First quarter 2020

The first quarter in brief

- Group profit before tax amounted to NOK 1,152 million, an increase of 16% year over year
- Orkla's Branded Consumer Goods business had 14.7% reported turnover growth in the quarter, of which 5.4% was organic growth
- The corona crisis resulted in stockpiling and increased grocery sales, with particularly positive effects for Orkla Foods and Orkla Care
- The Out of Home businesses in Orkla Food Ingredients and Orkla Consumer Investments were negatively impacted by the corona crisis, and the situation has deteriorated going into the second quarter of 2020
- Continued substantial profit growth for Jotun
- Adjusted earnings per share came in at NOK 1.05 for the quarter, an increase of 24% from the same period of 2019

Key figures for the Orkla Group as at 31 March

All Alternative Performance Measures (APMs) and relevant comparative figures, are presented on the last pages of this report.

	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2020	2019	2019
Group			
Operating revenues	11 507	10 176	43 615
EBIT (adj.)	1 143	1 020	5 088
Profit/loss from associates and joint ventures	213	165	659
Profit/loss before taxes	1 152	990	4 931
Earnings per share (NOK)	0.92	0.74	3.84
Earnings per share (adj.) (NOK)	1.05	0.85	4.24
Branded Consumer Goods			
Operating revenues	11 316	9 868	42 632
- Organic revenue growth	*5.4%*	*0.9%*	*1.3%*
Branded Consumer Goods incl. headquarters (HQ)			
EBIT (adj.)	1 103	935	4 786
EBIT (adj.)-margin	9.7%	9.5%	11.2%

Orkla President and CEO Jaan Ivar Semlitsch comments:

Towards the end of the first quarter of this year, Orkla and the rest of society entered extremely unusual times which seem set to continue. The governments have imposed strict restrictions in all our markets with the intention of mitigating the spread of the coronavirus.

Orkla's vision of being "your friend in everyday life" has proved to be more relevant than ever. As a supplier of food, cleaning and hygiene products, Orkla has a responsibility to society for ensuring that our products are available during this period. It is therefore gratifying to see that we have succeeded in maintaining close to normal operations in our supply chain, while also making the health and safety of our employees our main priority. We could not have done this without the stringent measures introduced early on and the fantastic efforts and adaptability displayed by our employees recently. Luckily, there has been limited contagion among our employees.

The corona crisis has consequences for our entire supply chain and all our business areas, and we saw financial impacts, particularly in the last three weeks of March. The Foods and Care business areas experienced a marked increase in demand for food, household cleaning and personal hygiene products, much of which was due to initial stockpiling through the grocery trade. This stockpiling effect has since diminished. On the other hand, the Food Ingredients business area and the Kotipizza and Gorm's restaurant businesses experienced lower demand in March, a trend that has intensified going into April. All in all, the turnover of the companies that have been particularly negatively impacted accounts for around one quarter of Branded Consumer Goods' total turnover. Having also seen the decline in growth in the grocery sector going into April, we expect the overall sales development to pose a challenge in the second quarter.

Our priorities in the past few weeks have naturally revolved around dealing with the ongoing crisis. Nonetheless, due to Orkla's strong balance sheet and solid cash flow we have been able to make long-term plans. I am confident that we will emerge strengthened from this crisis by seizing new opportunities while continuing to build on our strong, sustainable foundation.

Jaan Ivar Semlitsch
President and CEO

Market growth

Until the onset of the corona crisis, most of the markets for Orkla's Branded Consumer Goods business had stable, but moderate growth. There was higher growth in the Baltics and Central Europe than in the Nordic markets, and higher growth in certain channels outside the grocery sector. In the latter part of the first quarter, the corona crisis contributed to higher growth for grocery products, especially food and cleaning products. At the same time, the crisis has had a strong negative impact on other areas, such as the Out of Home segment, industry and the ingredients market in which Food Ingredients operates.

Orkla is exposed to a broad range of raw material categories. Overall, raw material prices have risen, impacting negatively on Orkla's purchasing costs in the first quarter of 2020. The biggest cost drivers were the increased prices of meat, sugar and vegetable oils, in addition to high price increases in several other raw material categories.

On the whole, foreign currency rate developments have been negative for purchasing prices, compared with the same period of 2019. The weakening of the Norwegian krone, in particular, but to some extent also the Swedish krone, has had a negative impact on purchasing prices in Orkla's biggest home markets. On the other hand, the weakening of the Norwegian krone also contributed to positive foreign currency translation effects in connection with consolidation.

Branded Consumer Goods' performance

Sales revenues change %	Organic growth	FX	Structure	Total
1.1.–31.3.2020	5.4	5.5	3.8	14.7

Figures may not add up due to rounding.

Turnover growth for Branded Consumer Goods in the quarter was related to organic growth, acquisitions and positive foreign currency translation effects. Organic turnover growth was 5.4%, varying considerably within the portfolio.

Orkla Foods and Orkla Care delivered strong growth, largely driven by the stockpiling effect of the corona crisis which impacted the latter part of the quarter. On the other hand, Orkla Food Ingredients and Orkla Consumer Investments, where a large percentage of sales is to channels other than grocery, saw a decline primarily due to infection prevention measures. Orkla Confectionery & Snacks had moderate sales growth in the quarter.

Reference is also made to the sales update published on April 17.

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–31.3.2020	8.1	6.3	3.6	18.0

Figures may not add up due to rounding.

Branded Consumer Goods including Headquarters (HQ) had an 18.0% improvement in first-quarter EBIT (adj.), of which 8.1% was underlying growth. The improvement was mainly due to top-line growth in Orkla Foods and Orkla Care, but was offset somewhat by a decline for Orkla Consumer Investments and Orkla Food Ingredients. In general, Branded Consumer Goods was impacted by negative mix effects and higher purchasing costs due to both higher market prices and unfavourable foreign currency rate developments. Higher costs were also incurred in connection with high production activity aimed at ensuring sufficient delivery capacity.

Profit growth for HQ was somewhat reduced by higher bonus costs due to the strong increase in Orkla's share price and somewhat higher IT costs. Acquisitions and currency translation effects contributed positively in the quarter.

EBIT (adj.) margin growth change in percentage points	Underlying growth	Structure/ FX	Total	EBIT (adj.) margin 2020 (%)
R12M	0.2	-0.1	0.0	11.2

Figures may not add up due to rounding.

Margin performance on a rolling 12-month basis as at 31 March 2020 for Branded Consumer Goods including HQ was flat. The underlying improvement was 0.2 percentage points, where the positive effects of a shift towards more profitable categories and products were offset to some extent by increased purchasing costs and higher HQ costs. The latter were largely due to low bonus costs in the preceding twelve months which were mainly determined by Orkla's share price performance.

The corona crisis may lead to short-term priorities which could temporarily weaken margin performance. In the longer term, however, Orkla will continue its efforts to improve margins, including focus on improved mix, reduced complexity and revenue management.

Structural measures (M&A)

Through its wholly-owned subsidiary Idun Industri AS, Orkla Food Ingredients signed and completed an agreement to purchase 70% of the shares in Win Equipment ("Win"), a leading supplier of soft serve ice cream machines in the Netherlands. Orkla Food Ingredients has built up a solid position in the Netherlands in ice cream ingredients and accessories, and the businesses complement each other well. The company was consolidated into Orkla's financial statements as of 1 February 2020.

Orkla Wound Care signed and completed an agreement to purchase 100% of the shares in Norgesplaster Holding AS ("Norgesplaster"). The company holds good positions in the wound care and first aid equipment market. With the acquisition of Norgesplaster, Orkla Wound Care has strengthened its presence in the pharmacy channel and the market for first aid products. The company was consolidated into Orkla's financial statements as of 1 April 2020.

Orkla Foods Norge sold the SaritaS brand to the newly established company Indian Gourmet AS. The agreement concerns full disposal of the SaritaS brand, which has a product portfolio consisting of sauces and ready meals. The purpose of the sale was to simplify the portfolio and concentrate on selected priority areas. The agreement entered into effect on 2 March 2020.

Orkla Eiendom sold its remaining shares (24%) in the logistics company Andersen & Mørck AS. The sale generated a gain of NOK 15 million, reported on the line "Profit/loss from associates and joint ventures" in Orkla's income statement for the first quarter of 2020. In addition, Orkla Eiendom entered into an agreement to sell its shares in the real estate company Alkärrsplan Utveckling AB, with takeover expected in the second quarter of 2020.

See Notes 5 and 12 for further information on acquisitions and disposals.

Outlook

Orkla has been impacted by the corona crisis that is currently unfolding and creating an extraordinary climate of uncertainty for the future. The latter part of the first quarter saw, among other things, increased demand for food and cleaning products for the grocery channel, much of which was due to initial stockpiling. There is great uncertainty attached to how the situation will develop going forward, but the major stockpiling effects seen in March in several product categories are expected to end.

Given the Group's broad range of categories and channels, the corona crisis has also had considerable negative effects on demand in parts of the business. This applies to the Orkla companies that chiefly manufacture products for out of home consumption, such as Orkla Food Ingredients and the restaurant businesses. In sum, the turnover of the companies that have been particularly adversely impacted by the corona crisis accounts for around one fourth of Branded Consumer Goods' total turnover. Companies that have seen growth in overall demand are also experiencing negative effects, such as Orkla Foods where around 20% of sales go to customer groups such as convenience stores, petrol stations and food service. Preliminary sales figures for April show an index of 40-60 in total for Out of Home in Orkla.

In the first quarter, Orkla managed to maintain close to normal supply chain operations. Extensive measures were taken to safeguard health, safety and service levels at factories. Nevertheless, challenges may arise in terms of securing sufficient availability of raw materials, packaging and seasonal farm workers going forward, depending on how the corona crisis evolves. The situation varies from market to market due to the different infection prevention measures put in place by local authorities. For example, a nation-wide lockdown has been imposed in India and Orkla's factories in the UK and Malaysia have been closed temporarily.

There is great uncertainty as to future developments in raw material prices and currency rate fluctuations. Orkla is exposed to a broad range of raw material categories and, on the whole, prices are expected to rise going forward. The weak exchange rate of the Norwegian krone has already had a negative impact on purchasing costs for the Norwegian businesses going into the second quarter, a situation that will be exacerbated if the trend continues. On the other hand, Orkla will continue to see positive currency translation effects on reported figures if the Norwegian krone remains weak.

Orkla is well financially equipped to deal with continued uncertainty going forward. The Group has a strong balance sheet with net interest-bearing liabilities of around 1.1 x EBITDA (on a 12 months rolling basis). At quarter end, Orkla had NOK 6.3 billion in unutilised credit facilities. The Group's liquid reserves were maintained, even after paying out dividend, by means of funding actions carried out after the end of the quarter.

Orkla maintains its objective of long-term organic growth at least in line with market growth. For 2018-2021, Orkla targets EBIT (adj.) margin growth of minimum 1.5 percentage points adjusted for acquisitions, disposals and currency effects. In light of the current extraordinary situation, it may be necessary to make short-term priorities that may deviate somewhat from long-term goals.

Financial matters - Group
Main figures profit/loss

Amounts in NOK million	1.1.–31.3. 2020	2019	1.1.–31.12. 2019
Operating revenues	**11 507**	**10 176**	**43 615**
EBIT (adj.)	**1 143**	**1 020**	**5 088**
Other income and expenses	(165)	(119)	(561)
Operating profit	**978**	**901**	**4 527**
Profit/loss from associates and joint ventures	213	165	659
Interest and financial items, net	(39)	(76)	(255)
Profit/loss before taxes	**1 152**	**990**	**4 931**
Taxes	(220)	(230)	(1 033)
Profit/loss for the period	**932**	**760**	**3 898**
Earnings per share (NOK)	0.92	0.74	3.84
Earnings per share (adj.) (NOK)	1.05	0.85	4.24

Group operating revenues increased by 13.1% in the first quarter, driven by organic and structural growth in Branded Consumer Goods. Currency translation effects in connection with consolidation also had a strong positive impact on Branded Consumer Goods' operating revenues.

In the same period, the Group had 12.1% growth in EBIT (adj.), driven by higher contributions to profit, particularly from Orkla Foods and Orkla Care which both saw increased demand due to stockpiling in connection with the corona crisis. Industrial & Financial Investments experienced a decline in the quarter due to Hydro Power which was impacted by greatly reduced power prices, in addition to which Orkla Eiendom had a positive one-off effect from the sale of apartments in the first quarter of 2019.

The Group's other income and expenses totalled NOK -165 million in the first quarter. The largest items were related to costs and severance agreements in connection with the reorganisation of HQ, restructuring projects in Orkla Foods and Orkla Consumer Investments, and write-down of IT systems. In addition, extra costs were incurred in connection with the purchase of the remaining equity interest in Orchard Valley Foods due to a difference between the estimated and the actual purchase price.

Profit from associates amounted to NOK 213 million in the first quarter. The improvement of NOK 48 million, year over year, was mainly due to good growth and margin performance for Jotun, as well as positive currency translation effects. A gain on the sale of the remaining shares in the logistics company Andersen & Mørck AS amounted to NOK 15 million.

Net financial costs in the quarter were lower than in 2019, chiefly due to the lower average borrowing rate of 1.6% in the period, compared with 3.1% in the corresponding period of 2019, and to lower costs related to the return on pension plans.

The effective tax rate in the quarter was lower, year over year, mainly due to lower economic rent tax as a result of the lower contribution to profit from Hydro Power.

Earnings per share in the first quarter were NOK 0.92, an increase of 24% from the same period of 2019. Adjusted earnings per share came in at NOK 1.05, equivalent to year-over-year growth of 24%. See the section on Alternative Performance Measures (APM) on page 17 for more information.

Cash flow – Group

The comments below are based on the cash flow statement as presented in Orkla's internal format and refer to the period 1 January to 31 March 2020. Reference is made to page 13 for the consolidated statement of cash flows IFRS and reconciliation of cash flows.

Orkla-format

Amounts in NOK million	1.1.–31.3. 2020	1.1.–31.3. 2019	1.1.–31.12. 2019
Cash flow from Branded Consumer Goods incl. HQ			
EBIT (adj.)	1 103	935	4 786
Depreciation and amortisation	430	382	1 581
Changes in net working capital	(122)	174	812
Net replacement expenditures	(601)	(353)	(1 931)
Cash flow from operations (adj.)	**810**	**1 138**	**5 248**
Cash flow effect from "Other income and expenses" and pensions	(117)	(110)	(450)
Cash flow from operations, Branded Consumer Goods incl. HQ	**693**	**1 028**	**4 798**
Cash flow from operations, Industrial & Financial Investments	**87**	**(56)**	**135**
Taxes paid	(451)	(453)	(1 129)
Dividends received, financial items and other payments	65	23	(167)
Cash flow before capital transactions	**394**	**542**	**3 637**
Dividends paid and purchase/sale of treasury shares	(9)	(4)	(2 589)
Cash flow before expansion	**385**	**538**	**1 048**
Expansion investments	(119)	(139)	(631)
Sale of companies (enterprise value)	61	10	582
Purchase of companies (enterprise value)	(86)	(1 691)	(3 063)
Net cash flow	**241**	**(1 282)**	**(2 064)**
Currency effects of net interest-bearing liabilities	(1 085)	158	(3)
Change in net interest-bearing liabilities	**844**	**1 124**	**2 067**
Interest-bearing liabilities implementation IFRS 16, 1 January 2019	0	1 447	1 447
Net interest-bearing liabilities	**7 395**	**5 608**	**6 551**

At Group level, the bottom line of the Orkla-format cash flow statement is the change in net interest-bearing liabilities, an important management parameter for the Group (see Note 6). Cash flow from operations is used in business area management.

Cash flow from operations (excluding Industrial & Financial Investments) was lower in 2020 than in 2019, primarily due to higher replacement investments and increased working capital this year, compared with somewhat reduced working capital last year. Working capital in the first quarter of 2020 was negatively impacted by an extraordinary high sale in March. However, the average amount of funds tied up in working capital in the period still shows an improvement relative to turnover compared with the corresponding quarter in 2019. Increased production as a result of the corona crisis could result in a short-term increase in inventories going forward. Investments were mainly driven by ongoing implementation of new ERP systems, the entry into several long-term property lease agreements, and ongoing factory projects.

In Industrial & Financial Investments, cash flow from operations in the first quarter of 2020 was chiefly driven by positive contributions from Hydro Power.

Dividends received, financial items and other payments were primarily related to higher dividends from Jotun and the sale of shares with low equity interest.

Expansion investments were slightly lower than in 2019, when the investment programme for pizza production at Stranda, Norway, was the main driver.

The logistics company Andersen & Mørck was sold in the first quarter of 2020. Orkla Eiendom also sold a stake (20%) in the property development company Sandakerveien 56 to a minority stakeholder. Acquisitions of companies totalled NOK 86 million, and mainly consisted of Orkla Food Ingredients' purchases of Win Equipment and the remaining shares in Orchard Valley Foods.

Net cash flow for the Group totalled NOK 241 million. Negative currency translation effects due to the weaker Norwegian krone increased net interest-bearing liabilities by NOK 1,085 million in the quarter. As at 31 March 2020, net interest-bearing liabilities excluding leases totalled NOK 5,662 million. Including lease liabilities under IFRS 16, net interest-bearing liabilities amounted to NOK 7,395 million.

As at 31 March 2020, the equity ratio was 60.3%, compared with 60.8% as at 31 December 2019. The average time to maturity of interest-bearing liabilities and unutilised credit lines is 3.8 years. Orkla's financial position is robust, with cash reserves and credit lines that exceed known future capital expenditures.

BUSINESS AREAS

Branded Consumer Goods

Orkla Foods

Amounts in NOK million	1.1.–31.3. 2020	1.1.–31.3. 2019	1.1.–31.12. 2019
Operating revenues	4 618	3 889	16 776
- Organic revenue growth	*10.8%*	*1.7%*	*1.8%*
EBIT (adj.)	535	430	2 276
EBIT (adj.) margin	11.6%	11.1%	13.6%

- Good, broad-based organic sales growth, positively impacted by stockpiling due to the corona crisis
- The continued negative effects on purchasing costs of both currency exchange rates and raw material prices were counterbalanced by price increases
- Profit growth of 24.4%, chiefly from higher turnover

Orkla Foods had an increase of 18.7% in sales in the first quarter, largely driven by organic growth of 10.8% as well as currency translation effects and structural growth. There were improvements in all markets in the quarter, except for India where the lockdown due to the corona crisis led to a standstill at the end of March. In the other markets, sales to the grocery sector in March were highly positively impacted by stockpiling and inventory build-up, while sales to food service channels were highly negatively impacted. Tinned goods, frozen ready meals and ketchup were the categories that contributed most to growth in the quarter. Sales of plant-based products continued their positive trend.

Orkla Foods had good profit growth in the first quarter, primarily driven by higher turnover. The negative effects on purchasing costs of the weakened Swedish and Norwegian krone, combined with higher raw material prices, continued in the first quarter, with a further strong weakening of the Norwegian krone towards the end of the quarter. These effects were largely offset by price increases and more active portfolio management, but it will take some time to compensate for the further weakening in March. The EBIT (adj.) margin improved to 11.6%, up 0.5 percentage points from the first quarter of 2019.

Orkla Confectionery & Snacks

Amounts in NOK million	1.1.–31.3. 2020	1.1.–31.3. 2019	1.1.–31.12. 2019
Operating revenues	1 602	1 502	6 612
- Organic revenue growth	*2.1%*	*3.6%*	*4.6%*
EBIT (adj.)	209	211	1 094
EBIT (adj.) margin	13.0%	14.0%	16.5%

- Organic turnover growth in the quarter, offset to a certain extent by reduced listing with a customer in Denmark
- Declining demand in the Baltics towards quarter end related to the corona crisis
- Higher raw material prices impacted negatively on profit performance, partly due to unfavourable currency effects

Orkla Confectionery & Snacks had growth of 6.7% in operating revenues in the first quarter. Organic growth was 2.1%. There was sales growth in every country except for Denmark, where sales were negatively impacted by reduced listings with a major customer. In addition, the reduction in the sugar tax in Norway as of 1 January 2019 resulted in extraordinarily high sales in the first quarter of 2019, impacting unfavourably on the comparative figures. The market developed positively in the quarter, but with substantial variations from mid-March due to the corona crisis. A weak increase in demand in the Nordic region was more than offset by a decline in demand in the Baltics.

EBIT (adj.) for Orkla Confectionery & Snacks declined by 0.9% in the first quarter, year over year. Growth in profit was completely offset by increased raw material prices, driven in part by negative currency effects, and reduced listings in Denmark. The weaker Norwegian krone had a limited negative impact in the first quarter, but considerable negative effects are expected from the second quarter of 2020. The EBIT (adj.) margin was 13.0% in the first quarter, a decline of 1.0 percentage point compared with the same period in 2019.

Orkla Care

Amounts in NOK million	1.1.–31.3. 2020	1.1.–31.3. 2019	1.1.–31.12. 2019
Operating revenues	1 688	1 461	5 887
- Organic revenue growth	*11.1%*	*-3.4%*	*0.0%*
EBIT (adj.)	297	221	855
EBIT (adj.) margin	17.6%	15.1%	14.5%

- Strong sales and profit growth for Orkla Home & Personal Care due to stockpiling in March spurred by the corona crisis, particularly in Norway and related to contract manufacturing
- Considerable growth for Orkla Health driven by Norway and exports
- Broad top-line growth for HSNG in both online and offline channels

Orkla Care had sales growth of 15.5% in the first quarter, of which 11.1% was organic growth. Organic growth was driven by improvement for all businesses. Orkla Home & Personal Care experienced strong sales growth for the household cleaning and personal care categories as a result of stockpiling in March. Orkla Health had sales growth in Norway and increased exports, albeit compared with weak figures for 2019. Wound Care showed good sales growth in the Nordics driven by innovations and increased demand due to the corona crisis. HSNG reported strong growth in sales in both online and offline channels.

Profit improved by 34.4% in the quarter due to the positive performance of all businesses. Increased demand as a result of the corona crisis, particularly in Orkla Home & Personal Care and Orkla Health, lifted profit. The EBIT (adj.) margin in the first quarter was 17.6%, compared with 15.1% in 2019.

Orkla Food Ingredients

Amounts in NOK million	1.1.–31.3. 2020	1.1.–31.3. 2019	1.1.–31.12. 2019
Operating revenues	2 574	2 291	10 292
- Organic revenue growth	*-1.3%*	*1.3%*	*0.6%*
EBIT (adj.)	71	77	626
EBIT (adj.) margin	2.8%	3.4%	6.1%

- Significantly impacted by the corona crisis in the latter part of March with a considerable decline in sales in the Out of Home market
- Temporary effect of stockpiling in the grocery sector in March
- Profit decline and weaker EBIT (adj.) margin affected by substantially lower sales of ice cream ingredients outside the grocery sector

Orkla Food Ingredients had a 12.4% increase in operating revenues in the first quarter. The increase was driven by acquired companies and positive currency translation effects. Organic growth was -1.3% and was due to a strong decline in the Out of Home market as a direct consequence of government restrictions in connection with the corona crisis. These effects came late in the quarter and are expected to affect the second quarter considerably more negatively. Out of Home accounts for the majority of sales in Orkla Food Ingredients. Ice cream ingredients, which account for around 15% of annual turnover, were particularly impacted in the period, which includes the start of the season. The decline was partly offset by temporary growth in sales to the grocery sector.

The decline in Out of Home had a greater effect on profitability than on sales, as margins in the segment are higher. EBIT (adj.) saw a decline of -7.8% in the first quarter. The quarter was also impacted by higher purchasing costs. The first-quarter EBIT (adj.) margin was 2.8%, a year-over-year decrease of 0.6 percentage points.

Developments in the Out of Home market will have a major impact on Orkla Food Ingredients' performance in the coming quarter. The start of the second quarter shows a considerable decline in operating revenues. Sales of ice cream ingredients are very important for the second quarter, and are strongly impacted by the corona crisis.

Orkla Consumer Investments

Amounts in NOK million	1.1.–31.3. 2020	1.1.–31.3. 2019	1.1.–31.12. 2019
Operating revenues	927	795	3 385
- Organic revenue growth	*-3.9%*	*-2.0%*	*-3.4%*
EBIT (adj.)	92	88	297
EBIT (adj.) margin	9.9%	11.1%	8.8%

- Growth of 16.6% in operating revenues from acquisitions in 2019
- Out of Home substantially affected by the corona crisis and the strict restrictions imposed on restaurant businesses
- The textile business, and the UK part of Orkla House Care, were also negatively impacted by the corona crisis

Orkla Consumer Investments had sales growth of 16.6% in the first quarter, related to acquisition in Orkla House Care and the takeover of Kotipizza in February 2019. The 3.9% decline in organic sales is due to lower sales in the textile business, Gorm's and the wholesale business in Kotipizza.

The restaurant businesses Kotipizza in Finland and Gorm's in Denmark have been affected by stringent restrictions in connection with the coronavirus outbreak, and all Gorm's restaurants were temporarily closed on 14 March. Kotipizza achieved sales growth for its pizza restaurants in the first quarter. Turnover loss as a result of the ban on eating in restaurants from mid-March was partly offset by increasing sales of take-away pizza and home deliveries.

Pierre Robert Group continued to see weak sales and was heavily impacted by the corona crisis in March due to limited opportunities to carry out in-store activities. Sales for Orkla House Care were positively affected by high activity in the Nordic region. Due to British government requirements, the UK factory has had to shut down temporarily and several distributors have stayed closed. This has resulted in significantly lower sales in the UK.

The 4.5% improvement in profit in the quarter was driven by acquired companies.

Industrial & Financial Investments

Hydro Power

	1.1.–31.3. 2020	1.1.–31.3. 2019	1.1.–31.12. 2019
Volume (GWh)	645	476	2 156
Price* (øre/kWh)	15.7	45.7	38.4
EBIT (adj.) (NOK million)	39	73	292

*Source: Nord Pool Spot, Monthly System Price.

EBIT (adj.) for Hydro Power amounted to NOK 39 million in the first quarter of 2020, compared with NOK 73 million in the corresponding period of 2019. The reduction is due to a substantial power surplus in the Norwegian market and significantly lower power prices than in the same quarter of last year. The NordPool system price in the quarter was NOK 15.7 øre/kWh, compared with NOK 45.7 øre/kWh in the first quarter of 2019. Production has also been considerably higher, totalling 645 GWh compared with 476 GWh last year.

Operating costs in the first quarter of 2020 were approximately on a par with the first quarter of 2019.

At quarter end, the reservoir levels for Glomma and Laagen, as well as the reservoirs in Sauda, were a little higher than normal. High snowpack levels will produce a considerable power surplus, creating expectations of low power prices throughout the coming summer.

Orkla Financial Investments

EBIT (adj.) for Orkla Financial Investments totalled NOK 1 million in the first quarter, compared with NOK 12 million last year. The decrease is primarily due to a sales gain in the first quarter of 2019 related to Orkla Eiendom's delivery of apartments at Sofienlunden in Oslo. The most important event in the first quarter of 2020 for Orkla Eiendom was the sale of its shares in Andersen & Mørck AS, which generated a gain of NOK 15 million, reported on the line "Profit/loss from associates and joint ventures".

Jotun (42.6% interest)

Operating revenues continued to increase in the first quarter with sales growth of 11% compared with the same period of 2019. Adjusted for positive currency translation effects due to the weaker Norwegian krone, underlying growth in sales in the quarter was 4%. The increase in operating revenues is mainly attributable to good growth in Marine Coatings sales, driven by high activity in the ship maintenance market. Sales growth for Decorative Paints, Protective Coatings and Powder Coatings was moderate.

Operating profit increased by 36%, year over year. In addition to positive currency translation effects, the profit improvement is explained by higher sales, and a stronger gross margin due to previously implemented price increases and slightly lower raw material costs.

In the short term, Jotun expects sales to decline due to the ongoing corona crisis. Extensive coronavirus restrictions and a weaker outlook are expected to curb economic activity in the markets in which Jotun operates. However, there is considerable uncertainty as to the duration and extent of the corona crisis and infection prevention measures, and to how these will affect the economic situation in the various countries.

Other matters

At the Annual General Meeting held on 16 April, the following members of Orkla's Board of Directors were re-elected for one year: Stein Erik Hagen (Chair), Ingrid Jonasson Blank, Liselott Kilaas, Peter Agnefjäll and Nils Selte. Grace Reksten Skaugen and Lars Dahlgren did not stand for re-election, and Anna Mossberg and Anders Kristiansen were elected as new members of the Board. Anna Mossberg has experience from telecommunications and digitalisation, while Anders Kristiansen has experience from office equipment retailing and in recent years from the fashion industry.

The General Meeting approved payment of a dividend of NOK 2.60 per share for the 2019 financial year, which was paid out on 27 April. Orkla shares were listed ex-dividend as from 17 April.

Harald Ullevoldsæter took up his post as new Executive Vice President and Chief Financial Officer at Orkla ASA as of 1 March 2020.

Kenneth Haavet took up his post as new Executive Vice President and Head of Orkla Consumer & Financial Investments as of 1 February 2020.

Oslo, 4 May 2020
The Board of Directors of Orkla ASA

(This translation from Norwegian of Orkla's first quarter report of 2020 has been made for information purposes only.)

Condensed income statement

Amounts in NOK million	Note	1.1.–31.3. 2020	1.1.–31.3. 2019	1.1.–31.12. 2019
Operating revenues	2	11 507	10 176	43 615
Operating expenses		(9 892)	(8 734)	(36 784)
Depreciation and amortisation		(472)	(422)	(1 743)
EBIT (adj.)	2	**1 143**	**1 020**	**5 088**
Other income and expenses	3	(165)	(119)	(561)
Operating profit		**978**	**901**	**4 527**
Profit/loss from associates and joint ventures		213	165	659
Interest, net	7	(43)	(50)	(192)
Other financial items, net	7	4	(26)	(63)
Profit/loss before taxes		**1 152**	**990**	**4 931**
Taxes		(220)	(230)	(1 033)
Profit/loss for the period		**932**	**760**	**3 898**
Profit/loss attributable to non-controlling interests		9	19	60
Profit/loss attributable to owners of the parent		923	741	3 838

Earnings per share

Amounts in NOK	1.1.–31.3. 2020	1.1.–31.3. 2019	1.1.–31.12. 2019
Earnings per share	0.92	0.74	3.84
Earnings per share (adj.)	1.05	0.85	4.24

Condensed statement of comprehensive income

Amounts in NOK million	Note	1.1.–31.3. 2020	1.1.–31.3. 2019	1.1.–31.12. 2019
Profit/loss for the period		932	760	3 898
Other items in comprehensive income				
Items after tax not to be reclassified to profit/loss in subsequent periods				
Actuarial gains and losses pensions		(13)	-	(244)
Changes in fair value shares		(1)	-	1
Items after tax to be reclassified to profit/loss in subsequent periods				
Change in hedging reserve	4	(50)	(5)	58
Carried against equity in associates and joint ventures	4	488	13	29
Translation effects	4	2 301	(539)	(149)
The Group's comprehensive income		**3 657**	**229**	**3 593**
Comprehensive income attributable to non-controlling interests		46	11	58
Comprehensive income attributable to owners of the parent		3 611	218	3 535

Condensed statement of financial position

Assets

Amounts in NOK million	Note	31.3. 2020	31.12. 2019
Intangible assets		24 943	22 754
Property, plant and equipment		16 606	15 402
Associates, joint ventures and other financial assets	6	5 286	4 584
Non-current assets		**46 835**	**42 740**
Inventories		6 646	5 868
Inventory of development property		94	90
Trade receivables		7 466	6 078
Other receivables and financial assets	6	947	968
Cash and cash equivalents	6	2 033	1 669
Current assets		**17 186**	**14 673**
Total assets		**64 021**	**57 413**

Equity and liabilities

Amounts in NOK million	Note	31.3. 2020	31.12. 2019
Paid-in equity		1 972	1 972
Retained equity		36 120	32 480
Non-controlling interests		506	460
Equity		**38 598**	**34 912**
Provisions and other non-current liabilities		5 186	4 800
Non-current interest-bearing liabilities	6	8 707	7 783
Current interest-bearing liabilities	6	1 122	803
Trade payables		6 549	5 591
Other current liabilities		3 859	3 524
Equity and liabilities		**64 021**	**57 413**
Equity ratio		60.3%	60.8%

Condensed statement of changes in equity

	1.1.–31.3.2020			1.1.–31.3.2019		
Amounts in NOK million	Attributed to equity holders of the parent	Non-controlling interests	Total equity	Attributed to equity holders of the parent	Non-controlling interests	Total equity
Equity at start of period	34 452	460	34 912	33 629	451	34 080
Effect of implementing IFRS 16	0	0	0	(112)	(15)	(127)
Equity 1 January	34 452	460	34 912	33 517	436	33 953
The Group's comprehensive income	3 611	46	3 657	218	11	229
Dividends	0	(9)	(9)	0	(4)	(4)
Net purchase/sale of treasury shares	0	0	0	0	0	0
Change in non-controlling interests	29	9	38	(4)	(36)	(40)
Equity at close of period	**38 092**	**506**	**38 598**	**33 731**	**407**	**34 138**

Condensed statement of cash flows IFRS

Amounts in NOK million	Note	1.1.–31.3. 2020	1.1.–31.3. 2019	1.1.–31.12. 2019
Cash flow from operations before capital expenditure		1 380	1 503	7 220
Received dividends and paid financial items		39	45	30
Taxes paid		(451)	(453)	(1 129)
Cash flow from operating activities		**968**	**1 095**	**6 121**
Net capital expenditure		(645)	(544)	(2 468)
Net sale (purchase) of companies	5	(25)	(1 534)	(2 426)
Other payments		26	(22)	(197)
Cash flow from investing activities		**(644)**	**(2 100)**	**(5 091)**
Net paid to shareholders		(9)	(4)	(2 589)
Change in interest-bearing liabilities and receivables		(118)	334	1 249
Cash flow from financing activities		**(127)**	**330**	**(1 340)**
Currency effects cash and cash equivalents		167	(43)	1
Change in cash and cash equivalents		**364**	**(718)**	**(309)**
Cash and cash equivalents	6	**2 033**	**1 260**	**1 669**

Reconciliation operating activities against Orkla-format (see page 6)

IFRS cash flow			
Cash flow from operating activities	968	1 095	6 121
Net capital expenditure	(645)	(544)	(2 468)
Other payments	26	(22)	(197)
Cash flow from operating activities included capital expenditure	349	529	3 456
Orkla-format			
Cash flow before capital transactions	394	542	3 637
New capitalised leases (included in net replacement expenditures in Orkla-format)	74	126	450
Expansion investments	(119)	(139)	(631)
Comparative cash flow	349	529	3 456

Reconciliation cash and cash equivalents against net interest-bearing liabilities in Orkla-format (see page 6)

Change cash and cash equivalents IFRS cash flow	(364)	718	309
Change net interest-bearing liabilities IFRS cash flow	(118)	334	1 249
Net interest-bearing liabilities in purchased/sold companies	0	147	55
Interest-bearing liabilities new leases	74	126	450
Total currency effect net interest-bearing liabilities	1 085	(158)	3
Currency effect cash and cash equivalents	167	(43)	1
Change net interest-bearing liabilities Orkla-format	844	1 124	2 067

NOTES

Note 1 General information

Orkla ASA's condensed consolidated financial statements as at 31 March 2020 were approved at the Board of Directors' meeting on 4 May 2020. The figures in the statements have not been audited. Orkla ASA (organisation no. NO 910 747 711) is a public limited liability company and its offices are located at Skøyen in Oslo, Norway. Orkla shares are traded on the Oslo Stock Exchange. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting policies and methods of calculation have been applied as in the last annual financial statements. No changes have been made in presentation or accounting policies nor have any other standards been adopted that materially affect the Group's financial reporting or comparisons with previous periods.

The Group has purchased new businesses. The acquisitions are presented in Notes 5 and 12.

Notes cont. on next page.

Note 2 Segments

Amounts in NOK million	Operating revenues 1.1.–31.3. 2020	Operating revenues 1.1.–31.3. 2019	Operating revenues 1.1.–31.12. 2019	EBIT (adj.) 1.1.–31.3. 2020	EBIT (adj.) 1.1.–31.3. 2019	EBIT (adj.) 1.1.–31.12. 2019
Orkla Foods	4 618	3 889	16 776	535	430	2 276
Orkla Confectionery & Snacks	1 602	1 502	6 612	209	211	1 094
Orkla Care	1 688	1 461	5 887	297	221	855
Orkla Food Ingredients	2 574	2 291	10 292	71	77	626
Orkla Consumer Investments	927	795	3 385	92	88	297
Eliminations Branded Consumer Goods	(93)	(70)	(320)	-	-	-
Branded Consumer Goods	**11 316**	**9 868**	**42 632**	**1 204**	**1 027**	**5 148**
HQ/Eliminations	19	10	52	(101)	(92)	(362)
Branded Consumer Goods incl. HQ	**11 335**	**9 878**	**42 684**	**1 103**	**935**	**4 786**
Hydro Power	163	230	826	39	73	292
Financial Investments	34	80	182	1	12	10
Industrial & Financial Investments	**197**	**310**	**1 008**	**40**	**85**	**302**
Eliminations	(25)	(12)	(77)	-	-	-
Orkla	**11 507**	**10 176**	**43 615**	**1 143**	**1 020**	**5 088**

Note 3 Other income and expenses

Amounts in NOK million	1.1.–31.3. 2020	1.1.–31.3. 2019	1.1.–31.12. 2019
M&A and integration costs	(16)	(55)	(130)
Final settlement employment relationships etc.	(55)	(24)	(80)
Gain/loss on transactions	5	(4)	356
Write-downs	(31)	-	(477)
Restructuring costs and other items	(68)	(36)	(230)
Total other income and expenses	**(165)**	**(119)**	**(561)**

In 2019, a project was started to ensure that the Group is optimally organised to increase organic growth and reduce complexity by strengthening the business areas and tailoring the Group's support functions to meet specific needs. The project is intended to generate substantial savings at Orkla Headquarters. The project has been extended into 2020, and a total of approximately NOK 40 million was expensed in connection with this project in the first quarter of 2020.

Orkla Food Ingredients has purchased the remaining 15% of the shares in the UK sales and distribution company Orchard Valley Foods. Orkla acquired 85% of the shares in 2017, at the same time entering into an option agreement regarding the remaining 15% stake. As part of the option agreement, a provision was made at the time of acquisition for a debt related to the remaining purchase of the company. The difference of NOK 22 million between the actual and estimated purchase price was recognised in the income statement in the first quarter.

Write-downs of IT systems totalling NOK 31 million were taken in the first quarter of 2020. This is related to Group projects where the systems have not been used as intended and are thus not considered to have any real value.

A number of restructuring and coordination projects are currently being carried out. The biggest projects in the first quarter of 2020 were the merger of Hamé and Vitana, the restructuring of Orkla Consumer Investments, and pre-feasibility projects related to the construction of a chocolate and biscuits factory in Latvia.

A gain of NOK 5 million was taken to income in the first quarter in connection with the sale of the SaritaS brand; see Note 5.

Note 4 Statement of comprehensive income

The statement of comprehensive income shows changes in the value of hedging instruments (hedging reserve) after tax. The hedging reserve included in equity as at 31 March 2020 (after tax) totalled NOK -150 million. Accumulated translation differences correspondingly amounted to NOK 3,678 million, while accumulated items recognised in equity in associates and joint ventures amounted to NOK 741 million as at 31 March 2020.

Note 5 Acquisition and sale of companies

Acquisitions in the first quarter

Orkla Food Ingredients has purchased 70% of the shares in Win Equipment ("Win"), a leading supplier of soft serve ice cream machines in the Netherlands. Win adapts and sells machines for the production of soft serve ice cream, milkshakes and frozen yoghurt to customers including cafes, restaurants, bakeries, convenience stores and petrol stations. The company has 30 employees. In 2019, the company had a turnover of EUR 5.6 million (approx. NOK 57 million). The company was consolidated into Orkla's financial statements as of 1 February 2020.

Orkla Food Ingredients has also purchased the remaining 15% of the shares in the UK sales and distribution company Orchard Valley Foods. Orkla acquired 85% of the shares in 2017, at the same time entering into an option agreement regarding the purchase of the remaining 15% shareholding; see also Note 3.

Other matters

As at 31 March 2020, Orkla had purchased companies for a total of NOK 86 million at enterprise value.

With regard to the companies acquired in 2019, the purchase price allocation for Kotipizza Group was finalised as at 31 March 2020. No material changes were made in relation to the preliminary price allocations.

Sale of companies and brands

Orkla Foods Norge has sold the SaritaS brand to the newly established company Indian Gourmet AS. The agreement concerns the full disposal of the SaritaS brand, which has a portfolio consisting of sauces and ready meals. The agreement entered into effect on 2 March 2020. The transaction generated a gain of NOK 5 million, which has been recognised as "Other income and expenses"; see also Note 3.

Orkla sold its associate Andersen & Mørck in the first quarter. The company is a logistics firm in which Orkla has had a 24% equity interest. The transaction generated a gain of NOK 15 million. Orkla also sold a stake (20%) in the company Sandakerveien 56 to a business partner. Since the transaction concerns the sale of a minority shareholding, it will only be presented as an equity transaction.

Note 6 Net interest-bearing liabilities

The various elements of net interest-bearing liabilities are presented in the following table:

	31.3.	31.12.
Amounts in NOK million	2020	2019
Non-current liabilities excl. leases	(7 368)	(6 488)
Current liabilities excl. leases	(728)	(442)
Non-current receivables (in "Financial Assets")	393	263
Current receivables (in "Other receivables and financial assets")	8	103
Cash and cash equivalents	2 033	1 669
Net interest-bearing liabilities excl. leases	**(5 662)**	**(4 895)**
Non-current lease liabilities	(1 339)	(1 295)
Current lease liabilities	(394)	(361)
Total net interest-bearing liabilities	**(7 395)**	**(6 551)**

Note 7 Interest and other financial items

The various elements of net interest and net other financial items are presented in the following tables:

	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2020	2019	2019
Net interest costs excl. leases	(34)	(43)	(157)
Interest costs leases	(9)	(7)	(35)
Interest, net	**(43)**	**(50)**	**(192)**

	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2020	2019	2019
Dividends	0	8	21
Net foreign currency gain/loss	4	0	2
Interest on pensions[1]	6	(21)	(54)
Other financial items	(6)	(13)	(32)
Other financial items, net	**4**	**(26)**	**(63)**

[1]Includes hedging of the pension plan for employees with salaries over 12G.

Note 8 Related parties

The Canica system, controlled by Orkla Board Chairman Stein Erik Hagen (largest shareholder, with 24.97% of issued shares), has an agreement with Orkla ASA to lease office premises at Karenslyst allé 6. In addition, the Orkla Group makes sales to companies in the Canica system.

As at 31 March 2020, there were no special transactions between the Group and related parties.

The Group has intercompany balances totalling NOK 6 million with associates within Orkla's real estate investments.

Note 9 Treasury shares

The Group owns 1,125,182 treasury shares. There were no changes in Orkla's holding of treasury shares in the first quarter of 2020.

Note 10 Assessments relating to impairment

In the first quarter of 2020, IT systems were written down by a total of NOK 31 million; see Note 3.

As at 31 March 2020, there were otherwise no indications of any impairment in the value of any of the Group's assets. Many of Orkla's businesses have been affected by the coronavirus outbreak and the situation is being carefully monitored for indications of a need for write-downs. The performance of Pierre Robert Finland has been weaker than anticipated since the company was acquired, in addition to which the company has been negatively impacted by the coronavirus crisis. The situation going forward will be followed up closely with regard to the intended achievement of results.

Note 11 Shares and financial assets

Shares and financial assets recognised at fair value:

Amounts in NOK million	Measurement level Level 1	Level 2	Level 3	Total
31 March 2020:				
Assets				
Investments	-	-	94	94
Derivatives	-	103	-	103
Liabilities				
Derivatives	-	545	-	545
31 December 2019:				
Assets				
Investments	-	-	104	104
Derivatives	-	121	-	121
Liabilities				
Derivatives	-	151	-	151

See also Note 6 for an overview of interest-bearing assets and liabilities.

Note 12 Other matters

Orkla Care has signed and completed an agreement to purchase 100% of the shares in Norgesplaster Holding AS ("Norgesplaster"). The company holds good positions in the wound care and first aid equipment market, and with the acquisition of Norgesplaster Orkla Wound Care has strengthened its presence in the pharmacy channel and the market for first aid products. The product portfolio is mainly marketed under the Norgesplaster and Snøgg brands, and is primarily sold in the pharmacy channel, B2B, through distributors and as exports. The company has 66 employees. In 2019, Norgesplaster had a turnover of NOK 170 million and EBITDA of NOK 17 million. The company was consolidated into Orkla's financial statements as of 1 April 2020.

Orkla Eiendom entered into an agreement to sell its shares in its associate Alkärrsplan Utveckling AB, with takeover expected in the second quarter of 2020.

A distribution agreement between Orkla Foods Česko a Slovensko in the Czech Republic and the company Panzani has been terminated with effect from 1 March 2020. Under the agreement, Orkla has distributed a portfolio of Panzani products, predominantly dried pasta and sauces, to grocery retail customers in the Czech Republic, Slovakia and Hungary. Sales related to this agreement totalled NOK 111 million in 2019.

A long-term production agreement between Orkla Home & Personal Care and Unilever was not renewed in the fourth quarter of 2019. The agreement will terminate with effect from 1 July 2021. Orkla sources several products under this agreement, including some cleaning products carrying the brands Sun, OMO and Jif. These brands will still be owned by Orkla and will therefore be unaffected by the termination of the agreement. Alternative sourcing solutions are currently being assessed.

In November 2019, the Norwegian Competition Authority opened an investigation at Orkla-owned Lilleborg AS (Orkla Home & Personal Care) based on suspicions of a possible breach of the Competition Act, and the company is assisting the competition authorities by facilitating the investigation.

On 16 April 2020, the General Meeting of Orkla ASA adopted a resolution to pay out the proposed dividend of NOK 2.60 per share. The dividend was paid to shareholders on 27 April 2020 and totalled approximately NOK 2.6 billion.

The impact of the coronavirus outbreak in the first quarter and its anticipated impact in the second quarter are commented on at the start of this quarterly report.

There have been no material events after the statement of financial position date that would have had an impact on the financial statements or the assessments carried out.

Alternative performance measures (APM)

Organic growth
Organic growth shows like-for-like turnover growth for the Group's business portfolio and is defined as the Group's reported change in operating revenues adjusted for effects of the purchase and sale of companies and currency effects. In calculating organic growth, acquired companies will be excluded 12 months after the transaction date. Sold companies will be excluded pro forma 12 months prior to the transaction date. Currency effects are neutralised by translating this year's turnover at last year's exchange rates.

Organic growth is included in segment information and used to identify and analyse the turnover growth in the existing business portfolio. Organic growth provides an important picture of the Group's ability to carry out innovation, product development, correct pricing and brand-building.

Reconciliation of organic growth is shown in a separate table on the next page.

EBIT (adj.)
EBIT (adj.) shows the Group's current operating profit before items that require special explanation, and is defined as reported operating profit or loss before "Other income and expenses" (OIE). Items included in OIE are disclosed in Note 3. These include M&A costs, restructuring or integration expenses, any major gains and write-downs on both tangible and intangible assets, and other items that only to a limited degree are reliable measures of the Group's current profitability. EBIT (adj.) margin and growth are derived figures calculated in relation to operating revenues.

EBIT (adj.) is the Group's key financial figure, internally and externally. The figure is used to identify and analyse the Group's profitability from normal operations and operating activities. Adjustment for items in OIE which to a limited degree are reliable measures of the Group's current operating profit or loss increases the comparability of profitability over time, and EBIT (adj.) is used as a basis for and indicator of the Group's future profitability.

EBIT (adj.) is presented on a separate line in the Group's income statement and in segment reporting; see Note 2.

Change in underlying EBIT (adj.)
Change in underlying EBIT (adj.) shows like-for-like EBIT (adj.) growth for the Group's business portfolio and is defined as the Group's reported change in EBIT (adj.) adjusted for effects of the purchase and sale of companies and currency effects. In calculating the change in underlying EBIT (adj.), acquired companies will be included pro forma 12 months before the transaction date. Sold companies will be excluded pro forma 12 months prior to the transaction date. Currency effects are neutralised by calculating this year's turnover at last year's currency exchange rates. Underlying EBIT (adj.) margin and change therein are derived figures calculated in relation to operating revenues.

Underlying EBIT (adj.) growth is used for internal management purposes, including for identifying and analysing underlying profitability growth in the existing business portfolio, and provides a picture of the Group's ability to develop growth and improve profitability in the existing business. The measure is important because it shows the change in profitability on a comparable structure over time.

The reconciliation of change in underlying EBIT (adj.) for Branded Consumer Goods incl. HQ is shown directly in the text. Comparative figures are shown on the next page.

Earnings per share (adj.)
Earnings per share (adj.) show earnings per share adjusted for other income and expenses (OIE) after estimated tax. Items included in OIE are specified in Note 3. The effective tax rate for OIE is lower than the Group's tax rate in both 2020 and 2019 due to non-deductible transaction costs, write-downs and the effect on profit or loss of the purchase of the remaining equity interest in Orchard Valley Foods in 2020.

If other items of a special nature occur under the company's operating profit or loss, adjustments will also be made for these items. In the first quarter, an adjustment was made for a gain on the sale of the associate Andersen & Mørck.

	1.1.–31.3.		1.1.–31.12.
Amounts in NOK million	2020	2019	2019
Profit for the period after non-controlling interests	923	741	3 838
Adjustments EPS (adj.)			
Other income and expenses after tax	140	106	508
Gain on sale of joint venture	(15)	-	(35)
Reversal of deferred tax on dividend Estonia/Latvia	-	-	(74)
Adjusted profit for the period after non-controlling interests	**1 048**	**847**	**4 237**
Average externally owned shares (1000 shares)	1 000 306	999 521	999 929
Earnings per share (adj.) (NOK)	1.05	0.85	4.24

Net replacement and expansion investments
When making decisions regarding investments, the Group distinguishes between replacement and expansion investments. Expansion investments are the part of overall reported investments considered to be investments in either new geographical markets or new categories, or which represent significant increases in capacity.

Net replacement investments include new leases and are reduced by the value of sold fixed assets to sales value.

The purpose of this distinction is to show how large a part of the investments (replacement) mainly concern maintenance of existing operations and how large a part of the investments (expansion) are investments which must be expected to generate increased contributions to profit in future, exceeding expectations of normal operations.

Net replacement and expansion investments are presented in the statement of cash flows on page 6.

Net interest-bearing liabilities
Net interest-bearing liabilities are the sum of the Group's interest-bearing liabilities and interest-bearing receivables. Interest-bearing liabilities include bonded loans, bank loans, other loans, lease liabilities and interest-bearing derivatives. Interest-bearing receivables include liquid assets, interest-bearing derivatives and other interest-bearing receivables.

Net interest-bearing liabilities are the Group's primary management parameter for financing and capital allocation, which is used actively in the Group's financial risk management strategy. The statement of cash flows (Orkla format) therefore shows the change in net interest-bearing liabilities at Group level; see page 6.

Net interest-bearing liabilities are reconciled in Note 6.

Structure (acquired and sold companies)

Structural growth includes adjustments for the acquisition of the businesses Lecora, Easyfood, Confection by Design, Win Equipment, Risberg, Kanakis, Credin Sverige, Vamo, Kotipizza, Anza Verimex and Helga and adjustments for the sale of Glyngøre and SaritaS. Adjustments have also been made for the loss of the distribution agreements with Panzani and OTA Solgryn. In addition, adjustments were made in 2019 for HSNG, Struer, County Confectionery, Werner, Igos, Gorm's and the sale of Mrs. Cheng's.

Organic growth by business area

	1.1.–31.3.2020			
Sales revenues change %	Organic growth	FX	Structure	Total
Orkla Foods	10.8	5.7	2.3	18.7
Orkla Confectionery & Snacks	2.1	4.5	-	6.7
Orkla Care	11.1	4.4	-	15.5
Orkla Food Ingredients	-1.3	6.6	7.0	12.4
Orkla Consumer Investments	-3.9	4.7	15.8	16.6
Branded Consumer Goods	**5.4**	**5.5**	**3.8**	**14.7**

	1.1.–31.3.2019				1.1.–31.12.2019			
Sales revenues change %	Organic growth	FX	Structure	Total	Organic growth	FX	Structure	Total
Orkla Foods	1.7	-0.7	-	1.0	1.8	1.2	1.9	4.9
Orkla Confectionery & Snacks	3.6	-0.2	-	3.4	4.6	1.3	-	5.9
Orkla Care	-3.4	-0.7	4.5	0.5	0.0	0.8	1.1	1.9
Orkla Food Ingredients	1.3	-0.2	3.9	5.0	0.6	1.5	5.5	7.6
Orkla Consumer Investments	-2.0	0.5	28.6	27.0	-3.4	1.0	43.9	41.5
Branded Consumer Goods	**0.9**	**-0.4**	**3.5**	**3.9**	**1.3**	**1.2**	**4.9**	**7.4**

Comparative figures for underlying EBIT (adj.) changes for Branded Consumer Goods incl. HQ

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–31.3.2019	7.3	-0.4	3.9	10.8

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1.–31.12.2019	4.1	1.4	3.4	9.0

EBIT (adj.) margin growth change percentage points	Underlying growth	Structure/FX	Total	EBIT (adj.) margin 2019 (%)
R12M per 31.3.2019	0.4	-0.2	0.2	11.2

EBIT (adj.) margin growth change percentage points	Underlying growth	Structure/FX	Total	EBIT (adj.) margin 2019 (%)
1.1.–31.12.2019	0.3	-0.1	0.2	11.2

Figures may not add up due to rounding.

More information about Orkla may be found at www.orkla.com/investor-relations

Photo: Eirill Storsul (Orkla Foods Sverige) and Thomas Brun (NTB) / The models in the photos are Orkla employees.