

Annual Financial Statements Orkla ASA

04



INCOME STATEMENT

Amounts in NOK million	Note	2020	2019
Operating revenues		20	27
Operating revenues Group	1	775	847
Total operating revenues		795	874
Payroll expenses	2, 5	(542)	(484)
Other operating expenses		(559)	(680)
Depreciation and write-downs	8, 9	(318)	(131)
Operating loss		(624)	(421)
Dividends and contributions from Group		3 229	4 506
Write-downs subsidiaries		(250)	(36)
Interest income/costs from Group	6	159	157
Other financial costs	7	(440)	(194)
Profit before taxes		2 074	4 012
Taxes	11	(116)	(206)
Profit after tax		1 958	3 806

STATEMENT OF COMPREHENSIVE INCOME

Profit after tax		1 958	3 806
Changes in fair value shares		-	(2)
Change in hedging reserve after tax		(36)	77
Change in actuarial gains and losses pensions		(8)	(11)
Comprehensive income		1 914	3 870
Proposed dividend (not provided for)		(2 753)	(2 601)

STATEMENT OF CASH FLOWS

Amounts in NOK million	2020	2019
Profit/loss before tax	2 074	4 012
Depreciation and write-downs	318	131
Write-downs subsidiaries	250	36
Changes in net working capital etc.	(175)	43
Transfer of profit items to other activities	172	(1 696)
Taxes paid	(167)	(254)
Cash flow from operating activities	2 472	2 272
Net replacement expenditures	(186)	(418)
Sold companies	62	0
Investments in subsidiaries/partly owned companies	(135)	(1 313)
Net purchase/sale shares, dividends and financial assets	1	21
Cash flow from investing activities	(258)	(1 710)
Dividends paid	(2 598)	(2 599)
Net sale/purchase of treasury shares	57	59
Net paid to shareholders	(2 541)	(2 540)
Proceeds from borrowings	1 462	2 163
Repayments of borrowings	0	(431)
Repayments of lease liabilities	(83)	(79)
Net change in current liabilities	(1 006)	1 310
Net change in current interest-bearing receivables	1 663	(1 517)
Net cash flow from/ (used in) financing activities	2 036	1 446
Cash flow from financing activities	(505)	(1 094)
Change in cash and cash equivalents	1 709	(532)
Cash and cash equivalents 1 January	958	1 490
Cash and cash equivalents 31 December	2 667	958
Change in cash and cash equivalents	1 709	(532)

STATEMENT OF FINANCIAL POSITION

Assets

Amounts in NOK million	Note	2020	2019
Intangible assets	9	110	94
Deferred tax asset	11	237	154
Property, plant and equipment	8	1 189	1 337
Shares in subsidiaries	10	34 059	34 174
Loans to Group companies, interest-bearing		10 712	10 855
Other financial assets		154	65
Non-current assets		46 461	46 679
Receivables external		168	198
Receivables Group, non-interest-bearing		369	309
Receivables Group contribution		1 400	1 359
Financial investments		-	2
Cash and cash equivalents		2 667	958
Current assets		4 604	2 826
Total assets		51 065	49 505

Equity and liabilities

Amounts in NOK million	Note	2020	2019
Paid-in equity		1 972	1 972
Retained earnings		31 715	32 342
Equity		33 687	34 314
Pension liabilities	2	656	626
Non-current interest-bearing liabilities		8 463	6 771
Non-current non-interest-bearing liabilities		175	128
Non-current liabilities		9 294	7 525
Liabilities to Group, interest-bearing		7 335	6 787
Liabilities to Group, non-interest-bearing		113	177
Tax payable	11	188	170
Other current liabilities		448	532
Current liabilities		8 084	7 666
Equity and liabilities		51 065	49 505

STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	Share capital	Treasury shares	Premium fund	Total paid-in equity	Retained earnings	Total Orkla ASA
Equity 1 January 2019	1 274	(24)	721	1 971	31 016	32 987
Comprehensive income Orkla ASA	-	-	-	-	3 870	3 870
Dividends paid	-	-	-	-	(2 599)	(2 599)
Cancellation of treasury shares	(22)	22	-	-	-	0
Net purchase of treasury shares	-	1	-	1	58	59
Implementation effect IFRS 16	-	-	-	-	(3)	(3)
Equity 31 December 2019	1 252	(1)	721	1 972	32 342	34 314
Comprehensive income Orkla ASA	-	-	-	-	1 914	1 914
Dividends paid	-	-	-	-	(2 598)	(2 598)
Net sale of treasury shares	-	-	-	-	57	57
Equity 31 December 2020	1 252	(1)	721	1 972	31 715	33 687

NOTE 1 ACCOUNTING POLICIES

Besides all headquarter activities, the financial statements of the holding company Orkla ASA cover some real estate activities. The latter are part of the business operations of Orkla Eiendom. The financial statements also cover the administration of the Orkla Foods, Orkla Confectionery & Snacks, Orkla Care, Orkla Food Ingredients and Orkla Consumer & Financial Investments business areas, and the administration of the Purchasing Academy, Sales Academy and Brands Academy in Orkla ASA.

Activities at Orkla's headquarters include the Group's executive management and the corporate and shared functions Group HR, Compensation & Benefits, Corporate Communications & Corporate Affairs, Orkla Services, Internal Audit, Legal & Compliance, EHS, Group Finance, Strategy and M&A, Group Sales, Digital sales & Amazon Lead Team, Orkla Marketing & Innovation, Orkla Group Procurement and Orkla IT. In addition to exercising parent company functions, the departments largely carry out assignments for the Group's other companies and charge them for these services. Orkla ASA owns certain trademarks that are utilised by various Group companies. Royalty fees are invoiced for the use of these trademarks. The revenues from these activities are presented on the line for "Operating revenues Group". The Group Treasury acts as an internal bank and is responsible for the Group's external financing, management of the Group's liquid assets and overall management of the Group's currency and interest risks. Interest from the Group's internal bank and dividends and contributions to the Group from investments in subsidiaries are presented as financial items and specified in the income statement.

The financial statements for Orkla ASA have been prepared and presented in accordance with simplified IFRS pursuant to section 3-9 of the Norwegian Accounting Act. Contributions to the Group have been accounted for according to good accounting practice as an exception to IFRS. Provisions are made for these contributions in the year they arise. The explanations of the accounting policies for the Group also apply to Orkla ASA, and the notes to the consolidated financial statements in some cases cover Orkla ASA. Ownership interests in subsidiaries are presented at cost.

The Board of Directors has deemed that Orkla ASA, after the proposed dividend of NOK 2.75 per share, had adequate equity and liquidity at the end of 2020.

NOTE 2 PAYROLL AND PENSIONS

Amounts in NOK million	2020	2019
Wages	(428)	(380)
National insurance contributions	(68)	(56)
Remuneration of the Board and other pay-related costs	(14)	(8)
Pension costs	(32)	(40)
Payroll expenses	(542)	(484)
Average number of employees	215	198

Breakdown of net pension costs

The assumptions on which the calculation of pension costs has been based are disclosed in Note 12 to the consolidated financial statements.

Amounts in NOK million	2020	2019
Current service cost (incl. national insurance contribution)	(19)	(25)
Curtailment and settlement	-	(3)
Costs contribution plans	(13)	(12)
Pensions classified as operating costs	(32)	(40)
Pensions classified as financial items	(23)	(50)
Net pension costs	(55)	(90)

Breakdown of net pension liabilities as at 31 December

Amounts in NOK million	2020	2019
Present value of pension obligations	(656)	(626)
Pension plan assets	-	-
Capitalised net pension liabilities	(656)	(626)

The remaining net pension liabilities at 31 December 2020 mainly consist of unfunded pension plans for former key personnel and unfunded early retirement plans, and recognised liabilities related to contribution-based plans for employees who earn more than twelve times the Norwegian National Insurance Scheme's basic amount (12G). For other employees, the company primarily has defined contribution pension plans.

The company has a pension plan that meets the requirements of the Compulsory Service Pensions Act.

NOTE 3 GUARANTEES AND ASSETS PLEDGED

Amounts in NOK million	2020	2019
Subscribed, uncalled limited partnership capital	-	-
Guarantees to subsidiaries	244	231
Other guarantee liabilities	7	0

NOTE 4 LOANS TO EMPLOYEES

Other financial assets includes loans to employees.

Amounts in NOK million	2020	2019
Loans to employees	3	2

NOTE 5 REMUNERATION AND CONTRACTUAL ARRANGEMENTS – THE BOARD OF DIRECTORS' STATEMENT OF GUIDELINES**1. The Board of Directors' statement of guidelines for the pay and other remuneration of the executive management**

Pursuant to section 6-16a of the Public Limited Liability Companies Act, the Board of Directors must draw up a special statement of guidelines for the pay and other remuneration of senior executives. The guidelines must be considered and approved by the General Meeting whenever a material amendment is made and at least every four years. If the General Meeting does not approve the guidelines, remuneration shall be paid in accordance with applicable approved guidelines, or if no such guidelines exist, in accordance with company practice. Guidelines that are considered and approved by the General Meeting and the result and date of the vote will be published on the company's website. The main elements that concern pay and other remuneration of the executive management, and that will be included in the draft guidelines to be considered by the General Meeting in 2021, are set out in (i)–(vi) below.

(i) Pay, other remuneration of and other conditions relating to the executive management

The Board of Directors decides the terms and conditions of the President and CEO and makes decisions on fundamental issues relating to the Group's compensation and benefits policy and compensation arrangements for other employees within the limits of the approved guidelines. The Board of Directors has a special Compensation Committee that prepares matters relating to compensation for decision by the Board. The Committee consists of three Board members, one of whom is elected by the employees, and was chaired by Liselott Kilaas in 2020. The administration prepares matters for the Compensation Committee and the Board.

The Group Executive Board participates in the Group's annual bonus programme and long-term incentive programme.

Fixed salaries and fees for the Group Executive Board and accrued bonuses are presented on the next page. The table also shows accruals and the balance in the bonus bank as at 31 December 2020, based on the Orkla share price as at 31 December 2020 (NOK 87.00).

Remuneration paid in 2020 to members of the Group Executive Board as at 31 December 2020

Amounts in 1,000 NOK	Fixed salary 31 Dec. 2020	Paid salary and holiday pay (A)	Paid bonus (accrued in 2019)	Paid from bonus bank (LTI)	Benefits in kind (B)	Total paid salary and allowance 2020
Jaan Ivar Semlitsch	8 000	8 056	1 628	0	194	9 878
Harald Ullevoldsæter ¹	3 100	2 866	440	0	192	3 498
Christer Grönberg ²	3 190	3 140	1 334	1 042	145	5 661
Kenneth Haavet ³	2 950	2 704	0	0	179	2 883
Atle Vidar Nagel Johansen	3 930	4 240	2 300	1 266	214	8 020
Ann-Beth Freuchen	3 520	3 837	1 193	1 807	196	7 033
Johan Wilhelmsson ²	3 047	3 602	1 124	1 528	12	6 266
Sverre Prytz	2 950	2 957	86	0	196	3 239
Jeanette Hauan Fladby	3 022	3 195	1 362	916	195	5 668
Johan Clarin ²	3 522	3 485	1 243	1 012	209	5 949

¹Took up the post of Executive Vice President and CFO and member of the Group Executive Board on 1 March 2020.

²The annual salary agreed in SEK but translated to NOK based on the yearly average exchange rate.

³Employee and member of the Group Executive Board since 1 February 2020.

Jens Bjørn Staff resigned from his position as Executive Vice President and CFO on 29 February 2020, and received total remuneration of NOK 4,419,000 in 2020.

Terje Andersen stepped down from the Group Executive Board on 1 February 2020, and continued to serve in another position in the Group.

Ann-Beth Freuchen, Jeanette Hauan Fladby and Johan Wilhelmsson stepped down from the Group Executive Board with effect from 14 January 2021. As of the same date, Hege Holter Brekke and Ingwill T. Berg became new members of the Group Executive Board.

Accrued remuneration, not paid in 2020

Amounts in 1,000 NOK	Accrued bonus in 2020 ¹	Award long- term incentive program (LTI) ²	Accrued pension costs	Total accrued/ awarded (C)	Balance bonus bank (LTI) 31 Dec. 2020 ³
Jaan Ivar Semlitsch	4 112	2 640	1 719	8 471	2 422
Harald Ullevoldsæter	1 516	1 023	597	3 136	939
Christer Grönberg ⁴	1 560	1 053	961	3 574	2 742
Kennet Haavet	1 544	974	504	3 022	893
Atle Vidar Nagel Johansen	2 892	1 297	1 099	5 288	3 205
Ann-Beth Freuchen	2 108	1 162	780	4 050	3 194
Johan Wilhelmsson ⁴	2 225	1 006	560	3 791	2 610
Sverre Prytz	1 443	974	558	2 975	893
Jeanette Hauan Fladby	846	997	659	2 502	2 402
Johan Clarin ⁴	881	1 162	856	2 899	2 911

¹Accrued annual bonuses for 2020 will be paid in 2021.

²LTI awarded in 2020 is in accordance with the previously applicable cash-based programme.

³Balance based on the closing price of the Orkla share as at 31 December 2020.

⁴The amount originally determined in SEK has been translated to NOK at the yearly average exchange rate.

Note 5 cont. ➔

The Group Executive Board participates in the Group's general employee share purchase programme. No guarantees have been provided for members of the Group Executive Board. Apart from a 12-month salary loan in connection with the general employee share purchase programme, no loans were granted to members of the Group Executive Board. For all Group Executive Board members as at 31 December 2020, the outstanding balance of this share purchase programme as at the same date is NOK 16,901 per person.

The President and CEO's period of notice is six months, with a period of pay of 12 months after termination of employment if the President and CEO is dismissed by the company.

Members of the Group Executive Board who became a member before 1 January 2019 have an agreement on payment of a pension from Orkla from the age of 65. During the period from the agreed start of pension payments until they reach the age of 67, Orkla will pay them 66% of their salary at retirement, after which their pension will be paid from Orkla's general pension plans.

(ii) Guidelines for pay and other remuneration of the executive management

With regard to guidelines for the determination of pay and other remuneration of the executive management, reference is made to a separate document that will be made available on the company's website when the guidelines have been approved by the General Meeting.

The purpose of Orkla's compensation and benefits policy is to attract personnel with the competence that the Group requires, develop and retain employees with key expertise and promote a long-term perspective and continuous improvement supporting achievement of Orkla's business goals. The general approach adopted in Orkla's policy is to pay fixed salaries and pensions in line with market median level while offering variable pay linked to results, share price performance, etc. (short- and long-term incentives) that may be above a median level. Compensation may consist of the following elements:

a) Fixed elements

Orkla uses internationally recognised job assessment systems to find the "right" level of job and compensation. Jobs are assessed in relation to their local market (country) and a pay range of the median +/- 20% is applied. The executive's responsibilities, results and performance determine the amount of compensation.

(b) Variable elements – annual bonus

Senior executives in Orkla participate in the Group's central annual bonus programme. The programme has a maximum ceiling of 100% of the executive's fixed salary as at 31 December in the year of accrual. As from 2020, the programme will be designed in such a way that achievement of ambitious, predefined targets can result in a bonus of approximately 50% of an executive's fixed salary as at 31 December in the year of accrual.

In addition, the Group has share-based incentive programmes described in (iii) below.

(iii) Special comments on share-based incentive programmes

(a) Annual bonus programme

The annual bonus programme for Corporate Functions (including the President and CEO) contains an element related to the return on the Orkla share as follows: An element tied to the return on the Orkla share (25% weighting) which is calculated by adding a basic amount equivalent to 5% of the executive's annual salary to the return on the Orkla share for the year, computed on the basis of the average share price in the fourth quarter measured against the average share price in the fourth quarter of the previous year, plus any dividend paid out. The return on the Orkla share is multiplied by a factor of 1 for Group Executive Board members and a factor of 0.5 for other Corporate Functions staff. The bonus payout for this element as a percentage of annual salary will thus be 5% plus the return (positive or negative) multiplied by the aforementioned factor. This bonus element may not exceed 25% of the executive's annual salary.

(b) Long-term incentive (LTI) programme

In 2020, Orkla introduced a share option-based LTI programme which replaced the former cash-based LTI programme.

The purpose of the programme is to:

- Reward long-term value creation and value creation across the Group
- Establish a long-term commonality of interests with shareholders
- Help to retain necessary expertise (management/key personnel)
- Maintain competitive overall compensation conditions for management/key personnel

Participants will be nominated each year to participate in the share option programme subject to the approval of the President and CEO. The number of nominees will be approximately the same as in the past few years, i.e. around 90 central management staff and key personnel. In addition, 10–15 younger talents will be nominated. Nomination will not be automatic, so being nominated one year does not necessarily mean that the person will be nominated in subsequent years. The President and CEO has authority to increase the number of participants provided that this does not increase the programme's total budget.

Options will be awarded partly on the basis of position (estimated option value equivalent to 15% of basic salary), partly on the basis of a discretionary assessment of performance in relation to predefined long-term targets (estimated option value equivalent to a maximum of 15% of basic salary), and a discretionary assessment of achievement of sustainability-related targets (estimated option value equivalent to a maximum of 5% of basic salary). Sustainability-related targets will be set and evaluated by the Board of Directors. On this basis, the outcome for participants will be an option value in the range 15 to 35% of salary depending on performance. The option value will be calculated according to the Black-Scholes model.

If the President and CEO takes the opportunity to expand the group of participants from the above-mentioned 100-105, the afore-mentioned awards must be reduced proportionately for all or parts of the group.

Predefined long-term targets shall ideally be linked to:

- Profitable organic growth
- Innovation and increased market shares
- Sustainability as a growth factor
- Structural growth in priority categories and geographies
- Establishment of a cost-effective organisation and realisation of synergies
- Development of human resources and collaborative relationships

Options will be awarded once a year, and for the first time in 2021 for those who were nominated in 2020. Awards will be based on the share price on the day after the Annual General Meeting. The Board of Directors will recommend candidates for awards in the Group Executive Board, while awards to other employees must be approved by the President and CEO. 20% of the options awarded for the year may be exercised after one year, another 20% after two years, and the

remaining 60% after three years. In the case of the Group Executive Board, however, no options may be exercised until three years after they were awarded. The last date on which they may be exercised is five years after the award date, after which the options expire. The redemption price will be set at the market price at the award date with an increase of 3% per year in the vesting period. The redemption price will be adjusted for dividends. In the event of the employee's resignation, all options that have not been exercised will expire.

Based on an average estimate where the value of the option is equal to 30% of the participants' annual salary, approximately 5,500,000 share options will be required for the awards in 2021. The General Meeting approved giving the Board of Directors and the President and CEO a total limit of 5,500,000 share options to be awarded in 2021. It is proposed that the Board of Directors and the President and CEO is given a similar limit to be awarded in 2022, i.e. a total limit of 5,500,000 options and that the General Meeting approves this limit. The number of options is equivalent to around 0.55 % of shares outstanding.

The gain on one year's awarded options may not exceed six times the value of awarded options at the award date, calculated in accordance with the Black-Scholes model. If a participant is awarded options with an estimated option value equivalent to 30% of his or her basic salary, the gain in this case may not exceed 180% of the basic salary.

The Group Executive Board must use 25% of their gross gain from the exercise of options to purchase Orkla shares, and purchased shares will be subject to a lock-in period of three years. Other participants are expected to use a percentage of their gross gain to purchase Orkla shares.

Payments from the LTI programme in 2020 were in accordance with the previous cash-based programme. Awards were last made to the participants in the previous programme in May 2020, with 1/3 of the award to be paid out in 2022, 1/3 in 2023 and 1/3 in 2024. The amount awarded is adjusted in accordance with the Orkla share price performance from the day after the Annual General Meeting in 2020 until the bonus is paid out.

(c) Discounted shares for employees

For several years the Group has had a programme offering employees an opportunity to buy a limited number of shares at a discount on the market price. For 2020, employees were offered three different purchase options: NOK 30,000, NOK 15,000 and NOK 10,000 (amounts before

discount). The discount was 25% on the market price. The lock-in period for shares purchased is three years. The costs of the employee share purchase programme in 2020 totalled NOK 17.6 million.

The Board of Directors intends to maintain the share purchase programme in 2021 with the same purchase options as in 2020, i.e. NOK 30,000, NOK 15,000 and NOK 10,000 (amount before discount). The discount will be maintained at 25%, and the lock-in period of three years will be maintained.

(iv) Company pension plan

Orkla has a defined contribution pension plan in Norway. The contribution rates are 5% for salaries between 1G and 7.1G and 23.1% for salaries over 7.1G (as of 1 May 2020 1G is NOK 101,351). For persons appointed to the Group Executive Board before 1 September 2014, the rate for salaries over 12G is 27%. Johan Wilhelmsson has a service pension in Sweden in accordance with the ITP2 rules. This is a defined benefit pension plan limited to a maximum salary equivalent to 30 income base amounts (IBA). For salaries over 30 IBA, a pension in Norway is ensured by a contribution equal to 15% of the excess amount.

As from 2021, the contribution rate of 5% will be applied from the first krone and not from 1G. This change applies provided that any salary increase granted in 2021 is reduced wholly or partly by the increase in annual contribution for the person concerned. An agreement has been entered into with Orkla's elected employee representatives that this is to be implemented, along with further provisions as to how the reduction in salary increase is to be carried out.

(v) Other benefits

The Group provides benefits such as a company car and company telephone and other limited benefits in kind.

(vi) Executive pay policy

The guidelines for pay and other remuneration for executive management, which were last considered at the 2020 Annual General Meeting, served as guidance in determining pay and other remuneration for executive management in 2020.

For detailed descriptions of Orkla's reward policy as from 2021 and the various components of the overall remuneration, reference is made to new guidelines for pay and other remuneration

for executive management when these have been approved by the General Meeting (separate document to be published on the company's website) and to disclosures in Note 11 to the consolidated financial statements.

2. Remuneration of the Board of Directors and Board members' shareholdings

As from 16 April 2020, the Board of Directors is remunerated at the following rates:

Board Chair	NOK	843 000	per year
Shareholder-elected Board member	NOK	537 000	per year
Employee-elected Board member	NOK	442 000	per year
Deputy member	NOK	27 500	per meeting

These rates, which were determined by Orkla's General Meeting on 16 April 2020, were kept unchanged from the rates determined by the General Meeting in 2019.

Under Article 4 of Orkla's Articles of Association, shareholder-elected "members and deputy members of the Board of Directors must be shareholders in the company". Accordingly, Orkla requires that 1/3 of the members' gross Board fees (excluding any fee for committee work and supplement for members residing outside Norway) is used to purchase shares in Orkla until the Board members (including their related parties) own shares in Orkla with a value equivalent to two times their gross Board fee (excluding any fee for committee work and supplement for members residing outside Norway). An overview of the Board members' shareholdings is disclosed in separate tables in this note.

Compensation Committee

Committee Chair	NOK	144 000	per year
Member	NOK	108 000	per year

Audit Committee

Committee Chair	NOK	181 000	per year
Member	NOK	121 000	per year

In addition, shareholder-elected Board members residing outside Norway receive a supplement of NOK 18,000 per meeting attended.

Payments actually received by members of the Board of Directors are as follows:

Amounts in NOK	Director's fee incl. committee work	Number of shares ^{1,2} in Orkla 31 Dec. 2020
<i>Shareholder-elected Board members</i>		
Stein Erik Hagen ⁵	951 000	250 100 000
Anna Mossberg ⁷	358 000	2 034
Ingrid Jonasson Blank ^{6,7}	779 500	9 000
Peter Agnefjäll ⁷	661 500	20 000
Nils K. Selte ⁴	717 997	27 000
Anders Kristiansen ⁷	358 000	33 900
Liselott Kilaas ³	633 000	10 000
Caroline Hagen Kjos (deputy) ⁸	-	-

¹Total share ownership including related parties.

²Changes in the number of shares since 31 December 2020 are shown in the presentation of the Board of Directors on pages 271-282.

³Receives a fee as Chair of the Compensation Committee.

⁴Receives a fee as Chair of the Audit Committee.

⁵Receives a fee as member of the Compensation Committee.

⁶Receives a fee as member of the Audit Committee.

⁷Receives a supplement for residence outside Norway.

⁸Receives no fees.

Grace Reksten Skaugen and Lars Dahlgren stepped down from the Board of Directors on 24 April 2020 and received total Board fees for 2020, including committee work, of NOK 274,333 and NOK 303,500, respectively.

Amounts in NOK	Fixed salary	Director's fee	Benefits in kind	Pension costs	Number of shares ¹
<i>Employee-elected Board members</i>					
Terje Utstrand ²	621 599	550 000	8 235	28 148	7 465
Roger Vangen	567 559	442 000	8 538	22 488	9 239
Sverre Josvanger ³	554 141	563 000	8 234	24 183	20 278
Karin Hansson	318 072	442 000	0	14 313	1 821

¹Total share ownership including related parties.

²Receives a fee as member of the Compensation Committee.

³Receives a fee as member of the Audit Committee.

No loans have been granted to or guarantees provided for members of the Board of Directors.

3. Remuneration of the Nomination Committee

As of 24 April 2020, the Nomination Committee is remunerated according to the following rates:

Committee Chair NOK 80,000 per year, members NOK 60,000 per year and employee-elected representatives NOK 7,000 per meeting.

4. Fees to Group external auditor

Amounts in NOK million (excl. VAT)	2020	2019
<i>Parent company</i>		
Statutory audit	3.6	3.4
Other attest services	0.2	-
Tax consultancy services	0.7	0.9
Other non-audit services	0.7	3.4
<i>Group</i>		
Statutory audit	35.9	31.6
Other attest services	0.5	0.4
Tax consultancy services	2.4	2.9
Other non-audit services	0.7	3.5
Total fees to EY	39.5	38.4
Statutory audit fee to other auditors	2.5	2.3

NOTE 6 INTEREST INCOME AND COSTS GROUP

Amounts in NOK million	2020	2019
Interest income Group	188	213
Interest costs Group	(29)	(56)
Total financial costs Group	159	157

NOTE 7 OTHER FINANCIAL ITEMS

Amounts in NOK million	2020	2019
Gain/loss on exchange	(265)	4
Other financial income	19	44
Other financial costs	(194)	(242)
Total other financial items	(440)	(194)

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK million	Land, buildings and other property	Machinery, fixture and fittings etc.	Assets under construction ²	Total
Book value 1 January 2020	95	99	618	812
Investments	-	-	182	182
Reclassifications ¹	-	28	(267)	(239)
Depreciation	-	-	-	0
Write-downs	(2)	(15)	-	(17)
Book value 31 December 2020	93	112	533	738
Initial cost 1 January 2020	121	265	651	1 037
Accumulated depreciation and write-downs	(26)	(166)	(33)	(225)
Book value 1 January 2020	95	99	618	812
Initial cost 31 December 2020	119	219	533	871
Accumulated depreciation and write-downs	(26)	(107)	-	(133)
Book value 31 December 2020	93	112	533	738

¹Net reclassifications relating to the transfer from Note 9.

²Consists primarily of investment in a new common ERP system. The investment will be reclassified to IT (Note 9) upon project completion.

Leased right-of-use assets IFRS 16

Amounts in NOK million	Buildings and other property	Machinery, fixtures and vehicles	Total leased right-of-use assets
Book value 1 January 2020	523	2	525
Investments	-	1	1
Depreciation	(73)	(2)	(75)
Book value 31 December 2020	450	1	451
Initial cost 1 January 2020	591	3	594
Accumulated depreciation and write-downs	(68)	(1)	(69)
Book value 1 January 2020	523	2	525
Initial cost 31 December 2020	591	4	595
Accumulated depreciation and write-downs	(141)	(3)	(144)
Book value 31 December 2020	450	1	451

NOTE 9 INTANGIBLE ASSETS

Amounts in NOK million	Trademarks, not depreciable	IT	Total
Book value 1 January 2020	26	68	94
Reclassifications property, plant and equipment ¹	-	239	239
Investments	-	3	3
Write-down	-	(207)	(207)
Depreciation	-	(19)	(19)
Book value 31 December 2020	26	84	110
Initial cost 1 January 2020	26	163	189
Accumulated depreciation and write-downs	-	(95)	(95)
Book value 1 January 2020	26	68	94
Initial cost 31 December 2020	26	188	214
Accumulated depreciations and write-downs	-	(104)	(104)
Book value 31 December 2020	26	84	110

¹Net reclassifications relating to the transfer from Note 8.

NOTE 10 SHARES IN SUBSIDIARIES, DIRECTLY OWNED

Amounts in NOK million	Group's share of capital	Book value	
		2020	2019
Orkla Foods Norge AS	100%	9 065	9 065
Orkla Foods Sverige AB	100%	5 469	5 469
Orkla Confectionery & Snacks Finland Ab	100%	3 315	3 315
Orkla Food Ingredients AS	100%	2 466	2 466
Orkla Energi AS	100%	1 765	1 765
Kotipizza Group Oyj	100%	1 424	1 424
Hamé s.r.o.	100%	1 354	1 354
Orkla Esti AS	100%	975	862
SIA Orkla Latvija ¹	100%	959	959
Orkla Confectionery & Snacks Norge AS	100%	906	906
Orkla Foods Cesko a Slovensko a.s. ²	100%	900	900
Orkla House Care AS	100%	865	865
Orkla Health AS	100%	631	631
Orkla Eiendom AS	100%	589	589
SweBiscuits AB	100%	512	512
Viking Askim AS	100%	400	400
Paint Holding AS	100%	305	0
Sarpsfoss Limited			
Ordinary shares	100%	253	253
Preference shares	99.9%	43	43
Industriinvesteringer AS	100%	250	340
SIA Orkla Foods Latvija	100%	246	246
Lilleborg AS	100%	212	526
Attisholz AB	100%	187	187
Orkla Foods Romania SA	100%	184	184
Orkla Foods Danmark A/S	100%	175	175
Sandakerveien 56 AS	100%	173	216
Orkla Asia Holding AS	100%	166	166
Orkla Insurance Company Ltd.	100%	65	65

Amounts in NOK million	Group's share of capital	Book value	
		2020	2019
UAB Orkla Foods Lietuva	100%	39	39
Trælandsfos Holding AS	100%	36	36
Orkla IT AS	100%	34	34
Lilleborg AB	100%	28	28
Øraveien Industripark AS	100%	15	15
Orkla Trading AB	100%	14	9
Orkla Investeringer AS	100%	10	10
Textile Holding AS	100%	9	0
Nödinge AB	100%	7	7
Orkla Design AS	100%	5	5
Cederroth Intressenter AB	100%	3	3
Orkla Accounting Centre Estonia	100%	2	2
Orkla China CO.,LTD ³	100%	1	1
Teepi AS ⁴	100%	1	1
Attisholz Infra AG ⁵	0.4%	1	1
Gorm's Holding ApS	20%	0	97
Orkla Germany GmbH ⁶	0%	0	2
Orkla France S.A.S. ⁷	0%	0	1
Total		34 059	34 174

¹Formerly SIA Orkla Confectionery & Snacks Latvija.

²Formerly Vitana a.s.

³Formerly Orkla Group Procurement Hub Shanghai.

⁴Formerly Plusstid Home AS.

⁵The remaining shares are owned by Attisholz AB.

⁶Orkla Germany GmbH has been sold to Orkla Foods Danmark.

⁷Orkla France S.A.S has been wound up.

The table shows only directly owned subsidiaries. The Group consists of a total of around 230 companies. The most important indirectly-owned subsidiaries are shown in the Group Directory at the end of the Annual Report.

Table cont. next column

NOTE 11 TAXES

Tax expense

Amounts in NOK million	2020	2019
Profit before taxes	2 074	4 012
Change in temporary differences	375	(254)
Of which change in temporary differences previous years	12	0
Correction for change in temporary differences taken to comprehensive income	(62)	85
Total change in temporary differences	325	(169)
Non-deductible expenses	67	49
Tax-free dividends, capital gains (losses) and write-downs shares and financial assets	0	(12)
Impairment of shares in subsidiaries	218	36
Dividends from subsidiaries	(1 829)	(3 146)
Other permanent differences	0	(1)
Total permanent differences	(1 544)	(3 074)
Total taxable income	855	769
Calculated current tax expense	(188)	(169)
Withholding tax foreign dividends	(1)	0
Correction in provisions for previous years' taxes	4	0
Total current tax expense	(185)	(169)
Change in deferred tax liabilities	69	(37)
Total tax expense	(116)	(206)

Deferred tax liabilities

Amounts in NOK million	2020	2019
Financial derivatives	50	95
Accumulated write-downs outside the tax exemption method	(11)	(11)
Hedging reserve in equity	(195)	(144)
Property, plant and equipment	(256)	13
Pension liabilities	(589)	(567)
Leases	(9)	(7)
Other current liabilities	(65)	(79)
Basis deferred tax	(1 075)	(700)
Deferred tax asset	(237)	(154)
Change in deferred tax	83	(55)
Change in deferred tax taken to comprehensive income	(14)	18
Change in deferred tax in the income statement	69	(37)

Reconciliation of total tax expense

Amounts in NOK million	2020	2019
22% of profit before taxes	(457)	(887)
Tax-free dividends, capital gains (losses) and write-downs shares and financial assets	0	3
Dividends from subsidiaries	402	692
Write-downs shares in subsidiaries	(48)	(4)
Non-deductible expenses	(14)	(10)
Withholding tax	(1)	0
Correction previous years' taxes	2	0
Total tax expense for Orkla ASA	(116)	(206)

NOTE 12 FINANCIAL RISK

The risk associated with financial instruments in Orkla ASA is related to the following activities:

The Group's internal bank

Orkla ASA's Group Treasury manages the interest rate and currency risk for the Group. The Group Treasury acts as the Group internal bank and as a rule executes all external funding and hedging transactions in interest rate and currency derivatives. The subsidiaries mitigate their currency risk by entering into internal currency hedging contracts with the internal bank, which in turn hedges this risk through external hedging positions. In addition, the internal bank holds debt in foreign currencies in order to hedge currency risk on internal loans, book equity and goodwill. In 2020, NOK -270 million was recognised in the income statement in connection with these hedges (NOK 2 million in 2019). The internal bank does not actively take on currency risk. Intercompany loans and deposits are at floating interest rates, and no intra-Group interest rate hedging contracts are made. Further details of the management of interest rate and currency risk for Group-external items are disclosed in Note 30 to the consolidated financial statements.

Derivatives and hedge accounting

Currency forward contracts. The internal bank's internal and external currency forward contracts and cross currency swaps are recognised at fair value in the statement of financial position with changes in fair value recognised through profit and loss. Foreign currency effects related to internal and external loans are also accounted for through profit and loss.

Interest rate swaps. External funding for the Group is mainly originated through Orkla ASA. Loans issued at fixed interest rates are normally swapped to floating interest rates through interest rate swaps. These swaps are accounted for as fair value hedges with fair value changes recognised through profit and loss. As at 31 December 2020, the fair value of these interest rate swaps was NOK 96 million (NOK 19 million in 2019). During the year NOK 77 million was recognised as income in the income statement related to changes in the fair value of the interest rate swaps, and NOK 77 million was recognised as cost related to changes in the fair value of the hedged loans.

When Orkla hedges future interest payments, interest rate swaps, where Orkla receives floating interest rates and pays fixed interest rates, are used. These interest rate swaps are accounted for as cash flow hedges with changes in fair value recognised through comprehensive income. As at 31 December 2020, the fair value of these swaps amounted to NOK -195 million (NOK -143 million in 2019).

Equity hedging reserve. Change in the equity hedging reserve:

Amounts in NOK million	2020	2019
Opening balance hedging reserve before tax	(129)	(228)
Reclassified to profit/loss – net financial items	70	105
Fair value change during the year	(118)	(6)
Closing balance hedging reserve before tax	(177)	(129)
Deferred tax hedging reserve	43	31
Closing balance hedging reserve after tax	(134)	(98)

The hedging reserve is expected to be reclassified to the income statement as follows (before tax):

2021:	NOK -64 million
After 2021:	NOK -113 million

NOTE 13 OTHER MATTERS

PAYE tax guarantee and guarantee for pension liabilities

Orkla ASA has a bank guarantee to cover Pay-As-You-Earn (PAYE) tax payable by employees and pension liabilities for employees who earn more than 12G on behalf of its Norwegian subsidiaries. The company has NOK 72 million in restricted assets such as margin deposits under derivative contracts.

Material leases

Orkla ASA leases Drammensveien 149 in Oslo from its subsidiary Drammensveien 149 AS. The premises are also subleased to the companies Orkla Foods Norge, Orkla Health, Orkla Home & Personal Care, Lilleborg, Orkla Confectionery & Snacks Norge, Pierre Robert Group, Hydro Power, Orkla IT, Orkla House Care and Orkla Eiendom. Annual leasing costs total NOK 67 million.

Matters disclosed in the Notes to the Consolidated Financial Statements

Share-based payment – Note 11

Events after the balance sheet date – Note 39

Shareholders in Orkla ASA

A list of the largest shareholders in Orkla ASA is presented in Note 32.