla Brands opened a new liquid detergent factory in August 1997. The factory is designed to conform to extremely strict environmental standards and will ensure competitive production and improved export potential.

In the Chemicals area efforts are particularly focused on solving initial problems in connection with the new specialty pulp plant.

Personnel and organisation

At year-end, the Group had 23,946 employees, 11,782 of whom were working outside Norway. Just over 5,000 employees are in countries outside the Nordic region.

Orkla is continuing and strengthening its recruitment, training and human resource development programmes.

Orkla's geographical distribution and the internationalisation process the Group is currently undergoing is leading to new challenges in the effort to improve expertise and develop a common corporate culture. Differences in legislation and social conditions, knowledge, history and local experience lead to cultural differences that must be studied and understood. Only on this basis can companies, from different starting points, make a positive contribution to a common set of basic values. In its efforts to further develop and improve the skills of employees through the Group trainee programme, the Orkla Brand School and the Orkla School for Business Relations, Orkla attempts to take such local and national cultural differences.

The career opportunities that arise abroad and the Group's training of managers who seek these challenges are another consequence of the internationalisation process. The demand for managers who can work internationally and are used to mobility is rising, intensifying the need for systematic career planning.

The Group has good, close relations with employees' organisations through the established cooperation and representation systems and Orkla's internationalisation is becoming increasingly apparent in this area too. Through formal cooperative arrangements, contacts are extended and the need to view commercial problems in a new light is becoming increasingly evident.

The Board wishes to express its gratitude for employees' efforts and its appreciation of the results that have been achieved.

Details of remuneration to the Corporate Assembly, Board of Directors, Group Chief Executive and Auditor are given in Note 2 to the Orkla ASA accounts (page 27).

Health, Safety and Environment (HSE)

Total sickness absence in the Norwegian companies rose slightly in 1997, primarily due to a rise in long-term sickness absence. Nevertheless, the increase was less than the national average in all categories. The Group's Swedish companies reported a somewhat higher level of sickness absence than the Norwegian companies, particularly short-term sickness absence. Injury frequency was marginally lower than in 1996. We refer otherwise to Orkla's Environmental Report.

Allocation of profit for the year

In 1997, Orkla ASA recorded profit for the year of NOK 1,291 million after group transfers received. The Board proposes the following allocations (NOK million):

Allocated to dividend	(410)
Allocated to legal reserve	(242)
Allocated to free reserves	(639)
Total	(1,291)

Prospects for 1998

Few changes are expected in competitive and market conditions for the Nordic and East European branded consumer goods businesses in 1998.

In the Chemicals area, the demand for specialty lignin and pulp products is satisfactory. However, the economic crisis in Asia has led to uncertainty concerning future price trends, also for some of the highly processed products.

General financial and industrial operating parameters in the Nordic region may be negatively affected by an expansive economic policy and overly expansive wage settlements. In the longer term, a development of this nature may affect Orkla's competitiveness as well as trends on the financial markets.

Oslo, 24 March 1998

The Board of Directors of Orkla ASA

Svein Ribe-Anderssen
Chairman

Roger Johansen

Eva Bergquist
Observer

Jonny Bengtsson

Harald Norvik

Kjell Kjønigsen
Observer

Odd Gleditsch jr.

Björn Savén

Jens P. Heyerdahl d.y.
Group Chief Executive

Truls Holthe

Stein Stugu

Profit and Loss Account

Amounts in NOK million	*Notes*	**1997**	1996	1995
Operating revenues	*1*	**30,970**	25,998	21,977
Raw materials, work in progress and finished goods	*9*	**(12,618)**	(11,500)	(9,691)
Wages and other personnel costs	*2*	**(6,734)**	(5,474)	(4,650)
Other manufacturing, selling and administrative expenses	*5*	**(7,425)**	(5,798)	(4,882)
Goodwill amortisation and write-downs	*15*	**(419)**	(283)	(157)
Ordinary depreciation and write-downs	*12, 15*	**(1,342)**	(1,047)	(940)
Other revenues and costs	*12*	**181**	20	127
Operating profit		**2,613**	1,916	1,784
Profits from associated companies	*14*	**442**	97	76
Financial items, net	*6*	**(394)**	(398)	(451)
Portfolio gains		**876**	816	481
Profit before taxes and minority interests		**3,537**	2,431	1,890
Taxes	*7*	**(863)**	(641)	(434)
Minority interests	*24*	**(112)**	(38)	(24)
Profit for the year		**2,562**	1,752	1,432
Earnings per share (NOK)	*Page 30-31*	**53.7**	36.9	30.2
Earnings per share fully diluted (NOK)	*Page 30-31*	**53.2**	36.5	29.8

Balance Sheet

Amounts in NOK million	*Note*	**1997**	1996	1995
Assets				
Cash and bank deposits	*8*	**1,222**	1,063	1,416
Portfolio investments etc.	*4*	**8,188**	6,512	5,866
Accounts and other short-term receivables	*5*	**4,744**	3,400	4,001
Inventories	*9*	**3,076**	2,744	2,938
Current assets		**17,230**	13,719	14,221
Interests in associated companies	*14*	**1,911**	1,061	1,212
Shares and investments in other companies	*10*	**103**	91	93
Other long-term receivables	*3*	**1,364**	637	389
Goodwill	*15*	**5,656**	3,704	3,776
Fixed assets	*15*	**10,601**	7,284	7,005
Long-term assets		**19,635**	12,777	12,475
Total assets		**36,865**	26,496	26,696
Liabilities and Equity				
Short-term interest-bearing debt	*16, 17*	**1,463**	726	3,399
Short-term interest-free debt	*11*	**7,244**	5,308	5,440
Current liabilities		**8,707**	6,034	8,839
Long-term interest-bearing debt	*16, 17*	**14,216**	9,344	8,159
Long-term interest-free debt	*18*	**1,823**	1,445	1,371
Long-term liabilities		**16,039**	10,789	9,530
Minority interests	*24*	**478**	183	131
Share capital		**1,233**	1,219	1,219
Other equity		**10,408**	8,271	6,977
Equity	*23*	**11,641**	9,490	8,196
Liabilities and equity		**36,865**	26,496	26,696
Mortgages	*20*	**128**	167	239
Guarantees and other commitments	*20, 21, 22*	**1,089**	830	447

Cash flow Statement [1)]

Amounts in NOK million	Note	1997	1996	1995
Industry area:				
Operating profit		**2,510**	1,851	1,764
Depreciation and write-downs		**1,862**	1,319	1,276
Changes in net working capital		**(172)**	420	(572)
Cash flow from operations	*Page 32-33*	**4,200**	3,590	2,468
Sale of fixed assets		**212**	236	779
Replacements expenditure and environmental investments	*15, page 32-33*	**(1,738)**	(1,203)	(1,035)
Free cash flow from operations		**2,674**	2,623	2,212
Financial items, net		**(565)**	(613)	(437)
Free cash flow from Industry area		**2,109**	2,010	1,775
Cash flow from Investment area before net purchases/sales of shares and properties		**168**	312	(33)
Taxes and dividends paid		**(999)**	(762)	(616)
Miscellaneous capital transactions, foreign exchange differences, etc.		**762**	204	(311)
Group's self-financing capacity		**2,040**	1,764	815
Expansion investments in industrial activities	*15, page 32-33*	**(5,935)**	(664)	(3,765)
Net purchase/sale of portfolio shares		**(874)**	301	321
Net purchase/sale of properties (Investment area)		**(120)**	(37)	40
Net cash flow		**(4,889)**	1,364	(2,589)
Change in gross interest-bearing debt		**5,609**	(1,488)	2,866
Change in liquid assets/interest-bearing receivables		**(720)**	124	(277)
Change in net interest-bearing debt		**4,889**	(1,364)	2,589
Net interest-bearing debt	*17*	**13,667**	8,778	10,142

1) Orkla has decided to keep its previous cash flow statement as the main presentation. However, the cash flow statement according to Norwegian Accounting Standards Board (NASB) is presented in note 13.

Cash flow from operations expresses the gross cash flow generated by the Industry area, adjusted for changes in funds employed in providing working capital.
Free cash flow from operations represents the gross interest payment capacity of the Industry area and the ability to expand when the current level of activity has been maintained through replacement and environmental investments.
Free cash flow from Industry area shows the Industry area's ability to expand after financial items, before taxes and dividends paid.
Group's self-financing capacity represents the amount the Group can use for expansion investments without increasing net interest-bearing debt.
Net cash flow shows the Group's ability to repay debt/borrowing requirement after expansion investments and net purchase/sale of portfolio shares/properties.

The Group Accounts

The Orkla Group in its present form was established through mergers between Orkla Industrier A.S and Borregaard A.S in 1986 and between Orkla Borregaard and Nora Industrier A.S in 1991. The Group has concentrated its activities in three main areas: Branded Consumer Goods, Chemicals and Financial Investments. Since 1990 the Group has developed as follows:

1991. Orkla Beverages establishes operations in Poland in co-operation with The Coca-Cola Company. Purchase of Daishowa Chemicals (USA) makes Borregaard LignoTech the world's largest lignin producer. The Vanillin area is strengthened through cooperation with the Italian company EniChem through EuroVanillin (50-50). Orkla Media acquires Sunnmørsposten, Haugesunds Avis and Romsdals Budstikke.

1992. Purchase of 27 % of Frionor who sells fish and seafood in more than 30 countries. The interest was later increased to more than 50 %. 49 % of the shares in Göteborgs Kex was acquired. Option to acquire the remaining 51 %. Orkla Media and Norske Egmont establish a joint company, Hjemmet Mortensen, for magazines.

1993. Orkla Foods purchases BOB Industrier, a leading Swedish supplier of jams, squashes, etc. The Chemicals area acquires Metsä-Serlas' lignin business in Finland. The acquisition expands the product range and provides increased access to the markets in Eastern Europe. New plant for the production of lignin completed in October. Orkla Media acquires a minority interest in Bergens Tidende and establishes at the same time strategic minority holdings in a total of 6 Polish newspapers. Orkla Media's shares in TVNorge was sold.

1994. Orkla Brands acquires the remaining 51 % of Göteborgs Kex and Kantolan in Finland is acquired. Orkla Media purchases 91.5 % of the shares in Drammens Tidende & Buskerud Blad and acquires 87.5 % of shares in Varden and strengthens its position in Poland. The Chemicals area purchases the difenols business in Italy, the remainder of EuroVanillin, together with 55 % of Taicang (China). At the same time the Chemicals area continues its growth through further investments in a new fine chemicals plant in Norway while the polymer business is sold. The Group sells its holding in the Emo group.

1995. Orkla buys the food products companies Procordia Food and Abba Seafood from Volvo and establishes a joint venture with Volvo for their combined beverages businesses through Pripps Ringnes including 50 % of Baltic Beverages Holding (BBH). Pripps Ringnes buys a 20.5 % interest in the Finnish beverages company Oy Hartwall Ab. Media's investments in Poland are increased. Orkla sells its beverages investments in Poland. The Coca-Cola cold drink companies in Norway and Sweden are sold. In addition Norgro, Høvellast, Dacapo and Smaks Salater, together with 50 % of Helly-Hansen are sold.

1996. Orkla Media's involvement in Poland is further increased through the purchase of 51 % of Rzeczpospolita, one of Poland's leading newspapers, and in addition the papers printing company Warsaw-Print (50.8 %). Orkla Foods sells Österberg and Löfquist in Sweden, Beauvais Catering in Denmark as well as Abba Germany and the production operations in Denmark. The Kalas brand was sold in December. BBH increases activities in Russia and Ukraine. The Chemicals division and the Chinese Kaishantun establish a joint venture for production of lignin-based products. It is decided that Frionor and Norway Seafood should merge, and the group's stake is transferred to Financial Investments. The sale of Hansa Brewery is agreed upon.

1997. In February Orkla acquires Volvo's 55 % financial interest in Pripps Ringnes and achieves 100% [1] control. BBH expands further in Lithuania and Russia. Orkla Foods buys 65 % of the Polish food manufacturer Kotlin. Orkla Foods also takes over the Check pizza company Guseppe, effective from 1 January 1998. Ringstads Ferskvare (formerly Stabburet Ferskvare) was sold. Orkla Media acquires Østlendingen AS (51 %). They acquire decisive majority in Østlandets Blad and has agreed to buy 49 % of the Swedish newspaper Norrländska Socialdemokraten. Orkla Media also buys several small newspapers in the eastern part of Norway. Forbrukerkontakt is sold. Chemicals buys the fine chemicals business PolyOrganix. Specialty Chemicals also establishes a joint venture company with Sappi Saiccor for the production of lignin-based products in South Africa. The Orkla Group establishes a 50/50 joint venture company KiMs Asia, which will introduce KiMs snacks to Southeast-Asia.

[1] Pro forma information 1996

Pripps Ringnes has been included 100 %. Goodwill amortisation due to the take-over has been booked with the same amount in 1996 as in 1997.

Amounts in NOK million	1997	1996
Operating revenues	30,970	29,989
Operating costs	(26,777)	(26,130)
Goodwill amortisation and write-downs	(419)	(424)
Ordinary depreciation and write-downs	(1,342)	(1,313)
Operating profit before other revenues and costs	2,432	2,122

1997 in particular
The Group accounts for 1997 are in accordance with principles and classifications used previously. From 1997 1. year instalment of long term liabilities is entered as a long term debt. Earlier this used to be classified as short term debt.

General
The Group accounts show the consolidated result and financial position of the parent company Orkla ASA and its interests in other companies. Interests in ***companies*** where the Group exerts a dominant influence are consolidated 100 % in accordance with the purchase method. The minority interests' share of profit after tax are presented separatly. ***Interest in jointly controlled limited companies*** are presented using the proportionate consolidation method. ***Interests in associated companies*** where the Group has a strategic interest and significant influence (20-50 %), are included based on the equity method. Assets defined as «Financial Investments» are valued at the ***cost method*** irrespective of the share of equity.

The Group's cost prices for assets and liabilities in subsidiaries, joint ventures and associated companies are used as a basis for recording results in the Group accounts. The Group's equity comprises the parent company's equity and retained earnings subsequent to the above-mentioned companies becoming subsidiaries, less amortisation on amounts paid for tangible assets and goodwill in excess of book values and less minority interests.

Accounting and consolidation principles
Each of the company accounts consolidated in the Group have been prepared using consistent accounting and valuation principles, and the presentation of captions in the profit and loss account and balance sheet has been made using uniform definitions.

Shares in subsidiaries are eliminated and the cost price of the shares is replaced by the company's assets and liabilities, valued at the cost price to the Group. The difference between the purchase price for the shares and the company's aggregate equity capital at the date of acquisition is analysed and primarily allocated to those of the company's assets (or liabilities) which have values different from the book value. Any residual value is being treated as goodwill in the Group accounts. The remaining equity of the aquired company together with the minority share of excess values is presented as minority interests.

The Group's interests in jointly controlled companies are eliminated using the same principles as for subsidiaries. Orkla's share of each caption is included within the Group accounts (proportionate consolidation method, see note 19).

Investments in associated companies are valued in accordance with the equity method and the Group's share of the results after amortisation of goodwill is added to the cost of the investment. The treatment of goodwill in associated companies is based on the same principles as for subsidiaries, see note 14.

Foreign subsidiaries which are not an integrated part of the parent company are translated using the exchange rate at 31.12. for the balance sheet and monthly average exchange rates for the profit and loss account. Translation differences are charged directly against equity. Monetary items on the balance sheets of foreign subsidiaries which operate as an integrated part of the parent company are translated on the basis of the exchange rate at 31.12, while the exchange rate on the transaction date is used for non-monetary items. In the profit and loss account, depreciation and the cost of materials are translated using the historic rate while other items are translated using monthly average exchange rates. Translation differences are recorded under the caption «Other financial items».

In countries defined as hyperinflationary, the accounts have been inflation adjusted. Depreciation and the book value of operating assets are translated at the exchange rate in effect on the date of acquisition. The profit and loss account is translated using monthly average exchange rates. Other balance sheet items are translated at the year-end exchange rate. Translation differences are recorded under the caption «Other financial items». In markets where no normal market for hedging exist due to political control of exchange rates and de/revaluations Orkla uses exchange rates adjusted for expected effect of such conditions.

Classification, valuation and Accrual principles
The Group accounts are founded on the basic accounting principles accrual, matching and going concern. The accounts also rely on consistent definitions and the principle of congruence. Historical cost and prudence prevail when estimating values. The Orkla Group focuses substance over form reporting and detailed information about single incidents through the year.

Classification of current assets in the accounts is determined as all assets related to the conversion cycle, receivables due within one year and «assets not intended to be permanently retained or used in the business». Other assets are fixed assets. The difference between short and long-term liabilities is determined at one year prior to the maturity date.

Operating revenue is revenue after deduction of discounts, VAT, and all other government fees.

Valuation of current assets is made at the lower of original cost and market value. Fixed assets are valued at original cost less accumulated ordinary depreciation. If the market value of a fixed asset has suffered a permanent diminution, it is written down. Investments in associated companies are valued in accordance with the equity method (se above).

Accounts receivable are valued at expected realisable value. The Group's aggregate provision for bad debts on accounts receivable is stated in Note 5.

Inventories of materials are valued at the lower of cost or market value based on the FIFO principle. Finished goods and goods in process are valued at cost of processing. A provision is made for obsolescence.

Shares and other investments which represent financial investments, separate from the Group's strategic industrial investments, are classified as current assets and valued on the basis of the portfolio principle. The portfolio is managed as a whole and an adjustment in value is only made if the aggregate holdings have a lower value than original cost. Individual investments in the portfolio which have incurred a long-term fall in value are written down. Long-term shareholdings and other interests which are not treated as investments in associated companies are recorded using the cost method. The cost method means that shares/interests are recorded in the balance sheet at cost and cash payments received are treated as dividends.

Fixed assets are capitalised and depreciated if they have a useful economic life in excess of 3 years and a cost price in excess of NOK 15,000. Maintenance of fixed assets is recorded as an operating cost, whereas expenditure on additions or improvements are capitalised and depreciated in line with the corresponding asset. Asset replacements are capitalised. Except from new systems and upgrading of existing systems, all computer and IT-equipment cost due to the transition to the Year 2000 are being expensed. Excess values arising from mergers are allocated in the Group accounts to the relevant fixed assets and depreciated accordingly. Fixed assets are depreciated on a straight line basis using the following rates: buildings 2-4 %, machinery and fixtures 7-15 %, transport equipment and reusable bottles and crates 15-25 % and computer equipment 16-33 %.

Research and development (R&D). R&D-costs are expensed through the year.

Goodwill. On acquiring another company for a consideration which exceeds the value of the individual assets, the difference, to the extent it represents an economic value, is recorded in the balance sheet as goodwill. Goodwill is amortised over its expected useful life, based on calculations made at the time of purchase, but never over more than 20 years. The value of goodwill is written down if the market value is considered to be less than the book value and the reduction is considered permanent.

Pension matters. Accounting for pension costs is in accordance with the preliminary Norwegian accounting standard on pension costs. Pension costs and liabilities are calculated by actuaries using assumptions as to discount rates, future salary adjustments, state pension benefits, future returns and actuarial calculations on deaths and voluntary departures etc. The pension funds are valued in the balance sheet at market value less net pension liabilities. Any overfunding is recorded in the balance sheet to the extent it is likely that it can be utilised. Changes in pension liabilities due to alterations in the terms of pension plans are allocated to the profit and loss account over the estimated average remaining working life of pensionable employees. Changes in pension assets and liabilities due to changes in and deviations from the calculation assumptions (estimate changes) are allocated to the profit and loss account over the estimated average remaining working life of pensionable employees if the differences exceed 10 % of the gross pension liability (or pension assets if larger). Unamortised differences are disclosed in note 2.

Foreign exchange. The treatment of foreign exchange in the Group differs between hedged and unhedged items. «Hedged» means that the economic effect of fluctuations in the relevant currency has been minimalised. Balance sheet items which hedge each other are presented at the rate on the balance sheet date while balance sheet items which are hedged by off-balance sheet financial instruments are presented using the hedge rate. Debt hedged by assets in equal currency is also booked at hedge rate. Hedging transactions undertaken to hedge contractual cash flows are valued together with those cash flows while any loss on hedging transactions which do not cover contractual cash flows is expensed under the caption «Financial items». Unhedged foreign exchange positions are treated in aggregate on a portfolio basis. If there is an overall un-realised net loss on the portfolio it is expensed but unrealised net gains are not recorded as income.

Taxes. The tax charge is based on the financial result and consists of the aggregate of taxes payable and changes in deferred tax. Deferred tax is calculated at the nominal tax rate for timing differences arising between accounting and tax values.

Cash flow statement. Orkla has decided to use the previous format of the cash flow statement setup as the main presentation. The reason is that the new prelimenary standard from NASB does not have a corresponding section with informative summary accounts of the operating units. Cash flow statement NASB, see note 13.

Notes

1 Operating profit

Amounts in NOK million	1997	1996	1995
Sales in Norway	**13,848**	11,682	11,242
Sales in Sweden	**8,076**	6,887	4,186
Sales in Denmark	**1,499**	1,474	1,213
Sales in Finland and Iceland	**553**	560	375
Sales in Nordic region	**23,976**	20,603	17,016
Sales in the rest of Western-Europe	**2,489**	2,671	2,815
Sales in Eastern-Europe	**2,383**	970	697
Sales in Asia	**776**	562	453
Sales in the rest of the world	**716**	752	622
Sales outside the Nordic region	**6,364**	4,955	4,587
Total sales	**30,340**	25,558	21,603
Miscellaneous operating revenues	**630**	440	374
Operating revenues	**30,970**	25,998	21,977
Sales in EU-countries	***12,474***	*11,428*	*8,380*

Revenues on an operating unit level are presented at page 32-33, «Summary Account of the Operating Units».

2 Wages and other personnel costs

Wages and other personnel costs consist of costs directly related to the remuneration of employees and officers, costs related to pension arrangements for both present and past employees and government employment taxes. The costs consist of:

Amounts in NOK million	1997	1996	1995
Wages and holiday pay	**(5,368)**	(4,401)	(3,833)
Other remuneration	**(59)**	(22)	(31)
Employment tax	**(1,079)**	(873)	(666)
Pension costs	**(228)**	(178)	(120)
Wages and other personnel costs	**(6,734)**	(5,474)	(4,650)

Pension matters

Most employees in the Group are members of the Group service pension schemes. As at 31.12.1997, a total of 17,696 present employees were members of the service pension schemes. In addition the service pension schemes include 5,939 previous employees. The service pension schemes are defined as «net schemes» which do not bind the Group to liabilities arising from any changes in benefits from State's social security fund. The Norwegian pension plans are treated as defined benefit and defined contribution pension plans. Pension plans in Sweden are treated both as defined benefit pension plans, and in Denmark as defined contribution pension plans.

In addition, the Group has pension liabilities which are not managed by outside insurance company. These relate to early retirement pensions, discretionary pensions to early retired employees, pensions with a pension base higher than the Taxes Act maximum limit, pensions to previous board members and pensions to people who for various reasons have not been included in the service pension schemes which are to be paid by the Group. 3,961 people are covered by these schemes.

Several of the Group's insured pension schemes are overfunded. The overfunding has been evaluated, and it is assumed in the accounts that all overfunding is capable of being utilised due to the fact that some uninsured schemes can be covered from these funds, known future liabilities and the steady development which is taking place in the Group's business and organisation.

The pension charge for the year is calculated by an independent actuary based on information as at 1.1.1997. It is adjusted for any subsequent material changes. Pension costs and liabilities in foreign countries are calculated by actuaries based on local accounting principles, and assumptions as at 1.1.1997. Adjustments are made for material divergence from Norwegian general accepted accounting principles. Norway represents 84 % and Sweden represents 14 % of gross pension liability in the Group.

Orkla's legal obligations are not influenced by the accounting treatment.

Assumptions:

	Norway	Sweden
Discount rate	6 %	8 %
Future salary adjustment	3 %	5 %
Average remaining working life	15 years	15 years
Pension adjustment/G-adjustment (Soc. sec.)	2 %	4 %
Return on pension funds	7 %	-
Estimated return 1997	10 %	-

Composition of net pension cost

Amounts in NOK million	1997	1996	1995
Present value of this year's pension benefits (including employement tax)	**(165)**	(132)	(104)
Interest cost on pension liability	**(202)**	(157)	(133)
Expected return on pension funds	**182**	142	130
Amortisation of deferred liability due to differences between plan/assumptions	**(7)**	0	0
Net pension cost benefit plans	**(192)**	(147)	(107)
Contribution plans	**(36)**	(31)	(13)
Net pension cost	**(228)**	(178)	(120)

Composition of net pension liability

Amounts in NOK million	31.12.97	31.12.96	31.12.95
Gross pension liability	**(3,454)**	(2,711)	(2,521)
Pension funds (market value)	**2,815**	2,188	2,032
Actual net pension liability	**(639)**	(523)	(489)
Unamortised differences from plan assump.	**(33)**	30	34
Net pension liability	**(672)**	(493)	(455)
Capitalised net pension liability	**(884)**	(662)	(616)
Capitalised net pension assets	**212**	169	161

Composition of pension funds (market value)

	31.12.97	31.12.96	31.12.95
Liquid assets	**1 %**	2 %	3 %
Money market investments	**2 %**	3 %	3 %
Bonds	**48 %**	48 %	48 %
Loans	**11 %**	16 %	16 %
Shares	**27 %**	24 %	23 %
Property	**11 %**	7 %	7 %
Total pension funds	**100 %**	100 %	100 %

Approximately 17 % of pension funds are managed by the company's own pension funds and 83 % by life insurance companies.

3 Other long-term receivables

Amounts in NOK million	1997	1996	1995
Loan board members, employees etc. [1]	**74**	61	65
Pension assets	**212**	169	161
Deferred tax allowance	**110**	79	69
Other long-term receivables	**968**	328	94
Total	**1,364**	637	389

1) In addition loan to board members, employees etc. are included in other short-term receivables with NOK 30 million. Employees are allowed a NOK 7 million guarantee.

4 Portfolio Investments, etc.

Financial Investments is one of the Group's three strategic business areas. The securities are managed as a portfolio. The portfolio represents financial investments in its entirety and such is separated from the Group's strategic industrial investments. The portfolio is characterised by a focus on large individual holdings and has historically had a long term nature. However, there are no directions regulating the Financial Investments' timing of a sale of shares in any given company.

Amounts in NOK million	Number of shares/interests	Book value	Market value	Share owned %
Owned of Orkla ASA				
Norwegian listed shares				
Bank/Insurance				
BN-bank	293,900	43	59	3.0
DnB	7,791,500	190	275	1.2
Sparebank NOR Gr.f.b	616,200	150	160	2.4
Storebrand Ord.	37,648,956	567	1,995	10.0
Industry				
Adresseavisen	325,931	72	169	17.1
Aker RGI A	1,028,708	120	138	1.7
Aker RGI B	277,331	32	34	
Alcatel STK	255,762	33	91	3.0
Avantor	1,393,300	85	100	8.3
Braathens SAFE	810,600	61	60	2.5
Dyno	4,623,262	518	659	18.1
Elkem	12,474,867	486	1,254	25.3
Elkjøp	201,150	43	55	2.8
Gyldendal	127,295	5	38	5.4
Hafslund A	5,107,155	172	227	6.7
Hafslund B	2,634,100	106	93	
Håg	1,598,100	33	104	16.7
Kverneland	894,733	113	110	10.0
Kværner A	1,994,978	378	751	4.7
Kværner B	43,500	16	15	
Nera	5,426,250	179	224	8.2
NetCom	5,212,772	26	954	11.1
Norsk Hydro	539,500	158	196	0.2
Norske Skog A	104,710	24	22	1.1
Norske Skog B	305,686	55	61	
Norway Seafoods	11,831,299	328	269	16.9
Nycomed Amersham A	1,731,096	281	482	1.4
Raufoss	775,172	69	89	10.3
Rica Hotell	2,054,600	49	118	8.6
Saga Petroleum B	300,000	40	34	0.2
Scana	1,876,164	85	75	8.8
Schibsted	2,962,231	244	379	4.3
SensoNor	2,364,450	106	57	9.9
Steen & Strøm	2,767,061	139	291	9.9
Ulstein Holding	250,000	21	29	1.2
Miscellaneous		110	78	
Shipping				
Awilco B	302,500	29	26	0.7
Benor Tankers	1,247,900	39	68	5.8
Bergesen A	1,854,492	251	324	3.8
Bergesen B	1,028,823	158	178	
Farstad	700,000	21	29	1.5
First Olsen Tankers	371,200	18	24	1.9
Fred Olsen Energy	503,500	73	77	0.9
Leif Høegh	280,800	26	44	0.9
ProSafe	367,275	60	59	4.6
Ugland Nordic Shipping	418,064	18	29	5.8
Miscellaneous		24	21	
Investment Funds				
Omega Investment Fund	1,951	39	138	
Miscellaneous		11	17	
Total Norwegian listed shares		5,904	10,779	
Foreign listed shares				
Nordic				
Astra A	600,000	66	77	
Bure	2,667,500	91	259	4.9
Chips Pref. [1]	417,476	52	226	12.5
Danisco	70,000	28	29	0.0
Hartwall A [2]	80,200	8	49	0.7

1) See note 10.
2) See note 14.

Amounts in NOK million	Number of shares/interests	Book value	Market value	Share owned %
Owned by Orkla ASA continued				
Huhtamaki I	85,000	20	26	
KCI Konecranes	463,403	12	113	3.1
Kesko	300,000	29	35	
Lindex	1,339,428	30	301	9.7
Nokia A	180,000	74	94	0.1
Vostok Nafta	500,000	22	32	
Miscellaneous		215	219	
Other countries				
Brunswick Russ. Emerg	257,732	18	18	
Baan NV	80,000	19	19	
Intel	42,000	5	22	
Peoplesoft	110,000	22	31	
Rurik Inv. - SDR	3,000,000	20	46	
Russian Capital App	50,000	37	26	
Russian Growth Fund	18,195	27	38	
SAP Ord.	12,000	17	27	
SAP Pref.	11,000	14	26	
Storebrand Scu EVF A	51,101	50	70	
Zeneca Group	75,000	17	19	
Miscellaneous		226	296	
Total foreign listed shares		1,119	2,098	
Total listed shares		7,023	12,877	
Unlisted shares, options and other securities				
Berlingske Officin	234,200	96	101	10.9
Carl Aller	6,500	50	50	3.6
Chips Stamm.	52,245	11	28	1.6
CityMail	44,348	25	25	8.6
Dagbladet A	101,466	37	58	14.4
Dagbladet Pref.	71,677	23	41	
Eiendomsspar	223,444	33	50	3.0
Helly Hansen Holding	3,267,000	0	181	30.0
Holberg Ind. Ord.	520,750	33	33	30.0
Holberg Ind. Pref.	71,944	52	52	40.0
MTV Oy	806	27	27	
Offshore Heavy Tran.	4,294,474	43	43	10.0
Scala	1,151,800	40	34	8.8
Telia Overseas AB	866,520	84	84	13.1
Miscellaneous		189	183	
Total unlisted shares, options and other sec.		743	990	
Limited partnerships				
Industrikapital 94	13,908,045	113	113	
Industrikapital 97	8,348,452	67	67	
Miscellaneous		85	82	
Total limited partnerships, current assets		265	262	
Convertible bonds				
Aker RGI	75,000,000	75	222	0.1
Miscellaneous		7	7	
Total convertible bonds owned by Orkla ASA		82	229	
Loss on hedging, recorded in balance sheet			-20	
Shares owned by Group companies				
First Olsen T.	500,000	35	32	2.5
Miscellaneous		40	40	
Total shares owned by Group companies		75	72	
Total portfolio investments		8,188	14,410	

5 Other manufacturing, selling and administrative expenses

Amounts in NOK million	**1997**	1996	1995
Freight costs	**(946)**	(924)	(808)
Energy costs	**(684)**	(483)	(437)
Repair and maintenance costs	**(725)**	(615)	(526)
Advertising	**(1,705)**	(1,290)	(956)
Other	**(3,365)**	(2,486)	(2,155)
Total	**(7,425)**	(5,798)	(4,882)

Accounts receivables at 31.12. are shown less a provision for bad debts. The reserve for bad debts is included in «Other» above. The reserve has developed as follows:

Amounts in NOK million	**1997**	1996	1995
Bad debt reserve at 1.1.	**59**	61	76
Realised losses	**(25)**	(24)	(37)
Provision for bad debts	**44**	22	22
Bad debt reserve at 31.12.	**78**	59	61

6 Financial items, net

Amounts in NOK million	**1997**	1996	1995
Dividends	**298**	342	203
Interest income	**177**	179	268
Interest expenses	**(875)**	(885)	(887)
Net foreign exchange gains/losses	**(36)**	3	(10)
Other financial items, net	**42** [1]	(37)	(25)
Financial items, net	**(394)**	(398)	(451)

1) Incl. gain from sale of Hansa Brewery of NOK 61 million.

7 Taxes

Amounts in NOK million	**1997**	1996	1995
Taxes payable in Norway	**(649)**	(425)	(331)
Taxes payable abroad	**(315)**	(136)	(87)
Total taxes payable	**(964)**	(561)	(418)
Change in deferred tax Norway	**120**	(20)	(54)
Change in deferred tax abroad	**(19)**	(60)	38
Total change in deferred tax [1]	**101**	(80)	(16)
Total tax charge	**(863)**	(641)	(434)
Taxes in % of «Profit before taxes and minorities»	**24.4**	26.4	23.0

1) See note 18.

8 Cash and bank deposits

Amounts in NOK million	**1997**	1996	1995
Unrestricted deposits	**697**	734	463
Restricted deposits	**87**	90	140
Group bank account system	**253**	130	103
Short-term receivables	**185**	109	710
Total cash and bank deposits	**1,222**	1,063	1,416

9 Inventories and cost of goods sold [1]

Amounts in NOK million	**1997**	1996	1995
Raw materials	**1,244**	1,104	1,188
Goods in process	**241**	172	143
Finished goods and merchandises	**1,591**	1,468	1,607
Total	**3,076**	2,744	2,938
Orkla Foods	**1,360**	1,400	1,613
Orkla Beverages	**371**	144	119
Orkla Brands	**380**	362	392
Orkla Media	**38**	29	22
Chemicals	**861**	737	694
Others	**66**	72	98
Total	**3,076**	2,744	2,938

1) No single raw material represented more than 5 % of total cost of goods sold in 1997.

10 Shares and investments in other companies

Amounts in NOK million	Number of shares	Book value	Share owned %
Owned by Orkla ASA			
AB Chips OY [2]	187,500	60	10,0
Owned by Group companies			
Harvik Rubber Ind. [1]	2,400,000	6	30,0
Solo [1]	1,420	1	71,0
Norsk Avfallshåndtering	4,330	4	2,0
Miscellaneous		25	
Total shares		96	
Miscellaneous interests in partnerships [3]		7	
Total Group		103	

1) Evaluation of the Group's influence and strategic intention led to the conclusion that it would not be correct to present the interest as «associated companies».
2) Interest in voting share capital. In addition to the above item, the Financial Investments area owns shares in AB Chips OY recorded as current assets. In total the company owns 13.9 % of the voting share capital and 19.6 % of the total share capital of AB Chips OY.
3) Of which owned by Orkla ASA: ANS Høgset (7.2 %) NOK 2 million.

11 Short-term interest-free liabilities

Amounts in NOK million	**1997**	1996	1995
Accounts payable	**1,847**	1,402	1,538
State duties, taxes, holiday pay etc.	**1,753**	1,383	1,423
Accrued unassessed taxes	**826**	511	403
Allocated to dividend	**426**	339	290
Other short-term liabilites	**2,392**	1,673	1,786
Total	**7,244**	5,308	5,440

12 Other revenues and costs [1]

Other revenues and costs represent items classified in the operating profit of a special character which are material to the Group. These have been split out and grouped on a separate line in order to provide better comparability on the other lines in the profit and loss account.

Amounts in NOK million	**1997**	1996	1995
Of this:			
Gains on sale. Gains in 1997 includes Ringstads Ferskvare, Forbrukerkontakt and building Lillogaten	**86**	-	369
Net settlement and structur costs in winding up the agreement with The Coca-Cola Company [2]	**171**	-	(80)
Restructuring, write-downs in Brands and Chemicals	**(64)**	-	-
Social security tax due to options, bonus plan established in 1993	**(12)**	-	-
Gains on sale of fixed assets in Abba Tyskland		20	-
Restructuring costs related to the business in Abba Seafood		-	(162)
Total	**181**	20	127
Of this:			
Write-downs fixed assets	**(116)**	-	(172)
Write-downs intangible assets	**-**	-	(19)
Total write-downs	**(116)**	-	(191)

1) In addition non-recurring items are included in «profits from associated companies» with NOK 303 million (see note 14) and in «financial items» with NOK 61 million (45 % of profit from sale of Hansa).

2) See note 22.

13 Cash flow in accordance with the new preliminary standard from NASB

Amounts in NOK million	**1997**	1996	1995
Profit before taxes	**3,537**	2,431	1,890
Taxes paid	**(799)**	(448)	(355)
Changes in working capital and other adjustments	**158**	442	(336)
Depreciation and write-downs	**1,877**	1,330	1,288
Reversal of gains and associated companies	**(1,449)**	(983)	(947)
Cash flow from operating activities	**3,324**	2,772	1,540
Investments in fixed assets	**(2,315)**	(1,388)	(1,309)
Other long-term investments	**(4,394)**	(414)	(3,438)
Sales of assets	**220**	252	241
Other sales	**117**	116	663
Net purchases/sales of portfolio shares	**(874)**	301	321
Cash flow from investing activities	**(7,246)**	(1,133)	(3,522)
Dividends paid	**(324)**	(289)	(243)
Increased long-term debt	**4,914**	4,231	6,352
Payment of long-term debt	**(1,486)**	(3,194)	(3,892)
Changes in short-term financing	**1,562**	(2,489)	174
Long-term receivables	**(600)**	(230)	-
New equity	**18**	-	-
Cash flow for financing activities	**4,084**	(1,971)	2,391
Other changes	**(3)**	(21)	(66)
Change in cash and bank deposits	**159**	(353)	343
Cash and bank deposits 1.1.97 [1]	**1,063**	1,416	1,073
Cash and bank deposits 31.12.97 [1]	**1,222**	1,063	1,416

1) For specification, see note 8.

See cash flow statement page 12 and general accounting principles page 15.

14 Interests in associated companies

Amounts in NOK million	Share owned %	Original costprice at 1.1.	Book value at 1.1.	Additions/ disposals during the year	**Share [1] of profit**	Dividends received/ price adjustment	**Book value 31.12.97**	Goodwill amortisation in 1997	Book value of goodwill at 31.12.
Jotun A.S	41.8	145	550	5	**366**	(27)	**894**	(3)	31
Oy Hartwall Ab	20.5	157	165	440	**28**	2	**635**	(29)	384
Asker og Bærums Budstikke A.S	30.5	75	82	-	**9**	(5)	**86**	(2)	25
Bergens Tidende A.S	28.4	67	97	-	**5**	(2)	**100**	(1)	11
A/S Østlandets Blad	62.9	25	30	(29)	**-**	(1)	**-**	-	-
Norsk Telegrambyrå A.S	22.1	3	16	-	**-**	-	**16**	-	-
Mediaselskaper Polen	-	12	12	-	**1**	-	**13**	(1)	4
K/S Swan Sea	35.0	23	7	-	**18**	(20)	**5**	-	-
K/S Knutsen Bøyelaster III	28.0	20	9	-	**4**	-	**13**	-	-
Norgesbuss Invest A.S	25.1	18	27	14	**3**	-	**44**	-	3
Orkla Exolon K/S	42.3	4	29	-	**2**	-	**31**	-	-
Oskar Sylte A.S	44.0	4	9	11	**7**	(3)	**24**	(1)	2
Miscellaneous	-	19	28	28	**(1)**	(5)	**50**	(1)	11
Total		572	1,061	469	**442**	(61)	**1,911**	(38)	471

1) Share of profit includes gain from Jotuns sale of Jotun Polymer (NOK 283 million) and gain from sale of vessels in K/S Swan Sea (NOK 20 million).

Main figures for the major associated companies (100 % figures):

Amounts in NOK million	**1997[1]**	1996	1995
Jotun			
Operating revenues	**5,250**	5,294	4,872
Operating profit	**462**	372	280
Total assets	**3,535**	3,564	3,387

Amounts in FIM million	**1997[1]**	1996	1995
OY Hartwall Ab			
Operating revenues	**2,648**	2,000	1,723
Operating profit	**568**	238	85
Total assets	**2,353**	1,954	1,690

1) Preliminary figures.

15 Fixed assets and goodwill, intangible assets, etc.

Fixed assets

Amounts in NOK million	Accumulated cost at 1.1.	Re-valuations at 1.1.	Written down at 1.1.	De-preciation at 1.1.	Book value at 1.1.	Additions[A] in 1997	Dis-posals in 1997	**Ordinary de-preciation and write-downs in 1997**	**Book value 31.12.97**
Machinery, vehicles	9,577	-	(13)	(5,932)	3,632	2,588	(124)	**(1,229)**	**4,867**
Buildings and plant	3,724	120	(35)	(1,367)	2,442	1,560	(82)	**(209)**	**3,711**
Commercial property	253	-	-	(63)	190	327	(22)	**(18)**	**477**
Other real estate	434	61	(8)	(23)	464	115	(9)	**(2)**	**568**
Construction in progress	554	-	-	-	554	407	-	**-**	**961**
Prepaid costs relating to new con.	2	-	-	-	2	15	-	**-**	**17**
Total	14,544	181	(56)	(7,385)	7,284	5,012	(237)	**(1,458)**	**10,601**
Goodwill and intangible assets	4,642	-	(115)	(823)	3,704	2,371	-	**(419)**	**5,656**
Total	19,186	181	(171)	(8,208)	10,988	7,383	(237)	**(1,877)**	**16,257**

Goodwill etc. divided on major acquisitions

	Year of acquisition, amortisation time	Write-downs in 1997[1]	Amorti-sation in 1997[1]	**Book value at 31.12.97**
Pripps Ringnes 55 %	1997: 17 years	-	(129)	**2,065**
Procordia Food/Abba Seafood	1995: 20 years	-	(108)	**1,908**
Gøteborgs Kex	1994: 20 years	-	(17)	**260**
Bob Industrier	1993: 20 years	-	(13)	**211**
Rzeczpospolita	1996: 10 years	-	(21)	**174**
Drammens Tidende og Buskeruds Blad	1994: 20 years	-	(10)	**152**
Odense Marcipan	1990: 20 years	-	(12)	**139**
Miscellaneous		(16)	(93)	**747**
Total		(16)	(403)	**5,656**

1) Debited operating profit, see in addition note 14 for total goodwill amortisation in associated companies.

[A] Matching of additions 1997 against cash flow statement (see page 12)

Additions 1997			7.383
Replacement expenditures and environmental investments		1.738[1]	
Expansion investments	5.935		
Of this associated companies	(471)	5.464[2]	
Replacement expenditures Financial Investments area	9		
Real estate investments	136	145	
Change in accounts payable investments	94		
Foreign exchange-rate conversion effect	(19)		
Without cash flow effect	(39)	36	7.383

1) Largest single project: Orkla Trykk, chloralkali plant, new detergent factory and production equipment Nidar.
2) Largest single project: Full take over of Pripps Ringnes (NOK 4,404 million), acquisition of PolyOrganix, new pizzafactory Stranda, acquisition of Taopin, acquisition of Kotlin, acquisition of Østlendingen and capacity improvement in BBH (nearly SEK 370 million).

Investments in and disposals of fixed assets and goodwill

Amounts in NOK million	Investments in: 1993	1994	1995	1996	**1997**	Disposals at sales price: 1993	1994	1995	1996	**1997**
Machinery, vehicles	1,000	1,275	1,565	1,085	**2,588**	82	165	542	163	**199**
Buildings and plants	633	568	663	230	**1,560**	27	247	560	52	**97**
Commercial property	1	19	65	23	**327**	-	37	10	53	**29**
Other real estate	71	24	26	31	**115**	7	7	70	39	**27**
Construction in progress	98	(102)	7	213	**407**	-	-	-	-	**-**
Prepaid costs relating to new con.	8	(1)	(7)	1	**15**	-	-	-	-	**-**
Goodwill, etc.	341	658	2,431	211	**2,371**	-	-	-	109	**62**
Total	2,152	2,441	4,750	1,794	**7,383**	116	456	1,182	416	**414**

16 Loans

The Group's interest-bearing debt by type and maturity

Amounts in NOK million	**Balance at 31.12.97**	Maturity 1998	1999	2000	2001	2002	After 2002
Certificates [1]	**500**	500	-	-	-	-	-
Bond issues [1]	**6,095**	-	232	502	371	1,150	3,840
Bank loans	**8,771**	837	574	37	4,303	2,733	287
Mortgage institutions, insurance companies	**115**	17	9	9	53	5	22
Miscellaneous	**198**	184	2	3	-	-	9
Total interest-bearing debt	**15,679**	1,538	817	551	4,727	3,888	4,158
Unutilised drawing facilities	**2,530**	-	-	1,610	744	176	-

1) Bond issues are described separately in this note.

The average time to maturity at 31.12.1997 on the Group's interest-bearing debt was 4 years, compared to 5 years at 31.12.1996. Corresponding figures for the Group's unutilised drawing facilities was 3 years and 5 years, respectively.

Orkla ASA has a group bank account system with Den norske Bank, Christiania Bank og Kredikasse, Svenska Handelsbanken and Skandinaviska Enskilda Banken. Nora Danmark AS has a group bank account system with Unibank. The accounts of Orkla ASA and Nora Danmark AS are the only accounts directly settled with the banks and all subsidiaries' accounts are treated as intercompany receivables and payables. At 31.12.1997 the aggregate deposits were NOK 253 million, while the total drawing rights totalled to NOK 1,012 million.

Orkla may not sell shares in the following companies without the consent of the lenders in the long-term international bank loans: Borregaard Industries Ltd, Lilleborg A.S, Orkla Foods A.S and Procordia Food Förvaltning AB.

Bond issues publicly quoted (Orkla ASA) at 31.12.1997

Amounts in million ISIN	Coupon	Term	Currency	Out-standing
NO 185855	10.00 %	1981/1999	NOK	31 [1)]
NO 185861	9.40 %	1993/2000	NOK	500
NO 185862	7.75 %	1993/2003	NOK	500
NO 185863	6.10 %	1994/2002	NOK	500
NO 185866	8.00 %	1995/2002	NOK	650
NO 185867	7.40 %	1995/2005	NOK	1,000
NO 185868	7.05 %	1996/2003	NOK	1,000
NO 185869	5.00 %	1997/1999	NOK	200
NO 185871	5.70 %	1997/2003	NOK	300
SE 312050	9.00 %	1996/2004	SEK	400
SE 418915	6.00 %	1997/2001	SEK	200

1) Convertible bonds, see note 23.

Certificates at 31.12.1997

Amounts in million ISIN	Coupon	Term	Currency	Out-standing
NO 251176	4.00 %	14.11.97-16.2.98	NOK	250
NO 251177	4.20 %	14.11.97-14.5.98	NOK	250

The coupon does not reflect the Group's interest costs, as there are various interest rate swaps.

17 Currency and interest rate risk management

The loan portfolio's foreign exchange and interest fixing distribution, (including hedging transactions)

Amounts in NOK million	**Balance at 31.12.97**	Next interest rate fixing 1998	1999	2000	2001	After 2001	Average (years)
NOK	**8,375**	6,094	1,031	500	750	-	1,1
SEK	**3,917**	3,453	-	464	-	-	0,7
USD	**1,197**	868	-	329	-	-	1,0
FIM	**1,134**	1,134	-	-	-	-	0,3
DKK	**552**	552	-	-	-	-	0,3
Others	**504**	504	-	-	-	-	0,3
Total interest-bearing debt	**15,679**	12,605	1,031	1,293	750	-	0,9
Liquid assets	**(1,222)**	(1,222)	-	-	-	-	-
Other interest-bearing rec.	**(790)**	(790)	-	-	-	-	-
Net interest-bearing debt	**13,667**	10,593	1,031	1,293	750	-	-

The average remaining interest period for Orkla's debt (including hedging transactions) was at 31.12.1997 0.9 years, compared to 1.8 years at 31.12.1996. In January 1998, the interest rate of debt equalling NOK 500 was fixed for 5 years.

Interest rate management
The objectives of the Orkla Group's interest rate management is to follow the general trends in the market rates and to make dispositions to moderate the market fluctuations. The loan portfolio's fixed interest structure is shaped by the choice of the interest rate structure on the Group's borrowings and by the use of interest rate derivatives.

Currency risk management
Exposure related to balance sheet items and shares in operations abroad are hedged through continuos adjustments of the loan portfolio's currency composition. Foreign exchange risk exposure related to balance sheet items is generally eliminated through financial hedging activities. Exposure related to shares in operations outside Norway is minimised by adjusting the composition of the loan portfolio in accordance with the relative importance of the respective currencies.

Hedging activites related to balance sheet items and shares in activities outside Norway are supplemented with/by hedging of the Group's operations. Exposure related to future cash flows in current contracts are normally hedged 100 per cent. Additional expected cash flows in currencies other than NOK are hedged for up to a limited period only, and only when the probability of realising such cash flows is deemed to be sufficiently high.

Outstanding foreign exchange contracts[1)] and currency options[2)] related to hedging of operating exposure

Amounts in million Purchase currency	Amount	Sale currency	Amount
NOK	359	USD	51
NOK	10	JPY	175
NOK	20	GBP	2
NOK	8	FRF	6
NOK	31	FIM	23
NOK	1	ESP	15
NOK	99	DEM	24
SEK	4	USD	1
SEK	8	NOK	8
SEK	11	GBP	1
SEK	29	FRF	22
SEK	46	FIM	32
SEK	47	DKK	41
SEK	17	DEM	4
DEM	4	USD	2
DEM	2	ITL	1,692
DEM	1	DKK	3
DKK	33	NOK	34
DKK	20	GBP	2
USD	10	DKK	64
CHF	7	NOK	35
CHF	3	DEM	4
ITL	16,230	USD	9
ITL	5,122	NOK	21
ATS	9	NOK	6
NLG	4	NOK	14
MYR	2	NOK	4
FIM	25	USD	5

1) Forward foreign exchange contracts are agreements for purchasing or selling currencies in specific future periods.
2) Currency options are agreements where the buyer of the option has a right to purchase or sell a specific currency at a specific price on a specific future date.

The volum of outstanding forward contracts and currency options related to hedging of operating exposure totalled NOK 1.034 million as of 31.12.1997, compared with NOK 543 million as of 31.12.1996.

18 Long-term interest-free liabilities

Amounts in NOK million	1997	1996	1995
Pension liabilities [1]	**884**	662	616
Deferred tax	**831**	709	641
Other long-term debt	**108**	74	114
Total	**1,823**	1,445	1,371

1) Pension liabilities are classified as interest-free because interests are presented together with other pension costs under salaries.

Deferred tax

The table below shows the correlation between the Group's profit for accounting purposes and taxes payable. These differences occur mainly due to a gap between accounting values and tax values. Deferred tax/ deferred tax allowances represent the timing difference multiplied with the nominal tax rate.

The table shows how the Group's deferred tax base is composed, in order to indicate when deferred taxes will fall due for payment. Net positive timing differences mean that the tax which relates to positive and negative timing differences which will fall due in the same time period is presented together. Negative differences which either relate to pensions or cannot be reversed in the same period are presented separately.

Amounts in NOK million	1997	1996	1995
Net positive timing differences:			
Short-term receivables	**(60)**	(53)	(58)
Shares	**(175)**	(56)	(177)
Inventories	**65**	65	87
Other short-term items	**(208)**	(229)	(89)
Total short-term items	**(378)**	(273)	(237)
Fixed assets	**2,824**	2,308	2,181
Net pension funds	**198**	163	154
Other long-term items	**387**	262	372
Total long-term items	**3,409**	2,733	2,707
Losses carried forward	**(38)**	(50)	(213)
Base for calculation of deferred tax	**2,993**	2,410	2,257
Deferred tax	**842**	709	641
Deferred tax allowances on surplus tax on waterfall/energy production	**(11)**	-	-
Total deferred tax	**831**	709	641
Negative timing differences which can not be set off:			
Net pension liabilities	**330**	195	162
Other negative differences not set off	**53**	92	76
Base for calculation of deferred tax allowances	**383**	287	238
Deferred tax allowances	**110**	79	69
Net deferred tax	**721**	630	572
Change in deferred tax [1]	**(91)**	(58)	(209)
Effect of accounting reform pensions	**-**	(10)	-
Purchase of new companies, conversion diff. etc.	**192**	(12)	193
Change in deferred tax profit and loss account	**101**	(80)	(16)

1) This include: Deferred tax allowances on adjusted new value on power plant NOK 40 million, deferred tax allowances on surplus tax on waterfall/energy production NOK 12 million and transitional effect new shipping tax NOK 26 million.

19 Jointly controlled limited companies

The Group's main jointly controlled limited companies comprise Baltic Beverages Holding (50 %), Hjemmet Mortensen (50 %) and Rzeczpospolita (51 %) and are included line by line in the financial statements. In a specification of the main captions, operating revenues, operating profit and total assets, the amounts will appear as the following:

Amounts in NOK million	1997	1996	1995
Operating revenues			
Pripps Ringnes	**-**	3,265	3,072
Hjemmet Mortensen	**488**	461	448
Rzeczpospolita-group	**199**	129	-
Baltic Beverages Holding [1]	**1,263**	-	-
Operating profit			
Pripps Ringnes	**-**	300	230
Hjemmet Mortensen	**71**	54	39
Rzeczpospolita-group	**34**	13	-
Baltic Beverages Holding [1]	**443**	-	-
Total assets			
Pripps Ringnes	**-**	2,475	2,661
Hjemmet Mortensen	**436**	367	224
Rzeczpospolita-group	**319**	302	-
Baltic Beverages Holding [1]	**1,213**	-	-

1) Baltic Beverages Holding is owned 50-50 by Pripps Ringnes and Hartwall. In addition Pripps Ringnes owns 20.5 % in Hartwall. This 20.5 % interest is presented as an associated company.

20 Mortgages and guarantees

Amounts in NOK million	1997	1996	1995
Liabilities secured by mortgages	**128**	167	239
Mortgaged assets:			
Machinery, vehicles, etc.	**1,235**	668	769
Buildings and plant	**646**	567	709
Other real estate	**67**	58	61
Construction in progress	**168**	273	82
Inventories, etc.	**87**	67	65
Total book value	**2,203**	1,633	1,686
Guarantees, etc.:			
Joint and several guarantees	**7**	48	48
Subscribed, uncalled limited partnership capital	**525**	132	210
Other guarantee liabilities [1]	**557**	650	189
Total guarantee liabilities	**1,089**	830	447

1) Includes guarantee limits for Orkla Finans of NOK 250 million (NOK 170 million in 1996 and NOK 141 million in 1995).

21 Other issues

Orkla Foods has an obligation to purchase additional shares in Dragsbæk Margarinefabrik A.S (50 %) and Margarinefabriken Blume IS (50 %). Orkla's existing holdings were acquired in 1989 for approximately NOK 45 million. The price for additional shares will be based on indexation of this amount, adjusted for the development in earnings during the three years prior to the obligations/right being exercised. Final aquisiton must be finalized before 2006.

The minority shareholders in KiMs in Denmark hold an agreement which, under certain circumstances, allow them to increase their share from 6 % to 20 % without making further payments.

Due to a current litigation between AB Pripps Bryggerier and the Swedish customs regarding export to Russia the government has stated a claim of SEK 55 million. This claim is not considered to be justified by the Group management.

22 Long-term cooperating agreements

The Unilever agreement
Orkla has a cooperation agreement with Unilever relating to detergents and personal products. This agreement, which was originally signed in 1958, was renegotiated in February 1995. The renegotiated agreement maintains the cooperation based on the same main business principles as previously, and runs until 2014.

The Coca-Cola Company (TCCC) agreement
On 28.1.1997 Pripps Ringnes and TCCC agreed to a controlled settlement of both parts co-operative activities in Norway and Sweden during the period 1997-98. So far the settlement is running according to the agreement. A revenue of NOK 171 mill. occurs under «other revenues and costs» (see Note 12). This represents 45 % of both received compensation from TCCC and necessary allowance and write-downs due to restructuring costs of the activities in Norway. 55 % of this amount has been accounted for during the added value analysis done during takeover. In 1995 the Swedish business accordingly expensed SEK 200 mill. in accordance with the settlement of the TCCC-agreement.

PepsiCo-agreement
In June 1997 Pripps Ringnes and PepsiCo agreed that Pripps Ringnes should start licence production, distribution and sales of Pepsi products to the Swedish market. The agreement will be effective from no later than 1.1.2001 because PepsiCo's agreement with the current licence-holder expires on that date. The agreement runs for a 20 year period with an option of additional 5 years.

23 Development in equity over the last 5 years

Amounts in NOK million	Share capital	Legal reserve	Restricted reserve	Free reserve	Orkla ASA	Group reserve	Total
Equity at 1.1.1993	1,219	565	132	1,410	3,326	2,511	5,837
Adjustment reserves at 1.1. and cash payment	-	(7)	7	(15)	(15)	-	(15)
Profit for the year Orkla ASA	-	-	-	8	8	(8)	-
Group transfer received	-	-	-	818	818	(818)	-
Allocation to dividend	-	-	-	(192)	(192)	-	(192)
Allocation to legal reserve and free reserves	-	15	(36)	21	-	-	-
Group profit for the year	-	-	-	-	-	984	984
Write-down own shares in Oktav Invest	-	-	-	-	-	(28)	(28)
Conversion difference foreign subsidiaries etc.	-	-	-	-	-	(13)	(13)
Equity at 31.12.1993	1,219	573	103	2,050	3,945	2,628	6,573
Profit for the year Orkla ASA	-	-	-	198	198	(198)	-
Entries resulting from introduction of new pension standard	-	6	-	51	57	(57)	-
Group transfer received	-	-	-	711	711	(711)	-
Allocation to dividend	-	-	-	(236)	(236)	-	(236)
Allocation to legal reserve and free reserves	-	77	(36)	(41)	-	-	-
Group profit for the year	-	-	-	-	-	1,149	1,149
Charge as a result of the introduction of new pension standard	-	-	-	-	-	(285)	(285)
Conversion difference foreign subsidiaries etc.	-	-	-	-	-	28	28
Equity at 31.12.1994	1,219	656	67	2,733	4,675	2,554	7,229
Profit for the year Orkla ASA	-			2,217	2,217	(2,217)	-
Group transfer received	-			814	814	(814)	-
Allocation to dividend	-			(283)	(283)	-	(283)
Allocation to legal reserve and free reserves	-	318	(36)	(282)			
Group profit for the year	-					1,432	1,432
Adjustment due to the merger between Pripps Ringnes	-					(182)	(182)
Conversion difference foreign subsidiaries etc.	-	-	-	-	-	0	0
Equity at 31.12.1995	1,219	974	31	5,199	7,423	773	8,196
Profit for the year Orkla ASA	-	-	-	535	535	(535)	-
Group transfer received	-	-	-	741	741	(741)	-
Allocation to dividend	-	-	-	(330)	(330)	-	(330)
Allocation to legal reserve and free reserves	-	164	(31)	(133)	-	-	-
Group profit for the year	-	-	-	-	-	1,752	1,752
Adjustment pension liability	-	-	-	-	-	(26)	(26)
Conversion difference foreign subsidiaries etc.	-	-	-	-	-	(102)	(102)
Equity at 31.12.1996	1,219	1,138	-	6,012	8,369	1,121	9,490
Profit for the year Orkla ASA	-	-	-	676	676	(676)	-
Group transfer received	-	-	-	615	615	(615)	-
Allocation to dividend	-	-	-	(410)	(410)	-	(410)
Allocation to legal reserve and free reserves	-	242	-	(242)	-	-	-
Share issue related to employees' 1993 bonus programme	14	-	-	-	14	4	18
Group profit for the year	-	-	-	-	-	2,562	2,562
Conversion difference foreign subsidiaries etc.	-	-	-	-	-	(19)	(19)
Equity at 31.12.1997	1,233	1,380	-	6,651	9,264	2,377	11,641

Share capital development

Amounts in NOK Date/year	Number of shares	Par value	Type of issue	Amount (mill.)	Ratio	Correction factor [1]	Issue price	Share capital (mill.)
31.12.1987	7,216,997	100				5.32		721.7
1988	14,433,994	50	split		2:1	2.42		721.7
1988	15,558,110	50	bonus issue	56.2	1:10	2.42		777.9
1988	12,365,274	50	amortization	159.6		2.42		618.3
31.12.1988	12,365,349	50	conversion			2.42		618.3
1989	13,275,874	50	internat. offering	45.5		2.42	365,00	663.8
31.12.1989	13,339,097	50	conversion	3.2		2.42		667.0
1990	26,678,194	25	split		2:1	1.10		667.0
1990	29,346,582	25	bonus issue	66.7	1:10	1.10		733.7
1990	31,646,582	25	internat. offering	57.5		1.10	230,00	791.2
1990	31,886,582	25	merger	6.0		1.10		797.2
31.12.1990	31,894,938	25	conversion	0.1		1.10		797.4
1991	44,314,828	25	merger	310.5		1.10		1,107.9
31.12.1991	44,314,895	25	conversion			1.10		1,107.9
1992	48,746,384	25	bonus issue	110.8	1:10			1,218.7
31.12.1992	48,746,384	25						1,218.7
31.12.1993	48,747,241	25	conversion					1,218.7
31.12.1994	48,747,241	25						1,218.7
31.12.1995	48,747,241	25						1,218.7
31.12.1996	48,747,241	25						1,218.7
31.12.1997	49,333,393	25	bonus issue	14.8				1,233.3

1) The correction factor is multiplied by the number of old shares to make these figures comparable to the number of shares in 1997.

The Board is authorized until the Annual General Meeting in 1999 to issue up to 3.3 million new shares without preferential right for existing shareholders.

The Annual General Meeting of 10 May 1994 decided to allocate options for maximum 650,000 B-shares to a subscription price of NOK 25. In this connection, in May 1997 options equivalent to 586,152 B-shares were redeemed. Remaining options equivalent to 51,533 B-shares may be exercised by 1 May 1999.

Own shares and convertible bonds

Amounts in 1,000	Par value	Number of shares	Book value
Shares owned by:			
A/S Drammen Kjexfabrik	3,283	131,330	-
Rederi-A/S Orkla	4,183	167,319	-
Chr. Salvesen & Chr. Thams's Comm. A/S	-	14	-
Oktav Invest A.S [1]	25,128	1,005,139	-
Total shares held in treasury	32,594	1,303,802	-
Convertible bonds owned by:			
A/S Drammen Kjexfabrik	30,097	2,149,785	132,423
Orkla ASA	413	29,500	4,463
Total convertible own bonds[2]	30,510	2,179,285	136,886
Total	63,104	3,483,087	136,886

1) Oktav Invest ownes 1,256,424 shares in Orkla ASA and Orkla ASA ownes 80 % of Oktav Invest.
2) Orkla holds convertible bonds with a nominal value of NOK 30.5 million. The nominal value of the total issued convertible bonds is NOK 30.6 million. The conversion price is NOK 14.00 per share. The loan expires on 31 December 1999.

Managers on different levels in the Orkla Group held pr. 31.12.1997 options at 44.360 shares with an average strike price NOK163,54. 38.360 expired 3.2.1998. Social security tax due to the value of these options has been expensed.

The Orkla-Group has a cashbonus-system, and the valuation is tied to the development of Orklas A-shares performance on the Norwegian stock exchange. This agreement includes about 30-40 managers. Each cashbonus is tied for a period of 3 years minimum. The cut off in change in value and corresponding social security tax has been expensed.

Accruals amounting to NOK 60 million have been recorded pr. 31.12.1997 in connection with these agreements.

24 Minority interests

Amounts in NOK million	**1997**	1996	1995
Minority interests on:			
Depreciation	**38**	25	33
Operating profit	**167**	53	33
Profit before taxes and minority interests	**172**	54	33
Taxes	**60**	16	9
Development in minority interests:			
Minority interests at 1.1.	**183**	131	213
Minorities' share of 1997 profit	**112**	38	24
Increase due to establishment of new companies	**220**	51	26
Decrease due to further acquisition of shares in group companies	**(7)**	(24)	(130)
Balance of dividends to minorities and share of profit as well as conversion differences	**(30)**	(13)	(2)
Minority interests at 31.12.	**478**	183	131
Minority interests relate to:			
Orkla Foods	**37**	38	52
Orkla Beverages	**309**	87	30
Orkla Brands	**5**	4	3
Orkla Media	**67**	19	15
Chemicals	**16**	13	13
Others	**44**	22	18
Total	**478**	183	131

Accounts for Orkla ASA

The accounts of the holding company Orkla ASA consist of, in addition to all Head Office activities, the Financial Investments area, the Peter Möller company and real estate activitites which for business purposes are grouped under Orkla Eiendom.

The activity at the Head Office includes the Group's senior management and staff functions, information, legal, corporate development, personnel and accounting/finance. The staff departments also carry out a number of assignments for the Group's other companies. The central finance department acts as a Group bank which is responsible for the Group's external financing, management of the Group's liquidity and overall management of the Group's foreign exchange and interest risks.

Operations at Head Office are financed through directly related costs being invoiced, while other costs are divided between companies within the Group. Any uncovered costs, uncovered net financial items and external dividends are mainly covered through dividends and group transfers from Group companies.

All holdings in subsidiaries are presented using the cost method.

The notes for the Group will in certain cases include Orkla ASA.

Profit and Loss Account

Amounts in NOK million	*Note*	**1997**	1996
Operating revenues		**335**	208
Raw materials, etc.		**(40)**	(39)
Wages and other personnel costs	*1, 2*	**(194)**	(107)
Other expenses		**(131)**	(103)
Ordinary depreciation	*7*	**(20)**	(18)
Operating profit		**(50)**	(59)
Dividends from others		**296**	345
Financial income, Group companies		**339**	222
Other financial income		**660**	360
Financial expenses, Group companies		**(54)**	(43)
Other financial expenses		**(1,280)**	(1,031)
Share of result, associated companies		**2**	3
Portfolio gains		**876**	814
Profit before tax		**789**	611
Taxes	*4*	**(113)**	(76)
Profit/loss for the year		**676**	535
Group contribution		**615**	741
Allocated to dividends		**(410)**	(330)
Allocated to legal reserve		**(242)**	(164)
Transferred from temporary restricted reserve		**-**	31
Allocated to/transferred from free reserves		**(639)**	(813)

Balance Sheet

Assets

Amounts in NOK million	Note	1997	1996
Cash and bank deposits		**225**	294
Portfolio investments		**8,112**	6,403
Short-term receivables, Group companies		**1,303**	994
Short-term receivables, others		**30**	65
Inventories		**26**	23
Current assets		**9,696**	7,779
Shares in subsidiaries	*3*	**8,263**	8,232
Shares and investments in other companies		**95**	91
Loans to Group companies		**8,437**	3,182
Other long-term receivables	*6*	**690**	80
Fixed assets	*7*	**178**	181
Long-term assets		**17,663**	11,766
Total assets		**27,359**	19,545

Liabilites and equity

V.A.T., taxes etc.		**25**	19
Accrued unassessed taxes		**100**	72
Dividends payable		**410**	330
Short-term debt to Group companies		**1,978**	1,069
Other short-term debt		**1,323**	688
Current liabilities		**3,836**	2,178
Long-term debt to Group companies		**371**	345
Other long-term debt		**13,888**	8,653
Long-term liabilities		**14,259**	8,998
Share capital		**1,233**	1,219
Legal reserve		**1,380**	1,138
Free reserve		**6,651**	6,012
Equity		**9,264**	8,369
Liabilities and equity		**27,359**	19,545
Mortgages	*5*	**-**	8
Guarantees and other commitments	*5*	**855**	361

Cash flow statement

Amounts in NOK million	1997	1996
Cash flow NASB (temporary)		
Profit before tax	**789**	611
Taxes paid	**(84)**	(10)
Changes in working capital	**237**	96
Depreciation and write-downs	**20**	18
Reversal of gains and associated companies	**(886)**	(820)
Cash flow from operating activities	**76**	(105)
Investments in fixed assets	**(26)**	(22)
Other long-term investments	**(31)**	(243)
Sale of assets	**15**	7
Net purchase/sale of portfolio shares	**(833)**	253
Cash flow from investing activities	**(875)**	(5)
Dividends paid	**(330)**	(283)
Received payment of group transfer	**743**	900
Increased long-term debt	**4,914**	4,231
Payment of long-term debt	**(423)**	(2,924)
Other changes	**1,986**	(1,808)
Long-term receivables	**(600)**	-
New equity	**14**	-
Change in financing of Group companies	**(5,663)**	(51)
Cash flow from financing activities	**641**	65
Other changes	**89**	(81)
Change in cash and bank deposits	**(69)**	(126)
Cash and bank deposits available 1.1.1997	**294**	420
Cash and bank deposits available 31.12.1997	**225**	294

Notes

1 Pension matters

Composition of net pension costs

Amounts in NOK million	1997	1996
Present value of the year's pension earnings (including employment tax)	**(6)**	(7)
Interest cost on pension liability	**(10)**	(11)
Expected return on pension funds	**15**	16
Amortisation on deferred liabilities due to difference from plan/assumptions	**0**	0
Net pension cost	**(1)**	(2)

Composition of net pension liability

Amounts in NOK million	31.12.97	31.12.96
Gross pension liability	**(189)**	(189)
Pension funds (market value)	**236**	235
Actual net pension funds	**47**	46
Unamortised differences from plan assumptions	**2**	(1)
Capitalised net pension funds	**49**	45

Composition of pension funds (market value)

	31.12.97	31.12.96
Liquid assets	**2 %**	4 %
Money market investments	**0 %**	0 %
Bonds	**61%**	55 %
Loans	**0 %**	1 %
Shares	**37 %**	40 %
Property	**0 %**	0 %
Total pension funds	**100 %**	100 %

2 Remuneration and contractual arrangements

Remuneration to the Group Chief Executive amounted to NOK 2,329,666. Other taxable remuneration amounted to NOK 123,231. The Group Chief Executive received no internal director' fees.

The Group Chief Executive's pension on full earnings will amount to two thirds of the pension base. On resignation prior to pensionable age, a payment equivalent to three years' salary would be made calculated from the salary at the date of resignation.

Remuneration to the Board, Corporate Assembly and Auditor
Remuneration to the Board and Corporate Assembly amounted to NOK 1,096,250 and NOK 404,000. According to a separate agreement, the Chairman of the Board received an additional remuneration of NOK 209,490 as manager of «Orkla School for Business Relations». The Auditor's fees amounted to NOK 526,000. In addition, NOK 272,000, was paid for other services.

3 Shares in subsidiaries (directly owned)

Amounts in NOK million	Currency	Company's share capital	Book value	Owned by the Group %
Procordia Food Förvaltning AB	SEK	550	5,440	100.0
Orkla Foods A.S		436	493	100.0
Sætre AS		5	11	100.0
Nidar AS		110	110	100.0
Lilleborg A.S		18	87	100.0
Denofa A.S		10	118	100.0
Viking Fottøy A.S		25	27	100.0
Orkla Media A.S		487	503	100.0
Bakers AS		2	249	100.0
Borregaard Industries Limited				
Ordinary shares	GBP	20	271	100.0
Preference shares	GBP	1	43	99.9
Kemetyl AB	SEK	4	36	100.0
Borregaard NEA AS		5	101	100.0
Chr. Salvesen & Chr. Thams's Comm. A/S		6	33	100.0
Borregaard Skoger A.S		7	3	100.0
Orkla Finans A.S		19	21	94.7
Oktav Invest A.S		65	0	80.0
Viking Askim A.S		36	104	100.0
Rederi-A/S Orkla		-	-	100.0
The Borregaard Comp. Inc.	USD	-	-	100.0
Omega Consultants A.S		-	-	100.0
AB Orklaprodukter	SEK	-	-	100.0
A.S Drammen Kjexfabrik		-	12	100.0
Nora A.S		1	1	100.0
NINO A.S		21	24	100.0
Orkla Eiendom A.S		1	1	100.0
Kantolan OY	FIM	10	41	100.0
Swebiscuits AB	SEK	10	512	100.0
Scan-TV A.S		-	-	100.0
Peter Möller Omega-3 GmbH	DEM	-	-	100.0
Orkla Asia Pte Ltd	SGD	5	22	100.0
Total			8,263	

4 Relationship between the profit before tax and the year's tax base for Orkla ASA

Amounts in NOK million	**1997**	1996
Profit before tax	**789**	611
Timing differences:		
Realization of shares previously written down	**(34)**	(111)
Taxable change bonds	**153**	-
Change in other temporary timing differences	**10**	8
Total	**129**	(103)
Permanent differences:		
Non-deductible costs (permanent differences)	**2**	1
Cost price regulations on shares sold	**(85)**	(169)
RISK adjustments on shares sold	**(33)**	(50)
Profit, group transfer	**(175)**	-
Total	**(291)**	(218)
Taxable group contribution given	**(63)**	182
Total taxable income	**564**	472
Tax calculated (28 %)	**158**	132
Deduction for allowance on share dividends, and tax at source	**(62)**	(61)
Witholding tax foreign dividends	**9**	5
Underprovision previous years	**8**	-
Total tax payable	**113**	76

Deferred tax Orkla ASA
Orkla ASA has not recorded deferred tax in the accounts at 31.12.1997. This is due to a tax allowance of NOK 47 million (NOK 9 million in the opening balance) being recorded at Group level in connection with the write-down of shares. This is not reflected in Orkla ASA in accordance with Norwegian GAAP (Global rule).

5 Guarantees and mortgages

Mortgages and other guarantees

Amounts in NOK million	**1997**	1996
Book value of assets secured	**-**	8
Loans secured by mortgages	**-**	8
Guarantees for Group companies	**179**	124
Other guarantee liabilites	**223**	176
Joint and several guarantees	**2**	2
Subscribed, uncalled limited partnership capital	**451**	59

6 Loan to Board members, industrial and employees council

Other receivables include loans to The Board of Directors, The Corporate Assembly and employees with NOK 22 million. In addition, the company has guaranteed for NOK 1 million.

7 Fixed assets

Amounts in NOK million	Accumulated cost at 1.1.97	Additions in 1997	Disposals in 1997	**Ordinary depreciation in 1997**	Accumulated depreciation and write-downs at 31.12.97	**Book value at 31.12.97**
Intangible assets	18	-	-	**(4)**	(14)	**4**
Machinery, vehicles	106	19	(15)	**(11)**	(57)	**53**
Buildings and plant	134	19	(15)	**(5)**	(37)	**101**
Other real estate	36	(12)	(4)	**-**	-	**20**
Total parent company	294	26	(34)	**(20)**	(108)	**178**

Investments in, and sales, fixed assets

	Investments in:					Sales at sales prices:				
Amounts in NOK million	1993	1994	1995	1996	**1997**	1993	1994	1995	1996	**1997**
Intangible assets	-	-	18	-	**-**	-	-	-	-	**-**
Machinery, vehicles	5	11	14	13	**19**	1	1	2	5	**2**
Buildings and plant	1	20	14	9	**19**	-	-	7	-	**9**
Other real estate	-	3	11	-	**(12)**	-	2	3	2	**4**
Total	6	34	57	22	**26**	1	3	12	7	**15**

Audit Report to the Annual General Meeting of Orkla ASA

We have audited the annual accounts of Orkla ASA for 1997, showing profit for the year of NOK 676 million for the company and profit for the year of NOK 2,562 million for the Group. The annual accounts, which consist of the Board of Directors' report, statement of income, balance sheet, cash flow statement, notes and the corresponding consolidated financial statement, are the responsibility of the Board of Directors and the Group Chief Executive.

Our responsibility is to examine the company's annual accounts, its accounting records and the conduct of its affairs.

We have conducted our audit in accordance with applicable laws, regulations and generally accepted auditing standards. We have performed the auditing procedures we considered necessary to determine that the annual accounts are free of material errors or omissions. We have examined, on a test basis, the accounting material supporting the financial statements, the appropriateness of the accoutning principles applied, the accounting estimates made by management and the overall presentation of the annual accounts. To the extent required by generally accepted auditing standards we have also evaluated the company's asset management and internal controls.

The allocation of profit for the year and equity transfers as proposed by the Board of Directors, complies with the requirements of the Joint Stock Companies Act.

In our opinion, the annual accounts have been prepared in conformity with the Joint Stock Companies Act and present fairly the company's and the Group's financial position as of 31 December 1997 and the result of its operations for the fiscal year in accordance with generally accepted accounting principles.

Oslo, 24 March 1998
Arthur Andersen & Co.

Finn Berg Jacobsen
State Authorised Public Accountant (Norway)

Statement from the Corporate Assembly to The Annual General Meeting of Orkla ASA

The Corporate Assembly of Orkla ASA has received the Board of Directors' proposed Profit and Loss Account and Balance Sheet for 1997 for Orkla ASA and the Group and recommends that the Annual General Meeting adopts the accounts and the proposal of the Board of Directors for the allocation of profit for 1997.

Oslo, 31 March 1998
The Corporate Assembly of Orkla ASA

Øystein Eskeland
Chairman of the Corporate Assembly

Shares and Shareholders

Shareholder Policy

Orkla's shareholders should, over time, receive a competitive return on their shares in the form of a combination of dividends and a rise in the share price. The Group's objective is that shareholders should have a steady, stable increase in dividends, provided that the underlying trend is satisfactory. Orkla pursues a conservative new issue policy in which the interests of existing shareholders are decisive. See otherwise note 23 "Share capital development". The Group's main profitability indicator is the rate of return on capital employed.

Investor Relations

Communication with owners, investors and analysts, both in Norway and abroad, is a priority for Orkla. Orkla arranges regular presentations in the main financial centres in Europe and the USA, in addition to holding frequent meetings with investors and analysts. Important events affecting the Group are reported immediately.

Voting rights and ownership

Orkla has two classes of shares. A-shares carry one vote per share while B-shares do not carry voting rights. The company has no limitations on ownership other than those imposed by Norwegian concession laws. Voting rights may be exercised at the earliest two weeks after the Norwegian Registry of Securities has been notified of the name of the shareholder. Under Norwegian law, votes may only be cast for shares that are registered in the owner's name. General meetings are convened on at least 12 days' notice. Notice of attendance must be received by Orkla no later than 3.00 p.m. on the third working day before the date of the general meeting.

Orkla's shares are listed on the Oslo Stock Exchange. Both classes of shares may be traded on SEAQ* in London and through Orkla's Level-1 ADR** programme in the USA. Approximately 85 million shares were registered as traded in 1997, just over 1.7 times the number of shares outstanding. Orkla shares traded on the Oslo Stock Exchange amounted to NOK 14,449 million, equivalent to 4.2 % of the Exchange's total turnover. 15.9 million shares were traded through SEAQ in 1997, or GBP 871 million. Call and put options and forwards with the Orkla A-share as the underlying share will be quoted on the Oslo Stock Exchange from March 1998. Due to the cooperation on stock exchange and clearing operations between the Oslo Stock Exchange, OM Stockholm and OMLX London, options will also be quoted on these markets.

As of 31 December 1997, Orkla had 32,107 shareholders. International investors and analysts continued to show broad interest in Orkla shares in 1997. At year-end 44.7 % of shares were owned by foreign investors, which is 2.3 percentage points lower than on

***)** SEAQ in London is a market-maker-based trading system for shares which are not listed in London.
****)** An ADR (American Depository Receipt) is a deposit arrangement whereby a bank, with the necessary approval from the US authorities, owns shares on behalf of US investors who themselves do not have access to or wish to own foreign shares directly. Investors receive instead an ADR as confirmation of the deposit.

Share price 1997

NOK	Orkla A-share	Orkla B-share
High	667.00	600.00
Low	446.00	404.00
Close at 30.12.1997	635.00	574.00

Shares by size of shareholding at 31.12.1997

No. of shares	No. of shareholders	% of capital
1 - 100	22,413	1.4 %
101 - 1,000	8,196	5.0 %
1,001 - 10,000	1,209	6.7 %
10,001 - 100,000	224	14.9 %
100,001 - 500,000	45	18.8 %
500,001 -	20	53.2 %

Average number of shares outstanding, fully diluted [1)]

	1997	1996	1995
Average number of shares issued	**49,040,317**	48,747,241	48,747,241
Average number of own shares	**-1,319,285**	-1,333,180	-1,333,180
Average number of externally owned shares	**47,721,032**	47,414,061	47,414,061
Convertible bonds	**2,185,320**	2,185,320	2,185,320
Convertible own bonds	**-2,179,285**	-2,179,285	-2,179,285
Employee share scheme options, average number	**416,759**	726,505	790,126
Calculated antidilution [2)]	**-33,348**	-101,126	-177,311
Average number of externally owned shares, fully diluted	**48,110,478**	48,045,475	48,032,911

1) In accordance with The Norwegian Accounting Standard Boards calculation for EPS

2) Average share price - calculated antidilution:	A-shares	B-shares
1997	572	520
1996	349	323
1995	276	262

1 January 1997. Most of the brokerage houses in Oslo and London follow the Orkla share and analyses are also published in Stockholm and Copenhagen.

The Annual General Meeting on 10 May 1994 resolved to give all employees in the Norwegian operations options to purchase up to 650,000 B-shares at a subscription price of NOK 25.00. In this connection, in May 1997 options equivalent to 586,152 B-shares were redeemed. Remaining options equivalent to 51,533 B-shares may be exercised by 1 May 1999. As of 31 December 1997 employees in management positions in the Group held options to purchase 44,360 shares. See otherwise note 23 ”Share capital development”.

The Board of Directors holds an authorisation, granted on 7 May 1997 and valid until the Annual General Meeting in 1999, to issue up to 3.3 million shares without preferential rights for existing shareholders. This authorisation was initially granted at an Extraordinary General Meeting on 2 September 1991 and has subsequently been renewed, but has not as yet been utilised.

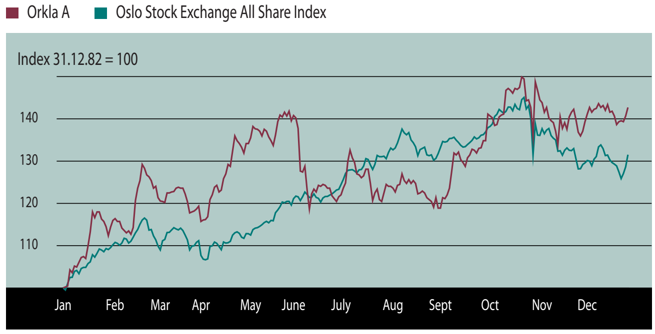
Value creation for Orkla's shareholders

Over time, Orkla shareholders have had a good return on their investments. During the period since 1986, when the current strategy and structure was established, annual return has averaged 24.8 %, which is 10.1 percentage points higher than the return on the Oslo Stock Exchange All Share Index. In 1997, the share value rose by 42 %, excluding dividends. In the same period, the OSE All Share Index rose by 31.5 %.

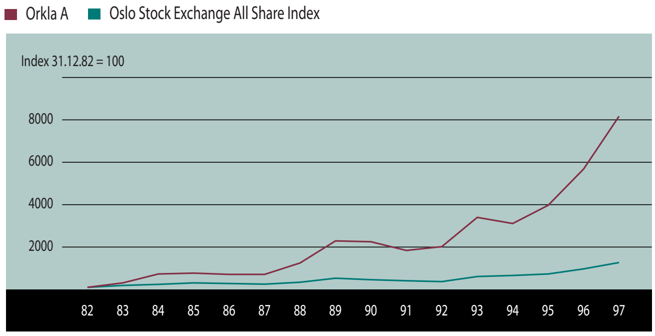
With a market capitalisation value of NOK 29,910 million as of 31 December 1997, Orkla was the second largest company on the Oslo Stock Exchange and accounted for 6 % of the All Share Index.

For 1997, the Board of Directors proposes a dividend of NOK 8.50 per share, a rise of 21 %. The dividend will be paid on 26 May 1998 to shareholders of record on the date of the Annual General Meeting. Furthermore, the Board proposes a 4-for-1 split of the share in order to increase share liquidity. The share capital of NOK 1,233,334,825 will remain unchanged. The number of shares issued will increase by 148,000,179 to 197,333,572 with nominal value of NOK 6.25 compared with the former NOK 25.00.

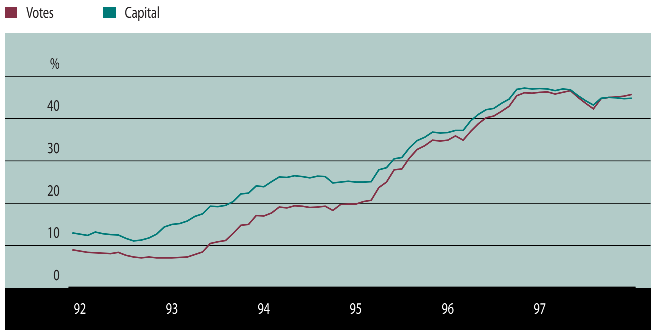
Share price development 1997



Share price development 31.12.82 - 31.12.97



Ownership by foreign investors



The ten largest shareholders at 31.12.1997

Shareholders	A-shares	B-shares	Total shares	% of capital	% of votes
Chase Manhattan Bank	4,007,538	617,762	4,625,300	9.4 %	10.1 %
Folketrygdfondet	4,004,638	0	4,004,638	8.1 %	10.1 %
Capital Research c/o Chase [1]	2,130,000	851,000	2,981,000	6.0 %	5.4 %
Storebrand [2]	2,761,533	0	2,761,533	5.6 %	7.0 %
State Street Bank	1,866,547	255,744	2,122,291	4.3 %	4.7 %
Kommunal Landspensjonskasse	1,064,809	222,460	1,287,269	2.6 %	2.7 %
Avanse Forvaltning	1,145,480	112,300	1,257,780	2.5 %	2.9 %
Oktav Invest A.S [3]	1,047,021	209,403	1,256,424	2.5 %	2.7 %
Morgan Guaranty Trust	1,045,964	187,677	1,233,641	2.5 %	2.6 %
Merrill Lynch International	1,207,965	23,880	1,231,845	2.5 %	3.1 %
Total	20,281,495	2,480,226	22,761,721	46.1 %	51.4 %
Total all shares	39,488,961	9,844,432	49,333,393	100.0 %	100.0 %

1) Divided between two separate funds
2) A grouping of several legal entities with intercompany relationships
3) 80 % owned by Orkla ASA

Summary Accounts for the Operating Units

	Orkla Foods				Orkla Beverages			
	1997	1996	1995	1994	**1997**	1996	1995	1994
Profit and Loss Account (NOK million)								
Operating revenues	**10,094**	10,527	7,003	5,286	**7,656**	3,265	3,328	3,322
Cost of goods sold	**(5,287)**	(5,656)	(3,788)	(3,001)	**(2,291)**	(1,019)	(1,156)	(892)
Salaries and social expenses	**(1,826)**	(1,895)	(1,329)	(873)	**(1,950)**	(875)	(855)	(1,010)
Other operating expenses	**(1,842)**	(1,874)	(1,212)	(822)	**(1,993)**	(853)	(845)	(924)
Goodwill amortisation and write-downs	**(169)**	(164)	(74)	(42)	**(139)**	(10)	(2)	(1)
Ordinary depreciation and write-downs	**(315)**	(330)	(232)	(186)	**(484)**	(208)	(225)	(332)
Operating profit excl. Other revenues and costs	**655**	608	368	362	**799**	300	245	163
Other revenues and costs	**46**	20	(162)	0	**171**	0	175	0
Operating profit	**701**	628	206	362	**970**	300	420	163
Profit from associated companies	**1**	4	0	0	**36**	12	(1)	4
Minority interests' share of net profit	**(5)**	(5)	(4)	(12)	**(84)**	(20)	(3)	11
Capital employed at 31.12. (NOK million)								
Net working capital	**1,069**	1,090	1,279	97	**(88)**	(29)	(13)	(67)
Associated companies	**4**	4	4	1	**675**	177	153	15
Goodwill	**2,415**	2,583	2,864	585	**2,092**	16	26	13
Fixed assets	**2,213**	2,098	2,189	1,202	**3,742**	1,349	1,348	1,899
Capital employed	**5,701**	5,775	6,336	1,885	**6,421**	1,513	1,514	1,860
Key Figures								
International sales (NOK million)	**5,889**	6,339	3,002	1,525	**4,554**	1,912	1,954	318
Cash flow from operations (NOK million) (definition see page 12)	**1,192**	1,283	(214)	521	**1,679**	637	814	523
Replacement expenditure (NOK million) (see page 12)	**(313)**	(348)	(293)	(223)	**(313)**	(180)	(156)	(354)
Expansion investments (NOK million) (see page 12)	**(213)**	(24)	(3.349)	(62)	**(5.316)**	(91)	(169)	(27)
Operating margin (%) [1]	**6.5**	5.8	5.3	6.8	**10.4**	9.2	7.4	4.9
Return on capital employed (%) [2]	**11.3**	10.0	11.7	19.2	**12.4**	21.3	14.8	8.8
Total man-years	**6,346**	6,494	4,378	3,234	**7,685**	3,102	3,886	3,792

1) Operating profit excl. other revenues and costs/Operating revenues.
2) (Operating profit excl. other revenues and costs +
Profit from associated companies)/Average capital employed.

Industry area (Branded Consumer Goods, Chemicals and Head Office/Unallocated)

	1997	1996	1995	1994
Profit and Loss Account (NOK million)				
Operating revenues	**30,575**	25,743	21,819	20,998
Operating expenses	**(26,499)**	(22,593)	(19,097)	(18,400)
Goodwill amortisation and write-downs	**(417)**	(281)	(155)	(110)
Ordinary depreciation and write-downs	**(1,330)**	(1,038)	(930)	(1,013)
Other revenues and costs	**181**	20	127	82
Operating profit	**2,510**	1,851	1,764	1,557
Profit from associated companies	**442**	97	76	62
Financial items	**(571)**	(616)	(448)	(436)
Profit before tax	**2,381**	1,332	1,392	1,183
Key Figures				
International sales (NOK million)	**16,492**	13,876	10,361	7,135
Cash flow from operations (NOK million)	**4,200**	3,590	2,468	2,435
Replacement expenditure (NOK million)	**(1,738)**	(1,203)	(1,035)	(1,079)
Expansion investments (NOK million)	**(5,935)**	(664)	(3,765)	(1,179)
Operating margin (%)	**8.2**	7.2	8.1	7.4
Return on capital employed (%)	**14.9**	13.8	16.6	17.3
Total man-years	**23,262**	18,181	15,833	16,196

	1997	1996	1995	1994
Balance sheet (NOK million)				
Assets				
Current assets	**11,471**	9,183	10,890	9,198
Long-term assets	**19,424**	12,636	12,331	9,492
Total assets [3]	**30,895**	21,819	23,221	18,690
Liabilites and Equity				
Interest-free debt	**9,406**	7,043	7,071	5,638
Interest-bearing debt	**15,507**	10,016	11,472	8,674
Equity	**5,982**	4,760	4,678	4,378
Total liabilities and equity	**30,895**	21,819	23,221	18,690
Net interest-bearing debt	**10,660**	6,591	7,436	4,485
3) Of which lending to Financial Investments	**3,080**	2,282	2,699	3,083

Orkla Brands				Orkla Media				Total Branded Consumer Goods				Chemicals			
1997	1996	1995	1994	**1997**	1996	1995	1994	**1997**	1996	1995	1994	**1997**	1996	1995	1994
4,146	4,213	4,229	4,162	**2,569**	2,220	1,791	1,726	**24,296**	20,057	16,202	14,288	**5,733**	5,161	5,033	4,323
(1,746)	(1,849)	(1,968)	(1,898)	**(540)**	(511)	(400)	(394)	**(9,692)**	(8,867)	(7,162)	(5,978)	**(2,749)**	(2,365)	(2,203)	(1,881)
(792)	(802)	(790)	(791)	**(966)**	(812)	(675)	(629)	**(5,534)**	(4,384)	(3,649)	(3,305)	**(866)**	(817)	(794)	(692)
(1,000)	(967)	(938)	(978)	**(683)**	(574)	(445)	(463)	**(5,521)**	(4,268)	(3,441)	(3,183)	**(1,515)**	(1,290)	(1,252)	(1,131)
(28)	(30)	(29)	(27)	**(63)**	(51)	(28)	(24)	**(399)**	(254)	(133)	(94)	**(12)**	(4)	(11)	(8)
(122)	(134)	(144)	(161)	**(113)**	(97)	(82)	(76)	**(1,034)**	(770)	(683)	(756)	**(267)**	(244)	(230)	(198)
458	431	360	307	**204**	175	161	140	**2,116**	1,514	1,134	972	**324**	441	543	413
20	0	0	0	**16**	0	0	0	**253**	20	13	0	**(50)**	0	0	50
478	431	360	307	**220**	175	161	140	**2,369**	1,534	1,147	972	**274**	441	543	463
366	63	62	29	**11**	15	12	17	**413**	94	73	50	**1**	5	5	5
(1)	(1)	(1)	0	**(5)**	(4)	(5)	(6)	**(94)**	(30)	(12)	(8)	**(4)**	(1)	(5)	(3)
261	167	215	195	**(225)**	(196)	(164)	(222)	**1,017**	1,032	1,318	3	**1,108**	937	938	681
894	550	504	452	**233**	248	278	253	**1,806**	979	938	721	**24**	20	39	35
355	382	436	451	**648**	643	380	386	**5,510**	3,624	3,706	1,436	**125**	16	10	25
979	849	833	794	**900**	610	550	541	**7,835**	4,906	4,920	4,437	**2,177**	1,984	1,756	1,729
2,489	1,948	1,988	1,892	**1,556**	1,305	1,044	958	**16,168**	10,541	10,882	6,597	**3,434**	2,957	2,743	2,470
1,156	1,239	1,353	1,284	**406**	290	0	0	**12,005**	9,780	6,310	3,128	**4,291**	3,833	3,753	3,097
595	617	608	410	**383**	352	262	309	**3,849**	2,889	1,469	1,763	**471**	741	546	481
(282)	(209)	(163)	(131)	**(361)**	(121)	(71)	(106)	**(1,269)**	(859)	(683)	(814)	**(416)**	(284)	(178)	(201)
(12)	-	(51)	(269)	**(102)**	(340)	(68)	(401)	**(5,643)**	(455)	(3,637)	(759)	**(204)**	(203)	(87)	(390)
11.0	10.2	8.5	7.4	**7.9**	7.9	9.0	8.1	**8.7**	7.5	7.0	6.8	**5.7**	8.5	10.8	9.6
24.5	24.7	20.7	18.1	**15.1**	16.1	16.8	18.8	**13.9**	15.0	15.4	15.8	**9.9**	15.4	20.5	18.9
2,837	2,905	3,024	3,104	**3,133**	2,673	1,672	1,656	**20,000**	15,174	12,960	11,786	**2,633**	2,547	2,487	2,406

Financial Investments

	1997	1996	1995	1994
Profit and Loss Account (NOK million)				
Operating revenues	**416**	266	172	158
Operating expenses	**(298)**	(190)	(140)	(131)
Ordinary depreciation	**(15)**	(11)	(12)	(11)
Operating profit	**103**	65	20	16
Portfolio gains	**876**	816	481	418
Dividends received	**292**	339	200	130
Financial items	**(115)**	(121)	(203)	(214)
Profit before tax	**1,156**	1,099	498	350
Securities portfolio (NOK million)				
Market value	**14,410**	11,043	8,761	8,194
Book value	**8,188**	6,431	5,742	5,531
Unrealised gains before tax	**6,222**	4,612	3,019	2,663
Net asset value [1]	**11,542**	8,909	6,125	5,252
Equity ratio, value adjusted (%)	**80.1**	80.7	69.9	64.1

	1997	1996	1995	1994
Balance Sheet (NOK million)				
Assets				
Current assets	**8,833**	6,795	6,051	5,789
Long-term assets	**883**	599	518	521
Total assets	**9,716**	7,394	6,569	6,310
Liabilities and Equity				
Interest-free debt	**412**	204	168	145
Interest-bearing debt	**3,167**	2,277	2,753	3,101
Equity	**6,137**	4,913	3,648	3,064
Total liabilities and equity	**9,716**	7,394	6,569	6,310
Net interest-bearing debt	**3,007**	2,187	2,706	3,068

1) Market value - debt

Key Figures

	Note		1997	1996	1995	1994	1993	1992	1991
Turnover									
1. Operating revenues		(NOK million)	**30,970**	25,998	21,977	21,144	18,292	17,014	16,133
2. International sales		(%)	**53**	53	47	34	29	27	26
Profit/Cash flow									
3. Operating profit		(NOK million)	**2,613**	1,916	1,784	1,573	1,296	1,198	870
4. Of this other revenues and costs		(NOK million)	**181**	20	127	82	0	0	41
5. Goodwill amortisation and write-downs		(NOK million)	**(419)**	(283)	(157)	(111)	(66)	(67)	(93)
6. Net profit	1	(NOK million)	**2,562**	1,752	1,432	1,149	984	211	767
7. Self-financing capacity	2	(NOK million)	**2,040**	1,764	815	683	14	494	(144)
8. Net replacement expenditure	3	(NOK million)	**1,526**	967	256	934	1,124	823	856
9. Expansion investments	4	(NOK million)	**5,935**	664	3,765	1,179	941	802	380
Profitability									
10. Operating margin	5	(%)	**8.4**	7.4	8.1	7.4	7.1	7.0	5.4
11. Return on capital employed (Industry area)	6	(%)	**14.9**	13.8	16.6	17.3	17.8	17.7	12.3
12. Return on equity	7	(%)	**24.2**	19.8	18.6	17.0	15.9	3.5	14.0
Capital									
13. Market capitalisation	8	(NOK million)	**29,910**	20,737	14,818	11,727	13,358	7,912	7,262
14. Book value of total assets		(NOK million)	**36,865**	26,496	26,696	21,528	19,614	16,857	17,093
15. Book value of equity, incl. minority interests		(NOK million)	**12,119**	9,673	8,327	7,442	6,770	6,043	5,892
16. Equity ratio	9	(%)	**32.9**	36.5	31.2	34.6	34.5	35.8	34.5
17. Equity ratio incl. portfolio gains before tax	10	(%)	**42.6**	45.9	38.2	41.8	41.8	35.9	35.0
18. Net interest-bearing debt	11	(NOK million)	**13,667**	8,778	10,142	7,553	7,014	5,177	5,485
19. Interest coverage ratio	12		**6.1**	4.4	4.1	3.7	3.2	1.5	2.2
Shares [1]									
20. Average no. of externally owned shares		(x 1,000)	**47,721**	47,414	47,414	47,414	47,414	47,413	47,413
21. Average no. of externally owned shares (fully diluted)		(x 1,000)	**48,110**	48,045	48,033	47,817	47,420	47,435	47,610
Share-related key figures									
22. Share price at 31.12. A-shares		(NOK)	**635**	445	315	250	280	167	155
23. Share price at 31.12. B-shares		(NOK)	**574**	405	302	240	278	165	145
24. Profit per share (fully diluted)	13	(NOK)	**53.20**	36.50	29.80	24.00	20.80	4.30	16.10
25. Earnings per share	14	(NOK)	**53.70**	36.90	30.20	24.20	20.70	4.50	16.20
26. Goodwill amortisation per share (fully diluted)	15	(NOK)	**9.40**	6.10	3.40	2.40	1.70	1.70	2.10
27. Non-recurring items per share (fully diluted)	16	(NOK)	**10.60**	0.40	1.70	1.40	1.30	-	0.50
28. Dividend per share (proposed 1997)		(NOK)	**8.50**	7.00	6.00	5.00	4.10	3.75	3.41
29. Payout ratio	17	(%)	**16.0**	19.2	20.1	20.8	19.7	87.2	21.2
30. Price/earnings ratio	18		**11.9**	12.2	10.6	10.4	13.5	39.0	9.6
Personnel									
31. Total employees			**23,946**	18,869	18,353	16,873	15,081	14,679	14,505
32. Total man-years			**23,378**	18,277	15,920	16,281	14,532	13,606	13,473

1) See also page 30.

1. Exluding other items in 1991
2. From cash flow statement page 12
3. Investments in industrial plants, machinery, etc. within existing activities - Book value of fixed assets sold
4. Investments to expand the Group's activities
5. (Operating profit/Operating revenues) x 100
6. (Operating profit + Profit from associated companies)/(Average interest free current assets - Average interest free current liabilities + Average long-term assets)
7. (Net profit/Average book equity) x 100
8. Market capitalisation is calculated on the basis of number of shares outstanding x Average share price at year-end
9. Book equity capital including min. interests/Total assets
10. (Book equity incl. min.int. + Unrealised portfolio gains)/(Book value of total capital + Unrealised portfolio gains)
11. Total interest bearing debt - Interest bearing receivables and liquid assets (cash, bank deposits etc.)
12. (Net profit/Average book equity) x 100
13. Profit for the year/Number of shares held externally (fully diluted) at year end
14. Profit for the year/Average number of shares held externally (fully diluted)
15. (Goodwill amortisation - Tax effects)/Average number of shares held externally (fully diluted)
16. (Non-recurring items - Tax effects)/Average number of shares held externally (fully diluted)
17. (Dividend per share/Earnings per share (fully diluted)) x 100
18. Relates to Orkla A-shares (fully diluted)

Asset Values

One possible model for valuing Orkla is to distinguish between industrial assets, where the value is related to future earnings from continuing operations, and negotiable assets with identifiable market values.

Set out below are details of the main data necessary for a valuation of Orkla's assets. On this basis, and on the basis of his own assumptions, the investor will be able to assess the value of the various assets in order to undertake a valuation of the Group.

FORESTS

The Group owns about 110,000 hectares of forest, of which approximately 80,000 hectares are productive. Forests have a book value under fixed assets of NOK 114 million. The annual quantity harvested is approximately 110,000 sm^3, which is sold at market price. The market price for comparable timber in 1997 was approximately NOK 370 per sm^3.

POWER

The Group's hydropower production in a normal year is 640 GWh, of which 635 GWh is derived from waterfalls not subject to reversion. In addition, there is 45 GWh of replacement power. Power is sold or set off internally at market prices, mainly on long-term contracts. The book value under fixed assets of assets related to the power business is NOK 139 million.

FINANCIAL INVESTMENTS

As of 31 December 1997, the Group's securities portfolio had a market value of NOK 14,410 million. The book value was NOK 8,188 million.

The Group owns a renovated office building at Skøyen in Oslo totalling 2,500 m^2, and a new office building totalling 8,000 m^2 Two office buildings with an area of 6,000 m^2 and 20,000 m^2, respectively, are currently under construction and are scheduled to be completed in 1998. The book value of Orkla's interest was NOK 308 million as of 31 December 1997. Remaining investments total NOK 184 million.

As of 31 December 1997, the Financial Investments area had net interest-bearing debt of NOK 3,007 million and book equity of NOK 6,137 million.

INDUSTRY

Orkla owns a number of Norwegian and Nordic brands that are important for the Group's future earnings. Since 1958 Orkla has also had long-term cooperation agreements with Unilever relating to detergents, personal products and cosmetics. The current agreements expire in 2014. Most of the brands covered by the agreements are owned by Orkla for use in Norway.

The Industry area's results for 1997 are affected by non-recurring items totalling NOK 545 million. NOK 181 million is recorded under "Other revenues and costs", NOK 303 million under "Profit from associated companies" and NOK 61 million under "Net financial items". NOK 417 million in depreciation and goodwill amortisation has been charged against the Industry area's reported operating profit in 1997, while NOK 38 million in goodwill amortisation has been charged against "Profit from associated companies". Operating profit, cash flow and investments for the various business areas are shown in the tables on pages 32 and 33. As of 31 December 1997, the Industry area had net interest-bearing debt of NOK 10,660 million.

TAX

The average tax rate for the Industry area is normally around 30 %. As a result of dividends received from the share portfolio, RISK adjustments of the cost price base and unutilised cost price adjustments related to the tax reform, the tax charge for the Financial Investments area is normally low.

Adjusted profit, Industry	**1997**	1996	1995	1994	1993
Operating profit, Industry	**2,510**	1,851	1,764	1,557	1,267
Adjustments for forests and power	**(66)**	(46)	(51)	(63)	(36)
Goodwill amortisation	**417**	281	155	110	64
Non-recurring items	**(181)**	(20)	(127)	(82)	0
Adjusted operating profit	**2,680**	2,066	1,741	1,522	1,295
Profit from associated companies [1]	**139**	97	76	62	80
Goodwill amortisation associated companies	**38**	15	12	10	18
Net financial expenses [2]	**(632)**	(616)	(448)	(436)	(423)
Adjusted profit before tax	**2,225**	1,562	1,381	1,158	970
Minority interests	**107**	35	23	14	13

1) Excl. gain from sale of Jotun Polymer (NOK 283 million) in 1997, gain from sale of vessels in KS Swan Sea (NOK 20 million) in 1997 and gain from sale of TVNorge (NOK 86 million) in 1993.
2) Excl. gain from sale of Hansa Brewery (NOK 61 million) in 1997.

Branded Consumer Goods

Orkla's Branded Consumer Goods business comprises Orkla Foods, Orkla Beverages, Orkla Brands and Orkla Media.

Orkla is the leading supplier of branded products to the grocery trade in the Nordic countries and holds no. 1 and no. 2 positions in many strategically important product areas. These market positions are maintained and strengthened through increased investment in product development and advertising and through continuous focus on cost-cutting measures. The availability of products to the consumers is ensured in close cooperation with retailers.

Long experience in the field of branded consumer goods has given Orkla understanding of consumers' needs. The product range is continuously being improved in order to give consumers added value. The consumers' needs and interests are the driving force behind the Group's operations in the branded consumer goods area.

Orkla wishes to continue to strengthen its position in the Nordic region and aims to achieve further growth in selected markets outside the Nordic region.

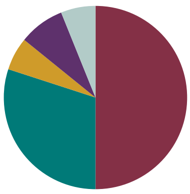
Branded Consumer Goods and Branded Goods Culture

A branded product is primarily a concept that describes a set of associations, perceived qualities and values which are associated with specific products and services by virtue of product characteristics, a name, a symbol, a design or a logo, and which can thus be recognised repeatedly by potential purchasers.

A branded goods culture is a common, well-organised system of working and thinking, adapted to a branded product, which facilitates optimum development of that product's economic potential.

Operating revenues by market

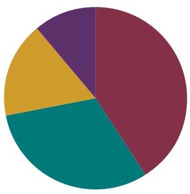
- Norway 50 %
- Sweden 30 %
- Denmark 6 %
- Eastern Europe 8 %
- Other 6 %



Total operating revenues NOK 24,296 million

Operating revenues by business area

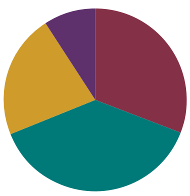
- Orkla Foods 41 %
- Orkla Beverages 31 %
- Orkla Brands 17 %
- Orkla Media 11 %



Total operating revenues NOK 24,296 million

Operating profit by business area

- Orkla Foods 31 %
- Orkla Beverages 38 %
- Orkla Brands 22 %
- Orkla Media 9 %



Operating profit NOK 2,116 million (excl. other revenues and costs)

Results

In 1997, Orkla's Branded Consumer Goods business achieved operating revenues of NOK 24,296 million, equivalent to a rise of 4 % for continuing business. Operating profit before other revenues and costs was NOK 2,116 million. This gives an underlying growth of 23 %. The acquisition of the remaining shares in Pripps Ringnes and strong growth of Baltic Beverages Holding made a significant contribution to the rise in operating revenues and profit.

Grocery sales in Norway increased by 0.8 % in 1997. Volume growth was somewhat higher in Denmark and Finland, while in Sweden it was limited (0.3 %).

Orkla's branded consumer goods strategy

Orkla's branded consumer goods strategy for the Nordic region was drawn up in 1991. Since then, the Group's branded consumer goods business has doubled in terms of operating revenues and profits due to the development of Orkla's own brands, a series of acquisitions and ongoing synergy and structural projects. All this has provided a sound foundation for Orkla's Nordic operations. There are still opportunities for growth in the Nordic countries, but they have gradually become more limited. That is why Orkla aims to achieve further growth outside the Nordic region.

Orkla is making efforts to further strengthen its position as a leading supplier by focusing on products which fulfill consumer needs and at the same time have the branded product's ability to engender consumer loyalty. Continuous product improvements and competitive prices provide added value for consumers. With its expertise and experience at the Nordic level, Orkla is in an advantageous position to develop products which are adapted to Nordic consumers. Investments in advertising are intended to strengthen the positions of priority branded products. Strong market positions and effective marketing and product development, combined with a continued moderate price policy, are Orkla's most important competitive advantages in the face of foreign competition and private labels. Tougher competition and concentration in the grocery trade lead to high cost awareness. Cost reductions are implemented on an ongoing basis by realising synergy gains after acquiring new businesses and introducing rationalisation measures.

Nordic organisations have now been established for product areas where this is natural. Orkla's existing brand names will be strengthened on their national home markets. Where the market situation is appropriate, national brands may be launched in other countries. One example of this is the launch of the Swedish fruit drink Festis in Norway. New products and concepts are increasingly launched as Nordic brands. The new carbonated soft drink Shio, a concept based on the typical Nordic values of purity and healthiness, was launched simultaneously in Sweden and Norway in spring 1997.

Branded consumer goods in the Nordic countries

Orkla's market positions

Orkla's strong position in the Nordic region is important in the face of increasing Nordic concentration in the grocery trade and keen competition from major international suppliers. Orkla has a well-developed sales apparatus in all the Nordic countries. With its size, expertise and long experience, the Group is a professional partner who wishes to cooperate with retailers in order to increase retailer efficiency by introducing time and cost-saving measures.

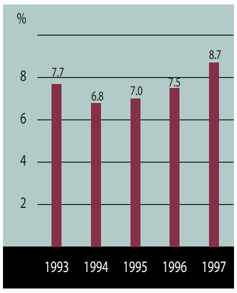
Orkla's market positions are currently strongest in Norway and Sweden. It is the Group's ambition to strengthen Orkla's position in Finland and Denmark.

The competitive situation in the Nordic region

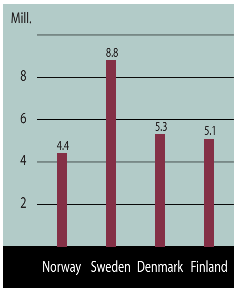
At the end of 1997, sales on the Nordic grocery market totalled approximately NOK 379 billion, of which NOK 93 billion were in Denmark, NOK 85 billion in Norway, NOK 128 billion in Sweden and NOK 73 billion in Finland.

The Nordic countries have high purchasing power and stable operating parameters. Norway is not a member of the EU. Norway is, however, closely linked to the EU through its membership of the EEA. International brand names are broadly represented in most product categories on the Nordic grocery market. In Norway, mechanisms to protect the agricultural sector to a certain extent limit competition in product categories that are based on Norwegian raw materials. In the longer term, however, remaining trade

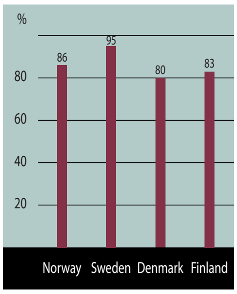
Development in operating margin for the Branded Consumer Goods area (excl. other revenues and costs)



Population in the Nordic countries

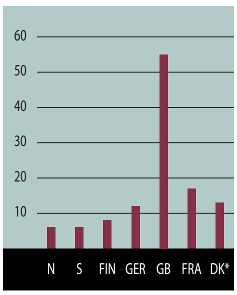


The three largest retailers' market share



Source: Nielsen Norway

Total private label value shares by country



Source: Nielsen Norway
* DK: 1995 figures

barriers between Norway and the EU are expected to gradually be reduced.

In spite of strong concentration in the grocery sector, the occurrence of private labels in the Nordic region is still less widespread than in other West European countries and the market shares of private labels are expected to continue to increase. However, a trend similar to the comprehensive growth of private labels that has been seen in the UK, for example, will require significant resources and long-term effort on the part of retailers.

Branded consumer goods outside the Nordic region

Orkla aims to expand in selected markets outside the Nordic area. The Group is currently operating in the Baltic States, Poland, Czechia, Austria, Hungary, Russia, Ukraine, Singapore and Malaysia. These markets offer interesting growth potential and good opportunities for Orkla to establish a position as preferred supplier for significant consumer groups. Orkla's investment in markets outside the Nordic region involves increased currency risk and greater political risk. However, several regions and countries are demonstrating favourable economic and political trends.

Further growth will largely take place by acquiring new businesses. Orkla wishes to acquire companies with strong market positions and a local management that is keen to achieve growth in cooperation with Orkla. Product groups must be related to the Group's existing portfolio and expertise. During the first phase after an acquisition, considerable resources will normally have to be invested in upgrading

Good results can only be achieved through close co-operation between product development and marketing. Product Developer Trond Soot, Product Manager Jeanette H. Fladby, Assistant Category Director Martin Klafstad and Product Development Manager Knut Nåmdal show that it takes more than one cook to make a good pizza.

product quality, strengthening local brand names and training management and other personnel. There is also emphasis on developing a good relationship with local authorities.

In 1997, Orkla Foods acquired 65 % of the formerly state-owned Polish food manufacturer Kotlin. Orkla Foods also took over the Czech pizza company Guseppe, effective from 1 January 1998. Baltic Beverages Holding (BBH), in which Orkla has a 50 % interest, acquired a 20 % share of the Utena brewery in Lithuania. Through its 74 %-owned brewery Baltika in St. Petersburg, BBH has acquired 83 % of the Donskoye Pivo brewery in southern Russia. Orkla Media continues to develop its organisation in Poland, and has moved its Polish head office from Wroclaw to Warsaw. Furthermore, Orkla has initiated snacks production in Malaysia and pizza production in Singapore.

Ringnes' main branded product again defended its position as Norway's leading beer brand in 1997.

Procordia Food's Önos Mor Annas Smörgåsgurka have long traditions in Sweden.

Orkla Foods

Orkla Foods is a leading developer, producer and marketer of food products. Activities are concentrated on the company's own strong brands and concepts. Orkla Foods intends to further develop the Nordic region as its domestic market and gradually expand into selected international markets.

Felix tomato ketchup holds strong positions on the Swedish and Finnish sauces and condiments markets.

Orkla Foods strives to realise corporate synergies, particularly in the fields of marketing and product development. In 1997 the company therefore established six divisions and a new Nordic organisational structure aimed at coordinating activities in divisions and national markets in the following six product categories: pizza, ready meals, fruit and berries, sauces, vegetables and seafood. Categories were also established for potato products and bakery products/cereals.

Results

Orkla Foods' operating revenues in 1997 totalled NOK 10,094 million. Revenues for continuing business adjusted for exchange rate fluctuations rose by 3 % compared with 1996. Operating profit before other revenues and costs amounted to NOK 655 million, resulting in a profit margin of 6.5 % compared with 5.8 % in 1996. For continuing business, operating profit was up 8 % from 1996. Growth was driven by improved profits in Abba Seafood and increased sales on the Norwegian market. Expenses related to new activities outside the Nordic region were charged against operating profit.

The market for refrigerated fresh meat products has been affected by low brand awareness, a strong focus on price, little variation in products offered and low margins. To strengthen the company's core business, Ringstads Ferskvare (formerly Stabburet Ferskvare) was sold to Norsk Kjøttindustri in September 1997, resulting in a gain for Orkla Foods of NOK 46 million (recorded under "Other revenues and costs").

Synergies

Efforts to realise synergies in Orkla Foods are ahead of schedule. As expected, the bulk of the synergies lie in production and purchasing. Further synergy gains are expected in 1998. Procordia Food's production of juice and jam has been coordinated and specialised, and similar steps are being taken in the production of fruit soups and dessert creams. Savings have also been achieved by coordinating purchases of raw materials and packaging.

A significant proportion of the synergy gains has been invested in market support and product improvements with a view to increasing the competitiveness of this area.

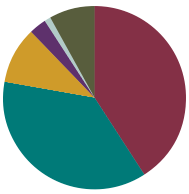
Stabburet

Stabburet reported volume growth in 1997, and operating revenues totalled NOK 2,292 million. Operating profit was satisfactory, improving from 1996.

In the Norwegian grocery market Stabburet achieved a 6 % rise in operating revenues. Sales of

Operating revenues by market

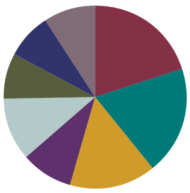
- Norway 41 %
- Sweden 37 %
- Denmark 10 %
- Finland 3 %
- Poland 1 %
- Other 8 %



Total operating revenues
NOK 10,094 million

Operating revenues by product group

- Ready meals, pizza and meat 20 %
- Fruit and berry products 19 %
- Seafood 15 %
- Ingredients to bakeries 9 %
- Potatoes and vegetables 11 %
- Dressing, ketchup and sauces 8 %
- Bread and bakery products 8 %
- Other 10 %



Total operating revenues
NOK 10,094 million

Stabburet's deep-frozen pizza and pan-fry dishes, Nora juice, nectar and canned vegetables and Gøy and Fun Light soft drinks were particularly encouraging.

Competition in the Norwegian catering market intensified in 1997. In this sector, too, market players have reorganised into fewer groups and prices are under pressure. Close to 65 % of Stabburet's operating revenues in this market derived from the ready meals category, where there was volume growth in 1997.

Efforts to increase the rate of innovation within the most important product categories continued. Both the introduction of Pizza Originale (baked in a stone oven) and the relaunching of Gøy squash and the BigOne pizza were well received in the Norwegian grocery market.

Prices of key raw materials such as meat and cheese rose as a result of the collective agreement for the agricultural sector in spring 1997.

Procordia Food

Procordia Food in Sweden achieved operating revenues of SEK 3,515 million. Adjusted for divestitures, total operating revenues were down 2 % from the year before. This decline can be ascribed to lower sales on the Swedish market. Despite the decline in operating revenues, operating profit for this division was higher than in 1996.

Competition on the Swedish market intensified in 1997 due to the growing number of private labels introduced by retailers. This is one of the reasons why Procordia Food's sales to the Swedish grocery trade fell by 1 %. A general decline in the catering market led to a 6 % drop in operating revenues for Procordia Food. However, the company still has strong market positions, and 82 % of sales to the grocery market derive from products with leading market positions.

Marmalade Fra Den Gamle Fabrik has a leading position among Danish consumers. The product is manufactured by Beauvais.

Procordia Food launched several new products in the Swedish grocery trade in 1997, such as Pasta Benine ready meals and high-quality french fries (Mr. Crisp).

In Finland and Estonia, Felix Abba and Poltsamaa Felix largely maintained their respective market positions.

Efforts to establish a more efficient production structure and specialise production continued in 1997. A decision was made to invest SEK 72 million in a new vegetable factory in Eslöv. All production of fruit soups, creams and juice is currently being concentrated at the plant in Kumla. The factory in Örebro will focus exclusively on production of Ekström's dry products.

Beauvais

In 1997 Beauvais reported operating revenues of DKK 365 million, up 5 % from the year before. The company achieved profit growth, and strengthened the market position of most product groups.

Since the sale of Beauvais Catering in 1996, Beauvais has concentrated on the production of jam, marmelade, ketchup, canned dinners and pickled vegetables under the well-known brands Beauvais and Fra Den Gamle Fabrik.

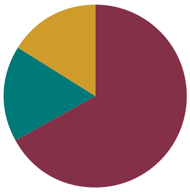
Beauvais intends to group all its production activities at Svinninge. As a result, the factories in Frørup and Skrave will be closed down from 1999.

International Division

In the past few years, Orkla Foods has focused on establishing operations in Eastern Europe. In May 1997 Orkla Foods acquired 65 % of the Polish company Kotlin, which now manufactures and sells deep-frozen pizza, ketchup, jam and canned vegetables. In September 1997 an agreement was signed for the purchase of the Czech company Guseppe, which has a share of about 70 % of Czechia's pizza market. The acquisition took place on 1 January 1998.

Orkla Foods has established an international division which comprises the company's businesses in Austria, Poland, Czechia and Hungary. Operating revenues in this division totalled NOK 397 million in 1997. Operating profit was weak, due to the delayed acquisition of Kotlin, substantial project and start-up costs in Poland and Czechia and the unsuccessful launch of a range of deep-frozen products in Austria. Apart from this, Felix Austria strengthened or maintained its market positions.

Revenues by segment



Total operating revenues
NOK 10,094 million

Abba Seafood

Abba Seafood has undergone comprehensive structural changes. In 1995 three factories were closed down and in 1996 four factories were sold. The challenge is now to further improve the profitability of the remaining activities.

Abba Seafood achieved operating revenues in 1997 of SEK 1,318 million. The winding-up of unprofitable units in 1996, the efforts to increase the efficency of existing operations and a better product mix led to marked profit growth.

Abba Seafood made progress in all of its product groups in a growing Swedish seafood market. In Finland and Norway positions were largely maintained, while the situation varied slightly more in Denmark. Profitability improved on all four markets.

A number of new products were introduced in 1997, including fish balls and sandwich toppings for children.

Promoting growth is a priority goal in Abba Seafood. The division will invest more resources in innovation and product development in the years ahead.

Industry

The Industrial division of Orkla Foods reported operating revenues of NOK 1,709 million in 1997. For continuing business adjusted for exchange rate fluctuations, there was an 8 % increase which can be attributed entirely to volume growth. Operating profit was higher than last year.

Regal Mølle increased its market share for flour. There was 28 % volume growth in the Norwegian market for breakfast cereals, and Go'Dag strengthened its leading position in this market.

Idun Industri consolidated its position as the leading supplier of ingredients to the Norwegian bakery market.

Odense Marcipan improved its market position in both the Norwegian and Swedish grocery trade, while the Danish marzipan market was affected by steadily growing competition.

Dragsbæk Margarinefabrik (50 % financial interest) achieved significant growth in sales, primarily on the Russian market.

Despite the fact that several competitors launched sweet sandwich toppings on the Norwegian grocery market, Sunda maintained its strong market position.

Bakers

Operating revenues rose by 5 % to NOK 814 million in 1997. Operating margin was improved, largely as a result of a general improvement in product mix and continued efforts to increase the efficiency of production plants. Costs have remained stable in the most important areas. As far as raw materials are concerned, trends were satisfactory in 1997, but prices of soya and margarine increased sharply towards the end of the year. Due to growth in operating revenues and the efficient utilisation of plant capacity, results were satisfactory in 1997.

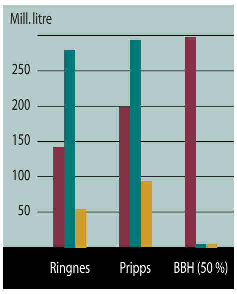
▸
Kalles Kaviar, a fish roe spread, is one of the strongest brands on the Swedish grocery market. The product is manufactured by Abba Seafood.

▸▸
Stabburet's Pizza Grandiosa is the most popular pizza in the Nordic region. Pizza Grandiosa is produced and sold in Norway and also exported to Sweden and Finland.

Orkla Beverages

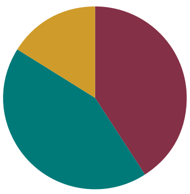
Litres sold by product group

- Beer
- Soft drinks
- Water



Operating revenues by market

- Norway 41 %
- Sweden 43 %
- BBH 16 %



Total operating revenues
NOK 7,656 million

In February 1997 Orkla acquired Volvo's 55 % financial interest in Pripps Ringnes, thereby becoming the sole owner of the company.

Pripps Ringnes is market leader for beer and mineral water in Sweden and Norway, and holds the number two position on the carbonated soft drinks market in both countries. The company also holds strong positions on the beer market in the Baltic states, Russia and Ukraine through Baltic Beverages Holding (BBH). BBH is a joint venture (50 %) with the Finnish company Oy Hartwall Ab. Pripps Ringnes owns 20.5 % of Oy Hartwall Ab, which is market leader on the Finnish beer, soft drink and water market. After a period of strong expansion, BBH is now part-owner of nine breweries in Russia, Ukraine and the Baltic States, with a majority holding in eight of them. Eight of the breweries are market leaders in their respective regions.

Pripps' blue label is a firm favourite among Swedish beer-drinkers and a clear leader on the Swedish market.

In 1997 the final agreement was signed for the winding up of cooperation with The Coca-Cola Company (TCCC). TCCC took over responsibility for the sale and distribution of its products in Sweden from 1 April 1997. Pripps continued to produce TCCC products until 31 December 1997. In Norway co-operation on sale and distribution terminated on 1 October 1997, but Ringnes will be responsible for production until 31 December 1998. The operating revenues of the Nordic business will decline as a result of the termination of cooperation with TCCC. The discontinuation of the TCCC agreement in Sweden from 1 January 1998 will lead to a drop in operating revenues for 1998 of about NOK 1 billion compared with 1997. A similar reduction is expected in 1999 when cooperation ends in Norway as well. The company aims to compensate for this decline by increasing sales of other products.

The workforce reduction programmes (a total of 1,400 man-years) continued in 1997. The internal programme to increase efficiency in Pripps also continued in 1997, entailing comprehensive restructuring of distribution operations. A major proportion of production is now distributed directly from brewery to customer, with the result that many depots have been closed down.

In summer 1997 a tollfilling agreement was signed with PepsiCo for the Swedish market which will come into effect by the year 2001, when PepsiCo's agreement with its current partner terminates. Co-operation between Pripps and PepsiCo will cover the Pepsi, Pepsi Light, Pepsi Max and 7Up brands. Talks are currently in progress concerning the possibility of future cooperation on the Norwegian market.

Orkla Beverages

In 1997, Orkla Beverages reported operating revenues of NOK 7,656 million, compared with NOK 7,256 million (pro forma) in 1996. Operating profit before other revenues and costs amounted to NOK 799 million. Underlying growth exceeded 50 %, and is largely due to improved profit for BBH, as well as to the positive effect of a hot summer. In the Nordic markets, profit rose by NOK 17 million to NOK 529 million. Total sales volume for Pripps Ringnes increased by 12 %.

Pripps (Sweden)

Operating revenues for Pripps totalled SEK 3,583 million, down 5 % from 1996. Operating profit was slightly higher than in 1996. Beer prices and product mix developed favourably, and there was strong growth in sales of the company's own soft drink

Here, filtered beer is connected for bottling at one of the Ringnes brewery's three beer lines. New tanks are connected continuously, as one line fills approximately 55,000 bottles an hour. Gotfred Wiik (left), with 22 years' experience in the trade, teaches apprentice Erik Nielsen. After his apprenticeship he will complete his qualifications by taking a theoretical and practical examination.

brands. The combination of these factors compensated for stronger competition on the Swedish beer market and increased cross-border trade in beer due to private imports from Denmark. The Swedish duty on beer was reduced as of 1 January 1997, but is still too high to cause any significant decline in cross-border trade.

The Swedish beverages market increased by 3 % in 1997, while Pripps' products achieved 2 % growth in the same period. The Swedish beer market reported the same volume in 1997 as in 1996. Pripps performed less well than the beer market as a whole, its market share for beer (incl. registered imports) declining from 41 % to 37 %. Growth was particularly poor for Class II beer, which had a negative impact on results in general. Nevertheless, Pripps is still the clear market leader for beer in Sweden. A comprehensive product development programme has now been initiated to win back lost market shares.

The Swedish carbonated soft drink market grew by 4 % in 1997. Pripps' own soft drink brands made significant progress (24 %), increasing their market shares. The Apotekarnes, Festis and Shio brands performed particularly well. The market for water rose by 9 % in 1997, and Pripps achieved growth on a par with the market. Pripps holds a strong number one position in this market through its leading brands Ramlösa and Vichy Nouveau.

At the end of 1997 Pripps launched the sale in Sweden of the world's leading stout and ale brands, Guinness and Kilkenny. These products achieved particularly good results in the restaurant market. Ringnes has already established a similar cooperation in Norway. In 1997 cooperation was also entered into with the world's leading cider company, the English H.P. Bulmers, on the sale of the Strongbow, Strongbow Ice and Woodpecker labels on the Swedish market.

A government report presented in 1997 proposed a ban on advertising light beer if the same brand also exists as a stronger beer. The proposal will probably be debated by the Riksdag in 1998.

Ringnes (Norway)

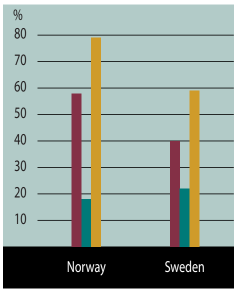
In 1997, Ringnes reported operating revenues of NOK 3,125 million, 3 % higher than in 1996. This increase is primarily due to a slight rise in volume. Operating profit in 1997 was on a par with 1996.

The Norwegian beverage market increased by 8 % in 1997, while Ringnes' products achieved a 7 % increase in the same period. The beer market rose by 2 % in 1997, partly due to a satisfactory increase in December sales. This may be due to a certain tendency towards hoarding prior to an increase in beer duties from 1998. Ringnes achieved slightly lower growth than the beer market as a whole (-2 percentage points), primarily because of increased competition from private labels. The company's market share for beer fell from 61 % to 58.3 % in 1997. Ringnes still holds a strong number one position on the Norwegian beer market. Several of the local brands, such as Frydenlunds, E.C. Dahls and Nordlandspils, made progress in 1997. The introduction of beer in 1.5 litre PET bottles was very successful. Munkholm consolidated its position as market leader for non-alcoholic beer.

The carbonated soft drink market grew by 9 % in 1997. Ringnes' own soft drink brands and Schweppes products increased by as much as 23 %. The newly launched Shio and Festis brands contributed towards this strong performance. The water market increased by 17 % in 1997. Ringnes' brands Farris and Imsdal have a very strong position in this segment, reporting 20 % volume growth in 1997.

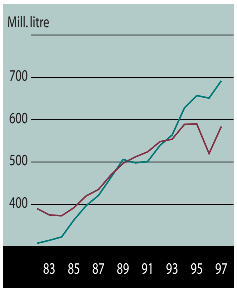
Market share by product group

- Beer
- Soft drinks excl. TCCC
- Water



Sweden: Overall market trends

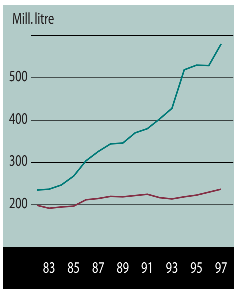
- Beer
- Soft drinks and water



Solo has a strong number-two position in the Norwegian carbonated soft drinks market.

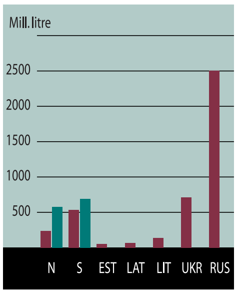
Norway: Overall Market Trends

■ Beer
■ Soft drinks and water

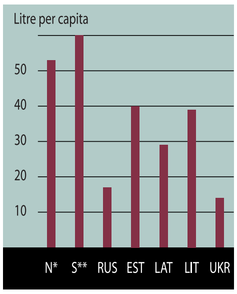


Beverage market

■ Beer
■ Soft drinks and water



Beer consumption



* Source: Bryggeriforeningen
** Excl. unregistered imports by purchasers themselves

The Gjelleråsen tapping and distribution plant has experienced start-up problems, mainly in connection with the high-stacked warehouse, which have delayed operations and resulted in added costs. These problems are now being solved, and operating costs are expected to fall sharply.

Beer tax in Norway was further increased at the start of 1998, contrary to the trend towards reduced taxes elsewhere in Europe. At the same time, new advertising rules for beer were introduced from 1 January 1998, imposing further restrictions. The practical consequences of the new rules are not yet clear.

A new company, Resirk, which is jointly owned by the trade and the industry, has been established to handle deposits on and return of disposable glass and plastic packaging and cans. The system for deposits on and return of disposable packaging is expected to be introducted in 1999.

Baltic Beverages Holding (BBH)

Operating revenues in BBH (50 % basis) totalled SEK 1,358 million in 1997, compared with SEK 605 million in 1996. Growth for continuing business was 90 %. Operating profit in 1997 was significantly higher, rising from SEK 164 million to SEK 475 million. Total production was 616 million litres, compared with 318 million litres in 1996 (100 % basis). About half of the volume growth can be attributed to new breweries. By way of comparison, the volume of beer produced by the Nordic business totalled about 340 million litres.

BBH continued to expand through investments in new capacity and the purchase of shares in the Donskoye Pivo brewery in southern Russia and the Utena brewery in Lithuania. The Baltika brewery in St. Petersburg made the greatest contribution to BBH's progress. The brewery has more than quintupled its sales volume in the past four years, and is now Russia's largest. It has expanded its area of distribution and also sells substantial volumes in the Moscow region.

Kalnapilis in Lithuania has also made excellent progress. In less than three years, the brewery has advanced from a number-four position to become the country's largest.

BBH's ambition is to continue to grow in the countries in question, partly through organic growth in its own breweries and also through the acquisition of new breweries if such opportunities should arise.

Business in these countries has expanded rapidly, in terms of both volume and profit. At the same time the risk, both financial and political, is higher than in markets like Norway and Sweden.

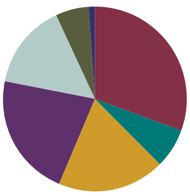
Baltika is now the biggest brewery in Russia and Baltika beer the unsurpassed market leader in St. Petersburg and surrounding regions. Baltika is also gaining ground in the Moscow region.

Shio, the new carbonated soft drink, achieved strong sales growth in Norway and Sweden in 1997. Shio is an example of the new international trend towards less sweet carbonated drinks.

Orkla Brands

Operating revenues by business area

- Home and Personal Care 31 %
- Industrial Detergents 7 %
- Biscuits 18 %
- Chocolate/Confectionery 22 %
- Snacks 15 %
- Household Textiles 6 %
- Cod Liver Oil 1 %



Total operating revenues
NOK 4,146 million

Orkla Brands comprises the most marketing-intensive product groups in Orkla: Detergents, Personal Products/Cosmetics, Chocolate/Confectionery, Snacks, Biscuits, Cod Liver Oil and Household Textiles.

1997 was a good year for Orkla Brands. This rise in profit can chiefly be attributed to the effect of the continuous effort to achieve improvements in all areas of the business. The development of more cost-effective products, combined with investments in new production lines, has helped to reduce costs. Other fixed and indirect costs also declined slightly in 1996.

The most important brands were generally strengthened during the year. Advertising investments were 12 % higher than in 1996, and investments in product development increased. The most comprehensive innovation project in 1997 was Nidar's development and launch of a totally new chocolate, SOHO.

Orkla Brands places great emphasis on maintaining a good relationship with its partners in the retail trade, and several important projects were continued in 1997. Among other things, Orkla Brands is involved in projects aimed at achieving more efficient logistics and flow of goods.

Expertise will be a crucial competitive parameter in the future, and the recruitment and further development of staff is therefore a prime concern. A comprehensive survey conducted among all of the company's employees in 1997 will form the basis for improvement programmes in the years ahead.

Results

Orkla Brands' operating revenues for 1997 totalled NOK 4,146 million. Operating profit before other revenues and costs amounted to NOK 458 million. Underlying growth adjusted for exchange rate fluctuations was 8 %. Profits in all businesses were maintained or improved, with the exception of Snacks. The increase in profit is primarily due to favourable cost trends, although 2 % growth in operating revenues for continuing business was also a contributing factor.

Lilleborg Home and Personal Care

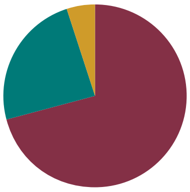
From October 1997 the Detergents and Personal Products/Cosmetics divisions were merged to form Lilleborg Home and Personal Care. Better utilisation of expertise and resources and a more cost-effective structure will contribute towards increased competitiveness.

The total Norwegian market for detergents and personal products/cosmetics increased by slightly more than 2 % in 1997, compared with about 3 % in 1996. Lilleborg Home and Personal Care strengthened its market position in 1997. The rise in market shares can partly be explained by the acquisition of the Finesse shampoo and balsam brand. Furthermore, exports increased by about 5 %.

Lilleborg Home and Personal Care reported higher operating profit in 1997, due to higher

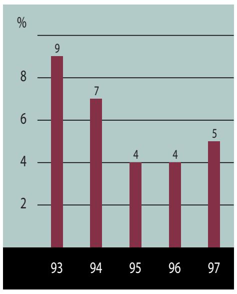
After two years of extensive, innovative research and development, Nidar launched its SOHO chocolate on 1 January 1998. Making chocolate from yoghurt is an entirely new concept in Norway, as are the new production and packaging technology. The design and marketing methods have also broken new ground. From the left, Marketing Manager Sturle Brustad, Product Manager Sigrid Raunehaug and Product Group Manager John Obstfelder.

Operating revenues by market



Total operating revenues
NOK 4,146 million
* Excl. Norway

Market growth Personal Products (value)



operating revenues and the development of more cost-effective products. Advertising investments rose by approximately 10 %.

A new liquid detergents factory was opened at Ski in August, and became fully operational in the course of the autumn. Costs were higher than normal during the running-in period, but will be reduced in 1998.

Lilleborg Industrial Detergents

Market growth totalled slightly less than 2 % in 1997, on a par with 1996. Diversey was purchased and integrated into Lilleborg Industrial Detergents at the end of 1996. Results in 1997 confirmed the success of this acquisition, which has made Lilleborg Industrial Detergents a stronger organisation.

Operating profit was higher than in 1996, due to increased operating revenues, higher margins and lower advertising costs.

Chocolate/Confectionery

The chocolate market was strongly affected by the hot summer, and the total market for chocolate/confectionery rose by about only 1 % in 1997. The agency agreement for Nestlé chocolate products was phased out during the year, since these products increasingly conflicted with the focus on Nidar's own brands. Despite the loss of operating revenues from the winding up of the agency agreement and a general increase in competition, Nidar maintained its overall market share.

Important brands were relaunched during the year, and towards the end of 1997 Nidar introduced a new chocolate product, SOHO. The launch is the result of a strong focus on innovation and product development. The product is a novelty in terms of design, flavour and production process.

A comprehensive programme to reduce production and distribution costs helped to bring fixed costs down. This work will continue in 1998.

Operating profit for Chocolate/Confectionery rose in 1997. This improvement can be ascribed to relatively higher operating revenues from the company's own brands resulting in better margins and to lower fixed costs. Advertising investments increased in relation to 1996.

Snacks

The Norwegian snacks market declined in value by 1 % in 1997, while there was approximately 4 % growth on the Danish market. KiMs maintained its strong position as market leader in Denmark, whereas Snacks Norway reported a slight drop in market shares. Towards the end of the year, several products were launched successfully. KiMs' potato chips were relaunched, backed by new marketing campaigns.

KiMs established a separate company and production facilities in Lithuania in 1997. The first products were delivered to the retail trade at the end of the year.

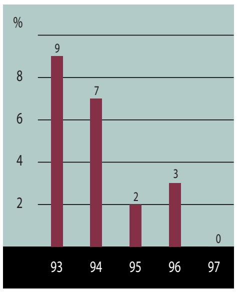
A decision was made in December to concentrate all production in Denmark in one site. Chips production in Give will be wound up and transferred to KiMs' plant in Søndersø in the course of 1998. Restructuring costs have been charged to the 1997 accounts (under "Other revenues and costs").

Despite satisfactory increases in sales and profitability in Denmark, operating profit in 1997 was lower than the previous year due to a weaker performance in Norway and start-up costs in Lithuania.

Lilleborg's new detergent factory at Ski is one of the most advanced of its kind in Europe. It is designed to produce a broad range of washing-up liquids, cleaning and laundry products. This energy and resource-efficient factory is designed for maximum recycling and zero emissions.
▸

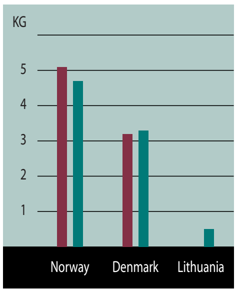
KiM's Beer Nuts launch in Norway resulted in growth, an increased market share and greater profitability. KiM's Beer Nuts will be launched in Denmark and Lithuania in 1998.
▸▸

Market growth Detergents (value)



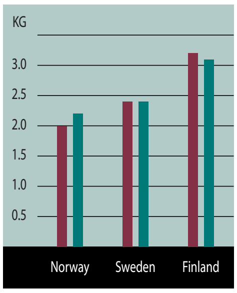
Snacks consumption per capita

■ 1996
■ 1997



Biscuits consumption per capita

■ 1996
■ 1997



Biscuits

Market growth in Sweden was over 3 %, and 5 % in Norway. Göteborgs Kex's share of the Swedish market increased during the year, especially in the savoury biscuits segment. Sætre's shares of the Norwegian market were marginally lower than in 1996. The Biscuits division is market leader in both Sweden and Norway. In 1997 a new production line was opened at the factory in Göteborg, and will contribute towards lower production costs.

The situation in Finland was stable in 1997. However, Kantolan was unsuccessful in its objective of significantly increasing its market share. Growth in the market was weak.

Improvements in Sweden, combined with a stable performance in Norway and Finland, resulted in an overall rise in operating profit for Biscuits.

Household Textiles

La Mote continued to dominate the Norwegian market in 1997. There was little market growth, partly due to the hot summer. The Swedish campaign continued through 1997. However, growth was lower than expected, and results are still unsatisfactory. Overall profit for this business area was on a par with the previous year.

Cod Liver Oil

The overall market for cod liver oil and fish oil products in Norway increased by 8 %. Peter Møller reported a 7 % rise in sales, maintaining the company's dominant market share in Norway. There was an increase in operating revenues from exports compared with 1996, but performance was weaker than anticipated. Towards the end of the year, Peter Møller restructured its production to satisfy the requirements for GMP (Good Manufacturing Practice) certification. Profit was higher than in 1996.

Jotun

The Jotun group achieved substantially improved profits in 1997, and all three divisions performed well. The economic crisis in Asia has had no significant impact on Jotun's overall financial results in 1997. The sale of the Jotun Polymer division has provided a sound financial foundation for further investment in the group's core business area.

The share of profit from Jotun (associated company, 41.8 % financial interest) amounted to NOK 366 million in 1997, NOK 283 million of which was a gain on the sale of Jotun's polymer business.

About NOK 50 million has been invested in a new production line to meet future demand for Ballerina, the most popular biscuit on the Nordic market.

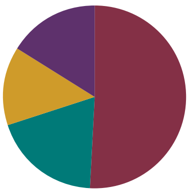
Möller's Dobbel, a capsule product based on highly concentrated fish oil, sales continued to rise in 1997. Möller's Dobbel is the first product to cover the daily requirement for both Omega 3 fatty acids and vitamins A, D and E in only two capsules.

Hjemmet magazine , the biggest family magazine in Norway, had a circulation of 257,000 copies in 1997. It is a strong branded product and leads the field among readers interested in food, interior design and crosswords.

Orkla Media

Operating revenues by sector

- Newspapers 51 %
- Magazines 19 %
- Direct Marketing 14 %
- Poland 16 %



Total operating revenues
NOK 2,569 million

Orkla Media is Norway's second largest privately-owned media company, comprising businesses in the newspaper, magazine and direct marketing sectors.

Results

Operating revenues for 1997 rose by NOK 349 million to NOK 2,569 million, mainly due to the consolidation of new businesses. For continuing business, operating revenues increased by 5 % compared with 1996.

Operating profit before other revenues and costs rose by NOK 29 million to NOK 204 million. For continuing business, profit improved by 16 % compared with the previous year. The operating margin before other revenues and costs was 7.9 %. For continuing business, the operating margin increased by 0.8 percentage points.

The improvement in operating profit can be ascribed to the favourable performance of the Norwegian newspapers, increased subscription and circulation revenues in the Magazine sector and profit growth for the Polish newspapers. In 1997 paper prices were about 17 % lower than in 1996. The Direct Marketing sector reported weaker results in 1997 due to reduced revenues. Activities in local TV/radio and electronic publishing had a negative impact on operating profit.

Norwegian Newspapers

Operating revenues for Norwegian Newspapers totalled NOK 1,314 million, compared with NOK 1,139 million in 1996. For continuing business, operating revenues rose by 6 % and operating profit by 17 %.

The operating margin dropped from 8.8 % in 1996 to 8.2 % in 1997, chiefly as a result of new businesses with lower margins and the weak performance of the sector's investments in local TV and radio. However, the operating margin for continuing business rose from 7.4 % in 1996 to 8.3 % in 1997.

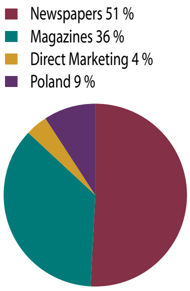
The circulation of the 22 Norwegian newspapers in which Orkla Media owns a majority interest grew by 1 % to 360,000 copies in 1997. Growth in advertising volume in 1997 was 3 %, which is higher than the growth for comparable newspapers, but lower than for the market as a whole.

In 1997 the Norwegian Newspapers sector acquired the newspapers *Kragerø Blad, Drangedal Blad* and *Vestmar Blad* and 51 % of the shares in *Østlendingen*.

Human resource development requires thorough preparation. Here (from the left) Human Resource Manager Per Suseg, Orkla Media, Project Editor Tony Nundal, Orkla Newspapers, and Editor-in-Chief Richard Nergaard from *Romsdals Budstikke*, a local newspaper, are planning an editorial management development programme for Orkla Newspapers.
▸

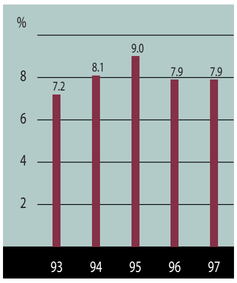
▸▸
Drammens Tidende Buskeruds Blad is Orkla's largest Norwegian newspaper. Circulation in 1997 was 45,000.

Operating profit by sector



Operating profit (excl. other revenues and costs) NOK 204 million

Development in operating margin (excl. other revenues and costs)



Breakdown of operating revenues

Østlandets Blad was incorporated as a subsidiary in 1997 after the limitation on voting rights was amended in the company's articles of association. The sector established activities in Sweden through the acquisition of 49 % of *Norrländska Socialdemokraten*, which was consolidated into the Group accounts with effect from 1 January 1998.

Investment in a joint printing plant for Orkla Media's newspapers on the west side of the Oslo Fjord is proceeding as planned, and the plant is scheduled to come on line in April 1998.

Efforts related to product development, productivity improvements and upgrading skills continued in 1997.

Magazines

The Magazine sector posted operating revenues in 1997 of NOK 497 million, up 7 % from 1996. Operating profit amounted to NOK 77 million, compared with NOK 54 million the year before. The operating margin increased by 4 percentage points to 15.5 %. This improvement is due to higher advertising and subscription revenues as well as reduced costs and improved productivity.

Although family magazine circulation declined slightly, other magazines made progress compared with 1996. Aggregate circulation for Hjemmet Mortensen was on a par with 1996, while the overall market grew by 2 %.

Advertising volume for the Norwegian magazine sector increased by 18 %, while advertising volume for Hjemmet Mortensen rose by 21 % compared with 1996. In terms of volume, the market share increased from 46 % in 1996 to 47 % in 1997.

Direct Marketing

Operating revenues in 1997 totalled NOK 352 million, compared with NOK 334 million in 1996. Operating profit before other revenues and costs amounted to NOK 9 million, down NOK 12 million from the year before. In addition, a gain of NOK 16 million was posted on the sale of businesses (entered under "Other revenues and costs"). The operating margin for continuing business was 3.2 %, compared with 6.1 % in 1996. The decline in profit is mainly due to reduced revenues in some of the companies in this sector.

The Orkla DM Group is currently the leading player in dialogue marketing in the Nordic region. In 1996 this sector acquired the Senter for Datafangst, Dialogprosjekt, Scelto and Arena businesses and, with effect from 1 January 1998, the Mitcom Group in Sweden.

Orkla Media Poland

In 1997 Orkla Media Poland reported operating revenues of NOK 407 million, compared with NOK 293 million in 1996. Operating profit amounted to NOK 19 million, up NOK 15 million from 1996. The operating margin before goodwill amortisation increased from 7.8 % in 1996 to 11.3 % in 1997. This improvement is largely due to the full-year effect of the consolidation of *Rzeczpospolita*, Poland's third largest newspaper. The sector's other newspapers also achieved profit growth.

At the end of 1997, Orkla Media Poland held strategic positions in 11 number-one newspapers and a majority interest in five of them. Orkla Media Poland has a market share of approximately 20 % of the Polish newspaper market. Advertising revenues (in NOK) for Orkla Media's businesses increased by 16 % compared with the previous year.

The new printing plant for Orkla Media's newspapers in Bialystok came on line in the last half of 1997.

▸ **The Hjemmenett Internet service launched in 1997 reported 1.7 million visits a month at the beginning of 1998.**

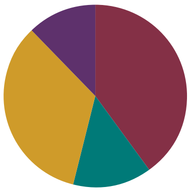
▸▸ ***Slowo Polskie* had a circulation of 37,000 in 1997 and is the number one newspaper in Wroclaw, the fourth largest city in Poland. In January 1997, *Slowo Polskie* started production at its own printing plant.**

Chemicals

Borregaard is an international chemicals company with strong global positions in selected niches of specialty chemicals, fine chemicals and ingredients. Borregaard's core business areas are based on a targeted, long-term strategy focused on developing products that are highly processed and offer possibilities for specialisation. The company's core areas comprise lignin-based binding and dispersing agents, specialty pulp for chemical applications, fine chemicals for the pharmaceutical industry, the food manufacturing industry and other selected markets, and oils, fats and proteins for the food manufacturing and animal feed industries. Furthermore, a number of basic chemicals are produced for internal use and external sale. Borregaard has over 21 production units in 11 countries and sales offices in Europe, America and Asia.

Operating profit by business area

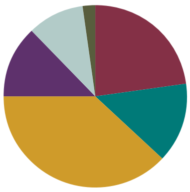
- Specialty chemicals 40 %
- Fine chemicals 14 %
- Ingredients 34 %
- Other 12 %



Total operating revenues
NOK 5,733 million

Operating revenues by market

- Norway 23 %
- Nordic region* 14 %
- Europe** 38 %
- Asia 13 %
- America 10 %
- Other 2 %



Total operating revenues
NOK 5,733 million
* Excl. Norway
** Excl. Nordic region

Borregaard continued its global expansion within selected niches in 1997. Speciality Chemicals established a 50/50 joint venture company with the South African company Sappi Saiccor for the production of lignin-based products in South Africa. Borregaard's technology in the field of process and product development and its global marketing organisation, coupled with Sappi Saiccor's raw materials and knowledge of local conditions in South Africa, provide a solid foundation for a substantial lignin business in the southern hemisphere. There are plans to build a new lignin factory which is scheduled to commence production at the start of 1999. The factory will have an annual capacity of 55,000 tonnes with the possibility of expanding to 200,000 tonnes.

The mercury-based chloralkali factory at the Sarpsborg plant was phased out in 1997. The new factory, which came on line at the start of 1998, is equipped with modern, environmentally sound technology and is virtually emission-free. The factory will supply sodium hydroxide for the production of pulp and vanillin.

Borregaard supplies specialty pulp for viscose fibres used in modern textiles. Borregaard LignoTech's products are used in dyes.

Results

Borregaard's operating revenues rose by 11 % to NOK 5,733 million in 1997. This increase is attributable to a high volume of sales for Denofa (Ingredients) and Borregaard LignoTech. Operating profit before other revenues and costs amounted to NOK 324 million, compared with NOK 441 million in 1996. The decline in profit can be ascribed to Specialty Pulp and Fine Chemicals, whereas Denofa achieved marked profit growth. The stronger dollar and pound had a favourable impact on profit.

Borregaard continued to focus on Asia in 1997. Sales to Asia increased by 38 %, accounting for 13 % of the company's total sales. The economic uncertainty in the Asian markets did not affect Borregaard's results in 1997. On the other hand, it is uncertain how strong an impact the changed situation will have on lignin and pulp sales in 1998.

Specialty Chemicals

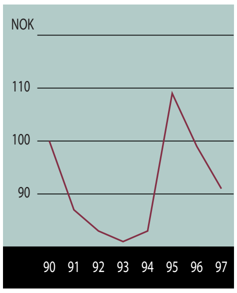
Borregaard's Specialty Chemicals business is based on the further development of natural polymers into a range of added value products. The Specialty Chemicals business consists of Borregaard LignoTech and Borregaard ChemCell. In 1997, operating revenues totalled NOK 2,481 million, on a par with 1996.

Borregaard LignoTech is the world's leading supplier of lignin-based binding and dispersing agents. The products are used as a binding agent in animal feed and briquetting, and as dispersing agents in concrete, ceramic products, textile dyes, agrochemicals and drilling mud, etc. Market-oriented research and development have increased the proportion of specialised products and expanded sales to new geographical areas. The company has production facilities in nine countries in Europe, America and Asia and sells to over 70 countries. Borregaard LignoTech is the only company able to offer a complete product range on a global basis.

Operating revenues in 1997 increased by 11 % to NOK 1,206 million. Profit growth in this area was good, due to improved product mix, lower freight rates and the favourable effect of strong exchange rates for the dollar and pound. Sales volumes were on a par with 1996.

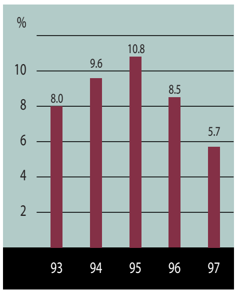
Borregaard ChemCell is the leading supplier in Europe of specialty pulp for chemical applications. The business focuses on applications of the cellulose molecule, which is a natural, biodegradable polymer. Borregaard's chemical expertise provides a platform for specialisation in products with a high degree of processing and with properties suited for chemical industrial applications.

Price trends for specialty pulp (NOK)



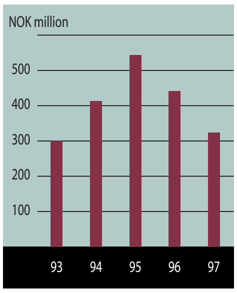
Index 1990 = 100

Operating margin



Index 1990 = 100

Operating profit (excl. other revenues and costs)



Borregaard ChemCell primarily supplies tailor-made products which add specific properties to customers' products and processes. This makes the business less sensitive to cyclical changes, and stabilises and improves earnings.

Operating revenues declined by 9 % to NOK 1,275 million in 1997. Specialty Pulp reported a substantial fall in profit compared with the previous year, due to reduced production and higher costs related to running-in problems at the new plant for highly processed pulp, as well as to a general decline in prices compared with 1996. However, sales prices stabilised later in 1997.

Fine Chemicals

Borregaard Synthesis is an international supplier of fine chemicals for the pharmaceutical industry, food products and other selected markets. While specialty chemicals are sold on the basis of performance, fine chemicals are specifically defined chemical substances. This business area has production facilities in Norway, Italy, China and the USA.

Operating revenues increased in 1997 by 8 % to NOK 825 million due to the purchase of new businesses. Fine Chemicals reported a decline in profit in 1997, primarily as a result of particularly low volumes of intermediates for diagnostic applications.

Borregaard Synthesis is a leading supplier of advanced fine chemicals for both diagnostic applications and medicines. Within its core technologies, the company is the preferred partner of several major international pharmaceutical companies. Substantial R&D resources are focused on developing advanced intermediates for individual customers. Borregaard's technology will be used to provide a broader range of products, thereby reducing the risk profile of the product range in the years ahead.

In February 1997 Borregaard Synthesis took over the fine chemicals business of the US company Poly-Organix. Through this acquisition, the company strengthened its product range and customer base within the pharmaceutical industry and improved its access to the US market.

Borregaard Synthesis is a leading producer of vanillin and the only company able to offer both lignin and guaiacol-based vanillin, as well as ethyl vanillin. Vanillin is used in the food manufacturing industry as a flavouring and fragrance, and as an intermediate in the production of pharmaceuticals. This area reported profit growth due to increased sales volumes.

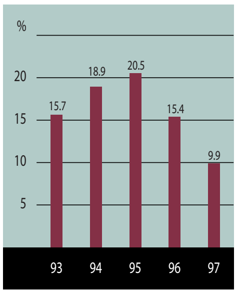
Through its production of diphenols in Italy, Borregaard Synthesis has secured control of strategic factor inputs for the production of vanillin in Norway and agrochemicals in China. Moreover, the business in Italy further processes fine chemicals for the pharmaceutical industry, the food manufacturing industry and agricultural and photochemicals. At present, the market for diphenols is satisfactory, and profit performance is favourable.

Borregaard Taicang Chemicals in China produces an active substance used in crop protection chemicals. Borregaard is a majority owner (61 %), and supplies technology and raw materials from Borregaard's diphenol business in Italy. Results were on a par with 1996.

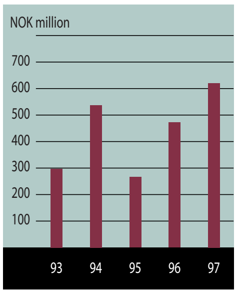
▸
Some of Borregaard's new specialty pulp products are used in cosmetics such as nail varnish.

▸▸
Borregaard in Sarpsborg has more than 100 trained instructors to take charge of apprentices. Here, laboratory technician and instructor Kjell Østby teaches apprentice Thea Røsæg how to clean boiler water from the ethanol factory.

RETURN ON CAPITAL EMPLOYED



TOTAL INVESTMENTS



INGREDIENTS

Denofa processes marine and vegetable raw materials for oils, fats and animal feed products. The company has a strong number one position in Norway in oils and fats for the food manufacturing industry, and a leading international position in marine fats. Denofa is a main supplier of soya protein to the Norwegian and Swedish animal feed market, and an important supplier to the growing fish feed market.

Operating revenues increased in 1997 by 32 % to NOK 1,995 million. Denofa achieved substantially improved profits compared with 1996 in both the food products and animal feed sectors. Demand was good, and capacity was fully utilised. The profit growth is attributable to increased exports of specialty fats to Eastern Europe and good coverage of the fish oil market, which has been affected by scarce supplies and historically high prices. Price and margin performance in the soya area was consistently weak in the first six months of 1997, but improved during the autumn as a result of a temporary drop in supply. Sales of edible oils on the Norwegian market were on a par with previous years.

In response to customer demand, Denofa continued to manufacture soya products based on non-genetically modified soybeans. Denofa is one of two players on the European market that can offer non-genetically modified products.

OTHER AREAS

Operating revenues in other areas totalled NOK 815 million, on a par with 1996. Operating profit before other revenues and costs was lower than in 1996 due to increased costs related to a new chloralkali factory and interrupted production and high maintenance costs at the sulphuric acid plant. NOK 50 million has been charged against profit in connection with write-downs related to non-strategic businesses (entered under "Other revenues and costs").

Borregaard Energy reported operating profit on a par with the year before. The company's own production of hydroelectric power totalled 574 GWh. Due to the increased supply of power in 1997 owing to a long-term agreement with Tinfos, 449 GWh were sold on the spot market. Electricity prices were low in 1997.

Borregaard Skoger posted operating revenues and operating profit approximately in line with 1996.

Borregaard NEA reported a decline in profit in 1997, due to a significantly weakened market for pocket book paper and mechanical pulp for the cardboard industry. This has resulted in production cutbacks in 1997.

PRODUCTS AND APPLICATION AREAS

Specialty Chemicals

Lignin
Dispersing agents in concrete, textile dyes, agrochemicals and oil well drilling muds. Binding agents for animal feed, ceramics and briquetting.

Specialty Pulp
Thickening agents in foods (e.g. ice cream, yoghurt), in production of medicines, building supplies (e.g. glue, painting, lacquer), textiles (e.g. rayon, viscose), moulding plastics and filters.

Fine Chemicals

Pharmaceutical
Intermediates for medicines and diagnostic applications (x-ray contrast media).

Aroma chemicals
Flavourings and fragrances in foods, raw materials for pharmaceuticals.

Diphenol
Photo chemicals, intermediates to the pharmaceutical, agro- and fragrance industry.

Ingredients

Oils, fat and proteins
Food ingredients and feed ingredients.

Borregaard's fine chemicals division develops and produces advanced chemical intermediates for a variety of important pharmaceutical products.

Financial Investments

Orkla manages one of Norway's largest share portfolios and has a long tradition in the field of equity investment. The Group has achieved a high level of value creation, both in absolute terms and in relation to the Oslo Stock Exchange All Share Index. Since 1982, the Financial Investments business has posted an average annual return of 22.1 %, while the average return on the Oslo Stock Exchange has been 18.5 % per annum. Furthermore, the business provides Orkla with broad insight into and contacts with the Norwegian and international financial markets. Investments are made in a long-term perspective, and the portfolio predominantly consists of large holdings in Norwegian and, increasingly, Nordic companies. Investments are also made in selected sectors outside the Nordic region.

This business area also comprises Orkla Finans and a real estate section.

Market conditions

1997 was another good year for the international stock markets, although trends were very mixed. On the Asian stock exchanges, share prices took a significant downturn. The European exchanges were among the strongest, and all the Nordic stock exchanges performed well. The Financial Times World Local Currency Index rose by 19.3 % compared with 14.1 % in 1996. The Oslo Stock Exchange All Share Index rose by 31.5 % compared with 32.1 % the year before, which is significantly better than the international market average in the past two years.

The world economy experienced strong growth in 1997, and inflation and interest rates continued to fall. In the USA and Europe, the growth rate was higher than in 1996, while growth in Japan declined significantly. Throughout the autumn, developments in Asia dominated world news and stock market trends. There is still considerable uncertainty as to the extent and duration of effects on the real economy. However, the balance on a number of commodities markets shifted rapidly. Companies in sectors that are sensitive to cyclical fluctuations, companies with a large volume of sales to Asia and companies that compete with Asian export firms saw their share prices drop sharply towards the end of last year.

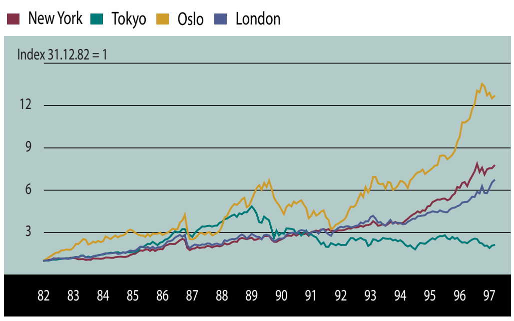
The Norwegian real economy continued to perform strongly in 1997. The concern at the start of the year caused by the rising NOK exchange rate was succeeded by optimism generated by the 14.5 % increase in the USD exchange rate in the course of the year. The rise in real incomes and employment spurred good growth in private consumption. Long-term interest rates continued to fall last year. This factor, combined with increased demand for business premises, drove real estate prices even higher.

Bank shares and shares in companies oriented towards domestic consumption developed favourably in 1997. Cyclical shares and companies with exposure towards Asia performed well in the first half of the year, but were sold at significantly lower prices towards the end of the year due to the turmoil in Asia. The offshore supply industry also recorded a strong hike in share prices. Due to the large influx of new companies in the offshore sector in the last couple of years and the strong rise in oil-related share prices, the oil and offshore sector now accounts for a significant proportion of trading on the Oslo Stock Exchange.

In 1997 household and corporate saving patterns were seriously affected by the decline in interest rates in the past few years. The supply of liquidity to the stock market was very high at times. In combination with the highest valuations for small companies for many years, this attracted a record number of new companies to the Oslo Stock Exchange. The total value of new share issues exceeded NOK 20 billion, and largely favoured new companies. The flow of liquidity was offset by the fact that for the first time in many years foreign investors sold more Norwegian shares than they purchased.

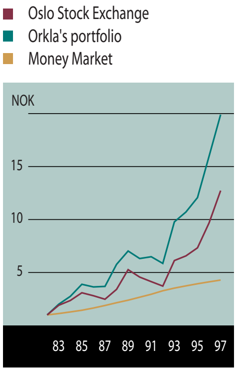
Orkla Finance (Securities Brokerage) AS uses fundamental analysis as the basis for advice on share investments. With the help of eleven analysts, the firm analyses all the major listed companies in Norway. Financial analyst Anne Gjøen is an economist with more than ten years' experience of share analysis.

Stockmarket performance Oslo and internationally

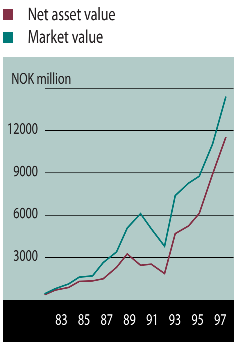


Source: Oslo Stock Exchange All Share Index, Dow Jones Industrial Average, FT-SE 100, Nikkei Index

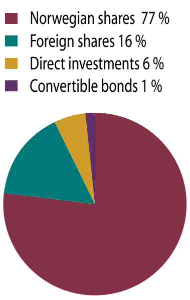
Growth of NOK 1 (31.12.82 - 31.12.97)



Market value and net asset value



The portfolio structure 31.12.1997



Market value NOK 14,410 million

Portfolio

The return on Orkla's total portfolio in 1997 was 24.5 %, which is 7.0 percentage points lower than the increase in the OSE All Share Index. Returns on the main portfolio holdings varied significantly in 1997. While NetCom, Storebrand and Nycomed all rose strongly, several of the largest holdings reported a negative return during the year. This applied to Elkem, Dyno, Hafslund, Norway Seafoods and Nera.

The foreign investment portfolio consists predominantly of Nordic shares. The main holdings Lindex, Bure and Chips OY performed well in 1997. Of direct investments, the recapitalisation of Helly Hansen made a substantial contribution, and Orkla's interest in Industrikapital continued to develop favourably. At year-end, investments outside Norway accounted for about 19.5 % of the total portfolio, compared with 17.5 % the year before.

Shares for a net total of NOK 874 million were purchased in 1997. The largest investment was the purchase of shares in Storebrand totalling approximately NOK 160 million. The recapitalisation of Helly Hansen contributed about NOK 260 million, and Kværner shares were sold for about NOK 200 million.

At the end of 1997, the market value of Orkla's portfolio was NOK 14,410 million, and net asset value before tax was NOK 11,542 million. The debt-equity ratio ended up at 20 %, which is on a par with the start of the year.

Main shareholdings 31.12.1997

	Share of portfolio (%)	Ownership (%)	Market value (NOK million)
Storebrand	13.8%	10.0%	1,995
Elkem	8.7%	25.3%	1,254
NetCom	6.6%	11.1%	954
Kværner	5.3%	4.7%	766
Dyno	4.6%	18.1%	659
Bergesen	3.5%	3.8%	502
Nycomed Amersham	3.3%	1.4%	482
Schibsted	2.6%	4.3%	379
Hafslund	2.2%	6.7%	320
Lindex	2.1%	9.7%	301
Steen & Strøm Invest	2.0%	9.9%	291
Den Norske Bank	1.9%	1.2%	275
Total main shareholdings	56.7%		8,178

Results

The Investment area posted total profit before tax of NOK 1,156 million in 1997, compared with NOK 1,099 million the year before. Portfolio gains totalled NOK 876 million and dividends received amounted to NOK 292 million. Unrealised portfolio gains increased in 1997 by NOK 1,610 million to NOK 6,222 million.

Orkla Finans is one of Norway's leading companies in the field of stockbroking and other financial services. The company has offices in Oslo and London, and opened an office in Stockholm at the start of 1998.Orkla Finans had another good year in 1997, consolidating its strong market position. Operating profit amounted to NOK 121 million, up from NOK 78 million in 1996. The company increased its shares of both the secondary trading and financial advisory services markets.

The Real Estate section administers properties which have been released from Orkla's own industrial operations. It is also developing an investment portfolio of real estate projects, with activities focused mainly on the Skøyen district in Oslo. The section continued its efforts to optimise the value of Orkla's properties, while further developing new investment projects for future rental/sale. The development projects in the Skøyen district have increased in value in 1997, due to rising rents and fixed building costs. All real estate projects have been valued at cost price.

Asia has been an important growth factor in the world economy in the past few years. At the start of 1998, it is difficult to judge the extent and implications of the Asian crisis. The Norwegian economy shows worrying inflationary tendencies. In the light of the good share price performances in recent years, expectations as regards stock markets in 1998 are far more modest. Many share prices have declined significantly, thereby discounting a more uncertain future.

Human resource development in the Orkla Group

Training and on-the-job learning is the most importatnt activity in human resource development at Orkla. Operator Anny Sundin (left) has more than ten years' experience at Nidar. Here she passes on her chocolate production know-how to apprentices Rita Chathrine Fiskvik an Eirill Onsøien, who will be taking their qualifying examination in industrial foods production in autumn 1999.

Orkla's activities are based on core expertise in three areas: branded consumer goods, chemicals and financial investments. This expertise will provide the foundation for further expansion. The Group has focused strongly on education and training over a long period of time. In order to ensure that it will be equipped to compete on tomorrow's markets, efforts in the field of human resource development are now being intensified.

Human resource development at Orkla includes both the development of knowledge and skills and the development of attitudes. A good corporate culture is an important part of the Group's total expertise and is necessary in order to achieve its goals.

Human resource development means both individual learning and the development of corporate expertise. Therefore, there is strong focus on training and developing individual employees by giving them practical on-the-job experience. There is also emphasis on transferring knowledge and experience between companies in the Group. In addition to this, Orkla provides training in the form of courses, seminars and programmes. All these measures are tailored to the needs of individual employees and companies.

The Group has also established cooperation with external educational institutions, thereby ensuring a source of professional expertise for the Group's internal development programmes and opportunities for Orkla employees to attend specially designed and more general educational programmes at these institutions. Orkla also has its own grant scheme to encourage employees to embark on additional formal studies in areas that are of interest to the Group.

Personnel and management development

Orkla gives high priority to systematically developing the technical and management skills that are essential if the Group is to achieve its long-term goals.

The specific skills and development requirements of individual companies are defined through personnel planning and the planning of organisational improvements. In addition to providing a basis for individual career planning, these processes define the need for new recruitment and training activities.

Reports on individual company requirements are collated, giving the Group an overall picture of the management capacity at its disposal and current training requirements.

Development plans for managers and employees are prepared annually. These plans are intended to ensure that practical work, internal training and other development measures are tailored to and complement the continuous effort to improve the Group's overall expertise.

Local training programmes are intended to ensure that new employees receive a structured, sound introduction to the various functional areas while management and key personnel receive training that spans a variety of functions, companies and business areas. The Group therefore endeavours to fill vacancies through internal recruitment and encourages internal mobility.

The Group regards planned learning and on-the-job training as the most important elements of human resource development. Management training therefore focuses on equipping managers to serve as instructors and guides for their own employees. Individual companies are responsible for developing and implementing management training programmes that are tailored to meet their own needs. Several companies have internal development programmes for managers and potential managers at various levels.

In order to ensure the greatest possible transferability between business areas and improve and facilitate management mobility, Orkla's head office cooperates with companies on the form and content of decentralised measures.

Expertise and the corporate culture

In a rapidly growing and increasingly international organisation, the effort to create a common identity which harmonises with valuable local characteristics is becoming increasingly important in order to benefit from economies of scale. This requires a strong corporate culture.

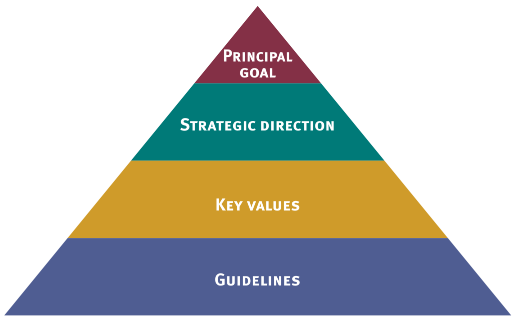
As an expertise and market-driven enterprise, Orkla must make systematic efforts to support and foster common attitudes and behavioural norms. These are the pillars of the Group's corporate culture, as laid down in Orkla's policy document *Goals and Values*. *Goals and Values* is the result of broad organisational processes which have been taking place for many years and have defined and confirmed common attitudes, norms and rules of conduct for employees, employees' representatives and management.

High priority is given to ensuring that all employees are familiar with the Group's *Goals and Values*. Besides purely introductory programmes for new employees, important sections from *Goals and Values* are used as themes for discussion at courses, seminars, conferences and gatherings at both central and local levels. *Goals and Values* is also used as a guide for practical training and development programmes in Orkla companies.

Managers are important bearers of culture within the organisation. Consequently, many measures are implemented to encourage them to develop the right attitudes among their subordinates. Since 1992, 250 managers and key personnel have attended a Group seminar where the main emphasis was on *Goals and Values* and the Group's strategic process.

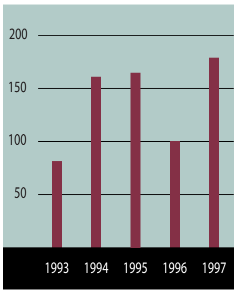
The personell and management development system at Orkla

The four main elements of Orkla's goals and values

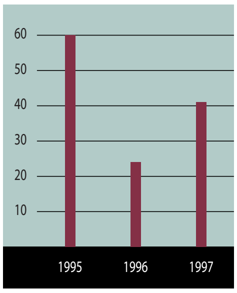


Many people in management, marketing and sales have benefited from the Orkla School of Business Relations. At Borregaard LignoTech (from the left) Managing Director Gunnar Vikstrøm, Sales Director Ole Hvattum and Finance and Administrating Director Erik Uberg have all attended the school.

Participants at the Orkla Brand School



Participants at the Orkla School for Business Relations



In order to continue efforts to develop the corporate culture, the Group is currently working on a special programme for senior management, planned to commence in 1998. Further coordination of decentralised development programmes will also be considered. Moreover, various network-building activities are organised and implemented at different levels within the Group.

The trainee programme

The Group's strategy for growth presents major challenges as regards developing sufficient management capacity. In 1991, Orkla therefore established a trainee scheme which, in the long term, is intended to meet this need. The scheme is a supplement to other management development programmes in the Group and is particularly intended to contribute towards meeting the long-term need for managers with experience from different business areas and with a common Orkla identity. 8-12 new graduates with up to one year's work experience are recruted under this programme each year.

The trainee period lasts for three years and the programme is largely based on on-the-job training. In the course of the training period, each trainee has work experience from three different businesses within the Group and from at least two different technical areas. The Group prepares programmes in cooperation with companies, plans development projects and ensures that each trainee has suitabl professional guidance, personal coaching and progression.

The Orkla Brand School

The Orkla Brand School was established in 1993 in order to enhance branded products expertise within the Group to an internationally competitive level. At the same time, a new Conference Centre at the Borregaard estate was established to provide a modern course and conference centre for the Group.

The Brand School develops the best elements of the various marketing cultures within the Group, thereby helping to create a better, stronger, more homogeneous and long-term branded products culture at Orkla.

It is important to retain and develop competent marketing managers. One of the purposes of the Brand School is therefore to foster the establishment of close professional relationships between Orkla's branded products companies and encourage career development that spans the different areas of operation.

The Brand School offers a demanding programme of further education. Since the school was established, approximately 400 participants from fourteen different countries have participated in the school's ordinary module-based programme. In the groups that started in 1997, 41 % of participants were from companies outside Norway. In addition to this, approximately 300 new marketing staff and other key personnel have completed courses on consumer and customer orientation. Courses have also been arranged for senior management.

In 1995, the Branded Consumer Goods area established a special training programme for sales managers. The programme mainly concentrates on sales to the grocery sector in Norway, but is also open to participants from other parts of the Group. Work is in progress on establishing a similar programme for Orkla's Swedish companies, due to begin in 1998.

The Orkla School for Business Relations

The Orkla School for Business Relations was established in 1995. One of the purposes was to strengthen marketing skills in companies and functions which activities primarily concern industrial customers. The school is intended to improve companies' expertise in the area of interactive marketing.

Sindre Sørbye, formerly a controller at Ringnes, used an Orkla grant to take an MSc in International Business - a good foundation for his present position in Orkla's treasury department, as an analyst specialising in emerging markets.

Since the courses were established, approximately 120 participants from eleven countries have started on the school's module-based programme. In the groups that started in 1997, 24 % of participants were from companies outside Norway.

In order to strengthen Orkla's competitiveness, attention is also focused on improving expertise in the area of product flow. A special training programme in logistics has therefore been integrated with the school's ordinary course programme.

Production and technical expertise

In important respects, the need for expertise of companies in the Orkla Group varies according to the sector and country in which they operate. Responsibility for recruitment and development of the necessary technical expertise therefore rests with individual companies. In order to benefit from synergies, however, Orkla's head office also coordinates certain personnel and skills development programmes across individual company lines.

Systematic efforts have been initiated to strengthen and further develop the Group's production plants as training and development environments.

In the processing industry and the media sector, companies have traditionally had a high proportion of employees with formal technical qualifications. At Borregaard, for example, 60% of technical staff are at this level. On the other hand, the food industry, especially in Norway, has had a low proportion of skilled workers. In Orkla's Norwegian companies, this proportion has averaged approximately 10 %. In 1993, Orkla therefore implemented a programme to improve the skills of operators in the Group's food manufacturing companies in Norway. By 1997 the average proportion of skilled workers had risen to 19 % and efforts are being made to further increase this percentage.

Continuous learning

"Security and growth through profitability" is Orkla's overriding goal. Security necessitates profitable enterprises and profitability must be ensured through continuous improvement and change. This makes considerable demands on the Group's companies and employees. The Group's main goal is best achieved through conscious, long-term focus on recruiting the right people and providing systematic training and development for all employees. Human resource development improves employees' job satisfaction and their ability to master the tasks they are set, while ensuring that the Group has the necessary competitiveness and capacity for further growth.

Orkla's increasing internationalisation is affecting human resource development programmes in terms of culture, language, management and technical content. In order to ensure satisfactory development within the Group's core business areas, there will continue to be strong focus on systematic, long-term maintenance and development of Orkla's corporate culture and expertise.

Group Organisation

EXECUTIVE GROUP MANAGEMENT

STAFF

BRANDED CONSUMER GOODS

CHEMICALS

FINANCIAL INVESTMENTS

ORKLA FOODS
Chairman:
Finn Jebsen
Managing dir.:
Bent Fuglesang

ORKLA BEVERAGES
Chairman:
Finn Jebsen
Managing dir.:
Paul Bergqvist

ORKLA BRANDS
Chairman:
Finn Jebsen
Managing dir.:
John Jørgensen

ORKLA MEDIA
Chairman:
Odd Vigmostad
Managing dir.:
Jan Lindh

CHEMICALS
Chairman:
Jens P. Heyerdahl d.y.
Managing dir.:
Egil M. Ullebø

FINANCIAL INVESTMENTS
Tom Vidar Rygh
ORKLA FINANS
Chairman:
Tom Vidar Rygh
Managing dir.:
Inge K. Hansen

EXECUTIVE GROUP MANAGEMENT

Jens P. Heyerdahl d.y. (55)
President and Group Chief Executive

Finn Jebsen (48)
Exec. Vice-President

Tom Vidar Rygh (40)
Exec. Vice-President

Halvor Stenstadvold (54)
Exec. Vice-President

Odd Vigmostad (65)
Exec. Vice-President

STAFF

Halvor Stenstadvold (54)
Exec. Vice-President Group Staff

Bjørn Erik Næss (43)
Chief Financial Officer

Morten Ringvold (44)
Legal Affairs

Roar Engeland (38)
Corporate Development

Lisbeth Lindberg (39)
Information/Investor Relations

Geir Aarseth (51)
Personnel/Organisation

Astrid Løken Øyehaug (34)
Investor Relations

Elected Representatives

Corporate assembly

Elected by the shareholders

Øystein Eskeland (1,220)
Chairman

Synnøve Liaaen Jensen (38)
Deputy Chairman

Svein Erik Amundsen (83)

Ebbe C. Astrup (38,578)

Westye Egeberg (506)

Svein R. Hagen (0)

Hans Herman Horn (11,300)

Leif Kjær (4,582)

Borger A. Lenth (115)

Tore Lindholt (0)

Cathrine Mellbye Schultz (2,427)

Leiv L. Nergaard (0)

Halvor Svenkerud (1,036)

Halgrim Thon (500)

Deputies

Egil Alnæs jr.

Mari Pran

Anders Ringnes

Fabian Stang

Olaug Svarva

Elisabeth Wille

Election Committee

Øystein Eskeland (1,220)

Tore Lindholt (0)

Svein R. Hagen (0)

Elected by the employees

Ted Düring (0)

Harald Johansen (39)

Kristin Kvikstad (0)

Sussi Larsen (0)

Gunn Liabø (47)

Esa Mäntylä (0)

Sverre Olsen (4)

Observers

Jon-Ivar Fjeld (0)

Robert Johansson (0)

Ann-Karin Karlsen (0)

Personal deputies for the Swedish and Danish representatives

Bert Jagerby

Göran Hedberg

Johnny Dahlström

Karin Nielsen

Deputies elected by the employees

Louis Belaska

Asbjørn Båtekas

Torhild Fredly

Britt-Karin Gundersen

Steinar Halvorsen

Eli Raaen-Iversen

Hans Johnsen

Arvid Liland

Tor Wangen

The Board of Directors

Svein Ribe-Anderssen (159)
Chairman

Jonny Bengtsson* (0)

Odd Gleditsch jr. (460)

Jens P. Heyerdahl d.y. (120,668)

Truls Holthe (6,149)

Roger Johansen* (94)

Harald Norvik (11)

Björn Savén (5,000)

Stein Stugu* (0)

* Elected by the employees

Board observers elected by the employees

Eva Bergquist (0)

Kjell Kjønigsen (4)

Personal deputies for the Swedish and Danish representatives

Monica Bengtsson (0)

Deputy board members elected by the employees

Egil Friberg (8)

Anne Margrethe Grimsvang (0)

Terje Vidar Hansen (0)

Jan A. Jørgensen (30)

Jon Cato Landsverk (0)

Arvid Strand (0)

Tove Vig (41)

Figures in brackets indicate the number of shares owned at 31 December 1997, including shares owned by spouse and dependent minors.

Auditor

Arthur Andersen & Co.
Finn Berg Jacobsen
State Authorized Public Accountant

Industrial democracy at Orkla

Active participation by the employees in the governing bodies both at Group level and in the individual subsidiaries are important elements in the decision-making processes at Orkla. A common aim has been to evolve representational arrangements which adequately secure a broad base for involvement and genuine influence.

The employees elect three of Orkla's nine Board members and two observers. One third of the Corporate Assembly's members are elected by the Group's employees.

The industrial democracy arrangements encompassing the employees in the Norwegian, Swedish and Danish companies in the Group have been organised in the form of an International Committee of Union Representatives. This arrangement ensures broad representation for the Group's employees, both by company, union and country. The Committee of Representatives has regular meetings with the Group's management to discuss issues relevant to the Group.

To ensure that the employees in the Group's other companies in Europe are also informed and aware of important issues concerning the Group, an agreement regarding a European Work Council at Orkla has been established.

In addition to the Group arrangements mentioned here, the employees have representatives on the Boards of Directors of the individual subsidiaries.

The summary shows the members of Orkla's International Committee of Union Representatives as of 1997.

The International committee of union representatives

Working Committee

Stein Stugu
Chairman

Eva Bergquist
First Deputy Chairman

Bjarne Poulsen
Second Deputy Chairman

Roger Johansen
Secretary

Aage Andersen
Committee Member

Jonny Bengtsson
Committee Member

Egil Friberg
Committee Member

Åke Ligardh
Committee Member

Committee of Representatives

Monica Bengtsson

Thor Arild Bolstad

Anne Margrethe Grimsvang

Kolbjørn Hole

Harald Johansen

Ann-Karin Karlsen

Kjell Kjønigsen

Roland Larsson

Gunn Liabø

Jan Lillebo

Ulf Ling

Benny Löfgren

Karin Nielsen

Arvid Frode Strand

Deputies

Terje Vidar Hansen

Kristin Kvikstad

Jon Cato Landsverk

Tom Stokstad

Personal Deputies for the Swedish and Danish representatives

Roger Börjesson

Johnny Dahlström

Stefan Hall

Paul Hallberg

Christer Johansson

Jette Kofoed

Bo Lindquist

Karl-Arne Södergren

Peer Sørensen

Group Directory

THE PARENT COMPANY

Orkla ASA
Karenslyst allé 6
P.O. Box 423 Skøyen
N-0212 Oslo
Tel. +47 22 54 40 00
Fax. +47 22 54 45 90
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Orkla ASA
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Tel. +47 69 11 80 00
Fax. +47 69 11 87 70

Orkla ASA
P.O. Box 8
N-7332 Løkken Verk
Tel. +47 72 49 90 00
Fax. +47 72 49 90 01

The registered office is in Sarpsborg.
The Group Management is located in Oslo.

Branded Consumer Goods Asia
Orkla Asia Pte Ltd.
400 Orchard Road
10-04 Orchard Towers
Singapore 238875
Tel. +65 7 37 08 37
Fax. +65 7 37 89 96

BRANDED CONSUMER GOODS

ORKLA FOODS

Orkla Foods A.S
P.O. Box 711
N-1411 Kolbotn
Tel. +47 66 81 61 00
Fax. +47 66 80 63 78

Stabburet

Stabburet AS
P.O. Box 711
N-1411 Kolbotn
Tel. +47 66 81 61 00
Fax. +47 66 80 63 67

- Stabburet AS Fredrikstad
- Stabburet AS Øyenkilen
- Stabburet AS Brumunddal
- Stabburet AS Rygge
- Stabburet AS Ualand
- Stabburet AS Vigrestad
- Stabburet AS Division Idun Rygge, Rygge
- Stabburet A.S Gimsøy Kloster, Skien
- Stabburet AS Stranda

Procordia Food

Procordia Food AB
S-241 81 Eslöv
Sweden
Tel. +46 413 65 000
Fax. +46 413 14 984

Procordia Food
- Eslövsfabrikerna Eslöv, Sweden
- Tollarpsfabriken Tollarp, Sweden
- Fågelmarafabriken Fågelmara, Sweden
- Ölandsfabriken Färjestaden, Sweden
- Kumlafabriken Kumla, Sweden
- Örebrofabriken Örebro, Sweden
- Vansbrofabriken Vansbro, Sweden

Empaco AB
Åhus, Sweden

Felix Abba Oy
Åbo, Finland

AS Pôltsamaa Felix
Pôltsamaa, Estonia

Beauvais

Aktieselskabet Beauvais
P.O. Box 139
DK-2630 Tåstrup
Denmark
Tel. +45 43 58 93 00
Fax. +45 43 58 93 93

- Aktieselskapet Beauvais Svinninge, Denmark
- Aktieselskapet Beauvais Skrave, Denmark
- Aktieselskapet Beauvais Frørup, Denmark

International

Orkla Foods International
Wienerbergstrasse 7
A-1100 Vienna
Austria
Tel. +43 1 641 6330
Fax. +43 1 641 6330 10

- Felix Austria GmbH Mattersburg, Austria
- Felix Hungaria k.f.t. Fertöd, Hungary
- Kotlin Sp. z o.o. Kotlin, Poland
- Guseppe Rokytnice, Czechia

Abba Seafood

Abba Seafood AB
P.O. Box 206
S-401 23 Göteborg
Sweden
Tel. +46 31 701 44 00
Fax. +46 31 701 44 90

- Abba Seafood AB Kungshamn, Sweden
- Abba Seafood AB Uddevalla, Sweden
- Abba Skaldjur AB Hovenäset, Sweden

Industry

P.O. Box 711
N-1411 Kolbotn
Tel. +47 66 81 61 00
Fax. +47 66 80 63 67

Regal Mølle a.s
- Regal Mølle a.s Division Bjølsen
- Regal Mølle a.s Division Kristiansand
- Regal Mølle a.s Division Moss

Idun Industri A.S
- Idun Industri A.S Oslo
- Idun Industri A.S Rakkestad
- Idun Industri A.S Kokstad
- Idun Industri A.S Stavanger

Sunda A.S
Oslo

Odense Marcipan A/S
Odense C, Denmark

Dragsbæk Margarinefabrik A/S
Thisted, Denmark

Margarinefabriken Blume I/S
Randers, Denmark

Bakery Products

Bakers AS
P.O. Box 43 Økern
N-0508 Oslo
Tel. +47 22 88 03 00
Fax. +47 22 65 82 12

- Bakers Økern AS, Oslo
- Bakers Bærum AS, Rud
- Bakers Larvik, Larvik
- Bakers Arendal, Arendal
- Bakers Heba, Brumunddal
- Bakers Kløfta AS, Kløfta
- Bakers Bryne AS, Bryne
- Bakers Martens AS, Kokstad
- Kvalitetsbakeren A/S, Nesttun
- Bakers Trøndelag AS, Trondheim
- Norgeskaker AS, Lørenskog

ORKLA BEVERAGES

Pripps Ringnes AB
S-161 86 Stockholm
Sweden
Tel. +46 8 757 70 00
Fax. +46 8 28 98 61

Pripps

AB Pripps Bryggerier
S-161 86 Stockholm
Sweden
Tel. +46 8 757 70 00
Fax. +46 8 28 98 61

- Pripps Bryggeri Stockholm, Sweden
- Pripps Bryggeri Göteborg, Sweden
- Ramlösa Hälsobrunn Helsingborg, Sweden

Ringnes

Ringnes a.s
P.O. Box 7152 Majorstua
N-0307 Oslo
Tel. +47 22 06 95 00
Fax. +47 22 06 97 70

- Ringnes Bryggeri, Oslo
- Ringnes Gjelleråsen, Nittedal
- Ringnes Arendals Bryggeri, Arendal
- Ringnes E.C. Dahls Bryggeri, Trondheim
- Ringnes Nordlandsbryggeriet, Bodø
- Ringnes Tou Bryggeri, Forus
- Ringnes Farris, Larvik
- Ringnes Imsdalen, Koppang

Baltic Beverages Holding

Baltic Beverages Holding AB
S-161 86 Stockholm
Sweden
Tel. +46 8 757 70 00
Fax. +46 8 29 13 03

- Saku Brewery, Saku, Estonia
- Aldaris Brewery, Riga, Latvia
- Kalnapilis Brewery Panevezys, Lithuania
- Utena Brewery, Vilnius, Lithuania
- Baltika Brewery St. Petersburg, Russia
- Donskoye Brewery Rostov-on-Don, Russia
- Taopin Brewery, Tula, Russia
- Yarpivo Brewery Yaroslavl, Russia
- Slavutich Brewery Zaporozhye, Ukraine

ORKLA BRANDS

Detergents, personal products, etc.

Lilleborg as
P.O. Box 4236 Torshov
N-0401 Oslo
Tel. +47 22 89 50 00
Fax. +47 22 15 74 89

- Lilleborg as, Ski
- Lilleborg as, division Ello, Kristiansund N
- Elico, Oslo
- Otares AS, Oslo
- Otares AS, division Renimex, Sandnes
- Meling & Co., Bergen
- La Mote AS, Oslo
- La Mote AB, Askim, Sweden
- Peter Möller, Oslo

Biscuits

Göteborgs Kex AB
S-442 82 Kungälv
Sweden
Tel. +46 303 20 90 00
Fax. +46 303 20 90 50

- Sætre AS, Kolbotn
- Esskå, avd. i Sætre AS, Sagstua
- Kantolan Keksi OY
  Hämeenlinna, Finland

Snacks

Sætre AS
P.O. Box 4272 Torshov
N-0401 Oslo
Tel. +47 22 89 25 00
Fax. +47 22 89 50 93

- KiMs A/S, Søndersø, Denmark
- KiMs, avd. i Sætre AS, Skreia
- EAC KiMs (M) SDN BHD
  Shah Alam, Malaysia
- UAB KiMs Snacks
  Vilnius, Lithuania

Confectionery

Nidar AS
N-7005 Trondheim
Tel. +47 73 58 30 00
Fax. +47 73 91 78 28
- Nidar AS, Oslo

ORKLA MEDIA

Orkla Media A.S
P.O. Box 424 Skøyen
N-0212 Oslo
Tel. +47 22 54 43 00
Fax. +47 22 54 43 90

Newspapers (Norway)

Orkla Dagspresse A.S
P.O. Box 20
N-1324 Lysaker
Tel. +47 67 58 77 20
Fax. +47 67 11 08 99

- Avisenes Pressebyrå, Oslo
- Moss Avis A/S, Moss
- A/S Fredriksstad Blad,
  Fredrikstad
- A/S Varden, Skien
- Mediateam Orkla Trykk AS, Skien
- A/S Gjengangeren, Horten
- Sandefjords Blad AS, Sandefjord
- Tønsbergs Blad AS, Tønsberg
- Drammens Tidende og
  Buskeruds Blad A/S, Drammen
- A/S Laagendalsposten
  Kongsberg
- Røyken og Hurums Avis AS
  Slemmestad
- Telen A/S, Notodden
- Telemark Trykk A.S Notodden
- A/S Buskerud Distribusjon
  Drammen
- Kragerø Blad A/S, Kragerø
- Drangedal Blad A/S, Drangedal
- Sunnmørsposten AS, Ålesund
- Sunnmøringen A/S, Stranda
- Vaagsø Bladforetagende A/S
  (Fjordenes Tidende), Måløy
- A/S Haugesunds Avis
  Haugesund
- A/S Romsdals Budstikke, Molde
- A/S Åndalsnes Avis, Åndalsnes
- A/S Driva Trykk, Sunndalsøra
- Tryckeriaktiebolaget Norrländska
  Socialdemokraten, Luleå,
  Sweden
- A/S Østlandets Blad, Ski
- A/S Østlendingen, Elverum
- Orkla Trykk AS, Stokke

Magazines (Norway)

Hjemmet Mortensen AS
P.O. Box 5001 Majorstua
N-0301 Oslo
Tel. +47 22 58 50 00
Fax. +47 22 58 50 69

- Hjemmet Mortensen Trykkeri AS
  Oslo

Direct Marketing

Orkla DM AS
P.O. Box 137 Lilleaker
N-0216 Oslo
Tel. +47 22 51 10 10
Fax. +47 22 52 54 34

- Direct Mail A/S, Oslo
- Selektiv A.S, Oslo
- Selektiv A.S, Grimstad
- DM-Distribusjon AS, Oslo
- DM-Distribusjon AS, Grimstad
- Sandberg AS, Oslo
- Metropolis Reklamebyrå AS, Oslo
- DM-Partner DK AS
  Lyngby, Denmark
- ODM Kompetansesenter i
  Dialogmarkedsføring AS, Oslo
- Dialogprosjekt AS, Oslo
- Mitcom AB, Kungsbacka, Sweden
- Stroede Data AS, Kungsbacka,
  Sweden
- Stroede Data AS, Kolbotn
- Ralton AS, Helsingborg, Sweden
- Stroede Print Media, Göteborg,
  Sweden
- Mitcom AB, Solna, Sweden

Orkla Media (Poland)

P.O. Box 424 Skøyen
N-0212 Oslo
Tel. +47 22 54 43 00
Fax. +47 22 54 43 90

Al. Jana Pawla II 15 (ILMET)
00-828 Warszawa
Poland
Tel. +48 22 69 77 300
Fax. +48 22 69 77 318

- Kurier Poranny, Bialystok
- Dziennik Wschodni, Lublin
- Glos Pomorza, Koszalin
- Wieczor Wroclawia, Wroclaw
- Slowo Media (Slowo Polskie)
  Wroclaw
- GP Media (Gazeta Pomorska)
  Bydgoszcz
- Presspublica Sp. z o.o.
  (Rzeczpospolita) Warszawa
- Przekroj, Krakow

CHEMICALS

Borregaard
P.O. Box 162
N-1701 Sarpsborg
Tel. +47 69 11 80 00
Fax. +47 69 11 87 70

Specialty Chemicals

- ChemCell, Sarpsborg
- LignoTech Norge, Sarpsborg
- LignoTech Sweden AB
  Vargön, Sweden
- LignoTech Finland Oy
  Tampere, Finland
- Borregaard Deutschland GmbH
  Werk Karlsruhe, Karlsruhe,
  Germany
- LignoTech Schweiz AG
  Luterbach, Switzerland
- LignoTech USA Inc.
  Wisconsin, USA
- LignoTech USA Inc.
  Mount Vernon, USA
- LignoTech USA Inc.
  New Jersey, USA
- Borregaard UK Ltd.
  Cheshire, England
- LignoTech Iberica S.A
  Torrelavega, Spain
- LignoTech Yanbian Kaishantun
  Ltd., Jilin Province, China

Fine Chemicals

- Synthesis, Sarpsborg
- Borregaard Italia S.p.A.
  Madone, Italy
- Borregaard Taicang Chemicals
  Co. Ltd., Jiangsu Province, China
- Borregaard Synthesis Inc.
  Newburyport, USA

Ingredients

- Denofa AS, Oslo
- Denofa AS, Fredrikstad
- Denofa Foods Romania S.R.L.
  Buchuresti, Romania
- Arctic Food Company
  Murmansk, Russia
- Nordic Food Company
  Pskov, Russia
- Borregaard NutriTech AS, Ås

Other areas

- Fredrikstad Blikk & Metall-
  varefabrikk A.S, Fredrikstad
- Borregaard NEA AS, Oslo
- Borregaard Trælandsfos AS,
  Kvinesdal
- Borregaard Hellefos AS,
  Hokksund
- Borregaard Vafos AS, Kragerø
- A/S Tronstad Brug Ltd., Sylling
- A/S Børresen, Sylling
- Borregaard Skoger A.S, Elverum
- Orkla Exolon KS, Orkanger
- Kemetyl AB, Haninge, Sweden

Sales offices abroad

- Borregaard S.E.A. Pte. Ltd.
  Singapore Science Park,
  Singapore
- Borregaard Industries Ltd.
  Shanghai Rep. Office,
  Shanghai, China
- Borregaard Industries Limited
  Japan Branch,Tokyo, Japan
- Borregaard France
  Paris, France
- Borregaard Deutschland GmbH
  Düsseldorf, Germany
- Borregaard Deutschland GmbH
  Verkaufsbüro
  Frankfurt am Main, Germany

FINANCIAL INVESTMENTS

Portfolio investments

Orkla ASA
Portfolio investments
P.O. Box 423 Skøyen
N-0212 Oslo
Tel. +47 22 54 40 00
Fax. +47 22 54 45 95

Financial Services

Orkla Finans A.S
P.O. Box 1724 Vika
N-0121 Oslo
Tel. +47 22 40 08 00
Fax. +47 22 33 14 41

- Securities brokerage
- Insurance brokerage
- Portfolio management
- Real estate business

OTHER ACTIVITIES

Chr. Salvesen & Chr. Thams's Communications Aktieselskab
P.O. Box 8
N-7332 Løkken Verk
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Fax. +47 72 49 90 01

Hemne Orkladal Billag AS
P.O. Box 23
N-7200 Kyrksæterøra
Tel. +47 72 45 14 11
Fax. +47 72 45 21 73

Viking Fottøy A.S
P.O. Box *33* Alnabru
N-0614 Oslo
Tel. +47 22 07 24 00
Fax. +47 22 07 24 99

- Viking Fottøy A.S, Askim
- Viking Sko AB
  Mölndal, Sweden
- Viking Jalkineet OY
  Vantaa, Finland
- Herold Halle Viking A/S
  Ringsted, Denmark

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Anisdahl, Sand & Partnere

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March 1998

ORKLA

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Enterprise number N 910 747 711

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Karenslyst allé 6
N-0277 Oslo

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Financial Calender 1998

7 May
Annual General Meeting

8 May
Shares quoted ex dividend

26 May
Dividend payment to shareholders

5 June
Publication of financial statements for the first four months

2 October
Publication of financial statements for the first eight months
(Subject to change)

Share split

Provided that the Board of Directors' proposal of a 4-for-1 share split is approved by the Annual General Meeting on 7 May 1998, the split will become effective on 15 May 1998.

Investor relations

Lisbeth Lindberg tel.: +47 22 54 44 23
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e-mail: astrid-loken.oyehaug@orkla.no

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

1997 - in brief

- EPS increased by 46 %.
- Acquisiton of Pripps Ringnes completed and strong performance for Baltic Beverages Holding in Eastern Europe.
- Overall progress for Nordic branded consumer goods.
- Continued competitive pressure on the Nordic grocery markets.
- Weak profits for the Chemicals business.
- Significant profit contribution from non-recurring items.
- Falling interest rates have favoured debt financed growth.
- Substantial value creation from Financial Investments.
- Average increase in the share price was 42 %.

Results

NOK million	**1997**	1996	1995	1994	1993
Operating revenues	**30,970**	25,998	21,977	21,144	18,292
Operating profit	**2,613**	1,916	1,784	1,573	1,296
Operating margin (%)	**8.4**	7.4	8.1	7.4	7.1
Profit before tax	**3,537**	2,431	1,890	1,533	1,283
Earnings per share (NOK)	**53.20**	36.50	29.80	24.00	20.80
Return on capital employed (%) *)	**14.9**	13.8	16.6	17.3	17.8
Equity Ratio (%)	**32.9**	36.5	31.2	34.6	34.5

*) The Industry area

Orkla's annual report has been approved by the Board of Directors in its original Norwegian version. This is an English translation of the original version.

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