

Annual Financial Statements Orkla ASA 2019

04



INCOME STATEMENT

Amounts in NOK million	Note	2019	2018
Operating revenues		27	29
Operating revenues Group	1	847	840
Total operating revenues		874	869
Payroll expenses	2, 5	(484)	(358)
Other operating expenses		(680)	(679)
Depreciation/write-downs and amortisation	8, 9	(131)	(30)
Operating loss		(421)	(198)
Dividends and contributions from Group		4 506	3 442
Write-downs subsidiaries		(36)	(463)
Interest income/costs from Group	6	157	105
Other financial costs	7	(194)	(239)
Profit before taxes		4 012	2 647
Taxes	11	(206)	(278)
Profit after tax		3 806	2 369

STATEMENT OF COMPREHENSIVE INCOME

Profit after tax		3 806	2 369
Changes in fair value shares		(2)	(5)
Change in hedging reserve after tax		77	65
Change in actuarial gains and losses pensions		(11)	(17)
Comprehensive income		3 870	2 412
Proposed dividend (not provided for)		(2 601)	(2 599)

STATEMENT OF CASH FLOWS

Amounts in NOK million	2019	2018
Profit/loss before tax	4 012	2 647
Depreciation and write-downs	131	30
Write-downs subsidiaries	36	463
Changes in net working capital etc.	43	(55)
Transfer of profit items to other activities	(1 696)	97
Taxes paid	(254)	(188)
Cash flow from operating activities	2 272	2 994
Net replacement expenditures	(418)	(305)
Investments in subsidiaries/partly owned companies	(1 313)	(277)
Net purchase/sale shares, dividends and financial assets	21	3
Cash flow from investing activities	(1 710)	(579)
Dividends paid	(2 599)	(2 643)
Net sale/purchase of treasury shares	59	(1 378)
Net paid to shareholders	(2 540)	(4 021)
Proceeds from borrowings	2 163	-
Repayments of borrowings	(431)	-
Repayments of lease liabilities	(79)	-
Net change in short-term debt/current liabilities	1 310	(397)
Net change in short-term interest-bearing receivables	(1 517)	(967)
Net cash flow from/ (used in) financing activities	1 446	(1 364)
Cash flow from financing activities	(1 094)	(5 385)
Change in cash and cash equivalents	(532)	(2 970)
Cash and cash equivalents 1 January	1 490	4 460
Cash and cash equivalents 31 December	958	1 490
Change in cash and cash equivalents	(532)	(2 970)

STATEMENT OF FINANCIAL POSITION**Assets**

Amounts in NOK million	Note	2019	2018
Intangible assets	9	94	75
Deferred tax asset	11	154	209
Property, plant and equipment	8	1 337	475
Shares in subsidiaries	10	34 174	31 061
Loans to Group companies, interest-bearing		10 855	9 924
Other financial assets		65	246
Non-current assets		46 679	41 990
Receivables external		198	99
Receivables Group, non-interest-bearing		309	323
Receivables Group contribution		1 359	1 375
Financial investments		2	13
Cash and cash equivalents		958	1 490
Current assets		2 826	3 300
Total assets		49 505	45 290

Equity and liabilities

Amounts in NOK million	Note	2019	2018
Paid-in equity		1 972	1 971
Retained earnings		32 342	31 016
Equity		34 314	32 987
Pension liabilities	2	626	558
Non-current interest-bearing liabilities		6 771	4 613
Non-current non-interest-bearing liabilities		128	242
Non-current liabilities and obligations		7 525	5 413
Liabilities to Group, interest-bearing		6 787	5 905
Liabilities to Group, non-interest-bearing		177	158
Tax payable	11	170	254
Other current liabilities		532	573
Current liabilities		7 666	6 890
Equity and liabilities		49 505	45 290

STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	Share capital	Treasury shares	Premium fund	Total paid-in equity	Retained earnings	Total Orkla ASA
Equity 1 January 2018	1 274	0	721	1 995	32 601	34 596
Comprehensive income Orkla ASA	-	-	-	-	2 412	2 412
Dividends paid	-	-	-	-	(2 643)	(2 643)
Net purchase of treasury shares	-	(24)	-	(24)	(1 354)	(1 378)
Equity 31 December 2018	1 274	(24)	721	1 971	31 016	32 987
Comprehensive income Orkla ASA	-	-	-	-	3 870	3 870
Dividends paid	-	-	-	-	(2 599)	(2 599)
Cancellation of treasury shares	(22)	22	-	-	-	0
Net sale of treasury shares	-	1	-	1	58	59
Implementation effect IFRS 16	-	-	-	-	(3)	(3)
Equity 31 December 2019	1 252	(1)	721	1 972	32 342	34 314

NOTE 1 ACCOUNTING PRINCIPLES

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

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

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

The Board of Directors has deemed that Orkla ASA, after the proposed dividend of NOK 2.60 per share, had adequate equity and liquidity at the end of 2019.

The New IFRS 16 Leases entered into force on 1 January 2019 and requires that discounted right-of-use leases and associated payment liabilities be capitalised as an asset. Orkla ASA has chosen to use the modified retrospective method in implementing IFRS 16, which thereby gives rise to an equity effect upon implementation, but the comparative figures do not change. As at

1 January 2019, the company capitalised right-of-use assets totalling around NOK 40 million. This had a limited effect on profit. As at 31 December 2019, Orkla ASA had leases for company cars for employees and an office building at Skøyen (Karenslyst allé 6). An agreement has been entered into with Drammensveien 149 Nybygg AS on the lease of a new headquarters as from 1 February 2019. This agreement has no impact on the implementation effect.

NOTE 2 PAYROLL AND PENSIONS

Amounts in NOK million	2019	2018
Wages	(380)	(259)
National insurance contributions	(56)	(53)
Remuneration of the Board and other pay-related costs	(8)	(12)
Pension costs	(40)	(34)
Payroll expenses	(484)	(358)
Average number of employees	198	195

Breakdown of net pension costs

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

Amounts in NOK million	2019	2018
Current service cost (incl. national insurance contribution)	(25)	(15)
Curtailment and settlement	(3)	-
Costs contribution plans	(12)	(19)
Pensions classified as operating costs	(40)	(34)
Pensions classified as financial items	(50)	5
Net pension costs	(90)	(29)

Breakdown of net pension liabilities as at 31 December

Amounts in NOK million	2019	2018
Present value of pension obligations	(626)	(558)
Pension plan assets	-	-
Capitalised net pension liabilities	(626)	(558)

The remaining net pension liabilities at 31 December 2019 mainly consist of unfunded pension plans for former key personnel and unfunded early retirement plans, and recognised liabilities related to plans for employees who earn more than twelve times the Norwegian National Insurance Scheme's basic amount (12G). For other employees, the company primarily has defined contribution pension plans.

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

NOTE 3 GUARANTEES AND ASSETS PLEDGED

Amounts in NOK million	2019	2018
Subscribed, uncalled limited partnership capital	-	10
Guarantees to subsidiaries	231	226

NOTE 4 LOANS TO EMPLOYEES

Other financial assets includes loans to employees.

Amounts in NOK million	2019	2018
Loans to employees	2	2

NOTE 5 REMUNERATION AND CONTRACTUAL ARRANGEMENTS – THE BOARD OF DIRECTORS' STATEMENT OF GUIDELINES

1. The Board of Directors' statement of guidelines for the pay and other remuneration of the executive management

Pursuant to section 6-16a of the Public Limited Liability Companies Act, the Board of Directors must draw up a special statement of guidelines for the pay and other remuneration of senior executives ("Board's statement of guidelines"). The elements in the Board's statement of guidelines are set out in (i)–(vi) below. Under section 5-6 (3) of the same Act, an advisory vote must be held at the General Meeting on the Board of Directors' guidelines for the remuneration of the executive management for the coming financial year (see (ii) below). Insofar as the guidelines concern share-related incentive programmes, these must also be approved by the General Meeting (see (iii) below).

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

The Board of Directors decides the terms and conditions of the President and CEO and makes decisions on fundamental issues relating to the Group's compensation and benefits policy and compensation arrangements for other employees. The Board of Directors has a special Compensation Committee that prepares matters relating to compensation for decision by the Board. The Committee consists of three Board members, one of whom is elected by the employees, and was chaired by the Deputy Chair of the Board in 2019. The administration prepares matters for the Compensation Committee and the Board.

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

Fixed salaries and fees for the Group Executive Board and accrued bonuses are presented on the next page. The table also shows accruals and the balance in the bonus bank as at 31 December 2019, based on the Orkla share price as at 31 December 2019 (NOK 88.96).

Remuneration paid in 2019 to members of the Group Executive Board as at 31 December 2019

Amounts in 1,000 NOK	Fixed salary 31.12.2019	Paid salary and holiday pay (A)	Paid bonus (accrued in 2018)	Paid from bonus bank (LTI)	Benefits in kind (B)	Total paid salary and allowance 2019
Jaan Ivar Semlitsch ¹	8 000	3 032	0	0	73	3 105
Jens Bjørn Staff ²	3 094	3 330	403	966	238	4 937
Christer Grönberg ³	2 823	3 024	375	955	263	4 617
Terje Andersen ^{4,5}	3 031	4 233	676	1 401	245	6 555
Atle Vidar Nagel Johansen	3 834	4 138	660	1 609	270	6 677
Ann-Beth Freuchen	3 417	3 775	809	1 567	189	6 340
Johan Wilhelmsson ³	2 711	3 196	1 339	1 274	22	5 831
Sverre Prytz ⁶	2 950	245	0	0	16	261
Jeanette Hauan Fladby	2 878	2 979	583	680	195	4 437
Johan Clarin ³	3 058	3 384	543	1 053	272	5 252

¹Took up the post of President and CEO on 15 August 2019.

²Also receives NOK 15,000 as a member of Jotun's Corporate Assembly.

³The annual salary agreed in SEK but translated to NOK based on the yearly average exchange rate.

⁴Interim President and CEO from 8 May – 14 August 2019

⁵Also receives a Board fee of NOK 300,000 from Jotun.

⁶Employee and member of the Group Executive Board since 1 December 2019.

Peter A. Ruzicka resigned as President and CEO on 7 May 2019 and terminated his employment at Orkla on 30 November 2019. In accordance with his employment agreement, Mr Ruzicka will receive post-termination salary payments for 12 months as from December 2019. If Mr Ruzicka takes up another position, or accepts other assignments, outside the Orkla Group during the post-termination salary period, 75% of his employment income will be deducted from Orkla's salary payments. Income from advisory or consultancy services or new Board positions will be equated with employment income.

In 2019, Mr Ruzicka was paid total remuneration of NOK 16,456,000, of which his salary and post-termination salary amounted to NOK 7,835,000, the annual bonus paid out amounted to NOK 1,218,000, the bonus paid out from the bonus bank (LTI) amounted to NOK 7,115,000, and benefits in kind amounted to NOK 287,000. Mr Ruzicka is not entitled to an annual bonus for

2019 and his bonus bank balance was paid out in its entirety in May 2019. Accrued pension costs for Mr Ruzicka totalled NOK 2,524,000 in 2019. His pension ceased to accrue as at 30 November 2019.

Karl Otto Tveter stepped down from the Group Executive Board on 30 November 2019 and received remuneration totalling NOK 5,260,000 in 2019.

Jens Bjørn Staff resigned from his position as Executive Vice President for Finance and IT on 29 February 2020.

Accrued remuneration, not paid in 2019

Amounts in 1,000 NOK	Accrued bonus in 2019 ¹	Award long-term incentive program (LTI)	Accrued pension costs	Total accrued/awarded (C)	Balance bonus bank (LTI) 31 Dec. 2019
Jaan Ivar Semlitsch ²	1 823	0	717	2 540	0
Jens Bjørn Staff	1 213	928	792	2 933	2 832
Christer Grönberg	1 508	866	845	3 219	2 784
Terje Andersen	1 408	909	881	3 198	3 506
Atle Vidar Nagel Johansen ³	1 810	1 150	1 060	4 020	3 358
Ann-Beth Freuchen	1 336	1 025	746	3 107	4 080
Johan Wilhelmsson	1 054	832	671	2 557	2 940
Sverre Prytz	96	0	46	142	0
Jeanette Hauan Fladby	1 525	863	609	2 997	2 458
Johan Clarin	1 405	939	792	3 136	2 812

¹Accrued annual bonuses for 2019 are paid in 2020.

²The accrued salary and remuneration of the President and CEO in 2019 (five months) totalled NOK 5,645,000; see also the table on the previous page (A+B+C).

³Has also earned an extraordinary bonus of NOK 767,000 as CEO of Orkla Care in addition to heading Supply Chain.

The Group Executive Board participates in the Group's general employee share purchase programme. No guarantees have been provided for members of the Group Executive Board.

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

The other members of the Group Executive Board have a period of notice of six months. Terje Andersen has an agreement whereby he will receive a pension from Orkla from the age of 62, while other Group Executive Board members who were appointed before 1 January 2019 have an agreement on payment of a pension from Orkla from the age of 65. During the period from the agreed start of pension payments until they reach the age of 67, Orkla will pay them 66% of their salary at retirement, after which their pension will be paid from Orkla's general pension plans.

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

With regard to the determination of pay and other remuneration of the executive management in the coming financial year, the Board of Directors will submit the following guidelines to the General Meeting in 2020 for an advisory vote, and for matters described in point (iii) for the approval of the General Meeting.

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

a) Fixed elements

Orkla uses internationally recognised job assessment systems to find the "right" level for the job and the fixed salary. Jobs are assessed in relation to their local market (country) and a pay range of the median +/- 20% is applied. The executive's responsibilities, results and performance determine where he or she is placed on the salary scale.

(b) Variable elements – annual bonus

Senior executives in Orkla participate in the Group's central annual bonus programme. The programme has a maximum ceiling of 100% of the executive's fixed salary as at 31 December in the year of accrual. Under this programme, up until 2019 a "good performance" could result in an annual bonus of approximately 30% of an executive's fixed salary as at 31 December in the accrual year. A "good performance" has been defined as the achievement of results in line with externally communicated financial targets. As from 2020, the programme will be designed in such a way that achievement of ambitious, pre-defined targets can result in a bonus of approximately 50% of an executive's fixed salary as at 31 December in the year of accrual.

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

(iii) Special comments on share-based incentive programmes*(a) Annual bonus programme*

It is proposed that the annual bonus programme for 2020 for Group Functions (including the President and CEO) contain an element related to the return on the Orkla share as follows:

Note 5 cont. ➔

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

(b) Long-term incentive programme

Orkla has for several years had a cash-based long-term incentive (LTI) programme. The LTI is normally awarded in May of each year. LTI awards are determined on the basis of assessments of individual performances in relation to predefined long-term criteria set the year prior to the award. The aim is for the award to be equivalent to 30% of the employee's annual salary for a "good performance", according to the predefined criteria. The award may not exceed 50% of the employee's annual salary, nor may the aggregate value of an award under the annual bonus programme and the LTI bonus awarded in a year exceed one year's salary. The amount awarded is adjusted in accordance with the Orkla share price performance until the award is paid out. Under the LTI programme, the employee may request, at the earliest, that one third of an LTI award be paid out after 24 months, one third after 36 months and one third after 48 months. After a maximum of 60 months, the LTI award will be paid out in its entirety.

The Board of Directors proposes to replace the present cash-based LTI programme with a programme based on share options, effective as from the option award date in 2021. The reason for this proposal is a desire to strengthen the commonality of interests between shareholders and senior executives as the current programme is not sufficiently linked to total shareholder return.

Participants will be nominated to participate in the share option programme in 2020 subject to the approval of the President and CEO, and the number of nominees will be approximately the same as in 2019, i.e. around 90 central management staff and key personnel. It is also proposed that the group be expanded by 10 – 15 younger talents. Nomination will not be automatic, so being nominated one year does not necessarily mean that the person will be nominated in subsequent years.

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.

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, 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 5,000,000 share options will be required for the awards in 2021. In addition, it is proposed that this number be increased by around 10 % in order to include young talents as mentioned above. Consequently, it is proposed that the Board of Directors and the President and CEO be given 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.

(c) Discounted shares for employees

For several years the Group has had a programme offering employees an opportunity to buy a limited number of shares at a discount on the market price. For 2019, employees were offered three different purchase options: NOK 28,000, NOK 15,000 and NOK 8,000 (amounts after discount). The discount was 25% on the market price. The lock-in period for shares purchased is two years. The costs of the employee share purchase programme in 2019 totalled NOK 18 million.

The Board of Directors recommends to the General Meeting that the employee share purchase programme be maintained for 2020, but that the purchase options be adjusted to NOK 30,000, NOK 15,000 and NOK 10,000 (amount before discount). The discount will be maintained at 25%, but the lock-in period will be increased from two to three years.

(iv) Company pension plan

Orkla has a defined contribution pension plan in Norway. The contribution rates are 5% for salaries between 1G and 7.1G and 23.1% for salaries over 7.1G (as of 1 May 2019 1G is NOK 99,858). For persons appointed to the Group Executive Board before 1 September 2014, the rate for salaries over 12G is 27%. Johan Wilhelmsson has a service pension in Sweden in accordance with the ITP2 rules. This is a defined benefit pension plan limited to a maximum salary equivalent to 30 income base amounts (IBA). For salaries over 30 IBB, a pension in Norway is ensured by a contribution equal to 15% of the excess amount.

(v) Other benefits

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

(vi) Executive pay policy

The guidelines for pay and other remuneration for senior executives disclosed in (ii), which were considered at the 2019 Annual General Meeting, have served as guidance in determining pay and other remuneration for senior executives in 2019.

For detailed descriptions of Orkla's reward policy and the various components of the overall remuneration, reference is made to the disclosures in Note 11 to the consolidated financial statements.

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

As from 25 April 2019, the Board of Directors is remunerated at the following rates:

Board Chair	NOK	843 000	per year
Board Deputy Chair	NOK	679 000	per year
Shareholder-elected Board member	NOK	537 000	per year
Employee-elected Board member	NOK	442 000	per year
Deputy member	NOK	27 500	per meeting

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

Compensation Committee

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

Audit Committee

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

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

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

Amounts in NOK	Director's fee incl. committee work	Number of shares ¹
<i>Shareholder-elected Board members</i>		
Stein Erik Hagen ¹	912 333	250 100 000
Grace Reksten Skaugen	815 333	18 100
Ingrid Jonasson Blank	840 500	9 000
Peter Agnefjäll	671 500	14 000
Nils K. Selte	828 667	27 000
Lars Dahlgren	705 000	10 000
Liselott Kilaas	532 000	7 800
Caroline Hagen Kjos (deputy) ²	-	-

¹Total share ownership including related parties.

²Receives no fees.

Amounts in NOK	Fixed salary	Director's fee	Benefits in kind	Pension costs	Number of shares ¹
<i>Employee-elected Board members</i>					
Terje Utstrand	610 805	545 000	10 840	26 874	7 138
Roger Vangen	549 040	438 000	10 855	22 880	8 912
Sverre Josvanger	547 212	558 000	10 840	23 967	19 951
Karin Hansson	371 484	438 000	-	21 175	1 657

¹Total share ownership including related parties.

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

3. Remuneration of the Nomination Committee

As of 25 April 2019, the Nomination Committee is remunerated according to the following rates:

Committee Chair NOK 65,000 per year, members NOK 47,000 per year and employee-elected representatives NOK 6,500 per meeting.

4. Fees to Group external auditor

Amounts in NOK million (excl. VAT)	2019	2018
<i>Parent company</i>		
Statutory audit	3.4	3.4
Other attest services	-	0.1
Tax consultancy services	0.9	1.2
Other non-audit services	3.4	5.5
<i>Group</i>		
Statutory audit	31.6	30.9
Other attest services	0.4	0.6
Tax consultancy services	2.9	2.6
Other non-audit services	3.5	6.1
Total fees to EY	38.4	40.2
Statutory audit fee to other auditors	2.3	2.6

NOTE 6 INTEREST INCOME AND COSTS GROUP

Amounts in NOK million	2019	2018
Interest income Group	213	146
Interest costs Group	(56)	(41)
Total financial costs Group	157	105

NOTE 7 OTHER FINANCIAL ITEMS

Amounts in NOK million	2019	2018
Gain/loss on exchange	4	(59)
Other financial income	44	13
Other financial costs	(242)	(193)
Total other financial items	(194)	(239)

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK million	Land, buildings and other property	Machinery, fixture and fittings etc.	Assets under construction	Total
Book value 1 January 2019	97	50	328	475
Investments	-	48	362 ²	410
Reclassifications ¹	-	10	(39)	(29)
Depreciation	(2)	(9)	-	(11)
Write-downs	-	-	(33)	(33)
Book value 31 December 2019	95	99	618	812
Initial cost 1 January 2019	121	207	328	656
Accumulated depreciation and write-downs 1 January 2019	(24)	(157)	-	(181)
Book value 1 January 2019	97	50	328	475
Initial cost 31 December 2019	121	265	651	1 037
Accumulated depreciation and write-downs 31 December 2019	(26)	(166)	(33)	(225)
Book value 31 December 2019	95	99	618	812

¹Net reclassifications relating to the transfer from Note 9.

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

Leased right-of-use assets IFRS 16

Amounts in NOK million	Buildings and other property	Machinery, fixtures and vehicles	Total
Book value 1 January 2019	35	4	39
Investments ¹	556	0	556
Depreciation	(68)	(2)	(70)
Book value 31 December 2019	523	2	525
Initial cost 31 December 2019	591	4	595
Accumulated depreciation and write-downs	(68)	(2)	(70)
Book value 31 December 2019	523	2	525

¹Orkla ASA leases Drammensveien 149 from its subsidiary Drammensveien 149 Nybygg AS.

NOTE 9 INTANGIBLE ASSETS

Amounts in NOK million	Trademarks not amortisable	IT	Total
Book value 1 January 2019	26	49	75
Reclassifications property, plant and equipment ¹	-	29	29
Investments	-	7	7
Amortisation	-	(17)	(17)
Book value 31 December 2019	26	68	94
Initial cost 1 January 2019	26	126	152
Accumulated amortisation and write-downs 1 January 2019	-	(77)	(77)
Book value 1 January 2019	26	49	75
Initial cost 31 December 2019	26	163	189
Accumulated amortisation and write-downs 31 December 2019	-	(95)	(95)
Book value 31 December 2019	26	68	94

¹Net reclassifications relating to the transfer from Note 8.

NOTE 10 SHARES IN SUBSIDIARIES, DIRECTLY OWNED

Amounts in NOK million	Group's share of capital	Book value	
		2019	2018
Orkla Foods Norge AS	100%	9 065	9 362
Orkla Foods Sverige AB	100%	5 469	5 469
Orkla Confectionery & Snacks Finland Ab	100%	3 315	3 315
Orkla Food Ingredients AS	100%	2 466	2 466
Orkla Energi AS	100%	1 765	1 765
Kotipizza Group Oyj	100%	1 424	-
Hamé s.r.o.	100%	1 354	1 354
SIA Orkla Confectionery & Snacks Latvija	100%	959	959
Orkla Confectionery & Snacks Norge AS	100%	906	906
Vitana AS	100%	900	-
Orkla House Care AS	100%	865	865
Orkla Esti AS	100%	862	-
Orkla Health AS	100%	631	631
Orkla Eiendom AS	100%	589	589
Lilleborg AS	100%	526	526
SweBiscuits AB	100%	512	512
Viking Askim AS	100%	400	400
Industriinvesteringer AS	100%	340	340
Sarpsfoss Limited			
Ordinary shares	100%	253	253
Preference shares	99.9%	43	43
SIA Orkla Foods Latvija	100%	246	246
Sandakerveien 56 AS	100%	216	-
Attisholz AB	100%	187	187
Orkla Foods Romania SA	100%	184	184
Orkla Foods Danmark A/S	100%	175	175
Orkla Asia Holding AS	100%	166	166

Amounts in NOK million	Group's share of capital	Book value	
		2019	2018
Gorm's Holding ApS	67%	97	97
Orkla Insurance Company DAC	100%	65	65
UAB Orkla Foods Lietuva	100%	39	57
Trælandsfos Holding AS	100%	36	36
Orkla IT AS	100%	34	34
Lilleborg AB	100%	28	-
Øraveien Industripark AS	100%	15	15
Orkla Investeringer AS	100%	10	10
Orkla Trading AB	100%	9	-
Nödinge AB	100%	7	-
Orkla Design AS	100%	5	5
Cederroth Intressenter AB	100%	3	3
Orkla Germany GmbH	100%	2	2
Orkla Accounting Centre Estonia	100%	2	2
Orkla France S.A.S.	100%	1	8
Orkla Group Procurement Hub Shanghai	100%	1	1
Plusstid Home AS	100%	1	12
Attisholz Infra AG ¹	0.4%	1	1
Total		34 174	31 061

¹The remaining shares are owned by Attisholz AB.

The table shows only directly owned subsidiaries. The Group consists of a total of around 240 companies. The most important indirectly-owned subsidiaries are shown in the Group Directory at the end of the Annual Report.

Table cont. next column

NOTE 11 TAXES**Tax expense**

Amounts in NOK million	2019	2018
Profit before taxes	4 012	2 647
Change in temporary differences	(254)	1
Of which change in temporary differences previous years	0	(22)
Correction for change in temporary differences taken to comprehensive income	85	48
Total change in temporary differences	(169)	27
Non-deductible expenses	49	34
Tax-free dividends, capital gains (losses) and write-downs shares and financial assets	(12)	(3)
Impairment of shares in subsidiaries	36	463
Dividends from subsidiaries	(3 146)	(2 066)
Other permanent differences	(1)	3
Total permanent differences	(3 074)	(1 569)
Total taxable income	769	1 105
Calculated current tax expense	(169)	(254)
Withholding tax foreign dividends	0	(2)
Correction in provisions for previous years' taxes	0	(26)
Total current tax expense	(169)	(282)
Change in deferred tax liabilities	(37)	4
Total tax expense	(206)	(278)

Deferred tax liabilities

Amounts in NOK million	2019	2018
Financial derivatives	95	(89)
Accumulated write-downs outside the tax exemption method	(11)	(11)
Hedging reserve in equity	(144)	(242)
Property, plant and equipment	13	12
Pension liabilities	(567)	(493)
Leases	(7)	-
Other current liabilities	(79)	(128)
Basis deferred tax	(700)	(951)
Deferred tax asset	(154)	(209)
Change in deferred tax	(55)	(10)
Change in deferred tax taken to comprehensive income	18	14
Change in deferred tax in the income statement	(37)	4

Reconciliation of total tax expense

Amounts in NOK million	2019	2018
22% of profit before taxes	(887)	(609)
Effect of change in tax rates	-	(5)
Tax-free dividends, capital gains (losses) and write-downs shares and financial assets	3	1
Dividends from subsidiaries	692	475
Write-downs shares in subsidiaries	(4)	(106)
Other permanent differences	0	(1)
Non-deductible expenses	(10)	(8)
Withholding tax	0	(2)
Correction previous years' taxes	0	(23)
Total tax expense for Orkla ASA	(206)	(278)

NOTE 12 FINANCIAL RISK

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

The Group's internal bank

Orkla ASA's Group Treasury manages the interest rate and currency risk for the Group. The Group Treasury acts as the Group internal bank and as a rule executes all external funding and hedging transactions in interest rate and currency derivatives. The subsidiaries mitigate their currency risk by entering into internal currency hedging contracts with the internal bank, which in turn hedges this risk through external hedging positions. In addition, the internal bank holds debt in foreign currencies in order to hedge currency risk on internal loans, book equity and goodwill. In 2019, NOK 2 million was recognised in the income statement in connection with these hedges (NOK -66 million in 2018). The internal bank does not actively take on currency risk. Intercompany loans and deposits are at floating interest rates, and no intra-group interest rate hedging contracts are made. Further details of the management of interest rate and currency risk for Group-external items are disclosed in Note 30 to the consolidated financial statements.

Derivatives and hedge accounting

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

Interest rate swaps. External funding for the Group is mainly originated through Orkla ASA. Loans issued at fixed interest rates are normally swapped to floating interest rates through interest rate swaps. These swaps are accounted for as fair value hedges with fair value changes recognised through profit and loss. As at 31 December 2019, the fair value of these interest rate swaps was NOK 19 million (NOK 45 million in 2018). During the year NOK 26 million was recognised as costs in the income statement related to changes in the fair value of the interest rate swaps, and NOK 26 million was recognised as income related to changes in the fair value of the hedged loans.

When Orkla hedges future interest payments, interest rate swaps, where Orkla receives floating interest rates and pays fixed interest rates, are used. These interest rate swaps are accounted for as cash flow hedges with changes in fair value recognised through comprehensive income. As at 31 December 2019, the fair value of these swaps amounted to NOK -143 million (NOK -242 million in 2018).

Equity hedging reserve. Change in the equity hedging reserve:

<i>Amounts in NOK million</i>	2019	2018
Opening balance hedging reserve before tax	(228)	(312)
Reclassified to profit/loss – net financial items	105	132
Fair value change during the year	(6)	(48)
Closing balance hedging reserve before tax	(129)	(228)
Deferred tax hedging reserve	31	53
Closing balance hedging reserve after tax	(98)	(175)

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

2020:	NOK -71 million
After 2020:	NOK -58 million

NOTE 13 OTHER MATTERS*PAYE tax guarantee and guarantee for pension liabilities*

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

Material leases

In 2019, Orkla ASA moved to its new headquarters in Drammensveien 149 in Oslo, along with the companies Orkla Foods Norge, Orkla Health, Orkla Home & Personal Care, Orkla Confectionery & Snacks Norge, Pierre Robert Group, Hydro Power, Orkla IT, Orkla House Care and Orkla Eiendom. The building is leased from Orkla ASA's subsidiary Drammensveien 149 Nybygg AS. Annual leasing costs total NOK 68 million. Orkla ASA subleases premises to the other companies in the building.

Orkla ASA still leases premises from Investorprosjekt 93 AS at Karenslyst allé 6, Skøyen, in Oslo, until the year 2020. Annual leasing costs total NOK 20 million. The building is largely subleased.

Matters disclosed in the Notes to the Consolidated Financial Statements

Share-based payment – Note 11

Events after the balance sheet date – Note 39

Shareholders in Orkla ASA

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