Notes Group

NOTE 1 GENERAL INFORMATION

This general information provides an overview of the financial statements presented, who approves them and where the company is listed on a stock exchange. Alternative performance measures (APM), individual events that are unusual in this year's financial statements and any changes in accounting policies compared with previously presented financial statements are also described.

General

The consolidated financial statements for Orkla ASA, including notes, for the year 2020 were approved by the Board of Directors of Orkla ASA on 15 March 2021. Orkla ASA is a public limited company and its offices are located at Drammensveien 149, Oslo (Norway). Orkla ASA's organisation number is NO 910 747 711. The company's shares are traded on the Oslo Stock Exchange. The Orkla Group operates primarily in the branded consumer goods, renewable energy and real estate sectors. The business areas are described in the segment information in Note 7.

The financial statements for 2020 have been prepared and presented in full compliance with applicable International Financial Reporting Standards (IFRS), as adopted by the EU.

Accounting policies and estimate uncertainty are largely incorporated into the individual notes. The accounting policies have been highlighted with a "P" and estimate uncertainty is marked with an "E". Estimate uncertainty will vary, and the areas in which estimates will be most significant will be specified in both Note 4 and in the relevant notes, with cross-references. In addition, certain sustainability elements have been presented in relevant notes and marked with an "S".

The Group has made no changes in presentation or accounting policies nor applied any new standards that materially affect its financial reporting or comparisons with previous periods. For information regarding future changes in accounting standards, see Note 4.

Alternative performance measures (APM)

Orkla uses EBIT (adj.) in both the income statement and in its presentation of segment results. EBIT (adj.) is defined as "Operating profit or loss before other income and expenses". "Other income" and "Other expenses" are items that require special explanation and only to a limited degree are reliable measures of the Group's ongoing profitability. Items presented on these two financial statement lines are disclosed in Note 14.

Earnings per share (adj.) show earnings per share adjusted for "Other income" and "Other expenses" after estimated tax. If other items of a special nature arise under the company's operating profit/loss, adjustments will also be made for them. See Note 17 for further information on earnings per share (adj.).

Orkla uses the terms "Organic growth", "Changes in underlying EBIT (adj.)" and "Underlying EBIT (adj.) margin growth" to explain changes in operating revenues and EBIT (adj.). These are not accounting terms, but are used in the Report of the Board of Directors and the segment information in Note 7. Organic and underlying growth have been adjusted for currency translation effects, acquisitions and disposals.

With regard to investment decisions, the Group differentiates between "Replacement investments" and "Expansion investments". These terms are used in Note 38 "Orkla-format cash flow presentation" and in Note 7 "Segments".

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; see Note 29. The statement of cash flows (Orkla format in Note 38) therefore shows the change in net interest-bearing liabilities at Group level.

The definitions of the various alternative performance measures (APM) may be found on page 260.

Sales and purchases of companies

Acquisitions and disposals of companies are presented in Note 5. The biggest acquisitions in 2020 were the purchases of the Havrefras brand and the shares in Norgesplaster Holding AS.

Special matters in 2020

2020 was impacted by the COVID-19 pandemic. The primary focus for Orkla has been to safeguard its employees and prevent infection, ensure the flow of goods in all markets and maintain good cash flow and a strong balance sheet. So far in the pandemic, Orkla has succeeded in maintaining close to normal value chain operations. The companies and central Group staff are monitoring developments and the infection situation closely. Detailed plans have been drawn up for various scenarios. It is primarily businesses in Orkla Food Ingredients and the Out of Home segment that have been negatively impacted by the coronavirus pandemic. The pandemic's effects on the different Orkla businesses are otherwise described in the Group's Board of Directors' Report.

Note 1 cont.

The Group had substantial "Other expenses" in 2020. The financial statement lines "Other income" and "Other expenses" show a net total of NOK 930 million. The largest item, totalling NOK 437 million, concerns write-downs and recognised expenses related to the Group's ERP projects. Write-downs were also taken on goodwill and brands in PRG Finland and goodwill in Gorm's. There were costs related to acquisitions and integration and to several improvement and restructuring processes in the Group. Gains on the sale of property and brands included the SaritaS and Vestlandslefsa brands and factory properties in Romania and Ishøj, Denmark. See also Note 14 for information on "Other income" and "Other expenses".

The Norwegian krone weakened against the EUR, SEK and DKK in 2020. This resulted in the recognition in equity of a net total of NOK 1,114 million in positive translation differences.

Other matters
Orkla has no loan agreements containing financial covenants.

SUSTAINABILITY

A good dialogue with stakeholders is essential to fulfilling Orkla's responsibility towards various stakeholder groups, adapting to changes in society and building trust in Orkla's operations. Orkla is engaged in an active dialogue with customers, suppliers, employees, shareholders, authorities and civil society actors, and wishes to provide insight into the way the Group deals with matters of importance for the Group's operations and key stakeholder groups. Orkla reports on the progress made in its efforts to address environmental and social issues in a Sustainability Report, which is included as a separate section in Orkla's Annual Report. Further information on the reporting criteria may be found on pages 65.

NOTE 2 BASIS FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

It is crucial to understanding these financial statements that the user is informed of the fundamental policies for the recognition of items and the consolidation of the Group.

The assets in the statement of financial position are recognised on the basis of the purchase cost, and this will largely determine their further accounting treatment. Normally, the purchase cost will be the highest value at which an asset may be recognised. However, this does not apply to the treatment of financial assets and accounting hedges, which are reported at fair value on an ongoing basis. Assets that no longer justify their value are written down to the recoverable amount, which is the higher of value in use and fair value minus selling costs.

The financial statements are prepared on the basis of the going concern assumption. In general, the latter can be justified by Orkla's financial strength with an equity ratio of 59.8% as at 31 December 2020 and financial reserves that more than cover the Group's liabilities in the next 12 months; see Note 29.

An asset or liability is classified as current when it is part of a normal operating cycle, when it is held primarily for trading purposes, when it consists of cash or cash equivalents on the statement of financial position date or when the entity concerned does not have an unconditional right to defer payment for at least 12 months. Other items are non-current. A dividend does not become a liability until it has been formally approved by the General Meeting. Discontinued operations and assets held for sale are presented on separate lines as current items.

All amounts are in NOK million unless otherwise stated. Figures in parentheses are expenses or disbursements (cash flow). The functional currency of the parent company (Orkla ASA) is NOK and the Group's reporting currency is NOK.

The information in *italics* preceding the income statement, statement of financial position, statement of cash flows and notes is provided to give a more detailed explanation of the various presentations.

Consolidation policies and recognition of companies in the Group
The consolidated financial statements show the overall financial results and the overall financial position when the parent company Orkla ASA and companies in which the Group has sole control (subsidiaries) are presented as a single economic entity. All the companies that are consolidated have applied consistent accounting policies and all intercompany matters have been eliminated.

Note 2 cont.

In addition, associates and joint ventures are presented using the equity method, while any minor assets in other companies are presented at fair value, with changes in value reported in the comprehensive income statement.

Interests in companies in which the Group alone has controlling interest (subsidiaries) have been consolidated, line by line, on a 100% basis in the consolidated financial statements from the date the Group has control and are consolidated until the date that such control ends. The Group will have control if it has the power to govern the subsidiary, has exposure or rights to variable returns from the subsidiary and can affect the amount of the returns in the subsidiary. If the Group has control, but owns less than 100% of the subsidiaries, the companies are still consolidated, line by line, on a 100% basis, while the non-controlling interests' share of profit or loss after tax and their share of equity are presented on separate lines. As at 31 December 2020, no companies were consolidated in the Group based on the rules regarding de facto control, i.e. that the Group has < 50% ownership, but by virtue of the ownership composition nonetheless in fact has control.

Profit or loss from associates and joint ventures is presented on an ongoing basis as part of the Group's profit or loss. These are both presented using the equity method. This applies to interests in companies in which the Group together with others has controlling interest (joint ventures) and interests in companies where the Group has significant influence (associates). Both these categories are disclosed in Note 6.

Small ownership interests in other companies are disclosed in Note 22. These financial investments are mainly capitalised at fair value and both changes in value and any gains or losses are recognised as other items in comprehensive income.

If a material part of the Group's operations is divested, an agreement is made to divest it, or if the Group loses its controlling interest/significant influence, these operations are presented as "Discontinued operations" on a separate line in the income statement and the statement of financial position. A material part is defined as an individual segment, an individual geographical area or a substantial asset. Consequently, all other figures are presented exclusive of the "Discontinued operations". The comparative figures in the income statement are restated and aggregated with the "Discontinued operations" on one line. The comparative figures for the statement of financial position and the statement of cash flows are not restated correspondingly. If an agreement is entered into to sell operations or assets that constitute less than a segment, assets and liabilities are reported on separate lines of the statement of financial position as "Held for sale". The income statement and the statement of cash flows are not restated.

Policies for translating foreign currency

Revenues and expenses in subsidiaries with a different functional currency from that of the parent company are translated monthly at the average exchange rate for the month and accumulated. Statement of financial position items in subsidiaries with a different functional currency are translated at the exchange rate on the statement of financial position date. Translation differences arise from two different situations. The first is when an income statement with a different functional currency than that of the parent company is translated at the average monthly exchange rate, while the statement of changes in equity is translated at the closing rate. The second is when the opening and closing rates of the statement of changes in equity differ. When the average exchange rate in the income statement and the opening rate in the statement of changes in equity differ from the closing rate, translation differences arise in the explanation of changes in equity. Translation differences are recognised as other items in comprehensive income.

Translation differences related to borrowing and lending in another functional currency, identified as net investment, are also reported as other items in comprehensive income. This is shown as a separate item.

All exchange rates have been obtained from Norges Bank.

Main exchange rates on consolidation against NOK

	Average of monthly exchange rates		Closing rate 31 December	
	2020	2019	2020	2019
EUR	10.73	9.85	10.47	9.86
SEK	1.02	0.93	1.04	0.94
DKK	1.44	1.32	1.41	1.32

Transactions in foreign currencies are recognised at the exchange rate on the date of the transaction. Financial receivables and liabilities in foreign currencies are measured at the exchange rate on the statement of financial position date, and any gain/loss is reported in the income statement as a financial item. Other monetary items (e.g. accounts receivable and accounts payable) in a foreign currency are presented at the exchange rate on the statement of financial position date, and any gain/loss is reported in the income statement as an operating item.

NOTE 3 PRESENTATION OF THE FINANCIAL STATEMENTS

Key accounting policies elaborate on the basic policies applied and describe how individual items in the financial statements have been treated. All the policies are consistent with current IFRS, but choices, interpretations and adaptations must nonetheless be made which may affect the preparation and presentation of financial statements to varying degrees.

As stated by way of introduction, the disclosure of accounting policies has been presented in the relevant notes. This has been done so as to give financial statement users as clear an overview as possible when they consult the various notes.

The financial statements
The complete set of financial statements consists of an income statement, a statement of comprehensive income, a statement of financial position, a statement of cash flows and a statement of changes in equity. The financial statements present one comparative year.

The income statement presents the Group's ordinary profit or loss, is divided into lines for various income and expense items and culminates in the Group's profit or loss for the year. Orkla has chosen to present its income statement based on a traditional classification of expenses by nature.

The statement of comprehensive income is based on the Group's profit or loss for the year and presents items that are recognised in equity, but not included in ordinary profit or loss for the period. Actuarial gains and losses on pensions and gains or losses and changes in the value of share investments are recognised in equity with permanent effect, while the other items are recognised in equity temporarily and reversed when the related assets/items are sold or settled. Corresponding items in associates and joint ventures are reported in the same way.

The statement of financial position is traditionally structured, the assets section starting out with non-current assets and ending with cash and cash equivalents. Interest-bearing receivables except for cash and cash equivalents are not presented on separate lines, based on materiality considerations. The interest-bearing items are disclosed in notes. In the equity and liabilities section, a distinction is made between equity, interest-bearing and non-interest-bearing non-current and current items.

The statement of cash flows is structured using the indirect method, presenting cash flows from operating, investing and financing activities, and explains changes in "Cash and cash equivalents" in the reporting period.

Orkla also presents an Orkla-format cash flow statement in the Report of the Board of Directors and in Note 38. The bottom line of the statement shows the change in net interest-bearing liabilities. Segment information refers to this statement, as the Group's cash flows are reported and managed in this way. Cash flow from operations is an important management parameter at Orkla; see Note 7.

The statement of changes in equity presents all the items reported in equity, including items from the comprehensive income statement. Other items in addition to the latter consist of transactions relating to shareholders, such as dividends, the purchase and sale of treasury shares and transactions relating to non-controlling interests.

NOTE 4 USE OF ESTIMATES AND ASSUMPTIONS IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The preparation of financial statements entails that the executive management must make decisions on the closing date on the basis of the information and discretionary assessments available on the date in question. This may apply to estimates and assumptions relating to financial statement items or other matters that may also have a material influence on the valuation of the company. Any material change in value from 31 December and up until the time the Board of Directors approves the annual financial statements will be reflected in either the financial statements or in the notes.

Areas of greatest estimate uncertainty

The management has made use of estimates and assumptions in preparing the consolidated financial statements. This applies to assets, liabilities, revenues, expenses and supplementary information related to contingent liabilities.

Fair value assessments are affected by estimates of required rates of return. The required rate of return is determined by using the capital asset pricing model and is affected by estimates of risk-free interest and risk premium.

Most statement of financial position items will be affected to some degree by estimate uncertainty. This is disclosed in the respective notes. Some areas are substantially affected by estimate uncertainty, and the areas where estimates will have the greatest significance will be:

Amounts in NOK million

Accounting item	Note	Estimate/assumptions	Book value
Goodwill	18, 19	Net present value future cash flows/NSV[1]	17 365
Trademarks with indefinite life	18, 19	Net present value future cash flows/NSV[1]	6 226
Property, plant and equipment	18, 20	Net present value future cash flows/NSV[1]	14 983
Leases	21	Lease period, renewal options and net present value future cash flows	1 291
Discounts, reduction in prices of seasonal goods, etc.	9, 27	Estimated need for provision in line with agreements	1 745
Provisions for liabilities and other non-current liabilities	26	Estimated need for provision based on incurred liabilities and estimated exposure	630

[1]NSV: Net sales value

The areas where there is the greatest risk of material changes are capitalised goodwill and trademarks with an indefinite useful life. This is because the amounts involved are substantial and the value of the asset is based on recognition policies from purchase price allocations which can subsequently be affected by a change in value. Valuations relating to these non-current assets are described in Note 18. It is important to be aware that proprietary trademarks are not capitalised and consequently do not entail any risk in relation to the statement of financial position. Some Orkla businesses have been impacted by the coronavirus pandemic and the situation is being closely monitored with regard to indications of a need for write-downs.

The valuation and estimated useful life of property, plant and equipment are based on future information and will always involve a degree of uncertainty. Especially in a situation where the Group is planning major changes in its manufacturing structure and number of production sites, there will be extra focus on the assessments made of different production facilities. The various production sites are routinely assessed based on a going concern approach, but in a situation where a change in organisational structure could mean that some plants will be closed or reorganised, these assessments will have to be changed on an ongoing basis and could lead to the identification of both net book value surpluses and net book value deficits.

The Group's decision to invest in a common ERP platform for Orkla Foods, Orkla Confectionery & Snacks and Orkla Care, as well as a common ERP platform for Orkla Food Ingredients, may make it necessary to change the useful life of or write down some currently used IT systems. A valuation of the IT systems concerned will be made on the date the various companies formally confirm their investment in a new ERP system. In 2020, a total of NOK 437 million in write-downs and expenses were recognised for the ERP platforms developed. This is disclosed in Note 14.

In Branded Consumer Goods, discounts amount to a substantial total. The discounts do not appear directly in the financial statements. It is net turnover after discounts that is presented as the Group's operating revenues. The majority of the discounts are netted in the invoices. Provisions are made for the share of discounts that are not netted directly in the invoice. Discounts for which provisions are made are reported as a current liability and totalled NOK 1.7 billion as at 31 December 2020. Discounts for which provisions are made are related to contractual arrangements that are largely based on agreements with chains and reported sales. The discount structure is complex and discounts are calculated on the basis of various discount matrices and

Note 4 cont.

agreements, and entail an inherent risk of estimate variance.

Other sales revenue reductions such as reductions in the price of seasonal goods, etc. must be estimated, due to the fact that externally-sourced data will not be available until after the financial statements have been prepared and presented. These arrangements also entail an inherent risk of estimate variance. There have been no material variances between provisions for and actually reported sales revenue reductions in the past few years.

After the sale of its stake in Sapa in 2017, Orkla retained certain liabilities arising from its former ownership. These are primarily liabilities related to guarantees and specific indemnities given to Norsk Hydro. The remaining provision as at 31 December 2020 is deemed to be sufficient to cover Orkla's remaining liabilities; see Note 26.

Other estimates and assumptions are disclosed in various notes, and any information that is not logically included in other notes is presented in Note 37.

Looking ahead

Future events and changes in operating parameters may make it necessary to change estimates and assumptions. Orkla's partnership agreements with customers are mainly entered into for limited periods of time, as is the case for the rest of the industry. The parameters for the partnership are thus normally renegotiated at regular intervals. These negotiations can result in changes in both the conditions and positions covered by the individual partnership agreement. Agreements with individual customers are normally entered into by the Orkla companies (business units).

New standards, statements and interpretations of current standards may result in changes in the choice of accounting policies and presentation. Such changes will be recognised in the financial statements when new estimates are prepared and whenever new requirements regarding presentation are introduced.

At the time the Annual Financial Statements for 2020 were prepared and presented, there were no changes in standards or interpretations of standards issued but not yet effective, which are expected to have a material impact on the consolidated financial statements.

Exercise of judgement

The financial statements may be affected by the choice of form of presentation, accounting policies and exercise of judgement. This applies, for instance, to items that only to a limited degree are reliable measures of the Group's current earnings. These items are presented as "Other income" and "Other expenses" in the income statement. The items are included in the Group's operating profit, but not in EBIT (adj.) broken down by segment.

Assessments regarding the recognition of leases may also entail exercise of judgement. This applies, for instance, when assessing whether renewal options should be recognised as well as whether a distinction should be made between leases and service agreements.

Profit or loss from associates and joint ventures is presented after operating profit/loss as these companies are reported as an investment.

SUSTAINABILITY

The global challenges related to climate change, resource scarcity, nutrition and health affect Orkla's activities in the form of a risk of changes in raw material availability, costs, consumer preferences and political framework conditions. The Group monitors developments closely through an active dialogue with stakeholders and ongoing analyses. Orkla's sustainability strategy covers the topics considered particularly important for the Group based on a combined sustainability and business perspective. Through its sustainability work, Orkla's ambition is to contribute towards achieving the global sustainability goals, ensure effective risk management and exploit sustainability-related opportunities to create growth, trust and long-term profitability. The business risk for Orkla related to the global sustainability challenges is described in greater detail in the Sustainability Report .

NOTE 5 DISPOSALS AND ACQUISITIONS OF COMPANIES AND MATERIAL ASSETS

Sales and purchases of companies affect the comparison with the previous year's figures, and the changes in the various notes must be seen in the light of this factor. Purchased companies are presented in the financial statements from the date on which control transfers to the Group. Sold companies, which are not covered by the rules regarding "Discontinued operations", cease to be included in the financial statements from the date the Group no longer has control.

ACCOUNTING POLICIES

Disposals of companies
When a business is divested, the gain is measured as the difference between the selling price and the company's booked equity, minus any remaining excess value related to the business. Any sales expenses incurred will reduce the gain/increase the loss. Accumulated translation differences and any hedging reserves related to the divested business will be recognised in the income statement as part of the gain/loss, with a corresponding contra entry in other items in comprehensive income. The gain will be reported before tax and the business's associated tax will be recognised on the tax line of the income statement. The real gain is reflected in the sum total of the gain and the tax. If the sold business qualifies for recognition as "Discontinued operations", all the effects associated with the gain will be reported on the line for "Discontinued operations" in the income statement.

Acquisitions of companies
Business combinations are accounted for using the acquisition method. When a subsidiary is acquired, a fair value assessment is carried out, and assets and liabilities are valued at their fair value at the time of acquisition. The residual value in the acquisition will be goodwill. The acquisition is reported in the financial statements from the date the Group has control. The date of control is normally the date on which the acquisition agreement takes effect and has been approved by all the relevant authorities and will normally be after the contract date. If there are non-controlling interests in the acquired company, these will receive their share of allocated assets and liabilities, except for goodwill. Transactions with the non-controlling interests will be recognised in equity. In companies where the Group already owned interests prior to the business combination, any change in the value of earlier interests will be recognised in the income statement. The Group's equity will therefore be affected by the fact that the assets are repriced as if the entire acquisition had been made at this time. The same procedure will in principle be carried out in connection with the establishment of a joint venture and with the acquisition of an associate. However, these are not considered to be business combinations because the Group does not obtain control. M&A costs and subsequent integration costs are recognised as "Other expenses".

Disposal of companies
In the fourth quarter of 2020, Orkla Care Polen sold the company's skin care business in Poland. The purpose of the sale was to simplify the portfolio and concentrate Orkla's Polish operations on the health, wound care and personal care categories. The agreement concerned the sale of the Soraya and Dermika brands, 145 persons employed in the business and the production facilities in Radzymin including production equipment. Orkla's Polish skin care business became a part of Orkla Care Polen through the acquisition of Cederroth in 2015. Orkla's net sales revenues from the divested business totalled PLN 56 million (approx. NOK 144 million) in 2019. The sale was approved by the relevant competition authorities and completed on 31 December 2020. This sale had no material effect on profit or loss.

In December 2020, an agreement was also entered into on the sale of the Danish pizza restaurant chain Gorm's, entailing a reduction of Orkla's ownership interest from 66.67% to 19.99%. In total, NOK 89 million was expensed in write-downs and translation differences related to Gorm's in 2020 on the line for "Other expenses"; see also the information disclosed in Note 14.

In July 2020, Orkla Foods Norge sold the Vestlandslefsa brand. The purpose of the sale was to simplify the portfolio and concentrate production at Stranda on pizza. The agreement covered the disposal of the Vestlandslefsa brand, including recipes and production equipment, in addition to the Li-Klenning brand. Orkla's net sales revenues from the divested lefse products totalled around NOK 20 million in 2019. The agreement entered into force as of 6 July 2020. The transaction generated a gain of NOK 16 million, which was recognised in the income statement as "Other income"; see Note 14.

Orkla Foods Norge also sold the SaritaS brand to the newly established company Indian Gourmet AS in March 2020. The agreement covered the full disposal of the SaritaS brand, including a product portfolio of sauces and ready meals. The agreement entered into force on 2 March 2020. The transaction generated a gain of NOK 5 million, which was recognised in the income statement on the line "Other income"; see also Note 14.

In December 2020, Orkla sold its shareholding (51%) in Italiensk Bakeri AS with no material profit effect.

In 2020, Orkla sold a shareholding (20%) in the company Sandakerveien 56 to a business partner. Because this was a sale of a minority share, this transaction is only presented as an equity transaction.

Note 5 cont.

Orkla Eiendom sold its shares in Orkla's associates Alkärrsplans Utvecklings AB and Andersen & Mørch AS; see Note 6.

Acquisition of companies
Orkla Foods signed and completed an agreement with PepsiCo, Inc. ("PepsiCo") on the purchase of the Havrefras brand, including Rug Fras and Mini Fras, which holds a strong market position in Scandinavia in healthy breakfast cereals. Orkla has distributed the Havrefras products on behalf of PepsiCo in Norway, Sweden and Denmark. The Havrefras products are market leaders in healthy breakfast cereals in Denmark and Sweden and are number two in Norway. The acquisition of Havrefras is in line with Orkla's strategy to further develop a portfolio with a strong health profile. The agreement, which includes no employees or production facilities, came into effect as of 1 June 2020.

Orkla Care acquired 100% of the shares in Norgesplaster Holding AS ("Norgesplaster"). The company holds good market positions in wound care and first aid equipment, and through the purchase of Norgesplaster Orkla Wound Care has strengthened its presence in the pharmacy channel and the market for first aid products. The product portfolio is chiefly marketed under the Norgesplaster and Snøgg brands, and sold primarily in the pharmacy channel, B2B, through distributors and as exports. The company has 66 employees. The company was consolidated into Orkla's financial statements as of 1 April 2020.

Orkla Food Ingredients 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 production of soft serve ice cream, milkshakes and frozen yoghurt to cafes, restaurants, bakeries, convenience stores and petrol stations and others. The company has 30 employees. The company was consolidated into Orkla's financial statements as of 1 February 2020.

Orkla Food Ingredients acquired 100% of the shares in the sales and distribution company Gortrush Trading Ltd. ("Gortrush"). Gortrush is a well-established supplier of ice cream ingredients and accessories to wholesalers, ice cream parlours and distributors in Ireland, Northern Ireland and the rest of the UK. The company has 13 employees. The company was consolidated into Orkla's financial statements as of 1 December 2020.

Orkla Food Ingredients also acquired the remaining 15% of the shares in the British sales and distribution company Orchard Valley Foods. Orkla purchased 85% of the shares in 2017, at the same time entering into an option agreement on the purchase of the remaining 15% interest; see also Note 14.

Some minor acquisitions and disposals were otherwise made of ownership interests in companies that are part of Orkla's venture portfolio; see Note 22.

In 2020, Orkla acquired a 24.9% interest in the raw material producer Arctic Seaweed AS as part of Orkla's investment in seaweed; see Note 6 for more information on associates.

Other matters relating to purchase price allocations
Capitalised goodwill related to acquisitions comprises synergies, assets related to employees, other intangible assets that do not qualify for separate capitalisation, future excess earnings and the fact that deferred tax in accordance with IFRS is not discounted.

As regards the acquisitions completed in 2020, the purchase price allocation for Win Equipment has been finalised. No other purchase price allocations had been finalised as at 31 December 2020, due to uncertainty attached to certain valuation factors. There are no variable payments for any of the acquisitions completed in 2020.

The purchase price allocations for all companies acquired in 2019 were completed in 2020. No material changes were made in the purchase price allocations.

Operating revenues and EBIT (adj.) for the largest acquisitions, before and after the acquisition, are presented in the table on the next page.

A total of NOK 78 million (NOK 94 million in 2019) was expensed in acquisition costs in 2020.

Orkla has entered into agreements to acquire companies that had not been completed as at 31 December 2020. These acquisitions are disclosed in Note 39 "Events after the balance sheet date".

E ESTIMATE UNCERTAINTY

In company acquisitions, the assets taken over are valued at fair value at the time of purchase. The various assets are valued on the basis of different models, and goodwill is the residual in this type of purchase price allocation. Errors in estimates and assumptions can lead to an error in the split of the value between the various assets, but the sum of the total value surplus will always be consistent with the purchase price paid.

Note 5 cont.

Acquired companies Amounts in NOK million	Acquisition			Allocation of excess and deficit values					Operating revenues		EBIT (adj.)	
	Date of control	Interest (%) after acquisition	Acquisition cost	Trade-marks	Property, plant and equipment	Other	Deferred tax	Goodwill	After acquisition date	Before acquisition date	After acquisition date	Before acquisition date
2020												
Havrefras trademark, Orkla Foods	June	100%	350	-	-	-	-	-	-	-	-	-
Norgesplaster, Orkla Care	April	100%	241	32	-	-	(6)	159	114	47	11	4
Win Equipment, Orkla Food Ingredients	February	70%	38	-	-	-	-	32	48	1	3	(1)
Gortrush, Orkla Food Ingredients	December	100%	30	-	-	-	-	21	3	54	0	11
Orchard Valley Foods (remaining 15% share), Orkla Food Ingredients	January	100%	46	-	-	-	-	-				
Acquisitions at enterprise value			**705**	**32**	**0**	**0**	**(6)**	**212**				
Investments in associates and joint ventures (see Note 6)			5									
Purchase of other shares			23									
Acquisitions in segments, enterprise value (see Note 38)			**733**									
Interest-bearing liabilities acquisitions			(33)									
Cash flow effect acquisitions[1]			**700**									
2019												
Kotipizza Group, Orkla Consumer Investments	February	100%	1 547	431	-	(8)	(85)	1 146	982	83	82	5
Easyfood, Orkla Foods	May	90%[2]	398	-	-	(1)	-	310	293	141	18	9
Kanakis, Orkla Food Ingredients	April	80%	191	-	-	-	-	104	174	46	22	4
Anza Verimex, Orkla Consumer Investments	October	100%	168	-	-	-	-	274[3]	43	140	9	30
Vamo, Orkla Food Ingredients	September	100%	148	-	4	(2)	-	102	44	84	5	10
Confection By Design, Orkla Food Ingredients	July	100%	131	-	-	-	-	108	33	36	9	12
Risberg, Orkla Food Ingredients	June	100%	112	-	-	(2)	-	98	44	33	10	7
Other acquisitions			227	10	-	(7)	(5)	56				
Acquisitions at enterprise value			**2 922**	**441**	**4**	**(20)**	**(90)**	**2 198**				
Investments in associates and joint ventures (see Note 6)			115									
Purchase of other shares			26									
Acquisitions in segments, enterprise value (see Note 38)			**3 063**									
Interest-bearing liabilities acquisitions			(205)									
Cash flow effect acquisitions[1]			**2 858**									

[1]Equivalent to compensation for equity adjusted for cash and cash equivalents. Cash and cash equivalents in acquisitions totalled NOK 30 million in 2020 (NOK 275 million in 2019).
[2]The company has been recognised on a 100% basis due to option agreements entered into at the time of acquisition.
[3]Includes goodwill carried in the company's statement of financial position before the acquisition of the remaining 50% of the shares in Anza Verimex.

Note 5 cont.

Acquired companies statement of financial position

Amounts in NOK million	Total 2020 Fair value	2020 Norgesplaster	Total 2019 Fair value
Property, plant and equipment	15	10	385
Intangible assets	383	33	474
Inventories	50	32	239
Receivables	55	42	347
Assets	503	117	1 445
Provisions	(7)	(7)	(92)
Non-current liabilities, non interest-bearing	24	-	(85)
Current liabilities, non interest-bearing	(47)	(28)	(311)
Non-controlling interests	(3)	-	45
Net assets	470	82	1 002
Goodwill	213	159	2 198
Total acquisition cost at enterprise value	683	241	3 200
Paid more than estimated purchase price	22	-	-
Previous ownership interest in acquired companies	-	-	(278)
Acquisition cost at enterprise value 2020	705	241	2 922

SUSTAINABILITY

In 2020, Orkla invested in companies that increase the Group's ability to promote sustainable consumption. Through its purchase of Norgesplaster, Orkla Wound Care strengthened its position in wound care and first aid products. Through the establishment of the company Orkla Ocean and the purchase of an ownership interest in raw material producer Arctic Seaweed AS, Orkla is contributing to the development of seaweed as a new sustainable growth industry; see Note 6. Seaweed binds large amounts of CO_2 and could help to solve climate challenges. It could also make an important contribution to increasing global food production, in addition to being naturally rich in beneficial nutrients. Orkla Ocean will be a centre of expertise for developing, researching and commercialising seaweed in the European market.

NOTE 6 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates and joint ventures are investments in companies where the Group has significant, but not controlling influence on its own. In order to present the financial performance of such companies, they are consolidated on a single line of the income statement and the statement of financial position using the equity method.

ACCOUNTING POLICIES

The equity method
Investments in associates are investments in companies in which the Orkla Group has significant influence by virtue of its ownership interest. These are usually companies in which Orkla owns a 20-50% stake. Joint ventures are investments in companies where the Group, together with others, has controlling influence. Both associates and joint ventures are accounted for using the equity method. The Group presents its share of the companies' results after tax and non-controlling interests on a separate line in the income statement and accumulates the results reported for the share on a single line in the statement of financial position. Any value surplus that is to be depreciated is deducted from profit according to the same policies as for consolidated companies. Goodwill is not depreciated. Dividends received are reported against the ownership interest in the statement of financial position and are regarded as repayment of capital. The value presented in the statement of financial position thus represents the original cost price plus profit or loss accumulated up to the present date, minus any depreciation of value surpluses and accumulated dividends received. Account is also taken of the share of any translation differences and other equity transactions. Any write-downs of the value of the ownership interest are presented on the same line.

Associates and joint ventures
Orkla's 42.6% interest in Jotun is presented as an associate; see the separate section below. In addition to the companies commented on below, Orkla has only some smaller associates.

Orkla aims to develop seaweed as a new sustainable growth industry and has established the company Orkla Ocean. Through the new company, Orkla has purchased a 24.9% ownership interest in the raw material producer Arctic Seaweed AS. The company was established in 2016 and has developed and patented a technology that is gradually being rolled out at several facilities along the western coast of Norway.

Orkla Eiendom sold its shares in the associates Alkärrsplans Utvecklings AB and Andersen & Mørck AS in 2020. Gains of NOK 14 million and NOK 15 million, respectively, were taken to income on these two transactions.

Figures for associates and joint ventures which do not report in accordance with IFRS are restated prior to inclusion in the consolidated financial statements. Orkla has no contingent liabilities, either on its own or jointly with other investors, in associates or joint ventures.

Associates and joint ventures

Amounts in NOK million	Jotun	Other	Total
Book value 1 January 2019	3 530	319	3 849
Additions/disposals	-	(177)	(177)
Share of profit/loss	625	34	659
Dividends	(182)	(2)	(184)
Items charged to equity	29	-	29
Book value 31 December 2019	4 002	174	4 176
Additions/disposals	0	(62)	(62)
Share of profit/loss	970	1	971
Gain on sale	-	29	29
Dividends	(233)	-	(233)
Translation differences	-	9	9
Items charged to equity	(91)	-	(91)
Book value 31 December 2020	4 648	151	4 799
Cost price 31 December 2020	189		
Ownership interest	42.6%[1]		

[1]The Group has 38.4% of the voting rights in Jotun.

Note 6 cont.

Jotun

Jotun is one of the world's leading manufacturers of paints and powder coatings, with 58 subsidiaries, three joint ventures and five associates. Jotun has 38 production plants distributed across all of the world's continents. Jotun's activities consist of the development, manufacture, marketing and sale of various paint systems for the residential, shipping and industrial sectors. Jotun is divided into four segments: Decorative Paints, Marine Coatings, Protective Coatings and Powder Coatings.

The cost price for Jotun is NOK 189 million, while the carrying value using the equity method is NOK 4,648 million. Orkla's ownership interest (42.6%) serves as the basis for recognition using the equity method, while Orkla has 38.4% of the voting rights. Orkla owns 42,203 A shares and 103,446 B shares in the company. An A share carries 10 times as many votes as a B share.

Jotun is a family-controlled group, and Orkla has been an active minority shareholder in Jotun for approx. 50 years. The value of Orkla's interest in Jotun must be seen in the light of this situation. An internal valuation of Jotun substantiates that there are considerable value surpluses in Orkla's investment in Jotun in relation to its carrying value.

The following tables show 100% figures for Jotun.

Items in the income statement and statement of financial position

Amounts in NOK million	2020	2019
Operating revenues	21 070	19 652
Operating profit/loss	3 489	2 320
Profit/loss after tax and non-controlling interests	2 280	1 468
Other comprehensive income after non-controlling interests	2 044	1 487
Non-current assets	9 762	9 137
Current assets	10 812	9 998
Total assets	20 574	19 135
Non-current liabilities	3 675	3 939
Current liabilities	5 771	5 613
Total liabilities	9 446	9 552

Reconcilation of equity Jotun against Orkla's share

Amounts in NOK million	2020	2019
Equity in Jotun	11 128	9 584
Non-controlling interests	326	280
Owners of the parent's equity	10 802	9 304
Orkla's share of equity (42.6%)	4 648	4 002

NOTE 7 SEGMENTS

In the segment information, sales revenues, organic growth, profit and loss, cash flows and capital employed, together with operating margin and the number of man-years, are broken down between the different business areas. Sales revenues are also broken down geographically based on the customer's location.

Branded Consumer Goods

Orkla Foods offers well-known local branded products to consumers in the Nordics, Baltics, Central Europe and India. The business area holds leading market positions in a number of categories, including frozen pizza, ketchup, soups, sauces, bread toppings and ready-to-eat meals. A steadily growing percentage of sales comes from plant-based food products. Orkla Foods primarily sells its products through the grocery retail trade, but also holds strong positions in the Out of Home, convenience store and petrol station sectors. Norway and Sweden are Orkla Foods' two largest markets.

Orkla Confectionery & Snacks holds strong number one and number two positions in the confectionery, biscuits and snacks categories, with well-known local brands and tastes in Norway, Sweden, Denmark, Finland, Latvia and Estonia. The business area also develops bran and crispbread products, as well as healthy, high-energy snack meals. Its turnover chiefly comes from the Nordic and Baltic markets. Norway is its largest single market.

Note 7 cont.

Orkla Care consists of business units which serve home markets in the Nordics, Baltics, Poland and Spain, in addition to making substantial export sales outside the home markets. The two largest business units are Orkla Home & Personal Care which holds leading positions in personal care and cleaning products, and Orkla Health, which has strong dietary supplement, sports nutrition and weight control brands. Orkla Care is also well positioned in several European countries with Orkla Wound Care in wound care products and first aid equipment. HSNG runs the e-commerce portals Gymgrossisten and Bodystore, and is the biggest online player in the Nordics in the health and sports nutrition category.

Orkla Food Ingredients manufactures, sells and distributes ingredients and products to the bakery and ice cream markets in 23 countries. The Nordic region accounts for around half of the sales. Artisanal and industrial bakeries are the largest customer group, with around 65% of sales. Sales of ice cream ingredients account for around 15%, and around 20% are sales directly to consumers under well-known brands. The biggest product categories are margarine and butter blends, bread and cake improvers and mixes, yeast, marzipan and ice cream ingredients.

Orkla Consumer Investments consists of Orkla's painting tool businesses (Orkla House Care), basic garments sold through the grocery retail trade (Pierre Robert Group), professional cleaning (Lilleborg) and restaurant businesses (Kotipizza Group). The businesses operate primarily in the Nordic countries, but the UK is also an important market for Orkla House Care. Orkla Consumer Investments is part of the Orkla Consumer & Financial Investments business area.

Headquarters (HQ)

Activities at Orkla HQ 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 and Compliance, EHS, Group Finance, Orkla IT, Strategy and M&A, Group Sales, Digital Sales and Amazon Lead Team, Orkla Marketing & Innovation and Orkla Group Procurement. HQ is presented as a separate segment, but is shown as a sum total together with Branded Consumer Goods. Most of the activities at Orkla HQ are related to Branded Consumer Goods.

Industrial & Financial Investments

Orkla has investments outside Branded Consumer Goods, which are organised under Industrial & Financial Investments. The business area comprises Hydro Power and Financial Investments, in addition to the associate Jotun (42.6% interest); see Note 6. Industrial & Financial Investments are part of the Orkla Consumer & Financial Investments business area.

Hydro Power consists of wholly-owned power plants in Sarpsfoss and leased power plants through Orkla's 85% interest in AS Saudefaldene. The power operations in Sauda are regulated by a lease with Statkraft that runs until 31 December 2030. The energy operations produce and supply power to the Nordic power market and mean annual production (2011-2020) totals 2.5 TWh, of which around 1.1 TWh is a fixed delivery commitment with a net effect of zero on profit. See also Note 34.

Financial Investments consists of Orkla Eiendom and Orkla Ventures. Orkla Eiendom concentrates on investment in and development and sales of real estate properties primarily related to Orkla's activities. Orkla Eiendom also runs the Group's new headquarters which was completed in February 2019. Orkla Ventures was established in 2017 to reach out to a growing universe of entrepreneurial businesses and start-up companies. The purpose of Orkla Ventures is to invest in technology, concepts and business models that might be relevant for Orkla's businesses. Besides offering risk capital, Orkla provides both expertise and collaboration in relevant parts of the value chain. Investments will initially be made in the Nordic and Baltic regions, in line with Orkla's other core activities.

Further information on the individual business areas:
For a complete overview of Orkla companies, reference is made to page 296.

Note 7 cont.

Ⓟ ACCOUNTING POLICIES

Orkla has business areas as operating segments, which correspond to the way in which the business areas report figures to the Group Executive Board (chief operating decision maker), but are limited to an expedient number. See also the comments related to the Orkla Foods and Orkla Consumer & Financial Investments business areas in this note.

Sales revenues are broken down by geographical market based on the customer's location. The accounting policies on which segment reporting is based are the same as for the rest of the consolidated financial statements.

Transactions between different segments are priced on market terms. Orkla ASA provides services to the companies in the Orkla Group and charges them for these services based on the aforementioned policies.

Breakdown of segments

Orkla's business areas are reported as operating segments. Internally, the Orkla Foods operating segment has been reported as two segments, Orkla Foods Nordic & Baltics and Orkla Foods International. Externally, however, these two business areas have been presented as a single operating segment based on the rules regarding similar operating segments. Orkla Foods Nordic & Baltics and Orkla Foods International are primarily located in Europe and within the EU/EEA regime. This means that they largely have the same framework conditions. Products, production processes and types of customer are generally identical, and goods are distributed in the same way. Margins and future economic assumptions will vary in different markets and for different products, but the general economic criteria in a regulated market in Europe are mainly expected to show a similar financial trend in the long term. As of January 2021, Orkla Foods Nordic & Baltics and Orkla Foods International will be merged into a single unit internally as well.

The Orkla Consumer & Financial Investments business area is split into three operating segments. Orkla Consumer Investments consists of Branded Consumer Goods businesses and these businesses are reported as part of Branded Consumer Goods. Industrial & Financial Investments are investments outside Branded Consumer Goods and consist of the operating segments Hydro Power and Financial Investments.

Income statement items in the segment information

The segment information tables show sales broken down by geographical market, based on the customers' location. The products and services from which revenues are generated are specified in the description on the previous page. Orkla has three customers who each account for around 6-8% of turnover in Branded Consumer Goods.

Operating profit in the segment information is equal to the operating profit/loss in the consolidated income statement. Operating costs in the segment presentation are equal to the sum total of costs of goods sold, payroll costs and other operating costs. The Orkla Group has a centralised finance function, and the funding of the various segments does not necessary reflect the true solidity of each segment. Financial items are therefore presented for the Group as a whole. The same applies to taxes. Cash flow figures are taken from the Orkla-format cash flow statement; see Note 38. The breakdown of non-controlling interests' share of profit/loss for the period is presented in Note 33.

Statement of financial position items in the segment information

Statement of financial position items covered by Orkla's definition of capital employed are broken down by segment in this note. Capital employed represents net capitalised working capital in the different segments. This is an important measurement parameter in Orkla with regard to the breakdown of capital between the different segments. Net working capital is closely monitored in order to reduce the funds tied up in capital in the Group companies; see also the description of financial targets on page 8.

Net working capital is defined in a separate table below.

Specification net working capital Branded Consumer Goods incl. HQ

Amounts in NOK million	2020	2019
Trade receivables	6 237	6 062
Other current receivables	711	729
Inventories	6 530	5 868
Trade payables	(6 512)	(5 573)
Value added tax, employee taxes etc.	(982)	(845)
Other current liabilities	(2 105)	(1 975)
Net working capital	3 879	4 266

Figures showing the geographical breakdown of capital employed, investments in owned property, plant and equipment and number of man-years are also presented; see Note 8.

Note 7 cont.

Segments 2020

Amounts in NOK million	Orkla Foods	Orkla Confectionery & Snacks	Orkla Care	Orkla Food Ingredients	Orkla Consumer Investments	HQ	Elimin-ations	Branded Consumer Goods incl. HQ	Hydro Power	Financial Investments	Elimin-ations	Orkla
REVENUES/PROFIT/LOSS												
Norway	4 791	2 111	2 228	1 139	1 250	7	-	**11 526**	493	-	-	**12 019**
Sweden	5 133	1 562	1 601	1 764	239	1	-	**10 300**	-	1	-	**10 301**
Denmark	1 421	651	612	1 963	150	-	-	**4 797**	-	-	-	**4 797**
Finland and Iceland	1 096	1 261	681	706	1 288	-	-	**5 032**	-	-	-	**5 032**
The Baltics	571	1 166	79	381	15	-	-	**2 212**	-	-	-	**2 212**
Rest of Europe	3 863	358	1 200	4 374	872	16	-	**10 683**	-	-	-	**10 683**
Rest of the world	1 276	50	446	126	17	3	-	**1 918**	-	-	-	**1 918**
Sales revenues	18 151	7 159	6 847	10 453	3 831	27	-	**46 468**	493	1	-	**46 962**
Other operating revenues	11	5	31	21	7	19	-	**94**	26	55	-	**175**
Intercompany sales	139	7	27	222	9	598	(982)	**20**	-	68	(88)	**-**
Operating revenues	18 301	7 171	6 905	10 696	3 847	644	(982)	**46 582**	519	124	(88)	**47 137**
Organic growth (Branded Consumer Goods)	*3.7%*	*2.0%*	*9.2%*	*-5.9%*	*2.1%*			*1.6%*				
Operating expenses	(14 943)	(5 653)	(5 714)	(9 855)	(3 272)	(904)	982	**(39 359)**	(344)	(86)	88	**(39 701)**
Depreciation	(717)	(315)	(172)	(341)	(171)	(67)	-	**(1 783)**	(133)	(28)	-	**(1 944)**
EBIT (adj.)	2 641	1 203	1 019	500	404	(327)	-	**5 440**	42	10	-	**5 492**
Other income and expenses	(214)	36	(48)	(86)	(217)	(388)	-	**(917)**	-	(13)	-	**(930)**
Operating profit/loss	2 427	1 239	971	414	187	(715)	-	**4 523**	42	(3)	-	**4 562**
CASH FLOW (see Note 38)												
Cash flow from operations	2 506	1 296	1 022	709	504	(686)	-	**5 351**	88	(1)	-	**5 438**
Of this replacement expenditures	(759)	(433)	(262)	(511)	(139)	(147)	-	**(2 251)**	(57)	(23)	-	**(2 331)**
Expansion investments	(297)	(22)	(9)	(141)	(10)	-	-	**(479)**	-	-	-	**(479)**
CAPITAL EMPLOYED												
Net working capital	1 609	207	801	1 137	237	(112)	-	**3 879**	18	67	-	**3 964**
Investments in associates and joint ventures	78	-	-	-	29	37	-	**144**	-	4 655	-	**4 799**
Intangible assets	9 318	5 279	4 727	2 363	2 475	28	-	**24 190**	19	-	-	**24 209**
Property, plant and equipment	5 419	2 326	1 088	2 508	560	693	-	**12 594**	1 967	1 713	-	**16 274**
Pension liabilities, net	(1 012)	(267)	(364)	(202)	(16)	(663)	-	**(2 524)**	(17)	(3)	-	**(2 544)**
Deferred tax, excess values	(420)	(427)	(150)	(10)	(130)	-	-	**(1 137)**	-	(4)	-	**(1 141)**
Capital employed	14 992	7 118	6 102	5 796	3 155	(17)	-	**37 146**	1 987	6 428	-	**45 561**
KEY FIGURES												
Operating margin EBIT (adj.)	14.4%	16.8%	14.8%	4.7%	10.5%	-	-	**11.7%**	8.1%	-	-	**11.7%**
Total man-years 31 December	7 468	2 711	1 927	3 650	1 228	346	-	**17 330**	45	13	-	**17 388**

Note 7 cont.

Segments 2019

Amounts in NOK million	Orkla Foods	Orkla Confectionery & Snacks	Orkla Care	Orkla Food Ingredients	Orkla Consumer Investments	HQ	Elimin-ations	Branded Consumer Goods incl. HQ	Hydro Power	Financial Investments	Elimin-ations	Orkla
REVENUES/PROFIT/LOSS												
Norway	4 706	1 878	1 986	1 065	1 164	7	-	**10 806**	794	4	-	**11 604**
Sweden	4 466	1 378	1 263	1 619	219	-	-	**8 945**	-	1	-	**8 946**
Denmark	1 256	693	519	1 900	186	-	-	**4 554**	-	-	-	**4 554**
Finland and Iceland	978	1 097	560	715	1 156	-	-	**4 506**	-	-	-	**4 506**
The Baltics	521	1 155	67	366	11	-	-	**2 120**	-	-	-	**2 120**
Rest of Europe	3 608	354	1 126	4 322	609	12	-	**10 031**	-	4	-	**10 035**
Rest of the world	1 130	43	312	102	28	1	-	**1 616**	-	-	-	**1 616**
Sales revenues	16 665	6 598	5 833	10 089	3 373	20	-	**42 578**	794	9	-	**43 381**
Other operating revenues	9	8	23	20	5	24	-	**89**	32	113	-	**234**
Intercompany sales	102	6	31	183	7	534	(846)	**17**	-	60	(77)	**-**
Operating revenues	16 776	6 612	5 887	10 292	3 385	578	(846)	**42 684**	826	182	(77)	**43 615**
Organic growth (Branded Consumer Goods)	*1.8%*	*4.6%*	*0.0%*	*0.6%*	*-3.4%*			*1.3%*				
Operating expenses	(13 860)	(5 225)	(4 874)	(9 379)	(2 946)	(879)	846	**(36 317)**	(393)	(151)	77	**(36 784)**
Depreciation	(640)	(293)	(158)	(287)	(142)	(61)	-	**(1 581)**	(141)	(21)	-	**(1 743)**
EBIT (adj.)	2 276	1 094	855	626	297	(362)	-	**4 786**	292	10	-	**5 088**
Other income and expenses	(159)	(73)	(196)	(85)	(223)	(56)	-	**(792)**	-	231	-	**(561)**
Operating profit/loss	2 117	1 021	659	541	74	(418)	-	**3 994**	292	241	-	**4 527**
CASH FLOW (see Note 38)												
Cash flow from operations	2 649	1 061	902	568	348	(730)	-	**4 798**	276	(141)	-	**4 933**
Of this replacement expenditures	(504)	(318)	(172)	(389)	(180)	(368)	-	**(1 931)**	(162)	(194)	-	**(2 287)**
Expansion investments	(424)	(26)	(17)	(164)	-	-	-	**(631)**	-	-	-	**(631)**
CAPITAL EMPLOYED												
Net working capital	1 600	344	847	1 425	323	(273)	-	**4 266**	4	62	-	**4 332**
Investments in associates and joint ventures	78	-	-	-	27	37	-	**142**	-	4 034	-	**4 176**
Intangible assets	8 765	4 974	4 236	2 125	2 547	60	-	**22 707**	19	1	-	**22 727**
Property, plant and equipment	5 027	2 121	1 028	2 164	610	764	-	**11 714**	2 042	1 646	-	**15 402**
Pension liabilities, net	(907)	(233)	(322)	(178)	(34)	(632)	-	**(2 306)**	(17)	(3)	-	**(2 326)**
Deferred tax, excess values	(421)	(403)	(132)	(8)	(100)	-	-	**(1 064)**	-	(4)	-	**(1 068)**
Capital employed	14 142	6 803	5 657	5 528	3 373	(44)	-	**35 459**	2 048	5 736	-	**43 243**
KEY FIGURES												
Operating margin EBIT (adj.)	13.6%	16.5%	14.5%	6.1%	8.8%	-	-	**11.2%**	35.4%	-	-	**11.7%**
Total man-years 31 December	7 488	2 825	1 839	3 541	1 352	580	-	**17 625**	47	20	-	**17 692**

NOTE 8 GEOGRAPHICAL BREAKDOWN OF CAPITAL EMPLOYED, INVESTMENTS AND NUMBER OF MAN-YEARS

Capital employed, investments and number of man-years are broken down by geographical markets based on the location of the companies. The note shows to what extent and in which countries/areas the Orkla Group has a physical presence.

	Capital employed		Investments[1]		Number of man-years	
Amounts in NOK million	2020	2019	2020	2019	2020	2019
Norway	18 247	17 573	651	1 148	2 784	2 841
Sweden	7 763	6 708	660	462	3 406	3 339
Denmark	5 920	5 783	405	262	1 500	1 632
Finland and Iceland	4 615	4 448	130	111	810	824
The Baltics	2 192	2 023	248	158	1 603	1 797
Nordic region and the Baltics	38 737	36 535	2 094	2 141	10 103	10 433
Rest of Europe	5 992	5 829	454	356	5 547	5 511
Rest of the world	832	879	42	30	1 738	1 748
Total	**45 561**	**43 243**	**2 590**	**2 527**	**17 388**	**17 692**
Link between segments and "Investments":						
Net replacement expenditures, from segments (see Note 7)			2 331	2 287		
Sale of property, plant and equipment (see cash flow statement)			80[2]	54		
Expansion investments (see Note 7)			479	631		
New capitalised leases (see Note 21 and 38)			(283)	(450)		
Changes in accounts payable investments			(17)	5		
Total			**2 590**	**2 527**		

[1]Does not apply to property, plant and equipment acquired through purchases of companies.
[2]In addition, the sale of fixed assets for NOK 81 million was presented as a cash effect from other income and expenses in Orkla's internal cash flow statement; see Note 38.

Capital employed is the enterprise's net capitalised productive capital and is defined in the segment note as the net of segment assets and liabilities. Goodwill, intangible assets and property, plant and equipment constitute a large share of capital employed.

Investments are the total of replacement investments and expansion investments in owned property, plant and equipment.

The number of man-years is the number of employees adjusted for fractional posts in the current reporting period. See Note 7 for segment information.

SUSTAINABILITY

Many Orkla companies are major employers, and both employees and management are chiefly recruited from the country in which the business is located. By developing profitable workplaces, Orkla creates positive ripple effects for society in the form of skills development, new jobs at supplier companies and in the public sector, and payment of direct and indirect taxes. To ensure long-term, competitive operations, Orkla carried out several major improvement and expansion projects related to production and business systems in 2020. This resulted in substantial investments in Norway, Sweden, Denmark, Latvia, Slovakia and the UK.

NOTE 9 REVENUE RECOGNITION

The date on which revenue is recognised and the policies applied will be decisive in determining the profit or loss in the reporting period. In the same way, both the policies applied to and the definition of the term "sales revenue reductions" (discounts, etc.) will play a role in determining the total amount of operating revenues.

ACCOUNTING POLICIES

IFRS 15 "Revenue from Contracts with Customers" establishes a theoretical framework for recognition and valuation of the Group's revenues in Branded Consumer Goods and Hydro Power. The date on which the revenue is recognised is determined through a five-step model, the main points of which are identification of a contract with the customer, identification of separate performance obligations, fixing of a transaction price, allocation of the transaction price to separate performance obligations and recognition of revenue upon fulfilment of the performance obligations. Recognition means the date on which an amount is to be taken to income and valuation means how much is to be reported in income. An enterprise fulfils a performance obligation by transferring control of the agreed product or service to the customer, and revenue is recognised at the time the performance obligation is fulfilled.

Sales revenues from Branded Consumer Goods are presented after deducting discounts, value added tax and other government charges and taxes such as the confectionery tax. The Orkla Group sells goods and services in many different markets. Sales revenues from Hydro Power consist of sales of electric power that are taken to income upon delivery.

Operating revenues from Financial Investments essentially consist of revenues from property leases. The revenues are recognised in income when earned during the lease period.

Breakdown of external operating revenues

Amounts in NOK million	2020	2019
Branded Consumer Goods	46 516	42 623
HQ	46	44
Branded Consumer Goods incl. HQ	46 562	42 667
Hydro Power	519	826
Financial Investments	56	122
Industrial & Financial Investments	575	948
Total external operating revenues	**47 137**	**43 615**

See Note 7 Segments for further breakdown of operating revenues in Branded Consumer Goods and operating revenues broken down by geographical areas.

Operating revenues Branded Consumer Goods

Sales channels split of external operating revenues Branded Consumer Goods:

Amounts in NOK million	2020	2019
Grocery	26 373	23 515
Specialised Trade[1]	5 610	5 688
Industry[2]	5 573	5 339
Hotel, Restaurants and Catering	4 075	4 111
Export[3]	2 894	2 496
Other channels	1 991	1 474
Total external operating revenues Branded Consumer Goods	**46 516**	**42 623**

[1]External sales where the product is sold in a specialised outlet.
[2]External sales to other industrial companies or business-to-business customers.
[3]External sales outside the company's home market.

A sale is chiefly defined as an isolated delivery obligation that has been fulfilled and is recognised in income when the goods are transferred to the counterparty, either when they leave the Group's factory premises or when they arrive at the customer's property. Sales are recognised in income at the expected value of the consideration after deducting benefits to customers, including estimated bonus payments, discounts and reductions in the price of seasonal goods. As at 31 December 2020, a provision of NOK 1.7 billion (NOK 1.5 billion in 2019) had been made for total discounts, presented under "Trade payables" in the statement of financial position; see Note 27. These are mainly yearly discounts that will be paid out in the following year. The Group otherwise has no material, capitalised delivery obligations related to sales revenues.

Operating revenues Industrial & Financial Investments

In Hydro Power, external sales of electric power are recognised in income on the basis of the price agreed with the customer upon delivery. Electric power is mainly sold by the Saudefaldene and Sarpsfoss plants.

Note 9 cont.

In Financial Investments rental revenues are recognised in income when earned. Payments related to housing projects for which the company has profit and loss responsibility are recognised in income upon delivery. This means that a long period of time may elapse between the start of a building project and the recognition of revenues. In the intervening period, incurred project expenses are reported as inventories. Any sales of companies are taken to income when the agreement is completed.

Ⓔ ESTIMATE UNCERTAINTY

The estimate uncertainty relating to sales revenue reductions in the Branded Consumer Goods business is disclosed in Note 4.

Ⓢ SUSTAINABILITY

Orkla strives to foster a corporate culture characterised by good judgement and the ability to comply with rules and regulations and deal with ethical challenges. The Group has zero tolerance for corruption, price-fixing agreements, market sharing or other practices that hamper free competition; see also Note 37. Internal training is regularly provided and the Group companies are monitored to reduce the risk of non-compliance with rules.

NOTE 10 COST OF MATERIALS

The cost of materials is by far the largest cost item in the income statement and accounts for close to 50% of operating revenues. The cost of materials consists of the cost of all raw materials, goods for resale, packaging, etc. that are necessary to be able to sell the quantity of goods recognised in the sales revenues.

Ⓟ ACCOUNTING POLICIES

The cost of materials is incurred as goods are sold according to the price-related "first in, first out" inventory method. Changes in stocks of internally manufactured finished goods will have a virtually neutral impact on profit or loss based on the full cost pricing method. The cost of goods is correlated with the sale of the goods and accounted for on an accruals basis through changes in inventory. This applies to both purchased raw materials and goods for resale. Purchased goods are not recognised as a cost until the goods are in the manufacturing process.

The cost of goods is estimated and recognised through standard cost systems. Goods in inventories are counted at least once a year. Due to materiality considerations, the change in stocks of internally manufactured finished goods is presented on the line for cost of materials.

In 2020, the largest product groups were (figures in parentheses show the category ranking in 2019):

1. (1.) Packaging
2. (5.) Additive
3. (2.) Vegetable oils and margarine
4. (4.) Dairy product
5. (6.) Vegetable
6. (7.) Animal meat
7. (3.) Grain based
8. (10.) Fruit and berry
9. (11.) Sugar
10. (12.) Cocoa & chocolate
11. (13.) Chemical
12. (9.) Nut

Ⓢ SUSTAINABILITY

The challenges posed by climate change and commodity scarcity entail a risk of increased raw material costs, reduced availability of certain raw materials and breaches of Orkla's Supplier Code of Conduct. Orkla helps to ensure responsible production of raw materials by monitoring suppliers, applying certification systems, participating in industry initiatives and collaborating on projects with authorities and specialised organisations. The Group works purposefully to ensure that the raw materials used in Orkla products are sustainably produced by 2025. To reduce the risk of raw material shortages, the Group has alternative suppliers for at-risk raw materials.

Orkla seeks to prevent plastic pollution and achieve efficient use of resources by contributing to circular value chains for packaging materials. This work includes increased use of recycled packaging materials, development of packaging solutions that can be recovered, and collaborating with other value chain players on actions to increase recovery. Costs related to this work are considered important for the Group's ability to offer products that meet customer and consumer expectations.

NOTE 11 PAYROLL EXPENSES

Payroll expenses are all types of remuneration for personnel employed by the Group, including compensation of Group officers. These expenses concern only the Group's own employees, not contract manpower.

ACCOUNTING POLICIES

Payroll expenses comprise all types of remuneration to personnel employed by the Group and are expensed when earned. Ordinary pay can be both fixed pay and hourly wages and is earned and paid periodically. Holiday pay is earned on the basis of ordinary pay and is normally paid in the holiday months of the following year. Bonuses (see below) are earned and calculated on the basis of various performance targets, and are paid in arrears. The employer's national insurance contribution is calculated and expensed for all payroll-related expenses, and is normally paid in arrears every other month. Pensions are earned in accordance with special rules; see Note 12. Other payroll expenses largely consist of the remuneration of the Board of Directors, which is earned on an ongoing basis in accordance with special agreements approved by the General Meeting.

SUSTAINABILITY

Orkla wants to be an attractive employer that offers good working conditions and fair and competitive conditions for all employees. Pay is determined locally, based on the Group's general guidelines and using external benchmarking tools for pay and conditions. All fulltime employees shall, as a minimum, receive pay and additional benefits that are adequate to meet their fundamental needs.

Amounts in NOK million	2020	2019
Wages	(7 146)	(6 540)
Employer's national insurance contributions	(1 270)	(1 155)
Pension costs[1]	(505)	(467)
Other remuneration etc.	(50)	(40)
Payroll expenses	(8 971)	(8 202)
Average number of man-years	17 656	17 622

[1]Pension costs are disclosed in further detail in Note 12.

General comments on remuneration at Orkla

Orkla has a reward policy that determines the different elements of the Group's overall compensation. The policy aims to ensure that Orkla is able to recruit, develop and retain personnel with the necessary competence to create results and shareholder value. Orkla's reward policy is adopted by the Board of Directors and administered by the Board's own Compensation Committee. Orkla's reward policy is in accordance with the guidelines issued by the Norwegian Corporate Governance Board (NUES).

Orkla operates in 34 different countries, and compensation elements are organised locally in accordance with local practice, thereby ensuring that the compensation plans are competitive but not leading. The companies in the various countries must adhere to the principles of Orkla's reward policy, which is based on the market median for fixed remuneration and above market median for variable remuneration.

(i) Fixed salaries

Orkla uses internationally recognised job assessment systems to determine the "right" level of job position and compensation. Jobs are assessed in relation to their local market (country) and a pay range of the median +/- 20% is applied. The employee's responsibilities, results and performance determine the amount of compensation. Fixed salaries at Orkla must be competitive in the different countries in which the Group operates.

(ii) Bonus programmes

Orkla has bonus programmes in the various countries which reflect local practice for ensuring competitiveness. Orkla's practice is to have variable reward systems offering the possibility of making awards at above market median levels. The annual bonus programmes in the different countries are based on guidelines ensuring that they underpin the Group's strategy and reflect Orkla's central annual bonus programme for executive management and senior managers/key personnel.

a) Orkla's central annual bonus programme

Orkla has an annual bonus programme for around 160 management stafff and key personnel in the Group (2020).

The purpose of Orkla's central annual bonus programme is to:

• Reward annual performances that contribute to Orkla's value creation

Note 11 cont.

- Reward desired behaviour in accordance with Orkla's leadership principles
- Ensure that the organisation delivers on defined, prioritised targets for the different businesses and roles in Orkla
- Ensure competitive rewards for management staff

Under the central annual bonus programme, a maximum bonus equivalent to 100% of the employee's annual salary may be paid out. Achievement of ambitious predefined targets can result in a bonus payout of approximately 50% of the employee's fixed salary as at 31 December of the entitlement year. Historical payouts averaged around 31% in 2016-2019.

The elements of Orkla's central annual bonus programme for 2020 (bonuses to be paid out in 2021)
The annual bonus programme applicable as from 2020 (bonuses to be paid out in 2021) was changed from the principle in previous years of measuring improvement from the preceding year to measuring achievement in relation to defined, ambitious targets for the year for the various financial elements.

The bonus payout is calculated on the basis that achievement equal to the defined target entitles the employee to half of the maximum bonus for the financial bonus element concerned. There will be an equal result interval below and above the defined target. The starting point for the result interval below the defined target is the starting point for bonus achievement, while the end point for the result interval above the defined target entitles the employee to the maximum bonus for the financial bonus element concerned.

At the same time, as from 2020 (bonuses to be paid out in 2021) the programme was restructured from being the same for everyone to being adapted to different functions in Orkla. Consequently, as from 2020 there will be:

- a programme for Branded Consumer Goods, excluding Orkla Consumer & Financial Investments, including Group Executive Board members who are in charge of a business area
- a programme for the Orkla Consumer & Financial Investments business area
- a programme for Corporate Functions, including Group Executive Board members who are not in charge of a business area, including the President and CEO.

Since the maximum bonus award is 100% of the employee's annual salary, it means that the weighting of each element in the following description is equivalent to the maximum bonus (as a percentage of annual salary) for the element concerned.

The annual bonus programme for Branded Consumer Goods, excluding Orkla Consumer & Financial Investments, consists of five elements:

- Financial quantitative measures (80% weighting)
  - Organic growth[1] "own level"[2] (40% weighting for business area management teams, 25% for company management staff)
  - Organic growth "level above"[3] (0% weighting for business area management teams, 20% for company management staff)
  - Contribution margin[4] achievement "own level" (20% weighting for both business area management teams and company management staff)
  - EBIT (adj.)[5] achievement "own level" (20% weighting for business area management teams, 15% for company management staff)
- A flexible element (20% weighting), of which a minimum of half must be individual targets and up to half may be other financial targets than those specified above. Financial targets, if any, are set by the manager and approved by the manager's manager. Such financial targets may differ from one business area or company to another, but must be the same for all employees within a business area or company.

With regard to individual targets, 2–4 targets must be defined for each participant. The individual targets must be designed so as to reflect each participant's possibilities of contributing to Orkla's development and growth. The targets can be either business targets (specifying effect and out-

---

[1]Organic growth – definition under alternative performance measures (APM); see page 260.
[2]"Own level" is the company level of the position of the individual manager. This will depend on the different participants in the bonus programme, and may be an operating company, a business area or the entire Branded Consumer Goods business at Group level.
[3]"Level above" is the reporting level above the reporting level of the position of the individual manager. For participants employed in an operating company, it will be the business area of which the operating company is a part. For participants in business areas, the "level above" will be the entire Branded Consumer Goods business. For participants in the programme at Group level, there is no "level above", but they will be measured on the basis of an equal weighting of the change in underlying EBIT (adj.) in the business areas in Branded Consumer Goods.
[4]Contribution margin – defined as contribution margin as a per cent of operating revenues. Contribution margin is sales revenues minus variable costs. Variable costs are costs that are directly related to manufactured and sold volume. This primarily applies to intermediate goods such as raw materials, packaging, payroll expenses (which vary with manufactured volume) and energy costs. For goods manufactured by a third party, the contribution margin is sales revenues minus purchasing costs of goods sold.
[5]EBIT (adj.) – definition under alternative performance measures (APM); see page 260.

Note 11 cont.

come), or behaviour-related targets (how to act in accordance with Orkla's leadership principles and/or values), or a combination of the two. Orkla's Board of Directors approves these targets for the President and CEO, and the relevant manager approves the targets for the other participants.

The annual bonus programme for the companies in Orkla Consumer & Financial Investments consists of the following elements:

- Financial quantitative targets (80% weighting):
  - Organic growth "own level" (40% weighting)
  - Contribution margin achievement "own level" (20% weighting)
  - EBIT (adj.) achievement "own level" (20% weighting)
- A flexible element (20% weighting), to be handled in the same way as described above for Branded Consumer Goods.

For the business area's management team, the bonus will be calculated based on a weighting of bonus achievement in the underlying companies, combined with a flexible element equivalent to that of the company management staff.

The annual bonus programme for Corporate Functions (including the President and CEO) consists of the following elements:

- Financial quantitative targets (50% weighting):
  - Organic growth for Branded Consumer Goods (25% weighting)
  - EBIT (adj.) achievement for Branded Consumer Goods incl. HQ (25% weighting)
- An element tied to the return on the Orkla share (25% weighting):
  - To be calculated by adding a basic amount equivalent to 5% of the employee'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.
- Individual targets (25% weighting):
  - Individual targets (25% weighting), to be handled in the same way as described above for Branded Consumer Goods.

After the initial calculation of the bonus in relation to the financial quantitative targets and individual target achievement, each manager shall make a concluding discretionary assessment of the total bonus earned by the employee, in which the initial calculation is assessed in relation to the overall performance for the year of the company (where the employee works). This concluding discretionary assessment may have the effect of increasing or reducing the final bonus in relation to the initial calculation. This concluding discretionary assessment applies to the bonus programme for Branded Consumer Goods, Orkla Consumer & Financial Investments and Corporate Functions.

Changes in Orkla's central annual bonus programme applicable from 2021 (bonuses to be paid out in 2022)
The annual bonus programme applicable in 2021 will be adjusted somewhat in relation to the 2020 programme.

The programme for Branded Consumer Goods will be changed to the following elements and weightings:

- Financial quantitative measures (80% weighting)
  - Organic growth "own level" (40% weighting for business area management teams, 25% for company management staff)
  - Organic growth "level above" (0% weighting for business area management teams, 20% for company management staff)
  - EBIT (adj.) achievement "own level" (40% weighting for business area management teams, 35% for company management staff)
- A flexible element (20% weighting), as described above for 2020

The programme for the Orkla Consumer & Financial Investments business area will be changed to the following elements and weightings:

- For the companies in the business area:
  - EBIT (adj.) achievement "own level" (50% weighting)
  - Financial and/or operational quantitative elements (30% weighting): Here different elements may be defined for the different companies. For each element ambitious targets are to be defined for bonus achievement.
  - Individual targets (20% weighting) as described above for 2020
- For the business area management team:
  - EBIT (adj.) achievement "own level" (50% weighting)
  - Portfolio growth and structural agenda – qualitative elements (30% weighting)
  - Individual targets (20%) weighting, as described above for 2020.

Note 11 cont.

The bonus payout will be calculated based on logic similar to that described earlier for 2020, i.e. achievement of the defined target entitles the employee to half of the maximum bonus for the applicable financial and quantitative bonus element. There will be equal result intervals below and above the defined target.

The concluding discretionary assessment of the total bonus achieved by each manager, as described earlier for 2020, is to be maintained for 2021.

b) Long-term incentive (LTI) programme
In 2020, Orkla introduced a share option-based LTI programme that replaced the previous 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 be 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.

Note 11 cont.

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.

(iii) Other compensation elements

Discounted shares for employees:
For several years the Group has implemented a programme whereby employees may buy a limited number of shares at a discount on the market price. For 2020, employees were offered the opportunity to purchase shares for three different amounts: NOK 30,000, NOK 15,000 and NOK 10,000 (amounts before discount). In 2020, 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 approx. NOK 18 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 will be maintained at three years.

Share-based incentive programmes

ACCOUNTING POLICIES

The sale of shares to employees at less than market price is accounted for by recognising the difference between the market value of the shares and the purchase price as a payroll expense.

Orkla has had a Long-Term Incentive (LTI) programme in which the last awards were made at the Annual General Meeting in 2020. The programme was cash-based as well as being tied to the share price performance (see separate description in this note). Accounting for the award reflected the vesting period and expensing began after awards were made.

As disclosed in the note, Orkla will introduce an option-based LTI programme as from the Annual General Meeting in 2021. Options awarded to management staff are valued on the basis of the option's fair value at the award date. The Black-Scholes model is used for valuation. The cost related to the option is reported on an accrual basis over the period in which the employees earn the right to receive the options. Option costs are reported as payroll expenses and offset in equity. A provision based on the accrued amount is made for employer's social security contribution to share option programmes related to the difference between the issue price and the market price of the share at year end.

NOTE 12 PENSIONS

The Group has both defined contribution and defined benefit pension plans. In a defined contribution pension plan, the company is only responsible for paying regular amounts to the employee's pension plan, while the employee will personally bear the risk for the future increase or reduction in the value of his or her own pension assets. In a defined benefit pension plan, the company will have full responsibility for and bear the risk attached to paying a future pension to the employee based on his or her final pay on retirement. The majority of Orkla's pension plans are defined contribution plans.

ACCOUNTING POLICIES

In a **defined contribution pension plan**, the company is responsible for making an agreed contribution to the employee's pension assets. The future pension will be determined by the amount of the contributions and the return on the pension savings. Once the contributions have been paid, there are no further payment obligations attached to the defined contribution pension, and there is no liability to report in the statement of financial position. The pension costs related to defined contribution plans will be equal to the contributions to employees' pension savings in the reporting period.

A **defined benefit pension plan** is based on a promise by the company to the employees that they will receive a certain level of pension upon retirement, normally defined as a percentage of final pay. The company is responsible for the amount of the future pension benefit and the financial value of this obligation must be reported in the income statement and statement of financial position.

The accrued obligation is calculated on a straight-line accruals basis, and is measured as the present value of the estimated future pension payments that are vested on the statement of financial position date. The capitalised net liability is the sum of the accrued pension obligation minus the fair value of associated pension fund assets.

Changes in the liability for defined benefit plans due to changes in pension plans are reported in their entirety in the income statement in the case of changes that give rise to an immediate paid-up policy entitlement. Other variances from estimates are recognised in equity through other comprehensive income in the period in which they arise. The discount effect of the pension obligation and expected return on pension assets are presented net under "Other financial costs" in the income statement.

Defined contribution plans

Most of the employees in the Orkla Group are covered by pension plans classified as defined contribution plans. Defined contribution plans also comprise pension plans that are common to several companies and where the pension premium is determined independently of the demographic profile in the individual companies (multi-employer plans).

Orkla has contribution rates for the companies in Norway that are aligned with the regulation-based limits for contribution rates for private company pension plans. See Note 5 to the financial statements for Orkla ASA.

Defined benefit plans

The Group has some pension plans that are classified as funded defined benefit plans and some defined benefit plans that are financed from operations. A large part of the Group's defined benefit plans are in Sweden and Norway. These countries account for around 67% and 31%, respectively, of the Group's net carried pension liabilities.

Sweden

The pension plans in Sweden are "net plans" that do not link the Group's obligations to changes in Swedish social security. The plans are largely determined by collective agreements. They are not funded, but provisions are made in the companies' statement of financial position. To secure accrued pension rights, companies must take out a credit insurance in the PRI Pensionsgaranti insurance company which records and calculates the companies' pension obligations. According to the collective agreements, all employees born in 1979 or later must be covered by a defined contribution plan, which means that the number of defined benefit plans will gradually be reduced.

The Group also has some pension plans, primarily related to executive management, financed through endowment insurances. The gross amount of these plans is reported in the financial statements.

Account has been taken of payroll tax on the pension obligations in Sweden.

Norway

Net pension obligations in Norway mainly consist of unfunded pension plans for former key personnel, early retirement schemes for the Group Executive Board, and carried liabilities related to contribution-based plans for employees who earn more than twelve times the Norwegian basic amount (12G).

The pension plan for employees in Norway who earn more than 12G is a contribution-based

Note 12 cont.

plan, but is treated as a defined benefit plan in accordance with IFRS. The actual deposits and interest accrued in the plan are reported as at 31 December.

The AFP contractual pension scheme is a multi-employer defined benefit plan, but is recognised as a defined contribution plan, in line with guidelines issued by the Ministry of Finance. Companies that participate in the AFP scheme are jointly responsible for two-thirds of the payable pension. The majority of Orkla companies in Norway participate in the AFP scheme. In 2020, the AFP premium was 2.5% of total payments of wages between 1 and 7.1 times the average basic amount.

Assumptions relating to defined benefit plans
The discount rate in Norway is fixed on the basis of Norwegian covered bonds (OMF). The Norwegian Accounting Standards Board considers the OMF market to be a sufficiently deep market to be used for computing the discount rate. Orkla has chosen a discount rate based on the average life of the pensions in each company and in each pension plan. In cases where the life exceeds 15 years, the OMF yield curve has been extrapolated on the basis of the swap rate.

The discount rate is adjusted to the interest rate level in each country. In Norway, the discount rate varies between 0.9% and 1.5%, depending on the life of the pension.

The discount rate in Sweden is based on Swedish covered bonds and was reduced to 1.0% for 2020, from 1.3% in 2019. In light of the lower interest rate, the estimate for expected inflation was also reduced slightly, from 1.7% to 1.5%, and expected wage adjustment was reduced from 2.4% to 2.2%. The combined effect of the two changes will be slightly higher obligations with a recognised effect in other comprehensive income (OCI).

Parameters such as wage growth, increase in the basic amount (G) and inflation are determined in accordance with recommendations in the various countries.

The mortality estimate is based on mortality tables for the various countries that are as up-to-date as possible. In Norway the K2013 life table is adapted and in Sweden the DUS14, and in the UK the most recent version of the CMI_2019 mortality table was used in 2020. The actuarial gains and losses are recognised in comprehensive income and are essentially related to changes in economic assumptions.

Pension plan assets
Virtually all the Group's pension plans with pension plan assets are now in the UK. Pension plan assets are mainly invested in bonds and some in shares. The estimated return will vary depending on the composition of the various asset classes. A breakdown of pension plan assets is presented in a separate table in this note. Contributions of pension plan assets in 2021 are expected to total NOK 3.1 million.

Ⓔ ESTIMATE UNCERTAINTY

Defined benefit plans are calculated on the basis of a set of selected financial and actuarial assumptions. Changes in parameters such as discount rates, future wage adjustment, etc. could have substantial impacts on the estimated pension obligation. Similarly, changes in the selected assumptions for the return on pension assets could affect the amount of the pension assets. The Group will not be materially affected by a reasonable expected change in key assumptions. Changes in these parameters will mainly be reported in comprehensive income. Orkla has determined parameters in line with recommendations in the individual countries.

	Norway		Sweden	
	2020	2019	2020	2019
Discount rate	0.9–1.5%	2.2–2.3%	1.00%	1.30%
Future wage adjustment	2.00%	2.25%	2.20%	2.40%
G-multiplier[1]	2.00%	2.25%	2.20%	2.40%
Adjustment of benefits	0%	0%	1.50%	1.70%
Personnel turnover	0–5%	0–5%	3.00%	3.00%
Expected average remaining vesting period (years)	6.0	5.9	12.2	12.6

[1]As at 31 December 2020, 1G was NOK 101.351.

Breakdown of net pension costs

Amounts in NOK million	2020	2019
Contribution plans	(427)	(398)
Current service cost (incl. national insurance contributions)	(78)	(69)
Curtailments and settlements pension plans[1]	(6)	(10)
Pension costs defined as payroll expenses	(511)	(477)
Interest on pension obligations	(55)	(99)
Expected return on pension plan assets	9	13
Pension costs defined as financial costs	(46)	(86)
Net pension costs	(557)	(563)

[1]Primarily concerns the conversion of the pension plan in LG Harris and is presented as "Other expenses".

Note 12 cont.

Breakdown of net pension obligations as at 31 December

Amounts in NOK million	2020	2019
Present value of funded pension obligations	(553)	(437)
Pension plan assets (fair value)	547	437
Net funded pension liabilities	(6)	-
Present value of unfunded pension obligations	(2 538)	(2 326)
Capitalised net pension liabilities	(2 544)	(2 326)
Capitalised pension liabilities	(2 585)	(2 358)
Capitalised plan assets	41	32

Breakdown of gross pension obligations during the year

Amounts in NOK million	2020	2019
Pension obligations 1 January	(2 763)	(2 425)
Current service cost (incl. national insurance contributions)	(78)	(69)
Interest on pension obligations	(55)	(99)
Actuarial gains and losses reported in statement of comprehensive income	(143)	(319)
Acquisition/sale of companies	-	(4)
Curtailments and settlements pension plans[1]	-	(7)
Benefits paid during the year	121	146
Currency translation effects	(173)	14
Pension obligations 31 December	(3 091)	(2 763)

[1]Primarily concerns expenses related to the conversion of the pension plan in LG Harris.

Change in pension assets during the year

Amounts in NOK million	2020	2019
Pension plan assets (fair value) 1 January	437	436
Expected return on pension plan assets	9	13
Actuarial gains and losses reported in statement of comprehensive income	97	50
Acquisition/sale of companies	-	-
Curtailments and settlements pension plans[1]	(5)	(3)
Contributions and benefits paid during the year	(29)	(46)
Currency translation effects	7	19
Effect of asset ceiling	31	(32)
Pension plan assets (fair value) 31 December	547	437

[1]Primarily concerns expenses related to the conversion of the pension plan in LG Harris.

Breakdown of pension assets (fair value) as at 31 December

	2020	2019
Cash, cash equivalents and money market investments	0%	4%
Bonds	95%	85%
Shares	5%	11%
Total pension plan assets	100%	100%

Overview of net pension obligations and actuarial gains and losses in the last four years

Amounts in NOK million	2020	2019	2018	2017
Pension obligations	(3 091)	(2 763)	(2 425)	(2 412)
Pension plan assets	547	437	436	456
Net pension liabilities/obligations	(2 544)	(2 326)	(1 989)	(1 956)
Actuarial gains and losses in pension obligations	(143)	(319)	(73)	(67)
Actuarial gains and losses in pension plan assets	97	50	(14)	25

NOTE 13 OTHER OPERATING EXPENSES

The Orkla Group has chosen to present its income statement based on the nature of the item of income or expense. Operating expenses have been broken down into the following main items: "Cost of materials", "Payroll expenses", "Depreciation" and "Other operating expenses". A breakdown of the most important items in "Other operating expenses" is presented below.

Amounts in NOK million	2020	2019
External freight costs	(1 118)	(1 008)
Energy costs (production and heating)	(739)	(734)
Advertising	(1 845)	(1 629)
Repair and maintenance costs	(578)	(502)
Consultants, legal advisors, temporary staff etc.	(565)	(598)
Operating expenses vehicles	(137)	(156)
Short and variable lease expenses	(102)	(89)
Other	(2 216)	(2 170)
Total other operating expenses	**(7 300)**	**(6 886)**

Expenses reported in "Other" include costs related to IT, insurance, travel, courses and conferences.

ACCOUNTING POLICIES

Other operating expenses are recognised as and when they are incurred and are types of costs that are not classified on the lines for cost of materials, payroll expenses or depreciation and write-downs.

SUSTAINABILITY

Orkla's goal is to achieve a 30% reduction in energy consumption for the 2014–2025 period. Transfers of lessons learned and best practices between companies and factories are an important means of reducing energy use. Consumption is reduced through energy efficiency projects and improvement of production processes. Adjusted for acquisitions and increased turnover, energy consumption has been reduced by 19% since 2014.

NOTE 14 OTHER INCOME AND EXPENSES

"Other income" and "Other expenses" will largely consist of items that only to a limited degree are reliable explanations of ongoing earnings. The main purpose of these lines is to present such items separately to ensure that the changes in and comparability of the lines presented in EBIT (adj.) are more relevant to the company.

Other income and expenses

Amounts in NOK million		2020	2019
Other income			
Gain on sale		78	346
Refund of indirect taxes previous periods		67	-
Income related to transition from joint venture to subsidiary		-	33
Total other income		145	379
Other expenses			
M&A and integration costs		(105)	(130)
Final settlement employment relationships etc.		(136)	(80)
Write-downs property, plant and equipment and intangible assets		(511)	(477)
Other restructuring costs and other items		(323)	(253)
Total other expenses		(1 075)	(940)
Total other income and expenses		(930)	(561)
Of this:	Write-downs property, plant and equipment	(20)	(21)
	Write-downs intangible assets	(491)	(456)

Note 14 cont.

Items classified as other income and expenses belong to the following lines in the income statement:

Amounts in NOK million	2020	2019
Sales revenues	67	-
Other operating revenues	78	379
Cost of materials	(6)	(16)
Payroll expenses	(136)	(80)
Other operating expenses	(422)	(367)
Depreciation and write-downs	(511)	(477)
Total other income and expenses	(930)	(561)

Largest items in other income and expenses:

Amounts in NOK million	2020	2019
Write-down and costs related to ERP project	(437)	-
Write-down and disposal of Gorm's	(89)	-
Write-down goodwill and trademarks (Pierre Robert Finland)	(86)	-
Merger Hamé and Vitana (incl. IT systems)	(67)	-
Gain on sale of Treschows gate 16	-	294
Acquisition costs (M&A)	(78)	(94)
Write-down goodwill (House Care UK)	-	(238)
Write-down of trademarks (principally within Orkla Health)	-	(181)
Restructuring project at Orkla HQ	(65)	(49)

ACCOUNTING POLICIES

"Other income" and "Other expenses" are presented after Group profit or loss (EBIT adj.), broken down by segment, and include items such as M&A costs (acquisition costs), restructuring and integration costs, any major gains on or write-downs of both tangible and intangible assets, and other items that only to a limited degree are reliable explanations of ongoing profitability.

M&A costs are costs relating to the acquisition of companies that cannot be capitalised together with the shares. This applies to both completed and uncompleted acquisitions. Accrued expenses arising from the sale of companies are also presented on this line, until the sale is finally completed. At that time, the selling costs will be included in the profit or loss calculation and will be presented together with the latter.

Income

Buildings belonging to Orkla Care (Denmark) and Orkla Food Ingredients (Romania) were sold in 2020. The sales generated a total gain of NOK 53 million. NOK 67 million in refunds of indirect taxes in 2017-2019 were also taken to income.

Orkla Foods Norge sold the Vestlandslefsa brand at a gain of NOK 16 million. A gain of NOK 5 million on the sale of the SaritaS brand was also taken to income. Both these transactions are disclosed in Note 5.

Write-downs

A project is being implemented in the Group aimed at establishing a common ERP platform for Orkla Foods, Orkla Confectionery & Snacks and Orkla Care. The ERP project, entailing the construction of a common process core, or template, has been considerably more complex and time-consuming than originally anticipated when the project was started in 2017, besides which certain functionalities are no longer expected to be used. Furthermore, the coronavirus pandemic has necessitated extensive replanning, further postponements and consequently increased resource use. Write-downs and costs related to the project, totalling NOK 386 million, were therefore expensed in 2020. No further amounts will be capitalised in the balance sheet for this ERP project, in which some activities are still being carried out at the start of 2021. Slightly over NOK 100 million is expected to be incurred in connection with this ongoing ERP project in 2021, which will be reported as "Other expenses".

Note 14 cont.

The Orkla Food Ingredients business area also has an ongoing project to establish a common ERP platform. This project was written down and NOK 51 million was expensed in 2020, mainly because it has become more complex and time-consuming than originally anticipated, and certain functionalities are no longer expected to be used.

Write-downs of other IT systems, totalling NOK 27 million, were also taken in 2020. These are related to Group projects where the systems have not been used as intended and are thus not considered to have any real value.

Pierre Robert Finland (Orkla Consumer Investments) has delivered a weaker performance than anticipated since it was acquired, in addition to which the company has been negatively impacted by the coronavirus crisis. The market situation is still very challenging for the company. Consequently, goodwill and trademarks related to the business were written down by NOK 65 million and NOK 21 million, respectively, in the third quarter. A minor trademark in Orkla Confectionery & Snacks and a small goodwill item in Orkla Care were also written down.

A production line in MTR (Orkla Foods) was written down by NOK 14 million as at 31 December 2020. The production line was related to an unsuccessful product launch.

The Danish pizza restaurant chain Gorm's (Orkla Consumer Investments) was written down in the second quarter. Orkla purchased 67% of Gorm's in 2018 with an option to increase its interest to 100%. Gorm's was very negatively impacted by the coronavirus pandemic in 2020. The risk related to the profit performance required from the company was assessed as too high to justify Orkla's carrying values, and the business was therefore written down. An agreement on the sale of an equity interest in Gorm's was entered into in December 2020, which entailed the reduction of Orkla's interest to 19.99%. A total of NOK 89 million for write-downs and translation differences related to Gorm's in 2020 has been expensed on the line for "Other expenses".

Other expenses
A project was started in 2019 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. This is intended to result in significant cost savings at Orkla Headquarters. The project was extended into 2020, and approx. NOK 65 million was expensed for the project in 2020.

Major restructuring projects have been carried out in Orkla Care and Pierre Robert Group (Orkla Consumer Investments). The total costs for these projects amounted to NOK 79 million in 2020. In Orkla Care, a restructuring programme was implemented that affects all the companies in the business area. Pierre Robert Group has entirely restructured the company, and in this connection the business in Sweden was closed down as of 30 June 2020. As a result of the closure, write-downs of NOK 6 million were taken on inventories in Sweden related to the winding-up of customer contracts, and costs related to employee severance pay were incurred.

Several coordination projects are also being carried out in Orkla Foods International, the biggest of which is the merger of Hamé and Vitana. Expenses totalling NOK 67 million were incurred in connection with this project in 2020. Other restructuring and coordination projects now ongoing in the Group are mainly the relocation of production from Felix to Hamé, construction of a chocolate and a biscuits factory in Latvia and merger and relocation projects in Orkla Food Ingredients.

In the first quarter, Orkla Food Ingredients 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 on the purchase of the remaining 15% shareholding. As a result 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 2020.

SUSTAINABILITY

To ensure competitive operations in a long-term perspective, Orkla carried out certain major restructuring projects in 2020. The purpose was to strengthen the Group's long-term competitiveness by making more effective use of capacity, improving operational efficiency and increasing the effect of investments in production equipment. Employees who have lost their jobs have been offered other jobs within Orkla or helped to find new employment.

NOTE 15 INTEREST AND OTHER FINANCIAL ITEMS

Financial income and financial costs mainly consist of interest income and interest costs related to the Group's total funding. They also include other financial items unrelated to operating activities.

ACCOUNTING POLICIES

Interest income and interest costs on loans and receivables are calculated using the effective interest method. Interest related to leases is reported as interest costs, while commitment fees and costs related to borrowings are reported as "Other financial costs". The financial element of pension costs is included in "Other financial costs" and disclosed in Note 12. Borrowing costs related to real estate under construction are recognised in the statement of financial position together with the asset. Foreign currency gains or losses arising from operating assets and liabilities, and the hedging of such, are reported as operating revenues or operating costs. Other foreign currency gains or losses are reported net as financial income and financial costs. The foreign currency gains or losses related to net investments in foreign entities are disclosed in Note 31.

Interest income and interest costs

Amounts in NOK million	2020	2019
Interest income	20	18
Interest costs	(142)	(151)
Capitalised interest costs	1	2
Change in fair value interest rate derivatives	(9)	(26)
Interest costs excl. leases	(150)	(175)
Interest costs, leases (see Note 21)	(32)	(35)
Total interest costs	(182)	(210)
Net interest	(162)	(192)

Financial income and financial costs

Amounts in NOK million	2020	2019
Gains, losses and write-downs shares and financial assets	0	(9)
Dividends received	1	21
Net foreign currency gains	4	2
Other financial income	4	1
Total other financial income	9	15
Interest pensions incl. hedge[1]	(29)	(54)
Other financial costs	(32)	(24)
Total other financial costs	(61)	(78)
Total other financial items	(52)	(63)

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

Reconciliation against cash flow

Amounts in NOK million	2020	2019
Interest, net	(162)	(192)
Other financial items, net	(52)	(63)
Total interest and other financial items (A)	(214)	(255)
Items that appear on other lines in the cash flow statement:		
Gains, losses and write-downs shares and financial assets	0	9
Dividends received	(1)	(21)
Total items that appear on other lines in the cash flow statement (B)	(1)	(12)
Items without cash flow effect:		
Change in accrued interest etc.	(12)	-
Interest pensions excl. hedge	46	86
Change in fair value recognised as interest income/interest costs	9	13
Change in fair value recognised as financial income/financial costs	0	(6)
Total items without cash flow effect; see cash flow statement (C)	43	93
Paid financial items in cash flow statement; see Note 38 (A+B+C)	(172)	(174)

NOTE 16 TAXES

Taxes refer to the authorities' taxation of the profits of the different companies in the Group and in different countries. Taxes also include withholding taxes, economic rent tax and tax on distributions. Value added tax, social security contributions, property tax, special taxes, customs duties and similar indirect taxes are not included in "taxes". Taxes are computed on the basis of accounting profit/loss and broken down into current taxes and change in deferred tax liability. Deferred tax liability is the result of temporary differences between financial accounting and tax accounting.

ACCOUNTING POLICIES

Current tax liabilities and assets are measured at the amount that is expected to be paid to or recovered from the tax authorities. The tax rates and tax rules used to calculate the amounts are those that have been adopted or substantively adopted by the end of the reporting period in the countries in which the Group operates and generates taxable income.

Deferred tax liabilities and assets are computed for all temporary differences between the carrying amount of an asset or liability in the consolidated financial statements and their respective tax bases and tax losses carried forward. For the calculation of deferred tax assets and liabilities, the nominal tax rates expected to be applied when the asset is realised or the liability is paid will be used.

Deferred tax assets relating to tax deficits and other tax-reducing temporary differences are recognised to the extent that it is probable that they can be applied against future taxable income.

Deferred tax liabilities related to withholding tax and other tax on dividends are recognised in connection with retained profits in associates and foreign subsidiaries when a dividend is expected to be paid in the foreseeable future.

Deferred tax liabilities for temporary differences associated with investments in subsidiaries and associates are recognised when it is probable that the temporary difference will reverse in the foreseeable future. Deferred tax liabilities or deferred tax assets are not recognised for the initial recognition of goodwill.

Deferred tax liabilities and deferred tax assets are only reported net to the extent that netting is permitted under the local tax rules, and the Group intends to make use of the opportunities to consolidate its tax positions by means of Group contributions or other tax consolidation.

Tax expense

Amounts in NOK million	2020	2019
Profit/loss before taxes	5 348	4 931
Current tax expense	(960)	(976)
Change in deferred taxes	34	(57)
Total tax expense	(926)	(1 033)
Tax as % of "Profit/loss before taxes"	17.3%	20.9%
Tax as % of "Profit/loss before taxes" adjusted for associates	21.3%	24.2%

Orkla's effective tax expense adjusted for associates decreased by 2.9 percentage points, from 24.2% in 2019 to 21.3% in 2020. The lower tax rate in 2020 is mainly due to a significant reduction in economic rent tax.

Reconciliation of the Group's tax rate

In the following table, reported taxes are reconciled with the tax expense based on the Norwegian tax rate of 22%. The main tax components are specified.

Amounts in NOK million	2020	2019
Norwegian tax rate on profit before taxes	(1 177)	(1 085)
Associates and joint ventures	220	145
Deferred tax on undistributed earnings in associates	(5)	(5)
Foreign operations with tax rates other than Norwegian tax rate	48	46
Changes in tax laws	10	5
Write-downs of shares, gains/losses and dividends within the tax exemption method	1	(1)
Non-deductible costs / tax free income	(27)	(24)
Non-deductible transaction expenses	(12)	(14)
Recognised deferred tax assets this year, previously unrecognised	2	15
Unrecognised deferred tax assets	(34)	(24)
Correction previous years' taxes	(3)	6
Write-downs of Group goodwill (Gorm's/Harris)	(19)	(45)
Reversal of net deferred tax liability outside Norway	75	74
Other taxes payable (economic rent tax and withholding tax)	(5)	(126)
The Group's total tax expense	(926)	(1 033)

Note 16 cont.

Orkla's tax bases in Norway, Sweden and Denmark and Finland are substantial. The ordinary tax rate for companies domiciled in Norway and Sweden was reduced from 23% and 22% in 2018 to 22% and 21.4%, respectively, with effect from 2019. The company tax rate in Sweden will be further reduced to 20.6% in 2021. Denmark has an ordinary tax rate of 22% and Finland 20%.

Orkla's operations in countries with tax rates other than 22% make a net contribution towards reducing total tax expense. In 2020 the effect of this contribution was a reduction of NOK 48 million in total tax expense, of which the Baltic, Finnish and Swedish subsidiaries accounted for NOK 16 million, NOK 10 million and NOK 10 million, respectively.

Profit from associates is recognised on an after-tax basis and thus does not impact the Group's tax expense. However, a provision has been made for tax on undistributed earnings in associates, totalling NOK 33 million, of which NOK 5 million was recognised in the income statement in 2020.

The change in unrecognised deferred tax assets totalling NOK 34 million is ascribable to tax deficits in Poland, Germany, the Netherlands, the UK, Spain and Singapore, Finland and Slovakia. Recognition of previous years' unrecognised deferred tax assets totalling NOK 2 million relates to Orkla Food Ingredients companies in Romania and the Czech Republic.

The Group operates in the power industry which is subject to a special tax regime in Norway. In 2020, the economic rent tax rate was negative, which means that the Group had net economic rent income that accounted for 0.1 percentage points of the effective tax rate, adjusted for associates, of 21.3%.

Based on an assessment of the Group's overall tax exposure, provisions were recognised in the statement of financial position in line with expected risk in deferred tax liabilities.

SUSTAINABILITY

Through its presence in many countries, Orkla contributes to society by paying a variety of direct and indirect taxes, including company income tax. Orkla's corporate tax strategy sets out important tax policies to which all the companies in the Group must adhere. These policies are based on the desire for transparency, compliance with regulatory frameworks and good risk management. Orkla companies shall pay tax in accordance with the laws and regulations in the countries in which they operate.

The table below presents the current tax expense in the income statement for Orkla's main geographical areas:

Amounts in NOK million	2020	2019
Norway	268	361
Sweden	244	219
Denmark	115	124
Finland and Iceland	119	98
Rest of world	214	174
Total current tax expense	960	976

Note 16 cont.

Deferred tax liabilities

Deferred tax liabilities consist of the Group's tax liabilities that are payable in the future. The table below lists deferred tax assets and liabilities relating to the temporary differences between the carrying amount of an asset or liability and its tax base.

Deferred tax on temporary differences

Amounts in NOK million	2020	2019
Hedging reserve in equity	(64)	(31)
Intangible assets	1 218	1 119
Property, plant and equipment	335	328
Net pension liabilities	(336)	(325)
Gain and loss tax deferral	394	365
Leases	(43)	(43)
Other non-current items	177	218
Total non-current items	1 681	1 631
Provisions	(60)	(52)
Other current items	(57)	49
Total current items	(117)	(3)
Tax losses carried forward	(137)	(139)
Net deferred tax liabilities	1 427	1 489
Deferred tax hydropower tax regime[1]	(20)	(21)
Deferred tax assets, not recognised	149	124
Net deferred tax liabilities	1 556	1 592
Change in deferred tax	36	(59)
Net deferred tax asset on implementation of IFRS 16 Leases	0	(37)
Net deferred tax continuing operations	36	(96)
Change in deferred tax hedging reserve taken to comprehensive income	(33)	17
Change in deferred tax actuarial gains and losses pensions taken to comprehensive income	(4)	(64)
Acquisition/sale of companies, reclassification etc.	97	86
Hedging of net investments in foreign operations	(62)	0
Change in deferred tax income statement	34	(57)

[1]Deferred tax liabilities and deferred tax assets related to hydropower taxes have been recognised gross for each power plant.

Net deferred tax presented in the statement of financial position

Amounts in NOK million	2020	2019
Deferred tax liabilities	1 681	1 619
Deferred tax assets	125	27
Net deferred tax	1 556	1 592

Losses carried forward by expiry date

Tax losses carried forward totalling NOK 607 million constitute a deferred tax asset of NOK 135 million, of which only NOK 10 million has been recognised. Unrecognised tax losses carried forward amount to NOK 557 million. A total of NOK 348 million of these have no expiry date, NOK 78 million expire from 2027 onwards, NOK 15 million expire in the period 2024–2026 and NOK 116 million expire in the period 2021–2023.

Amounts in NOK million	2020	2019
2020	-	26
2021	30	25
2022	55	9
2023	31	72
2024	3	13
2025	12	0
2026	0	68
2027 or later	85	0
Without expiry date	391	412
Total tax losses carried forward	607	625

Deferred tax assets are only capitalised to the extent that it is probable that there will be sufficient future taxable profit for the tax asset to be used, either because the entity recently reported a profit or because assets with excess value have been identified. If it is unlikely that future profits will be sufficient to absorb the tax-reducing temporary differences, deferred tax assets are not recognised.

Note 16 cont.

The Norwegian, Swedish and Finnish tax groups have utilised all available tax losses carried forward and were liable to tax in 2020.

A net reversal of NOK 75 million was made in 2020 for a deferred tax liability related to operations outside Norway. A similar reversal of NOK 74 million was made in 2019.

Tax-deductible temporary differences with corresponding deferred tax assets

Amounts in NOK million	Tax-deductible temporary differences	Recognised deferred tax assets	Unrecognised deferred tax assets	Total deferred tax assets
Tax losses carried forward				
Spain	200	1	49	50
UK	70	0	13	13
Poland	75	0	14	14
Switzerland	42	0	10	10
Finland	41	0	8	8
Eastern Europe (excl. Poland and Romania)	23	0	4	4
Netherlands	44	0	11	11
Denmark	30	4	3	7
Others	82	5	13	18
Total	607	10	125	135
Other tax-deductible temporary differences	2 118	442	24	466
Total tax-deductible temporary differences	2 725	452	149	601
Netted deferred tax	(1 538)	(327)	0	(327)
Net tax-deductible temporary differences	1 187	125	149	274

NOTE 17 EARNINGS PER SHARE

Earnings per share are one of several indicators that can be used in financial analyses to assess a company's performance. This key figure shows the profit or loss for the year after non-controlling interests per share.

ACCOUNTING POLICIES

Earnings per share are calculated by dividing the profit or loss for the year after non-controlling interests by the average number of shares outstanding during the reporting period.

Earnings per share (adj.) show the profit or loss for the year after non-controlling interests per share adjusted for "Other income" and "Other expenses" after estimated tax for these two financial statement items. Items included in "Other income" and "Other expenses" are disclosed in Note 14. If other items of a special nature arise on the financial statement lines below the company's operating profit or loss, adjustments will also be made for them.

Amounts in NOK million	2020	2019
Profit/loss attributable to owners of the parent	4 371	3 838
Adjustments in earnings per share (adj.) attributable to owners of the parent		
Other income and expenses after tax	778	508
Gain on sale of associates and joint ventures	(29)	(35)
Reversal of deferred tax related to operations outside Norway	(75)	(74)
Adjusted profit/loss attributable to owners of the parent	5 045	4 237
Weighted average of number of shares outstanding	1 000 460 782	999 929 381
Earnings per share (NOK)	4.37	3.84
Earnings per share (adj.) (NOK)	5.04	4.24

Note 17 cont.

Effective tax related to “Other income” and “Other expenses” in 2019 and 2020 will be lower than the Group’s tax rate due to non-deductible transaction costs, write-downs with no tax effect and the effect on profit or loss related to the acquisition of the remaining interest in Orchard Valley Foods AS. The effective tax rate for other income and expenses for 2020 is 16.3% (9.5% in 2019).

An adjustment was also made in 2020 for gains on the sale of the associates Andersen & Mørck AS and Allkjärsplans Utvecklings AB. The gains related to these companies are reported on the line “Profit/loss from associates and joint ventures”; see Note 6. In 2019, an adjustment was made for a gain of NOK 35 million on the sale of Oslo Business Park. In both 2020 and 2019, adjustments were made for the reversal of net deferred tax liability related to operations outside Norway; see Note 16.

There are no share-based arrangements in the Group that have a dilutive effect. From 2021, however, options will be awarded to employees which could have a dilutive effect. See Note 11 for disclosure of this programme.

NOTE 18 IMPAIRMENT ASSESSMENTS

The value of long-term capitalised assets will largely be based on discretionary assessment and estimates. It is important that the financial statement users are familiar with the assumptions that apply to the valuation of these assets and the way the Group assesses future earnings. There will be particular focus on assets that are not initially depreciated. In the Orkla Group’s financial statements, this will largely concern goodwill and trademarks with an indefinite useful life.

Routine monitoring of non-current assets

The Orkla Group has material non-current assets in the form of both tangible (property, plant and equipment) and intangible assets. An explanation of the details of and changes in these assets is presented in Note 19 and Note 20. The Group also has other non-current assets that mainly consist of investments in companies recognised using the equity method. These are disclosed in Note 6 and are not covered in the description below.

The capitalised assets are routinely monitored and if there are indications that the value of an asset is no longer recoverable, an impairment test will immediately be carried out to determine whether the asset can still justify its carrying value. If new estimates conclude that the value is no longer recoverable, the asset is written down to the recoverable amount, i.e. the greater of the net sales value and the value in use (discounted cash flow).

Impairment testing and write-downs

Write-downs per business area:

Amounts in NOK million	2020	2019
Orkla Foods	(72)	(31)
Orkla Confectionery & Snacks	(5)	(21)
Orkla Care	(10)	(154)
Orkla Food Ingredients	(51)	(30)
Orkla Consumer Investments	(178)	(238)
HQ	(195)	(2)
Branded Consumer Goods incl. HQ	**(511)**	**(476)**
Hydro Power	0	0
Financial Investments	0	(1)
Orkla	**(511)**	**(477)**

Note 18 cont.

Branded Consumer Goods incl. HQ
In line with its adopted policies, the Group carried out impairment tests for all intangible assets with an indefinite useful life and for all goodwill prior to the presentation of financial statements for the third quarter 2020. As a result of these tests, goodwill and trademarks in Pierre Robert Finland were written down by NOK 65 million and NOK 21 million, respectively. In addition, a trademark in Orkla Confectionery & Snacks and a goodwill item in Orkla Care were written down in 2020.

In the second quarter of 2020, goodwill related to the Danish pizza restaurant chain Gorm's (Orkla Consumer Investments) was written down by NOK 84 million. In December 2020, an agreement was entered into on the sale of an ownership interest in Gorm's, entailing the reduction of Orkla's interest to 19.99%. The company was sold at the written down value.

A project is being carried out in the Group to establish a common ERP platform for Orkla Foods, Orkla Confectionery & Snacks and Orkla Care. Write-downs taken and recognised expenses related to this project totalled NOK 386 million in 2020. The Orkla Food Ingredients business area also has an ongoing project to establish a common ERP platform. This project was written down and expenses were recognised in 2020 for a total of NOK 51 million. Other IT systems were written down by NOK 27 million in 2020.

A production line in MTR (Orkla Foods) was written down by NOK 14 million in 2020. The production line was related to an unsuccessful product launch.

Further details of write-downs taken in 2020 are disclosed in Note 14.

In 2019, goodwill related to Orkla House Care's UK operations was written down by NOK 238 million. Trademark write-downs totalling NOK 181 million were also taken. The write-downs were primarily in Orkla Health, and the largest were related to Gerimax and Colon C. Means of production in Orkla Confectionery & Snacks were also written down by NOK 21 million as a result of a planned factory relocation, and a write-down was taken on a common ERP project in Orkla Food Ingredients.

Other activities
An updated assessment was also carried out of the value of the Sauda power plants, and the valuation justifies the Group's investment in Saudefaldene. The WACC applied reflects lower risk than for the other Group companies.

Other assessments
No other deficit values related to property, plant or equipment or intangible assets were identified in the Group. Some Orkla businesses have been impacted by the coronavirus pandemic and the situation is being closely monitored with regard to indications of a need for write-downs.

ACCOUNTING POLICIES

Goodwill and intangible assets with an indefinite useful life are not depreciated on a regular basis. These assets are therefore tested at least annually for impairment. At Orkla, impairment testing is carried out in the third quarter. If there are special indications of a reduction in value, impairment testing is carried out more frequently. Cash flows relating to the assets are identified and discounted. Future cash flow is based on specified assumptions (see separate table in this note) and the plans adopted by the unit. If the discounted value of future cash flows is lower than the capitalised value of the unit's capital employed, the assets are written down to the recoverable amount. If the discounted value is higher than the capital employed, this means that the value of the intangible asset or goodwill is recoverable. In cases where the discounted value exceeds the capital employed by less than 20%, a further sensitivity analysis is carried out to check the calculation. Capital employed is defined through the presentation of segments in Note 7. Where relevant, assumptions and estimates are reviewed and the robustness of the investment is measured in relation thereto. Alternatively, the sales value of the asset will be calculated to determine whether it justifies maintaining the carrying value.

Trademarks with an indefinite useful life are tested for impairment by discounting estimates of the future sales value of the trademark and measuring them against the trademark's carrying value. This process is based on a model whereby the trademark's discounted value is calculated on the basis of a percentage rate that indicates the strength of the trademark. This strength was assumed at the time of acquisition and is basically maintained in the impairment testing.

Cash-generating units
A cash-generating unit (CGU) is the lowest level at which independent cash flows can be measured. The highest level of a CGU will be a reported segment. None of the reported segments as at 31 December 2020 constituted a separate CGU.

Note 18 cont.

Orkla Foods and Orkla Confectionery & Snacks have a CGU in each country and are thus tested on a country basis. Orkla Care, on the other hand, consists of branded companies that have operations in several countries. In both Orkla Foods and Orkla Care there are companies that have been part of the Group for a long time, and these companies therefore have low or no capitalised intangible assets. Large acquisitions like the purchase of Rieber & Søn Norge in 2013 and Cederroth in 2015 have on the whole been fully integrated into Orkla's existing operations and the excess value associated with the acquisitions is therefore justified by the new aggregated units.

Orkla Food Ingredients consists of many different bakery and ice cream ingredient units, which mainly constitute separate CGUs. These are tested individually and a total of 23 tests were carried out.

Orkla Consumer Investments consists of Orkla House Care, Lilleborg, Pierre Robert and Kotipizza. All these units constitute separate CGUs except Orkla House Care. The UK business in House Care is an independent unit and is tested on an individual basis.

The segments are disclosed in Note 7 and an overview of book goodwill and brands in the largest CGUs in each business area is presented in a separate table in this note.

Trademarks
In the case of trademarks, a new organisational structure will normally not change assumptions underlying the measurement of the strength of the various trademarks. The trademarks continue to exist in the new organisation. The value of a trademark will be dynamic and new products launched under the trademark in question will help to maintain its value.

Assumptions
The Branded Consumer Goods business is basically relatively stable in the face of market fluctuations. Future cash flows are estimated on the basis of a number of assumptions. This applies both to factors such as assumptions concerning economic trends and factors such as assumptions concerning the estimated useful life of important trademarks. Future cash flows are estimated on the basis of the budget for next year and the following four forecast years. As from year six a terminal value is calculated. The main factors on which the impairment tests are based are summarised by segment in a separate table in this note. The CGUs operate in different markets, and the table is intended to provide an overview of the primary drivers.

Discount rate
The discount rate applied is based on the Group's cost of capital, which is estimated to be 5.8% after tax (5.8% in 2019), based on a weighted average of required rates of return for the Group's equity and debt (WACC). The required rate of return on the Group's equity is estimated by using the capital asset pricing model (CAPM). The required rate of return on debt is estimated on the basis of a long-term risk-free interest rate to which is added a credit margin derived from Orkla's marginal long-term borrowing rate. External information sources are used to calculate the cost of equity and the cost of debt. The discount rate is adjusted for country risk, the level of inflation and operational risk, depending on the particular value being calculated.

Sensitivity
The largest trademark and goodwill items are related to businesses that are developing well. A comparison of the book value of capital employed in Branded Consumer Goods with an average sum-of-the-parts (SOTP) value based on analysts' valuation of the corresponding area shows substantial excess value. The excess value varies from one business area to another, but all four Branded Consumer Goods business areas show that the SOTP value is clearly higher than the respective carrying values.

There may be uncertainty attached to brands and goodwill items in recently acquired companies. Plans and anticipated growth for such companies are based on developments in markets that are relatively new for the Group. Based on the assumptions and expectations applied in both the acquisition cases and further plans, however, most of these businesses justify their capitalised value. The performances of Health and Sports Nutrition Group (HSNG) and Orkla Confectionery & Snacks Latvia have been weaker than expected since the companies were acquired. Based on expected cash flows, the companies justify their book value, but their future performance will be monitored closely in relation to their anticipated profit performance. In the impairment test carried out in the third quarter of 2020, a decline from 0.5% to 0.0% growth in the terminal value for Orkla Confectionery & Snacks Latvia will result in a write-down of approx. NOK 70 million, while an increase in WACC before tax of 0.5 percentage points will result in a write-down of approx. NOK 90 million. For HSNG, an increase of 0.5 percentage points in WACC before tax will result in a write-down of approx. NOK 15 million according to the impairment test. The terminal value for HSNG is broken down into two parts, and a decline of 0.5 percentage points for the entire terminal period will result in a write-down of well under NOK 10 million, based on the calculations carried out. This picture can quickly change as it depends on the companies' expected future profit performance.

The goodwill and trademark items in Orkla's business areas are shown in tables on the following pages.

Note 18 cont.

Key assumptions for estimating future performance

	Orkla Foods (OF)					Orkla Confectionery & Snacks (OC&S)				
		Goodwill		Trademarks			Goodwill		Trademarks	
Amounts in NOK million	Units	2020	2019	2020	2019	Units	2020	2019	2020	2019
Units in segment	OF Norway	3 345	3 345	1 260	1 260	OC&S Norway	534	534	201	205
	OF Sweden	1 644	1 490	422	64	OC&S Sweden	904	818	411	372
	OF Denmark	440	414	62	58	OC&S Denmark	624	583	428	402
	OF Finland	107	100	2	2	OC&S Finland	619	584	766	721
	OF Baltics	62	59	45	43	OC&S Latvia	498	469	221	208
	MTR Foods	286	302	107	112	OC&S Estland	-	-	58	55
	OF Central Europe	614	597	505	491					
	OF Others	200	211	0	-					
	Total	**6 698**	**6 518**	**2 403**	**2 030**	**Total**	**3 179**	**2 988**	**2 085**	**1 963**
		2020		2019			2020		2019	
	Total capital employed 31 Dec.	14 992		14 142		Total capital employed 31 Dec.	7 118		6 803	
	EBIT (adj.)	2 641		2 276		EBIT (adj.)	1 203		1 094	
Factors that affect the discount rate	Operates largely in the Nordic and Baltic markets as well as Austria, Czech Republic, Slovakia, Russia, Hungary and India; low industry risk; budgets in local currency.					Operates largely in the Nordic and Baltic markets, low industry risk; budgets in local currency.				
Raw material price estimates are based on the market situation at time of calculation	Key raw materials: meat, eggs, vegetables, dairy products, fish, spices and other additives, fruits and berries, glass and metal packaging.					Key raw materials: sugar, potatoes, nuts, cocoa, flour, vegetable oil, spices, milk powder and packaging				
Production sites	Production is carried out in the Nordics, Baltics, Austria, Czech Republic, Slovakia, Russia and India.					Production is largely carried out in the Nordics and Baltics.				
Gross profit is based on past performance, adjusted for future expectations	Gross profit is affected by innovations, productivity, retail chain price negotiations and raw material prices which overall are expected to remain stable or rise slightly.					Gross profit is affected by innovations, productivity, retail chain price negotiations and raw material prices which overall are expected to remain stable or rise slightly.				
Customisation and ability to develop products in collaboration with customers	Orkla Foods tracks consumer trends and works continuously to seek growth and development in existing and new segments.					OC&S tracks consumer trends – growth is expected in existing segments.				
Economic conditions and market outlook	Markets and turnover are expected to remain normal – Orkla Foods is generally little affected by market trends.					Markets and turnover are expected to remain normal – OC&S is generally little affected by market trends.				
Terminal value	Growth rate 0.5–5%.					Growth rate 0.5%.				

Note 18 cont.

Key assumptions for estimating future performance

	Orkla Care					Orkla Food Ingredients (OFI)				
		Goodwill		Trademarks			Goodwill		Trademarks	
Amounts in NOK million	Units	2020	2019	2020	2019	Units	2020	2019	2020	2019
Units in segment	Orkla Home & Personal Care	1 501	1 397	332	333	OFI Sales & Distribution	590	546	-	-
	Orkla Health	1 427	1 346	558	537	Odense Group	100	95	-	-
	Orkla Wound Care	303	130	122	80	Credin Group	225	211	-	-
	HSNG	297	275	102	92	Idun Group	810	737	-	-
						Dragsbæk Group	215	200	4	5
						Sonneveld Group	262	247	-	-
	Total	**3 528**	**3 148**	**1 114**	**1 042**	**Total**	**2 202**	**2 036**	**4**	**5**
		2020		2019			2020		2019	
	Total capital employed 31 Dec.	6 102		5 657		Total capital employed 31 Dec.	5 796		5 528	
	EBIT (adj.)	1 019		855		EBIT (adj.)	500		626	

	Orkla Care	Orkla Food Ingredients (OFI)
Factors that affect the discount rate	Operates largely in the Nordic markets and the Baltics, Poland and Spain; low industry risk; budgets in local currency.	Operates in several countries; moderate industry risk; budgets in local currency.
Raw material price estimates are based on the market situation at time of calculation	Key raw materials: crude oil, fish oil, milk protein, vitamins, plastic packaging, plastic components, cardboard and paper-based packaging and tensides.	Key raw materials: vegetable oil, butter, molasses, sugar and flour.
Production sites	Own production mainly in the Nordics and Malaysia for the part of Jordan included in Orkla Home & Personal Care (OHPC). Orkla Health has own production in Norway and Denmark. Wound care products are produced in Spain. Orkla Health, OHPC and HSNG also purchase goods for resale primarily from Europe.	Own production mainly in Scandinavia, but also in the Netherlands, Poland, Romania and at certain production units in Central and Eastern Europe.
Gross profit is based on past performance, adjusted for future expectations	Gross profit is affected by innovations, productivity, retail chain price negotiations and raw material prices that overall are expected to remain stable or rise slightly.	Gross profit is affected by companies' competitive strength in delivery of products and services. This strength is supported by ability to develop good cost-in-use products. OFI seeks to offset changes in raw material costs in customer markets.
Customisation and ability to develop products in collaboration with customers	Orkla Care tracks consumer trends – growth is expected in existing segments.	OFI tracks consumer trends and collaborates closely with its customers, who are manufacturers and suppliers. In recent years, OFI has focused on sustainability, and its portfolio includes a growing share of plant-based and other products.
Economic conditions and market outlook	Markets and turnover are expected to remain normal – Orkla Care is generally little affected by market trends.	The coronavirus pandemic has affected markets and increased uncertainty in 2020 and at start of 2021. Within this context, relatively safe demand is expected since the products supplied by OFI are "basic goods" in the bakery and ice cream segments.
Terminal value	Growth rate 0.5–1%.	Growth rate 0.5%.

Note 18 cont.

Key assumptions for estimating future performance

	Orkla Consumer Investments				
		Goodwill		Trademarks	
Amounts in NOK million	Units	2020	2019	2020	2019
Units in segment	Pierre Robert Group[1]	41	98	19	38
	Lilleborg	18	18	-	-
	Orkla House Care	518	501	154	154
	Kotipizza	1 243	1 172	447	421
	Gorm's	-	116	-	-
	Total	**1 820**	**1 905**	**620**	**613**
			2020		2019
	Total capital employed 31 Dec.		3 155		3 373
	EBIT (adj.)		404		297
Factors that affect the discount rate	Operates largely in the Nordic markets and the UK and Benelux; low industry risk; budgets in local currency.				
Raw material price estimates are based on the market situation at time of calculation	Key raw materials: plastic packaging, plastic components, chemicals, cardboard and paper-based packaging, wool and cotton, pizza crusts and pizza toppings.				
Production sites	Own production mainly in the Nordics, UK and China for Orkla House Care. Pierre Robert Group mainly buys its production from Italy and Asia. Lilleborg primarily buys goods for resale from Europe, in addition to own production in Norway. Kotipizza is primarily a franchisor of pizza concepts and is also wholesaler to its franchise network and selected external customers.				
Gross profit is based on past performance, adjusted for future expectations	Gross profit is affected by innovations, productivity, retail chain negotiations and raw material prices that overall are expected to remain stable or rise slightly. For the restaurant operations, gross profit is primarily driven by sales from restaurants, and innovation and operational efficiency.				
Customisation and ability to develop products in collaboration with customers	Orkla Consumer Investments tracks consumer trends – growth is expected in existing segments.				
Economic conditions and market outlook	Markets and turnover are expected to remain normal – Orkla Consumer Investments is generally relatively little affected by market trends.				
Terminal value	Growth rate 0.5–2%.				

[1]Carried goodwill and trademarks are mainly related to Pierre Robert Group in Finland.

NOTE 19 INTANGIBLE ASSETS

Intangible assets and goodwill are non-physical assets that have largely been capitalised in connection with the acquisition of a company. Intangible assets classified as non-depreciable are chiefly trademarks, have an indefinite useful life and it is impossible on the balance sheet date to foresee when the asset will cease to have value. Goodwill is not regularly depreciated either. Intangible assets and goodwill will be subject to considerable estimate uncertainty.

Ⓟ ACCOUNTING POLICIES

Research and development (R&D) expenditure is the expenses incurred by the Group in conducting research and development, studies of existing or new products, production processes, etc. in order to secure future earnings. Expenditure on research is always expensed directly, while expenditure on development may be recognised in the statement of financial position. However, there is considerable uncertainty throughout the decision-making process, and the fact that only a small percentage of all development projects culminate in commercial products means that no projects end in capitalisation. At the same time, the expenses that qualify for recognition in the statement of financial position are relatively small.

Expenditure on internally generated or customised IT systems is capitalised and presented as intangible assets.

Expenditure related to internally generated trademarks, etc. (marketing) is expensed directly and will never be capitalised. This is because the future economic benefits to the company cannot be identified and shown to be probable with any degree of certainty at the time the trademark is launched.

Intangible assets taken over by the company through acquisitions are capitalised. Long-established trademarks that have a sound development at the time of acquisition have an indefinite useful life and are not depreciated. An indefinite useful life means that it is impossible on the statement of financial position date to estimate the period during which assets will be available for use. Other identified trademarks will be depreciated over their anticipated useful life, which is normally 5–10 years. Other intangible assets will be depreciated over their useful life. Thus only trademarks that are purchased directly or indirectly through the acquisition of companies are capitalised in the consolidated financial statements, not internally generated trademarks.

Goodwill is the residual value consisting of the difference between the purchase price and the capitalised value of an acquired company. The concept of goodwill comprises payment for synergy gains, assets related to employees, other intangible assets that do not qualify for capitalisation as a separate item, future superprofit and the fact that deferred tax cannot be discounted. Capitalised goodwill derives solely from acquisitions; see Note 18.

Ⓔ ESTIMATE UNCERTAINTY

Considerable estimate uncertainty attaches to the value of intangible assets. These have no direct "cost price", which is essentially determined by the Group's own valuations, and are mainly capitalised in connection with the Group's acquisition of a new business. Goodwill is to be seen as a residual value in the same acquisition. The sum of all excess value including goodwill associated with acquisitions is thus basically to be regarded as the market value (fair value) of the total net assets, and the different types of assets (liabilities) are broken down on the basis of that value; see Note 18.

Ⓢ SUSTAINABILITY

Orkla expensed NOK 343 million for research and development in 2020 (NOK 300 million in 2019). This covers internal and external costs related to product development, and includes measures to reduce salt, sugar and saturated fat in foods, develop healthy products, develop new packaging solutions based on renewable, recovered materials, and use new raw materials that promote sustainable consumption.

A current project that will run for several years aims at establishing a common ERP platform for Orkla Foods, Orkla Confectionery & Snacks and Orkla Care. Write-downs and recognised expenses related to the project totalled NOK 386 million in 2020; see Note 14. NOK 712 million was capitalised in connection with this ERP system as at 31 December 2020. Orkla Food Ingredients also has a project to establish a common ERP system in its own business area. Write-downs and recognised expenses related to this system totalled NOK 51 million in 2020, and the capitalised value was NOK 185 million as at 31 December 2020. The ERP investments are mainly capitalised under "Assets under construction"; see Note 20.

Note 19 cont.

Intangible assets

Amounts in NOK million	Trademarks, not depreciable	Trademarks, depreciable	Other intangible assets	IT	Goodwill	Total
Book value 1 January 2019	5 438	9	93	364	14 673	20 577
Investments	-	-	-	83	2	85
Reclassifications[1]	1	-	1	77	-	79
Companies acquired[2]	441	-	30	3	2 198	2 672
Depreciation	-	(1)	(12)	(108)	-	(121)
Write-downs	(181)	-	-	(4)	(238)	(423)
Translation differences	(46)	1	5	-	(102)	(142)
Book value 31 December 2019	5 653	9	117	415	16 533	22 727
Investments	-	-	16	94	-	110
Reclassifications[1]	(4)	-	6	391	-	393
Companies acquired[2]	382	-	1	-	213	596
Sold companies / discontinued operations	-	-	-	-	(46)	(46)
Depreciation	-	(1)	(15)	(122)	-	(138)
Write-downs	(26)	-	-	(310)	(155)	(491)
Translation differences	221	-	10	7	820	1 058
Book value 31 December 2020	6 226	8	135	475	17 365	24 209
Initial cost 1 January 2020	5 805	147	943	1 148	19 135	27 178
Accumulated depreciation and write-downs	(152)	(138)	(826)	(733)	(2 602)	(4 451)
Book value 1 January 2020	5 653	9	117	415	16 533	22 727
Initial cost 31 December 2020	6 394	147	980	1 481	20 214	28 210
Accumulated depreciation and write-downs	(168)	(139)	(845)	(1 006)	(2 849)	(4 001)
Book value 31 December 2020	6 226	8	135	475	17 365	24 209
Depreciation	-	10–20%	10–20%	10–33%	-	-

[1]Net reclassifications relate to figures transferred from Note 20 and concern transferral of assets under construction.
[2]See Note 5 for information about intangible assets in acquired companies.

NOTE 20 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are various types of assets that are necessary for the Group's operating activities. Unless there are significant changes in operating parameters, these assets will largely necessitate corresponding reinvestment over time. They consist of items such as land, buildings, plants, machinery, fixtures and fittings, IT equipment and means of transport owned by the Orkla Group. Annual ordinary depreciation is an indication of the extent of the need for corresponding reinvestment.

Ⓟ ACCOUNTING POLICIES

Property, plant and equipment are tangible items intended for production, delivery of goods or administrative purposes and have a lasting useful life. They are recognised in the statement of financial position at cost minus any accumulated depreciation and write-downs. Routine maintenance of assets is expensed under operating expenses while major periodical maintenance and expenditure on replacements or improvements are added to the cost price of the assets. Property, plant and equipment with an indefinite useful life (land, etc.) are not depreciated, while other property, plant and equipment are depreciated on a straight line basis over their useful life. Residual value is taken into account (especially in connection with properties), and the depreciation plan is reviewed annually. If there is any indication that the value of an asset may be impaired, the asset will be written down to the recoverable amount if the recoverable amount is lower than the carrying value.

When carrying out a purchase price allocation in connection with an acquisition, excess or deficit values are allocated to the assets concerned, so that these are capitalised at the Group's acquisition cost. Financing expenses related to the production of the Group's own property, plant and equipment are recognised in the statement of financial position; see Note 15.

Ⓔ ESTIMATE UNCERTAINTY

The valuation and estimated useful life of property, plant and equipment are based on future information and will always involve a degree of uncertainty. Especially in a situation where the Group is planning major changes in its manufacturing structure and number of production sites, there will be extra focus on assessments made of different production facilities. The various production sites are routinely assessed based on a going concern approach, but in a situation where a change in organisational structure could mean that some plants will be closed or reorganised, these assessments will have to be changed on an ongoing basis and could lead to the identification of both net book excess value and net book deficit value.

See Note 35 for disclosures of pledged assets and mortgages related to the Group's property, plant and equipment.

Orkla is currently implementing an investment programme for pizza production at Stranda. The investment programme, which will run for five years, includes investments in both new innovations and improved production efficiency. Approximately NOK 515 million was capitalised for this project as at 31 December 2020. Project costs related to the different stages are recognised as "Other expenses".

Note 20 cont.

Property, plant and equipment Amounts in NOK million	Land, buildings and other property	Machinery and plants	Assets under construction	Fixtures, fittings, vehicles, IT equipment etc.	Total
Book value 1 January 2019	5 919	4 234	2 103	504	12 760
Investments	293	404	1 585	160	2 442
Disposals/scrapping	(19)	(16)	-	(3)	(38)
Companies acquired	118	55	2	15	190
Sold companies	(27)	(5)	-	-	(32)
Transferred assets under construction/reclassifications	997	531	(1 702)	82	(92)[1]
Write-downs	(1)	(24)	(34)	(1)	(60)
Depreciation	(269)	(703)	-	(173)	(1 145)
Translation differences	(20)	(41)	(4)	(5)	(70)
Book value 31 December 2019	6 991	4 435	1 950	579	13 955
Investments	229	397	1 736	118	2 480
Disposals/scrapping	(29)	(41)	(2)	(15)	(87)
Companies acquired	-	6	-	4	10
Sold companies	(27)	(7)	-	(34)	(68)
Transferred assets under construction/reclassifications	319	958	(1 800)	124	(399)[1]
Write-downs	(6)	(14)	-	-	(20)
Depreciation	(319)	(793)	-	(205)	(1 317)
Translation differences	144	204	59	22	429
Book value 31 December 2020	7 302	5 145	1 943	593	14 983
Initial cost 1 January 2020	10 695	16 008	1 984	2 416	31 103
Accumulated depreciation and write-downs	(3 704)	(11 573)	(34)	(1 837)	(17 148)
Book value 1 January 2020	6 991	4 435	1 950	579	13 955
Initial cost 31 December 2020	12 761	17 304	1 943	2 638	34 646
Accumulated depreciation and write-downs	(5 459)	(12 159)	-	(2 045)	(19 663)
Book value 31 December 2020	7 302	5 145	1 943	593	14 983
Linear depreciation	2–4%	5–15%	-	15–25% IT equipment: 16–33%	

[1]NOK 6 million (NOK 13 million in 2019) has been transferred to Leases in Note 21 and NOK 393 million (NOK 79 million in 2019) has been transferred to Intangible assets in Note 19.

NOTE 21 LEASES

The Group has agreements relating to the lease of property and other fixed assets. These are future liabilities for the Group. Under the new IFRS 16 implemented on 1 January 2019, all non-immaterial lease liabilities must be capitalised as interest-bearing liabilities. In parallel, leased right-of-use assets will be capitalised together with property, plant and equipment and depreciated. Short-term leases and leases of low value assets will be expensed like other operating expenses.

Ⓟ ACCOUNTING POLICIES

Upon entering into a contract, an assessment will be made of whether an agreement contains a lease arrangement entitling the Group to control the use of an identified asset. If the lease is identified as such, assets and associated liabilities are recognised at the start of the lease, i.e. at the date on which the underlying asset is made available to the Group. Short-term leases of 12 months or less and leases of low value assets are not capitalised. For these leases, lease payments are recognised in the income statement directly.

Upon entering into a contract, the lease liabilities are measured at the present value of all future lease payments. Lease payments include fixed payments and any payments varying according to an index or an interest rate, but not variable lease payments depending on the use of the asset. Lease payments also include residual value guarantees, purchase options and any termination expenses. The lease liability is reduced by ongoing instalments. The discount rate is the implicit interest rate in the lease, provided this is available. If this cannot be obtained, the lessee's marginal borrowing interest rate shall be used as the basis. Lease liabilities are classified like other interest-bearing liabilities in the statement of financial position. The interest effect of the discounting is presented as interest expense.

Right-of-use assets are capitalised at the equivalent of the estimated lease liability upon entry into the lease contract. Right-of-use assets are depreciated on a straight-line basis over the lease period and assessed to determine whether a write-down is necessary if there is any indication of a value impairment. The assets are included in non-current assets in the statement of financial position.

Orkla's leases

The companies in the Orkla Group largely own their own means of production and production premises. The Group's leases mainly concern the lease of restaurants (Kotipizza), office and warehouse premises and vehicles such as cars and forklifts. The leases are capitalised under "Non-current assets" in the statement of financial position.

Additionally, Orkla's leases with Statkraft, whereby AS Saudefaldene has use of all power stations until 2030, are deemed to fall within the scope of IFRS 16. The leases account for around 14% of the recognised right-of-use assets in the Group as at 31 December 2020 (14% in 2019). Orkla has a right to terminate the leases with Statkraft at any time subject to three to four years' notice, and renewal of the leases is considered annually. Between three and four years' rent will be capitalised at all times. These leases are presented in the table as "Machinery and plants".

Key considerations

Several of the Group's leases include options for renewal of the lease. This applies in particular to leases for office and warehouse premises. Only options that are reasonably certain to be exercised are recognised in the lease liability. Lease options for long-term contracts, mainly over five years, are not taken into account as there are constant changes in the Group, and it is therefore difficult to predict the likelihood of future renewals.

Leases that fall within the definition "low value assets" are not capitalised. This primarily applies to office equipment leases. Lease expenses related to short-term leases where the non-cancellable lease period is less than 12 months are also recognised directly in the income statement, provided that the company does not expect to use the asset after this period.

The Orkla Group has chosen to make use of the possibility offered in the standard of not applying IFRS 16 for intangible assets. In the case of Saudefaldene, this applies to waterfall rights that represent a right to use the power of the water in the Saudavassdraget river system. The liability arising from this right of use has not been recognised and thus has not been capitalised.

A review of various leases has been carried out, and the agreements have been assessed with regard to the distinction between them and service agreements. This applies, for instance, to agreements with carriers (transport agreements). The majority of the Group's transport agreements are of such a nature that no specific asset can be identified, or are of a short-term nature that does not fall within the standard's definition of a lease.

Note 21 cont.

Several of the Group's leases include other services and components, such as shared costs, fuel and taxes. Non-lease components are treated separately from the lease and recognised as an operating expense in the consolidated financial statements.

Discount rate

When a lease's implicit interest rate is not available, the lessee's marginal borrowing rate is used as a basis. For most Orkla subsidiaries, this will be the internal borrowing rate in Orkla ASA. Orkla's internal borrowing rate is fixed at the floating market interest rate with a risk premium (company and country risk). This is deemed to be a good estimate of interest rate on an arm's length basis. The weighted discount rate for Orkla's lease liabilities in 2020 was 2.0% (2.3% in 2019).

ESTIMATE UNCERTAINTY

Recognition of leases is based on a present value calculation, in which assumptions concerning discount interest rates, lease payments, lease term and use of options are assessed and taken into account. Changes in one or more of these assumptions will impact on the estimated effects of the leases for the Group. The assessment of whether an agreement is to be regarded as a lease or service agreement will also have significant consequences for the accounting treatment of the leases.

Undiscounted lease liabilities and maturity of cash outflows

Amounts in NOK million	Offices and restaurants	Production sites and other property	Machinery and plants	Vehicles etc.	Total
Less than 1 year	178	75	101	86	440
1-2 years	136	59	91	56	342
2-3 years	110	53	89	29	281
3-4 years	79	50	87	11	227
4-5 years	45	44	2	4	95
More than 5 years	67	134	1	2	204
Total undiscounted lease liabilities at 31 December 2020	615	415	371	188	1 589

Note 21 cont.

Capitalised right-of-use assets

Amounts in NOK million	Offices and restaurants	Production sites and other property	Machinery and plants	Vehicles etc.	Total
Book value 1 January 2019	432	466	180	205	1 283
Investments[1]	138	43	174	95	450
Companies acquired	186	-	1	8	195
Sold companies	-	-	-	-	-
Depreciation	(176)	(73)	(104)	(119)	(472)
Translation differences	(1)	(4)	(1)	(3)	(9)
Book value 31 December 2019	579	432	250	186	1 447
Investments	133	1	61	88	283
Companies acquired	-	-	5	-	5
Sold companies	(21)	-	-	(1)	(22)
Reclassifications/transferred from assets under construction[1]	-	-	-	6	6
Depreciation	(203)	(76)	(101)	(109)	(489)
Translation differences	37	8	6	10	61
Book value 31 December 2020	525	365	221	180	1 291
Initial cost 1 January 2020	1 541	760	323	601	3 225
Accumulated depreciation and write-downs	(962)	(328)	(73)	(415)	(1 778)
Book value 1 January 2020	579	432	250	186	1 447
Initial cost 31 December 2020	1 768	778	400	734	3 680
Accumulated depreciation and write-downs	(1 243)	(413)	(179)	(554)	(2 389)
Book value 31 December 2020	525	365	221	180	1 291

[1]NOK 6 million (NOK 13 million in 2019) was transferred from property, plant and equipment, Note 20.

Note 21 cont.

Movement of the lease liabilities

Amounts in NOK million	2020	2019
At initial application 1 January	1 656	1 447
New/changed lease liabilities recognised in the period	283	450
Lease liabilities acquired companies	5	210
Sold companies	(22)	-
Lease payments	(529)	(492)
Interest expense on lease liabilities	32	35
Index adjustments	3	8
Translation differences	59	(2)
Total lease liabilities at 31 December	**1 487**	**1 656**
Current lease liabilities	335	361
Non-current lease liabilities	1 152	1 295
Net cash flow from lease liabilities	464	492

Other lease expenses recognised in income statement

Amounts in NOK million	2020	2019
Lease payments - short-term and low value leases	(84)	(74)
Variable lease payments	(18)	(15)
Total lease expenses (other operating expenses)	(102)	(89)[1]

[1]The figures for 2019 have been adjusted to reflect corrected reporting.

Rental agreements
The Group also rents out real estate under operating leases. Rental revenues in 2020 amounted to NOK 111 million. Total future rental revenues amount to NOK 204 million, broken down into NOK 101 million in 2021 and NOK 103 million from 2022 and thereafter.

NOTE 22 OTHER FINANCIAL ASSETS (NON-CURRENT)

Other assets (non-current) consist of financial items of a long-term nature. Shares are presented at fair value in the statement of financial position, with changes in value reported as other items in comprehensive income. Other assets also include net pension assets from companies that have more pension assets than liabilities. Other items are derivatives and receivables with a maturity of more than one year.

ACCOUNTING POLICIES

Other assets are classified as non-current when they are not part of a normal operating cycle and are not held for trading purposes or the entity has an unconditional right to defer payment for at least 12 months. Other receivables are current.

Shares and financial investments are investments of a financial nature and are recognised at fair value with both changes in value and gains/losses recognised as other items in the comprehensive income statement. Dividends received are reported in ordinary profit or loss when they are not to be regarded as a form of repayment of capital by the company. Any dividend is recognised in the income statement when it has been approved by the company paying out the dividend, which mainly coincides with the date of payment. Purchases and sales of shares are recognised on the trade date. This applies both to shares classified as non-current shares in this note and to current shares in Note 24.

Derivatives are described in Note 31. Pension assets are described in Note 12.

Amounts in NOK million	2020	2019
Share investments	140	102
Interest-bearing derivatives	96	19
Receivables interest-bearing	274	244
Receivables non interest-bearing	18	11
Pension plan assets	41	32
Total other financial assets (non-current)	569	408

Receivables are recognised at fair value in accordance with Level 3 valuation, and derivatives according to Level 2 valuation; see the measurement hierarchy in Note 31.

NOTE 23 INVENTORIES AND DEVELOPMENT PROPERTY

Inventories are the Group's stocks of all types of goods intended for sale. These consist of raw materials ready for production, finished goods and purchased goods for resale. Packaging to be used for sold goods is included. Any profit from intra-Group sales has been eliminated. During the period in which buildings built by the Group (Orkla Eiendom) for sale are under development, the cost price of the projects will be reflected on the line for inventory of development property until the buildings are sold.

Inventories

Amounts in NOK million	2020	2019
Raw materials	2 200	1 994
Work in progress	331	334
Finished goods and merchandise	3 999	3 540
Total inventories	6 530	5 868

Inventories relating to Branded Consumer Goods:		
Orkla Foods	2 838	2 504
Orkla Confectionery & Snacks	729	643
Orkla Care	1 183	999
Orkla Food Ingredients	1 288	1 219
Orkla Consumer Investments	492	500
Branded Consumer Goods	6 530	5 865

Ⓟ ACCOUNTING POLICIES

Inventories are valued at the lower of acquisition cost and net realisable value for the entire Orkla Group. Purchased goods are valued at cost according to the FIFO principle, while internally manufactured finished goods and work in progress are valued at production cost. Deductions have been made for obsolescence. The net realisable value is the estimated selling price minus selling costs. Property under development is valued at the total costs incurred.

An assessment of net realisable value was carried out after deducting selling costs. This resulted in a total write-down of inventories as at 31 December 2020 of NOK 76 million (NOK 102 million in 2019). Inventories valued at net realisable value as at 31 December 2020 totalled NOK 62 million (NOK 58 million in 2019).

Development property

Development properties amounted to NOK 96 million as at 31 December 2020 (NOK 90 million in 2019). The properties are mainly housing projects under development/construction and primarily consist of the projects at Sandakerveien 56 in Oslo and a development project in Larvik.

Ⓔ ESTIMATE UNCERTAINTY

Inventories consist of a great many individual lines of goods in the form of both raw materials and finished goods. The goods are counted and valued at the Group's acquisition cost, and account is taken of obsolescence. The Group has a large number of units in stock at all times, but there is not deemed to be any material form of uncertainty regarding either the quantity or quality of the Group's inventories.

NOTE 24 RECEIVABLES AND FINANCIAL ASSETS (CURRENT)

Accounts receivable and other trade receivables are directly linked to the operating cycle. Other receivables (current) can be both interest-bearing and non-interest-bearing. Financial assets are securities with a short-term ownership horizon.

Accounts receivable and other trade receivables

Amounts in NOK million	2020	2019
Accounts receivable (A - B)	6 104	5 941
Other trade receivables	152	137
Total trade receivables	6 256	6 078

Breakdown of accounts receivable by due date:

Amounts in NOK million	2020	2019
Accounts receivable not due	5 473	5 113
Overdue receivables 1–30 days	466	590
Overdue receivables 31–60 days	95	108
Overdue receivables 61–90 days	39	48
Overdue receivables over 90 days	165	197
Accounts receivable carrying amount 31 December (A)	6 238	6 056

Change in provisions for bad debts:

Amounts in NOK million	2020	2019
Provisions for bad debts 1 January	115	103
Bad debts recognised as expense	29	16
Provisions in acquired companies	3	16
Provisions in sold companies	-	-
Final bad debts	(22)	(19)
Translation differences	9	(1)
Provisions for bad debts 31 December (B)	134	115

Ⓟ ACCOUNTING POLICIES

Provisions are made for anticipated losses on receivables based on relevant information available at the time of reporting, including historical, current and future information in accordance with an expected loss model. The provision will have to be based on objective criteria. If an invoice is not paid, this will be a clear indication of an increased risk of default.

Accounts receivable are in principle recognised and presented at the original invoice amount and valued at amortised cost using the effective interest rate method. The interest rate element is disregarded if it is immaterial, which is the case for the vast majority of the Group's accounts receivable.

The principle for assessment of financial investments is disclosed in Note 22. Derivatives are disclosed in Note 31.

Ⓔ ESTIMATE UNCERTAINTY

The credit risk related to accounts receivable is assessed as relatively low. Provisions have been made for bad debts, which cover uncertain receivables to a reasonable extent. See also the breakdown of accounts receivable by due date in this note and the disclosure of credit risk in Note 30.

Receivables and financial assets (current)

Amounts in NOK million	2020	2019
Non-interest-bearing derivatives	18	7
Interest-bearing derivatives	56	95
Interest-bearing receivables	4	8
Other current receivables	293	277
Financial investments	0	1
Total financial receivables and investments	371	388
Advance payment to suppliers/earned income	470	513
Tax receivables	95	67
Total current receivables and financial investments	936	968

Derivatives are recognised at fair value in accordance with Level 2 valuation and financial assets according to Level 3 valuation; see the measurement hierarchy in Note 31.

NOTE 25 CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents consist of liquid assets necessary for transactions and some current placements. Orkla ASA also has unutilised, long-term, committed credit facilities that may be drawn upon at short notice; see Note 28. Changes in liquid assets in the cash flow statement do not necessarily provide an accurate picture of the Group's financial standing as excess liquidity is routinely used to repay interest-bearing debt.

Ⓟ ACCOUNTING POLICIES

Cash and cash equivalents consist of cash, bank deposits and current deposits that have a maturity of three months or less, and an immaterial risk of a change in value. Restricted deposits are assets that only to a limited degree are available to the rest of the Group.

Cash and cash equivalents are held for the purpose of meeting short-term fluctuations in liquidity rather than for investment purposes. For Orkla, the level of the Group's net interest-bearing liabilities is a more important management parameter than the level of cash and cash equivalents.

Amounts in NOK million	2020	2019
Cash at bank and in hand[1]	2 829	1 423
Current deposits	203	70
Restricted deposits	181	176
Total cash and cash equivalents	3 213	1 669

[1]Of "Cash at bank and in hand" as at 31 December 2020, a total of NOK 167 million (NOK 321 million in 2019) is in Orkla companies with minority shareholders and in Orkla Insurance Company. These assets are only available to a limited extent to the rest of the Group.

Restricted assets consist of security deposits for sales of hydro-electric power, margin deposits for share derivatives, as well as deposits to meet statutory solvency requirements in Orkla Insurance.

NOTE 26 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Provisions consist of pension obligations and other provisions for liabilities. A provision may be reported separately from other liabilities, such as accounts payable, because there is uncertainty as to the settlement date or the amount of the future expenses.

Ⓟ ACCOUNTING POLICIES

Provisions are recognised in the financial statements for matters such as disputes, potential lossmaking contracts and adopted restructuring measures. The provisions will not cover possible future operating losses. In the case of restructuring provisions, there must be a detailed plan that identifies which parts of the business are to be restructured, and a valid expectation must have been created among those concerned that the restructuring will be carried out. In addition, it must be possible to provide a reliable estimate of the amount of the liability. It is a condition that the restructuring materially changes the size of the business or the way in which it is operated. The provision is calculated on the basis of the best estimate of anticipated expenses. If the effect is material, anticipated future cash flows will be discounted, using a current pre-tax interest rate that reflects the risks specific to the provision.

Contingent liabilities and contingent assets are a possible obligation or a possible asset whose existence is uncertain and will be confirmed by the occurrence or non-occurrence of a future special event, such as the outcome of legal proceedings or the final settlement of an insurance claim. Contingent liabilities are recognised in the financial statements based on estimated outcome, if there is a more than 50% probability that the liability has arisen. If the probability is lower, the matter is disclosed in notes to the financial statements if material and unless the probability of disbursement is very small. An asset will only be recognised in the statement of financial position if it is highly probable (95%) that the Group will receive the asset. The disclosure requirement applies to other contingent assets; see Note 37 for further information.

Derivatives are described in Note 31. Pension obligations are described in Note 12.

Note 26 cont. ➔

ESTIMATE UNCERTAINTY

It is in the nature of a provision that it involves some degree of uncertainty. A provision is made and calculated based on assumptions at the time the provision is made and will be routinely updated as and when new information becomes available.

Provisions and other non-current liabilities

Amounts in NOK million	2020	2019
Pension liabilities	2 585	2 358
Derivatives[1]	175	128
Other non-current liabilities	123	203
Provisions for obligations and other non-current liabilities	507	492
Total provisions and other non-current liabilities	3 390	3 181

[1]Interest rate cash flow hedges: to hedge future interest payments (not included in the statement of financial position).

Provisions with a maturity of less than 12 months are presented as "Other liabilities" (current).

Breakdown of provisions for obligations and other non-current liabilities:

Amounts in NOK million	Branded Consumer Goods	Other business	Total
Provisions 1 January 2019	169	630	799
New provisions	121	-	121
Companies acquired	42	-	42
Provisions utilised or reclassified to short-term	(57)	(209)	(266)
Translation differences	0	(1)	(1)
Provisions 31 December 2019	275	420	695
New provisions	78	-	78
Companies acquired	(24)	-	(24)
Provisions utilised or reclassified to short-term	(88)	(28)	(116)
Translation differences	4	(7)	3
Provisions 31 December 2020	245	385	630

Provisions for obligations and other non-current liabilities in Branded Consumer Goods mainly concern commitments to acquisitions of additional shares in companies, restructuring and minor personnel-related provisions.

As regards "Other business", provisions for obligations and other non-current liabilities concern estimated liabilities related to guarantees and indemnities issued by Orkla to Norsk Hydro in connection with the sale of Sapa, as well as compensation to property owners and demolition costs related to Saudefaldene, and provisions related to discontinued operations. Furthermore, Orkla has insured some of its exposures through a captive insurance company, Orkla Insurance Company DAC. Orkla has made provisions for these exposures. A provision of NOK 286 million remains for the indemnities issued to Norsk Hydro; see also the description in Note 4.

NOTE 27 CURRENT LIABILITIES

Accounts payable and other trade payables are liabilities linked directly to the operating cycle. Other liabilities (current) are other payables, such as unpaid government charges and taxes, unpaid wages and holiday pay and other accruals.

Ⓟ ACCOUNTING POLICIES

A non-interest-bearing liability is classified as current when it is part of a normal operating cycle, is held for trading purposes and falls due within 12 months. Other liabilities are non-current.

Ⓔ ESTIMATE UNCERTAINTY

All types of accruals/provisions will involve a certain estimate uncertainty. Estimate uncertainty associated with discounts, etc. is disclosed in Note 4.

Accounts payable and other trade payables

Amounts in NOK million	2020	2019
Accounts payable	4 597	3 918
Other trade payables[1]	1 929	1 673
Total trade payables	6 526	5 591

[1]Incl. discount provisions of NOK 1,745 million as at 31 December 2020 (NOK 1,516 million in 2019); see Note 4.

Other liabilities (current)

Amounts in NOK million	2020	2019
Non-interest-bearing derivatives	11	8
Non-interest-bearing current liabilities	146	180
Total financial liabilities non-interest-bearing	157	188
Value added tax, employee taxes	995	868
Accrued wages and holiday pay	1 090	1 048
Other accrued costs	1 061	887
Total other liabilities (current)	3 303	2 991

NOTE 28 CAPITAL MANAGEMENT AND FUNDING

The level of a company's capital and the way it is managed are important factors in evaluating the company's risk profile and its capacity to withstand unfavourable events.

Capital management

Orkla's capital management is designed to ensure that the Group has sufficient financial flexibility, short-term and long-term. One main objective is to maintain a financial structure that, through solidity and cash flow, ensures strong, long-term creditworthiness, as well as a competitive return for shareholders through a combination of dividends and an increase in the share price.

When allocating capital for acquisitions and other investments, a rate of required return on capital is applied, adjusted for project-specific risk. Capital usage and allocation are subject to formalised authorisation limits, and decision processes at applicable levels. External borrowing is centralised at the parent company level, and capital needs in subsidiaries are mainly covered by internal loans, or equity. The capital structure of subsidiaries is adapted to commercial as well as legal and tax considerations. The short-term liquidity of Group companies is managed at Group level through cash pools. Internal loans to partly owned subsidiaries are provided subject to a separate evaluation, or external funding is established.

Orkla has no official credit rating, but actively monitors quantitative and qualitative measures which affect the creditworthiness of the Group. The target is to ensure that interest bearing liabilities do not exceed 2.5 x EBITDA over time. Orkla has targeted a reduction in working capital, in percent of turnover for Branded Consumer Goods, of 3 percentage points during the period 2018-2021, and through 2020 working capital was reduced by 2.0 percentage points (1.3 percentage points in 2019). There were no changes in Orkla's approach and objectives regarding capital management during 2020.

Ⓢ SUSTAINABILITY

Sustainability has become an integral part of Orkla's business model. Focus on responsible business operations and effective management of sustainability-related risk is an integral part of the Group's investment assessments. Orkla's sustainability goals and commercially attractive, sustainable business opportunities result in investments in product development and process improvements, and in some cases acquisitions of new businesses. Sustainability-related investments are assessed on the basis of Orkla's criteria for return on investment and risk management.

Note 28 cont.

The Group's interest-bearing liabilities and equity consist of:

Amounts in NOK million	2020	2019
Non-current interest-bearing liabilities	(8 207)	(6 488)
Current interest-bearing liabilities	(329)	(442)
Non-current interest-bearing receivables	370	263
Current interest-bearing receivables	60	103
Cash and cash equivalents	3 213	1 669
Net interest-bearing liabilities, excl. leases	(4 893)	(4 895)
Lease liabilities	(1 487)	(1 656)
Net interest-bearing liabilities	(6 380)	(6 551)
Group equity[1]	37 704	34 912
Net gearing (net interest-bearing liabilities/equity)	0.17	0.19

[1]The Group's equity also includes the value of cash flow hedges taken to comprehensive income.

Orkla's net interest-bearing liabilities decreased by NOK 171 million in 2020.

As an industrial group, Orkla is not subject to any external capital requirements. The subsidiary Orkla Insurance Company DAC (Ireland) is subject to solvency requirements under applicable laws and regulations in Ireland. These requirements were met in 2020.

Funding

The primary objective of Orkla's treasury policy is to ensure that the Group has sufficient financial flexibility in the short and long term to achieve its strategic and operational objectives.

Orkla's policy with regard to its funding activity is to maintain unutilised, long-term, committed credit facilities which together with available liquid deposits are sufficient to cover loans that fall due and known capital needs over the next 12 months, as well as a strategic reserve. This means that Orkla's credit facilities are normally refinanced one year before maturity and that short-term interest-bearing debt is at all times covered by unutilised long-term credit facilities. Commercial paper and money markets are used as a source of liquidity when conditions in these markets are competitive, as an alternative to drawing on committed long-term credit facilities. As at 31 December 2020 these credit facilities were unutilised (also unutilised as at 31 December 2019).

Orkla's main funding sources are bilateral loans from Orkla's relationship banks and loans in the Norwegian bond market. The Group Treasury also continuously evaluates other funding sources.

During 2020 new long-term loan agreements totalling NOK 2.5 billion were entered into, and an existing bond was increased by NOK 430 million. The remaining time to maturity of NOK 2.4 billion of the bilateral long-term credit facilities has been extended by one year.

Orkla has no loan agreements with financial covenants for the Group or for Orkla ASA. The loan agreements include some limitations on disposals of businesses, creation of security interest on assets, borrowing at subsidiary level, and cross default clauses. Bonds issued in the Norwegian bond market are listed on the Oslo Stock Exchange.

NOTE 29 INTEREST-BEARING LIABILITIES

The composition and the level of interest-bearing liabilities plus unutilised credit facilities are managed as part of the Group's funding activity. Changes in net interest-bearing liabilities result from the cash flow of the Group.

ACCOUNTING POLICIES

Loans and receivables are carried at amortised cost. Thus, changes in fair value resulting from changes in market interest rates during the interest rate period are not reported in the income statement, except for loans which are hedged objects in fair value hedges of interest rate risk; see Note 31. Bonds issued by Orkla, held on own books, are carried at amortised cost and recognised as reduced debt.

Interest-bearing liabilities	Book value		Fair value[1]			Notional		
Amounts in NOK million	2020	2019	2020	2019	Currency	in ccy[2]	Coupon[3]	Term
Non-current interest-bearing liabilities								
Bonds								
ORK80 (10694680)	952	927	970	951	NOK	1 000	Fixed 4.35%	2013/2024
ORK82 (11731730)	724	723	727	729	NOK	1 500	Nibor +0.69%	2015/2022
ORK83 (11774383)	675	675	682	684	NOK	1 000	Nibor +0.85%	2016/2023
ORK84 (11774391)	1 028	547	1 038	559	NOK	1 000	Fixed 2.35%	2016/2026
Other bonds	60	88	60	88				
Total bonds	3 439	2 960	3 477	3 011				
Bank loans	4 677	3 445	4 677	3 445				
Other loans	71	68	71	68				
Lease liabilities	1 152	1 295	1 152	1 295				
Interest-bearing derivatives	20	15	20	15				
Total non-current interest-bearing liabilities	9 359	7 783	9 397	7 834				
Current interest-bearing liabilities								
Bank loans, overdrafts	324	436	324	436				
Other loans	5	6	5	6				
Lease liabilities	335	361	335	361				
Total current interest-bearing liabilities	664	803	664	803				
Total interest-bearing liabilities	10 023	8 586	10 061	8 637				

[1]The fair value of exchange-traded bonds is calculated on the basis of official tax values, whereas book values are used for other loans.
[2]Of the notional amount the Group holds some of its own bonds, which have been deducted in the recognised liabilities.
[3]The nominal interest rate is not an expression of the Group's actual interest cost, as various interest rate swaps have been entered into.
Note 30 discloses further details of interest rate level, interest rate risk and a breakdown of the liabilities portfolio by currency.

Note 29 cont.

Maturity profile interest-bearing liabilities and unutilised credit facilities

	Interest-bearing liabilities		Unutilised credit facilities	
Amounts in NOK million	2020	2019	2020	2019
Maturity <1 year	745	911	1 148	-
Maturity 1–3 years	3 292	1 464	4 000	2 039
Maturity 3–5 years	3 869	4 291	2 408	3 768
Maturity 5–7 years	2 117	1 920	-	-
	10 023	8 586	7 556	5 807

The Group's unutilised credit facilities are multi-currency loan agreements with floating interest rates and flexible amounts and tenors for drawdown. The facility credit limits are denominated in NOK, EUR and SEK.

As at 31 December 2020 the average remaining time to maturity of the Group's combined interest-bearing liabilities (excluding lease-liabilities) and unutilised credit facilities was 3.2 years, compared with 3.7 years as at 31 December 2019.

The Group also holds cash pools and bank accounts with short-term credit lines. Unutilised credit lines on these accounts are not included in the table.

NOTE 30 FINANCIAL RISK

This note discloses the Group's financial risks within each business area, and the management of these risks. Market risk related to financial instruments (currency risk, interest rate risk, and price risk for input factors and sold products), liquidity risk and credit risk is described specifically. In addition to loans and receivables, the financial instruments consist of derivatives used for hedging market risk. Derivatives and hedging relationships are described in more detail in Note 31.

(I) ORGANISATION OF FINANCIAL RISK MANAGEMENT

Orkla operates internationally and is exposed to financial risks such as currency risk, interest rate risk, commodity price risk, liquidity risk and credit risk. Orkla uses derivatives and other financial instruments in order to reduce these risks in accordance with the Group's treasury policy. The responsibility for managing financial risk in Orkla is divided between business areas, which manage risk related to business processes, and Group level, which is responsible for centralised activities such as funding, interest rate risk management and currency risk management.

Centralised risk management

Orkla has a centralised Group Treasury. Its most important tasks are to ensure the Group's financial flexibility in the short and long term, and to monitor and manage financial risk in cooperation with individual operational entities. The guidelines for the Group Treasury are laid down in the Group's treasury policy. The Group Executive Board monitors financial risk by means of regular reporting and meetings of the Orkla Treasury Committee. The Group Treasury acts as an internal bank for the Group and is responsible for, and executes, all major external funding and hedging transactions related to currency and interest rate hedging. Each year the Board of Directors grants authorisation for establishing loans and entering into master agreements for financial instruments. Debt and treasury positions are managed in a non-speculative manner, so that all transactions in financial instruments are matched to an underlying business requirement.

Financial risks within each business area

The most important risk factors within the business areas of the Group, and the management thereof, are described below. In this context, financial risk is defined as risk related to financial instruments. These may be either instruments hedging underlying risks, or viewed as a source of risk in themselves. Market risk that is not hedged with financial instruments is also discussed in this section.

Note 30 cont.

Branded Consumer Goods
Entities within this area are primarily located in the Nordic and Baltic countries, and Central/ Eastern Europe. Production and sales mainly take place in local markets. A significant part of the input factors and some finished goods are imported.

The two primary sources of financial risk within this business area are price risk on agricultural products and ingredients in food production, and currency risk on imported goods. Price risk on raw materials is normally dealt with in commercial contracts. The most significant currency risk results from purchasing in EUR by the Norwegian and the Swedish entities. Contracts and committed transactions are hedged with currency forward contracts against the entities' own functional currency. Currency risk related to expected, non-contractual cash flows is hedged to a limited extent.

Hydro Power
Hydro Power is a significant producer of hydroelectric power (see Note 34). A substantial part of the production is sold under long-term contracts, whereas the remainder is sold in the spot market. Where contractual commitments exceed available power from own production, this is covered through purchases in the power market.

(II) CATEGORIES OF FINANCIAL RISK FOR THE GROUP

Currency risk
As NOK is the presentation currency for the Group, Orkla is exposed to currency translation risk on net investments in foreign entities. Orkla maintains, as far as possible, a distribution of its interest-bearing liabilities across currencies which corresponds to the relative enterprise value distribution across the foreign subsidiaries' home currencies. This ensures approximately the same hedging level in all currencies, where interest-bearing liabilities hedge the currency risk in enterprise value. The currency distribution of interest-bearing liabilities is shown in Table 2b.

In the statement of financial position, translation risk on net investments in foreign entities is reduced by the net interest-bearing liabilities in the same currency. These liabilities consist of hedges of internal loans from Orkla ASA to subsidiaries in their home currency, plus hedges of net investments according to IFRS 9. Orkla primarily uses loans and currency forward contracts to hedge internal loans and net investments in foreign subsidiaries.

At the operational level, transaction risk is hedged against each entity's functional currency as described in (I) "Organisation of financial risk management". Orkla applies hedge accounting for most hedges of future transactions, mainly cash flow hedges. The different types of hedges are described in more detail in Note 31.

The Group's aggregated outstanding currency hedges of future transactions as at 31 December 2020 are shown in Table 1.

TABLE 1
Outstanding foreign exchange contracts[1] linked to hedging of future revenues and costs

Hedged amount in million currency

Purchase currency	Amount in currency	Sale currency	Amount in currency	Maturity
USD	108	NOK	1 023	2021
USD	10	DKK	63	2021
INR	7 900	USD	107	2021
EUR	8	NOK	90	2021
EUR	5	SEK	54	2021
EUR	2	GBP	2	2021
SEK	24	NOK	25	2021
DKK	16	AUD	4	2021

[1]In currency pairs where the net total of hedges is over NOK 20 million. Currency hedges for part of the purchase price for Eastern Condiments in India are also included in the table.

Interest rate risk
Orkla's interest rate risk is mainly related to the Group's debt portfolio. This risk is managed at Group level. The Group's policy is that interest costs should mainly follow the general trend in the money market. Further, steps are taken to mitigate the effects of short-term fluctuations in money market rates. Material decisions regarding interest rate hedging are made by the Orkla Treasury Committee.

The interest risk profile of the debt portfolio is determined by the selection of interest periods for the Group's loans and the use of currency and interest rate derivatives. As at 31 December 2020, 43% (51% as at 31 December 2019) of the Group's interest-bearing liabilities (excluding lease liabilities) was at fixed interest rates for periods exceeding one year, and the average time to the next interest rate adjustment was 2.2 years (3.0 years as at 31 December 2019). The interest rate exposure on interest-bearing liabilities broken down by currency and financial instruments is shown in Table 2a and 2b.

Note 30 cont.

TABLE 2a

Interest-bearing liabilities by instrument and interest risk profile

	2020	Next interest rate adjustment						2019						
Amounts in NOK million	2020	0–3 months	3–6 months	6–12 months	1–3 years	3–5 years	>5 years	2019	0–3 months	3–6 months	6–12 months	1–3 years	3–5 years	>5 years
Bonds	3 439	1 459	-	-	-	952	1 028	2 960	1 486	-	-	-	927	547
Bank loans	4 697	4 414	283	-	-	-	-	3 457	3 445	12	-	-	-	-
Overdrafts	304	304	-	-	-	-	-	424	424	-	-	-	-	-
Other loans	76	5	71	-	-	-	-	74	5	69	-	-	-	-
Interest rate swaps (fair value hedge)	-	1 635	250	-	-	(885)	(1 000)	0	1 205	250	-	-	(885)	(570)
Interest rate swaps (cash flow hedge)	-	(2 342)	(697)	-	-	1 825	1 214	0	(2 424)	(425)	-	-	1 716	1 133
Interest rate derivatives (other)	20	(717)	-	100	120	517	-	15	(732)	50	-	215	482	-
Currency derivatives	-	5	(3)	(2)	-	-	-	0	7	(7)	-	-	-	-
Lease liabilities	1 487	330	86	-	588	296	187	1 656	372	98	-	633	328	225
Interest-bearing liabilities	10 023	5 093	(10)	98	708	2 705	1 429	8 586	3 788	47	0	848	2 568	1 335

TABLE 2b

Interest-bearing liabilities by instrument and currency

	2020							2019						
Amounts in NOK million	2020	NOK	SEK	EUR	USD	DKK	Other	2019	NOK	SEK	EUR	USD	DKK	Other
Bonds	3 439	3 379	-	-	-	26	34	2 960	2 873	-	-	-	26	61
Bank loans	4 697	1 000	2 092	1 573	-	12	20	3 457	1 001	949	1 484	-	13	10
Overdrafts	304	-	(8)	273	(3)	43	(1)	424	(27)	(14)	285	59	50	71
Other loans	76	71	-	-	-	2	3	74	68	-	-	-	2	4
Currency derivatives	-	(6 509)	2 938	1 224	(50)	1 065	1 332	0	(5 002)	1 090	942	(131)	1 946	1 155
Interest rate derivatives	20	-	-	20	-	-	-	15	-	-	15	-	-	-
Lease liabilities	1 487	638	168	424	-	113	144	1 656	733	187	486	-	90	160
Interest-bearing liabilities	10 023	(1 421)	5 190	3 514	(53)	1 261	1 532	8 586	(354)	2 212	3 212	(72)	2 127	1 461
Interest level borrowing rate	1.4%	1.7%	1.6%	1.3%	2.3%	0.4%	2.5%	1.7%	1.8%	3.0%	1.4%	3.0%	0.1%	2.9%

For currency derivatives the asset and liability components are shown separately per currency, also including those that are recognised assets.

Note 30 cont.

Liquidity risk

Liquidity risk is the risk that Orkla is not able to meet its payment obligations. The management of liquidity risk has high priority as a means of meeting the objective of financial flexibility.

Orkla's policy for funding activities, described in Note 28, implies that short-term interest-bearing liabilities and known capital expenditures are funded by undrawn long-term credit facilities at least one year prior to maturity. The cash flow from operations, which among other factors is affected by changes in working capital, is managed operationally by the business areas, and is largely stable with the largest net inflow during the fourth quarter. Orkla monitors liquidity flows, short- and long-term, primarily through reporting. Interest-bearing liabilities are managed together with interest-bearing assets at Group level.

Due to the measures mentioned, the Group has limited liquidity risk. In order to further reduce refinancing risk, Orkla seeks to ensure that the maturities of loans and credit facilities are well distributed.

Table 3 shows the maturity profile for the Group's contractual financial liabilities, including liabilities which are not recognised in the financial position. The amounts represent undiscounted future cash flows, and may therefore deviate from recognised figures. Derivatives are presented as split between those with gross settlement (currency derivatives), and those with net settlement (interest rate derivatives). The table also includes derivatives recognised as assets on the balance sheet date, as derivatives may include both positive and negative cash flows, and the fair value fluctuates over time. Forward interest rate curves are applied to estimate future interest payments. Similarly, forward prices are used to determine the future settlement amounts for currency derivatives.

TABLE 3
Maturity profile financial liabilities

	2020						2019					
Amounts in NOK million	Book value	Contractual cash flow	<1 year	1–3 years	3–5 years	>5 years	Book value	Contractual cash flow	<1 year	1–3 years	3–5 years	>5 years
Interest-bearing loans	8 516	8 421	329	2 676	3 557	1 859	6 915	6 811	441	807	3 913	1 650
Lease liabilities	1 487	1 589	440	623	322	204	1 656	1 753	476	668	353	256
Interest payments	49	556	144	242	134	36	60	703	168	284	187	64
Accounts payable and other current financial liabilities	6 623	6 623	6 623	-	-	-	5 711	5 711	5 711	-	-	-
Subscribed, uncalled partnership capital	-	21	21	-	-	-	-	-	-	-	-	-
Net settled derivatives[1]	87	-	-	-	-	-	113	-	-	-	-	-
Inflow	-	(298)	(56)	(125)	(86)	(31)	-	(337)	(56)	(112)	(108)	(61)
Outflow	-	404	96	186	99	23	-	480	122	190	136	32
Gross settled derivatives[1]	(51)	-	-	-	-	-	(83)	-	-	-	-	-
Inflow	-	(10 111)	(10 107)	(4)	-	-	-	(6 814)	(6 814)	-	-	-
Outflow	-	10 062	10 058	4	-	-	-	6 709	6 709	-	-	-
Total	16 711	17 267	7 548	3 602	4 026	2 091	14 372	15 016	6 757	1 837	4 481	1 941

[1]Including derivatives recognised as assets (negative figures in brackets).

The financial liabilities are serviced by cash flows from operations, liquid assets and interest-bearing receivables, and, when necessary, drawdowns on unutilised credit facilities. Unutilised committed credit facilities, the maturity profile of which is shown in Note 29, totalled NOK 7.6 billion at 31 December 2020 (NOK 5.8 billion at 31 December 2019).

Note 30 cont.

Credit risk

The management of credit risk related to accounts receivable and other operating receivables is handled as part of the business risk, and is continuously monitored by the operating entities. The Nordic grocery trade markets are characterised by relatively few, but large, participants, resulting in a certain concentration of the credit risk exposure towards individual counterparties. Receivables on each of the four largest customers account for 5-10% of total accounts receivable. When selling in countries with high political risk, trade finance products are used to a certain extent to reduce the credit risk. The current credit risk level is considered acceptable. Provisions have been made for losses on accounts receivable, and the recognised amount represents the fair value as of the statement of financial position date. The provisions and the age distribution of accounts receivable that are overdue are shown in Note 24.

Orkla's credit risk related to financial instruments is managed by Group Treasury. Risk arises from financial hedging transactions, money market deposits, and bank accounts. Firstly, Orkla seeks to minimise the liquid assets deposited outside the Group. Secondly, relationship banks that provide long-term funding are the targeted counterparties for bank accounts and financial hedging transactions according to policy. Further, limits and requirements related to the banks' credit ratings apply to deposits of excess liquidity. The exposure is continuously monitored by Group Treasury, and is considered to be low. Orkla ASA has International Swap Dealers Association (ISDA) agreements with its counterparties for derivative interest rate and currency transactions, which provide for netting of settlement risk.

Maximum credit risk

The maximum credit risk exposure for the Group related to financial instruments corresponds to total gross receivables. In the hypothetical, unlikely event that no receivables are recovered, this amounts to:

Amounts in NOK million	2020	2019
Cash and cash equivalents	3 213	1 669
Accounts receivable and other trade receivables	6 256	6 078
Other current receivables	297	285
Non-current receivables	292	255
Derivatives	170	121
Total	10 228	8 408

Commodity price risk

The Group is exposed to price risks in respect of a number of raw materials, in particular agricultural products. However, the prices of sold products are also affected by raw material prices, and it is generally Orkla's policy to reduce the price risk through commercial contracts. Commodity price risk is described for the individual business areas in section (I) "Organisation of financial risk management".

Sensitivity analysis

The financial instruments of the Group are exposed to different types of market risk which can affect the income statement or equity. Financial instruments, in particular derivatives, are applied as a means of hedging both financial and operational exposure.

In Table 4, Orkla presents a partial analysis of the sensitivity of financial instruments, where the isolated effect of each type of risk on the income statement and equity is estimated. This is done on the basis of a selected hypothetical change in market prices/rates on the statement of financial position as at 31 December 2020. In accordance with IFRS, the analysis covers only financial instruments and is not meant to give a complete overview of the Group's market risk, for instance:

- For currency hedges of contracts entered into, changes in the fair value of the hedging instrument will affect the income statement, while changes in the fair value of the underlying hedged contract offset by the hedging instrument will not be shown as it is not a financial instrument.
- If one of the parameters changes, the analysis will not take account of any correlation with other parameters.
- Financial instruments denominated in the entities' functional currencies do not constitute any currency risk and are therefore not included in this analysis. Nor is the currency exposure on translation of such financial instruments to the Group's presentation currency included.

Generally, the effect on the income statement and equity of financial instruments in Table 4 is expected to offset the effects of the hedged items where financial instruments are part of a hedging relationship.

Note 30 cont.

TABLE 4
Sensitivity financial instruments

Amounts in NOK million	2020: Accounting effect on Income statement of: Increase[1]	Decrease	Comprehensive income of: Increase[1]	Decrease	2019: Accounting effect on Income statement of: Increase[1]	Decrease	Comprehensive income of: Increase[1]	Decrease
Financial instruments in hedging relationships								
Interest rate risk: 100 basis points parallel shift in interest curves all currencies	4	(5)	154	(166)	7	(8)	168	(182)
Currency risk: 10% change in FX-rate EUR	4	(4)	(332)	332	15	(15)	(260)	260
Currency risk: 10% change in FX-rate SEK	(6)	6	(102)	102	(3)	3	(48)	48
Currency risk: 10% change in FX-rate DKK	2	(2)	(55)	55	(8)	8	17	(17)
Currency risk: 10% change in FX-rate INR	-	-	92	(92)	-	-	(14)	14
Share price risk: 10% change in share price	29	(29)	7	(7)	28	(28)	6	(6)

[1]Strengthening of the respective currency.

Accounting effects of changes in market risk are classified to income statement and comprehensive income in the table according to where the effect of the changes in fair value is recognised initially. Effects recognised in the income statement will also affect equity beyond the figures presented in the table.

NOTE 31 DERIVATIVES AND HEDGING RELATIONSHIPS

Derivatives are used in risk management to hedge currency and interest rate risk exposure. The value of the derivatives fluctuates in line with the prices of the underlying hedging objects, and the note shows the fair value of open derivative contracts as of the statement of financial position date. The derivatives in the table are classified by type of accounting hedge, the purpose of the derivatives, assets or liabilities according to how they are classified in the statement of financial position.

ACCOUNTING POLICIES

Derivatives are valued at fair value at the statement of financial position date and reported as receivables or liabilities. Gains and losses due to realisation or changes in fair value are reported in the income statement in cases where the derivative is not part of a hedging relationship that meets the criteria for hedge accounting. Embedded derivatives in contracts are identified and valued separately. Orkla currently has no embedded derivatives. Purchases and sales of derivatives are recognised at trade date. Derivatives are classified in the statement of financial position as "non-interest-bearing" receivables or liabilities as the main rule. Classification as "interest-bearing" is used where the hedged object itself is classified as an interest-bearing item, as well as for net investment hedges.

Hedging. The Group uses the following criteria when classifying a derivative or another financial instrument as a hedging instrument:
(1) the hedge is in line with the risk management objectives and strategy, and the instrument is expected to be highly effective in offsetting changes in the fair value or cash flow of an identified object,
(2) an economic relationship between the hedging instrument and the hedging object exists, sources of hedging inefficiency can be determined, and credit risk is not expected to dominate fair value changes in the hedging relationship,
(3) satisfactory documentation is established before entering into the hedging instrument, proving among other things that the hedging relationship is effective,
(4) in the case of a cash flow hedge, that the future transaction is considered to be highly probable, and
(5) the hedging relationship is evaluated regularly and is still expected to be effective.

Fair value hedges	Cash flow hedges	Net investment hedges
Changes in the fair value of derivatives designated as hedging instruments are immediately recognised in the income statement. Changes in the fair value of the hedged item are recognised in the income statement in the same way. Hedge accounting is discontinued if: (a) the hedging instrument has matured, or is terminated, exercised or sold, (b) the hedge no longer meets the above mentioned criteria for hedging, or (c) the Group for other reasons decides not to continue the fair value hedge. In the case of a discontinued hedging relationship, the changes in the fair value of the hedged item recognised in the statement of financial position will be amortised over the remaining life of the item, using the effective interest rate method, in the same way as for the hedging instrument.	The effective part of changes in the fair value of a hedging instrument is recognised in the comprehensive income and reclassified to the income statement when the hedged transaction is carried out, and presented on the same line as the hedged transaction. The ineffective part of the hedging instrument is immediately recognised in the income statement. When a hedging instrument has matured, or is sold, terminated or exercised, or the Group discontinues the hedging relationship, even though the hedged transaction is still expected to occur, the accumulated gains or losses at this point will remain in the Group's hedging reserve, and will be recognised in the income statement when the transaction occurs. If the hedged transaction is no longer expected to occur, the accumulated unrealised gains or losses related to the hedging instrument will be recognised in the income statement immediately.	Foreign currency gains or losses on hedging instruments that can be allocated to the effective part of the hedging relationship are reported in comprehensive income, while foreign currency gains or losses in the in-effective part of the hedge are reported in the income statement. The accumulated foreign currency gains or losses are recognised in the income statement when the hedged net investment is disposed of.

Measurement of financial instruments. The Group uses the following hierarchy when determining and disclosing the fair value of financial instruments:

Level 1: Quoted, unadjusted prices in active markets for identical assets and liabilities
Level 2: Other techniques for which all inputs with significant effect on the recorded fair value, are observable, either directly or indirectly
Level 3: Other techniques based on inputs with significant effect on the recorded fair value that are not based on observable market data

Note 31 cont.

As far as possible, the Group seeks to apply the IFRS rules for hedge accounting. The table below shows the fair value of all outstanding derivative financial instruments grouped according to treatment in the financial statements and hedged risk.

Derivatives in the statement of financial position and hedging purpose

Amounts in NOK million			2020	2019	Nominal value[3] 2020	Nominal value[3] 2019	Purpose of hedging	Hedge accounting	Classification
Assets	Non-current	i.b.[1]	96	19	1 885	1 455	Interest rate swaps fixed to floating, against fair value changes in the hedged loans	Fair value hedge	Fair value through profit and loss
Assets	Current	i.b.	43	34	3 061	1 383	Currency forwards hedging net investments in foreign subsidiaries	Net investment hedge	Fair value through comprehensive income
Assets	Current	i.b.	13	61	5 455	4 406	Currency forwards hedging loans/deposits	-	Fair value through profit and loss
Assets	Current	n.i.b.[2]	6	6	365	193	Total return swap hedging share exposure in pension obligations/LTI	-	Fair value through profit and loss
Assets	Current	n.i.b.	12	1	339	224	Currency forwards hedging future transactions	Cash flow hedge	Fair value through comprehensive income
Liabilities	Non-current	n.i.b.	(175)	(128)	3 286	4 790	Interest rate swaps floating to fixed, hedging future interest payments	Cash flow hedge	Fair value through comprehensive income
Liabilities	Non-current	i.b.	(20)	(15)	942	582	Interest rate swaps floating to fixed, hedging future interest payments	-	Fair value through profit and loss
Liabilities	Current	n.i.b.	(2)	(3)	100	150	Interest rate swaps floating to fixed, hedging future interest payments	-	Fair value through profit and loss
Liabilities	Current	n.i.b.	-	(3)	-	154	Total return swap hedging share exposure in pension obligations/LTI	-	Fair value through profit and loss
Liabilities	Current	n.i.b.	(9)	(2)	-	-	Currency forwards hedging future transactions	Cash flow hedge	Fair value through comprehensive income
Total derivatives			**(36)**	**(30)**					

[1] i.b. = Interest-bearing asset/liability
[2] n.i.b. = Non-interest-bearing asset/liability
[3] The nominal value is calculated as the sum of the absolute value of individual transactions.

Note 31 cont.

Calculation of fair value:

- Currency forwards and currency swaps are measured at fair value using the observed forward exchange rate for contracts with a corresponding term to maturity at the statement of financial position date.
- Interest rate swaps are measured at fair value using the present value of future cash flows calculated from observed market interest rates and exchange rates at the balance sheet date including accrued interest.
- Total return swaps are measured at fair value based on observed prices for the underlying shares/mutual funds at the statement of financial position date.

All derivatives are carried at fair value in the statement of financial position, and considered to be at level 2 in the hierarchy for measurement of financial instruments.

The derivative financial instruments are designated in hedging relationships as follows:

Cash flow hedges

- Orkla maintains interest rate swaps for hedging of future interest payments on liabilities that qualify for hedge accounting. These are swaps where Orkla pays a fixed interest rate and receives a floating rate.
- In hedges of currency risk on highly probable future cash flows, currency forward contracts are designated as hedging instruments.
- Total return swap on the Orkla share is designated as hedging instrument for the LTI incentive programme with return linked to the Orkla share price.

No effects from hedging inefficiency have been recorded in the income statement during 2020 or 2019. All expected cash flows hedged in 2020 still qualify for hedge accounting.

Changes in the equity hedging reserve

Amounts in NOK million	2020	2019
Opening balance hedging reserve before tax	(131)	(206)
Reclassified to profit/loss – operating revenues	-	(1)
Reclassified to profit/loss – operating costs	(2)	(21)
Reclassified to profit/loss – net financial items	70	106
Fair value change during the year	(208)	(9)
Closing balance hedging reserve before tax	(271)	(131)
Deferred tax hedging reserve	64	31
Closing balance hedging reserve after tax	(207)	(100)

The change in the equity hedging reserve before tax in 2020 was NOK -140 million (NOK 75 million in 2019), and after tax, recognised in other comprehensive income, was NOK -107 million in 2020 (NOK 58 million in 2019).

A negative hedging reserve means a negative recognition in the income statement in the future.

Accumulated hedging gains/losses from cash flow hedges recognised in the equity hedging reserve as at 31 December 2020 are expected to be recycled to the income statement as follows (before tax):

2021: NOK -158 million
After 2021: NOK -113 million

Hedges of net investments in foreign entities

When hedging the currency risk on foreign net investments, loans or currency derivatives are applied. In 2020 NOK -146 million was recorded in other comprehensive income after tax from net investment hedges (NOK 0.3 million in 2019).

No effects were recorded in the income statement related to net investment hedges of divested investments in 2020 (NOK 3 million in 2019).

Fair value hedges

- Interest rate derivatives designated as hedges of fixed interest rate loans (fixed-to-floating interest rate swaps) are accounted for as fair value hedges. In 2020, NOK 77 million was recognised as income in the income statement related to fair value changes in the interest rate swaps, and NOK 77 million was recognised as cost related to fair value changes in the hedged loans.

Derivatives not included in IFRS hedging relationships

There are also derivatives not included in hedging relationships according to IFRS for the following reasons:

- Derivatives are not designated as formal hedging relationships when changes in the fair value of hedging instruments and hedged objects are naturally offset in the income statement, for example currency risk on loans and other monetary items, and a Total Return Swap for hedging of pension liabilities linked to the price development in the stock market.
- Meeting strict IFRS hedge accounting criteria is not always possible or practical. Some of the currency hedges, and interest rate swaps where the hedge has been closed out, fall into this category.

NOTE 32 SHARE CAPITAL

A company's share capital and the distribution of the number of shares outstanding determine who controls a company and the way formal ownership is held by shareholder groups. In a Norwegian group context, it is the share capital of the parent company that is relevant and it is Orkla ASA's equity that serves as the basis of calculation and the limit for distribution of dividends from the Group.

The 20 largest shareholders as at 31 December 2020[1]

	Shareholders		Number of shares	% of capital[2]
1	Canica AS		194 150 000	19.39%
2	Folketrygdfondet		88 270 425	8.81%
3	Tvist 5 AS		50 050 000	5.00%
4	State Street Bank and Trust Company	Nominee	44 552 152	4.45%
5	JPMorgan Chase Bank, N.A., London	Nominee	35 250 285	3.52%
6	State Street Bank and Trust Company	Nominee	14 311 670	1.43%
7	JPMorgan Chase Bank, N.A., London	Nominee	13 373 602	1.34%
8	Société Générale	Nominee	11 043 426	1.10%
9	The Bank of New York Mellon	Nominee	9 632 411	0.96%
10	Verdipapirfondet KLP Aksjenorge		8 504 911	0.85%
11	State Street Bank and Trust Company	Nominee	8 102 646	0.81%
12	The Bank of New York Mellon	Nominee	7 796 253	0.78%
13	State Street Bank and Trust Company	Nominee	7 770 044	0.78%
14	State Street Bank and Trust Company	Nominee	7 737 678	0.77%
15	Clearstream Banking S.A.	Nominee	6 535 624	0.65%
16	The Bank of New York Mellon	Nominee	6 141 549	0.61%
17	The Northern Trust Comp, London	Nominee	6 102 856	0.61%
18	Stein Erik Hagen AS		5 800 000	0.58%
19	Danske Invest Norge		5 632 182	0.56%
20	JPMorgan Chase Bank, N.A., London	Nominee	5 576 140	0.56%
	Total shares		**536 333 854**	**53.56%**

[1]The list of shareholders is based on the Norwegian central securities depository (VPS)'s register of members at year end. For a list of grouped shareholders and nominee shareholders, see "Share information" on page 264.
[2]Of total shares issued.

Changes in share capital

Date/year	Number of shares	Nominal value (NOK)	Type of change	Amounts (NOK million)	Share capital (NOK million)
31.12.2010	1 028 930 970	1.25			1 286.2
31.12.2011	1 028 930 970	1.25			1 286.2
2012	1 018 930 970	1.25	amortisation	(12.5)	1 273.7
31.12.2012	1 018 930 970	1.25			1 273.7
31.12.2013	1 018 930 970	1.25			1 273.7
31.12.2014	1 018 930 970	1.25			1 273.7
31.12.2015	1 018 930 970	1.25			1 273.7
31.12.2016	1 018 930 970	1.25			1 273.7
31.12.2017	1 018 930 970	1.25			1 273.7
31.12.2018	1 018 930 970	1.25			1 273.7
2019	1 001 430 970	1.25	amortisation	(21.9)	1 251.8
31.12.2019	1 001 430 970	1.25			1 251.8
31.12.2020	1 001 430 970	1.25			1 251.8

Note 32 cont.

Treasury shares as at 31 December 2020

	Nominal value (NOK)	Number of shares	Fair value (NOK million)
Shares owned by Orkla ASA	627 250	501 800	44

ACCOUNTING POLICIES

Treasury shares have been deducted from Group equity at cost. The nominal value of the shares has been deducted from paid-in equity.

Changes in the number of treasury shares

	2020	2019
Total as at 1 January	1 125 182	19 410 259
External purchases of treasury shares	-	-
Amortisation of treasury shares	-	(17 500 000)
Orkla employee share purchase programme	(623 382)	(785 077)
Total as at 31 December	501 800	1 125 182

As at 31 December 2020, there were no options outstanding; see also Note 11.

As of 22 February 2021, a decision was taken to initiate an Orkla share buyback programme for up to five million shares.

See the "Corporate governance" section on page 43 regarding the authorisations granted by the General Meeting concerning share capital.

Dividend
The Board of Directors proposes that an ordinary dividend of NOK 2.75 per share be paid, totalling NOK 2,753 million for the 2020 financial year.

Under Norwegian law, the equity in Orkla ASA will, where relevant, constitute a legal limitation on the distribution of dividends by the Orkla Group. Dividends may be distributed insofar as the company has adequate equity and liquidity.

NOTE 33 NON-CONTROLLING INTERESTS

Non-controlling interests consist of external ownership interests in subsidiaries and their subsidiaries. The majority of the Group's businesses are wholly-owned.

Amounts in NOK million	2020	2019
Non-controlling interests' share of:		
Depreciation and write-downs	45	42
Operating profit	66	86
Profit/loss before taxes	59	82
Taxes	(8)	(22)
Changes in non-controlling interests:		
Non-controlling interests 1 January	460	451
Implementation effect IFRS 16, 1 January	-	(15)
Non-controlling interests' share of profit/loss	51	60
Increase due to acquisitions and capital increases in companies with non-controlling interests	3	46
Increase non-controlling interest due to sale to non-controlling interest	6	-
Decrease due to further acquisitions of non-controlling interests	-	(31)
Decrease due to sale of companies with minority interests	(1)	-
Dividends to non-controlling interests	(68)	(49)
Translation differences	11	(2)
Non-controlling interests 31 December	462	460
Breakdown of non-controlling interests' share of profit/loss:		
Orkla Food Ingredients	49	56
Hydro Power	4	4
Financial Investments	(2)	0
Total non-controlling interests' share of profit/loss	51	60

Amounts in NOK million	2020	2019
Breakdown of non-controlling interests:		
Orkla Food Ingredients	276	279
Hydro Power	186	179
Financial Investments	0	2
Total non-controlling interests	462	460

ACCOUNTING POLICIES

If the Group has control, but owns less than 100% of the subsidiaries and their subsidiaries, the non-controlling interests' share of profit or loss after tax, their share of comprehensive income and their share of equity are presented on separate lines in the consolidated financial statements. All internal transactions are eliminated in the same way as for the other Group companies. If there are non-controlling interests in acquired companies, the non-controlling interests will receive their share of allocated assets and liabilities, except for goodwill which is only calculated on the Group's share. Transactions with non-controlling interests that do not entail loss of control will be recognised in equity.

Orkla Food Ingredients has several companies with non-controlling interests, the most material of which are related to the Dragsbæk group in Denmark. The group has been family-owned and the former owner still has a substantial ownership interest in the parent company. Orkla Food Ingredients also has external ownership interests in Kanakis Group (Greece) and NIC (Netherlands).

The non-controlling interests in Hydro Power consist of a 15% interest in AS Saudefaldene, which is owned by Sunnhordaland Kraftlag.

Companies with non-controlling interests are consolidated on a 100% basis in the income statement, statement of financial position and statement of cash flows. On the other hand, the non-controlling interests' share of the Group's annual profit or loss and equity are reported on separate lines.

NOTE 34 POWER AND POWER CONTRACTS

The Group both owns and leases power plants, all located in Norway. The table below shows power plants, annual production, ownership status and key financial terms and conditions.

Plant, type, location/contract	Actual median annual production/contract volume	Ownership, status and remaining utilisation period/contract duration	Key financial terms and conditions
Power plants			
Saudefaldene[2]	1 910 GWh		AS Saudefaldene[1] has an annual concession power commitment of 134 GWh. In addition, the company has an annual delivery commitment to Eramet of 436 GWh which, following the termination of the contract with Eramet, is to be sold to Statkraft on the same terms. An agreement has been entered into with Elkem AS for the delivery of 501 GWh/year until 31 December 2030 to satisfy the condition regarding use of power in Elkem's industrial operations. The terms are equivalent to the terms in the lease agreement with Statkraft.
Storlivatn power plant		Operation started 1970	
Svartkulp power plant		Operation started November 2001	
Dalvatn power plant		Operation started December 2006	
Sønnå Høy power plant		Operation started August 2008	
Sønnå Lav power plant		Operation started October 2008	
Storli mini power plant		Operation started February 2009	
Kleiva small power plant		Operation started November 2009	
Hydropower reservoir, Rogaland		Under lease agreements with Statkraft, AS Saudefaldene[1] has the use of all plants until 2030.	On hand-over to Statkraft the plants must be in good working condition. Statkraft SF shall pay AS Saudefaldene[1] the residual value for tax as at 1 January 2031 of the expansions carried out by AS Saudefaldene[1].
Borregaard power plant[2] Hydropower run-of-river, Sarpsfossen in Glomma, Sarpsborg	282 GWh	100% ownership, infinite licence period.	
Sarp power plant[2] Hydropower run-of-river, Sarpsfossen in Glomma, Sarpsborg	242 GWh	50% ownership, infinite licence period. The other ownership interest owned by E-CO Energi AS (45%) and Svartisen Holding (5%).	E-CO Energi AS has operational responsibility.
Trælandsfos power plant[2] Hydropower run-of-river, Kvinesdal, Agder	32 GWh	100% ownership, infinite licence period.	
Mossefossen power plant[2] Hydropower run-of-river, Moss, Viken	13 GWh	100% ownership, partly infinite licence period.	
Power contracts			
SiraKvina replacement power Agder	35 GWh	Infinite	Replacement for lost production in Trælandsfos.

[1]Orkla owns 85% of AS Saudefaldene.
[2]Actual median annual production (2011–2020) at current capacities.

NOTE 35 PLEDGES AND GUARANTEES

Pledges and guarantees show the book value of Group assets which are accessible to pledgees in the event of a bankruptcy or a winding-up. Claims that have priority by law (taxes and charges, wages etc.) must also be taken into account. The table shows that the book value of pledged assets is considerably higher than outstanding liabilities secured by pledges.

Guarantee commitments cover a variety of guarantees such as rent guarantees and guarantees for other payments, but do not cover product or service liability in connection with ordinary sales.

Amounts in NOK million	2020	2019
Liabilities secured by pledges	74	101
Pledged assets		
Machinery, vehicles etc.	1	0
Buildings and plants	185	192
Accounts receivables	2	2
Total book value	188	194

"Liabilities secured by pledges" and "Pledged assets" are mainly security for loans in partly-owned companies.

Guarantees

Amounts in NOK million	2020	2019
Subscribed, uncalled limited partnership capital	20	20
Other guarantee commitments	89	50
Total guarantee commitments	109	70

ACCOUNTING POLICIES

The Group's most important loan agreements are based on a negative pledge, and the Group can therefore only to a limited extent pledge its assets to secure its liabilities.

NOTE 36 RELATED PARTIES

Related parties are in a position to enter into transactions with the company that would not be undertaken between unrelated parties. A company's profit or loss and financial position could in principle be affected by a related party relationship even if no transactions with related parties have actually taken place. The mere existence of the relationship may be sufficient to affect the way the company's other transactions are perceived.

Orkla ASA is a parent company and has direct and indirect control of around 230 companies in various parts of the world. Directly-owned subsidiaries are presented in Note 10 to Orkla ASA's financial statements, while other important companies are presented in the Group Directory (last pages of the Annual Report). Orkla ASA's internal relationship with these companies is shown on separate lines in the company's financial statements (see the financial statements for Orkla ASA).

Orkla has ownership interests in associates and joint ventures, which are presented using the equity method. Orkla had no material outstanding balances with associates or joint ventures as at 31 December 2020. There were no special material transactions between associates and joint ventures and the Group in 2020.

Internal trading within the Group is carried out in accordance with special arm's length agreements, and joint expenses in Orkla ASA are distributed among the Group companies in accordance with distribution formulas, depending on the various types of expense. For further information on intra-Group transactions, see Note 7.

Chairman of the Board of Directors Stein Erik Hagen and related parties owned 250,100,000 shares in Orkla (equivalent to 24.97% of shares issued) through the Canica system as at 31 December 2020. In February 2021, Canica AS purchased 286,000 shares in Orkla. Following this transaction, Stein Erik Hagen and related parties own 25.003% of share capital. Canica has had an agreement with Orkla ASA to lease office premises in Karenslyst allé 6 from 1 October 2017 to 31 December 2020. The Orkla Group also makes sales to companies in the Canica system. These sales are agreed on market conditions and total around NOK 24 million.

Apart from what is disclosed in this note, there were no material transactions with related parties. Information regarding the remuneration of the executive management is disclosed in Note 5 to the financial statements for Orkla ASA.

Note 36 cont.

ACCOUNTING POLICIES

Two parties are deemed to be related if one party can influence the decisions of the other. Related party relationships are a normal feature of commerce and business. All transactions with related parties must be carried out on market terms and conditions.

NOTE 37 CONTINGENT LIABILITIES AND OTHER MATTERS

This note discloses matters which under the accounting rules have not been taken into account in the income statement or statement of financial position. For instance, there may be matters relating to time-limited agreements that could have an impact on future earnings. There may be unresolved legal disputes that could have significant effects if the judgment is not as expected. The information below is intended to shed light on such matters and, in combination with the financial statements and other notes, to provide a correct overall picture of the Group's total earnings and financial position.

Agreement with Unilever. The existing production and supply agreement between Orkla ASA (OHPC/Lilleborg AS) and Unilever, relating to certain products in OHPC's product portfolio under brands such as Sun, OMO and Jif, will not be renewed. The agreement will terminate with effect from 1 July 2021. Orkla owns these brands in Norway and will establish new means of production and supply for the products currently covered by the production and supply agreement with Unilever.

Distribution agreement with PepsiCo. Orkla has a distribution agreement with PepsiCo regarding the sale of Tropicana, Naked, Quaker, Lays & Doritos products through Orkla Foods Sverige, Orkla Foods Norge, Orkla Foods Danmark, Orkla Soumi, Orkla Confectionery & Snacks Sverige and Orkla Confectionery & Snacks Norge. The agreement was originally entered into in 2015 for the juice category and was subsequently expanded to cover snacks and cereals in 2016. An extension of the agreement was negotiated in 2020. The new extended agreement enters into force in 2021.

Norwegian Competition Authority case. In 2019, the Norwegian Competition Authority opened an investigation of Orkla-owned Lilleborg AS based on suspicions of a possible breach of the Competition Act, and the company is assisting the competition authorities by facilitating an efficient investigation. At the date of preparation of the financial statements, the Group does not know of any potential negative outcomes of the matter, nor the expected time horizon for conclusion of the matter.

The Non-Annex 1 raw material price compensation agreement (RÅK). Through the EEA Agreement, Norway has regulated trade in processed agricultural products. The agreement ensures free movement of goods, but customs duties and compensation are used to even out any differences between the raw material prices paid by Norwegian manufacturers who use Norwegian raw materials and the prices paid by foreign manufacturers who use raw materials from the EU. Around 86% of Orkla's sales of food products in Norway are exposed to competition from imports, most of which are processed agricultural products (non-Annex 1 products).

Denofa do Brasil. A subsidiary of one of Orkla's foreign subsidiaries, Denofa do Brasil Ltda, is involved in several lawsuits, two of which are material. One concerns the denial of exemption from VAT on exports of soybeans to Norway in the years up to 2004. The tax authorities maintain that the company has not substantiated that all the soybean shipments actually were exported to Norway. The second lawsuit concerns a claim from the estate of a local bank, Banco Santos, that declared bankruptcy. The claim is based on Denofa do Brasil's lending of securities related to claims on soybean crops in 2004, in which Denofa do Brasil was swindled. The company has lost both cases in the lower courts. Orkla's legal advisers in Brazil consider the decisions to be erroneous. The Banco Santos case has been appealed to the Supreme Court, and a request has been submitted to have the VAT claim invalidated. The appeal to the Supreme Court has been allowed in the Banco Santos case, while the case concerning invalidation of the VAT claim is being considered by the first legal instance. Denofa do Brasil has only limited funds to pay the claims if one of the opposite parties should nonetheless win. Orkla has made a provision in the consolidated financial statements equivalent to the assets in Brazil and is not prepared to inject new capital into Denofa do Brasil to cover potential claims if the company should lose one of the cases.

Contracts. The Group has contracts at all times for the purchase of goods and services and distribution agreements, such as purchasing agreements for potatoes, vegetables and fish. These contracts are regarded as part of the Group's ordinary operating activities and are therefore not specified or indicated in any other way. The contracts are deemed to be strictly commercial contracts with no embedded derivatives.

Note 37 cont.

Government grants. Government grants are recognised when it is reasonably certain that they will be received. The grants are presented either as income or as a cost reduction in which case they are matched with the costs for which they are meant to compensate. Government grants relating to assets are recognised as a reduction in the asset's acquisition cost. The grant reduces the asset's depreciation. Orkla received only an insignificant amount in government grants.

Dragsbæk. Under Orkla's shareholder agreement with its partner in Dragsbæk, Orkla has an obligation to purchase the remaining shares at the partner's request. Orkla acquired 50% of the company for approx. NOK 45 million in 1989 and has subsequently purchased an additional 17%. The potential purchase of the remaining shares will be priced on the basis of the original price adjusted for inflation and earnings in the past three years. The adjustment for earnings is limited to +/-25%.

NOTE 38 THE ORKLA-FORMAT CASH FLOW STATEMENT

The Orkla-format cash flow statement is presented in the text of quarterly reports and is used as a reference in the segment information (Note 7). A condensed version is also presented in the Report of the Board of Directors. At Group level, the bottom line of the Orkla-format cash flow statement is net interest-bearing liabilities, an important key figure for the Group, and the statement is used directly in business area management.

The full cash flow statement shows the Group's overall financial capacity, generated by operations, to cover the Group's financial items, taxes and items more subject to Group control such as dividends and treasury share transactions. Cash flow from operations is split into "Cash flow from operations Branded Consumer Goods incl. HQ" and "Cash flow from operations Industrial & Financial Investments", the latter aggregated on one line.

The last part of the cash flow statement shows the expansion measures that have been carried out in the form of direct expansion investments and the acquisition and disposal of companies. Direct expansion investments are defined as investments in new geographical markets or new categories or investments that represent substantial increases in capacity; see alternative performance measures (APM) on page 260. The cash flow statement is based on an average monthly exchange rate, while the change in net interest-bearing liabilities is an absolute figure measured at the closing rate. The difference is explained by the currency translation effect related to net interest-bearing liabilities.

Cash flow Orkla-format

Amounts in NOK million	2020	2019
Cash flow from Branded Consumer Goods incl. HQ		
EBIT (adj.)	5 440	4 786
Depreciation	1 783	1 581
Changes in net working capital	670	812
Net replacement expenditures	(2 251)	(1 931)
Cash flow from operations (adj.)	5 642	5 248
Cash flow effect of "Other income", "Other expenses" and pensions	(291)	(450)
Cash flow from operations, Branded Consumer Goods incl. HQ	5 351	4 798
Cash flow from operations, Industrial & Financial Investments	87	135
Financial items, net	(172)	(174)
Taxes paid	(1 152)	(1 129)
Dividends received	234	204
Other payments	29	(197)
Cash flow before capital transactions	4 377	3 637
Dividends paid	(2 666)	(2 648)
Net sale/purchase of treasury shares	57	59
Cash flow before expansion	1 768	1 048
Expansion investments	(479)	(631)
Sale of companies (enterprise value)	200	582
Purchase of companies (enterprise value)	(733)	(3 063)
Net cash flow	756	(2 064)
Currency effects of net interest-bearing liabilities	(585)	(3)
Change in net interest-bearing liabilities	(171)	2 067
Net interest-bearing liabilities	6 380	6 551

Note 38 cont.

Reconciliation of change in interest-bearing items 2020

Amounts in NOK million	Interest-bearing assets	Interest-bearing liabilities	Net interest-bearing liabilities
Balance 1 January 2020	2 035	(8 586)	(6 551)
Balance 31 December 2020	3 643	(10 023)	(6 380)
Change net interest-bearing liabilities from cash flow Orkla-format	(1 608)	1 437	(171)
Of this change cash and cash equivalents	1 544	-	1 544
Change net interest-bearing liabilities excluding cash and cash equivalents	(64)	1 437	1 373
Interest-bearing items from acquired and sold companies	0	(26)	(26)
Interest-bearing liabilities new leases	-	(283)	(283)
Currency effects interest-bearing items	(1)	(739)	(740)
Net cash flow from/(used in) financing acitivites	(65)	389	324

Reconciliation of change in interest-bearing items 2019

Amounts in NOK million	Interest-bearing assets	Interest-bearing liabilities	Net interest-bearing liabilities
Balance 1 January 2019	2 193	(6 677)	(4 484)
Balance 31 December 2019	2 035	(8 586)	(6 551)
Change net interest-bearing liabilities from cash flow Orkla-format	158	1 909	2 067
Of this change cash and cash equivalents	(309)	-	(309)
Change net interest-bearing liabilities excluding cash and cash equivalents	(151)	1 909	1 758
Interest-bearing items from acquired and sold companies	0	(55)	(55)
Interest-bearing liabilities new leases	-	(450)	(450)
Currency effects cash and cash equivalents	-	(4)	(4)
Net cash flow from/(used in) financing acitivites	(151)	1 400	1 249

NOTE 39 EVENTS AFTER THE BALANCE SHEET DATE

Material events after the balance sheet date that occur before the Board of Directors has approved the financial statements may make it necessary to change the annual financial statements or to disclose the matter in the notes to the financial statements. If new information emerges regarding a matter that existed on the balance sheet date, and the matter is material, the financial statements must be changed.

Acquisitions

Orkla entered into an agreement to purchase 67.8% of the shares in Eastern Condiments Private Limited ("Eastern"). The acquisition will double Orkla's turnover in India. Orkla already holds a strong position in the Indian food market through MTR, which has increased its sales revenues five-fold since Orkla acquired the company in 2007. Eastern will be merged into the company MTR Foods Private Limited ("MTR Foods"). Orkla will have an interest of 90.01% in the joint venture. The parties have agreed on a purchase price that values Eastern (100%) at INR 20 billion (approx. NOK 2.4 billion) at enterprise value. Eastern has seven factories in four different states in India and around 3,000 employees. In the last twelve months ending 30 June 2020, the company achieved a turnover of INR 9.0 billion (approx. NOK 1.1 billion) and normalised EBITDA of INR 1.1 billion (approx. NOK 129 million). The process of completing the transaction is still ongoing. The subsequent merger process is expected to take around 15 months from the date of completion of the share purchase. The purchase agreement contains a clause that enables Orkla, in the long term, to take over full ownership of the merged entity.

In January 2021, Orkla Care signed and completed an agreement to acquire 100% of the shares in Proteinfabrikken AS. Orkla Care already owned 16.7% of the company after having acquired a minority shareholding in 2014. Proteinfabrikken sells a broad range of proprietary sports nutrition products under the PF brand. Proteinfabrikken has seven employees. In 2019 Proteinfabrikken had a turnover of NOK 82 million. The company will be consolidated into Orkla's financial statements as of 1 January 2021.

In February 2021, Orkla Health entered into an agreement to acquire 100% of the shares in NutraQ 2 AS (NutraQ), which is a leading supplier of subscription-based health and beauty products in the Nordic region. NutraQ is behind the two well-known health and beauty concepts VitaePro and Oslo Skin Lab. NutraQ also owns the dietary supplement brand Maxulin, the hair care product Provexin, and the Vesterålens Naturprodukter brand that offers omega-3 and various vitamin supplements. NutraQ was established in Norway in 2002 and has since

Note 39 cont.

also established operations in Denmark, Finland and Sweden. These four countries account for around 90% of turnover. The company has around 150 employees. With its subscription-based business model, NutraQ represents a new business approach for Orkla. The number of active subscriptions has grown organically by an average of 13% annually in the period 2018-2020. The company had a turnover of NOK 862 million in 2020 and EBITDA of NOK 188 million. The parties have agreed on a purchase price that values NutraQ at NOK 3.1 billion at enterprise value. The agreement is subject to the approval of the relevant competition authorities, and the acquisition is expected to be completed by the end of the third quarter of 2021.

On 1 March 2021, Orkla announced its acquisition of 80 % of the shares in Finnish food service company Seagood Oy Fort Deli ("Fort Deli"). Fort Deli holds a strong position in the Finnish HoReCa market, which accounts for around 80% of the company's revenues. The company is an established supplier of frozen products, sauces, and condiments in Finland. Fort Deli has 10 employees and its turnover totalled EUR 8.7 million (approx. NOK 90 million) in 2020. The company will be consolidated into Orkla's financial statements as of 1 March 2021.

On 2 March 2021, Orkla acquired the operations of the Polish sales and distribution company Ambasador92. Ambasador92 is a leading company in the sales and distribution of bakery and confectionery products in northern Poland and holds a strong position in the growing Out of Home channel, consisting of bakeries, confectioners and ice-cream producers. The company had a turnover of PLN 138 million (approx. NOK 315 million) in 2020. The company has 128 employees, and will be part of Orkla's business area Orkla Food Ingredients. The Polish competition authorities have approved the transaction. The company will be consolidated into Orkla's financial statements as of 1 March 2021.

Other matters

No other events have taken place after the balance sheet date that would have had a material effect on the financial statements or any assessments carried out.