

Arendals Fossekompani

Creating Ripples

Annual Report 2021

Creating Ripples

Like ripples on the surface of a pond, one small action can cause ripples that multiply and spread out until they intersect with another ripple. The humble ripple shows us how impactful the smallest of actions can be.

Leaders and changemakers create ripples every day, and so do we at Arendals Fossekompani. We believe that even the smallest of actions can create meaningful ripples.

Arendals Fossekompani (AFK) was established in 1896 to harness the energy in running water. Hydropower is still a part of our DNA and our portfolio, but even more we focus on creating ripples through investing in green-tech companies.

We have in fact worked with clean energy and green technology for more than a hundred years. For us, this is not a megatrend. It is what we are, and what we do. At Arendals Fossekompani we are deeply invested in the green transition through our daily work. We believe the green economy is the road to the future, and we will contribute to the journey. Our hope and goal for the green-tech companies we develop today, are that they will create positive ripples in the future.

Financial highlights 2021

Electricity prices at record levels

The average price of electricity on the spot market (Arendal) in 2021 was 762 NOK/MWh, up from 98 NOK /MWh in 2020.



NOK 37.08

Per share

11.6% of market cap paid as dividend

In addition to quarterly dividends totalling NOK 3.15 per share, AFK paid extraordinary dividend totalling a value of NOK 33.93 per share. Total dividend is equivalent to 11.6% of the volume-weighted average share price in 2021.

Market cap improved during 2021

The AFK share price on 31 December 2020 was NOK 180 and on 31 December 2021 NOK 441, an increase of 145%. Including dividend, shareholder value increased by 166% in 2021.

145%



Direct
CO₂ emission

98%



CO₂ emissions reduced by 98%

As part of a strategic move to exit all fossil fuel positions, Arendals Fossekompani sold Cogen Energia. As a result, AFK reduced CO₂ emissions by 98%.



Number of share- holders doubled

Arendals Fossekompani had 2,659 shareholders at year-end 2020. A year later, the number of shareholders was 5,289.



Tekna increased order intake by 46%

Tekna increased annual order intake by 46% year-on-year. In February, Tekna was listed at Euronext Growth. An uplisting to Oslo Børs is scheduled for 2022.

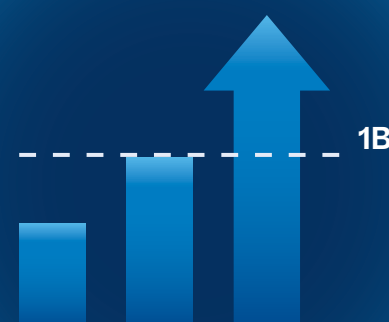


Establishing offshore wind company

Arendals Fossekompani and Ferd established Seagust, an offshore wind company that has joined forces with Swedish energy major Vattenfall to apply for offshore wind acreage in the upcoming Norwegian licensing round.

Billion NOK milestone for Value

After a particularly strong fourth quarter, Value's operating revenues for the full year surpassed NOK 1 billion for the first time. In May, Value was uplisted to Oslo Børs.



Establishing North Ammonia

Arendals Fossekompani and Grieg Maritime Group joined forces to create North Ammonia, a world-leading provider of green ammonia, with plans for a factory in Arendal.



Solid top-line growth for EFD Induction

EFD Induction reported solid top-line growth and operating profits for all quarters of 2021. Momentum is strong in the offshore wind and electric vehicle segments.

Urban



Building Bryggebyen

All 113 apartments at Bryggebyen, a real estate project in Arendal, were sold as per year-end. AFK has decided to initiate a new phase, adding 49 more apartments.

Annual Report

Content

01 About AFK

Financial highlights 2021	2
This is Arendals Fossekompani	12
Our history	14
Letter from our CEO	16
Our people	18
Arendals Fossekompani Group	20
Sustainability in Arendals Fossekompani	24
Shareholder information	26
Investment 20 years ago	30

02 Portfolio

Arendals Fossekompani Assets	34
Arendals Fossekompani Parent Company	36
Volue	42
Tekna	46
EFD Induction	50
NSSLGlobal	54
Alytic	58
AFK Property	62
Vergia	64
Reporting 100 years ago	66

03 From the Boardroom

Board of Directors	70
Board of Directors' Report for 2021	72
Corporate Governance report	76

04 Financial Statements

Annual Accounts & Notes	92
Declaration by the members of the Board and the CEO	178
Financial performance measures	180
Alternative performance measures	182
Independent Auditor's report	184

05 Sustainability

Letter from Chief Sustainability Officer	194
The Sustainability Team	196
Part I	
Sustainability in Arendals Fossekompani	200
Reporting framework	202
Sustainability priorities	206
Ethical business conduct	212
Responsible investment	216
Optimizing the portfolio companies	220
A great place to work	230
Community engagement	234
Ambitions and targets for 2022	236
Part II	
Sustainability in Portfolio Companies	240
AFK Hydropower	242
Volue	246
Tekna	256
EFD Induction	266
NSSLGlobal	276
Alytic	286
AFK Property	292
North Ammonia	296
Seagust	298
Part III	300
Activity and reporting obligation report	302

06 Appendix

GRI tables	314
List of abbreviations	340
Independent Auditor's statement	342

Arendals Fossekompani in the world

Number of employees by country

NORWAY	652	USA	95	BRAZIL	10	RUSSIA	3
GERMANY	276	ROMANIA	74	ISRAEL	9	SPAIN	3
INDIA	216	FRANCE	69	MALAYSIA	7	NETHERLANDS	3
CHINA	186	DENMARK	55	SINGAPORE	5	SOUTH KOREA	2
CANADA	174	SWEDEN	51	FINLAND	5	AUSTRIA	2
UNITED KINGDOM	151	SWITZERLAND	22	ITALY	5	TURKEY	1
POLAND	116	THAILAND	11	JAPAN	4		

● Parent Company

Hydropower

Property

EMPLOYEES
30

HEAD OFFICE
Arendal/Froland, Norway

● Value

EMPLOYEES
715

HEAD OFFICE
Oslo, Norway

COUNTRIES
Norway, Sweden, Denmark, Finland,
Germany, Poland, Switzerland, Turkey

● Tekna

EMPLOYEES
204

HEAD OFFICE
Sherbrooke, Canada

COUNTRIES
Canada, France, China, South Korea

● EFD Induction

EMPLOYEES
992

HEAD OFFICE
Skien, Norway

COUNTRIES
India, China, Norway, Germany, USA,
Romania, France, United Kingdom,
Poland, Sweden, Malaysia, Brazil,
Thailand, Japan, Italy, Spain, Austria

● NSSLGlobal

EMPLOYEES
216

HEAD OFFICE
London, UK

COUNTRIES
United Kingdom, Germany, Denmark,
Sweden, Norway, Poland, Israel, Singa-
pore, USA

● Alytic

EMPLOYEES
46

HEAD OFFICE
Arendal, Norway

COUNTRIES
Norway, Netherlands

01

About Arendals Fossekompani

Financial highlights 2021	2
This is Arendals Fossekompani	12
Our history	14
Letter from our CEO	16
Our people	18
Arendals Fossekompani Group	20
Sustainability in Arendals Fossekompani	24
Shareholder information	26
Investment 20 years ago	30

01

This is
Arendals Fossekompani

Collaborative Long-term Dynamic Responsible



About us

Arendals Fossekompani is a green-tech investment company, the owner of energy and technology companies which support the transition to a green economy.

Our portfolio companies have approximately 2,200 employees in 27 countries.

Established in 1896 to harness the energy from an everlasting natural resource; water, Arendals Fossekompani is still a proud producer of hydropower, but also an investor in other renewables and associated value chains, including solar power and batteries.

Arendals Fossekompani has been listed on the Oslo Stock Exchange since 1913 and is headquartered in Arendal.

Our vision

Arendals Fossekompani shall create lasting value for its stakeholders through long-term and active development of the companies we own.

We invest in and own companies that make energy from renewable sources more usable and accessible, and that contribute to a more sustainable use of resources. Based on our industrial and financial expertise, we also invest in technology and energy companies that enable the green transition.

Arendals Fossekompani's contributions and mission are summarized in this sentence: Developing green-tech companies.

Our values

Collaborative

We develop our companies in collaboration with the world around us and our partners.

Long-term perspective

Based on 126 years of industrial history, we continue to develop our companies in a sustainable and long-term perspective.

Dynamic

We show the ability, energy and motivation to carry out our ambitions.

Responsible

We act in an ethical and responsible manner in all situations. We develop our companies in a sustainable manner.

Arendals Fossekompani

Creating ripples for more than a century



1896

COMPANY FOUNDED

Arendals Fossekompani was founded on 30 January 1896 to harness the forces in the Arendal watercourse system and transform them into electric power. The company acquired several waterfalls, including Bøylefossen and Flatenfossen. Norwegian industrial entrepreneur Sam Eyde was instrumental in the early years.



1913

ELECTRICITY AND INDUSTRY

The construction of Bøylefoss Power Plant started in 1911, in parallel with the establishment of new industry in Eydehavn. The first electric power from Bøylefoss was delivered to Eydehavn in the summer of 1913. That same year, Arendals Fossekompani was listed on the Oslo Stock Exchange.

1927

MORE HYDROPOWER

Growing demand for electricity for industrial purposes, led to the development of Flatenfoss Power Plant in 1927. The original plant was operational until it was replaced in 2009.



1960s

FINANCIAL INVESTOR

Arendals Fossekompani gradually built a substantial financial capacity. At the end of the 1960s, the company changed its mission statement and built a portfolio of financial investments in listed and unlisted companies.



1990s

NEW ELECTRIC OPPORTUNITIES

Deregulation of the Norwegian electricity market presented new market opportunities. Arendals Fossekompani played an active role and established a subsidiary, Markedskraft, as an independent provider of services in the Nordic and European wholesale electricity market.



2000s

AN INTERNATIONAL GREEN-TECH INVESTMENT COMPANY

The new millennium marked the start of the transformation of Arendals Fossekompani, from a local hydropower producer to an international investment company. Starting in 2004, a series of successful acquisitions of Norwegian and international companies made Arendals Fossekompani the company it is today. Revenues increased from around NOK 250 million in 2004 to NOK 3.7 billion in 2020. Today, hydropower accounts for approximately four percent of revenues.

Letter from our CEO

Building a 2030 compliant, high value portfolio

Arendals Fossekompani is further developing an advanced technology and industry portfolio that is positioned in high-growth global megatrends and aligned with global sustainable development goals for 2030.

Based on more than a century of renewable energy production, Arendals Fossekompani has a broad and well-diversified portfolio with a strong Environmental, Social and Governance (ESG) score. Key positions are in hydro, wind and solar power, software for management of renewable energy, battery technology, optimisation of resources, electrification, mobile communication solutions, and additive manufacturing.

All our businesses are well positioned in global megatrends, and they have strong organisations and valuable customer bases. We are excited about our portfolio and future prospects, and we believe they have a strong potential for value enhancement towards 2030 and beyond.

ADJUSTING THE PORTFOLIO, BUILDING NEW BUSINESSES

In a busy 2021, Arendals Fossekompani completed various structural and strategic actions, including the sale of Cogen Energia, which is the result of a strategic decision to exit all fossil positions. Following the sale of Cogen Energia, CO₂ emission from Arendals Fossekompani portfolio companies dropped by 98%.

While exiting fossil positions, we have built new renewable and technology positions. These include joint ventures with Ferd within offshore wind, and with Grieg Group within ammonia. We have also launched the company Vergia, which comprises all new energy-related initiatives, including hydro, wind, ammonia, hydrogen, and solar.

2021 was, of course, another year marked by the Covid-19 pandemic. Throughout the year, we have implemented measures to safeguard the health of our employees, business partners and the community around us. We continue to be deeply committed to delivering on our obligations to our customers during the pandemic and beyond.

The ongoing conflict between Russia and Ukraine has led to sanctions towards Russia and Belarus. Supply chain risks are rising and energy prices in the markets are at levels we have hardly seen before.

CREATING LONG-TERM VALUE

Today, our portfolio companies have approximately 2,100 employees in 26 countries. The most important tasks for the AFK Group are to exercise good corporate governance of these companies, and to continue to create lasting value for our shareholders, our employees and society at large.



The management and boards of our portfolio companies have the main responsibility for shaping the development of their companies. The Group is always represented on the boards and contributes with strategic direction, financial strength, a genuine interest in their businesses, and a network that strengthens the position of both the Group and the companies.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Our portfolio of companies have a clear green profile and contributes in several ways to the UN Sustainable Development Goals. Sustainability and corporate social responsibility are important drivers of future value creation, in the form of requirements from customers, increased access to talent, increased access to capital and increased interest in our share.

We are committed to the climate targets in the Paris Agreement. We are a UN Global Compact member and continue to support its principles for responsible business policies for human rights, labour, environment and anti-corruption.

Arendals Fossekompani has a strong organisation with highly skilled and dedicated people. We also have a substantial financial capacity, and a global customer base which we will continue to serve in the best possible manner. The outlook for our companies is good, and we have identified clear opportunities to strengthen and build our position in selected segments and markets.

"Based on more than a century of renewable energy production, Arendals Fossekompani has a broad and well-diversified portfolio with a strong ESG score."

Ørjan Svanevik
CEO

Our people

Executive management team

Ørjan Svanevik
CEO



Torkil S. Mogstad
Executive Vice President



Morten Henriksen
Executive Vice President



Ingunn Ettestøl
Chief Sustainability Officer



Lars Peder Fensli
Chief Financial Officer



Arendals Fossekompani Group

HEADQUARTER
ARENDAL,
NORWAY

CHAIRMAN
JON
HINDAR

CEO
ØRJAN
SVANEVIK

EMPLOYEES
2,200

COUNTRIES
27



FINANCIAL FIGURES, MNOK	2021	2020	2019
Operating Revenues	4,232	3,157	3,226
EBITDA	686	401	490
Operating profit (EBIT)	450	161	237
Operating margin	11%	5%	7%
Earnings before tax (EBT)	332	99	236
Net profit	126	120	49
Operating cashflow	857	135	435
NIBD	-1,805	-580	-323
Equity	3,909	3,856	3,318
Equity ratio	57%	55%	54%

Arendals Fossekompani (AFK) is an industrial investment company holding 7 core investments and a portfolio of financial investments. These operations employ 2,200 people in 27 countries. AFK has proud traditions in power production and owns and operates two hydropower plants. In addition, AFK operates globally in many forward-looking industries including 3D printing, algo trading, satellite services, battery and solar technology, software and digitalisation, as well as various green energy technologies.

1896

YEAR FOUNDED

2021 IN BRIEF
(Figures in parentheses refer to the same period the previous year)

In 2021, Arendals Fossekompani reported an ordinary profit after tax of NOK 126 million (120 million), of which the AFK shareholders' share of the profit was NOK 107 million (62 million). Profit before tax was NOK 332 million (99 million). The operating profit amounted to NOK 450 million (161 million). Including currency differences, changes in the value of available-for-sale financial assets, minority interests, and other comprehensive income items, the Group's total comprehensive income was NOK 160 million (-40 million).

2,200

EMPLOYEES

The AFK Parent Company's financial capacity remains solid with a cash position of NOK 1,411 million as of 31 December. In addition, the company has undrawn credit facilities of NOK 2,000 million, securing available liquidity of NOK 3,411 million at year-end.

27

COUNTRIES

The AFK group of companies continues its solid operational performance, delivering one of the best annual results in the group's 126-year-old history. The operating profit for the year was driven by significantly higher electricity prices in the Nordics and strong operational performance in all portfolio companies. AFK also completed several strategic transactions in 2021, including the divestment of 11.8% of the share capital in Volue for total gross proceeds of NOK 991 million, issuance of NOK 500 million in unsecured green bonds, divestment of the shareholdings in Victoria Eiendom and Eiendomsspar for total gross proceeds of NOK 829 million, listing of Tekna Holding AS on Euronext Growth with a private placement raising close to NOK 700 million, listing of Volue ASA on the main list of Oslo Børs, establishment of partnerships with Ferd within offshore wind (Seagust AS) and with Grieg Maritime Group within green ammonia (North Ammonia AS).

Volue delivered solid performance through its annual recurring revenues (ARR) business in 2021, with steady growth in new Software-as-a-Service (SaaS) business. SaaS revenues grew by 50% from 2020 to 2021. Sales performance was strong throughout the year with annual recurring revenues increasing by 17% compared to the previous year.

Tekna reported a solid order intake for materials in 2021, raising its total annual order intake to CAD 19.8 million, up 46% from 2020. The order backlog for materials reached a record CAD 10.2 million as per 31 December, amid strong demand from the aerospace industry. The market outlook for Additive

Manufacturing, which accounts for approximately 60% of Tekna's total revenue, remains positive. Demand in consumer electronics in China is showing promising development and sales in medical implants is climbing towards pre-Covid levels. Tekna aims to uplist to the Oslo Stock Exchange in 2022.

EFD Induction completed a successful turnaround in 2021 and saw increased revenue and improved operating margins throughout the year, with an order intake that gradually recovered to pre-pandemic levels. Despite persistent global supply chain constraints and logistic challenges, as well as the continued adverse effects of Covid-19, most markets in which EFD Induction operates have had a substantial pick-up during 2021. EFD Induction ended the year with a backlog of EUR 100 million, including estimated aftersales of EUR 36 million.

NSSLGlobal reported strong sales and operating profit in 2021. A solid order intake throughout the year was mainly due to new VSAT leasing orders, governmental and maritime engineering orders. Especially noteworthy was a £5 million 12-month airtime contract extension secured in the fourth quarter. NSSLGlobal's long-term backlog provides a stable outlook going forward.

Since its establishment in 2020, Alytic has built a portfolio of companies in key verticals. Based on its mandate to continuously building and growing the portfolio, Alytic acquired a majority stake in the companies Utel Systems and Greenfact during 2021. Alytic will continue to make acquisitions in new verticals and further develop existing verticals through a combination of organic growth and M&A.

AFK has various property investments, mainly in the Arendal area. Vindholmen Eiendom AS represents the largest development project, in which the former Vindholmen wharf is being developed for combined residential and commercial use under the name Bryggebyen. The first two phases of the Bryggebyen real estate development project were finalized in September 2021. Apartment sales have been very good and all of the 113 apartments were sold as per year-end. As a result, AFK Property booked total sales in 2021 of NOK 496 million. To satisfy the market, AFK has decided to initiate phase 3 of the project, adding 49 more apartments. AFK also plans to develop an indoor water park in the area.

As a result of record-high electricity prices in the Nordics, AFK Hydropower contributed with substantial revenues and operating profit in 2021. The average spot price in the NO2 price area was EUR 762/MWh (EUR 98 /MWh), lifting revenues from AFK Hydropower to NOK 382 million (70 million) and operating profit in AFK Parent Company to NOK 236 million (-55 million). The corresponding provision for income tax for the year is NOK 159 million.

On 28 July AFK announced the agreement with European energy company MET Group for the sale of 100% of the shares in Cogen Energia España. Fully owned by AFK since 2011, Cogen Energia is recognized as a premier player in the Spanish cogeneration market. The sale of Cogen Energia is part of AFK's corporate strategy to exit all fossil fuel positions. With this divestment AFK Group reduced its total CO2 emissions with 98%.

EVENTS AFTER THE CLOSE OF THE YEAR

On 8 February Seagust announced that Seagust and Swedish energy major Vattenfall join forces to bid for areas in the upcoming Norwegian offshore wind licensing round.

On 9 February 2022 the Board of Directors in Arendals Fossekompani ASA decided, in order to facilitate a potential uplisting, to allocate Tekna shares as



dividend-in-kind to AFK shareholders. The number of shares distributed was 10,953,557, reducing the AFK shareholding from 79.9% to 71.1%. Tekna aims to uplist to the Oslo Stock Exchange in 2022.

On 9 February the Chairman of the Board, Jon Hindar, announced that he will step down following the 2022 Annual General Meeting.

OUTLOOK FOR 2022

In light of the market's estimated power price trend for 2022, revenues and operating profit for AFK Hydropower are expected to in line with 2021.

Following high activity levels in all portfolio companies, 2022 revenues for AFK group as a whole are expected to be on par with 2021. However, earnings are expected to be lower due to reduced earnings in AFK Property. There remains uncertainty associated with the Covid-19 pandemic, the war in Ukraine, and the future development of energy prices.

SHARE PRICE AND DIVIDEND

There is a total of 55,995,250 shares in the company. The share price on 31 December 2020 was NOK 180 and on 31 December 2021 NOK 441, an increase of 145% in the period. Including direct yield (dividend payouts) in the same period, total increase in shareholder value was 166% in 2021.

The number of shareholders in AFK has more than doubled during 2021, from 2,659 at the end of 2020 to 5,289 at the end of 2021.

AFK's total market capitalization was NOK 24.9 billion at the end of 2021. Compounded annual return to AFK shareholders has been 34% in the period 2012-2021.

Sustainability is not a megatrend. It is what we are, and what we do.

SUSTAINABILITY REPORT 2021

Please see Chapter 5 for our full 2021 Sustainability Report.

In January 1896, Arendals Fossekompani was established to harness the energy from an everlasting natural resource; water.

125 years later, we remain a proud producer of hydropower. Acting in accordance with nature, is part of our DNA. For us, sustainability is not a megatrend, it is what we are, and what we do. We honor a proud heritage based on the belief that natural resources also belong to future generations.

But Arendals Fossekompani is more than a producer of hydropower. We are the owner of energy and technology companies which enable the transition to a green economy. We seek a sustainable market to support a sustainable world.

At Arendals Fossekompani we value our employees. Our goal is to be a preferred employer with a motivated workforce. We believe that being part of a bigger purpose, working for a more sustainable world, brings more value and motivation to our employees.

ESG is also about turning a profit. By developing sustainable products and services, we ensure long-term value creation for shareholders, employees and society. Our portfolio companies help their customers utilize their resources in a more sustainable way, and provide technology, systems and solutions that make energy from renewable sources increasingly accessible and usable.

Arendals Fossekompani established its own sustainability team in 2020. The team is cross-functional and today counts seven members, all of whom work together on strategic improvement projects related to sustainability. The team is headed by the Chief Sustainability Officer, who forms part of the Executive Management Team reporting directly to the Board of Directors of AFK.

Following the materiality analysis, climate risk analysis, and improved governance and reporting structures, all conducted in 2020, several improvements have been achieved. In 2021 we have updated our materiality analysis, climate risk assessment and estimated eligibility of the AFK portfolio according to the EU Taxonomy. Arendals Fossekompani is committed to climate targets aligned with the Paris Agreement. Our target is to reduce greenhouse gas emissions from our scope 1 and 2 by 50 per percent by 2030, compared to 2021.

The work we do on compliance and improvements of policies and guidelines, is according to the OECD Guidelines for Multinational Enterprises. The OECD Guidelines are also supported by the investment strategy in M&A processes and AFK's Green Bond Framework.

Overall, we are working strategically to integrate ESG in our daily operating model, both for AFK and our portfolio companies.

Shareholder information

Arendals Fossekompani (AFK) is committed to maintaining an open dialogue with its shareholders, investors, analysts and the financial markets in general.

Our goal is to ensure that the share price reflects its underlying value by making all price-relevant information available to the market. AFK works to create shareholder value in the form of dividends and share price growth over time. In accordance with the document Corporate Governance in Arendals Fossekompani (last revised on 30 March 2021), the company's dividend policy is defined as follows: "AFK's dividend policy is to pay dividends that reflect the company's long-term strategy, financial position and investment capacity. AFK's objective is to pay dividends that will provide shareholders with a competitive return over time."

DIVIDEND FOR 2021

Total dividends paid in 2021 amounts to NOK 2,133 million, corresponding to NOK 37,08 per share. In addition to quarterly cash dividends of totalling NOK 3,15 per share, AFK paid NOK 29,20 per share as extra ordinary cash dividend as well as one share in Volue ASA per 10 AFK shares, corresponding to NOK 4,73 per share, as dividend in kind. Total dividends paid was equivalent to 11.6% of the volume-weighted average share price in 2021.

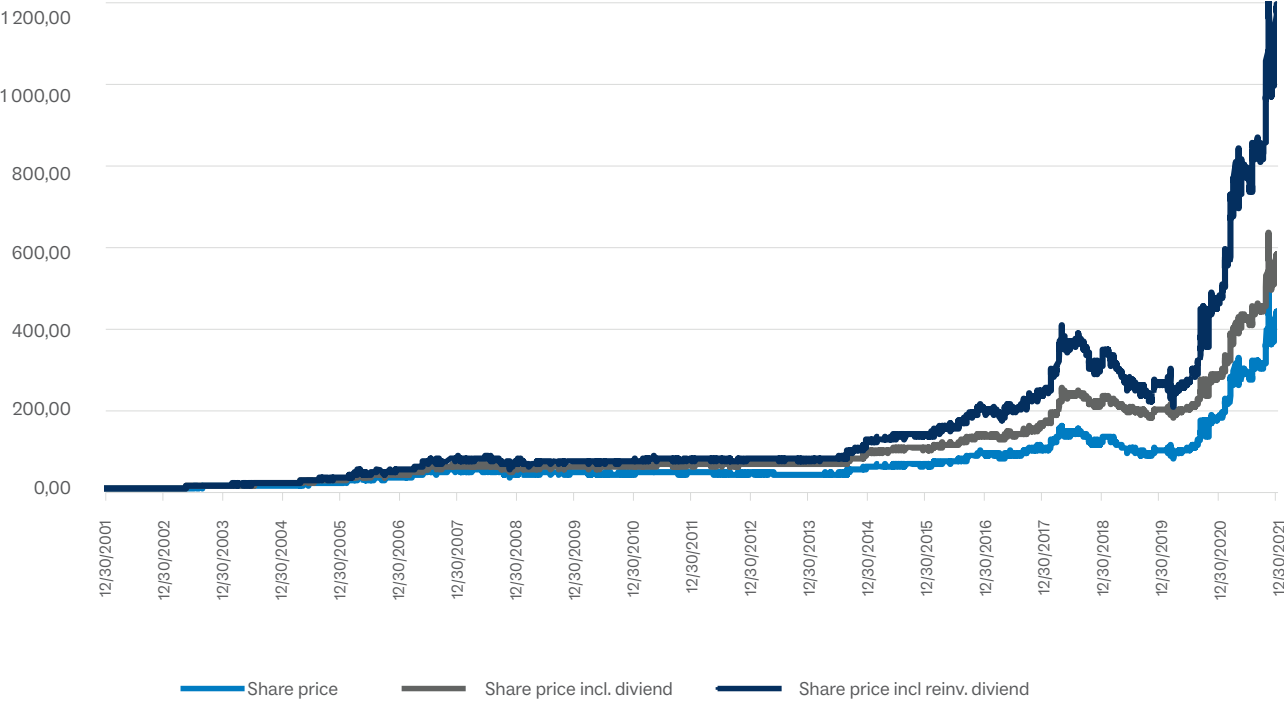
SHARES AND SHARE CAPITAL

Following the AFK share split on 20 November 2020, in which each share was split into 25 shares, there is a total of 55,995,250 shares in the company. As of 31 December, a total of 1,099,300 were treasury shares, which represents 2.0 per cent of the total number of outstanding shares. AFK's three largest shareholders are Ulfoss Invest AS (26.3%), Havfonn AS (26.0%) and Must Invest AS (25.2%).

During 2021, the number of AFK shareholders has doubled, from 2,659 at year-end 2020 to 5,289 registered shareholders at the end of 2021.

The Group's shares consist only of Class A shares, all of which have equal rights. In accordance with Article 11 of the company's Articles of Association, no shareholder may, personally or by proxy, vote for more than one quarter of the total number of shares.

SHARE PRICE - LAST 20 YEARS



Due to AFK's hydropower production, the current Norwegian concession legislation stipulates, among other things, that a shareholder who acquires more than 20 per cent of the total number of shares must apply for a concession. The Concession Act requires that the Board of Directors approve such acquisitions. There are several other provisions in the concession legislation that may entail that acquisition of the company's shares, may have consequences for both the company itself and the other shareholders. Thus, the company has found it necessary to have the opportunity to deny the approval of the acquisition of shares. In accordance with Article 7 of the Articles of Association, any acquisition by means of transfer is conditional on the Board's consent. Consent may only be denied if there is a valid reason for doing so.

STOCK EXCHANGE LISTING

Arendals Fossekompani ASA is listed on Oslo Børs under the ticker code AFK. The company was listed in 1913 and is the second oldest company on Oslo Børs. The shares are registered in the Norwegian Central Securities Depository with DNB ASA as the account operator and issuer. The securities identification number for the share is ISIN NO 0003572802.

CURRENT AUTHORISATIONS

At AFK's Annual General Meeting of 6 May 2021, the Board of Directors was authorised to acquire treasury shares up to

a maximum of 7.9 per cent. In accordance with this authorisation, the Board of Directors is only permitted to acquire treasury shares at a price ranging from a minimum of NOK 10 and a maximum of NOK 2,000 per share. This authorisation will remain in effect until the Annual General Meeting in 2022.

In 2021, the company sold 4,825 shares in connection with the company's incentive program.

OPTION SCHEMES

As of 31 December 2021, AFK had no option schemes.

INVESTOR RELATIONS

AFK seeks to maintain an open dialogue with shareholders, debt holders, financial analysts, and the stock markets in general. The company regularly holds presentations in connection with the publication of quarterly results.

All company press releases, stock exchange announcements and investor relations information are available at www.arendalsfossekompani.no. The website also includes quarterly reports, annual report, presentations, Articles of Association, and the financial calendar.

NOMINATION COMMITTEE

The company's Nomination Committee consists of the following members: Morten Bergesen (Chair), Simen Flaaten, and Trine Must.

Investor relations

AUDIT COMMITTEE

The company's Audit Committee consists of the following members:
Stine Rolstad Brenna (Chair), Christian Must, and Morten Bergesen.

ANNUAL GENERAL MEETING

The Annual General Meeting is held as early in the year as is practically possible after the close of the previous financial year, usually in April or May.

21 days prior to the Annual General Meeting, meeting notices and attendance registration forms are sent to all shareholders with a known address, and made available on the company's webpage and via the Oslo Stock Exchange distribution service.

The annual report and other enclosures to the meeting notice are made available solely via the company's webpage and the Oslo Stock Exchange distribution service. Shareholders who wish to receive the enclosures by post must contact the company. Shareholders who are unable to attend the general meeting may vote by proxy.

Representatives from the Board of Directors and the auditor attend the General Meeting. The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) attend on behalf of the management.

SHARE PRICE AND MARKET CAP

The price of shares in Arendals Fossekompani increased by 145% in 2021 and closed at NOK 441 at year-end. Market cap increased by more than NOK 14 billion and closed at more than NOK 24 billion at year-end.

TRADING VOLUME

AFK trading volume was higher than ever before, with a total of 3,472,586 shares traded in 2021, corresponding to 6.3 per cent of all shares. This represents a 75% increase in trading volume from 2020 and more than 370% increase compared to 2019. Trading volume was particularly high in Q4 when 1.3 million shares were trades, corresponding to 37% of all shares traded during 2021. Overall turnover from trading of the AFK share in 2021 was NOK 1,114 million compared to NOK 57.4 million in 2020. This significant growth comes as a result of an increase in both share price and trading volume.

At year-end, there were 5,289 registered shareholders of Arendals Fossekompani, which is almost twice as many as the previous year-end (2,659).



KEY FIGURES FOR AFK SHARE

(NOK)	2021	2020	2019	2018	2017
Closing price 31/12 ¹⁾	441	180	103	123	100
Annual growth (%)	145	75	-17	24	19
High/Low ²⁾	503 / 175	195 / 82	137 / 86	167 / 98	127 / 72
Share price avarage ²⁾	302	127	112	134	99
Market cap 31/12 (million)	24,204	9,863	5,639	6,775	5,467
Dividend per share ³⁾	37.08	3.44	2.24	34.81	20.60
Dividend accumulated	98.17	61.09	57.65	55.41	20.60
Annual turnover (million)	1,113	282	79	94	63
Volume	3,472,586	1,979,993	738,500	673,425	515,975
Total shareholder return (%)	166.04	78.25	-14.96	58.87	43.16

1) Numbers adjusted for share split effectuated in 2020. 2) Based on closing price. 3) Paid quarterly

Investor relations

What if you invested 1 million in AFK 20 years ago?



It is New Year's Eve 2001. You listen to Travis and Eminem on the radio, and you decide to invest NOK 1 million in Arendals Fossekompani.

Fast forward 20 years. You have held on to your AFK shares, and you have reinvested all dividend paid during the period. You find yourself listening to Tix and Dagny on the radio while you check your accounts, only to learn that your AFK shares are now worth NOK 103 million.

Yes, the value of the Arendals Fossekompani share has increased significant over the last 20 years. At New Year's Eve 2001, the share price was NOK 11.56 (adjusted for the 2020 share split). At year-end 2021, the share price was NOK 441. This equals a 3,750 per cent increase over the last 20 years, and an average annual return of 20 per cent, almost twice as much as the OSEBX average in the same period.

If we include reinvested dividends over the last 20 years, value growth is a staggering 10,212 per cent. And that is how NOK 1 million invested in Arendals Fossekompani 20 years ago would have become NOK 103 million at the end of 2021.

02 Portfolio

Arendals Fossekompani Assets	34
Arendals Fossekompani Parent Company	36
Volue	42
Tekna	46
EFD Induction	50
NSSLGlobal	54
Alytic	58
AFK Property	62
Vergia	64
Reporting 100 years ago	66



Arendals Fossekompani Assets

Arendals Fossekompani is the majority owner of five international portfolio companies and two Norwegian hydropower plants. AFK also holds positions in several green energy companies, and is a developer of property projects.

value

AFK ownership	Market cap (31.12)
60.1 %	8,402 MNOK
Headquarter	Listed at
Oslo, Norway	Oslo Børs



AFK ownership	Market cap (31.12)
79.9 %	4,345 MNOK
Headquarter	Listed at
Sherbrooke, Canada	Euronext Growth, Oslo

AFK | Hydropower

Bøylefoss and Flatenfoss hydropower plants generate approximately 500 GWh annually. Bøylefoss became operational in 1913 and Flatenfoss in 1927.

Bøylefoss
Flatenfoss



AFK ownership
96.1 %
Headquarter
Skien, Norway



AFK ownership
80 %
Headquarter
London, UK

Vergia

Established early in 2022, Vergia is a strategic investment company developing infrastructure projects in alternative verticals within the energy transition sphere.

Seagust
North Ammonia
Hydropower projects
Bøylestad Energy Park

alytic

AFK ownership
96 %
Headquarter
Arendal, Norway

AFK | Property

Bryggebyen in Arendal is the largest of several AFK property development projects. When finalized, Bryggebyen will have transformed a former wharf into a new residential area.

Bryggebyen
Gullknapp

Arendals Fossekompani Parent Company

HEADQUARTER	CHAIRMAN	CEO	EMPLOYEES	COUNTRIES
ARENDAK, NORWAY	JON HINDAR	ØRJAN SVANEVIK	30	1



PARENT COMPANY, FINANCIAL FIGURES, MNOK	2021	2020	2019
Operating Revenues	382	70	211
EBITDA	249	-45	129
Operating Profit	236	-55	120
Operating Margin	62 %	-79%	57%
Earnings before tax (EBT)	1,581	502	236
Operating Cashflow	236	-154	94
NIBD	-950	-400	-315
Equity	2,872	3,383	3,205
Equity Ratio	79 %	82%	82%

HYDROPOWER (EXTRACTED FROM PARENT COMPANY), FINANCIAL FIGURES, MNOK	2021	2020	2019
Operating revenue	373	63	201
Operating profit (EBIT)	298	-2	139
Operating marginww	80%	-	69%
Earnings before tax (EBT)	298	-2	139

The Parent Company is focused on the development of new sustainable business opportunities and the follow-up of portfolio companies through long-term active ownership, in addition to power generation, property development, and management of financial investments. AFK Group Management employs 30 people. The head office is in Arendal.

2021 IN BRIEF

(Figures in parentheses refer to the same period the previous year)

The Parent Company reported revenues of NOK 382 million (70 million) in 2021. EBITDA amounted to NOK 249 million (-45 million). The operating profit for the Parent Company was NOK 236 million (-55 million), while the ordinary profit after tax was NOK 1,422 million (502 million).

On 17 February AFK reported that the company sold 16,940,200 shares in Volue AS, representing 11.8% of the share capital. The price per share was NOK 58.50 for total gross proceeds of NOK 991 million. The shares were sold to a group of six high quality Nordic and international institutional investors.

On 2 March AFK reported that the company had successfully issued NOK 500 million in unsecured green bonds. The bonds have a 7-year tenor and was priced at a fixed coupon of 2.615%. AFK will use the net proceeds to finance green projects as defined in the AFK Green Bond Framework. The Green Bond Framework has received the best possible rating, Dark Green, by Cicero Shades of Green.

On 12 March Arendals Fossekompani sold all its shares in Victoria Eiendom and Eiendomsspar for a total of more than NOK 800 million.

On 21 April Oslo Børs announced the approval of Volue AS for admission to trading on the main list of Oslo Børs, effective from 4 May.

On 28 July AFK announced the agreement with European energy company MET Group for the sale of 100% of the shares in Cogen Energia Espana. Fully owned by AFK since 2011, Cogen Energia is recognized as a premier player in the Spanish co-generation market. The sale of Cogen Energia is part of AFK's corporate strategy to exit all fossil fuel positions. With this divestment AFK Group reduced its total CO2 emissions by 98%. The closing of the transaction took place in the third quarter and AFK recorded a minor profit. For further information, please refer to note 26.

The AFK parent company's financial position remains solid. The company's cash position as of 31 December amounted to NOK 1,411 million. In addition, the company has undrawn credit facilities of NOK 2,000 million, securing available liquidity of NOK 3,411 million at year-end.

HYDROPOWER PRODUCTION

AFK Hydropower generates electricity at two locations in the Arendal water-course. The Bøylefoss and Flatenfoss power stations produce more than 500 GWh annually.

By law, the company is required to improve its power plants and associated dam facilities. Consequently, AFK is planning upgrades to both plants in the coming years. The reconstruction of dams will start once detailed requirements have been agreed with the Norwegian Water Resources and Energy Directorate (NVE).

Gross power production in 2021 was 517 GWh (482 GWh). Total net revenues from the sale of electricity amounted to NOK 373 million (63 million), of which the sale on the spot market totalled NOK 367 million (57 million). The average 2021 electricity price on the spot market (Arendal) was NOK 762 /MWh (NOK 98 / MWh). AFK achieved an average electricity price of EUR 721 /kWh (EUR 64 / MWh).

Both power plants operated without any significant accidents or injuries in 2021. Production was slightly higher than in an average year. Electricity prices rose towards the year-end due to higher prices on thermal power production, and new interconnectors to Germany and UK.

Costs on normal maintenance work in 2021 amounted to NOK 13.9 million. Essential audits and access took place in accordance with established infection control procedures.

OUTLOOK HYDROPOWER PRODUCTION 2022

In light of the market's estimated power price trends for 2022, water levels and forecasted production, revenues and operating profit for AFK Hydropower are expected to be in line with 2021.

Actual energy prices depend on many factors, including hydrological balance, oil and gas prices, weather conditions, temperatures and more.

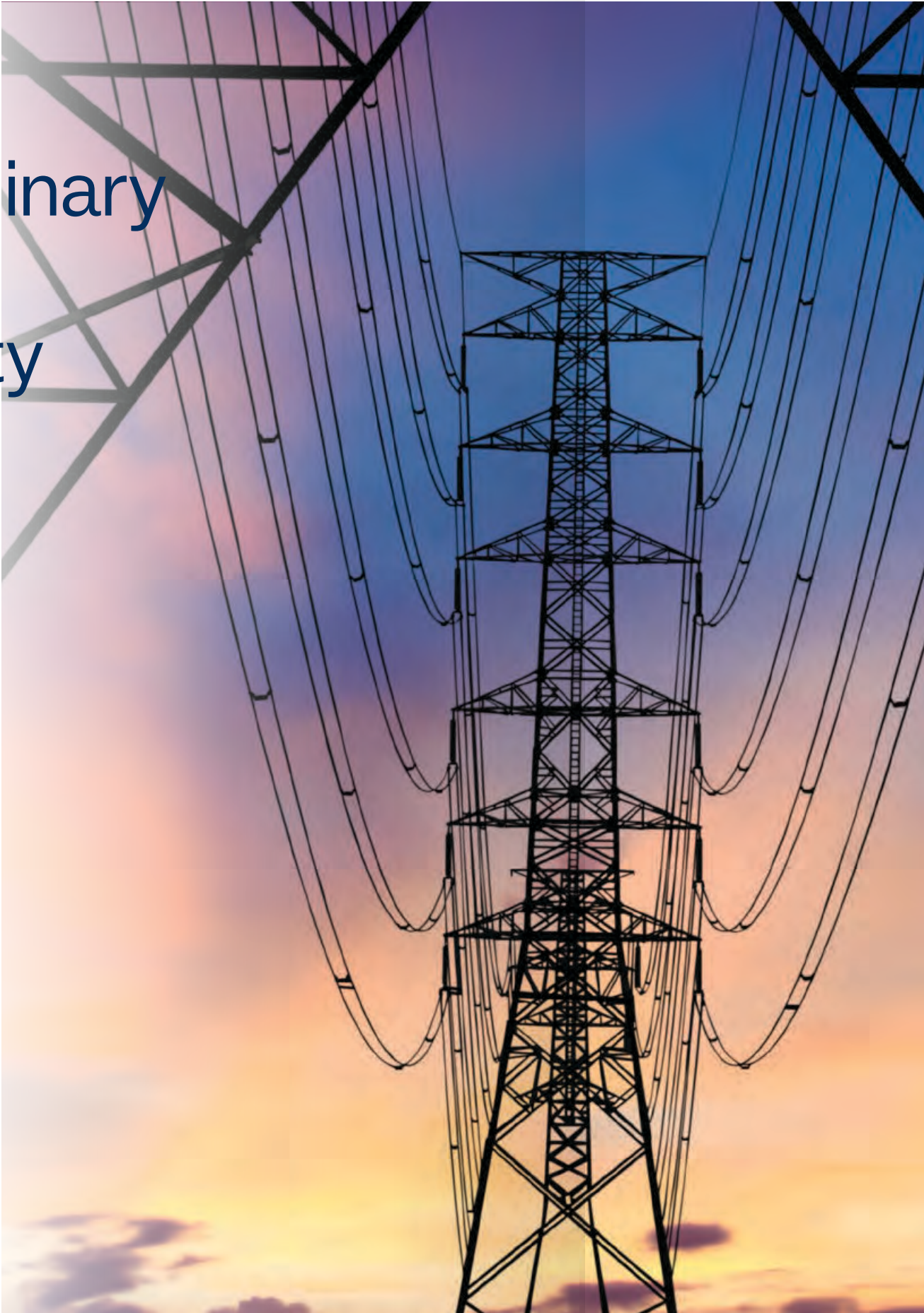
Also, the ongoing war in Ukraine presents considerable challenges to the global economy, adding uncertainty to our 2022 forecast.



Bøylefoss Hydropower Plant

The Energy Market

Another extraordinary year for electricity



2020 was a historical abnormality in the Norwegian electricity market, with unprecedented low electricity prices. 2021 was equally abnormal, but in the opposite sense.

A series of simultaneous events increased demand and decreased supply. The result was record-high electricity prices and public outcry.

To understand what happened and why prices rose to levels never seen before in Norway, we need to go back in time – to 2005 and Norway’s decision to join a European climate initiative to reduce emissions.

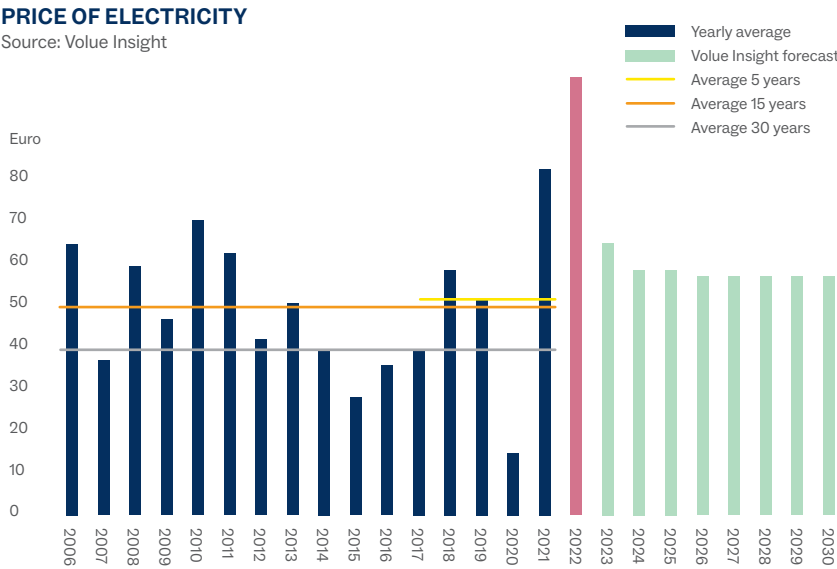
Following the initiative, Europe has been – and still is – committed to phasing out fossil energy and building renewable energy. Production of electricity from nuclear and coal is rapidly being shut down and renewables are almost equally rapidly built. This has resulted in an imbalance. Some regions have surplus power, other are in constant demand, and building of transmission lines to balance the market is lagging.

In this situation, Europe is increasingly dependent on gas to balance the volatile renewable sources. Simply put, Europe needs more gas to replace coal and nuclear, and even more so when the wind is not blowing.

Gas producers have had difficulties delivering sufficient gas to the European market. Undersupply has led to a sharp increase in prices. In 2021, the cost of producing electricity from gas rose from EUR 50/MWh to almost EUR 300/MWh.

Southern Norway is connected to the European market, more than ever. New interconnectors to Germany and the UK were installed in 2021. This allows for increased Norwegian export of electricity to a continent with much higher prices than in the domestic market. As a result, prices in Norway have also risen significantly.

In addition, rainfall in Southern Norway in 2021 was only a fraction compared to an average year. For electricity prices to fall, we need both lower prices on coal and gas and increased precipitation.



Value

Portfolio company

HEADQUARTER	CHAIRMAN	CEO	OWNERSHIP	EMPLOYEES	COUNTRIES
OSLO, NORWAY	ØRJAN SVANEVIK	TROND STRAUME	60.1 %	715	8



FINANCIAL FIGURES, MNOK	2021	2020	2019
Operating Revenues	1,061	892	798
EBITDA	138	148	100
Operating Profit	45	82	40
Operating Margin	4%	9%	5%
Earnings before tax (EBT)	40	73	34
Operating cash flow	131	190	190
NIBD	-382	-432	-184
Equity	767	743	362
Equity Ratio	44%	50%	34%

Serving more than 2,200 customers in more than 40 countries, Value is a leading supplier of technology and enabler of the green transition. With 50 years of green technology expertise, Value offers software solutions, systems and market insight that optimise production, trading, distribution and consumption of energy, as well as infrastructure and construction projects. Value's critical services paves the way for a clean, flexible, reliable and profitable energy future.

2021 IN BRIEF

(Figures in parentheses refer to 2020)

Value reported operating revenues of NOK 1,061 million (892 million), thus exceeding its revenue target of NOK 1 billion. EBITDA amounted to NOK 138 million (148 million). The operating profit was NOK 45 million (82 million), while the ordinary profit before tax was NOK 40 million (73 million).

The revenue growth was mainly driven by the Energy Segment, increasing by 30 per cent from NOK 456 million in 2020 to NOK 595 million in 2021. Adjusted EBITDA was NOK 214 million (196 million) with an adjusted EBITDA margin of 21 per cent.

All product lines delivered strong operational performance and good order intake, with more than 3,200 deals closed during the year. The company is continuing to build a highly sticky customer base and has since 2018 reported an average yearly churn of about 1 per cent.

Annual recurring revenues reached NOK 667 million, a 17 per cent growth from 2021, while SaaS revenues showed a 50 per cent growth year on year.

KEY DEVELOPMENTS
In May, Value transferred from Euronext Growth to Oslo Børs, expanding its potential investor universe.

On 1 October, Value closed the acquisition of German Pro-Com GmbH, adding EUR 3 million in annual recurring revenues, approximately 60 employees, and over 60 customers. ProCom offers consultancy and IT tools throughout the whole value chain from energy production to energy trading. ProCom is headquartered in Aachen, Germany and has offices in Cologne and Berlin.

Value also completed the integration of Likron, another German company, strengthening its position as the leading provider of algorithmic power trading solutions in Europe.

Value has an ambitious M&A strategy and will take a leadership position in a fragmented industry. By combining various companies, the company aims to be at the technological forefront in a market experiencing both radical change and strong growth.

Value is also working on several new initiatives such as Distributed Energy Resources and new products related to optimisation and trading solutions. The company continues to prioritise strategic investments in its SaaS platform and expansion into new markets, which creates short- to mid-term EBITDA impact, and increased R&D capitalisation in line with plans.

OUTLOOK
Value sees a continued strong market and has a strong foundation for continued profitable growth and expansion. However, the ongoing war in Ukraine presents considerable challenges to the global economy, adding uncertainty to our 2022 forecast.

- The long-term ambition is to exceed NOK 2 billion revenues by 2025, with the following additional priorities and ambitions for 2022:
- Expand activities outside Europe.
 - Adjusted EBITDA margin in line with Q4 2021.
 - Continue to grow ARR business in line with 2025 targets and 2021 performance.
 - Structural growth through M&A.
 - Strategic investments for scalable growth.
 - Further utilise synergies and strengthen organisation.

Value

Creating technology for a sustainable tomorrow

“Power producers will get a good indication of what will happen all the way up to 2050.”

Tor Reier Lilleholt
Value Insight



In control rooms across Europe, modern-day dispatchers manage power plants automatically and continually adjust power generation by following the various energy markets. Until recently, this was a manual process. But not anymore.

For many of Europe's largest utilities, the automation journey starts with Value. It begins with the creation of detailed asset models – digital twins of penstocks, turbines and generators. Value's Victor Eriksson had examined Enel's hydropower plants in the models thousands of times before he got to observe the physical turbines and hardware.

“I felt a sense of awe as I entered the turbine hall of one of Enel's hydropower plants in the Italian Alps,” he says.

The models create a robust foundation for automating production planning, dispatch, and trading. The end game for Value is to provide Europe's utilities with a tool that automatically defines the optimal dispatch of their portfolio, an important contribution to sustainability.

Every year, 315 terawatt-hours (TWh) are optimised by Value. Among Value's international energy customers are eight of the ten largest European utilities, including EnBW, E.ON, Fortum, RWE, Uniper, and Vattenfall.

Solar and wind power plants require less detailed modelling than gas and hydropower plants but given their intermittent nature, they require something else – reliable weather forecasts.

The intermittency of renewable power and the focus on short-term markets have made short-term forecasting especially important.

Value Insight's market analysts see a staggering 1 800 000 000 daily calls to the Value API. Weather-driven fundamentals and market forecasts are in equally high demand.

“Short-term, we tell power producers what price they are likely to receive for their production as well as what their aggregate production is likely to be. Long-term, they will get a good indication of what will happen all the way up to 2050,” says Tor Reier Lilleholt from Value Insight.

But where does crucial weather data come from? It is collected through sensors and instrumentation spread around the world.

All over Scandinavia, thousands of automatic meteorology and hydrology stations built by the Value Industrial IoT team (among many other instrumentation and automation devices) collect data for organisations such as the Norwegian Meteorological Institute.

This data is not only crucial in the energy transition but also in tackling Europe's new climate reality. When Europe suffered severe flooding in the summer of 2021, the first warnings came from weather stations like Value's – several days before the rain.

Value's role in securing a sustainable future is clear. And its proven track record makes us optimistic about the future.

Tekna

Portfolio company

HEADQUARTER	CHAIRMAN	CEO	OWNERSHIP	EMPLOYEES	COUNTRIES
SHERBROOKE, CANADA	MORTEN HENRIKSEN	LUC DIONNE	79.9 %	204	4



FINANCIAL FIGURES, MNOK	2021	2020	2019
Operating Revenues	187	183	142
EBITDA	-60	2	--26
Operating Profit	-86	-20	-47
Operating Margin	-	-	-
Earnings before tax (EBT)	-97	-41	-59
Operating Cashflow	-89	2	-51
NIBD	-215	150	237
Equity	531	128	43
Equity Ratio	82%	35%	13%

Currency exchange rates year-end: CAD/NOK: 6.94 (6.6976). Year average: 6.8567 (7.0076).

Tekna is a world-leading provider of advanced materials for 3D printing in the aerospace, medical and automotive sectors, and is well positioned in the growing market for advanced nanomaterials within the global electronics and batteries industries.

2021 IN BRIEF

(Figures in parentheses refer to 2020)

Tekna reported revenues of NOK 187 million (183 million) in 2021. EBITDA amounted to NOK -60 million (2 million). The operating profit was NOK -86 million (-20 million), while earnings before tax was NOK -97 million (-41 million).

Total annual order intake in 2021 was CAD 19.8 million. This is a 46% increase year-on-year, which provides great momentum going into the new year. EBITDA adjusted for non recurring items amounts to NOK -32 million in 2021.

In March 2021, Tekna Holding AS was listed on Euronext Growth in Oslo. Prior to the listing, Tekna conducted a private placement, raising close to NOK 700 million in new equity. The placement was multiple times oversubscribed and attracted significant interest from high-quality Nordic and international investors. In 2022, Tekna aims to uplist to the Oslo Stock Exchange.

Tekna focuses on scaling up its sales organization and production capacity. In April, the Board of Directors approved a roadmap for capacity increase for the Additive Manufacturing, Printed Electronics and Energy Storage segments, which will raise the company's total number of plasma systems from eight to fourteen.

In addition, the company has approved the commissioning of a new Additive Manufacturing powder atomizer in France, to meet growing demand generated from Imphy Tek Powders, a Tekna and Aperam joint venture serving the aerospace, medical, and automotive industries. Combined, the new facility in France and the facility in Sherbrooke, will create space to grow production capacity by approximately 2,500 tons of powder annually.

In the Printed Electronics segment, the qualification of customers developed positively, and Tekna is on track to secure its first commercial customer in 2022. Tekna has initiated talks with several industrial scale-up partners in Asia.

In the Energy Storage Segment, Tekna signed an agreement with the leading Korean chemical company LG Chem for a multi-year joint development program to

produce new materials that will improve the storage capacity and the cycle stability of Lithium-Ion batteries. Both companies bring patented technology to the project, which will contribute to meeting the accelerating demand for high-performance Lithium-ion batteries, driven by the growing global need for energy storage. Discussions are ongoing with LG Chem on a second potential joint development agreement.

During the year, Tekna announced several major contracts. In addition to the multi-year joint development agreement with LG Chem, Tekna secured a multi-year supply agreement for 3D printing titanium powder with Airbus, and a 10-year supply agreement in Additive Manufacturing with a leading EU jet engine and aerospace component OEM.

Tekna launched its PlasmaSonic product line, targeting civil aviation in the orbital space and hypersonic flight industry, which has an estimated size of CAD 270 billion.

EVENTS AFTER THE CLOSE OF THE YEAR

On 9 February 2022 the Board of Directors in Arendals Fossekompani ASA decided, in order to facilitate a potential uplisting, to allocate Tekna shares as dividend-in-kind to AFK shareholders. The number of shares distributed was 10,953,557, reducing the AFK shareholding from 79.9% to 71.1%. Tekna aims to uplist to the Oslo Stock Exchange in 2022.

OUTLOOK

Tekna is well positioned for profitable growth and has a proven track-record of scalability, with about 80% recurring sales. Revenues are driven by global megatrends, led by accelerating demand for high-quality micro and nano materials, and a growing market share due to the uniqueness of the materials produced. Tekna can achieve solid margins due to its scalable business model and high contribution margins. Tekna's revenues and operating profit in 2022 are expected to be higher than in 2021.

The ongoing war in Ukraine presents considerable challenges to the global economy, adding uncertainty to our 2022 forecast.

Tekna

Plasma: The fourth state of matter

"Plasma can reach temperatures of about 10,000 degrees Celsius, equal to the temperature at the surface of the sun, and way beyond the hottest flame resulting from fuel combustion, which burns at approximately 3000 degrees Celsius"

Richard Dolbec
Program Director Emerging
Technologies at Tekna



For most people, matter surrounding us in everyday life is composed of solids, liquids, or gases. But there is a fourth state of matter: plasma.

Plasma may be less known, but you observe it on a regular basis without even realizing it. Every time you see lightning, electric sparks, fluorescent or Northern lights, or even when you gaze at the stars, you are experiencing illuminated matter in the plasma state. As much as 99.99 per cent of the visible universe is plasma.

"Plasma is an ionized gas, which means that sufficient energy is provided to free electrons from atoms or molecules and to allow both species – ions and free electrons – to coexist. This electron "sea" allows matter in the plasma state to conduct electricity, somewhat like a conductive metal. This is one of the properties that makes plasma so radically different from their gaseous counterpart," explains Richard Dolbec, Program Director Emerging Technologies at Tekna.

Plasma can also be a chemically reactive environment. Take nitrogen, a gas considered as inert under normal conditions. Once ionized in a plasma, nitrogen ions become reactive species that can react and change the nature of elements, forming a metal nitride, for instance.

"Plasma can reach temperatures of about 10,000 degrees Celsius, equal to the temperature at the surface of the sun, and way beyond the hottest flame resulting from fuel combustion, which burns at approximately 3000 degrees Celsius," says Dolbec.

Artificial plasma can be generated in several different ways, but based on a common principle: there must be energy input to produce and sustain it. In fluorescent light bulbs for example, the tube contains a small bit of mercury and an inert gas (typically argon) kept under very low pressure. Electricity flows through the tube when the light is turned on. The electricity acts as an energy source and charges up (or ionizes) the gas. This charging and exciting of the atoms creates glowing plasma inside the bulb, a cold plasma made to emit light we can see.

"This is clearly different from the proprietary plasma core technology developed by Tekna where the heat from the plasma is used for melting and even evaporating metals, aiming at producing advanced metallic powders. Tekna has developed a plasma torch technology that generates plasma by induction with power levels of 400 kW and capable of withstanding temperatures above 10,000 degrees Celsius. Next generation will be engineered to reach up to 2 MW – that is two millions of Watts," says Nicolas Dignard, CTO Plasma Systems.

The Tekna torch consists of a coil wrapped around a confinement chamber through which a gas mixture continuously flows. The coil applies a strong radio-frequency electric fields inside the chamber and thanks to the conductive nature of the plasma, electric energy from the coil is converted into thermal energy in the gas.

"By mastering this very hot environment, Tekna has developed the best powders for additive manufacturing, can produce nanopowders used in micro-electronic and energy storage, and can also be used for testing materials used in supersonic conditions," says Richard Dolbec.

EFD Induction

Portfolio company

HEADQUARTER	CHAIRMAN	CEO	OWNERSHIP	EMPLOYEES	COUNTRIES
SKIEN, NORWAY	ØRJAN SVANEVIK	BJØRN E. PETERSEN	96.1 %	992	17



FINANCIAL FIGURES, MNOK	2021	2020	2019
Operating Revenues	1179	1150	1170
EBITDA	143	109	54
Operating Profit	83	41	-14
Operating Margin	7%	4%	-1%
Earnings before tax (EBT)	72	30	-23
Operating Cashflow	96	68	79
NIBD	31	52	81
Equity	405	374	353
Equity Ratio	36%	36%	36%

EFD Induction designs, builds, installs, and maintains a complete range of energy-efficient induction heating equipment. The company has operations in America, Europe, and Asia, and has installed more than 20,000 heating solutions for a wide range of industrial applications in over 80 countries, bringing the benefits of induction technology to many of the world's leading manufacturing and service companies.

EFD Induction's innovative and eco-friendly heating solutions can be used professionally for almost any industrial application that requires heat. The company's hardening machines are widely used in the automotive industry, while equipment from EFD Induction is otherwise commonly found in a number of other industries, such as renewable energy, appliances, HVAC, building and infrastructure, electrotechnical, tube & pipe production, mechanical engineering, and wire & cable production.

Equipment from EFD Induction is supported by a global network of factories, workshops and offices. In addition to manufacturing facilities in Germany, Norway, France, China, India, Poland, Romania and the USA, the company also has sales and service operations in Austria, Brazil, Denmark, Finland, Italy, Japan, Malaysia, Mexico, Spain, Sweden, Thailand and the United Kingdom.

2021 IN BRIEF
(Figures in parentheses refer to 2020)

EFD Induction reported revenues of NOK 1.179 million (1.150 million) in 2021. EBITDA amounted to NOK 143 million (109 million). The operating profit was NOK 83 million (41 million), while the ordinary 2021 profit before tax was NOK 72 million (30 million).

EFD Induction successfully completed a turnaround in 2021 and saw increased revenue and improved operating margins throughout the year, with an order intake that gradually recovered to pre-pandemic levels. Despite persistent global supply chain constraints and logistic challenges, as well as the continued adverse effects of the Covid-19 pandemic, most markets in which EFD Induction operates have had a substantial pick-up during 2021.

The automotive industry in Europe remains weak, but EFD Induction has more than compensated for this in other market segments and regions.

With its broad global presence, EFD Induction proved resilient and is firmly positioned in its mission to serve customers in multiple industries worldwide, with highly efficient, eco-friendly induction heating solutions, and services for enabling the green transition in industry and economy.

EFD Induction has a focused R&D pipeline to drive improved profitability and growth as well as enhance the ability to offer service programs with recurring revenue. The product and process development activities involve projects directly related to customer orders, in cooperation with research institutes and industrial partners, as well as projects initiated internally to strengthen EFD Induction's competitiveness in general. In 2021, these costs amounted to NOK 43 million, whilst capitalization of R&D projects amounted to NOK 18 million.

EFD Induction activities are financed through loans denominated in multiple currencies. Foreign exchange risk is mitigated by currency hedging of customer orders and expected customer orders.

OUTLOOK FOR 2022
The financial standing of EFD Induction Group is good and a positive development in revenues and profitability is expected in 2022. The ongoing war in Ukraine presents considerable challenges to the global economy, adding uncertainty to our 2022 forecast.

EFD Induction

Ready for the electric revolution

"Nearly every car you see on the road contains one or more components that have been heat treated with equipment from EFD Induction"

Bjørn Eldar Petersen
CEO



For more than 70 years, EFD Induction has been a trusted supplier of induction heating solutions to automakers around the world. Now, the company aims to be in the driver's seat when it comes to electrification of the automotive industry.

"Nearly every car you see on the road contains one or more components that have been heat treated with equipment from EFD Induction", says CEO Bjørn Eldar Petersen. "With our unique eco-friendly technology, we have made car production cleaner, safer and more efficient."

Today, industry players are gearing up to go green as sales of electric cars are racing ahead. Many major car manufacturers pledge to completely phase out their production of fossil fuelled vehicles within the next decade or two.

"We are committed to a sustainable future and wholeheartedly support the shift towards electrification of passenger vehicles", Petersen says. "In 2021, we have worked to show the industry just how much induction technology can contribute to a future of carbon-free driving."

In fact, induction technology is ideal for the manufacturing of electric vehicles, and based on their long experience and knowhow, EFD Induction is perfectly positioned to give expert advice on how to make the overall carbon footprint of electric vehicles even smaller.

EFD Induction's heating solutions are used for refining components you will find in all modern electric cars – from brazing conductors and hardening driveshafts to bonding the panels and the battery cell's casing. In the motor itself, induction is used to braze, harden, bond and shrink-fit a large number of parts.

"For the sake of passenger safety, automotive components must be heated to the very highest standards and solutions must meet the automotive industry's tough cost-control demands", Petersen says. "Satisfying these demands has made EFD Induction the leader at devising induction heating solutions unmatched for productivity and reliability. We also work with many tier-one suppliers and sub-contractors, helping the industry make top quality products whilst minimising their harmful emissions."

"Obviously, there is also an economic aspect to sustainable vehicle production", the CEO points out. "And this is where EFD Induction will prove its value as a partner. Our highly efficient equipment will not just contribute to reducing the use of energy and greenhouse gas emissions. Raised efficiency, reduced material usage, higher uptime and lower operation costs make them the obvious choice for car manufacturers that wish to lower their environmental impact whilst making a healthy profit at the same time."

NSSLGlobal

Portfolio company

HEADQUARTER	CHAIRMAN	CEO	OWNERSHIP	EMPLOYEES	COUNTRIES
LONDON, UK	ARILD NYSÆTHER	SALLY-ANNE RAY	80 %	216	9



FINANCIAL FIGURES, MNOK	2021	2020	2019
Operating Revenues	907	898	894
EBITDA	208	214	230
Operating Profit	166	162	162
Operating Margin	18%	18%	18%
Earnings before tax (EBT)	178	154	162
Operating Cashflow	197	166	199
NIBD	-322	-274	-267
Equity	458	424	417
Equity Ratio	57%	56%	52%

Currency exchange rates year-end: GBP/NOK: 11.8875 (11.6462). Year average: 11.8254 (12.0514).

NSSLGlobal is a leading independent provider of satellite communications and IT solutions in a global market. The company is committed to delivering high-quality voice and data services to customers anywhere in the world. NSSLGlobal's activities are divided into the areas Airtime, Projects, Hardware and Service.

NSSLGlobal has more than 50 years of experience in the maritime and military mobility markets. The company provides satellite solutions in partnership with some of the largest satellite operators, including Inmarsat, Iridium, Thuraya, Telesat, Eutelsat, JCSAT and Intelsat. Customers are supported locally via global sales and service offices, 24/7 network operations centers, teleports and local partners.

The revenue model is to a large degree based on multi-year subscription contracts, thereby securing a significant degree of recurring revenues. Its main customers are found in the maritime segment, in the military and government sector, and in the energy sector.

NSSLGlobal is headquartered in the United Kingdom, but also has offices in Germany, Denmark, Norway, Sweden, Poland, Netherlands, Singapore, USA, Israel and Japan.

2021 IN BRIEF
(Figures in parentheses refer to 2020)

NSSLGlobal reported revenues of NOK 907 million (898 million) in 2021. EBITDA amounted to NOK 208 million (214 million). The operating profit was NOK 166 million (162 million), while the ordinary profit after tax was NOK 178 million (154 million).

The company experienced healthy sales throughout the year, the majority of which were either new VSAT leasing orders, or governmental or maritime engineering orders. Especially noteworthy was a £5 million 12-month airtime contract extension secured in the fourth quarter.

In the second quarter, NSSLGlobal launched its new Smart@Sea platform into the Maritime market – providing a virtualized on-board appliance for managing all aspects of a vessel's communication, cybersecurity, IT services and crew entertainment.

The company also announced a new strategic partnership with DDK Positioning to incorporate enhanced Global Navigation Satellite Services (GNSS) positioning, navigation and timing solutions into NSSLGlobal's maritime and governmental portfolio.

The 2020 hiring of a Dutch and German-based engineering team from bankrupt Pro Nautas has enabled NSSLGlobal to include Navcom into its service offering, thereby cementing the company's position as a provider of advanced, integrated solutions.

NSSLGlobal announced a long-term strategic co-operation agreement to collaborate on the commercial and technical aspects of Telesat's new Low Earth Orbit (LEO) constellation, Telesat Lightspeed.

The Covid-19-pandemic did on average not affect revenues and the level of customer activities, but sales activities have naturally been scaled down due to travel restrictions.

OUTLOOK FOR 2022
NSSLGlobal expects revenues to be in line with 2021, while operating profit is expected to weaken due to contracts in 2021 that had particularly good margins. The ongoing war in Ukraine presents considerable challenges to the global economy, adding uncertainty to our 2022 forecast.

NSSLGlobal

Out-of-this-world communication

"Since 1969, NSSLGlobal has been working in the maritime and government mobility markets providing vital communication to over 25,000 users on sea, land and air."

Sally-Anne Ray
CEO

Communications solutions from NSSLGlobal are out of this world. Literally.

Master mariners such as the Vikings, looked to the stars to aid with navigation as they searched for new frontiers. Today, companies such as NSSLGlobal, use science and technology to help us to communicate with each other as we continue to navigate our way across land, air, and the oceans.

Since pre-historic times humans have been fascinated by the night sky gazing up to the stars trying to decipher the celestial constellations. Future generations will be viewing moving 'stars' made of man-made satellite constellations.

There are over 4,500 active satellites in the sky with 50 per cent being communication satellites. Satellite communications are critical for areas on the planet where telecommunications networks are not commercially viable or are inaccessible because of the remote geographic location or when that infrastructure is fractured during natural disaster or conflict.

"Utilizing these commercial satellite constellations is only the start. Since 1969, NSSLGlobal has been working in the maritime and government mobility markets providing vital communication to over 25,000 users on sea, land and air across our secure global infrastructure," says Sally-Anne Ray, Group CEO of NSSLGlobal.

As a satellite network operator and system integrator NSSLGlobal taps into the extra-terrestrial diverse network providing global connectivity. NSSLGlobal design and build secure data and voice solutions allowing its customers to conduct everyday business ranging from the simple need to make a call, video conference, email or document sharing – to the operation of navigational and ship bridge communications, remote diagnostics and monitoring and crew welfare and entertainment services.

NSSLGlobal supports rapid mobile deployment in areas of natural disaster and conflict – for governments, NGOs, charities, and the media. In addition, NSSLGlobal helps marine wind farms, rigs and global maritime blue-chip customers to safely operate in the deepest oceans, meeting statutory IMO regulations and providing crew wellbeing, as well as providing global maritime distress and safety at sea assurance. NSSLGlobal also provides heads of state and government clients the ability to communicate securely.

"Working in an increasingly digitalized environment, we enable smarter and more sustainable solutions. Combined with our global engineering capability, unrivalled availability, experienced account management and 24/7 aftercare services, our customers are always in safe and trusted hands," explains Sally-Anne Ray.

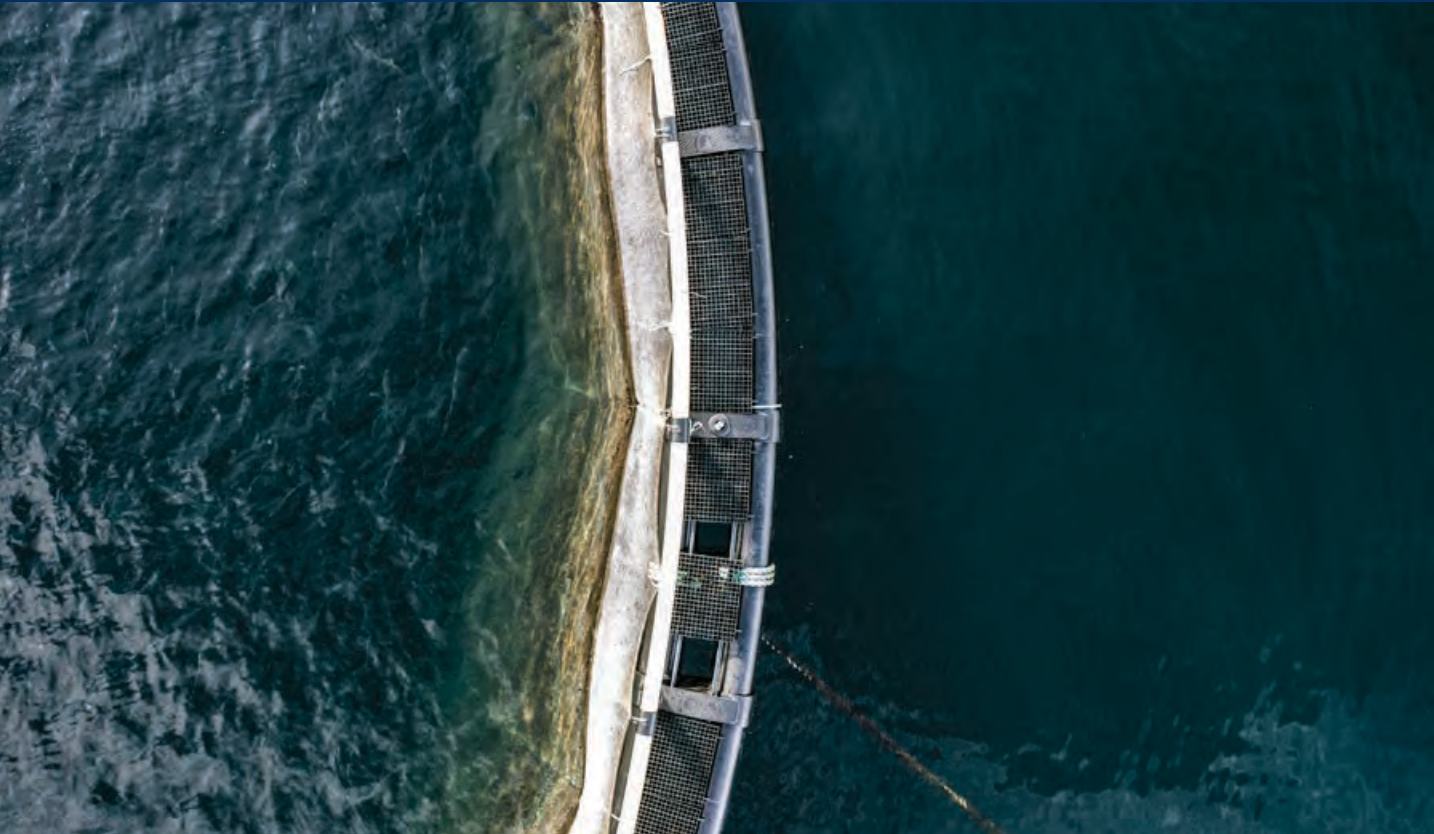
In the next few years, the satellite communications sector is expected to witness an exciting new phase in satellite technology development with many new satellite entrants competing with the more established satellite operators. The maritime industry is also experiencing major changes with the launch of autonomous shipping expecting to bring many environmental and safety benefits.

Sally-Anne Ray states, "This increases the vital importance of secure and reliable communications. We will continue to offer our customers high availability, low latency, high-speed, future-proof communications, enabling them to securely and reliably operate anywhere in the world."

Alytic

Portfolio company

HEADQUARTER	CHAIRMAN	CEO	OWNERSHIP	EMPLOYEES	COUNTRIES
ARENDAAL, NORWAY	MORTEN HENRIKSEN	ESPEN ZACHARIASSEN	96 %	46	2



FINANCIAL FIGURES, MNOK	2021	2020
Operating Revenues	27	2
EBITDA	-12	-1
Operating Profit	-16	-1
Operating Margin	-	-
Earnings before tax (EBT)	-15	-1
Operating Cashflow	-12	-
NIBD	-25	-32
Equity	80	59
Equity Ratio	74%	-

Alytic develops sustainable companies with strong domain competence and data at the core. In many sectors and markets there is a large untapped potential for utilizing data effectively to gain insight and make qualified decisions. This includes better solutions to process, analyze, and visualize available information.

The Alytic investment team is set up as a taskforce with expertise within data science, technology, people and culture, and business development. The team works closely with portfolio companies to support and create value through strategy development and implementation, leadership, sales, HR and recruitment, data science and technology. Alytic serves as a growth arena for tomorrow's companies with an ambition to build world-leading companies within their respective markets.

2021 IN BRIEF

During 2021, Alytic established a portfolio with a presence in multiple key verticals. Alytic built a team and identified an approach and a methodology to be well positioned for further development in 2022. Alytic has the expertise required to understand and support the companies in which it chooses to invest. Established processes are continuously improving to ensure speed and a healthy deal flow.

Kontali, a leading knowledge-based consultancy and data provider for the aquaculture and seafood industry and an Alytic portfolio company since Q4 2020, has doubled in size following new hires in the technology and data science areas. The expansion is driven by an ambition to capitalize on Kontali's domain expertise by building a state-of-the-art seafood insights portal, which will be offered as a subscription service. The development of this portal is well underway and scheduled for launch in Q3 2022.

In Q2 2021, Alytic acquired a majority stake in Utel Systems. Utel is a leading provider of services for network monitoring and analysis, with strong domain expertise and a solid platform for product expansion and international scalability. Utel serves telecom carriers, fixed and mobile network operators, service providers, wholesale suppliers, intelligence services, police security services, the military, and authorities. In 2021, Utel strengthened its management team, concentrated its distribution, and increased its capacity within analytics. Alytic and Utel see massive

growth potential for Utel through the rapid development of technologies such as 5G and IoT, and an increased demand for solutions within network fraud and security.

In Q3 2021, Alytic acquired a majority stake in Greenfact. Greenfact is a green-tech leader with strong domain competence, a strong brand, ongoing SaaS business and a large potential for growth. Alytic's ambition is to develop Greenfact into a leading global provider of insight and analytics for the renewable energy sector and related green instruments. Greenfact will expand its product offering to additional green instruments, building SaaS products covering all Energy Attribute Certificates globally as well as the carbon markets.

There is a strong growing demand for products in all Alytic portfolio companies, and also an increase in recurring revenues. As a result, all three portfolio companies are scaling capacity and strengthening competency areas especially within management, technology, and data science.

OUTLOOK FOR 2022

Alytic's mandate is to build and grow its portfolio. Alytic will make acquisitions in new verticals and further develop existing verticals through a combination of organic growth and M&A. Alytic expects to make new investments during 2022.

Alytic

Predicting the future of seafood markets

Kontali was the first acquisition of Alytic, a portfolio company of Arendals Fossekompani established in 2020 to accelerate companies with deep domain expertise and technical competence. Alytic holds a 71 per cent stake in Kontali.

By gathering and analysing massive amounts of data, experts at Kontali predict the future of several seafood markets around the world.

30 years after the first Monthly Salmon Report was published by the advisory firm in Kristiansund, Norway – Kontali is internationally recognized for its comprehensive understanding of the global fish market and in-depth analyses of selected species.

"We hold the world's most extensive proprietary database covering aquaculture and fisheries. We will answer all your questions related to the seafood sector," says Thomas Aas, CEO of Kontali.

Kontali has been involved in developing the aquaculture industry nationally and internationally through the development of the most comprehensive datasets and analyses worldwide.

Kontali data is well-known. At Kontali, analysts produce data for countries and species with no other standardised data available. The goal is to fill gaps where available data is not completely dependable. Data is produced through a combination of extensive data collection, in-house modelling, and in-depth seafood insight among Kontali analysts.

Offering production, market and price forecasts, analysts at Kontali create valuable insight into the status and development of a wide range of species in the fisheries and aquaculture industry.

Today, the digital revolution demands that all companies examine if their business model is adapted to the growing demand for information and high expectation for how data is delivered. To meet this demand, Kontali has started the process of developing a state-of-the-art digital platform.

"We are entering the digital world, creating a completely new platform to improve our ability to share insight," says Aas.

The platform is built on a new infrastructure for the entire data value chain in Kontali. From the actual data collection, storage, and internal processing of the data to the distribution of Kontali data and insight to customers.

"The goal is to continuously give our customers easier access to seafood data and insights as we update our data sources and model estimates. This will give customers a better tool to make decisions faster based on up-to-date data, models and analyses," says Product Manager Eirik Junge Hess.

AFK Property

Part of AFK

AFK Property comprises all property related companies and property investments.



Bryggebyen

The by far largest company in the portfolio is Vindholmen Eiendom AS, which is transforming an old shipyard area into a new urban residential/commercial zone right outside the center of Arendal City under the name Bryggebyen.

The transformation will take 10-15 years to complete and will create 500-700 residential units in combination with exciting and highly relevant trade and commerce offerings. The initial construction phase in 2020 called for 82 apartments, but due to brisk sales, a second phase of 31 additional apartments was quickly added, bringing the total to 113 units. All apartments were sold out before year-end 2021. Not only was this the largest residential project in the region that year, but it also had the quickest sell-out time, demonstrating the attractiveness of the Bryggebyen Area.

To keep satisfying the market desire to live in and become part of Bryggebyen, AFK made the decision in October 2021 to initiate Phase 3 of the Bryggebyen Project, thereby adding 49 new apartments. These will go on sale in the second quarter of 2022. AFK also plans to build an indoor water park in the area.



Arendal Airport & Property Gullknapp

AFK Property is the majority owner of this property which comprises a relatively new airport facility as well as an attractive area of 200,000 sqm. The main user of the airport facility is OSM Aviation Academy which runs a pilot school at the premises. Future plans include developing the airport facility into a center for drones as well as a hub for electrified aviation under the name Gullknapp Aerial Center.

The significant size of the area combined with direct access to the high voltage grid has made the property attractive for industrial players, including those drawn to Arendal in connection with Morrow Batteries' plan for establishing a giga-factory for battery cell production. Gullknapp is located about 15 km north of Arendal and therefore in close vicinity to both the new E18 highway and the Port of Arendal. Having its own airport facility is of course also an advantage. Real estate areas for industrial use are becoming scarce around Arendal, and Gullknapp is highly relevant for power and transportation intensive industries such as battery-related production of cells, electrodes and electrode materials, as well as hydrogen and ammonia production to support the transition into a sustainable future.



Bølevegen 4

This property, located along the Skien River, just one kilometer south of downtown Skien, was acquired in 2020. The 4,700 sqm building is fully let to EFD Induction on a 15-year bare-house agreement. As the city of Skien expands, this 12,000 sqm river property will be attractive both for commercial and residential development.



Bedriftsveien 17

The commercial property Bedriftsveien 17 has been part of AFK since 2015. The 3,500 sqm building has been completely refurbished and is now fully let to Scanmatic AS on a 25-year bare-house agreement. Bedriftsveien 17 is located in the middle of the emerging commercial area Krøgenes, 3 km east of down-town Arendal. The area has grown in attractiveness with a new feed-in road to the new E18 highway recently completed.

Vergia

Portfolio company



Established early in 2022, Vergia is a strategic investment company combining in-house competence with strategic partners to develop infrastructure projects in alternative verticals within the energy transition sphere. The Vergia ecosystem includes verticals such as small-scale hydropower, energy parks, power-to-x, solar, offshore wind, batteries, green fuel, and carbon capture.

OFFSHORE WIND

Arendals Fossekompagni and Ferd, two of Norway's leading industrial investment companies, have come together to establish the offshore wind company Seagust. Seagust is structured as a 50-50 joint venture between AFK and Ferd, with a mandate to become an offshore wind developer with operations domestically and internationally. Seagust and Swedish energy major Vattenfall have joined forces with the intention to bid on two areas in the upcoming Norwegian offshore wind licensing round.

AMMONIA

Arendals Fossekompagni and Grieg Maritime Group have joined forces to create a world-leading provider of green ammonia. The company is dedicated to developing the next generation green fuels for shipping and transportation. The company builds on extensive first-hand experience: Grieg Maritime Group has more than 60 years of experience in shipping. Arendals Fossekompagni has 125 years of experience in industrial developments and green power production.

Eydehavn in Arendal has been chosen as the first production site for North Ammonia. Eydehavn is being developed as a maritime hub and is ideally located for green ammonia production and distribution. MoUs have been signed with maritime end-users. World-class technology, engineering and maritime cooperation partners are in place to develop the project and production facility. Production is expected to start in 2025.

SMALL-SCALE HYDRO POWER

Demand for electricity is expected to grow significantly in years to come, due to electrification of the transportation and industry sectors, increased household consumption and interconnectors between the Nordics and Europe. Arendals Fossekompagni has two small-scale hydropower development projects; Kilandsfoss and Glomsdam, which can contribute with an annual production of 40 and 7.3 GWh respectively.

ENERGY PARKS

Arendals Fossekompagni is developing Bøylestad Energy Park, an industrial and commercial area facilitating energy intensive industry, powered by renewable energy. The area is situated next to one of the largest energy hubs in Southern Norway, which makes for a highly suitable area for power intensive industries. Bøylestad Energy Park also offers proximity to highway systems, railway, and a port, which further increases the strategic value of the area.

Reporting 100 years ago

In 1921, production at Bøylefoss hydropower plant was only half of the production in the previous year, mainly due to reduced activity levels at the two major consumers at the time: Det Norske Nitridaktieselskap (producer of aluminum) and Arendal Smelteverk (producer of silicon carbide).

Arendals Fossekompani halted production for maintenance in July, the first major overhaul since Bøylefoss opened in 1913.

Total revenues came in at NOK 887,700. Net profit for the year amounted to NOK 198,000, of which NOK 144,000 was paid as dividend to the shareholders.

1921

03

From the Boardroom

Board of Directors	70
Board of Directors' Report for 2021	72
Corporate Governance report	76

03

Board of Directors

Jon Hindar
Chair



Morten Bergesen
Deputy Chair



Didrik Vigsnaes
Board Member



Erik Christian Must
Board Member



Kristine Landmark
Board Member



Heidi M. Petersen
Board Member



Stine Rolstad Brenna
Board Member



AFK

Board of Directors' Report for 2021

2021 IN BRIEF

(Figures in parentheses refer to the same period the previous year)

The AFK Parent Company focuses on the development of new sustainable business opportunities, follow-up of portfolio companies through long-term active ownership, power generation, property projects and management of financial investments. The company's registered address is in the Municipality of Froland, while the corporate functions for the Group are in Arendal.

Arendals Fossekompani (AFK) reported total operating revenues for the Group of NOK 4,232 million (3,157 million) in 2021. Consolidated operating profit was NOK 450 million (161 million). Profit after tax was NOK 126 million (120 million).

The Group's equity amounted NOK 3,909 million (3,856 million) at 31 December 2021. The equity ratio was 57 per cent compared with 55 per cent at the end of 2020.

The Parent Company reported operating revenues of NOK 382 million (70 million) for the year. Operating profit was NOK 236 million (-55 million). Profit after tax was NOK 1,422 million (520 million).

At year-end, the Parent Company's cash position amounted to NOK 1,411 million and the equity amounted to NOK 2,872 million.

OUR INVESTMENTS

Volue is an international provider of business-critical software and technology services for power generation, power transmission and distribution, and infrastructure. The business reported revenues of NOK 1,061 million (892 million) in 2021. Ordinary profit after tax was NOK 28 million (63 million).

Tekna is a world-leading provider of advanced materials for 3D printing in the aerospace, medical and automotive sectors and is well positioned in the growing market for advanced nanomaterials within the global electronics and batteries industries. The business reported revenues of NOK 187 million (183 million) in 2021. Ordinary profit after tax was NOK -98 million (-28 million).

NSSLGlobal

is a leading independent provider of satellite communications and IT solutions in a global market. The business reported revenues of NOK 907 million (898 million) in 2021. Ordinary profit after tax was NOK 142 million (125 million).

EFD Induction

delivers advanced green power technology based on induction technology throughout the world. The business reported revenues of NOK 1,179 million (1,150 million) in 2021. Ordinary profit after tax was NOK 52 million (19 million).

REVIEW OF THE ANNUAL FINANCIAL STATEMENTS

In the opinion of the Board of Directors, the annual financial statements provide a true and fair view of the Company's and the Group's position at the end of the year. There are no material uncertainties associated with the annual financial statements, and there are no other extraordinary circumstances that have affected the financial statements. The Board of Directors confirms that the accounts have been prepared based on the assumption that AFK is a going concern, and that this assumption continues to apply.

BOARD OF DIRECTORS

At the Annual General Meeting in May 2021, Heidi Marie Petersen, Jon Hindar and Morten Bergesen were re-elected as Board members for a term of two years. Christian Must was elected as Board member, replacing Arild Nysæther.

PERSONNEL, EQUAL OPPORTUNITY, WORKING ENVIRONMENT AND THE NATURAL ENVIRONMENT

At the end of the year, the Parent Company had 30 employees, of which seven were women. The employment situation is marked by long-term relationships and stability. The company aims to improve the balance between the genders. The Board currently consists of three women and four men. The working environment at AFK is considered good. The Parent Company has a separate committee for dealing with issues related to health, environment, and safety. There are representatives for employees and corporate management on the committee.

The average pay for men and women varies due to differences in job categories and seniority. A full disclosure of the guidelines for remuneration of the ELT can be found in the separate Remuneration report.

Sick leave in the Parent Company amounted to 80 days, which corresponds to 1.1 per cent of the total working hours. Non-work-related long-term sick leave for three employees amounted to 126 days. Excluding this, sick leave was 0.12 per cent. There were no accidents or personal injuries of significance in 2021, nor any significant material damage.

- Sick leave at EFD Induction was 2.8% (2.6%) in 2021. The company recorded a total of 120 (133) days of absence due to work-related injuries.
- Sick leave at Volue was 2.2% (2.0%) in 2021. There was a total of 0 (0) days of absence due to work-related injuries.
- Sick leave at NSSLGlobal was 1.0% (1.0%) in 2021. There was a total of 0 (0) days of absence due to work-related injuries.
- Sick leave at Tekna was 2.0% (2.4%) in 2021. There was a total of 13 (0) days of absence due to work-related injuries.
- Sick leave at Alytic was 0% (n/a) in 2021. There was a total of 0 days of absence due to work-related injuries.

AFK's portfolio companies have health, environment and safety committees and other collaborative bodies in accordance with national legislation.

The Parent Company's operations have only limited negative impact on the natural environment in the form of emissions to water and air. The Parent Company has conducted materiality analyses to find material risks and opportunities for the company related to environment, governance, and social issues.

FROM THE BOARDROOM

FROM THE BOARDROOM

The main positive contributions from the Parent Company are seen in the strategy for responsible investment and in being an active and demanding owner of its portfolio companies. The Parent Company also makes a positive environmental contribution through the production of renewable hydro power.

Operations at AFK's other businesses also entail little risk of pollution of the natural environment. All portfolio companies have conducted materiality analyses and climate risk analyses to manage and measure this risk. To the extent that these analyses show that such risks exist, measures have been implemented in accordance with national legislation and guidelines to prevent any negative environmental impact. In 2021 we set a target to be aligned with the GHG emission reduction goals in 2030 as described in the Paris Agreement.

EFFORTS TO PROMOTE THE PURPOSE OF THE ANTI-DISCRIMINATION AND ACCESSIBILITY ACT

It is important for AFK to promote equality in all areas and to prevent discrimination based on ethnicity, religion, or disability. The Parent Company has evaluated, examined risks, analyzed causes, and will implement measures according to the activity and reporting obligations in The Equality and Anti-discrimination Act. A report on this topic is included in Chapter 5 and is available on the AFK webpage.

RESEARCH AND DEVELOPMENT

Capitalised and expensed research and development costs in AFK's businesses totalled NOK 194 million (192 million) in 2021.

ETHICS AND SOCIAL RESPONSIBILITY

A report in accordance with Section 3.3 of the Norwegian Accounting Act regarding corporate social responsibility is included in Chapter 5. This part of the annual report is also available on the company's website.

Chapter 5 elaborates on AFK's efforts and guidelines in the areas of environment, social issues, and governance. In 2021 a materiality analysis was conducted for all our portfolio companies. KPIs and targets for improvements are aligned across the portfolio.

AFK sets high ethical standards, and communication with the outside world is to be open, clear, and honest. The company is responsible for ensuring safe and good workplaces in the local communities where it is present. AFK seeks to create value for society, customers, employees, and owners. For many years, the Parent Company has based its activities on the utilization of a local natural resource, and therefore particularly wishes to contribute to value creation and social development in the Arendal region. The same applies to our portfolio companies in their local communities. AFK supports Arendalsuka, an annual national politics and business event, and the Canal Street jazz and blues festival, in addition to various initiatives for children and young adults within sports and culture.

IFRS

Arendals Fossekompani has prepared the financial statements for the Parent Company and the Group in accordance with the principles in the International Financial Reporting Standards (IFRS) as adopted by the European Union.

THE AFK SHARE

There are a total of 55,995,250 shares in the company. As of 31 December a total of 1,111,200 were treasury shares, which represents 2.0 per cent of the total number of outstanding shares.

The share price on 31 December 2020 was NOK 184 and on 31 December 2021 NOK 445, an increase of 145% in the period. Including direct yield (dividend pay-

outs) in the same period, total increase in shareholder value was 175% in 2021. The number of shareholders in AFK has more than doubled during 2021, increasing from around 2,600 at the end of 2020 to more than 5,500 at the end of 2021.

The Board of Directors will propose that the General Meeting re-new the Board's authorization to purchase treasury shares within a total framework of 10 per cent of the shares and within a price range of NOK 10 to NOK 2000.

LIABILITY INSURANCE

Arendals Fossekompani holds a Directors' and Officers' Liability Insurance with a worldwide coverage.

FINANCIAL STANDING

The Parent Company's and Group's financial standing is good. The Board of Directors assumes that the assets of the Parent Company and Group provide a good foundation for future growth.

RISKS AND FACTORS OF UNCERTAINTY

The ongoing Covid-19 pandemic still installs uncertainty in the global economy in 2022. The Board of Directors and executive management of the AFK companies have in 2021 taken strong measures to safeguard employees, partners and customers of the AFK Group companies.

The ongoing conflict between Russia and Ukraine has led to sanctions towards Russia and Belarus. Supply chain risks are rising and energy prices in the markets are at levels we have hardly seen before.

The Board of Directors and executive management of the AFK companies have taken strong measures to ensure that we do not have activities that will be in risk of being sanctioned. We are safeguarding and finding alternative supply chains where necessary. These measures will continue to apply.

The Group is exposed to foreign exchange risk, credit risk, market risk and liquidity risk from its involvement in and use of financial instruments. These circumstances are described in greater detail in Note 16 to the accounts.

DIVIDENDS AND ALLOCATION OF NET PROFIT FOR THE YEAR

AFK announces dividends on a quarterly basis. The Board of Directors approves the quarterly dividends based on an authorization from the general meeting. When deciding the quarterly dividends, the Board of Directors take into consideration expected cash flow, capital expenditure plans, financing requirements and appropriate financial flexibility.

AFK has in 2021 paid dividends amounting to NOK 2,133 million. AFK's net profit for 2021 amounted to NOK 1,421,553. The Board of Directors proposes that the net profit is transferred to other equity.

Froland, 30 March 2022.



Jon Hindar
Board Chairman



Heidi Marie Petersen



Morten Bergesen
Deputy Chairman



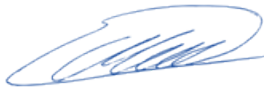
Kristine Landmark



Didrik Vignæs



Stine Rolstad Brenna



Erik Christian Must



Ørjan Svanevik
CEO

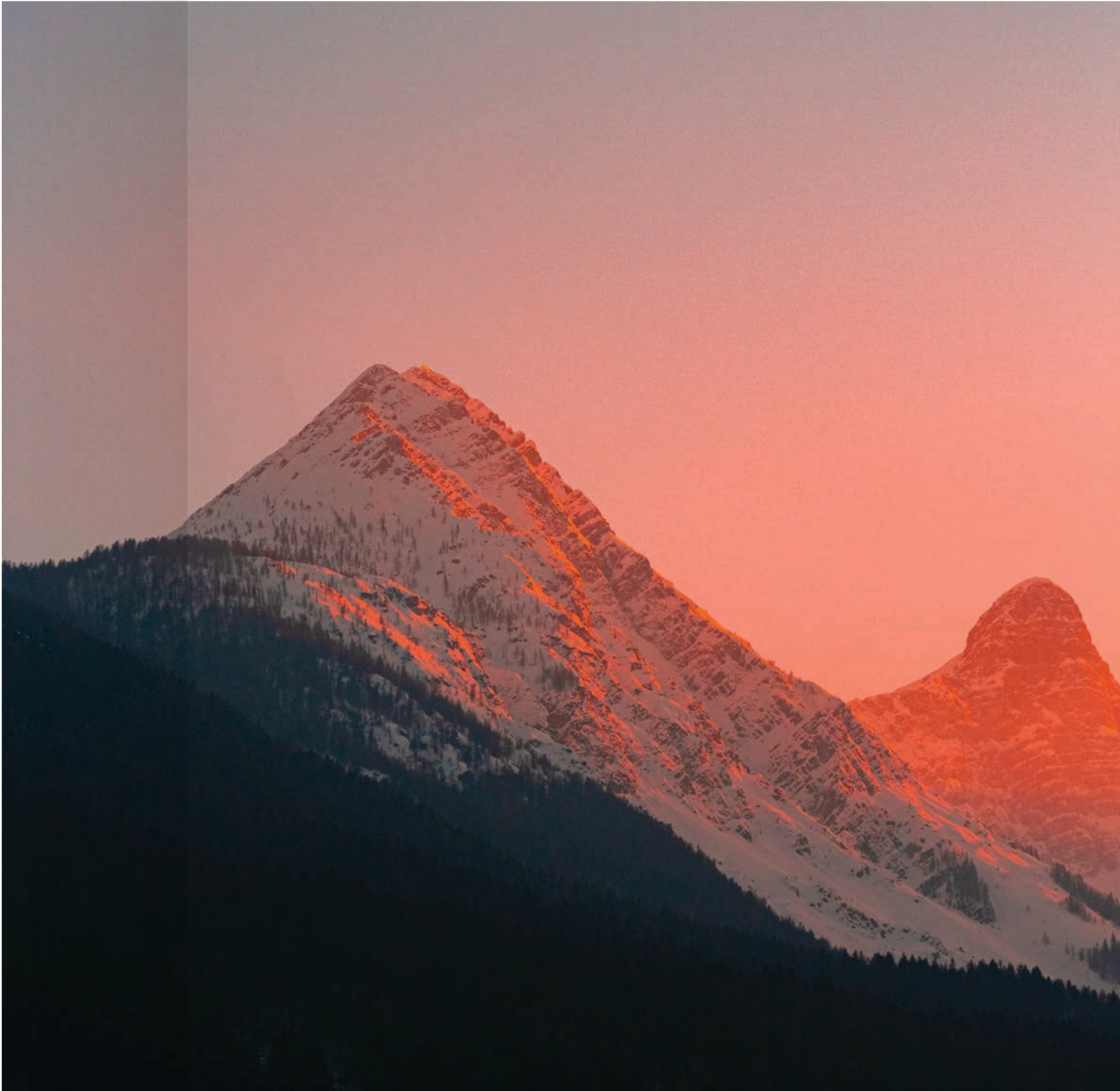
Corporate
Governance report

Responsible business practice

Adopted by the Board of Directors on 17 August 2006
(last revised 30 March 2022)

Arendals Fossekompani is an industrial investment company which, on the basis of local power production, develops companies with international potential. We engage in active, long-term and responsible ownership, and combine industrial competence with financial strength.

The Group operates a decentralised management model in the pursuit of strategic development and operational improvements. This model allows us to create value for our shareholders, employees, customers and society as a whole. Good corporate governance will ensure we achieve this goal.



Corporate
Governance report

Arendals Fossekompani is listed on the Oslo Stock Exchange and is therefore subject to reporting requirements for corporate governance under the Accounting Act section 3-3b, as well as Norwegian securities trading legislation and Oslo Børs' Continuing obligations of stock exchange listed companies.

CORPORATE GUIDELINES

The following guidelines form the basis for corporate governance at Arendals Fossekompani:

- Arendals Fossekompani shall communicate relevant information honestly and openly to the public about our activities and any circumstances related to corporate governance.
- The Board of Directors at Arendals Fossekompani shall be autonomous and independent of Group management.
- Emphasis shall be placed on avoiding conflicts of interest between shareholders, board members and executive management.
- The tasks and functions of the Board and executive management at Arendals Fossekompani shall be distinct and clearly defined.
- All shareholders shall be treated equally.

NORWEGIAN CODE OF PRACTICE

Each element of the Norwegian Code of Practice for Corporate Governance, last revised 14 October 2021, is addressed below. A total review and amendment of this corporate governance report was performed by the Board of Directors in 2022 following the revised Code of Practice and changes made in the company since the last corporate governance report of 25 March 2021. A description is given of Arendals Fossekompani's compliance with, and deviations from, the Code of Practice. A complete overview of the Code of Practice and official remarks by the Oslo Stock Exchange are available online at www.nues.no.



1. CORPORATE GOVERNANCE REPORT

The Group has prepared a separate corporate governance policy, and the Board has decided to implement the *Norwegian Code of Practice for Corporate Governance*.

The Company has implemented further instructions for corporate governance, including rules of procedure for the Board of Directors of February 2022, rules of procedure for the CEO of February 2022, instructions for the Audit Committee of May 2021, instructions for the Remuneration Committee, insider instructions, a policy on disclosure of information.

Arendals Fossekompani's Code of Conduct reflects the company's commitment to ethical business conduct and addresses topics such as anti-corruption, equality and anti-discrimination, and sustainability. The Code of Conduct is subject to regular review and the last version was adopted by the Board of Directors of Arendals Fossekompani on 15 December 2020. The Company's expectations and guidelines towards its suppliers and business partners are set out in the Supplier Code of Conduct as approved by the Board of Directors.

2. BUSINESS ACTIVITIES

The object of Arendals Fossekompani is, through in-house production, participation in new infrastructure, purchase

or leasing, to make use of or sell electricity, as well as to participate, directly or indirectly, in other industrial activities or business enterprises, including investing in real estate.

These objectives are expressly stated in Section 1 of the company's Articles of Association. The Articles of Association are available on the company's website: www.arendalsfossekompani.no.

Arendals Fossekompani has significant financial capacity. Our investment portfolio will, at all times, consist partly of long-term and active ownership commitments, and partly of liquid financial assets. Liquidity will be managed mainly via listed shares and bonds. The bulk of our share portfolio will consist of a limited number of major investments. Our investment strategy is based on our belief that active, long-term and responsible ownership provides the best return for the risk involved.

Further descriptions of Arendals Fossekompani's targets, strategies, risk profile and the objective of creating long-term value for shareholders in a sustainable way can be found in the Annual Report 2021, available at the company's website www.arendalsfossekompani.no under Investor Information (<https://arendalsfossekompani.no/en/investor-information/>).

Corporate Governance report

The targets, strategies and risk profile are reviewed annually. Sustainability is a topic on the board's agenda regularly. Every year a materiality analysis regarding topics relevant for environmental, social issues and governance is presented to the Board of Directors.

Arendals Fossekompani integrates considerations related to its broader stakeholders into its business and value creation for its shareholders through its sustainability framework and reporting. The company's objectives, principal strategies and stakeholder engagement are further described in the company's annual report, sustainability report and its website.

Arendals Fossekompani has a clear focus on its corporate responsibility for environmental and social conditions, including work environment, diversity, equality, non-discrimination, human rights and work against corruption and bribery. The company is committed to contribute to the UN Sustainable Development Goals (UN SDGs), and the company's work with diversity and equality is further described in the separate chapter Diversity and Equality in the Annual Report. Further details and descriptions on the company's work on these matters can be found in the company's Annual Report available at the company's website [www.arendalsfossekompani.no](https://arendalsfossekompani.no/en/investor-information/) under Investor Information (<https://arendalsfossekompani.no/en/investor-information/>) and its Sustainability Report available at the company's website [www.arendalsfossekompani.no](https://arendalsfossekompani.no/en/esg/) under ESG (<https://arendalsfossekompani.no/en/esg/>). More information can also be found on the company's website.

3. EQUITY AND DIVIDENDS

Equity

The book value of the Group's equity as of 31 December 2021 was MNOK 3,909 which amounted to 57 % of total assets. Actual equity is significantly higher, and the company has a solid financial foundation. The Board constantly assesses the company's financial capacity in light of its objectives, strategy and risk profile.

Dividend policy

It is Arendals Fossekompani's policy to pay a dividend that reflects the company's long-term strategy, financial position and investment capacity. The annual dividend shall, over time, ensure that shareholders receive a competitive return on their investment.

As of Q2 2020, Arendals Fossekompani announces dividends on a quarterly basis. The Board of Directors approves the quarterly dividends based on an authorization from the General Meeting. When deciding the quarterly dividends, the Board of Directors takes into consideration expected cash flow, capital expenditure plans, financing requirements and appropriate financial flexibility. The Board believes that quarterly dividend payments provide a flexibility that benefits both the company and its shareholders.

From July 1, 2013, the General Meeting has the opportunity to authorize the Board of Directors to distribute dividends on the basis of the approved annual accounts. Proposals for such authorization should be justified. In order to en-

sure flexibility and efficiency in the implementation of quarterly dividend payments, the Board of Directors proposes that the Company's Annual General Meeting in 2022 authorize the Board of Directors to pay dividends, limited in time to the Company's Annual General Meeting in 2023.

Capital increase

No authorisation to undertake a share issue has been granted to the Board. The most recent capital increase occurred in 2012, when the share capital was raised by NOK 201,582,900 to NOK 223,981,000 through a transfer from other funds.

Purchase of treasury shares

The General Meeting can authorise the Board to purchase up to 10% of the company's own shares. At the annual General Meeting on 6 May 2021 the Board was authorised to purchase treasury shares up to a maximum of 7.93 percent of the total number of shares. The terms of the authorisation permit the Board of Directors to acquire treasury shares only between a minimum price of NOK 10 and a maximum price of NOK 2,000 per share. This authorization will remain in effect until the Annual General Meeting in 2022.

As of 31 December 2021, the Group owns a total of 1,099,300 shares, or 2.0% of all the shares in the company. These shares are freely negotiable.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

Share class

The Group's shares consist exclusively of A shares. According to Section 11 of the company's Articles of Association, no shareholder may personally or by proxy vote for more than one quarter of the total number of shares. Shares transferred to new owners do not confer voting rights until the transfer has been approved by the Board. All shares have equal rights.

Transactions involving treasury shares

The Board may exercise its authority to acquire treasury shares as long as the shares are acquired at the market price. Correspondingly, the divestment of acquired shares will also be undertaken at market price yet so that the shares can be discounted if the shares are used in connection with programs for employees and board members. At the same time, the authorization gives the Board the flexibility to utilize the mechanisms that the Public Limited

Companies Act gives access to in situations where the acquisition or disposal of shares is considered advantageous to the company and the company's shareholders, including for use in share purchase programs for directors and employees of the company.

Transactions with related parties

No transactions have occurred between the company and shareholders, board members, senior executives or their related parties in 2021 that could be described as not immaterial transactions.

In 2021, 2000 shares were sold from the company to senior executives and board members, in accordance with the approved share purchase program. See Note 4 of the 2021 Annual Report.

Guidelines for board members and senior executives

If a board member or senior executive has a material direct or indirect interest in an agreement that is being entered into by the company, that person must disclose the fact before the matter is put to the Board, and he or she may not participate in discussions or votes on that matter.

5. FREELY NEGOTIABLE SHARES

Under current Norwegian legislation on industrial licensing, a shareholder who acquires more than 20% of the total number of shares in the company must apply for a licence. The law requires the Board's approval for such acquisitions. A number of other provisions of the Industrial Licensing Act could cause the acquisition of the company's shares to have consequences for both the company itself and other shareholders. The company has therefore found it necessary to reserve the right to refuse approval of share acquisitions. According to Section 7 of the Articles of Association, therefore, any acquisition by means of transfer is conditional on the Board's consent. Consent may be refused only on reasonable grounds.

6. GENERAL MEETING

Notification

The annual general meeting is held as early in the year as is practically possible after the close of the previous financial year, usually in April or May. Meeting notices and attendance registration forms are sent to all shareholders no later than 21 days prior to the General Meeting through digital communication or through regular mail to shareholders with a known address for shareholders who do not consent to digital communication. Documents are also made available on the company's website

Corporate Governance report

www.arendalsfossekompani.no and through the Oslo Stock Exchange distribution service. The annual report and other enclosures to the general meeting notice are made available solely via the company's website and the Oslo Stock Exchange distribution service. Shareholders who wish to receive the enclosures by regular mail must contact the company. The Board will provide shareholders with all the information necessary to help them take a position on all agenda items, along with proposals relating to the election of board members. The Articles of Association permit notice of participation to be given up to two days prior to the date of the General Meeting. The company's financial calendar will be published online.

Participation

Shareholders can give notice of their participation either in writing or via email or digital solutions. The Board wishes to arrange the meeting so that as many as possible of the shareholders are able to participate. Shareholders who cannot attend in person are encouraged to appoint a proxy. The company accommodates requests of digital attendance to general meeting held physically in line with legal requirements. Representatives of the Board of Directors shall attend the general meeting, along with the auditor. The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) shall participate on behalf of executive management.

Agenda and execution

The Board of Directors will set the agenda according to the list in Section 10 of the Articles of Association. According to Section 10, the participants of the general meeting appoint a chairperson to lead the meeting.

7. NOMINATIONS COMMITTEE

The company has a Nominations Committee established in accordance with item 11 of the Articles of Association with three members. One of the members in the Nomination Committee is currently a member of the Board of Directors.



The latest recommendation from NUES in 2021 is to have no member in the Nomination Committee from the Board of Directors. The current practice in AFK will be evaluated in 2022. Candidates for election to the Board of Directors are announced in conjunction with the invitation to attend the general meeting. Nominations for other candidates can be submitted before and during the general meeting itself.

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The Board consists of seven members and is currently composed of the following: Jon Hindar (Chairman), Morten Bergesen (Deputy Chairman), Christian Must, Didrik Vignsnes, Heidi Marie Petersen, Kristine Landmark and Stine Rolstad Brenna, all elected by the shareholders. Note 4 of the Annual Report contains information about board meeting attendance. Information about the competence and independence of board members is provided in subsequent paragraphs.

Election of board members

The General Meeting elects seven representatives to the Board of Directors. Ahead of the election, the names of candidates may be submitted to the Nominations Committee by an individual shareholder or by several shareholders jointly. Nominations submitted in time will be included in the invitation to attend the general meeting sent to all shareholders and posted on the company's website. Board members are elected by simple majority. Members are elected for two years at a time, with the possibility of re-election. About half of all board members are elected each year.

The composition and competence of the Board of Directors

The Board of Directors should be composed so that it safeguards the interests of the shareholder community and the company's need for expertise and diversity. This means that the individual board members have the necessary experience, competence and capacity to carry out their duties satisfactorily and independently.

According to the company's Articles of Association, the Board shall comprise five to seven members. The Board currently consists of seven members. The CEO is not a member of the Board. The Board is elected for two years at a time and selects its own chair. Jon Hindar has been elected to Chair the Board.

Changes to the Board of Directors in 2021

At the annual general meeting held in May 2021 Jon Hindar, Morten Bergesen and Heidi Marie Petersen were re-elected as Board Members for a term of two years. Arild Nysæther resigned from the Board of Directors and Christian Must was elected as a new board member at the annual general meeting held in May 2021.

Independence of the Board of Directors

All shareholder-elected board members are considered autonomous and independent of Group management. The same applies as regards material business connections. At the close of the year Morten Bergesen, Christian Must and Didrik Vignsnes is the Managing Director of Vicama AS, which is the largest shareholder in Ulefoss Invest AS each owned – directly, indirectly or via related parties – approximately 26% of the company's shares.

The Board works actively to ensure that no conflict of interest exists between shareholders, the Board, executive management and the company's other stakeholders.

Shares owned by board members

In addition to the shares held by the representatives of the three principal shareholders mentioned above, as of 31 December 2021 board members had the following shareholdings – either personally or through wholly owned companies: Jon Hindar (10,000 shares), Stine Rolstad Brenna (7,500 shares), Kristine Landmark (14,800 shares) and Heidi M. Petersen (22,475 shares).

Deviations from the Code: The Board elects its own chair, in accordance with Section 4 of the Articles of Association.

9. THE WORK OF THE BOARD OF DIRECTORS

The Board's tasks

The Board shall determine the Group's strategy, carry out necessary control functions and ensure that the Group is satisfactorily managed and organised. The Board shall set the company's financial objectives and approve its plans and budgets.

Rules of Procedure for the Board

The Rules of Procedure encompass the following: the role of the Board and its tasks, the tasks of the CEO and his or her obligations towards the Board, formal procedures for the handling of matters brought before the Board, notice of board meetings and matters required to be considered by the Board etc. The Rules also stipulate when the Board

Corporate Governance report

FROM THE BOARDROOM

is in quorum, how minutes are to be kept, how legal disqualification is determined and how the duty of confidentiality is to apply. The Board may deviate from the Rules of Procedure in certain situations.

Providing instructions for executive management

A clear distinction has been made between the tasks and work of the Board and that of executive management. The Chairman of the Board is responsible for ensuring that the Board's proceedings and work are conducted in an effective and correct manner. The CEO is responsible for managing company operations. The CEO's tasks are clearly stated in the instructions drawn up for that position.

Notice of board meetings and meeting procedures

The Board has an annual plan containing a set of predetermined topics for consideration at board meetings.

The Board normally meets 6–8 times a year. Additional meetings will be held when necessary. In 2021 a total of 10 board meetings were held.

All board members receive information about the company's operational and financial performance on a regular basis and in good time before the scheduled meetings. Board members also receive monthly operational reports. The company's business plan, strategy and risks are reviewed and evaluated regularly by the Board.

The final agenda for the board meeting is determined by the Chairman in consultation with the CEO. The CEO attends board meetings together with the board members. Others are invited to attend when this is deemed necessary.

Duty of confidentiality – communication between the Board and shareholders

In principle, the minutes of board meetings and the Board's discussions are confidential, unless the Board decides otherwise or there is no apparent reason to maintain confidentiality or secrecy.

Legal competence

The Board complies with the rules for legal competence and disqualification pursuant to Section 6–27 of the Norwegian Public Limited Liability Companies Act and the Board's own Rules of Procedure. There were no issues in 2021 which a board member was disqualified from discussing or voting on for reasons of legal competence. See also item 4 above, Guidelines for board members and senior executives.

Use of board committees

The Group has established an Audit Committee consisting of members of the Board. The Board has also established a Remuneration Committee comprising members of the Board

The Audit Committee

The Audit Committee is a preparatory committee to the Board of Directors comprising of three members of the Board, except the Chairman of the Board.

The committee is also responsible for providing support to the Board in for instance reporting of annual accounts, audits, internal control and risk management. The instruction for the Audit Committee was last revised by the Board of Directors in May 2021, to also include the obligation to supervise the audit of the annual accounts by the auditor in line with the EU regulation (EU) No 537/2014, and to assess and supervise the interdependence of the auditor as included in the amendments to the Auditors Act of 1 January 2021. At least one member shall be independent of the company's executive management and have qualifications within accounting or auditing. Board members who are also members of the executive management cannot at the same time be members of the Audit Committee.

The Remuneration Committee

The Remuneration Committee is a preparatory committee to the Board of Directors comprising of three board members including the Chairman of the Board. The committee shall prepare compensation related matters for the Board and prepare the remuneration policy for remuneration of executive management and the remuneration report to the General Meeting.

Self-assessment

The Board carries out an assessment of its activities once a year. This assessment will take as its starting point the company's business activities and the work of the Board, how the Board works and its interactions. In this connection the Board also evaluates its performance in relation to corporate governance.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Group has no separate internal auditing department. Financial audits are carried out on a task-sharing basis, and in compliance with our guidelines and approval routines. The Board carries out an annual review of the company's most important risk areas and internal controls and receives a report from the auditor addressing such matters. The Board evaluates the company's core values and guidelines on ethics and social responsibility every year and verifies the extent of compliance with these guidelines.

Group and company financial reporting process

The Board receives monthly financial reports, with accompanying comments on the financial performance of the Group, the company and all subsidiaries. Extensive

reports are prepared every fiscal quarter, with comments about the financial status of all levels in the Group.

The finance department analyses the company's income statement and balance sheet in connection with each monthly report. A detailed reconciliation of balance sheet and income statement items are prepared each quarter, based on a predetermined plan. The value of material and risk-exposed balance sheet items are assessed. Major and unusual transactions are reviewed. All control procedures are documented. The most significant subsidiaries (see Note 1 – Segment reporting) have similar routines for financial reporting to the Group.

FCCS Oracle, a cloud-based database solution delivered by Oracle, is used for financial consolidation. Our subsidiaries report all figures to this database online. The finance departments at our subsidiaries are responsible for the quality of the data reported each month and quarter. The quality of the reported data is checked by the companies' auditors in connection with the preparation of the annual financial statements. The subsidiary EFD Induction also uses FCCS Oracle for its consolidation. The other subsidiaries use spreadsheets for consolidation.

The Audit Committee (see above) carries out and documents a detailed review of the quarterly and annual reports prior to their consideration by the Board. The minutes and documentation from the Audit Committee meetings are available to the Board.

11. REMUNERATION TO THE BOARD OF DIRECTORS

The annual general meeting determines the remuneration payable to board members. The 2021 annual general meeting resolved that, with effect from May 2021, the Chairman of the Board will receive a fee of NOK 561,000, and NOK 321,000 will be paid to the other board members.

Remuneration paid to board members is not linked to financial performance or option schemes etc. None of the Board's shareholder-elected members work for the company in other capacities.

12. REMUNERATION OF SENIOR EXECUTIVES

The Remuneration Policy for guidelines for remuneration of executive management and report on the annual remuneration of executive management (Lederlønnsrapporten) is a separate agenda item that is subject to approval and advisory vote by the annual general meeting in accor-

FROM THE BOARDROOM

Corporate Governance report

dance with the Public Limited Companies Act section 6-16 a and b. The General Meeting shall approve the Remuneration Policy by any material change and at least every fourth year and annually provide an advisory vote on the annual remuneration report of the previous year.

The Remuneration Policy and Remuneration Report are available on the company's website www.arendalsfossekompani.no.

Guidelines

The CEO's employment terms and conditions are determined by the Board of Directors. Each year the Board makes a thorough assessment of the salary and other remuneration paid to the CEO in line with the guidelines in the Remuneration Policy. The Board may also award an annual performance-related bonus to the CEO.

The Board's evaluation is based on market surveys for similar positions. The terms and conditions for other senior executives and employees at the parent company are set by the CEO in line with the guidelines in the Remuneration Policy, who then informs the Chairman of the Board.

Terms and conditions for the senior executives of subsidiaries are set by the boards of the respective companies.

The Board takes the position that the company must remain competitive with regard to the remuneration paid to senior executives, but neither appear complicated nor be wage leading. The remuneration is structured to provide strong alignment between the interests of executives and shareholders, including a focus on delivering the company's key strategic objectives, and to support the business strategy and long-term interests. More information about purpose and principles for remuneration of senior executives in Arendals Fossekompani can be found in the Remuneration Policy published on the company's website www.arendalsfossekompani.no.

Performance-related remuneration

Senior executives at the parent company benefit from normal performance-related bonus schemes as further described in the Remuneration Policy and Remuneration Report available at www.arendalsfossekompani.no.

The subsidiaries offer performance-based remuneration to varying degrees, as laid down in employees' contracts.

Terms and conditions

Terms and conditions for remuneration of the board of directors are described in Note 4 of the Annual Report.

13. INFORMATION AND COMMUNICATION

Annual financial statements and annual report – periodic reporting
The Group normally publishes its preliminary annual financial statements in February. The complete annual financial statements, along with the Annual Report, are published on the company's website in March/April. Otherwise, accounting figures are reported on a quarterly basis.

The company's financial calendar is published on the company's websites.

Other market information

The Group considers it important to inform owners and investors about its performance and financial status. Emphasis is placed on providing the financial market with the same information at the same time. In conversations with shareholders and analysts, care is taken to avoid giving more information to some than to others.

Arendals Fossekompani insider instructions are updated according to the European Market Abuse Regulation (MAR) and are published on the company's website.

14. GUIDELINES FOR EQUALITY AND DIVERSITY

Arendals Fossekompani has implemented guidelines for equality and diversity for the composition of its Board of Directors, board committees and management. The guidelines set forth that diversity shall be an area of priority in nominating people to the governing bodies and management of the company. The main focus area that was identified is to ensure diversity in terms of gender equality and diverse expertise. The guidelines set out more detailed objectives for the purpose of achieving these overall objectives, with both annual target dates and long-term target dates.

The Board of Directors currently consists of three women and four men. The individuals on the Board of Directors have backgrounds from different industry sectors increasing the diversity.

The executive management currently consists of one woman and five men. The individuals on the Board of Directors have backgrounds from different industry sectors increasing the diversity.

The company has set the following objectives for diversity in the Board of Directors:

- At least 40% of the members of Board of Directors shall be women within 2023.

The company has set the following objectives for the diversity in the executive management:

- At least 40% of the management shall be women within 2023.

During 2021, Arendals Fossekompani has recruited new colleagues and is happy to see a growth in the number of female employees, which is a good start for our journey towards better inclusion and greater diversity. At the end of the year 2021, 30% of the members of the board of directors were women, this is more than a doubling from last year.

14. TAKEOVERS

Based on our current shareholder structure, the conditions described for takeovers do not apply to the company.

15. AUDITOR

Auditor's formal relationship with the Board of Directors

The auditor is at the disposal of the Board of Directors and shall attend board meetings if needed. The auditor shall participate in Audit Committee meetings and attend any board meetings that deal specifically with the annual financial statements. The auditor will at that time inform the Board about any issues or concerns he or she might have regarding the annual financial statements and other matters, including any potential disagreements between the auditor and executive management.

The Board holds annual meetings with the auditor to review reports submitted by the latter concerning the company's accounting policies, risk areas and internal control routines.

Auditor's formal relationship with executive management

The Board has drawn up guidelines for the Group's business relations with the auditor. The fees paid to the auditor for statutory auditing and consulting services are presented separately in the annual financial statements.

PwC is the elected auditor. In addition to an ordinary audit, the firm has also provided consulting services within areas such as accounting, taxation and reporting to the Norwegian Water Resources and Energy Directorate (NVE). The Board regularly assesses whether the auditor's control function is being carried out satisfactorily.

04 Financial Statements

Annual Accounts & Notes	92
Declaration by the members of the Board and the CEO	178
Financial performance measures	180
Alternative performance measures	182
Independent Auditor's report	184

Financial statements 2021

Annual Accounts & Notes

Income statement	92
Statement of comprehensive income	93
Balance Sheet	94
Statement of cash flows	96
Statement of changes in equity	98
Notes	100
Note 1 – Segment reporting	108
Note 1 - Segment reporting cont.	110
Note 2 - Other operating income and sales	110
Note 3 - Subsidiaries acquired in 2021	111
Note 4.1 - Employee benefits	112
Note 4.2 - Employee benefits	114
Note 5 - Property, plant & equipment	116
Note 5 - Property, plant & equipment cont.	118
Note 6 - Intangible assets	120
Note 7 - Other operating costs	126
Note 8 - Finance income and finance costs	127
Note 9 - Tax Expense	128
Note 10 - Equity	136
Note 11 - Group companies	137
Note 12 - Other receivables and investments	146
Note 13 - Inventories	147
Note 14 - Trade and other receivables	149
Note 15 - Cash and cash equivalents	150
Note 16 - Financial risk management / financial instruments	151
Note 17 - Interest-bearing loans and borrowings, and provisions	165
Note 18 - Trade payables and other current liabilities	167
Note 19 - Leases	168
Note 20 - Events after the reporting period	169
Note 21 - Accounting estimates and assessments	169
Note 22 - Earnings per share in NOK	170
Note 23 - The 20 largest shareholders	171
Note 24 - Related Parties	173
Note 25 - Change in loans and borrowings	174
Note 26 - Sale of subsidiary	176
Note 26 - Discontinued operations	177
Financial performance measures	180
Key figures	181
Alternative performance measures	182
NIBD	182
Independent Auditor's report	184

Income statement

Amounts in NOK 1 000

	Note	GROUP		PARENT COMPANY	
		2021	2020	2021	2020
Operating revenues and operating costs					
Sales revenues	1	4 196 380	3 101 928	370 658	59 851
Total other Income	1,2	35 910	55 542	11 713	10 032
Sales		4 232 290	3 157 470	382 372	69 884
Cost of sales		1 585 290	1 062 363	2 496	6 485
Total staff cost	4	1 421 931	1 307 292	65 700	64 565
Total other operating cost	7,19	539 251	386 842	65 370	43 988
Operating expense EBITDA		3 546 472	2 756 497	133 566	115 038
EBITDA		685 819	400 973	248 805	-45 154
Depreciation	5	170 718	169 832	11 367	8 997
Amortisation	6	58 370	61 653	1 934	837
Impairment loss from PPE	5,6	606	7 868		
Impairment loss from intangible assets	5,6	5 897	874		
Operating profit		450 227	160 745	235 505	-54 989
Finance income and finance costs					
Finance income	8,25,11	46 574	58 981	1 470 955	621 822
Finance cost	8	152 889	105 915	125 486	64 449
Net financial items		-106 316	-46 935	1 345 469	557 372
Equity company income	11	-12 173	-14 321		
Profit before taxes		331 738	99 489	1 580 974	502 383
Provision for income tax	9	234 733	33 709	159 421	-17 706
Net profit for the year, continuing operations		97 005	65 780	1 421 553	520 089
Net income from discontinued operations	26	28 822	54 355		
Net profit for the year		125 827	120 135	1 421 553	520 089
Attributable to:					
Minority interest income		19 118	58 218		
Equity holders of the parent		106 709	61 917	1 421 553	520 089
Total		125 827	120 135	1 421 553	520 089
Basic/diluted earnings per share (NOK)	22	1,94	1,13	25,90	9,48

Statement of comprehensive income

Amounts in NOK 1 000

	Note	GROUP		PARENT COMPANY	
		2021	2020	2021	2020
Net profit for the year		125 827	120 135	1 421 553	520 089
Total Effect from Foreign Exchange		-69 920	18 275		
Change on Cash flow hedges		-3 861	8 904		
Tax on OCI that may be reclassified to P&L	9	1 335	-2 032		
OCI that may be reclassified to P&L		-72 446	25 147		
Change in financial assets at fair value through OCI	16	95 193	-161 988	95 193	-161 988
Actuarial gains and Losses		5 852	4 294	2 823	4 626
Tax on OCI that will not be reclassified to P&L	9	-1 185	-1 018	-621	-1 018
OCI that will not be reclassified to P&L		99 860	-158 711	97 396	-158 379
OCI from discontinued operations		6 550	-26 874		
Total Other Comprehensive Income (OCI)		33 964	-160 438	97 396	-158 379
Total Comprehensive Income		159 791	-40 302	1 518 949	361 710
Attributable to:					
Minority Interest		3 318	58 279		
Owner's equity		156 473	-98 581	1 518 949	361 710
Total		159 791	-40 302	1 518 949	361 710
Total Comprehensive Income per share (NOK)		2,91	-0,73	27,67	6,59

Balance Sheet

Amounts in NOK 1 000

	Note	GROUP		PARENT COMPANY	
		2021	2020	2021	2020
Assets					
Property, plant & equipment	5	938 675	985 476	169 928	172 435
Intangible assets and goodwill	6	1 091 977	964 345	10 664	12 268
Investment in equity companies	11	16 922	9 422	4 750	
Investment in subsidiaries	3,11			1 623 119	1 795 354
Intra-group loans				5 050	142 176
Net pension assets	4	28 365	16 092	13 859	9 621
Receivables and investments	12	264 323	305 222	173 548	226 563
Deferred tax assets	9	91 927	131 669	42 352	83 670
Non-current assets		2 432 190	2 412 226	2 043 269	2 442 088
Inventories	13	502 272	673 319		
Contract assets	13,16	150 780	160 700		
Total receivables	14,16	1 029 018	709 083	158 932	158 159
Cash and cash equivalents	15	2 708 412	1 688 228	1 411 245	765 641
Financial assets at fair value through OCI	16	15 227	734 973	15 227	734 973
Financial assets classified as held for trading	16		10 000		
Assets classified as held for sale	26		598 358		
Current assets		4 405 709	4 574 660	1 585 404	1 658 774
Total assets		6 837 898	6 986 887	3 628 673	4 100 862
Equity and liabilities					
Common stock	10	223 981	223 981	223 981	223 981

	Note	GROUP		PARENT COMPANY	
		2021	2020	2021	2020
Other paid in capital		10 120	7 675	10 120	7 675
Own shares		-63 119	-63 866	-63 119	-63 866
Other reserves		-47 018	704 398	681	703 317
Retained earnings		3 239 841	2 680 331	2 700 126	2 511 897
Owner's equity		3 363 804	3 552 519	2 871 788	3 383 004
Minority Interest	11	545 033	303 010		
Total equity		3 908 837	3 855 530	2 871 788	3 383 004
Bond	17,25	496 581		496 581	
Borrowings	17,25	169 850	423 261		216 773
Employee benefits	4	25 353	26 267	7 091	7 197
Other liabilities		20 380	11 961		
Provision	17	10 300	28 842	10 000	
Deferred taxes	9	52 776	54 796		
RoU liabilities	19,25	141 601	178 018	15 365	17 115
Non-current liabilities		916 841	723 146	529 037	241 084
Bond	17,25		299 912		299 912
Interest and ex rate swap	16,17		106 847		106 847
Borrowings	17,25	122 333	13 232		
Bank overdraft		114 106	310 105		
Derivatives	16,18	4 305	8 892		
Accounts payable	18	753 718	572 707	51 777	17 867
Payable income tax	9	187 002	51 571	112 023	6 740
Contract liabilities	13	166 505	153 183		
Interest-bearing liabilities, inter company				35 672	28 921
RoU-liabilities	19	64 449	54 234	3 897	3 531
Other liabilities	18	599 802	450 224	24 478	12 957
Liabilities classified as held for sale	26		387 305		
Current liabilities		2 012 221	2 408 212	227 848	476 774
Total liabilities and equity		6 837 898	6 986 887	3 628 673	4 100 862

Froland, 30 March 2022

Jon Hindar
Board Chairman

Morten Bergesen
Deputy Chairman

Didrik Vignæs

Erik Christian Must

Heidi Marie Petersen

Kristine Landmark

Stine Rolstad Brenna

Ørjan Svanevik
CEO

Statement of cash flows

Amounts in NOK 1 000

	Note	GROUP		PARENT COMPANY	
		2021	2020	2021	2020
Cash flow from operating activities					
Net profit for the year, continuing operations		97 005	65 780	1 421 553	520 089
Adjusted for					
Depreciation, impairment and amortization		235 592	240 228	13 301	9 835
Net financial items		106 315	46 934	-1 345 469	-557 372
Share of profit from associates		2 582	14 321		
Gain/loss from sales of assets		-468		-348	
Tax expense		234 733	33 709	159 421	-17 706
Change in inventories		176 267	-200 550		
Change in trade and other receivables		-278 692	-167 045	-32 098	-1 788
Change in trade and other payables		164 892	124 980	31 936	-5 924
Cash flow from internal accounts payable and receivable				-45 124	-50 880
Change in other current assets		8 948	32 756	20 422	
Change in other current liabilities		181 146	32 047	10 847	430
Change in other provisions		-25 497	32 430		
Change in employee benefits		-7 905	-2 510	-1 520	-698
Tax paid		-37 627	-118 055	3 224	-49 611
Net cash from operating activities	A	857 290	135 025	236 144	-153 626

	Note	GROUP		PARENT COMPANY	
		2021	2020	2021	2020
Cash flow from investing activities					
Interest received	8	16 917	17 663	11 563	15 780
Dividends received		2 698	10 448	87 191	144 340
Proceeds from the sales of PPE		5 479	716	348	
Purchase of PPE and intangible assets		-252 918	-203 315	-7 562	-7 981
Purchase of shares in subsidiaries (reduced by cash balance)		-33 539	-97 921		
Purchase of financial assets at fair value		-9 000	-1 416	-9 000	-1 416
Proceed from sale of financial assets at fair value		833 940		823 940	
Purchase of other investments		-76 031	-73 636	-51 452	-28 609
Proceed from sale of other investments		35 167		35 167	
Purchase of non controlling intrests			-239 384	-46 900	-227 696
Proceeds from the sales of shares in subsidiaries		1 183 245	562 152	1 333 515	501 083
Net cash from investing activities	B	1 705 957	-24 693	2 176 809	395 501
Cash flow from financing activities					
Equity payments from non controlling interests		647 474	530 448		
New long-term borrowings	25	560 221	134 426	496 775	91 981
Repayment of long-term borrowings	25	-673 015	-74 211	-525 131	-1 049
Cash flow from payment of loans		-718			
Cash flow from internal loans and borrowings				182 623	155 724
Cash flow from net change in current interest bearing debt	25	-95 029	144 307		
Interest paid	8	-72 292	-67 061	-42 934	-37 800
Payment of interest and currency swap		-105 916		-105 916	
Dividend paid		-1 797 893	-234 543	-1 775 958	-188 693
Cash flow from own shares		-7 535	5 862	3 192	4 814
Net cash from financing activities	C	-1 544 702	439 228	-1 767 349	24 977
Cash flow					
	A+B+C	1 018 545	549 560	645 604	266 852
Opening balance for cash asset		1 688 228	1 123 402	765 641	498 789
Total effect from FX on non-cash accounts		1 638	15 267		
Closing Balance for Cash asset		2 708 412	1 688 228	1 411 245	765 641

Statement of changes in equity

Amounts in NOK 1 000

Group	Common stock	Other paid in capital	Own shares	Other reserves	Retained earnings	Owner's equity	Minority Interest	Total equity
2020								
Balance at 1 January	223 981	5 510	-66 514	868 148	2 145 575	3 176 699	141 725	3 318 425
Total Net Income					64 907	64 907	55 229	120 136
Total Other Comprehensive Income (OCI)				-163 739	251	-163 488	3 050	-160 438
Purchase/sale of own shares		2 165	2 648			4 814		4 814
Gain from sale of shares in subsidiaries					806 452	806 452	163 154	969 606
Capital changes from subsidiaries				-11	-146 811	-146 822	-16 153	-162 975
Dividends paid					-190 042	-190 042	-43 995	-234 037
Balance at 31 December	223 981	7 675	-63 866	704 398	2 680 331	3 552 519	303 010	3 855 530
2021								
Balance at 1 January	223 981	7 675	-63 866	704 398	2 680 331	3 552 519	303 010	3 855 530
Total Net Income					105 581	105 581	20 246	125 827
Total Other Comprehensive Income (OCI)				45 915	4 977	50 892	-16 928	33 964
Purchase/sale of own shares		2 445	747			3 192		3 192
Gain from sale of shares in subsidiaries					1 282 985	1 282 985		1 282 985
Realization of financial asset at fair value through OCI				-797 829	797 829			
Issue of shares (non controlling interests)					515 925	515 925	130 154	646 079
Capital changes from subsidiaries				498	-114 432	-113 934	137 530	23 596
Dividends paid					-2 033 356	-2 033 356	-28 979	-2 062 335
Balance at 31 December	223 981	10 120	-63 119	-47 018	3 239 841	3 363 804	545 033	3 908 837

Parent Company	Common stock	Other paid in capital	Own shares	Other reserves	Retained earnings	Owner's equity	Minority Interest	Total equity
2020								
Balance at 1 January	223 981	5 510	-66 514	865 305	2 176 892	3 205 173		3 205 173
Total Net Income					520 089	520 089		520 089
Total Other Comprehensive Income (OCI)				-161 988	3 608	-158 379		-158 379
Purchase/sale of own shares		2 165	2 648			4 814		4 814
Dividends paid					-188 693	-188 693		-188 693
Balance at 31 December	223 981	7 675	-63 866	703 317	2 511 897	3 383 004		3 383 004
2021								
Balance at 1 January	223 981	7 675	-63 866	703 317	2 511 897	3 383 004		3 383 004
Total Net Income					1 421 553	1 421 553		1 421 553
Total Other Comprehensive Income (OCI)				95 193	2 202	97 396		97 396
Purchase/sale of own shares		2 445	747			3 192		3 192
Realization of financial asset at fair value through OCI				-797 829	797 829			
Dividends paid					-2 033 356	-2 033 356		-2 033 356
Balance at 31 December	223 981	10 120	-63 119	681	2 700 126	2 871 788		2 871 788

Notes to the annual and consolidated financial statements for 2021

Accounting policies

Information about the company

Arendals Fossekompani ASA is domiciled in Norway, and with headquarters in Bøylefoss, in the Municipality of Froland. The consolidated financial statements for financial year 2021 include the company and its subsidiaries (as a whole, referred to as "the Group"). Information about the companies included in the scope of consolidation is disclosed in Note 11, together with information about Group investments in associates.

Basis for preparation

The annual and consolidated financial statements have been prepared in accordance with Interna-tional Financial Reporting Standards (IFRS) adopted by the European Union and associated interpretations, as well as Norwegian disclosure requirements pursuant to the Norwegian Ac-counting Act applicable as of 31 December 2021.

The annual and consolidated financial statements were approved by the board of directors on 30 March 2022.

The annual and consolidated financial statements will be submitted for adoption at the Annual General Meeting scheduled for 5 May 2022. The board is authorised to amend the annual and consolidated financial statements until final adoption.

The financial statements are presented in Norwegian kroner (NOK), which is the functional currency of the parent company. All amounts dis-closed in the financial statements and notes have been rounded off to the nearest thousand NOK units unless otherwise stated.

The financial statements have been prepared using the historical cost principle, with the exception of the following assets, which are presented at fair value: Financial instruments at fair value through profit or loss and financial instruments at fair value through other comprehensive income.

The Group recognises changes in equity arising from transactions with owners in the statement of changes in equity. Other changes in equity are presented in the statement of comprehensive income (total return).

Preparation of financial statements in accordance with IFRS requi-res the use of assessments, estimates and assumptions that influ-ence which accounting policies shall be applied, and also influence recognised amounts for assets and liabilities, revenues and costs. Actual amounts can deviate from estimated amounts.

Estimates and underlying assumptions are reviewed on an ongo-ing basis. Changes in accounting estimates are recognised in the period in which they arise if they only apply to that period. If the changes also apply to subsequent periods, the effect is allocated over the current and subse-quent periods.

Areas with significant estimation uncertainties, and where assumptions and assessments made have significantly influenced the application of the accounting policies, are disclosed in Note 21.

Accounting policies

The accounting policies applied in the preparation of the annual and consolidated financial statements are described below. With the excep-tion of effects described in the section on changes in accounting policies below, the policies are applied consistently for all periods. In case that subsidiaries have used other principles to prepare their separate annual financial statements, ad-justments have been made so the consolidated financial statements are prepared according to common policies.

Changes in accounting policies for 2021

No new standards have been adopted by the Company and the Group with effect from 1 January 2021.

Principles of consolidation

Business combinations

The acquisition method of accounting is used to account for the acquisition of shares that lead to control over another company. The Group's con-sideration is allocated to identifiable assets and liabilities. These are recognised in the consoli-dated financial sta-tements at fair value at the date when control is obtained. Goodwill is calculated when the considerateion exceeds identifiable assets and liabilities:

- The consideration transferred; plus
- Any non-controlling interest in the ac-quired entity; plus any gradual acquisi-tion, the fair value of existing shareholdings in the acquired entity; less
- Net value (normally fair value) of iden-tifiable net assets included in the transaction

If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised dire-ctly in profit or loss as a bargain purchase. If the business combi-nation is achieved in stages, the investment changes classification from associated company to subsidiary, the upward adjustment of the ex-isting shareholding at fair value is recognised as a gain in the income statement.

A buyout of non-controlling interests is considered a transaction with owners and does not require a calculation of goodwill. Non-controlling interests for such transactions are adjusted based on a proportionate share of the subsidiary's equity.

Subsidiaries

Subsidiaries are all entities over which the Group has control. Control exists when the investor is exposed or has rights to variable returns from its investment in the company and when it has the ability to influence the return through its power over the company. To determine the level of control, the potential voting rights that can be exercised or converted must be considered. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Associated companies

Associated companies are entities where the company and/or the Group has significant influence, but not control over financial and operational management. Significant influence is assumed to exist when the Group has between 20 per cent to 50 per cent of the voting rights in a company. The consolidated financial statements include the Group's share of the profits/losses from associated companies are accounted for using the equity method, from the date significant influence was achieved until it ceases.

Elimination of intercompany transactions

Intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

Accounting in the parent company financial statements

Investments in subsidiaries and associates are recognised at historical cost less any impairment losses in the parent company's financial statements. When an investment is reclassified from fair value through other comprehensive income to subsidiary or associated company, the investment's carrying amount at the time control or significant influence is obtained is used as recognised cost.

Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that repre-sents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dis-pose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued ope-rations are presented separately in the statement of profit or loss.

Segment reporting

Financial information for the operating segments is determi-ned and presented based on the infor-mation provided to the company's board of directors, which is the Group's ultimate decision-maker.

Foreign currency translation

Transactions in foreign currencies

Transactions in foreign currencies are translated to the functional currency of each individual Group company using the exchange rates at the dates of the transactions. Monetary assets and liabili-ties in foreign currencies are translated to NOK using the exchan-ge rate at the balance sheet date. Differences that arise from the currency translation are recognised in the income statement.

Financial statements of foreign operations

Assets and liabilities in foreign currencies are translated to NOK using the exchange rate at the balance sheet date. Revenues and expenses for foreign operations are translated to NOK at the approximate rates of exchange at the transaction date.

Translation differences are recognised in other comprehensive income and presented as a translation difference in equity. For subsidiaries which are not wholly-owned, a proportional share of the translation difference is allocated to the non-controlling inte-rests. On divestment of foreign operations which result in a loss of control, an accumulated share of the translation differences is re-cognised in the income statement as part of the profit calculation.

Net investments in foreign operations

Translation differences arising from the translation of net invest-ments in foreign operations are specified as translation differen-ces in equity, and recognised in the income statement at the time of the divestment.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in debt and equity instruments, trade and other receivables, cash and loans, trade payables and other debts.

Trade and other receivables that fall due in less than three months are not discounted.

Non-derivative financial instruments are meas-ured on initial recognition at fair value plus any directly attributable transaction costs. After initial recognition, the instruments are measured as described below.

Interest-bearing loans are valued at fair value less transaction costs on initial recognition in the balance sheet. Instruments are subsequently measured at amortised cost, with any differences between cost and redemption value recognised over the term of the loan as part of the effective interest rate.

Financial assets are derecognised when the contractual rights to the cash flows from an asset expire, or when the Group has transferred the contractual rights in a transaction where the risk and return of ownership of the financial asset have substantively been transferred.

Financial assets at fair value through other comprehensive income

In accordance with the Group's investment strategy, investments in equity instruments are mainly classified as fair value through other comprehensive income. After initial recognition, these instruments are measured at fair value. Changes in fair value are recognised in other comprehensive income.

Financial assets classified as held for trading

A financial instrument is classified at fair value through profit or loss if it is held for trading. The instrument is measured at fair value and the changes in fair value are recognised in the income statement.

Other

Other non-derivative financial instruments are measured at amortised cost less any impairment losses.

Derivatives

The Group uses derivatives to limit exposure to interest risk, currency risks and price risk that arise from operational and financial activities. Derivatives that do not qualify for hedge accounting are recognised at fair value through profit or loss.

When derivatives qualify for hedge accounting, the recognition of fair value changes will depend on what is being hedged (see below).

Hedging activities

Cash flow hedge

When a derivative is designated as a hedging instrument on variability in cash flows for a recorded asset or liability, or for a highly probable forecast transaction, the effective portion of a change in fair value is recognised in other comprehensive income. The Group performs a qualitative assessment of hedging effectiveness. A hedging instrument is derecognised when it no longer satisfies hedge accounting criteria, sold, terminated or matures. The accumulated change in fair value recognised in other comprehensive

income remains until the forecast transaction occurs. If the hedged item is a financial asset, the amount recognised in other comprehensive income is transferred to the income statement in the same period as the hedged item affects the income statement. If the hedged transaction is no longer expected to occur, the accumulated unrealised gains or losses are immediately recognised in the income statement.

Fair value hedging

When a financial derivative is designated as a hedging instrument on variability in the value of a recognised asset, a firm agreement or liability, the gain or loss on the derivative is recognised in the income statement in the period it incurs. Similarly, changes in the fair value of the hedged item is recognised in the income statement in the same period. Principles related to hedging effectiveness and derecognition are the same as for cash flow hedges.

Equity

Ordinary shares

Ordinary shares are classified as equity. Costs associated with the issuance of shares are recognised as a reduction in net equity (share premium) after tax, if applicable.

Purchase and sale of treasury shares

On the repurchase of treasury shares, the purchase amount including directly attributable costs are recognised as a change in equity. Purchased shares are classified as treasury shares and reduce total equity. When treasury shares are sold, the received amount is recorded as an increase in equity, and the subsequent gain on the transaction is recognised in Other paid-in equity.

Dividends

Provision is made for the amount of any dividend declared, for the applicable reporting period.

Property, plant and equipment

Own assets

Property, plant and equipment is recognised in the balance sheet at cost less accumulated depreciation (see below) and any impairment losses. The cost for capital equipment produced by the company includes material costs, direct costs of labour and a reasonable share of indirect production costs.

Operating assets with different useful economic lives are recognised as separate components of property, plant and equipment.

Borrowing costs that are directly attributable to the acquisition of an asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. These borrowing costs are capitalised as part of the asset's cost

when it is probable that they will lead to future benefits for the Group, and the costs can be measured in a reliable manner. Other borrowing costs are recognised in the income statement in the period in which they incur.

Post-acquisition costs

The company and the Group include expenses of replacing parts of operating assets in the cost of property, plant and equipment when such expenses are expected to generate future economic benefits and the expenses for the replaced parts can be reliably measured. All other costs are recognised in the income statement in the period in which they occur.

Depreciation

- Depreciation is calculated using the straight-line method over the estimated useful lifetime for each item of property, plant and equipment, and charged to the income statement. Land is not depreciated. Estimated economic lifetimes are as follows:

- Watercourse regulations 40–50 years
- Power generation
 - Buildings 50 years
 - Dams, water ways, hatches 25-40 years
 - Machine equipment 40 years
 - Thermal power plant (Spain) 25 years
- Industrial activities
 - Buildings 20–25 years
 - Machinery and equipment 7–15 years
- Operational moveable property, vehicles, equipment etc. 3–12 years

Residual value is assessed annually unless it is immaterial.

Leases

The company's and the group's leases consist mainly of office space, machines, cars, IT equipment and other office machines. Some contracts have extension options. Assets and liabilities arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Intangible assets

Goodwill

Goodwill represents the amount that arises on the acquisition of subsidiaries and investments in associates. For acquisitions after 1 January 2010, goodwill is calculated as described above. For acquisitions between 1 January 2003 and 31 December 2009, goodwill represents the difference between the cost on acquisition and the fair value of the net identified assets acquired. For acquisitions prior to this, goodwill is based on the estimated cost that corresponds to the amount that was recognised under previous Norwegian accounting principles.

Goodwill is recognised in the balance sheet at cost, less any accumulated impairment losses. Goodwill is allocated to the cash-flow-generating units and is not amortised, but it is tested each year for impairment. For associates, the balance sheet value of goodwill is included in the investment's book value in the consolidated financial statements.

Other intangible assets

Other intangible assets that are acquired are recognised in the balance sheet at cost, less accumulated amortisation (see below) and less any impairment losses.

Research and development expenditures which are directly attributable to development and testing of the Group's products, and which are identifiable and unique, and which is controlled by the Group, is recognised in the balance sheet as an intangible asset when all of the following criteria are satisfied:

- It is technically feasible to complete the product so that it will be available for use
- Management intends to complete, use and sell the product
- It is an ability to use and sell the product
- It can be proven that the product will generate probable economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the product are available
- The expenditure attributable to the product during its development can be reliably measured

Costs recognised in the balance sheet include material costs, direct costs of labour and directly attributable overheads that are included to make the product available for use.

Other development costs that do not satisfy these criteria are recognised as an expense as incurred. Development costs that are expensed cannot subsequently be recognised in the balance sheet.

Subsequent costs

Future costs concerning intangible assets recognised in the balance sheet are only capitalised if they increase future economic benefits related to this asset. All other costs are expensed in the period in which they occur.

Amortisation

Amortisation is calculated and recognised in income using the straight-line-method over the estimated useful economic life of the intangible assets, unless the lifetime is indefinite. Goodwill is annually tested for impairment, at balance sheet date. Capitalised costs associated with the granting of concessions are amortised over the period until the next concession application. The amortisation period is 50 years. Excess values associated with customer relations, customer contracts, brands and own software development and other development costs are amortised over a period of 3–10 years.

Inventories

Inventories are recognised at the lower of cost and net sales value. Net sales value is the estimated sales price in ordinary operations, less the estimated costs for completion and sales costs. Cost is based on the first-in first-out principle and includes costs incurred upon procurement of goods and the costs of bringing them to their present condition and location. For finished goods and work in progress, cost is calculated as a share of the indirect costs based on normal utilisation of capacity.

Construction contracts

The booked value of construction contracts consists of earned, non-invoiced income under the percentage-of-completion method, less received advance payments. The amount is recognised in the balance sheet under trade and other receivables. The net worth is classified as contract assets. Long-term manufacturing contracts where the customer has paid more than the earned contract value on the balance sheet date are classified as contract obligations. See also the section below on operating income and Note 13.

Determining fair value

The accounting policies and notes require fair value to be determined for financial and certain non-financial assets and liabilities. Fair value is defined as the value the individual asset or liability can be sold for, in an orderly transaction, between market participants at the measurement date under current market conditions.

Various methods and techniques are used to calculate fair value depending on the type of asset or liability and to what extent they are traded in active markets.

Financial instruments are classified in their entirety at one of three valuation levels based on the lowest level of the valuation information which has an impact on the valuation of the instruments. Please refer to the disclosures on the different valuation levels in Note 16.

Based on the above principles, the following methods are normally used to determine fair value:

Property, plant and equipment

In connection with acquisitions and business combinations, property, plant and equipment is recognised at fair value. The market value is determined based on valuations or observable market prices on similar assets.

Trade and other receivables

The fair value of trade and other receivables is calculated as the present value of net future cash flows discounted at the market interest rate at the balance sheet date.

Intangible assets

The fair value of intangible assets is based on discounted forecast cash flows from the use and any subsequent sale of the assets. Investments in shares, bonds and funds

The fair value of listed financial instruments is equivalent to the quoted bid price at the balance sheet date. For non-listed instruments, fair value is based on the known market prices close to the balance sheet date or valuations made by investment firms applying generally applied valuation methods.

Non-derivative financial liabilities

Fair value of financial liabilities for disclosure purposes is calculated as the present value of future cash flows discounted at the market interest rate at the balance sheet date.

Derivatives

The fair value of swap agreements is the estimated amount that the company and/or the Group will receive or be required to pay to settle the agreement at the balance sheet date, taking into account current interest rates and the counterparty's own creditworthiness. The fair value of energy-related derivatives (futures, forwards and options) is the market price at the balance sheet date. The fair value of forward exchange contracts is the market price at the balance sheet date.

Impairment

The carrying amount of the company's and Group's assets is, with the exception of inventories and deferred tax assets, reviewed each balance sheet date to assess whether there are indications

of impairment. If any such indication exists, the asset's recoverable amount will be estimated.

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit (valuation unit) exceeds the recoverable amount. Impairment losses are recognised in the income statement.

Impairments for cash-flow generating entities are allocated by reducing the carrying amount of any goodwill in cash-generating units first. Subsequently, the remaining impairments on the other assets in the unit are allocated pro-rata based on the carrying amounts.

Calculation of recoverable amounts

The recoverable amount of assets is the highest of the net selling price and value in use. The value in use is calculated by discounting the forecast future cash flows to their present value using a discount rate before tax that reflects current market pricing of the time value of money and the risks specific to the asset. For assets that do not essentially generate independent cash flows, the recoverable amount is determined for the valuation entity to which the asset belongs.

Reversal of impairment

Impairments of goodwill are not reversed.

For other assets, impairment losses are reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution pension plans

Obligations to provide contributions to defined contribution pension plan are recognised as costs in the income statement in the period in which they occur.

Defined benefit pension plans

The net liability related to defined benefit pension plans is calculated separately for each plan by estimating the size of the future benefits that the employees have earned through their work efforts in the current and prior periods. These future benefits are discounted to present value, and the fair value of the pension assets is subtracted to establish the net obligation. The discount rate corresponds to the market interest rate for high-quality corporate bonds (OMF interest rate) with approximately the same term as the Group's obligations. The calculations are performed by

a qualified actuary and based on the straight-line earnings model. When the benefits in a pension plan improve, the share of the increase in benefits that the employee has earned the right to are recognised as a cost in the income statement on a straight-line basis over the average period until the employees have earned an unconditional right to the increased benefits. The cost is recognised immediately in the income statement if the employees have already acquired an unconditional right to increased benefits at the time of allotment.

Actuarial gains and losses on the calculation of the company's obligation for a pension plan are recognised in other comprehensive income when they incur. Pension costs / earnings, as well as gains and losses on curtailment / termination are recognised in the income statement.

The net interest on the calculation of pension obligations is reported as financial items in the income statement.

When the calculations result in an asset for the company, recognition of this asset is limited to the net amount of the total of unrealised actuarial losses and the cost of previous periods' pension earnings, and the present value of future refunds from the scheme or reductions in payments to the scheme.

Share-based compensation

For share-based compensation by equity instruments granted that do not vest until the employee completes a specified period of service, it is assumed that the services to be rendered as consideration for the equity instruments will be received in the future, during the vesting period. Such services are accounted for as they are rendered by the employee during the vesting period, with a corresponding increase in equity.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event and it is probable that this will result in an outflow of resources to settle the obligation, and the obligation can be reliably estimated.

Provisions for restructuring are recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either begun or has been announced to those affected.

Operating income

Goods sold and services rendered

Operating revenue is recognised when performance obligations are satisfied through the transfer of a good or service to the customer, either over time or at a point in time. By transfer is meant that the customer has obtained control of the good or service.

The most central indicators of transfer of control is that the Group has obtained the right to payment for the good or service, that the customer has obtained the right to the good or service, that the Group has transferred physical control of the good or service, that the customer has taken on the significant risks and rewards related to ownership of the good or service. Operating revenue is presented net of sales-related taxes and rebates.

Revenue related to fixed-price contracts where the deliverable is tailored to the customer, does not have an alternative use and where the Group obtains the right to payment based on the project's progress is recognised over time as long as the project's revenue and expenses can be estimated reliably. When the project's result cannot be estimated reliably, only revenue corresponding to expenses incurred may be recognised. Losses related to onerous contracts are recognised in the period they are identified.

Depending on the type of project, progress is estimated based on costs incurred in relation to total estimated costs, as direct hours incurred in relation to total expected hours or by assessing technical grade of completion. Estimates related to revenues, expenses and progress are revised when assumptions change. Change in estimates are recognised in the income statement in the period management becomes aware of the change of assumptions that caused the change in estimate.

In fixed-price contracts the customer normally pays fixed amounts through the project period based on a payment plan. A contract asset is recognised if, at the measurement date the value of the deliverable at the exceeds payments received from the customer. A contract liability is recognised payment from the customer exceeds the value of the deliverable at the measurement date.

Revenue from energy sales is recognised at the transaction date.

Financial income

Financial income consists of realised gains fair value changes related to debt and equity instruments held for trading, dividends received, share of results from investments in limited partnerships, interest income and foreign exchange gains. Interest income is recognised in the income statement based on the effective interest method as it is earned.

Dividend income is recognised as income on the date the right to receive payment is established.

Government grants

Government grants that compensate for incurred expenses are recognised as a cost reduction in the income statement on a systematic basis in the same periods in which the expenses are

incurred. Grants related to the acquisition of operating assets are recognised as reduction of cost and amortised by reducing amortisation over the operating asset's useful economic life.

Costs

Lease payments for operating leases

Lease payments for operating leases are recognised in the income statement on a linear basis over the lease term. Any lease incentives received are recognised as an integral part of total lease costs.

Financial expenses

Financial expenses consist of interest expenses on loans, currency translation losses, negative changes in the value of derivatives and financial instruments held-for-trading and derivatives that are recognised in income, and other realised impairment losses for debt and equity instruments.

Taxes

Income tax on the profit for the period consists of current and deferred tax. Income tax is recognised in the income statement with the exception of tax on items that are recognised directly in equity or in other comprehensive income. The tax effect of the latter items is recognised directly in equity or in other comprehensive income. Current tax is the forecast tax payable on the year's taxable income at current tax rates at the balance sheet date, and any adjustments of tax payable for previous years less tax paid in advance.

Deferred tax liabilities are calculated based on the balance sheet oriented liability method taking into account temporary differences between the carrying amount of assets and liabilities for financial reporting and tax values. The following temporary differences are not taken into account: goodwill not deductible for income tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries that are not expected to reverse in the foreseeable future. The provision for deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, measured at the tax rates in force at the balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that the asset can be utilised against future taxable results. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax asset will be realised. Tax assets that can only be utilised via group contributions from the parent company are not recognised until the contribution has actually been paid and is recognised in the individual companies.

Cash and cash equivalents

Cash means cash in hand and in the bank. Cash equivalents are short-term liquid investments that can be converted to cash within three months to a known amount and which have an insignificant degree of risk. Cash and cash equivalents in the cash flow statement do not include unused overdrafts.

Accounting standards and interpretations issued but not adopted

The company has not early-adopted any IFRS standards or IFRIC that have been issued but are not mandatory as of 31 December 2021. Based on the assessments made so far, it is assumed that coming standards and IFRIC approved by the EU will not have a material effect on the financial statements.

Note 1 Segment reporting

Amounts in NOK 1 000

Group	ENERGY SALES		ADMINISTRATION		VOLUE		NSSLGLOBAL		EFD INDUCTION	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Total sales at a point in time	370 658	59 851			184 353	147 652	907 325	898 105	563 008	545 374
Total sales over time					854 722	742 569			607 799	558 922
Total other Income	2 568	3 408	9 146	6 625	20 018	782			8 389	45 769
Operating revenue	373 226	63 259	9 146	6 625	1 060 678	891 866	907 325	898 105	1 179 196	1 150 065
Operating expense	64 906	56 084	68 661	58 954	922 553	743 886	699 022	684 112	1 036 214	1 041 513
Total depreciati-on, amortization and impairment	9 989	8 763	3 312	1 072	93 097	66 020	42 689	51 518	59 638	67 311
Operating profit	298 332	-1 588	-62 827	-53 401	45 028	81 960	165 613	162 475	83 344	41 241
Equity company income										
Net financial items			1 345 469	557 372	-5 525	-9 236	12 155	-8 852	-10 973	-11 613
Provision for income tax	129 584	-2 776	29 837	-14 930	11 884	10 128	35 850	29 093	20 427	10 412
Continuing operations income	168 748	1 188	1 252 805	518 902	27 619	62 595	141 918	124 529	51 945	19 215
Total assets	238 329	236 838	3 390 344	3 864 023	1 746 235	1 472 687	800 901	761 722	1 140 618	1 058 371
Total liabilities	170 891	31 476	585 994	686 382	979 359	729 600	342 850	337 516	735 622	684 012
Net interest bearing debt			-950 260	-400 006	-382 075	-432 311	-321 947	-273 880	30 963	52 176

FINANCIAL STATEMENTS

Group cont.

	TEKNA*		PROPERTY		OTHER**		ELIMINATIONS		SUM	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Total sales at a point in time	129 447	89 242	500 151	4 268	26 904	2 051		2 357	2 681 847	1 748 900
Total sales over time	52 012	51 537							1 514 533	1 353 028
Total other Income	3 334	33 097	9 869	6 076	102		-17 516	-40 215	35 910	55 542
Operating revenue	187 164	183 328	510 020	10 345	27 006	2 051	-21 470	-48 174	4 232 290	3 157 470
Operating expense	258 057	173 529	469 918	12 386	39 173	3 331	-12 033	-17 300	3 546 472	2 756 497
Total depreciati-on, amortization and impairment	18 266	34 173	13 002	8 959	3 445	76	-7 845	2 336	235 592	240 228
Operating profit	-89 159	-24 374	27 101	-11 001	-15 612	-1 356	-1 593	-33 210	450 227	160 745
Equity company income	-10 093	-14 321			-980		-1 101		-12 173	-14 321
Net financial items	863	-9 534	-2 032	-2 480	-106	53	-1 446 166	-562 644	-106 316	-46 935
Provision for income tax	-781	2 827	8 202	-139	-721	159	451	-1 067	234 733	33 709
Continuing operations income	-97 607	-51 056	16 866	-13 342	-15 978	-1 462	-1 449 312	-594 788	97 005	65 780
Total assets	643 883	354 153	471 007	639 842	121 748	73 998	-1 715 168	-1 474 748	6 837 898	6 986 887
Total liabilities	113 070	226 071	255 740	441 492	27 525	14 667	-281 989	-19 859	2 929 061	3 131 357
Net interest bearing debt	-214 578	149 758	68 404	355 404	-35 347	-31 561			-1 804 838	-580 420

* The effects of change in accounting principles regarding SaaS arrangements have been accounted for in full in the 2021 segment reporting while applied retrospectively in the statutory accounts of Tekna Group. ** Other includes AFK Energy and Alytic.

FINANCIAL STATEMENTS

Note 1 Segment reporting cont.

Amounts in NOK 1 000

Geographical segments

	NORWAY		EUROPE		ASIA		NORTH AMERICA		CONSOLIDATED	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Operating revenues	1 578 797	1 184 781	1 802 931	1 762 559	483 647	464 958	366 916	375 859	4 232 290	3 157 470
Segment assets	3 507 395	10 682 571	2 296 486	1 831 172	516 987	421 910	517 030	448 735	6 837 898	6 986 887

Parent Company	ENERGY SALES		ADMINISTRATION		TOTAL	
	2021	2020	2021	2020	2021	2020
Sales	373 226	63 259	9 146	6 625	382 372	69 884
Operating expense EBITDA	64 906	56 084	68 661	58 954	133 566	115 038
Total depreciation, amortization and impairment	9 989	8 763	3 312	1 072	13 301	9 835
Operating income	298 332	-1 588	-62 827	-53 401	235 505	-54 989
Net financial items			1 345 469	557 372	1 345 469	557 372
Provision for income tax	129 584	-2 776	29 837	-14 930	159 421	-17 706
Continuing operations income	168 748	1 188	1 252 805	518 902	1 421 553	520 089
Total assets	238 329	236 838	3 390 344	3 864 023	3 628 673	4 100 862
Total liabilities	170 891	31 476	585 994	686 382	756 885	717 858
Net interest bearing debt			-950 260	-400 006	-950 260	-400 006

Note 2 Other operating income and sales

Amounts in NOK 1 000

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Other operating income	32 030	13 765	4 527	989
Other operating income, intercompany			6 839	9 044
Gain sales of assets	397	28 147	348	
Grants/subsidies	3 484	13 630		
Other operating income and sales	35 910	55 542	11 713	10 032

Note 3 Subsidiaries acquired in 2021

Amounts in NOK 1 000

Subsidiaries acquired in 2021

Volue acquired 100 % of the shares in Procom Gmbh, Alytic acquired 97 % of the shares in Utel systems AS and 60 % of the shares in Greenfact AS. None of these transactions are significant for the AFK Group.

Subsidiaries acquired in 2020

Volue acquired 100 % of the shares in Likron GmbH in 2020.
The acquisition gave the following effects and values in the Balance Sheet:

	Pre- acquisition carrying amonts tEUR	Fair value adjustments tEUR	Recognised values on acquisition tEUR	Recognised values on acquisition tNOK
Goodwill		9 692	9 692	103 800
Other intangible assets		3 520	3 520	37 700
Products, coustomers		2 465	2 465	26 400
Trade and other receivables	1 167		1 167	12 500
Cash and cash equivalents	430		430	4 600
Deferred tax liabilities		-1 802	-1 802	-19 300
Trade and other payables	-149		-149	-1 600
Other current liabilities	-775		-775	-8 300
Net identifiable assets and liabilities	672	13 875	14 547	155 800

Alytic acquired 71% af the shares in Kontali Analyse AS in November 2020. The acquisition was not material to AFK Group.

Note 4.1 Employee benefits

Amounts in NOK 1 000

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Salaries	1 336 072	1 199 105	53 199	51 980
Social security contributions	135 431	136 957	7 096	7 467
Pension costs	56 719	44 129	3 617	3 241
Capitalization R&D	-156 125	-95 094		
Other benefits	49 834	22 195	1 789	1 876
Total employee benefits	1 421 931	1 307 292	65 700	64 565
Number of full-time headcounts	2 179	2 012	28	26

2021	Salaries, fees	Previous year's bonus paid out this year	Benefits in kind	Total remuneration	Accrued pension costs	Number of board meetings (i)
Senior executives						
Ørjan Svanevik, CEO	4 851	4 001	293	9 145	122	
Lars Peder Fensli, CFO	2 089	888	23	3 000	109	
Morten Henriksen, Executive Vice President	2 664	2 581	31	5 276	115	
Torkil Mogstad, Executive Vice President	1 955	754	28	2 737	100	
Ingunn Ettestøl, ESG Director	1 541	520	22	2 083	127	
Board members, audit and compensation committees						
Jon Hindar, Chairman, (iii)	614			614		13
Morten Bergesen, Deputy Chairman, (ii), (iii), (iv)	324			324		13
Didrik Vignæs, Board Member	341			341		13
Arild Nysæther, Board Member, till 06.05.2021 (ii), (iii)	160			160		7
Christian Must, from 06.05.2021 (ii)	253			253		6
Heidi Marie Petersen, Board Member	347			347		13
Kristine Landmark, Board Member	321			321		13
Stine Rolstad Brenna, Board Member, from 28.09.2020, (ii)	394			394		13
Total remuneration	15 854	8 744	397	24 995	573	

2020	Salaries, fees	Previous year's bonus paid out this year	Benefits in kind	Total remuneration	Accrued pension costs	Number of board meetings (i)
Senior executives						
Ørjan Svanevik, CEO	4 412	5 357	291	10 060	119	
Lars Peder Fensli, CFO	2 095	1 271	21	3 387	106	
Morten Henriksen, Executive Vice President	2 601	1 114	29	3 744	112	
Torkil Mogstad, Executive Vice President	1 935	290	23	2 248	103	
Ingunn Ettestøl, ESG Director	1 458	551	23	2 032	123	
Board members, audit and compensation committees						
Jon Hindar, Chairman, (iii)	587			587		10
Morten Bergesen, Deputy Chairman, (ii), (iii), (iv)	433			433		10
Didrik Vignæs, Board Member	313			313		10
Arild Nysæther, Board Member, (ii), (iii)	393			393		10
Heidi Marie Petersen, Board Member	313			313		10
Kristine Landmark, Board Member	313			313		10
Stine Rolstad Brenna, Board Member, from 28.09.2020, (ii)	89			89		5
Rikke T. Reinemo, Board Member, till 25.09.2020, (ii)	280			280		3
Total remuneration	15 222	8 583	387	24 192	563	

- (i) 13 Board meetings were held in 2021 and 10 in 2020.
(ii) Member of Audit Committee
(iii) Member of Compensation Committee
(iv) Member of Nomination Committee

In addition, tNOK 186 (267) was paid in pensions to former board members.

Senior executives participate in the collective pension scheme for employees of the parent company and subsidiaries. Refer to the description in the note on pensions. All companies in the Group have phased out defined-benefit pension schemes with effect from 31 December 2015 at the latest, except in the case of employees over 60 years of age who are members of the AFK Pension Plan. These will remain in the defined-benefit scheme until they reach retirement age. With the full contributions period of 30 years the defined-benefit scheme provides a pension which, when combined with the state pension, amounts to 66% of final salary. Until the end of 2015 the parent company had a supplementary pension scheme for employees with pensionable income in excess of 12 G (G = the Norwegian National Insurance Scheme's base amount). With full entitlement the pension benefits were at the same level as for pensionable income of less than 12 G, i.e. 66%. This scheme has also ended and was replaced by an equivalent cash amount for all those under 60 years of age. Bonuses, options and other benefits are not pensionable. Senior executives of the Group received no remuneration or benefits from other Group companies except as shown above. No additional remuneration was paid for special services beyond normal management duties. Arild Nysæther received GBP 34,500 (GBP 22,500) as Chairman of the Board of the subsidiary NSSGlobal.

Regarding loans and security provided to members of the management team, the Board of Directors and other elected bodies of the company refer to Note 24.

Employment terms for the CEO and other senior executives:

The following severance pay has been agreed for the CEO in the event of termination of employment:
Salary will be paid during the notice period (6 months).
When the CEO joined the company he was given the right to buy 75 000 shares in the company at a 15% discount with a tie-in period of three years. Lars Peder Fensli, Morten Henriksen, Torkil Mogstad and Ingunn Ettestøl have the right to buy 20 625 shares on the same terms.

Executives may borrow up to two-thirds of the purchase price for the shares on the same terms as ordinary employee loans.
Loans are secured by a mortgage on the shares and run as long as the employment relationship lasts.

Note 4.2 Employee benefits

Amounts in NOK 1 000

Pension obligations / costs

The Group's Norwegian companies are obligated to maintain an occupational pension scheme pursuant to the Mandatory Occupational Pension Scheme. The pension scheme satisfies statutory requirements. The pension scheme includes a retirement pension, disability pension and survivor pension. With effect no later than 31.12.2015, all the companies in the Group discontinued their defined benefit plan. One exception from this is employees +60 years of age who are members of AFK's pension fund. These will remain in the defined benefit plan until retirement.

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Pension liabilities				
Present value of unfunded liabilities	10 871	12 290	6 215	6 307
Present value of funded liabilities	79 341	83 889	45 891	46 999
Fair value of pension assets	-95 967	-92 557	-59 750	-56 620
Recognised employers' contributions	876	-747	876	889
Present value of net liabilities	-4 878	2 874	-6 768	-2 425
Of which presented as pension assets	28 365	16 092	13 859	9 621
Other pension liabilities	1 866	7 301		
Gross pension liabilities	25 353	26 267	7 091	7 197
Change in recognised net liability for defined-benefit pensions				
Net funded defined-benefit pension liability as at 1 January	-3 586	-3 142	-9 621	-5 773
Liability for unfunded schemes as at 1 January	7 197	16 948	7 197	8 672
Paid-in contributions	-815	-115	-1 070	-184
Paid out from the scheme	-4 378	-2 899	-549	-620
Actuarial (gains) losses from other comprehensive income	-3 218	-4 597	-2 823	-4 626
Exchange rate changes, pension liabilities	-70	879		
Costs of defined-benefit schemes	534	-3 465	98	106
Net liability for defined-benefit schemes as at 31 December	-4 337	3 610	-6 768	-2 425

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Costs recognised in the income statement				
Costs relating to this period's pension entitlements	444	-3 259		
Interest on the liabilities	1 297	1 927	881	1 256
Expected return on pension plan assets	-1 802	-2 324	-950	-1 225
Recognised employers' contributions	595	75	168	75
Effect of partial discontinuation of Board pensions		3 523		
Expenses from defined benefit plans	534	-58	98	106
Costs of defined-contribution pension schemes	54 477	42 546	2 178	1 838
Net interest on pension liabilities transferred to finance	438	313	70	-32
Transfer effect of discontinuation of separate line in income statement	1 270	1 328	1 270	1 328
Total pension costs	56 719	44 129	3 617	3 241
Actual return on pension plan assets	8 178	3 576	5 515	2 395
Development of the Group's funded pension liabilities				
Present value of funded liabilities	79 341	83 889	45 891	46 999
Fair value of pension assets	-95 967	-92 557	-59 750	-56 620
Net result	-16 625	-8 668	-13 859	-9 621
Expenses from defined benefit plans	534	-58	98	106
Costs of defined-benefit schemes	534	-58	98	106

Note 5 Property, plant & equipment

Amounts in NOK 1 000

Group	Hydro power plants	Under construction	Vehicles, machinery and equipment	Buildings and land	RoU total	Property, plant and equipment
2020						
Cost						
Balance at 1 January 2020	311 614	5 038	953 983	558 034	292 414	2 121 083
Additions	337	22 356	58 507	7 307	406	88 913
Aquisitions through business combinations			7 856	14 544		22 400
Disposal			-39 391	-10 721	-14 104	-64 216
Disposal of companies and businesses			-8 727	12 180		3 453
Reclassification					-36 270	-36 270
Change in RoU					46 108	46 108
Effect of movements in exchange rates		-945	7 296	-1 327	1 700	6 724
Balance at 31 January 2020	311 951	26 449	979 509	580 017	290 255	2 188 180
Depreciation and impairment losses						
Balance at 1 January 2020	-168 166		-743 085	-152 656	-38 000	-1 101 907
Depreciation	-6 300		-77 079	-18 899	-67 556	-169 834
Impairment *			-2 531	-653	-4 683	-7 868
Aquisitions through business combinations			-5 927			-5 927
Disposal			32 990	5 588	34 887	73 465
Disposal of companies and businesses			8 727		-1 816	6 911
Change in RoU					8 527	8 527
Effect of movements in exchange rates			-5 755	-712	396	-6 070
Balance at 31 January 2020	-174 467		-792 661	-167 331	-68 246	-1 202 704
Book value at 1 January 2020	143 448	5 038	210 898	405 378	254 413	1 019 175
Book value at 31 December 2020	137 484	26 449	186 849	412 686	222 009	985 476

Group	Hydro power plants	Under construction	Vehicles, machinery and equipment	Buildings and land	RoU total	Property, plant and equipment
2021						
Cost						
Balance at 1 January 2021	311 951	26 449	979 509	580 017	290 255	2 188 180
Additions	11	17 955	54 764	40 926		113 655
Aquisitions through business combinations			1 346		514	1 860
Disposal		42	-17 771	-33 918	-13 877	-65 523
Transferrd from under construction		-6 988	6 988			
Scrapped			-38 496	-400		-38 896
Change in RoU					55 409	55 409
Effect of movements in exchange rates		850	10 095	2 024	2 720	15 689
Balance at 31 December 2021	311 961	38 308	996 435	588 649	335 021	2 270 375
Depreciation and impairment losses						
Balance at 1 January 2021	-174 467		-792 661	-167 331	-68 246	-1 202 704
Depreciation	-6 200		-69 752	-26 257	-68 509	-170 718
Impairment			-606			-606
Reallocated to operating cost **			-11 030			-11 030
Aquisitions through business combinations			-270			-270
Scrapped			38 465	421		38 886
Disposal			16 107	11 036	-8 826	18 316
Change in RoU					6 361	6 361
Effect of movements in exchange rates			-8 397	-338	-1 199	-9 935
Balance at 31 December 2021	-180 666		-828 145	-182 469	-140 419	-1 331 700
Book value at 1 January 2021	137 484	26 449	186 849	412 686	222 009	985 476
Book value at 31 December 2021	131 295	38 308	168 290	406 179	194 602	938 675

* Impairment in 2020 are based a reduced value of EFD and Volue due to restructuring.
** Reallocation is due to change in accounting principles regarding cloud computing (SaaS arrangements).

Provision of security
As at 31 December 2021 operating assets in the subsidiaries with a book value of tNOK 343 078 (2020: tNOK 74 414) were pledged as security for bank loans (see Note 17).

Note 5 Property, plant & equipment cont.

Amounts in NOK 1 000

Parent Company	Hydro power plants	Under construction	Vehicles, machinery and equipment	Buildings and land	RoU total	Property, plant and equipment
2020						
Cost						
Balance at 1 January 2020	311 614	1 204	13 940	4 756	7 640	339 154
Additions	337	1 762				2 098
Change in RoU					14 936	14 936
Balance at 31 December 2020	311 951	2 966	13 940	4 756	22 576	356 188
Depreciation and impairment losses						
Balance at 1 January 2020	-168 166		-5 712		-988	-174 867
Depreciation	-6 300		-1 626		-1 072	-8 997
Change in RoU					111	111
Balance at 31 December 2020	-174 467		-7 338		-1 949	-183 753
Book value at 1 January 2020	143 448	1 204	8 228	4 756	6 652	164 287
Book value at 31 December 2020	137 484	2 966	6 602	4 756	20 627	172 435

Parent Company	Hydro power plants	Under construction	Vehicles, machinery and equipment	Buildings and land	RoU total	Property, plant and equipment
2021						
Cost						
Balance at 1 January 2021	311 951	2 966	13 940	4 756	22 576	356 188
Additions	11	5 222	1 954			7 187
Disposal			-1 336			-1 336
Transferd from under construction		-1 953	1 953			
Change in RoU					1 673	1 673
Balance at 31 December 2021	311 961	6 235	16 511	4 756	24 250	363 713
Depreciation and impairment losses						
Balance at 1 January 2021	-174 467		-7 338		-1 949	-183 753
Depreciation	-6 200		-1 855		-3 312	-11 367
Disposal			1 336			1 336
Balance at 31 December 2021	-180 666		-7 857		-5 261	-193 785
Book value at 1 January 2021	137 484	2 966	6 602	4 756	20 627	172 435
Book value at 31 December 2021	131 295	6 235	8 653	4 756	18 989	169 928

Note 6 Intangible assets

Amounts in NOK 1 000

Group	Goodwill	Other intangible assets	Concessions	R & D	Intangible assets under development	Intangible assets and goodwill
2020						
Cost						
Balance at 1 January 2020	608 398	715 275	12 250			1 335 826
Additions	1 476	17 787		95 094	46	114 402
Aquisitions through business combinations	132 620	66 869				199 489
Reclassification	500	-367 005		366 505		
Scrapped						
Disposal of companies and businesses	2 561	14				2 574
Effect of movements in exchange rates	-45 028	-1 879		577		-46 329
Balance at 31 January 2020	700 526	431 062	12 250	462 079	46	1 605 963
Amortization and impairment losses						
Balance at 1 January 2020	-85 275	-524 391	-6 824			-616 394
Amortization		-32 079	-245	-29 330		-61 654
Impairment	-874					-874
Aquisitions through business combinations		-11 062				-11 062
Reclassification		283 005		-283 005		
Scrapped						
Disposal of companies and businesses	-2 561	-9				-2 570
Effect of movements in exchange rates	49 252	1 554		131		50 936
Balance at 31 January 2020	-39 459	-282 983	-7 069	-312 107		-641 618
Book value at 1 January 2020	523 123	190 884	5 426			719 433
Book value at 31 December 2020	661 068	148 079	5 181	149 972	46	964 345

Group	Goodwill	Other intangible assets	Concessions	R & D	Intangible assets under development	Intangible assets and goodwill
2021						
Cost						
Balance at 1 January 2021	700 526	431 062	12 250	462 079	46	1 605 963
Additions		1 476		120 171	16 750	138 396
Aquisitions through business combinations	25 879	23 978		7 158		57 015
Reclassification		-20 779		9 387	11 392	
Scrapped		-138 674		-266 812		-405 487
Under development		-1 489			1 489	
Effect of movements in exchange rates	1 219	3 857		1 317	120	6 513
Balance at 31 January 2021	727 624	299 430	12 250	333 300	29 796	1 402 401
Amortization and impairment losses						
Balance at 1 January 2021	-39 459	-282 983	-7 069	-312 107		-641 618
Amortization		-16 468	-245	-41 658		-58 370
Impairment	-1 174	-73		-4 650		-5 897
Aquisitions through business combinations		-591				-591
Scrapped		138 674		266 767		405 441
Effect of movements in exchange rates	-4 045	-5 101		-242		-9 388
Balance at 31 December 2021	-44 678	-166 541	-7 314	-91 891		-310 424
Book value at 1 January 2021	661 068	148 079	5 181	149 972	46	964 345
Book value at 31 December 2021	682 946	132 889	4 936	241 409	29 796	1 091 977

Parent Company	Goodwill	Other intangible assets	Concessions	R & D	Intangible assets under development	Intangible assets and goodwill
2020						
Cost						
Balance at 1 January 2020		2 702	12 250			14 952
Additions		5 837			46	5 883
Balance at 31 December 2020		8 539	12 250		46	20 835
Amortization and impairment losses						
Balance at 1 January 2020		-905	-6 824			-7 729
Amortization		-592	-245			-837
Balance at 31 December 2020		-1 497	-7 069			-8 566
Book value at 1 January 2020		1 797	5 426			7 223
Book value at 31 December 2020		7 042	5 181			12 268

Parent Company	Goodwill	Other intangible assets	Concessions	R & D	Intangible assets under development	Intangible assets and goodwill
2021						
Cost						
Balance at 1 January 2021		8 539	12 250		46	20 835
Additions		375				375
Scrapped		-384			-46	-430
Balance at 31 December 2021		8 530	12 250			20 780
Amortization and impairment losses						
Balance at 1 January 2021		-1 497	-7 069			-8 566
Amortization		-1 689	-245			-1 934
Scrapped		384				384
Balance at 31 December 2021		-2 802	-7 314			-10 116
Book value at 1 January 2021		7 042	5 181			12 268
Book value at 31 December 2021		5 728	4 936			10 664

A breakdown of the allocation of intangible assets between the companies is provided below.

2021	Intang. assets	Goodwill	Concessions	R&D	Under development	Total
Intangible assets by company						
Arendals Fossekompani	5 728		4 936			10 664
Volue	57 847	264 305		209 813	10 564	542 528
EFD Induction	3 648	114 508		23 533	6 234	147 923
NSSLGlobal	2 092	270 481				272 573
Tekna	48 332			5 635	10 015	63 982
Alytic	15 241	33 653		2 428	2 984	54 307
Total intangible assets	132 889	682 947	4 936	241 409	29 796	1 091 977

Intangible assets comprise capitalised development costs and licences for software as well as excess value associated with customer relationships, customer contracts, patents and trademarks.

Concession rights in the parent company are amortised over the term of the concession (50 years). Other intangible assets are amortised over periods of 4 to 10 years.

Goodwill is tested annually for impairment (see accounting policies and Note 21). In this testing each segment/subgroup is assessed as a cash-generating unit. The recoverable amount of goodwill is estimated based on value in use. Estimated value in use is based on discounted future cash flows. These measure the cash flows based on market requirements of return and risk. Value in use for 2021 has been calculated in the same way as in 2020. Budgets have been used for 2022 and long-term budgets from strategy plans for the period up to 2026. In addition, a standard growth rate of 2% is applied up to 2030 and a terminal value is applied based on the same growth rate. The risk-free interest rate has been assessed separately for each company. A risk premium between 4,2 % and 4,8 % was used in the calculations. Special circumstances relating to the individual calculations are commented on below.

Value

Volue is listed on Oslo Stock Exchange and the value as per 31.12.2021 was tNOK 5 084 058 while the booked equity of the company as per 31.12.2021 is tNOK 766 876. The marked value can decrease by more than 85 % before an impairment my be needed.

EFD

The Required Rate of Return (WACC before tax) has been set to 8%. When calculating the WACC consideration is given to the fact that the company's earnings are in EUR and USD, and that the business is cyclical. The risk-free rate of return has been set to1,7%.A sensitivity analysis based on a unilateral change in estimated future EBITDA shows that a reduction of more than 34% may lead to impairment. Equivalently a change in WACC from 8% to 19% may cause impairment.

NSSLGlobal

The Required Rate of Return (WACC before tax) has been set to 8,0%. The risk-free rate of return has been set to 0,9%. When calculating the WACC consideration is given to the fact that the company's earnings are in GBP and USD. A sensitivity analysis based on a unilateral change in estimated future EBITDA shows that a reduction of more than 54% may lead to impairment. Equivalently a change in WACC from 8,5% to 49% may cause impairment.

Tekna Holdings Canada

Tekna is listed on Euronext Growth and the value as per 31.12.2021 was tNOK 3 470 000 while the booked equity of the company as per 31.12.2021 is tNOK 530 813
The marked value can decrease by more than 85 % before an impairment my be needed.

For the cash-generating units in the AFK Group the impairment testing suggests significant excess value. Reasonable changes in the assumptions will not result in additional impairment losses.

Research and development cost

In 2021 development costs of tNOK 120 171 were capitalized (2020 tNOK 99 909). Other research and development costs in the Group are expensed as they arise and amounted to tNOK 74 288 in 2021 and tNOK 92 512 in 2020.

Note 7 Other operating costs

Amounts in NOK 1 000

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Other operating cost				
Contractors	16 447			
Maintenance property, plant and equipment	37 819	19 730	14 294	3 713
Loss sales of other non-current assets	116	145		
Premises, service and office costs	47 089	60 875	2 923	1 193
Audit and other fees	130 788	43 639	15 676	12 771
Consession fees	3 482	2 886	2 888	2 886
Company cars, lifts and trucks	11 419	10 168	244	322
Communication costs	5 177			
Travelling costs, indirect	15 404	9 104	690	672
Sales and marketing costs	23 538	15 381	52	1 006
Manufacturing indirect costs	21 132	22 350	128	4 229
Other operating costs (Misc.)	14 576	8 174	12 203	4 744
Insurances	10 899	10 450	1 789	1 809
ICT costs	98 194	58 711	7 853	4 468
Property tax	10 953	10 175	5 545	4 492
R&D costs	257	3 137		
Bad debts	6 245	626		
Operating costs, IC			1 084	1 682
Restructuring	1 386	35 914		
Other direct costs	84 332	75 376		
Total other operating cost	539 251	386 842	65 370	43 988
Remuneration to auditor				
Statutory audit	14 520	7 776	3 058	605
Other assurance services	1 381	601	23	10
Tax advice	1 137	1 129	74	422
Other non-audit services	5 201	8 907	120	3 141
Total remuneration to auditor	22 240	18 413	3 276	4 179

Note 8 Finance income and finance costs

Amounts in NOK 1 000

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Finance income				
Interest income, intercompany			3 272	9 393
Interest income	14 287	16 028	8 203	5 457
Currency exchange income (net)	27 979	28 571	6 791	20 306
Other finance income	1 610	3 934	88	929
Gain on partial sale of subsidiaries *			1 282 985	441 396
Gain/loss on total sales of subs.			82 425	
Dividend income	2 698	10 448	2 698	10 448
Group contribution income N-GAAP				
Dividend income, intercompany			84 494	133 891
Group contribution income IFRS, intercompany				
Finance cost				
Interest expense	44 933	59 242	30 188	36 392
Interest expense cashpool	1 281	1 845		
IFRS 16 interest	7 257	8 382	581	217
Currency exchange expense (net)	12 022	34 032	9 890	15 023
Other finance cost **	87 408	3 551	84 828	1 987
Impairment loss on subs				10 830
Translation differences	-11	-1 137		
Finance cost	152 889	105 915	125 486	64 449
Net financial items	-106 316	-46 935	1 345 469	557 372

* Partial sale and listing of Volue ASA and Tekna Holding AS
** 2021 figures includes impairment of investment in NorSun AS with tNOK 77 737. Remaining value of share in NorSun is tNOK 100 and remaing value of loans are tNOK 4 600.

Note 9 Tax Expense

Ordinary income tax in Norway:

Ordinary income tax on general income. The tax rate was 22% in 2020 and 2021. The 22% tax rate was used to calculate Deferred tax assets and Deferred tax liabilities as at 31 December 2021.

Special tax rules for Norwegian energy companies comprise the following elements:

Natural resource tax of 1.3 øre per kWh of the company's average annual production in the past 7 years. Estimated natural resource tax is deducted from the company's tax payable on general income. Natural resource tax still has to be paid in years when no tax is calculated as being payable. The amount is recognised as a receivable and is offset against tax payable on general income in subsequent years. Natural resource tax accrues to the municipalities and counties in the concession area.

Resource rent tax is determined for each individual power station and accrues to The state. This tax is based on gross resource rent income less operating costs and tax-free allowances. Resource rent income is based on market prices and therefore differs from the company's recognised sales figures. The tax rate for resource rent tax was 37% in 2020 and 47,4 % in 2021. The 47,4% tax rate has been used to calculate Deferred resource rent tax assets as at 31 December 2021.

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Current tax expense				
Natural resource tax for the year	8 028	6 740	6 592	6 740
Tax payable on general income less natural resource tax	119 595	60 468	16 766	-6 740
Adjustment for previous years	-288	-2 694		-349
Resource rent tax payable for the year	95 533		105 431	
Total current tax	222 868	64 514	128 790	-349
Deferred tax expense				
Effect of change in temporary differences	15 597	-26 761	29 816	-14 930
Effect of changed tax rate	-3 956	-1 617		
Effect of change in temporary differences, resource rent tax	224	-2 427	815	-2 427
Effect of changed tax rate, resource rent tax				
Total deferred tax expense	11 865	-30 805	30 631	-17 357
Total tax expense in the income statement	234 733	33 709	159 421	-17 706
Reconciliation of effective tax rate				
Total pre tax income	331 738	99 489	1 580 974	502 383
Tax based on current ordinary tax rate	72 982	21 888	347 814	110 524
Resource rent tax for the year	106 246	-2 427	106 246	-2 427
Effect of different tax rates abroad	-5 505	7 665		
Calculated tax	173 724	27 125	454 060	108 097

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Effect of non-deductible expenses	53 116	2 582	26 662	3 724
Effect of non-taxable income	-21 933	-1 172	-321 302	-129 106
Effect of unrecognised tax loss carryforward	42 095	9 583		
Effect of changed tax rates	-4 729	-4 684		-72
Effect of changed tax assessments for previous years	-9 547	713		
Over-/underprovision relating to previous years	2 007	-438		-349
Tax expense in reconciliation of effective tax rate	234 733	33 709	159 421	-17 706
Current ordinary tax rate in Norway	22,0 %	22,0 %	22,0 %	22,0 %
Effective tax rate	70,8 %	33,9 %	10,1 %	-3,5 %
Tax recognised in other comprehensive income (OCI)				
Tax on OCI that may be reclassified to P&L	1 335	-2 032		
Tax on OCI that will not be reclassified to P&L	-1 185	-1 018	-621	-1 018
Total tax recognised in OCI	150	-3 049	-621	-1 018

Tax payable
Tax payable of tNOK 187 002 (2020: tNOK 51 571) for the Group and tNOK 112 023 (2020: tNOK 6 740) for the parent company consists of unassessed tax payable for the current period.

Tax Assets and Liabilities

Group	ASSETS		LIABILITIES		NET	
	2021	2020	2021	2020	2021	2020
Property, plant and equipment	31 923	32 554	-43 825	-40 783	-11 902	-8 229
Goodwill, intangible assets	7 509	-298	-23 960	-21 900	-16 451	-22 198
Non-current receivables and liabilities in foreign currency	698		-519		179	
Construction contracts			-4 634	-5 046	-4 634	-5 046
Inventories	10 410	11 315	-247	-26	10 163	11 289
Trade and other receivables	1 150	1 042			1 150	1 042
Leases	17 338	12 947	-180	-89	17 158	12 858
Untaxed gains and losses	817	869	-11	-14	806	855
Provisions	8 075	8 905	-229	-187	7 846	8 718
Other assets	35	463	-5 353	-8 105	-5 318	-7 642
Financial instruments		23 629	-1 007	-1 200	-1 007	22 429
Employee benefits	1 717	3 415	-3 708	-1 597	-1 991	1 818
Tax loss carryforward	158 474	158 149	1 377	12 718	159 851	170 867
Unrecognised tax loss carryforward	-144 045	-129 067	-111	-12 458	-144 156	-141 525
Recognised tax loss carryforward	14 429	29 083	1 266	260	15 695	29 342
Total deferred ordinary income tax	94 100	123 924	-82 407	-78 688	11 693	45 236
PPE, resource rent tax	27 459	28 303			27 459	28 303
Losses carried forward - Resource rent		3 334				3 334
Total deferred resource rent tax	27 459	31 637			27 459	31 637
Deferred tax asset/liability	121 559	155 561	-82 407	-78 688	39 151	76 873
Offsetting of assets and liabilities	-29 631	-23 892	29 631	23 892		0
Net deferred tax asset/liability	91 927	131 669	-52 776	-54 796	39 151	76 873

Parent Company	ASSETS		LIABILITIES		NET	
	2021	2020	2021	2020	2021	2020
Property, plant and equipment	16 238	16 704			16 238	16 704
Leases	60	4			60	4
Gains and losses account	84	106			84	106
Financial instruments		23 506				23 506
Employee benefits			-1 489	-533	-1 489	-533
Tax loss carryforward		12 246				12 246
Recognised tax loss carryforward		12 246				12 246
Total deferred ordinary income tax	16 382	52 566	-1 489	-533	14 893	52 033
PPE, resource rent tax	27 459	28 303			27 459	28 303
Losses carried forward - Resource rent		3 334				3 334
Total deferred resource rent tax	27 459	31 637			27 459	31 637
Deferred tax asset/liability	43 841	84 204	-1 489	-533	42 352	83 670
Offsetting of assets and liabilities	-1 489	-533	1 489	533		
Net deferred tax asset/liability	42 352	83 670			42 352	83 670

Change in deferred tax over the year

Amounts in NOK 1 000

Group	2020								
	Total Opening Balance	Changes in Net Income	Reclassification	From OCI	Change in tax loss carry-forward	Mergers and acquisitions	Group Contribution Received/Paid	Total Effect from Foreign Exchange	Closing Balance
Ordinary income tax									
Property, plant and equipment	7 141	-71	-14 959			8		-349	-8 229
Goodwill, intangible assets	-30 943	5 843	11 943		-868	-8 034		-71	-22 131
Construction contracts	-350	-1101	-3 560					-36	-5 046
Inventories	5 658	-2 359	7 354					635	11 289
Trade and other receivables	920	14	87			11		10	1 042
Leases	-2 661	5 258	9 953					307	12 858
Untaxed gains and losses	1 069	-214							855
Provisions	4 459	2 119	2 025					115	8 718
Other items	3 185	2 377	-11 407			-1 129		-735	-7 710
Financial instruments	21 321	3 427	-288	-2 032					22 429
Employee benefits	2 190	460	83	-1 018				102	1 818
Tax loss carryforward	19 293	12 617	-1 234		-1 621			287	29 342
Total ordinary income tax	31 282	28 370		-3 049	-2 489	-9 144		267	45 236
Resource rent tax									
Property, plant and equipment	29 210	-907							28 303
Loss carried forward - Resource rent		3 334							3 334
Total resource rent tax	29 210	2 427							31 637
Total change in deferred tax	60 492	30 797		-3 049	-2 489	-9 144		267	76 873

Group	2021								
	Total Opening Balance	Changes in Net Income	Reclassification	From OCI	Change in tax loss carry-forward	Mergers and acquisitions	Group Contribution Received/Paid	Total Effect from Foreign Exchange	Closing Balance
Ordinary income tax									
Property, plant and equipment	-8 229	6 441	-7 509	1		-3 084		518	-11 863
Goodwill, intangible assets	-22 131	-294	7 509			-2 397		862	-16 451
Non-current rec. and liab. in for. currency									
Construction contracts	-5 046	383						29	-4 634
Inventories	11 289	-985						-141	10 163
Trade and other receivables	1 042	65				2		41	1 150
Leases	12 858	4 678				-115		-252	17 168
Gains and losses account	855	-171							684
Provisions	8 718	-1 333						282	7 668
Other items	-7 710	4 226	342			-2 175		203	-5 114
Financial instruments	22 429	-24 768		1 332					-1 007
Employee benefits	1 818	-2 552		-1 185		-41		-57	-2 017
Tax loss carryforward	29 343	3 261			-9 806	425	-7 234	-43	15 947
Total ordinary income tax	45 237	-11 050	342	148	-9 806	-7 385	-7 234	1 441	11 693
Resource rent tax									
Property, plant and equipment	28 303	-845							27 459
Loss carried forward - Resource rent	3 334	30			-3 364				
Total resource rent tax	31 637	-815			-3 364				27 459
Total change in deferred tax	76 874	-11 864	342	148	-13 170	-7 385	-7 234	1 441	39 151

Parent Company		2020							
	Total Opening Balance	Changes in Net Income	Reclassification	From OCI	Change in tax loss carry-forward	Mergers and acquisitions	Group Contribution Received/ Paid	Total Effect from Foreign Exchange	Closing Balance
Ordinary income tax									
Property, plant and equipment	17 199	-495							16 704
Leases	24	-19							4
Gains and losses account	132	-26							106
Financial instruments	20 201	3 305							23 506
Employee benefits	638	-154		-1 018					-533
Tax loss carryforward		12 319			-72				12 246
Total ordinary income tax	38 193	14 930		-1 018	-72				52 033
Property, plant and equipment	29 210	-907							28 303
Loss carried forward - Resource rent		3 334							3 334
Total resource rent tax	29 210	2 427							31 637
Total change in deferred tax	67 403	17 357		-1 018	-72				83 670

Parent Company		2021							
	Total Opening Balance	Changes in Net Income	Reclassification	From OCI	Change in tax loss carry-forward	Mergers and acquisitions	Group Contribution Received/ Paid	Total Effect from Foreign Exchange	Closing Balance
Ordinary income tax									
Property, plant and equipment	16 704	-467							16 238
Leases	4	56							60
Gains and losses account	106	-21							84
Financial instruments	23 506	-23 506							
Employee benefits	-533	-334		-621					-1 489
Tax loss carryforward	12 246	-5 544			-6 702				
Total ordinary income tax	52 033	-29 816		-621	-6 702				14 893
Property, plant and equipment	28 303	-845							27 459
Loss carried forward - Resource rent	3 334	30			-3 364				
Total resource rent tax	31 637	-815			-3 364				27 459
Total change in deferred tax	83 670	-30 631		-621	-10 066				42 352

Note 10 Equity

Amounts in NOK 1 000

Issued as at 31 December – fully paid up	SHARE CAPITAL ORDINARY SHARES	
	2021	2020
	55 995 250	55 995 250
	55 995 250	55 995 250

Owners of shares are entitled to the dividend approved in each individual case by the annual general meeting, and are entitled to one vote per share at the company's annual general meeting. No shareholder may personally or by proxy vote for more than a quarter of the total number of shares. Shares transferred to a new owner do not confer voting rights until at least three weeks have passed since the acquisition was notified to the company. The rights to the company's own shares (see Note 22) are suspended until the shares have been acquired by others.

Dividend

The Company has from the second quarter 2020 paid dividend quarterly. In 2021 the following dividend has been paid; In February (for Q4 2020), tNOK 38.419, in May tNOK 1.646.605 (Q1 and additonal), in September tNOK 43.819 and in November tNOK 46.620. In additon shares in Volue ASA have been distributed as dividend (10 shares in AFK gave 1 share in Volue). Value of this dividend was tNOK 258.072. No dividend is paid on own shares.

	ORDINARY DIVIDEND		
	Approved 2021 and paid in 2021	Approved 2020 and paid in 2020	Approved in 2019, paid out in 2020
Ordinary cash dividend: NOK 2,24 per share			122 848
Paid in 2020		65 845	
Paid in 2021	1 775 958		
Value of shares	257 398		
Total	2 033 356	65 845	122 848

Note 11 Group companies

Subsidiaries	DOMICILE	SHAREHOLDING		NON-CONTROLLING INTERESTS' SHARE OF EQUITY, BY SUBGROUP		VALUE IN PARENT COMPANY BALANCE SHEET	
		2021	2020	2021	2020	2021	2020
Volue ASA	Oslo	60,1 %	75,7 %	311 968	182 920	304 295	382 648
NSSL Global Ltd	UK	80,0 %	80,0 %	91 610	84 841	273 298	273 298
EFD Induction AS	Skien	96,1 %	98,7 %	5 388	4 984	410 988	432 701
Tekna Holdings Canada Inc. *	Canada		100,0 %				381 848
Cogen Energía España S.L.	Spain		100,0 %		11 158		90 699
Alytic AS	Arendal	96,0 %	100,0 %	20 025	10 671	74 100	50 000
Tekna Holding AS (AFK AS) *	Arendal	79,9 %	100,0 %	108 104		361 426	100
AFK Property AS **	Arendal	100,0 %	100,0 %	7 937		184 060	113
Arendal Lufthavn Gullknapp AS **	Froland		92,0 %		7 671		90 027
Bedriftsveien 17 AS **	Arendal		100,0 %				12 837
Steinodden Eiendom AS **	Arendal		77,6 %		750		7 734
Songe Træsliperi AS **	Risør		50,8 %		26		100
Vindholmen Eiendom AS **	Arendal		100,0 %				73 250
AFK Energy AS	Arendal	100,0 %	0,0 %			14 950	
Total				545 033	303 021	1 623 119	1 795 354

* Tekna Holding Canada Inc was transferred from AFK to Tekna Holding AS in 2021
** Arendal Lufthavn Gullknapp AS, Bedriftsveien 17 AS, Bøleveien 4 AS, Steinodden Eiendom AS, Songe Træsliperi AS og Vindholmen Eiendom AS were transferred from AFK to AFK Property AS in 2021.

Subsidiaries			SHAREHOLDING	
			2021	2020
Subsidiaries in Value ASA				
Oslo Norway				
Subsidiaries in Value Technology AS				
Trondheim Norway				
Value Technology Denmark A/S	Odense	Denmark	100,0 %	100,0 %
Value AB	Jönköping	Sweden	100,0 %	100,0 %
Value AG	Basel	Switzerland	100,0 %	100,0 %
Value Enerji Cözümleri	Istanbul	Turkey	100,0 %	100,0 %
Value Sp. z.o.o.	Gdansk	Poland	100,0 %	100,0 %
Value Construction AS	Trondheim	Norway		100,0 %
Value Environment AS	Trondheim	Norway		100,0 %
Value Gmbh	Dusseldorf	Germany	100,0 %	100,0 %
Subsidiaries in Value Industrial IOT AS (Scanmatic AS)				
Arendal Norway				
Value Denmark ApS		Denmark	100,0 %	100,0 %
Value in Situ AB	Åkersberga	Sweden	100,0 %	100,0 %
Value Instrument Technology AS	Ås	Norway	100,0 %	100,0 %
Subsidiaries in Value Market Service AS				
Arendal Norway				
Value Market Services	Stockholm	Sweden	100,0 %	100,0 %
Value Market Services	Aarhus	Denmark	100,0 %	100,0 %
Value Market Services	Helsingfors	Finland	100,0 %	100,0 %
Subsidiaries in Value Insight AS (Wattsight AS)				
Arendal Norway				
Value Insight GmbH	Berlin	Germany	100,0 %	100,0 %
Likron GmbH		Germany	100,0 %	100,0 %
Procom GmbH		Germany	100,0 %	0,0 %
Subsidiaries in NSSLGlobal Ltd.				
London UK				
NSSLGlobal LLC	California	USA	100,0 %	100,0 %
NSSLGlobal PTE Ltd	Singapore	Singapore	100,0 %	100,0 %
Nera Satellite Services LTD	London	UK	100,0 %	100,0 %
NSSL Ltd	London	UK	100,0 %	100,0 %
Aero-Satcom Ltd.	London	UK	50,0 %	50,0 %
Marine Electronic Solutions Ltd.	London	UK		100,0 %
NSSLGlobal Technologies AS	Oslo	Norway	100,0 %	100,0 %
NSSLGlobal Continental Europe APS	Brøndby	Denmark	100,0 %	100,0 %
NSSLGlobal APS	Brøndby	Denmark	100,0 %	100,0 %
NSSLGlobal Polska SP. Z.o.o.	Warszawa	Poland	100,0 %	100,0 %
NSSLGlobal Israel Ltd		Israel	100,0 %	100,0 %
NSSLGlobal Kabushiki Kaisha		Japan	100,0 %	100,0 %
NSSLGlobal GmbH	Barbüttel	Germany	100,0 %	100,0 %
NSSLGlobal Distribution GmbH	Barbüttel	Germany	100,0 %	100,0 %
ESS Hanika GmbH	Barbüttel	Germany	100,0 %	100,0 %

Subsidiaries			SHAREHOLDING	
			2021	2020
Subsidiaries in EFD Induction Group AS				
EFD Induction AS	Skien	Norway	100,0 %	100,0 %
EFD Induction AS	Västerås	Sweden	100,0 %	
EFD Induction GmbH	Freiburg	Germany	100,0 %	100,0 %
EFD France Holding Eurl	Grenoble	France	100,0 %	100,0 %
EFD Induction Ltd.	Wolverhampton	UK	100,0 %	100,0 %
EFD Induction Inc.	Detroit	USA	100,0 %	100,0 %
EHE Acquisition Corporation Inc	Detroit	USA	100,0 %	100,0 %
EFD Induction ab	Västerås	Sweden		100,0 %
EFD Induction s.r.l	Milano	Italy	100,0 %	100,0 %
EFD Induction Ltd.	Bangalore	India	100,0 %	100,0 %
EFD Induction (Shanghai) Co., Ltd.	Shanghai	China	100,0 %	100,0 %
EFD Induction Ges.m.b.H	Wien	Austria	100,0 %	100,0 %
EFD Induction s.l	Bilbao	Spain	100,0 %	100,0 %
Inductro SRL	Bucuresti	Romania	100,0 %	100,0 %
EFD Induction SP. Z o.o	Gliwice	Poland	100,0 %	100,0 %
EFD Induction Co., Ltd	Bangkok	Thailand	100,0 %	100,0 %
EFD Induction S.A	Grenoble	France	100,0 %	100,0 %
EFD Induction Marcoussis S.A	Paris	France		100,0 %
EFD Induction K.K.	Yokohama	Japan	100,0 %	100,0 %
EFD Inducaao Brasil Ltd	Sao Paolo	Brazil	100,0 %	100,0 %
EFD Induction Oil & Gas Service	Pinang	Malaysia	100,0 %	100,0 %
EFD Induction Sdn. Bhd.		Malaysia	100,0 %	100,0 %
EFD Induction S de R.L	Queretaro	Mexico	100,0 %	100,0 %
Subsidiaries in Tekna Holding AS				
Subsidiaries in Tekna Holdings Canada Inc.				
Sherbrooke Canada			96,4 %	100,0 %
Tekna Plasma Systems Inc.	Sherbrooke	Canada	100,0 %	100,0 %
Tekna Advanced Materials Inc.	Sherbrooke	Canada	100,0 %	100,0 %
Tekna Plasma Europe S.A.S.	Mâcon	France	100,0 %	100,0 %
Tekna Plasma Systems(Suzhou)Co Ltd.	Suzhou	China	100,0 %	100,0 %
Tekna Plasma India Private Ltd.	Chennai	India	100,0 %	100,0 %
Tekna Plasma Korea Co, Ltd	Incheon	South Korea	100,0 %	100,0 %

Subsidiaries			SHAREHOLDING	
			2021	2020
Subsidiaries in Cogen Energia España S.L.				
Tortosa Energia SA	Tortosa	Spain		94,0 %
Cogen Eresma SL	Segovia	Spain		89,9 %
Incogen S.A	Navarra	Spain		100,0 %
Cogen Gestion Intergral S.L.	Madrid	Spain		100,0 %
Energy by Cogen S.L.U.	Madrid	Spain		100,0 %
Create Energy UK Ltd.	Cornwall	UK		100,0 %
Ecoenergia Sistemas Alternativos S.L.	Navarra	Spain		100,0 %
Papertech Energia SL	Pamplona	Spain		50,0 %
Cogen Biomass, S.L.	Madrid	Spain		100,0 %
Subsidiaries in Alytic AS				
Kontali Holding AS	Arendal	Norway	100,0 %	100,0 %
Kontali Analyse AS	Kristiansund	Norway	71,0 %	71,0 %
Seafood TIP	Utrecht	Netherlands	100,0 %	100,0 %
Monaqua AS	Kristiansund	Norway		100,0 %
Utel Holding AS	Arendal	Norway	100,0 %	0,0 %
Utel Systems AS	Grimstad	Norway	97,5 %	0,0 %
Greenfact Holding AS	Arendal	Norway	100,0 %	0,0 %
Greenfact AS	Oslo	Norway	60,0 %	0,0 %
Subsidiaries in AFK Property AS				
Vindholmen Eiendom AS	Arendal	Norway	100,0 %	100,0 %
Bedriftsveien 17 AS	Arendal	Norway	100,0 %	100,0 %
Bøleveien 4 AS	Skien	Norway	100,0 %	100,0 %
Steinodden Eiendom AS	Arendal	Norway	77,6 %	77,6 %
Arendal Lufthavn Gullknapp AS	Arendal	Norway	92,1 %	92,0 %
Songe Træsliperi AS	Tvedestrand	Norway	50,8 %	50,8 %
Gullknapp Invest AS	Arendal	Norway	100,0 %	100,0 %
Gullknapp Utvikling AS	Arendal	Norway	50,0 %	50,0 %

Investments in associates and joint ventures

Amounts in NOK 1 000

The Group has the following investments in joint ventures. All businesses are organized as companies with limited liability corresponding to Norwegian corporations. Guidelines for the operation of companies are based on shareholder agreements. According to the shareholder agreements it is required unanimity between the parties for making decisions about relevant activities. Accordingly, participants in the companies have joint control over the activities. The Group's responsibility as a participant in Imphytec Powders SAS, Seagust AS and North Ammonia AS is limited to the capital contribution, and the return equals the Group's share of profit. Thus, the group as a participant is entitled to the arrangements net assets.

In the consolidated group accounts the investments in joint ventures and associates are accounted for in accordance with the equity method. In the company accounts the investments in joint ventures and associates are accounted for based on historic cost.

Entity	Country	Activities	Ownership interest
Imphytec Powders SAS	France	Production of powders	48,00 %
North Ammonia AS	Norway	Green ammonia	50,00 %
Seagust AS	Norway	Offshore wind	47,50 %

Based on an overall assessment where the size and complexity is taken into consideration these investments are considered to be significant joint ventures. Further information regarding these companies is disclosed below.

2020	North Ammonia AS	Seagust AS	Imphytec Powders SAS	Total
Balance at 1 January				
Income from associates			-14 324	-14 324
Aquisitions through business combinations			24 176	24 176
Exchange differences on translation of foreign operations			-431	-431
Balance at 31 December			9 422	9 422
2021				
Balance at 1 January			9 422	9 422
Income from associates	-980	-1 101	-10 093	-12 173
Investment/disposal of companies and businesses			10 165	10 165
Issue of stock from NCI	4 997	4 750		9 747
Exchange differences on translation of foreign operations			-238	-238
Balance at 31 December	4 018	3 649	9 256	16 922

Seagust AS is directly owned by Arendals Fossekompani ASA and booked at historic cost of TNOK 4 750 in the company accounts. None of the companies have observable market values in form of market price or similar.

Description of the business in significant joint ventures

Imphytek Powders

Imphytek Powders S.A.S. has it's headquarters and operations in Macon in France. The company is combining Aperam's expertise in Nickel & Specialty Alloys with Tekna's unique wire plasma atomization technology. The joint venture has the exclusive right to sell nickel alloy powder in Europe, and benefits from all market and product developments made by Tekna and Aperam in the past years. The company's main activities are the production of high-performance powder for advanced manufacturing technologies. The company is organized as a company with limited liability similar to Norwegian private limited liability companies, and the company is not publicly traded. The company is strategically important company within Tekna Group in the business area Advanced Manufacturing. Imphytek Powders has no contingent liabilities or capital commitments as of 31.12.2021 or 31.12.2020. The partners have an agreement with Imphytek Powders that profits of the company will not be distributed until it has the consent of both the partners. The partners have not given consent at the reporting date.

Seagust

Seagust is domiciled in Norway, where the head office is in Arendal. The group is one of two partners who collaborate on utilization of offs-hore wind resources in the North Sea. This is a strategically important business as a result of the Group's focus on expansion in the offshore wind market to develop more renewable energy. The other partner is Ferd, a large Norwegian industrial investment company.

The owners of Seagust are committed to further capital contributions in 2022 to secure financing of the company. The partners have an agreement with Seagust that profits of the company will not be distributed until it has the consent of both the partners. In 2022 Vattenfall and Seagust have formed a joint venture to bid for offshore wind areas in Norway's upcoming licensing round. The joint venture intends to bid on licenses in both the Utsira Nord and Sørlige Nordsjø II areas in the North Sea. The licensing rounds are expected to take place within 2022.

North Ammonia

North Ammonia is domiciled in Norway, where the head office is in Arendal. The group is one of two partners who collaborate on production of green ammonia. This is a strategically important business as a result of the Group's focus on becoming a wordwide supplier of green ammonia - the future sustainable fuel. The other partner is Grieg Edge, a Norwegian innovation company with focus on sustainable solutions only. The owners of North Ammonia are committed to further capital contributions in 2022 to secure financing of the company. The partners have an agreement with North Ammonia that profits of the company will not be distributed until it has the consent of both the partners.

2020	North Ammonia AS	Seagust AS	Imphytec Powders SAS	Total
The Groups share of equity			9 422	9 422
=Book value 31 December			9 422	9 422
2021				
The Groups share of equity	4 018	3 649	9 256	16 922
=Book value 31 December	4 018	3 649	9 256	16 922

The table below shows the condensed financial information of the material Joint ventures, based on 100%

Income Statement

	IMPHYTEC POWDERS SAS		NORTH AMMONIA AS		SEAGUST AS	
	2021	2020	2021	2020	2021	2020
Operating revenues and operating costs						
Sales revenues	3 956	6 809				
Total other Income						
Sales	3 956	6 809				
Cost of sales	962	689				
Total staff cost			447		1 104	
Total other operating cost	18 168	27 704	1 513		1 215	
Operating expense EBITDA	19 130	28 394	1 959		2 318	
EBITDA	-15 174	-21 584	-1 959		-2 318	
Depreciation	1 134	1 941				
Operating profit	-16 308	-23 526	-1 959		-2 318	
Finance income and finance costs						
Finance income						
Finance cost		11				
Net financial items		-11				
Profit before taxes	-16 308	-23 537	-1 959		-2 318	
Provision for income tax		17				
Net profit for the year	-16 308	-23 554	-1 959		-2 318	

Balance Sheet

	IMPHYTEC POWDERS SAS		NORTH AMMONIA AS		SEAGUST AS	
	2021	2020	2021	2020	2021	2020
Assets						
Fixed assets	1 294					
Intangible assets and goodwill	10 026	10 968				
Non-current receivables and investments					267	
Non-current assets	11 320	10 968			267	
Inventories	7 898	13 860				
Total receivables					9	
Accounts receivable	4 662	774				
Other receivables	8 060	3 655			9	
Other current assets		203				
Cash and cash equivalents	60	5 674	8 308		7 829	
Current assets	20 680	24 166	8 308		7 838	
Total assets	32 000	35 134	8 308		8 105	
Equity and liabilities						
Common stock	50	48 216	10 000		3 600	
Other paid in capital					6 400	
Retained earnings	-16 026	-39 802	-1 965		-2 318	
Owner's equity	-15 976	8 414	8 035		7 682	
Minority Interest						
Total equity	-15 976	8 414	8 035		7 682	
Non-current borrowings	46 941	20 941				
Non-current liabilities	46 941	20 941				
Accounts payable		5 750	151		423	
Payable income tax	1 034					
Other current liabilities		29	121			
Current liabilities	1 034	5 780	273		423	
Total liabilities and equity	32 000	35 134	8 308		8 105	
Net interest bearing debt	46 881	15 267	-8 308		-7 829	

Note 12 Other receivables and investments

Amounts in NOK 1 000

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Long-term investments				
Loans to employees	38 525	42 048	1 642	10 592
Contributions to company pension plan	22 002	27 000	22 002	27 000
Natural resource tax receivable	63 780	80 066	63 780	80 066
Other non-current receivables	22 136	34 229	17 180	619
Other investments	117 881	121 880	68 944	108 286
Total long-term investments	264 323	305 222	173 548	226 563

Security provided for loans to employees

All loans to employees incur interest at a rate that never triggers a taxable benefit. The loans are repaid over 5 years (vehicles) or 20 years (housing). Loans exceeding NOK 200,000 are secured by mortgages on property or shares.

Note 13 Inventories

Amounts in NOK 1 000

	GROUP	
	2021	2020
Raw materials	174 574	116 485
Work in progress	138 926	364 968
Spare parts	37 071	31 068
Finished goods	151 701	160 799
Total inventories (net after provision for obsolescence)	502 272	673 319
Provision for obsolete	81 979	7 267

Construction contracts (sales over time)

The subsidiaries EFD Induction, Tekna and Volve recognise construction contracts in accordance with percentage of completion method. At year-end these subsidiaries had the following carrying amounts associated with construction contracts and projects in progress:

	GROUP	
	2021	2020
Contracts with at-delivery billing		
Booked income	236 909	244 008
Payments recieved	-86 129	-83 308
Contract assets	150 780	160 700
Contracts with advance billing		
Payments recieved	215 549	181 928
Booked income	-49 044	-28 746
Contract liabilities	166 505	153 183
Net contract assets / - liabilities	-15 725	7 517

Note 13 Inventories

Amounts in NOK 1 000

	GROUP	
	2021	2020
Booked income from uncompleted contracts per 31.12		
Booked accrued income per 31.12	300 917	311 443
Booked accrued expenses per 31.12	-289 925	-300 411
Reported margin per 31.12	10 992	11 032

	GROUP	
	2021	2020
Remaining income from sales over time contracts		
Within one year	254 708	174 222
Between one and two years		10 094
More than two years		
Remaining income (sales over time)	254 708	184 316

Note 14 Trade and other receivables

Amounts in NOK 1 000

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Trade accounts receivables	792 805	582 256	916	1 223
Bad debt provision	-19 999			
Receivables, IC			123 580	154 906
Other receivables and prepayments	244 894	122 045	34 436	2 031
Effect of hedging of currency and gas / electric power	11 317	4 782		
Trade receivables	1 029 018	709 083	158 932	158 159

Note 15 Cash and cash equivalents

Amounts in NOK 1 000

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Cash and cash equivalents	2 708 412	1 688 228	1 411 245	765 641

Note 16 Financial risk management / financial instruments

Amounts in NOK 1 000

		GROUP				PARENT COMPANY			
		2021		2020		2021		2020	
		Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Assets									
Trade and other receivables such as derivatives	*	1 017 701	1 017 701	697 085	697 085	92 714	92 714	13 519	13 519
Cash and cash equivalents	*	2 708 412	2 708 412	1 688 228	1 688 228	1 411 245	1 411 245	765 641	765 641
Financial assets at fair value through OCI	*	15 227	15 227	734 973	734 973	15 227	15 227	734 973	734 973
Financial assets clas. as held for sale				10 000	10 000				
Other receivables and investments	*	264 323	264 323	305 222	305 222	173 548	173 548	226 563	226 563
Contract assets	*	150 780	150 780	160 700	160 700				
Loans to Group companies	*					71 268	71 268	286 817	286 817
Derivatives, included in trade receivables		11 317	11 317	6 275	6 275				
Liabilities									
Derivatives, interest and currency swaps				106 847	106 847			106 847	106 847
Derivative liabilities, included intrade payables		4 305	4 305	28 205	28 205				
Interest-bearing loans and borrowings	*	426 670	426 130	746 598	746 598		-539	216 773	216 773
Bond loans		496 581	492 500	299 912	306 752	496 581	492 500	299 912	306 752
RoU liabilities	*	206 050	206 050	232 252	232 252	19 263	19 263	20 645	20 645
Trade and other payables	*	753 718	753 718	572 707	572 707	51 777	51 777	17 867	17 867
Other current liabilities	*	595 514	595 514	450 226	450 226	24 478	24 478	12 957	12 957
Liabilities to Group companies	*					35 672	35 672	28 921	28 921
Contract liabilities	*	166 505	166 505	153 183	153 183				
Total financial instruments		1 518 416	1 523 037	1 012 554	1 005 714	1 136 231	1 140 851	1 323 592	1 316 752
Unrealised gains / losses			-4 621		6 840		-4 621		6 840

* The original book value of these items is considered a reasonable approximation of fair value. For other items refer to the note concerning policies for calculating fair value of the various instruments.

Fair value categories financial assets and liabilities

Carrying amount financial assets	2021	GROUP				PARENT COMPANY			
		Fair value through income	Fair value through OCI	Amort. cost	Sum	Fair value through income	Fair value through OCI	Amort. cost	Total
Trade and other receivables				1 017 701	1 017 701			92 714	92 714
Cash and cash equivalents				2 708 412	2 708 412			1 411 245	1 411 245
Financial assets at fair value through OCI			15 227		15 227		15 227		15 227
Financial assets classified as held for sale									
Loans to Group companies								71 268	71 268
Derivatives		11 317			11 317				
Total		11 317	15 227	3 726 113	3 752 656		15 227	1 575 228	1 590 454
Carrying amount financial liabilities									
Derivatives, interest and currency swaps									
Derivative liabilities		4 305			4 305				
Interest-bearing loans and borrowings				426 670	426 670				
Bond loans				496 581	496 581			496 581	496 581
Trade and other payables				753 718	753 718			51 777	51 777
Liabilities to Group companies								35 672	35 672
Total		4 305		1 676 969	1 681 274			584 030	584 030

Carrying amount financial assets	2020	GROUP				PARENT COMPANY			
		Fair value through income	Fair value through OCI	Amort. cost	Total	Fair value through income	Fair value through OCI	Amort. cost	Total
Trade and other receivables				697 085	697 085			13 519	13 519
Cash and cash equivalents				1 688 228	1 688 228			765 641	765 641
Financial assets at fair value through OCI			734 973		734 973		734 973		734 973
Financial assets classified as held for sale				10 000	10 000				
Loans to Group companies								286 817	286 817
Derivatives		6 275			6 275				
Total		6 275	734 973	2 395 313	3 136 561		734 973	1 065 976	1 800 950
Carrying amount financial liabilities									
Derivatives, interest and currency swaps		106 847			106 847	106 847			106 847
Derivative liabilities		28 205			28 205				
Interest-bearing loans and borrowings				746 598	746 598			216 773	216 773
Bond loans				299 912	299 912			299 912	299 912
Trade and other payables				572 707	572 707			17 867	17 867
Liabilities to Group companies								28 921	28 921
Total		135 051		1 619 216	1 754 267	106 847		563 472	670 319

Fair value hierarchy

The table below analyses financial instruments measured at fair value according to valuation method.

The different levels are defined as follows:

Level 1: Fair value is measured using listed prices from active markets for identical financial instruments.
No adjustment is made to these prices.

Level 2: Fair value is measured using other observable inputs than those used at level 1, either directly (prices) or indirectly (derived from prices).

Level 3: Fair value is measured using inputs that are not based on observable market data (unobservable inputs).

2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through OCI	15 227			15 227
Financial assets at fair value through income				
Bond loans		-492 500		-492 500
Total	15 227	-492 500		-477 273
Other derivative financial assets	11 317			11 317
Interest and currency swaps related to bond loans				
Other derivative financial liabilities	-4 305			-4 305
Grand Total	22 239	-492 500		-470 261
2020				
Financial assets at fair value through OCI	7 722	727 252		734 974
Financial assets at fair value through income	-	10 192		10 192
Bond loans		-306 752		-306 752
Total	7 722	430 692		438 414
Other derivative financial assets	6 275			6 275
Interest and currency swaps related to bond loans		-106 847		-106 847
Other derivative financial liabilities	-28 205			-28 205
Grand Total	-14 208	323 845		309 637

The breakdown of the parent company's financial assets is as follows (in 1 000 NOK):
Available-for-sale shares held by the parent company

	NUMBER OF SHARES		SHAREHOLDING IN %		COST, ADJUSTED FOR IMPAIRMENT				FAIR VALUE	
	2021	2020	2021	2020	2021	%	2020	%	2021	2020
Listed shares										
Kongsberg Gruppen	25 812	25 812	0,01 %	0,01 %	4 130	28,4 %	4 130	13,0 %	7 382	4 548
Canopy Holding	423 167	423 164	0,48 %	0,48 %	1 416	9,7 %	1 416	4,5 %	1 117	3 174
Norse Atlantic	450 000		0,58 %		9 000	61,9 %			6 728	
Total listed shares					14 546	100 %	5 546		15 227	7 722
Unlisted shares										
Eiendomsspar		390 432	0,00 %	1,09 %			2 490	7,9 %		169 838
Victoria Eiendom		870 659	0,00 %	6,49 %			23 621	74,6 %		557 414
Total unlisted shares							26 111			727 252
Total available-for-sale shares held by the parent company and the Group					14 546	100 %	31 657	100 %	15 227	734 974

Fair value – change during the year:

Financial assets at fair value through OCI	PARENT COMPANY	
	2021	2020
Balance at 1 January	734 973	895 545
Change in financial assets at fair value through OCI	95 193	-161 988
Proceed from sale of financial assets at fair value	-823 940	
Purchase of financial assets at fair value	9 000	1 416
Exchange differences on translation of foreign operations		
Balance at 31 December	15 227	734 973

Financial assets - held by Group companies - held for sale at fair value through income

	COST		FAIR VALUE	
	2021	2020	2021	2020
Money market funds				
DNB Pengemarked		10 192		10 000
Total		10 192		10 000

The following dividend is received: Kongsberg Gruppen tNOK 206 (tNOK 323), Eiendomsspar tNOK 0 (tNOK 1.269) and Victoria Eiendom tNOK 0 (tNOK 3.484).

A sensitivity analysis indicates that a 10% change in fair value as at 31 December 2020 would change equity by tNOK 1.523 and profit for the year from continuing operations by tNOK 0 (2020: by tNOK 74.517 and tNOK 1.019 respectively).

Financial risk management

The company and the Group are exposed to credit risk, liquidity risk from the use of financial instruments and market risk. The Board of Directors has overall responsibility for establishing and supervision of the Group's guidelines on risk management. Principles, procedures and systems for risk management in the key areas are reviewed and assessed regularly. Industrial investments consist of a limited number of large investments. The investment strategy is based on the premise that long-term, active engagement provides the greatest return. Other investments are in liquid deposits with no connection to the Group.

Credit risk

Credit risk is the risk of financial losses if a customer or counterparty to a financial instrument is unable to fulfil their obligations. Credit risk normally arises when the company or Group extends credit to customers or invests in securities.

Credit risk associated with investments is considered to be limited since investments are mainly made in liquid securities with a good creditworthiness. A specification of the investments is given earlier in this note.

The Group has routines to ensure that credit is only extended for sales to customers that have had no previous payment issues and that stay within their credit limit.

The maximum exposure to credit risk associated with receivables at the balance sheet date was:

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Total receivables	1 029 018	709 083	158 932	158 159
Outstanding trade receivables	792 805	600 167	916	1 223
Provision for losses	19 999	17 912		

Breakdown of the book value of outstanding trade receivables in:

Outstanding trade receivables	External customer rec not due	External customer rec 1-30 days past due	External customer rec 31-60 days past due	External customer rec 61-90 days past due	External customer rec > 90 days past due	Trade accounts receivable
2021						
Arendals Fossekompani ASA	756		19	3	137	916
Volue	311 531	46 597	6 721	4 286	3 388	372 523
EFD Induction	205 237	28 898	12 950	7 320	21 349	275 754
NSSLGlobal	43 793	16 728	29 419	15 861	8 371	114 172
Tekna	7 766	4 618	4 739	3 546	4 252	24 921
Fossekompaniet Eiendom AS	329	107	139	69	76	720
Alytic (Cons)	3 210	178	238	173		3 799
Total	572 620	97 127	54 225	31 259	37 574	792 805

The company has applied impairment losses for expected credit losses as follows:

Provision for losses

2021						
Volue			350	350	938	1 638
EFD Induction	1 249	39	102	2	8 044	9 437
NSSLGlobal					8 874	8 874
Alytic (Cons)		25	25			50
Total	1 249	64	477	352	17 856	19 999

Provisions for losses are calculated based on historical losses and individual assessment of each item and customer. With effect from 2019 standard loss rates will be used to calculate provisions for future losses.

Changes in the period's provisions for losses are explained as follows:

	GROUP	
	2021	2020
Provision for losses		
Total Opening Balance	17 912	12 902
Changes in expected losses (loss rates) and outstanding receivables (volume)	901	5 854
Realized losses during the period (-)	1 002	-892
Exchange differences on translation of foreign operations	184	48
Closing Balance	19 999	17 912

Breakdown of the book value of outstanding trade receivables in:

Outstanding trade receivables	External customer rec not due	External customer rec 1-30 days past due	External customer rec 31-60 days past due	External customer rec 61-90 days past due	External customer rec > 90 days past due	Trade accounts receivable
2020						
Arendals Fossekompani ASA	1 085		50		87	1 223
Value Consolidated	177 510	30 566	2 713	3 563	1 395	215 747
EFD Induction Consolidated	183 510	20 242	5 015	3 078	22 105	233 950
NSSLGlobal Consolidated	73 202	12 080	9 506	1 632	16 635	113 055
Tekna Group	8 273	22 519	1 112	179	2 790	34 872
Fossekompaniet Eiendom AS	200	62				261
Alytic (Cons)	423	110	332		195	1 060
Total	444 204	85 577	18 727	8 451	43 208	600 167

The company has applied impairment losses for expected credit losses as follows:

2020					
Value Consolidated			700	1 105	1 805
EFD Induction Consolidated			29		6 860
NSSLGlobal Consolidated					9 194
Alytic (Cons)					50
Total		3	729	1 105	16 076

Contract Assets

Posted gross value of contract assets are distributed as follows:

Receivables	GROUP	
	2021	2020
Value Consolidated	65 595	39 335
EFD Induction Consolidated	77 978	117 770
Tekna Group	7 208	3 594
Sum	150 780	160 700

Provisions for expected losses on projects are distributed as follows:

Recognized as loss	GROUP	
	2021	2020
Value	87 600	74 300
Sum	87 600	74 300

Provisions are calculated based on historical losses and individual assessment of each item and customer

Changes in the period's provisions are explained as follows:

Loss on contract asset	GROUP	
	2021	2020
Total Opening Balance	74 300	41 000
Changes in expected losses (loss rates) and outstanding receivables (volume)		36 300
Realized losses during the period (-)	13 300	-3 000
Exchange differences on translation of foreign operations		
Closing Balance	87 600	74 300

Liquidity risk
Liquidity risk is the risk that the Group will not be able to fulfil its financial obligations as they fall due. The aim of liquidity management is to secure sufficient liquidity to fulfil the obligations as they fall due, without this causing unacceptable losses to the company and the Group.

Cash flow from the company and the Group's ordinary operations, combined with significant investments in liquid securities as well as unutilised credit facilities mean that the liquidity risk is considered to be low.

Subsidiaries EFD Induction, NSSLGlobal and Volue have established an group account arrangement covering most of the subsidiaries. This includes currencies NOK, EURO, USD, JPY, SEK, DKK og GBP. This helps increase the flexibility and efficiency of liquidity management.

The breakdown of the liabilities of the company and the Group is as follows:
(Contractual cash flows include interest calculated based on interest rates at the balance sheet date)

Parent Company	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years
2021							
Accounts payable	51 777	51 777	51 777				
Payable income tax	112 023	112 023	56 012	56 012			
Other current liabilities	24 478	24 478	24 478				
Current interest-bearing liab, IC	35 672	35 672		35 672			
Obligations from leases	3 897	3 897	1 949	1 949			
Total current liabilities	227 848	227 848	134 215	93 633			
Bond non-current	497 121	591 525		13 075	13 075	39 225	526 150
Non-current borrowings	-539	-539	-270	-270			
Obligations from leases	15 365	16 690			3 637	9 879	3 174
Total non-current liabilities	511 947	607 675	-270	12 805	16 712	49 104	529 324

Group	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years
2021							
Accounts payable	753 718	753 718	753 627	92			
Interest-bearing curr.borrowings	122 333	126 025	30 942	95 083			
Bank overdraft	114 106	114 563	64 387	50 176			
Payable income tax	187 002	188 859	107 677	81 182			
Other current liabilities	599 819	602 836	548 483	54 352			
Contract liabilities	166 505	166 505	113 416	53 089			
Obligations from leases	64 449	66 712	29 756	36 956			
Derivatives current liabilities	4 305	4 305	2 221	2 084			
Total current liabilities	2 012 238	2 023 524	1 650 510	373 014			
Bond non-current	497 121	591 525		13 075	13 075	39 225	526 150
Derivates non-current							
Non-current borrowings	169 310	199 685	1 392	1 459	18 587	54 439	123 808
Non-current borrowings IC							
Other non-current liabilities	20 380	20 380	4 907		5 764		9 710
Obligations from leases	141 601	141 601			75 431	66 170	
Total non-current liabilities	828 412	953 191	6 299	14 534	112 857	159 833	659 668

Market risk

Market risk is the risk that changes in market prices such as exchange rates, interest rates and share prices will impact net income or the value of financial instruments.

Foreign exchange risk

The company and the Group are exposed to foreign exchange risk on purchases, sales and loans in currencies other than the companies' functional currency. The Group's main exposure is to EUR, GBP and USD. The foreign exchange exposure is primarily associated with operations in the Group's foreign subsidiaries and with the company's and the Group's liabilities in foreign currency. The EFD subgroup uses derivatives to limit foreign exchange risk associated with sales and trade receivables. The parent company and EFD also use foreign currency loans and currency swaps to limit foreign exchange risk associated with changes in value in the subsidiaries. The main foreign currency exposure in the parent company and the Group's Norwegian subsidiaries is to EUR.

Exposure at 31 December was as follows:

(1 000 EUR)	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Bank deposits	19 329	14 823	466	10
Trade receivables	24 690	24 107		67
Trade payables	-4 620	-2 502		
Interest-bearing liabilities	-12 086	-48 617		-38 511
Balance sheet exposure (foreign exchange risk)	27 313	-12 189	466	-38 433

A sensitivity analysis indicates that a 5% appreciation of NOK against EUR as at the year-end would impact earnings for the Group in 2021 by the equivalent of MEUR -1.4 and in 2020 by the equivalent of MEUR +0.6 The amounts are stated before taxes. Other subsidiaries have only modest exposure to currencies other than the company's functional currency. The reason why the parent company had interest-bearing liabilities in EUR is that sales of spot power up to 2020 was billed in EUR.

Hedge accounting

Some customer contracts are currency-hedged when entered into. Currency hedging is also carried out for budgeted cash flows in foreign currency. The relevant derivatives are forward contracts towards banks. The Group companies EFD Induction and Wattsight report cash flow hedging as hedging contracts.

At year-end the companies had the following forward currency contracts specified as hedging:

	Contract value	Unrealised gains/losses
2021		
Hedging of future cash flows	395 196	11 614
Fair value hedging		-4 305
Balance sheet exposure (hedging)	395 196	7 309

	Contract value	Unrealised gains/losses
2020		
Hedging of future cash flows	288 403	-3 906
Fair value hedging	12 060	-202
Balance sheet exposure (hedging)	300 463	-4 108

Unrealised gains/losses relating to hedging of future cash flows are recognised in "Other comprehensive income". The unrealised loss shown in the table is the value before deducting tax. Net unrealised losses/gains are recognised as other current liabilities/assets.

Nominal value, carrying amount and maturity of forward currency contracts:

	2022	2023	2024	Nominal amount (currency)	Carrying amount (NOK '000)
Currency					
EUR	6 998	11 279	3 066	21 343	8 359
USD	14 300	5 550		19 850	-1 344
JPY	10 000			10 000	5
GBP	50			50	-9
Total					7 012

Change in carrying amount in the period:

	2021	2020
Balance at 1 January	-4 109	16 419
Changes in value posted as OCI	3 861	-22 508
Reclassifies from OCI to PL	7 260	1 980
Balance at 31 December	7 012	-4 109
Asset	11 317	4 782
Liabilities	4 305	8 891
Total	7 012	-4 109

Interest rate risk

Most of the company's and the Group's interest-bearing financial assets and liabilities accrue interest at variable rates. In 2021 the parent company took out a bond of MNOK 500 at an fixed interest rate of 2,615%. The loan has mature in 2028. The bond of MNOK 300 and the corresponding interst and currency swap was paid in 2021. An overview of interest-bearing assets can be found earlier in this note and of liabilities in Note 17. A 1% change in interest rates would affect earnings, and profit and financial items through the year, by a net amount of around NOK -0,3 million. The amount is stated before taxes.

Price risk for energy sales

Most of the company's and the Group's energy sales take place in the spot market, which means there is exposure to risk associated with price fluctuations. In the past two years no energy derivatives have been used as hedging instruments to limit the risk.

Market risk relating to securities

The company and the Group are exposed to price risk on investments in equity instruments classified as held for trading or available for sale. All decisions on significant purchases and sales are made by the Board of Directors. The main objective of the investment strategy is to maximise the return through ongoing dividends and increases in the value of the portfolio. An overview of the company's financial assets held for trading and financial assets available for sale is given earlier in this note.

Note 17 Interest-bearing loans and borrowings, and provisions

Amounts in NOK 1 000

This note provides information on the contractual terms of the Group's interest-bearing loans and borrowings. For more information on the Group's interest rate risk and foreign exchange risk see Note 16.

	GROUP / PARENT	
	2021	2020
Bond loans		
5,95 % loan 2011 - 2021 *		300 000
2,516 % 2021 - 2028	500 000	
Capitalised loan costs	-3 419	-265
Bond loans - booked value	496 581	299 735
Fair value (ref note 16)	492 500	306 752

* This loan was linked to an interest rate and currency swap in which the tNOK 300,000 loan with a fixed interest rate of 5.95% was converted to tEUR 38,511 and a fixed euro interest rate of 4.84%. The value of this agreement as at 31 December 2020 was tNOK -106 847 (loan repaid and the interest and currency swap ended in July 2021).

			PARENT COMPANY	
			2021	2020
Debenture loans				
CAD Libor + fixed margin	Floating interst	30.03.15 - 04.07.22		217 672
Capitalised loan costs				-899
Total denenture loans parent company				216 773

			SUBSIDIARIES	
			2021	2020
Tekna Consolidated	Fixed interest rate		34 857	8 672
Tekna Consolidated	Debenture loans		18 723	20 934
EFD Induction Consolidated	Floating interest		90 425	77 029
Fossekompaniet Eiendom AS	Floating interest		146 463	113 086
Alytic AS	Floating interest		1 714	
Total Debenture loans Subsidiaries			292 182	219 721
Total Debenture loans Group			292 182	436 494

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Loans secured by pledged assets				
Long-term borrowings	159 047	116 624		
Bank overdraft	27 754	38 573		
Total borrowings	186 801	155 197		
Loans are secured by the following pledged assets				
Other property	119 541	64 266		
Moveable property	223 537	10 147		
Inventories	318 187	116 511		
Trade receivables	400 723	206 559		
Total security	849 489	397 484		

Security for promissory note and bond loans with a countervalue of MNOK 500 taken out in the parent company has been given in the form of negative pledges. Trade receivables in two of the subsidiaries have been pledged as security for bank guarantees and overdrafts given. For the Group the value-adjusted equity must be at least 40% and have a value of at least MNOK 1 500.

For Volue the equity must be al least MNOK 100 and at least 25 % of total balance value. For EFD the equity must be at least 27%, gearing ratio (NIBD/ EBITDA) <3 and cash reserve > MEUR 10. Tekna have some covenants connected to operational activities, but none financial covenants. All the companies are in compliance with the requirements of their covenants at 31 December 2021.

Note 18 Trade payables and other current liabilities

Amounts in NOK 1 000

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Trade and other payables	476 529	600 914	21 980	17 867
Other current liabilities	877 010	422 018	52 178	12 834
Derivatives at fair value	4 305	8 892		
Trade acc payable, IC			2 097	123
Total trade payables and other current liabilities	1 357 843	1 031 824	76 255	30 824

Note 19 Leases

Amounts in NOK 1 000

Note 19.1 Carrying amount right-of-use assets

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Buildings	146 275	208 460	18 499	20 627
Operational equipment	2 361	3 563		
Vehicles	7 119	8 409	490	
Other	38 848	1 577		
Total	194 602	222 009	18 989	20 627

Lease obligations

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
RoU-liabilities, current	64 449	54 234	3 897	3 531
RoU liabilities, non-current	141 601	178 018	15 365	17 115
Total	206 050	232 252	19 263	20 645

Income effects

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Buildings depreciation	60 538	62 026	3 298	1 021
Operational equipment depreciation	290	4 094		
Vehicles depreciations	4 599	5 227	14	50
Other depreciation	3 082	969		
Sum depreciation	68 509	72 316	3 312	1 072
IFRS 16 interest	7 257	8 382	581	217
Leases wrt IFRS 16	-49 088	-68 057	-3 637	-1 210
Net IFRS 16 effect	26 678	12 640	255	78

Note 20 Events after the reporting period

On 8 February Seagust announced that Seagust and Swedish energy major Vattenfall join forces to bid for offshore wind areas in the upcoming Norwegian offshore wind licensing round.

On 9 February the Chairman of the Board, Jon Hindar, announced that he will retire from the Board when his current term ends on 6 May 2022.

Note 21 Accounting estimates and assessments

Key accounting estimates

Key accounting estimates are estimates that are important for the presentation of the company's and the Group's financial position and earnings, and which require subjective assessment. Arendals Fossekompni assesses such estimates continually based on historical results and experience, consultation with experts, trends, forecasts and other methods considered reasonable in each individual case.

Impairment losses

Goodwill and other intangible assets with an indefinite life are tested for impairment annually. The company's investments in subsidiaries and associates are similarly tested for impairment. The assessments are based on analysis of the company's financial position and forecasts/outlook. Recoverable amounts that are measured against carrying amounts are the expected selling price or the present value of cash flows from the investment. Other assets, including property, plant and equipment and financial instruments available for sale, are tested for impairment when there is an indication that a fall in value may have occurred.

Long-term manufacturing contracts

The Group recognises revenue from individual projects in accordance with the percentage of completion method. For such projects the degree of completion is calculated as costs incurred relative to total estimated costs. The greatest uncertainty is associated with measurement of the project's total estimated costs. Further information is provided in Note 13.

Note 22 Earnings per share in NOK

Basic earnings per share/diluted

Basic earnings per share are based on profit attributable to the equity holders of the parent and the weighted average number of outstanding ordinary shares during the year, which was 54.890.000 (2020:54.861.013), calculated as follows:

Profit attributable to ordinary shares	2021	2020
Net profit for the year	125 827	120 135
Minority interest	19 118	58 218
Equity holders of the parent	106 709	61 917
Weighted average number of ordinary shares	2021	2020
Issued ordinary shares, 1 January	55 995 250	55 995 250
Effect of treasury shares	-1 099 300	-1 111 200
Number of outstanding shares as at 31 Dec	54 895 950	54 884 050
Weighted average number of ordinary shares for the year	54 890 000	54 861 013
Basic earnings per share / diluted earnings per share (NOK)	1,94	1,13

Note 23 The 20 largest shareholders

The 20 largest shareholders	Number of shares	Shareholding
Ulefoss Invest AS	14 709 875	26,3 %
Havfonn AS	14 567 900	26,0 %
Must Invest AS	14 106 225	25,2 %
Arendals Fossekompani ASA	1 099 300	2,0 %
Fløtemarken AS	762 500	1,4 %
Svanhild og Arne Must Fond	657 225	1,2 %
Fabulous AS	453 853	0,8 %
Fondsfinans Pensjonskasse	429 575	0,8 %
Per-Dietrich Johansen	375 375	0,7 %
Bøler Invest AS	285 000	0,5 %
Cat Invest 1 AS	280 891	0,5 %
Erik Bøhler	280 100	0,5 %
Sverre Valvik AS	263 925	0,5 %
Ropern AS	237 478	0,4 %
Annelise Altenburg Must	236 675	0,4 %
Ove Oland	210 500	0,4 %
Christian Must	180 000	0,3 %
Trine Must	180 000	0,3 %
Falck Frås AS	170 000	0,3 %
Kvantia AS	167 666	0,3 %
	49 654 063	88,7 %

With reference to section 7-26 of the Norwegian Accounting Act the following can be disclosed concerning shares owned by individual Board members and the CEO, including shares owned by spouses, children who are minors or by companies in which the person in question has a controlling interest.

	Own holdings	Related parties	Total
Board of Directors			
Jon Hindar		10 000	10 000
Morten Bergesen		14 567 900	14 567 900
Didrik Vignæs		18 000	18 000
Christian Must	180 000	14 106 225	14 286 225
Heidi Marie Petersen		22 475	22 475
Kristine Landmark	14 800		14 800
Stine Rolstad Brenna		7 500	7 500
Total	194 800	28 732 100	28 926 900
Senior executives:			
* See Note 4 regarding share options.		77 000	77 000
Lars Peder Fensli *		20 325	20 325
Morten Henriksen *	7 500	20 625	28 125
Torkil Mogstad *		20 625	20 625
Ingunn Ettestøl*		17 000	17 000
Total	7 500	155 575	163 075

* See Note 4 regarding share options.

Note 24 - Related Parties

Related parties

The company's/Group's related parties comprise subsidiaries, associates and members of the Board of Directors and senior management team.

Transactions with key executives

Members of the Board of Directors and the company management and their closest relations control 26.8% of shares with voting rights in the company. Loans to senior executives (see Note 4) amounted to tNOK 9.855 (2020: tNOK 9.030) as at 31 December. These loans are included in "other investments". Interest is charged on loans to senior executives at a rate that never triggers a taxable benefit. In addition to regular salaries, senior executives have agreements on other benefits in the form of a defined-contribution pension scheme. (See Note 4).

Related party transactions

Transactions between Group companies and other related parties are based on the principles of market value and arm's length.In 2021 Arendals Fossekompani purchased services relating to market management for tNOK 1.017 from Volue Market Services (tNOK 863). In 2021 Arendals Fossekompani had a loss on foreign currency loans to Volue Market Services of tNOK 2.259 (gain of tNOK 3.467 in 2020).

In 2021 Tekna sold goods it had produced to EFD Induction for tCAD 358 (tCAD 1.411). Arendals Fossekompani ASA supply AFK Property and Alytic with administrative services, all invoiced based market value. Interest is charged on loans from the AFK parent company to compani-es in the Group in accordance with the agreement entered into.

On Mai 7, 2021 Arendal Fossekompani ASA sold 14 759 shares in EFD Induction Group AS to executive Managament in EFD, to share price of NOK 47,68 per share. The agreement with executive management has a lockup period where 33 % of the shares can be sold in 2024, 33 % in 2025 and the rest in 2026. AFK will offer to buy Shares October 1th each year based on audited income statement being approved by the board, provided the Key Management Shareholder is still employed at the time of offer.

Note 25 Change in loans and borrowings

Amounts in NOK 1 000

	LOANS MATURING AFTER MORE THAN ONE YEAR		LOANS MATURING IN LESS THAN ONE YEAR		TOTAL INTEREST- BEARING LIABILITIES	
	2021	2020	2021	2020	2021	2020
Group						
Total Opening Balance	613 241	791 675	677 482	262 652	1 290 723	1 054 327
Cash Flow	-112 794	60 216	-95 029	144 307	-207 822	204 523
Other changes with no cash effect	320 701	-234 958	-280 231	266 604	40 470	31 645
Total Effect from Foreign Exchange	7 264	-3 692	-1 334	3 920	5 930	228
Closing Balance	828 412	613 241	300 888	677 482	1 129 301	1 290 723
Parent Company						
Total Opening Balance	233 887	438 634	303 443	1 170	537 330	439 804
Cash Flow	271 556	-208 803	-299 912	299 735	-28 356	90 932
Other changes with no cash effect	1 307	12 398	366	2 538	1 673	14 936
Total Effect from Foreign Exchange	5 196	-8 342			5 196	-8 342
Closing Balance	511 947	233 887	3 897	303 443	515 844	537 330

Specification of the Balance Sheet	GROUP	
	2021	2020
Bond	497 121	
Interest-bearing liabilities and credits (long-term)	189 691	423 261
RoU liabilities, non-current	141 601	189 979
Loans maturing after more than one year	828 412	613 241
Interest-bearing liabilities and credits (short-term)	236 440	623 249
RoU-liabilities, current	64 449	54 234
Loans maturing in less than one year	300 888	677 482
Total interest-bearing liabilities	1 129 301	1 290 723

	PARENT COMPANY	
	2021	2020
Bond	496 581	
Interest-bearing liabilities and credits (long-term)		216 773
RoU liabilities, non-current	15 365	17 115
Loans maturing after more than one year	511 947	233 887
Interest-bearing liabilities and credits (short-term)		299 912
RoU-liabilities, current	3 897	3 531
Loans maturing in less than one year	3 897	303 443
Total interest-bearing liabilities	515 844	537 330

Note 26 Sale of subsidiary

Amounts in NOK 1 000

Sale of Cogen Energia Espana in 2021
In July 2021 Arendals Fossekompagni sold its 100% shareholding in Cogen Energia Espana. Consequently, the company's financial figures have been recognised on separate lines in the income statement as discontinued operations and in the balance sheet as assets held for sale. The gain on disposal of Cogen of tNOK 21 264 is included in "Profit/loss from discontinued operations". Cogen's key figures relating to the income statement and balance sheet for 2021 and 2020 are presented below.

	2021	2020
	YTD	Full year
Operating revenues and operating costs		
Operating revenue	282 655	515 598
Operating expense	263 935	469 243
Depreciation	9 404	19 406
Operating profit	9 294	26 904
Net financial items	-1 691	-5 680
Profit before taxes	7 604	21 225
Provision for income tax		5 673
Net income from discontinued operations	7 604	15 552
Profit from the sale of Cogen Energia Espana	21 264	
Net discontinued operations income (after tax)	28 868	15 552
Basic/diluted earnings per share (NOK)	0,53	0,28
Balance sheet		
Non-current assets		337 089
Curent assets		259 777
Assets classified as held for sale		598 358
Non-current liabilities		159 681
Current liabilities		208 827
Liabilities classified as held for sale		387 821

Note 26 Discontinued operations

Amounts in NOK 1 000

Value, wich is a subsidiary of Arendals Fossekompagni completed in August 2020 a disposal of its 51 % share in Scanmatic Elektro. The finan-
cial numbers for the company is presented in separate lines as "Discontinued operations" both in the Profit and Loss and Balance Sheet.

Gain on disposal of Scanmatic Elektro, tNOK 31 631 is included in "Net discontinued operation income"

Main financial information from the Profit and Loss and Balance Sheet for Scanmatic Elektro is listed below:

	2021	2020
Income statement		
Sales		181 092
Operating expense EBITDA		167 679
Depreciation		3 647
Operating profit		9 756
Net financial items		-343
Profit before taxes		9 413
Provision for income tax		2 076
Net profit for Scanmatic Elektro		7 337
Gain on sale of Scanmatic Elektro		31 631
Net profit discontinued operations		38 968

Declaration by the members of the Board and the CEO

The Board and CEO have reviewed and approved the Annual Report and Annual Financial Statements for Arendals Fossekompani ASA, which includes the Group and the parent company, for the calendar year 2021 and as of 31 December 2021 (Annual Report for 2021).

The single-entity financial statements and consolidated financial statements have been prepared in accordance with IFRSs as adopted by the European Union, along with relevant interpretations, and in compliance with further disclosure requirements pursuant to the Norwegian Accounting Act applicable as of 31 December 2021. The Annual Report for the Group and parent company has been prepared in accordance with the provisions of the Norwegian Accounting Act and Norwegian Accounting Standard 16 as of 31 December 2021.

To the best of our knowledge:

- the Annual Financial Statements for 2021 for the Group and the parent company have been prepared in accordance with applicable accounting standards
- the information presented in the financial statements provides a true and fair view of Group's and the parent company's assets, liabilities, financial position and performance as a whole as of 31 December 2021
- the Annual Report for the Group and the parent company provides a true and fair view of:
- the development, results and financial position of the Group and the parent company,
- the key risks and uncertainties faced by the Group and the company.

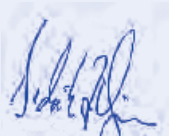
Froland, 30 March 2022



Jon Hindar
Board Chairman



Morten Bergesen
Deputy Chairman



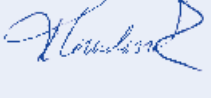
Didrik Vigsnaes




Erik Christian Must



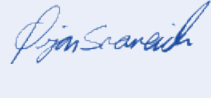
Heidi Marie Petersen



Kristine Landmark



Stine Rolstad Brenna



Ørjan Svanevik
CEO

Financial performance measures

Amounts in NOK 1 000

	2021	2020	2019	2018	2017
Group					
Sales	4 232 290	3 157 470	3 226 253	3 170 686	3 014 132
Cost of sales	1 585 290	1 062 363	1 036 194	975 389	998 640
EBITDA10)	685 819	400 973	489 648	428 055	385 435
Operating profit	450 227	160 745	236 825	207 013	184 168
Net financial items	-106 316	-46 935	11 249	22 471	-66 698
Equity company income	-12 173	-14 321	-1 632	-3 061	-6 329
Profit before taxes	331 738	99 489	236 212	226 423	100 048
Provision for income tax	-234 733	-33 709	-139 951	-121 593	-69 041
Net profit for the year, continuing operations	97 005	65 780	93 671	105 032	31 007
Net discontinued operations income	28 822	54 355	-46 953	35 703	2 468 499
Net profit for the year	125 827	120 135	46 718	140 735	2 499 507
Minority interest income	-19 118	58 218	-1 313	-28 322	-84 859
Total Comprehensive Income	159 791	-40 302	269 972	762 375	2 774 555

Key figures

			2021	2020	2019	2018	2017
Group							
Return on equity	1)	%	2,5 %	1,8 %	2,9 %	2,8 %	0,8 %
Total profitability	2)	%	2,2 %	2,1 %	2,5 %	2,2 %	0,8 %
Gross operating margin	3)	%	16,2 %	12,7 %	15,2 %	13,5 %	12,8 %
Net operating margin	4)	%	10,64 %	5,09 %	7,34 %	6,53 %	6,11 %
Gross profit margin	5)	%	2,3 %	2,1 %	2,9 %	3,3 %	1,0 %
Equity share	6)	%	57,2 %	55,2 %	54,0 %	53,8 %	51,4 %
NIBD (tNOK)	7)		-1 804 838	-580 420	-199 037	53 426	123 058
Liquidity ratio 1	8)		2,2	1,9	2,2	2,0	3,2
Result after tax per share	9)	NOK	2,29	2,19	0,85	2,57	45,69
Dividend per share		NOK	37,04	1,20	2,24	2,24	26,39
Average power production last 10 years (GWh)			514	509	502	502	500

Definitions:

- 1) Return on equity=
Net profit for the year, continuing operations divided onaverage equity
- 2) Total profitability=
Net profit for the year, continuing operations + interest cost divided on average total capital
- 3) Gross operating margin=
Operating profit + depreciation in percentage of net operating income
- 4) Net operating margin=
Operating income in percentage of net operating income.
- 5) Gross profit margin=
Net profit for the year, continuing operations divided on net operating income
- 6) Equity share=
Equity divided on total capital
- 7) NIBD - Net interest bearing debt =
Ineterst bearing debr - interest bearing receviables - cash
- 8) Liquidity ratio 1=
Current assets divided on current liability
- 9) Result after tax per share (EPS)=
Net profit for the year divided on averange number of shares
- 10) EBITDA - Result before interest, tax, depreciation, amortization and impairment =
Operating income- operating cost

Alternative performance measures

NIBD

Amounts in NOK 1 000

	ENERGY SALES		ADMINISTRATION		VOLUME		NSSLGLOBAL CONSOLIDATED		EFD INDUCTION CONSOLIDATED	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Bond			496 581							
Non-current borrowings				216 773		29			142	73 798
Interest-bearing current borrowings (inp)										7 069
1st year installm. non-current borrowings									90 284	62
Bond				299 912						
Interest and ex rate swap				106 847						
Bank overdraft					17 529	3 695	16 185	11 904	80 392	71 639
Current and non current liabilities IC			35 672	28 921	40 458	36 489			807	30 938
Total liabilities			532 254	652 452	57 987	40 214	16 185	11 904	171 624	183 507
Cash and cash equivalents			1 411 245	765 641	404 390	433 527	338 132	285 785	140 661	131 331
Intra-group loans			5 050	142 176						
Current interest-bearing rec., IC			66 218	144 641	35 672	28 997				
Financial assets clas. as held for trading						10 000				
Total assets			1 482 513	1 052 458	440 062	472 525	338 132	285 785	140 661	131 331
Net interest bearing debt			-950 260	-400 006	-382 075	-432 311	-321 947	-273 880	30 963	52 176

	TEKNA GROUP		FOSSEKOMPANIET EIENDOM AS		OTHER		ELIMINATIONS		TOTAL	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Bond									496 581	
Interest and ex rate swap n-c										
Non-current borrowings	26 219	25 209	141 774	107 452	1 714				169 850	423 261
Interest-bearing current borrowings (inp)	25 970	4 397							26 673	-24 083
1st year installm. non-current borrowings	1 391		4 689	1 704					96 364	1 767
Bond										299 912
Interest and ex rate swap										106 847
Bank overdraft				222 866					114 106	310 105
Current and non current liabilities IC	65	137 054	30 764	46 863	-19		-107 044	-315 814		
Total liabilities	53 646	166 660	177 227	378 885	1 695		-107 044	-315 814	903 574	1 117 808
Cash and cash equivalents	268 223	16 902	108 719	23 481	37 042	31 561			2 708 412	1 688 228
Intra-group loans							-5 050	-142 176		
Current interest-bearing rec., IC			104				-101 994	-173 638		
Financial assets clas. as held for trading										10 000
Total assets	268 223	16 902	108 823	23 481	37 042	31 561	-107 044	-315 814	2 708 412	1 698 228
Net interest bearing debt	-214 578	149 758	68 404	355 404	-35 347	-31 561			-1 804 838	-580 420



To the General Meeting of Arendals Fossekompni ASA

Independent Auditor’s Report
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Arendals Fossekompni ASA, which comprise:

- The financial statements of the parent company Arendals Fossekompni ASA (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Arendals Fossekompni ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement 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 comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with 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 as required by laws and regulations and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in

PricewaterhouseCoopers AS, Kystveien 14, NO-4841 Arendal
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



Independent Auditor’s Report - Arendals Fossekompni ASA

accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 4 years from the election by the general meeting of the shareholders on 26 April 2018 for the accounting year 2018.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The Group’s business continues to evolve. In 2021 the sub-group Tekna was listed on Euronext Growth and the sub-group Volue was listed on Oslo Børs. In connection with these processes the Company reduced its stake in both sub-groups, recognizing significant gains. We addressed these transactions as a Key Audit Matter. *Revenue from construction contracts* and *Valuation of goodwill and intangible assets* contained the same characteristics and risks as last year and have consequently been in our focus also in 2021.

Key Audit Matter	How our audit addressed the Key Audit Matter
<i>Revenue from construction contracts</i> In 2021, revenue from construction contracts constituted NOK 1 515 million, equal to approximately 36% of total operating revenues. Revenue from construction contracts is recognized over time based on expected final outcome, and stage of completion of the contract. Assessment of total contract cost, revenue and stage of completion is updated on a regular basis. There are several reasons why we consider revenue from construction contracts a key audit matter. The Group has a significant volume of construction contracts, such contracts may have a long duration during which time the assessment of contract costs and stage of completion may be complex and subject to judgement. Furthermore, management’s judgement related to construction contracts impact several areas of the financial statements including revenue, operating expenses, contract assets and liabilities, trade	 We obtained a sample of contracts and assessed accounting treatment against the Group’s accounting principles and <i>IFRS 15 Revenue from contracts with customers</i> . We found that the accounting treatment is consistent with the content of the contracts and that accounting principles was based on IFRS 15. The Group had implemented controls to ensure that accounting for construction contracts reflect management’s best estimates with respect to total contract cost, revenue and stage of completion. Controls was implemented at various levels of the organisation and included periodic meetings to review open contracts. Through meetings with management and project leaders, including review of relevant documentation, we tested whether relevant controls were implemented. Estimating project costs and calculating stage of completion requires judgement. We performed various procedures to assess whether management’s judgements were reasonable, including: <ul style="list-style-type: none">• Interviewed project leaders and management challenging judgements made with respect to project estimates.

Independent Auditor's Report - Arendals Fossekompani ASA



receivables and payables, provisions and corporate income tax.

Notes 1, 13 and 16 and the accounting principles include additional information on the Group's construction contracts.

- Reconciled expenses and hours incurred against budgeted expenses and hours.
- Compared actual outcome on completed projects against initial budget.
- Assessed whether stage of completion on open projects corresponds to amounts recognised in the financial statements.

We found that assumptions used, and judgements made by management were reasonable. We further evaluated the disclosures in notes 1, 13 and 16 and found these to be free from material misstatement.

Valuation of goodwill and intangible assets

As at 31 December 2021 carrying amount of goodwill and intangible assets (excl. Concessions) in the Group's financial statements was NOK 1 087 million, equal to approximately 16% of total assets. Goodwill and intangible assets with indefinite economic life are tested for impairment at least annually. Other intangible assets are tested for impairment when indicators of impairment exist. Impairment testing is performed at the level of cash generating units. When testing for impairment, the carrying amount is compared to recoverable amount. The recoverable amount is determined based on value in use or fair value less cost of disposal.

As at 31 December 2021, management's impairment assessment indicated that recoverable amount exceeded carrying amount for all cash generating units where goodwill and intangible assets were recognised. As a result, no impairment was recorded.

We focused on this area because goodwill and intangible assets constitute a significant share of the Group's total assets and calculation of recoverable amount involves significant judgement by management.

Refer to note 6 to the financial statements for further information on goodwill and

We obtained and gained an understanding of management's impairment assessment related to goodwill and intangible assets. Our procedures included an assessment of the valuation method and whether key assumptions used by management appeared reasonable based on our understanding of the business and industry of each relevant cash generating unit. We also traced data used in valuation models to supporting documentation, including quoted prices where this was available.

Based on our audit procedures we found that valuation methods used were reasonable and consistent with our understanding of the business and industry. Our testing of data against supporting documentation did not uncover material exceptions.

Lastly, we evaluated the information provided in note 6 to the financial statements where management describes the Group's goodwill and intangible assets and the results of the impairment testing. We found that the disclosures described management's valuation of goodwill and intangible assets appropriately.



Independent Auditor's Report - Arendals Fossekompani ASA

intangible assets, cash generating units and impairment testing.

Reorganisation

In March 2021, the Company sold its shares in Tekna Holdings Canada Inc. to an intermediate holding company (Tekna Holding AS) against a vendor note. The transaction was recorded at continuity both for the Company and the Group. Tekna Holding AS was subsequently listed on Euronext Growth in March 2021. As part of a private placement prior to listing, the Company performed a partial sale of shares in Tekna Holding AS, recording a gain of NOK 138 million. Further, Tekna Holding AS raised new equity with gross proceeds to the Group of NOK 647 million.

The group company Volue was transferred from Euronext Growth to Oslo Børs in May 2021. In connection with the listing on Oslo Børs, the Company sold parts of its shares in Volue and also distributed Volue shares as dividend in kind. The Company retained a controlling 60% stake in Volue. The Company recorded a gain of NOK 1 150 million on these transactions.

Due to the impact on the financial statements arising from the inherent complexity related to accounting and legal matters and the significant transaction amounts, these transactions have been a focus area in the audit.

Refer to statement of changes in equity and notes 8 and 11 to the financial statements for details of the accounting effects of the transactions.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

Independent Auditor's Report - Arendals Fossekompani ASA



In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group 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 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 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. We 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.

Independent Auditor's Report - Arendals Fossekompani ASA



- 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 or the Group'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 and the Group'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 and the Group 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 a true and fair view.
- 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 the Board of Directors 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name AFK_ESEF_2021.zip have been prepared in accordance with Section 5-5 of

Independent Auditor's Report - Arendals Fossekompani ASA



the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities

Management is responsible for preparing and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation and publication of the financial statements.

Auditor's Responsibilities

Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – “Assurance engagements other than audits or reviews of historical financial information”. The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. Our work comprised reconciliation of the financial statements under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Arendal, 30 March 2022
PricewaterhouseCoopers AS

Lars Ole Lindal
State Authorised Public Accountant

05

Sustainability

Letter from Chief Sustainability Officer	194
The Sustainability Team	196
Part I	
Sustainability in Arendals Fossekompani	200
Reporting framework	202
Sustainability priorities	206
Ethical business conduct	212
Responsible investment	216
Optimizing the portfolio companies	220
A great place to work	230
Community engagement	234
Ambitions and targets for 2022	236
Part II	
Sustainability in Portfolio Companies	240
AFK Hydropower	242
Volue	246
Tekna	256
EFD Induction	266
NSSLGlobal	276
Alytic	286
AFK Property	292
North Ammonia	296
Seagust	298
Part III	
Activity and reporting obligation report	300
	302

05

Letter from Chief Sustainability Officer

Enabling the green transition

In January 1896, Arendals Fossekompani was established to harness the energy from an everlasting natural resource; water. 126 years later, we remain a proud producer of hydropower. Acting in accordance with nature, is part of our DNA. For us, sustainability is not a megatrend, it is what we are and what we do. We honor a proud heritage based on the belief that natural resources also belong to future generations.

Arendals Fossekompani is more than a producer of hydropower. We are a green-tech investment company and owner of energy and technology companies which enable the transition to a green economy. We seek a sustainable market to support a sustainable world. Our portfolio companies help their customers utilize their resources in a more sustainable way, and provide technology, systems and solutions that make energy from renewable sources increasingly accessible and usable.

In 2021 we have taken great steps on our journey towards being a preeminent company within responsible investments and sustainability reporting. Inspired by the GRI reporting framework, we carried out a double materiality analysis. An initial assessment of the EU Taxonomy gave us an indication of the taxonomy eligibility and alignment of our portfolio. We are proud of the fact that three out of our five portfolio companies now publish their own sustainability reports.

Together with our partners, Ferd and Grieg, we have established two joint ventures, Seagust and North Ammonia, both well positioned to support the green transition, focusing on offshore wind and green ammonia. We further divested our former portfolio company Cogen Energia, from which came a majority of our direct CO2 emissions.

2021 marks the year where we set our climate ambitions to be in accordance with the Paris Agreement, with a goal of 50% reduction of scope 1 and scope 2 emissions in 2030. A roadmap to achieve this target will be one of our key focus areas for 2022.



At Arendals Fossekompani we value our employees. Our goal is to be a preferred employer with a motivated workforce. We believe that being part of a bigger purpose, working for a more sustainable world, brings more value and motivation to our employees. I am beyond proud of our teams' achievements during another challenging year marked by the pandemic.

Arendals Fossekompani has high ambitions. We continue to develop green tech companies for the future. Sustainability will remain crucial for growth, and we seek to continuously improve also within environmental, social and governance (ESG) issues. We appreciate feedback from our stakeholders and always work for continuous improvement.

For information about the sustainability report and its content, please contact Chief Sustainability Officer, Ingunn Ettestøl.

"Acting in accordance with nature, is part of our DNA. For us, sustainability is not a megatrend, it is what we are and what we do."

Ingunn Ettestøl
Chief Sustainability Officer

The Sustainability Team

Collaboration for a sustainable future



The AFK Sustainability Team was established in 2020. In 2022 the team comprises seven engaged and ambitious people, committed to improving the way Arendals Fossekompani addresses environmental, social and governance issues. The team cooperates with a network of highly skilled people in the AFK portfolio companies.

Ingunn Ettestøl
Chief Sustainability Officer
PhD Electrical Engineering

Ingunn has recently acquired a small farm which suits her passion for growing vegetables. She is the head of the ESG team and excited to see the team grow.

Magnus Johansen
Business Developer
MSc Industrial Economics

Magnus is a champion for refurbishment, including everything from furniture to old gaming consoles. The electric kick scooter is his best friend.

Kirsti Homstøl
Business Developer
MSc Renewable Energy

Being the owner of a bee farm, Kirsti is our in-house supplier of honey. She is also a vegetarian every other month.

Simen Bekkedal
Trainee
MSc Industrial Economics

Simen is always looking for a good deal on used items online. Last year, he bought an electric bike which he rides to work.

Hanne Nyborg Watts
Senior Advisor
Sustainability & Communications
MSc Innovation & Entrepreneurship

Hanne knows Arendal best from the seaside, as she cruises the archipelago by sailboat. She is passionate about volunteer work and leads our community engagement initiatives.

Kari-Anne Slaaen
VP People and Culture Alytic
Cand.polit Counselling

Our expert in the social dimension of ESG, Kari-Anne grows vegetables and berries in her garden. The fruits are equally shared between her family and a visiting flock of deer.

Arne Roger Janse
Communications Advisor
MBA Strategic Management

Arne Roger usually rides a bus to Arendal from Kristiansand where he lives. He pushes the team to communicate better.

Sustainability highlights 2021



Ethical business conduct

WHISTLEBLOWING
An internal whistleblowing channel has been implemented and communicated in the AFK Parent Company.

CODE OF CONDUCT
AFK has updated its Code of Conduct and has issued a nanolearning course to train its employees.

EQUALITY AND ANTI-DISCRIMINATION ACT
AFK has carried out a project and finalized its first reporting according to the Norwegian Equality and Anti-Discrimination Act.

SUPPLY CHAIN
A project to assess business ethics in the supply chains of AFK's portfolio companies has been carried out.



Responsible investment & optimizing the portfolio companies

CLIMATE ACTION
A greenhouse gas emissions reduction target has been established for AFK Parent Company, in line with the Paris Agreement, and approved by the Board of Directors. Our goal is to reduce scope 1 and 2 emissions by 50% by 2030, compared to 2021.

CLIMATE RISK
Based on TCFD recommendations, a thorough assessment of the potential risks and opportunities in our portfolio has been conducted.

EU TAXONOMY
Based on our initial 2021 assessment of the EU Taxonomy, the portfolio shows high eligibility. All future investments shall be aligned with the six EU environmental objectives.

DIVESTMENT
Through divestments, the AFK Group emissions were reduced by 98% in 2021.



A great place to work

SAFETY
Arendals Fossekompni has a high focus on HSSE, and had no serious work-related injuries during 2021.

EQUALITY
AFK has a pronounced focus on gender equality and achieved a share of 30% women in our boards in 2021. Our goal is to have at least 40% women on our boards, in C-suite positions and in the total workforce.

TALENTS
AFK prioritizes career development and offers trainee positions to local talents.

HUMAN RIGHTS
AFK is committed to respecting human rights, and we expect the same from our suppliers.



Community engagement

LØKHOLMEN
Formerly an industrial area, Løkholmen has been transformed into a popular green islet for recreational activities.

CANALS IN ARENDAL
AFK supports re-establishment of canals through the centre of Arendal City .

SPONSORSHIPS
AFK is a proud sponsor of local sports teams, including children and junior teams.

ARENDAKSUKA
AFK has supported Arendalsuka, a national meeting place for politics and business, since its establishment in 2012.

05

Part I

Sustainability in AFK

Reporting framework	202
Sustainability priorities	206
Ethical business conduct	212
Responsible investment	216
Optimizing the portfolio companies	220
A great place to work	230
Community engagement	234
Ambitions and targets for 2022	236

05

Reporting framework

Integrity and guidelines

SUSTAINABILITY ASSURANCE

To ensure transparency and reliability of the reported GRI disclosures, including GHG emissions, an external, limited assurance has been carried out by PwC. A statement on the assurance is available as an appendix to this report.

Reporting frameworks are essential for working with sustainability. Widely adopted, global frameworks ensure a common language to measure and report on progress and issues. They allow investors, banks, governments, and companies to track and compare the performance of companies' sustainability work. Arendals Fossekompani's annual report draws inspiration from several global reporting frameworks. By 2023, AFK shall have extensive, ongoing reporting in accordance with Global Reporting Initiative (GRI) or another relevant reporting regime for companies listed on the Oslo Stock Exchange.

FOCUS ON TRANSPARENCY

Arendals Fossekompani is a transparent and trustworthy company. Over the past few years, our sustainability and social responsibility efforts have become more known. We have achieved this through the publication of an increasing set of ESG-related documents, including a company Code of Conduct, a Supplier Code of Conduct, important policy documents and our Annual Sustainability Report. This reporting regime has also been adopted by our portfolio companies. We are proud of the fact that three of our portfolio companies, Value, Tekna and EFD Induction, have published their own sustainability reports for 2021.

Sustainability ratings



CDP
Carbon
Disclosure project

Climate Disclosure Project (CDP) is an international reporting framework for companies to manage their environmental impacts. It is aimed at increasing transparency and providing an intuitive performance score based on companies' climate action.⁴ 2021 marked the first year AFK publicly disclosed its environmental impacts to CDP.

⁴ www.cdp.net

AFK was awarded a score B in 2021.

ESG 100

Each year, the independent research and advisory firm The Governance Group makes a rating of the 100 largest companies on the Oslo Stock Exchange. The ranking is based on analysis of companies' sustainability reports.

AFK was awarded a B- score in 2021.

Sustainability networks



UN
Global Connect

AFK joined UN Global Compact in 2020, and thus, became part of the most important global network for a more sustainable future. The membership is a non-binding United Nations pact to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. AFK reports on the UN Global Compact's ten principles for business policies for human rights, labour, environment, and anti-corruption.

The annual report should be regarded as our Communication on Progress (CoP), qualifying for the GC Active level.



Klimapartnere

In February 2022, AFK joined Klimapartnere, a Norwegian partnership organisation that seeks to ensure emission reduction and green value creation through close collaboration across the private and public sector. Through the partnership agreement, AFK is committed to increasing transparency and contributing to the network by sharing our knowledge and experiences related to environmental issues.

Reporting framework

Frameworks

REPORTING BOUNDARIES:

The consolidation approach chosen for all GRI disclosures, including GHG emissions, in this report is the equity share approach.



GRI
Global Reporting
Initiative

Arendals Fossekompani and portfolio companies report on material impacts regarding a variety of ESG issues, such as climate change, health and safety, and corporate governance, inspired by the Global Reporting Initiative (GRI) recommendations.

GRI's mission is to enable organisations to be transparent and take responsibility for their impacts, enabled through the world's most widely used standards for sustainability reporting – the GRI Standards.¹



TCFD
Task Force on
Climate-related
Financial Disclosures

First launched in 2015, the Task force on Climate-related Financial Disclosures (TCFD) recommendations have become best practice for how to manage and report on climate risks and opportunities.² The purpose of this standard is to give investors more knowledge on the financial impacts of climate-related issues, based on the four core recommendations: Governance, Strategy, Risk management, and Metrics and Targets.

Over the course of 2020 and 2021, a climate risk analysis, including an assessment of different climate scenarios, has been carried out for the AFK portfolio, based on TCFD recommendations.



SASB
Sustainability
Accounting
Standards Board

The Sustainability Accounting Standards Board provides a set of industry-specific standards that are used to guide the disclosure of financially material sustainability information for AFK.³

¹ www.globalreporting.org

² www.fsb-tcfd.org

³ www.sasb.or

**United Nations
Sustainable
Development Goals**

Arendals Fossekompani supports the United Nations Sustainable Development Goals (SDGs). We have chosen six SDGs where we think we can make the largest positive contribution.

Our portfolio companies have chosen SDGs independently of this.



EU Taxonomy

The imminent threat of global warming calls for immediate action. According to a 2018 report by the Intergovernmental Panel on Climate Change (IPCC), limiting global warming to 1.5°C will require \$3.5 trillion in annual investments. The European Union's response to this urgent challenge is the European Green Deal (EGD), which offers a roadmap to guide the EU towards climate neutrality by 2050. Central to the EGD is the EU Taxonomy. The EU Taxonomy is a new, uniform classification system intended to guide investments towards sustainable activities, increase transparency and counteract greenwashing.

The EU Taxonomy addresses several aspects of environmental impact. Six overarching environmental objectives are established for the Taxonomy:

- 1. Climate change mitigation
- 2. Climate change adaption
- 3. The sustainable use and protection of water and marine resources
- 4. The transition to a circular economy
- 5. Pollution prevention and control
- 6. The protection and restoration of biodiversity and ecosystems.

For an investment to be considered aligned with the EU Taxonomy, the following is required:

- A. Substantial contribution to one of the six environmental objectives;
- B. Doing no significant harm to the other five objectives, and;
- C. Meeting the minimum social and governance safeguards (e.g. the OECD Guidelines on Multination Enterprises)

For an activity to be deemed Taxonomy-eligible, only the substantial contribution criteria must be met. The substantial contribution criteria, also known as the Technical Screening Criteria (TSC), are currently only established for two environmental objectives: climate change mitigation and climate change adaption. Complete TSC for all six objectives will be presented in 2022.

Sustainability
priorities

Materiality analysis

STAKEHOLDERS

- Investors
- NGOs
- Peers
- Civil Society
- Regulators
- Employees

AFK Parent Company carried out a double materiality analysis in 2021. The purpose of the analysis was to get a holistic approach to risk and opportunities, as well as a clearer view of AFK’s stakeholders.

The materiality analysis can be divided into three parts:

1. An assessment of stakeholders, including in-depth stakeholder interviews
2. An assessment of AFK’s impact on ESG factors
3. An assessment of how megatrends shape and impact AFK

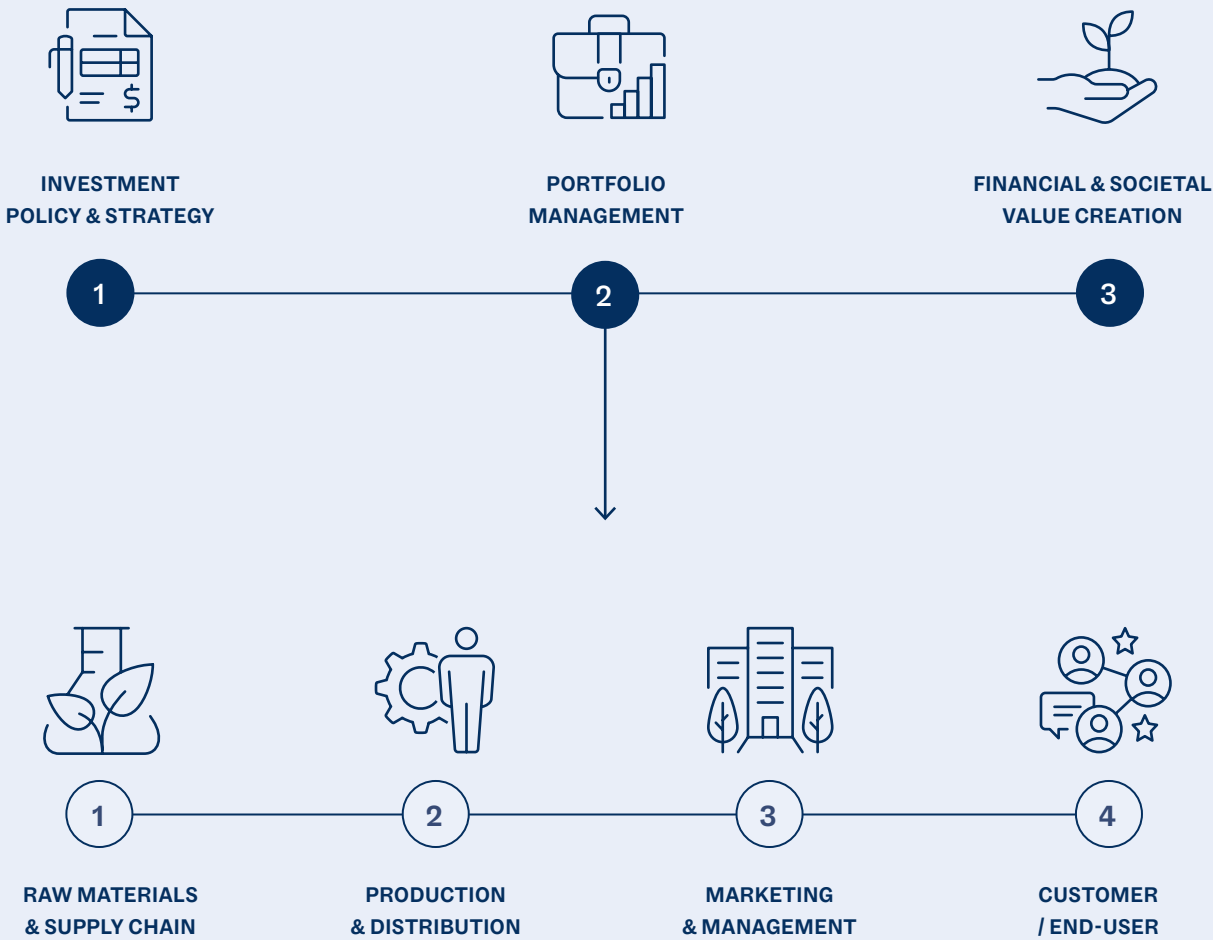
The outcome of the analysis was a detailed overview of AFK’s stakeholders and their expectations, a consequence vs likelihood matrix, where AFK’s material topics were singled out, and the identification of five strategic focus areas to guide AFK’s ESG strategy.

AFK is continuously engaging with its stakeholders. This is important because it gives us a representative overview of the expectations of those around us and ensures that we are on the right track. The method of engagement varies between the different stakeholders. Generally, we engage through in-depth interviews, regular meetings and dialogue, and our annual and quarterly reports.

The results from the stakeholder analysis have provided AFK valuable insights into our stakeholders’ expectations regarding ESG topics and also confirms our alignment with these expectations. The most material topics addressed were EU taxonomy alignment, climate targets, community engagement and superior quality in sustainability reporting. Inputs from our stakeholders has impacted the selection of our strategic focus areas.

Primary and secondary value chain

To analyse AFK’s ESG impacts, we evaluated each activity of our primary and secondary value chain, and defined material risks and opportunities. This assessment has been inspired by the GRI reporting framework and TCDF recommendations, according to best practice. A GRI Index is provided as an appendix to this report.



Sustainability priorities

Consequence vs likelihood

Based on the analyses of AFK’s stakeholders and the primary and secondary value chain, a consequence vs likelihood matrix has been created to define the material topics for AFK.

RISKS

- Failure to meet potential legal requirements and stakeholder expectations.
- Potential gap in ambitions between AFK parent company and portfolio companies.

OPPORTUNITIES

- Increased demand for our green technologies.
- Active ESG management.
- Transparency through non-financial disclosures.

Strategic focus areas

The last outcome of the materiality analysis is the identification of five strategic focus areas that will guide AFK’s ESG strategy moving forward; Ethical business conduct, responsible investments, optimizing the portfolio companies, a great place to work and community engagement.

Our commitments to the SDGs have been tied in with these strategic focus areas to further emphasize how they are addressed. We have chosen SDGs 5, 8 and 13 in order to manage how we work to improve our operations. SDGs 7, 9 and 12 are chosen to address how we work to reduce negative impact on society.

STRATEGIC FOCUS AREAS



ETHICAL BUSINESS CONDUCT



- Comply with regulatory requirements (e.g the Norwegian Transparency Act, EUs Corporate Sustainability Reporting Directive).
- Meet investor and portfolio company expectations.



RESPONSIBLE INVESTMENTS



- Contribute to value creation.
- Attract investors and longterm shareholders.
- EU taxonomy eligibility of investment objects.



OPTIMIZE PORTFOLIO COMPANIES



- Manage potential negative impacts on the environment.
- Contribute to value creation.
- Strengthen ESG performance in portfolio and capture opportunities related to the green transition.



A GREAT PLACE TO WORK



- Ensure employees satisfaction and retention.
- Attract talent.
- Comply with regulatory requirement.



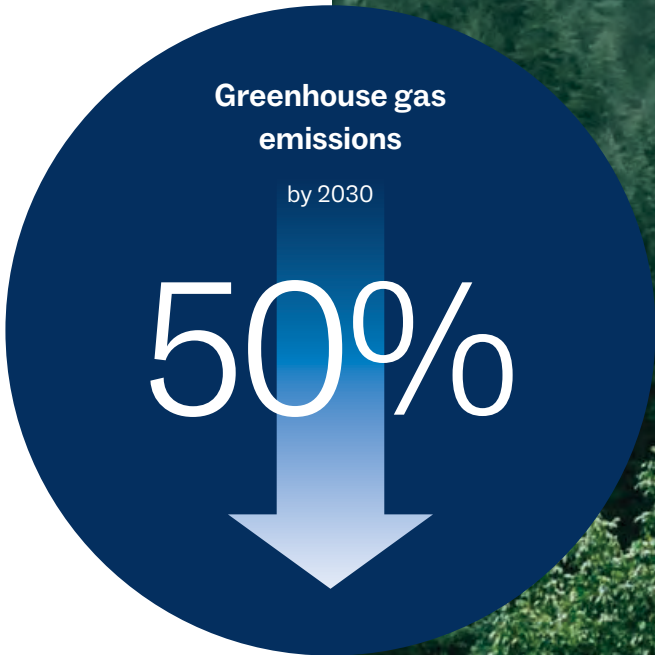
COMMUNITY ENGAGEMENT



- Stakeholders clearly state the importance of community engagement.
- Strong local presence.
- A detailed strategy for community engagement will be developed in 2022.

Sustainability priorities

Climate action



Based on the assessment of climate risks and opportunities, AFK developed an ambitious target to limit our negative climate impacts. The target is approved by the Board of Directors. A roadmap that outlines how we will achieve our targets will be developed in 2022, based on the Science-based Target initiative (SBTi). Several of our portfolio companies have already made similar pledges.

Arendals Fossekompani is committed to climate targets aligned with the Paris Agreement. Our target is to reduce greenhouse gas emissions from our scope 1 and 2 by 50 percent by 2030, compared to 2021.

TCFD DISCLOSURE

The Arendals Fossekompani environment, social and governance issues are regularly on the agenda of the Board of Directors, the Audit Committee and the management team. The Board of Directors has the highest decision-making responsibility, and approves the strategy and targets, including sustainability and climate-related topics.

AFK conducted a climate risk assessment following the TCFD recommendations in both 2020 and in 2021. This provided important information about the company's climate-related risks and opportunities. This is a step in the process of integrating climate-related risks in the company's overall risk management process.

Arendals Fossekompani measures GHG emissions according to the GHG protocol, including scope 1, 2 and material categories within scope 3. Arendals Fossekompani will develop a roadmap for reduction of GHG emissions according to Science-based targets in 2022. The long-term ambition is to meet reduction targets set in the Paris agreement.

Ethical business
conduct

Responsible business

“Arendals Fossekompani has a long-term horizon for all investments. Good governance and evaluation of risk and opportunities are essential to being a successful industrial investment company.”

Jon Hindar
Chairman

The Norwegian Corporate Governance Board (“NCGB” or “NUES”) issues the recommendation on corporate governance for companies listed in Norway.

The OECD Guidelines for Multinational Enterprises are recommendations from governments to multinational enterprises on responsible business conduct. The OECD Guidelines set standards for responsible business conduct across a range of issues, such as human rights, labor rights and the environment.

Sustainability is embedded in the company culture of Arendals Fossekompani. Our values, collaborative, dynamic, responsible and long-term perspective, are at the core of how we operate and navigate in our daily operation.

Arendals Fossekompani established its own sustainability team in 2020. The team is cross-functional with seven members, all of whom work together on strategic improvement projects related to sustainability. The team is headed by the Chief Sustainability Officer, who is a part of the Executive Management Team reporting directly to the Board of Directors. When relevant, both the Executive Management Team and the Board of Directors review specific sustainability topics, including HSSE, anti-corruption, ICT security and environmental impact and governance. The ESG Director also reports to the AFK Audit Committee. One of the Audit Committee’s purposes is to guide AFK’s work within governance, risk and compliance. The Audit Committee supports the Board of Directors. Topics related to governance and compliance are on the agenda of the Audit Committee in most meetings. Following the materiality analysis, climate risk analysis, and improved governance and reporting structures, all conducted in 2020, several improvements have been achieved.

The overall target is to integrate ESG in our daily operating model, both for AFK and our portfolio companies. The work we do on compliance and improvement of policies and guidelines, is according to the OECD Guidelines for Multinational Enterprises. The OECD Guidelines are also supported by the investment strategy in M&A processes and AFK’s Green Bond Framework.

Ethical business
conduct

Performance and targets

Ethical business conduct is essential for being a trusted business partner. In 2021, we initiated several important projects to increase transparency and open reporting on progress and results.

Performance and KPIs

KEY RESULTS IN 2021

In 2021, AFK launched its internal whistleblower channel, based on the whistleblower policy that was updated in 2020. The whistleblower channel was communicated to all employees in the AFK Parent Company. There were zero incidents reported in 2021.

AFK joined UN Global Compact in November 2020. In 2021, we reported on our first Communication on Progress (CoP) at the GC Active level.

A nanolearning course was distributed to all employees in the AFK Parent Company, giving training in the AFK code of conduct.

0

REPORTED INCIDENTS
OF DISCRIMINATION

87%

EMPLOYEES SIGNED
CODE OF CONDUCT



BE MORE TRANSPARENT



Code of conduct, whistleblower policy and supplier code of conduct have been published on our webpage.

EVALUATION OF GOVERNANCE ACCORDING TO OECD PRINCIPLES



Our governance documents have been updated in accordance with changes in law and OECD principles.

TRAINING SYSTEM IN POLICIES & POLICY DOCUMENTATION



A nanolearning course, training our employees in policies and policy documentation, was conducted.

IMPLEMENT COMMON RISK SYSTEM



Common risk based system for evaluation of suppliers was made, and evaluation sent out.

AFK goals and self-assessment of goal achievement.

Responsible investment

Responsible investment

As an industrial investment company, AFK is constantly looking for new investments and M&A opportunities. AFK invests in technology related companies in which we can significantly impact long-term value creation. Potential new joint ventures, investments and M&A candidates will be evaluated related to AFKs responsible investment scope and screening process.

Arendals Fossekompani is looking for investments related to the three core sectors where we have our strengths and competences: Digitalization, electrification and green energy.

Digitalization is one of the important pillars for EU to transform its economy. For AFK's investment candidates related to digitalization, the criteria of do no significant harm (DNSH) is essential.

New investments related to electrification and materials - and green energy - must meet a wider set of investment criteria. AFK investments in these sectors should show a potential to contribute to, or to be transformed to contribute to, one of the six environmental objectives defined by the EU Taxonomy, as well as the DNSH criteria.

The investment should do no significant harm to the other five objectives, and; the investment should meet minimum safeguards (OECD Guidelines etc).

To ensure that all new investments and joint ventures comply with our standards related to ethical business conduct we have established an onboarding process for all new investments. The key element in the onboarding process is to perform a materiality analysis according to the GRI standard.



People

- Keeping people connected, mobile and secure
- Electrification and materials
- Green energy



Planet

- Solutions for climate change mitigation and adaptation
- Energy and resource efficient solutions
- Green energy



Prosperity

- Secure, innovative and reliable solutions
- Electrification and materials
- Green energy

Digitalisation

alytic

vOlue

NSSLGlobal

Electrification and materials

TEKNA

EFD
INDUCTION

BEYONDER

NorSun

Green energy

n^orth ammonia

AFK
Hydropower

SEAGUST

Vergia

Responsible investment

Green financing

AFK's Green Bond Framework is aligned with the Green Bond Principles published by the International Capital Market Association (ICMA). It defines investments eligible for financing by green bonds issued by AFK. In addition, this Green Bond Framework outlines the process used to identify, select and report on eligible projects.

Arendals Fossekompani aims to be a leading Norwegian industrial investment company that promotes renewable energy and sustainable utilization of resources. Issuing bonds under the Green Bond Framework is part of AFK's broader commitment to making significant contributions to a low-carbon and environmentally sustainable society.

AFK has worked with Pareto Securities to develop the Green Bond Framework. Cicero Shades of Green has provided a second party opinion with a dark green rating. The complete rating from Cicero can be found on our website. AFK will assign an external auditor to annually provide a limited assurance of the management of proceeds.

Use of proceeds for the green bond is related to two categories:

1. Renewable energy
2. Eco-efficient and/or circular economy adapted products, production technologies and processes

The bond was issued in March 2021. During 2021 there has been no use of proceeds related to the green bond and the funds have been kept according to the rules in the green bond framework.



Optimizing the portfolio companies

Strengthening sustainability performance

ESG ONBOARDING

In 2021, AFK launched two new joint ventures: North Ammonia and Seagust. These companies are well positioned for the green transition, focusing on green ammonia and offshore wind. Even though they are still in an early phase, we wanted to initiate a process to begin onboarding of ESG frameworks. This process, which was finalized in January 2022, helped the companies define material ESG topics and focus areas, which will guide the companies' ESG strategy moving forward.

Continuous strengthening of sustainability performance is essential for optimizing AFK's portfolio of green-tech companies. In 2021, several ESG projects were carried out together with our portfolio companies. ESG onboarding of new AFK investments marked the initial implementation of sustainability frameworks for several companies.

Climate risk assessments, based on TCFD recommendations, helped identify material risks and opportunities in our portfolio companies. An initial assessment of the EU Taxonomy gave us an indication of eligibility and alignment of our portfolio.

AFK ESG PROCESS

AFK seeks to achieve long-term value through our investments. Crucial to our investments' long-term success is a solid ESG framework, ensuring proper governance and compliance, a great work environment and a focus on contributing to the green transition.

All AFK investments are subject to an ESG onboarding process, which includes an initial materiality assessment and the identification of ESG focus area for the company. The onboarding process is often the first meeting with ESG and thus an important step towards building a solid foundation.

After the onboarding process, AFK portfolio companies are integrated in annual ESG assessments and reporting processes. We conduct climate risk assessments of all AFK portfolio companies annually so that we are always aware of our risks and opportunities. We will also be screening our portfolio companies' eligibility and alignment each year, in accordance with the EU Taxonomy Regulations.



Optimizing the
portfolio companies

EU Taxonomy assessment of eligibility

In 2021, AFK carried out an initial assessment of the portfolio's eligibility based on the current contents of the Taxonomy Regulations, based on the first delegated act which was formally adopted on 4 June 2021. This process started off with a screening of the portfolio companies' activities and an evaluation of whether these activities met the Taxonomy. The portfolio companies contributed to the evaluation and reported financial and qualitative data related to the eligible activities in a reporting template.

CLIMATE RISK PROJECT

In order to identify climate risks of relevance AFK ran projects in all portfolio companies during 2021, in accordance with TCFD.

In the first step, potential scenarios for the future regarding climate were defined. The second step was to define and understand the value chain in each of the portfolio companies. This way it is easier to identify the climate risks that can impact the company. Lastly, in scenario workshops, the material risks and opportunities were discussed.

The result from the project is reported for each portfolio company. The report includes board and management involvement, strategy implications, risk management and measurement and results.

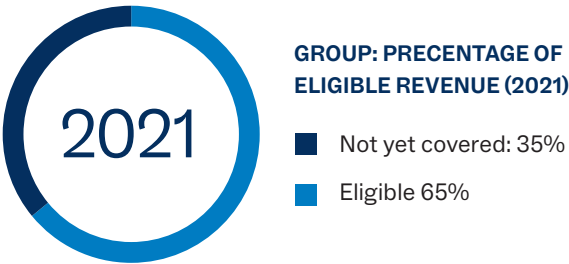
Identifying EU Taxonomy eligibility
for portfolio companies



Based on inputs from our portfolio companies, the estimated eligibility of the AFK portfolio according to the EU Taxonomy is 65% for 2021. The remaining 35% includes activities that are not yet covered by the EU Taxonomy and can therefore not be assessed. We expect that many of these activities will be eligible under the circular

economy objective. These activities will be subject to a new evaluation once the TSC have been established for the other four environmental objectives. In 2022, AFK will conduct an evaluation of the aligned activities in the AFK portfolio. Moving forward, AFK will work towards maximizing our alignment with the Taxonomy.

EU Taxonomy eligibility in AFK group



	Climate mitigation	Climate adaptation
Green activity	15%	14%
Enabling activity	57%	14%
Transitioning activity	0%	0%

Optimizing the
portfolio companies

Climate risk assessment



AFK's climate risks and opportunities are mostly a product of our portfolio companies' risks and opportunities. Conducting a climate risk assessment for each portfolio company (Volve, Tekna, EFD Induction, NSSGlobal and Alytic) is therefore crucial to uncover the full picture of our risk exposure. It is also part of the process of integrating climate risk in our overall risk management.

The climate risk assessments is based on best practice implementation of the TCFD framework. Through the assessments we gained a better understanding of our value chains, defined climate scenarios, and conducted a scenario workshop where material risks and opportunities were identified and internalized by the portfolio companies.

AFK defined three climate scenarios, based on the Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathways (RCP). These are:

- Green revolution (IPCC RCP 1.9; below 1.5°C)
- Delayed transition (IPCC RCP 4.5; between 2 and 2.5°C)
- Climate crisis (IPCC RCP 6.0; more than 3°C)

Each of the three climate scenarios are evaluated in accordance with physical and transition risks on a short, medium, and long-term basis.

Climate risk is the function of physical risk and transition risk. Physical risks involve the acute or chronic negative effects on the environment due to global warming. Acute risks include droughts, floods, excessive precipitation, and wildfires. Chronic risks include rising temperatures, rising water levels, and an accelerating loss of biodiversity. Transition risks involve negative impacts due to the transition to a green economy. This includes market-, legal-, technology-, and reputational risks.

Green revolution	Delayed transition	Climate crisis
Below 1.5 C global warming. Global net zero emissions by 2050.	2-3 C global warming. Slow recovery post Covid-19 and inevitable policy response by 2025.	More than 3 C global warming. Inadequate efforts made to limit global warming.
Global sea level rise (relative to 2000) 2050: 0.3m 2100: 0.48m	Global sea level rise (relative to 2000) 2050: 0.3m 2100: 0.6m	Global sea level rise (relative to 2000) 2050: 0.3m 2100: >1m
CO ₂ emissions reduction (base year 2010) 2030: -45% 2050: -100%	CO ₂ emissions reduction (base year 2010) 2030: -20% 2050: -50%	CO ₂ emissions reduction (base year 2010) 2030: +10% 2050: 0%
Carbon price 2030: 130 USD/tCO ₂	Carbon price 2030: 20.3 USD/tCO ₂	Carbon price 2030: 8.5 USD/tCO ₂
Low carbon electricity (29% in 2020) 2030: 70% 2040: 100%	Low carbon electricity (29% in 2020) 2030: 55% 2040: 80%	Low carbon electricity (29% in 2020) 2030: 30% 2040: 43%

Optimizing the
portfolio companies

Generally, the green revolution is characterised by regulatory-, market-, and technology risks and opportunities. These are necessities for achieving the ambitious goal of this scenario. New regulatory requirements, such as the EU Taxonomy and circular economy reporting, as well as strict regulations to mineral mining are risks to many businesses.

A more volatile energy market and increasing energy prices, due to increased renewable energy production and carbon taxes, affect businesses that are heavily dependent on electricity. Finally, and perhaps most prevalent in the green transition, is the need for a technological restructuring of the energy market, phasing out fossil fuels, and an increased emphasis of low impact- and zero-emission technologies. This creates valuable opportunities for green-tech companies.

While the green revolution is characterised by transition risks and opportunities, the climate crisis scenario entails considerable physical risks. In this scenario, many countries and areas will experience an increase in the frequency and intensity of extreme weather events, disrupting deliveries and exposing industries to production delays. Chronically increasing temperatures will cause HSSE issues in exposed areas.

The delayed transition scenario is a combination between the two extremities. Current policies are projected to result in about 2.7°C global warming.⁶⁾ The delayed transition scenario is thus the most realistic scenario given the current political landscape.

AFK's portfolio companies are exposed to transitional risks throughout their value chains, particularly in terms of rising energy prices, as well as prices for products and services in the supply chain. In addition, regulations aimed at driving the transition to a circular economy will impact AFK. Nevertheless, our assessments affirm that the transitional risks in large part are, or can become, opportunities for our portfolio companies.

AFK's exposure to physical risks is largely due to our supply chains, with tier 2 and 3 suppliers located in areas prone to extreme weather and higher temperatures. At the customer end of our value chains, however, we identified the potential for increased demand for AFK's companies' products and services.

6) climateactiontracker.org, November 2021



Responsible investment
& Optimizing the
portfolio companies

Performance and targets

In 2021, the AFK Parent Company continued to support the portfolio companies. Good collaboration resulted in several important ESG assessments being finalized. For AFK we have developed the Green Bond Framework, and made prosperous investments in renewable energy.

Performance and KPIs

KEY RESULTS IN 2021

In 2021, AFK has launched several projects together with our portfolio companies. Most notably, we assessed the entire portfolio according to the EU Taxonomy, as well as conducting a climate risk analysis for every company. The EU Taxonomy assessments gave us a good indication of how the AFK portfolio will perform once reporting will be required by law. Yet, we will have to await the final draft of the Regulation, including the remaining TSC, to do a complete assessment of our portfolio.

The climate risk assessments of our portfolio, based on TCFD recommendations, gave us an overview of risks and opportunities, given different climate scenarios. As a response we divested Cogen Energia, resulting in a 98% reduction in emissions from our portfolio. Based on opportunities in the green transition, we further established Vergia and we see many attractive opportunities within battery- and charging technology and more.

We are working towards acquiring a unified system for ESG reporting for AFK and our portfolio companies. In 2021, we implemented a system for reporting on GHG emissions, which will be further expanded moving forward.



ESTABLISH METHODOLOGY FOR CALCULATING GHG EMISSIONS



GHG calculation system acquired. TCFD risk analyses performed for all portfolio companies.

ESTABLISH A BASELINE AND TARGETS FOR GHG-EMISSIONS



A baseline has been established. Targets have been set in line with the Paris Agreement and have been approved by the AFK Board.

STUDY THE EU TAXONOMY AND PREPARE FOR DISCLOSURE



EU Taxonomy project performed. An estimate of eligibility has been presented.

1,580

SCOPE 1, IN METRIC TONS
OF CO2 EQUIVALENT

2,819

SCOPE 2: LOCATION-BASED, IN
METRIC TONS OF CO2 EQUIVALENT

853

SCOPE 3, IN METRIC TONS
OF CO2 EQUIVALENT

Numbers: AFK group greenhouse gas emissions

AFK goals and self-assessment of goal achievement.

A great place to work

Diversity and equality

THE EQUALITY AND ANTI-DISCRIMINATION ACT

According to The Equality and Anti-Discrimination Act § 26, all Norwegian employers are obliged to work actively, targeted and systematically to promote equality and prevent discrimination in the work-place.

In 2021, AFK Parent company carried out a project to address this Act and also report the findings in part 3 of the sustainability chapter; AFKs Activity and Obligation Report.

In AFK we believe that a workforce with a wide array of skills and backgrounds drives productivity and performance. Diversity brings new perspectives and helps us reach our long-term goals. Our ambition is to preserve and continue to build an inclusive company culture with zero tolerance for discrimination.

GENDER EQUALITY

In 2020, we defined specific goals for gender equality, applicable for the entire group of AFK companies. Gender equality is specifically measured at three corporate levels: Board of Directors, C-suite positions, and total work force. At year-end 2020, there were 30% women on our Boards, 20% women in C-suite positions and 19.4% in the total work force. Our ambition is to achieve gender balance on every corporate level by 2023, with a share of at least 40% women. Our interim target for 2021 was to achieve 33% women in our Boards.

Last year, we had to postpone the "Likestilt arbeidsliv" (Equal working life) certification, but we will continue this process in 2022. The work we have done to address The Equality and Anti-Discrimination Act is a good start towards getting certified, and we look forward to continuing our journey towards better inclusion and greater diversity.

HUMAN- AND LABOUR RIGHTS, HEALTH AND SAFETY

AFK is committed to respecting human rights in all of our operations. This includes the rules and principles laid out in the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation (ILO) on Fundamental Principles and Rights at Work and the International Bill of Human Rights, and the OECD Guidelines for Multinational Enterprises.

We do not accept any form of child labour. We comply with all fundamental labour rights and have a continuous focus on providing safe working conditions for all. Our policies on human- and labour rights, health and safety are addressed in our Code of Conduct, which all of our employees have signed, and are also extended to our suppliers through our Supplier Code of Conduct. In 2021 we had no reported incidents regarding human rights in our operations.



AN ATTRACTIVE EMPLOYER

AFK aspire to be a preferred employer. We believe that we have a great deal to offer when attracting the best talents. We have a pronounced focus on sustainability and offer favourable working conditions for our employees. We provide learning opportunities and contribute to the development of our employees' careers. We provide our employees with flexibility, and we are able to adjust tasks, working hours etc. for a period of time for our employees when needed. The feedback we get is that this gives room to combine a working life and a family life.

AFK has zero tolerance for discrimination on grounds of gender, age, disability, ethnicity, sexual orientation, or religious belief. This is a shared responsibility, and it is important that employees are aware and report undesirable behaviour through our internal whistleblowing channel.

AFK wishes to strengthen local businesses and increase the attractiveness of our region for professionals. AFK contributes to this by being a member of the local trainee programme "Trainee Sør", offering young graduates a unique opportunity to get professional experience from a variety of businesses in the southernmost region of Norway. We have already engaged two trainees through this arrangement. Our commitment to Trainee Sør both contributes to increase the overall competence in our region and is a unique opportunity for recruitment of young professionals to AFK.

A great place to work

Performance and targets

Equality and diversity is crucial for sustainable value creation. We seek to be an attractive employer with low absentee rates. In 2021 we doubled the percentage of female members of the Board of Directors across our portfolio companies. We also initiated reporting according to the Equality and Anti-discrimination Act.

Performance and KPIs

KEY RESULTS IN 2021

We report on gender equality on three different levels of our organization. We had good progress towards our long-term ambition of 40% women in our company.

AFK launched a project in 2021 to address the Equality and Anti-discrimination Act. The work resulted in the Diversity and Equality report, giving us a deeper insight into how AFK performs with regard to gender equality.

In 2021 we had no reported incidents regarding breach of human rights in our operations or supply chain.

30%

WOMEN ON BOARD OF DIRECTORS

1.5%

ABSENTEE RATE

7.6%

TURNOVER RATE

0.8%

LOST TIME INJURIES

MAINTAIN SAFE WORKING CONDITIONS DURING THE PANDEMIC



The portfolio companies in the group have put emphasis on good working conditions during the pandemic.

EQUAL WORKING LIFE CERTIFICATION



AFK was not certified in 2021, but will be pursuing certification in 2022.

We have started reporting according to the Equality and Anti-discrimination Act, an important step towards certification.

AFK goals and self-assessment of goal achievement.



Community
engagement

Local contributions

Arendals Fossekompani engages in and contributes to local communities in areas where we operate. In and around our headquarters in Arendal and Froland, we support events and initiatives that strengthen the region.

By helping the local communities, we want to contribute to a better future for all. This is why community engagement is one of our key focus areas regarding environmental, social and governance issues.

In recent years we have been involved in a wide variety of local projects, especially within culture, urban development, and sports. In 2021, two of our donations involved Vitensenteret Sørlandet (a regional 'science center') and children's playground equipment in downtown Arendal. Both gifts were meant to facilitate learning and development for children in our local community, which we find important and meaningful. In addition, we supported many other events and initiatives that contributed to the local community. The next page displays some of our commitments in 2021.

Going forward, our ambition is to keep contributing to and facilitate value creation in the local communities, by supporting important initiatives. We believe this is our responsibility as a company and also an important part of our identity.



CANAL STREET

Annual music festival featuring Norwegian and international artists.

ARENDALSUKA

Annual national meeting place for politics and business.

KNUBBEN

Bathing facilities outside of Pollen in Arendal.

ØIF ARENDAL

Local handball club which plays in the premier division in Norway.

ARENDAL FOTBALL

Local football club with both women's- and men's teams.

CANALS IN ARENDAL

Re-establishment of canals through the centre of Arendal City.

IDRETTSLEIREN

Annual sports camp for children.

Ambitions and targets for 2022

AFK is committed to improving how we work and further reducing the impact we have on our planet. In 2022, we will focus on measuring and improving the five most material areas for the whole group.



Ethical business conduct

Responsible investment

For 2022, our main target is to secure that AFK governance is performed according to the OECD Guidelines for Multinational Enterprises and NUES. In 2022, AFK will apply to become a member of PRI: Principles for Responsible Investments, a UN supported network working together to promote sustainable investments.

KPIS AND TARGETS IN 2022

In 2022, we will continue to improve our way of working with governance, risk and compliance. Our goal is that all employees undergo training in our Code of Conduct and whistleblower policy. All our portfolio companies should have Supplier Code of Conducts distributed to their suppliers. A common incident reporting system should be in place during 2022.

100%

of employees will receive training in Code of Conduct and whistleblower policy.

100%

Portfolio companies has a supplier Code of Conduct distributed to their suppliers.

IMPROVEMENT ACTIVITIES IN 2022

In 2022 we will have a particular focus on the Transparency Act. All enterprises that are covered by the act should perform due diligence assessments. AFK has launched a project to implement measures and plans to meet the requirements in the Transparency Act.

AFK will also further assess the EU Taxonomy, and do the assessment needed to publish numbers on both eligibility and alignment according to the EU Taxonomy for 2022. Cyber security is a strategic topic for AFK in 2022. We will make a common set of recommendation for all our portfolio companies and board of directors on how to work with strategy and risks, regarding cyber security.

Responsible investment is an important topic to attract investors and long-term shareholder. Arendals Fossekompani is looking for investments related to the three core sectors where we have our strengths and competences: Digitalization, electrification and materials, and green energy.

To ensure that all new investments and joint ventures comply with our standards related to ethical business conduct, we have established an onboarding process for all new investments. The key element in the onboarding process is to perform a materiality analysis according to the GRI standard.

KPIS AND TARGETS FOR 2022

In 2022 all our new investment should follow the sustainability onboarding process. We will implement the Principles for Responsible Investments (PRI). New financing in AFK shall be sustainability linked or green.

100%

ESG onboarding.

100%

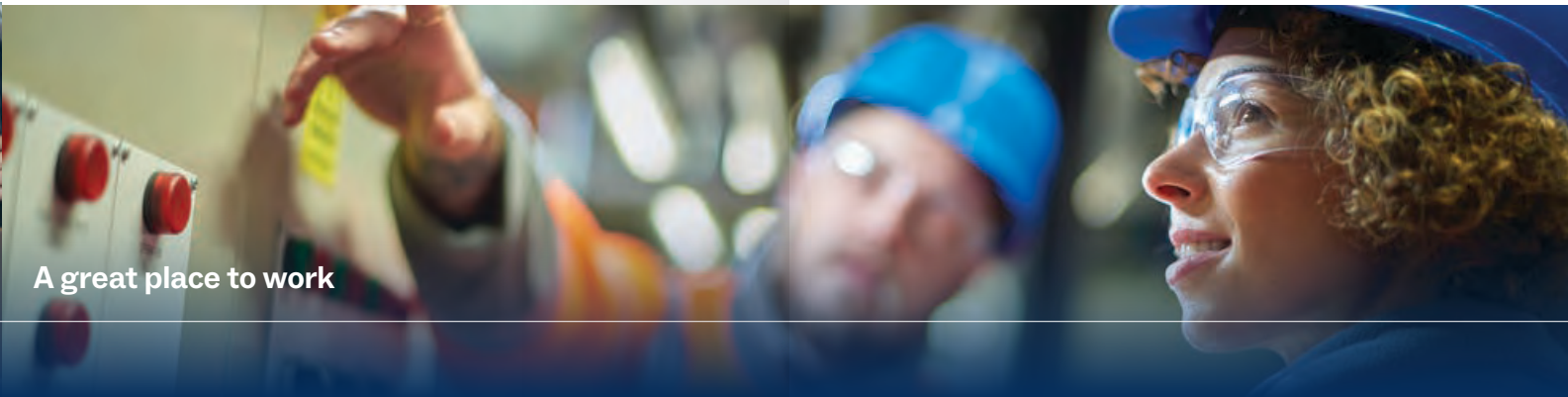
EU Taxonomy eligibility potential in new investments.

IMPROVEMENT ACTIVITIES IN 2022

- In 2022 AFK will apply to become a PRI member, and we will implement the PRI recommendation accordingly.
- A best practice manual for sustainability in M&A processes and business development will be developed.



Optimizing the portfolio companies



A great place to work



Community engagement

AFK is a green-tech investment company, supporting the green transition. Together with our portfolio companies, we will provide green, enabling technologies to accelerate global efforts to meet the goals of the Paris Agreement.

KPIS AND TARGETS IN 2022

In 2022, we will provide a disclosure of our scope 1 and 2 emissions, together with a selection of our material scope 3 emissions for the entire portfolio.

Our pledge to meet the goals of the Paris Agreement requires us to evaluate how to reach this target. A roadmap will be developed in 2022, based on the Science Based Target initiative (SBTi).

IMPROVEMENT ACTIVITIES IN 2022

AFK will conduct an assessment of the portfolio's alignment with the EU Taxonomy, in which the new Technical Screening Criteria will be evaluated. We will also do a re-evaluation of our eligibility.

Assessing how AFK should work to achieve our goal of alignment with the Paris Agreement will be important in 2022.

OTHER ACTIVITIES:

- Report according to the AFK Green Bond Framework.
- Update climate risk and materiality analyses.
- Report on the annual Communication on Progress (CoP) to UN Global Compact.
- Improve our reporting to CDP.

Protecting labour rights and promoting a safe and secure work environment for our employees, continues to be our main priority for 2022. We will also advance in our work towards gender equality on all levels of our portfolio.

Human rights are important for AFK. We strive to work in compliance with the UN Guiding Principles for human rights.

KPIS AND TARGETS IN 2022

AFK will continue to measure and report on health and safety, including injuries, turnover, and absentee rate. Our long-term ambition is to ensure low levels in all these areas. For gender equality, our KPIs will be to measure the percentage of women in various parts of the organization. Our target is to have 40% women on our Board of Directors, in C-suite positions and in our total work force by 2023.

40%

women in our board of directors by 2023

3.0%

Absentee rate 2022

IMPROVEMENT ACTIVITIES IN 2022

Through the process of preparing the Diversity and Equality document (Appendix 6), a set of strategic improvements projects for 2022 were defined. Primarily, we will expand our set of governing policies related to recruitment, wages, job descriptions, and career development.

AFK will work towards certification through "Likestill Arbeidsliv" (Equal working life) in 2022. To improve communication with potential new attractive employees, we will implement a career section on our website, and improve our strategic dialogue with Norwegian universities.

Ever since our establishment 126 years ago we have been passionate about developing the Arendal region. Moving forward, we will continue to support urban community projects, local sports teams, and cultural events and initiatives. To further professionalize and strengthen our efforts we will develop a partner- and sponsorship strategy with specific goals and dedicated target groups.

TARGETS IN 2022

- Develop partner- and sponsorship strategy.
- Broaden our sponsorship efforts.
- Professionalize sponsorship processes and follow-up of existing partners and initiatives.

05

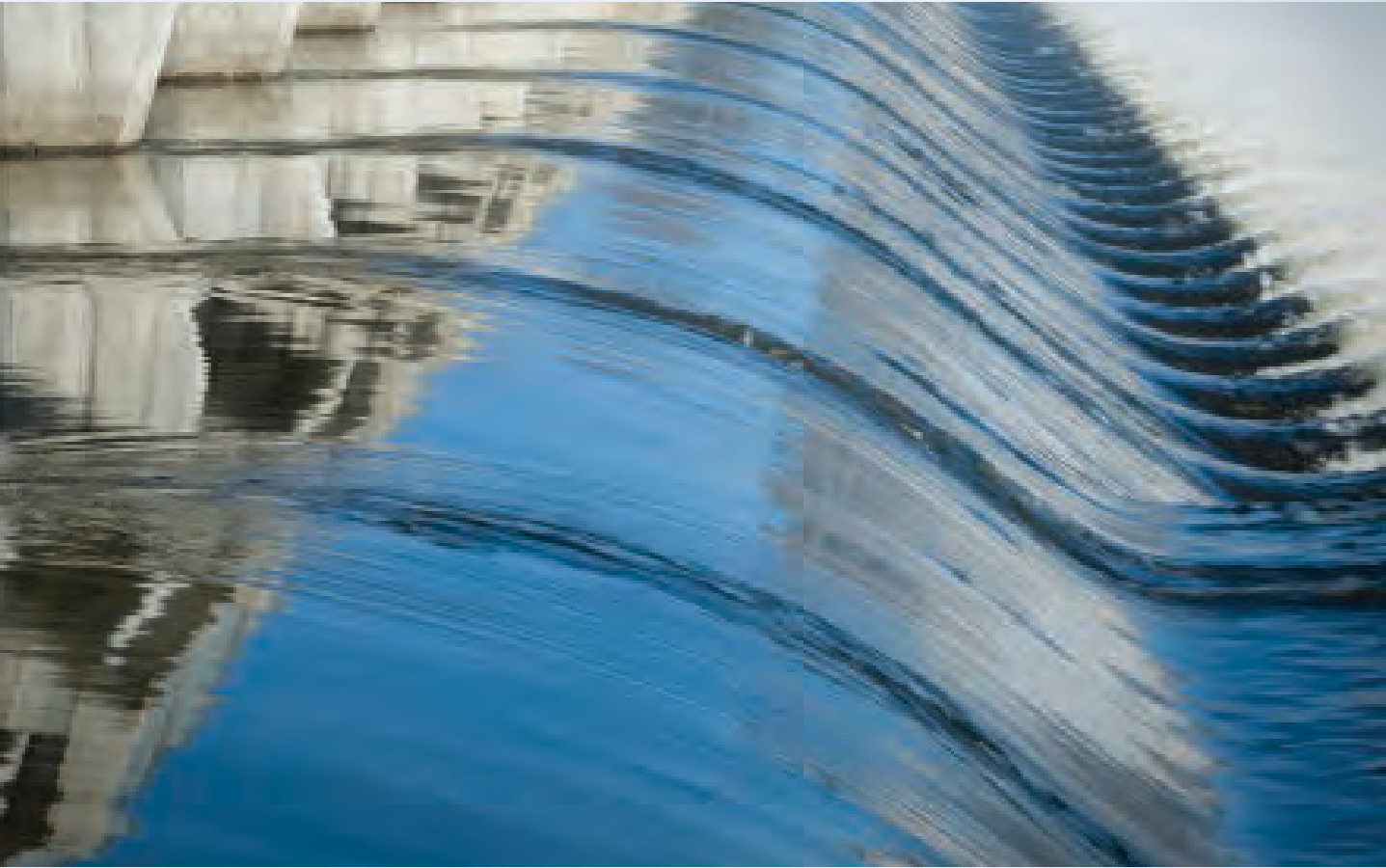
Part II

Sustainability in Portfolio Companies

AFK Hydropower	242
Volue	246
Tekna	256
EFD Induction	266
NSSLGlobal	276
Alytic	286
AFK Property	292
North Ammonia	296
Seagust	298

AFK Hydropower

HEADQUARTER	CHAIRMAN	CEO	OWNERSHIP	EMPLOYEES	COUNTRIES
FROLAND	JON	ØRJAN	AFK	14	1
NORWAY	HINDAR	SVANEVIK	100 %		



AFK has been operating hydropower plants in the Arendal watercourse for more than 100 years, ensuring renewable energy to industry and households. Our power plants, Bøylefoss and Flatenfoss, has an annual output of approximately 500 GWh.



UN SUSTAINABLE
DEVELOPMENT GOALS

TCFD disclosure

For AFK Hydropower, environment, social and governance issues are regularly on the agenda in the Board of Directors (BOD) , in the Audit Committee (AC) and in the management team. The BOD has the highest decision-making responsibility, and approves the strategy and targets, including sustainability and climate-related topics.

AFK Hydropower conducted a climate risk assessment following TCFD recommendations in both 2020 and 2021, giving important information about the company's climate-related risks and opportunities. This is a step in the process of integrating climate-related risks in the company's overall risk management process.

AFK Hydropower measures GHG emissions according to the GHG protocol, including scope 1, 2 and material categories within scope 3. AFK Hydropower will develop a roadmap for reduction of GHG emissions according to science-based targets in 2022. The long-term ambition is to meet reduction targets set in the Paris agreement.

KPIs	2021	2020	2019
Number of environmental accidents in the eco-system ¹⁾	0	0	0
Number of fish species in the river ²⁾	3	3	3
Gross direct (Scope 1) GHG emissions in metric tons of CO ₂ equivalent.	5	11.89	19.50
Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO ₂ equivalent. ³⁾	2.6	2.95	3.40
If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO ₂ equivalent. ⁴⁾	0	0	0
Gross other indirect (Scope 3) GHG emissions in metric tons of CO ₂ equivalent. ⁵⁾	9.4	0.16	n/a

1) There were no major environmental accidents reported for the eco-system surrounding the hydropower plant. 2) None of the species are red-listed or endangered 3) The Nordic energy mix is included in the gross location-based GHG-emissions: 17 g/kWh 4) Guarantee of origin. 5) Waste consumption

“Production of renewable energy is at the core of AFK Hydropower. To maintain a sustainable production of energy, the value of ESG for AFK Hydropower, is to ensure that the production of energy will be even more sustainable in all steps.”

Morten Henriksen
Executive Vice President at AFK

Focus areas

AFK Hydropower

Value chain
The value chain used to assess where companies have an impact.



Ethical business conduct

Value chain 1 2 3 4

A great place to work

Value chain 2 3

Climate impact

Value chain 2 4

Environmental footprint of operations

Value chain 1 2

Our values - collaborative, long-term, dynamic, and responsible - are at the core of our organisation. This requires good governance and compliance, and a focus on transparency.

PERFORMANCE AND KPIS
All employees sign the company-wide Code of Conduct at the beginning of the employment.

WORK AND ACTIVITIES TODAY
In 2021, all AFK Hydropower employees received training in the Code of Conduct.

An internal whistleblowing channel was implemented and communicated to AFK Hydropower employees in 2021. There were no reported incidents during the year.

TARGETS AND AMBITIONS
Ensure that 100% of our employees have read and signed the newest version of AFK's Code of Conduct.

Implement updated Supplier Code of Conduct.

The employees are essential for the operation of the hydropower plants. We value our employees and put their health and well-being as a top priority.

PERFORMANCE AND KPIS
Operating personnel is exposed to potential risks related to maintenance of heavy machinery, high voltage systems and seasonal floods. To maintain health and safety for our employees, AFK Hydropower conducts risk and vulnerability analyses to map possible hazards and increase awareness. Every year, employees will complete courses in HSSE and FSE (safety regulations when working in and operating electrical installations).

All incidents are recorded.

TARGETS AND AMBITIONS
In 2022 our target and ambition is to review and complete the risk and vulnerability assessment regarding HSE and work-tasks to further improve and map the work environment for our employees.

AFK Hydropower produces renewable energy and is therefore an important contributor to the green transition. By increasing the renewable energy share in the global energy mix, our operations have a positive climate impact. Additionally, run-of-river hydropower facilities have minimal impact on its surroundings and will likely be fully aligned with the EU Taxonomy.

PERFORMANCE AND KPIS
AFK Hydropower reports on its GHG emissions. Our GHG emissions account include Scope 1 emissions from company-owned cars, Scope 2 emissions from our use of electricity, and Scope 3 emissions from business travel. In 2021, we implemented a new reporting system for GHG emissions, and we report on SF6 (sulphur hexafluoride).

WORK AND ACTIVITIES TODAY
Production of hydropower is, in and of itself, free of GHG emissions. Our emissions emanate from our fossil fueled cars, used for maintenance of the hydropower facilities, and electricity for our offices. The electricity for the administration building is purchased with guarantee of origin. SF6 is used in the switches for high voltage.

TARGETS AND AMBITIONS
We will continue to improve the reporting of GHG emissions. AFK Hydropower will focus on a complete environmental risk and vulnerability assessment in 2022, to further map and improve our impact on the surrounding environment.

GREEN OPPORTUNITIES
Future purchases of cars present opportunities to phase out fossil fueled cars, and phase in electric vehicles.

Protection of the environment surrounding our hydropower production facilities is important for AFK Hydropower. A strategy to minimize the environmental footprint of our own operations is essential.

PERFORMANCE AND KPIS
WORK AND ACTIVITIES TODAY
Species of fish affected by our hydropower stations have been subject of an external audit. Environmental reviews and audits are conducted annually. Any accidents are reported.

AFK Hydropower recycles both hazardous and non-hazardous waste. AFK Hydropower owns and operates a treatment plant for fresh water on site. By following the restrictions and regulations for the Arendal water-course, AFK Hydropower contributes to sustainable conservation of freshwater eco-systems.

TARGETS AND AMBITIONS
Establish a more efficient system for tracking audits, reviews, and environmental accidents.

Volue

Portfolio company

HEADQUARTER	CHAIRMAN	CEO	OWNERSHIP	EMPLOYEES	COUNTRIES
OSLO	ØRJAN	TROND	AFK	715	8
NORWAY	SVANEVIK	STRAUME	60.1 %		



Volue is a market leader in technologies and services that power the green transition. Based on 50 years of experience, Volue provides innovative solutions, systems and insights to industries critical to society. Over 700 employees work with more than 2,200 customers across energy, power grid, water and infrastructure projects that ensure a sustainable, flexible and robust future. The company is headquartered in Oslo, Norway and active in 40+ countries.



UN SUSTAINABLE
DEVELOPMENT GOALS

Volue was established in March 2020 as the result of the merger of four companies: Powel, Markedskraft, Scanmatic and Wattsight. The company transferred listing from Euronext Growth to Oslo Børs in May 2021.

TCFD disclosure

For Volue, ESG issues are regularly discussed by the Board of Directors (BOD) and the Executive Leadership Team (ELT). The BOD has the highest decision-making responsibility, and approves the strategy and targets, including sustainability and climate-related topics.

Volue conducted a climate risk assessment in 2021, giving important information about the company's climate-related risks and opportunities. This is a step in the process of integrating climate-related risks in the company's overall risk management process.

Volue measures GHG emissions according to the GHG protocol, including scope 1 and 2 and two material categories within scope 3. In 2022, Volue will establish climate targets and roadmap in line with the Paris agreement and the 1.5 degree scenario.

KPIs	2021	2020	2019
Description or percentage of organization with ISO 9001 certification	76%	82% (Powel + Scanmatic)	n/a
Description or percentage of organization with ISO 27001 certification	68%	70% (Powel)	n/a
Male (Board of directors) ¹⁾	50.00%	85.70%	n/a
Female (Board of directors) ¹⁾	50.00%	14,3%	n/a
Male (C-suite positions) ^{1) 2)}	78.00%	88.90%	n/a
Female (C-suite positions) ^{1) 2)}	22.00%	11.10%	n/a
Total number of new hires ³⁾	123	117	
Percentage of female new hires ³⁾	30%	23%	
Number of female new hires ³⁾	37	27	

1) Percentage of individuals within the organization's governance bodies 2) Person who reports directly to CEO 3) Total number and rate of new employee hires during the reporting period.

“Volue`s technology and services are indispensable in the green transition and our role in securing a renewable energy future is clear: We are here to create balance where there is volatility through standardised, robust, and scalable solutions for the energy system. We are here to enable the green transition, and we are optimistic about the future.”

Trond Straume
CEO

Focus areas

Value

Value chain
The value chain used to assess where companies have an impact.



Ethical business conduct

Value chain 1 2 3 4

Ensuring good corporate governance and legal compliance in all countries and markets are important to Value. Acting ethically and lawfully is not only a moral obligation, but critical if the company is to be perceived as a trustworthy business partner and vendor. Value aspires to build a strong company culture, where ethical behaviour, transparency and openness are values that employees and business partners adhere to.

PERFORMANCE AND KPIS
Value established a new Code of Conduct in March 2021, which includes rules with regards to business conduct, values, and ethics. To date, 88% of Value's employees have signed for, and thus, confirmed that they have read and understood the information in the Code of Conduct. In Q1 2022, Value is planning to arrange training in the Code of Conduct for all employees and governance body members.

Value has established an external whistleblowing channel that can be used for reporting irregularities or breaches of the Code of Conduct. There were no reported irregularities in 2021.

Value has implemented a subcontractor check list in order to screen suppliers and business partners in terms of project execution, contract terms and conditions, intellectual property right, previous experiences, financial and payment information, compliance with laws and ethics and others risks.



- TARGETS AND AMBITIONS**
- 100% of employees having confirmed, read and understood the Code of Conduct.
 - Internal review of supplier range.
 - Audit critical suppliers in countries with a heightened risk according to the Transparency International Index.
 - 100% of suppliers having signed the Supplier Code of Conduct or have provided sufficient evidence of own compliance policies in accordance with Value's Supplier Code of Conduct.
 - Follow-up on implementation of subcontractor check list as part of the Quality Management System.
 - Prepare for limited assurance of ESG report 2022.

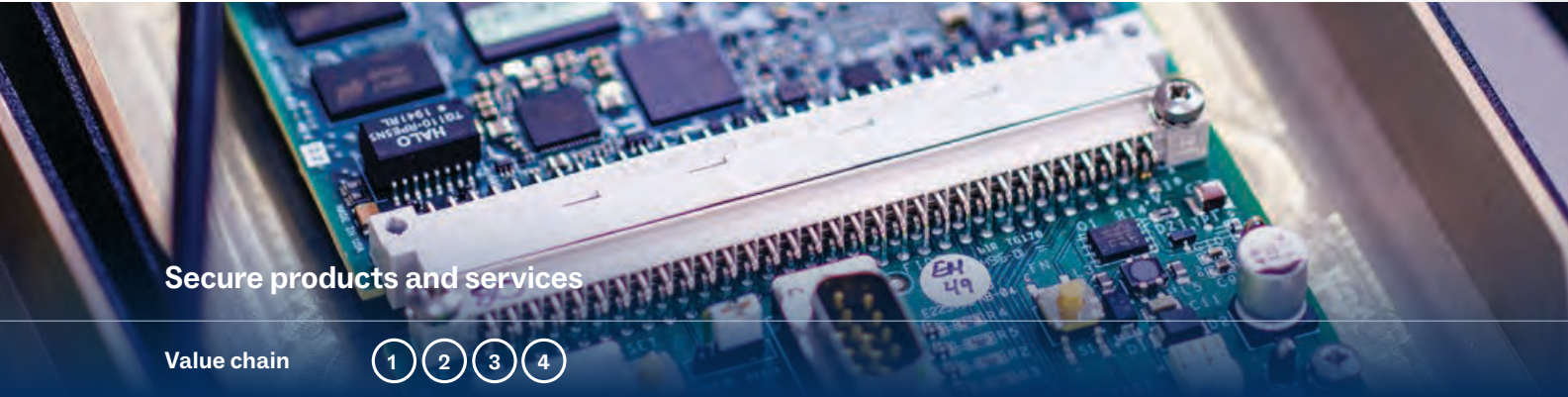
100%

employees have signed Code of Conduct

GREEN OPPORTUNITIES
Value has the opportunity to conduct an internal review of supplier range and suppliers' environmental objectives.

Focus areas

Value



Secure products and services

Value chain

1 2 3 4

Unreliable products and data security threats pose financial, reputational, and societal risks. Value must therefore continually strive to provide customers with high quality, secure and trustworthy products and services. Being able to demonstrate to the market that the company is reliable in terms of availability and security is a prerequisite for future business success.

Value is focused on streamlining and ensuring high product availability and security. Furthermore, understanding and fulfilling customer requirements when it comes to building resilience to operational challenges is important.

PERFORMANCE AND KPIS

Value has implemented an Information Security Policy which has a mandatory read and agreement signing. Approximately 60% of the employees have signed to date. As part of the company's efforts to increase security awareness, Value has in 2021 conducted a mandatory online training program with all employees. In December 2021, Value extended the security agreement to also include their Security Operations Center (SOC+) service. Value has also worked to develop a common security KPI that will be released during 2022.

24/7

Security of Value's systems

60%

of employees signed the Information Security Policy

WORK AND ACTIVITIES TODAY

Value complies with all applicable national laws and regulations on data privacy and security, such as the EU's General Data Protection Regulation (GDPR). Moreover, Value has initiated the process of becoming certified according to ISO 27001:2013.

Value has in 2021 implemented a common quality management system across the Value Group. Previously, Value Technology has built several security frameworks and an extensive library of routines, including an Information Security Policy and an Employee Security Agreement.

TARGETS AND AMBITIONS

- Increase the number of employees that have signed the Information Security Policy.
- Implement a common improved Security KPI for Value.
- Implement a common Contingency plan for Value.
- Improve a measurable and continuous way to reduce security risk and threats/vulnerabilities.
- Strengthen the 24/7 security monitoring and response capabilities.
- Achieve ISO certification for ISO 9001 & ISO 27001 throughout the organisation.

GREEN OPPORTUNITIES

To Value, being able to show reliability in terms of product up-time and security is a prerequisite for being in business over time. Also, understanding and fulfilling customer requirements when it comes to building resilience to operational challenges, will be important to build a strong position within sectors expected to ensure security of supply at all times.

Value chain

The value chain used to assess where companies have an impact.



A great place to work

Value chain

2 3

To remain an attractive employer to diverse and talented profiles, Value is continuously developing people-related processes and terms and conditions for all employees. In 2021, the company launched its own value statements which is, together with a clear Value way of leadership, an important step towards creating a shared company culture and operational practice.

PERFORMANCE AND KPIS

In 2021, Value joined both the Oda Network, which is the leading tech network for women in the Nordics, and Kraftkvinnene, which is an initiative led by Energi Norge for women in the renewable energy sector. Furthermore, in December 2021, Value's CEO signed the CEO Commitment that aims to bring together key leaders and decisions makers who believe in the value of diversity in the workplace.

Value introduced two pilot programs for employee development in 2021: the leadership programme "Becoming a Leader" and the mentor program "Young Talents". In 2022, Value will introduce the leadership program "Value Sustainable Leader Program".

WORK AND ACTIVITIES TODAY

Value will always align its conduct with internationally renowned standards for human and worker's rights, such as the Human Rights Act and OECD guidelines for multinational enterprises. The CEO and Value's Board of Directors have the overall responsibility to ensure compliance with the company's business ethics policies. So far Value has not identified any risks regarding human rights, neither in its own operations nor with the suppliers.

TARGETS AND AMBITIONS

- Launch new leadership program and leadership principles.
- Continue the mentor/mentee program and include even more mentees.
- Increase the response rate of Value Engagement Surveys from 72% to at least 80%.
- Improve the overall engagement rate score from 7.4 to at least 7.8.
- Introduce diversity initiative in 2022 to increase the share of women and non-Norwegians in the company. Target of 24% females by end of 2022 and 33% by 2025.
- Implement a new and common standard for development conversations for all employees.
- Launch a new channel for internal communications.
- Introduce monthly 'Lunch & Learn' and 'Lunch & Lead' events in 2022.

33%

women in workforce by 2025

Focus areas

Value

Value chain
The value chain used to assess where companies have an impact.



Environment

Value chain

1 2 3 4

As an international software and technology provider, Value is directly and indirectly impacted by the environment. The company’s business operation also has direct and indirect impact on the environment across its value chain.

Value’s expertise within energy production, optimisation, trading and distribution allows energy companies to get the most out of their resources and can play an important role in enabling a future with a greener, yet more volatile energy mix and increased electrification.

PERFORMANCE AND KPIS
Value is currently in the process of establishing an environmental policy for employees. Suppliers are also responsible for filling out a self-assessment concerning their own environmental practices and performance.

In 2021, Value started mapping current procurements (hardware and other equipment). The company has started to request supplier environmental declarations from selected suppliers. This process will continue in 2022.

Value has reviewed the Technical Screening Criteria from the EU Taxonomy for the IT and software industry.

70%

eligibility according to EU Taxonomy

WORK AND ACTIVITIES TODAY
Value is committed to ensure that the company’s operations live up to high environmental standards. The company aims to increase knowledge and raise awareness of environmental issues among all its employees and comply with applicable legislation and regulations relating to the environment.
The company is currently in the process of establishing an environmental policy for employees, and suppliers are also responsible for filling out a self-assessment concerning their own environmental practices and performance.

- TARGETS AND AMBITIONS**
- Establish and implement environmental policy including training of employees.
 - Establish climate targets and roadmap in line with the Paris agreement and 1.5 degree scenario.
 - Integrate climate risk assessment process in the company’s risk management process and start climate reporting according to TCFD’s recommendations.
 - Complete GHG reporting/expanded reporting of scope 3 emissions.
 - Perform a robust climate risk and vulnerability assessment in line with the second and third substantial contribution criteria in the EU Taxonomy.
 - Make sure that the fourth substantial contribution of the EU Taxonomy is met.

GREEN OPPORTUNITIES
Value sees green opportunities in all of the company’s business segments.

In the energy segment Value sees an opportunity to guide new and existing clients through the transition to a renewable energy system, providing them with technology, automation, business models and local energy system understanding.

As grid companies are being redefined as DSOs with a tight integration to more unpredictable distributed generation, they are being encouraged to invest in digitalisation and advanced software services, which Value’s power grid segment provides.

The infrastructure sectors are in a digitisation phase expected to accelerate due to climate changes. The demand for improved decision-making tools, predictive maintenance systems, forecasters and investment planning will increase. Value is well positioned to be a preferred vendor for this growing market.

Value

Built on decades of experience, enabling a greener future



Water and wastewater infrastructure is challenged by climate change. Norwegian municipalities experience increased risk of urban flooding and infrastructure damage. Climate change influences the entire water cycle from source to tap and further into the fjord. Urban flooding, water leakages and pollution of water supply are some of the consequences. Climate change consequences are a reality for all municipalities and water infrastructure owners – and climate adaptation actions are required.

Using Value's solutions for documentation and management of water infrastructure, municipalities and water companies reduce the risk of water leakages that often lead to urban flooding and pollution of drinking water. By using Value technology, pipe leakages are identified earlier and damage and spills are reduced or even avoided.

Value's solutions have open interfaces to all relevant industrial sensor systems that monitor water levels, pumps, flows, water quality and overflows. Therefore, the data collected is not only useful in the control centers, but can also be accessed and used as valuable input for the operators in the field. This digitalisation process combining monitoring, predictions and infrastructure documentation makes Value's services highly valuable in the company's customers' climate change adaptation efforts.

Every day, cities all over Norway are using Value's solutions with updated information about sensors in pumps, flow measurements, water levels in their reservoirs, freshwater storages, and pressures in the pipes. The result is clean water in the tap, clean water in the sea and a resilient society with respect to urban flooding.

This demonstrates the importance of Value's strategy and innovation. In partnership with clients, Value has established Digital Water, an innovation project with a main objective to develop solutions and services that will further help climate change adaptations for the water industry.

Tekna

Portfolio company

HEADQUARTER	CHAIRMAN	CEO	OWNERSHIP	EMPLOYEES	COUNTRIES
SHERBROOKE, CANADA	MORTEN HENRIKSEN	LUC DIONNE	AFK 79.9 %	204	4



UN SUSTAINABLE
DEVELOPMENT GOALS

With its unique, IP-protected plasma technology, the company is well positioned in the growing market for advanced nanomaterials within the electronics and batteries industries. Building on 30 years of delivering excellence, Tekna is a global player recognized for its quality products and its commitment to its large base of multinational blue-chip customers.

TCFD disclosure

For Tekna, ESG issues has not previously been prioritised by the Board of Directors (BOD). Starting February 2022, ESG, including climate-related governance, will be reviewed with the board once a year. Climate-related responsibilities have been assigned the executive level of the organisation.

Tekna conducted a climate risk assessment in 2021, giving important information about the company’s climate-related risks and opportunities. This is a step in the process of integrating climate-related risks in the company’s overall risk management process.

Tekna measures GHG emissions according to the GHG protocol, including scope 1 and 2 and four material categories within scope 3. A complete disclosure of scope 3 emissions will be achieved by 2024. Tekna is committed to emissions reduction targets of 50% for scope 1 and 2 by 2030, compared to 2021. This is in line with the Paris Agreement.

KPIs	2021	2020	2019
Water used per kg product produced ¹⁾	0.064 m3	0.078 m3	0.054 m3
Total water consumption in TPS facility Canada ²⁾	7,837 m3	8,247 m3	19,472 m3
Energy use per kg product produced (Ti64) ³⁾	13.22	17.70	20.50
Energy use per kg product produced (AlSiMg) ⁴⁾	6.54	7.25	8.15
Estimated materials saved by customers in aerospace industry when using Tekna's solutions and products ⁵⁾	200-1.200 tonnes	100-650 tonnes	80 -500 tonnes
Number of suppliers that have signed the supplier code of conduct ⁶⁾	21	3	0
Number of top that have completed the self-assessment questionnaire ⁷⁾	20	0	0

¹⁾ Canada - TAM Increase due to R&D activities in the same facility; As of yet Tekna cannot separate water used for production and for R&D. ²⁾ Canada - TPS By redesigning and revamping R&D laboratory and water cooling systems the team at Tekna facility management generated an annual saving of 10 000 cubic meter of fresh water in the TPS facility (average consumption TPS 2015-2019 23000m3). ³⁾ Ti64 manufacturing in Canada. Improvement due to wire feedrate increase 4) AlSiMg manufacturing in Canada. Improvement due to wire feedrate increase ⁵⁾ Rough estimation based on overall Tekna powder sales and a estimation of 60%-90% potential material saving depending on industry. ⁶⁾ Tekna group. Source system: Netsuite. 66% of suppliers > CAD 100k spend in 2020. Large corporations with own code of conduct aligning with Tekna's also included. ⁷⁾ Tekna group. 63% of suppliers > CAD 100k spend in 2020.

“As Tekna continues to develop and grow, it is further integrating sustainability into its global business activities. This is important for Tekna’s current and future customers, its employees, its owners and society at large. By embracing a culture of sound sustainability practices, Tekna is investing in its future and the future of human kind.”

Luc Dionne
CEO

Focus areas
Tekna

Value chain
The value chain used to assess where companies have an impact.



Ethical business conduct

Value chain 1 2 3 4

It is Tekna’s belief that it has a social responsibility to the communities reached through its operations. They are key stakeholders to achieve green, inclusive, transparent and fair business practices that can succeed in the long-term.

PERFORMANCE AND KPIS

In 2021, Tekna developed its Employee Code of Conduct, which was approved by the board early 2022.

Tekna is preparing its first ESG report according to the GRI Standards over 2021, which includes an update of the materiality analysis and focus areas.

Tekna did its first climate related risk and opportunities scan with a third party to prepare for TCFD reporting. Tekna increased diversity at upper level by adding 2 females to the director level.

2
newly promoted women
to director level

WORK AND ACTIVITIES TODAY

Tekna is continuing to embed human rights into company-wide governance and compliance programs. Both the Employee and Supplier Code of Conduct addressing the topic are now in place. For employees more likely to be exposed to corruption and bribery risks, further awareness trainings will be organised. The supplier self-assessment requires follow up and auditing in order to ensure compliance. Tekna will continue to enhance transparency and governance by improved reporting.

TARGETS AND AMBITIONS

2022:

- Signatory of UN Global Compact.
- Recruit external board member(s), establish an Audit Committee.
- 100 % of employees signed Code of Conduct.
- Governance assessment with focus on transactions in countries ranking low on the CPI (2021 goal).

100%
of employees have signed
the code of conduct

2030:

- 100% of employees to complete annual Code of Conduct training.
- Increase gender diversity in leadership.

A great place to work

Value chain 2 3

As a high-tech company Tekna is driven to keep and attract exceptional talent to drive innovation. Continued focus on the health, safety and well-being of people is considered critical to the resilience of the company’s ongoing operations.

PERFORMANCE AND KPIS

An employee survey was performed in the autumn, giving valuable insights on how to become a better workplace. The company performed baseline measurement of eNPS and eSat, and also increased the completion of internal safety audits to 90%. Tekna is certain these interactions have had a positive effect on safety culture, but the company have not validated their OHS cultural maturity level.

Virtual collaboration is now anchored in a work-from-home policy reducing employee travel and improving work-life balance.

Tekna increased the skill level of staff by training them on new technological tools, on-the-job training plans and management training.

90%
completion of internal
safety audits

WORK AND ACTIVITIES TODAY

Tekna has not identified any increased risks regarding human rights in its own global operations. Well-being, health and safety are priorities at Tekna. Extensive risk analyses are performed in order to improve production installations, particularly also for the new Nickel nano production system.

Much effort has gone into recruitment, skill development and work-life balance. The results of the employee survey will help the company continue to improve on these items.

TARGETS AND AMBITIONS

2022:

- Integrate high OHS standards in new facilities in Canada and France.
- Work towards multiple ISO certifications related to health, safety, risk management.
- Publish a description of Tekna’s Occupational Health and Safety (OHS) system.

2030:

- Disability accessibility assessment.
- Implement ISO45001 on OHS and ISO31000 on risk management.

GREEN OPPORTUNITIES

Leading innovation in environmental waste recycling, additive manufacturing etc. in partnership with universities.

Focus areas

Tekna

Value chain
The value chain used to assess where companies have an impact.



A resilient and responsible supply chain

Value chain 1 2 3 4

Tekna believes there are no shortages or disruptions in the supply chain, just a need for better planning and circular management of resources. Tekna’s global supply chain faces risks and could be vulnerable to climate change, so the company aims to encourage capacity-building to strengthen local supply chains.

PERFORMANCE AND KPIS
In 2021 Tekna developed and rolled out Supplier Code of Conduct and supplier self-assessment to ensure that the company prevents and addresses adverse human rights impacts associated with their business activities.

WORK AND ACTIVITIES TODAY
Tekna is working on the following topics:
1.Map the environmental and social impacts of supplier manufacturing activities (e.g. labour and human rights in supply chain, local communities, impact on ecosystems and biodiversity).
2. Diversification of suppliers and strengthening resilience of local communities (e.g. to climate risk).
3. Understand exposure to climate-related risks.

TARGETS AND AMBITIONS
2022:
• Ensure compliance with the Supplier Code of Conduct and increase percentage of sizeable suppliers that signed it by 10% (>150k CAD spend).
• Understand exposure to extreme weather events with suppliers and in transport routes and develop mitigation plans (TCFD).
2030:
• Report on supplier audits.
• Reduce transport in supply chain.
• Green opportunities.
• Local centralised circular and sustainable supply chains.

Strive for circular and sustainable production

Value chain 2 3

Tekna’s growth, powered by the green transition, introduces an environmental cost in the value chain. Tekna is committed to keeping it as low as possible, through green energy, resource efficiency and aiming for increased circularity. This simultaneously reduces the company’s production cost and contributes to securing and improving market positions.

PERFORMANCE AND KPIS
Achieved level 1 and 2 of a local Recycle Program “Ici on recycle+”. As part of this Tekna have also started collecting Covid masks and compost at the company’s cafeterias.

Exchanged mercury lights and fluorescents in the Canadian production sites to LED.

Quantified scope 1 and 2 GHG emissions for all sites.

A project to better control the consumption of process gases (Helium and Argon) is expected to deliver a 20% reduction of gas consumption going forward.

R&D developed solutions for improved output leading to energy conservation to be implemented in 2022.

Level 1&2
achieved through the local re-cycle program “Ici on recycle+”
Scope 1&2
GHG emissions are now quantified for all Tekna sites

WORK AND ACTIVITIES TODAY
A sustainable production calls for a low-carbon footprint and closed loop systems. Tekna achieved such closed loops with argon and helium gases as well as water. The company continue to allow work from home (~40%) and offer Hololens Factory Acceptance Tests to reduce GHG emissions from travelling.

Further areas being worked on are Tekna's GHG emissions from production and transport, continued improvements on resource efficiency and waste/water/energy management.

TARGETS AND AMBITIONS
2022:
• Develop action plan to reduce GHG emissions scope 1, 2 GHG baseline measurement for 6/15 categories in scope 3.
• Implement productivity improvements of Tekna operated plasma system to achieve greater energy conservation.

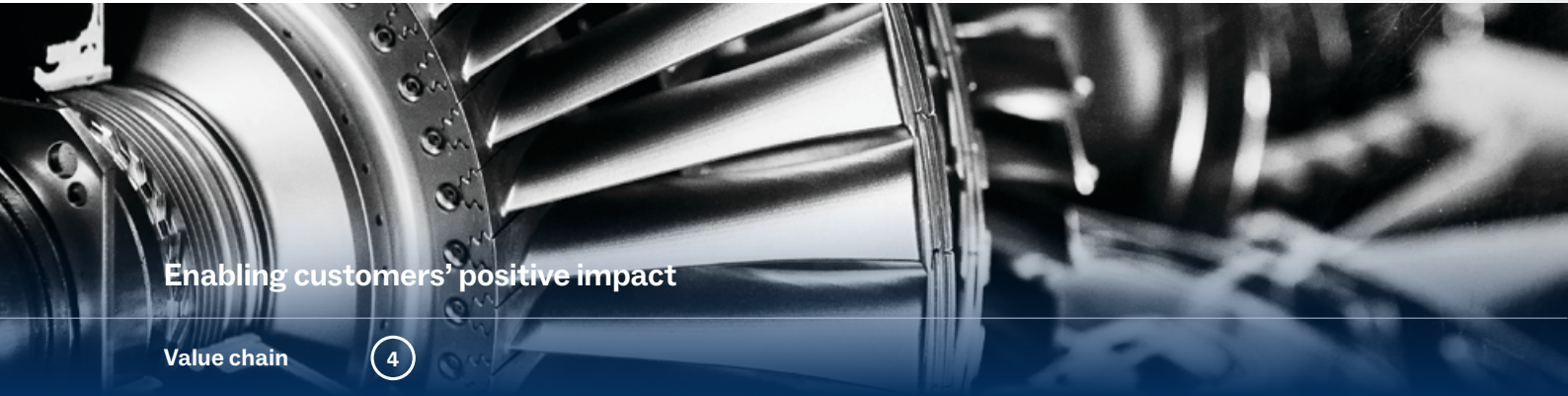
6/15
GHG protocol categories will be reported on for 2022
50%
reduction of GHG emissions by 2030

2030:
• Carbon reduction of 50% of scope 1 and 2.
• Offset carbon emissions from scope 3.

GREEN OPPORTUNITIES
Adapt supply chain and community needs based on various risk assessment, targets and certifications. Identify and interact with local and circular supply chains (local circular economy).

Network of smaller supply chains that can support each other in case of shortages or crises, increasing social and climate resilience.

Focus areas
Tekna



Tekna aspires to actively contribute to the implementation of circular and resource efficient solutions and carefully plan for resilience with all stakeholders. This will reduce the environmental impact of the value chains it operates in and enable customers' business continuity and allow for positive impacts to shape society.

PERFORMANCE AND KPIS

In order to reduce single-use plastic packaging, Tekna is developing a multi-usage powder transportation vessel together with partners. The prototype was ready at the end of 2021 and it will be put in operations in 2022. The company is closely monitoring the EU Taxonomy regulation and development and have undertaken an external verification by a third party on Tekna's alignment with the Taxonomy criteria and finalized an eligibility assessment.

WORK AND ACTIVITIES TODAY

In 2020 report this focus area was called "Circular and resource-efficient products". The aim remains unchanged: enable and support customers in improving their footprint. For instance, by working and collaborating with all stakeholders to close loops, diversify and shorten supply chains and by supporting (technically) OEM's in their ambitions to move parts manufacturing from traditional subtractive to additive manufacturing. Furthermore, there are ongoing R&D activities to valorize circular concepts in additive manufacturing.

- In short:
- 1. Enabling technology & products for customers.
 - 2. Resource efficiency for customers.
 - 3. Emission and waste reduction for customer.
 - 4. Increased availability & affordability for customers and end-users.
 - 5. Extended life and reduced costs for products and resource.

TARGETS AND AMBITIONS

2022:
Place in operation the multi-usage powder transportation vessel.

Through research of AMGTA (Additive Manufacturer Green Trade Association) conclude on methodology to estimate the volume of raw material saved using additive manufacturing technology.

2030:
Determine alignment of Tekna activities with EU Taxonomy.

Implement data security management system (ISO 27001).

GREEN OPPORTUNITIES

Support (technically) OEM's in their ambitions to move parts manufacturing from traditional to additive manufacturing.

R&D activities to valorise circular concepts in additive manufacturing. Explore the possibilities of Tekna's waste management technology.

Support (technically) OEM's in their ambitions to introduce siliconnano in the manufacturing of anodes for LiBs.

Value chain
The value chain used to assess where companies have an impact.



Tekna

Awarded with certification for performance in waste management



Tekna's Environmental Committee's main goal for the last two years has been to obtain the ICI On Recycle certification for its two buildings in Sherbrooke. This certification recognizes Tekna as an actor on the environmental plan for actions taken aiming for good management of residual materials.

After two years of implementing different actions, the committee has received the certificate for the Tekna Plasma Systems and is awaiting the Tekna Advanced Materials certification.

Here is a short list of actions that the committee has completed in the last 2 years:

1. Training for employees on recycling and reducing at the source.
2. Addition of recycling stations in production areas.
3. Addition of compostable materials collection service in the cafeterias.
4. Creation of awareness posters for waste reduction.
5. Establishment of various policies with an environmental flavor: eco-responsible events, management of residual materials, etc.
6. Default double-sided printing on shared printers.
7. Reuse of single-use bags internally.
8. Reuse of packaging material when possible.
9. Styrofoam sent to the ecocentre for recycling.

Thanks to all the actions taken, Tekna has significantly reduced the amount of waste sent to landfill. The company is now collecting ultimate waste once every week instead of three times a week two years ago.

EFD Induction

Portfolio company

HEADQUARTER	CHAIRMAN	CEO	OWNERSHIP	EMPLOYEES	COUNTRIES
SKIEN	ØRJAN	BJØRN E.	AFK	992	17
NORWAY	SVANEVIK	PETERSEN	96.1 %		



UN SUSTAINABLE
DEVELOPMENT GOALS

The company design, build, install and maintain a complete range of energy-efficient and eco-friendly induction heating equipment for a wide range of industrial applications.

TCFD disclosure

For EFD Induction, ESG issues are regularly discussed by the Board of Directors (BOD) and the Corporate Executive Committee (CEC). The BOD has the highest decision-making responsibility, and approves the strategy and targets, including sustainability and climate-related topics.

EFD Induction conducted a climate risk assessment in 2021, giving important information about the company's climate-related risks and opportunities. This is a step in the process of integrating climate-related risks in the company's overall risk management process.

EFD Induction measures GHG emissions according to the GHG protocol, including scope 1 and 2 and three material categories within scope 3. EFD Induction will set realistic short-term targets based on 2021 ESG assessments. The long-term ambition is to meet reduction targets set in the Paris agreement.

KPIs	2021	2020	2019
Number of top suppliers that have agreed to the supplier code of conduct	64	0%	0%
Number of top suppliers that have completed the self-assessment questionnaire	76	0%	0%
Total number of new hires ^{1) 2)}	181	43	119
Percentage of female new hires ¹⁾	14%	19%	15%
Number of female new hires ¹⁾	26	8	18
Total number of employees that has signed CoC	992	970	1066
Percentage of employees that has signed CoC	100%	100%	100%

1) Total number and rate of new employee hires during the reporting period. 2) ESC: gross number of external hiring only (not hiring between internal companies)

“In essence, adhering to an ESG framework means that you are future-proofing your business. Companies that have made this a priority have the tools to deal with the dramatic challenges that are thrown at us all from time to time. EFD Induction is committed to integrating our environmental, social and corporate governance responsibilities into our business decisions and operation.”

Bjørn E. Petersen
CEO

Focus areas

EFD Induction

Value chain

The value chain used to assess where companies have an impact.



Ethical business conduct

Value chain



All employees base their daily work and behaviour on the company values – respectful, reliable, cooperative and passionate. The values make sure that EFD Induction follows the laws, act honourably, provide qualitative and reliable products and services to customers, and delivers them in the best possible way wherever they are located.

PERFORMANCE AND KPIS

EFD Induction updated the Code of Conduct in several areas, including the whistleblowing policy. The Code of Conduct ensures equal rights and opportunities for all employees and ban all forms of discrimination on the grounds of ethnicity, gender, sexual orientation, religion or disability. The Code of Conduct is available in Chinese, English, French, German, Norwegian and Hindi.

Starting with an educational program in January, the company trained 20% of the workforce during 2021. The program continues in 2022, when half of the company's global staff will undergo training, and the goal is that everyone in the organisation has taken part in the program before the end of 2023.

20%

workforce trained in educational program in 2021

WORK AND ACTIVITIES TODAY

Whenever considered appropriate, employees are encouraged to report to their line manager, i.e. their immediate superior. In addition, employees may always report concerns to the local managing director, the regional vice president or the CEO. If this is considered inappropriate, employees may also report directly to the CFO or any member of the Board of Directors. Anyone being notified of a concern has a duty to immediately inform EFD Inductions' CEO or, in case of a possible conflict of interest, the CFO, in order to ensure that such concerns will be followed up in an appropriate manner and in line with the company's procedure on the handling of concerns.

In 2021 there were no reported cases.

EFD Induction does not tolerate bribery or corruption in any form. Everyone must comply with applicable anti-bribery and corruption laws and regulations, and actively strive to make sure business partners share this commitment. People and business benefit from well-functioning markets and corruption prevents countries from transforming into efficient market economies. Engaging in corruption may not only have serious effects on EFD Induction, but also on the individuals involved and may result in criminal charges, penalties or sanctions. Bribery, corruption and facilitation payments are prohibited in all business transactions, whether with public officials or private business partners.

All new employees sign the Code of Conduct on their first day of work.

TARGETS AND AMBITIONS

- Train at least 50% of the workforce in the Code of Conduct in 2022.
- Train the remaining up to 30% of the workforce in 2023.

50%

of employees to be trained in Code of Conduct in 2022

80%

of employees to be trained in Code of Conduct in 2023

Focus areas

EFD Induction

Value chain

The value chain used to assess where companies have an impact.



A great place to work

Value chain



As a global company, EFD Induction sees daily evidence of the benefits of diversity and cooperation across borders, cultures and skill sets, and is a strong believer in equal rights and opportunities for all. The company brings its dedication to safe working conditions one step further, as their induction heating solutions contribute to a safer and better working environment – not just for own employees but for those of their customers as well.

PERFORMANCE AND KPIS

The female ratio at EFD Induction is 15.5% for 2021. The goal for 2025 is to reach 20%. EFD Induction's business is largely connected to electrical and mechanical production and engineering – traditionally a male-dominated arena.

In 2021, the company had four work-related injuries. EFD Induction has consistently had low rates of sickness absence and accidents at work throughout the years. Low turnover and an exceptionally loyal workforce are testaments to the employees' high job satisfaction and feeling of achievement. The vision is to have zero accidents across all operations.

6.7

Employee Net Promoter Score

WORK AND ACTIVITIES TODAY

The pandemic made us challenge conventional work methods and have a pragmatic approach to finding new ones. Digital meetings became part of daily lives at the office, and production sites made tremendous efforts to maintain operations. At the most intense pandemic stages, the CEO sent out weekly emails to the organisation and local managers spread the word to employees not using email in their daily work.

During the year, EFD Induction continued with the succession plan (executive committee, managing directors and development managers) and re-started a talent management and leadership development initiative from 2019.

TARGETS AND AMBITIONS

- Continuously improve employee satisfaction (Employee Net Promoter Score > 7).
- Increase the long-term ratio of women in the workforce to 20%.
- Reach the vision of zero work-related injuries.
- Keep the absentee rate below 2,5%.
- Future-proof company profiling for attracting the best talent.

20%

of women in the workforce by 2025

Sustainable products

Value chain



EFD Induction is dedicated to protecting the environment and fighting against climate change. Through expertise and technology, the company aims to be a partner who can assist and advice their customers on how to make the manufacture and maintenance of metal products a clean and green process.

PERFORMANCE AND KPIS

EFD Induction wants to ensure that their product developers always think from a holistic perspective to find the most cost-efficient yet eco-friendly alternative. In 2021, the company finalised a steering document covering all the details you must consider as a designer at EFD Induction.

WORK AND ACTIVITIES TODAY

Getting more done with fewer resources is the driving force in all development. During 2021, EDF Induction launched a new generation of vertical hardening machines, HardLine M. This modular hardening machine is equipped with all the functions needed for smart manufacturing in the age of Industry 4.0. The company also introduced Compact Weldac, the world's most compact one-cabinet 300 kW solid-state tube welder. Less power consumption, better weld quality and easier operation are some of the benefits.

Compact Weldac is the most compact tube welder on the market. SiC (Silicon Carbide) inverter technology gives an impressive 91% efficiency from the mains to the coil – 7% more than previous systems and 35% more than vacuum tube converters. Along with a constant high electrical power factor, 95% at all power levels, there are substantial energy cost savings potential. The communication platform is ready for Industry 4.0.

TARGETS AND AMBITIONS

- Establish infrastructure for IoT connectivity and launch digital services.
- Continue the implementation of new design guidelines.
- Keep on launching highly efficient, durable machines ensuring lower energy consumption as well as lower GHG emissions.

GREEN OPPORTUNITIES

Industry 4.0 is a prioritised area for many customers today. Sharing and analysing production data allow companies to integrate with other companies in the value chain and improve predictive planning and performance while reducing waste and travelling. To meet an expected rise in customer demand within IoT connectivity solutions, EDF Induction equip their mobile and stationary induction heating systems with a digital control system prepared for remote service and control.

IoT connected equipment will enable the company to avoid downtime for the customer without personnel actually travelling to the site. This is, however, just the first step in developing more connected services for the good of the customers. In the future, EFD Induction will be able to enlist expert help if their local service competence is not sufficient, and the company will perform predictive maintenance of the equipment, preventing breaks in production.

Focus areas

EFD Induction

Value chain

The value chain used to assess where companies have an impact.



Resource efficient production



EFD Induction supports the shift towards sustainable growth via a resource-efficient, low-carbon economy. The energy transition will continue to increase in importance as investors prioritise environmental, social and governance factors, and customers should feel secure that products are manufactured and distributed sustainably and responsibly.

PERFORMANCE AND KPIS

Certification according to ISO 14001 makes EFD Induction a more attractive company to work with and work for. The company performed the certification process for production sites in Norway in November 2021, and got the certificate in December. The plan for 2022 is to certify all sites in China and India according to ISO 14001, and the goal is to certify all sites worldwide. Logistics is closely connected to carbon emissions. In 2021, EFD Induction moved production of a number of time-critical parts from the production site in India to their Romanian site, in order to reduce the company's environmental footprint.

WORK AND ACTIVITIES TODAY

EFD Induction has both a global and a local focus on continuous improvement work – especially with ESG issues. The company has mapped all opportunities to support this program, and will report on the work monthly. The effort is especially aimed at energy efficiency and reducing carbon footprint through travel as well as waste, scrap and rework.

In December, EFD Induction replaced all lighting with controllable LED light armature at the headquarter and all production sites in Norway. An investment of 2,7 MNOK with the potential to reduce electricity costs for lighting by 75%. In addition, the armatures will last longer as it goes from 5,000 hours of illumination to 2,500 hours per year. The payback time for the new LED lighting solution is 3.5 years, with estimated annual energy savings of 425,000 kWh – which is about the yearly electrical consumption for 20 single-family houses.

TARGETS AND AMBITIONS

- Continue with certification of production facilities according to ISO 14001 in China and India (2022) and eventually for all manufacturing plants.
- Consider even more ways to cut carbon dioxide emissions, for example, by having electric vehicles as the preferred choice when buying or leasing company cars.
- Evaluate the investment in LED lighting in Norway for further investments in energy-saving lightning at other premises in the organisation.

GREEN OPPORTUNITIES

Reduction of scrap, waste and re-work. Replace all plastic or paper cups and plastic utensils with re-usable.

A responsible and robust supply chain



EFD Induction is part of a major global industry and operates in a premium market segment, with many of the world's largest production companies as customers. In this market, there is a strong demand to demonstrate a sustainable supply chain – most particularly so in the automotive industry.

PERFORMANCE AND KPIS

In 2021, EDF Induction established an online system for evaluating supplier performance based on self-assessment. Each supplier is categorised (strategic, volume, one-off), and the categorisation determines the way the company perform their follow-up activities. Moreover, the system takes into consideration the Supplier Code of Conduct and thereby reduces the company's business risks.

WORK AND ACTIVITIES TODAY

EFD Induction complies with regulatory requirements regarding prohibition and restriction of hazardous substances and will avoid the use of conflict materials, i.e. materials that originate from conflict areas and contribute to fund governments and movements which violate fundamental human rights.

In 2021, EFD Induction has implemented a Supplier Code of Conduct that applies to all significant business partners supplying material, labour or services. EFD Induction does not want to be associated with partners lacking appropriate ethical standards. In order to do business with EFD Induction, business partners must therefore commit to adhering to the ethical standards.

TARGETS AND AMBITIONS

- Stronger demands on suppliers contribute to a sustainable production chain.
- Ensure that 100% of suppliers have signed the Supplier Code of Conduct before the end of 2022.
- Ensure that 100% of prioritised suppliers have completed the self-assessment questionnaire before the end of 2022.

100%

of suppliers have signed supplier code of conduct

GREEN OPPORTUNITIES

EFD Induction have identified transport as a key area of reduction of GHG emissions in the supply chain.

As EFD Induction puts an even stronger demand on suppliers, this will contribute to an eco-friendlier production chain. These efforts will help reduce GHG emissions, water consumption, the use of conflict minerals etc.

EFD Induction

Assisted in combating Covid-19 in India

India was hit hard in the second wave of coronavirus infections. The country, which is Asia's third largest economy, recorded at least one out of every three new COVID-19 cases around the world during the second wave, according to Reuters. The sharp increase in cases strained the healthcare system and led to an urgent need for oxygen supplies.

EFD Induction has three offices in India, in Bengaluru North Taluk, Delhi and Pune.



As the second wave of Covid-19 was raging through the country in April 2021, EFD Induction in India not only helped their co-workers but also extended helping hands to the community.

Due to the high number of patients in need of treatment, the government had banned the supply of oxygen to industries and diverted all oxygen for medical use. EFD Induction came to the rescue by promptly providing twenty cylinders of oxygen from the office in Thailand and ten oxygen concentrators from the Chinese office. The company also supported government hospitals with food for almost a month, provided food kits to over 200 underprivileged people and supplied police stations with personal protective equipment.

Organizing a vaccination drive was another initiative from EFD Induction. The demand was massive, but the Indian organization managed to vaccinate both its own staff and employees from a neighboring company at EFD Induction's production premises.

Eighteen employees at EFD Induction India were infected in the second wave. Thankfully, all have recovered and are back at work. Throughout the ordeal, the Indian organisation showed tremendous resolve to ensure business continuity.

NSSLGlobal

Portfolio company

HEADQUARTER	CHAIRMAN	CEO	OWNERSHIP	EMPLOYEES	COUNTRIES
SURREY, UK	ARILD NYSÆTHER	SALLY-ANNE RAY	AFK 80 %	216	9



NSSLGlobal Group is an independent provider of satellite communications and IT solutions with innovation and customer service at the core of its DNA. With over 50 years of experience in the government and maritime mobility markets, NSSLGlobal provides best-in-class satellite solutions working in partnership with some of the largest MSS and VSAT satellite operators. Headquartered in the United Kingdom, the company employs 200+ staff worldwide and has offices across Germany, Denmark, Norway, Sweden, Poland, Israel, Singapore, Japan, and the United States.



UN SUSTAINABLE
DEVELOPMENT GOALS

TCFD disclosure

For NSSLGlobal, the Board of Directors (BOD) sets policy for all areas of operations and approves objectives, including ESG-related topics. The CEO is responsible for providing correct resources to meet the business' aims and objectives and is assisted by the Senior Management Committee (SMC) to ensure that relevant processes are established, implemented, communicated and maintained.

NSSLGlobal conducted a climate risk assessment in 2021, giving important information about the company's climate-related risks and opportunities. This is a step in the process of integrating climate-related risks in the company's overall risk management process.

NSSLGlobal measures GHG emissions according to the GHG protocol, including scope 1 and 2 and two material categories within scope 3. NSSLGlobal is currently in the process of producing a Carbon Reduction Management Plan which will highlight the medium and long-term GHG emissions reductions. The ambition is to reduce emissions by 50% by 2035 and 100% by 2050, in line with the UK Government guidelines.

“NSSLGlobal has strong values and is committed to working ethically and sustainably. We seek to be a fair employer and pride ourselves on being a customer and supplier of integrity. We expect the same of our clients, partners and our supply chain. We operate an effective integrated management system and hold ISO 14001, 9001,45001, 27001 & 44001 certifications.”

Sally-Anne Ray
CEO

KPIs	2021	2020	2019
Value of refurbished stock held as a % of total stock ¹⁾	3.00%	4.00%	5.00%
Value of total stock held, in GBP	7,401,313	7,737,817	6,103,498
Number of stock refurbished	1,572	1,558	1,663
Number of dead-on-arrival equipment received per month	4.17	4.92	5.17
Safety statistics monitored and published ²⁾	100 %	100 %	40 %
Percentage hours downtime outside of routine maintenance	0.22%	0.15%	0.40%
Total hours outside of routine maintenance	13.25	9	8.5
Total hours downtime outside of routine maintenance	6.17	4	27
Hours downtime of VSAT network ³⁾	0.04%	0.04%	0.03%
Total hours of VSAT network	8,760	8,784	8,760
Total hours of VSAT network downtime ⁴⁾	3.5	3.51	2.63
Average length of service for all employees	8.47	7.65	8.41
Number of top 100 suppliers that have completed the self-assessment questionnaire ⁴⁾	98	56	33

1) From leasing or take-back schemes 2) % of Safety Audits completed 3) Excludes planned outages 4) Excludes planned outages

Focus areas

NSSLGlobal



Ethical business conduct

Value chain

1

2

3

4

NSSLGlobal seeks to be a fair employer and prides itself on being a customer and supplier of integrity. NSSLGlobal has been in business for more than 50 years and intends to be in business for the next 50 years. As such it is vital that the company builds long-term trusting relationships with customers and suppliers.

PERFORMANCE AND KPIS
NSSLGlobal achieved certification in ISO 44001:2017 (Collaborative Business Relationship Management System). This standard has its focus on trust and integrity and ensuring systems and processes to support positive collaborative relationships, of which anti-corruption avoidance is one part.

NSSLGlobal has a Business Integrity, Bribery and Corruption Code of Conduct which all employees have been trained in and have signed.

100%
of NSSLGlobal's employees
have signed and been trained in
the company Code of Conduct

WORK AND ACTIVITIES TODAY
NSSLGlobal is committed to acting ethically, legally and with integrity and fairness across all business and relationships. The Management team and Board of Directors have overall responsibility for ensuring this policy complies with legal and ethical obligations, and that all those under the company's control comply with it. The topic of business ethics is now an agenda item for consideration and reporting both at board and management team level.

NSSLGlobal's Code of Conduct applies to commercial relationships with customers and suppliers. Supplier questionnaires ensures this topic is a central theme in key supplier relationships as well as with those that NSSLGlobal partner with on larger contract and bid opportunities.

TARGETS AND AMBITIONS
NSSLGlobal has an ambition to roll out lessons learnt in its ISO 44001 in all its business dealings to encourage the right behaviours within its employees, and to ensure collaborative teams, as well as a partnership approach to working with suppliers and customers to solidify long term relationship.

ISO 44001
Ambition to roll out lessons to encourage
the right behaviours

Value chain
The value chain used to assess where companies have an impact.



A great place to work

Value chain

2

3

4

By providing the right conditions and the right culture NSSLGlobal believe they attract and retain the right people to the company to meet the strategic aims. Keeping employees safe, happy, motivated and involved is vital to the NSSLGlobal business.

PERFORMANCE AND KPIS
The average length of service amongst existing staff has increased. NSSLGlobal has not met their target in terms of staff hiring/turnover/retention. It has been particularly hard to hire during the pandemic and the company have found it hard to retain staff because of the offices being largely empty. This restricted the company's onboarding process and ability for new staff to be easily integrated into their teams.

WORK AND ACTIVITIES TODAY
NSSLGlobal has a global, diverse and multi-cultural workforce and has in place policies on Health and Safety, Anti-Bribery, Business Integrity and Corruption, Bullying and Harassment at Work, Religious belief, Equality and Diversity, Modern Slavery Act Statement. The company demand their suppliers have similar policies in place.

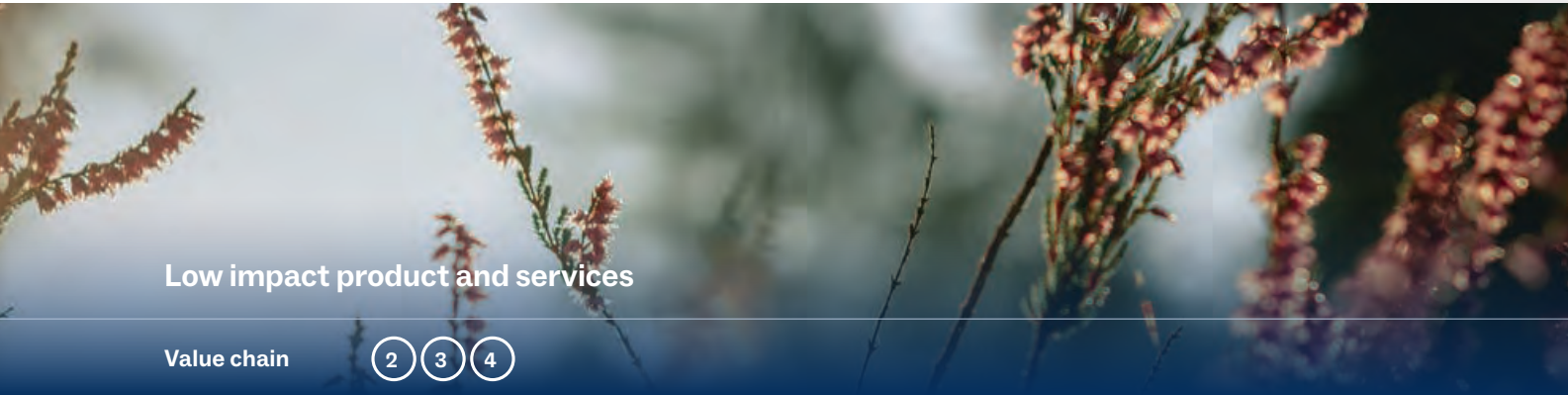
NSSLGlobal is committed to listening and supporting their staff and takes pride in being a caring employer. In particular, mental health awareness and coping with stress have been a priority during the Pandemic with a Company Mental Wellness Champion within the company who is trained and available to support the staff. The company has a gym at their HQ for employees to promote physical well-being.

Recruitment
In 2019 the company invested in a NSSLGlobal Engineering Graduate scheme in support of Science, technology, engineering and maths (STEM) with 5 engineering graduate trainees hired at the end of 2019 all of whom have now taken up permanent positions.

TARGETS AND AMBITIONS
NSSLGlobal's key target and focus for 2022 is to fill the significant number of vacancies across the Group. The company seeks to improve the following: percentage of women in the workforce, staff turnover and absenteeism, average length of service, lost time incidents and near miss reports.

Focus areas

NSSLGlobal



Low impact product and services

Value chain

2

3

4

NSSLGlobal looks to reduce the impact on the climate by being selective on the products the company buy and careful about the services used. In order to reduce its carbon footprint as well as its support cost, the company seeks to supply and increasingly develop reliable high products.

PERFORMANCE AND KPIS

NSSLGlobal succeeded in many of its goals. The development of its latest Smart@Sea Platform which was launched in the summer of 2021 and which the company have remotely rolled out to 90% of VSAT customers over the last 6 months, thereby upgrading and enhancing existing onboard equipment supporting reuse and recycling rather than hardware replacement.

The launch of Smart Maintenance plans.

The improvement of vendor process with focus within the company's vendor questionnaire on enhanced environmental and social value input.

The participation by the UK HQ in the ESOS and SECR programme for measuring carbon emissions and energy usage.

WORK AND ACTIVITIES TODAY

NSSLGlobal engineers travel globally to support its customers in the field. By increasing the reliability of its products and developing remote diagnostics and remote fix, GHG emissions can be reduced accordingly. Products are developed to last and to be upgrade-able via remote software upgrades without having to replace the hardware.

There is an active take-back program in place for equipment that customers no longer need which are refurbished for resale, rental or for support stock. The Smart@Sea product portfolio also allows NSSLGlobal real-time remote monitoring for customers' on board IT systems along with remote diagnostic and preventative maintenance. This in turn reduces the amount of onsite/ on vessel global field service intervention that are needed hence reducing the company's carbon footprint.

Internally ICT equipment is also purchased with longevity in mind, identifying products made from recycled plastics and that can be updated through applying patches instead of purchasing new equipment.

TARGETS AND AMBITIONS

- Roll out of ESOS and SECR programmes to NSSLGlobal's smaller Group offices.
- Continued development of Smart Maintenance plans into the company's maritime customer base to extend the life of their customer equipment.
- Continuation of oversight of key vendors to ensure compliance to policies and procedures.

GREEN OPPORTUNITIES

Continue to develop the Smart@Sea Operating platform to reuse existing equipment (circularity) and provide NSSLGlobal VSAT maritime customers with real-time monitoring of their on-board systems along with remote diagnostic reducing on vessel global field service intervention, thereby reducing the carbon footprint. The company's newly launched Smart Maintenance plans supports this. Ethical business conduct is important to be a good employer and a trusted business owner.

Value chain

The value chain used to assess where companies have an impact.



Safe and reliable products

Value chain

1

4

It is vital that NSSLGlobal's products are safe, reliable and secure if customers are to continue to purchase from the company in the long term.

PERFORMANCE AND KPIS

In 2021 NSSLGlobal successfully passed its ISO45001 and Cyber Essentials Plus recertification as well successfully certifying for ISO27001.

The company also rolled the new Smart@Sea software platform, which includes Cyber security compliant services to support the maritime industry with their IMO 2021 security compliance. The International Maritime Organisation is the United Nations specialised agency with responsibility for global standard-setting for the safety, security and environmental performance of international shipping.

WORK AND ACTIVITIES TODAY

The company seeks to supply and develop reliable high-quality products. It monitors the number of dead on arrival equipment received as well as product failure trends. NSSLGlobal also follows industry best practice and are certified in ISO9001 (across the Group) and in 2020, passed ISO45001 (UK HQ).

All equipment purchased for use with the company's products is commercial off the shelf with the relevant declarations of conformity (CE or UKCA marked) to comply with legislation. The vendor's questionnaire that is sent out to suppliers asks for confirmation of compliance with legislation and that all equipment provided will have the relevant declarations of conformance to satisfy requirements.

Suppliers who cannot provide these details are not used. The R&D division are further developing the in-house remote management/reporting tools for both internal and customer use via the company's Insight portal as well as the development of the new Smart@Sea software platform.

TARGETS AND AMBITIONS

In 2022 the aim is to utilise the new Smart@Sea Operating platform which is rolled out across most of the customer network. This utilises existing on board equipment, but with additional security modules which will protect the company's customers network and allow the IT teams to remotely manage their on board networks.

GREEN OPPORTUNITIES

As part of circular economy, NSSLGlobal is now looking for products that are used from recycled materials which can be reused again. The company is also on the search for products that have longevity such as ICT equipment that can be upgraded through patches and not buying new e.g. the CISCO IP 8000 phone.

Focus areas

NSSLGlobal

Value chain
The value chain used to assess where companies have an impact.



Keeping people connected

Value chain 2 3 4

Communication is the key to success. NSSLGlobal focus on good customer relations and services by constantly engaging with staff, customers, clients and vendors alike.

Keeping people connected globally is at the core of NSSLGlobal's business activity. It provides secure satellite communications to maritime and governmental customers globally.

PERFORMANCE AND KPIS
NSSLGlobal's customers depend on its services globally. It is vital that NSSLGlobal continues to provide the highest availability and is highly trusted in the industry alongside secure and fast communications to ensure customer satisfaction.

NSSLGlobal actively encourages customer feedback and monitors this customer satisfaction feedback in its monthly management meeting and key customer bi-annual meetings with members of the Executive team.

To this end, NSSLGlobal exceeded its network availability figures as well as its customer satisfaction and complaints measures.

WORK AND ACTIVITIES TODAY
NSSLGlobal provides secure satellite communications and IT solutions to Defence and Security Governmental customers for peacekeeping activities, deployments, protection of sovereign assets and building stability overseas, delivery of humanitarian aid and disaster or conflict relief (including supporting the remote communication needs of NGO's such as United Nations and Greenpeace).

The support network for the satellite communications services is active 24/7 365 days a year. NSSLGlobal is contactable by email or phone and the experienced support team engage with the clients and customers keeping a constant link and record of all calls and emails.

The project managers work closely with their respective customers and clients building a trusted report. The company's purchasing team have a good working relationship with vendors and suppliers; this connection enables quick respond to downstream changes. The connection with interested parties is a key aspect of who NSSLGlobal is as a company.

TARGETS AND AMBITIONS
To monitor and ensure the highest network availability and performance. This includes a contractual commitment with customers of 99.5% network availability and a goal to exceed 99.7%.

Customer satisfaction, customer response times and no/minimal customer complaints are also important measurements that the management team monitor monthly.

99.7%
goal for network availability

GREEN OPPORTUNITIES
Better performance figures are a result of less down time for the customer and therefore a reduced requirement for engineers to travel to the customer to rectify problems, this will reduce NSSLGlobal's carbon footprint with reduced travel emissions.

NSSLGlobal

Improved working conditions and crew welfare



Putting people first, NSSLGlobal improved employees' working conditions and crew welfare during 2021.

With more than 200 staff across the world and serving customers in all major continents, NSSLGlobal is committed to keeping people safe and motivated. The company puts its pride in improving working conditions for the better of people and partners – and the planet.

In 2021, NSSLGlobal switched to a greener supply of energy. The company continued to improve working conditions at the headquarters by updating air conditioning systems and upgrading to LED lighting. The refurbishment not only improved conditions within the workspace, but also reduced energy consumption.

Implementing a hybrid working-from-home regime has provided employees with an enhanced work/life balance. It has also enabled NSSLGlobal to reduce vehicle emissions due to less travel, reducing the impact on the climate while maintaining the required standard of work.

NSSLGlobal has retained an ISO 14001 certification by successfully completing the rectification audit which demonstrates that the environmental management system is fit to support all environmental aims and objectives.

During 2021, NSSLGlobal developed its Smart@Sea solutions, which enhance the welfare of the onboard crew who are often away from their families for months at a time. Improvements included roll out of local language news bulletins as well as sports.

NSSLGlobal also continued to support European governmental customers in several critical relief and peacekeeping missions around the world.

NSSLGlobal continues to support social and environmental causes, including financial donations to the charities chosen by the staff for 2021. These include the Sailors' Society, Marine Conservation Society, SSAFA – the Armed Forces Charity, Veteranprojekt Grønland and Welthungerhilfe.

Alytic

Portfolio company

HEADQUARTER	CHAIRMAN	CEO	OWNERSHIP	EMPLOYEES	COUNTRIES
ARENDAL NORWAY	MORTEN HENRIKSEN	ESPEN ZACHARIASSEN	AFK 100 %	46	2



UN SUSTAINABLE
DEVELOPMENT GOALS

Alytic invests to create a positive impact for the society, companies, and teams the company engages in. Investments are made in companies with deep domain knowledge and a clear potential for growth, to which Alytic can contribute with significant value. Alytic helps realising enhanced product offerings, reaching new markets and ensuring recurring revenues. The company offers resources with know-how and skillset in leadership, technology, data science, business, and people & culture, to bring companies into a growth stage.

Alytic was established late 2020, with first investment made in Kontali. In 2021 the company invested in Utel Systems and Greenfact.

TCFD disclosure

For Alytic, the Board of Directors (BOD) meets regularly. No material climate-related risks have been identified as part of Alytic or Alytic's portfolio companies' activities. Alytic collaborates with the AFK ESG team to follow up risks and business opportunities. The management team is collaborating on search and identifying investment opportunities within climate risk.

Alytic conducted a climate risk assessment in 2021, giving important information about the company's climate-related risks and opportunities. This is a step in the process of integrating climate-related risks in the company's overall risk management process.

Alytic measures GHG emissions according to the GHG protocol, including scope 1 and 2 and two material categories within scope 3. A baseline for GHG emissions will be drawn from the 2021 disclosure and specific goals related to GHG emissions reduction will be set in 2022.

KPIs	2021	2020
Injury rate (IR) ¹⁾	0	0
Occupatoinal disease rate (ODR)	0	
Absentee rate (AR) ²⁾	0.0%	2.97 %
Total number of new hires ³⁾	17	n/a
Percentage of female new hires ³⁾	35 %	n/a
Total number of workforce that has been trained in the AFK Code of Conduct ⁴⁾	6	
Percentage of workforce that has been trained in the AFK Code of Conduct ⁴⁾	17.5	

1) LT1 = ([Number of lost time injuries in the reporting period] x 1,000,000) / (Total hours worked in the reporting period). 2) AR = Number of absence days / number of available work days during year) 3) Total number and rate of new employee hires during the reporting period. 4) Alytic will implement its own CoC in 2022.

“In Alytic we strive to build great companies. For Alytic, ESG is both an integrated part of the how we work with our portfolio companies and how Alytic evaluates and decides where to invest.”

Espen Zachariassen
CEO

Focus areas

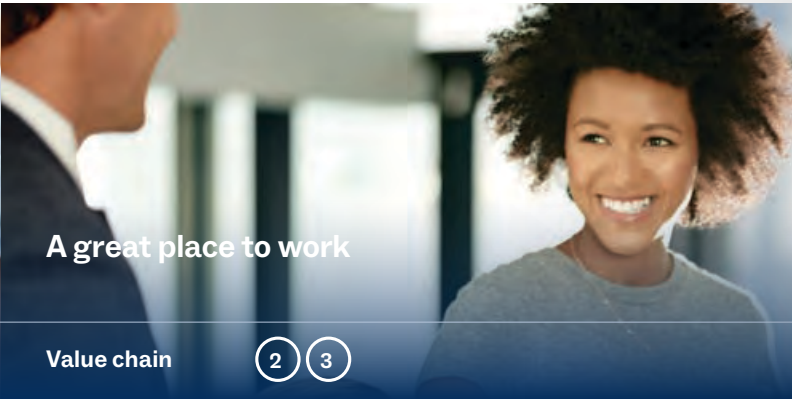
Alytic

Value chain
The value chain used to assess where companies have an impact.



Ethical business conduct

Value chain 1 2 3 4



A great place to work

Value chain 2 3



Climate impact

Value chain 1 2 3 4

Ethical business conduct is important to be a good employer and a trusted business owner.

PERFORMANCE AND KPIS

Alytic has done a deep dive on Kontali’s value chain and did not find negative impacts of any kind. For new investments in Utel Systems and Greenfact, Alytic has assessed their value chain, employee contracts and stakeholders.

WORK AND ACTIVITIES TODAY

Alytic has been part of the nanolearning program on Ethical framework, including Code of Conduct in Arendals Fossekompni.

When running due diligence processes, Alytic assesses the companies value chain, and follow this up continuously together with the management of the portfolio companies.

TARGETS AND AMBITIONS

Implement a common Code of Conduct for Alytic and portfolio companies.

Establish a mandatory e-learning program about ethical business conduct in portfolio companies.

GREEN OPPORTUNITIES

Systemize value chain analysis so that it becomes a regular part of the companies’ routines.

Alytic supports equal rights, fair treatment and good working conditions. Alytic believes that a diverse workforce brings new perspectives and helps reach the company’s long term goals. Alytic would like to be a preferred employer and be able to recruit the best people.

PERFORMANCE AND KPIS

2021 was a build-up phase in Alytic and the core team was in place during the fourth quarter. In 2022 the company will develop its ESG strategy and targets.

Kontali was part of Alytic in all of 2021. The company reached its targets based on 40 % female employees, an absence rate of 1,2% and a turnover rate of zero.



WORK AND ACTIVITIES TODAY

1. Human rights and social welfare: No identified risks. Alytic assesses portfolio companies’ value chains and ensures that all workers and contractors have good conditions.

2. Alytic uses the same recruitment system across the companies to professionalize the recruitment process.

Alytic organizes network meetings across companies. In the budget processes Alytic ensures that their companies have room for competency development by attending conferences and courses and follow up this with the management. Work-life balance is important, some examples from Alytic companies are the use of software for working hours registration to keep track and regular one-on-ones with their manager.

3. Alytic follows the Work Environment Act, internal routines and procedures in each company.

TARGETS AND AMBITIONS

- Define ESG Strategy for each company individually.
- Leadership development program for managers in the portfolio companies.
- Further improving recruitment processes within the following areas: advertising, interviews, tests, and onboarding.
- Establish systems and cadence for employee follow-up and work-life balance.

Climate change is one of the biggest challenges of our times. Alytic wants its investments to be responsible and the company takes responsibility for their impact on people, the environment and society.

PERFORMANCE AND KPIS

Alytic put measurements in place for 2021 and will use this year as a baseline.

WORK AND ACTIVITIES TODAY

Alytic and its portfolio companies strive to have a minimal negative impact on the environment, and are conscious when it comes to travel, waste and the companies invested in. An example of how Alytic makes a positive impact is Greenfact. They enable organizations with data-driven insights to optimize their climate targets and facilitate the green energy transition.

TARGETS AND AMBITIONS

Alytic will revert with specific targets, using 2021 as a baseline.

GREEN OPPORTUNITIES

For Alytic ESG is an integrated part of the how the company works with their portfolio companies, and also an opportunity to invest in companies that are part of the solution.

Alytic

Aiming to prevent food waste in the seafood industry



As demand for seafood is growing, the question of sustainability arises. How can we ensure sustainable food for the world's growing population?

Together with SINTEF Ocean, Kontali's Head of Analysis, Ragnar Nystøyl, and Analyst for Fisheries, Gunn Strandheim, have contributed on a project to map and prevent food waste in the seafood industry. The project is funded by Fiskeri og havbruk-snæringens forskningsfond (FHF). To ensure sustainable food for the world's growing population, we must make maximum use of catches and ensure that as much of the raw material as possible can be used as food, ingredients, or feed.

The purpose of the project was to register food waste in the seafood industry as well as report figures related to food waste for the entire seafood industry for the year 2020. Furthermore, the aim was to bring to light the causes of food waste at a sector and industry level and the actions taken to reduce food waste.

Findings from the report shows that approximately 12,400 tonnes of food waste were generated in the seafood industry in 2020, which adds up to over 30,600 tonnes of CO2 equivalents. The economic loss was estimated to between NOK 530 and 600 million.

The importance of this project is based on the fact that one third of all food produced in the world is either destroyed or discarded. One third equals 1.3 billion tons of food every year, which makes food waste both an environmental problem and a challenge for the climate. Reducing food waste is therefore one of the main focus areas in terms of sustainability both globally and in the EU.

AFK Property

Portfolio company

HEADQUARTER	CHAIRMAN	CEO	OWNERSHIP	EMPLOYEES	COUNTRIES
ARENDAL	TORKIL MOGSTAD	TOM KRUSCHE PEDERSEN	AFK 100 %	1	1



AFK Property owns and develops properties. There are two major projects in the portfolio: Bryggebyen and Gullknapp Aerial Center. Bryggebyen is a development project where an old industrial area is being transformed into a new urban city, including 700 apartments and commercial facilities. It is located just outside Arendal's city centre. Gullknapp Aerial Center is a competence centre for drones and educational hotspot for future pilots located in Froland.



UN SUSTAINABLE
DEVELOPMENT GOALS

TCFD-disclosure

For AFK Property, all environment, social and governance issues are regularly on the agenda in the Board of Directors (BOD), in the Audit Committee (AC) and in the management team. The BOD has the highest decision-making responsibility, and approves the strategy and targets, including sustainability and climate-related topics.

AFK Propoerty conducted a climate risk assessment following the TCFD recommendations in both in 2020 and in 2021, giving important information about the company's climate-related risks and opportunities. This is a step in the process of integrating climate-related risks in the company's overall risk management process.

AFK Property measures GHG emissions according to the GHG protocol, including scope 1 and 2 and material categories within scope 3. AFK Property will develop a roadmap for reduction of GHG emissions according to science-based targets in 2022. The long-term ambition is to meet reduction targets set in the Paris agreement.

KPIs	2021	2020	2019
Total weight of non-hazardous waste, with a breakdown by the following disposal methods where applicable ¹⁾	303.06	176.44	22.66
Recycling (tonnes)	253	127.02	16.98
Number of environmental accidents accidents in ocean (oil spill etc.)	0	0	n/a
Number of environmental accidents accidents on land	0	4	n/a

Focus areas

AFK Property

Value chain

The value chain used to assess where companies have an impact.



Ethical business conduct

Value chain

3

Our values, which are collaborative, dynamic, responsible and long-term perspective, are at the core of how we operate and navigate in our daily operation. This requires good governance and compliance, and a focus on transparency.

PERFORMANCE AND KPIS

The employees sign the company-wide Code of Conduct at the beginning of employment.

100%

have signed the code of conduct

WORK AND ACTIVITIES TODAY

AFK Property follows the company-wide Code of Conduct for AFK.

TARGETS AND AMBITIONS

The targets and ambitions for AFK Property is to ensure that 100% of our employees have signed the Code of Conduct. At Gullknapp, we are also working to ensure that all employees have signed the Quality Policy.

A great place to work

Value chain

2

3

The employees are essential for AFK Property's success. We value our employees and put their health and well-being as a top priority.

PERFORMANCE AND KPIS

We continuously monitor the safety of our activities. This includes both our own employees and workers employed by our contractor.

0

injuries in 2021

WORK AND ACTIVITIES TODAY

At Bryggebyen, construction workers are exposed to potential hazards. They work with industrial machines, heavy transport, and heights. The contractors keep a record for accidents involving their construction workers, and make sure that HSSE standards are fulfilled. Accidents and incidents are reported to Bryggebyen. Employees will complete the necessary HSSE courses. At Gullknapp, all new employees receive the Quality & HSSE Policy, and HSSE performance is evaluated each month.

TARGETS AND AMBITIONS

Our target and ambition is to have zero serious injuries.

Environmental footprint of own operations

Value chain

1

2

AFK Property is all about developing the Arendal region. Our vision with Bryggebyen is to create a new, green city area where we evaluate the environmental footprint throughout the construction process. At Gullknapp, we value our surroundings and annually conduct environmental audits to evaluate how the activities affect the surrounding environment.

PERFORMANCE AND KPIS

At Bryggebyen, a primary focus has been to monitor waste from the construction process. Most of the waste has been recycled. At Gullknapp, chemical oxygen demand and noise levels are being monitored. Chemical oxygen demand is well below the limit of 10 tonnes and noise levels are satisfactory.

303

Total waste (tonnes) at Bryggebyen

253

Recycled waste (tonnes) at Bryggebyen

WORK AND ACTIVITIES TODAY

At Bryggebyen, we focus on environmentally friendly solutions with a long lifespan. During construction, minimizing energy use and maximizing recycling are important priorities. At Gullknapp, we have engaged Asplan Viak to conduct annual environmental audits.

TARGETS AND AMBITIONS

Bryggebyen's goal is to create an urban city with sustainable living conditions, and also to secure the investments of the apartment buyers. For Gullknapp, the goal is to continue to monitor the impact on our surroundings. Through consultancy from Asplan Viak we are confident that we are monitoring the material parameters of our operations.

GREEN OPPORTUNITIES

In 2021, AFK Property conducted an assessment of the EU Taxonomy and identified several opportunities for future alignment with the regulations.

At Bryggebyen, we see an opportunity to reduce waste production and improve re-use of waste and building materials. We are also transforming remnants of an old industrial site into creative playground and exercise installations, instead of buying new ones. These are all steps towards a more circular economy.

For Gullknapp, a green opportunity is to become a European hub for electric aircrafts. To reduce the environmental footprint of Gullknapp, there is an opportunity to use planes fueled with zero emission electricity instead of fossil fuels.

Based on the supply of renewable energy to electric aircrafts, the future of Gullknapp is green. The vision is to develop Gullknapp into a future-oriented industrial technology park.

North Ammonia

Part of Vergia

HEADQUARTER	CHAIRMAN	CEO	OWNERSHIP	EMPLOYEES	COUNTRIES
ARENDAAL	MORTEN HENRIKSEN	VIDAR LUNDBERG	AFK 50 %	2	1



UN SUSTAINABLE
DEVELOPMENT GOALS

“North Ammonia is built to develop environmentally friendly solutions replacing fossil-based energy with ESG as core business principles. North Ammonia will produce zero-emission fuels from Norwegian hydropower. Contributing positively to the energy transition is the backbone of North Ammonia.”

Morten Henriksen
Chairman

North Ammonia will develop, own and operate an ammonia production facility in Arendal, Norway. The strategy facilitates developing several locations in Norway and elsewhere. Additionally, the company has an integrated strategy of distributing green fuels to maritime fuel hubs to ensure security of supply for end-users. North Ammonia will contribute significantly to the energy transition from fossil fuels to zero-emission fuels in the maritime sector.

Focus areas

Ethical business conduct

Ethical business conduct is the basis of being a professional organisation. The values in North Ammonia reflect the owners - Arendals Fossekompagni and Grieg - and their ethical business conduct: Open and Collaborative, Dynamic, Solid and Responsible with a Long-Term value creation horizon.

A great place to work

The employees are essential in developing North Ammonia's projects and eventually own and operate the production facilities. Employees' health and well-being are the number one priority for North Ammonia.

PERFORMANCE AND KPIS

An “Objectives and Key Results” (OKR) scheme has been implemented for the employees to ensure structured performance and follow-up.

TARGETS AND AMBITIONS

Implement Code of Conduct, developed by North Ammonia, relevant to all cooperation partners.

Other

The company is in the early days of being an established organisation and is continuously learning, expanding and leveraging on the owners' experience to develop a leading framework for ESG reporting.

Seagust Part of Vergia

HEADQUARTER	CHAIRMAN	CEO	OWNERSHIP	EMPLOYEES	COUNTRIES
OSLO	MORTEN HENRIKSEN	SIMEN ELVESTAD	AFK 47.5 %	1	1



Seagust will harness the offshore wind to further develop renewable energy and build a stronger Norwegian supplier industry.

Focus areas

Ethical business conduct

Ethical business shall be the license to operate. Seagust and employees shall be a responsible actor in society with concern for social values, local communities and transparency in operations. Seagust will build on the owners strong code of conduct to limit issues of corruption, human rights violations and inappropriate business behaviour. Seagust will focus on supply chain management with strong requirements on ethics and transparency supported by audits and risk management

A great place to work

Seagust believes that diverse teams perform better and are more profitable, outperforming individual decision-makers. Seagust shall attract the best talents by being an attractive employer with sustainability focus and favourable working conditions. High safety standards and quality of training and policies are important in order to avoid work-related incidents and injuries

Supporting the green transition

Around 5% of the Norwegian workforce is directly or indirectly employed by the oil and gas industry (2017), generating 14% of BNP (2019). With more and more parts of society moving to electricity, it is not only necessary to create more renewable energy, but also to create jobs utilizing the skilled workforce in the oil and gas industry. Seagust has the opportunity to positively contribute to the green transition, through partnerships with the supplier industry and production of renewable energy

Responsible supply chain

Materials and metals tend to have many adverse impacts depending on the origin and means of production. The mining industry is associated with air pollution, GHG emissions, nature impacts and local community impacts, as well as human rights issues. A responsible supply chain entails demands for procurement of materials and services with strict criteria, code of conduct and risk evaluations.

Co-existence

The sea, the seabed and the subsoil has many users with different interests. Seagust shall have an open dialogue and minimise interference with neighbours.



UN SUSTAINABLE
DEVELOPMENT GOALS

“Renewable energy production from offshore wind is contributing to a sustainable society. However, we are obliged to taking into account all aspects of our business - from project activities and supply chain, to co-existence with nature and other users of the ocean space. A strong ESG focus will be our guide for making the right decisions.”

Simen Elvestad
CEO

05

Part III

Activity & reporting obligation

05

AFKs Activity and reporting obligation report

Diversity and Equality in Arendals Fossekompani

"At Arendals Fossekompani we value our employees, and we strongly believe that diversity makes us better. Our goal is to be a preferred employer with a motivated workforce. We believe that being part of a bigger purpose, working for a more sustainable world, brings more value and motivation to our employees"

Ingunn Ettestøl
Chief Sustainability Officer (CSO)



ARP

Arendals Fossekompani strives to be a great place to work. Our ambition is to preserve and continue to build an inclusive company culture with zero tolerance for discrimination. We believe that a workforce with a wide array of skills and backgrounds drive productivity and performance. Diversity brings new perspectives and helps us reach our long-term goals.

AFK is committed to contribute to the UN Sustainable Development Goals (SDG). In our work for diversity and equality we have chosen to focus on the following SDGs that are particularly relevant:



SDG 5
Gender Equality

AFK supports equal opportunities, equal rights and equal treatment for all employees regardless of gender.



SDG 8
Decent work and economic growth

AFK supports and contributes efforts to ensure that our employees and sub-contractors have decent work, equal opportunities, fair treatment and a safe work environment.

In our strategy we have set specific goals for gender equality. One of our KPIs is to measure the percentage of women in various parts of the organization. We currently have 30 % women on our Board of Directors and our ambition is to increase this number to 40% by 2023. The same targets apply to women in C-suite positions and in our total work force. In addition, we have KPIs for fundamental human and labour rights, health and safety and work-life balance. AFK participates in the She Index, with focus on diversity and inclusion in leadership and workforce, equal compensation and work life balance.



2021 has been another year where the pandemic has affected us, and it has been a priority to focus on the wellbeing of our employees. We have recruited great new colleagues and we are also happy to see a growth in the number of female employees. We have also hired an HR Manager who will support us in our work to professionalise the HR area. Last year we had to postpone the "Likestilt arbeidsliv" (Equal working life) certification, but we will continue this process in 2022. The work we have done with the activity and reporting obligations is a good start and we look forward to continuing our journey towards better inclusion and greater diversity.

The activity and reporting obligations in Arendals Fossekompani

According to The Equality and anti-discrimination Act § 26, all Norwegian employers are obliged to work actively, targeted and systematically to promote equality and prevent discrimination in the workplace. All public sector employers and private sector employers of a certain size (50+ employees) must comply with a four-step working method and must issue a statement on the company's status in two parts: The actual status of gender equality in the company and the work they have done on the activity duty in anti-discrimination.

In AFK parent company, we count 30 employees, but we have still decided to use the four-step working method in our work and we also choose to report according to The Equality and Anti-discrimination Act § 26. The report follows the structure provided by The Norwegian Directorate for Children, Youth and Family Affairs (Bufdir).

State of gender equality

The statement is limited to AFK parent company and applies to the 2021 financial year as of 31.12.21. According to The Equality and Anti-discrimination Act we have mapped the following elements: Gender balance, voluntary/involuntary part time, temporary workers, parental leave, and gender pay.

The general data protection regulation (GDPR) limits what organisations can do with personal data. Employers are required to provide a statistical mapping on gender equality, and Bufdir states that there must be at least five of each gender in a subgroup to publish the results regarding gender pay. The exception is that we, according to the Norwegian Public Limited Liability Companies Act section 16-6 b, have an obligation to publish a remuneration report for the Executive Management in AFK. This is published as a separate report.

TABLE 1: GENDER BALANCE

	Gender balance	Temporary Employees	(average number in weeks) Parental leave	Part time	Involuntary part time	Recruitment
Women	7	0	*	2	0	3
Men	23	0	*	0	0	1

* 2 employees (one of each gender) in 2021 (too few to provide a statistical average)

TABLE 2: GENDER PAY

	Women	Men	Comments
Total	7	23	<ul style="list-style-type: none">• We conducted a complete mapping of all employees in AFK.• We compared the employees background, tasks, experience, tenure, and salary within each subcategory.• We found no major systematic differences.• The number in each subgroup is too small to publish the results and to provide a statistical average.
C-suite	1	4	The remuneration report for 2021 provides an overview of remuneration of the Executive Management of AFK in 2021. The remuneration report is in accordance with the Norwegian Public Limited Liability Companies Act section 16-6 b.
Production	1	12	Less than five of each gender in the subgroup.
Finance	2	3	Less than five of each gender in the subgroup.
Property		1	Less than five of each gender in the subgroup.
Business development	3	3	Less than five of each gender in the subgroup.

Our work for equality and against discrimination

AFK strives to be great place to work, and we have zero tolerance for discrimination on grounds of gender, age, disability, ethnicity, sexual orientation, or religious belief. We aim for a working environment without any form of bullying and harassment. This is a shared responsibility, and it is important that employees are aware and report undesirable behavior.

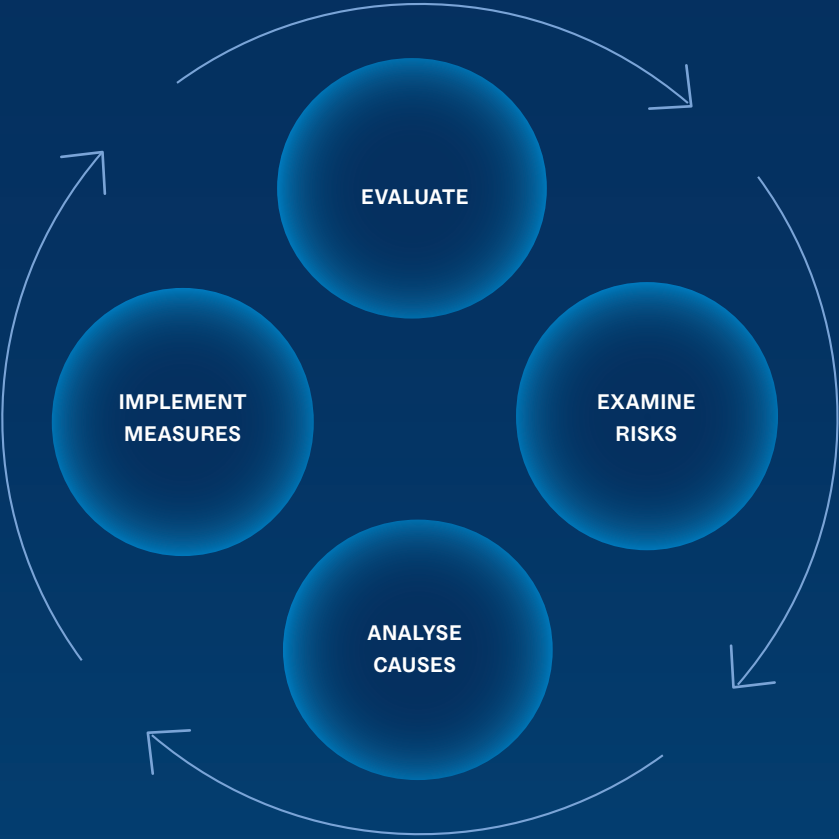
If employees are discriminated against, bullied, or harassed, AFK will take necessary and proportionate measures. The goals, obligations and follow up are rooted in our Code of Conduct that all employees must sign and comply with.

The activity and reporting obligations- roles, responsibilities, and organisation

To ensure different perspectives and broad participation we established a group consisting of employee representatives from both the production and the administration building, HR, The Chief Sustainability Officer, and a trainee who supported us in this process. We prepared by collecting relevant information and documentation. The Finance department supported us with the numbers and salary overview. We had two meetings in the group to examine the risks, analyse causes and discuss measures. We also involved the management in our examination of equal pay and to prioritise measures. Going forward, the Board of Directors will ensure that we work on our activity and reporting obligations, and they will consider this report once a year.

The four-step working method

In accordance with the method, we have investigated risks of discrimination and obstacles to equality. We have analysed the causes of identified risks and planned measures to prevent discrimination and increase equality. In time, we will evaluate the results and continue the process.



We examined the general risk of discrimination in Arendals Fossekompani in the areas of

- Recruitment
- Accommodation
- Salary and working conditions
- Promotions and development
- The opportunity to combine work with family life

Within each area we have considered these grounds of discrimination

- Gender
- Disability
- Sexual orientation
- Gender identity/ gender expression
- Religion/ belief
- Ethnicity
- Pregnancy and leave in connection with child-birth/ adoption/care responsibilities

ARP

Results

RECRUITMENT

As preparation we read some of the job descriptions for the recent vacant positions in AFK. We have experienced a growth in the number of women recruited in the administration and female applicants for these positions. In production, the challenge is that there are no female applicants for vacant positions. The reason could be that the recruitment base is quite small (education and experience). Trainees could be a great way to recruit, but we can't offer the necessary variations in tasks that are needed to fulfill the competence requirements. We will seek to identify other opportunities to recruit more women in production and will continue to professionalise the recruitment process to ensure the focus on diversity.

THE DUTY TO ACCOMMODATE

AFK strives to be a flexible employer, and we are able to adjust tasks, working hours etc. for a period of time for our employees when needed. In the physical environment we have some challenges in both locations. The administration is located in an old office building. Some areas are facilitated, but in other areas we would need to make adjustments. We are currently planning renovation of the entrance and we will also expand our office space. In this process we will plan for the best possible design in regards to accessibility. In the production site the office building is well accommodated, but most of the time the employees work outside the office. To be able to do most of the tasks on the hydropower plant there are requirements regarding physical abilities. In both locations we discuss topics like ergonomics and the work environment with the Occupational Health Service every two years. In addition, we have inspections with the Safety representatives every year.

SALARY AND WORKING CONDITIONS

For the activity and reporting obligations, HR mapped the salary of all employees and divided them into subgroups. In some cases, we interviewed the manager in questions regarding the employees' experience, salary level and salary development. We found no systematic differences, but we need to keep monitoring in order to prevent systematic gender differences in the future. In production they have a collective agreement. The bonus agreement is based on KPIs for the team and the employee.

Regarding working conditions, we have no involuntary part time in AFK, but we have two employees working part time by choice. In 2021 we only had two employees on parental leave and the number is too small to generate a statistical average.



PROMOTIONS AND DEVELOPMENT

All employees in AFK have the opportunity to, at least once a year, have an appraisal talk/ development discussion with their manager. We aim to improve on structure and career development. In production, the employees have job descriptions and regular training/ courses. In the administration, the employees are given the opportunity to attend courses and we also have internal training sessions for all employees. An example of internal training from 2021 is the nano learning on the Ethical framework of AFK. In 2021 we updated the internal whistle-blower routines. All employees got the updated version, but in 2022 we plan to offer employees even more training in different types of whistleblowing (internal, external etc).

THE OPPORTUNITY TO COMBINE WORK WITH FAMILY LIFE

In AFK, we have a high degree of flexibility, and the feedback we get is that this gives room to combine work and family. In the administration we can work from home when needed and we plan our own time, travels etc to a large extent. In production workers follow a work schedule. The workload varies and if something unexpected happens at work everyone needs to contribute. The overall feedback is that the work-life balance is satisfactory.

Topic	Measures	Responsible	Timeframe
Recruitment	Professionalise the recruitment process and create check lists to ensure equality and diversity: - Job descriptions and requirements. - Ads, text, and pictures. - Interviews. Create templates for pre-, on- and offboarding.	HR	Q2
Accommodation	Plan for inclusive design and accessibility in renovation projects.	Administration	Q2
Salary and working conditions	Ensure that we have good structures for deciding salary and salary reviews to prevent systematic differences.	Management group	Q3
Development	Update job description for all employees. Structured development discussions. Provide learning sessions and information on different kinds of whistleblowing.	Management group/ HR	Q3
Equality	Continue the process for the "Likestilt arbeidsliv" (Equal working life) certification.	ESG team	Q4

06

Appendix

GRI tables	314
List of abbreviations	340
Independent Auditor's statement	342

06

GRI tables

GRI 102
General Disclosures (2016)

GRI 102 - will be finalized when the report is finished to make sure the page number is correct		AFK Parent Company
Disclosure 102-1	Name of organisation	Arendals Fossekompani ASA
Disclosure 102-2	Activities, brands, products and services	
a.	A description of the organization's activities	Annual report, ch.1: About AFK, pages 12-24
b.	Primary brands, products and services, including an explanation of any products or services that are banned in certain markets.	Annual report, ch.1: About AFK, pages 12-24
Disclosure 102-3	Location of headquarters	Annual report, ch.1: About AFK, pages 8-9
Disclosure 102-4	Location of operations	Annual report, ch.1: About AFK, pages 8-9
Disclosure 102-5	Ownership and legal form	Annual report, ch.1: About, pages 20-23
Disclosure 102-6	Markets served	Annual report, ch.2 Portfolio, pages 34-64
i.	Geographic locations where products and services are offered.	Annual report, ch.2 Portfolio, pages 34-64
ii.	Sectors served	Annual report, ch.2 Portfolio, pages 34-64
iii.	Types of customers and beneficiaries	Annual report, ch.2 Portfolio, pages 34-64

GRI 102		AFK Parent Company
Disclosure 102-7	Scale of the organization	Annual report, ch.1: About AFK, pages 8-9, 21
i.	Total number of employees	Annual report, ch.1: About AFK, pages 8-9, 21
ii.	Total number of operations	Annual report, ch.1: About AFK, pages 8-9
iii.	Net sales	Annual report, ch.1: About AFK, pages 20-23
iv.	Total capitalization broken down in terms of debt and equity.	Annual report, ch.1: About AFK, page 21
v.	Quantity of products or services provided.	Annual report, ch.1: About AFK, pages 20-23
Disclosure 102-8	Information on employees and other workers.	Annual report, ch.5 Sustainability, ARP, ch. 6. Appendix, GRI 405-1
a.	Total number of employees by employment contract (permanent and temporary), by gender.	Annual report, ch.5 Sustainability, ARP, ch. 6. Appendix, GRI 405-1
b.	Total number of employees by employment contract (permanent and temporary), by region.	Annual report, ch.5 Sustainability, ARP, ch. 6. Appendix, GRI 405-1
c.	Total number of employees by employment type (full-time and part-time), by gender.	Annual report, ch.5 Sustainability, ARP, ch. 6. Appendix, GRI 405-1

GRI 102		AFK Parent Company
d.	Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees.	n/a
e.	Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b and 102-8-c (such as seasonal variations in the tourism or agricultural industries).	n/a
f.	An explanation of how the data have been compiled, including any assumption made.	Annual report, ch.5 Sustainability, ARP
Disclosure 102-9	Supply chain	Annual report, ch. 5 Sustainability, page 240-296
Disclosure 102-10	Significant changes to the organization and its supply chain.	Annual report, ch. 5 Sustainability, page 240-296
i.	Changes in the location of, or changes in, operations, including facility openings, closings, and expansion.	Annual report, ch. 5 Sustainability, page 240-296
ii.	Changes in the share capital structure and other capital formation, maintenance and alteration operations.	Annual report, ch. 4 Financial Statements, Note 11
iii.	Changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection and termination.	Annual report, ch. 5 Sustainability, page 240-296
Disclosure 102-11	Precautionary Principle or approach	Annual report, ch. 5 Sustainability, pages 202-205
Disclosure 102-12	External initiatives	Annual report, ch. 5 Sustainability, page 203

GRI 102 - Continued
General Disclosures (2016)

GRI 102		AFK Parent Company
Disclosure 102-13	Membership of associations	Annual report, ch. 5 Sustainability, part 1, page 202-203
Disclosure 102-14	Statement from senior decision-maker	Annual report, ch. 1 About AFK, pages 16-17
Disclosure 102-16	Values, principles, standards, and norms of behaviour.	Annual report, About AFK, pages 24-25
Disclosure 102-18	Governance structure	Annual report, ch. 3 From the Boardroom, pages 70-76
a.	Governance structure of the organization, including committees of the highest governance body.	Annual report, ch. 3 From the Boardroom, pages 70-76
b.	Committees responsible for decision-making on economic, environmental, and social topics.	Annual report, ch. 1 About AFK, pages 18-19, 25,
Disclosure 102-40	List of stakeholder groups	Annual report, ch. 5 Sustainability, pages 206-209
Disclosure 102-41	Collective bargaining agreements	Annual report, ch. 5 Sustainability, pages 218
Disclosure 102-42	Identifying and selecting stakeholders	Annual report, ch. 5 Sustainability, pages 200-236
Disclosure 102-43	Approach to stakeholder engagement	Annual report, ch. 5 Sustainability, pages 206-207

GRI 102		AFK Parent Company
Disclosure 102-44	Key topics and concerns raised	Annual report, ch. 5 Sustainability, pages 200-236
a.	How the organization has responded to those key topics and concerns, including through its reporting.	Annual report, ch. 5 Sustainability, pages 200-236
b.	The stakeholder groups that raised each of the key topics and concerns.	Annual report, ch. 5 Sustainability, pages 206-207
Disclosure 102-45	Entities included in the consolidated financial statements.	Annual report, ch. 4 Financial Statements, pages 92-190
a.	A list of all entities included in the organization's consolidated financial statement or equivalent documents.	Annual report, ch. 4 Financial Statements, pages 92-190
b.	Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	Annual report, ch. 4 Financial Statements, pages 92-190
Disclosure 102-46	Defining report content and topic Boundaries	Annual report, ch. 5 Sustainability, pages 200-236
a.	An explanation of the process for defining the report content and the topic Boundaries.	Annual report, ch. 5 Sustainability, pages 200-236
b.	An explanation of how the organization has implemented the Reporting Principles for defining report content.	Annual report, ch. 5 Sustainability, pages 200-236

GRI 102		AFK Parent Company
Disclosure 102-47	List of material topics	Annual report, ch. 5 Sustainability, pages 206-209
Disclosure 102-48	Restatements of information	Annual report, ch. 5 Sustainability, pages 200-236
Disclosure 102-49	Changes in reporting	Annual report, ch. 5 Sustainability, pages 200-236
Disclosure 102-50	Reporting period	FY 2021
Disclosure 102-51	Date of most recent report	FY 2020
Disclosure 102-52	Reporting cycle	Annual
Disclosure 102-53	Contact point for questions regarding the report	Annual report, ch. 5 Sustainability.
Disclosure 102-54	Claims of reporting in accordance with the GRI Standards.	Annual report, ch. 5 Sustainability, reporting framework, page 204
Disclosure 102-55	GRI content index	Annual report, ch. 6, Appendix, GRI tables

GRI 102		AFK Parent Company
Disclosure 102-56	External assurance	PwC Annual report, page 202 and ch. 6, Appendix.
a.	A description of the organization's policy and current practice with regard to seeking external assurance for the report.	Annual report, ch. 6, Appendix.
b.	If the report has been externally assured:	
i.	A reference to the external assurance report, statement, or opinions. If not included in the assurance report accompanying the sustainability report, a description of what has and what has not been assured on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process.	Annual report, ch. 6, Appendix.
ii.	The relationship between the organization and the assurance provider.	Annual report, ch. 6, Appendix.
iii.	Whether and how the highest governance body or senior executives are involved in seeking external assurance for the organization's sustainability report.	Annual report, ch. 6, Appendix.

GRI 205-1
Operations assessed for risks related to corruption

GRI 205-1		AFK Parent Company	AFK Hydropower		Value	EFD Induction	Tekna	NSSLGlobal	Alytic
a.	Total number of operations assessed for risks related to corruption.	0	0		Not gathered for 2021 report (Risk assessments related to corruption have previously been conducted prior to entering specific markets (based on the Transparency International Index) by the companies now part of the Volue Group.)	4	0	8	0
b.	Percentage of operations assessed for risks related to corruption, compared to total number of operations.	0 %	0 %			10 %	0	100 %	0 %
b. i)	Significant risks related to corruption identified through the risk assessment.	None	None			No		None - operating in low risk environments.	None

GRI 205-2
Communication and training in anti-corruption policies and procedures

GRI 205-2		AFK Parent Company	AFK Hydropower		Value	EFD Induction	Tekna	NSSLGlobal	Alytic
AFK	Workforce that has signed the latest version of Code of Conduct.								
	Total number	17	14		633	992	53 (Comment: In 2021, with the new employee code of conduct under development only new hires (65) were asked to affirm the CSR policy (Canada 100%, France 0% of new hires).	216	0
	Percentage	100 %	100 %		89 %	100 %	81,54 %	100 %	0 %
a.	Total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region.							9: 100 %	
i)	Total number (by region):								
	Europe	17	14			12	0	9	
	America	0	0			2	0	0	
	Asia	0	0			4	0	0	
ii)	Percentage (by region):								
	Europe	100 %	100 %			100 %	0 %	100 %	
	America	0 %	0 %			100 %	0 %	0 %	
	Asia	0 %	0 %			100 %	0 %	0 %	
b.	Total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, broken down by:								
b.i)	Employee category:								
	C-suite positions	100 %	100 %		100 %	7: 100 %	100 %		2: 5.8 %
	Others	100 %	100 %		100 %	985: 100 %	100 %		4 : 11.7 %
b.ii)	Region:								
	Europe					48 %	100 %		
	America					9 %	100 %		
	Asia					42 %	100 %		

GRI 205-2 - Continued
Communication and training in anti-corruption policies and procedures

GRI 205-2		AFK Parent Company	AFK Hydropower	Value		EFD Induction	Tekna	NSSLGlobal	Alytic
c.	Total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. Describe if the organization's anti-corruption policies and procedures have been communicated to any other persons or organizations:								
AFK	Workforce that has been trained in the Code of Conduct								
	Total number	13	14			168	0		6
	Percentage	76.5 %	100 %			17 %	0 %		17.50 %

GRI 302-1
Energy consumption within the organization

GRI 302-1		AFK Parent Company	AFK Hydropower		Value	EFD Induction	Tekna	NSSLGlobal	Alytic
a.	Total fuel consumption within the organization from non-renewable sources, in joules or multiples, and including fuel types used.								
b.	Total fuel consumption within the organization from renewable sources, in joules or multiples, and including fuel types used.								
c.	In joules, watt-hours or multiples, the total:								
c.i)	Electricity consumption	33.7 MWh	276.5 MWh		2078.2 MWh	7040.6 MWh	7477.3 MWh	593.2 MWh	1 MWh
c.ii)	Heating consumption	included in electricity consumption.	included in electricity consumption.		included in electricity consumption.				
c.iii)	Cooling consumption	included in electricity consumption.	included in electricity consumption.		included in electricity consumption.				
c.iv)	Steam consumption								
d.	In joules, watt-hours or multiples, the total:								
d.i)	Electricity sold		517.3 GWh						
d.ii)	Heating sold								
d.iii)	Cooling sold								
d.iv)	Steam sold								
e.	Total energy consumption within the organization, in joules or multiples.								
f.	Standards, methodologies, assumptions, and/or calculation tools used.	CEMASys	CEMASys		CEMASys	CEMASys	CEMASys	CEMASys	CEMASys
g.	Source of the conversion factors used.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.		DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.

GRI 305-1
Direct (Scope 1) GHG emissions

GRI 305-1		AFK Parent Company	AFK Hydropower		Value	EFD Induction	Tekna	NSSLGlobal	Alytic
a.	Gross direct (Scope 1) GHG emissions in metric tonnes of CO2 equivalent. 1)	0	23.1 (Include the companys cars and construction machinery in operational work.)		0	897.8	576.7	82.8	0
b.	Gases included in the calculation; CO ₂ , CH4, N2O, HFCs, PFCs, SF6, NF3, or all.		CO ₂ and SF6			CO ₂	CO ₂	CO ₂	
c.	Biogenic CO2 emissions in metric tons of CO2 equivalent.	0	0		0	0	0	0	0
d.	Base year for calculation, if applicable.	2019	2019			2021	2020	2020	
d. i)	Rationale for choosing base year	2020 are the first year of reporting, but numbers are available for 2019.	2020 are the first year of reporting, but numbers are available for 2019.			First year of reporting on GHG emission.	first year of reporting.	First year of reporting.	
d. ii)	Emissions in base year	0	19.501			897.8	474	167,4	
d. iii)	The context for any significant changes in emissions that triggered recalculations of base year emissions.					n/a			
e.	Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.		DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.
f.	Consolidation approach for emissions; Equity share, financial control, or operational control.	Financial control	Financial control		Financial control	Financial control	Financial control	Financial control	Financial control
g.	Standards, methodologies, assumptions, and/or calculation tools used.	CEMASys	CEMASys		CEMASys	CEMASys	CEMASys	CEMASys	CEMASys

GRI 305-2
Energy indirect (Scope 2) GHG emissions

GRI 305-2		AFK Parent Company	AFK Hydropower		Value	EFD Induction	Tekna	NSSLGlobal	Alytic
a.	Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO2 equivalent.	0.3	2.6		96.2	2557.3	37.6	124.6	Included in AFK Parent Companys calculation.
b.	If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO2 equivalent.	0	0		629.6	3531.5	40.6	187.4	0.40
c.	If available, the gases included in the calculation; whether CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all.	CO ₂	CO ₂		CO ₂	CO ₂	CO2	CO2	
d.	Base year for calculation, if applicable.	2019	2019		2020	2021	2020	2020	
d. i)	Rationale for choosing base year	2020 is the first year of reporting, but numbers are available for 2019.	2020 is the first year of reporting, but numbers are available for 2019.		First year of reporting.	First year of reporting on GHG emission.	First year of reporting.	First year of reporting.	
d. ii)	Emissions in base year		3.43		641	2557.3	2.9	134	
d. iii)	The context for any significant changes in emissions that triggered recalculations of base year emissions.				n/a				
e.	Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.		DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.
f.	Consolidation approach for emissions; whether equity share, financial control, or operational control.	Financial control	Financial control		Financial control	Financial control	Financial control	Financial control	Financial control
g.	Standards, methodologies, assumptions, and/or calculation tools used.	CEMASys	CEMASys		CEMASys	CEMASys	CEMASys	CEMASys	CEMASys

GRI 305-3
Other indirect (Scope 3) GHG emissions

GRI 305-3		AFK Parent Company	AFK Hydropower		Value	EFD Induction	Tekna	NSSLGlobal	Alytic
a.	Gross other indirect (Scope 3) GHG emissions in metric tons of CO2 equivalent.	45.8	17.8		88.9	557.3	43	100.3	n/a
b.	If available, the gases included in the calculation; whether CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all.	CO ₂	CO ₂		CO ₂	CO ₂	CO2	CO2	
c.	Biogenic CO2 emissions in metric tons of CO2 equivalent.	0	0		0	0	0	0	
d.	Other indirect (Scope 3) GHG emissions categories and activities included in the calculation.	Only business travels by airplane and waste consumption are included. Tha waste consumption for AFK Parent Company location is included in AFK Hydropower.	Waste consumption is calculated for AFK Hydropower and AFK Parent Company.		Only business travel is included.	Business travels by airplane and waste consumption are included.	Hazardous waste and business travels are included.	Waste and transport using personal vehicles or rental cars are included.	
e.	Base year for calculation, if applicable.	2019	2020		2020	2021	2021	2020	
e. i)	Rationale for choosing base year	2020 are the first year of reporting, but numbers are available for 2019.	First year with available numbers.		First year of reporting.	First year of reporting on GHG emission.	First year of reporting.	First year of reporting.	
e. ii)	Emissions in base year	51.58	0.16		112	557.3			
e. iii)	The context for any significant changes in emissions that triggered recalculations of base year emissions.	Less traveling due to Covid-19.	Emissions from waste is included. due to Covid-19 there is no travelling.		n/a				
f.	Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.		DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.	DEFRA. (2021). UK Government GHG Conversion Factors for Company Reporting. Department of Environment, Food and Rural Affairs. IEA. (2021). IEA (2021) Emission Factors. International Energy Agency.
g.	Standards, methodologies, assumptions, and/or calculation tools used.	CEMAsys	CEMAsys		CEMAsys	CEMAsys	CEMAsys	CEMAsys	CEMAsys

GRI 401-1
New employee hires and employee turnover

GRI 401-1		AFK Parent Company	AFK Hydropower		Value	EFD Induction	Tekna	NSSLGlobal	Alytic
a.	Total number and rate of new employee hires during the reporting period, by age group, gender and region.								
AFK	Total numer of new hires	3	1		123	181	65	27	17
a.i)	Percentage of female new hires	67 %	100 %		30 %	14 %	34 %	22 %	35 %
a.ii)	Number of female new hires	1	1		37	26	22	6	6
a.vii	Average age of new hires				35.3	35			39.6
b.	Total number and rate of employee turnover during the reporting period, by age group, gender and region.								
AFK	Total turnover	0	0		99	22	28	4	0
AFK	Turnover rate	0 %	0 %		11.3 %	2.20 %	15 %	1.8 %	17 %
a.i)	Total turnover women	0	0		25	-3	13		6 %
a.ii)	Turnover rate by gender								
	Male	0 %	0 %		75 %	-14 %	8 %		17 %
	Female	0 %	0 %		25 %	114 %	7 %		6 %

GRI 403-2
Occupational health and safety

GRI 403-2		AFK Parent Company	AFK Hydropower	Value	EFD Induction	Tekna	NSSLGlobal	Alytic
a.	Types of injury, injury rate (IR), occupational disease rate (ODR), lost day rate (LDR), absentee rate (AR), and work-related fatalities, for all employees, with a breakdown by:							
AFK	Types of injury			n/a	Cut injuries		There have been no accidents for 2021	
AFK	Injury rate (IR)	0 %	0 %	0	2.30 %	3,40 %	0	0
AFK	Occupatoinal disease rate (ODR)			0	2.30 %	0 %	0	0
AFK	Lost day rate (LDR)			0	1.50 %	2 %	0	0.70 %
AFK	Absentee rate (AR)	0.77 %	1.28 %	2.23 %	2.80 %	2 %	1 %	0
AFK	Work-related fatalities	0	0	0	0 %	0	0	0
c.	The system of rules applied in recording and reporting accident statistics	AFK uses RUH schemes to report all accidents.	AFK uses RUH schemes to report all accidents.	Notification procedure will depend on the different incidents / injuries and severity. The notification procedure includes a plan of how, when and who to alert.	Monthly reporting		NSSLGlobal is ISO 45001 certified and follows the procedure laid down in the OH&SMS. All accidents/incidents are documented on the Accident Report Form and recorded in the accident/incident register which is maintained by the OH&S Manager. A Corrective Action Plan is completed for all reported accidents, incidents and dangerous occurrences (near misses), these are investigated to determine the root cause and all recommendations and corrective actions resulting from incident investigations are identified and implemented within the specified timeframes (SMART objectives are used), these are recorded on INSIGHT. RIDDOR 2013 Regulations for reportable accidents are followed in the UK. Records are kept for a minimum of 7 years and held by HR. GDPR is complied with.	Kontali uses Sticos HR system to report Incidents/deviations. There are very few accidents and for the smaller companies direct reporting to CEO is most common in case of accidents.

GRI 405-1
Diversity of governance bodies and employees

GRI 405-1		AFK Parent Company	AFK Hydropower		Value	EFD Induction	Tekna	NSSLGlobal	Alytic
a.	Percentage of individuals within the organization's governance bodies in each of the following diversity categories:								
a. i)	Gender:								
	Male (Board of directors)	57.10 %	*See AFK Parent Company		50 %	100 %	100 %	50 %	87,50 %
	Female (Board of directors)	42.90 %	*See AFK Parent Company		50 %	0 %	0 %	50 %	12,50 %
	Male (C-suite positions)	80 %	100 %		78 %	100 %	83 %	60 %	90 %
	Female (C-suite positions)	20 %	0 %		22 %	0 %	17 %	40 %	10 %
a. ii)	Age group (Board of directors):								
	Under 30 years old				0 %	0 %	0 %		0 %
	30-50 years old				60 %	40 %	25 %		57.50 %
	Over 50 years old				40 %	60 %	75 %		42.50 %
	Age group (C-suite positions):								
	Under 30 years old	0 %			0 %	14.20 %	0 %		0 %
	30-50 years old	40 %			66 %	0 %	67 %		77.78 %
	Over 50 years old	60 %			33 %	85.8 %	33 %		22.22 %
a. iii)	Other indicators of diversity where relevant (such as minority or vulnerable groups).								
b.	Percentage of employees per employee category in each of the following diversity categories:								
b. i)	Gender:								
	Male employees	73 %	87 %		77 %	84.90 %	77 %	78 %	64.43 %
	Female employees	27 %	13 %		23 %	15.10 %	23 %	22 %	35.57 %
b. ii)	Age group:								
	Under 30 years old	11.2 %	7.2 %		16 %	15.70 %	15 %	11 %	6.75 %
	30-50 years old	50.6 %	34.8 %		55 %	55.50 %	63 %	52 %	86.68 %
	Over 50 years old	38.2%	58 %		29 %	28.70 %	22 %	37 %	6.57 %
b. iii)	Other indicators of diversity where relevant (such as minority or vulnerable groups).				n/a				

GRI 406-1
Incidents of discrimination and corrective actions taken

GRI 406-1		AFK Parent Company	AFK Hydropower		Value	EFD Induction	Tekna	NSSLGlobal	Alytic
a.	Total number of incidents of discrimination during the reporting period	0	0		0	0	0	0	0
b.	Status of the incidents and actions taken with reference to the following:								
b. i)	Incident reviewed by the organization	0	0		0	0	n/a	0	0
b. ii)	Remediation plans being implemented	0	0		0	0	n/a	0	0
b. iii)	Remediation plans that have been implemented, with results reviewed through routine internal management review processes.	0	0		0	0	n/a	0	0
b. iv)	Incident no longer subject to action	0	0		0	0	0	0	0

List of abbreviations

AC	Audit Committee	EPD	Environmental Product Declaration	ISO	International Organisation for Standardisation	SaaS	Software-as-a-Service
AFK	Arendals Fossekompni	EU	European Union	IT	Information Technology	SASB	Sustainability Accounting Standards Board
AM	Additive Manufacturing	FSE	Safety regulations when working in and operating electrical installations	KPI	Key Performance Indicator	SBTi	Science Based Target initiative
AMGTA	Additive Manufacturer Green Trade Association	GDPR	EU's General Data Protection Regulation	kWh	Kilowatt hour	SCoC	Supplier Code of Conduct
AR	Absentee Rate	GHG	Greenhouse Gas	LCA	Life Cycle Assessment	SDG	Sustainable Development Goal
ARP	Activity and Reporting Obligations	GRI	Global Reporting Initiative	LDR	Lost Day Rate	SINTEF	Norwegian: Stiftelsen for industriell og teknisk forskning
BOD	Board of Directors	GWh	Gigawatt-hours	LEO	Low Earth Orbit	SQM	Square meter
CDP	Climate Disclosure Project	HR	Human Resources	MAR	Market Abuse Regulation	TCFD	Task Force on Climate-related Financial Disclosures
CEO	Chief Executive Officer	HSE	Health, Safety, and Environment	M&A	Mergers and Acquisitions	TSC	Technical Screening Criteria
CFO	Chief Financial Officer	HSSE	Health, Safety, Security and Environment	MoU	Memorandum of Understanding	TWh	Terawatt-hours
CHP	Combined Heat and Power	HVAC	Heating, Ventilation and Air Conditioning	NCGB	The Norwegian Corporate Governance Board	UN	United Nations
CoP	Communication on Progress	ICMA	International Capital Market Association	NGO	Non Governmental Organisation		
CoC	Code of conduct	IFRS	International Financial Reporting Standards	NPS	Net Promoter Score		
CPI	Corruption Perceptions Index	ICT	Information and Communication Technologies	NVE	The Norwegian Water Resources and Energy Directorate		
CSO	Chief Sustainability Officer	ILO	Declaration of the International Labour Organisation	ODR	Occupational Disease Rate		
CSR	Corporate Social Responsibility	IoT	Internet of Things	OECD	The Organisation for Co-operation and Development		
DNSH	Do No Significant Harm	PCC	Panel on Climate Change	OEM	Original Equipment Manufacturer		
DSO	Distributed Energy resources	IPCC	Intergovernmental Panel on Climate Change	OHS	Occupational Health and Safety		
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization	IR	Injury Rate	PES	Primary Energy Savings		
EGD	European Green Deal			RCP	Representative Concentration Pathways		
ELT	Executive Leadership Team			R&D	Research and Development		
ERP	Enterprise Resource Planning			RUH	Workplace Incident Report		
ESG	Environmental, Social and Governance						



To the Board of Directors in Arendals Fossekompani ASA

Independent auditor’s statement

We have undertaken a limited assurance engagement on Arendals Fossekompani ASA’s GRI Index for 2021 and key performance indicators for the material topics presented in the GRI index.

- Arendals Fossekompani’s GRI Index for 2021 is an overview of which sustainability topics Arendals Fossekompani considers material to its business and which key performance indicators Arendals Fossekompani uses to measure and report its sustainability performance, together with a reference to where material sustainability information is reported. Arendals Fossekompani’s GRI Index for 2021 is available and included in the enclosed annual report. We have examined whether Arendals Fossekompani has developed a GRI Index for 2021 and whether mandatory disclosures are presented according to the Standards published by the Global Reporting Initiative (www.globalreporting.org/standards) (criteria).
- Key performance indicators for sustainability are available and included in Arendals Fossekompani’s enclosed annual report for the period ending 31 December 2021, specifically in the KPI tables in the section titled “Part II” of the chapter “05 Sustainability”. Arendals Fossekompani has defined the key performance indicators and explained how they are measured in the footnotes and qualitative disclosures presented alongside the indicators in the annual report (criteria). We have examined the basis for the measurements and checked the calculations of the measurements reported in the ESG report.

Tasks and responsibilities of management

Management is responsible for Arendals Fossekompani’s sustainability reporting and for ensuring that it is prepared in accordance with the criteria described above. Their responsibility includes designing, implementing and maintaining internal controls that ensure the development and reporting of the GRI Index and key performance indicators for sustainability.

Our independence and quality control

We are independent of the company in accordance with applicable laws and regulations and the Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our independent statement, and we have fulfilled our ethical obligations in accordance with these requirements and IESBA Code. We use ISQC 1 - Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and maintains a comprehensive quality control system including documented policies and procedures of the ethical standards, professional standards and applicable legal and regulatory claim.

The Auditor’s responsibilities

Our task is to express a limited assurance conclusion on Arendals Fossekompani’s sustainability reporting based on the procedures we have performed and the evidence we have obtained. We have performed our work and will issue our statement in accordance with the Standard on Assurance Engagements ISAE 3000: “Assurance engagements other than audits or review of historical financial information”. A limited assurance engagement is substantially less in scope than a reasonable

PricewaterhouseCoopers AS, Kystveien 14, 4841 Arendal, Norway
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our work involves performing actions to obtain evidence that Arendals Fossekompani’s GRI Index for 2021 and key performance indicators for sustainability are developed in accordance with the Standards published by the Global Reporting Initiative and the criteria for reporting and measurement that are explained in relation to the key performance indicators for sustainability. The procedures selected depend on our judgment, including assessments of the risks that the sustainability reporting contains material misstatement, whether due to fraud or error. In making those risk assessments, we take into account the internal control that is relevant for the preparation of the sustainability reporting. The purpose is to design control procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of internal control.

Our procedures include an assessment of whether the criteria used are appropriate, as well as an assessment of the overall presentation of the sustainability reporting. Our procedures include meetings with representatives from Arendals Fossekompani who are responsible for the material sustainability topics covered by the sustainability reporting; review of internal control and routines for reporting key performance indicators for sustainability; obtaining and reviewing relevant information that supports the preparation of key performance indicators for sustainability; assessment of completeness and accuracy of the sustainability reporting; and controlling the calculations of key performance indicators for sustainability based on an assessment of the risk of error.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that

- Arendals Fossekompani’s GRI Index for 2021 is not, in all material respects, developed and presented in accordance with the requirements of the Standards published by The Global Reporting Initiative;
- Arendals Fossekompani’s key performance indicators are not, in all material aspects, developed, measured and reported in accordance with the definitions and explanations provided in relation to the key performance indicators.

Arendal, 30 March 2022
PricewaterhouseCoopers AS

Lars Ole Lindal
State authorized public accountant (Norway)

Arendals Fossekompani
Developing green-tech companies

Visiting
Arendals Fossekompani ASA
Langbryggen 9
4841 Arendal
Norway

Post
Postboks 280
4803 Arendal

Contact
Tlf: +47 37 23 44 00
firmapost@arendalsfoss.no
www.arendalsfossekompani.no

Investor contact
Lars Peder Fensli, CFO
lars.peder.fensli@arendalsfoss.no
Tlf: +47 953 63 670

ESG contact
Ingunn Ettestøl, ESG Director
ingunn.ettestol@arendalsfoss.no
Tlf: +47 924 47 306

Production
Arendals Fossekompani's Annual Report
2021 was produced by Group Finance,
Sustainability and Communications
teams.

Design and layout
Mission AS



Trykksak
1234 5678

