

Additional information for valuation purposes

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

Consolidated operations:

Hydro Power

The power operations have been fully consolidated into Orkla's income statement and are reported as Hydro Power. The power operations consist primarily of two assets, a reservoir power plant in Sauda (85% interest) and a run-of-the-river plant in Sarpefossen. The Sauda hydropower operations are regulated by a civil law lease agreement with Statkraft. The lease runs until 31 December 2030, after which the power plants will be returned to Statkraft in return for financial compensation equivalent to the estimated residual value, written down for tax purposes, of the newly built plants (around NOK 1.1 billion).

The Saudefaldene plant's average annual production (2011–2018) is 1 911 GWh. Saudefaldene leases approximately

1 TWh per year from Statkraft and has corresponding delivery commitments, the net effect of which is zero. The rest of the power is sold on the spot market. Payroll expenses and other operating costs related to these activities amounted to approximately NOK 96 million in 2018. Major maintenance investments are generally recognised in the financial statements under operating expenses. Saudefaldene receives an annual amount from Statkraft in compensation for major maintenance investments. The net charge in 2018 was NOK 9 million, compared with approximately NOK 12 million in 2017. Depreciation totalled NOK 46 million in 2018.

The Sarpefossen power operations are based on power rights that are not subject to reversion, and average annual production (2011–2018) totals 603 GWh. The power is sold on the spot market. Payroll expenses and other operating costs related to these activities totalled NOK 45 million in 2018. Depreciation amounted to NOK 10 million in 2018.

Financial Investments

Financial Investments consist of Orkla Eiendom and Orkla Venture. As of 31 December 2018, Orkla had invested approximately NOK 100 million in Orkla Venture. Orkla Eiendom meets the Group's needs for specialised expertise and assistance in the real estate sector, and is responsible for the administration, development and sale of properties that are not utilised in Orkla's brand business. Orkla also has a historical portfolio of real estate-related investments, which are being sold in accordance with the current strategy.

The most important development projects in the portfolio are the construction of Orkla's new headquarters at Skøyen and one housing project at Torshov in Oslo. As at 31 December 2018, the book value of Orkla's real estate investments was NOK 1.9 billion. About NOK 1.6 billion of that amount was related to the three largest development projects. In addition to good operations, focus in the future will be on realising the potential value in the development projects, securing assets and freeing up capital by selling properties and projects that are not to be further developed. Current development projects entail a need for investments during the construction period, while gains are primarily expected to be realised in the period 2019-2021.

Read more at www.orklaeiendom.no/english/

Associates:

Jotun

Orkla owns 42.6% of Jotun, which is reported as an associate. Jotun is a well-established global manufacturer of paint and powder coatings, and holds strong positions in Scandinavia, Asia and the Middle East. The company is steadily expanding and has achieved good organic growth in the past few years. Jotun reported operating revenues of NOK 17.7 billion in 2018 and EBIT amounted to NOK 1.4 billion. Net interest-bearing liabilities as at 31 December 2018 totalled NOK 2.5 billion.

Read more at www.jotun.no

