



Stock exchange notification and press release

Growth for Orkla's branded consumer goods

As announced on 27 March, Orkla publishes preliminary sales for the first quarter 2020 today. The complete and final results, including full P&L, balance sheet and cash flow statements, will be announced on 5 May.

Q1-20 Sales update

Operating revenues, NOK million	Q1 2019	Q1 2020	Δ Reported	Δ Organic
Orkla Foods	3,889	4,618	19%	11%
Orkla Confectionery & Snacks	1,502	1,602	7%	2%
Orkla Care	1,461	1,688	16%	11%
Orkla Food Ingredients	2,291	2,574	12%	-1%
Orkla Consumer Investments	795	927	17%	-4%
Eliminations Branded Consumer Goods	-70	-93		
Branded Consumer Goods	9,868	11,316	15%	5%
HQ/Eliminations	10	19		
Branded Consumer Goods incl. HQ	9,878	11,335	15%	
Hydro Power	230	163	-29%	
Financial Investments	80	34	-58%	
Industrial & Financial Investments	310	197	-36%	
Eliminations	-12	-25		
Orkla	10,176	11,507	13%	

Orkla increased operating revenues in the first quarter by 13% to NOK 11,507 million. Orkla's Branded Consumer Goods business achieved 15% growth in operating revenues driven by 5% organic turnover growth and positive contributions from FX consolidation and M&A of 5% and 4% respectively. Organic turnover growth was particularly strong in March as the Corona crisis had a net positive effect on sales. Orkla has managed to maintain close to normal operations until the date of this sales update with only limited supply chain disruptions so far.

President & CEO Jaan Ivar Semmlitsch comments: "We are going through a very challenging period. Governments have imposed restrictive measures in all our markets to slow down and limit the spread of the Corona virus. These measures are having a profound impact on how all of us go about our daily lives and meet our immediate needs. As a supplier of food, cleaning and hygiene products we have a social responsibility to ensure good availability of our products in these turbulent times".

"The corona crisis has impact throughout our supply chain and across all business areas. These effects mainly started impacting our financials in March, and in particular during the last three weeks. On the demand side, we see increased demand across our Foods and Care businesses contributing to an overall organic growth for the Branded Consumer Goods

business of 5%. Confectionery & Snacks had mixed development across its markets and sales channels, but is so far less affected by the corona crisis”, adds Semlitsch.

The strong growth in Care and Foods came as a consequence of consumers temporarily hoarding products, a shift from out of home eating to in-home, and increased demand for home and personal cleaning products. The hoarding effect eased towards the end of March and into April, but year over year growth remained at a higher level compared to Jan/Feb. Approximately 20% of sales in the Foods area goes to customers outside grocery, where the convenience and food service segments dominate. Sales to these customer segments was down in March, with a significantly lower speed into Q2.

Government restrictions on public gatherings, and in several markets outright closure of out of home eating establishments, have significant consequences. Apart from in the Foods area, Orkla is also exposed to the out of home market through the business area Food Ingredients (OFI). The largest customer segments within OFI is bakery (industrial & artisan), ice cream outlets and restaurants/café. OFI is seeing a significant fall in sales to most of the out of home segments, whereas sales to grocery is more stable. Overall, OFI reported organic sales decline of -1% in Q1, but with a significantly lower speed into Q2.

The restaurant operations Kotipizza in Finland and Gorm's in Denmark are also impacted by strict restrictions. Still, Kotipizza achieved growth in comparable chain sales in Q1 for the pizza franchise business. Since mid-March a reduction in in-store sales has been partly offset by increased take-away and home delivery sales, adding thirty thousand new customers to its online platform.

Overall, the Orkla Consumer Investments segment reported organic sales decline of -4% in Q1. The decline was primarily driven by lower sales in the textile business, PRG, and the out of home businesses.

Jotun reported continued growth in both top and bottom line in Q1, with positive impact from currency translation effects. Jotun highlights that there is considerable uncertainty around the consequences of the corona pandemic going forward. See Jotun's Q1 trading update for more details.

Orkla has managed to maintain close to normal operations in the first quarter. Almost all of Orkla's 107 factories have close to normal service levels. In House Care UK and Oral Care Malaysia authorities have instructed temporary shutdown of operation. During the first quarter, Orkla has only experienced minor disruptions in procurement of raw materials and packaging. There is uncertainty related to the potential lack of seasonal workers in farming across Europe and in Norway. However, the authorities are facilitating free movement for seasonal works within the EEA as long as it concerns production critical to society.

“The most important priority in these challenging times is to safeguard the health and safety of our employees, and also to ensure uninterrupted supply of essential products to our customers and consumers. As part of this, production of essential products has been increased to build safety stocks that can help bridge any unforeseen disruptions”, says Jaan Ivar Semlitsch.

Orkla continues to have a strong balance sheet with a level of Net Interest Bearing Debt to EBITDA (on twelve months rolling basis) of approximately 1.1x. Orkla had 6.3 BNOK of unutilized credit facilities at the end of Q1 and have no significant debt maturities until 2022.

The demand shortfall Orkla is experiencing in certain areas is directly related to government measures to reduce social interactions. Orkla expects the situation to gradually normalize

when restrictions are lifted, but also that out of home exposed businesses will continue to trade at a lower level year on year until this happens. Measures are taken to address the temporary shortfall of demand across our affected business, and Orkla has a strong balance sheet to support the business until the situation normalizes. Further details on mitigating actions, and on current trading, will be provided when full Q1 results are announced on 5 May.

Orkla ASA

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