

Additional information for valuation purposes

One possible model for valuing Orkla is based on distinguishing between the branded consumer goods business, where the value lies in future earnings from continuing operations, and the Group's negotiable assets, which have identifiable market values and where earnings are not part of Orkla's operating profit from the branded consumer goods business.

Industrial & Financial Investments

Industrial & Financial Investments consist mainly of the associate Jotun (in which Orkla has a 42.6 per cent equity interest) and the consolidated businesses Hydro Power and Orkla Eiendom (real estate).

Jotun

Orkla owns 42.6 per cent of Jotun, which is reported as an associate. Jotun is a well-established global manufacturer of paint and powder coatings, and holds strong positions in Scandinavia, Asia and the Middle East. The company is steadily expanding and has averaged annual organic growth of 8 per cent in the past ten years. Jotun reported operating revenues of NOK 21.1 billion in 2020, and EBIT amounted to NOK 3.5 billion. Net interest-bearing liabilities totalled NOK 1.5 billion as at 31 December 2020.

Hydro Power

The power operations have been fully consolidated into Orkla's income statement and are reported as Hydro Power. The power operations consist primarily of two assets: a reservoir power plant in Sauda (85 per cent interest) and a run-of-the-river plant in Sarpefossen.

The Sauda hydropower operations are regulated by a civil law lease agreement with Statkraft. The lease runs until 31 December 2030, after which the power plants will be returned to Statkraft in return for financial compensation equivalent to the estimated residual value, written down for tax purposes, of the newly built plants (around NOK 1.1 billion).

The Saudefaldene plant's average annual production (2011–2020) is 1910 GWh). Saudefaldene leases approximately 1 Twh per year from Statkraft and has corresponding energy commitments, resulting in a net effect of zero. The rest of the power is sold on the spot market. Payroll expenses and other operating costs related to these activities amounted to approximately NOK 88 million in 2020. Major maintenance investments are generally recognised in the financial statements under operating expenses.

Saudefaldene receives an annual amount from Statkraft in compensation for major maintenance expenses. The net charge in 2020 and 2019 was NOK 0 million. Depreciation (excl. depreciation of leases) totalled NOK 41 million.

The Sarpefossen power operations are based on power rights that are not subject to reversion, and average annual production (2011–2020) totals 603 GWh. The power is sold on the spot market. Payroll expenses and other operating costs related to these activities totalled NOK 42 million in 2020. Depreciation amounted to NOK 10 million in 2020.

Orkla Eiendom

Orkla Eiendom (real estate) meets the Group's needs for specialised expertise and assistance in the real estate sector, and is responsible for the administration, development and sale of properties not utilised in Orkla's branded consumer goods operations. Orkla also has a historical

portfolio of real estate-related investments, which are being sold in accordance with the current strategy.

Now that Orkla's new headquarters has been completed, Orkla Eiendom has two rental properties with a total area of around 40 000 m² in an attractive location at Skøyen, Oslo. Around 13 000 m² is leased to external lessees. The other main project is a housing development project at Torshov, Oslo.

As at 31 December 2020, the book value of Orkla's real estate investments was NOK 1.8 billion. Around NOK 1.7 billion of that amount was related to the three largest development properties. In addition to ensuring efficient operations, importance will in future be attached to realising the potential value in the development projects, securing assets and freeing up capital by selling properties and projects that are not to be further developed. Current development projects necessitate investments during the construction period, while gains are primarily expected to be realised in 2022–2025.

Read more at www.orklaeiendom.no/english