



Annual Report 2020

**Together we are making
a thriving Norway**



This is TINE

Results

Sustainability

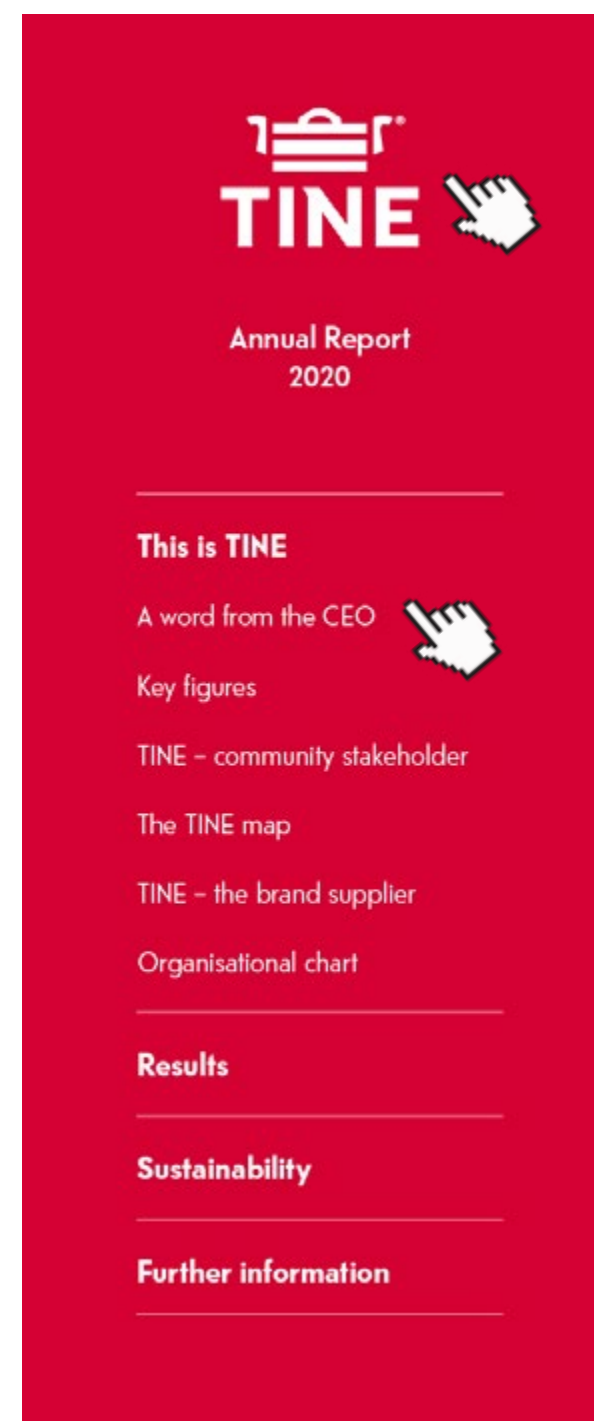
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Instructions for use:

This report has been created as an interactive PDF, which means that there are a number of functions to help you navigate around it. Below is a guide illustrating how to use the various functions.

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| TINE GROUP | | |
|---|----------|-----------------|
| | Note | 2020 |
| REVENUES AND OTHER INCOME | | |
| Sales revenue, ready-made goods | 1, 2 | 22,567,8 |
| Sales revenue, raw ingredients | 1 | 1,501,2 |
| Other income | 3 | 645,1 |
| Total revenues and other income | | 24,715,1 |
| OPERATING EXPENSES | | |
| Cost of materials and changes in inventory | 6 | 13,713,1 |
| Personnel costs | 7, 8, 25 | 4,320,5 |
| Ordinary depreciation | 12, 13 | 1,287,1 |
| Impairment of intangible assets and tangible fixed assets | 12, 13 | 94,4 |
| Other operating expenses | 9, 10 | 3,306,1 |
| Total operating expenses | | 22,722,4 |
| Operating income | | 1,992,7 |

Links

We include two different types of links. In some places we have links to external sources, i.e. websites or similar, that are located outside this document. Other links go to specific pages in the document, i.e. internal links.

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NB! Exceptions to this are in the menu and accounts – where all elements are clickable.

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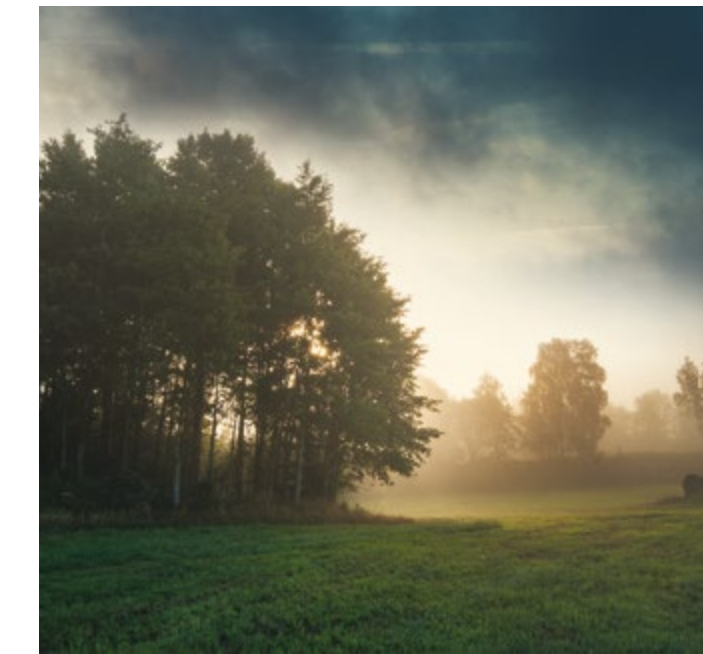
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The foundation for the future

Few people could have imagined that a tiny bat, at a mid-sized market in some city on the other side of the globe, could have such a huge impact throughout the world. And then came 2020.

On behalf of all of us at TINE, I can say that we are more concerned than most with collaboration, and teamwork is a strategic element of our vision. Consequently, it would be wrong to say that last year was a positive experience or that we can be pleased with the results we are presenting here – without mentioning that many of our partners, customers and others in the population have experienced and are still experiencing challenging circumstances that will be felt for a long time to come.

That is exactly why TINE's social commitment has felt especially important in this year of pandemic. We contribute with reliable deliveries of sustainable, familiar and much-loved brands to stores' refrigerated dairy sections, helping to bring a sense of normality when society is in crisis mode. We have a responsibility to both people and livestock throughout the country, and our business creates ripple effects for a number of local communities in all counties. Thus the results from 2020 have greater significance than you might initially think. This naturally begins with the milk producers who have always invested long-term in their company. At the same time the need to also invest in their own farms and safeguard future operations has become clearer every year. The timing of achieving really good figures, extra volume and a record subsequent payment could hardly be better.

The strategy for TINE towards 2025 was adopted in 2019. It was based on a thorough analysis of the current state and painted a picture of a few very tough years to come. We were facing a series of challenges, and there was no way around

them. We had to take a systematic approach to improve TINE's growth and competitiveness within and outside Norway; export volumes were heading out of the Norwegian market, while imports were steadily increasing. We had to work harder to compete on equal terms in order to maintain milk production throughout the country and become better at telling the world about the value of milk as part of a healthy, balanced and sustainable diet up here in the north. But that's just part of it.

The past year brought a significant rise in sales in grocery stores. It has also been affected by many Norwegians spending their holidays domestically, a dramatic reduction in cross-border trade and most people spending more time at home cooking and baking. Nevertheless, the challenging scenario is just as



Gunnar Hovland
CEO

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clear as it was at the start of last year. These factors are just as relevant as we, slowly but surely, return to normal. We can also see it in 2020 in our market shares: our products have sold well, but others have done even better and we are still losing ground in important categories.

In the cheese category we could have achieved a stronger result, but we had to substantially reduce our activity in order to fulfil our obligation to supply milk to the other players on the market, who have received every litre they ordered. Around 10 million litres that we ideally would have used to make cheese, instead went to our competitors. Nevertheless we are seeing the effect of volume increase in certain areas. Our fixed costs are just that – fixed. When we manage just a small increase in individual categories we see what a positive effect it can have on our profitability. Therefore I consider this unusual year and our results – the foundation for the future.


The difference from the start of 2020 to the start of 2021 is that we are even better prepared and more motivated for what we are facing. We are basically better equipped to handle the challenges. Both company and owners can and must invest with a future-oriented and long-term approach in order to achieve growth and the significant and necessary objectives we have set for ourselves. One essential element of this foundation is awareness regarding the importance of Norwegian farmers to rural Norway and self-sufficiency in our country, and that employees and owners are actually, deservedly, deemed to be key social functions when a crisis hits. I hope that this is something that will not be forgotten when the vaccines are rolled out in the community.

There is an important point I want to make in the end. TINE's success in 2020 cannot simply be put down to luck and happy coincidences in the world around us. The entire value chain has very impressively raised its game several notches when external factors have been considerably more demanding. Right from day one the entire value chain has been involved in a concerted effort to transfer resources, to take account of changes in the market, to consider HSE and infection control, to implement measures at plants and working from home, information and surveying of the psychosocial and physical work environment – and more.

Our philosophy of constantly aiming to be slightly better today than we were yesterday has been implemented throughout the organisation. This is perhaps what I am most proud of in 2020. Our ability to deliver, and the commitment and motivation among employees that we measure every year is at a record high. Despite the fact that this is a biological production process, farmers have managed to deliver 50 million litres of milk more than anticipated. With very few exceptions, we have managed to deliver the intended products to all stores and restaurants across the country, absence due to illness is falling, we have implemented important efficiency measures at all levels, our strategy roll-out in our international subsidiaries is paying off and we are still producing healthy, delicious and nutritious products based on what I believe must be the best milk in the world.

With very few exceptions, we have managed to deliver the intended products to all stores and restaurants across the country, absence due to illness is falling, we have implemented important efficiency measures at all levels and we are still producing healthy, delicious and nutritious products.

The challenges are still there – but so are our objectives. However, I have never been more confident that we will achieve them and that our vision, Together we make Norway thrive, will be just as valid over the next 150 years.


Gunnar Hovland
CEO

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24,715

Total revenues and other income
NOK million

1,992

Operating income
NOK million

5,343

Number of employees

562

Gross energy consumption
GWh

9,140

Number of owners

0.76

Subsequent payment from TINE SA
NOK/Litre

Delivered to TINE in 2020 (2019)

1,401.1 Million litres

Cow's milk
(1392.3)

19.8 Million litres

Goat's milk
(19.8)

Consumption per inhabitant in 2020 (2019)¹

81.3 Litres

Milk
(80.2)

10.8 Kg

Yoghurt incl. imports
(10.4)

20.3 Kg

Cheese incl. imports
(18.9)

9.6 Kg

Cream and sour cream
(9.3)

3.8 Kg

Butter incl. imports
(3.7)

¹ Source: Opplysningskontoret for Meieriprodukter (Melk.no), January 2021

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| TINE Group | | 2020 ¹⁾ | 2019 | 2018 | 2017 | 2016 ²⁾ |
|----------------------------------|---|--------------------|--------|--------|--------|--------------------|
| Total revenues and other income | NOK million | 24,715 | 23,812 | 23,001 | 22,525 | 22,583 |
| Operating income | NOK million | 1,992 | 1,189 | 1,537 | 1,537 | 1,962 |
| Operating income margin | Operating income/ total revenues and other income | 8.1 % | 5.0 % | 6.7 % | 6.8 % | 8.7 % |
| Income before tax | NOK million | 1,935 | 1,103 | 1,465 | 1,414 | 1,862 |
| Net income | NOK million | 1,772 | 980 | 1,348 | 1,304 | 1,634 |
| Assets | | | | | | |
| Assets | NOK million | 20,114 | 18,657 | 18,103 | 16,087 | 16,029 |
| Equity ratio (%) | Equity/total assets | 47.7 % | 47.8 % | 46.6 % | 48.7 % | 45.4 % |
| Net interest-bearing debt/EBITDA | | 0.90 | 1.66 | 1.17 | 1.09 | 0.96 |
| Investments | NOK million | 1,299 | 2,518 | 1,865 | 1,203 | 1,131 |
| Operational cash flow | NOK million | 2,916 | 2,194 | 2,285 | 2,170 | 2,187 |

¹⁾ 2020 included a positive one-off effect from profit from the sale of a facility in Bergen for NOK 217 million.

²⁾ 2016 included a positive one-off effect from changes to the disability pension plan. This amounts to NOK 245 million for the TINE Group.

| Employees | | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|--|--------|--------|--------|--------|--------|
| Number of employees, TINE SA | | 4,094 | 4,176 | 4,346 | 4,496 | 4,506 |
| Number of employees, TINE Group | | 5,343 | 5,408 | 5,355 | 5,476 | 5,418 |
| LTIs per million hours worked, TINE Group | | 4.2 | 6.6 | 7.2 | 7.1 | 7.5 |
| Sick leave, TINE Group | | 5.8 % | 5.4 % | 5.4 % | 5.7 % | 5.9 % |
| Environment¹⁾ | | | | | | |
| Gross energy consumption (GWh) | | 562 | 574 | 573 | 536 | 531 |
| Packaging consumption (tonnes) ²⁾ | | 29,483 | 29,363 | 30,666 | 28,683 | 28,455 |
| Packaging consumption relative to total revenues (tonnes/NOK million) ²⁾ | | 1.87 | 1.91 | 2.02 | 2.31 | 2.24 |
| Emissions, CO2 equiv. total (tonnes) | | 64,743 | 68,424 | 72,207 | 75,268 | 71,180 |
| Emissions, CO2 equiv. from dairies (tonnes) | | 18,908 | 17,323 | 19,164 | 24,228 | 22,759 |
| Emissions, CO2 equiv. from transport (tonnes) | | 44,085 | 49,349 | 51,201 | 47,755 | 45,135 |
| Transport (km/1000 litres raw ingredients) ²⁾ | | 37 | 37 | 36 | 36 | 38 |
| Safe food | | | | | | |
| Control of pathogenic bacteria, number of negative tests, TINE SA | | 5,941 | 6,307 | 4,927 | 4,648 | 4,435 |
| Control of pathogenic bacteria, number of positive tests, TINE SA | | 18 | 2 | 4 | 0 | 2 |
| Number of recalls, TINE SA | | 2 | 1 | 0 | 1 | 2 |

¹⁾ The figures for 2020 cover the TINE Group unless otherwise stated. Historical figures from 2017 and earlier cover TINE SA.

²⁾ The figures for 2020 cover the TINE Group, excluding its subsidiaries Norseland Ltd. and Norseland Inc.

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TINE's roots stretch right back to 1856, when northern Europe's first cooperative dairy was established in Rausjødalen.

In 1881 the first dairy association was established in Norway. The principles at that time were the same as our farmers and company are guided by today. We are set up as a cooperative, so all the farmers within TINE are also part-owners of the company, and are entitled to have their say and share of the profit. TINE's task is to ensure the greatest possible volume of milk at the highest possible price, and the subsequent payment, based on the profit, goes to the owners themselves. This is in stark contrast to our competitors, where the milk price is a cost and the profit goes to shareholders.

Ripple effects

Not only do our farmers invest in their own farms and the local community, with the ripple effects generated by milk production, but TINE as a company also invests heavily in rural Norway. Over the past ten years we have invested over NOK 11 billion in areas such as Dovre, Storsteinnes, Elnesvågen, Frya, Tretten, Verdal, Jæren, Oslo, Bergen and Trondheim. It is estimated that TINE contributes, directly and indirectly, 25,000 jobs and NOK 20 billion in value creation to Norway.



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This makes our farmers and the company a significant contributor to maintaining thriving local communities in Norway.

The UN points out that sustainable food production involves producing food on your own land employing your own resources. Norway, with our arctic climate, has limited scope for growing vegetable proteins, but our land is well suited to growing grass and grazing animals.

With farms throughout the country, and sound, healthy goats and cows grazing, this brings a number of positive ripple effects over and above the purely financial, since TINE is working with, not against, nature.

Not only are ruminants on uncultivated land helping to create more complex root systems that store large quantities of carbon, but the thousands of acres throughout the country are actually helping to reflect sunlight every single day. The more sun reflected, the less the sun's rays heat up the Earth.

Therefore we have cows and goats to thank, in part, for conserving Norway's cultural landscape, with all the benefits it yields.

Our role as market regulator

TINE also takes the role of market regulator, with the goal of securing sales of milk for the milk producers, ensuring supply and price stability for consumers – and helping to achieve target prices stipulated in the Agricultural Agreement. As market regulator, TINE bears an obligation to purchase and supply milk, and to provide information on the regulatory measures implemented. This means that all farmers, whether they are part-owners of TINE or not, are entitled, but not obliged, to supply milk to TINE, and we pay the same price to everyone. On the other hand, we are obliged to supply other stakeholders with milk at the same price as our own business.

Active children – throughout the country

In 2021, the TINEstafetten relay race will be held for the 28th successive year. It's the largest relay race in the world, with well over 100,000 participants spread over more than 300 locations. Almost 2 million school children have taken part to date.



Focus on physical activity and a varied diet, especially as a day-to-day requirement for children and young people, is important to TINE and this is what forms the basis for our positive collaboration with the Norwegian Athletics Association for the TINEstafetten relay race.

Similarly, we also collaborate with the Norwegian Football Association in connection with its official football school scheme, i.e. TINE Football Schools. This partnership was launched in 1998 and around 500 clubs, 14,000 instructors and 70,000 children and young people get involved every year – right across the country.

TINE has been a partner of the relay race for 28 years. For TINE, the focus is on physical activity and a varied diet, as well as helping to encourage children and young people to be more active in their everyday life. This forms the basis for our long-standing collaboration with the Norwegian Athletics Association.

A varied and wholesome diet is essential for children and young people, but also for just about everyone. Milk and dairy products are a source of high-quality protein, calcium, iodine and a number of B vitamins in the Norwegian diet.

Together we make Norway thrive

This is TINE's vision. This is the guiding principle for everything we do, and defines our mission.

It is about something that is greater than ourselves. TINE is the dairy farmers' company, and if there is something Norwegian farmers are good at it is the long-term approach. The employees and the company must do likewise. For our owners. For a thriving Norway.

We must contribute to 'the good life'. Whether you are a farmer running your farm, a cow in the meadow – or a consumer at home at your breakfast table. We are an important driving force in a Norway that is growing and where economic value is being generated. At the same time we are safeguarding the inalienable values that our society is founded on, which cannot be measured in monetary terms.

And we intend to take care of our land. It is not just where we live and work, but is a necessity for all living things.

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As of 01.01.2021



Number of dairies

30

Number of dairies producing:

Liquid products **11**

Solid products **11**

Speciality products **8**

Central warehouses and terminals **4**

TINE has two central warehouses and two terminals.

- 1. TINE Meieriet Tana**
Fresh milk, Kesam®, cream, rennet, fermented cream, protein yoghurt, butter, cultured milk, skimmed cultured milk, storage and distribution
- 2. TINE Meieriet Alta**
Fresh milk, cream, storage and distribution
- TINE Meieriet Storsteinnes**
Norvegia®, brown cheese, Nøkkelost, Balsfjord, Ekte Hvit Geitost, contract production
- TINE Terminal Tromsø**
Storage and transshipment
- TINE Meieriet Harstad**
Fresh milk, organic milk, sour cream, cream, juice, storage and distribution
- TINE Terminal Bodo**
Storage and transshipment
- TINE Meieriet Sandnessjøen**
Fresh milk, powdered milk, butter, cream, storage, transshipment and distribution
- TINE Meieriet Sømna**
Norvegia®: Original, Fyldig and Lettost. Østavind®, Norwegian Gräddost
- TINE Meieriet Verdal**
Norvegia®: original and organic, Jarlsberg®, Gräddost, butter, Bremykt®, Norwegian cheddar, dried whey products
- TINE Meieriet Tresfjord**
Ridder®, Norwegian Port Salut
- TINE Meieriet Selbu**
Normanna®, Selbu Blå® – all varieties, Selbu Norzola®, Kybos, cubed, marinated Jarlsberg®
- TINE Meieriet Tunga**
Fresh and soured milk, cream, Biola®, Go'morgen® Yoghurt, organic kefir, breakfast yoghurt, organic milk, storage and distribution
- TINE Sentrallager Heimdal**
Grated and sliced cheese and cheese portions, packaging, storage, exports
- TINE Meieriet Elnesvågen**
Jarlsberg®, Norwegian Sveitser, Nøkkelost, Norsk Alpeost, Norvegia®
- TINE Meieriet Ålesund**
Fresh and soured milk, cream, Piano® desserts, creams and sauces, iced coffee, YT®, Sjøkolademelk, storage and distribution
- TINE Meieriet Ørsta**
Edamer, Kremgo®, Snøfrisk®, TINE® cream cheese, cream cheese base, contract production
- TINE Meieriet Byrkjelo**
Norvegia®, brown cheese, Edamer, Norvegia® portions
- TINE Meieriet Vik**
Gamalost, Mylsa, raspberry juice
- TINE Meieriet Voss**
Norvegia®, Dravle, contract production
- TINE Meieriet Bergen**
Fresh milk, cream, juice, storage and distribution
- TINE Meieriet Dovre**
Dovre Ysteri: Norwegian brie and camembert, Snøhetta
- 22. TINE Meieriet Frya**
Fresh and soured milk, sour cream, cottage cheese, Yoplait® and TINE® Yoghurt, Greek yoghurt, cream, storage and distribution
- TINE Meieriet Brumunddal**
Lactose-free products, long-life consumer milk products, flavoured milk, juice, desserts, YT® Protein, Gryr®, E+®, ingredients and powdered milk products, milk concentrates
- TINE Meieriet Lom & Skjåk**
Brown cheese, caramel and cheese spread products
- TINE Meieriet Sem**
Fresh milk, organic milk, cream, storage and distribution
- TINE Meieriet Trysil**
Pultost
- TINE Meieriet Tretten**
Processed cheese, porridge, desserts, honey
- TINE Meieriet Oslo**
Fresh and soured milk, organic milk, organic kefir, cream, yoghurt, sour cream, juice, iced tea, storage and distribution
- TINE Meieriet Sola**
Fresh and soured milk, organic milk, cream, storage and distribution
- TINE Sentrallager Klepp**
Grated and sliced cheese and cheese portions, packaging, storage, imports
- TINE Meieriet Jæren**
Jarlsberg®, Norvegia®, Norwegian mozzarella, pizza topping, butter, Brelett®, butter oil, Prim, dried whey products
- TINE Meieriet Kristiansand**
Fresh and soured milk, cream, storage and distribution
- TINE Meieriet Setesdal**
Rømmegrøt, Ryfylkegome. Butter: organic, lactose-free, spiced butter and butter portions, Kviteseidsmør, extra salted Setesdalssmør
- TINE Meieriet Haukeli**
Frozen Curd, Norwegian Chevre
- TINE SA Head Office, Oslo**

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The TINE Group is a supplier of familiar and much-loved brands such as TINE®, Diplom-is®, Norvegia®, Go'morgen® and Sunniva®, to name but a few.

Most of our products are made from Norwegian milk, but the Norwegian range also includes juice products, ready meals, margarines and desserts. As a cooperative, one of our most important functions is to develop tasty dairy products made from Norwegian milk, thereby helping Norwegian dairy farmers throughout the country to thrive.

Milk consumption has declined over the past few decades. We are therefore constantly seeking new ways to use this raw ingredient and adapt our product range according to the wishes and needs of consumers. Even though consumption of plain fresh milk has declined, flavoured milk products have shown very positive growth. TINE is constantly developing new products for this segment, and over the past year it was gratifying to see more and more consumers buying TINE® Lettmelk flavoured with either vanilla, chocolate or coffee & cocoa.



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New design for TINE® products

In 2020 the TINE® brand was given a brand new design. This was in response to evident demand for creating a stronger and more distinct TINE® brand. By bringing together more content under the TINE® brand, we took an important step in strengthening our competitiveness. During the year, more and more products were switched to the new design, and the process is ongoing.

It's now even easier to find our products in stores, and there should be no doubt that a TINE® product represents quality, made from Norwegian milk from over 9,000 dedicated farmers throughout the country.



Norvegia® – the challenger

Even as the number one cheese brand, innovation is important. Launching spreadable cheese in a tube suddenly made Norvegia® a challenger in a different category.

The success of Norvegia® comes from delivering delicious taste, and products that are perfect for everything and everyone – naturally, made using fresh milk from Norwegian cows. This, combined with solid brand-building over time, means that Norvegia® continues to top sales in Norway. The people's favourite can definitely boast enduring appeal.



TINE® Junior – for growing youngsters

Norway's most popular yoghurt for children* has changed its name from Sprett® to TINE® Junior. New name and new design, but the same, delicious taste.

TINE® Junior yoghurt is a source of calcium, protein and vitamin D. In addition to a varied diet and an active everyday life, certain nutrients are necessary to ensure normal bone development in children. It is therefore essential for TINE to offer families with children a wide selection of products specially designed for growing youngsters.



Sunniva® – teaming up with nature

Sunniva® is one of the strongest brands within the TINE Group, and in 2020 we laid an important foundation for generating growth and building a strong brand for the future

To deliver high-quality juice, you need to team up with nature. As a result, Sunniva® has again played a part this year in a national volunteer campaign, encouraging everyone to set up bee hives and help bee populations to thrive. The campaign is continuing to generate enthusiasm, among both retailers and consumers.

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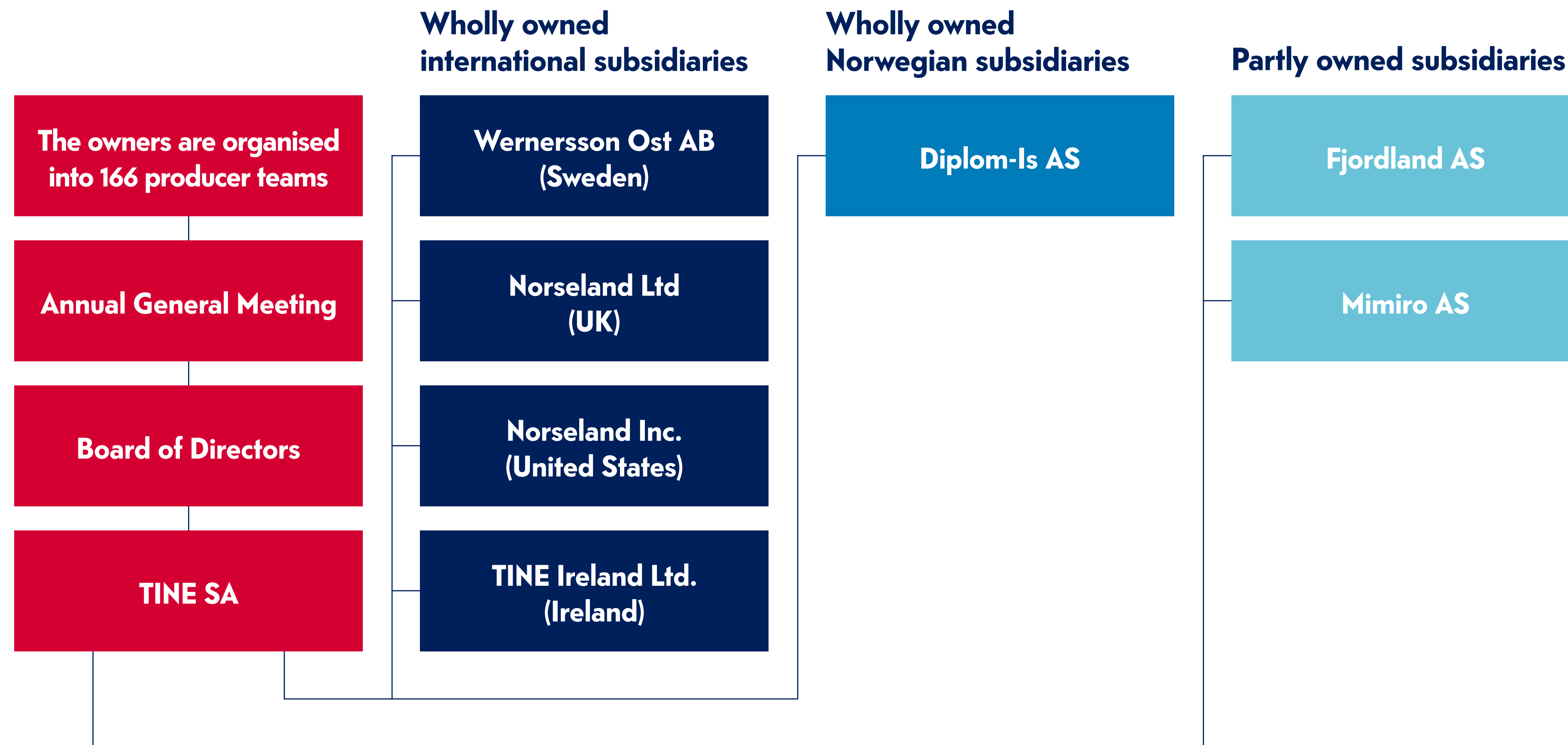
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The TINE Group as of 31.12.2020



This chart shows the biggest subsidiaries. For a complete list, see [note 14](#) on page 78 of the Annual Accounts section.

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Better today than yesterday

As far as I'm concerned, 2020 for TINE can be summed up perfectly and quite simply: our role and responsibility to communities, towns and cities, people and livestock has become even clearer to even more people.

We should be pleased about this and seek to move forward in a positive manner. The perception, confirmed by the large-scale reputation surveys, that TINE can be relied on, in a year like 2020, should continue to be valid in the years to come.

Up until around 12 March last year our strategy, TINE 2025, was the topic I was mostly focusing on. However, focus shifted somewhat after that, but I am pleased to see that things are still on track. In the face of major changes and uncertain times, it's extremely reassuring to see that the plans we made are working – even with a pandemic affecting most of what we do. The course we have set with our strategy details just that; in order to succeed with ambitious objectives and plans we need to be not only an organisation that can weather change, but one that thrives on it. We have not merely adapted, but have seized the opportunities presented.

A lot of great work has been put in by countless individuals in a tough year – out on farms, from home offices, at our plants and out on the road. We are not just coming out of this as a stronger TINE, but also with a very positive result. We have been patiently investing in our cooperative for many years in order to have a solid foundation moving forward. I am delighted that we can now see so clearly that this is working.

It is incredibly pleasing to see that our owners and company can rise to the occasion when faced with such a huge challenge. Milk producers across the country have delivered 50 million more litres of milk than planned in 2020 and employees throughout

TINE have ensured that transportation, processing, sales and handling have run as smoothly as possible. An impressively high delivery level throughout the year, despite a demanding regulatory framework and steep ups and downs in order levels. All employees have played a part in this and I am both impressed and grateful.

It is particularly gratifying to see that the essence of our plans is also being implemented. We have a more distinct presence on the market and are more assertive in interaction with customers and consumers. This is a positive basis for looking ahead. We



Marit Haugen
Chair of the Board

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know that we have much to resolve and accomplish in order to safeguard our long-term future. Even though our sales were higher in 2020, our competitors did better in terms of markets shares in important categories. There are increased costs on the horizon and this must be balanced against desire to invest more in innovation that will yield long-term gains. In the short term I still believe that there is much to be gained from cheese. It's something we do well and we have the potential to be even better.

Our international business operations have done a really good job in many countries that have been hit even harder by the pandemic than us. Our strategy naturally also includes them and only now are we truly beginning to see the results of this. Fortunately, operating in the wider world is nothing new to TINE, and this is a good starting point for performing even better moving forward.

We must also stand up and tell the outside world about the importance of milk in our diet, and what milk production and TINE means to the entire country. **Together we're making a thriving Norway**, as we say. And we shall continue to do so, but we must have framework agreements in place to ensure that we are competing on equal terms and can continue to deliver on this promise. However, that's not the final word.

With our climate calculator and animal welfare indicator, we have tools to improve animal welfare among our herds and help make food production even more sustainable. We shall continue with our focused efforts involving sustainability throughout our value chain, as well as seeking out and implementing better solutions.

For me personally, congratulating and giving out our Sølvtine and Mjølkespann awards to my colleagues who have been producing flawless milk for 15 and 25 years respectively is one of the things I've been looking forward to the most. That didn't go completely as planned either, but for the 129 producers in total

who had earned these accolades in 2020 it was happily made special by their producer teams and their families. You serve as inspiration to the rest of us who know how much knowledge and meticulous hard work lies behind these awards.

I can't wait to see what 2021 will bring, but at the same time I am confident that we can tackle whatever comes. One of our mantras at TINE is that we constantly aim to be slightly better today than we were yesterday, and even better tomorrow. That's a good benchmark for everything we do. I am writing this at the start of January 2021 and I feel that we are a slightly better company and organisation than we were in January 2020.

One of our mantras at TINE is that we constantly aim to be slightly better today than we were yesterday, and even better tomorrow.

We still have much to work on, but as long as we are pulling in the same direction with a common objective of a better TINE, I am certain that in a year's time we will be able to report further improvement.

Best wishes to you all!



Marit Haugen
Chair of the Board

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Key highlights from 2020



Result

The operating income for 2020 was NOK 1,992 million, NOK 803 million higher than in 2019. →



Growth

Increased sales of groceries due to changed pattern of consumption during the coronavirus pandemic boosts the result. →



Cost effects

Lower costs driven by both permanent and temporary cost effects also contributed to a good result. →



Reliable delivery

Our delivery level was at a record high in 2020, ensuring that TINE's products were essentially available every day in stores across the country – throughout the year, despite demanding and changed circumstances from March onwards. →



Challenges

A significant increase in imports and lower segment shares are a challenge. →



New establishments

Emissions permit in Ireland is in place and production of Jarlsberg® from Ireland for the international market gets under way. →



Sustainability

Norway's first dairy with no fossil-fuel or direct electric heating opens in Bergen. →



Reputation

TINE tops several reputation surveys. We score highly for social responsibility and are greatly trusted by both customers and consumers. →



Packaging

We have launched several packaging solutions that will reduce plastic consumption. →



Innovation

Long-term innovation work is strengthened as part of our TINE 2025 strategy. →

Note: You can click on any of these points to find out more. 

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Results for 2020

2020 was a good year for the TINE Group

Total revenues and other income was NOK 24,715 million in 2020, an increase of NOK 903 million, a growth of 3.8 per cent from 2019 (2.5 per cent adjusted for exchange rate fluctuations). The operating income was 1,992 million, NOK 803 million higher than in 2019. The coronavirus pandemic has affected the profit trend from 2019, as there was a significant shift in sales revenue from catering to groceries and lower operating expenses in the short term, which was reflected at all our companies in 2020.

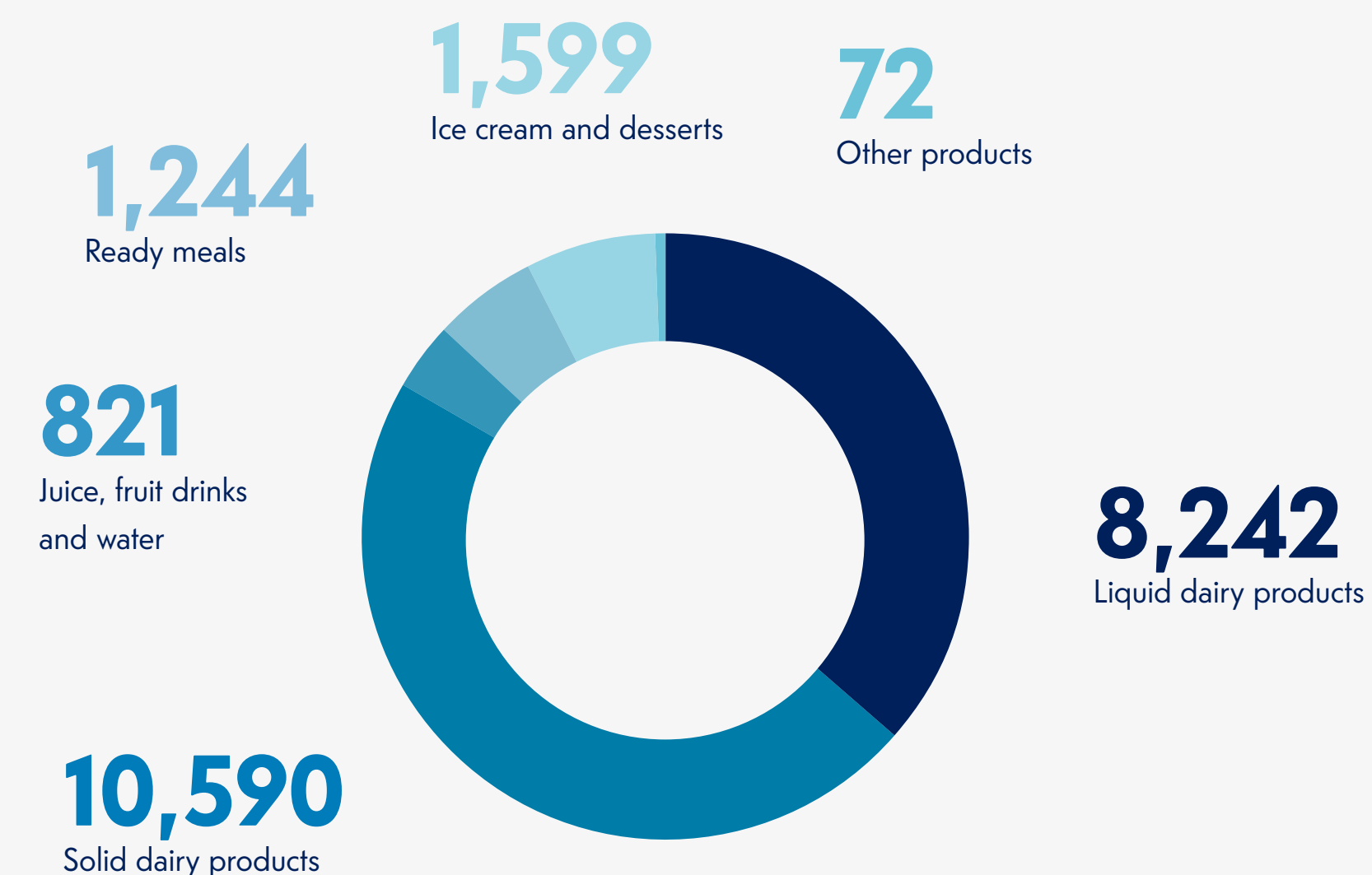
2020 was characterised by substantially higher sales revenue in groceries, driven by increased home consumption which more than counteracting the lower sales revenue from catering. In the Norwegian dairy segment, which represents the majority of the TINE Group, TINE grocery retail provided significant growth from 2019 of 4.2 per cent, measured by volume, and 8.7 per cent, measured by value¹. Compared with other actors in the categories TINE operates in, TINE continued to lose volume and value shares in 2020, -2.0 and -1.4 percentage points¹ respectively.

Operating expenses have also been affected short term by the pandemic. Otherwise, development is due to cost improvements that will strengthen TINE's competitiveness, low energy prices throughout 2020 and better milk usage.

The operating income for 2020 increased in total by NOK 93 million related to one-off effects linked to, among other items, profit from the sale of property in Bergen of NOK 217 million and impairment of fixed assets of NOK 95 million. The 2019 annual accounts were, in comparison, charged with NOK 124 million in one-off costs, linked to the new head office and restructuring costs, among other things.

Sales revenue – ready-made goods

Per segment TINE GROUP/NOK million



TINE invested NOK 1,299 million in tangible fixed assets in 2020 and this is related to maintenance of existing production facilities.

TINE's business consists of Meieri Norge (domestic dairy operations), Meieri Internasjonalt (international dairy operations) and Other operations.

TINE's business is represented throughout Norway. The majority of the company's international activities take place in the United States, Sweden and the UK, and in 2020 TINE began test production of Jarlsberg® in Ireland.

Operating income per business area

| NOK million | 2020 | 2019 |
|-----------------------|--------------|--------------|
| Meieri Norge | 1,786 | 1,106 |
| Meieri Internasjonalt | 35 | 12 |
| Other operations | 171 | 71 |
| Group eliminations | -1 | -1 |
| TINE Group | 1,992 | 1,189 |

¹ Ref. no. 02648448, Date: 01.02.2021

Source: Nielsen Scantrack, NorgeTotaltDVH, Bakekomponenter, Desserter Kjølte, Desserter Tørre/Våte, Desserttilbehør, Iste/Iskaffe, Juice/Nektar/Lemonade, Matfett, Melk, Ost (Ekskludert "ferske oster"), Rømme/Fløte, Sport/Energidrikker, Yogurt. Not in accordance with Nielsen's product group hierarchies. Value % Change YA, +/- Value % Share YA, Volume % Change YA, +/-Volume % Share YA, 2020 (Week 1-52 2020). (Copyright © Nielsen.)

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Sustainable value creation

TINE's vision is "Together we make Norway thrive", and our ambition is to leave farming, the cooperative system and Norway in a better place than when we took over.

Therefore, it is in our nature that TINE should aim to be the most sustainable food producer in Norway. Our entire business is based around processing milk to create various dairy products, and major climate change and changes in the natural world will have a severe impact on our owners and the company. Work on sustainability is a natural and integral part of TINE, whether it be reducing sugar and saturated fat content in products or initiatives to reduce greenhouse gas emissions throughout our value chain.

Our goal is financial value creation, which allows us to contribute positively to our environmental and social surroundings. This is what we here at TINE call sustainable value creation. TINE reports its work on sustainability in accordance with the Global Reporting Initiative, the leading international standard for reporting on sustainability. Our complete Sustainability Report can also be viewed from [page 110](#) of this annual report.

Challenges for Norwegian agriculture

Climate and environmental considerations are increasingly being incorporated into diet and nutrition recommendations. It is no longer just about the nutritional needs of individuals and populations, it is also about what is sustainable for the planet.

A substantial proportion of the emissions related to milk production come from the activities that take place on the farms. In June 2019, the farmers' organisations and the government signed a letter of intent regarding reducing greenhouse gases and increasing carbon uptake in farming. The parties pledged to reduce total greenhouse gas emissions from farming by five million tonnes of CO₂ equivalents from 2021 to 2030.

This agreement was followed up in 2020 by a climate plan highlighting eight focus areas with specific measures aiming to reduce emissions from farming operations. The climate plan emphasises that it is possible to achieve the climate commitment for agriculture without reducing the use of Norwegian arable land, without weakening rural settlements and without reducing the number of cows, sheep and goats grazing on Norwegian pastures.

TINE, and our owners, are working hard to reduce greenhouse gas emissions. The right time for harvesting grass, an increased proportion of Norwegian-produced feed concentrate, use of manure for biogas production and increased carbon binding in soil are examples of important actions to ensure that the industry can achieve its climate objectives and that dairy products can remain central to the Norwegian diet. We have much to learn here, in particular through research.

Greenhouse gas emissions have been reduced by 5.5 per cent in 2020.

TINE aims to contribute to reducing greenhouse gas emissions in Norway by reducing its own emissions. By continuously improving, we can ensure better utilisation of energy and prevent pollution. TINE's objective is to be using only renewable energy and fuel for the company's production and transport activities by 2025. Since 2018, greenhouse gas emissions from Diplom-Is and Fjordland have been included in our climate accounts, without correcting historical figures. In 2020, greenhouse gas emissions from the TINE Group were reduced by 5.5 per cent, while greenhouse gas emissions from TINE SA were reduced by 5.0 per cent. Greenhouse gas emissions from TINE SA have been reduced by 30 per cent since 2007. TINE has thus delivered on its target, set in 2011, of reducing emissions by 30 per cent.

Sustainability objectives

We aim to be the best in terms of sustainability in the Norwegian food industry.



Greenhouse gas emissions

TINE's aim is for agriculture to cut its greenhouse gas emissions by 20 per cent by 2030.



Packaging

By 2023 all our packaging will be made from renewable or recycled raw materials.



Renewable energy

TINE's objective is to be using only renewable energy and fuel by 2025. As a business, we will then be emitting zero greenhouse gases.



Value chain

By 2030 TINE aims to have reduced waste in its own value chain by 50 per cent by making optimum use of its own raw ingredients.



Food waste

We aim to help consumers reduce their food waste by 50 per cent by 2030 through innovative packaging and labelling solutions and through dialogue with consumers.



Diet

TINE aims to help ensure that Norwegians have a healthy, varied and balanced diet.

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#KUKRAFT – an exciting climate solution for both dairy farmers and TINE

Biogas made from manure can replace fossil-based energy for our transport and production activities. Using manure as a raw material for biogas production achieves a triple environmental effect – a reduction in emissions of over 100 per cent. Biogas is suitable for fuel and replaces fossil-based fuels and energy. The residues after biogas production are returned to farms as biofertiliser, replacing chemical fertiliser. This also means that emissions of methane and nitrous oxide from manure storage and spreading are reduced. We are collaborating with a variety of stakeholders to increase the use of manure for production of biogas. TINE is involved in biogas projects in Sømna, Byrkjelo and Jæren, among others. These are all projects with production based on animal manure. We are also continuing our venture focusing on biogas as a renewable fuel for our transport operations.

Renewable packaging

TINE is a major consumer of packaging, which also leads to both pollution and greenhouse gas emissions. Our ambition is for all packaging at TINE to be based on renewable or recycled raw materials by 2023. Furthermore, we must use packaging that can be collected and used for new material.

In 2020, we relaunched a new and improved cardboard container for various sour cream products. We have launched organic drinking milk in a new and more sustainable carton, with the plastic cap removed, and we have tested new paper straws for our chocolate milk. It is particularly exciting to see how consumers are reacting to the “old” drink carton without a plastic cap. If this proves successful, it could be an important step in reducing plastic consumption.

Milk producers deliver great quality

Throughout 2020, 96.4 per cent of the milk delivered by TINE's producers was categorised as elite milk (95.5 per cent in 2019). Elite milk is the highest level of quality milk producers can achieve for the raw ingredient they supply. The assessment is based on objective and measurable criteria. Easy access to quality raw ingredients is due to targeted, long-term efforts to ensure good animal health and welfare through TINE's own advisory services and through positive work by our producers. The quality of goats' milk has generally improved considerably

in recent years, but the proportion of elite milk fell slightly in 2020, from 93.3 per cent in 2019 to 92.0 per cent in 2020.

Safe food is the result of good work across the value chain

The prerequisite for trust in our products is a value chain in which healthy and safe raw ingredients and processes are guaranteed and issues relating to food safety are communicated openly. There were two product recalls from the market in 2020. Piano® Duo yoghurt (chocolate and chocolate crisp) was recalled owing to lack of labelling of soya as an allergen, and Byggrynsgrøt (Fjordland) owing to lack of labelling of gluten as an allergen.

Strict antibiotic regime yields good animal health

Norway can boast world-class cattle and goat health, with the absence of any serious infectious diseases. Antibiotic resistance is a global threat to human health. When bacteria become resistant to antibiotics, medications become less effective, making it more difficult to treat diseases. High levels of antibiotic use increase the prevalence of resistant bacteria. It is therefore especially important to reduce the use of antibiotics among humans and animals.

Collectively, the agricultural industry is working hard to reduce and optimise its use of antibiotics. There has been a considerable reduction in the use of antibiotics in Norway. This reduction is in the region of 75 per cent between 1994 and 2020. The proportion of penicillin-resistant *Staphylococcus aureus* in cattle has also reduced substantially: from a level of 18 per cent in 1994 to roughly 3 per cent in 2020. We are probably now at a level equivalent to that before antibiotics were introduced.

It has been proven that sick animals “working” to fight disease consume a lot of energy, which also leads to lower milk production. Therefore sick animals generate higher greenhouse gas emissions per unit produced than healthy animals. Consequently, healthy animals are very important for efficient milk production and low greenhouse gas emissions.

All milk arriving at TINE's plants is checked for the presence of antibiotics. In 2020, 49 deliveries of milk contained traces of antibiotics. This equates to around 0.05 per mille out of the total number of deliveries. In 2019, 66 deliveries contained traces of antibiotics. Milk containing traces of antibiotics is discarded.

TINE aims to help improve public health in Norway

As a food producer, we have a responsibility to help improve public health in Norway. TINE has gradually reduced the use of sugar in a number of its products over many years. We have also launched a number of new products with no added sugar. As a result, we are now “delivering” a lot less sugar to consumers. TINE is also aiming to reduce saturated fat in its products. However, there are specific challenges associated with reducing saturated fat in dairy products, as this is a natural element of milk. In 2020 we put a lot of effort into steering consumption of cheese towards lighter variants. By focusing on quality and flavour in combination with increased marketing in stores, we saw a rise in sales of Keyhole-labelled cheese. We also have high expectations for forthcoming launches of products containing less saturated fat. Looking a little further ahead, changes in both breeding and feeding of cattle could help to cut down the amount of saturated fat in the milk.

We are there for you – throughout the country

The milk that forms the basis for our products is produced by TINE's owners – the dairy farmers. We collect the milk from the farms and transport it safely to the dairies. Our dairies produce safe and wholesome products that are delivered to all our customers, large and small, using TINE's fleet of vehicles. We represent many small contributions coming together to form a greater whole, which contributes to thriving local communities where the cultural landscape is nurtured and cultivated, an important asset shared by the entire population. Our owners produce milk throughout the country. TINE farmers manage and utilise essential natural resources to produce food – resources that would otherwise go to waste. This serves as an important contribution to Norwegian value creation. We are seeing increased interest in preserving our food traditions, but at the same time we are experiencing increased competition from European dairy stakeholders and Norwegian suppliers of milk and dairy products made from foreign ingredients. As a cooperative, TINE should be well equipped to face up to such competition. We transport milk and other fresh products directly from the dairy to stores, schools, nurseries and other customers. This ensures that consumers get the freshest products and the best quality at the lowest cost and with minimal environmental impact. The milk with the lowest food miles comes from TINE.

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Goals and strategy

TINE's mission is to sell as much Norwegian milk from its owners as possible at the highest possible price and to ensure sustainable Norwegian milk production across the country.

In order to achieve this, the Board has worked closely with the management team to develop the company's strategy, TINE 2025, which was adopted in mid-2019. The main focus is on increased growth, strengthened competitiveness, better and more long-term framework agreements and a foundation and culture that permeates the whole of TINE. Our new vision was also formulated as part of this strategy: *Together we make Norway thrive.*

We are facing significant changes

TINE is facing significant changes over the next few years to ensure the profitability of Norwegian milk production and the future of the business for our owners. The export subsidy for Jarlsberg® for the international market was abolished in 2020, competition is intensifying in Norway and the level of imports is continuing to increase at a rapid rate. We are facing challenging regulatory frameworks, and changes in patterns of consumption demand adjustments at all levels of the organisation.

The strategy defines specific goals within efficiency measures to increase competitiveness, the need to generate new growth within Norway, but also a new international breakthrough based on Norwegian milk.

TINE 2025

REMEMBER! This is an interactive PDF 

Hover the cursor over the flower symbol to find out more about our four strategic areas.
Click to jump directly to the specific topic.

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Growth

We aim to build brands that our customers and consumers prefer. We aim to expand our scope through innovation and business development.

Meieri Norge

Meieri Norge principally consists of TINE SA and Mimiro AS.

The total revenues and other income for Meieri Norge for 2020 was NOK 19,529 million, an increase of NOK 586 million, which indicates growth of 3.1 per cent from 2019 (2.8 per cent adjusted for exchange rate fluctuations). The operating income for Meieri Norge was NOK 1,786 million, an increase of NOK 680 million from 2019.

2020 – a year like no other

2020 was a year like no other owing to the coronavirus pandemic. The grocery market overall showed solid growth driven by home consumption, while the convenience store, petrol station and service trade segment (KBS) and the catering segment showed the opposite effect owing to travel restrictions and the general shutdown of society.

Positive volume and value trend in groceries, but reduced market share for TINE¹

TINE delivered solid growth in 2020 in the categories in which we operate. Overall volume growth for TINE was 4.2 per cent,

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compared with 7.8 per cent for dairy categories in total, while annual growth in value amounted to 8.7 per cent, compared with 11.5 per cent total growth in the categories in which TINE operates. Products for home consumption, such as fresh milk, cheese, butter, yoghurt, juice and cooking products showed solid growth in total dairy categories. We achieved good growth for cheese, butter, crème fraîche and cream in particular, but TINE experienced lower volume and value growth for fresh milk and yoghurt than other actors through 2020, resulting in reduced market shares for TINE.

Growth for fresh milk, but TINE loses market shares¹

Sales of fresh milk saw a positive increase overall due to more time spent at home and changed eating and mealtime habits. This was particularly obvious from March/April and over the summer, as most Norwegians spent their holidays in Norway, but also throughout the autumn. TINE® H-Melk 1.75 litres showed strong volume growth of 24.6 per cent in 2020. Our share of total volume sold at the end of 2020 was 68.0 per cent, which was a drop of 2.7 per cent from the end of 2019. This was mainly due to price, but also increased availability in stores and improved shelf life for other actors.

Soured and flavoured milk increased in total in both volume and value, with TINE primarily contributing to growth within soured milk. We saw a good volume and value trend for flavoured milk (including iced coffee), with higher growth in this category than other actors.

Volume and value growth for cheese¹

The overall cheese category (excluding fresh cheeses) showed strong growth in volume and value compared with 2019. Hard white cheese remained the largest segment, while smaller segments, such as feta cheese and cream cheeses, experienced greater percentage growth in volume and value from 2019. In the hard white cheeses segment, TINE® Grated Cheese was the value driver, showing an increase in volume of 14.3 per cent, while Norvegia® contributed to volume growth with an increase of 16.7 per cent compared with 2019. Norvegia® 1.3 kg played an important part in this trend, achieving an increase in volume of a substantial 83.3 per cent. The brown cheese segment showed modest volume growth, but strong value growth compared with 2019, and we were the growth driver in this instance.

Strong year for cooking products¹

We saw strong growth for cooking products such as crème fraîche and cream. TINE achieved greater growth than the segment in terms of both volume and value for crème fraîche, but market shares for sour cream decreased. Lack of availability in stores halved the volume for TINE® organic light sour cream, resulting in a decline in volume of 23.4 per cent for TINE® lactose-free sour cream. However, other players have seen stronger growth due to increased availability in stores, which resulted in a shift in market share. The butter segment saw growth in both volume and value, and TINE achieved equivalent growth.

Shift towards large formats for yoghurt¹

The overall yoghurt category showed growth in both volume and value, but we were not responsible for growth. It was largely due to changes in consumption owing to a changed pattern of consumption in 2020, but also strong competition for large formats. TINE saw good sales of large formats, e.g. TINE® Yoghurt 850 g natural, which showed solid growth in volume of 19.0 per cent, but other suppliers were instrumental in the growth. We lost market shares in the segment overall, mainly due to Go'morgen® experiencing a 12.7 per cent volume reduction owing to lower sales of on-the-go products in general.

TINE Partner affected by pandemic – especially within the catering segment

TINE Partner sells to customers within catering, industry and direct to consumers. Since March, large parts of the catering sector have been hard hit by the coronavirus crisis, with numerous customers completely or partially closed, and this has also affected sales at TINE Partner. A number of measures have been implemented to help prevent infection, aimed at both customers, employees and the company. In addition, we have worked hard to reduce waste, including supplying catering packs to grocery stores. The segment for industry has shown a positive trend throughout 2020.

New commercial strategy aims to secure TINE's position for the future

Our commercial areas have formed a joint team to ensure even stronger collaboration between marketing and sales, as well as common plans and even better prioritisation for taking care of customers and consumers in the best way possible. Increased

Sales trend measured as part of retail trade in 2020 compared with 2019¹

| Category | Increase in volume compared with 2019 | | TINE's volume share | |
|----------------------------|---------------------------------------|--------------|---------------------|---------------|
| | Grocery total | TINE | 2019 | 2020 |
| Total | 7.8 % | 4.2 % | 60.5 % | 58.5 % |
| Milk | 6.3 % | 1.9 % | 72.0 % | 69.1 % |
| Cheese* | 13.6 % | 12.6 % | 65.0 % | 64.5 % |
| Sour cream and cream | 7.6 % | 6.0 % | 81.2 % | 80.0 % |
| Yoghurt | 7.5 % | 3.6 % | 63.7 % | 61.4 % |
| Shortening | 7.6 % | 8.9 % | 20.1 % | 20.4 % |
| Juice, nectar and lemonade | 10.1 % | 9.1 % | 26.3 % | 26.4 % |

| Category | Increase in value compared with 2019 | | TINE's value share | |
|----------------------------|--------------------------------------|--------------|--------------------|---------------|
| | Grocery total | TINE | 2019 | 2020 |
| Total | 11.5 % | 8.7 % | 58.0 % | 56.6 % |
| Milk | 8.2 % | 4.2 % | 73.8 % | 71.0 % |
| Cheese* | 15.1 % | 12.3 % | 61.8 % | 60.3 % |
| Sour cream and cream | 14.8 % | 12.1 % | 81.8 % | 79.9 % |
| Yoghurt | 7.6 % | 1.7 % | 51.3 % | 48.5 % |
| Shortening | 13.9 % | 26.3 % | 24.0 % | 26.6 % |
| Juice, nectar and lemonade | 10.0 % | 10.0 % | 24.9 % | 24.9 % |

* Excluding fresh cheeses

¹ Ref. no. 02648448, Date: 01.02.2021
Source: Nielsen ScanTrack, NorgeTotaltDVH, Bakekomponenter, Desserter Kjølte, Desserter Tørre/Våte, Desserttilbehør, Iste/Iskaffe, Juice/Nektar/Lemonade, Matfett, Melk, Ost (Ekskludert "ferske oster"), Rømme/Fløte, Sport/Energidrikker, Yogurt. Not in accordance with Nielsen's product group hierarchies. Value % Change YA, +/- Value % Share YA, Volume % Change YA, +/- Volume % Share YA, 2020 (Week 1-52 2020). (Copyright © Nielsen.)

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customer orientation and shared value creation together with our customers will ensure growth in all channels.

Five growth platforms to help TINE with plans and priorities

The "TINE 2025" strategy includes major growth ambitions, within groceries, KBS and Partner. Based on our market and customer insights we have established five growth platforms to accomplish this by means of coordinated plans and priorities. It also encompasses priorities within advertising and innovation.

Our customers are well informed and involved in establishment of the growth platforms, and it is essential that these are also linked to their areas of focus.

Greatly trusted by customers and consumers

In 2020, TINE topped the annual Ipsos reputation survey among 108 of the biggest businesses in Norway. TINE came out ahead of NRK and Coop, and in particular in the areas of "social responsibility" and "environment". We have improved compared with 2019, when we were number two. A total of 89 per cent of respondents indicated that they have a "very good" or "fairly good" impression of TINE. We were up seven points from 2019.

High scores for social responsibility and sustainability

We also top Apeland's RepTrak reputation survey, which classifies TINE's reputation as outstanding. Good quality products ensure that consumers have great confidence in us, but we also score highly for social responsibility and sustainability.

Excellent collaboration with customers

TINE achieved a fantastic second place in the 2020 ReMark survey, in which customers assess suppliers. That was up from fourth place in 2019, and is the highest placing we have achieved in recent years. The entire value chain contributes to this result. Our most successful area was Logistics and supply, for which we were ranked number one. We also did really well within Category Leadership and Key Account Management, ranking number one here too. The survey shows that TINE has good collaboration with customers and a solid platform to continue to build on.

YouGov's brand index named TINE as the third most popular brand in Norway in 2020, only topped by Vipps and Kiwi.

We also won the social responsibility award for sustainable value creation from Grocery Suppliers of Norway (DLF) in 2020. "This year's winner of DLF's Social Responsibility Award takes a holistic approach to sustainability and social responsibility. It permeates the entire business and all aspects of the operation," said the jury in their justification.

Long-term innovation and digitalisation

Long-term innovation and digitalisation has been established as a separate group area in order to strengthen work on growth.

Appropriate use of technology is key to being a world-class dairy

IT is part of the aforementioned group area, since appropriate use of technology will be key to being a world-class dairy. Information technology will play an essential role in our transformation and development moving forward, together with increased focus on change management and necessary skills development.

A new generation of integration platform for more efficient sharing of data and digitalisation of TINE's entire value chain has been established, and several new and important solutions have been launched, within production, goods supply, distribution and customer follow-up, among other areas.

Both short-term and long-term innovation

TINE's innovation portfolio should incorporate both short and long-term measures. We are working on initiatives to strengthen and improve the existing core business as well as long-term activities to generate new business opportunities for the future. Our new units are responsible for this: "Incubator", working on projects to extend our core business, and "New Business & Innovation", dealing with longer and more experimental processes.

MIMIRO still in early stages

TINE established the company MIMIRO AS in partnership with Felleskjøpet in 2018. MIMIRO, which is still in its start-up phase, develops digital solutions for farmers and the agricultural industry based on data from agriculture. MIMIRO's operating result for 2020 ended at NOK -71 million. The company's income comes essentially from licensing fees from Eana Ku (formerly Kukontrollen) and sales of digital services to TINE. In 2020, the company undertook private placement and Gjensidige came on board as an owner (around 6 per cent).

Five growth platforms



A good start to the day



Natural refuelling



Everyday meals



Weekends and seasonal



Active children

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Brand exports and sales International Dairy Sales

| Figures (tonnes) | Brand exports | | Total sales* | |
|------------------|---------------|--------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| United States | 4,078 | 6,122 | 22,272 | 25,959 |
| Australia | 1,097 | 1,271 | 2,344 | 2,322 |
| Canada | 436 | 0 | 2,064 | 2,108 |
| UK | 538 | 750 | 5,873 | 6,417 |
| Sweden/Denmark | 523 | 941 | 14,054 | 16,865 |
| Other markets | 316 | 296 | 988 | 1,020 |
| Total | 6,988 | 9,380 | 47,594 | 54,692 |

*Brand exports involve sales outside Norway. Total sales are sales of all brands to consumers/the end market.

International Dairy sales

TINE has subsidiaries in Sweden, Denmark, the UK, the United States and Ireland. Wernersson Ost AB distributes and sells products in Sweden, Denmark and Finland. Norseland Ltd. is our British subsidiary, while Norseland Inc. operates in the United States and Canada. TINE's special cheese products are sold via selected distributors in other markets.

Total revenues and other income for Meieri Internasjonalt in 2020 totalled NOK 3,715 million, an increase of NOK 140 million, which indicates growth of 3.9 per cent from 2019 (adjusted downward 3.5 per cent for exchange rate fluctuations). The operating income in 2020 amounted to NOK 35 million, an increase of NOK 23 million from 2019.

The operating income for TINE Ireland was negatively affected by start-up costs in 2020. The operating income for the other subsidiaries was NOK 35 million higher than in 2019, driven by consolidated profitability in the United States and Sweden. This was due to increased prices, improved product mix and reduced operating expenses.

The total revenues and other income for Meieri Internasjonalt is based on sales of cheese from TINE and other cheese producers, and in 2020 accounted for 15 per cent of the Group's total revenues and other income (on a par with 2019).

Decline in sales of Jarlsberg® internationally

Jarlsberg® is currently TINE's biggest international brand and is sold in 16 countries, including Norway. Jarlsberg® for the Norwegian market will continue to be produced in Norway. Jarlsberg® for the international markets is produced at our Norwegian plants and our own Alpine Cheese Co. plant in Ohio in the United States, along with contract production by Dairygold Ltd. in Ireland. In addition, production has now also commenced at TINE's new plant in Ireland. Total international sales of Jarlsberg® showed a reduction of 8 per cent compared with 2019. The reduction in international sales was as expected in light of increased focus on profitability, but shifts between sales channels as a consequence of the coronavirus pandemic also affected trends throughout 2020.



Increased focus on profitability

Despite facing strong competition, Norseland Inc., our subsidiary in the United States, has managed to maintain and consolidate its position as a leading supplier in the speciality cheese category. Sales of Jarlsberg® weakened somewhat in the United States as a result of stronger focus on profitability. In addition to selling TINE's brands, Norseland Inc. also sells brands on behalf of other producers (partners). Profitability in 2020 was better than 2019, despite lost volume. This was driven by reduced operating expenses, improved product mix and price increases.

Acquisition of further shares in Lotito in the United States strengthens market position

TINE increased its ownership interest in Lotito Foods Holding LLC from 66.67 to 75 per cent in January 2020. TINE has committed to an ownership interest of 90 per cent by 2023, and has an option for the remaining 10 per cent in 2024. Investing in Lotito Foods has strengthened Norseland Inc.'s market position in the catering market. The collaboration has also strengthened innovation for Jarlsberg®. It has provided entry into new product areas in adjacent categories in the trade.

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Total revenues and other income (NOK billion)

Fjordland and Diplom-Is



Stable results for Norseland Ltd., UK

Norseland Ltd. in the UK delivered a better result for 2020 than in 2019. Lower sales revenue was compensated for by higher prices and an advantageous shift in the product mix towards higher values. Brands such as Ilchester®, Applewood® and Mexicana® retained their position on the British market. Jarlsberg® also maintained its market position in spite of tough competition in its category. The vegan products segment saw substantial growth too. Exports from Norseland Ltd. fell in 2020 as a result of the coronavirus pandemic.

Lower sales revenue for Wernersson in Sweden

Wernersson in Sweden saw a reduction in sales revenue of 21 per cent in 2020, which was compensated for by a strengthened operating income. This was driven by price rises and reduced operating expenses, as well as having terminated several customer relationships showing poor profitability. In 2020, Sweden was the largest international market for brown cheese.

Other operations

Other operations include production and sales of food products such as ice cream and frozen desserts, margarines, porridge and fresh ready meals. These operations are mainly conducted through our wholly and partly owned subsidiaries Diplom-Is AS and Fjordland AS.

Total revenues and other income from other operations was NOK 3,228 million, an increase of NOK 274 million from 2019, corresponding to growth of 9.3 per cent. The operating income from other operations was NOK 171 million, an increase of NOK 101 million from 2019. Home consumption increased in 2020, which basically explains the improvement in operating income for other operations.

Continued sales growth for Fjordland

TINE owns 51 per cent of Fjordland AS, a brand company that drives development, marketing and sales within the categories of fresh ready meals, margarines, yoghurt and desserts in the Norwegian market. Increased home consumption, supported

by high delivery capacity and increased market activity, contributed to solid sales growth on the grocery market for the established brands from Fjordland. As a result, Fjordland strengthened its position in market categories characterised by ever increasing competition. Coronavirus restrictions had a negative impact on sales via other sales channels, and hit the catering and corporate event operations of subsidiary Safari Næringsmidler particularly hard. The operating result overall was slightly weaker than in 2019.

Sharp growth in demand for ice cream and good results for Diplom-Is

The fact that Norwegians have been spending more time at home due to the virus situation resulted in increased sales in grocery stores and from our Diplom-Is vans. The tough competition in the ice cream segment continued in 2020 and Diplom-Is lost segment shares in the grocery segment. With the high level of demand it has been challenging to maintain a satisfactory delivery level for Diplom-Is. Despite this, Diplom-Is delivered strong results in 2020.

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Competitive- ness

We are constantly working throughout our value chain to streamline operations and reduce costs.

Industry and structure

Expansion and structural investment

The new dairy in Bergen went into operation from summer 2019 and was formally opened in early 2020 by the Minister of Climate and Environment Ola Elvestuen. The dairy in Bergen is the first in Norway with no fossil-fuel or direct electric heating, and energy use has been significantly reduced. The Board of TINE decided in September 2019 to convert the dairy in Elnesvågen into a flexible facility for both cheese wheels and rindless cheese. The conversion was completed in November 2020. Expansion of the dairy in Storsteines, with a new cheese-processing plant and warehouse, is ongoing. The warehouse is complete, and test production at the cheese-processing plant is planned for autumn 2021, followed by commissioning in early 2022. In January 2020, the Board also approved investment in the dairy in Dovre to support its focus on making Norwegian-produced white mould cheese and increase production by 50 per cent by 2030. This work is expected to conclude in spring 2021.

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Production of Jarlsberg® in Ireland in full swing

2020 saw the start of production of Jarlsberg® at the new dairy in Ireland. It commenced in July, somewhat later than planned owing to the coronavirus pandemic, but also due to a delay with the emissions permit. The plant has achieved a good standard with its cheese in just a short space of time and is continuing to increase production as planned into 2021. The dairy is still in its start-up phase, with optimisation an important part of operations. Jarlsberg® for the Norwegian market will continue to be produced in Norway.

New evaluations of operating models and structure

Our "Effektiv driftsmodell for mindre anlegg" (Efficient operating model for small-scale plants) project was run at the dairy in Kristiansand in spring 2020. The project was a feasibility study investigating the potential for reducing costs with an optimised operating model for small-scale plants. The report points to several possibilities for reducing costs using a simpler and more flexible operating model. A structural analysis of TINE Meieriet Sem has also been carried out. The Board decided to maintain production and warehouse operations at Sem, but to implement measures to reduce costs and investment, as well as making changes to operating processes.

New system introduced for end-to-end planning of value chain

The dairies at Tunga and Sola became the first dairies to implement our new, modern planning system APS (Advanced Planning and Scheduling). This solution will enable end-to-end planning of the value chain, reduce total value chain costs and ensure delivery capacity.

Enhanced competitiveness thanks to improvement projects and increased digitalisation

Several projects are under way to strengthen our competitiveness by means of substantial cost savings. Our improvement programme Styrk 4.0 is to be implemented at ten facilities to streamline operations and reduce costs. Laboratory activities will be digitalised and streamlined, and maintenance functions will be optimised. The objective is for these three projects to yield significant cost savings. In 2020 the dairy at Jæren was the first TINE facility to receive a modern MES solution (Manufacturing Execution System). This is a solution that ensures operators



have accurate and relevant information to guarantee efficient production processes. These are all examples of new digital solutions being introduced by TINE.

Logistics

Delivery efficiency is an important target figure for TINE, with the whole value chain playing its part. In 2020, our delivery level was 98.3 per cent, up one percentage point from 2019. TINE plays an important role in maintaining essential food supply to the Norwegian population and TINE has proven to be well up to the task over the past year.

Improved shelf life for milk

The shelf life of milk on delivery to our customers has substantially improved during 2020, in part as a result of an improvement project contributing to reduced waste both in stores and among consumers. This is particularly important in a situation where consumers visit stores less often and therefore purchase larger quantities at a time.

Objective of five per cent efficiency improvement every year

In 2020, several improvement projects were implemented in the logistics chain. The aim is a five per cent improvement in efficiency every year. This comes from local initiatives in which employees and managers work on continuous improvement

and large central projects, based on digitalisation and TINE's long-term strategic objectives.

Developing sales of distribution services

TINE is focusing strongly on "more than dairy" to boost direct distribution, and in 2020 secured several contracts for nationwide distribution for major stakeholders. One of TINE's biggest growth initiatives towards 2025 is to develop sales and delivery of goods other than dairy to our partner customers. This has resulted in strengthening of the department for distribution sales.

Streamlining of tanker transport

In 2020, tanker transport has undergone route restructuring for inward transport of milk at several locations across the country. By means of both intensive route planning and exposure to competition along some routes, we have managed to cut the number of tankers, meaning further positive impact in terms of both costs and the environment. Load size has increased by a little over four per cent from 2019 to 2020.

Part of our streamlining efforts also involve evaluating new technology and new solutions. In Jæren a brand new type of semi-trailer with an electric milk pump and solar panel mounted on the tank has been put into operation. This trial will be followed with great interest and may contribute to new thinking in the industry.

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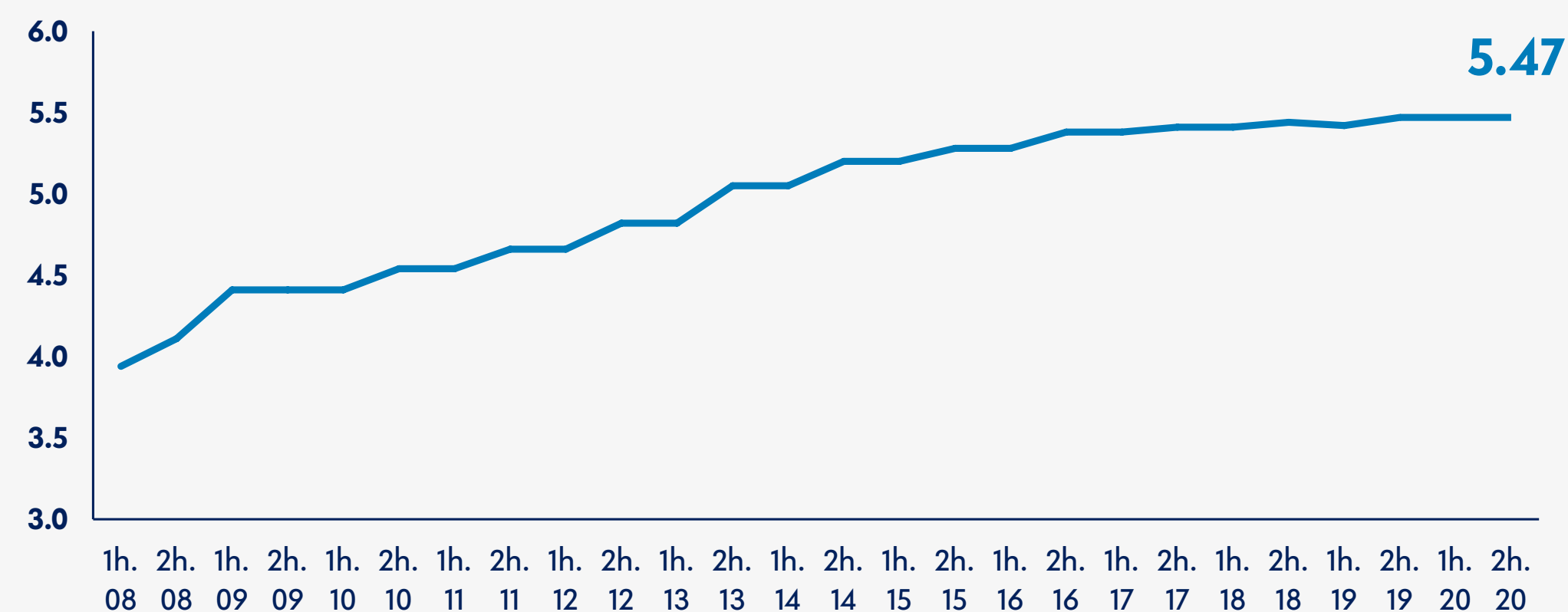
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Trend in target price

NOK/Litre



Framework

To enable the owners of TINE, dairy farmers throughout the country, to invest and take a long-term approach, they must also feel confident that there is scope to do so.

Need for more milk

In autumn 2019 the parties to the Agricultural Agreement agreed to an extraordinary state quota purchase of up to 40 million litres of milk in 2020. The scheme was implemented and 436 suppliers took part. A combined quota of just over 35 million litres was purchased by the state. We will not see the full effect of the purchase scheme until 2021, as the requirement for cessation of delivery was at the end of 2020. The ratio (share of quota allowed to be produced without over-production tax being imposed) for milk quotas for 2020 was set at 0.96 in December 2019. The purchase scheme was important to create predictability and security in connection with discontinuation of cheese exports from Norway.

In March the authorities introduced significant measures to counteract the spread of the Covid-19 virus. This led to an immediate decline in demand from restaurants, catering enterprises and canteens, but a significant increase in demand for safe, Norwegian dairy products from grocery sector customers. The absence of cross-border trade and society spending a greater proportion of time at home boosted the strong growth in demand from the grocery sector. This resulted in an increased need for milk. The ratio for the milk quotas was first increased to 1.01 in April and then to 1.05 in June. The

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increased demand for cow's milk in 2020 was met, but this led to heavily reduced inventory on hand. Bearing this in mind and the expectation that demand will continue into 2021, TINE has recommended a ratio of 1.07 for cow's milk for 2021.

Milk from Norwegian goats is in a class of its own, offering the very highest quality and unique properties. It provides a good basis for targeted efforts to increase sales of goat's milk products and to identify new products and markets. As a result of the anticipated sales trend and the desire to have an adequate reserve of raw ingredients as a foundation for sales growth, TINE recommended keeping the ratio for goat's milk at 0.94 for 2021.

Simplified agricultural sector negotiations

As a result of the pandemic the labour market stakeholders decided to postpone this year's collective bargaining process. The parties to the Agricultural Agreement were in a similar situation. However, they decided to conduct the negotiations using a simplified procedure. It was therefore simply a negotiation regarding adjustment of prices and subsidies. The target price for milk remained unchanged.

The regulations for market regulation

Changes to the regulations governing the Sales and Marketing Council's authority relating to market regulation for agricultural raw materials (framework regulation) were established by the Ministry of Agriculture and Food in late November. Several changes were made to the regulation, but current arrangements were basically continued. The section of the regulation dealing with the order of priority for milk in a shortfall situation was expedited and amended in early September due to uncertainty in connection with the pandemic.

TINE's role as market regulator

TINE's role as market regulator is to secure sales of milk for the milk producers, ensure supply and price stability for consumers and help to achieve target prices stipulated in the Agricultural Agreement. As market regulator, TINE bears an obligation to accept and supply milk, and to provide information on the regulatory measures implemented. The obligation means that all farmers, whether they are part-owners of TINE or not, are entitled, but not obliged, to supply milk to TINE, and TINE pays

the same price to all dairy farmers. The obligation to supply means TINE is also obliged to supply all dairies with milk at the same price as TINE's own industry.

All milk producers in the country pay a sales tax to fund measures implemented by the market regulator to regulate the market for milk and milk products. This sales tax is administered by the Norwegian Agriculture Agency

Measures to promote competition as part of price equalisation scheme have fulfilled their purpose

The greatest disparity in the milk market is linked to the competition-policy subsidies as part of the price equalisation scheme. The framework regulation ensures balance between rights and obligations, so that the scheme does not produce skewed competitive conditions. The market has also changed significantly in the 20 years since the measures were introduced.

TINE now faces competition from well-established players for most products, as well as competition from imports. The competition-policy subsidies have long since outlived their usefulness. TINE therefore has been, and aims to continue, actively working for abolition in order to ensure competition on equal terms.

Measures to promote competition yield NOK 183 million on an annual basis

As of today, the price equalisation scheme incorporates three pro-competition measures. In addition to the specific distribution subsidy, there is a scheme of differentiated levies and subsidies and a special capital allowance. The trend in total payments for the various pro-competition measures in the period 2016 to 2019 shows that costs for subsidies in 2019 totalled approximately NOK 183 million, an increase of over NOK 52 million (or 40 per cent, from 2016*). Q-meieriene receives



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approximately NOK 140 million, Synnøve Finden around NOK 32 million and Rørosmeieriet NOK 10 million annually. The distribution subsidy amounts to around NOK 52 million, with a good NOK 45 million going to Q-meieriene and just under NOK 7 million to Rørosmeieriet.

In March 2020 the Ministry of Agriculture and Food requested a review of one of the pro-competition measures, the distribution subsidy, by the Norwegian Agriculture Agency before 1 June. The agency delivered its review. The Ministry of Agriculture and Food has stated that it will evaluate the report from the Norwegian Agriculture Agency together with input from stakeholders in the price equalisation scheme, but has not committed to a time frame for giving its decision.

End to export subsidies

From 1 July 2020, new rates were set for the price equalisation scheme for milk. Export subsidies ceased from the same date and this is reflected in the price equalisation rates. The funds released as a result of cessation of the export subsidies have been divided between the remaining price groups. Understandably, uncertainty is now prevalent with regard to the volume forecasts for the 2020-2021 rate period owing to cessation of export subsidies for brand exports and the extraordinary situation linked to the coronavirus pandemic.

Significant rise in imported cheese on the Norwegian market

In 2020, 17,950 tonnes of cheese were imported, an increase of 1,646 tonnes from 2019, equivalent to 10 per cent. This volume includes cheese imported under the scheme involving overseas processing, which is around 2,000 tonnes annually.

Percentage tariffs provide protection for plain drinking milk and cream, and therefore import volumes are low for these products. Imports of skimmed milk powder increased in 2020. This was only natural after the Norwegian Agriculture Agency reduced the tariff administratively for a period, in order to facilitate imports owing to lack of market coverage in Norway. Imports of yoghurt, on the other hand, are stable in terms of volume, but we are seeing a reduction for fruit yoghurt offset by increased imports of natural yoghurt. Imports of flavoured milk drinks have dropped slightly from 2019 to 2020.

In 2020, 17,950 tonnes of cheese were imported, an increase of 1,646 tonnes from 2019, equivalent to 10 per cent.

International trade policy is challenging

The international climate for trade policy has been challenging throughout 2020. Negotiations for a trade agreement with the UK have so far resulted in a temporary solution. The agreement entered into with Mercosur has not been firmed up and negotiations with China are continuing. The trade dispute between the United States and China is ongoing, and similarly the policy of punitive tariffs between the United States and the EU owing to subsidies for the aviation industry. The EU has now also imposed punitive tariffs on goods from the United States.

*) Analysis of specific distribution subsidy as part of the price equalisation scheme for milk. Report no. 4/2020 of 3 June 2020 from the Norwegian Agriculture Agency.

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Foundation

Our foundation is exactly that. Our starting point and a solid base for everything we do. It's about culture, collaboration, expertise and capacity to execute. It's about the fact that collectively we make TINE stronger and capable of facing up to an ever-changing world.

Safety, health and the work environment

Healthy employees and a robust workforce in a good work environment are instrumental in improving competitiveness and the standard of quality required for TINE to succeed in being a leading player in the industry. Work must be organised in a manner that ensures our employees are not subjected to undue physical or mental strain, and that no one is injured or falls ill as a result of their work.

Slight rise in sick leave

The level of sick leave at TINE SA was 5.9 per cent in 2020. This was 0.2 percentage points higher than the previous year. TINE SA started well in 2020, and after February was well placed to achieve its target for sick leave, which was set at 5.4 per cent. Then came the pandemic, which had a negative impact on levels of sick leave. We saw a positive trend from October, and in the context of this unique year we feel the trend in sick leave has been satisfactory. TINE has made systematic efforts to reduce sick leave, including management training and beneficial cooperation with

Employee distribution – women/men*

| 2020 | Employees | | | Managers | | |
|-------------------|--------------|--------------|--------------|------------|------------|------------|
| | Women | Men | Total | Women | Men | Total |
| TINE SA | 1,444 | 2,650 | 4,094 | 98 | 133 | 231 |
| Subsidiaries | 526 | 723 | 1,249 | 16 | 38 | 54 |
| TINE Group | 1,970 | 3,373 | 5,343 | 114 | 171 | 285 |

Absence due to illness, staff turnover and LTI rate

| 2020 | Absence due to illness | Staff turnover* | LTI rate** |
|-------------------|------------------------|-----------------|------------|
| TINE SA | 5.9 | 4.0 | 3.6 |
| Subsidiaries | 5.4 | 7.9 | 6.2 |
| TINE Group | 5.8 | 4.8 | 4.2 |

* Restructuring/downsizing is not included in the figures.

**Number of injuries resulting in absence per million hours worked.

Occupational Health Services and the Norwegian Labour and Welfare Administration (NAV). Units with high levels of absence due to illness are followed up on within the organisation.

Overall sick leave for the TINE Group was 5.8 per cent.

Record low number of lost-time injuries

The number of lost-time injuries at TINE SA has dropped by 23 per cent from the previous year. This equates to 26 lost-time injuries in 2020, compared to 34 in 2019, and yields an LTI rate of 3.6 in 2020 compared to 4.5 in 2019. The target for 2020 was 3.8 and this was achieved. The company experienced two serious injuries in 2020. One was related to maintenance work and burns. The other was related to handling of acid.

The trend has been positive over the past few years, with fewer and fewer lost-time injuries year on year. In October there were no injuries resulting in absence, the first ever complete month with no lost-time injuries.

In 2020, TINE recorded 85 injuries not resulting in absence. This is 14 fewer than in 2019.

The TINE Group recorded 39 incidents resulting in absence in 2020 (LTI rate: 4.2) compared to 64 recorded incidents resulting in absence in 2019 (LTI rate: 6.6).

Additional HSE actions

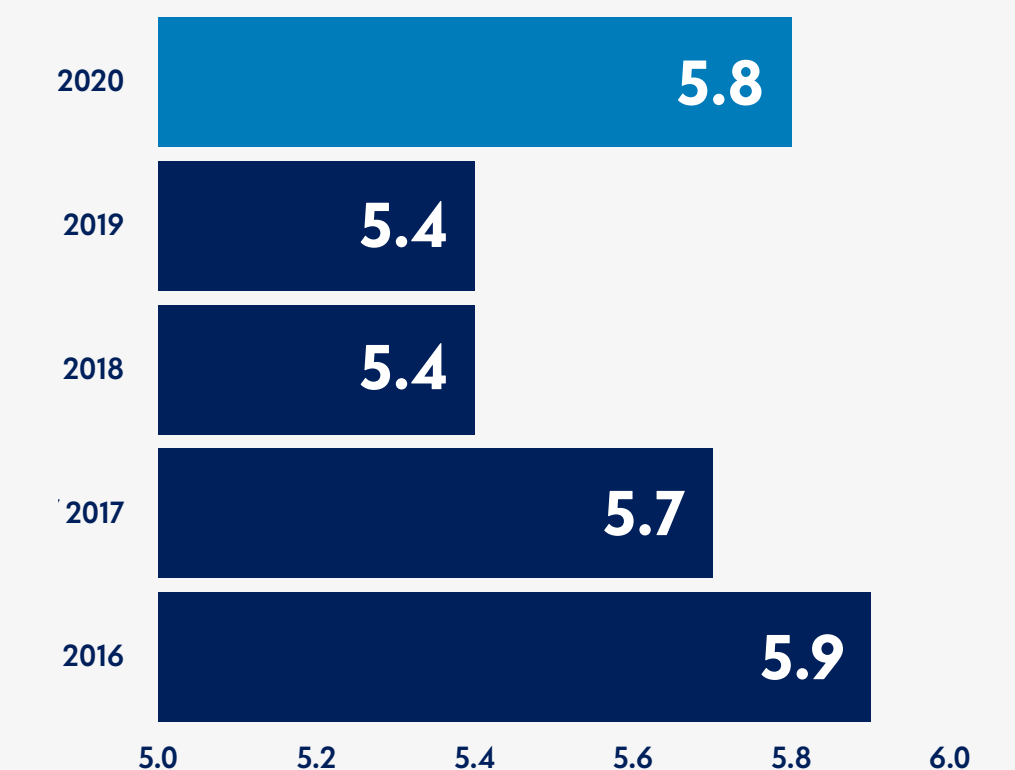
HSE reporting has been tightened up and detailed tracking of underlying causes has been introduced. We are now working to implement this at more units. In addition, there is increased focus on sharing information on incidents and proactive training and support throughout the organisation. A digital HSE course has been developed for all employees and subcontractors to complete. This is currently being rolled out throughout the organisation. Due to the pandemic, the work of conducting HSE audits out at our various sites has not been as extensive as planned.

Recording of HSE incidents an important tool

The recording and processing of undesirable incidents, near-misses and proposals for improvement are an important prerequisite and an important tool for reducing occupational accidents through positive improvement work. A total of 9,246 such incidents were recorded in 2020, compared with 9,295 in the previous year. This meant TINE did not achieve its target for 2020, which was set at 9,415. As a result, TINE must continue its efforts to increase the number of incidents recorded.

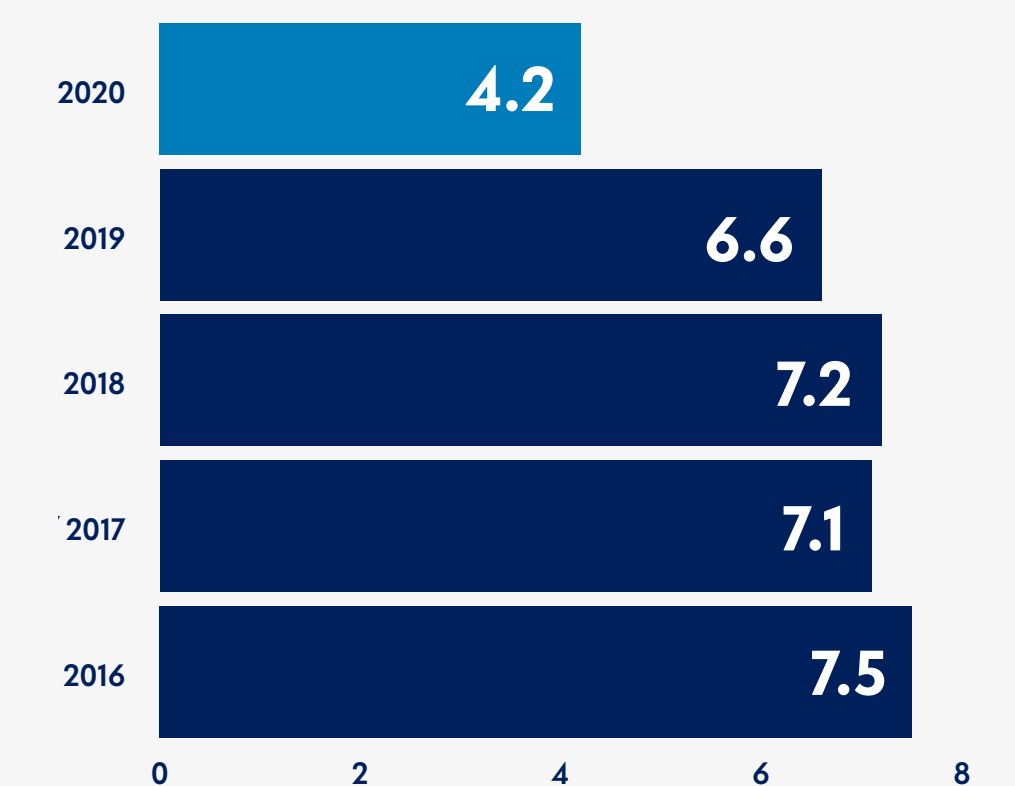
Trend in absence due to illness

TINE Group/Percentage



LTI rate*

TINE Group



*Definition of LTI rate: Number of injuries resulting in absence per million hours worked.

Equality at TINE

| Key figures | 2020 | 2019 |
|--|------|------|
| Percentage of women in total | 35 % | 34 % |
| Percentage of women in group management | 40 % | 30 % |
| Percentage of women on TINE's Board (including employee representatives) | 43 % | 38 % |
| Percentage of female employees at TINE who are part time | 12 % | 13 % |
| Percentage of male employees at TINE who are part time | 6 % | 5 % |
| Percentage of female employees at TINE who are temporary | 12 % | 10 % |
| Percentage of male employees at TINE who are temporary | 11 % | 10 % |
| Average number of weeks of parental leave for women | 13.4 | 13.8 |
| Average number of weeks of parental leave for men | 9.6 | 7.2 |



Organisation and people

At the end of 2020, the TINE Group had 5,343 employees (5,408 in 2019), 4,094 of whom were employed by TINE SA (4,176 in 2019).

High degree of motivation, pride and loyalty

TINE's employee survey, TINE Puls, achieved a record response rate of 91 per cent in 2020 (80 per cent in 2019), which is very rare in production companies with wide geographical distribution. This shows that employees of TINE have a strong commitment to helping to develop the organisation. We also maintained our good results from 2019 in all areas, with clear progress in terms of desire to remain with TINE. These results are particularly pleasing at a time of major changes, and present an organisation with a high degree of motivation, pride and loyalty to its employer and TINE's vision and social commitment.

Restructuring at TINE

In order to ensure improved capacity to execute and to simplify and streamline the organisation, TINE has implemented several organisational development projects in recent years. Both the

departments and each individual employee have been given clearer responsibilities with associated skills requirements. TINE's restructuring and downsizing work must incorporate positive and inclusive discussion with employee representatives. The collaboration must be based on respect for laws and agreements. As far as possible, TINE aims to implement restructuring without job cuts. This is a challenging objective and the tools in the restructuring guidelines have been designed to motivate and help individuals find new, lasting solutions within or outside TINE. The restructuring guidelines are also intended to address the business' need for expertise and to stimulate internal mobility.

Equality at TINE

TINE's governing document for equality and diversity states: *TINE aims to be a business that gives rights and opportunities to all employees to develop their abilities regardless of gender, beliefs, skin colour, nationality or ethnic origin, sexual orientation, disability or age. We aim to offer a work environment suitable for everyone.*

The governing document for equality and diversity states that one important equality measure is to encourage female job applicants in order to balance gender distribution within the company. It is also important to increase the percentage of women in management positions at all levels within the business. TINE aims to ensure men and women receive equal pay for equal work.

Work to combat discrimination applies to all aspects of a working relationship, including advertising of vacancies, appointment, transfer and promotion, training and skills development, salary and working conditions.

The management teams in TINE's two largest function areas, Production and Logistics, show an even gender balance.

Organisation

Our HR policy must help to promote gender equality, and equality work is an integral part of operations at TINE and is implemented throughout the organisation. TINE is a company with a long value chain, and in some settings the workforce is predominantly female, while in others it is predominantly male.

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Consequently it is essential that our efforts take into account local circumstances.

In addition to local bodies, equality will naturally also be handled by the Group's Collaborative Committee (KSU) and the Group's Work Environment Committee (KAMU). KSU is made up of elected representatives of the trade unions that have agreements with TINE, while KAMU is made up of the centrally elected safety representatives from TINE's safety team. TINE's senior management participate in the meetings.

Action

In order to reduce the risk of discrimination, TINE has been working on the following measures to promote equality in 2020:

- Work on common values and attitudes towards the work environment and equality.
- Work to combat unconscious bias in recruitment.
- Active use of job advertisements to improve the gender balance.

TINE's ethical guidelines state that any form of inappropriate behaviour, bullying, harassment or discrimination, for example, on grounds of gender, sexual orientation, age, ethnicity or religious belief is unacceptable to TINE. With TINE's widespread geographical locations and differing professional environments it is both challenging and essential to ensure common values and attitudes towards the work environment and equality. Unique dilemmas with a gender theme have been devised for use in the annual ethical guidelines dilemma training. This aims to ensure a similar attitude to equality as far as possible no matter where within TINE you work.

TINE recognises that unconscious bias can come into play in connection with recruitment. The recruitment process was last revised in 2019 to ensure a high degree of objectivity and to reduce the danger of discrimination. Testing of candidates and scoring using common objective evaluation forms aims to reduce the danger of imbalance based on bias. For TINE's largest function area, Production, there is a rule that both genders must always be represented when candidates are interviewed.

TINE has acquired expertise in conscious formulation of job advertisements and conscious choice of wording to target

the gender that is under-represented at a particular unit. This increases diversity among applicants, but qualifications determine the final selection.

Results

TINE has shown a positive trend for several key figures relating to equality in recent years, namely the percentage of women in total, the percentage of women in management positions, in part-time positions, on the board, on the group management team and the percentage of female managers.

Cooperation between management and employees

TINE conducts comprehensive, inclusive dialogue with employees and employee organisations. TINE's management meets with employee representatives through several forums, including the Group's Collaborative Committee (KSU). TINE is bound by several main agreements, other agreements and also a number of special central and local agreements. Dialogue with employees and employee organisations is well reflected in the form of necessary changes and adjustments, as well as in the annual wage negotiations.

Open, honest and straightforward

In order for TINE to be a leading supplier of food and drink brands, we are dependent on our employees, owners, customers, consumers and others trusting us. Trust is crucial if TINE is to be able to achieve its business goals. TINE has many roles and at any one time acts as employer, customer, supplier, partner, owner and more. Ethical conduct, both personally and in business contexts, is important in all these roles. All TINE employees are representatives of the business in their various roles. The decisions we make and the actions we take every day are what build TINE's reputation and ensure that people trust the company. We have therefore prepared ethical guidelines that clarify the attitudes and behaviour that TINE expects from its employees in terms of respect, integrity and loyalty. These guidelines provide a common platform for reflection on and awareness of ethical issues and help employees to make the right choices. In addition, we actively conduct training in dealing with ethical issues and dilemmas on a regular basis. This normally takes the form of face-to-face sessions, but in 2020 we also conducted dilemma training relating to our ethical guidelines as digital sessions.

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Organised producer teams
TINE

Corporate governance and management

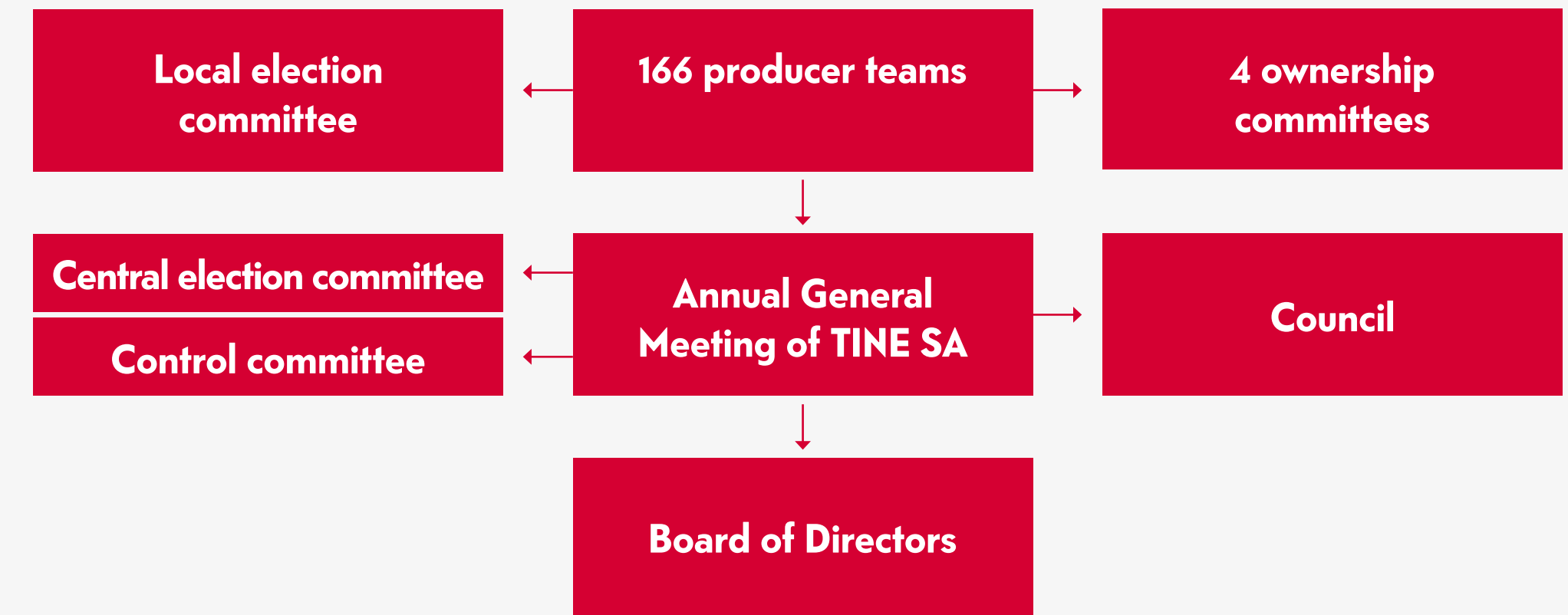
TINE's Board places emphasis on the company being managed and guided according to good overall principles. TINE must maintain the trust of various stakeholders and ensure that the Board receives adequate and accurate information about the business. One important element of corporate governance is to establish and maintain systems and procedures that ensure compliance with legislation, standards and the company's own guidelines. In accordance with the decision by the Board in 2010, TINE follows the recommendation from the Norwegian Corporate Governance Board (NUES) drawn up for Norwegian listed companies, insofar as it matches TINE's corporate structure and ownership. A more detailed explanation of how TINE complies with the NUES principles and guidelines can be found at www.tine.no.

Audit committee and compensation committee

In order to ensure better control functions, the Board has set up a specific audit committee. The function of the committee is to improve follow-up on financial reporting by the Board. It is intended to monitor the company's systems for internal control and risk management. The most important function of the audit committee is to conduct an independent check of the company's financial reporting and corporate governance. The audit committee serves a preparatory function, with the Board being the decision-making body with full responsibility.

The compensation committee is a preparatory and advisory committee to the Board with regard to employment and terms of employment for TINE SA's CEO and main principles for compensation and succession planning for central management at TINE SA.

TINE's ownership organisation



Producer teams The producer teams are made up of TINE members in more closely defined areas and constitute TINE's local organisational units.

The Annual General Meeting of TINE SA The Annual General Meeting is TINE's highest authority and comprises 110 delegates elected by owners. In addition, we have the members of the Board and the council.

The Board The Board consists of 14 members, 10 of whom are elected by the Annual General Meeting. The Annual General Meeting elects three deputy members in numerical order.

Local election committee The elections at each producer team's annual meeting are prepared by a local election committee. Members and a deputy member along with the chair and deputy chair of the election committee are elected by the annual meeting of the producer team.

The control committee oversees the activities of TINE in accordance with the instructions, adopted

by the Annual General Meeting, in force at any given time. Members of the control committee are elected for three years by the Annual General Meeting.

Central election committee TINE shall have a central election committee comprising eight members and three deputy members in numerical order, as elected by the Annual General Meeting. The central election committee submits proposals to the Annual General Meeting regarding matters such as members of the TINE Board and council.

Council The council is intended to be a strategy forum and advisory body for the Board. The council consists of up to 24 members elected by the owners, with an equal number from each owner area, along with council members elected by the employees (with two-thirds being owner-elected council members). The chair and deputy chair of the council are elected by the Annual General Meeting of TINE SA.

Ownership committees Each ownership committee is made up of council members elected by the owners and at least one group board member.

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TINE'S ownership organisation

TINE is a cooperative owned by Norwegian milk producers throughout the country. At the end of 2020, TINE's owners numbered 9,140. This represents a decrease of 427 from the previous year. Milk was delivered by 7,348 companies, 380 fewer than the previous year. 259 owners supplied goat's milk, while 7,079 supplied cow's milk and 10 supplied both.

The Board of TINE consists of 14 members. Four of these are elected by the employees. The Board bears overall responsibility for management of the company. The Board must manage the company in accordance with Norwegian law, TINE's statutes and decisions made by the Annual General Meeting. This includes establishing strategic and financial objectives and setting frameworks for the business. The Board must also be well informed at all times regarding TINE's financial position and ensure that TINE's operations, accounts and asset management are subject to satisfactory checks.

Strengthening of democracy among its owners is a priority task for the Board. The aim is to ensure the pathway from individual member to Board is as short as possible. A strategy for a new ownership organisation, involving considering a new structure for the organisation, is a part of this. Openness, good information and capacity for two-way communication is another important area. The latter involves direct meetings between board members and individual members and indirect through council meetings and producer team leader meetings. Access to new digital solutions opens up new scope for making the pathway between the Board and individual members even shorter.

The Board has held 11 board meetings during the past year. Six of these were digital.

Teams has become the new meeting channel in 2020

Face-to-face meetings were replaced by digital meetings via Teams from March onward throughout our member organisation. The Annual General Meeting, council meetings, some annual meetings, producer team leader meetings, working committee meetings, start-up meetings for local election committees and



training for local and central elected representatives all took place via Teams. This was also the case for working committee meetings and professional activities in the producer teams. Groups have been established in Teams at all levels in the member organisation, so that communication with and between elected representatives can also take place using this platform.

TINE's Sølvtime awards event for 2020 could unfortunately not be held as planned, but the producer teams made sure that the occasion was suitably celebrated on a local scale, demonstrating our sense of pride in our Mjølkespann and Sølvtime recipients. Fortunately we had fairly extensive media coverage throughout the country, a well-deserved recognition for the recipients.

Making our producer teams more independent has been one of the objectives for the ownership organisation in 2020, and the use of technology and, in particular, the establishment of Teams channels have proven to be useful tools.

Activity among the producer teams

Our owners are organised into 166 producer teams. Active producer teams are important for good corporate governance and high levels of member satisfaction. In 2020, 36 per cent of members participated in the annual meetings. Based on the number of businesses, the figure was 45 per cent. This is a slightly lower attendance percentage than in 2019. The producer teams have an important role in facilitating corporate governance, as a professional and social community for members and as a stakeholder organisation for members. In order to ensure effective contact between central elected representatives and the producer teams, each producer team has a contact person on the council (ownership committee contact). In addition, board members take part in various producer team meetings during the year.

Good contact between the Board and the producer team leaders

Training for new elected representatives has been conducted in all owner areas. New producer team leaders and new members of the council and central election committee have been offered a central course with particular emphasis on reviewing business conditions at TINE and the role of producer team leader.

Communication between the Board and the producer team leaders was further strengthened in 2020 by holding several Teams meetings with the Chair of the Board and the producer team leaders. The target for the Board is to participate in at least 50 per cent of annual meetings. These are important arenas for skills development, exchange of experience and information about TINE. The main themes of meetings in 2020, in addition to the challenges TINE is facing, have been a new strategy for corporate governance, independent producer teams, demand for milk, summer milk, sustainability at the primary stage of production and rules for quality payments for milk.

The Board has established a direct channel to owners. A digital meeting was held during the year and all members were invited to participate. A series of meetings were also held for goat farmers and one meeting for organic producers.

The membership managers follow up with the producer teams in the district. Emphasis is placed on the producer teams as active professional and social meeting places for members.

TINE is working systematically on improving member satisfaction. A satisfaction survey was conducted in December, using a scale from 1 to 100, and it yielded a figure of 76 for 2020. An equivalent survey in 2019 showed a result of 78.

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Financial conditions and capital structure

The annual result for the TINE Group was NOK 1,772 million, an increase of NOK 792 million from 2019. The minority share in 2020 amounted to NOK 13.3 million, and the majority share was NOK 1,758 million.

Financial results and tax

Net financial costs for the TINE Group amounted to NOK 57 million in 2020, a reduction of NOK 29 million from 2019.

Net interest expenses were reduced from NOK 106 million in 2019 to NOK 97 million in 2020. This was mainly due to the fact that market interest rates in 2020 were slightly lower than in 2019 owing to the coronavirus pandemic. Interest-bearing debt has on average been slightly higher in 2020 than in 2019, while net interest-bearing debt has remained at the same level.

Other financial income in 2020 amounted to NOK 10 million, compared to a cost of NOK 16 million in 2019. A gain of NOK 16 million was posted in August 2020 from the sale of TINE's ownership interest in Rørosmeieriet.

The tax expense for the TINE Group in 2020 amounted to NOK 163 million. The effective tax rate was 8.4 per cent in 2020. The corresponding figure for 2019 was 11.2 per cent.

Reduction in net income from associated companies

The net income from associated companies in 2020 amounted to NOK 30 million, compared to NOK 37 million in 2019. The result in 2019 was boosted by an extraordinary gain linked to the investment in Lotito Foods Holding. Skala AS continued to

show a positive trend, with an improvement from a positive net income of NOK 4 million in 2019 to NOK 17 million in 2020, which includes a gain from sale of shares. Fjordkjøkken had a positive net income of NOK 8 million, up NOK 2 million from 2019, while TUN Media AS showed a small increase compared with the previous year.

Hedging of currency exposure

TINE is exposed to foreign currency fluctuations, mainly through purchases in euros (EUR) and sales in US dollars (USD). This exposure is partially hedged using currency derivatives, and this hedging portfolio led to a realised loss of NOK 43 million for EUR and USD combined in 2020, compared with a loss of NOK 18 million in 2019. Hedging in EUR and USD is entered against product costs/sales revenue and equity. Other currency exchanges are entered against financial income/expenses. TINE uses hedge accounting of currency derivatives. See [note 19](#).

Balance sheet

The balance sheet for the TINE Group as of 31 December 2020 stood at NOK 20,114 million, an increase of NOK 1,457 million from the corresponding period in 2019. As of 31 December 2020, the TINE Group had bank deposits and money market securities totalling NOK 1,710 million, an increase of NOK 1,056 million compared with 2019.

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Net interest-bearing debt

Net interest-bearing debt for the TINE Group as of 31 December 2020 was NOK 3,035 million, a reduction of NOK 967 million since the end of 2019. The interest-bearing debt increased by NOK 89 million, while bank deposits and money market securities increased by NOK 1,056 million compared with 2019. The equity ratio for the Group stood at 47.7 per cent at the end of 2020.

Cash flow

Net cash flow for the TINE Group from operating activities contributed NOK 2,916 million, an increase of NOK 723 million from 2019. Income before tax showed an increase of NOK 832 million. Working capital increased by NOK 56 million in 2020. Inventories were reduced by NOK 14 million, while accounts receivable increased by NOK 122 million. Liabilities to milk producers increased by NOK 49 million, while accounts payable increased by NOK 3 million. The difference between operating result and cash flow from operating activities is mainly driven by the level of depreciation, with converse effects from gains related to sales of fixed assets and increased accounts receivable.

The net cash flow for investment activities amounted to NOK 1,248 million, a reduction of NOK 1,178 million from 2019. This is mainly explained by completion of structural investments in 2019 in Bergen and Mogeely in Ireland, as well as the new head office at Kalbakken. TINE also increased its ownership interest in Lotito Foods Holding LLC in 2019.

Net cash flow for financing activities amounted to NOK 600 million in 2020, while the 2019 figure was NOK 501 million. Subsequent payments made to the owners in 2020 amounted to NOK 608 million, a reduction of NOK 221 million compared to 2019.

Estimates and going concern

The evaluations in the consolidated and company accounts for 2020 are based on expectations of future earnings and the business structure in place at the time of presentation of the accounts. Changes in these expectations could mean that value estimates and evaluations used as a basis must be adjusted. No events have occurred after the end of the financial year that are

of significance to the assessment of TINE SA or the TINE Group beyond what appears in the annual accounts and accompanying notes. The Board of Directors of TINE confirms that the annual accounts have been prepared on the assumption that the company is a going concern, and that it is appropriate to make that assumption.

Financial risk in 2020 and beyond

TINE's financial risk is related to changes in interest rates, exchange rates, energy prices and the credit market. Our objective is to limit financial risk and thus contribute to stability and predictability in TINE's results over time. Financial guidelines have been prepared for TINE that provide guidance on how to manage this type of risk and further ensure financial stability. TINE SA takes care of this for the entire Group. Overall, TINE's financial risk is considered to be moderate.

In order to limit exposure to interest rate fluctuations, some of the Group's debt is hedged through the use of various interest rate hedging instruments in accordance with adopted financial guidelines. The level of hedging has remained stable over the past year. Market interest rates fell significantly as a result of the financial consequences of the virus prevention measures implemented in Norway and globally, to historically low levels. Norwegian interest rates have risen in step with the gradual reopening of society, but are still considerably lower than at the start of 2020. The outlook is for low market interest rates for a long time to come. After a sharp increase in credit surcharges in March, they stabilised in the second half of 2020 to levels similar to the end of 2019. Financial costs are therefore likely to remain low in the coming year.

TINE's accounts include a pension fund receivable through the MP Pensjon pension fund. The assets in the pension fund are invested in shares, bonds and property. TINE's accounts are therefore also exposed to the risk of fluctuations in these asset classes.

TINE is exposed to fluctuations in exchange rates, mainly EUR and USD, but also SEK, DKK, GBP, CAD, CHF and AUD. Through its international operations, TINE receives net payments in USD, whilst imports of various input factors and purchases of machinery and equipment involve net payments in EUR.

20,114

Total assets (NOK million)

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Milk price from TINE Milk Supplies
NOK/Litre

0.76

Subsequent payment from TINE SA
NOK/Litre

5.95

Total milk price
NOK/Litre



A weaker Norwegian krone contributes to increased costs related to input factors, machinery and equipment, mainly purchased in EUR. At the same time, a weaker krone has a positive impact on the value of exported goods and international operations. TINE SA enters into foreign exchange contracts, mainly in the form of forwards and options, in order to limit the Group's currency risk. TINE also holds assets in SEK, USD, GBP and EUR. These values are fully hedged using currency derivatives or drawing rights.

The Norwegian krone weakened further in 2020. The trade-weighted krone exchange rate (I-44) weakened on average by 6.7 per cent in 2020 compared with 2019, as a result of a significant deterioration in March due to the market reaction to the coronavirus pandemic. The krone strengthened through to June and has since remained relatively stable, at a high level. The Norwegian krone was on average 9.0 per cent weaker against the euro and 7.0 per cent weaker against the dollar in 2020 compared with 2019.

TINE is vulnerable to changes in energy prices. This is a result of both energy-intensive production and, in particular, widespread distribution. Energy prices in 2020 were slightly lower overall than in 2019. The price of electricity and fuel was lower than in 2019 and resulted in a reduction in energy costs for TINE in 2020. TINE partially hedges the price of electricity ahead of time, up to a maximum of 50 per cent of expected consumption. Total energy costs in the future will largely be driven by market movements and by the composition and consumption of various energy sources. For 2021, market prices are expected to increase.

Good liquidity

TINE finances ongoing liquidity requirements by issuing commercial papers and by means of other short-term loans. A long-term loan facility has been established with reputable banks in order to reduce the refinancing risk when loans mature. This loan limit is NOK 1.2 billion. The facility matures in 2022 and covers short-term loans maturing within one year. TINE's liquidity is deemed to be good.

Increased risk of loss on receivables

TINE's customers include wholesalers and individual customers within all customer segments. TINE works actively to continually monitor credit status for all its customers. A comprehensive credit check is carried out for all new customers. Their ability to pay is considered good, as is apparent from the low level of losses on receivables over many years.

The coronavirus pandemic situation has also affected credit risk for TINE and measures were put in place at an early point to reduce the risk of losses. Customers within risk-exposed sales areas were closely followed up across several departments when society shut down in March. After an uncertain spring outstanding receivables have normalised and there has not been any big increase in losses on receivables compared with previous years.

Even though there has not been a big increase in losses, there is still great uncertainty surrounding the sectors most affected by the shutdown and measures implemented. There is a risk that businesses in the vulnerable sectors may face bankruptcy once the various support measures from the state are phased out. In order to deal with this increased risk, increased provision has been made for losses on receivables.

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Allocation of net income for 2020

TINE's Board has adopted a subsequent payment policy where the aim is to set aside between 50 and 75 per cent of the Group's annual net income for subsequent payment to owners. The annual allocation is affected by future investment level, financial key figures and tax position. The requirement for at least 45 per cent equity should take priority over the subsequent payment policy.

For 2020, 68.2 per cent of the Group's annual net income, adjusted for minority interests and extraordinary effects on results from sale of premises, has been set aside for subsequent payments to the owners and is allocated by TINE SA. NOK 120 million has also been set aside for the subsequent payment fund, related to the gain from the sale of premises in Bergen. This gives a subsequent payment of 76 øre per litre of settled raw cow's and goat's milk, and an equity ratio for the Group of 47.7 per cent at the end of 2020.

TINE SA is the parent company of the TINE Group. TINE SA delivered an annual net income of NOK 1,591 million. Total assets at the end of 2020 were NOK 18,834 million and the equity ratio was 46.9 per cent.

The cash flow for TINE SA generally follows the same trend as for the TINE Group. Please see the separate review of the TINE Group's cash flow on page 40, and the cash flow statement on page 55.



Allocation of net income

| NOK million | 2020 | 2019 |
|---|--------------|------------|
| Subsequent payment to owners | 1,083 | 608 |
| Transferred from/to subsequent payment fund | 120 | 0 |
| Allocated to other equity | 388 | 364 |
| Total allocated | 1,591 | 972 |

Milk price

| NOK/Litre | 2020 | 2019 | 2018 | 2017 | 2016 |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Milk price from TINE Milk Supplies | 5.19 | 5.16 | 5.16 | 5.05 | 5.03 |
| Subsequent payment from TINE SA | 0.76 | 0.43 | 0.57 | 0.57 | 0.66 |
| Total milk price | 5.95 | 5.59 | 5.73 | 5.62 | 5.69 |

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Future outlook

The outlook for 2021 is still affected by the coronavirus situation we are facing both in Norway and globally, and TINE is primarily focusing on ensuring safe production and distribution of dairy products once again in 2021.

2020 – a year like no other

TINE delivered very strong financial results in 2020, driven in part by high levels of home consumption, sale of premises in Bergen and lower costs. For 2021, developments in the coronavirus situation in the Norwegian market and the consequences for demand from the grocery sector, catering and industry are primarily expected to have the greatest impact on TINE's results.

New growth areas for Norwegian milk

TINE is working actively to identify new areas of growth, both short and long term, that can provide increased demand for milk. In order to successfully generate growth for Norwegian milk, various prerequisites must be in place. This includes improving the competitiveness of Norwegian milk and ensuring all stakeholders running dairy operations are successful.

Closer collaboration with customers and continued brand strengthening

The grocery sector consists of three purchasing groups that are continuing their efforts to differentiate the various store concepts. Suppliers are expected to participate in this development. The chains' and groups' own brands are a bigger competitor to traditional brands than previously, and pressure from imports is similarly increasing. TINE's aim is to combat this development by continuing to strengthen our own brands and our ability to respond more quickly to the needs of customers and consumers.

New sales channels and technological changes

Norwegian consumers are gradually changing their behaviour, and the consequences of the unusual year we have experienced in 2020 remain to be seen in terms of both consumption trends within individual segments and the increase in online shopping for groceries. New sales channels create new challenges, but also new opportunities. Technological changes throughout the value chain will further help TINE to handle the challenges and exploit the opportunities.

Animal welfare and sustainability

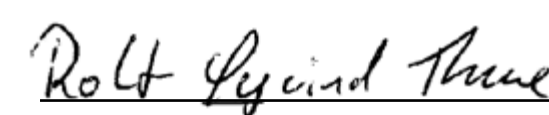
Climate and environmental issues are high on the agenda and these will have a significant impact on framework conditions for agriculture in the years to come. TINE and our suppliers are working on sustainability and animal welfare to make Norwegian milk attractive as a raw ingredient. Please see the section on sustainability.

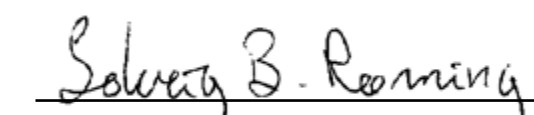
International conditions

From 2021, TINE will produce Jarlsberg® for export at our new, modern facility in Ireland. Teething problems must be expected and TINE is closely monitoring the start-up phase and the quality of the cheese. Tariffs on exports of cheese from Ireland to the United States are affecting operations in the United States, and TINE assumes that these trade barriers will disappear over a two-year perspective. If tariffs remain on exports of Jarlsberg® from Ireland to our biggest market in the United States, we will have to take action. Atlantic Shellfish Ltd., a local producer of mussels, has appealed to the court regarding the decision granting TINE Ireland an emissions permit from summer 2020. TINE is not a direct party in the case, but is following developments closely.

Oslo, 16 February 2021


Marit Haugen
Chair of the Board


Rolf Øyvind Thune


Solveig B. Rønning

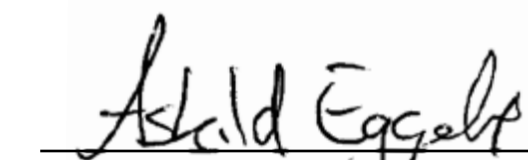

Bjørnar Gjerde


Nina K. Sæter


Hege Persen

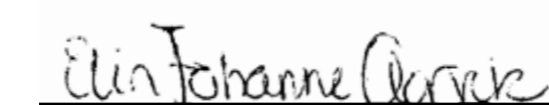

Anne Berit Løset


Einar Johnsen Meisfjord


Askild Eggebø

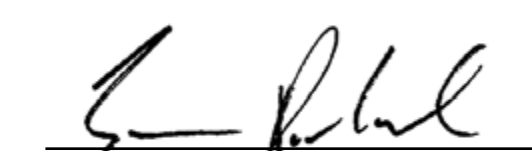

Helge Arne Espeland


Tor Arne Johansen


Elin Aarvik


Jeffrey Thomas


Ottar Råd


Gunnar Hovland
CEO

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Marit Haugen
Chair of the Board



Rolf Øyvind Thune
Deputy chair



Solveig B. Rønning
Board member



Bjørnar Gjerde
Board member



Nina K. Sæter
Board member



Hege Persen
Board member



Anne Berit Løset
Board member



Einar Johnsen Meisfjord
Board member



Askild Eggebø
Board member



Helge Arne Espeland
Board member



Tor Arne Johansen
Board member (employee)



Elin Aarvik
Board member (employee)



Jeffrey Thomas
Board member (employee)



Ottar Råd
Board member (employee)



Gunnar Hovland
CEO

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Gunnar Hovland
CEO

Experience Gunnar Hovland joined TINE in 1996 as Head of Department. Was subsequently Managing Director at TINE Biomarin before becoming Director of TINE Ingrediens, and going on to be Group Director of TINE with responsibility for sales, exports and marine operations up until 2008. From 2008 to 2011 he was CEO of Trondheim Kraft. Following a merger with Fjordkraft he was also deputy CEO of Fjordkraft. Has been CEO of BN Bank since 2011 and has been one of the pioneers within digitalisation and robotic automation at the bank. Broad experience from board positions in various sectors.

Education Masters in agricultural science from the Norwegian University of Life Sciences (NMBU), has an MBA from the Norwegian School of Economics (NHH), Executive Management Programme from Insead and Artificial Intelligence: Implications for Business Strategy from MIT Management Sloan School.



Kristin Muri Møller
CFO

Experience Kristin Muri Møller is TINE's new CFO and has over 20 years of experience in the Telenor system and brings solid expertise from an equivalent position at Telenor Norge. She has worked in both Telenor's Norwegian and international operations and has been closely involved in the development process that the telecoms giant has been through in the past few years, and can also show good results in cost efficiency, modernisation and development of strong teams.

Education MSc in Business from BI Norwegian Business School.



Tina Hermansson Berg
Group Director, Human Resources,
Communication and Sustainability

Experience Tina Hermansson Berg is Swedish by origin and has broad experience from management positions within both HR and communication from companies such as Volvo Cars, Mölnlycke Health Care, Peab and Bring Frigo.

Education BSc in Business Administration/ Human Resource Development and Labour Relations from the University of Gothenburg.



Per Ivar Berg
Group Director, Production

Experience Per joined TINE in the summer of 2013. He came from a position as Managing Director at Skala AS (formerly Landteknikk), which he had held since 2008. Per has considerable managerial experience from over 20 years working in both Norwegian and international industrial production. He started his professional career at Peterson AS, followed by Norske Skog AS, which included serving as factory manager at Norske Skog Follum. He was also Production and Maintenance Manager at Norske Skog Saugbrugs, followed by a period as Factory Manager at Norske Skog Parengo BV in the Netherlands. Per is the Chair of the Board at Skala Foodtech AS.

Education MSc from the Department of Chemical Engineering at the Norwegian University of Science and Technology (NTNU) in Trondheim. He has also completed a number of leadership development programmes both in Norway and overseas.



Aniela Gjøs
Group Director, Logistics

Experience Aniela joined TINE in December 2013. She has specialised in logistics throughout her working life, and she joined the company after working as the CEO of Ontime Logistics AS. She held a number of management positions prior to that, including Logistics Manager at Ringnes AS and Group Director for Distribution Networks at Posten. She sits on the board of MG Mestergruppen AS.

Education MSc in Industrial Organization and management from the Silesian University of Technology. She also studied business economics at BI Norwegian Business School. She has also attended several postgraduate programmes at international universities such as Stanford, Insead and Oxford.

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Group management contd.



Vegard Gillebo

Group Director, Sales, Retail products and KBS

Experience Vegard Gillebo has 15 years of experience at Coca-Cola European Partners Norway, and has held positions such as Key Account Manager in Groceries and KBS, Channel Director KBS and Director Groceries and KBS. He also played an important role in several change projects during his time with Coca-Cola European Partners Norway.

Education MSc in Business Administration and Economics (Siviløkonom) from the Umeå School of Business, Economics and Statistics at Umeå University, and Business Strategy at the University of Seville.



Richard Lawrence

Group Director, Marketing and International

Experience Richard Lawrence has 20 years of experience from international marketing of food and beverages, at companies including Unilever, Heineken and Mondelez. He comes from a position as Category Director Biscuits for Mondelez in south-east Asia.

Education BA Hons, University of Durham, England.



Terje Døsrønningen

Group Director, Sales, TINE Partner, industry and new channels

Experience Terje has worked in food and food production as a cook and head chef and has experience within sales, management, change processes and innovation. He joined TINE in 1997 and has held various positions in R&D, Fjordland and Sales, including Product Developer, Key Account Manager, Sales Manager and Sales Director.

Education Chef, dietitian.



Johnny Ødegård

Group Director, Consultancy and Membership services

Experience Johnny has worked for TINE since 2011. He joined the company from Felleskjøpet, where he worked on business policy. He also has experience from the Norwegian Farmers and Smallholders Union. He is a board member of TUN Media AS.

Education Norges Landbrukshøgskole (now the Norwegian University of Life Sciences), specialising in agricultural economics.



Elisabeth Tapper

Group Director, Long-term Innovation and Digitalisation

Experience Elisabeth has 16 years of experience in marketing and innovation work at Orkla and L'Oréal. She has also served as Marketing Director for the Pierre Robert Group and Chief Digital Officer at Orkla Health. She also played a central role in Orkla's acquisition of the Finnish Nanso Group and spent one year working in London at Your.MD, one of the world's leading start-up environments within health technology.

Education MSc in Industrial Economics and Technology Management (Siv.ing) from NTNU and HEC Lausanne.

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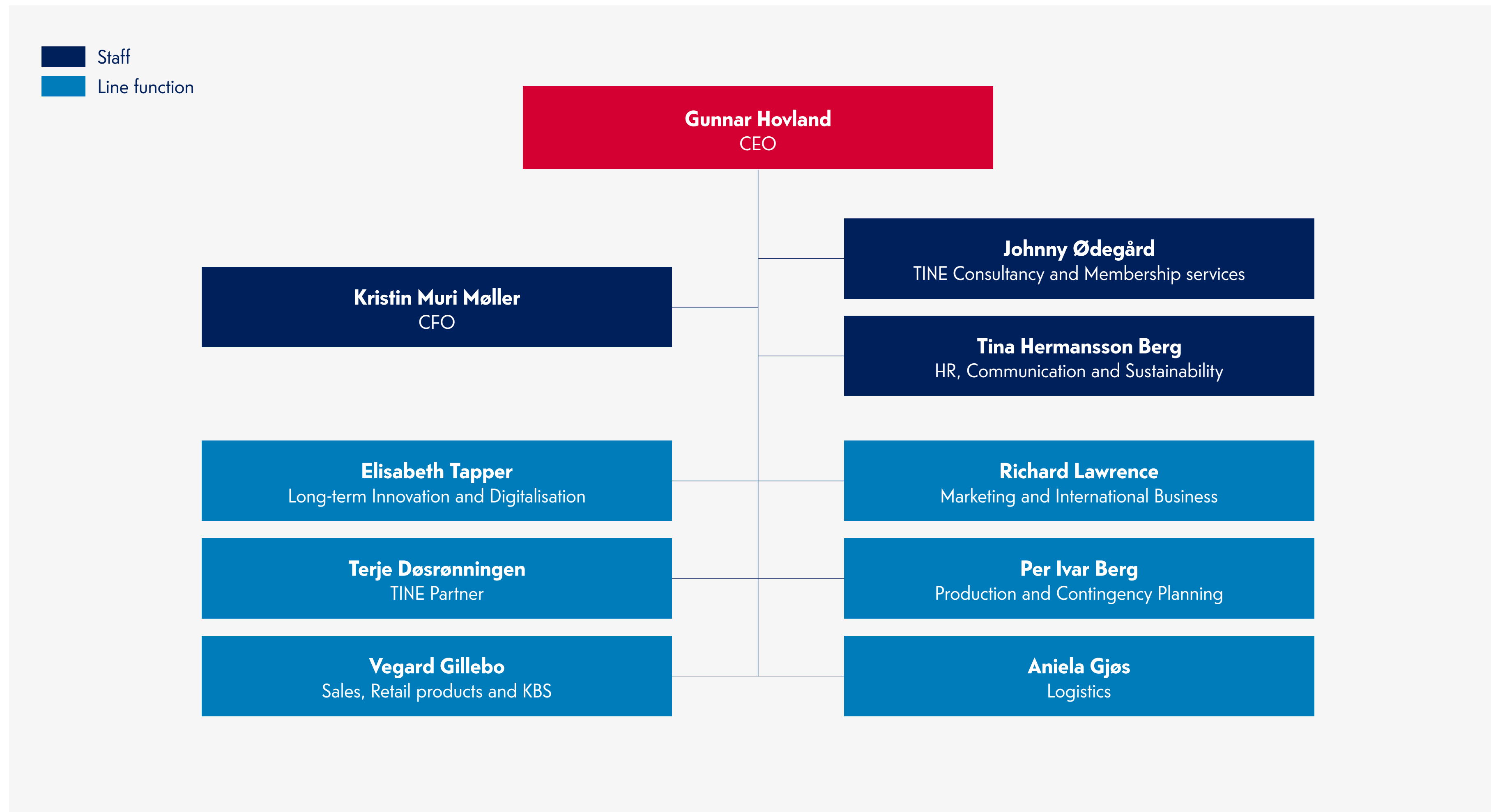
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The table below shows some key elements from the income statement, balance sheet, cash flow statement and notes for the TINE Group for the period from 2016 to 2020.

| TINE GROUP | | | | | | Amounts in NOK million | | | | |
|--|--------------------|---------------|---------------|---------------|--------------------|------------------------|------|------|------|------|
| | 2020 ¹⁾ | 2019 | 2018 | 2017 | 2016 ²⁾ | 2020 | 2019 | 2018 | 2017 | 2016 |
| From income statement: | | | | | | | | | | |
| Total revenues and other income | 24,715 | 23,812 | 23,001 | 22,525 | 22,583 | | | | | |
| Cost of materials and changes in inventory | 13,714 | 13,434 | 12,927 | 12,586 | 12,605 | | | | | |
| Personnel costs | 4,321 | 4,313 | 4,058 | 4,027 | 3,710 | | | | | |
| Depreciation, amortisation and impairment | 1,382 | 1,223 | 1,103 | 1,057 | 989 | | | | | |
| Other operating expenses | 3,306 | 3,654 | 3,375 | 3,317 | 3,317 | | | | | |
| Total operating expenses | 22,723 | 22,623 | 21,464 | 20,988 | 20,621 | | | | | |
| Operating income | 1,992 | 1,189 | 1,537 | 1,537 | 1,962 | | | | | |
| Financial income and expenses | -57 | -86 | -72 | -123 | -99 | | | | | |
| Income before tax | 1,935 | 1,103 | 1,465 | 1,414 | 1,862 | | | | | |
| Tax expense | 163 | 123 | 117 | 110 | 229 | | | | | |
| Net income | 1,772 | 980 | 1,348 | 1,304 | 1,634 | | | | | |
| From balance sheet: | | | | | | | | | | |
| Intangible assets | 727 | 628 | 217 | 143 | 163 | | | | | |
| Tangible fixed assets | 9,874 | 9,929 | 8,909 | 8,219 | 8,053 | | | | | |
| Non-current financial assets | 3,144 | 2,919 | 2,998 | 2,935 | 2,842 | | | | | |
| Inventories | 2,580 | 2,594 | 2,579 | 2,263 | 2,118 | | | | | |
| Short-term receivables | 2,078 | 1,933 | 2,019 | 2,062 | 2,052 | | | | | |
| Bank deposits, cash and money market securities | 1,710 | 654 | 1,380 | 466 | 801 | | | | | |
| Total assets | 20,114 | 18,657 | 18,103 | 16,087 | 16,029 | | | | | |
| | | | | | | | | | | |
| Equity | 9,596 | 8,920 | 8,433 | 7,828 | 7,289 | | | | | |
| Long-term interest-bearing liabilities | 4,548 | 4,456 | 4,402 | 3,249 | 3,604 | | | | | |
| Other long-term liabilities | 1,171 | 1,092 | 1,094 | 1,053 | 1,028 | | | | | |
| Accounts payable | 1,871 | 1,819 | 1,873 | 1,674 | 1,693 | | | | | |
| Short-term interest-bearing liabilities | 197 | 201 | 57 | 44 | 41 | | | | | |
| Other short-term liabilities | 2,730 | 2,169 | 2,244 | 2,239 | 2,375 | | | | | |
| Total liabilities and equity | 20,114 | 18,657 | 18,103 | 16,087 | 16,029 | | | | | |
| From net cash flow: | | | | | | | | | | |
| From operating activities | 2,916 | 2,194 | 2,285 | 2,170 | 2,187 | | | | | |
| To investment activities | -1,248 | -2,426 | -1,807 | -1,185 | -1,260 | | | | | |
| To/from financing activities | -600 | -501 | 434 | -1,320 | -682 | | | | | |
| Net change in bank deposits, cash and money market securities | 1,067 | -733 | 911 | -335 | 245 | | | | | |
| Note information: | | | | | | | | | | |
| Average number of employees calculated as full-time equivalents | 5,275 | 5,347 | 5,279 | 5,319 | 5,275 | | | | | |
| Allocated for subsequent payments from TINE SA | 1,083 | 608 | 829 | 817 | 963 | | | | | |

¹⁾ 2020 included a positive one-off effect from net income from the sale of a facility at Minde, Bergen. Amounts to NOK 217 million for the TINE Group.

²⁾ 2016 included a positive one-off effect from changes to the disability pension plan. Amounts to NOK 245 million for the TINE Group.

Income statement

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| | Note | 2020 | 2019 |
|---|----------|-------------------|-------------------|
| REVENUES AND OTHER INCOME | | | |
| Sales revenue, ready-made goods | 1, 2 | 22,567,808 | 21,997,157 |
| Sales revenue, raw ingredients | 1 | 1,501,799 | 1,383,529 |
| Other income | 3 | 645,472 | 431,463 |
| Total revenues and other income | | 24,715,079 | 23,812,149 |
| OPERATING EXPENSES | | | |
| Cost of materials and changes in inventory | 6 | 13,713,561 | 13,433,548 |
| Personnel costs | 7, 8, 25 | 4,320,922 | 4,312,908 |
| Ordinary depreciation | 12, 13 | 1,287,775 | 1,208,426 |
| Impairment of intangible assets and tangible fixed assets | 12, 13 | 94,636 | 14,141 |
| Other operating expenses | 9, 10 | 3,306,001 | 3,654,224 |
| Total operating expenses | | 22,722,895 | 22,623,247 |
| Operating income | | 1,992,184 | 1,188,902 |

Amounts in NOK thousands

| | Note | 2020 | 2019 |
|--|------|------------------|------------------|
| FINANCIAL INCOME AND EXPENSES | | | |
| Net income from investments in joint ventures and associated companies | 14 | 29,576 | 37,466 |
| Net interest income and expenses | 19 | -96,589 | -106,196 |
| Net realised and unrealised currency gain and loss | 19 | -156 | -1,471 |
| Net other financial income and expenses | 20 | 10,036 | -15,561 |
| Total financial income and expenses | | -57,133 | -85,762 |
| Income before tax | | 1,935,051 | 1,103,140 |
| Tax expense | 11 | 163,426 | 123,345 |
| Net income | | 1,771,625 | 979,795 |
| Minority share of net incomes | 17 | 13,258 | 32,173 |
| Majority share of net incomes | 17 | 1,758,367 | 947,622 |

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Income statement contd.

TINE SA

| | Note | 2020 | 2019 |
|---|----------|-------------------|-------------------|
| REVENUES AND OTHER INCOME | | | |
| Sales revenue, ready-made goods | 1, 2 | 17,104,436 | 16,785,480 |
| Sales revenue, raw ingredients | 1 | 1,501,799 | 1,383,529 |
| Other income | 3 | 854,199 | 649,959 |
| Total revenues and other income | | 19,460,434 | 18,818,968 |
| OPERATING EXPENSES | | | |
| Cost of materials and changes in inventory | 6 | 10,696,852 | 10,460,783 |
| Personnel costs | 7, 8, 25 | 3,292,618 | 3,328,727 |
| Ordinary depreciation | 12, 13 | 1,020,807 | 995,036 |
| Impairment of intangible assets and tangible fixed assets | 12, 13 | 93,208 | 14,114 |
| Other operating expenses | 9, 10 | 2,504,696 | 2,884,196 |
| Total operating expenses | | 17,608,181 | 17,682,856 |
| Operating income | | 1,852,253 | 1,136,112 |

Amounts in NOK thousands

| | Note | 2020 | 2019 |
|--|------|-------------------|------------------|
| FINANCIAL INCOME AND EXPENSES | | | |
| Income from investments in subsidiaries | 14 | 45,755 | 32,144 |
| Net income from investments in joint ventures and associated companies | 14 | 8,674 | 4,460 |
| Net interest income and expenses | 19 | -87,477 | -94,833 |
| Net realised and unrealised currency gain and loss | 19 | -103,707 | 15,425 |
| Net other financial income and expenses | 20 | 14,152 | -10,820 |
| Total financial income and expenses | | -122,603 | -53,624 |
| Income before tax | | 1,729,650 | 1,082,488 |
| Tax expense | 11 | 139,042 | 110,205 |
| Net income | | 1,590,608 | 972,283 |
| Allocations: | | | |
| Payments to milk producers | 17 | -1,082,756 | -607,936 |
| Transferred to subsequent payment fund | 17 | -120,000 | - |
| Allocated to other equity | 17 | -387,852 | -364,346 |
| Total allocations | | -1,590,608 | -972,283 |
| Net group contribution to subsidiaries | | 1,298 | 14,455 |

Balance sheet

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| | Note | 2020 | 2019 |
|--|--------|-------------------|-------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Intangible assets | | | |
| Deferred tax assets | 11 | 83,860 | 27,715 |
| Goodwill | 12 | 173,736 | 211,314 |
| Other intangible assets | 12 | 469,253 | 388,947 |
| Total intangible assets | | 726,849 | 627,976 |
| Tangible fixed assets | | | |
| Land, buildings and other real property | 12, 13 | 4,682,003 | 4,534,413 |
| Machinery, equipment and means of transport | 13 | 5,192,490 | 5,394,174 |
| Total tangible fixed assets | | 9,874,493 | 9,928,587 |
| Non-current financial assets | | | |
| Investments in joint ventures and associated companies | 14 | 122,671 | 107,105 |
| Other shares and ownership interests | | 709 | 1,434 |
| Pension assets | 8 | 2,799,298 | 2,766,915 |
| Other long-term receivables | | 220,863 | 43,516 |
| Total non-current financial assets | | 3,143,541 | 2,918,970 |
| Total non-current assets | | 13,744,883 | 13,475,533 |

Amounts in NOK thousands

| | Note | 2020 | 2019 |
|---|------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Inventories | 15 | 2,580,487 | 2,594,189 |
| Short-term receivables | | | |
| Trade receivables | 16 | 1,893,186 | 1,771,344 |
| Other short-term receivables | 21 | 184,965 | 161,570 |
| Total short-term receivables | | 2,078,151 | 1,932,914 |
| Bank deposits, cash and money market securities | 22 | 1,710,087 | 654,186 |
| Total current assets | | 6,368,725 | 5,181,289 |
| Total assets | | 20,113,608 | 18,656,822 |

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| | Note | 2020 | 2019 |
|---|------|------------------|------------------|
| LIABILITIES AND EQUITY | | | |
| EQUITY | | | |
| Paid-in equity | | | |
| Share capital | 17 | 5,188 | 5,403 |
| Total paid-in equity | | 5,188 | 5,403 |
| Retained earnings | | | |
| Subsequent payment fund | 17 | 460,000 | 340,000 |
| Other equity | 17 | 8,717,464 | 8,149,070 |
| Total retained earnings | | 9,177,464 | 8,489,070 |
| Minority share of equity | 17 | 412,863 | 425,825 |
| Total equity | | 9,595,515 | 8,920,298 |
| LONG-TERM LIABILITIES | | | |
| Provisions | | | |
| Pension liabilities | 8 | 275,103 | 255,263 |
| Long-term financial liabilities | | 127,138 | 130,094 |
| Deferred tax liabilities | 11 | 769,223 | 706,275 |
| Total provisions | | 1,171,464 | 1,091,632 |
| Other long-term liabilities | | | |
| Long-term liabilities to financial institutions | | 1,893,486 | 1,800,821 |
| Bond loans | | 2,655,000 | 2,655,000 |
| Total other long-term liabilities | 23 | 4,548,486 | 4,455,821 |
| Total long-term liabilities | | 5,719,950 | 5,547,453 |

Amounts in NOK thousands

| | Note | 2020 | 2019 |
|---|------|-------------------|-------------------|
| SHORT-TERM LIABILITIES | | | |
| Accounts payable | | | |
| Liabilities to milk producers | | 736,411 | 687,911 |
| Accounts payable | 16 | 1,134,825 | 1,131,467 |
| Total accounts payable | | 1,871,236 | 1,819,378 |
| Other short-term liabilities | | | |
| Short-term interest-bearing liabilities | 24 | 196,976 | 200,788 |
| Allocated for subsequent payments to milk producers | 17 | 1,082,756 | 607,936 |
| Tax payable | 11 | 141,741 | 122,974 |
| Public duties payable | | 202,880 | 201,509 |
| Other short-term liabilities | | 1,302,554 | 1,236,486 |
| Total other short-term liabilities | | 2,926,907 | 2,369,693 |
| Total short-term liabilities | | 4,798,143 | 4,189,071 |
| Total liabilities and equity | | 20,113,608 | 18,656,822 |

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Balance sheet contd.

TINE SA

| | Note | 2020 | 2019 |
|--|--------|-------------------|-------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Intangible assets | | | |
| Other intangible assets | 12 | 127,673 | 12,749 |
| Total intangible assets | | 127,673 | 12,749 |
| Tangible fixed assets | | | |
| Land, buildings and other real property | 12, 13 | 3,875,749 | 3,843,787 |
| Machinery, equipment and means of transport | 13 | 4,183,649 | 4,343,826 |
| Total tangible fixed assets | | 8,059,398 | 8,187,613 |
| Non-current financial assets | | | |
| Investments in subsidiaries | 14 | 2,188,675 | 2,181,842 |
| Investments in joint ventures and associated companies | 14 | 22,824 | 22,942 |
| Other shares and ownership interests | | 631 | 1,360 |
| Pension assets | 8 | 2,615,416 | 2,584,152 |
| Other long-term receivables | | 197,103 | 4,231 |
| Total non-current financial assets | | 5,024,649 | 4,794,527 |
| Total non-current assets | | 13,211,720 | 12,994,889 |

Amounts in NOK thousands

| | Note | 2020 | 2019 |
|---|------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Inventories | 15 | 1,790,398 | 1,804,837 |
| Short-term receivables | | | |
| Trade receivables | 16 | 1,418,806 | 1,300,714 |
| Current receivables from group companies | | 744,148 | 745,823 |
| Other short-term receivables | 21 | 109,644 | 75,574 |
| Total short-term receivables | | 2,272,598 | 2,122,111 |
| Bank deposits, cash and money market securities | 22 | 1,559,424 | 594,063 |
| Total current assets | | 5,622,420 | 4,521,011 |
| Total assets | | 18,834,140 | 17,515,900 |

Contd. on next page

Balance sheet contd.

TINE SA

| | Note | 2020 | 2019 |
|---|------|------------------|------------------|
| LIABILITIES AND EQUITY | | | |
| EQUITY | | | |
| Paid-in equity | | | |
| Share capital | 17 | 5,188 | 5,403 |
| Total paid-in equity | | 5,188 | 5,403 |
| Retained earnings | | | |
| Subsequent payment fund | 17 | 460,000 | 340,000 |
| Other equity | 17 | 8,370,315 | 7,965,266 |
| Total retained earnings | | 8,830,315 | 8,305,266 |
| Total equity | | 8,835,503 | 8,310,669 |
| LONG-TERM LIABILITIES | | | |
| Provisions | | | |
| Pension liabilities | 8 | 210,981 | 193,198 |
| Long-term financial liabilities | | 97,595 | 100,155 |
| Deferred tax liabilities | 11 | 701,054 | 653,527 |
| Total provisions | | 1,009,630 | 946,880 |
| Other long-term liabilities | | | |
| Long-term liabilities to financial institutions | | 1,826,600 | 1,780,052 |
| Bond loans | | 2,655,000 | 2,655,000 |
| Total other long-term liabilities | 23 | 4,481,600 | 4,435,052 |
| Total long-term liabilities | | 5,491,230 | 5,381,932 |

Amounts in NOK thousands

| | Note | 2020 | 2019 |
|---|------|-------------------|-------------------|
| SHORT-TERM LIABILITIES | | | |
| Accounts payable | | | |
| Liabilities to milk producers | | 736,411 | 687,911 |
| Accounts payable to group companies | | 573,294 | 458,792 |
| Accounts payable | 16 | 737,346 | 743,633 |
| Total accounts payable | | 2,047,051 | 1,890,336 |
| Other short-term liabilities | | | |
| Allocated for subsequent payments to milk producers | 17 | 1,082,756 | 607,936 |
| Tax payable | 11 | 106,742 | 107,067 |
| Public duties payable | | 167,765 | 174,964 |
| Other short-term liabilities to group companies | | 13,254 | 18,532 |
| Other short-term liabilities | | 1,089,839 | 1,024,464 |
| Total other short-term liabilities | | 2,460,356 | 1,932,963 |
| Total short-term liabilities | | 4,507,407 | 3,823,299 |
| Total liabilities and equity | | 18,834,140 | 17,515,900 |

Oslo, 16 February 2021

| | | |
|---|--|--|
|  Marit Haugen Chair of the Board |  Rolf Øyvind Thune |  Solveig B. Rønning |
|  Bjørnar Gjerde |  Nina K. Sæter |  Hege Persen |
|  Einar Johnsen Meisfjord |  Askild Eggebø |  Helge Arne Espeland |
|  Elin Aarvik |  Jeffrey Thomas |  Ottar Råd |
| | |  Gunnar Hovland CEO |

Cash flow statement

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Amounts in NOK thousands

| | 2020 | 2019 | | 2020 | 2019 |
|--|-------------------|-------------------|--|------------------|------------------|
| Cash flow from operating activities | | | Cash flow to/from financing activities | | |
| Income before tax | 1,935,050 | 1,103,141 | Payments for new long-term borrowing | 34,812 | 551,076 |
| Tax paid for the period | -118,976 | -149,438 | Repayment of long-term borrowing | -31 | -503,568 |
| (Gains)/losses on sale of tangible fixed assets | -250,880 | -12,140 | Payments from minorities | - | 160,705 |
| Depreciation, amortisation and impairment | 1,382,412 | 1,222,566 | Payments to minorities | -23,313 | -23,293 |
| (Gains)/losses on sale of non-current financial assets | -16,443 | 5,975 | Net change in overdraft facility | -3,812 | 144,056 |
| Unrealised change in value of financial items | -31,613 | -53,108 | Payments and disbursements of share capital | -214 | -271 |
| Difference between expensed pension and payments in/out of pension schemes | -12,543 | -13,211 | Subsequent payments to milk producers | -607,936 | -829,415 |
| Difference between recognised and received dividend from joint ventures and associated companies | -20,902 | -33,006 | Net cash flow to/from financing activities | -600,494 | -500,710 |
| Effect of exchange rate changes and unrealised currency gain | 75,393 | -15,792 | Net change in bank deposits, cash and money market securities | 1,067,457 | -733,041 |
| Change in inventories | 13,701 | 117,342 | Bank deposits, cash and money market securities at 01.01 | 654,186 | 1,380,383 |
| Change in trade receivables and other short-term receivables | -145,238 | 129,689 | Currency effect on cash and cash equivalents | -11,556 | -707 |
| Change in accounts payable | 51,858 | -196,959 | Access to bank deposits on acquisition | - | 7,551 |
| Change in other short-term liabilities | 54,225 | 88,466 | Bank deposits, cash and money market securities at 31.12 | 1,710,087 | 654,186 |
| Net cash flow from operating activities | 2,916,044 | 2,193,525 | | | |
| Cash flow to investment activities | | | | | |
| Payments from sale of tangible fixed assets | 276,239 | 103,980 | | | |
| Payments for purchase of tangible fixed assets | -1,299,193 | -2,518,336 | | | |
| Change in long-term receivables and liabilities | -174,610 | -6,916 | | | |
| Payments from sale of non-current financial assets | 22,569 | 167,465 | | | |
| Payments for purchase of business | -73,098 | -172,049 | | | |
| Net cash flow to investment activities | -1,248,093 | -2,425,856 | | | |

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Cash flow statement contd.

TINE SA

Amounts in NOK thousands

| | 2020 | 2019 | | 2020 | 2019 |
|--|-------------------|-------------------|--|------------------|-----------------|
| Cash flow from operating activities | | | Cash flow to/from financing activities | | |
| Income before tax | 1,729,650 | 1,082,487 | Payments for new long-term borrowing | - | 50,000 |
| Tax paid for the period | -96,117 | -93,451 | Repayment of long-term borrowing | -11,336 | -1,732 |
| (Gains)/losses on sale of tangible fixed assets | -238,535 | -10,117 | Payments and disbursements of share capital | -215 | -273 |
| Depreciation, amortisation and impairment | 1,114,014 | 1,009,150 | Change in net group contributions | -542 | 11,436 |
| (Gains)/losses on sale of non-current financial assets | -21,754 | 10,789 | Subsequent payments to milk producers | -607,936 | -829,415 |
| Unrealised change in value of financial items | 70,640 | -66,282 | Net cash flow to/from financing activities | -620,029 | -769,984 |
| Dividend received from subsidiaries | -24,000 | -23,702 | Net change in bank deposits, cash and money market securities | 965,361 | -382,793 |
| Difference between expensed pension and payments in/out of pension schemes | -13,480 | -17,179 | Bank deposits, cash and money market securities at 01.01 | 594,063 | 976,856 |
| Change in inventories | 14,439 | 182,540 | Bank deposits, cash and money market securities at 31.12 | 1,559,424 | 594,063 |
| Change in trade receivables and other short-term receivables | -152,162 | 65,226 | | | |
| Change in accounts payable | 42,212 | -142,121 | | | |
| Change in other short-term liabilities | 61,203 | 133,097 | | | |
| Change in inter-company balances from operating activities | 111,441 | -543,370 | | | |
| Net cash flow from operating activities | 2,597,551 | 1,587,067 | | | |
| Cash flow to investment activities | | | | | |
| Payments from sale of tangible fixed assets | 262,640 | 100,774 | | | |
| Payments for purchase of tangible fixed assets | -1,124,830 | -1,423,426 | | | |
| Change in long-term receivables and liabilities | -189,738 | 248 | | | |
| Payments from sale of non-current financial assets | 36,767 | 98,826 | | | |
| Payments for purchase of non-current financial assets | -21,000 | - | | | |
| Net cash inflow on inter-company long-term receivables | 24,000 | 23,702 | | | |
| Net cash flow to investment activities | -1,012,161 | -1,199,876 | | | |

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Accounting principles

Accounting principles

The annual accounts have been prepared in accordance with the Accounting Act and generally accepted accounting practices in Norway.

Presentation currency

All amounts are in NOK thousands unless otherwise stated. The functional currency of the parent company TINE SA and the group's presentation currency is NOK.

Modification of accounting principles and comparative figures

Comparative figures have been prepared using the same principles as for the figures in the current accounting period.

No significant reclassifications or changes to principles have been implemented in 2020.

New accounting standards

No new accounting standards have been adopted in 2020 that are of consequence to TINE.

Control and influence

The consolidated accounts present the overall financial position, the results from the year's operations and cash flow for the parent company, TINE SA and subsidiaries. Subsidiaries include those companies where TINE SA has a direct or indirect controlling influence, through either legal or actual control. Controlling interest normally exists when the Group owns more than 50 per cent of the shares in the company, and can exercise actual control over the company. This is done through representation on the board. Consistent accounting principles are applied to all companies in the Group. All transactions between companies in the Group, any inter-company balances and unrealised group net income are eliminated in the consolidated accounts.

Ownership interests in subsidiaries are included in the consolidated accounts according to the acquisition method. The difference between the cost price of the ownership interests and the book value of net assets at the time of acquisition is analysed and posted to the individual balance sheet items according to fair value. Cost prices that exceed the fair value of net identifiable assets are capitalised as goodwill and amortised in the income statement in line with any underlying conditions and anticipated economic life. See separate section on goodwill.

The minority share is included in the Group's equity. Minority interests are entered in the balance sheet as the minority's share of net ownership interests and liabilities, and the minority share is included in the Group's equity. No gain or loss is recognised in the consolidated accounts.

A joint venture is a company where TINE has joint control with one or more owners and where the share is of a long-term strategic nature. Joint control is normally applicable when the Group holds an ownership interest of 50 per cent. Joint control also means unanimity is required between stakeholders in decision-making.

Associated companies are companies where the Group has significant influence, but not control, and where the share is of a long-term strategic nature. Significant influence normally exists when the Group holds an ownership interest of between 20 and 50 per cent.

Joint ventures and associated companies are included in the consolidated accounts using the equity method. Cost prices exceeding the acquired share of book equity are entered in the balance sheet as added value and amortised in line with the underlying conditions and anticipated economic life. The Group's net income is made up of the share of net income after tax in its associated and joint venture entities less any amortisation of added value as well as any gain and loss from realisation of ownership

shares. The share of net income is presented in the income statement as part of the financial result. Ownership interests in joint ventures and associated companies are classified in the balance sheet as non-current financial assets. A share in a deficit is not entered in the income statement if this results in the balance sheet value of the investment being negative, unless the Group has assumed an obligation or given a guarantee for that company.

When including investments in subsidiaries, joint ventures and associated companies, where the annual accounts are prepared in a foreign currency, the balance sheet items are translated into Norwegian kroner using the exchange rate at the balance sheet date. Income statement items are translated into Norwegian kroner using the average exchange rate for the period. Any translation difference occurring due to the company's incoming equity and annual net income being translated at a rate other than that used for outgoing equity, is included in the equity for the Group.

Evaluations and principles for classification

Total Revenues and other income

Total Revenues and other income is measured at fair value of the transaction, net of VAT, any returns, discounts or other public duties. Income from the sale of goods is entered in the income statement when the products have been delivered to the customer and there are no unfulfilled obligations that may affect the customer's acceptance of the delivery. Delivery is not deemed to have been made until the products have been shipped to the agreed location and the risk of loss or obsolescence has transferred to the customer. The earned income principle is used as a basis for estimating and entering provisions for volume discounts and goods returns at the time of sale. Services are recognised as income at the point of execution.

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Operating expenses

Expenses are entered in the income statement in the same period as related income.

Assets and liabilities

Assets intended for permanent ownership or use are classified as fixed assets. Receivables due for repayment within one year, together with other assets linked to the goods cycle, are classified as current assets. Short and long-term liabilities are classified using similar criteria. Current assets are valued at the lower of cost or fair value. Fixed assets are valued at cost less accumulated depreciation and impairment. Long and short-term liabilities are assessed at face value.

Intangible assets

Goodwill

Goodwill is the difference between the acquisition cost of a business and the fair value of the Group's share of net identifiable assets in the business at the time of acquisition.

Goodwill is listed with both majority and minority share, i.e. 100 per cent. Goodwill is then calculated as the difference between the sum of acquisition cost and fair value of the minority interests (cf. NRS 17.6.1.10) and fair value of acquired identified net assets measured at the time of acquisition.

Goodwill from acquisition of subsidiaries is classified as an intangible asset. Goodwill from the purchase of a share in a joint venture or associated company is included in the balance sheet value of the investment. Goodwill is tested for impairment in value and entered in the balance sheet at cost less accumulated amortisation and impairment. The amortisation period for goodwill is five years unless a longer period is justified.

Deferred tax on added value is calculated. Goodwill is entered as a net figure after tax. Added value is entered as a gross figure with provision for deferred tax on added value.

The subsidiary's balance sheet and income statement items are fully included in the consolidated accounts according to the

unit principle depending on whether the subsidiary is wholly owned or partly owned. Any change in ownership interest in a subsidiary is therefore, whatever form it takes, deemed an equity transaction for the Group. No gain or loss is recognised in the consolidated accounts.

In the event of an increase in the majority ownership interest in a subsidiary, this is entered as an equity transaction. The difference between cost price of the new ownership share and the purchased minority share's recorded value is entered against the majority's equity (other equity).

If the majority ownership interest in a subsidiary is reduced, compensation that exceeds the majority share of net assets in the subsidiary will accrue directly to the majority's equity. A reduced ownership interest does not cause any change to goodwill. This means that the minority gains a proportionate share of goodwill and amortisation is thereby subsequently applied.

Other intangible assets

Expenses for other intangible assets in the form of patents, trademarks, customers and other rights are entered in the balance sheet to the extent that a future economic benefit relating to development of an identifiable intangible asset can be identified and the expenses can be reliably measured. Otherwise, this type of expense is entered as it is incurred. Intangible assets with a limited economic life are amortised according to plan. Intangible assets are written down to fair value if the recoverable amount is less than the sum of the balance sheet value and any remaining manufacturing costs.

Research and product development costs

Expenses relating to the company's own research and development are entered as they are incurred.

Non-current assets

Tangible fixed assets

Investments in tangible fixed assets in the form of land, buildings and machinery are measured at cost less accumulated depreciation and impairment. Interest relating to the construction

period for significant tangible fixed assets under construction is entered in the balance sheet as part of the cost price. The acquisition cost of tangible fixed assets with a limited economic life is depreciated on a straight-line basis over the economic life of the asset. Costs relating to normal maintenance and repairs are expensed as they are incurred. Costs for major improvements and upgrades that significantly increase the useful life of fixed assets are capitalised and depreciated in line with the useful life of the asset. If the recoverable amount for the fixed asset is lower than the balance sheet value and the impairment in value is not expected to be temporary, then the asset is written down to the recoverable amount. The recoverable amount is the higher of net sales value and value in use. Value in use is the present value of future cash flow expected to be generated by the asset. Spare parts with significant value and estimated useful life beyond 3 years are capitalised and depreciated as non-current assets.

Lease agreements

Lease agreements are classified as either financial or operating leases after a thorough evaluation of each individual agreement. Lease agreements relating to assets that are leased under specific terms where TINE SA essentially holds the financial risk and ownership control are classified as financial lease agreements. Tangible fixed assets under financial lease agreements are entered in the balance sheet, and associated lease commitments are included in the balance sheet item for other long-term liabilities at the present value of the lease payments. The fixed asset is depreciated according to plan, and the commitment is reduced by the rent paid less calculated interest expense.

Lease agreements where a significant portion of the risk and return associated with ownership remains with the lessor are classified as operating lease agreements. Rental amounts relating to operating lease agreements are expensed on a straight-line basis over the lease period.

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Shares and ownership interests in subsidiaries, joint ventures and associated companies

Investments in subsidiaries, joint ventures and associated companies are valued in the company accounts using the cost method. The investments are valued at acquisition cost less any impairment. Write-down to fair value is implemented if the impairment in value is not temporary. Write-down is reversed to the extent that the basis for impairment is no longer present. Dividends and group contributions received from subsidiaries which represent a return for the ownership period are entered as other financial income. Group contributions and dividends from subsidiaries are entered in the same year as the subsidiary allocates the amount. Dividend income from other investments is entered when the dividend is approved.

Other shares and ownership interests classified as fixed assets

Investments in long-term shares and ownership interests where the company has no significant influence are entered in the balance sheet at cost. The investments are written down to fair value if the impairment in value is not expected to be temporary. Dividends received from companies which represent a return for the ownership period are entered as other financial income when the dividend is approved.

Long-term receivables

Long-term receivables are listed at face value after deduction for expected losses. Provision is made for losses on the basis of individual evaluations. Interest income is entered as it is earned.

Current assets

Inventories

Stocks of goods are valued at the lower of cost using the "first in-first out" principle and/or fair value. The acquisition cost for self-manufactured goods and goods in production includes direct materials, direct wages and other direct and indirect manufacturing costs (based on normal production). The acquisition cost is adjusted for equalisation fees and subsidies. The acquisition cost for raw materials and commodities is the net purchase price. Fair value is the sales price less any necessary expenses for completion, sale and distribution.

Purchased spare parts are classified as inventory and expensed on withdrawal.

Receivables

Trade receivables and other receivables are listed at face value after deduction for expected losses. Provision is made for losses on the basis of individual evaluations of each of the receivables.

Equity funds and shares listed on the stock exchange

Market-based financial instruments, including equity funds and listed shares which are part of a trading portfolio, are valued at fair value at the balance sheet date. Other short-term investments are valued at the lower of average acquisition cost and fair value at the balance sheet date.

Bank deposits, cash and money market securities

The accounting item for bank deposits, cash and money market securities includes cash, bank deposits and other means of payment that have a maturity of less than three months from the date of acquisition.

Equity

Share capital

The share capital in TINE SA is the sum of the shares held by the members of TINE SA. Each member owns one share with a face value of NOK 500. Membership of TINE SA is open to milk producers who have a milk quota.

Allocated subsequent payment

Allocation of subsequent payment is regulated by § 27 of The Cooperatives Act. Subsequent payment is determined and allocated by the Annual General Meeting. It is based on the net income for the year, and is distributed on the basis of the quantity of milk supplied during the calendar year. It cannot exceed what is consistent with good and prudent business practice.

The subsequent payment is treated as an allocation of net incomes [equity transaction] in the accounts, with the proposed subsequent payment being allocated as a liability in the corresponding financial year. The tax effect from the

subsequent payment is included in the company's tax expense in the income statement.

Subsequent payment fund

Upon the recommendation of the Board and within an overall limit proposed by the Board, net income can be allocated to the subsequent payment fund and as subsequent payment for milk delivered during the year. The Annual General Meeting votes on any distribution from the subsequent payment fund. Payments are distributed to members at the time of the decision and are based on the quantity of milk delivered in the previous calendar year.

Liabilities

Long-term liabilities

Long-term liabilities are entered in the balance sheet as a nominal sum. Transaction costs are expensed at the time of establishing new liabilities.

Contingent liabilities

Contingent liabilities are recognised if settlement is more likely than not. Settlement value is calculated based on best estimate.

Provision for restructuring

When any decision is made regarding adaptation or restructuring, provision is made for any anticipated expenses relating to implementation. This provision is based on best estimate and is reassessed at the end of each period. Expenses incurred during the restructuring process are entered on an ongoing basis against this provision, with correction for any difference relative to the original provision.

Pension schemes – defined benefit schemes

TINE has pension schemes that entitle the employees to agreed future pension benefits. This liability is expensed over the period of pensionable service and in accordance with the plan's formula for calculating benefit. The method of allocation corresponds to the plan's formula for calculating benefit unless the majority of pensionable service is towards the end of the period of pensionable service. If so, straight-line accrual is applied.

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Pension liabilities are calculated on the basis of assumptions made about the number of accrued years, discount rate, future return on pension assets, future adjustment of salaries and pensions and the level of the National Insurance Scheme's basic amount (G) together with actuarial assumptions about mortality, voluntary retirement and disability pension. Pension assets are valued at fair value. Net pension liabilities consist of the gross pension liability less the fair value of pension assets. Net pension liabilities from under-funded schemes are entered in the balance sheet as long-term financial liabilities, while net pension assets from over-funded schemes are entered in the balance sheet as non-current financial assets if it is likely that this over-funding can be utilised. Employer's national insurance contributions are included in the book value of under-funded schemes.

Changes to liabilities due to changes to the pension plan are expensed immediately if the changes to the plan are unconditional at the time of change. Any changes to the plan that are contingent on future employment are amortised on a straight-line basis over the period until the benefit is unconditional. Changes in the liability and pension assets due to changes to, and deviations from, calculated assumptions are distributed over the estimated average remaining period of pensionable service for the proportion of the deviations that exceeds 10 % of the higher of gross pension liability and gross pension assets respectively.

If participating in defined benefit multi-company schemes, the company records its share of the defined benefit pension liability, pension assets and costs related to the pension scheme. When there is insufficient information to enter a multi-company scheme as a defined benefit pension scheme, the scheme is entered as if it were a defined contribution scheme.

Liabilities within the new Fellesordningen for AFP arrangement are a defined benefit multi-company scheme, but this is entered as a defined contribution scheme, as it is currently not measurable or allocable between the participating companies.

Net pension cost, which is gross pension cost less estimated return on pension assets, adjusted for distributed effect of estimate differences and changes in pension plans, is classified as ordinary operating expenses and presented together with salaries and other benefits under personnel costs in the income statement. Employee contributions are included in net pension costs.

Pension schemes – defined contribution schemes

A defined contribution pension scheme is a pension plan into which TINE pays an annual pension contribution for each member. The pension contribution is paid to a fund manager and TINE has no liabilities to the scheme once the contribution has been paid. Consequently it is difficult to determine in advance the size of future pension benefits. Defined contribution plans are accrued according to the matching principle. Annual contributions to defined contribution pension schemes are expensed as a personnel cost as incurred. No liabilities or assets are entered in the balance sheet for defined contribution plans.

Disability pension

The disability scheme is a risk-based scheme where members have full disability cover irrespective of their length of service.

Taxes

The tax expense consists of tax payable on taxable income and capital and any changes to deferred tax. The tax expense is compared to the net income before tax in the income statement. Tax relating to equity transactions, including the tax effect of revised settlement, is entered against equity. Deferred tax is calculated on the basis of temporary differences between accounting and tax values at the end of the financial year, as well as any tax loss to carry forward. The nominal tax rate is used for calculation. Positive and negative differences that reverse in the same period are offset. Deferred tax and deferred tax assets are shown as a net value in the balance sheet. The Group presents deferred tax as net of the tax position of companies that are part of the same tax group. Deferred tax assets arise if there are temporary differences that give rise to tax deductions in the future. Deferred tax assets are entered in the balance sheet if it is likely that they can be utilised in future years.

Currency

Transactions in foreign currency are translated using the exchange rate at the time of the transaction. Any monetary items in foreign currency that are not included in hedging arrangements are valued at the daily exchange rate. Realised and unrealised gains and losses on currency are presented as a net value in the income statement as a financial item.

Financial derivatives and hedging

Accounting treatment of financial derivatives follows the intention behind entering into these agreements. Derivatives are classified as non-current financial assets or long-term financial liabilities if the remaining maturity is longer than one year.

Interest rate derivatives

TINE uses interest rate hedging instruments to hedge against large fluctuations in interest expenses. Accounting for gains and losses depends on whether the interest rate derivative is designated as a hedging instrument and, if applicable, the type of hedging. Interest rate derivatives that are not hedging instruments are valued in accordance with the lowest value principle, and unrealised losses are expensed as financial costs.

Currency derivatives

To hedge against fluctuations in exchange rates, TINE invests in currency derivatives in line with adopted financial guidelines. Accounting for gains and losses depends on whether the currency derivative is designated as a hedging instrument and, if applicable, the type of hedging. Currency derivatives that are not hedging instruments are valued at fair value, and any changes in value are entered in the income statement as financial income or financial costs.

Hedging

Accounting treatment of financial derivatives designated as hedging instruments is entered in accordance with the principles for hedging types such as value hedging, cash flow hedging or hedging of net investment in foreign enterprises. In the case of value hedging of assets or liabilities entered in the balance sheet, the derivative is entered in the balance

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sheet at fair value. The balance sheet value of the hedged asset or liability is adjusted for any change in value of the financial derivative related to hedged risk.

When hedging future cash flows, the derivatives are entered in the balance sheet at fair value. Both unrealised and realised gains or losses on the derivatives after tax are entered directly against equity until the hedged cash flow affects the income statement.

Hedging of net investment in foreign currency is undertaken at group level. The hedging instruments are entered in the balance sheet at fair value as for cash flow hedging. Both unrealised and realised gains or losses on the hedging instruments after tax are entered directly against equity until the foreign enterprise is sold or the hedging arrangement comes to an end.

In line with adopted financial policy for 2020, TINE hedges a portion of the company's and the Group's purchases and sales in foreign currency through the use of financial instruments. These transactions are treated as hedge accounting in the annual accounts.

Use of estimates and information on significant estimates

The accounting principles described mean that the management of TINE has used estimates and assumptions that affect items in the income statement and balance sheet. These estimates are based on experience and an evaluation of underlying factors. Future events and changes in framework conditions may cause estimates and assumptions to change. Changes in accounting estimates are entered in the income statement in the period the estimates are changed, unless deferred recognition in the income statement follows from good accounting practice. Evaluations, estimates and assumptions that have a material effect on the accounts are summarised below.

Depreciation/amortisation

Depreciation/amortisation of tangible fixed assets and intangible assets is based on their estimated useful life. Any changes in market conditions and future investment decisions will affect existing production capacity and expected useful life. This may give rise to changed depreciation/amortisation profiles, which will impact future results.

Impairment

TINE holds significant investments in tangible fixed assets, intangible assets including goodwill, subsidiaries, joint ventures and associated companies. These fixed assets are tested for impairment when there are indicators of possible impairment in value. Such indicators may include changes in market prices, agreement structures, adverse events or other operating conditions. When calculating the recoverable amount, a number of estimates have to be made regarding future cash flows, for which price, sales volume and useful life are the most important factors.

Pensions

Calculation of the fair value of pension liabilities is based on several economic and demographic assumptions and estimates. Any change in the assumptions applied will affect the calculated value of the liability. Refer to [note 8](#) for a more detailed outline of the assumptions applied and the composition of the pension assets.

Fair value of financial instruments

The principles for estimating fair value are based on market prices and various valuation methods. The fair value of forward exchange contracts is determined using the exchange rate at the balance sheet date. The fair value of currency swaps is calculated at the present value of future cash flows. The fair value of options is determined using option pricing models. The fair value of interest rate derivatives is calculated as the present value of estimated future cash flow based on observable market interest rate curve. For all the aforementioned derivatives, fair value is confirmed by the financial institution with which the company has entered into the agreements.

Deferred tax assets

Deferred tax assets are only entered in the balance sheet to the extent that it is likely there will be a future taxable profit that is large enough to make use of the tax asset, either by the unit having shown a recent profit or by means of identified assets with added value.

Provisions

For certain income statement items in the accounts, provision is made for anticipated future costs based on estimates and information available at the time the accounts are presented. These provisions may differ from actual future costs. Provisions relate to, for example, losses on customers, discounts, obsolescence of goods, provisions for restructuring, adaptation and contingent losses that are likely and quantifiable, including disputes and legal proceedings.

Segments

Sales revenue, operating income and capital employed are specified per business area. Sales revenue is specified per geographical market. Business area is defined based on TINE's natural focus areas.

Operating segments are reported in the same way as internal reporting to the company's key decision-makers. The company's key decision-makers, who are responsible for allocating resources and assessing earnings in the operating segments, are defined as the group management team.

Cash flow statement

The cash flow statement is prepared according to the indirect method. Cash and cash equivalents comprise cash, bank deposits and money market securities.

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Income statement

The Group's activities are divided into three operating segments. Segment division is based on products and geography, and corresponds to the classification used for the Group's internal performance measurement and resource allocation. The dairy operations are divided into Norwegian and international operations.

Note 1 Segment information

Amounts in NOK thousands

| | 2020 | | | | | 2019 | | | | |
|---|-------------------|-----------------------|------------------|-----------------------------------|-------------------|-------------------|-----------------------|------------------|-----------------------------------|-------------------|
| | Meieri Norge | Meieri Internasjonalt | Other operations | Other activities and eliminations | Total | Meieri Norge | Meieri Internasjonalt | Other operations | Other activities and eliminations | Total |
| REVENUE/RESULT | | | | | | | | | | |
| Liquid dairy products | 8,068,553 | - | 173,121 | - | 8,241,674 | 8,071,216 | - | 153,392 | - | 8,224,608 |
| Solid dairy products | 6,548,291 | 3,576,570 | 465,224 | - | 10,590,086 | 6,165,918 | 3,531,863 | 447,313 | - | 10,145,094 |
| Juice, fruit drinks and water | 820,813 | - | - | - | 820,813 | 870,786 | - | - | - | 870,786 |
| Ready meals | 21,887 | - | 1,222,313 | - | 1,244,200 | 26,067 | - | 1,176,304 | - | 1,202,371 |
| Ice cream and desserts | 312,893 | - | 1,286,183 | - | 1,599,076 | 358,556 | - | 1,114,268 | - | 1,472,824 |
| Other products | 71,959 | - | - | - | 71,959 | 81,475 | - | - | - | 81,475 |
| Revenue, ready-made goods external | 15,844,397 | 3,576,570 | 3,146,841 | - | 22,567,808 | 15,574,017 | 3,531,863 | 2,891,277 | - | 21,997,157 |
| Revenue, ready-made goods external | 15,844,397 | 3,576,570 | 3,146,841 | - | 22,567,808 | 15,574,017 | 3,531,863 | 2,891,277 | - | 21,997,157 |
| Revenue, ready-made goods internal | 1,326,141 | 119,250 | - | -1,445,392 | - | 1,360,511 | 25,923 | - | -1,386,434 | - |
| Revenue, ready-made goods total | 17,170,538 | 3,695,821 | 3,146,841 | -1,445,392 | 22,567,808 | 16,934,528 | 3,557,786 | 2,891,277 | -1,386,434 | 21,997,157 |
| Revenue, raw ingredients | 1,501,799 | - | - | - | 1,501,799 | 1,383,529 | - | - | - | 1,383,529 |
| Other income | 856,660 | 18,836 | 81,190 | -311,215 | 645,472 | 624,886 | 17,228 | 62,400 | -273,052 | 431,463 |
| Total revenues and other income | 19,528,998 | 3,714,657 | 3,228,031 | -1,756,607 | 24,715,079 | 18,942,943 | 3,575,014 | 2,953,677 | -1,659,485 | 23,812,149 |
| Depreciation, amortisation and impairment | -1,155,611 | -116,844 | -109,956 | - | -1,382,411 | -1,037,060 | -79,722 | -105,785 | - | -1,222,567 |
| Other operating expenses | -16,587,280 | -3,562,593 | -2,946,687 | 1,756,076 | -21,340,484 | -16,799,531 | -3,482,854 | -2,777,236 | 1,658,942 | -21,400,680 |
| Operating income | 1,786,107 | 35,220 | 171,388 | -531 | 1,992,184 | 1,106,351 | 12,438 | 70,656 | -544 | 1,188,902 |
| BALANCE SHEET | | | | | | | | | | |
| Assets | 18,392,960 | 2,535,755 | 1,595,194 | -2,410,301 | 20,113,608 | 17,133,299 | 2,222,835 | 1,393,347 | -2,092,660 | 18,656,822 |
| Liabilities, non interest-bearing | 4,752,559 | 1,322,276 | 616,822 | -919,026 | 5,772,631 | 4,030,078 | 942,464 | 579,548 | -472,176 | 5,079,915 |
| Investments | 1,138,114 | 210,818 | 60,647 | - | 1,409,578 | 1,589,858 | 990,479 | 144,881 | - | 2,725,218 |

Description of segments: The Meieri Norge segment principally consists of TINE SA, Mimiro AS and OsteCompagniet AS. Meieri Internasjonalt consists of the sub-groups Wernersson Ost AB (Sweden), Norseland Inc. (US), Norseland Ltd. (UK) and TINE Holding Ireland Ltd. Other operations consists of the sub-groups Diplom-Is AS and Fjordland AS, along with TINE SA's other subsidiaries (see note 14). TINE Holding AB is included in Other activities and eliminations.

Revenue, raw ingredients: Sales revenue from raw ingredients consists of sales of raw milk to other players. Please refer to separate section in this annual report on TINE Milk Supplies.

Note 2 Revenue for ready-made goods, by geographical area

Amounts in NOK thousands

| TINE GROUP | | | TINE SA | |
|-------------------|-------------------|--|-------------------|-------------------|
| 2020 | 2019 | Geographical area | 2020 | 2019 |
| 18,736,475 | 18,079,978 | Norway | 16,290,167 | 15,865,820 |
| 1,394,439 | 1,665,935 | Rest of Europe | 360,170 | 427,000 |
| 1,209 | 1,100 | Africa | - | - |
| 2,298,945 | 2,123,532 | America | 335,366 | 387,728 |
| 1,590 | 1,429 | Asia | 771 | 758 |
| 135,150 | 125,183 | Oceania | 117,962 | 104,174 |
| 22,567,808 | 21,997,157 | Total revenue, ready-made goods | 17,104,436 | 16,785,480 |

Please refer to the statement in the Board of Directors' report.

Note 3 Other income

Amounts in NOK thousands

| TINE GROUP | | | TINE SA | |
|----------------|----------------|--------------------------------|----------------|----------------|
| 2020 | 2019 | Income groups | 2020 | 2019 |
| 85,271 | 86,316 | Transport income | 118,136 | 115,988 |
| 321,301 | 329,092 | Total revenues | 510,182 | 519,964 |
| 238,900 | 16,055 | Gain from sale of fixed assets | 225,881 | 14,007 |
| 645,472 | 431,463 | Total other income | 854,199 | 649,959 |

Total revenues consists of contributions from the Norwegian Agriculture Agency for market regulation, sales of services, analysis income, consultancy income, rental income, public subsidies and total revenues.

Note 4 Public subsidies

Amounts in NOK thousands

Tax relief and other state and municipal subsidies have been received as per the table below.

| TINE GROUP | | | TINE SA | |
|---------------|---------------|-------------------------------------|---------------|---------------|
| 2020 | 2019 | Type of income | 2020 | 2019 |
| 4,906 | 6,447 | Tax relief | 626 | 2,160 |
| 21,860 | 16,415 | Other state and municipal subsidies | 21,860 | 16,415 |
| 26,766 | 22,862 | Total public subsidies | 22,486 | 18,575 |

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Note 5 Significant individual transactions

Amounts in NOK thousands

| TINE GROUP | | | TINE SA | |
|---------------|---------|---|---------|---------|
| 2020 | 2019 | Income statement | 2020 | 2019 |
| 216,930 | - | Profit from the sale of a facility at Minde, Bergen | 216,930 | - |
| 14,167 | 74,148 | Maintenance at Kalbakken | 14,167 | 74,148 |
| Balance sheet | | | | |
| 222,306 | 721,297 | Investment in large-scale new facilities | 200,459 | 289,125 |
| 52,098 | 165,249 | Acquisition of Lotito Foods Holding LLC | | |
| | | Investment in subsidiaries | 21,000 | 98,926 |

In February 2020, TINE SA sold its production facility at Minde, Bergen.

TINE SA is establishing a new head office at Kalbakken in Oslo. The project involves both renovation and extraordinary maintenance. The maintenance element was treated as a one-off cost in 2020 and 2019.

Investment in large-scale new plants in 2020 and 2019 related to construction of new dairy plants in Bergen and Ireland.

In January 2020, Norseland Inc. acquired a 9 per cent ownership interest in Lotito Foods Holding LLC. Following this acquisition they hold an ownership interest in the company of 75.7 per cent. In January 2019, Norseland Inc. acquired a 33.3 per cent ownership interest in Lotito Foods Holding LLC.

On 30 August 2019, TINE SA transferred the business TINE Bedriftsstyring (TBS) and associated solutions to its subsidiary Mimi AS. The transaction is processed according to the principle of continuity at TINE SA, as the transaction was completed with a company within the same group.

Mimiro Holding AS conducted a share issue worth NOK 60 million in total. TINE SA's share was NOK 21 million. Following the share issue, TINE SA's ownership interest in Mimiro Holding AS has been reduced from 60 per cent to 57 per cent. Through the share issue, Gjensidige Forsikring ASA gained a 6 per cent ownership interest in Mimiro Holding AS.

Note 6 Cost of materials and changes in inventory

Amounts in NOK thousands

| TINE GROUP | | | TINE SA | |
|-------------------|-------------------|--|-------------------|-------------------|
| 2020 | 2019 | Type of cost | 2020 | 2019 |
| 13,691,457 | 13,265,824 | Consumption of raw ingredients and purchased commodities | 10,650,676 | 10,310,575 |
| 22,104 | 167,724 | Change in inventory of work in progress and finished goods | 46,176 | 150,208 |
| 13,713,561 | 13,433,548 | Total cost of materials and changes in inventory | 10,696,852 | 10,460,783 |

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Note 7 Personnel costs and number of full-time equivalents

Amounts in NOK thousands

| TINE GROUP | | | TINE SA | |
|------------------|------------------|--|------------------|------------------|
| 2020 | 2019 | Type of cost | 2020 | 2019 |
| 3,611,559 | 3,561,375 | Wages, holiday pay and costs for temporary staff | 2,796,517 | 2,786,701 |
| 426,889 | 454,005 | Employer's national insurance contributions | 337,866 | 366,447 |
| 85,133 | 73,260 | Pensions costs including national insurance contributions, ref. note 8 | 52,740 | 43,159 |
| 197,341 | 224,268 | Other personnel costs | 105,495 | 132,420 |
| 4,320,922 | 4,312,908 | Total personnel costs | 3,292,618 | 3,328,727 |
| 5,275 | 5,347 | Average number of employees calculated as full-time equivalents | 3,950 | 4,025 |

Note 8 Pensions and pension liabilities

TINE SA and its Norwegian subsidiaries have a group pension scheme with MP Pensjon in accordance with the Company Pensions Act. The scheme satisfies the regulations for compulsory occupational pensions (OTP). The group pension scheme is a defined benefit scheme and is included in the accounts as a defined benefit plan. The benefits are mainly dependent on the number of years of pensionable service and salary level at pension age. The occupational pension is in addition to the

national insurance scheme and is independent of benefits from the national insurance scheme. The Group's subsidiaries outside Norway have established pension schemes in accordance with local legislation.

MP Pensjon is an independent foundation that covers employees of TINE SA and its Norwegian Subsidiaries. The purpose of MP Pensjon is to provide retirement and disability pensions

to members and dependant's pensions to surviving spouses, registered partners, cohabittees and children. MP Pensjon's assets are kept separate from the company's assets. MP Pensjon is under the supervision of the Financial Supervisory Authority of Norway and has a licence to operate as a pension fund.

The pension scheme under MP Pensjon provides the following benefits in the case of full pensionable service (30 years or more):

| Pension | Basis for calculation | Pension benefit |
|---|-------------------------------|---|
| Retirement pension | Up to 6 G | 16 % of final salary |
| | From 6 G to 12 G | 44 % of final salary |
| Dependant's pension – spouse/co-habitee | Calculated retirement pension | 55 % of the calculated retirement pension |
| Dependant's pension – child | Final salary | 50 % of the calculated retirement pension for the youngest child and 25 % for other children under the age of 21. The total child's pension is divided equally between the children. |
| Disability pension | Current salary | 3 % of salary up to 12 G. Additional 25 % of G, limited to 6% of salary. Additional 66 % of salary between 6 G and 12 G Saved rights from private and public occupational pensions are deducted from the calculation. |

In addition to the group pension scheme, TINE SA and its Norwegian subsidiaries have an occupational pension scheme for employees with salaries in excess of 12 G. The pension benefit from this scheme constitutes 66 % of salary in excess of 12 G and comes into effect from age 67.

TINE SA and most of its Norwegian subsidiaries are within the LO-NHO agreement area. Based on this, the employees of the companies have the opportunity to apply for AFP from age 62. The current AFP scheme is a defined benefit multi-company scheme. The companies within the LO-NHO agreement

area have a real financial liability as a result of the agreement regarding AFP. However, there is insufficient information to include the liability in the annual accounts. This means that no liability for the current AFP scheme is entered in the balance sheet.

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For the TINE Group and TINE SA, the various schemes covered the following number of persons at 31.12.2020:

| TINE GROUP | | | TINE SA | |
|------------|------------|---|-----------|------------|
| Employees | Pensioners | Type of cost | Employees | Pensioners |
| 4,762 | 3,970 | Defined benefit schemes from MP Pensjon | 4,246 | 3,639 |
| 73 | 25 | Uninsured schemes ¹⁾ | 59 | 24 |
| 723 | - | Defined contribution schemes | - | - |
| 6,086 | - | AFP | 5,074 | - |

¹⁾ Uninsured schemes mainly applies to occupational pensions for employees with salaries above 12 G and gratuity pensions for employees who have previously fallen outside the group pension scheme with MP Pensjon.

Amounts in NOK thousands

| TINE GROUP | | | TINE SA | |
|---------------|---------------|--|---------------|---------------|
| 2020 | 2019 | Pension costs | 2020 | 2019 |
| 417,380 | 384,383 | Present value of accrued pension entitlements for the year | 369,293 | 336,257 |
| 334,214 | 358,460 | Interest expense on pension liabilities | 307,860 | 330,594 |
| -670,768 | -686,249 | Net return on pension assets | -614,548 | -627,209 |
| -38,525 | -25,462 | Recognised estimate differences | -32,526 | -17,630 |
| - | -3,237 | Recognised changes to plans | - | -3,237 |
| -53,236 | -54,691 | Employee contributions | -48,128 | -48,903 |
| 10,443 | 10,427 | Accrued employer's national insurance contributions | 7,595 | 7,076 |
| 85,625 | 89,629 | Other pension costs (including AFP premium and defined contribution schemes) | 63,193 | 66,211 |
| 85,133 | 73,260 | Net pension costs | 52,740 | 43,159 |

Note 8 contd.

Note 8 contd.

Reconciliation of pensions schemes' financial status as of 31.12 against amount in balance sheet:

Amounts in NOK thousands

| TINE GROUP | | | TINE SA | |
|------------------|------------------|--|------------------|------------------|
| 31.12.2020 | 31.12.2019 | Pension liabilities and assets | 31.12.2020 | 31.12.2019 |
| -15,091,793 | -13,955,292 | Accrued pension liabilities | -14,055,255 | -12,992,635 |
| 19,695,429 | 18,693,642 | Pension assets (at market value) | 18,303,189 | 17,340,749 |
| 4,603,637 | 4,738,350 | Net pension assets excluding employer's national insurance contributions and estimate differences | 4,247,934 | 4,348,114 |
| -1,799,993 | -1,969,235 | Non-recognised effect of estimate differences | -1,632,518 | -1,763,962 |
| -4,345 | -2,200 | Employer's national insurance contributions | - | - |
| 2,799,298 | 2,766,915 | Net pension assets, over-funded scheme | 2,615,416 | 2,584,152 |
| -325,401 | -300,968 | Accrued pension liabilities | -187,268 | -178,610 |
| 105,188 | 95,298 | Pension assets (at market value) | - | - |
| -220,213 | -205,670 | Net pension liabilities excluding employer's national insurance contributions and estimate differences | -187,268 | -178,610 |
| -23,463 | -20,035 | Non-recognised effect of estimate differences | 2,692 | 10,596 |
| -31,426 | -29,558 | Employer's national insurance contributions | -26,405 | -25,184 |
| -275,103 | -255,263 | Net pension liabilities, under-funded scheme | -210,981 | -193,198 |

The following assumptions have been applied in Norway for the TINE Group and TINE SA:

| Economic assumptions | 31.12.2020 | 31.12.2019 |
|--|------------------------|------------------------|
| Discount rate | 1.50 % | 2.30 % |
| Anticipated salary adjustment | 2.50 % | 3.00 % |
| Anticipated adjustment to National Insurance Scheme's basic amount (G) | 2.00 % | 2.50 % |
| Anticipated pension adjustment | 2.00 % | 2.50 % |
| Anticipated return on pension assets ¹⁾ | 3.20 % | 4.00 % |
| Demographic assumptions | | |
| Applied mortality table | K2013 | K2013 |
| Applied disability tariff | Strengthened KU | Strengthened KU |
| Voluntary retirement (all ages) | Average 3-5 % per year | Average 3-5 % per year |

¹⁾ When calculating pension cost for the year, anticipated return on the pension assets is based on historical and anticipated return from MP Pensjon.

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The economic and demographic assumptions used for calculating and accounting for pensions is based on expectations regarding actual membership, conditions for the MP Pensjon pension scheme and TINE's assumptions on future economic development.

| TINE GROUP | | | TINE SA | |
|------------|------------|--|------------|------------|
| 2020 | 2019 | Actual return on combined pension assets | 2020 | 2019 |
| 15.90 % | 14.13 % | Net return on pension assets in the group pension scheme | 15.90 % | 14.13 % |
| 31.12.2020 | 31.12.2019 | Pension assets in the group pension scheme with MP Pensjon comprise the following: | 31.12.2020 | 31.12.2019 |
| 51.10 % | 47.10 % | Shares | 51.10 % | 47.10 % |
| 40.70 % | 43.50 % | Bonds | 40.70 % | 43.50 % |
| 4.70 % | 4.30 % | Property | 4.70 % | 4.30 % |
| 3.50 % | 5.10 % | Other assets | 3.50 % | 5.10 % |

Sensitivity analysis for changes in assumptions

Measurement of defined benefit scheme pension liabilities and pension costs is based on several economic and demographic assumptions. The table below shows estimated sensitivity for the most significant economic assumptions in the TINE Group. Sensitivity specifies the amount-related effect on pension costs and gross pension liabilities relating to the group pension schemes with MP Pensjon as a result of a reasonable increase or reduction in one of the assumptions applied.

| | Discount rate | | Anticipated salary adjustment | | Anticipated pension adjustment | |
|---|---------------|--------|-------------------------------|--------|--------------------------------|--------|
| | 0.5 % | -0.5 % | 0.5 % | -0.5 % | 0.5 % | -0.5 % |
| Change in (NOK million) | | | | | | |
| Accrued pension liabilities entered in the balance sheet | -1,467 | 1,710 | 422 | -389 | 639 | -585 |
| Expensed present value of accrued entitlements for the year | -65 | 79 | 34 | -31 | 25 | -22 |

The most significant demographic assumption is the mortality table. A one-year increase in life expectancy will result in an increase in gross pension liabilities of NOK 689 million at 31.12.2020.

The analysis specified above was carried out by an actuary and is based on circumstances at 31.12.2020. The calculations are based on the assumption that all other assumptions remain unchanged. Keeping the other assumptions unchanged represents a limitation to the analysis, as there may be a correlation between some of the changes.

Note 9 Auditor's fees

Amounts in NOK thousands

| TINE GROUP | | | TINE SA | | TINE GROUP | | |
|--------------|--------------|---|--------------|--------------|--------------------------------------|--------------|--------------|
| 2020 | 2019 | Fees to elected auditor – Ernst & Young AS | 2020 | 2019 | Fees for other auditors | 2020 | 2019 |
| 4,375 | 3,490 | Statutory audit services | 1,847 | 1,665 | Statutory audit services | 3,074 | 2,458 |
| 1,016 | 1,160 | Fees for attestation services | 913 | 1,160 | Fees for tax advice | 520 | 1,017 |
| 461 | 443 | Fees for tax advice | 100 | 146 | Fees for other services | 2,314 | 1,406 |
| 486 | 455 | Fees for other services | 406 | 379 | | | |
| 6,338 | 5,548 | Total fees to elected auditor – Ernst & Young AS | 3,266 | 3,350 | Total fees for other auditors | 5,908 | 4,881 |

The table shows expensed fees for the auditor, excluding VAT. Fees for attestation services mainly relate to attestation services required by the Norwegian Agriculture Agency and certification of a report on corporate social responsibility. Fees for other services mainly relates to costs for acquisition of a company.

Fees to other auditors relates to the companies Norseland Inc., Alpine Dairy LLC and Lotito Foods Holding LLC.

Note 10 Other operating expenses

Amounts in NOK thousands

| TINE GROUP | | | TINE SA | |
|------------------|------------------|--|------------------|------------------|
| 2020 | 2019 | Type of cost | 2020 | 2019 |
| 1,268,515 | 1,365,943 | Indirect costs related to production and operations | 1,006,114 | 1,149,422 |
| 1,165,763 | 1,125,913 | Transport costs | 1,052,211 | 1,016,108 |
| -460,372 | -457,517 | Freight revenue (freight and distribution surcharge) ¹⁾ | -460,372 | -457,517 |
| 1,301,532 | 1,591,471 | Sales, marketing and other operating expenses | 878,781 | 1,152,594 |
| 13,335 | 14,075 | Property tax | 11,744 | 12,302 |
| 3,490 | 9,886 | Loss on sale of tangible fixed assets | 2,858 | 8,300 |
| 13,738 | 4,453 | Loss on receivables and contracts | 13,360 | 2,987 |
| 3,306,001 | 3,654,224 | Total other operating expenses | 2,504,696 | 2,884,196 |

¹⁾ Reimbursement from the price equalisation scheme for transport costs for raw milk for transport from the milk producer to the delivery point, see separate section on TINE Milk Supplies.

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Note 11 Taxes

Amounts in NOK thousands

| TINE GROUP | | | TINE SA | |
|--|----------------|---|----------------|----------------|
| 2020 | 2019 | Reconciliation from nominal to actual tax rate | 2020 | 2019 |
| 1,935,050 | 1,103,141 | Income before tax | 1,729,650 | 1,082,487 |
| 425,711 | 242,691 | Expected income tax as per nominal tax rate in Norway | 380,523 | 238,147 |
| Tax effect of the following items | | | | |
| 5,109 | 7,699 | Non-deductible costs | 2,807 | 6,425 |
| -8,263 | -4,916 | Non-taxable income | -15,968 | -8,383 |
| 4,880 | 4,108 | Tax rate differences overseas | - | - |
| -238,206 | -133,746 | Payments to milk producers | -238,206 | -133,747 |
| 5,578 | 7,289 | Amortisation of goodwill | - | - |
| -40,899 | -3,313 | Effect of change in deferred tax assets | - | - |
| -4,599 | -1,719 | Income from joint ventures and associated companies | - | - |
| -258 | -1,059 | Impairment of non-current financial assets | - | - |
| -338 | -292 | Effect of amended tax rate | - | - |
| 10,001 | 8,779 | Wealth tax | 10,001 | 8,779 |
| 1,105 | -466 | Tax for previous years | 496 | -439 |
| 3,605 | -1,710 | Other items | -611 | -577 |
| 163,426 | 123,345 | Total tax expense | 139,042 | 110,205 |
| 8.4 % | 11.2 % | Effective tax rate | 8.0 % | 10.2% |

As an effect of the change in deferred tax assets for the Tine Group, deferred tax assets for the Swedish operation of NOK 37 million have been included in the balance sheet, which were not previously entered.

| TINE GROUP | | | TINE SA | |
|----------------|---------------|--|---------------|---------------|
| 2020 | 2019 | Deferred tax effect from items entered against equity | 2020 | 2019 |
| -1,253 | -9,464 | Hedging of future cash flows | -1,253 | -9,464 |
| -22,496 | 2,616 | Hedging of net investment in foreign subsidiaries | - | - |
| -23,749 | -6,848 | Deferred tax effect from items entered against equity | -1,253 | -9,464 |

| TINE GROUP/NORWAY | | | TINE GROUP/OVERSEAS | |
|-------------------|---------|--|---------------------|-------|
| 2020 | 2019 | Distribution of tax expense in Norway and overseas | 2020 | 2019 |
| 187,420 | 116,900 | Tax expense | -23,994 | 6,445 |

Note 11 contd.

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Note 11 contd.

Amounts in NOK thousands

| TINE GROUP | | | TINE SA | |
|----------------|----------------|---|----------------|----------------|
| 31.12.2020 | 31.12.2019 | Payable taxes in the balance sheet | 31.12.2020 | 31.12.2019 |
| 131,740 | 114,195 | Income tax | 97,107 | 102,365 |
| - | - | Tax effect of group contribution paid | -366 | -4,077 |
| 10,001 | 8,779 | Wealth tax | 10,001 | 8,779 |
| 141,741 | 122,974 | Payable taxes in the balance sheet | 106,742 | 107,067 |

| TINE GROUP | | | | |
|----------------|----------------|--|----------------|----------------|
| | 31.12.2020 | | | 31.12.2019 |
| Receivables | Liabilities | Specification of tax effect of temporary differences and loss to carry forward | Receivables | Liabilities |
| - | 208,160 | Tangible fixed assets | - | 211,098 |
| - | 40,356 | Added value on acquisition | - | 38,400 |
| 3,221 | - | Long-term liabilities/receivables | 3,907 | - |
| - | 14,531 | Financial derivatives | 21,617 | - |
| - | 634,137 | Pension assets | - | 616,672 |
| - | 37,262 | Inventories | - | 30,246 |
| 75,486 | - | Short-term receivables | 29,286 | - |
| 26,560 | - | Short-term liabilities | 80,422 | - |
| 78,735 | - | Pension liabilities | 64,979 | - |
| - | 43,946 | Profit and loss account | - | 7,672 |
| 74,664 | - | Loss to carry forward | 62,518 | - |
| 258,666 | 978,392 | Total before offsetting | 262,729 | 904,088 |
| -174,806 | -174,806 | Offset tax assets/liabilities | -197,813 | -197,813 |
| 83,860 | 803,586 | Deferred tax assets/liabilities | 64,916 | 706,275 |
| - | -34,363 | Deferred tax assets/liabilities not entered in the balance sheet | -37,201 | - |
| 83,860 | 769,223 | Deferred tax assets/liabilities in the balance sheet | 27,715 | 706,275 |

Deferred tax assets are entered based on future income and are expected to be utilised. Most of the tax assets are related to activities carried out by partly owned subsidiaries in Norway. The loss to carry forward has no time limitation. Deferred tax

assets not entered in the balance sheet of NOK 37 million from the Swedish operation are entered in full as of 31.12.2020.

Note 11 contd.

Note 11 contd.

Amounts in NOK thousands

| TINE SA | | | | |
|---------------|----------------|--|----------------|----------------|
| 31.12.2020 | | | 31.12.2019 | |
| Receivables | Liabilities | Specification of tax effect of temporary differences and loss to carry forward | Receivables | Liabilities |
| - | 168,689 | Tangible fixed assets | - | 163,455 |
| - | 14,531 | Financial derivatives | 21,617 | - |
| - | 575,391 | Pension assets | - | 568,519 |
| - | 35,022 | Inventories | - | 29,696 |
| 52,641 | - | Short-term receivables | 641 | - |
| - | - | Short-term liabilities | 49,203 | - |
| 46,416 | - | Pension liabilities | 42,504 | - |
| - | 40,841 | Profit and loss account | - | 5,822 |
| 99,057 | 834,474 | Total before offsetting | 113,965 | 767,492 |
| -99,057 | -99,057 | Offset tax assets/liabilities | -113,965 | -113,965 |
| - | 735,417 | Deferred tax assets/liabilities | - | 653,527 |
| - | -34,363 | Deferred tax assets/liabilities not entered in the balance sheet | - | - |
| - | 701,054 | Deferred tax assets/liabilities in the balance sheet | - | 653,527 |

| TINE GROUP | | | TINE SA | |
|----------------|----------------|------------------------------|----------------|----------------|
| 2020 | 2019 | Specification of tax expense | 2020 | 2019 |
| 6,803 | -11,185 | Change in deferred tax | 47,527 | -2,884 |
| 131,739 | 114,195 | Income tax payable | 97,107 | 102,365 |
| 10,001 | 8,779 | Wealth tax payable | 10,001 | 8,779 |
| 14,883 | 11,556 | Other effects | -15,593 | 1,945 |
| 163,426 | 123,345 | Total tax expense | 139,042 | 110,205 |

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Note 12 Intangible assets and goodwill

Amounts in NOK thousands

| TINE GROUP | Patents | Trademarks | Customers | Other rights | Goodwill | Total 2020 | Total 2019 |
|--|--------------------|---------------|---------------|----------------|----------------|----------------|----------------|
| Acquisition cost at 01.01 | 102,198 | 52,467 | 18,500 | 324,596 | 297,895 | 795,655 | 328,567 |
| Additions (+) for the year ¹⁾ | 1,099 | - | - | 156,148 | - | 157,247 | 471,931 |
| Disposals (-) for the year | - | - | - | - | - | - | -6,347 |
| Currency effects | -2,986 | -80 | - | -3,451 | -4,178 | -10,695 | 1,505 |
| Acquisition cost at 31.12 | 100,311 | 52,387 | 18,500 | 477,293 | 293,717 | 942,207 | 795,655 |
| Accumulated amortisation and impairment at 31.12 | -9,215 | -26,008 | -7,908 | -136,107 | -119,981 | -299,219 | -195,394 |
| Book value at 31.12 | 91,096 | 26,379 | 10,592 | 341,186 | 173,736 | 642,988 | 600,261 |
| Amortisation for the year | -5,084 | -3,371 | -1,850 | -53,091 | -35,876 | -99,272 | -78,790 |
| Impairment for the year | - | - | - | -6,843 | - | -6,843 | - |
| Economic life | 20 years-perpetual | 10-20 years | 10 years | 5-10 years | 5-10 years | | |
| Amortisation plan | Linear | Linear | Linear | Linear | Linear | | |

¹⁾ Additions – other rights.

Additions for the year in the form of other rights for the TINE Group total NOK 156 million. Additions for the year for TINE SA are NOK 132 million, for Mimi AS NOK 20 million and for the other subsidiaries NOK 4 million.

Additions for the year for TINE SA and Mimi AS relate to custom-designed software. This is treated as an intangible asset and is classified under other rights.

| Goodwill is associated with: | 31.12.2020 | 31.12.2019 |
|------------------------------|----------------|----------------|
| Fjordland Group | 5,415 | 11,187 |
| Diplom-Is Group | 7,640 | 13,714 |
| Norseland Inc. Group | 95,481 | 113,063 |
| Mimiro AS | 65,200 | 73,350 |
| Total goodwill | 173,736 | 211,314 |

Note 12 contd.

Note 12 contd.

| Amounts in NOK thousands | | | | |
|--|----------------|----------|----------------|---------------|
| TINE SA | Other rights | Goodwill | Total 2020 | Total 2019 |
| Acquisition cost at 01.01 | 16,124 | 21,000 | 37,124 | 36,779 |
| Additions (+) for the year ¹⁾ | 132,117 | - | 132,117 | 344 |
| Disposals (-) for the year | - | -21,000 | -21,000 | - |
| Acquisition cost at 31.12 | 148,241 | - | 148,241 | 37,124 |
| Accumulated amortisation and impairment at 31.12 | -20,568 | - | -20,568 | -24,375 |
| Book value at 31.12 | 127,673 | - | 127,673 | 12,749 |
| Amortisation for the year | -10,352 | - | -10,352 | -5,809 |
| Impairment for the year | -6,843 | - | -6,843 | - |
| Economic life | 3-10 years | 5 years | | |
| Amortisation plan | Linear | Linear | | |

¹⁾ Additions – other rights: Custom-designed software is classified under other rights. Additions for the year of NOK 132 million relate to custom-designed software. Additions are amortised over 3, 5 or 10 years. The majority of the additions for the year will be amortised over 5 years.

Book value as of 31.12.2020 for intangible assets over 3 years: NOK 10 million.

Book value as of 31.12.2020 for intangible assets over 5 years: NOK 107 million.

Book value as of 31.12.2020 for intangible assets over 10 years: NOK 11 million.

The need for impairment of goodwill and other intangible assets has been evaluated. For indications of impairment in value, the recoverable amount is calculated based on discounting of future cash flows. The cash flows are based on budget and other available information at the time of evaluation. No indications of impairment in value have been identified for 2020.

| Amounts in NOK thousands | | | | |
|--------------------------|----------------|--|---------------|---------------|
| TINE GROUP | | | TINE SA | |
| 2020 | 2019 | Expensed research and product development | 2020 | 2019 |
| 14,994 | 15,068 | Research | 14,994 | 15,068 |
| 81,385 | 90,305 | Product development | 74,434 | 83,321 |
| 96,379 | 105,373 | Total expensed research and product development | 89,428 | 98,389 |

Significant ongoing research and development work is linked to our focus on the dairy sector, specifically within health and wellbeing.

Note 13 Tangible fixed assets

Amounts in NOK thousands

| TINE GROUP | Land/dwellings/cabins | Buildings/building fixtures | Machinery/equipment | Means of transport | Total 2020 | Total 2019 |
|---|-----------------------|-----------------------------|---------------------|--------------------|-------------------|-------------------|
| Acquisition cost at 01.01 | 347,415 | 7,720,245 | 12,260,136 | 1,094,351 | 21,422,148 | 19,565,557 |
| Additions (+) for the year ¹⁾ | 32,321 | 433,756 | 658,264 | 127,990 | 1,252,331 | 2,253,286 |
| Disposals (-) for the year | -3,538 | -94,165 | -180,027 | -92,235 | -369,965 | -403,710 |
| Currency effects | 9 | 16,010 | 12,406 | -217 | 28,208 | 7,015 |
| Acquisition cost at 31.12 | 376,207 | 8,075,846 | 12,750,779 | 1,129,889 | 22,332,722 | 21,422,148 |
| Accumulated depreciation and impairment at 31.12 | -42,251 | -3,727,800 | -8,023,754 | -664,424 | -12,458,229 | -11,493,561 |
| Book value at 31.12 | 333,956 | 4,348,046 | 4,727,025 | 465,465 | 9,874,493 | 9,928,587 |
| Depreciation for the year | -6,769 | -303,637 | -749,857 | -128,240 | -1,188,503 | -1,129,636 |
| Impairment for the year | - | - | -86,371 | -1,422 | -87,793 | -14,141 |
| Economic depreciation period | 10 years-perpetual | 20-30 years | 3-15 years | 5-10 years | | |
| Depreciation plan | Linear | Linear | Linear | Linear | | |
| Accounting gain (+) / loss (-) on sold operating assets | 9,205 | 234,465 | -1,395 | 6,975 | 249,250 | 12,360 |

| TINE SA | Land/dwellings/cabins | Buildings/building fixtures | Machinery/equipment | Means of transport | Total 2020 | Total 2019 |
|---|-----------------------|-----------------------------|---------------------|--------------------|-------------------|-------------------|
| Acquisition cost at 01.01 | 312,495 | 6,822,683 | 10,415,253 | 924,003 | 18,474,434 | 17,438,148 |
| Additions (+) for the year ¹⁾ | 21,523 | 301,456 | 562,168 | 101,205 | 986,352 | 1,422,621 |
| Disposals (-) for the year | -998 | -84,587 | -139,382 | -69,876 | -294,843 | -386,336 |
| Acquisition cost at 31.12 | 333,020 | 7,039,552 | 10,838,039 | 955,332 | 19,165,943 | 18,474,434 |
| Accumulated depreciation and impairment at 31.12 | -39,190 | -3,457,633 | -7,049,532 | -560,190 | -11,106,545 | -10,286,821 |
| Book value at 31.12 | 293,830 | 3,581,919 | 3,788,507 | 395,142 | 8,059,398 | 8,187,613 |
| Depreciation for the year | -6,389 | -269,107 | -628,756 | -106,203 | -1,010,455 | -989,227 |
| Impairment for the year | - | - | -84,943 | -1,422 | -86,365 | -14,114 |
| Economic depreciation period | 10 years-perpetual | 20-30 years | 3-15 years | 5-10 years | | |
| Depreciation plan | Linear | Linear | Linear | Linear | | |
| Accounting gain (+) / loss (-) on sold operating assets | 5 | 234,465 | -1,411 | 5,475 | 238,534 | 10,580 |

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Buildings and building fixtures consist of own production premises, warehouses and administrative buildings for use in the company's dairy operations and for ice-cream production. Renting to external lessees is insignificant. The need for impairment is evaluated where there are indications of impairment in value of tangible fixed assets. Tangible fixed assets are written down to the recoverable amount as a result of decisions on future closure of plants, restructuring of operations and projects that have proved less profitable than anticipated. Capitalised spare parts are included as non-current assets.

The table below shows the book value of buildings, technical installations and machinery under construction. Facilities under construction are entered as tangible fixed assets, but are not depreciated until they are taken into use.

Amounts in NOK thousands

| TINE GROUP | | | TINE SA | |
|----------------|------------------|--|----------------|----------------|
| 2020 | 2019 | Premises under construction | 2020 | 2019 |
| 98,812 | 352,280 | Buildings | 97,713 | 54,462 |
| 32,922 | 35,653 | Technical installations | 32,087 | 35,152 |
| 462,600 | 922,639 | Machinery | 454,705 | 532,571 |
| 594,334 | 1,310,572 | Total premises under construction | 584,505 | 622,185 |

Please refer to [note 5](#) for investment in large-scale new facilities.

Note 14 Subsidiaries, joint ventures and associated companies

Amounts in NOK thousands

| TINE GROUP | Registered office | Date of acquisition | Parent company TINE SA Ownership/voting share | Sub-group/subsidiary Ownership/voting share | Share of equity in the company at 31.12.2020 | Book value in TINE SA at 31.12.2020 | Book value in TINE SA at 31.12.2019 |
|-----------------------------------|--------------------|---------------------|--|--|--|---|---|
| Bunes Fryselager AS ¹⁾ | Porsgrunn | 1975 | 19 % | 40 % | 9,766 | 95 | 95 |
| Diplom-Is AS | Nittedal | 1991 | 100 % | | 435,018 | 476,158 | 476,158 |
| <i>Norsk Iskrem AS</i> | Nittedal | 1989 | | 100 % | | | |
| <i>Laguna Produkter AS</i> | Holmestrand | 2016 | | 100 % | | | |
| <i>Isdalen AS</i> | Oslo | 2016 | | 100 % | | | |
| <i>Kulinaris AS</i> | Trollåsen | 2017 | | 51 % | | | |
| <i>Plug-in Service AS</i> | Hagan | 2019 | | 100 % | | | |
| Fjordland AS | Oslo | 1985 | 51 % | | 108,573 | 18,333 | 18,333 |
| <i>Matvarehuset AS</i> | Bergen | 2014 | | 100 % | | | |
| <i>Safari Næringsmidler AS</i> | Bergen | 2016 | | 65 % | | | |
| <i>Hallheimslie 12 AS</i> | Bergen | 2018 | | 100 % | | | |
| Heimatt AS ²⁾ | Oslo | 2002 | 100 % | | 1,395 | 900 | 1,171 |
| Kukraft AS ³⁾ | Oslo | 2018 | 100 % | | 250 | 270 | 261 |
| LL Voss Handverksmeieri AS | Oslo | 1994 | | | - | - | 424 |
| Mimiro Holding AS ⁴⁾ | Ås | 2018 | 57 % | | 345,444 | 148,974 | 127,974 |
| <i>Mimiro AS</i> | Ås | 2018 | | 100 % | | | |
| Norseland Holdings Ltd. | Ilchester, UK | 2004 | 100 % | | 147,885 | 119,999 | 119,999 |
| <i>Norseland Ltd.</i> | Ilchester, UK | 2008 | | 100 % | | | |
| <i>Phonefood Ltd.</i> | Ilchester, UK | 2008 | | 100 % | | | |
| <i>Ridgebrick Ltd.</i> | Ilchester, UK | 2013 | | 100 % | | | |
| Norseland Inc. | Stamford, US | 1978 | 100 % | | 444,909 | 193,517 | 193,517 |
| <i>Alpine Dairy LLC</i> | Winesburg, US | 2012 | | 100 % | | | |
| <i>Lotito Foods Holding LLC</i> | Edison, US | 2019 | | 76 % | | | |
| Næringsmiddelproduksjon AS | Oslo | 2001 | 100 % | | 1,000 | 1,103 | 1,103 |
| OsteCompagniet AS ⁵⁾ | Oslo | 2001 | 100 % | | 1,015 | 1,000 | 3,053 |
| Sunniva Drikker AS ⁶⁾ | Oslo | 2002 | 100 % | | 1,000 | 1,000 | 12,427 |
| TINE Holding AB | Ulricehamn, Sweden | 2007 | 100 % | | 869,269 | 751,395 | 751,395 |
| <i>Wernersson Glass AB</i> | Ulricehamn, Sweden | 2003/04/06 | | 100 % | | | |
| <i>Wernersson Ost AB</i> | Ulricehamn, Sweden | 2007 | | 100 % | | | |
| <i>Wernersson Ost Danmark A/S</i> | Roskilde, Denmark | 2007/08/11 | | 100 % | | | |
| TINE Holding Ireland Ltd. | Dublin, Ireland | 2016 | | 100 % | 428,043 | 475,930 | 475,930 |
| <i>TINE Ireland Ltd.</i> | Dublin, Ireland | 2016 | | 100 % | | | |
| Total | | | | | 2,793,569 | 2,188,675 | 2,181,842 |

¹⁾ Total ownership interest in Bunes Fryselager AS for the TINE Group constitutes 59 per cent (TINE SA 19 per cent and Diplom-Is AS 40 per cent).

²⁾ Heimatt AS has received a group contribution with tax effect from TINE SA. The effect of the group contribution towards investment in the subsidiary is NOK +0.9 million. Heimatt AS has been written down in TINE SA by NOK 1.1 million.

³⁾ Kukraft AS has received a group contribution with tax effect from TINE SA. The effect of the group contribution towards investment in the subsidiary is NOK +8.8 million.

⁴⁾ Mimiro Holding AS conducted a share issue worth NOK 60 million in total. TINE SA's share was NOK 21 million. Following the share issue, TINE SA's ownership interest in Mimiro Holding AS has been reduced from 60 per cent to 57 per cent.

Through the share issue, Gjensidige Forsikring ASA gained a 6 per cent ownership interest in Mimiro Holding AS.

⁵⁾ OsteCompagniet AS has received a group contribution with tax effect from TINE SA and paid a group contribution without tax effect to TINE SA. The net effect of the group contributions towards investment in the subsidiary is NOK -2.1 million.

⁶⁾ Sunniva Drikker AS has paid group contributions both with and without tax effect to TINE SA. The net effect of the group contributions towards investment in the subsidiary is NOK -11.4 million.

Note 14 contd.

Amounts in NOK thousands

| | JOINT VENTURES (JV) AND ASSOCIATED COMPANIES (AS) | | | | TINE GROUP | | TINE SA | | | |
|--|---|---------------------|------------------------|-----------------------------------|--------------------------|-------------------------------|--------------------------|-------------------------------|--------------------------------------|--------------------------------------|
| | Registered office | Date of acquisition | Ownership/voting share | Number of shares/ownership shares | Share of net income 2020 | Share of equity at 31.12.2020 | Share of net income 2019 | Share of equity at 31.12.2019 | Value in balance sheet at 31.12.2020 | Value in balance sheet at 31.12.2019 |
| Fjordkjøkken AS | Varhaug | 1996 | 23.46 % | 6,100 | 7,502 | 39,646 | 5,155 | 33,317 | 9,700 | 9,700 |
| Skala AS ¹⁾ | Oslo | 1948 | 44.00 % | 11,000 | 16,932 | 49,585 | 4,125 | 44,472 | 866 | 984 |
| TUN Media AS | Oslo | 2000 | 25.50 % | 23,523,807 | 3,495 | 27,208 | 2,647 | 23,713 | 10,212 | 10,212 |
| Lotito Foods Holding LLC ²⁾ | Edison, US | 2016 | | | - | - | 25,688 | - | - | - |
| Other JV and AS | | | | | 1,647 | 6,232 | -149 | 5,603 | 2,046 | 2,046 |
| Total JV and AS | | | | | 29,576 | 122,671 | 37,466 | 107,105 | 22,824 | 22,942 |

¹⁾ TINE SA has sold and reduced its ownership interest in Skala AS from 50 per cent to 44 per cent. TINE SA holds 50 per cent voting rights in the company. The 2020 net income share for Skala AS included a gain from sale of shares.

²⁾ A gain of NOK 26 million was entered in 2019 for first-time investment in Lotito Foods Holding LLC.

INCOME FROM INVESTMENTS IN SUBSIDIARIES

Amounts in NOK thousands

| Type of financial income | TINE SA | |
|--|---------------|---------------|
| | 2020 | 2019 |
| Group contribution | 21,754 | 8,442 |
| Dividend | 24,000 | 23,702 |
| Total income from investments in subsidiaries | 45,754 | 32,144 |

COMPANY CHANGES

Business merger:

Maritex AS was merged with TINE SA with accounting effect from 1 January 2019.

New businesses:

Norseland Inc. increased its ownership interest in Lotito Foods Holding by 9 per cent in January 2020, from 66.7 per cent to 75.7 per cent.

Diplom-Is AS acquired all shares in the company Plug-In Service AS in March 2019.

Winding up of company:

LL Voss Handverksmeieri was wound up as a company in October 2020.

Business transfer:

The operations of OsteCompagniet AS were transferred to TINE SA as of 01.07.2020. The transaction is an inter-company business transfer and is therefore entered for accounting continuity. OsteCompagniet AS as a legal entity will remain, but with no activity.

Diplom-Is implemented a business transfer of the segment of the company that deals with servicing of refrigerating and freezing equipment for its subsidiary Plug-In Service AS, with accounting effect from 1 January 2020.

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Note 15 Inventories

Amounts in NOK thousands

| TINE GROUP | | | TINE SA | |
|------------------|------------------|------------------------------------|------------------|------------------|
| 31.12.2020 | 31.12.2019 | Specification | 31.12.2020 | 31.12.2019 |
| 514,165 | 489,093 | Raw ingredients | 313,680 | 276,510 |
| 200,461 | 119,146 | Goods in production | 108,177 | 133,539 |
| 1,293,848 | 1,317,268 | Self-manufactured ready-made goods | 1,199,271 | 1,220,085 |
| 414,771 | 420,685 | Commodities | 20,804 | 17,305 |
| 157,242 | 167,997 | Spare parts stock | 148,466 | 157,398 |
| 2,580,487 | 2,594,189 | Total inventories | 1,790,398 | 1,804,837 |

| 31.12.2020 | 31.12.2019 | Estimated value | 31.12.2020 | 31.12.2019 |
|------------------|------------------|----------------------------|------------------|------------------|
| 2,357,915 | 2,406,956 | Valued at acquisition cost | 1,675,562 | 1,685,322 |
| 222,572 | 187,233 | Valued at fair value | 114,836 | 119,515 |
| 2,580,487 | 2,594,189 | Total inventories | 1,790,398 | 1,804,837 |

The Group's inventories were written down by a total of NOK 64 million as of 31.12.2020. The corresponding figure for 2019 was NOK 31 million. The write-down reflects obsolescence and devaluation as a result of changed market conditions, mainly for powdered milk and cheese.

Note 16 Inter-company balances with joint ventures and associated companies

Amounts in NOK thousands

| TINE GROUP | | | TINE SA | |
|------------|------------|---|------------|------------|
| 31.12.2020 | 31.12.2019 | Inter-company balances with joint ventures and associated companies | 31.12.2020 | 31.12.2019 |
| 2,346 | 2,825 | Short-term receivables from joint ventures and associated companies | 2,321 | 2,825 |
| 35,388 | 48,800 | Short-term liabilities to joint ventures and associated companies | 35,288 | 48,800 |

Note 17 Equity

Amounts in NOK thousands

| TINE GROUP | | | | | 31.12.2020 | | | | | | 31.12.2019 |
|--------------------------------------|-------------------------|--------------|----------------|--------------|--|---------------|-------------------------|--------------|----------------|--------------|------------|
| Share capital | Subsequent payment fund | Other equity | Minority share | Total equity | | Share capital | Subsequent payment fund | Other equity | Minority share | Total equity | |
| 5,403 | 340,000 | 8,149,070 | 425,825 | 8,920,298 | Equity at 01.01 | 5,674 | 340,000 | 7,829,609 | 257,367 | 8,432,650 | |
| Change in equity for the year | | | | | | | | | | | |
| - | - | 1,758,367 | 13,258 | 1,771,625 | Net income for the year: majority and minority share | - | - | 947,622 | 32,173 | 979,795 | |
| - | - | -1,082,756 | - | -1,082,756 | Subsequent payments to milk producers | - | - | -607,936 | - | -607,936 | |
| - | 120,000 | -120,000 | - | - | Transferred to subsequent payment fund | - | - | - | - | - | |
| -215 | - | - | - | -215 | Net payments and disbursements of share capital | -271 | - | - | - | -271 | |
| - | - | 17,197 | - | 17,197 | Hedging of future cash flows | - | - | -19,561 | - | -19,561 | |
| - | - | -79,757 | - | -79,757 | Hedging of net investment in foreign subsidiaries | - | - | 10,276 | - | 10,276 | |
| - | - | -2,690 | -2,907 | -5,597 | Change in minority | - | - | 1,128 | 159,577 | 160,705 | |
| - | - | - | -23,313 | -23,313 | Minority share of paid dividend | - | - | - | -23,292 | -23,292 | |
| - | - | 90,988 | - | 90,988 | Translation difference | - | - | -14,243 | - | -14,243 | |
| - | - | -12,955 | - | -12,955 | Other items | - | - | 2,175 | - | 2,175 | |
| 5,188 | 460,000 | 8,717,464 | 412,863 | 9,595,515 | Equity at 31.12 | 5,403 | 340,000 | 8,149,070 | 425,825 | 8,920,298 | |

Minorities represent external ownership interests in subsidiaries

The minorities' share of equity is divided as follows:

| | TINE GROUP | |
|---------------------------------------|----------------|----------------|
| | 31.12.2020 | 31.12.2019 |
| Fjordland Group | 133,406 | 113,883 |
| Diplom-Is Group | 5,744 | 4,619 |
| Norseland Inc. Group | 116,894 | 164,402 |
| Mimiro AS | 150,032 | 136,330 |
| Bunes Fryselager AS | 6,787 | 6,591 |
| Total minority share of equity | 412,863 | 425,825 |

Note 17 contd.

Note 17 contd.

| TINE SA | | | | Amounts in NOK thousands | | | | |
|---------------|-------------------------|--------------|--------------|---|---------------|-------------------------|--------------|--------------|
| | | | | 31.12.2020 | 31.12.2019 | | | |
| Share capital | Subsequent payment fund | Other equity | Total equity | | Share capital | Subsequent payment fund | Other equity | Total equity |
| 5,403 | 340,000 | 7,965,266 | 8,310,669 | Equity at 01.01 | 5,674 | 340,000 | 7,620,207 | 7,965,881 |
| | | | | Change in equity for the year | | | | |
| - | - | 1,590,608 | 1,590,608 | Net income for the year | - | - | 972,283 | 972,283 |
| - | - | -1,082,756 | -1,082,756 | Subsequent payments to milk producers | - | - | -607,936 | -607,936 |
| - | 120,000 | -120,000 | - | Transferred to subsequent payment fund | - | - | - | - |
| -215 | - | - | -215 | Net payments and disbursements of share capital | -271 | - | - | -271 |
| - | - | 17,197 | 17,197 | Hedging of future cash flows | - | - | -19,561 | -19,561 |
| - | - | - | - | Other items | - | - | 273 | 273 |
| 5,188 | 460,000 | 8,370,315 | 8,835,503 | Equity at 31.12 | 5,403 | 340,000 | 7,965,266 | 8,310,669 |

Subsequent payments to milk producers

The basis for the subsequent payments is the net income for the year, and they are determined by the Annual General Meeting. They are distributed on the basis of the quantity of milk supplied during the calendar year. Payment cannot exceed what is consistent with good and prudent business practice.

Note 18 Balance sheet provisions for liabilities

Amounts in NOK thousands

The following provisions for liabilities are entered in the balance sheet as liabilities.

| TINE GROUP | | TINE SA | |
|---------------------------------|------------|------------|------------|
| 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| 102,667 | 102,849 | 100,987 | 99,349 |
| Costs relating to restructuring | | | |

Provisions for costs relating to restructuring measures and severance pay at TINE SA and Diplom-Is AS. Provisions are included in other short-term liabilities in the balance sheet.

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Note 19 Financial risk and hedging instruments

Amounts in NOK thousands

TINE SA takes a holistic approach to the Group's financial risks. The overall objective of TINE's financial guidelines is to contribute to a stable result. TINE SA uses interest rate derivatives as part of management of the Group's currency and interest rate exposure. Interest rate derivatives are entered into to achieve the desired interest rate structure for the loan portfolio. Forward exchange contracts, currency options and currency swaps are entered into to hedge cash flows in foreign currency and equity in foreign subsidiaries.

Currency risk

TINE SA is subject to currency risk in the form of transaction risk, which is mainly related to the sale of goods and purchase of input factors, as well as investments in and dividends from subsidiaries outside Norway. Balance risk is related to ownership interests in foreign subsidiaries in Sweden, Denmark, the UK, Ireland and the United States, with functional currencies other than NOK.

In order to reduce the risk associated with commercial transactions in foreign currency, TINE SA has entered into forward exchange contracts and currency options for USD and EUR where TINE SA is subject to the greatest exposure. Currency derivatives are valued in accordance with § 5-9 of the Accounting Act at fair value in the balance sheet. Unrealised changes in fair value are entered against equity. The TINE Group applies currency hedging of net investment in foreign subsidiaries.

| TINE GROUP | | | TINE SA | |
|----------------|----------------|---|----------------|----------------|
| 31.12.2020 | 31.12.2019 | | 31.12.2020 | 31.12.2019 |
| | | Market value of currency derivatives | | |
| -50,404 | -69,272 | Currency derivatives valued at fair value in the balance sheet | -50,404 | -69,272 |
| -50,404 | -69,272 | Total market value of currency derivatives ¹⁾ | -50,404 | -69,272 |

¹⁾ The total value of currency derivatives entered in the balance sheet is classified as long-term liabilities.

Change in unrealised values of currency derivatives in TINE SA constitutes NOK 19 million in 2020. Hedge accounting of currency derivatives is employed. Changes in the value of currency derivatives used for hedging of investment in foreign subsidiaries are entered against equity in the TINE Group. Currency changes relating to hedging of cash flows are entered against equity in TINE SA.

| TINE GROUP | | | TINE SA | |
|-------------|---------------|--|-----------------|---------------|
| 31.12.2020 | 31.12.2019 | | 31.12.2020 | 31.12.2019 |
| | | Realised and unrealised gain and loss on currency | | |
| 66,747 | -2,118 | Realised gain and loss on currency | -24,446 | 1,158 |
| -66,903 | 647 | Unrealised gain and loss on currency | -79,261 | 14,267 |
| -156 | -1,471 | Net realised and unrealised gain and loss on currency ¹⁾ | -103,707 | 15,425 |

¹⁾ Unrealised currency effects relating to cash flow hedging are entered as hedged. Realised currency effects relating to cash flow hedging over operating income. Gain and loss related to currency hedging of net investment in foreign subsidiaries is recognised in the income statement in TINE SA, but reversed in the TINE Group.

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TINE SA has implemented currency hedging for most of its net investments in TINE Holding AB, Wernersson Ost AB, Norseland Ltd., TINE Ireland Holding Ltd. and Norseland Inc. Currency loans and currency derivatives are used as hedging instruments. The changes in value of the hedging instruments are entered against equity in the TINE Group. Accumulated value of hedging of net investments constitutes NOK -188 million after tax as of 31.12.2020, compared with NOK -108 million as of 31.12.2019. The amount is included in the balance sheet item Other equity in the TINE Group.

Interest rate risk

The most significant interest rate risk exposure for TINE SA is linked to its loan portfolio. TINE's financial guidelines for managing interest rate risk aim to ensure that the Group has the most cost-effective financing possible as well as a certain degree of stability and predictability in financial costs.

In order to reduce risks associated with future interest payments, as a result of fluctuations in market rates, TINE SA opted to employ interest rate hedging instruments. The interest rate hedging instruments currently have a maturity of up to 10 years, some with a future start date. The degree of hedging varies, but is limited to 50 % of expected future net interest-bearing debt.

Amounts in NOK thousands

| TINE GROUP | | | TINE SA | |
|----------------|-----------------|--|----------------|----------------|
| 31.12.2020 | 31.12.2019 | Interest income and expenses | 31.12.2020 | 31.12.2019 |
| -1,451 | -2,750 | Interest income from companies in the same group | 6,648 | 11,123 |
| 4,993 | 17,876 | External interest income | 4,796 | 15,393 |
| -100,131 | -121,322 | External interest expenses | -98,921 | -121,349 |
| -96,589 | -106,196 | Net interest income and expenses | -87,477 | -94,833 |

| TINE GROUP | | | TINE SA | |
|----------------|----------------|---|----------------|----------------|
| 31.12.2020 | 31.12.2019 | Market value of interest rate derivatives excluding accrued interest | 31.12.2020 | 31.12.2019 |
| -95,673 | -46,399 | Total interest rate derivatives where change in value is entered against equity | -95,673 | -46,399 |
| -95,673 | -46,399 | Total market value of interest rate derivatives excluding accrued interest ¹⁾ | -95,673 | -46,399 |

¹⁾ Total value of interest rate derivatives entered in the balance sheet is included in the balance sheet item for long-term financial liabilities.

Interest rate derivatives relate to cash flow hedging of future interest payments and changes in value are entered against equity. There were no realised interest rate derivatives in 2020, but in 2019 four interest rate derivatives were realised with a market value of NOK -96 million. The realised interest rate derivatives were included in the cash flow hedging of future interest payments. The realisation amount is included in other equity and is entered in the income statement in line with the interest payments originally hedged by the derivatives. Accumulated unrealised and realised changes in the value of

cash flow hedging of interest rate and currency risk constitutes NOK 193 million after tax as of 31.12.2020, compared with NOK -210 million as of 31.12.2019. The amount is included in the balance sheet item Other equity for both the TINE Group and TINE SA.

Interest rate sensitivity analysis

The analysis illustrates the interest rate risk associated with the Group's interest-bearing debt at 31.12.2020. The table here shows how an interest rate change of 2 percentage points is

expected to affect the result for the next financial year (amounts in NOK million). The Group has entered into several interest rate derivatives. Five interest rate swaps will be active in 2020. In addition, fixed-rate bonds amount to NOK 855 million. Non-commenced interest rate swaps are not included in the analysis. A nominal tax rate of 22 per cent has been used.

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| TINE GROUP | | | TINE SA | | |
|------------|---------------------------|---|---------|---------------------------|----------------------------|
| | Net interest-bearing debt | Effect on result after tax | | Net interest-bearing debt | Effect on result after tax |
| | 3,035 | -34 | | 2,921 | -31 |
| | 3,035 | 34 | | 2,921 | 31 |
| | | Net effect of positive change in interest rate (+2 %) | | | |
| | | Net effect of negative change in interest rate (-2 %) | | | |

Credit risk

Credit risk is the risk that a party will inflict a financial loss on another party by failing to meet its obligations. The TINE Group assumes counterparty risk for sales of goods, through the operating guarantee scheme for milk producers, by investing in surplus liquidity and through trading in financial derivatives.

The TINE Group has established procedures for credit assessment of customers and credit limits are determined in accordance with the company's guidelines. These guidelines include a requirement for terms of settlement that provide a guarantee of payment for the goods delivered. TINE's customers include wholesalers and individual customers within multiple customer segments. Their ability to pay is considered good and losses on receivables have historically been low in the TINE Group. A changed outlook for Norwegian macroeconomics has meant that follow-up on vulnerable customer groups has been strengthened in the TINE Group.

TINE SA has also entered into an operating guarantee scheme where TINE SA guarantees a maximum of 50 per cent of the outstanding credit held by the milk producers under the scheme of Short-term credit for agriculture. Payments from this scheme have historically been low. Counterparty risk for financial derivatives and investment in surplus liquidity is reduced by selecting counterparties with a high credit rating, and by means of diversification.

Liquidity risk

Liquidity risk is the risk that the TINE Group will not be able to service its financial liabilities as they mature. The TINE Group manages its liquidity risk by having sufficient liquidity reserves and credit facilities with agreed credit limits with banks and by continuously monitoring future cash flows related to financial assets and liabilities in the balance sheet. Liquidity for the TINE Group is deemed to be good. As of 31.12.2020 the TINE Group has available limits within loan facilities that would be able to cover short-term refinancing needs, and available limits indicate that the liquidity risk can be considered very low.

Please refer to [note 23](#) for a more detailed description of the credit facilities and financing situation.

Commodity risk:

Due to the Covid-19 situation in 2020, this year has shown trends that differ from other years. This remains a major factor as we enter 2021. Prices on the world market for the most important bulk products showed a reasonably identical trend line for 2020.

Butter showed a fall in price over the first half of the year like all other bulk products in the dairy market, but the price stabilised and showed a steady increase to the end of the year and looks to have stabilised for 2021.

Prices for Cheddar and Gouda experienced a decrease for the first half of the year and a rise in the second half, meaning prices at the end of the year were almost on a level with the start of 2020. Market demand overall has been stable, as cheese volumes that would have been used in the catering and restaurant market have been diverted to the grocery market instead, which has experienced increased demand owing to the prevailing situation. As a result, total cheese production was unchanged, since consumption matched production.

WMP (Whole Milk Powder), like butter and cheese, saw a fall in price over the first six months, followed by a rising price level in the second half of the year, which seems to have stabilised going into 2021. SMP (Skimmed Milk Powder) also saw a fall in price, like all other products, for the first half of the year, but has crept back up in the second half and prices are expected to be stable for the first half of 2021.

A slight increase in weighed milk volumes is estimated for the United States for 2021, continuing the trend from 2020. In the EU, it is estimated to be approximately the same as 2020, with some countries continuing the downward trend and others showing a continued rise, thus balancing out the total for the region, while Oceania reports an expected slight decline. The impact of the weather on supply of feed together with Covid-19 are the two biggest factors creating uncertainty in the market for 2021. However, to summarise, it appears that the raw material price of milk has stabilised throughout 2020 and this will continue into 2021.

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Note 20 Net other financial income and expenses

Amounts in NOK thousands

| TINE GROUP | | | TINE SA | |
|---------------|----------------|--|---------------|----------------|
| 2020 | 2019 | | 2020 | 2019 |
| - | - | Impairment of investments in subsidiaries | -1,171 | -4,814 |
| -60 | -5,975 | Impairment of investments in other companies | -60 | -5,975 |
| 3,473 | 7,449 | Change in value of market-based financial current assets | 3,473 | 7,449 |
| 18,336 | 506 | Other financial income | 16,761 | 486 |
| -11,713 | -17,541 | Other financial expenses | -4,851 | -7,966 |
| 10,036 | -15,561 | Net other financial income and expenses | 14,152 | -10,820 |

Other financial income in 2020 includes a gain of NOK 16 million from sale of TINE's shares in Rørosmeieriet AS.

Note 21 Guarantees

Guarantees:

Bank guarantees

The TINE Group has a guarantee limit of NOK 250 million at its disposal with Handelsbanken Norge. The guarantee liability mainly covers tax deduction guarantees for TINE SA and its subsidiaries as well as transport licence guarantees for TINE SA.

Guarantees provided by TINE

TINE SA is jointly and severally liable to Handelsbanken Norge for guarantees provided on behalf of subsidiaries. At 31.12.2020, this commitment amounted to NOK 208 million. In other respects, TINE SA covers a maximum of 50 per cent of the current operating credit facilities held by the milk producers under the scheme of Short-term credit for agriculture. Please refer also to [note 19](#), section on credit risk.

Note 22 Bank deposits, cash and money market securities

Amounts in NOK thousands

| TINE GROUP | | | TINE SA | |
|------------------|----------------|--|------------------|----------------|
| 31.12.2020 | 31.12.2019 | Bank deposits, cash and money market securities | 31.12.2020 | 31.12.2019 |
| 355,194 | 64,276 | Bank deposits and cash | 204,531 | 4,154 |
| 750,533 | 488,875 | Bank deposits, group account scheme | 750,533 | 488,875 |
| 604,360 | 101,035 | Fixed income fund | 604,360 | 101,035 |
| 1,710,087 | 654,186 | Total bank deposits, cash and money market securities | 1,559,424 | 594,063 |
| | | of which: | | |
| 2,590 | 2,830 | Tied bank deposits | - | - |

Note 23 Other long-term liabilities

Amounts in NOK million

The table below shows other long-term liabilities:

| TINE GROUP | | | TINE SA | |
|--------------|--------------|--|--------------|--------------|
| 31.12.2020 | 31.12.2019 | Type of loan | 31.12.2020 | 31.12.2019 |
| 2,655 | 2,655 | Bond loans | 2,655 | 2,655 |
| 1,369 | 1,369 | Other long-term interest-bearing liabilities | 1,369 | 1,369 |
| 397 | 374 | Multi-currency drawing rights | 397 | 374 |
| 110 | 41 | Other loans | 55 | 20 |
| 17 | 17 | Leasing | 6 | 17 |
| 4,548 | 4,456 | Total other long-term liabilities | 4,482 | 4,435 |

The table below shows contractual due dates and instalments per loan type per year:

| TINE GROUP | | | | | | TINE SA | | | | | | |
|----------------------------|------------|------------|--------------|------------|--|--------------|----------------------------|------------|--------------|------------|--|------|
| Due date and instalment in | | | | | 2024 | Type of loan | Due date and instalment in | | | | | 2024 |
| 2020 | 2021 | 2022 | 2023 | and later | | 2020 | 2021 | 2022 | 2023 | and later | | |
| 450 | 500 | 450 | 900 | 355 | Bond loans | 450 | 500 | 450 | 900 | 355 | | |
| 487 | 64 | 64 | 128 | 627 | Other long-term interest-bearing liabilities | 487 | 64 | 64 | 128 | 627 | | |
| - | 397 | - | - | - | Multi-currency drawing rights | - | 397 | - | - | - | | |
| 18 | 18 | 63 | 6 | 6 | Other loans | - | - | 55 | - | - | | |
| 2 | 2 | 2 | 2 | 11 | Leasing | 1 | 1 | 1 | 1 | 2 | | |
| 956 | 980 | 578 | 1,035 | 998 | Total contractual instalments | 938 | 962 | 569 | 1,029 | 984 | | |

In 2020, the average interest rate for long-term interest-bearing liabilities was 1.7 per cent. This figure includes active interest rate swaps. The corresponding average interest rate for 2019 was 1.9 per cent.

Bonds

TINE SA has seven bond loans listed on ABM (Alternative Bond Market) with a total outstanding of NOK 2,655 million as of 31.12.2020. For all bonds, a loan agreement has been entered into with Norsk Tillitsmann ASA. The loans have a negative pledge clause and are pari passu with other interest-bearing loans.

Other long-term interest-bearing liabilities

TINE SA's other long-term interest-bearing liabilities amount to NOK 1,369 million as of 31.12.2020 and consist of two loans from KfW IPEX-Bank and one from Nordic Investment Bank.

Multi-currency revolving credit facility (RCF)

TINE has an agreement with four banks for a long-term RCF of NOK 1,200 million. The credit facility agreement was entered into in June 2015 and matures in June 2022. The facility is primarily used as a back-stop for short-term financing. As of 31.12.2020, NOK 397 million was drawn on the loan agreement, relating to hedging of net investment in foreign subsidiaries. See [note 19](#) for further details.

Loan terms

The agreements limit the possibility of raising new loans with collateral without the approval of the lenders. Other important loan terms and conditions include the requirement for the TINE Group's equity ratio to be at least 40 per cent, restriction of access to use of financial leasing and that sales of assets that constitute a significant element of the business must be approved by the lenders. TINE SA satisfies all loan terms.

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Note 24 Short-term interest-bearing liabilities

Amounts in NOK thousands

| TINE GROUP | | | TINE SA | |
|----------------|----------------|--|------------|------------|
| 31.12.2020 | 31.12.2019 | Short-term interest-bearing liabilities | 31.12.2020 | 31.12.2019 |
| 196,976 | 200,788 | Overdraft facility, outside group account scheme | - | - |
| 196,976 | 200,788 | Total short-term interest-bearing liabilities | - | - |
| 822,997 | 771,322 | Unused portion of overdraft facility | 700,000 | 700,000 |

TINE SA has a group account agreement with Danske Bank A/S with a total overdraft facility for the entire group of NOK 700 million. The exception is Norseland Inc. and its subsidiaries. This company has a separate bank agreement and overdraft facility with DNB ASA of USD 20 million. Norseland Inc.'s subsidiary Lotito Foods Holding LLC also has an overdraft facility of USD 5 million and an RCF of USD 12.5 million, both from American banks.

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Note 25 Related parties and key personnel

Amounts in NOK

The Board, council, control committee and group management are defined as related parties and key personnel in TINE.

| The Board | Director's fees, TINE SA | Other remuneration |
|---|--------------------------|--------------------|
| Marit Haugen (<i>Chair of the Board</i>) | 578,400 | 477,112 |
| Nils Asle Dolmseth (<i>Deputy Chair</i>) ²⁾ | 77,300 | 36,069 |
| Rolf Øyvind Thune (<i>Deputy Chair</i>) ¹⁾ | 268,150 | 78,164 |
| Einar Meisfjord ¹⁾ | 165,575 | 53,194 |
| Hege Persen ¹⁾ | 153,750 | 43,255 |
| Bjørnar Gjerde ¹⁾ | 164,150 | 56,372 |
| Anne Berit Løset ¹⁾ | 153,750 | 19,420 |
| Anders Johansen ²⁾ | 51,250 | 56,115 |
| Cecilie Bjørlo ²⁾ | 51,250 | 45,694 |
| Askild Eggebø | 205,000 | 87,370 |
| Helge Arne Espeland | 205,000 | 56,175 |
| Elisabeth Irgens Hokstad ²⁾ | 51,250 | 40,456 |
| Solveig Bratteng Rønning | 205,000 | 93,471 |
| Nina Kolltveit Sæter | 205,000 | 8,750 |
| Elin Johanne Aarvik (<i>employee-elected</i>) | 205,000 | 1,875 |
| Tor Arne Johansen (<i>employee-elected</i>) | 205,000 | 625 |
| Ottar Råd (<i>employee-elected</i>) | 205,000 | 1,875 |
| Jeffrey Elliot Thomas (<i>employee-elected</i>) | 205,000 | 1,875 |
| Deputy members | | |
| Asgeir Pollestad | 131,400 | 68,702 |
| Randi Holien Bartnes ¹⁾ | 45,875 | 6,250 |
| Thomas C. Meyer French ¹⁾ | 45,875 | 5,000 |
| Randi Einarsen (<i>employee-elected</i>) | 57,900 | - |
| Kurt Ivan Haukeland (<i>employee-elected</i>) ²⁾ | 38,175 | 1,875 |
| Dag Rune Herting (<i>employee-elected</i>) | 81,600 | 1,875 |
| Siri Margrethe Byberg (<i>employee-elected</i>) ¹⁾ | 43,425 | 625 |

¹⁾ Joined 22.04.2020.

²⁾ Left 22.04.2020.

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| Annual General Meeting and council meeting | Fees, TINE SA | Other remuneration |
|--|---------------|--------------------|
| Odd Einar Hjortnæs (Chair) | 172,700 | 108,669 |
| Einar Åbergsjord (Deputy Chair) ²⁾ | 55,200 | 35,933 |
| Nina Vangen Ranøien (Deputy Chair) ¹⁾ | 71,000 | 29,980 |

| Control committee | Fees, TINE SA | Other remuneration |
|-------------------------------------|---------------|--------------------|
| Per Amb (Chair) | 75,800 | 3,750 |
| Sigrun Bakken Lerhol (Deputy Chair) | 54,100 | 6,264 |
| Petter Arne Ekroll | 54,100 | 13,848 |

| Group management | Total expenses for salaries | Director's fees from subsidiaries | Pension costs | Other remuneration |
|------------------------------------|-----------------------------|-----------------------------------|---------------|--------------------|
| Employees of TINE SA | | | | |
| Gunnar Hovland (CEO) | 4,095,385 | - | 1,867,497 | 137,961 |
| Johnny Ødegård | 1,579,807 | - | 621,865 | 137,961 |
| Per Ivar Berg | 2,188,512 | - | 1,081,419 | 140,409 |
| Aniela Gjøs | 2,115,348 | - | 999,318 | 133,726 |
| Terje Døsrønningen | 1,806,969 | 79,500 | 548,918 | 205,044 |
| Vegard Gillebo | 2,227,077 | - | 1,348,335 | 242,121 |
| Richard Lawrence | 2,321,603 | - | 1,051,065 | 574,606 |
| Elisabeth Tapper | 1,889,229 | - | 1,393,215 | 137,961 |
| Tina Hermansson Berg ³⁾ | 1,050,000 | - | 605,701 | 90,586 |
| Kristin Muri Møller ⁴⁾ | 1,000,000 | - | 538,642 | 69,090 |
| Lise Falkfjell ⁵⁾ | 687,500 | 86,000 | 240,159 | 57,210 |
| Jørn Spakrud ⁶⁾ | 1,912,223 | 86,000 | 1,096,938 | 112,645 |

¹⁾ Joined 22.04.2020.

²⁾ Left 22.04.2020.

³⁾ Joined 01.06.2020.

⁴⁾ Joined 01.07.2020.

⁵⁾ Left 31.05.2020.

⁶⁾ Left 31.10.2020.

Neither the Chair of the Board, other board members, the CEO or other members of group management receive bonuses, options or have agreements on profit sharing. The note is based on disbursement, with the exception of pensions, which are based on accrued pension entitlement for the year. None of the listed key executives have a loan or guarantee from TINE.

Gunnar Hovland is a member of the occupational pension scheme for employees with salaries above 12 G. The pension benefit from this scheme constitutes 66 % of salary in excess of 12 G and comes into effect from age 67. The other members of the group management team are included in the same occupational pension scheme.

Note 26 Off-balance sheet lease commitments

Amounts in NOK thousands

TINE SA and its subsidiaries in the TINE Group have leases and lease contracts relating to rental of office premises, warehouses, cold stores, production machinery, means of transport, computers and office equipment and freezers.

The table below shows annual rent and duration of lease agreements:

| TINE GROUP | | | TINE SA | | |
|----------------|----------------|--|-----------------------------|---------------|----------------|
| 31.12.2020 | 2019 | Lease | Duration of lease agreement | 2020 | 2019 |
| 95,213 | 107,898 | Office premises | 3-10 years | 60,439 | 75,333 |
| 13,042 | 11,651 | Warehouse and cold storage facilities | 1-10 years | - | - |
| 33,208 | 19,921 | Production machinery | 3-7 years | 13,574 | 16,483 |
| 8,279 | 10,912 | Means of transport | 2-5 years | 761 | 1,301 |
| 2,120 | 12,326 | Computers and office equipment | 3 years | 1,466 | 11,590 |
| 447 | 544 | Freezers | 4-5 years | - | - |
| 152,309 | 163,252 | Total off-balance sheet lease commitments | | 76,240 | 104,707 |

Note 27 Transactions with related parties

Amounts in NOK thousands

| | TINE SA | |
|--|-----------|-----------|
| | 2020 | 2019 |
| Transactions with subsidiaries | | |
| Sales of goods and services | 2,548,540 | 2,388,975 |
| Purchases of goods and services | 3,837,427 | 2,465,378 |
| Transactions with joint ventures and associated companies | | |
| Sales of goods and services | 27,203 | 21,727 |
| Purchases of goods and services | 872,126 | 669,122 |

We define related parties as our owners, key personnel, all subsidiaries, joint ventures and associated companies of TINE SA, as well as MP Pensjon.

For transactions with our owners, please refer to the separate section on TINE Milk Supplies, which specifies transactions relating to subsequent payments and purchase of raw milk from milk producers. For transactions with MP Pensjon, please refer

to information on paid pension premiums in [note 8](#) regarding pensions and pension liabilities. Payments to key personnel are covered in [note 25](#).

Inter-company balances with group companies are specified on separate lines in the balance sheet and covered in [note 14](#), while inter-company balances with joint ventures and associated companies are covered in [note 16](#). For TINE SA's

ownership interests in subsidiaries, joint ventures and associated companies, refer to [note 14](#).

Goods to subsidiaries, joint ventures and associated companies are sold at the same prices and under the same terms as applied for external third parties. Services to the same related parties are sold at cost price plus estimated profit under market conditions depending on the type of service.

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Note 28 Mortgages

Amounts in NOK thousands

| | TINE GROUP | |
|--|----------------|----------------|
| | 31.12.2020 | 31.12.2019 |
| Balance sheet value of liabilities secured by mortgage | 80,181 | 74,873 |
| Balance sheet value of assets pledged as collateral for these liabilities | | |
| Inventories | 181,208 | 234,008 |
| Trade receivables | 139,387 | 147,000 |
| Total pledged assets | 320,595 | 381,008 |

Mortgage security has been provided for a limited portion of the short-term liabilities at Group level. These liabilities were taken up by TINE's subsidiary before the TINE Group established its current loans. TINE has undertaken not to take out new mortgage loans on the Group's assets without the lender's consent.

Note 29 Environmental conditions

TINE has adopted environmental goals in the areas of greenhouse gas emissions (CO₂), waste, energy consumption, fuel consumption, emissions into water and generated waste. Achieving these goals involves operating expenses, labour costs and investment. We have fees relating to emissions into water and disposal of various types of waste. There are environmental charges on several types of packaging. Investments have been made to help reduce TINE's environmental impact; for example, by constructing and upgrading treatment plants, equipment to save energy, fuel and water, and waste-sorting equipment. Furthermore, the company is investing in technology that contributes to reducing waste and enables increased use of renewable resources for production and transport. For further information, please refer to our statement in this annual report and the company's digital annual report at www.tine.no.

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Note 30 Balance with the Norwegian Agriculture Agency – market regulation and the price equalisation scheme

The market schemes for milk consist of:

1. The quota scheme, which aims to adapt milk production to market demand
2. Market regulation, handled by TINE SA on behalf of all milk producers in the country
3. Subsidy schemes for milk producers in the form of basic and district subsidies
4. The price equalisation scheme that balances out differences in use of milk and geographical location of milk producers
5. Import protection

The outstanding accounts in this note cover market regulation (2) and the price equalisation scheme (4).

Market regulation

The Agricultural Marketing Board is responsible for the regulations that lay down the conditions for implementation of market regulation. Market regulation is funded by sales tax and over-production tax paid by all milk producers in the country through deductions from settlements for milk. The Agricultural

Marketing Board governs the use of the funds. The Norwegian Agriculture Agency is secretariat for the Agricultural Marketing Board and processes applications and proposals from the market regulator and presents recommendations on decisions to the Agricultural Marketing Board.

The purpose of market regulation is to implement various measures so that:

- The milk producers are guaranteed sales of their output up to agreed target price.
- TINE Milk Supplies can ensure satisfactory supply of raw milk on the same terms to all players in the market scheme for milk.
- The consumer market is guaranteed adequate and constant access to milk-based foods.

Funds allocated for regulatory measures under the direction of TINE SA in 2020 amounted to NOK 112.2 million. Funds used for regulatory measures under the direction of TINE SA in 2020 amounted to NOK 109.5 million. The corresponding figures for 2019 were NOK 119.1 million and NOK 132.3 million respectively.

The provision measures within the market regulation scheme consist of various schemes established within the regulations, including domestic price reduction, regulated storage levels and regulated capacity. In addition, funds are used for the school milk scheme, specialist measures aimed at quality and breeding work in the livestock industry and information work under the direction of the Norwegian Dairy Council (melk.no) and The Foundation of Norwegian Food. Administrative costs are also incurred at TINE SA and costs for managing the scheme at the Norwegian Agriculture Agency and the Agricultural Marketing Board. Detailed accounts can be found in the Agricultural Marketing Board's annual report. This also applies to the costs for purchasing of quotas in 2020, which was mainly funded by the sales tax.

The data on market regulation and applications for cost recovery are not processed by the Agricultural Marketing Board until April of the following year. This means that changes may arise after the turn of the year. Final settlement between the Norwegian Agriculture Agency and TINE SA is therefore undertaken in the following financial year.

FUNDS AVAILABLE FOR MARKET REGULATION

| | | |
|---|--|--|
| Outstanding accounts as of 01.01 | | |
| Correction for previous year | | |
| Settled with the Norwegian Agriculture Agency for previous year | | |
| Funds for regulatory measures under the direction of TINE SA | | |
| Received for specialist measures and information activities | | |

Total funds available for market regulation

UTILISED MARKET REGULATION FUNDS

| | | |
|---|--|--|
| Domestic price reduction, excluding school milk | | |
| School milk scheme | | |
| Others measures, excluding administration | | |
| Administration of market regulation scheme at TINE SA | | |
| Specialist measures and information activities | | |

Total utilised market regulation funds

Outstanding accounts with the Norwegian Agriculture Agency relating to market regulation as of 31.12

Amounts in NOK thousands

| | 2020 | 2019 |
|---|----------------|----------------|
| Outstanding accounts as of 01.01 | -13,129 | -4,026 |
| Correction for previous year | -1,458 | 1,121 |
| Settled with the Norwegian Agriculture Agency for previous year | 14,587 | 2,905 |
| Funds for regulatory measures under the direction of TINE SA | 112,186 | 119,136 |
| Received for specialist measures and information activities | 36,650 | 33,350 |
| Total funds available for market regulation | 148,836 | 152,486 |
| Domestic price reduction, excluding school milk | 25,562 | 31,344 |
| School milk scheme | 5,744 | 8,839 |
| Others measures, excluding administration | 69,055 | 82,969 |
| Administration of market regulation scheme at TINE SA | 9,166 | 9,113 |
| Specialist measures and information activities | 36,650 | 33,350 |
| Total utilised market regulation funds | 146,177 | 165,615 |
| Outstanding accounts with the Norwegian Agriculture Agency relating to market regulation as of 31.12 | 2,658 | -13,129 |

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Costs related to price reduction measures and the school milk scheme are charged to the market regulator and credited against costs of goods for the relevant sales channel. Costs relating to other measures are credited to the functional area, while specialist measures and information activities are paid to the relevant interest organisation. Monthly payments on account from the Norwegian Agriculture Agency are entered in the balance sheet and settled on an ongoing basis, while final settlement only happens after all applications have been processed.

The rates for sales tax collected from milk producers was 30 øre per litre in 2020. The corresponding figure for 2019 was 12 øre per litre for the first six months and 22 øre per litre for the second half of the year. Over-production tax was NOK 4.90 per litre, an increase from NOK 4.80 per litre in 2019. In addition, research fees are charged on raw milk delivered to TINE SA and other players. TINE Milk Supplies collects the fees on behalf of the Norwegian Agriculture Agency.

The price equalisation scheme

The price equalisation scheme for milk aims to regulate the price differentiation for milk as a raw ingredient for various uses under the terms of the Agricultural Agreement by ensuring a higher overall level of market uptake and at the same giving milk producers the chance of equal milk prices regardless of what the milk is used for and location of production. Another important prerequisite for the scheme is to ensure equal conditions of competition for the players covered by the scheme. The scheme is based on the regulations relating to the price equalisation scheme for milk established by the Ministry of Agriculture and Food on 18 December 2007.

In 2020 the number of price groups was reduced from 12 to 4 and the subsidy for brand exports was abolished from 1 July.

| | Amounts in NOK thousands | |
|---|--------------------------|-----------------|
| | 2020 | 2019 |
| Equalisation fees and subsidies | | |
| Main milk and by-product use | -621,129 | -554,211 |
| Settlement for main milk and by-product use for previous years | 14,425 | - |
| Net equalisation fees and subsidies | -606,704 | -554,211 |
| Freight supplement | 453,566 | 450,325 |
| Distribution supplement | 6,806 | 7,192 |
| Total freight and distribution supplement | 460,372 | 457,517 |
| Net fees and subsidies relating to price equalisation scheme | -146,332 | -96,694 |

Main milk and by-product use is charged to cost of goods. Freight supplement and distribution supplement are entered as a cost reduction under Other operating expenses, refer to [note 10](#).

| | Amounts in NOK thousands | |
|---|--------------------------|----------------|
| | 31.12.2020 | 31.12.2019 |
| Outstanding accounts with the Norwegian Agriculture Agency relating to the price equalisation scheme | -37,780 | -53,363 |

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Statement from the Board of Directors and Chief Executive Officer

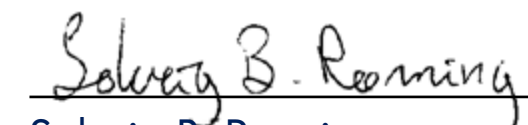
The Board of Directors and the Chief Executive Officer have today reviewed and accepted the Annual Accounts for TINE SA and the TINE Group for the period 1 January to 31 December 2020. We confirm that to the best of our knowledge:

- The Annual Accounts for 2020 have been prepared in accordance with current, applicable accounting standards.
- The information in the accounts gives a true and fair view of the company's and the Group's assets, liabilities, financial position and net income or loss as a whole.
- The Annual Report provides a true and fair view of the development, results and position of the company and the Group.
- The Annual Report gives a description of the most important risk and uncertainty factors faced by the company and the Group.

Oslo, 16 February 2021


Marit Haugen
Chair of the Board

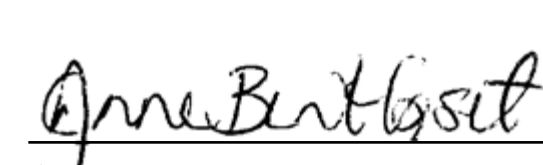

Rolf Øyvind Thune


Solveig B. Rønning


Bjørnar Gjerde


Nina K. Sæter


Hege Persen

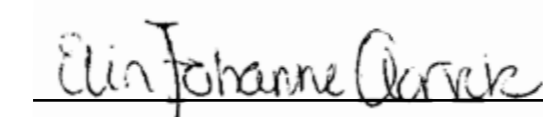

Anne Berit Løset


Einar Johnsen Meisfjord

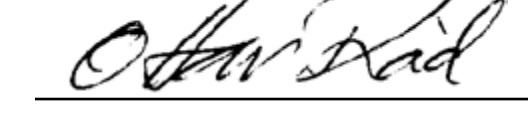

Askild Eggebø


Helge Arne Espeland


Tor Arne Johansen


Elin Aarvik


Jeffrey Thomas


Ottar Råd


Gunnar Hovland
CEO

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of TINE SA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of TINE SA, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheets as at 31 December 2020, the income statement, statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2020 and their financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

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going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.



Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 16 February 2021
ERNST & YOUNG AS

Asbjørn Ler
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

TINE Milk Supplies

TINE Milk Supplies (TINE Råvare) was established on 1 January 2004 as a separate administrative and accounting entity at TINE SA pursuant to an agreement concluded on 19 December 2003 between the government and TINE SA concerning clear financial separation between raw materials handling and industrial processing at TINE SA.

TINE Milk Supplies submits its own audited annual accounts with a separate annual report to the Norwegian Agriculture Agency by 1 June each year, partly so that it is possible to document the fact that TINE is complying with its obligations pursuant to the agreement. The auditing of TINE Milk Supplies is carried out by the same audit company that carries out auditing of the annual accounts and consolidated accounts for TINE SA.

The various income, expense and balance sheet items for TINE Milk Supplies are also included in the relevant accounting and balance sheet items in the company accounts for TINE SA. Only the actual net income/loss element for TINE Milk Supplies is eliminated from the net income at TINE SA. Any surplus or deficit at TINE Milk Supplies is offset against the milk producer by means of carrying across to a new financial year so that this is included in the basis for determining the base price in the following year.

TINE Milk Supplies deals with all activities relating to the handling of milk as a raw ingredient from milk producers until the milk has been delivered and invoiced to the dairy companies in the market scheme for milk. Dairy companies, including TINE as a processing business, purchase raw milk at the applicable quoted price at the time the milk is supplied by TINE Milk Supplies. This is reported to and monitored by the Norwegian Agriculture Agency.

In order to fulfil its role, TINE Milk Supplies purchases services from various function areas at TINE SA on the basis of clearly defined service instructions. Regular reviews are scheduled

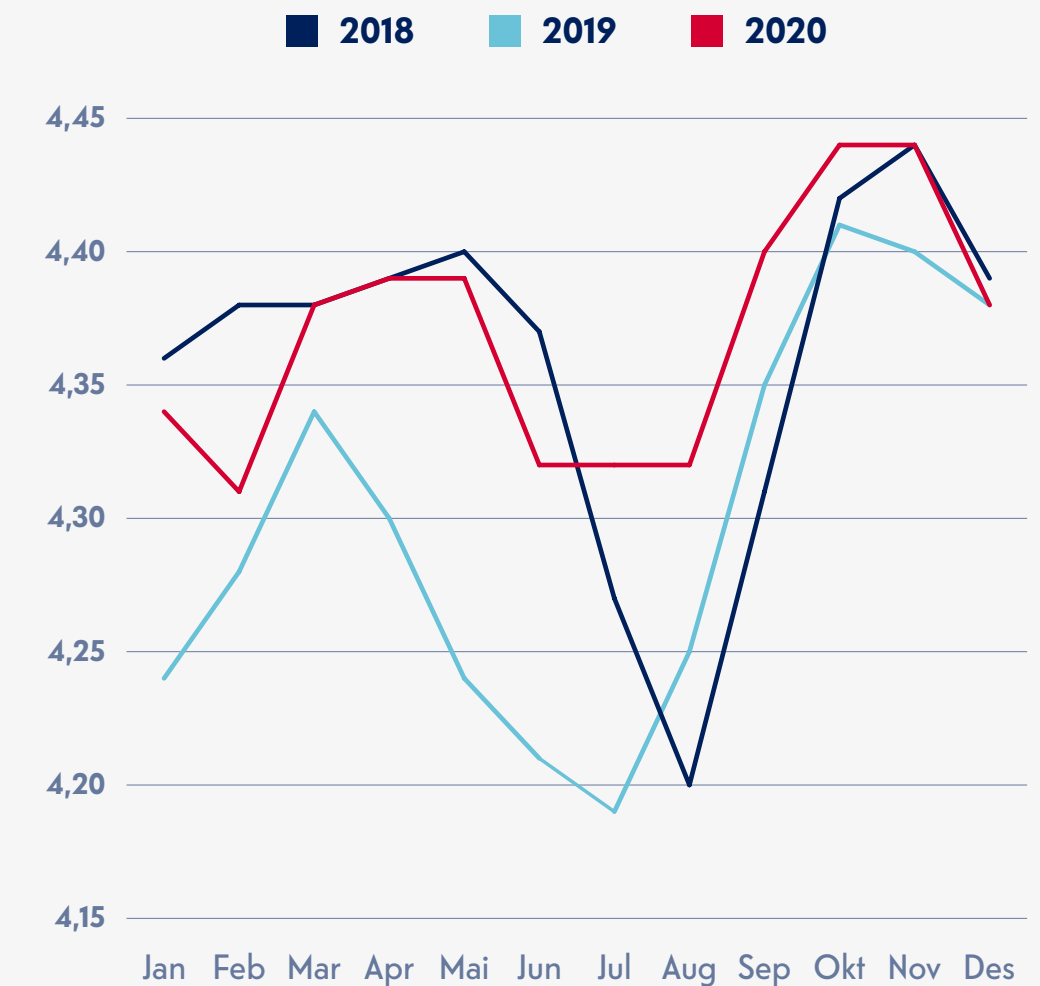
with the service providers in order to clarify the autonomous and independent role of TINE Milk Supplies and ensure that implementation is in accordance with adopted plans and goals. At present service instructions have been established within the following function areas: TINE Consultancy and Member services, TINE Logistics and TINE Economy & Finance. The instructions are based on TINE SA's agreement with the government via the Norwegian Agriculture Agency and are founded on the Agricultural Agreement.

In 2020, TINE Milk Supplies paid for 1,423 million litres (1,414 million litres in 2019) of cow's and goat's milk: 1,403 million litres of cow's milk and 19.9 million litres of goat's milk. 49.7 million litres of the cow's milk was organic (49.1 million litres in 2019). The usage level for organic milk was 57.5 per cent (58.5 per cent in 2019). Of the total volume of cow's and goat's milk, 269 million litres (251 million litres in 2019) were sold to external dairy companies member of the market scheme for milk.

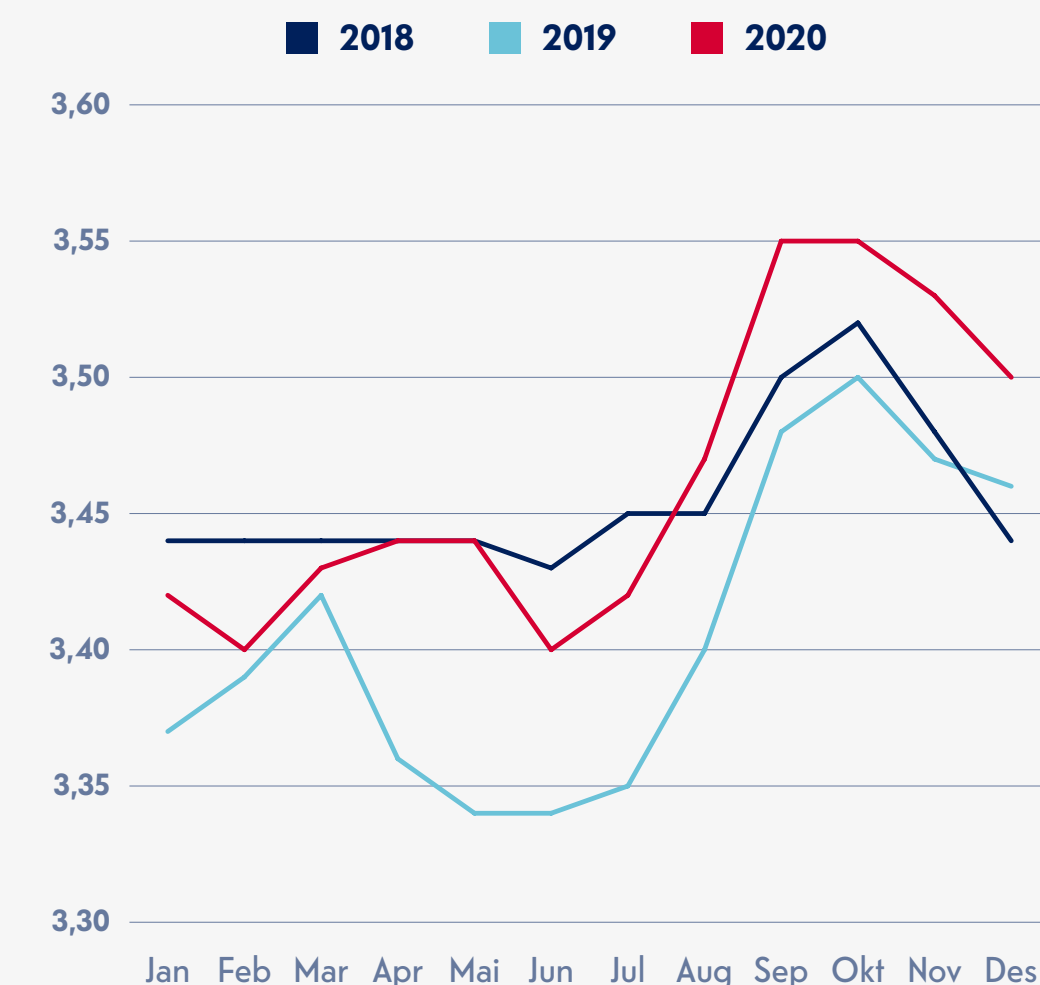
The target price for milk is fixed by the contracting parties to the Agricultural Agreement. The annual term for the agreement is from 1 July to 30 June of the following year. The target price throughout 2020 was NOK 5.47 per litre. TINE Milk Supplies achieved the target price for its sales to dairy companies member in the market scheme for milk.

TINE's responsibilities as a market regulator are assigned in organisational terms to TINE Milk Supplies. This involves reporting at regular intervals to the Norwegian Agriculture Agency and the Agricultural Marketing Board, as well as providing regular information to stakeholders regarding the market situation and the market outlook for milk and milk products on the TINE website. Information letters can be found via this link: <https://www.tine.no/markedsregulator>

Percentage of fat in cow's milk
Percentage



Percentage of protein in cow's milk
Percentage



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Annual accounts – TINE Milk Supplies

| | Amounts in NOK thousands | |
|--|--------------------------|----------------|
| | 2020 | 2019 |
| Annual accounts – TINE Milk Supplies | | |
| Sale of raw cow's and goat's milk | 7,825,778 | 7,710,665 |
| Cost of raw cow's and goat's milk | -7,412,032 | -7,326,555 |
| Gross profit | 413,746 | 384,110 |
| Producer functions | 72,857 | 82,163 |
| Farm tanks | 134,846 | 136,929 |
| Raw milk control | 64,310 | 64,462 |
| Collection and internal transport (net) | 85,263 | 87,702 |
| Own costs at TINE Milk Supplies | 11,822 | 11,487 |
| Administration and infrastructure | 15,670 | 21,132 |
| Total revenues and expenses | 5,827 | -34,181 |
| Interest on working capital | -4,021 | -4,738 |
| Total expenses | 386,575 | 364,956 |
| Result for TINE Milk Supplies before transfer of net income/loss from previous year | 27,171 | 19,154 |
| Net income/loss transferred from previous year | -367 | -19,521 |
| Net income/loss for TINE Milk Supplies to carry forward | 26,804 | -367 |

| | Amounts in NOK thousands | |
|---|--------------------------|------------------|
| | 2020 | 2019 |
| Annual accounts – TINE Milk Supplies contd. | | |
| Specification of purchase of raw cow's and goat's milk from milk producers | | |
| Purchase of raw cow's milk including quality | 7,288,699 | 7,191,558 |
| Purchase of raw goat's milk including quality | 121,826 | 124,293 |
| Total purchase of raw cow's and goat's milk | 7,410,526 | 7,315,850 |
| Net income/loss allocation – TINE Milk Supplies | | |
| Net income/loss transferred from previous year | -367 | -19,521 |
| Net income/loss for TINE Milk Supplies to be carried forward to next year | -26,804 | 367 |
| Total paid to milk producers from TINE Milk Supplies | 7,383,355 | 7,296,696 |
| Settled raw cow's and goat's milk in 1000 litres | | |
| Cow's milk, including organic milk | 1,402,726 | 1,393,830 |
| Goat's milk | 19,917 | 19,975 |
| Total settled raw cow's and goat's milk | 1,422,643 | 1,413,804 |
| Average total price paid to milk producers from TINE Milk Supplies, expressed as NOK/litre | 5.19 | 5.16 |

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The annual accounts for TINE Milk Supplies for 2020 show a surplus of NOK 27.2 million before net income/loss transferred from previous year. Carry-forward net income/loss as of 31.12.2020 amounts to NOK 26.8 million, which will be offset against the milk producers in the following year. Therefore, this amount is included in the basis for determining payment price to producers (base price) for 2021.

The table below specifies accumulated charges levied by TINE Milk Supplies:

| COLLECTED TAXES | Amounts in NOK thousands | |
|-------------------------------|--------------------------|---------|
| | 2020 | 2019 |
| Sales tax collected | 426,253 | 233,748 |
| Over-production tax collected | 23,911 | 52,055 |
| Research fee collected | 27,138 | 26,894 |

Subsidy schemes

TINE Milk Supplies pays basic and district subsidies to milk producers on behalf of the Norwegian Agriculture Agency. The size of the subsidy is negotiated in the Agricultural Agreement and varies based on production volume and geographical location. The subsidies are transferred from the Norwegian Agriculture Agency to TINE Milk Supplies and are paid to the producers via the producer settlement.

The table below specifies subsidies paid by TINE Milk Supplies:

| BASIC AND DISTRICT SUBSIDIES | Amounts in NOK thousands | |
|------------------------------|--------------------------|---------|
| | 2020 | 2019 |
| Basic subsidy | 66,086 | 66,021 |
| District subsidy | 618,634 | 583,283 |

| BASIC AND DISTRICT SUBSIDIES | Amounts in NOK thousands | |
|--|--------------------------|------------|
| | 31.12.2020 | 31.12.2019 |
| Outstanding accounts with the Norwegian Agriculture Agency relating to charges and subsidies payable | -24,644 | -51,789 |



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Diplom-Is AS

Diplom-Is AS and its subsidiaries Laguna Produkter AS, Isdalen AS and Kulinaris AS are brand companies that develop, market, produce and sell ice cream and frozen desserts. In addition, Diplom-Is owns Plug-In Service AS, which deals with servicing and maintenance of plug-in equipment in grocery stores, convenience stores, petrol and service stations and catering operations.

Key figures

| Key figures | | 2020 | 2019 |
|---------------------------------|-------------|-------|-------|
| Total revenues and other income | NOK million | 1,294 | 1,112 |
| Operating income | NOK million | 93 | -11 |
| Number of employees | | 421 | 412 |



Fjordland AS

Fjordland AS is made up of the companies Fjordland AS, Matvarehuset AS, Safari Næringsmidler AS and Hallheimslie 12 AS. Fjordland AS is a brand company that develops, markets and sells fresh ready meals, ready-to-eat snacks, margarines, yoghurts and desserts in the Norwegian market.

Key figures

| Key figures | | 2020 | 2019 |
|---------------------------------|-------------|-------|-------|
| Total revenues and other income | NOK million | 1,925 | 1,832 |
| Operating income | NOK million | 94 | 96 |
| Number of employees | | 157 | 189 |

Meieri Norge



Mimiro AS

Mimiro is owned by TINE, Felleskjøpet and Gjensidige. Mimiro is in its start-up phase and develops digital solutions for farmers to provide insights regarding potential improvements and making production more efficient. MIMIRO owns Kukontrollen, Eana Ku, Eana Skifte and Storfedatabasen. The company is also building a digital platform to reduce the complexity and costs of sharing and using high-quality data in the agricultural industry, for analysis and insights for both farmers and agricultural partners.

Key figures

| Key figures | | 2020 | 2019 |
|---------------------------------|-------------|------|------|
| Total revenues and other income | NOK million | 39 | 23 |
| Operating income | NOK million | -71 | -50 |
| Number of employees | | 15 | 2 |

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Meieri Internasjonalt



Norseland Inc.

Norseland Inc. and its subsidiaries Alpine Dairy LLC and Lotito Foods LLC produce, refine, market and distribute speciality cheeses from TINE and other producers to the retail and catering market in the United States.

Key figures

| Key figures | | 2020 | | 2019 | |
|---------------------------------|-------------------------|-------|-----|-------|-----|
| Total revenues and other income | NOK million/USD million | 2,293 | 244 | 2,125 | 241 |
| Operating income | NOK million/USD million | 44 | 5 | 31 | 3 |
| Number of employees | | 289 | | 260 | |



Wernersson Ost AB

Wernersson Ost AB and its subsidiary Wernersson Ost Danmark A/S refine, market and distribute a broad and international range of cheeses to the retail and catering market in the Nordic region.

Key figures

| Key figures | | 2020 | | 2019 | |
|---------------------------------|-------------------------|------|-----|------|-----|
| Total revenues and other income | NOK million/SEK million | 793 | 775 | 913 | 979 |
| Operating income | NOK million/SEK million | 7 | 7 | -9 | -9 |
| Number of employees | | 130 | | 129 | |

Norseland Ltd.

Norseland Ltd. refines, markets and distributes premium cheddar-style cheeses and speciality cheeses from TINE, chiefly to the retail market in the UK.



Key figures

| Key figures | | 2020 | | 2019 | |
|---------------------------------|-------------------------|------|----|------|----|
| Total revenues and other income | NOK million/GBP million | 547 | 45 | 554 | 49 |
| Operating income | NOK million/GBP million | 18 | 1 | 14 | 1 |
| Number of employees | | 194 | | 212 | |

TINE Ireland Ltd.

TINE Ireland Ltd. produces Jarlsberg® wheels and blocks for the retail and catering market for export to the United States, Canada, Australia and several countries in Europe.

Key figures

| Key figures | | 2020 | | 2019 | |
|---------------------------------|-------------------------|------|----|------|----|
| Total revenues and other income | NOK million/EUR million | 107 | 10 | - | - |
| Operating income | NOK million/EUR million | -45 | -4 | -33 | -3 |
| Number of employees | | 43 | | 11 | |

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1 Cow's and goat's milk supplied to TINE, per owner area | millions of litres

| OWNER AREAS | Total cow's milk | | Of which organic | | Goat's milk | | Total cow's and goat's milk | | Members, 2020 | | | |
|----------------|------------------|----------------|------------------|-------------|-------------|-------------|-----------------------------|----------------|---------------|------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | Cow | Goat | Cow and goat | Total |
| East | 360.5 | 354.5 | 27.4 | 26.1 | 4.4 | 4.7 | 365.0 | 359.1 | 2,307 | 72 | 9 | 2,388 |
| South-west | 428.3 | 426.5 | 2.0 | 2.1 | 5.4 | 5.5 | 433.7 | 432.0 | 2,956 | 89 | 1 | 3,046 |
| Central Norway | 460.4 | 462.8 | 18.6 | 19.3 | 2.7 | 2.9 | 463.0 | 465.7 | 2,699 | 32 | 0 | 2,731 |
| North | 151.9 | 148.5 | 1.6 | 1.6 | 7.3 | 6.8 | 159.1 | 155.3 | 890 | 84 | 1 | 975 |
| Total | 1,401.1 | 1,392.3 | 49.7 | 49.1 | 19.8 | 19.8 | 1,420.8 | 1,412.1 | 8,852 | 277 | 11 | 9,140 |

2 Settled cow's milk from companies that supplied milk to TINE, per owner area | millions of litres

| OWNER AREAS | Deliveries | | | | Available quota | | Over-production tax | | Companies that supplied milk in 2020 | |
|----------------|----------------|----------------|--------------------------|----------------|-----------------|----------------|---------------------|-------------|--------------------------------------|--------------|
| | Million litres | | % of total milk quantity | | Million litres | | Million litres | | Number | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | Cow | Cow and goat |
| East | 361.0 | 355.3 | 25.7 % | 25.5 % | 416.0 | 390.4 | 1.2 | 2.1 | 1,882 | 8 |
| South-west | 428.7 | 426.4 | 30.6 % | 30.6 % | 487.0 | 461.1 | 1.7 | 3.5 | 2,396 | 1 |
| Central Norway | 460.8 | 463.3 | 32.9 % | 33.2 % | 522.0 | 492.3 | 1.5 | 4.3 | 2,050 | 0 |
| North | 152.2 | 148.8 | 10.9 % | 10.7 % | 180.0 | 169.1 | 0.4 | 0.8 | 751 | 1 |
| Total | 1,402.7 | 1,393.8 | 100.0 % | 100.0 % | 1,605.0 | 1,513.0 | 4.8 | 10.7 | 7,079 | 10 |

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3 Settled goat's milk from companies that supplied milk to TINE, per owner area | millions of litres

| OWNER AREAS | Deliveries | | | | Available quota | | Over-production tax | | Companies that supplied milk in 2020 | |
|----------------|----------------|-------------|--------------------------|----------------|-----------------|-------------|---------------------|-------------|--------------------------------------|--------------|
| | Million litres | | % of total milk quantity | | Million litres | | Million litres | | Number | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | Goat | Cow and goat |
| East | 4.5 | 4.7 | 22.8 % | 23.6 % | 5.0 | 5.0 | 0.01 | 0.04 | 66 | 8 |
| South-west | 5.4 | 5.5 | 27.2 % | 27.6 % | 5.9 | 5.8 | 0.02 | 0.03 | 85 | 1 |
| Central Norway | 2.7 | 2.9 | 13.5 % | 14.5 % | 2.9 | 3.0 | 0.02 | 0.03 | 29 | 0 |
| North | 7.3 | 6.8 | 36.5 % | 34.3 % | 8.1 | 8.1 | 0.06 | 0.05 | 79 | 1 |
| Total | 19.9 | 20.0 | 100.0 % | 100.0 % | 21.8 | 21.8 | 0.10 | 0.15 | 259 | 10 |

4 Supplier structure, quotas and deliveries – cow's milk | million litres

Includes companies with allocated quotas.

| DELIVERY GROUPS | Whole of 2020 | 2020 Deliveries | | | 2019 Deliveries | | | |
|-----------------|----------------|-----------------|-------------------------|---------------------------------------|-----------------|----------------|-------------------------|---------------------------------------|
| | | Quota | Delivered as % of quota | Delivered as % of total milk quantity | Whole of 2019 | Quota | Delivered as % of quota | Delivered as % of total milk quantity |
| 1: 0-60 | 32.1 | 58.8 | 54.6 % | 2.3 % | 36.4 | 62.4 | 58.3 % | 2.6 % |
| 2: 60-80 | 41.6 | 53.5 | 77.7 % | 3.0 % | 46.4 | 54.5 | 85.1 % | 3.3 % |
| 3: 80-100 | 60.9 | 74.3 | 82.0 % | 4.3 % | 69.6 | 79.6 | 87.5 % | 5.0 % |
| 4: 100-120 | 73.8 | 84.8 | 87.0 % | 5.3 % | 80.9 | 87.8 | 92.2 % | 5.8 % |
| 5: 120-160 | 146.6 | 168.9 | 86.8 % | 10.5 % | 162.2 | 176.6 | 91.8 % | 11.6 % |
| 6: 160-200 | 119.3 | 136.9 | 87.1 % | 8.5 % | 125.2 | 135.8 | 92.2 % | 9.0 % |
| 7: 200-300 | 252.5 | 287.5 | 87.8 % | 18.0 % | 248.9 | 266.5 | 93.4 % | 17.9 % |
| 8: 300-400 | 251.1 | 277.9 | 90.4 % | 17.9 % | 253.3 | 266.7 | 95.0 % | 18.2 % |
| 9: Over 400 | 424.8 | 462.6 | 91.8 % | 30.3 % | 370.8 | 383.0 | 96.8 % | 26.6 % |
| Total | 1,402.7 | 1,605.1 | 87.4 % | 100.0 % | 1,393.8 | 1,513.0 | 92.1 % | 100.0 % |

5 Supplier structure, quotas and deliveries – goat's milk | million litres

Includes companies with allocated quotas.

| DELIVERY GROUPS | Whole of 2020 | 2020 Deliveries | | | 2019 Deliveries | | | |
|-----------------|---------------|-----------------|-------------------------|---------------------------------------|-----------------|-------------|-------------------------|---------------------------------------|
| | | Quota | Delivered as % of quota | Delivered as % of total milk quantity | Whole of 2019 | Quota | Delivered as % of quota | Delivered as % of total milk quantity |
| 1: 0-20 | 0.2 | 0.6 | 37.0 % | 1.1 % | 0.2 | 0.6 | 35.7 % | 1.1 % |
| 2: 20-25 | 0.1 | 0.2 | 84.0 % | 0.7 % | 0.1 | 0.1 | 76.5 % | 0.5 % |
| 3: 25-30 | 0.3 | 0.4 | 77.4 % | 1.6 % | 0.2 | 0.3 | 76.6 % | 1.1 % |
| 4: 30-40 | 0.9 | 1.1 | 83.6 % | 4.5 % | 1.1 | 1.3 | 84.1 % | 5.3 % |
| 5: 40-60 | 2.7 | 2.9 | 91.9 % | 13.6 % | 3.2 | 3.4 | 93.7 % | 15.8 % |
| 6: 60-80 | 4.1 | 4.5 | 92.2 % | 20.8 % | 4.1 | 4.4 | 92.9 % | 20.3 % |
| 7: 80-120 | 5.0 | 5.4 | 93.0 % | 25.1 % | 4.3 | 4.6 | 93.1 % | 21.5 % |
| 8: Over 120 | 6.5 | 6.8 | 96.4 % | 32.7 % | 6.9 | 7.1 | 96.4 % | 34.4 % |
| Total | 19.9 | 21.8 | 91.3 % | 100.0 % | 20.0 | 21.8 | 91.8 % | 100.0 % |

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6 Development of quality of supplier milk – cow's milk

| | 2020 | 2019 | | 2020 | 2019 |
|---|--------------|--------------|---|---------------|---------------|
| COW'S MILK | | | | | |
| Elite milk (%) of deliveries | 95.27 | 94.61 | | | |
| Elite milk (%) of volume | 96.40 | 95.52 | | | |
| Bacteria (% of deliveries) | | | Anaerobic traces (% of deliveries) | | |
| Elite | 99.62 | 99.24 | Elite milk | 99.89 | 99.67 |
| 1st class | 0.32 | 0.62 | 1st class | 0.05 | 0.13 |
| 2nd class | 0.04 | 0.06 | 2nd class | 0.05 | 0.15 |
| 3rd class | 0.02 | 0.07 | 3rd class | 0.02 | 0.04 |
| Free fatty acids (% of deliveries) | | | Anaerobic traces (% of deliveries) | | |
| Elite | 99.81 | 99.55 | Elite milk | 99.99 | 99.98 |
| 1st class | 0.14 | 0.24 | 1st class | 0.00 | 0.01 |
| 2nd class | 0.05 | 0.17 | 2nd class | 0.00 | 0.01 |
| 3rd class | 0.01 | 0.04 | 3rd class | 0.01 | 0.00 |
| Abnormal milk (no. of deliveries) | 267 | 317 | Freezing point (°C) | -0.530 | -0.527 |
| Cell count (% of deliveries) | | | Number of recalls | | |
| Elite | 97.44 | 96.25 | Bacteria | 51 | 85 |
| 1st class | 2.23 | 3.11 | Cell count | 120 | 168 |
| 2nd class | 0.27 | 0.48 | Free fatty acids | 6 | 8 |
| 3rd class | 0.06 | 0.16 | Traces | 0 | 0 |
| Unweighted arithmetic average | 139 | 136 | Abnormal milk/smell/taste | 10 | 12 |
| Chemical content (% in milk) | | | Freezing point | 11 | 6 |
| Protein | 3.46 | 3.46 | Total number of recalls | 198 | 279 |
| Fat | 4.37 | 4.36 | | | |
| Lactose | 4.69 | 4.70 | | | |
| Total chemical content | 12.53 | 12.52 | | | |

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7 Development of quality of supplier milk – goat's milk

| | 2020 | 2019 |
|---|-------|-------|
| GOAT'S MILK | | |
| Elite milk (%) of deliveries | 91.04 | 92.58 |
| Elite milk (%) of volume | 92.02 | 93.28 |
| Bacteria (% of deliveries) | | |
| Elite | 96.43 | 96.00 |
| 1st class | 2.90 | 3.05 |
| 2nd class | 0.31 | 0.41 |
| 3rd class | 0.35 | 0.54 |
| Free fatty acids (% of deliveries) | | |
| Elite | 99.81 | 99.71 |
| 1st class | 0.17 | 0.29 |
| 2nd class | 0.01 | 0.00 |
| 3rd class | 0.00 | 0.00 |
| Free fatty acids with premium (<1.0) | 99.67 | 99.61 |
| Free fatty acids without premium (<1.0) | 0.33 | 0.39 |

| | 2020 | 2019 |
|-------------------------------------|---------------|---------------|
| Cell count (% of deliveries) | | |
| Elite milk | 95.37 | 96.62 |
| 1st class | 3.45 | 2.64 |
| 2nd class | 0.97 | 0.49 |
| 3rd class | 0.21 | 0.25 |
| Unweighted arithmetic average | 1,023 | 944 |
| Chemical content (% in milk) | | |
| Protein | 3.32 | 3.31 |
| Fat | 4.45 | 4.49 |
| Lactose | 4.41 | 4.49 |
| Total chemical content | 12.18 | 12.29 |
| Freezing point (°C) | -0.564 | -0.561 |
| Number of recalls | | |
| Bacteria | 11 | 16 |
| Cell count | 3 | 1 |
| Free fatty acids | 1 | 0 |
| Abnormal milk/smell/taste | 0 | 0 |
| Freezing point | 0 | 0 |
| Total number of recalls | 15 | 17 |

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8 Development of joint operation at TINE

| OWNER AREAS | Number of members in joint operations | | Number of joint operations | |
|----------------|---------------------------------------|--------------|----------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| East | 456 | 503 | 146 | 164 |
| South-west | 611 | 673 | 205 | 224 |
| Central Norway | 744 | 789 | 250 | 262 |
| North | 133 | 143 | 45 | 49 |
| Total | 1,944 | 2,108 | 646 | 699 |

9 Price to owners

| NOK PER LITRE DELIVERED | 2020 | 2019 |
|------------------------------------|-------------|-------------|
| Milk price from TINE Milk Supplies | 5.19 | 5.16 |
| Subsequent payments from TINE SA | 0.76 | 0.43 |
| Total price to owners | 5.95 | 5.59 |

10 Indication of milk usage

| FIGURES IN MILLION LITRES | 2020 | 2019 |
|----------------------------------|----------------|----------------|
| Domestic | | |
| Liquid products | 399.7 | 405.7 |
| Fresh cheese | 35.1 | 33.8 |
| White cheese/whey cheese | 579.4 | 517.9 |
| Goat's milk products | 16.2 | 14.6 |
| Liquid for industrial production | 32.2 | 32.8 |
| Powder | 38.5 | 72.1 |
| Total domestic | 1,101.2 | 1,076.8 |
| Export | | |
| White cheese and whey cheese | 56.6 | 80.5 |
| Total | 1,157.8 | 1,157.3 |

11 Production of solid products

| FIGURES IN TONNES | 2020 | 2019 |
|-------------------|----------------|----------------|
| White cheese | 59,957 | 56,280 |
| Brown cheese/prim | 10,074 | 8,482 |
| Processed cheese | 1,599 | 1,319 |
| Butter | 17,028 | 12,873 |
| Powder | 29,826 | 32,545 |
| Total | 118,484 | 111,499 |

12 Production of liquid products

| FIGURES IN 1000 LITRES | 2020 | 2019 |
|-------------------------------|----------------|----------------|
| TINE Milk | 330,150 | 335,397 |
| Yoghurt | 43,310 | 42,147 |
| TINE Cream | 27,339 | 27,223 |
| TINE Sour cream | 14,813 | 14,520 |
| Juice, fruit drinks and water | 49,102 | 50,487 |
| Desserts and ice cream | 44,158 | 42,369 |
| Total | 508,873 | 512,144 |

13 Facility structure

| TYPE OF FACILITY | 2020 | 2019 |
|------------------------|-----------|-----------|
| Dairies | 30 | 30 |
| Central warehouses | 2 | 2 |
| Distribution terminals | 2 | 2 |
| Total | 34 | 34 |

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14 Sales in Norway

| FIGURES IN 1000 LITRES | 2020 | 2019 |
|-------------------------------|---------|---------|
| TINE Milk | 330,150 | 335,397 |
| TINE Cream | 27,339 | 27,223 |
| Juice, fruit drinks and water | 49,102 | 50,487 |
| Desserts and ice cream | 44,158 | 42,369 |

| FIGURES IN TONNES | 2020 | 2019 |
|-------------------|--------|--------|
| TINE Sour cream | 14,813 | 14,520 |
| Yoghurt | 43,310 | 42,147 |
| White cheese | 67,258 | 65,529 |
| Brown cheese | 9,407 | 9,258 |
| Butter | 12,176 | 11,970 |
| Fresh ready meals | 9,686 | 8,626 |

There is close to a 1:1 relationship between production and sale of liquid products.

15 Consumption per capita | domestic sales

| NUMBER OF KG/LITRES | 2020 | 2019 |
|--------------------------|------|------|
| Milk/litre | 81.3 | 80.2 |
| Yoghurt incl. imports/kg | 10.8 | 10.4 |
| Cream and sour cream/kg | 9.6 | 9.3 |
| Cheese incl. imports/kg | 20.3 | 18.9 |
| Butter incl. imports/kg | 3.8 | 3.7 |

Source: Opplysningskontoret for Meieriprodukter (www.melk.no), January 2021

16 Brand exports and sales for Meieri Internasjonalt | per country

| COUNTRY | Brand exports in tonnes | | Total sales in tonnes | |
|----------------|-------------------------|--------------|-----------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| United States | 4,078 | 6,122 | 22,272 | 25,959 |
| Australia | 1,097 | 1,271 | 2,344 | 2,322 |
| Canada | 436 | 0 | 2,064 | 2,108 |
| UK | 538 | 750 | 5,873 | 6,417 |
| Sweden/Denmark | 523 | 941 | 14,054 | 16,865 |
| Other markets | 316 | 296 | 988 | 1,020 |
| Total | 6,988 | 9,380 | 47,594 | 54,692 |

Brand exports are sales outside Norway, and total sales are sales of all brands to consumers/end market.

17 Brand exports and sales for Meieri Internasjonalt | per brand

| BRAND | Brand exports in tonnes | | Total sales in tonnes* | |
|-------------------|-------------------------|--------------|------------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Jarlsberg® | 6,090 | 8,524 | 15,964 | 17,526 |
| Other TINE brands | 897 | 857 | 1,243 | 1,267 |
| Other brands | 0 | 0 | 30,386 | 35,899 |
| Total | 6,988 | 9,380 | 47,594 | 54,692 |

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Sustainable value creation

2020 has been a year in which sustainability, environment and climate issues have affirmed their position as the most important challenges of our era.

Over the short term the coronavirus pandemic has captured most of the attention, but the underlying and long-term issue of how to resolve the climate crisis remains a central concern. At the same time we can see that it is very difficult to get the world to unite and take the necessary steps. There are numerous, tricky considerations to be taken into account.

Here at TINE we believe that climate change has become such a serious and immediate issue for so many people that changes to help the climate will be pushed to the forefront. Lifestyle habits, consumption and politically determined framework conditions will help to ensure society moves in a more sustainable direction.

We also believe that people are concerned about the future and how to create a more sustainable society. Consumers and customers are making ever more stringent demands for responsible production of goods and services.

We believe that people are concerned about the future and how to create a more sustainable society.

Climate risk

We can see that the weather and climate are changing. Occurrences of unusually high levels of rainfall and extreme drought have put climate risk well and truly on the map. Consumers, customers and authorities are increasingly questioning society's

ability to tackle climate change. TINE's entire business is based around processing milk to create a variety of dairy products, and major climate change and changes in the natural world will have a severe impact on such activities. This means we have a strong interest in helping to bring about sustainable use of the Earth's resources and limit climate change.

Sustainable value creation

TINE's objective is to generate maximum value from milk production by its owners – both now and in the future. We believe that the winners of the future will be those who develop and produce products and services in a manner that is both socially and environmentally responsible, as well as being profitable. Our aim therefore is financial and sustainable value creation, contributing positively to the wider world, in both environmental and social terms. This is what we here at TINE call *sustainable value creation*.



Bjørn Malm
Head of Sustainability

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The most sustainable food producer

The community around us has a variety of expectations of TINE and our responsibility to contribute to sustainable development. Based on these expectations, we concentrate our sustainability efforts in the following three areas.

1. Resources

As one of Norway's largest companies, TINE consumes a substantial amount of resources in its activities, which affects our surroundings. The environment is impacted by our transport activities, and the production of milk and dairy products requires energy. TINE also consumes many different raw ingredients and input factors, which are produced or cultivated using a variety of resources. This consumption of resources impacts the world around us and affects TINE's overall environmental impact.

Discarding perfectly edible food is a major problem in our part of the world. It poses an environmental challenge, and it is worrying from an ethical perspective that around 20 per cent of the food that we buy is thrown away. TINE receives and processes more than 1 billion litres of milk every year. Milk is a valuable raw ingredient that requires a lot of resources on its journey from farm to fork. It is therefore essential that we make optimum use of our raw ingredients and input factors.

What began in autumn 2017 with a stranded whale with a stomach full of plastic has resulted in a paradigm shift towards a more environmentally friendly world. There is intensive focus on reducing plastic use and ensuring a circular economy. Climate change is perceived to be one of the biggest challenges we are currently facing. As a major consumer of packaging, it is important for TINE to optimise its use of packaging throughout the value chain and encourage the availability of new technology.

2. The local factor

Since 1856, when 25 enterprising farmers in Rausjødalen came together and pooled their dairy cattle, TINE has been processing milk to produce a variety of dairy products. TINE has created traditions and history, and we are responsible for safeguarding them. We have a hands-on approach throughout our value chain, which yields safe, wholesome food using Norwegian input factors. We represent many small contributions coming together to form a greater whole, which contributes

to thriving local communities in Norway where the cultural landscape is nurtured and cultivated, an important asset shared by the entire population. These are significant contributions to Norwegian value creation and our 'national character'. TINE takes responsibility for ensuring that milk production is possible throughout Norway, thus helping to ensure that important resources are used for Norwegian food production.

TINE's 9,000+ owners, with herds totalling around 200,000 dairy cows and 30,000 goats producing milk, are the very foundation of TINE's business. Therefore, TINE and the company's owners have a responsibility to ensure that these animals are strong, healthy and well treated, and a vested interest in doing so. Sustainable milk production requires good animal health and welfare. Furthermore, it is important to focus on the animals and their experience of their own existence and freedom to engage in natural behaviour.

3. Balance

TINE is part of the everyday lives of Norwegians: at the breakfast table, in packed lunches, for Friday night tacos, or in our bag as we head to the gym. This gives us a huge responsibility, but also a great opportunity to make a positive contribution to public health in Norway.

An unhealthy diet is the most significant risk factor that can affect levels of disease in Norway, together with smoking and high blood pressure. A varied and healthy diet will provide the essential nutrients needed. This, together with daily physical activity, lays a good foundation for a healthy life.

A natural part

Sustainability should be a natural part of TINE and well integrated into everything we do, be it healthy new products or measures for reducing greenhouse gas emissions throughout our value chain.

This sustainability report provides more information on how TINE is working every day to make society a little more sustainable, and the results we are achieving.


Bjørn Malm
Head of Sustainability

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Relevant aspects

TINE's objective is to generate maximum value from milk production by its owners, both now and in the future. We believe that the winners of the future will be those who develop and produce products and services in a manner that is both socially and environmentally responsible from a global perspective, as well as being profitable.

Our aim therefore is financial and sustainable value creation, contributing positively to the wider world, in both environmental and social terms. This is what we here at TINE call sustainable value creation.

The most sustainable food producer

The community around us has a variety of expectations of TINE and our responsibility to contribute to sustainable development. The combination of these expectations, along with the fact that some of them are strategically important to TINE, means that we are concentrating our sustainability efforts on (1) selecting renewable resources and ensuring optimum and sustainable use, (2) contributing to thriving local communities in Norway and ensuring good animal welfare and (3) making a positive contribution to public health in Norway.



| | | | | |
|---|--|---|---|--|
| <p>Sustainable and robust agriculture</p> <p>TINE is helping the agricultural sector to reduce its environmental impact and carbon footprint</p> | <p>Efficient dairy operations and transport</p> <p>TINE is the best in terms of sustainability in the Norwegian food industry</p> | <p>Committed employees</p> <p>TINE has competent, safe and committed employees</p> | <p>Satisfied consumers</p> <p>TINE promotes solutions that help consumers to make healthy, varied and eco-friendly choices</p> | <p>Circular solutions</p> <p>TINE makes optimum use of its resources and reduces food waste among consumers</p> |
|---|--|---|---|--|

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Background

The specialist field of sustainability is developing rapidly; not just for stakeholders such as customers and authorities, but for TINE itself as well.

One of the basic principles of the GRI Standards is that companies must formulate their sustainability reporting based on the sustainability areas most relevant to the company. Relevance in this context is determined by:

- The scope of the company's economic, environmental and social impact, shown on the horizontal axis.
- The factors that will significantly affect the evaluations and choices of the company's stakeholders are shown on the vertical axis.

The diagram shows the most important and essential aspects for our stakeholders with regard to our impact on the wider world.

Our topics

Safe food. For TINE, ensuring that its products are healthy and safe to eat is absolutely fundamental. Our consumers, customers, authorities and owners must have complete confidence in TINE as a food manufacturer if we are to be capable of delivering economic and sustainable value creation over time.

Local presence. TINE has created traditions and history that we have a responsibility to safeguard. We have a hands-on approach throughout our value chain, which yields safe, wholesome food using Norwegian input factors.

Animal health and welfare. TINE's 10,000 owners, with their herds totalling around 200,000 dairy cows and 30,000 goats producing milk, are the very foundation of TINE's business. Therefore, TINE and the company's owners have a responsibility to ensure that these animals are robust, healthy and well treated, and a vested interest in doing so.

Food waste. Throwing food away is not just an environmental problem, it is an ethical problem as well. It takes large quantities of resources and large areas of land to produce food. We are seeing greenhouse gas emissions and pressure on nature and biodiversity resulting from the production and cultivation of food.

Environmentally friendly agriculture. Climate and environmental considerations are increasingly being incorporated into diet and nutrition recommendations. It is no longer just about the nutritional needs of individuals and populations, it is also about what is sustainable for the planet.

Sustainable raw ingredients and input factors. Each year TINE produces around 500 different branded products. Naturally, the most important input factor is milk. In addition, we

are dependent on a wide variety of raw materials and ingredients that are often produced outside Norway. Stakeholders are requesting more information about sustainability along the company's value chain.

Greenhouse gas emissions from industry and transport. Norway has set an ambitious target of cutting emissions by 55 per cent by 2030. TINE is expected to play its part in achieving the national climate target by reducing its own emissions.

Nutrition and public health. Milk and dairy products are a source of many essential nutrients, but also contain a lot of saturated fat. An unhealthy diet is the most significant risk factor that can affect levels of disease in Norway, together with smoking and high blood pressure. A varied and healthy diet will provide the essential nutrients needed. This, together with daily physical activity, lays a good foundation for a healthy life.

Eco-smart packaging. Many of the resources used by society are not fully utilised, resulting in residual waste. Consequently, we are now focusing on how we can make better use of our resources, and ideally re-use them over and over. As a major consumer of packaging, it is important for TINE to optimise its use of packaging throughout its value chain and encourage the availability of new technology.

A safe place to work. Healthy employees and a robust workforce in a good work environment are prerequisites if TINE is to achieve efficient operation and quality at all levels. Work must be organised in a manner that ensures our employees are not subjected to undue physical or mental strain, and that no one is injured or falls ill as a result of their work.

Business ethics and anti-corruption. In order for TINE to be a leading supplier of food and drink brands, we are dependent on our employees, owners, customers, consumers and others trusting us. TINE has many roles and at any one time acts as employer, customer, supplier, partner, owner and more. Ethical conduct, both personally and in business contexts, is important in all these roles.

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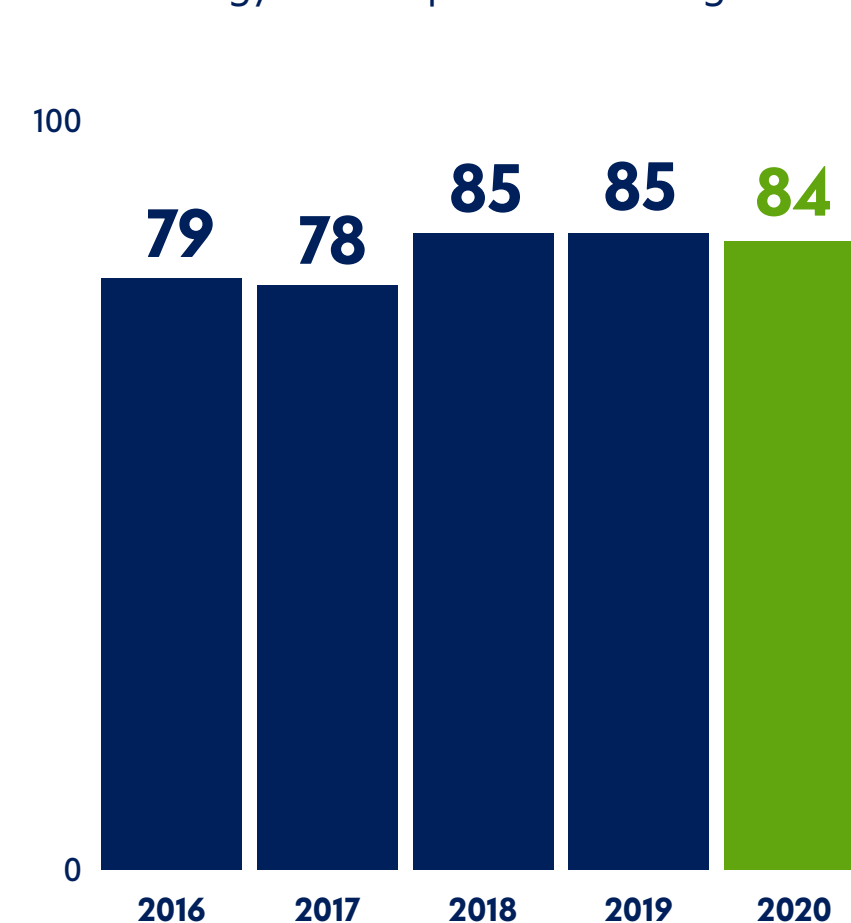
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Sustainable agriculture

TINE's entire business is based around processing milk from its 9,000 dairy farmers to create a variety of dairy products. Major climate change and changes in the natural world will have a severe impact on such activities.

Percentage of renewable energy
Energy consumption/Percentage



This means we have a strong, vested interest in helping to bring about sustainable use of the Earth's resources and limiting greenhouse gas emissions and climate change.

More of both rain and drought

The farmers who make a living from cultivating the land and producing food are some of the first to notice climate change. We are already experiencing more extreme weather: with lots of rain in spring and autumn combined with either very wet or very dry summers. Both of these present a challenge for both springtime tasks and harvesting of grass and grain.

Climate obligation for agriculture

In 2020 the EU agreed to further expand its ambitions. The member countries pledged to reduce greenhouse gas emissions by 55 per cent by 2030, and to be climate neutral by 2050. Norway is following suit and increasing its aims in line with the EU. TINE is expected to play its part in achieving the national climate target by reducing its own emissions.

The entire agricultural sector must both adapt to these changes and help to preserve the prerequisites for food production in Norway. In 2019, the agricultural sector and the authorities signed up to a climate agreement. The agricultural stakeholders committed to reducing greenhouse gas emissions by 5 million tonnes of CO₂ equivalents from 2021 to 2030¹.

This was followed by a climate plan from the agricultural stakeholders highlighting eight focus areas that will collectively contribute to fulfilling the agreement. The plan indicates that important factors for agriculture include phasing out fossil-fuel emissions from agriculture, making improvements within feeding and breeding, management of fertiliser and good agronomy with the soil as a carbon store. TINE aims to help dairy farmers by means of its knowledge and advisory systems to achieve sustainable operation that utilises local resources, ensure carbon sequestration in soil and grazing land and reduce greenhouse gas emissions.

Changed diet

Climate and environmental considerations are increasingly being incorporated into diet and nutrition recommendations. The Klimakur 2030 report was produced in 2020. It examined what measures could be used to cut non-quota emissions by 50 per cent by 2030 compared with 2005. Agriculture and diet is one of the areas looked at by Klimakur. The report points to a diet with less red meat and animal products and more plant-based foods and fish.

¹ Regjeringen: <https://www.regjeringen.no/no/aktuelt/enighet-om-klimaavtale-mellom-regjeringen-og-jordbruket/id2661309/>

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Sustainable livestock farming

Milk and meat production and use of imported ingredients in feed concentrate, such as soya from Brazil, remain in the spotlight. The Board of TINE are concerned that Norwegian milk production should be based mainly on Norwegian resources. Accordingly, a long-term objective has been set for all feed for Norwegian dairy cows to be produced in Norway.

Status of greenhouse gas emissions

Agriculture in Norway is responsible for just under 9 per cent of Norway's total greenhouse gas emissions. Emissions were reduced by 6.4 per cent between 1990 and 2019, and by 0.9 per cent² from 2018 to 2019³. One significant reason for this drop in emissions is the fact that milk production per cow has increased as a result of breeding, feed and health measures, while the actual number of cows has reduced.

Norway has, and can document, an efficient and relatively environmentally friendly milk production system compared to many other countries in the world. However, we must continue this good work if we are to deal with the increased competition from vegetable alternatives, among other things.

Emission levels

An average taken from various research reports⁴ shows emissions of 1.15 kilos of CO₂ equivalents per kilo of milk produced in Norway, while the global average⁵ is 2.60 kilos of CO₂ equivalents. This covers emissions throughout the value chain from farm to consumer. A substantial proportion, almost 80 per cent, of the emissions here are related to activities that take place on the farms.

Emissions on farms are largely related to methane gas and nitrous oxide, with methane gas constituting 57 per cent of total emissions from agriculture⁶. Methane gas is produced in the rumen of ruminants during digestion of feed (enteric methane) and from storage of manure. Nitrous oxide is formed when using mineral fertiliser and livestock manure, and when storing manure.

Run-off from agricultural land into watercourses leads to loss of nutrients, primarily nitrogen and phosphorus into watercourses, with adverse consequences for the environment. In Norway, all farms are required to have a fertiliser plan to document and optimise use of fertilisers.

Find out more about The level of greenhouse gas emissions from agriculture

Agriculture, and perhaps in particular animal-based food production, is facing climate and sustainability challenges. In autumn 2019, the UN's Intergovernmental Panel on Climate Change (IPCC) set out new recommendations for authorities around the world in its Special Report on Climate Change and Land. It put forward that we must make major changes to how we use land in order to keep global warming below 1.5 °C.

More than one third of ice-free land area is currently used as grazing land for livestock. Far less, one tenth, is used to grow grain and vegetables. Over half of this is used to grow food for animals and not for humans. It is pointed out that meat production causes huge emissions of methane and other greenhouse gases, and the report recommends a shift in global food production towards a more plant-based system.

At the same time, the UN's Intergovernmental Panel on Climate Change points out that food production must be adapted to local conditions. In Norway, only three per cent of the land area is arable land, and Norwegian food production is set up for growing grain and vegetables in the areas of the country that have suitable natural conditions for this. Other land is used for grass production, which helps to produce meat and milk in the form of cows and goats.

Agriculture accounts for just under nine per cent of total greenhouse gas emissions in Norway¹. Emissions from ruminants constitute over half of the emissions, and methane gas (CH₄) is the most significant greenhouse gas.

In accordance with the IPCC's guidelines, the various greenhouse gases are converted into so-called CO₂

equivalents using GWP100 weight factors- "global warming potential". By giving the various greenhouse gases a weight factor they can also be added up, and you can compare the climate effect of the different gases.

Methane has a weight factor of 25, i.e. 1 kg of methane is equivalent to 25 kg of CO₂ equivalents. However, methane has a short life of just 12.4 years in the atmosphere, whereas CO₂ has a much longer life. How heavily methane is weighted in conversion to CO₂ equivalents affects the calculations of total Norwegian greenhouse gas emissions and, in particular, emissions from agriculture. The fact that methane has a shorter life than CO₂ in the atmosphere is not taken into account when the weight factor for methane gas is set at 25.

Recently published scientific articles by recognised scientists within this specialist field advocate a new calculation method for methane that takes account of its rapid breakdown in the atmosphere². This method is known as GWP*. It is expected that this new knowledge about how methane affects the climate will have implications for the weight factor of the gas. If it were reduced from the current level of 25 to 20, for example, emissions of methane from agriculture would be 2.1 million tonnes of CO₂ equivalents and not 2.6 million tonnes, which is the basis in the current climate accounts.

¹ miljostatus.miljodirektoratet.no/tema/klima/norske-utslipp-av-klimagasser/

² Demonstrating GWP*: "A means of reporting warming-equivalent emissions that captures the contrasting impacts of short- and long-lived climate pollutants". John Lynch, Michelle Cain, Raymond Pierrehumbert, Myles Allen

There are now question marks over how to deal with methane gas in climate accounts. It is currently counted as an "aggressive" greenhouse gas, with a potent warming effect on the climate. Now, however, several researchers linked to the UN's Panel on Climate Change believe that we need to look slightly more kindly on methane. See also the note above regarding the level of greenhouse gas emissions from agriculture for a more detailed explanation.

² SSB: <https://www.ssb.no/klimagassn>

³ Miljøstatus. <https://miljostatus.miljodirektoratet.no/tema/klima/norske-utslipp-av-klimagasser/klimagassutslipp-fra-jordbruk/>

⁴ CICERO. Report 2016:04. Climate footprints of Norwegian Dairy and Meat – a synthesis

⁵ Tackling climate change through livestock, Food and Agriculture Organization of the United Nations. Rome, 2013

⁶ Miljøstatus. <https://miljostatus.miljodirektoratet.no/tema/klima/norske-utslipp-av-klimagasser/klimagassutslipp-fra-jordbruk/>

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1,420.9

Cow's and goat's milk supplied to TINE in 2020

Million litres

Close to milk producers

TINE has a large-scale advisory service with almost 200 advisers who are in regular contact with the company's milk producers and provide guidance within a variety of specialist fields in milk production: feeding, milk quality, breeding, health, animal welfare and climate. TINE Consultancy Services plays a central role in supporting the work to reduce greenhouse gas emissions from milk production.

Climate-smart agriculture

Climate work must start out on the farms, so TINE is playing a key role in the "Climate-smart Agriculture" project, a collaboration between several stakeholders in the agricultural sector. It has included developing a "climate calculator" to calculate climate emissions per farm. A pilot project has been conducted involving 100 dairy farms. This has provided TINE and our milk producers with important insights into what factors are significant for climate emissions, and what measures must be put into action on individual farms. The climate calculator was launched in autumn 2020. The aim is for all farmers in Norway to have a climate calculation by 2025. The roll-out of the climate calculator to dairy farmers is now a priority task for TINE, and our advisers will use the annual cattle inspection for information provision and training.

Research targeting reduced emissions and binding of carbon

Methane is the most significant greenhouse gas from animal husbandry. TINE is also working with NMBU to determine how optimum production and harvesting of grass can help to reduce methane emissions from cows' digestion processes. Previous trials have shown that slightly earlier harvesting than normal can yield a reduction in emissions of 10 to 15 per cent.



New research shows significant carbon binding in grazing land. Ruminants on infield and outfield grazing land are a crucial factor for carbon binding. The UN's Intergovernmental Panel on Climate Change (IPCC) points out that all countries must make optimum use of all cultivated farmland and grass and grazing resources in order to keep global warming below the 1.5 °C target and ensure adequate global food production. It is therefore essential to provide increased grazing resources, and, of course, carbon binding must be taken into consideration in climate accounts for milk and meat.

International cooperation

TINE is a member of the International Dairy Federation (IDF) and plays an active role in the network for climate and sustainability, SCENV⁷. This gives TINE access and insights into research results in the field of sustainability. TINE is also a member of the Dairy Sustainability Framework (DSF) organisation⁸. DSF has prepared a global framework for a holistic approach to sustainability. In 2021, TINE will also report its work on sustainability according to this framework.

Clear objectives

TINE has strong brands. Customers, consumers, authorities and owners are increasingly concerned with sustainability and

climate change and the effect different foods have on our climate. This will affect the competitiveness of the various TINE products, and consequently the company's profitability. TINE therefore wants to help the agricultural sector in fulfilling its agreement with the authorities to cut greenhouse gas emissions by 5 million tonnes of CO₂ from 2021 to 2030.

Greenhouse gas emissions from activities on our dairy farms such as methane emissions from cows and CO₂ from farm machinery are not a responsibility that rests with TINE, but with the individual dairy farm. Consequently, these emissions are not included in TINE's climate accounts (scope 1).

Subsidiaries

Work on sustainable agriculture includes all of TINE's Norwegian subsidiaries, as the milk for production of their various products is supplied by TINE's milk producers. TINE's foreign subsidiaries, where the raw milk is obtained from parties other than TINE's own milk producers, are not covered by this report. These companies are subject to national regulatory requirements.

⁷ IDF: <https://www.fil-idf.org/idf-standing-committee-environment/>

⁸ DSF: <https://dairysustainabilityframework.org/>

Sustainable raw ingredients and responsible purchasing

Milk and yoghurt are not just made from milk. We are dependent on a wide variety of raw ingredients that are often produced outside Norway. We must ensure that these goods are produced in a sustainable and environmentally friendly manner.

The most important input factor is milk from the company's 9,000+ owners. In addition, TINE is dependent on a variety of raw materials and ingredients produced both within and outside Norway.

Stakeholders are becoming increasingly concerned that goods and services should be produced in a fair and responsible way. In order to document sustainability in the value chain, it is important to have a system that can identify and enable follow-up of any breaches of ethical guidelines relating to the environment and social responsibility.

Responsible and fair

Delivering a product or service should not be at the expense of TINE's environmental or social responsibility at any point along the value chain. We cannot allow our work or production to harm the environment or allow people to do their jobs without fair and safe working conditions.

TINE is a member of the Ethical Trading Initiative Norway (IEH). TINE's suppliers are obliged to comply with guidelines for ethical trading, which are based on IEH's guidelines.

Risk scenario

In addition to purchasing milk from its owners, TINE undertakes significant purchases of machinery and equipment, as well as various packaging. TINE also purchases contract production of certain products not produced at TINE's own facilities. The risk of breach of TINE's ethical trading guidelines related to the aforementioned product groups and services is deemed to be small.

TINE's purchasing of ingredients such as berries, vegetable oils, sugar, cocoa and coffee has traditionally involved a greater risk of breaching international ethical trading principles. These ingredients are produced in countries such as China, Indonesia, Ivory Coast, Ghana, Brazil and Turkey. The risk of breach of TINE's ethical guidelines is deemed to be highest in these countries.

Furthermore, there is a risk of breach of ethical trading principles associated with TINE's purchasing of workwear and various promotional items. These items are mostly produced in Asia.

TINE is also a major purchaser of transport services, linked primarily with our inbound transportation of milk from farms, transportation of products between the various dairy plants,



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9,140

Number of producers

Including joint operations that supply TINE

¹⁾ <https://www.ecovadis.com/>

and distribution of finished goods to stores, etc. Risk of breach of ethical guidelines related to these transport activities is considered small.

However, TINE deems the risk of breach of ethical guidelines to be greater for inbound transportation of other input factors where TINE does not arrange the transport itself and the products are being supplied by producers outside Norway.

At present, it is not realistic for imports from all countries to be able to take place with no risk of direct or indirect involvement in breaches of ethical guidelines.

Setting requirements for suppliers

TINE's suppliers are an important part of TINE's value chain. They have a major impact on TINE's products, and a good, professional and trusting relationship is necessary. Suppliers must therefore live up to the same standards set by TINE for its own operations. TINE currently sets written requirements for all suppliers, and they must confirm that they agree to TINE's guidelines for ethical trading.

TINE's guidelines for ethical trading cover working conditions, human rights, the environment and anti-corruption, and these are incorporated into the company's purchasing terms. Furthermore, TINE requires its suppliers to have traceability systems that must be demonstrated on request. TINE works on the principle that the suppliers themselves must take clear responsibility for ensuring ethical trading back through their supply chains.

TINE has established systems and procedures for safe and high-quality production of our products. Suppliers of input factors are surveyed regularly and followed up with a view to ensuring "safe food". Ethical trading is included in the survey when this is deemed necessary on the basis of a risk assessment.

Development and improvements

In early 2019, TINE entered into an agreement with EcoVadis¹. EcoVadis will carry out quality assurance and scoring of suppliers with regard to sustainability according to ISO26000 and suggest improvement measures for the individual suppliers. TINE is focusing on its strategic suppliers and partners with EcoVadis. These number around 130 suppliers and account for

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approximately NOK 2.5 billion of TINE's purchasing costs. At the end of 2020, TINE had roughly 135 suppliers for follow-up in EcoVadis. Only existing customers were entered in EcoVadis during the year. New suppliers brought on board in 2020 were not entered in EcoVadis.

In 2020, TINE started work on implementing a "Supplier relationship management system" (SRM). This system and underlying internal processes enable TINE to establish systematic work on sustainable purchasing. This includes supplier approval, setting requirements for competition, signing of a contract and systematic follow-up on the supplier after signing the contract. TINE has no formal complaint mechanisms. Any complaints are passed on via TINE's customer centre. Implementation must be completed by the end of the 1st interim period. The system will apply to all suppliers to TINE.

TINE has taken important steps throughout 2020 in putting sustainable purchasing on the agenda and implementing this in practice.

In 2020, TINE also focused on emissions related to transport of goods from our suppliers, and in connection with that moved a number of deliveries back to Norway in order to reduce the CO₂ footprint of our value chain. This included production of TINE iced tea.

Animal feed

TINE has strong brands and the owners of the company, our dairy farmers, play an important part in brand-building for our products. Therefore, TINE wants to accept its share of responsibility and help to reduce environmental and climate impact in this part of the value chain too.

TINE's many owners have cows and goats who need large quantities of good, nutritious feed. Almost 60 per cent of their feed is Norwegian-grown grass, while the remaining 40 per cent is feed concentrate. This feed concentrate contains, on average, 60 per cent Norwegian-produced ingredients such as barley, oats and wheat. In total, around 85 per cent of what our animals eat is made up of Norwegian raw ingredients. The remaining 15 per cent of feed is imported carbohydrate and protein raw ingredients such as soya, rapeseed and palm fat.

Find out more about Using more Norwegian feed

A variety of options

TINE is keen to increase the proportion of Norwegian feed ingredients in milk production. TINE is exploring a variety of initiatives that may help to ensure a greater proportion of cattle feed comes from Norwegian raw ingredients.

As we head towards summer, we are focusing on the potential for increased use of roughage. The aim for the 2021 season is to achieve better quality and an increased quantity of roughage to help reduce the need for feed concentrate.

TINE also participates in the "Future farm" project with support from the Research Council of Norway. This involves looking more closely at how better cultivation and harvesting grass at the right time yields a higher protein content. If successful, this would reduce the need for imported soya.

Foods of Norway

TINE participates in "Foods of Norway". The aim of the project is to help promote growth and increased value creation in the Norwegian aquaculture and agricultural industries. It aims to develop sustainable feed ingredients from natural bioresources that are not suitable for human consumption. New feed products will be developed from forestry, agriculture and marine resources through industrial utilisation of ground-breaking research into processing and biotechnology.

If this is successful, there will be scope to reduce our imports of soya, rapeseed and palm fat and replace these with Norwegian-based raw ingredients.

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The Board feels that greater emphasis on the use of Norwegian feed resources reinforces the legitimacy of its Norwegian milk production. The Board requests that the management team initiate a project with the aim of ensuring feed for Norwegian dairy cows is grown in Norway.

Soya and palm fat

High demand for soya and palm oil worldwide has resulted in large areas of rainforest being chopped down and turned into plantations. This is not a sustainable solution in a global context and affects the environment in a wider sense in the form of increased greenhouse gas emissions and increased erosion, while chopping down the rainforest can also destroy the livelihoods of indigenous peoples.

Norway primarily has three producers of feed concentrate for livestock. Feed concentrate is purchased directly from one of these producers by the individual milk producer. As a recipient of milk, TINE has the opportunity to influence both feed and milk producers to make changes to ensure their production and use of feed concentrates is more sustainable.

In 2015, TINE finalised a recommendation to limit the use of palm-based fat in feed for ruminants. The Norwegian feed concentrate industry now has a common industry standard for the use of palm-based fat. This standard sets certification requirements² for sustainable production of palm fat. Furthermore, an upper limit of 3 per cent has been set for the percentage of palm fat in feed. Consumption of palm fat in feed was reduced by 20 per cent³ between 2013 and 2020. From 2019 to 2020, consumption of palm fat fell by 6 per cent. Consumption saw a peak in 2019 because low energy content in grain crops owing to the dry summer in 2018 resulted in a need to add more energy to the feed concentrate. Consumption went down slightly in 2020, while a high level of milk production kept up demand for energy-rich feed concentrate. The feed concentrate industry wants to ensure that consumption of palm oil products can be traced back to associations of independent smallholders in order to generate direct positive effects for local communities. Around 90 per cent of purchased palm oil in 2020 was covered by certificates of origin (RSPO certification) from independent smallholders. The remaining volume of palm oil was purchased as segregated and sustainably produced.

In 2015, the feed industry signed its soya declaration⁴. This provides a clear direction and goals regarding how to limit the environmental impact of using soya. At present, all soybean meal of Brazilian origin for use in ruminant feed in Norway is certified in accordance with ProTerra⁵ or RTRS⁶. There is no corresponding certification for soybean meal of Canadian origin. However, the legislation in Canada is so strict that it covers important criteria included in ProTerra and RTRS.

In 2019, Norwegian grain crops had a high protein content. As a result, consumption of soya in Norwegian feed was reduced by 4 per cent compared to 2018. The soya currently used in the feed concentrate has a limited direct environmental impact. However, its indirect impact is greater. Increased consumption of soya for animal feed may contribute to increased destruction of rainforest for cultivation of soya for other products. Specific efforts are being made to increase the proportion of Norwegian raw ingredients in feed so that it will be possible to reduce the use of soya as a protein source in the long term.

Subsidiaries

Efforts to ensure a responsible value chain include all products produced at TINE's facilities and TINE products produced by partners. As before, subsidiary Fjordland AS is only partly included. Approximately 77 per cent of Fjordland's products are produced at TINE's dairy plants. Therefore efforts to ensure a sustainable value chain for these products are included in this report.

Work on production of sustainable feed for our dairy cows includes all of TINE's Norwegian subsidiaries, as the milk for production of their various products is supplied by TINE's milk producers. TINE's foreign subsidiaries, where the raw milk is obtained from parties other than TINE's own milk producers, are not covered by this report. These companies are subject to national regulatory requirements.

² RSPO certification, "RSPO smallholder certificates"

³ "Report from Norwegian feed concentrate industry 2020" Felleskjøpet Fôrutvikling

⁴ The Norwegian commitments on sustainable soy and forests

⁵ The ProTerra Foundation (<http://www.proterrafoundation.org/>)

⁶ Round Table on Responsible Soy (<http://www.responsiblesoy.org/?lang=en>)

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Healthy, happy animals

TINE's 9,000+ owners, with their herds of dairy cows and goats producing milk, are the very foundation of TINE's business.

We have a common interest in ensuring our animals are strong, healthy and treated in a kind and respectful manner.

Animals must be well treated

Our dairy farmers and TINE both have a responsibility to ensure our cows and goats are robust, healthy and well treated. Sustainable milk production is a matter of good animal health and welfare. Furthermore, it is important to focus on the animals, their experience of their own existence and freedom to engage in natural behaviour.

Top-quality milk

Norway provides some of the best-quality milk in the world. Good milk quality is dependent on many different factors. Out on the farms, hygiene before, during and after milking must be a priority. Optimum washing processes and correct milking technique, together with a milking system that works well, are prerequisites for success. Furthermore, it is very important to ensure the right, good-quality feed and good animal health and welfare.

Low level of antibiotic use

Collectively, the agricultural industry is working hard to reduce and optimise its use of antibiotics. There has been a considerable reduction in the use of antibiotics in Norway. This reduction is in the region of 75 per cent between 1994 and 2020.

The proportion of penicillin-resistant *Staphylococcus aureus* in cattle has also reduced substantially: from a level of 18 per cent in 1994 to roughly 3 per cent in 2020. We are probably now at a level equivalent to that before antibiotics were introduced.

Targeted efforts are being made to reduce their use still further. One important measure is to revise the therapeutic recommendations for use of antibacterial agents in cattle. Several stakeholders are collaborating closely on this and will come up with suggested changes. It is expected that these recommendation will reduce antibiotic use by a further 20 to 30 per cent.

Growth hormones or other treatments designed to promote growth are not used in Norwegian milk production.

Strict checks on antibiotic residues in milk

All milk arriving at TINE plants in tankers is checked for traces of antibiotics. In 2020, 49 deliveries of milk (48 cow's milk and 1 goat's milk) contained traces of penicillin antibiotics. This is a decrease from 66 deliveries in 2019. In order to avoid possible transfer of antibiotics to products, any such milk is discarded.

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75 %

Reduction in use of antibiotics

1994 to 2020

Healthy animals, good animal welfare

The health of cattle and goats in Norway is very good, with an absence of many serious infectious diseases that are still prevalent in other European countries¹.

Norway is free from several serious infectious diseases, such as Bovine Viral Diarrhoea (BVD), Salmonella and Infectious Bovine Rhinotracheitis (IBR). Norwegian goats are free from paratuberculosis, CAEV (Caprine arthritis encephalitis) and Caseous Lymphadenitis (CLA). TINE has participated actively in efforts to eliminate the aforementioned diseases.

It is important that the bacteria that cause these and other diseases are not allowed to enter cattle and goat herds in Norway. If we can keep these diseases out of the country, we will also keep antibiotic usage levels low, particularly broad-spectrum types, and maintain good animal health.

However, the disease known as Bovine Digital Dermatitis (BDD) has entered Norway and causes many animals to go lame. We are currently trying to limit this disease by preventing infection

and controlling trade in live animals. This is combined with a control programme for BRSV (Bovine respiratory syncytial virus) and BCoV (Bovine coronavirus).

It is important for TINE to be able to document that it has a healthy stock of cattle and goat that are free from serious infectious diseases. Kukontrollen and Geitekontrollen, TINE's mastitis laboratory and Dyrehelseportalen (DHP) have key roles to play in monitoring, control and reporting of infectious diseases in Norway.

Healthy animals, low greenhouse gas emissions

It has been proven that sick animals "working" to fight disease consume a lot of energy, which also leads to lower milk production. Therefore sick animals generate higher greenhouse gas emissions per unit produced than healthy animals². Consequently, healthy animals are very important for efficient milk production and low greenhouse gas emissions.

TINE is playing a key role in the "Climate-smart Agriculture" project, a collaboration between several stakeholders in the



agricultural sector. It has included developing a "climate calculator" to calculate climate emissions per farm. This will be a useful tool for identifying appropriate measures to reduce greenhouse gas emissions, including those related to good animal health and welfare.

Big changes

Between 2000 and 2019 there have been big changes in Norwegian milk production. The average number of dairy cows per farm almost doubled, from just over 14 to 28. At the same time, the number of dairy farms has fallen sharply, to around 7,500. In international terms, Norwegian milk production remains a small-scale, family-owned form of production. In 2020, more than 50 per cent of Norwegian-produced milk came from farms with a milking robot, and this proportion is increasing. Milk production is based on advanced technology, which allows the producer to spend more time among their animals, thus ensuring better animal welfare.

¹ Source: Norwegian Veterinary Institute

² Kvidera et al., 2017

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More use of free-stall barns

The two most common housing systems for cattle in Norwegian milk production are so-called tie-stalls and free-stalls. Tie-stalls are the traditional form, where the cows are kept in the tie-stall barn for the winter and out grazing in summer. With free-stall systems, the cows can move freely in the barn and are out grazing in summer. Larger herds are usually in free-stall systems. In 2020, there were an average of 18 cows per tie-stall barn and 42 cows per free-stall barn. The number of free-stall herds has increased from 11 per cent in 2007 to 40 per cent in 2019. The number of cows in free-stall housing on TINE's farms is now 64 per cent. Of all milk produced on TINE's farms, roughly 65 per cent comes from herds in free-stall housing.

In Norway, all barns are required to be free-stall housing by 2034. In recent years, TINE has put forward suggestions at the agricultural sector negotiations regarding the need for increased financial support for conversion to free-stall housing, to help boost and speed up the process.

Systematic efforts to improve animal welfare

Healthy animals are not necessarily the same as happy animals. In 2016, we began working to develop an indicator for documenting and improving animal welfare. In 2019, TINE launched its animal welfare indicator, a tool that will provide individual farmers with important information on how animal welfare has progressed and how it can be improved. This indicator is based on production data recorded by Kukontrollen and uses the World Organisation for Animal Health (OIE) standard for assessment of animal welfare. The reference year is set as 2015. In spring 2020, a large-scale training programme in the use of this tool was implemented for all TINE's advisers. Over summer 2020, figures from the indicator were released to all TINE's producers who are members of Kukontrollen (97 per cent).

Good progress

The animal welfare indicator has shown an improvement, with a value of 106.0 at the end of 2020, an increase of 2.6 points from 2019. This shows that animal welfare in general, and evaluated on a broad basis, has improved in recent years. This is due to TINE's increased focus on animal welfare aimed at its owners through producer and group meetings.

Based on the sub-indicators we see the biggest improvement in hooves, metabolism and dehorning, but a slightly negative trend for calves and fertility. Dehorning of calves must be done by a vet and we find that the procedures for gentle dehorning are good. Around 25 per cent of calves in Norway are hornless. Further breeding work is being done to increase this percentage, so that dehorning can be avoided.

Under the sub-indicator for calf health, the percentage of stillborn and dead calves has remained constant in recent years. Reducing this is one of the goals. We see that calf health and pressure of infection are a greater challenge in larger free-stall barns. Essential measures to improve calf health are good birth routines, enough good-quality raw milk at the right time and good access to hygienic milk and feed.

TINE is also working on various solutions so that cows and calves can remain together for longer, without negatively affecting hygiene and calf health.

Under the sub-indicator for dead cows, the percentage of self-inflicted deaths (by accident or from disease) has been reduced, while the proportion of euthanized or emergency slaughtered cows remains constant. The reduced number of dead animals is a positive development. Sick animals should not be allowed to suffer unnecessarily and should be killed when this is the last and only resort. The mortality rate among dairy cows in Norway is among the lowest in the world.

Subsidiaries

Animal welfare efforts include all of TINE's Norwegian subsidiaries, as the milk for production of their various products is supplied by TINE's milk producers. TINE's foreign subsidiaries, where the raw milk is obtained from parties other than TINE's own milk producers, are not covered by this report. These companies are subject to national regulatory requirements.

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Moving towards renewable energy

At the end of 2020, TINE's total direct greenhouse gas emissions amounted to 64,743 tonnes of CO₂ equivalents.

Since 2007, greenhouse gas emissions have been reduced by around 19,098 tonnes, a decrease of 23 per cent¹. Greenhouse gas emissions were reduced by 3,681 tonnes in 2020. TINE is pleased to see a reduction in greenhouse gas emissions from its transport activities. However, we are not happy that our emissions from dairy operations have increased during the year.

Norway's climate policy is based on various agreements entered into by the Storting (Norwegian Parliament) between 2008 and 2020. The signing of the Paris Agreement in 2015 marked a watershed in international climate policy and is a key factor in Norway's environmental strategy. The basis for the climate agreement in 2008 was the Stoltenberg government's climate report (White Paper no. 24. 2006-2007). Based on the aforementioned climate report and the fact that 2007 was the first year in which TINE produced complete climate accounts, 2007 has been selected as the reference year for the environmental target.

Towards a renewable society

In 2020 the EU agreed to further expand its ambitions. The member countries pledged to reduce greenhouse gas emissions by 55 per cent by 2030, and to be climate neutral by 2050. Norway is following suit and increasing its aims in line with the EU. TINE is expected to play its part in achieving the national climate target by reducing its own emissions.

It is also clear that TINE customers, employees and owners are increasingly requiring their partners and places of work to operate sustainably and help to care for the environment. This is reflected, among other things, in the fact that TINE's customers want to see documentation of TINE's sustainability work. They also want closer cooperation so that both their and our sustainability aims can be achieved.

Expanding the climate accounts

From 2018 onwards, we have included greenhouse gas emissions from our wholly owned subsidiaries Diplom-Is, Norseland Ltd. and Norseland Inc. As before, emissions from subsidiary Fjordland AS are only partly included. Approximately 76 per cent of Fjordland's products are produced at TINE's dairy plants. These products are also transported out to customers using TINE's vehicles. Therefore, greenhouse gas emissions associated with production and transport of these products have also been included in TINE's climate accounts.

Ambitious targets

We expect greater access to renewable energy in the form of district heating, electricity and bioenergy for our dairy production. However, it is more uncertain to what extent and when renewable fuel will be available for our transport activities.

Find out more about Greenhouse gas emissions outside scope 1

At the end of 2020, TINE's greenhouse gas emissions amounted to 64,743 tonnes of CO₂ equivalents. Dairy operations and transport use both renewable and non-renewable energy sources. Bio-oil, district heating from wood chips, bioethanol, biodiesel and biogas are all renewable sources based on various biomaterials. In actual fact, these also release CO₂ on combustion, but these emissions are not included in TINE's climate accounts as the raw materials are renewable.

Emissions of CO₂ on combustion of these renewable sources amounted to 48,808 tonnes of CO₂ equivalents in total for TINE in 2020.

¹ TINE's greenhouse gas emissions for 2007: 83,841 tonnes of CO₂ equivalents

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Find out more about What must be included in the climate accounts?

The Greenhouse Gas Protocol¹ (GHG Protocol) has been used as a basis for preparing TINE's climate accounts. The consolidation method in accordance with the GHG Protocol is "organisational control". The GHG Protocol is the most widely recognised climate accounts standard. The GHG Protocol divides climate accounts into three levels: scope 1, 2 and 3, depending on the point in the value chain where emissions occur.

Scope 1² relates to direct sources of emissions, and for TINE this includes oil, natural gas, diesel and refrigerants. Greenhouse gases included in TINE's climate accounts in scope 1 are carbon dioxide (CO₂), hydrofluorocarbons HFCs (R401A and MP39) and HFCs (R134A).

Scope 2 relates to indirect emissions, taking into account the various raw materials used when producing the electricity and district heating purchased by TINE. In other words, whether the electricity is produced using hydropower or coal will be of major significance to scope 2 emissions.

Scope 3 relates to indirect emissions for which the company is responsible when purchasing and using various services and input factors such as business travel, milk and packaging.

TINE's environmental targets are related to the company's greenhouse gas emissions, which includes emissions in accordance with scope 1 in the value chain, from farm tanks until the finished product is delivered to customers (sales outlet). TINE must also help milk producers to reduce emissions of greenhouse gases from milk production out on their farms. This will reduce TINE's indirect emissions, scope 3.

Scope 2

Many foreign stakeholders in the common European energy market choose to buy guarantees of origin from power produced in Norway, either voluntarily or due to requirements with regard to proportion of green power. This reduces the renewable share of unspecified power on the Norwegian market. Consumers choosing unspecified origin will therefore largely receive a product covered by foreign fossil-fuel energy and nuclear power.

The last available product declaration from NVE for unspecified power is for 2019³. Here, the proportion of fossil-fuel power and nuclear power totals 91 per cent, although more than 98 per cent of Norwegian power production was based on renewable energy that same year. NVE has calculated a factor of 396g of CO₂ per kWh for 2019. This is a decrease from 520g of CO₂ per kWh for 2018. The change is due to reduced use of fossil-based thermal power in favour of nuclear power in Europe.

NVE's calculation of the national product declaration has been corrected for European trade in guarantees of origin and is based on the calculation of what is known as the European Attribute Mix for Norway, which was undertaken by the Association of Issuing Bodies (AIB). This product declaration has been formulated on the basis of best practice from the European RE-DISS partnership.

The emission factor for Norwegian electricity, not including the sale of guarantees of origin, is calculated to be 17.0 g of CO₂ per kWh for 2019⁴.

As 65 per cent of TINE's energy consumption at our dairies is based on electricity, it is important for us to also maintain an overview of greenhouse gas emissions linked to this energy source. This is why TINE has been preparing climate accounts including scope 2 since 2014. In accordance with the GHG Protocol, we present climate accounts including scope 2, both with and without product declarations.

Scope 3

Of TINE's total transport operations, approx. 16 per cent is made up of what is known as intermediate transport⁵. This involves transportation of products between the company's different dairy plants, and capacity is hired from external carriers.

The transport capacity offered by these carriers on individual routes is mainly filled by TINE's requirements. However, smaller volumes will also be transported using the same trucks, but for other customers of the carrier. Greenhouse gas emissions from intermediate transport are corrected for freight volume linked to these customers. Emissions from intermediate transport are reported under scope 1, as this transport is essentially provided for TINE.

Changes were made to the reporting of scope 1 and scope 3 in 2017. TINE now reports greenhouse gas emissions associated with employee flights and emissions from fuel relating to the fuel's value chain, which covers "from source to tank" ("Tank-to-wheel"), within scope 3. The climate accounts for 2016 have been corrected accordingly.

TINE has not used any pure biodiesel, such as HVO100, in 2020. The diesel used had an average content of renewable biodiesel of 23.4 per cent.

Subsidiaries

Up to 2017, TINE's climate accounts included production and transport by the parent company (TINE SA). From 2018, we have included energy and fuel consumption from production and transport at the wholly owned subsidiary Diplom-Is, while we have only included energy consumption from production at Norseland Ltd. and Norseland Inc. Historical figures from 2016 and earlier have not been adjusted.

As before, energy and fuel consumption from production and transport at the subsidiary Fjordland AS are only partly included. Approximately 77 per cent of Fjordland's products are produced at TINE's dairy plants. These products are also transported out to customers using TINE's vehicles. Therefore, energy and fuel consumption linked to production and transport of the aforementioned products have also been included in TINE's climate accounts.

¹ The GHG Protocol "A Corporate Accounting and Reporting Standard" (ghgprotocol.org/standards)

² Source emission factors: (1) Fossil-based oil and natural gas: SSB. (2) Fuel: UK Government GHG Conversion Factors for Company Reporting (Defra). (3) Refrigerants: The engineering toolbox

³ Source: nve.no/nytt-fra-nve/nyheter-energi/varedeklarasjon-for-stromleverandorer-2019/

⁴ Source: <https://www.nve.no/energiforsyning/kraftproduksjon/hvor-kommer-strommen-fra/>

⁵ As a percentage of kilometres travelled

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As a consequence of our planned environmental measures and rapid technological development, TINE has set itself the target of only using energy and fuel based on renewable raw materials by 2025.

Results take time

We are now seeing that our long-term climate work is yielding results. Greenhouse gas emissions from dairy operations in Norway have been reduced by 6,400 tonnes of CO₂ equivalents, which equates to 28 per cent since 2016. In 2020, however, emissions increased by 1,600 tonnes of CO₂ equivalents. This increase is due to increased production activity and the effect of measures over the past few years now having been realised. The next major cuts in emissions from production will come once it has been decided which renewable energy sources will be used for TINE's dairy in Jæren.

We are now seeing that our long-term climate work is yielding results.

TINE's dairy in Jæren currently uses a substantial proportion of natural gas as an energy source. The dairy is the company's biggest single-site source of CO₂ emissions. Specific plans are in place to replace some of the natural gas with wood-based district heating. However, this has proven difficult to implement, in part owing to lack of investment aid from Enova. We are therefore now looking at other alternatives, such as biogas. Although this will take longer before it can be implemented, which will mean that a reduction in greenhouse gas emissions from dairy operations must be postponed.

The Diplom-Is plant in Gjelleråsen outside Oslo and the facilities at TINE's subsidiaries overseas use natural gas, among other energy sources, which contributed to emissions of 2,571 tonnes of CO₂ equivalents.

Of the energy we use in production, 1.8 per cent comes from fossil-based heating oil and 14.6 per cent from natural gas. TINE wants to increase the proportion of district heating and bioenergy used as energy sources. TINE aimed to phase out

the use of heating oil as a primary energy source by the end of 2020. By the end of 2020 around 0.3 per cent of TINE's energy consumption was linked to heating oil as a primary energy source. We expect this to be phased out during 2021.

KUKRAFT – biogas from cow manure

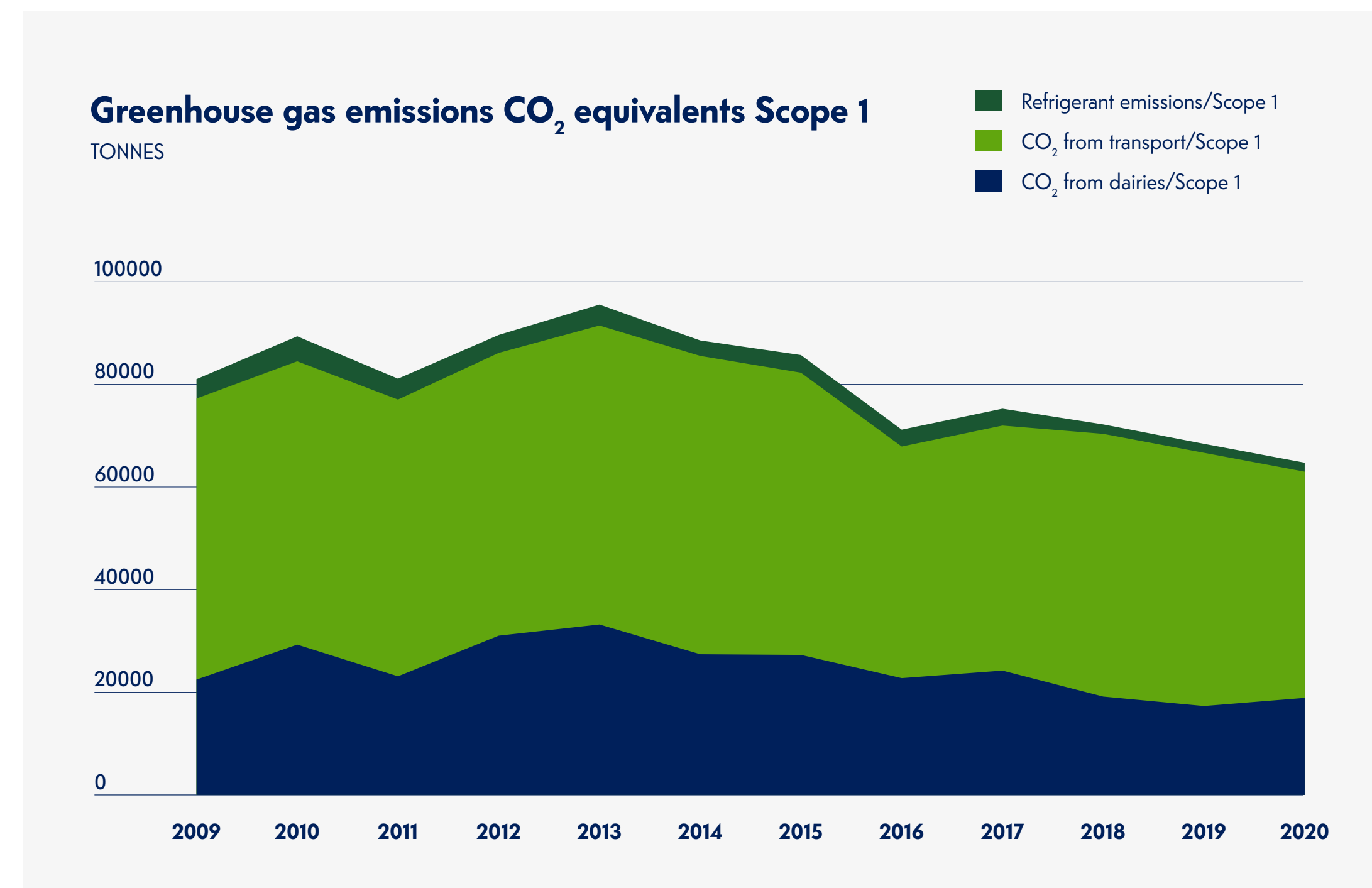
2017 saw the launch of TINE's #Kukraft concept for transport, an exciting environmental programme for using biogas based on manure. #Kukraft is being developed in partnership with Air Liquide Skagerak and Greve Biogass. The Norwegian cows that supply TINE with milk will be making an important contribution to achieving our objectives.

By using manure as a raw material for biogas production, where the biogas is used for fuel and the biofertiliser is returned for agricultural use, you achieve a triple climate effect, with biogas

replacing fossil fuels, biofertiliser replacing chemical fertiliser, and emissions of methane and nitrous oxide from manure storage and spreading avoided.

The use of biofertiliser will also add several essential nutrients back into farming land, so a circular economy system for agriculture. Certain nutrients, such as phosphorus, are not renewable, so it is crucial for future farming systems to recirculate these essential nutrients.

By the end of 2020, TINE had 16 vehicles running on biogas. During 2021 we expect to add to our fleet of vehicle that will run on biogas. KUKRAFT and biogas from manure will be an important factor in helping TINE to achieve its aim of only using renewable energy and fuel by 2025. KUKRAFT will also make an important contribution to helping farms reduce their greenhouse gas emissions.



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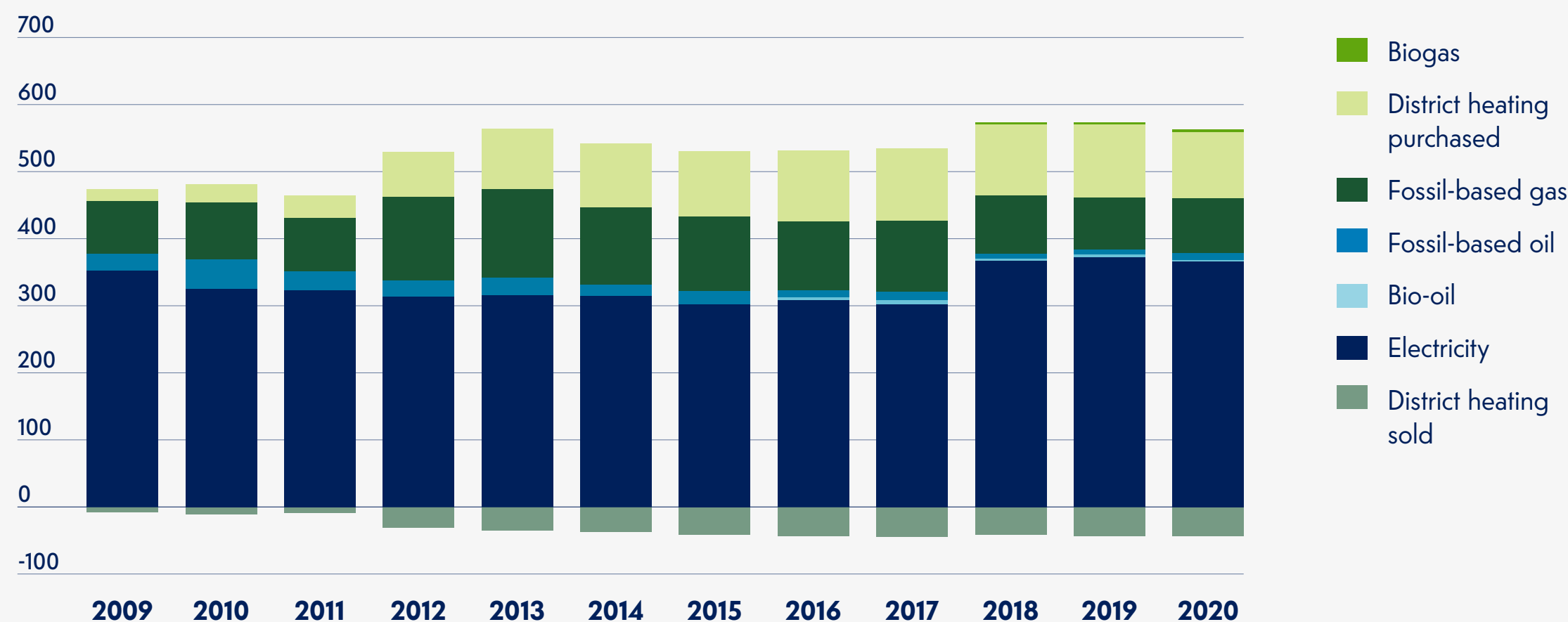
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Energy consumption

GWh



Reduced emissions with higher content of biodiesel

We find it more challenging to reduce greenhouse gas emissions from transport. Access to biodiesel based on waste (HVO)² was very limited and costly in 2020. This was mainly due to a decision by the authorities to introduce road tax on biodiesel from July 2020.

Good technical solutions for use of renewable fuels such as electricity and hydrogen for running heavy goods vehicles are still in short supply, and far more expensive.

Over 55 per cent of TINE's transport operations are carried out by external transport companies on long-term contracts. These vehicles only operate on behalf of TINE, and the emissions from these transport operations are also included in TINE's climate accounts.

We also transport finished goods between our different sites. These vehicles are mainly loaded with TINE products, but may

also have other goods on board. TINE's share of greenhouse gas emissions from these transport operations are also included in TINE's climate accounts for transport.

We are therefore totally dependent on the environmental aims of our hired carriers for emission-free transport if TINE is to achieve its climate targets.

In 2020, greenhouse gas emissions from TINE's transport operations were reduced by 5,264 tonnes of CO₂ equivalents. The reduced level of emissions is mainly due to an increased mix ratio of renewable diesel in 2020.

Emissions from Diplom-Is transport operations in 2020 amounted to 2,500 tonnes of CO₂ equivalents. This is a reduction of 800 tonnes compared to 2019.

² Biodiesel HVO. Advanced biodiesel, known as "Hydrotreated Vegetable Oil". TINE only uses HVO produced from biological waste fractions such as offal and used frying oil.

Find out more about
Our ingenious new plant in Jæren

By using manure as a raw material for biogas production, where the biogas is used for fuel and the biofertiliser is returned for agricultural use, you achieve a triple climate effect. Biogas replaces fossil fuels, biofertiliser replaces chemical fertiliser, and emissions of methane and nitrous oxide from manure storage and spreading are avoided.

Modern-day intensive farming has an impact on the local environment and biodiversity. The use of biofertiliser (bioresidue) from biogas production in livestock-intensive areas like Rogaland and Trøndelag will help to significantly remedy the situation. With the biogas plant handling and processing the manure, farmers receive bioresidue, with the phosphorus separated out, that is suited to the actual soil. It also avoids the use of chemical fertiliser.

TINE with its partners Nortura, Greve Biogass and Air Liquide Skagerak is now working to establish a large industrial biogas plant in Jæren. The facility will process large quantities of livestock manure, turning it into biogas and supplying bioresidue to the farmers suited to their fertiliser needs. The biogas plant will produce 130 GWh of biogas that will mainly go to the transport industry as a renewable fuel.

The project is dependent on investment support from Enova in order to be implemented.

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Technological development of biogas for heavy goods vehicles is now progressing at a rapid rate. In 2018, Volvo launched a truck that uses liquid biogas (LBG) as a fuel. This meets TINE's technical requirements in terms of engine size and range, but is around 40 per cent more expensive than current trucks. TINE took delivery of its first biogas vehicles running on liquid gas (LBG) in 2019. These have worked out very well. We have confidence that liquid biogas (LBG) could be a significant fuel for TINE in the years to come. By the end of 2020, TINE had 16 biogas vehicles on the road.

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Lower local emissions

In early 2016, TINE began a comprehensive effort to reduce local emissions from its transport operations. This initiative is making an important contribution to reducing local pollution. By the end of 2020, TINE had 716 vehicles with EURO-VI engine technology, an increase of 53 vehicles from 2019. This means that by the end of 2020, 88 per cent of TINE's vehicles were EURO-VI or newer. However, this means that we have not achieved our goal of all our vehicles being EURO-VI or newer by the end of 2020. We are continuing with a high rate of replacement and anticipate that all vehicles will be EURO-VI or newer over the course of the next two years.

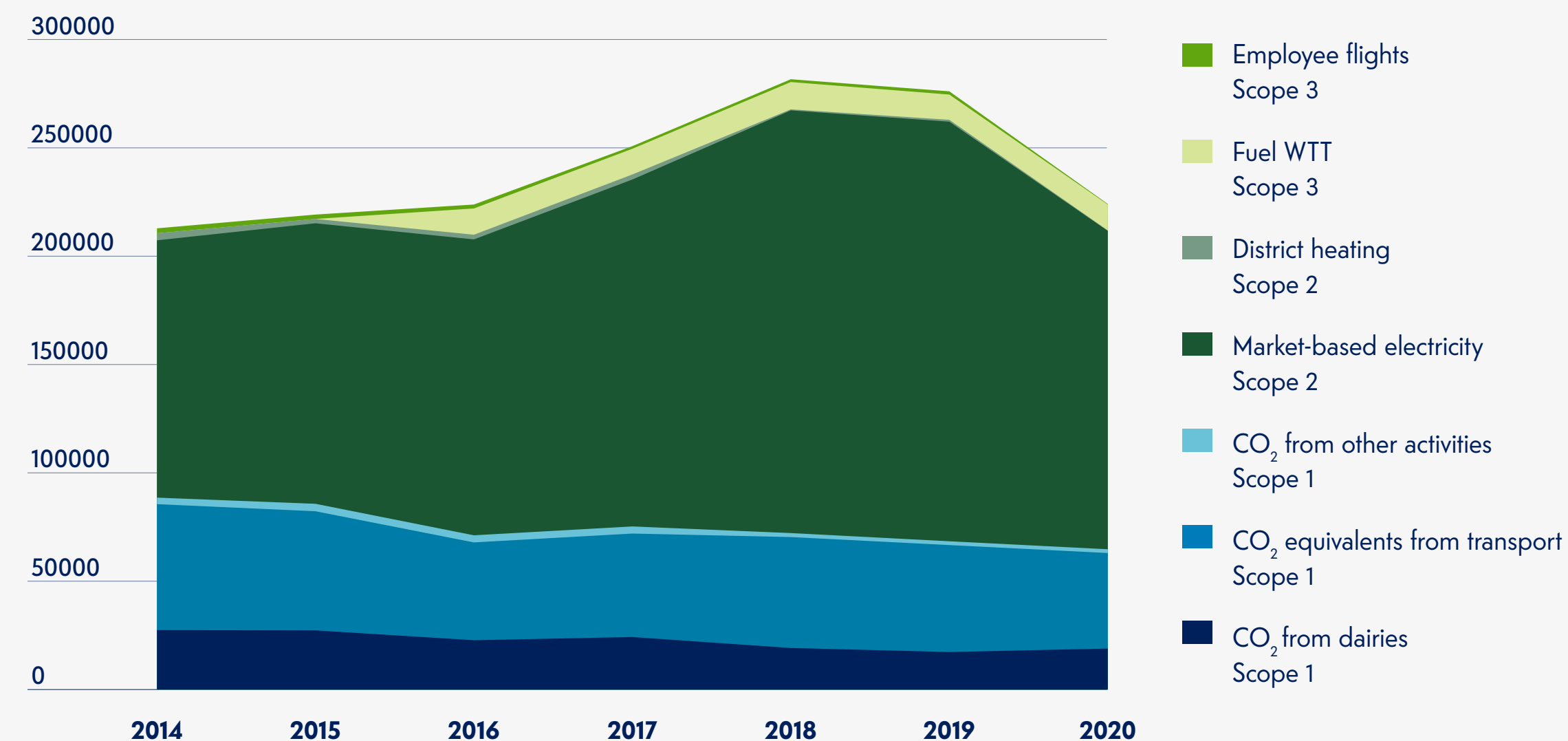
The transition to EURO-VI is an important element in efforts to reduce emissions of particles and NOx. Emissions of NOx from TINE's transport operations were reduced by 23 per cent in 2020.

Gradual introduction

TINE aims to only be using renewable fuel for its transport operations by 2025. TINE wants to achieve gradual implementation of various fuel alternatives. As a result of the authorities introducing road tax on biodiesel we are expecting modest consumption. However, biogas remains exempt from road tax, which makes KUKRAFT and biogas very interesting. We can therefore expect biogas to play a key role in TINE's

Greenhouse gas emissions CO₂ equivalents Scope 1, 2 and 3

Market-based electricity/tonnes



efforts to switch its transport operations to renewable fuels. However, it will be challenging to ensure the pace of transition enables us to achieve our target. This is mainly due to the fact that the investment and running costs for renewable alternatives remain relatively high compared to fossil-based options.

Good framework conditions must be in place

The government wants the transport sector to help achieve the national climate targets. Good framework conditions and systems, such as we have seen for electric cars, are not in place for heavy goods transport.

Toll road exemptions for biogas along the same lines as for electric and hydrogen cars would be a powerful tool. Experience

shows that TINE's trucks pay a considerable amount in tolls each year. Therefore, exemption from tolls could be a crucial factor in persuading TINE to use liquid biogas to any significant extent. There is political unity regarding implementing exemption from tolls. A practical solution and establishment of a regulatory body are needed. After two years this is still not in place. However, we are confident that this can finally become a reality during 2021.

The support schemes from Enova must continue at today's level for electric, biogas and hydrogen-electric transport solutions. Support schemes for establishment of a network of fuelling stations must also be maintained.

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A safe and healthy workplace

Healthy employees and a robust workforce in a good work environment are prerequisites if TINE is to achieve efficient operation and quality at all levels.

Work must be organised in a manner that ensures our employees are not subjected to undue physical or mental strain, and that no one is injured or falls ill as a result of their work.

We care about our employees, and therefore focus on safety and the work environment every single day. This means that at TINE safety comes first, whether it be an employee in production, at the laboratory or dealing with cattle on a farm visit.

TINE employees should enjoy going to work. Because we know that a good and inclusive work environment contributes to wellbeing, greater impact and lower levels of absence due to illness

Record low number of lost-time injuries

TINE's work to combat lost-time injuries is evaluated according to LTI rate. TINE has made great efforts to improve safety in the workplace. This has resulted in the lowest number of lost-time injuries since 2016. These good results are down to better reporting, clearer expectations throughout the organisation as well as improved expertise and understanding of HSE work, among other factors.

In October, TINE SA achieved a milestone in its efforts, as we recorded zero lost-time injuries among our employees for this month.

TINE's overall target is to achieve a lost-time injury rate (LTI rate) of zero. In 2020, TINE SA had 26 lost-time injury incidents, giving it an LTI rate¹ of 3.6. This is an excellent reduction from 2019 (LTI rate: 4.5. Incidents resulting in absence: 34) and better than the target for the year of 3.8.

Recording of HSE incidents and proposals for improvement

In 2020, 9,246 incidents and proposals for improvement were reported at TINE SA, compared with 9,325 in 2019. This reduction is probably due to the fact that the organisation's main focus from March onward was aimed at handling the Covid-19 pandemic in the best way possible. The target for the year was 9,415, which means it was not achieved. Recording and processing of both undesirable incidents and proposals for improvement are important tools when it comes to reducing occupational accidents. Maintaining a good overview of such incidents will give us better scope to implement good, targeted improvements.

¹ Definition of LTI rate: Number of injuries leading to absence per million hours worked.

TINE's policy on health, safety and the work environment

- We believe that all accidents can be prevented. Therefore our goal is zero injuries to employees, contractors and third parties.
- We are all responsible for our own safety and the safety of others, and we point out hazardous situations when observed.
- We comply with current instructions for the business at all times in order to prevent occupational accidents and material damage.
- Our work environment must be characterised by wellbeing, inclusion, trust and commitment.

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Trend in absence due to illness 2020
Absence due to illness per month as a percentage



Stable level of absence due to illness

The level of absence due to illness at TINE SA was 5.9 per cent in 2020. This was a slight increase compared with the previous year. TINE SA started 2020 with good results, and by February was well placed to achieve its target, which was set at 5.4 per cent. However, the coronavirus pandemic had a negative impact on absence due to illness. TINE has made systematic efforts to improve the results, including management training and beneficial cooperation with Occupational Health Services and the Norwegian Labour and Welfare Administration (NAV). Units with high levels of absence due to illness are followed up on within the organisation.

The CEO's HSE prize

Good HSE work is important to TINE. Therefore a HSE prize has been established to highlight examples of positive work. The criteria for winning the prize are based on actual achieved results and commitment to HSE. The winner for 2019 was TINE Distribusjon Kristiansand.

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Reporting at company level

TINE reports on three main areas for HSE: absence due to illness, number of injuries resulting in absence/not resulting in absence and recorded undesirable incidents/proposals for improvement. Absence due to illness is not reported by gender. Nor does TINE tend to divide absence due to illness according to work-related absence or not, or note how long anyone who is injured remains off work. This means that we have no figures (F-value) relating to lost working hours in connection with such injuries.

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Ethics and diversity for fairness

In order for TINE to be a leading supplier of food and drink brands, we are dependent on our employees, owners, customers, consumers and others trusting us. Trust is crucial if TINE is to be able to achieve its vision and business goals.

TINE has many roles and at any one time acts as employer, customer, supplier, partner, owner and more. Ethical conduct, both personally and in business contexts, is important in all these roles.

Ethical guidelines

All TINE employees are representatives of the business in their various roles. The decisions we make and the actions we take every day are what build TINE's reputation and ensure that people trust the company. TINE has therefore prepared ethical guidelines that clarify the attitudes and behaviour that TINE expects from its staff in terms of respect, integrity and loyalty. These guidelines provide a common platform for reflection on and awareness of ethical issues and help employees to make the right choices. In addition, we actively conduct training in dealing with ethical issues and dilemmas on a regular basis at TINE. This normally takes the form of face-to-face sessions, but in 2020 TINE also conducted dilemma training as digital sessions. TINE's ethical guidelines have also been formulated into an e-learning course in 2020, so that employees can independently familiarise themselves with them.

Food safety

All TINE products must be procured, manufactured and handled in accordance with accepted group quality standards.

Ethical trading

We must adhere to accepted principles for ethical trading and demand that our suppliers do the same.

External environment

We must focus constantly on the external environment and our impact on nature in our work.

Corruption

We must never offer, give, demand or accept any form of gift or other benefit that could influence performance of our own or other's position or duties.

Events

TINE's events must always be based on professional or commercial considerations. The social programme at events must be of moderate value and limited scope and frequency.

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Communication

Our communication must be characterised by openness, honesty and credibility.

Impartiality

We must inform our immediate manager if questions could be raised about our impartiality (conflict of interest) when acting on behalf of TINE.

Confidentiality

We should never talk to outsiders about matters at or relating to TINE or our customers, suppliers or partners, unless this information is already publicly known.

Various measures have been established at TINE to ensure compliance and continuous improvement. These measures include various activities linked to guidelines, business planning, process descriptions and training.

Work environment

The work environment at TINE must be characterised by wellbeing, inclusion, trust and commitment. We do not accept any form of inappropriate behaviour, bullying, harassment or discrimination.

All employees and contractors must help to improve HSE results at TINE by adhering to rules and instructions, reporting hazardous conditions and near-accidents, assisting with improvements and preventing hazardous/unsafe actions on the part of our own employees or contractors.

Whistleblowing

TINE's objective is an open culture and freedom of expression, in order to create and maintain a culture of questioning things, including censurable conditions, so there is less need for whistleblowing. In a large organisation like TINE, censurable conditions could occur. This could be breaches of laws, ethical norms or internal guidelines. As an employer, TINE is obliged to facilitate internal whistleblowing regarding any censurable conditions.

TINE has established guidelines for whistleblowing and has appointed an internal "whistleblowing representative". Important points included in the whistleblowing rules are discrimination, corruption, business ethics including anti-competitive conduct and the duty and right to speak up about breaches of the law and of TINE's ethical guidelines. Whistleblowing concerning quality and safe food are included in the scheme, as is the right to privacy. Individual employees should feel they have the confidence and scope to speak up if they notice irregularities.

TINE has not registered any reports of corruption via its whistleblowing channel or to the company's legal department in 2020. Nor have there been any specific cases of corruption or legal cases linked to anti-competitive conduct, anti-trust practices or monopoly practices during the year

TINE Farm Ståle Hustoft • Tysvær



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Safe food we can trust

TINE products must be safe to eat and our customers and consumers must have confidence that safe food is a fundamental principle at TINE.

Against the backdrop of the coronavirus pandemic, long-term work on animal health, hygiene and infection control has taken on new relevance. It has reminded us of TINE's responsibility to supply safe products to customers both here in Norway and overseas.

Safe products – open communication

For TINE, ensuring that our products are healthy and safe to eat is fundamental. Consumers, customers, authorities and owners must have confidence in TINE as a food manufacturer if we are to be capable of delivering economic and sustainable value creation over time. Long-term work on animal health and hygiene throughout the value chain from 'farm to fork' makes Norwegian milk very safe. By means of inspections and certification audits, we aim to demonstrate that we are complying with regulatory, industry and food safety standards. Open communication regarding safe food internally and externally is an important tool for building trust.

TINE is certified in accordance with international standards, including ISO 22000, FSSC 22000 and BRC. This is intended to ensure that TINE is supplying safe food that consumers can trust. Complying with the principles of HACCP aims to ensure

production of food that is free from microbiological, chemical or physical hazards, and there must be no undeclared allergens present in the product.

Coronavirus

Early on in the coronavirus pandemic it was established that the virus does not spread infection via foods, but, like colds or flu, by respiratory transfer. According to the Norwegian Food Safety Authority, there are no known cases of infection via foods or packaging¹. This is an important finding for the food industry and for consumers.

In the wake of measures such as social distancing, quarantine requirements and hand-washing, we also see that incidence of many other infectious diseases has fallen sharply². Statistics from the Norwegian Surveillance System for Communicable Diseases (MSIS) show that the incidence of specific diseases that spread infection via food, e.g. salmonellosis, has gone down in 2020. There is reason to believe that this fall is due to the reduction in travel, since many people pick up this infection overseas.

¹ The Norwegian Food Safety Authority's information pages about coronavirus. URL: https://www.mattilsynet.no/Utbrudd_av_koronavirus/Mat_og_drikkevann/

² Public health. Current news from MSIS during the Covid-19 pandemic. URL: <https://www.fhi.no/publ/2020/covid-19-msis/>

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New ways of working

The coronavirus pandemic has led to huge changes in society, which has also affected food safety work at TINE. One example is internal audits, which are an essential tool in food safety work. Due to travel restrictions during the pandemic, a lot of effort has gone into establishing new methods and using new technology for internal audits. Remote audits have been set up and training of local resources to carry out self-audits. External audits according to food safety standard ISO/FSSC 22000 have also been implemented by combining digital meetings with physical on-site presence. Despite challenges and delays TINE has managed to maintain its programme of audits and uphold food safety throughout the pandemic.

National and international monitoring

Monitoring of food safety hazards nationally and internationally shows a similar picture for milk products as in previous years. According to the EU's Rapid Alert System for Food and Feed, microbiological hazards remain the most significant for milk products, with over 60 per cent of reported cases³. A high percentage of cases concern discovery of pathogenic bacteria in cheese made from unpasteurised milk. TINE's products are manufactured using pasteurised milk.

In autumn 2020 came news that high levels of the harmful pesticide ethylene oxide had been found in sesame seeds from India. This led to recalls of sesame seeds in a number of European countries, including Norway. The Food Act directs Norwegian importers to halt sales when there is suspicion of hazardous foodstuffs, and the Norwegian Food Safety Authority therefore introduced a requirement (regulation) for stricter checks on sesame seeds and analysis certificates for all shipments of sesame seeds from India. TINE was not directly affected by this case, but it caused ripple effects for many food producers in Norway. In the first instance, producers of bread and baked goods needed to take this into account, but it also affected TINE's subsidiary Fjordland.

Target figures

TINE has key targets for safe food that include "no recalls from the market" and "no detections of pathogenic microorganisms in products" (compliance with microbiological regulatory requirements). In 2020, there was one product recall from the

market (Piano[®] Duo yoghurt (chocolate and chocolate crisp)) owing to lack of labelling of soya as an allergen⁴. There was also a recall from customers of Byggrynsgrøt (Fjordland) owing to lack of labelling of gluten as an allergen⁵. During 2020, 5,941 products were analysed for pathogenic microorganisms⁵. *S. aureus* was detected in low levels, below regulatory requirements, in 16 samples of skimmed milk powder and *L. monocytogenes* in two samples of unpasteurised milk. We judge these results to be satisfactory.

Subsidiaries

Work to ensure good, safe milk quality includes all of TINE's Norwegian subsidiaries, as the milk for production of their various products is supplied by TINE's milk producers.

Work to ensure safe production includes all products produced at TINE's plants. The subsidiary Fjordland AS is only partly included. Approximately 77 per cent of Fjordland's products are produced at TINE's dairy plants.

TINE's foreign subsidiaries and any production that takes place at plants outside TINE are not covered by this report. These companies and facilities are subject to national and local regulatory requirements.

³ Rapid Alert System for Food and Feed (EU).
URL: https://ec.europa.eu/food/safety/rasff_en

⁴ TINE CIM. Emergency response log.

⁵ Mastittlaboratoriet/LabVantage Express/TINE Innsikt.



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For better diet and nutrition

TINE has products to suit most occasions, both everyday needs and special celebrations. This imposes on us a great deal of responsibility, but it also gives us a great opportunity to make a positive contribution to public health in Norway.

For better or worse

Milk and dairy products are a source of high-quality protein, calcium, iodine and a number of B vitamins in the Norwegian diet. At the same time, saturated fatty acids make up 15 per cent of the calories in the Norwegian diet, which is considerably higher than recommended¹. Furthermore, 40 per cent² of the saturated fat in our diet comes from dairy products.

An unhealthy diet is the most significant risk factor that can affect levels of disease in Norway, together with smoking and high blood pressure. A varied and healthy diet will provide the essential nutrients needed. This, together with daily physical activity, lays a good foundation for a healthy life.

The customers, consumers and authorities around us expect TINE, as a major food stakeholder, to help ensure that the population of Norway has a healthy, varied and balanced diet.

The objective of any commercial business is to generate the best possible financial result for its owners. For TINE, this means, among other things, that we have to ensure optimum utilisation of the milk. In order to meet expectations with regard to reducing saturated fat, we could end up facing a situation in which TINE has a surplus of fat. The challenge then would be to use this in a way that does not challenge the goal of a definite reduction in saturated fat in the Norwegian diet.

Important source

Milk and dairy products are natural sources of several nutrients, but several segments of the population consume less than is recommended. We want to eat right; 60 per cent of us state that we are concerned about this³. Nevertheless more than 70 per cent of young girls in Norway do not consume enough calcium⁴, and around 50 per cent of pregnant women consume too little iodine⁵. It is therefore important to ensure that national dietary advice, with recommendations of three portions of low-fat dairy products per day, is followed.

Norwegian and Nordic dietary advice is to be re-evaluated and new recommendations issued for 2022. TINE is working closely with Opplysningskontoret for meieriprodukter (melk.no) to provide input for a more nuanced view of how different dairy products affect health. More and more research communities are showing that cheese in particular has a more beneficial effect on health than you might expect from the content of saturated fat.

¹ Utviklingen i norsk kosthold 2020

² Norkost 3

³ Norske Spisefakta 2020, IPSOS MMI

⁴ Ungkost. Opplysningskontoret for meieriprodukter, Melk.no

⁵ "Risiko for jodmangel i Norge". Norwegian Directorate of Health 2016

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Consumption of certain saturated fatty acids increases cholesterol, which in turn increases the risk of developing cardiovascular diseases. This is fairly well proven. However, it is slightly different with cheese, even though it also contains a lot of saturated fat, but we do not yet know why exactly cheese does not have the same effect on cholesterol. One of the hypotheses is that cheese contains other substances that have protective effects.

Nutrition and sustainability

Climate and environmental considerations are increasingly being incorporated into diet and nutrition recommendations. The Klimakur 2030 report was produced in 2020. It examined what measures could be used to cut non-quota emissions by 50 per cent by 2030 compared with 2005. Agriculture and diet is one of the areas looked at by Klimakur. The report points to a diet with less red meat and animal products and more plant-based foods and fish.

Ensuring milk and dairy products are appropriately incorporated into future dietary advice has had a high priority during the year. TINE is particularly concerned with ensuring the positive contribution to diet from milk in the form of protein, calcium and iodine is included when comparing different foods.

Sustainability is a concept that covers more than just greenhouse gas emissions. Today we are seeing various food producers communicating their greenhouse gas emissions per product to show that the product is climate-friendly and sustainable. However, this approach is too narrow. Sustainability is far more than just greenhouse gas emissions. Food production has an impact on other aspects, such as biodiversity, water consumption and use of arable land. These must also be evaluated when determining whether a food has been sustainably produced.

We want food production with the least possible impact on greenhouse gas emissions, loss of biodiversity, water consumption and use of arable land. At the same time, production output must supply the wholesome and healthy nutrients that are so essential for a good diet. It is therefore important and appropriate to judge a product's sustainability against a

Find out more about Clear objectives

TINE has signed up to the letter of intent relating to facilitation of a healthier diet, together with food organisations, food and drink manufacturers and the trade (food industry), as well as the Norwegian Ministry of Health and Care Services. This letter of intent sets specific targets for reduction of added sugar, salt and saturated fat. The changes are compared to 2015 levels.

TINE must take on its proportionate share of the reduction as specified in the letter of intent, which gives the following specific targets:

By 2021, TINE aims to reduce consumption as follows (compared with 2015 levels):

- Saturated fat by 2,050 tonnes
- Added sugar by 830 tonnes
- Salt by 165 tonnes

2020 has been an unusual year, in which people's shopping patterns have changed as a result of the coronavirus pandemic. We are seeing a strong increase in sales of our products through grocery stores, while sales to large customers like hotels and restaurants have reduced. Increased sales volumes of hard cheeses such as Norvegia had a particularly negative effect on the proportion of fat and salt supplied to the market.

The picture is much better for added sugar. Here we see increased sales of products with no added sugar. Furthermore, we have reduced added sugar in many of our existing products over the years. This has contributed to a reduction in the volume of added sugar in 2020.

For 2020, the increase in saturated fat and salt was 1,195 tonnes and 62 tonnes respectively, while added sugar was reduced by 284 tonnes. In relation to 2015, the volume of saturated fat increased by 722 tonnes and salt increased by 61 tonnes. For added sugar, the volume was reduced by 1,274 tonnes.

TINE has been very successful in reducing consumption of added sugar, and by the end of 2020 had achieved the targets in the letter of intent. However, we are not happy with the trend in saturated fat and salt. We must therefore continue our efforts to steer consumption of cheese towards lighter variants, to improve quality and flavour and to develop new products with less saturated fat and salt.

Fat presents a challenge

We have not succeeded in reducing consumption of saturated fat as we would have liked. There are specific challenges associated with reducing saturated fat in dairy products. Unlike salt and sugar, which are normally added to the ingredients in the production process, the fat is a natural part of the milk. We expect many forthcoming product launches to contain less fat. Looking a little further ahead, changes in both breeding and feeding of cattle could help to cut down the amount of saturated fat in the milk.

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nutritional value. This will avoid a diet where we, as an extreme consequence, end up eating food with low greenhouse gas emissions but no nutritional value.

Saturated fat increasing

In 2020 TINE put a lot of effort into steering consumption of cheese towards lighter variants. By focusing on quality, communicating relevant nutritional information and increased marketing in stores, we have achieved a positive trend for Keyhole-labelled cheese. At the same time the coronavirus pandemic has affected people's shopping and eating habits. We have more time at home for cooking and spending quality time with our household. This has also led to increased sales of TINE's products, including cheese. During 2020, the total quantity of saturated fat supplied to the market by TINE increased by 1,195 tonnes. Of this, 269 tonnes can be attributed to products sold via Ostecompagniet AS, which is included in the figures from 2020. It is challenging to reduce the volume of

saturated fat in periods when the sales volume is increasing so strongly. From a nutritional perspective, we cannot say that we are happy with the result.

Less added sugar

TINE has done well in reducing the amount of added sugar in its products over a long period. We have also launched a number of products with no added sugar. During 2020, TINE reduced the amount of added sugar supplied to the market by 284 tonnes. TINE is very happy to have fulfilled its long-term goal for sugar reduction by the end of 2019. Efforts to reduce sugar consumption will continue, in part driven by market demand for products with little or no added sugar.

Right to information

TINE wants to make it possible for consumers to make healthy and informed food choices. It is difficult at present to give consumers good information on the nutritional significance

of products. In this regard, TINE has to comply with the EU's labelling regulations. Essentially, TINE is in favour of strict regulations that protect consumers from misleading marketing and exaggeration of health effects. However, the current regulations make it difficult to provide consumers with the information that we think they need.

Subsidiaries

Efforts focusing on nutrition and public health include all of TINE's brands and products produced at TINE's plants in Norway. As before, subsidiary Fjordland AS is only partly included. Approximately 77 per cent of Fjordland's products are produced at TINE's dairy plants. Therefore efforts relating to nutrition and public health for these products are included in this report. We have not included figures from subsidiary Diplom-Is AS.



Find out more about A slightly healthier alternative

According to the health authorities' recommendations, we eat too much saturated fat, sugar and salt and not enough fibre. The Keyhole symbol aims to make it easier for consumers to choose products that form part of a healthy everyday diet. To be awarded the Keyhole symbol, foods have to fulfil a number of criteria in terms of fat, sugar, salt and fibre content.

At the end of 2020, TINE had 20 products bearing the Keyhole symbol. This was four more products than the previous year.

TINE has decided that all products that meet Keyhole criteria must be labelled, and all new products in development are assessed against these requirements. This is part of our initiative to make it easier for consumers to make healthy and informed food choices.

We are on hand

Since its humble beginnings in 1856, when 25 enterprising farmers in Rausjødalen came together and pooled their dairy cattle, TINE has been processing milk, one of Norway's most important natural resources.

TINE wants to take clear responsibility for ensuring that milk production is possible throughout Norway, thus helping to ensure that important resources are used for Norwegian food production.

We have a responsibility

TINE has created traditions and history, and we are responsible for safeguarding them. The milk that forms the basis for our products is produced by TINE's owners – the dairy farmers. We collect the milk from the farms and transport it safely to the dairies. Our dairies produce safe and wholesome products that are delivered to all our customers, large and small, using TINE's fleet of vehicles. We represent many small contributions coming together to form a greater whole, which contributes to thriving local communities in Norway where the cultural landscape is nurtured and cultivated, an important asset shared by the entire population. These are significant contributions to Norwegian value creation and our 'national character'.

We are seeing increased interest among our stakeholders in preserving food traditions and local food, but at the same time we are experiencing increased competition from European dairy stakeholders and Norwegian suppliers of milk and dairy products made from foreign ingredients. TINE as a cooperative, with its well-established history, should be well equipped to face up to this type of competition.

Significant ripple effects

In 2016, TINE prepared a CSR report¹ showing that the company contributed 25,000 jobs and NOK 20 billion in value creation to Norway that year. For 2020, we have prepared a slightly simplified CSR report that shows how important payments from TINE are distributed relatively evenly across the various regions of Norway. This provides a good view of how TINE is an important contributor to local value creation and presence.

It also shows that Norwegian food production makes a difference. A lot of mainland industry has been shut down or moved abroad, but from 2011 to 2020 TINE has invested over NOK 11 billion in Norwegian dairy plants and other operating equipment. We deem this to be a substantial investment that shows TINE's long-term focus and belief in Norwegian food production.

Investing in Northern and Western Norway

During 2021, TINE will complete its investment of NOK 180 million in the dairy in Storsteinnes. This will provide a modern facility for production of various goat's milk products, which is of particular importance to the 85 goat farmers in northern Norway. This development project is also important for the 50 employees at the dairy, whose jobs are safe, and it will have major ripple effects for the local community and the municipality of Balsfjord.



¹ Carried out by Samfunnsøkonomisk analyse AS on behalf of TINE

² "Verdiskaping i landbruk og landbruksbasert virksomhet i Buskerud" (Value creation in agriculture and agriculture-based enterprises in Buskerud), study conducted by Østlandsforskning and the Norwegian Agricultural Economics Research Institute. Published in 2013.



CSR report 2020
TINE SA/NOK million

| Region | Salary for employees | Payments to owners | Total |
|-----------------------|----------------------|--------------------|---------------|
| Oslo | 900 | 0 | 900 |
| Rogaland | 300 | 1,200 | 1,500 |
| Møre and Romsdal | 200 | 800 | 1,000 |
| Nordland | 100 | 600 | 700 |
| Viken | 0 | 500 | 600 |
| Innlandet | 500 | 1,300 | 1,800 |
| Vestfold and Telemark | 100 | 200 | 300 |
| Agder | 100 | 200 | 300 |
| Vestland | 300 | 1,000 | 1,300 |
| Trøndelag | 600 | 1,900 | 2,400 |
| Troms and Finnmark | 200 | 300 | 500 |
| Total | 3,300 | 8,000 | 11,300 |

The new dairy in Flesland, outside Bergen, opened in early 2020. TINE has invested NOK 800 million to provide Norway's most modern and energy-efficient dairy. We will supply fresh dairy products from Flesland direct to stores, schools and nurseries across large areas of Western Norway. The investment will ensure a safe and sustainable workplace for the 160 or so employees at the plant. And, as in Storsteinnes, it will generate major ripple effects for the local community and the municipalities.

One job in agriculture and associated activities creates two to three jobs in total². This means that the 210 jobs in total at the dairies result in between 420 and 630 jobs throughout the region.

Research into ripple effects

Professor Håvard Teigen from Lillehammer University College has researched the impact of ripple effects from various companies on the local community. The results indicate that the ripple effects are dependent on the purchase of various goods and services. As far as TINE is concerned, the purchase of milk has a relatively greater impact on the local community than other products and services. Where the ripple effects occur is dependent on where the dairy farmers are located. They are also dependent on how much and where the milk is processed.

If the milk is used to produce relatively expensive products, the ripple effects are much greater than if it is put into cartons and transported out of the region. And, of course, the ripple effects are greater when the people who work at the dairy can spend their income locally.

Subsidiaries

TINE's contribution to local presence in Norway comes from all of TINE's Norwegian subsidiaries, as the milk for production of their various products is supplied by TINE's milk producers. Furthermore, the subsidiaries provide jobs and value creation in the regions in which they operate.

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Making the most of milk and cheese



At least 417,000 tonnes of edible food was thrown away in Norway in 2019¹. This equates to approx. 78 kg per inhabitant, an economic loss of NOK 20.7 billion and emissions of 1.2 million tonnes of CO₂ equivalents.

Households are responsible for over half of food waste. Food waste in the food industry and the food retail trade accounts for 22 per cent and 15 per cent respectively. From 2015 to 2019, food waste in the food sector was reduced by 12 per cent in kilos per inhabitant. The food retail trade achieved a reduction of 17 per cent, while the food industry showed a 7 per cent reduction.

Expectations and responsibilities

Throwing food away is not just an environmental problem, it is an ethical problem as well. It takes large quantities of resources and large areas of land to produce food. Production and cultivation of food generate greenhouse gas emissions and put pressure on nature and biodiversity. Large amounts of fresh water are also required, a limited resource in many parts of the world.

Awareness of food waste is increasing. TINE's stakeholders such as customers, authorities, employees and owners expect TINE, as a major food producer, to take responsibility for reducing food waste in its own operations and helping consumers to do the same.

Domestic food waste

The majority of food waste originates from consumers' homes. One important cause of this is food going out of date. In other words, we are unsure whether food past its "Best Before" date can still be eaten, but it often can. In order to provide assurance for consumers that dairy products can often be eaten after their "Best Before" date, TINE has labelled its products with additional information "Best before, *often good after*". This aims to help ensure that consumers "look at, smell and taste" products before discarding.

Lower greenhouse gas emissions

Milk is TINE's most important resource, and wasted milk equals lost revenue. Our motivation for reducing waste is not solely financial now. A substantial proportion of the greenhouse gas emissions associated with 1 litre of milk are related to the milk production that takes place on the farms. In this respect, emissions of methane from cows and nitrous oxide from fertiliser are the biggest sources of emissions.

¹ Source: <https://www.matvett.no/bransje/aktuelt/matsvinnet-i-norge-er-redusert-med-12-prosent>

² Source: Climate footprints of Norwegian Dairy and Meat – a synthesis. CICERO 04/2016

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Find out more about Matsentralen (Food Bank of Norway)

With food banks in place in a number of towns and cities, around 3,440 tonnes of food was saved from ending up in the bin in 2020, compared with 2,600 tonnes in 2019. This is equivalent to an incredible 6.9 million meals for people in difficulties.

The food banks are organised by Matsentralen Norge, a partnership of organisations, food producers and authorities. Producers and the food industry supply edible food that cannot be sold through traditional sales outlets for various reasons. The products are distributed to charity organisations that then pass the food on to people who really need it.

TINE is one of the biggest food suppliers here in Norway. As a major food producer, it is important for us to take responsibility for reducing and dealing with our own food waste and to make it possible for customers and consumers to do the same.

Since the first food bank was set up in Oslo in 2013, TINE has been an important partner to the various food banks and helps by providing both funding and products.

In 2020, TINE supplied a total of 575 tonnes of food to the various food banks.

A global search of existing research reports and articles² shows average emissions of 1.15 kilos of CO₂ equivalents per kilo of milk produced in Norway. This covers emissions throughout the value chain from farm to consumer.

From an environmental perspective, it is therefore very important to make the most of milk so that we avoid “unnecessary” greenhouse gas emissions and use of resources.

Targeted efforts

TINE receives and processes more than 1.4 billion litres of milk every year. Milk is a valuable raw ingredient that requires a lot of resources on its journey from farm to fork. It is therefore essential that we make optimum use of our raw ingredients and input factors.

By continuously improving, we can ensure better utilisation of our resources and prevent waste. We must strive to ensure that our business forms part of a natural cycle of sustainable utilisation of input factors, including our most important resource – milk.

Lots of milk

Waste arises along the entire value chain, from the time the milk is collected from the farm until the product is delivered to stores. Our goal is to ensure that as little milk as possible is wasted. In this respect, it is important for all parties involved – from tanker drivers and dairy operators to product distributors – to take responsibility and work to reduce food waste in their part of the value chain.

Most food waste occurs in the production process. A dairy produces a variety of products. Waste occurs when the dairy switches over from one product to another, for instance. The production equipment has to be washed thoroughly and a certain amount of buffer production has to take place both before and after switching products. This waste must be reduced by means of better production planning, closer monitoring of washing processes and ongoing discussion with customers to enable formulation of appropriate production forecasts.

-29 %

Food waste at TINE SA

Change 2015-2020

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Clear goals

The entire food sector, including TINE, signed a declaration in 2017 endorsing the authorities' goal of halving food waste in Norway by 2030 (compared with 2015 levels). TINE has also committed to helping consumers reduce their food waste.

During 2020, food waste in the TINE value chain was reduced by 7.5 per cent. This is somewhat lower than the target for the year, which was a reduction of 19 per cent. Since 2015, food waste has been reduced by 19 per cent.

2020 has been a challenging year. The coronavirus pandemic has resulted in major changes in patterns of demand and thus also in production. We have seen strong growth in production of products for the consumer market, while the level for products for catering such as hotels and restaurants has declined considerably. This created challenges in the first half of 2020 in particular and food waste increased. Things improved in the second half of the year and waste is back on a declining trend. Taking this into consideration, we would say that we are satisfied with this year's results.

New life for cheese

When cheese is cut in the cheese vats at the dairy, this creates "cheese dust" – tiny pieces of cheese that used to end up in the purification plant. We are working to reduce this cheese dust, or collect the "dust" so that we can turn it into cheese. We use a melting technology at the dairy in Tretten that allows us to transform the cheese dust into pizza toppings and hamburger cheese. In 2020, we used 90 tonnes of cheese dust to produce pizza toppings and hamburger cheese. This is cheese that is saved from the drain and purification plant.

Subsidiaries

As before, food waste at subsidiary Fjordland AS is only partly included. Approximately 76 per cent of Fjordland's products are produced at TINE's dairy plants. Food waste associated with this production is therefore also included in TINE's figures for food waste.

TINE's foreign subsidiaries are not covered by this report. These companies are subject to national regulatory requirements.

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Eco-smart packaging

There is a high level of commitment to tackling pollution and waste. We read about large quantities of plastic in the world's oceans and witness littering in our own countryside.

Many of the resources used by society are not fully utilised, resulting in residual waste. Consequently, we are now focusing on how we can make better use of our resources, and ideally re-use them over and over.

TINE uses a lot of packaging every year, so we are keen to come up with appropriate packaging solutions and implement recycling schemes. Our packaging must not litter the countryside or affect our climate.

2020 – a year marked by pandemic

In 2020, working from home, fewer restaurant and hotel visits and more home cooking have led to an increased demand for TINE products on the consumer market. This also had an impact on the waste and recycling industries¹. The combination of a considerable increase in household waste, a high euro rate and low demand for waste fractions resulted in increased costs for the various recycling schemes. As a result, there was a danger of the percentage of waste being sent for recycling falling below 30 per cent, down from over 40 per cent in 2019. Therefore Grønt Punkt Norge² had to increase the packaging fee, which helps to fund the recycling schemes, by over 150 per cent.

¹ Plastløfte digital samling 18.6.2020, <https://www.grontpunkt.no/media/4267/plastreutr-innsamling-og-gjenvinning-under-corona.pdf>, hentet 4.12.2020

² TINE as a producer and goods importer contributes via the producer responsibility scheme to funding the recycling schemes for waste.

Packaging strategy stands firm

TINE's packaging aims to take both the climate and the environment into account and is helping to reduce TINE's carbon footprint. We aim to help consumers reduce their food waste through innovative packaging and labelling solutions and through dialogue with our consumers.

In 2020, we strengthened our efforts with regard to eco-smart packaging. Our ambition remains firm. By 2023, TINE's packaging solutions will be made from recyclable materials and will mainly come from renewable or recycled raw materials.

TINE's packaging strategy focuses on the following three working areas. We call it the packaging triangle:

- **Consumers and customers.** We offer functional packaging solutions that fit in with many everyday situations.
- **Reducing food waste.** Our packaging will limit food waste, both at TINE and among consumers
- **Good material choices.** We will optimise our use of resources, use renewable materials and develop our packaging for recycling.

Find out more about High return rate

TINE is a member and partner of Grønt Punkt Norge (GPN) for collection of packaging. For 2020, the level of approved returns for drinks cartons was 93.4 per cent, of which 61.2 per cent was suitable for material recycling. Return levels for milk containers for schools and nurseries was 97.5 per cent, of which 82.4 per cent was suitable for material recycling. The level of returns for non-deposit plastic drinks packaging was 88.7 per cent, of which 33.5 per cent was suitable for material recycling.

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Significant volumes

In 2020, TINE used 29,483 tonnes of packaging, an increase of 120 tonnes from 2019. This increase is due to increased sales of consumer packs owing to the coronavirus pandemic. From 2018, packaging volumes for subsidiary Diplom-Is are included in the reported volume. Historical figures prior to 2018 have not been adjusted accordingly.

Of the various packaging materials used at TINE, paperboard and cardboard from drinks cartons³, among other items, are by far the largest proportion at 75 per cent, followed by plastic from various cartons and plastic film (25 per cent). Since 2018, TINE's drinks cartons have made entirely from renewable materials.

“Fold out and bend all the way back” is back

TINE's milk cartons are already 100 per cent renewable, both the carton and the plastic cap. However, in order to further reduce its carbon footprint, TINE has launched an even more eco-friendly carton for its organic milk. The carton is unbleached and lighter, and the plastic cap has been removed and replaced by an improved version of the classic “Fold out and bend all the way back” opening. We save at least 5 tonnes of plastic by changing just this one variant.

Eliminating single-use plastics

The EU directive for single-use plastics, the so-called SUP Directive, comes into force from 3 July 2021. The aim of the directive is to reduce marine pollution and it encompasses bans, reduction targets and requirements for recycling. Specific items are banned, such as disposable cutlery and straws, which have attracted the most attention. In 2020, TINE prioritised testing a variety of alternatives for spoons and paper straws for our various Go'morgen, juice and chocolate milk variants. Solutions are expected to be implemented towards the middle of 2021.

Paper straws and wooden spoons

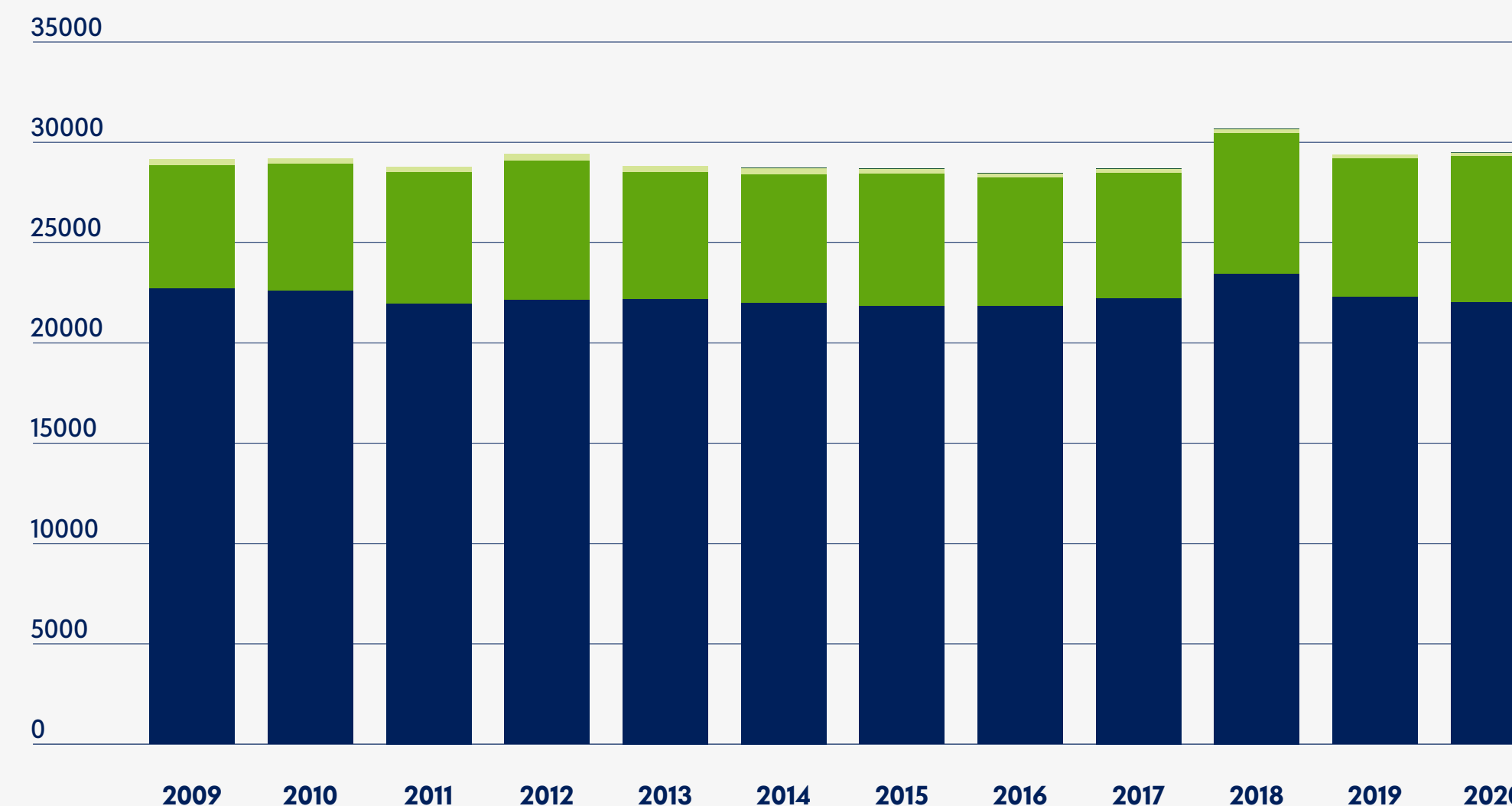
As one of the first stakeholders in Norway to do so, TINE is now testing paper straws. In 2019, TINE sold 12.4 million cartons with straws. By switching to paper straws, we will reduce plastic consumption by just under 6 tonnes per year.

TINE is currently a major consumer of plastic spoons for its various yoghurt products. These spoons must be replaced by wooden or cardboard spoons. It is relatively complex to find good, functional solutions to replace plastic spoons. In addition, it will require major investment in our production lines. Consequently it will take more time, and it will be challenging to have this in place by July 2021. However, we are confident that the first Go'morgen® cartons with fibre-based spoons will be rolled out on the market towards the middle of 2021.

³⁾ Drinks cartons are reported as fibre. Around 20 per cent of the carton is plastic. We use bioplastic based on renewable raw materials in 61 per cent of our drinks cartons.

Packaging consumption

Tonnes



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Sour cream in cardboard cartons

In autumn 2019, TINE launched sour cream in cardboard cartons. This was well received by the market, but the quality was not good enough. Consumers found that the carton went soft, and so the product was withdrawn in early 2020. We have been working with the packaging supplier throughout 2020 to improve the cardboard carton. The result is a better and more robust carton that was back on the market from autumn 2020. We will see how the new carton satisfies consumer needs during 2021, and we will evaluate whether this solution can be introduced for other products.

Recycled raw materials part of strategy

Not only will we choose renewable materials for our packaging; we will also increase the use of so-called recycled materials. Making use of these types of materials is complicated for the food industry, as the rules say that they cannot come into direct

contact with the food. This is owing to the danger of possible contamination of the food from previous use of the recycled material. Nevertheless TINE has come up with good solutions that combine recycled and new packaging material.

In 2020, Avfall Norge and Grønt Punkt collaborated on common packaging labelling⁴. This will make it easier for consumers to sort waste correctly. TINE will introduce the new labelling on an ongoing basis during 2021.

Subsidiaries

Efforts to ensure effective, eco-smart packaging includes all products produced at TINE's plants in Norway. As before, subsidiary Fjordland AS is only partly included. Approximately 77 per cent of Fjordland's products are produced at TINE's dairy plants. These products are therefore also included in this report.

Find out more about Recycled solutions

TINE is a major consumer of packaging. In other words, the type of packaging we choose to use has a big impact on the environment. The aim is for TINE's packaging to be made from renewable or recycled materials.

In 2020, we have begun using more recycled packaging material. This is material that has previously been used in other products and has now been given a new life.

Here are some examples:

- TINE's consumption of corrugated cardboard includes 64 per cent recycled material.
- TINE uses approximately 70 million plastic lids for yoghurt and cooking ingredient cartons. These lids are made from 80 per cent recycled plastic (PET).
- The bottles for Sunniva® iced tea are made from 25 per cent recycled plastic (PET).
- We have reduced annual plastic consumption in our portion packs of sliced cheese by 72 tonnes, equating to 12 per cent. The proportion of recycled plastic (PET) is 60 per cent.

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Sustainability and the environment – Key figures

In 2018, subsidiaries were included in the figures for sustainability and the environment. Historical figures have not been corrected accordingly.

| TINE Group | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|--------|--------|--------|--------|--------|
| HSE and employees | | | | | |
| Number of employees | 5,343 | 5,232 | 5,355 | 5,476 | 5,418 |
| Absence due to illness | 5.8 % | 5.4 % | 5.4 % | 5.7 % | 5.9 % |
| LTI rate | 4.2 | 6.6 | 7.2 | 7.1 | 7.5 |
| Percentage of women | 37 % | 37 % | 36 % | 37 % | 37 % |
| Percentage of women in management positions | 40 % | 37 % | 36 % | 35 % | 35 % |
| Environment ¹⁾ | | | | | |
| Gross energy consumption (GWh) | 562 | 574 | 573 | 536 | 531 |
| Total revenues and other income in relation to Gross energy consumption (NOK million/GWh) | 42.8 | 41.5 | 40.1 | 34.1 | 34.7 |
| Percentage of renewable energy ²⁾ | 84 % | 85 % | 85 % | 78 % | 79 % |
| Packaging consumption | | | | | |
| Packaging consumption – cardboard/paperboard (tonnes) ^{2), 4)} | 22,032 | 22,296 | 23,450 | 22,230 | 21,815 |
| Packaging consumption – plastic (tonnes) ²⁾ | 7,265 | 6,911 | 6,983 | 6,232 | 6,410 |
| Packaging consumption – other (tonnes) ²⁾ | 186 | 156 | 233 | 221 | 230 |
| Packaging consumption – total (tonnes) ²⁾ | 29,483 | 29,363 | 30,666 | 28,683 | 28,455 |
| Packaging consumption in relation to total revenues and other income (tonnes/NOK million) ²⁾ | 1.87 | 1.91 | 2.02 | 2.31 | 2.24 |
| Percentage of drinks cartons using bioplastic (% of total volume) ²⁾ | 68 % | 61 % | 57 % | 31 % | na |
| Quality and transport | | | | | |
| Quality index (NOK million) ²⁾ | 184 | 199 | 196 | 211 | 242 |
| Transport (km/1000 litres raw ingredients) ²⁾ | 37 | 37 | 36 | 36 | 38 |

¹⁾ The figures for 2020 cover the TINE Group unless otherwise stated. Historical figures from 2017 and earlier cover TINE SA.

²⁾ The figures for 2020 cover the TINE Group, excluding its subsidiaries Norseland Ltd. and Norseland Inc.

³⁾ The figures for 2020 are for TINE SA

⁴⁾ Drinks cartons are reported as fibre. Around 20 per cent of the carton is plastic. We use bioplastic based on renewable raw materials in 68 per cent of our drinks cartons

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Sustainability and the environment – key figures contd.

| TINE Group | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|---------|---------|---------|---------|---------|
| Greenhouse gas emissions, Scope 1 | | | | | |
| Emissions of CO ₂ equivalents from dairies (tonnes) | 18,908 | 17,323 | 19,164 | 24,228 | 22,759 |
| Emissions of CO ₂ equivalents from transport (tonnes) | 44,085 | 49,349 | 51,201 | 47,755 | 45,135 |
| Emissions of CO ₂ equivalents from other activities (tonnes) | 1,750 | 1,752 | 1,842 | 3,285 | 3,286 |
| Emissions of CO ₂ equivalents, total (tonnes) | 64,743 | 68,424 | 72,207 | 75,268 | 71,180 |
| Emissions of CO ₂ equivalents, total in relation to operating income (tonnes/NOK million) | 32.5 | 57.5 | 47.0 | 53.3 | 41.3 |
| Greenhouse gas emissions, Scope 2 | | | | | |
| Emissions of CO ₂ equivalents from dairies, market-based electricity | 146,924 | 193,653 | 195,095 | 160,112 | 136,560 |
| Emissions of CO ₂ equivalents from dairies, site-based electricity | 12,896 | 11,139 | 10,492 | 4,834 | 4,440 |
| Emissions of CO ₂ equivalents from dairies, district heating | 217 | 865 | 472 | 2,329 | 2,157 |
| Greenhouse gas emissions, Scope 3 | | | | | |
| Emissions of CO ₂ equivalents from fuel (Well-to-tank) | 11,950 | 11,650 | 12,602 | 11,870 | 12,134 |
| Emissions of CO ₂ equivalents from employee flights ³⁾ | 268 | 1,492 | 1,292 | 1,200 | 1,813 |
| Local emissions ¹⁾ | | | | | |
| Emissions of NO _x (tonnes) | 49.9 | 58.7 | 78.6 | na | na |
| Nutrition (TINE SA) ¹⁾ | | | | | |
| Number of Keyhole products ³⁾ | 20 | 16 | 14 | 13 | 13 |
| Saturated fat, total in products (tonnes) ³⁾ | 29,888 | 28,693 | 28,802 | 29,082 | 29,452 |
| Added sugar, total in products (tonnes) ³⁾ | 5,378 | 5,662 | 5,766 | 6,022 | 6,315 |
| Salt, total in products (tonnes) ³⁾ | 889 | 827 | 816 | 817 | 802 |
| Animal health and welfare | | | | | |
| Animal welfare indicator ⁵⁾ | 106.0 | 103.2 | 101.1 | 100.7 | 99.7 |
| Safe food ³⁾ | | | | | |
| Pathogenic bacteria, number of negative samples | 5,941 | 6,307 | 4,927 | 4,648 | 4,435 |
| Pathogenic bacteria, number of positive samples | 18 | 2 | 4 | 0 | 2 |
| Number of recalls | 2 | 1 | 0 | 1 | 2 |

¹⁾ The figures for 2020 cover the TINE Group unless otherwise stated. Historical figures from 2017 and earlier cover TINE SA.

²⁾ The figures for 2020 cover the TINE Group, excluding its subsidiaries Norseland Ltd. and Norseland Inc.

³⁾ The figures for 2020 are for TINE SA

⁴⁾ Drinks cartons are reported as fibre. Around 20 per cent of the carton is plastic. We use bioplastic based on renewable raw materials in 68 per cent of our drinks cartons

⁵⁾ The animal welfare indicator is based on production data from Kukontrollen and uses the World Organisation for Animal Health (OIE) standard for animal welfare. A positive change in the indicator value indicates a positive change in animal health and welfare

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How we report

TINE regards sustainability as an integral part of the company's overall operations, so we report our sustainability work as part of our annual report.

The purpose of this report is to provide our stakeholders – owners, employees, customers and consumers – with a complete and balanced overview of how TINE is following up on its sustainability responsibilities within the areas we consider to be most central to TINE's operations.

One of the basic principles of the GRI Standards is that companies must formulate their sustainability reporting based on the sustainability areas most relevant to the company. Relevance in this context is determined by:

- The scope of the company's economic, environmental and social impact
- The factors that will significantly affect the evaluations and choices of the company's stakeholders

In 2018, a materiality analysis was conducted in accordance with the Global Reporting Initiative (GRI) standard. During 2019, a clearer picture emerged of which aspects were truly relevant for TINE. As a result, the number of relevant aspects was reduced slightly. This analysis forms the basis for the sustainability report for 2020. This analysis is described in greater detail in the section entitled *Relevant aspects*.

Reporting and accounting principles

Reporting on sustainability essentially relates to the TINE Group unless otherwise stated. The areas covered by the report are

largely based on TINE's strategy for sustainability and also include relevant factors along the value chain for milk that are beyond the company's direct area of responsibility.

Up until 2017, TINE's sustainability report and climate accounts included the parent company, TINE SA. From 2018 onwards, we have included the wholly owned subsidiaries Diplom-Is, Norseland Ltd. and Norseland Inc., unless otherwise stated.

As before, emissions from subsidiary Fjordland AS are only partly included. Approximately 77 per cent of Fjordland's products are produced at TINE's dairy plants. These products are also transported out to customers using TINE's vehicles. Therefore, greenhouse gas emissions associated with production and transport of these products have also been included in TINE's climate accounts.

TINE GRI table 2020

TINE is continuing the company's sustainability reporting in accordance with the GRI guidelines. Reporting for 2020 is based on GRI Standards.

TINE's sustainability reporting for 2020 is integrated into the TINE Annual Report for 2020 and published on TINE's website. Our external auditor, EY, has verified that our reporting is essentially in accordance with the GRI reporting principles and that our reporting satisfies "Core" level in accordance with the guidelines, see *Auditor's statement*.

In 2018, a materiality analysis was conducted in accordance with the GRI reporting standard. During 2019, a clearer picture emerged of which aspects were truly relevant for TINE. As a result, the number of relevant aspects was reduced slightly. This analysis forms the basis for the sustainability report for 2020. Based on this, we have chosen to report on eleven different aspects for 2020.

The accompanying table shows which GRI aspects TINE reports on based on the materiality analysis. The table provides references to where information on the individual elements and indicators can be found in TINE's 2020 annual report, giving either a complete or partial response in relation to the GRI guidelines.

The GRI table has been verified by an external third party and also provides an overview of verified aspects, as well as "omissions", where applicable. For a full description of the individual indicators, please refer to the GRI website <https://www.globalreporting.org/>.

GRI Report for 2020
External link

Auditor's statement

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To the Board of Directors of TINE

Independent accountant's assurance report on TINE's Reporting on sustainability 2020

We have reviewed the attached TINE's sustainability reporting for 2020 for Tine SA, which consists of the areas referred to in the company's GRI index and included in the company's annual report for 2020. We have assessed whether the information presented in TINE's sustainability reporting for 2020 is based on relevant criteria in the standards for sustainability reporting from the Global Reporting Initiative GRI Standards, alternative «core».

Management's responsibility for TINE's sustainability reporting for 2020

Management is responsible for the preparation of TINE's sustainability reporting for 2020, and for such internal control as the management deems necessary to enable the preparation of TINE's sustainability reporting for 2020 in accordance with the criteria in GRI Standards without significant misstatement, neither as a result of fraud nor error.

Our Independence and Quality Control

We are independent of the company as required by law and regulations, and have complied with our other ethical obligations in accordance with these requirements. We apply the international standard for quality control (ISQC 1) and maintain a comprehensive system for quality control including documented guidelines and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Reporting on sustainability based on the evidence we have obtained.

Our engagement was conducted in accordance with the *International Standard for Assurance Engagements on Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ('ISAE 3000'). This standard requires that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Reporting on sustainability is presented in accordance with the GRI Standards, and to issue a limited assurance report.

The standard further requires that we check selected parts of the material on which the preparation of TINE's sustainability reporting for 2020 is based, including whether there is agreement between the company assessment and conclusion and the underlying material, and that the reporting is prepared in line with relevant criteria for sustainability reporting according to GRI Standards.

Our procedures included:

- Review of TINE's process for preparation and presentation of the Reporting on sustainability to develop an understanding of how sustainability is ensured in practice within the business
- Interviewed those in charge of Reporting on sustainability to develop an understanding of the process for the preparation of the Reporting on sustainability
- Verified on a sample basis the information in the Reporting on sustainability against source data and other information prepared by TINE

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Sustainable and robust agriculture

Efficient dairy operations and transport

Committed employees

Satisfied consumers

Circular solutions

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- Assessed the overall presentation of Reporting on sustainability against the criteria in the GRI Standards including a review of the consistency of information against the GRI index.

We believe that our procedures provide us with an adequate basis for our conclusion.

Conclusion

Based on our work described in this report, we have not become aware of anything that gives reason to believe that TINE's sustainability reporting for 2020 is not essentially designed in accordance with the criteria in GRI Standards or contains significant errors and omissions. Indicators covered by our certification statement appear from the company's GRI index.

Oslo, 16 February 2021
ERNST & YOUNG AS

Asbjørn Ler
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

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Annual General Meeting

The Annual General Meeting consists of 110 delegates elected by the owners. The delegates are distributed proportionately between each owner area based on the number of members in the year prior to the annual report year. In addition, there are the Board and Council members.

Council

Odd Einar Hjortnæs, Chair
Nina Vangen Ranøien, Deputy Chair

Other members elected by the owners

Allan Falkmo Hansen
Veronica Berntsen Hjelle
Odd-Magne Stormo
Einar Åbergsjord
Magnhild Johanne Nymo
Agnete Hansen
Vegard Smenes
Randi Holien Bartnes
Trond Hodne
Jørn Magne Vaag
Jannicke Tafjord
Elise Unander Mjølhus
Rolf-Daniel Midthun
Arthur Salte
Asgeir Pollestad
Andreas Wollnick Wiese

Gjertrud Svartveit Osmundsen
Kari Lise Breivik
Gunn Randi Finstad
Hans Mathias Ulberg
Thomas C. Meyer French
Ole Paulsen

Members elected by the employees

Kåre Ivar Stormoen
Trond Einar Pettersen
Mona Berntsen
Ingunn H. Skauen Ruud
Paal Wanvik
Kjell Inge Robberstad
Hilde Kraggerud
Rune Heggem
Inger Marie Tayuzak
Egil Torland
Hilde Fismen
Kåre Pedersen
Lars Olav Iversen
Dag Rune Herting
Hanne Cecilie Hagen
Kurt Haukland

Control committee

Per Amb, Chair
Sigrun Bakken Lerhol, Deputy Chair
Petter Arne Ekroll

Board of Directors

Members elected by the owners

Marit Haugen, Chair
Rolf Øyvind Thune, Deputy Chair
Solveig Bratteng Rønning
Hege Persen
Nina Kolltveit Sæter
Askild Eggebø
Helge Arne Espeland
Bjørnar Gjerde
Anne Berit Løset
Einar Johnsen Meisfjord

Members elected by the employees

Tor Arne Johansen
Ottar Råd
Elin Aarvik
Jeffrey Thomas

Deputy members elected by the owners

Asgeir Pollestad, 1st deputy
Randi Holien Bartnes, 2nd deputy
Thomas C. Meyer French, 3rd deputy

Deputy members elected by the employees

Dag Rune Herting (NNN), 1st deputy
Randi Einarsen (NML), 1st deputy
Siri Margrethe Byberg, 1st deputy (other)

Central election committee

Nils Neteland, Chair
Anne Helene Burdahl, Deputy Chair
Jan Olav Tømmerås
Boye Olav Skøre
Grete Skar Misfjord
Sonja Herikstad Skårland
Hege Sæter Hass
Knut Johnny Enoksen

This is TINE

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www.fine.no

Tel: 03080

firmapost@tine.no

Wholly owned subsidiaries

Diplom-Is AS

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Tel: 02001

Wernersson Ost AB

Industrivägen 5,

523 90 Ulricehamn, Sweden

Tel: +46(0)10-1615600

Norseland Inc.

1250 East Main Street,

Stamford, CT 06902 United States

Tel: +1 203 324 5620

Norseland Ltd.

Somerton Road, Ilchester,

Somerset, BA22 8JU, UK

Tel: +44(0)1935 842800

TINE Ireland Ltd.

Mogeely, Co.Cork, P25R7W6

Ireland

Tel: +353(87)4348079

Partly owned subsidiaries

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Brynsengeveien 10, 0667 Oslo

Tel: +47 22 97 49 00

Mimiro AS

Postboks 57, 1431 Ås

Tel: +47 48 16 89 89



Design

Tania Goffredo Design
TINE Design

Images

Torstein Kiserud
TINE Mediebank