

## 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 Sarpsborg. 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). There is an ongoing dispute regarding the tax ownership of one of the Sauda power plants. See Note 16 "Taxes".

The Saudefaldene plant's normal annual production totals 1,810 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 52 million in 2016. 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 2016 was approximately zero, as in 2015. Depreciation totalled NOK 51 million in 2016.

The power operations in Sarpsborg are based on power rights that are not subject to reversion, and normal annual production totals 593 GWh. The power is sold on the spot market. Payroll expenses and other operating costs related to these activities totalled around NOK 41 million in 2016. Depreciation amounted to around NOK 9 million in 2016.

#### Financial Investments

Financial Investments consist of shares and financial assets, as well as Orkla Eiendom, with a total book value of approximately NOK 1.4 billion as at 31 December 2016.

The market value of shares and financial assets was NOK 0.1 billion as at 31 December 2016. For more information, see Note 24 "Shares and financial assets".

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 industrial operations. Orkla also has a historical portfolio of real estate-related

investments, which are being realised in accordance with the Group's current strategy. The most important development projects in the portfolio are the construction of a new headquarters for Orkla at Skøyen, and two housing projects at Torshov in Oslo. As of 31 December 2016, Orkla's real estate investments had a carrying value of NOK 1.3 billion, of which around NOK 860 million was related to the three largest development projects. The focus in future will be on realising the potential value of the development projects, and on securing assets and freeing up capital through the sale of properties and projects that are not to be further developed. Current development projects require investments during the construction period, while gains are primarily expected to be realised in the period 2018–2020.

*Read more at [www.orklaeiendom.no](http://www.orklaeiendom.no)*

### Associates:

#### Jotun

Orkla owns 42.5% 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 15.8 billion in 2016 and EBIT amounted to NOK 1.8 billion. Net interest-bearing liabilities as at 31 December 2016 totalled NOK 1.5 billion.

*Read more at [www.jotun.com](http://www.jotun.com)*

#### Sapa

In 2013, Orkla and Hydro merged their respective extrusion, building system and tubing operations to create a leading global supplier of aluminium solutions. The merged company, Sapa is presented on a single line in the income statement (Associates and joint ventures) using the equity method. Sapa's income statement is presented in Note 6 "Investments accounted for using the equity method". In connection with the merger, the company targeted cost synergies totalling NOK 1 billion in the period up until 2016. These synergies were realised ahead of schedule and exceeded the target. The shareholders have an agreement whereby each party may initiate a process for listing the company on the stock exchange around three years after the establishment of Sapa JV (1 September 2013), and whereby each party may decide to retain an interest of up to 34%. Net interest-bearing liabilities as at 31 December 2016 totalled NOK 0.1 billion.

*Read more at [www.sapagroup.com](http://www.sapagroup.com)*