Arendals Fossekompani
Annual Report 2020

Ripples

Arendals Fossekompani
Developing green-tech companies

Ripples

It all started with waterfalls. Arendals Fossekompani (AFK) was established in 1896 to harness the energy in running water. Our skills and competence in this area laid the foundation for things to come. Hydropower is still a part of our DNA and our portfolio, but nowadays we're more recognized as an industrial investor - the owner of international energy and technology companies.

We have in fact worked with clean energy and green technology for more than a hundred years. One ripple effect from our economic success is the building of a modern portfolio of green-tech companies. Arendals Fossekompani is deeply invested in the green transition. 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, is that they will create positive ripple effects in the future.

Highlights 2020

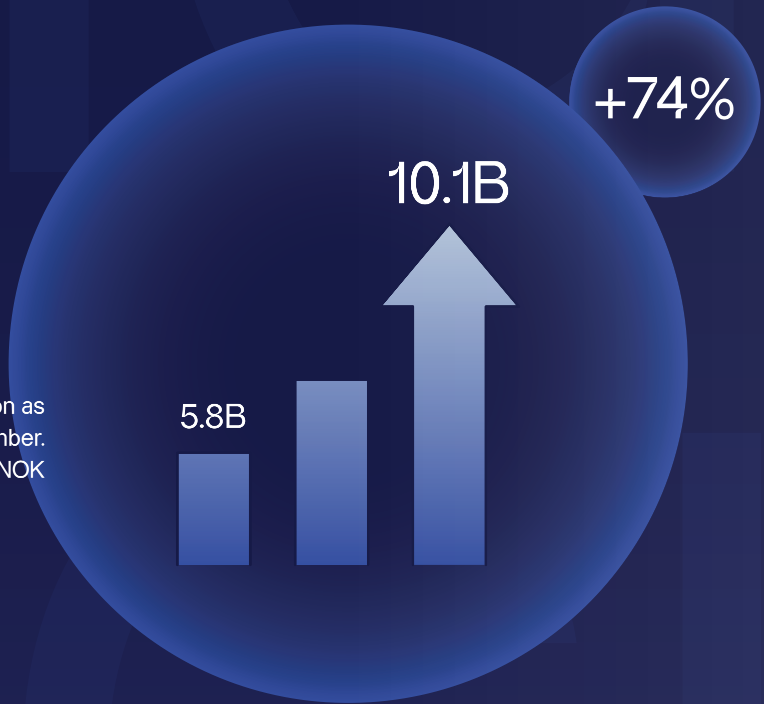
Listing. Dividend. Investments.

Listing of Volue

Volue was successfully listed on Euronext Growth on 19 October, only seven months after the company was established as a result of a merger of Powel, Wattsight, Markedskraft and Scanmatic.

Strong increase in market cap

AFK market cap increased from NOK 5.8 billion as of 1 January to NOK 10.1 billion as of 31 December. This reflects an increase in the share price from NOK 106 to NOK 186 during the year.



Share split 1:25

In November, an extraordinary General Meeting decided to split the AFK share. 1 old share was split into 25 new shares. The decision was made to ensure that the market value of the AFK share is more in line with other shares on the Oslo Stock Exchange, and to increase the liquidity in the share.

New ESG Director

Ingunn Ettestøl was appointed the first ESG Director of Arendals Fossekompani. Having been with AFK since 2017, Ettestøl holds a doctoral degree in electrical power from the Norwegian University of Science and Technology. She is a former Director of Strategy and Analysis at Enova and Division Director for Wind Power at Agder Energi.

Building Bryggebyen

Building of Bryggebyen, an urban development project in Arendal, is well underway. The first 113 apartments will be completed by the fall of 2021. Bryggebyen comprises plans for 500-700 apartments to be built in the next 10-15 years.

Establishing Alytic

In November, Alytic was established to invest in data-driven companies with need for transformation and scale. Alytic is headed by Espen Zachariassen, former CEO of Wattsight, a regional company which evolved into a European frontrunner for power market analyses.

Electricity prices at record-low levels

The average price of electricity (NO2 area) in 2020 was 75% lower than in 2019. 2020 marked a year in which electricity prices were at a historically low level.

-75%

0.098

NOK/kWh

Investment in Beyonder

An investment in battery technology company Beyonder, located in Stavanger, Norway, was completed in December. Beyonder has developed the next generation sustainable high-power batteries, which are safer and more cost-effective than other batteries.

Acquiring Kontali

Kontali Analyse, a world-leading provider of data and analyses of global aquaculture and fisheries, was acquired by Alytic. A plan for rapidly growing Kontali in new markets and geographies has been implemented.

Quarterly dividend

Payment of quarterly dividend commenced in the second quarter. AFK had always paid annual dividends, but changed its policy to a more investor friendly quarterly dividend.

Thank you!

Patrick Weber, NSSLGlobal Germany

Handling Covid-19

Throughout the year we have all learnt about social distancing, how to wear masks and work from home. We are impressed by how our portfolio companies have handled the situation and how their employees around the world have kept business running during extraordinary times. Your efforts are truly appreciated. Thank you!

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Part 01
This is AFK

This is AFK

Collaborative. Responsible. Dynamic.

About us

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

Our portfolio companies have more than 2,100 employees in 26 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 125 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

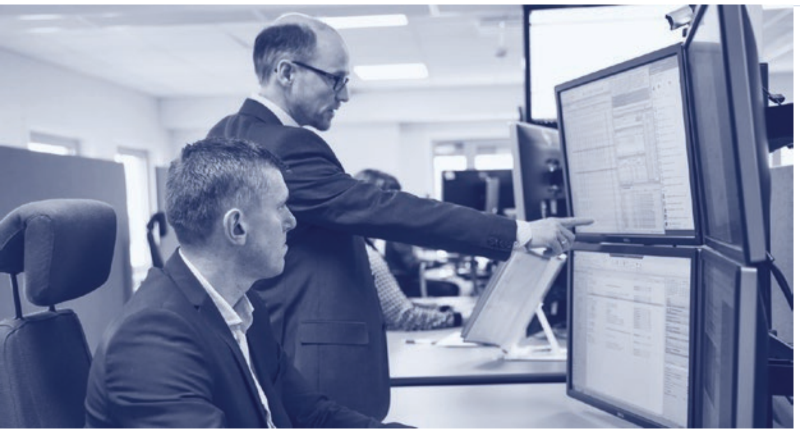
MORE HYDROPOWER

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.

AFK in the world

Global. Local. Vital.

Number of employees by country

NORWAY	585	POLAND	96	ISRAEL	9	JAPAN	4
GERMANY	221	FRANCE	86	MALAYSIA	8	RUSSIA	3
INDIA	193	USA	82	THAILAND	7	SOUTH KOREA	2
CHINA	183	ROMANIA	66	BRAZIL	7	TURKEY	1
CANADA	148	DENMARK	64	SINGAPORE	5	AUSTRIA	1
UNITED KINGDOM	144	SWEDEN	61	FINLAND	4		
SPAIN	100	SWITZERLAND	20	ITALY	4		

AFK Parent Company
AFK Hydropower
AFK Property

EMPLOYEES
27

HEAD OFFICE
Arendal/Froland, Norway

Volue

EMPLOYEES
624

HEAD OFFICE
Oslo, Norway

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

Tekna

EMPLOYEES
176

HEAD OFFICE
Sherbrooke, Canada

COUNTRIES
Canada, France, China, South Korea

NSSLGlobal

EMPLOYEES
205

HEAD OFFICE
Surrey, UK

COUNTRIES
United Kingdom, Germany, Denmark, Norway, Poland, Israel, Singapore, USA

EFD Induction

EMPLOYEES
971

HEAD OFFICE
Skien, Norway

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

Cogen Energia

EMPLOYEES
98

HEAD OFFICE
Madrid, Spain

COUNTRIES
Spain

Alytic

EMPLOYEES
27

HEAD OFFICE
Arendal, Norway

COUNTRIES
Norway, Netherlands

ESG in AFK

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

GRI, SASB & TCFD

Our 2020 Sustainability Report (separate publication) is inspired by the guidelines of GRI. Sustainability Accounting Standards Board (SASB) was also used in order to establish industry-specific disclosure standards across ESG topics.

A climate-risk analysis was completed inspired by Task-force on Climate-related Financial Disclosures (TCFD).

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 with four members, all of whom work together on strategic improvement projects related to sustainability. The team is headed by the ESG Director, 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. However, the overall target is to integrate ESG in our daily operating model, both for AFK and our portfolio companies.

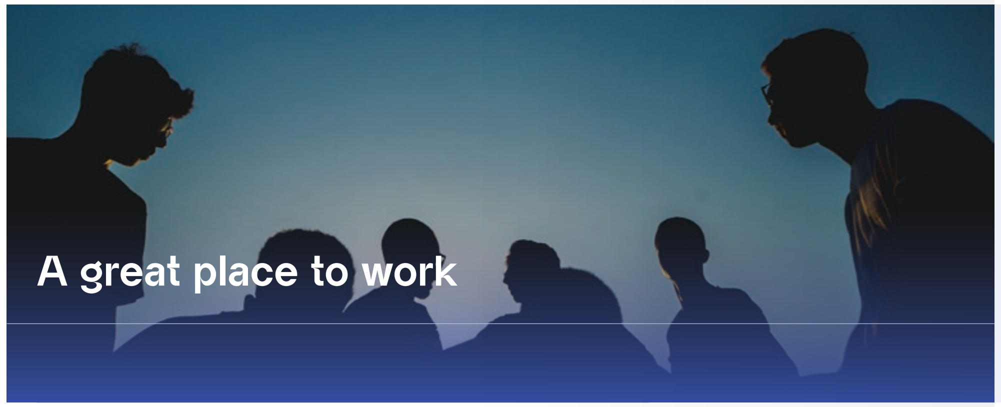
The work we do on compliance and improvement of policies and guidelines, is according to the OECD Guidelines for Multinational Enterprises. The OECD Guidelines are also supported by the investment strategy in M&A processes and AFK's Green Bond Framework.

ESG highlights in 2020

Transparent. Trusted. Partner.

Our long term goal is to integrate sustainability in our daily work processes. This requires continuous improvements in many areas in years to come. Going forward we are committed to measuring our impact, and improving the way we work. This applies in particular to the areas listed below, which were identified as focus areas in a materiality analysis.

- **Review of portfolio companies' code of conduct**
  Establishing a standard code of conduct.
- **Review of AFK Code of Conduct**
  Alignment with the OECD principles for multinational enterprises.
- **Requirements for suppliers**
  Establishing supplier code of conduct.
- **Being transparent**
  Publishing important compliance documents.



- **No serious injuries**
  High focus on HSSE: Health, Safety, Security and Environment.
- **Managing the pandemic**
  The safety of our employees was our primary concern in 2020.
- **Targeting equality**
  Establishing baseline and targets of share of women on our boards, in C-suite positions and overall.
- **Focus on turnover**
  Measuring the turnover rate in all portfolio companies.

- **Performing climate risk assessment**
  Understanding the risk and opportunities in our portfolio.
- **Completing materiality analyses**
  All portfolio companies have completed a materiality analysis according to best practice.
- **Aligning our investment strategy with the EU Taxonomy**
  All future investments shall be aligned with EU's six environmental objectives.
- **Joining UN Global Compact**
  Being a part of the world's largest corporate sustainability initiative.

Part 02
The Group

Investor Relations

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 25 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."

DIVIDEND FOR 2020

In 2020 AFK has paid quarterly dividends amounting to NOK 66 million, corresponding to NOK 1.20 per share. In addition, ordinary dividend for 2019 paid out in 2020, was NOK 123 million, corresponding to NOK 2.24 per share.

SHARES AND SHARE CAPITAL

Following the share split on 20 November, with each share in the company being split into 25 shares, there are now a total of 55,995,250 ordinary shares in the company. As at 31 December a total of 1,111,200 were treasury shares, which represents 2.0 per cent of the total number of outstanding shares. As at the same date, the company had 2,619 shareholders. AFK's three largest shareholders are Ulfoss Invest AS (26.3%), Havfonn AS (26.0%) and Must Invest AS (25.2%).

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.

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 a number of 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 that it is necessary to have an 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 the Oslo Stock Exchange under the ticker code AFK. The company was listed in 1913 and is the second oldest company at Oslo Stock Exchange. 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 7 May 2020, the Board of Directors was authorized to acquire treasury shares up to a maximum of 7.7 per cent. In accordance with this authorization, the Board of Directors is only permitted to acquire treasury shares at a price ranging from a minimum of NOK 4 and a maximum of NOK 200 per share (when adjusting for the share split on 20 November in which each share was split into 25 shares). This authorization will remain in effect until the Annual General Meeting in 2021.

During the period from 25 February 2020 to 26 November 2020, the company sold 46,075 shares in connection with the company's incentive program.

OPTION SCHEMES

As at 31 December 2020, 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 the quarterly results.

All of the company's press releases, stock exchange announcements and investor relations information are available on the company's website, www.arendalsfossekompani.no. This also applies to quarterly and annual reports, presentations, the company's Articles of Association and the financial calendar.

NOMINATION COMMITTEE

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

Investor Relations

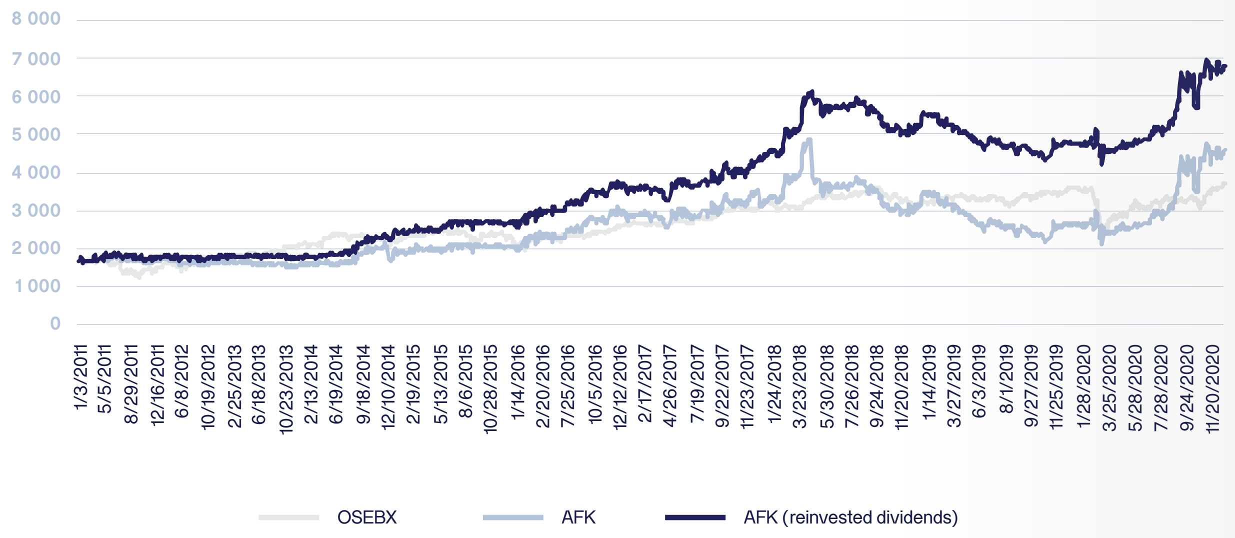
AUDIT COMMITTEE
The company's Audit Committee consists of the following members: Morten Bergesen (Chairman), Arild Nysæther and Stine Rolstad Brenna.

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, normally in April or May.

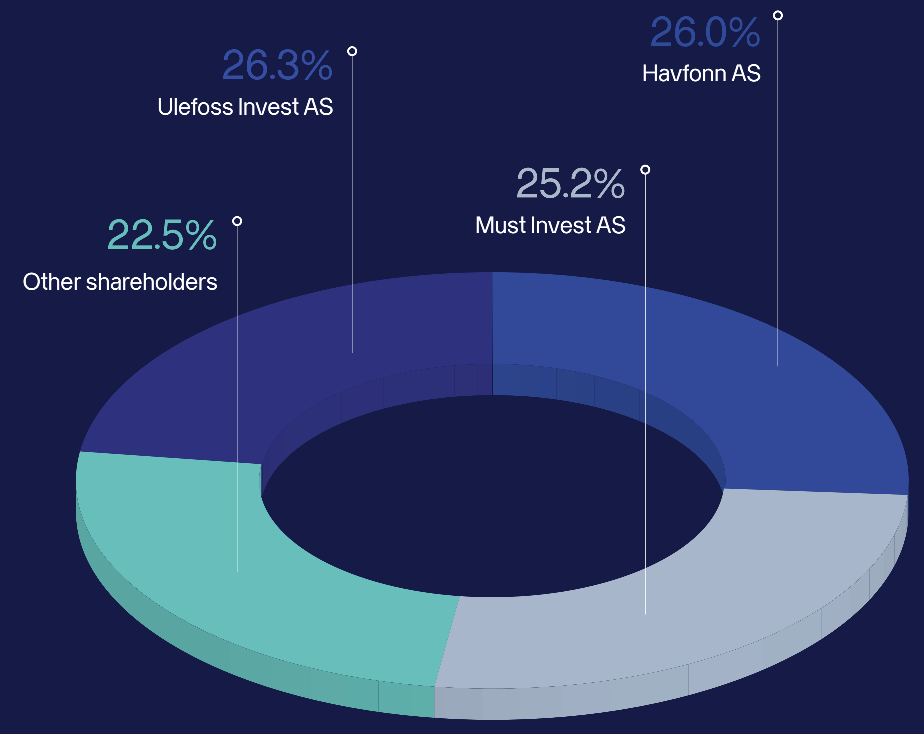
Meeting notices and attendance registration forms are sent to all shareholders with a known address 21 days prior to the General Meeting, and are made available on the company's webpage and through the Oslo Stock Exchange distribution service. The annual report and other enclosures to the meeting notice 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.

AFK SHARE IN 2020
The company's total market capitalization was NOK 10.1 billion at the end of 2020. In 2020, 1,959,993 shares in AFK were traded, which corresponds to 3.5 per cent of the company's total number of outstanding shares. The share was traded regularly throughout the year.



Shareholders



Dividend

Numbers adjusted for share split effectuated in 2020

DATE	DIVIDEND (NOK)	CUMULATIVE (NOK)
26/05/2011	3.20	3.20
24/05/2012	2.20	5.40
24/05/2013	3.00	8.40
23/05/2014	2.40	10.80
12/12/2014	10.00	20.80
22/05/2015	3.72	24.52
20/05/2016	3.84	28.36
18/05/2017	3.80	32.16
21/12/2017	16.80	48.96
27/04/2018	34.81	83.77
26/04/2019	2.24	86.01
08/05/2020	2.24	88.25
24/08/2020	0.56	88.81
17/11/2020	0.64	89.45

AFK Group

HEADQUARTER
ARENDAL, NORWAY

CHAIRMAN
JON HINDAR

CEO
ØRJAN SVANEVIK

OWNERSHIP AFK
100%

EMPLOYEES
2,100

COUNTRIES
26

FINANCIAL FIGURES, MNOK	2020	2019	2018
Operating Revenues	3 673	4 496	4 319
Operating Profit	188	233	232
Operating Margin	5%	5%	5%
Earnings before tax (EBT)	121	243	247
Operating Cashflow	222	474	250
NIBD	-461	-199	98
Equity	3 856	3 319	3 172
Equity Ratio	56%	54%	54%

Arendals Fossekompani (AFK) is an industrial investment company holding 7 main investments and a portfolio of financial investments. These operations employ 2,100 people in total. 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

2,100
EMPLOYEES

26
COUNTRIES

AFK operates in several different industries and is represented by 2,100 employees in 26 countries through its portfolio companies. The Parent Company's own activities focus 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.

2020 IN BRIEF

(Figures in parentheses refer to 2019)

In 2020, Arendals Fossekompani reported an ordinary profit after tax of NOK 120 million (47 million), of which the AFK shareholders' share of the profit was NOK 65 million (45 million). Earnings before tax was NOK 121 million (243 million). The operating profit amounted to NOK 188 million (233 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 -41 million (270 million).

AFK's financial capacity is solid, with a net positive cash position of NOK 466 million at the end of 2020. The book value of equity was NOK 3,856 million (3,319 million) as of 31 December 2020. The Group's liquidity is sound.

Despite historically low energy prices, AFK delivered a good result and increased earnings after tax from NOK 47 million in 2019 to NOK 120 million in 2020. All the portfolio companies improved earnings during the year. AFK also completed various structural and strategic actions in 2020, including the listing of Volue on Euronext Growth, the establishment of Alytic, the acquisition of Kontali, investment in Beyonder and a split of the AFK share.

Volue and Tekna delivered particularly solid revenue growth when compared year on year. Volue is reporting revenue growth of 12% in 2020 along with a sound order intake throughout the year. Tekna is experiencing increased activity in the market, resulting in good growth in powder sales. There is also growing interest in nano silicon deliveries for future battery technology. As announced in quarterly reports, Tekna and global industrial group Aperam have established a joint venture called ImphyTek Powders. The company specialises in the production and sale of metal powders for 3D printing based on nickel-based alloys. During the fourth quarter ImphyTek Powders established its operational activities, thereby contributing positively to Tekna's results. In financial statements ImphyTek is reported as an associate of Tekna.

Weaker revenues for AFK overall are primarily due to low energy prices in 2020, negatively affecting revenues for Cogen Energia and AFK Hydropower. As communicated in quarterly reports, Cogen Energia terminated a major unprofitable customer relationship at the start of the year. In 2019 this contract generated revenue in the order of NOK 600 million.

As a result of high activity levels, all portfolio companies delivered good profits for the year. In addition, EFD Induction is reporting a record-high order intake in the fourth quarter, driven primarily by deliveries for wind turbine production.

The return on financial investments ended at –18% for the year, corresponding to NOK –162 million, mainly due to the falling price of property shares as a result of the Covid-19 pandemic. The unrealised portion of the return on financial investments is reported in other comprehensive income.

On 19 October AFK announced that Volue AS was to be listed on Euronext Growth (formerly Merkur Market). As part of the listing, AFK realised NOK 520 million from a sell-down of shares in Volue. This is reported as a gain of NOK 440 million in the fourth quarter in the AFK parent company.

On 30 October AFK announced the purchase of 71% of the shares in Kontali Analyse and the establishment of new growth company Alytic. Alytic's purpose is to transform a broad spectrum of data-driven companies in various sectors and form a basis for a new growth area at AFK.

On 7 December AFK reported its participation in a private placement by Norwegian battery technology company Beyonder. This strengthens AFK's position within the development of the batteries of the future and large industrial storage solutions for renewable power generation.

At an Extraordinary General Meeting on 19 November AFK approved a share split in which each share in the company was split into 25 shares. The share was listed post-split with a new nominal value on 20 November.

The AFK parent company had a positive cash position at the end of the quarter and the company's financial capacity is sound. During the quarter the company's equity was bolstered by NOK 464 million and as at 31 December stands at NOK 3,383 million.

EVENTS AFTER THE CLOSE OF THE YEAR

Through its operations Cogen Energia plays a key part in the green shift in the Spanish power market. Rapid development of the market presents new growth opportunities. AFK has started a strategic process to assess how Cogen Energia can be best positioned to take advantage of these opportunities going forward.

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 has 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 19 March 2021 Volue applied to be transferred from Euronext Growth to the main list of the Oslo Stock Exchange. Volue has conducted an extraordinary general meeting to convert the company into a public limited company (ASA), which involved changing the composition of the company's Board of Directors.

On 22 March 2021 Tekna Holding announced a potential listing on Euronext Growth. After a successful private placement, with books covered within ten minutes, Tekna Holdning was listed on Euronext Growth and trading of the share commenced on 30 March.

On 8 April the Board of Directors decided to propose to the General Meeting on 6 May 2021 to pay an extraordinary cash dividend of NOK 29.20 per share to be paid in May 2021.

OUTLOOK FOR 2021

In view of market prices for 2021, revenues and operating profit for AFK Hydropower are expected to be considerably better in 2021 than in 2020.

All portfolio companies have high activity levels, with revenues and earnings for the AFK Group in 2021 expected to be equal to or better than results for 2020. However, there is still considerable uncertainty associated with the Covid-19 pandemic and the future development of energy prices.

AFK
Parent Company

HEADQUARTER
ARENDAL, NORWAY

CHAIRMAN
JON HINDAR

CEO
ØRJAN SVANEVIK

OWNERSHIP AFK
100%

EMPLOYEES
27

COUNTRIES
1

FINANCIAL FIGURES, MNOK	2020	2019	2018
Operating Revenues	70	211	195
Operating Profit	-55	120	115
Operating Margin	-79%	57%	59%
Earnings before tax (EBT)	502	238	121
Operating Cashflow	-154	94	55
NIBD	-400	-335	-86
Equity	3 383	3 205	2 964
Equity Ratio	82%	82%	81%

The activities of the Parent Company consist of hydropower production in the Arendal watercourse system and the management of the Group.

The Parent Company focuses on hydropower production, 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.

2020 IN BRIEF

(Figures in parentheses refer to 2019)

The Parent Company reported revenues of NOK 70 million (211 million) in 2020. EBITDA amounted to NOK -45 million (129 million). The operating profit for the Parent Company was NOK -55 million (120 million), while the ordinary profit after tax was NOK 520 million (162 million).

AFK's financial position remains solid and the company is net cash positive at year-end. In connection with the listing of Volue on Euronext Growth on 19 October, AFK took a profit in a NOK 520 million sell-down of shares. This is reported as an accounting gain, recognised as financial income of NOK 440 million. As a result, AFK's cash reserves strengthened and as at 31 December amounted to NOK 766 million. In the same period the company's equity strengthened by NOK 464 million and amounted to NOK 3,383 million at year-end.

The company has undrawn credit facilities of NOK 1,780 million at year-end.

On 2 March 2021 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.

HYDROPOWER PRODUCTION

AFK generates power at two locations in the Arendal watercourse. The Bøylefoss and Flatenfoss power stations produce in excess of 500 GWh annually. The company is required by law to improve the power plants and associated dam facilities, and 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 2020 was 482 GWh (543 GWh). Total net revenues from the sale of power amounted to NOK 60 million (206 million), of which the sale of spot power totalled NOK 56.6 million (203 million). The average electricity price on the spot market (Arendal) closed in 2020 at 9.8 øre/kWh (38.7), while the company achieved an average electricity price of 11.7 øre/kWh (37.4).

The power plants have operated without any significant accidents or injuries. Production in 2020 has been lower than the yearly average, mainly due to low power prices during the year. Electricity prices rose towards the end of the year due to somewhat colder weather and the associated increase in power consumption, as well as increased access to transfer capacity abroad.

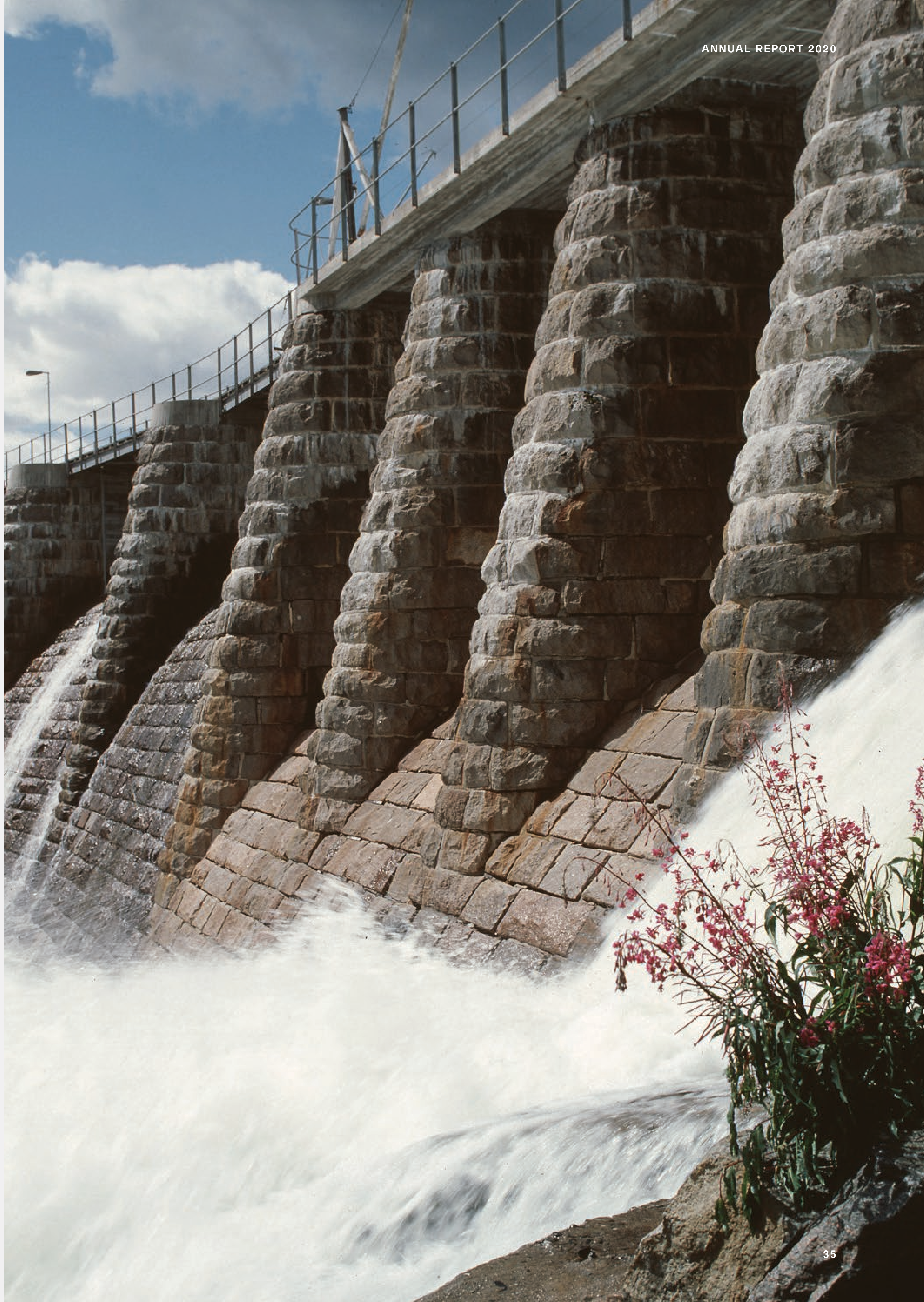
Normal maintenance work has been carried out on the power plants. Costs expensed in connection with maintenance work amounted to NOK 4 million (8 million) in 2020. During the year audits and other projects requiring external access to the power plants were deferred due to Covid-19, as an infection control measure. Essential audits and access took place in accordance with established infection control procedures.

FINANCIAL PORTFOLIO

As at 31 December the company's financial investment portfolio had a total value of NOK 735 million. The portfolio consists primarily of shareholdings in the companies Victoria Eiendom and Eiendomsspar. The year-to-date return amounts to –18%, corresponding to NOK –162 million, due to a drop in share prices following the outbreak of the Covid-19 pandemic. The unrealised portion of the return on the financial investments is reported in other comprehensive income.

OUTLOOK HYDROPOWER PRODUCTION 2021

In view of the market's estimated energy price trend for 2021, revenues and operating profit from the hydropower production are expected to be considerably better in 2021 than in 2020. Actual energy prices will however depend on many factors, including oil and gas prices, weather conditions, temperatures and more.



The perfect market storm

Explaining the 2020 electricity market

(and why it is unlikely to happen again)

2020 marked a historical anomaly in the Norwegian electricity market.

Electricity prices dropped by a staggering 76% from 2019 to 2020. In what became a perfect market storm, a series of unusual events simultaneously reduced demand and increased supply of electricity.

The Covid-19 pandemic affected the Norwegian exports of electricity, as European industries experienced a sudden drop in demand. Domestically, the winter, relatively warm, resulted in low consumption, but also record-high snow accumulation in the mountains.

Loss of interconnector capacity to Sweden, Denmark and The Netherlands resulted in a surplus of electricity in Norway.

Extreme precipitation during the summer and fall of 2020 caused an exceedingly high supply of hydroelectric energy, which in turn caused loss of water and low prices.

In the future, similar situations can largely be avoided due to several key changes in the infrastructure. Norway is directly connected to the German power market and will, by the end of 2021, also have the new UK interconnector available. Increased connectivity will prevent oversupply of electricity and ensure higher levels of demand.

Demand domestically is also expected to rise due to the building of more data storage centers and battery factories, and the electrification of the oil and gas and transport sectors.

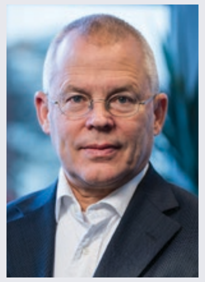
Management & BoD

Visions & decisions

Management

Ørjan Svanevik
CEO

Lars Peder Fensli
CFO



Torkil S. Mogstad
Executive Vice President

Morten Henriksen
Executive Vice President

Ingunn Ettestøl
ESG Director

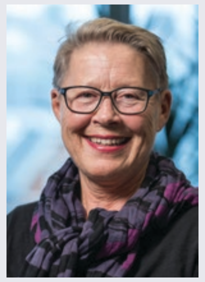
Board of Directors

Jon Hindar
Chairman

Morten Bergesen
Deputy Chairman

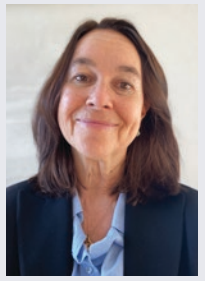
Didrik Vigsnæs
Board member

Arild Nysæther
Board member



Kristine Landmark
Board member

Heidi M. Petersen
Board member



Stine Rolstad Brenna
Board member

Letter from CEO

Well positioned for sustainable value creation

As of today, Arendals Fossekompani has a broad approach to sustainability, with major investments in the production of hydropower and solar power, management of renewable energy, battery technology, optimisation of resources and additive manufacturing.

In a busy 2020, Arendals Fossekompani completed various structural and strategic actions, including the creation of Volue and listing on Euronext Growth, the establishment of Alytic, the acquisition of Kontali, an investment in Beyonder, a divestment of Scanmatic Elektro and a split of the AFK share. We focused on the health and safety of our employees and partners, and also on keeping our obligations to our customers, despite the Covid-19 pandemic.

CREATING LONG-TERM VALUE

The Group's most important task is to exercise good corporate governance of its portfolio companies, and to continue to create lasting value for shareholders, customers, employees and society at large.

In hydropower, Arendals Fossekompani has a proud history extending back more than a century. Every year our power plants produce enough renewable energy to cover the consumption of 25,000 households.

The portfolio companies of Arendals Fossekompani have approximately 2,100 employees in 26 countries. Our vision is to create long-term value through the growth and development of the businesses in which we are involved.

The Group has a decentralised management model. 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 has a clear green profile and contributes in several ways to the UN Sustainable Development Goals. To reduce negative impact on society, the Group has identified SDG 7: Affordable and Clean Energy, SDG 9: Industry, Innovation and Infrastructure, and SDG 12: Responsible Consumption and Production, as the goals to which our companies can make a difference.

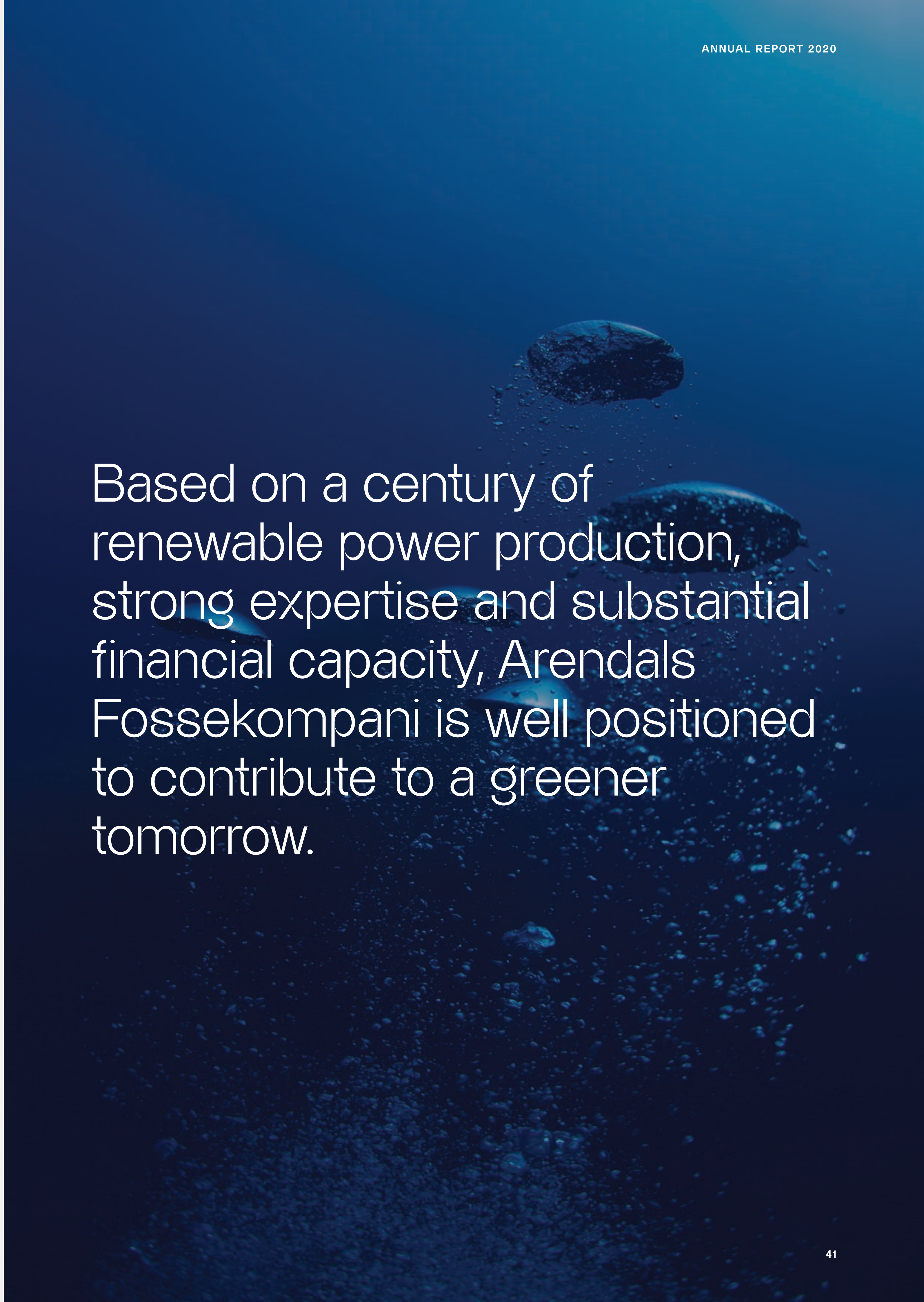
Sustainability and corporate social responsibility are important drivers of future value creation, in the form of increased access to talent, increased access to capital and increased interest in our share.

MAJOR OPPORTUNITIES, BUT ALSO UNCERTAINTY

Today, Arendals Fossekompani has a strong organisation with great and dedicated people, and also a large financial capacity. The outlook for our companies is good, and we have identified clear opportunities to strengthen and build our position in selected segments and markets.

The major uncertainty is of course 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. These strong efforts will continue in 2021.

Ørjan Svanevik
CEO



Based on a century of renewable power production, strong expertise and substantial financial capacity, Arendals Fossekompani is well positioned to contribute to a greener tomorrow.

AFK

Board of Directors' Report for 2020

2020 IN BRIEF

(Figures in parentheses refer to 2019)

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 located in Arendal.

Arendals Fossekompani (AFK) reported total operating revenues for the Group of NOK 3,673 million (4,496 million) in 2020. Consolidated operating profit was NOK 188 million (233 million). Profit after tax was NOK 120 million (47 million).

The Group's equity amounted NOK 3,856 million (3,319 million) as at 31 December 2020. The equity ratio was 56 per cent compared with 54 per cent at the end of 2019.

The Parent Company reported operating revenues of NOK 70 million (211 million) for the year. Operating profit was NOK -55 million (120 million). Profit after tax was NOK 520 million (162 million).

At year-end, the Parent Company's cash reserves amounted to NOK 766 million and the equity amounted to NOK 3,383 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 892 million (798 million) in 2020. Ordinary profit after tax was NOK 63 million (25 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 183 million (142 million) in 2020. Ordinary profit after tax was NOK -51 million (-52 million).

EFD INDUCTION delivers advanced green power technology based on induction technology throughout the world. The business reported revenues of NOK 1,150 million (1,170 million) in 2020. Ordinary profit after tax was NOK 19 million (-48 million).

NSSLGLOBAL is a leading independent provider of satellite communications and IT solutions in a global market. The business reported revenues of NOK 898 million (894 million) in 2020. Ordinary profit after tax was NOK 125 million (119 million).

COGEN ENERGIA builds and operates combined heat and power (cogeneration) plants that contribute to higher energy efficiency, reduced CO2 emissions and increased competitiveness. The business reported revenues of NOK 516 million (1,272 million) in 2020. Ordinary profit after tax was NOK 16 million (-2 million).

ALYTIC invests in data-driven companies with a clear potential for scaling up the business through digital transformation. The company was established on 30 October 2020.

AFK PROPERTY comprises all property related companies and property investments.

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 2020, Didrik Vigsnæs, Kristine Landmark and Rikke Reinemo were re-elected as Board Members for a term of two years. At an Extraordinary General Meeting in September, Rikke Reinemo left the Board and Stine Rolstad was elected as a new Board Member.

PERSONNEL, EQUAL OPPORTUNITY, WORKING ENVIRONMENT AND THE NATURAL ENVIRONMENT

At the end of the year, the Parent Company had 26 employees. Four of these employees 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. This committee has representatives for employees and corporate management.

Sickness absence in the Parent Company amounted to 302 days, which corresponds to 5.1 per cent of the total working hours. Non-work-related long-term sickness absence for four employees amounted to 242 days. Excluding this, sickness absence was 1.0 per cent. In 2020, there were no accidents or personal injuries of significance, and no material damage of significance.

- Sickness absence at EFD INDUCTION was 2.6% (3.0%) in 2020. There was a total of 133 (251) days of absence due to work-related injuries.
- Sickness absence at COGEN ENERGIA was 2.8% (1.5%) in 2020. There was a total of 119 (10) days of absence due to work-related injuries.
- Sickness absence at VOLUE was 2.0% (n/a) in 2020. There was a total of 0 (n/a) days of absence due to work-related injuries.
- Sickness absence at NSSLGLOBAL was 1.0% (2.0%) in 2020. There was a total of 0 (8) days of absence due to work-related injuries.
- Sickness absence at TEKNA was 2.4% (2.7%) in 2020. There was a total of 0 (96) days of absence due to work-related injuries.

AFK's portfolio companies have health, safety and environment 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. However, the company makes a positive environmental contribution through the production of renewable hydropower.

Operations at AFK's other businesses also entail little risk of pollution of the natural environment. To the extent that such a risk exists, measures have been implemented in accordance with national legislation and guidelines to prevent any negative environmental impact. In 2020 we started to estimate our greenhouse gas emissions, and we have performed a climate risk assessment of the portfolio.

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

AFK considers it important to promote equality in all areas and works to prevent discrimination on the grounds of ethnicity, religion or disability.

RESEARCH AND DEVELOPMENT

Capitalised and expensed research and development costs in AFK's businesses totaled NOK 192.4 million (180 million) in 2020.

ETHICS AND SOCIAL RESPONSIBILITY

AFK has prepared a separate report in accordance with Section 3.3 of the Norwegian Accounting Act regarding corporate social responsibility. The "Sustainability Report 2020" is available on the company's website.

The report elaborates on AFK's efforts and guidelines in the areas of environment, social issues, and governance. In 2020 a materiality analysis has been conducted for all our portfolio companies and 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 we are present. AFK seeks to create value for society, customers, employees and owners. For many years, the Parent Company has based its activities on the utilisation of a local natural resource, and therefore has a strong wish to contribute to value creation and social development in the Arendal region. The same applies to our portfolio companies in their local communities. The company supports Arendalsuka, an annual national event for politics and business, and the Canal Street jazz and blues festival, in addition to various initiatives for children and young people within sports and culture.

IFRS

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

SHAREHOLDER MATTERS

Following the share split on 20 November, with each share in the company being split into 25 shares, there are now a total of 55,995,250 shares in the company. As at 31 December a total of 1,111,200 were treasury shares, which represents 2.0 per cent of the total number of outstanding shares. A total of 1,959,993 (751,475) shares were traded during the year, which represents 3.5 per cent of the total number of outstanding shares.

The Board of Directors will propose that the General Meeting renews the Board's authorisation to acquire up to 7.93% of the company's own shares with a total nominal value of NOK 17,769,000. The minimum and maximum amounts that may be paid per share shall be NOK 10 and NOK 2,000 respectively.

The share price at the start of the year was NOK 105, compared with NOK 184 at the end of the year.

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 creates considerable uncertainty for the global economy in 2021. The Board of Directors and executive management of the AFK companies have in 2020 taken strong measures to safeguard employees, partners and customers of the AFK Group companies. These measures continue to apply in 2021.

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 takes into consideration expected cash flow, capital expenditure plans, financing requirements and appropriate financial flexibility.

In 2020 AFK paid quarterly dividends amounting to NOK 66 million. In addition, ordinary dividends for 2019 paid out in 2020 was NOK 123 million.

AFK's net profit for 2020 amounted to NOK 520,1 million. The Board of Directors proposes that the net profit is transferred to other equity.

Froland, 26 March 2020

Jon Hindar Board Chairman	**Morten Bergesen** Deputy Chairman	**Didrik Vigsnæs**	**Arild Nysæther**
Heidi Marie Petersen	**Kristine Landmark**	**Stine Rolstad Brenna**	**Ørjan Svanevik** CEO

Part 03
Portfolio companies

Volue
Portfolio company

HEADQUARTER
OSLO, NORWAY

CHAIRMAN
ØRJAN SVANEVIK

CEO
TROND STRAUME

OWNERSHIP AFK
75.7%

EMPLOYEES
624

COUNTRIES
8

FINANCIAL FIGURES, MNOK	2020	2019	2018
Operating Revenues	892	798	818
Operating Profit	82	40	-12
Operating Margin	9%	5%	-1%
Earnings before tax (EBT)	73	34	-15
Operating Cashflow	190	190	48
NIBD	-432	-184	-86
Equity	743	362	375
Equity Ratio	50%	34%	35%

Serving more than 2,000 customers in 44 countries, Volue is a global supplier of technology that enables the transition to sustainable energy. With 50 years of green technology expertise, Volue offers software solutions, systems and market insight that optimise production, trading, distribution and consumption of energy, as well as infrastructure and construction projects.

As one of Norway's leading software companies, Volue provides critical services to infrastructure that underpin the functioning of our societies, paving the way for a clean, flexible, reliable and profitable energy future.

2020 IN BRIEF
(Figures in parentheses refer to 2019)

Volue reported revenues of NOK 892 million (798 million) in 2020, following growth across segments and a successful European expansion. EBITDA amounted to NOK 148 million (100 million), representing a 17% margin (13%), and an adjusted EBITDA of NOK 197 million (134). The operating profit was NOK 82 million (40 million), while the ordinary profit for continued operations was NOK 63 million (25 million).

2020 was another strong year for Volue, marked by solid results, record-high EBITDA margins and continued build-up of a highly sticky customer base. All three of Volue's business segments continued to report good results, with a total of NOK 572 million in recurring revenues in 2020, representing 64% of overall revenues. Hence, Volue is progressing steadily towards the 2025 target of NOK 2 billion in revenues of which 80% will be recurring.

KEY DEVELOPMENTS
Volue's initial public offering on Euronext Growth marked an important milestone in 2020, following the integration of Markedskraft, Wattsight, Powel and Scanmatic into one entity.

The listing of Volue represented an important step in Volue's growth strategy. The company sees a unique opportunity to take a leading position in the shift from fossil to renewable energy production. Volue has big ambitions and wants to use the capital market to accelerate its growth and play a part in the consolidation of the industry.

Volue has an ambitious M&A strategy and will take a leadership position in a fragmented industry. The acquisition of Likron GmbH at the end of the year epitomises the type of accretive transactions that will play a central role in Volue's growth strategy.

Likron is a leading service provider in algorithmic intraday energy trading on the European Power Exchange (EPEX) and Nord Pool. With its head office in Munich, Germany, the company will function as Volue's centre of excellence for energy market trading solutions.

The acquisition of Likron strengthens Volue's offering in software for power trading in Europe. The Likron team pioneered algorithmic trading on the European Power Exchange, and the products and services it offers complement Volue's product portfolio perfectly. By combining all companies, Volue aims to be at the technological forefront in a market that is experiencing both radical change and strong growth.

OUTLOOK
Volue has a solid position for profitable growth and expansion, empowered by the following enablers:

- The shift towards green, non-controllable energy sources drives increased volatility and complexity for customers, requiring dynamic and cloud-based software solutions.
- Volue offers wall-to-wall Software-as-a-Service (SaaS) solutions and has built up a customer base comprising the leading European energy companies.
- Ongoing transformation, SaaS, with solid growth in recurring revenues and an uptick in EBITDA margins.

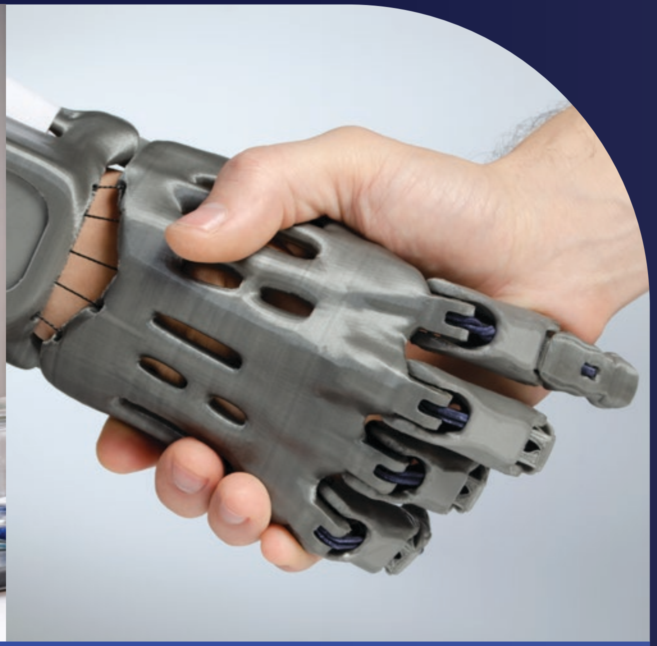
Volue has expressed an ambition of being a NOK 2 billion company within 2025, with 15% annual organic revenue growth, SaaS revenues increasing to 50%, recurring revenues towards 80% and an adjusted EBITDA margin towards 30%. Short term, the company has outlined the following priorities:

- Exceeding 20% in EBITDA margin.
- Reach NOK 1 billion in run-rate sales.
- Accelerate growth in ARR through SaaS transformation.
- Structural growth. Take lead position in market consolidation.
- Utilise synergies in Volue group to increase operational efficiency.
- List on the Oslo Stock Exchange in the first half or 2021.

Volue delivered profitable growth despite the uncertain conditions in the market caused by Covid-19. The market outlook remains good for all business areas due to an ever-increasing need for new digital solutions in the industry verticals in which Volue operates. Volue provides products and services for critical infrastructure, involving solutions that must be operational 24 hours a day, which presents solid opportunities for profitable growth going forward.

Tekna
Portfolio company

HEADQUARTER	CHAIRMAN	CEO
SHERBROOKE, CANADA	MORTEN HENRIKSEN	LUC DIONNE
OWNERSHIP AFK	**EMPLOYEES**	**COUNTRIES**
100%	176	4



FINANCIAL FIGURES, MNOK	2020	2019	2018
Operating Revenues	183	142	144
Operating Profit	-24	-57	-34
Operating Margin	-	-	-
Earnings before tax (EBT)	-48	-65	-41
Operating Cashflow	2	-51	-30
NIBD	150	237	153
Equity	128	43	41
Equity Ratio	36%	13%	16%

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.

Tekna's products make it possible to design complex metal parts that are lighter, more efficient and more environmentally friendly than conventionally manufactured parts. Tekna also manufactures machines for the production of spherical micro- and nanoparticles of various metals and ceramics, based on the use of plasma generated by electrical induction.

Through active collaboration with a series of global players, Tekna is expanding the applicability of its plasma technology, used to pulverise various materials, into new areas. It is also establishing industrial ventures with blue-chip customers around the world that apply the company's unique knowledge and related IP-protected technology.

Tekna is headquartered in Canada, with subsidiaries in France and China.

2020 IN BRIEF
(Figures in parentheses refer to 2019)

Tekna reported revenues of NOK 183 million (142 million) in 2020. EBITDA amounted to NOK 10 million (-24 million). The operating profit was NOK -24 million (-57 million), while the ordinary profit after tax was NOK -51 million (-52 million).

2020 was marked by record-high order books and the development of a new battery product.

The company's annual revenue growth was driven by solid sales performance for both powders and system solutions. Sales of powders were up 20% year-on-year, despite the significant effect Covid-19 had on the industries Tekna serves. Results were positive in all geographic areas.

Tekna goes into 2021 with an order book at a record high, having already secured the sale of more than half of its annual production capacity.

The subsidiary Tekna Advanced Materials (TAM), which produces industrial titanium and other powders for 3D printing for a wide range of leading producers in the medical, aerospace, defence and automotive sectors, has seen a sharp rise in its customer base and the share of repeat deliveries. In July 2020, Tekna became the first worldwide supplier qualified by Boeing for additive manufacturing powders - Boeing Material Specification (BMS) Titanium alloy powders and BMS Aluminum alloy powders. In October 2020, Tekna announced a collaboration with the Université du Québec à Trois-Rivières to develop an antibacterial and antiviral fabric treatment based on copper nanopowder, manufactured with Tekna's plasma technology. Furthermore, Tekna will bring its cutting-edge expertise to develop copper-based antiviral solutions and related products against Covid-19. In order to meet growing demand for the wide array of industry segments which can apply Tekna's powders, the company is planning on expanding capacity.

In parallel with scaling up powder production for 3D printing, Tekna has produced new products within segments such as printed electronics, batteries and hypersonic applications.

In the batteries segment, Tekna's fully-developed product has attracted considerable interest in the market and the company is in dialogue with a number of leading global players in battery production and/or suppliers of materials for such production. The aim is to establish supplier contracts and/or partnership undertakings in 2021 as a basis for scaling production.

In the coming year, Tekna will work continuously to strengthen its market position by developing and commercialising new products, and entering into strategic agreements with the leading players in commodities and the production of advanced products. These collaboration agreements will be important to further scale the business.

OUTLOOK FOR 2021
Tekna's growth in revenues and operating profit are forecast to accelerate in 2021.

As a global leader in the industrial use of plasma technology, with over 200 customers worldwide and a proven track-record of scalability with over 70% recurring sales, Tekna is well positioned to take a significant share of the growing market for 3D printing through organic growth and strategic alliances.

The company was listed on Euronext Growth in March 2021.

Tekna
Growing Green

Strong market for 3D-printing

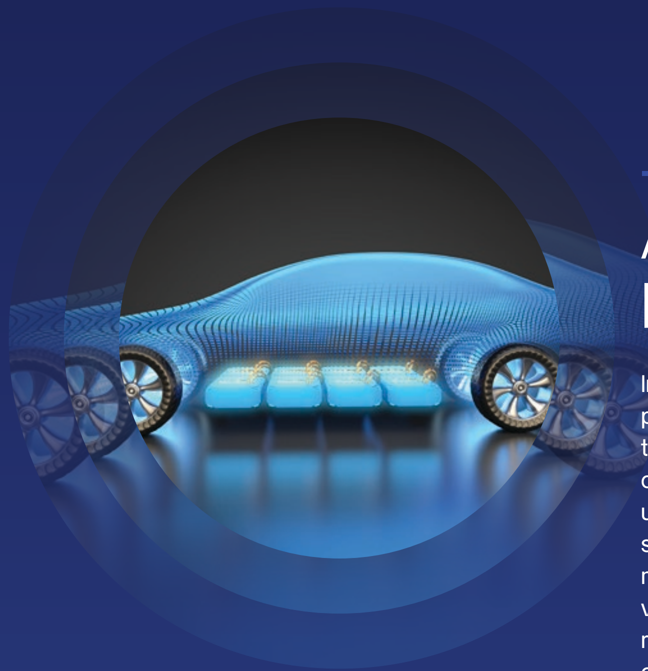
The market for 3D printing is in a phase of strong growth. More and more industries are starting to use 3D printing – including the automotive industry, driven particularly by new electric car models. Management consultancy McKinsey & Company and investment company ARK estimate that 3D printing will grow by 60% per year in the coming years.

Less waste, lower cost

The 3D printing process involves building objects layer by layer using various materials in powder form, in contrast to traditional production where objects are produced by removing parts of a larger piece of material. The advantages of 3D printing are a faster production time, lower costs and less waste, as well as the opportunity to design completely new structures.

From research to sales

Arendals Fossekompani acquired Tekna in 2013. At the time, the company was supplying plasma machinery to universities and research institutions alongside participation in long-term research collaborations with large industrial customers. Today the company has a strong commercial focus and produces ever-increasing volumes of powders for sale to a range of industrial customers – not least in the industries mentioned above.



A powder for better batteries

In the batteries segment Tekna has developed a very pure silicon nanopowder with advantageous properties for admixtures in, and eventually replacement of, graphite anodes that are found in standard lithium-ion batteries. Full replacement of graphite with silicon could multiply the energy capacity of batteries many times over – thereby revolutionising electric vehicle batteries, for example, to provide extreme range. Tekna's fully developed product has attracted considerable interest in the market.

EFD Induction
Portfolio company

HEADQUARTER
SKIEN, NORWAY

CHAIRMAN
ØRJAN SVANEVIK

CEO
BJØRN E. PETERSEN

OWNERSHIP AFK
98.7%

EMPLOYEES
971

COUNTRIES
17

FINANCIAL FIGURES, MNOK	2020	2019	2018
Operating Revenues	1 150	1 170	1 250
Operating Profit	41	-14	108
Operating Margin	4%	-1%	9%
Earnings before tax (EBT)	30	-23	102
Operating Cashflow	68	79	67
NIBD	52	81	65
Equity	374	353	426
Equity Ratio	36%	36%	43%

EFD Induction designs, builds, installs and maintains a complete range of environmentally friendly induction heating equipment. The company has operations in America, Europe and Asia, and has performed more than 20,000 installations related to a broad range of industrial applications in over 80 countries. Many of the world's leading manufacturing and service companies thus enjoy the benefits of induction technology.

EFD Induction's induction heating solutions can be used professionally for almost any industrial application that requires heat. The company's hardening machines are widely used in the windmill and automotive industry, while equipment from EFD Induction is otherwise commonly found in a number of other industries, such as turbines, pipe production, the electrotechnical industry, the cable industry and mechanical engineering.

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, Russia, South Korea, Spain, Sweden, Thailand and the United Kingdom.

2020 IN BRIEF
(Figures in parentheses refer to 2019)

EFD Induction reported revenues of NOK 1,150 million (1,170 million) in 2020. EBITDA amounted to NOK 109 million (55 million). The operating profit was NOK 41 million (-14 million), while the ordinary 2020 profit after tax was NOK 19 million (-48 million).

EFD Induction delivered earnings on par with 2019. The first half of 2020 was negatively impacted by a lower activity level due to Covid-19-related implications in Asia and Europe. However, revenues grew during a busy fourth quarter, in which EFD Induction secured a record high order intake, driven primarily by deliveries for wind turbine production.

The operating result improved significantly in 2020 due to implemented restructuring processes, and thereby a reduced fixed cost base, compared to the previous year. Throughout 2020, the company has continued implementing comprehensive restructuring processes, this has resulted in one-off cost effects of NOK 44 million for the year.

EFD Induction has a focused R&D pipeline to drive improved profitability and growth as well as enhancing the ability to offer service programs with recurring revenue. The company carries out development projects both in cooperation with customers and on its own. Most of the development costs are expensed. In 2020, these costs amounted to NOK 36.6 million, whilst capitalization of R&D projects amounted to NOK 9.0 million.

Order intake within the automotive industry, an important industry for EFD Induction, remains weak in Europe. There is great uncertainty and the weak market situation within this industry is expected to continue in 2021.

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 2021
Adjusted for an extraordinary income from property sale in 2020, revenues and operating profit for EFD Induction in 2021 are expected to be at the same level as in 2020.

NSSLGlobal
Portfolio company

HEADQUARTER
SURREY, UK

CHAIRMAN
ARILD NYSÆTHER

CEO
SALLY-ANNE RAY

OWNERSHIP AFK
80%

EMPLOYEES
205

COUNTRIES
8

FINANCIAL FIGURES, MNOK	2020	2019	2018
Operating Revenues	898	894	758
Operating Profit	162	162	110
Operating Margin	18%	18%	15%
Earnings before tax (EBT)	154	162	110
Operating Cashflow	166	199	132
NIBD	-274	-267	-201
Equity	424	417	383
Equity Ratio	56%	52%	61%

NSSLGlobal is a leading independent provider of satellite communications and IT solutions in a global market.

NSSLGlobal is committed to delivering high-quality voice and data services to customers anywhere in the world. NSSLGlobal activities are divided into the areas Airtime, Projects, Hardware and Service. The revenue model is to a large degree based on multi-year subscription contracts, thereby securing a significant degree of recurring revenues. The company's main customers are found in the maritime segment, in the military and government sector, and in the energy sector.

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 centres, teleports and local partners.

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

2020 IN BRIEF
(Figures in parentheses refer to 2019)

NSSLGlobal reported revenues of NOK 898 million (894 million) in 2020. EBITDA amounted to NOK 214 million (230 million). The operating profit was NOK 162 million (162 million), while the ordinary profit after tax was NOK 125 million (119 million).

The company started the year strongly by extending contracts with two of its largest military customers, including a 4-year contract for satellite communications with the German Armed Forces. NSSLGlobal also secured an important 3-year technology development contract with the European Space Agency (ESA).

NSSLGlobal increased both its technology base and geographic reach by hiring an engineering team of 10 people available after the bankruptcy of the Dutch and German operations of Pro Nautas. This addition will strengthen the development of new products and services to the maritime segment.

At the end of the year, NSSLGlobal became an authorized launch partner for Iridium's new Global Distress and Safety System for maritime use.

Sales activities were scaled down due to travel restrictions, but the Covid-19-pandemic did not affect revenues and the level of customer activities.

OUTLOOK FOR 2021
NSSLGlobal expects revenues to be in line with 2020, while operating profit is expected to weaken due to a contract in 2020 that had especially good margins.

Cogen Energia
Portfolio company

HEADQUARTER
MADRID, SPAIN

CHAIRMAN
MORTEN BERGESEN

CEO
ANTONIO QUILEZ

OWNERSHIP AFK
100%

EMPLOYEES
98

COUNTRIES
1

FINANCIAL FIGURES, MNOK	2020	2019	2018
Operating Revenues	516	1 272	1 181
Operating Profit	27	-4	25
Operating Margin	5%	0%	2%
Earnings before tax (EBT)	21	9	20
Operating Cashflow	123	75	4
NIBD	120	124	149
Equity	175	181	147
Equity Ratio	29%	30%	22%

Cogen Energia builds and operates combined heat and power (cogeneration) plants that contribute to higher energy efficiency, reduced CO2 emissions and increased competitiveness.

Cogen Energia's cogeneration plants use surplus heat from gas-based electricity production to generate steam for industrial partners located nearby. This results in higher energy efficiency and reduced CO2 emissions, as well as improved competitiveness for the industrial partners.

Since its establishment in 1999, Cogen Energia has evolved into a supplier of cogeneration solutions adapted to industry needs. In addition to operating its own cogeneration plants, Cogen Energia is a provider of services to third party plants within areas such as operations management, maintenance and service, as well as energy management and optimization.

The company's head office is in Madrid, Spain.

2020 IN BRIEF
(Figures in parentheses refer to 2019).

Cogen Energia reported revenues of NOK 516 million (1,272 million) in 2020. EBITDA amounted to NOK 46 million (15 million). The operating profit was NOK 27 million (-4 million), while the ordinary profit after tax was NOK 16 million (-2 million).

Lower revenues compared with the previous year are mainly attributed to the termination of a contract with a large unprofitable customer. The contract represented an annual turnover of approximately NOK 600 million. Furthermore, the year was characterized by low pool prices for produced power, which again led to fewer operating hours and lower revenues per plant. During the period with low power prices, Cogen Energia was able to speed up already planned maintenance work.

The price of gas is the company's most significant cost factor. In a challenging year, Cogen Energia was able to negotiate lower gas prices from its suppliers, which contributed positively to the operating profits in 2020.

The company receives public subsidies from the Spanish Government in the form of a regulated production bonus per MWh of power generated. During 2020 the hourly power prices were consistently lower than the reference price which the subsidy scheme is based on. This will however be compensated by the authorities in years to come, which is why Cogen Energia was able to book a positive provision which contributed to the 2020 profits.

Cogen Energia's industrial customers operate within segments such as pharmaceuticals, cardboard packaging, chemicals, food and alcohol. These segments were almost unaffected by the Covid-19-pandemic, and Cogen Energia did not experience noticeable loss of revenues from the sale of steam. In addition, the company qualified for Covid-19-driven government guaranteed loans, thereby securing liquidity throughout the year.

Except closing for scheduled maintenance, the cogeneration plants did not experience production losses in 2020.

In summary, despite reduced revenues, Cogen was able to improve EBITDA by negotiating lower gas prices and by scheduling plant maintenance to periods with low power prices. In addition, the governmental subsidy regime compensated for power prices being below the defined reference price.

OUTLOOK FOR 2021
For Cogen Energia, revenues and operating profit in 2021 are expected to be on par with 2020.

Alytic
Portfolio company

HEADQUARTER
ARENDAL, NORWAY

CHAIRMAN
MORTEN HENRIKSEN

CEO
ESPEN ZACHARIASSEN

OWNERSHIP AFK
100%

EMPLOYEES
27

COUNTRIES
2

Alytic invests in data-driven companies with a clear potential for scaling up the business through digital transformation. Investments will typically be in companies with unique domain knowledge and expertise, and with a clear pathway for growth.

Alytic offers resources with the right know-how and skillset for developing a roadmap for digital transformation, scale and recurring revenues. The investment team includes executives with extensive experience from digital transformation and development of new business models.

Alytic powers the digital transformation required to enhance product offerings, to reach new markets, and to ensure recurring revenues from a profitable customer base.

2020 IN BRIEF
Initially wholly owned by Arendals Fossekompani, Alytic was established on 30 October 2020. Capitalizing on the experience from transforming similar businesses, Alytic will serve as a new growth arena for AFK.

The first company in the Alytic portfolio is Kontali. Founded in Kristiansund, Norway in 1987, Kontali has served as the leading knowledge-based consultancy and data provider for the Norwegian fish farming industry, collecting production data, establishing the first production and market simulation models, and developing the salmon database.

Today, Kontali is widely regarded as a leading competence center on aquaculture and fisheries with a strong global presence systemizing the world of fisheries and aquaculture. In a global and increasingly data-savvy market, it is vital that Kontali accelerates the technology shift to capitalize on the expertise within the company.

Espen Zachariassen serves as CEO of Alytic. He is the former CEO of Wattsight, now part of Volue.

OUTLOOK FOR 2021
2021 will be a year of building the company, with a focus on establishing an organization, further developing the investment strategy, identifying potential investments, and also building a stronger Kontali and further developing the aquaculture vertical.

Alytic has already recruited key personnel. Sigve Litsheim is the new VP Business Development, Technology and Haakon Austad is the new VP Business Development, Analytics. Alytic is now staffed with the necessary technology expertise to understand and support the companies in which it chooses to invest.

In a combination of developing existing and establishing new verticals, it is expected that Alytic will make 2-4 investments during the year.

AFK Property

AFK Property comprises all property related companies and property investments.

Bryggebyen

The by far largest company in the portfolio is Vindholmen AS, which is transforming an old shipyard area into a new urban residential/commercial zone right outside Arendal under the new name Bryggebyen. The transformation will take 10-15 years to complete and will create around 500-700 residential units when finished. The build process is on track and apartment sales have been healthy despite a year marked by Covid-19.

The first construction phase of 82 apartments booked sales representing 65 % of full value by year-end 2020, and due to popular demand, a second construction phase with 31 additional apartments was launched in September. A total of 113 apartments will be completed by autumn 2021.

Arendal Airport Gullknapp

AFK Property is the majority owner of this property which comprises an airport as well as an 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 establishing a center for drones as well as a hub for electrified aviation.

Gullknapp is located about 15 km north of Arendal. Due to the size of the property, its vicinity to the E18 highway and Arendal Port, and near access to the power grid of both DSO and TSO, it has a huge potential as a future site for battery production, data center and other power-intensive activities and industry. Power levels of several 100 MW are available from the nearby grid.

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.

Other Investments

Solar. Batteries. Technology.

AFK is also a shareholder and part-owner of other energy and technology companies. AFK supports and builds the companies by taking an active role in the Companies' Board of Directors.

Beyonder

AFK was among the investors in a share issue of NOK 125 million in the Norwegian battery technology company Beyonder.

Beyonder has developed the next generation sustainable high-power batteries, which are safer and more cost-effective than other batteries. The technology has been developed using a patented process in which sawdust is used to produce activated carbon, resulting in the world's first sustainable battery cell technology.

Beyonder can offer significantly more environmentally friendly and sustainable batteries compared to conventional methods by using silicon and wood chips, as well as producing the batteries with clean hydropower.

AFK Board Member: Morten Henriksen
AFK ownership: 3.9%

NorSun

Norsun is a Norwegian solar energy company that manufactures and markets high performance mono-crystalline silicon ingots and wafers for the global solar energy industry. Dedicated to high efficiency n-type wafers, the company is an established supplier to tier-one cell manufacturers.

NorSun operates a state-of-the-art production facility located in Ardal in western Norway. Pursuing a detailed and aggressive technology development and cost road map which ensures a competitive price model, NorSun's ingot, block and wafer slicing capacity is currently at 450 MW.

In June 2019, the company closed a NOK 230 million equity round to increase the production capacity to 1000 MW, introduce new technologies, and significantly reduce unit costs.

NorSun was established in 2005 by Alf Bjørseth, the well-known founder of REC. A year later, Arendals Fossekompani took an active position in NorSun.

AFK Board Member: Lars Peder Fensli
AFK ownership: 15.7%

Reporting
100 years ago

In 1920, seven years after the first hydropower plant became operational in the Arendal watercourse system, production was larger than ever, totaling 115 million kilowatt hours.

At the time, there were only three consumers of electricity produced at Bøylefoss:
Det Norske Nitrid (producer of aluminum),
Arendal Smelteverk (producer of silicon carbide) and
Arendals Kommunale Elektricitetsverk (Municipal Utility).

The Board of Directors was pleased to report NOK 855,000 in revenues and a profit of NOK 279,000. A 6% dividend was paid to the shareholders.

Part 04
Financial statements

Income statement

Amounts in NOK 1 000

Continued operations	Note	GROUP 2020	GROUP 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
Operating revenues and operating costs					
Sales revenues	1	3 617 526	4 449 912	59 851	209 091
Total other Income	1,2	55 542	45 723	10 032	2 348
Sales		**3 673 068**	**4 495 635**	**69 884**	**211 439**
Cost of sales		1 436 767	2 203 139	6 485	3 633
Total staff cost	4	1 360 419	1 319 686	64 565	38 839
Total other operating cost	7,19	428 553	467 604	43 988	39 607
Operating expense		**3 225 740**	**3 990 429**	**115 038**	**82 079**
EBITDA		**447 328**	**505 206**	**-45 154**	**129 360**
Depreciation	5	189 239	197 605	8 997	8 250
Amortisation	6	61 698	64 020	837	650
Impairment loss from PPE	5,6	8 742	10 655		
Operating profit		**187 649**	**232 926**	**-54 989**	**120 460**
Finance income and finance costs					
Total finance income	8,25,11	58 982	87 056	621 822	164 300
Finance cost	8	111 597	75 807	64 449	47 014
Net financial items		**-52 614**	**11 249**	**557 372**	**117 286**
Equity company income	11	-14 321	-1 632		
Profit before taxes		**120 714**	**242 544**	**502 383**	**237 746**
Provision for income tax	9	39 382	150 927	-17 706	76 233
Net profit for the year, continuing operations		**81 332**	**91 617**	**520 089**	**161 513**
Net discontinued operations income	26	38 803	-44 898		
Net profit for the year		**120 135**	**46 718**	**520 089**	**161 513**
Attributable to:					
Minority interest income		55 229	1 912		
Equity holders of the parent		64 907	44 806	520 089	161 513
Total		**120 135**	**46 718**	**520 089**	**161 513**
Basic/diluted earnings per share (NOK)	22	**1,18**	**0,82**	**9,48**	**2,94**

Statement of comprehensive income

Amounts in NOK 1 000

	Note	GROUP 2020	GROUP 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
Total Effect from Foreign Exchange		18 016	11 774		
Change on Cash flow hedges		-27 064	27 158		
Tax on OCI that may be reclassified to P&L	9	-2 032	-6 303		
OCI that may be reclassified to P&L		***-11 079***	***32 629***		
Change in financial assets at fair value through OCI	16	-161 988	195 432	-161 988	195 432
Actuarial gains and Losses		4 294	-6 359	4 626	-2 904
Tax on OCI that will not be reclassified to P&L	9	8 076	1 553	-1 018	639
OCI that will not be reclassified to P&L		***-149 617***	***190 625***	***-158 379***	***193 167***
Total Other Comprehensive Income (OCI)		**-160 697**	**223 254**	**-158 379**	**193 167**
Net profit for the year		120 136	46 718	520 089	161 513
Total Comprehensive Income		**-40 561**	**269 972**	**361 710**	**354 680**
Attributable to:					
Minority Interest		58 313	2 461		
Owner's equity		-98 874	267 512	361 710	354 680
Total		**-40 561**	**269 972**	**361 710**	**354 680**
Total Comprehensive Income per share (NOK)		**-0,74**	**4,92**	**6,59**	**6,47**

Balance Sheet

Amounts in NOK 1 000

		GROUP		PARENT COMPANY	
	Note	2020	2019	2020	2019
Assets					
Fixed assets	5	1 199 241	1 234 027	172 435	164 287
Intangible assets and goodwill	6	979 049	770 897	12 268	7 223
Investment in equity companies	11	9 422			
Investment in sub	3,5,11			1 795 354	1 637 945
Intra-group loans				142 176	292 403
Net pension assets	4	16 092	24 549	9 621	5 773
Non-current receivables and investments	12	395 337	235 919	226 563	197 954
Deferred tax assets	9	150 175	124 658	83 670	67 403
Non-current assets		**2 749 316**	**2 390 050**	**2 442 088**	**2 372 988**
Inventories	13	680 885	467 686		
Contract assets	13,16	160 700	105 651		
Total receivables	14,16	893 307	945 022	158 159	123 971
Cash and cash equivalents	15	1 757 706	1 171 776	765 641	498 789
Financial assets at fair value through OCI	16	734 973	895 545	734 973	895 545
Financial assets clas. as held for trading	16	10 000	10 150		
Assets connected to discontinued operation	26		159 437		
Current assets		**4 237 571**	**3 755 268**	**1 658 774**	**1 518 306**
Total assets		**6 986 887**	**6 145 318**	**4 100 862**	**3 891 293**

		GROUP		PARENT COMPANY	
	Note	2020	2019	2020	2019
Equity and liabilities					
Common stock	10	223 981	223 981	223 981	223 981
Other paid in capital		7 675	5 510	7 675	5 510
Own shares		-63 866	-66 514	-63 866	-66 514
Other reserves		704 276	898 798	703 317	865 305
Retained earnings		2 680 443	2 115 905	2 511 897	2 176 892
Owner's equity		**3 552 509**	**3 177 680**	**3 383 004**	**3 205 173**
Minority Interest	11	303 021	141 737		
Total equity	7	**3 855 530**	**3 319 417**	**3 383 004**	**3 205 173**
Bond	17,25		299 735		299 735
Interest and ex rate swap	16,17		92 587		92 587
Non-current borrowings	17,25	500 252	332 122	216 773	133 133
Employee benefits	4	26 267	40 174	7 197	8 672
Other non-current liabilities		11 961	3 309		
Provisions	17	99 373	72 835		
Deferred taxes	9	61 350	58 873		
RoU liabilities	19,25	183 624	190 346	17 115	5 766
Non-current liabilities		**882 827**	**1 089 981**	**241 084**	**539 893**
Bond	17,25	299 912		299 912	
Interest and ex rate swap	16,17	106 847		106 847	
Interest-bearing current borrowings	*17,25*	89 934	85 926		
Bank overdraft	17	310 105	196 267		
Accounts payable	18	707 741	611 146	17 867	23 668
Payable income tax	9	53 682	111 247	6 740	56 699
Contract liabilities	13	153 183	116 112		
Current interest-bearing liabilities, intercompany				28 921	52 801
RoU-liabilities	19	57 576	63 695	3 531	993
Other current liabilities	18	469 551	439 144	12 957	12 066
Liabilities connected to discontinued operation	26		112 384		
Current liabilities		**2 248 530**	**1 735 920**	**476 774**	**146 227**
Total liabilities and equity		**6 986 887**	**6 145 318**	**4 100 862**	**3 891 293**

Froland, 26 March 2020

Jon Hindar
Board Chairman

Morten Bergesen
Deputy Chairman

Didrik Vigsnæs

Arild Nysæther

Heidi Marie Petersen

Kristine Landmark

Stine Rolstad Brenna

Ørjan Svanevik
CEO

Statement of cash flows

Amounts in NOK 1 000

	Note	GROUP 2020	GROUP 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
Cash flow from operating activities					
Net Cash from Income		**81 332**	**91 616**	**520 089**	**161 513**
Adjusted for					
Adj Depreciation, Impairment and Amortization		259 679	280 195	9 835	8 900
Net financial items		52 614	-11 250	-557 372	-117 286
Share of profit from associates		14 321	1 632		
Gain/Loss from sales of assets			662		
Tax expense		39 382	150 927	-17 706	76 233
Total after adjustments to net income		**447 328**	**513 782**	**-45 154**	**129 360**
Change in Inventories		-200 557	-102 761		
Change in trade and other receivables		-55 456	143 718	-1 788	1 217
Change in trade and other payables		27 984	-25 599	-5 924	-540
Cash flow form Internal Accounts Payable and Receivable				-50 880	3 916
Change in other current assets		54 318	10 060		3 556
Change in other current liabilities		49 557	47 939	430	
Change in other provisions		25 009	7 175		-2 424
Change in employee benefits		-2 510	-19 619	-698	-1 246
Total after adjustments to net assets		**345 673**	**574 696**	**-104 015**	**133 838**
Tax paid		-123 590	-100 202	-49 611	-40 144
Net cash from operating activities	**A**	**222 083**	**474 493**	**-153 626**	**93 694**

	Note	GROUP 2020	GROUP 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
Cash flow from investing activities					
Interest received etc.	8	17 665	28 729	15 780	17 274
Dividends received		10 448	28 677	144 340	138 812
Proceeds from the sales of PPE		716	3 630		
Purchase of PPE and intangible assets		-207 268	-167 043	-7 981	-1 598
Purchase of shares in subsidiaries (reduced by cash balance)		-97 921	-7 621		
Purchase of financial assets at fair value		-1 416		-1 416	
Proceed from sale of financial assets at fair value			320 592		320 592
Purchase of other investments		-165 906	-46 974	-28 609	-28 535
Proceed from sale of other investments			763		
Purchase of non controlling intrests		-238 871	-8 419	-227 696	-40 653
Proceeds from the sales of shares in subsidiaries		562 192	303	501 083	129
Net cash from investing activities	**B**	**-120 361**	**152 637**	**395 501**	**406 022**
Cash flow from financing activities					
Equity payments from non controlling intrests		530 448	513		
New long-term borrowings	25	185 259	29 770	92 158	32 556
Repayment of long-term borrowings	25	-77 346	-180 636	-1 049	-107 481
Cash Flow from Internal Loans and Borrowings				155 724	-62 746
Cash Flow from Net change in current interest bearing debt		135 427	30 727		
Interest paid etc.	8	-78 658	-74 237	-37 977	-35 113
Dividend paid		-234 037	-139 827	-188 693	-122 613
Cash Flow from Own Shares		5 862	8 716	4 814	8 716
Net cash from financing activities	**C**	**466 954**	**-324 974**	**24 977**	**-286 681**
Cash Flow	**A+B+C**	568 676	302 156	266 852	213 035
Opening Balance for Cash asset		1 171 776	866 995	498 789	285 754
Total effect from FX on non-Cash accounts		17 254	2 625		
Closing Balance for Cash asset		**1 757 706**	**1 171 776**	**765 641**	**498 789**

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
2019								
Balance at 1 January	**223 981**	**1 117**	**-70 838**	**959 069**	**1 891 316**	**3 004 645**	**167 018**	**3 171 663**
Net profit for the year					44 806	**44 806**	1 912	**46 718**
Total Other Comprehensive Income (OCI)				229 753	-7 048	**222 705**	549	**223 254**
Purchase/sale of treasury shares		4 393	4 323			**8 716**		**8 716**
Realization of financial asset at fair value through OCI				-290 023	290 023			
Capital changes from subsi-diaries					19 420	**19 420**	-4 701	**14 720**
Dividends paid					-122 613	**-122 613**	-23 041	**-145 654**
Balance at 31 December	**223 981**	**5 510**	**-66 514**	**898 798**	**2 115 905**	**3 177 680**	**141 737**	**3 319 416**
2020								
Balance at 1 January	**223 981**	**5 510**	**-66 514**	**898 798**	**2 115 905**	**3 177 680**	**141 737**	**3 319 416**
Net profit for the year					64 907	**64 907**	55 229	**120 136**
Total Other Comprehensive Income (OCI)				-164 031	251	**-163 780**	3 083	**-160 697**
Purchase/sale of treasury shares		2 165	2 648			**4 814**		**4 814**
Gain from sale of shares in subsidiaries					806 662	**806 662**	163 194	**969 856**
Capital changes from subsi-diaries				-30 492	-117 239	**-147 730**	-16 228	**-163 958**
Dividends paid					-190 042	**-190 042**	-43 995	**-234 037**
Balance at 31 December	**223 981**	**7 675**	**-63 866**	**704 276**	**2 680 443**	**3 552 509**	**303 021**	**3 855 530**

Parent Company	Common stock	Other paid in capital	Own shares	Other reserves	Retained earnings	Owner's equity	Minority Interest	Total equity
2019								
Balance at 1 January	**223 981**	**1 117**	**-70 837**	**959 896**	**1 850 235**	**2 964 391**		**2 964 391**
Net profit for the year					161 513	**161 513**		**161 513**
Total Other Comprehensive Income (OCI)				193 167		**193 167**		**193 167**
Purchase/sale of treasury shares		4 393	4 323	2 265	-2 265	**8 716**		**8 716**
Realization of financial asset at fair value through OCI				-290 023	290 023			
Dividends paid					-122 613	**-122 613**		**-122 613**
Balance at 31 December	**223 981**	**5 510**	**-66 514**	**865 305**	**2 176 892**	**3 205 173**		**3 205 173**
2020								
Balance at 1 January	**223 981**	**5 510**	**-66 514**	**865 305**	**2 176 892**	**3 205 173**		**3 205 173**
Net profit for the year					520 089	**520 089**		**520 089**
Total Other Comprehensive Income (OCI)				**-161 988**	**3 608**	**-158 379**		**-158 379**
Purchase/sale of treasury 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**

Notes to the annual and consolidated financial statements for 2020

Accounting policies

Information about the company
Arendals Fossekompani ASA is domiciled in Norway, with headquarters in Bøylefoss, in the Municipality of Froland. The consolidated financial statements for the financial year 2020 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 of preparation
The annual and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and associawted interpretations, as well as Norwegian disclosure requirements pursuant to the Norwegian Accounting Act applicable as of 31 December 2020.
The annual and consolidated financial statements were approved by the board of directors on 25 March 2021.

The annual and consolidated financial statements will be submitted for adoption at the Annual General Meeting scheduled for 6 May 2021. 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 disclosed 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 requires the use of assessments, estimates and assumptions that influence 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 ongoing 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 subsequent 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 exception 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, adjustments have been made so the consolidated financial statements are prepared according to common policies.
Changes in accounting policies for 2020
No new standards have been adopted by the Company and the Group with effect from 1 January 2020.

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 consideration is allocated to identifiable assets and liabilities. These are recognised in the consolidated financial statements 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 acquired entity; plus any gradual acquisition, the fair value of existing share-holdings 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 directly in profit or loss as a bargain purchase. If the business combination is achieved in stages, the investment changes classification from associated company to subsidiary, the upward adjustment of the existing 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. Subsidiar-ies 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
Discontinued operations Group activities that comprise a separate segment or a separate geographic area and which are sold or held for sale, or a subsidiary acquired solely for resale. An activity is classified as a discontinued operation when it is sold or when the criteria for classification as held for sale are satisfied. When an activity is classified as discontinued operation, the comparative figures for the previous period are adjusted correspondingly.

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 liabilities in foreign currencies are translated to NOK using the exchange 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 interests. On divestment of foreign operations which result in a loss of control, an accumulated share of the translation differences is recognised in the income statement as part of the profit calculation.

Net investments in foreign operations
Translation differences arising from the translation of net investments in foreign operations are specified as translation differences 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 measured 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 main-ly 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 proba-ble forecast transaction, the effective portion of a change in fair value is recognised in other comprehensive income. The Group performs a qualitative assesment 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 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 depre-ciation (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 ex-penses 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, vehi-cles, 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. 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 ex-ercising 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 interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, 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 fi-nancing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party fi-nancing 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.

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

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

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 are controlled by the Group, are 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 possible 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 7–10 years.

CO2 quotas
The subgroup Cogen has emissions trading rights for its operations at the thermal power plant in Spain. International financial reporting standards (IFRS) have not set any rules for how this should be reported. Consequently, the company is using the "net liability approach" method while awaiting further developments. Under this method, a liability is not recognised until actual emissions exceed the emissions covered by the rights the company owns. Actual emissions are compared with existing emission rights each year.

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 as-sets. 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 invest-ment 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 bal-ance 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, recogniti-on 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 reducti-ons in payments to the scheme.

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 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 pro-jects progress is recognised over time as long as the projects 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 recognized 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.

Determination and presentation of operating segments
Financial information for the operating segments is determined and presented based on the information provided to the company's board of directors, which is the Group's ultimate decisionmaker.

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 2020. 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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Total sales at a point in time	59 851	206 382		2 709	147 652	228 508	898 105	876 109	545 374	669 984
Total sales over time					742 569	567 133			558 922	491 797
Total other Income	3 408	1 219	6 625	1 130	1 645	2 221		18 230	45 769	8 164
Sales	**63 259**	**207 601**	**6 625**	**3 839**	**891 866**	**797 862**	**898 105**	**894 338**	**1 150 065**	**1 169 946**
Operating expense	56 084	59 919	58 954	16 310	743 886	697 764	684 112	664 045	1 041 513	1 115 442
Total depreciation, amortization and impairment	8 763	8 900	1 072		66 020	60 045	51 518	68 600	67 311	68 336
Operating income	**-1 588**	**138 781**	**-53 401**	**-12 471**	**81 960**	**40 053**	**162 475**	**161 692**	**41 241**	**-13 832**
Net financial items			557 372	117 286	-9 236	-5 609	-8 852	126	-11 613	-8 857
Provision for income tax	-2 776	81 523	-14 930	-10 952	10 128	9 359	29 093	42 957	10 412	25 614
Continuing operations income	**1 188**	**57 258**	**518 902**	**115 767**	**62 595**	**25 085**	**124 529**	**118 861**	**19 215**	**-48 303**
Total assets	236 838	299 269	3 864 023	3 592 024	1 472 687	1 076 762	761 722	780 501	1 058 371	982 958
Total liabilities	31 476	89 040	686 382	597 080	729 600	715 022	337 516	363 690	684 012	630 271
Net interest bearing debt			-400 006	-335 441	-432 311	-183 618	-273 880	-266 514	52 176	81 405

Group cont.

	TEKNA		COGEN		PROPERTY *		ELIMINATIONS		TOTAL	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Total sales at a point in time	89 242	71 631	515 598	1 272 067	6 320	5 003	2 357	-2 709	2 264 498	3 329 684
Total sales over time	51 537	61 298							1 353 028	1 120 227
Total other Income	42 550	9 182			6 076	8 719	-50 531	-3 141	55 542	45 723
Sales	**183 328**	**142 111**	**515 598**	**1 272 067**	**12 396**	**13 722**	**-48 174**	**-5 851**	**3 673 068**	**4 495 635**
Operating expense	173 529	166 224	469 243	1 256 659	15 424	14 065	-17 006		3 225 740	3 990 429
Total depreciation, amortization and impairment	34 173	32 681	19 451	19 447	9 036	8 655	2 336	5 615	259 679	272 280
Operating income	**-24 374**	**-56 794**	**26 904**	**-4 039**	**-12 064**	**-8 998**	**-33 503**	**-11 466**	**187 649**	**232 926**
Net financial items	-23 855	-8 295	-5 680	12 960	-2 425	-2 030	-562 647	-95 963	-66 935	9 617
Provision for income tax	2 827	-12 783	5 673	10 976	21	-42	-1 067	4 275	39 382	150 927
Continuing operations income	**-51 056**	**-52 306**	**15 552**	**-2 055**	**-14 509**	**-10 987**	**-595 084**	**-111 704**	**81 332**	**91 616**
Total assets	354 058	340 296	598 358	610 409	596 251	265 703	-1 954 519	-1 802 604	6 986 887	6 145 318
Total liabilities	226 071	297 041	422 988	429 848	419 997	150 072	-405 780	-446 163	3 131 357	2 825 901
Net interest bearing debt	149 852	236 654	119 382	124 076	323 891	123 163	-143	21 238	-461 038	-199 037

* Property includes Vindholmen Eiendom, Bedriftsveien 17, Steinodden Eiendom, Arendal Lufthavn Gullknapp, Songe Træsliperi, Alytic, AFK Property and Bølevegen 4.

Note 1 Segment reporting cont.

Amounts in NOK 1 000

Geographical segments

	NORWAY		EUROPE		ASIA		NORTH AMERICA		CONSOLIDATED	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Operating revenues	554 094	966 312	2 278 158	2 800 205	464 958	449 358	375 859	279 760	3 673 068	4 495 634
Segment assets	3 686 712	3 516 340	2 429 530	1 877 013	421 910	396 927	448 735	355 038	6 986 887	6 145 318

Parent Company

	ENERGY SALES		ADMINISTRATION		TOTAL	
	2020	2019	2020	2019	2020	2019
Sales	63 259	207 601	6 625	3 839	69 884	211 440
Operating expense	56 084	59 919	58 954	22 160	115 038	82 079
Total depreciation, amortization and impairment	8 763	8 901	1 072		9 835	8 901
Operating income	**-1 588**	**138 781**	**-53 401**	**-18 321**	**-54 989**	**120 460**
Net financial items			557 372	117 286	557 372	117 286
Provision for income tax	-2 776	81 523	-14 930	-5 290	-17 706	76 233
Continuing operations income	**1 188**	**57 258**	**518 902**	**104 255**	**520 089**	**161 513**
Total assets	236 838	299 269	3 864 023	3 592 024	4 100 862	3 891 293
Total liabilities	31 476	89 040	686 382	597 080	717 858	686 120
Net interest bearing debt			-400 006	-335 441	-400 006	-335 441

Note 2 Other operating income and sales

Amounts in NOK 1 000

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Other operating income	13 929	40 323	989	2 348
Other operating income, IC			9 044	
Gain sales of assets	27 983			
Grants/subsidies	13 630	5 400		
Other operating income and sales	**55 542**	**45 723**	**10 032**	**2 348**

Note 3 Subsidiaries acquired in 2020

Amounts in NOK 1 000

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

	Pre- acquisition carrying amonts EUR	Fair value adjust-ments EUR	Recognised va-lues on acquisiti-on EUR	Recognised va-lues on acquisiti-on NOK
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**

Subsidiaries acquired in 2019

Cogen Energia Españas´ (CEE) acquisition of remaining shares in Ecoenergia Sistemas Alternativos SA in 2019

CEE has since 2016 owned 75 % of Ecoenergia Sistemas Alternativos SA (Ecoenergia) whose sole asset is 50 % of the shares in Papertech Energia S.A. In March of 2019 CEE acquired the remaining 25 % of the shares of Ecoenergia for EUR 774,000

The acquisition caused CEE in its consolidated statement to recognize access to CHP facility at EUR 5,463,000 and goodwill at EUR 774,000. Incremental acquisition of a daughter company requires previously owned shares to be regarded as realized at the time when control of the company is gained. Consequently the 2019 statement had to report a gain from previously owned shares of EUR 562,000. This gain is included in finance income.

Note 4.1 Employee benefits

Amounts in NOK 1 000

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Salaries	1 145 467	1 044 161	51 980	29 355
Social security contributions	148 141	144 755	7 467	4 650
Pension costs	44 129	55 142	3 241	2 921
Other benefits	22 681	75 630	1 876	1 914
Total employee benefits	**1 360 419**	**1 319 688**	**64 565**	**38 839**
Number of full-time headcounts	**2 110**	**2 084**	**26**	**23**

2020	Salaries, fees	Previous year's bonus paid out this year	Benefits in kind	Total remu-neration	Accrued pension costs	Number of board mee-tings (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 Vigsnæs, 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**	

2019	Salaries, fees	Previous year's bonus paid out this year	Benefits in kind	Total remu-neration	Accrued pension costs	Number of board mee-tings (i)
Senior executives						
Jarle Roth, CEO, till 1. august 2019	3 191	916	216	4 323	69	
Ørjan Svanevik, CEO, from 1. september 2019	1 533		51	1 584	119	
Lars Peder Fensli, CFO	2 292	224	22	2 538	106	
Morten Henriksen, Executive Vice President	2 332	243	26	2 601	112	
Torkil Mogstad, Executive Vice President	1 916	202	26	2 144	103	
Board members, audit and compensation committees						
Jon Hindar, Chairman, from 25.04.19, (iii)	363			363		6
Øyvin A. Brøymer, Chairman, till 25.04.19, (iii)	156			156		2
Morten Bergesen, Deputy Chairman, (ii), (iii), (iv)	398			398		8
Didrik Vigsnæs, Board Member	280			280		8
Arild Nysæther, Board Member, (ii), (iii)	359			359		8
Heidi Marie Petersen, Board Member	280			280		8
Kristine Landmark, Board Member	280			280		7
Rikke T. Reinemo, Board Member, (ii)	334			334		8
Total remuneration	**13 714**	**1 585**	**341**	**15 640**	**509**	

(i) 10 Board meetings were held in 2020 and 8 in 2019.
(ii) Member of Audit Commitee
(iii) Member of Compensation Committee
(iv) Member of Nomination Committee

In addition, tNOK 267 (348) was paid in pensions to former board members. Current board members are not entitled to a pension.

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 22,500 (GBP 22,500) as Chairman of the Board of the subsidiary NSSLGlobal.
Morten Bergesen received EUR 15,000 (EUR 15,000) as Chairman of the Board of the subsidiary Cogen Energia España.

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 (3,000) 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 (825) shares on the same terms.

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	
	2020	2019	2020	2019
Pension liabilities				
Present value of unfunded liabilities	12 290	30 736	6 307	7 600
Present value of funded liabilities	83 889	71 403	46 999	48 566
Fair value of pension assets	-92 557	-95 953	-56 620	-54 339
Recognised employers' contributions	-747	1 072	889	1 072
Present value of net liabilities	**2 874**	**7 258**	**-2 425**	**2 899**
Of which presented as pension assets	16 092	24 549	9 621	5 773
Other pension liabilities	7 301	8 367		
Gross pension liabilities	**26 267**	**40 174**	**7 197**	**8 672**
Change in recognised net liability for defined-benefit pensions				
Net funded defined-benefit pension liability as at 1 January	-3 142	-28 824	-5 773	-7 436
Liability for unfunded schemes as at 1 January	16 948	30 540	8 672	8 678
Paid-in contributions	-115	-3 223	-184	-664
Paid out from the scheme	-2 899	-690	-620	-706
Actuarial (gains) losses from other comprehensive income	-4 597	3 223	-4 626	2 904
Exchange rate changes, pension liabilities	879	3 745		
Costs of defined-benefit schemes	-3 465	2 461	106	123
Net liability for defined-benefit schemes as at 31 December	**3 610**	**7 232**	**-2 425**	**2 899**

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Costs recognised in the income statement				
Costs relating to this period's pension entitlements	-3 259			
Interest on the liabilities	1 927	2 430	1 256	1 429
Expected return on pension plan assets	-2 324	2 268	-1 225	-1 443
Recognised employers' contributions	5 301	-2 543	75	137
Effect of partial discontinuation of Board pensions	3 523	306		
Expenses from defined benefit plans	**-58**	**2 461**	**106**	**123**
Costs of defined-contribution pension schemes	42 546	51 360	1 838	1 477
Net interest on pension liabilities transferred to finance	313	14	-32	14
Transfer effect of discontinuation of separate line in income statement	1 328	1 307	1 328	1 307
Total pension costs	**44 129**	**55 142**	**3 241**	**2 921**
Actual return on pension plan assets	3 576	8 104	2 395	5 456

Note 5 Property, plant & equipment

Amounts in NOK 1 000

Group	CHP plants *	Hydro power plants	Under constru-ction	Vehicles, machinery and equipment	Buildings and land	RoU total	Property, plant and equipment
2019							
Cost							
Balance at 1 January 2019	660 173	307 150	37 781	886 925	552 597		**2 444 627**
Additions ***	2 413	933	6 663	70 364	-1 889	12 325	**90 809**
Aquisitions through business combinations	145 785						**145 785**
Disposal		-32		-22 151		-4 903	**-27 087**
Transferd from under construction			-41 318	2 927	38 391		
Reclassification		3 564			-28 858	25 294	
Reclassification to assets held for sale				-9 906			**-9 906**
Change in RoU						290 973	**290 973**
Effect of movements in exchange rates	-5 745		1 913	21 611	1 337	4 051	**23 166**
Balance at 31 January 2019	802 626	311 614	5 038	949 770	561 578	327 741	**2 958 367**
Depreciation and impairment losses							
Balance at 1 January 2019	-494 237	-159 216		-652 285	-132 531		**-1 438 269**
Depreciation	-14 665	-8 983		-90 778	-15 701	-67 479	**-197 605**
Impairment **	-2 053			-3 033	-4 074		**-9 160**
Aquisitions through business combinations	-91 900						**-91 900**
Reclassification					8 010	-8 010	
Reclassification to assets held for sale				5 515			**5 515**
Disposal		32		19 178	64	1 577	**20 851**
Effect of movements in exchange rates	4 320			-16 782	-993	-317	**-13 773**
Balance at 31 January 2019	-598 535	-168 166		-738 185	-145 224	-74 230	**-1 724 340**
Book value at 1 January 2019	**165 937**	**147 934**	**37 781**	**234 640**	**420 066**		**1 006 358**
Book value at 31 December 2019	**204 091**	**143 448**	**5 038**	**211 585**	**416 355**	**253 511**	**1 234 027**

Group	CHP plants	Hydro power plants	Under constru-ction	Vehicles, machinery and equipment	Buildings and land	RoU total	Property, plant and equipment
2020							
Cost							
Balance at 1 January 2020	802 626	311 614	5 038	949 770	561 578	327 741	**2 958 367**
Additions	4 366	337	22 356	58 507	7 307	406	**93 278**
Aquisitions through business combinations				7 853	14 544		**22 397**
Disposal				-39 391	-10 721	-14 104	**-64 216**
Change in RoU						58 758	**58 758**
Effect of movements in exchange rates	7 307		-945	-7 685	-3 171	2 208	**-2 286**
Balance at 31 December 2020	814 298	311 951	26 449	969 054	569 538	375 009	**3 066 300**
Depreciation and impairment losses							
Balance at 1 January 2020	-598 535	-168 166		-738 185	-145 224	-74 230	**-1 724 340**
Depreciation	-16 155	-6 300		-77 079	-18 899	-70 808	**-189 241**
Impairment ****				-2 531	-653	-4 683	**-7 868**
Aquisitions through business combinations				-5 925			**-5 925**
Disposal				32 990	5 572		**38 562**
Change in RoU						5 327	**5 327**
Effect of movements in exchange rates	5 518			9 227	1 132	550	**16 426**
Balance at 31 December 2020	-609 172	-174 467		-781 504	-158 072	-143 844	**-1 867 059**
Book value at 1 January 2020	**204 091**	**143 448**	**5 038**	**211 585**	**416 355**	**253 511**	**1 234 027**
Book value at 31 December 2020	**205 127**	**137 484**	**26 449**	**187 550**	**411 466**	**231 165**	**1 199 241**

* "CHP plants" refers to Cogen's combined heat and power plants.
** Impairment in 2019 is based partly on a revised value assessment of Cogen's CHP plants and partly a reduced value of EFD due to restructuring.
*** Negative amount booked under Additions is due to governmental grant received after the initial booking of the asset.
**** Impairment in 2020 is based a reduced value of EFD and Volue due to restructuring

Provision of security

As at 31 December 2020 operating assets in the subsidiaries with a book value of tNOK 74 414 (2019: tNOK 222 724) were pledged as security for bank loans (see Note 17).

Note 5 Property, plant & equipment cont.

Amounts in NOK 1 000

Parent Company	CHP plants *	Hydro power plants	Under constru-ction	Vehicles, machinery and equipment	Buildings and land	RoU total	Property, plant and equipment
2019							
Cost							
Balance at 1 January 2019		307 150	5 804	9 169	8 320		**330 442**
Additions		933	-1 680	1 852			**1 105**
Disposal		-32					**-32**
Transferd from under construction			-2 920	2 920			
Reclassification		3 564			-3 564		
Change in RoU						7 640	**7 640**
Balance at 31 December 2019		311 614	1 204	13 941	4 756	7 640	**339 155**
Depreciation and impairment losses							
Balance at 1 January 2019		-159 216		-4 793	-2 639		**-166 648**
Depreciation		-6 344		-918		-988	**-8 250**
Reclassification		-2 639			2 639		
Disposal		32					**32**
Balance at 31 December 2019		-168 166		-5 712		-988	**-174 867**
Book value at 1 January 2019		**147 934**	**5 804**	**4 374**	**5 681**		**163 793**
Book value at 31 December 2019		**143 448**	**1 204**	**8 228**	**4 756**	**6 652**	**164 287**

Parent Company	CHP plants	Hydro power plants	Under constru-ction	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**

Note 6 Intangible assets

Group	Goodwill - input	Other intangible assets	Concessions	Total
2019				
Cost				
Balance at 1 January 2019	603 741	936 396	12 250	**1 552 387**
Additions	-0	87 182		**87 182**
Aquisitions through business combinations	9 902			**9 902**
Reclassification to assets held for sale	-5 525	-14		**-5 538**
Disposal of companies and businesses	-1 617	-23 749		**-25 366**
Effect of movements in exchange rates	3 372	55 916		**59 288**
Balance at 31 January 2019	609 874	1 055 732	12 250	**1 677 855**
Amortization and impairment losses				
Balance at 1 January 2019	-75 985	-711 860	-6 579	**-794 424**
Amortization		-63 775	-245	**-64 020**
Impairment	-1 495			**-1 495**
Disposal of companies and businesses	1 601	62		**1 663**
Effect of movements in exchange rates	3 089	-51 771		**-48 683**
Balance at 31 January 2019	-72 790	-827 345	-6 824	**-906 959**
Book value at 1 January 2019	**527 757**	**224 536**	**5 671**	**757 963**
Book value at 31 December 2019	**537 084**	**228 387**	**5 426**	**770 897**

Group	Goodwill - input	Other intangible assets	Concessions	R & D	Intangible assets under de-velopment	Total
2020						
Cost						
Balance at 1 January 2020	609 874	1 055 732	12 250			**1 677 855**
Additions	1 476	17 777		95 094	46	**114 393**
Aquisitions through business combi-nations	132 500	66 680				**199 179**
Reclassification	500	-407 830		366 505		**-40 825**
Effect of movements in exchange rates	-45 299	-659		481		**-45 477**
Balance at 31 January 2020	699 050	731 700	12 250	462 079	46	**1 905 125**
Amortization and impairment losses						
Balance at 1 January 2020	-72 790	-827 345	-6 824			**-906 959**
Amortization	0	-32 124	-245	-29 330		**-61 698**
Impairment	-874					**-874**
Aquisitions through business combi-nations		-11 388				**-11 388**
Reclassification		283 005		-283 005		
Effect of movements in exchange rates	50 484	4 131		227		**54 843**
Balance at 31 December 2020	-23 180	-583 720	-7 069	-312 107		**-926 076**
Book value at 1 January 2020	**537 084**	**228 387**	**5 426**			**770 897**
Book value at 31 December 2020	**675 870**	**147 980**	**5 181**	**149 972**	**46**	**979 049**

Parent Company	Goodwill - input	Other intangible assets	Concessions	Total
2019				
Cost				
Balance at 1 January 2019		2 208	12 250	**14 458**
Additions		494		**494**
Balance at 31 December 2019		2 702	12 250	**14 952**
Amortization and impairment losses				
Balance at 1 January 2019		-500	-6 579	**-7 079**
Amortization		-405	-245	**-650**
Balance at 31 December 2019		-905	-6 824	**-7 729**
Book value at 1 January 2019		**1 708**	**5 671**	**7 379**
Book value at 31 December 2019		**1 797**	**5 426**	**7 223**

Parent Company	Goodwill - input	Other intangible assets	Concessions	Intangible assets under development	Total
2020					
Cost					
Balance at 1 January 2019		2 702	12 250		**14 952**
Additions		5 837		46	**5 883**
Balance at 31 December 2019		8 539	12 250	46	**20 835**
Amortization and impairment losses					
Balance at 1 January 2019		-905	-6 824		**-7 729**
Amortization		-592	-245		**-837**
Balance at 31 December 2019		-1 497	-7 069		**-8 566**
Book value at 1 January 2019		**1 797**	**5 426**		**7 223**
Book value at 31 December 2019		**7 042**	**5 181**		**12 268**

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

2020	Intang. assets	Goodwill	Concessions	R&D	Total
Intangible assets by company					
Arendals Fossekompani	7 088		5 181		**12 269**
Volue	71 296	251 327		140 351	**462 974**
EFD Induction	5 308	114 301		9 309	**128 918**
NSSLGlobal	4 712	268 152			**272 864**
Cogen Energia	177	14 527			**14 704**
Tekna	56 084			312	**56 396**
Property etc	3 361	27 563			**30 924**
Total intangible assets	**148 026**	**675 870**	**5 181**	**149 972**	**979 049**

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 2020 has been calculated in the same way as in 2019. Budgets have been used for 2021 and long-term budgets from strategy plans for the period up to 2025. In addition, a standard growth rate of 2% is applied up to 2029 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 4,7 % and 6,3 % was in the calculations. Special circumstances relating to the individual calculations are commented on below.

Volue

Volue is listed on Euronext Growth and the value as per 31.12.2020 was tNOK 7.221.955 while the booked equity of the company as per 31.12.2020 is tNOK 808.833 The marked value can decrease by more than 88 % before an impairment my be needed.

EFD

The Required Rate of Return (WACC before tax) has been set to 9%. 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 to 0,8%. A sensitivity analysis based on a unilateral change in estimated future EBITDA shows that a reduction of more than 60% may lead to impairment. Equivalently a change in WACC from 9% to 18% may cause impairment.

NSSLGlobal

The Required Rate of Return (WACC before tax) has been set to 8,5%. The risk-free rate of return has been set to 0,3%. 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 70% may lead to impairment. Equivalently a change in WACC from 8,5% to 45% may cause impairment.

Cogen Energia España

The Required Rate of Return (WACC before tax) has been set to 10%. The risk-free rate of return has been set to 0,1%. A sensitivity analysis based on a unilateral change in estimated future EBITDA shows that a reduction of more than 44% may lead to impairment. Equivalently a change in WACC from 10% to 13% may cause impairment.

Tekna Holdings Canada

The Required Rate of Return (WACC before tax) has been set to 12%. The risk-free rate of return has been set to 0,9%. A sensitivity analysis based on a unilateral change in estimated future EBITDA shows that a reduction of more than 51% may lead to impairment. Equivalently a change in WACC from 12% to 17% may cause impairment.

For other 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.

CO2 allowances

Cogen did not receive free CO2 allowances (also known as European Union Allowances, or EUAs) for 2020. Actual emissions in 2020 were 137 005 tons vs. 203 828 tons in 2019. As of 31.12.2020, CO2 allowances covering emissions of 70 000 tons had been purchased. Purchases in 2019 amounted to 53 418 tons. The remaining allowances needed for 2020 will be purchased in 2021. Accrued expenses of MEUR 2,8 (for 2019 MEUR 3,7) have been recognized associated with the purchasing of CO2 allowances.

Research and development cost

In 2020 development costs of NOK 99,909,000 were capitalized (2019 NOK 40,382,000). Other research and development costs in the Group are expensed as they arise and amounted to NOK 92.512,000 in 2020 and NOK 139,520,000 in 2019.

Note 7 Other operating costs

Amounts in NOK 1 000

	GROUP		PARENT COMPANY	
	2020	**2019**	**2020**	**2019**
Other operating cost				
Maintenance property, plant and equipment	19 730	31 581	3 713	7 771
Loss sales of other non-current assets	145			
Premises, service and office costs	60 875	42 587	1 193	1 085
Audit and other fees	50 449	46 427	12 771	10 341
Consession fees	2 886	3 244	2 886	2 886
Company cars, lifts and trucks	10 168		322	
Travelling costs, indirect	10 467	77 066	672	1 025
Sales and marketing costs	15 381	26 086	1 006	543
Manufacturing indirect costs	27 267		4 229	
Other operating costs (Misc.)	14 545	79 566	4 744	7 062
Insurances	23 325	26 878	1 809	1 372
ICT costs	58 711	48 361	4 468	3 337
Property tax	10 175	14 337	4 492	4 186
R&D costs	3 137			
Bad debts	10 001	2 423		
Operating costs, IC			1 682	
Restructuring	35 914	28 175		
Other direct costs	75 376	40 871		
Total other operating cost	**428 553**	**467 604**	**43 988**	**39 607**
Remuneration to auditor				
Statutory audit	8 489	8 391	605	576
Other assurance services	601	459	10	16
Tax advice	1 129	1 047	422	53
Other non-audit services	8 907	4 442	3 141	594
Total remuneration to auditor	**19 126**	**14 339**	**4 179**	**1 239**

Note 8 Finance income and finance costs

Amounts in NOK 1 000

	GROUP		PARENT COMPANY	
	2020	**2019**	**2020**	**2019**
Finance income				
Interest Income, IC			9 393	9 129
Interest income	16 029	13 551	5 457	7 899
Currency exchange income (net)	28 571	14 104	20 306	8 213
Other finance income	3 934	31 528	929	247
Gain on partial sale of subsidiaries		196	441 396	
Dividend income	10 448	27 676	10 448	27 676
Dividend income, IC			133 891	111 136
Total finance income	**58 982**	**87 056**	**621 822**	**164 300**
Finance cost				
Interest expense	61 677	53 507	36 392	31 087
Interest expense cashpool	1 845			
IFRS 16 interest	8 806		217	
Currency exchange expense (net)	34 328	10 785	15 023	3 298
Other finance cost	4 970	11 514	1 987	1 742
Impairment loss on subs			10 830	10 887
Translation differences	-28			
Finance cost	111 597	75 807	64 449	47 014
Net financial items	**-52 614**	**11 249**	**557 372**	**117 286**

* Other finance income in the Group for 2019 consist of "gain" connected to acqusition in Cogen (reference is made to note 3) and the effect of reclassification of NorSun from equity company into otger investments (reference is made to note 11).

Note 9 Tax Expense

Ordinary income tax in Norway
Ordinary income tax on general income. The tax rate was 22% in 2019 and 2020. The 22% tax rate was used to calculate Deferred tax assets and Deferred tax liabilities as at 31 December 2020.

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 2019 and 2020. The 37% tax rate has been used to calculate Deferred resource rent tax assets as at 31 December 2020.

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Current tax expense				
Natural resource tax for the year	6 740	6 796	6 740	6 796
Tax payable on general income less natural resource tax	64 167	79 788	-6 740	2 889
Adjustment for previous years	-2 514	-19 276	-349	51
Resource rent tax payable for the year		49 904		49 904
Total current tax	**68 392**	**117 212**	**-349**	**59 639**
Deferred tax expense				
Effect of change in temporary differences	-24 966	32 169	-14 930	15 512
Effect of changed tax rate	-1 617	464		
Effect of change in temporary differences, resource rent tax	-2 427	1 081	-2 427	1 081
Total deferred tax expense	**-29 010**	**33 715**	**-17 357**	**16 593**
Total tax expense in the income statement	**39 382**	**150 927**	**-17 706**	**76 233**
Reconciliation of effective tax rate				
Total pre tax income	120 714	242 543	502 383	237 746
Tax based on current ordinary tax rate	26 557	53 360	110 524	52 304
Resource rent tax for the year	-2 427	50 985	-2 427	50 985
Effect of different tax rates abroad	8 762	4 861		3 509
Effect of non-deductible expenses	2 963	4 492	3 724	
Effect of non-taxable income	-1 146	-12 863	-129 106	113
Effect of unrecognised tax loss carryforward	10 433	35 822		
Effect of changed tax rates	-4 684	1 653	-72	
Effect of changed tax assessments for previous years	713	-1 158		
Over-/underprovision relating to previous years	-1 789	13 776	-349	51
Tax expense in reconciliation of effective tax rate	**39 382**	**150 927**	**-17 706**	**76 233**
Current ordinary tax rate in Norway	22,0 %	22,0 %	22,0 %	22,0 %
Effective tax rate	38,2 %	62,2 %	-3,5 %	32,1 %
Tax recognised in other comprihensive income (OCI)				
Tax on OCI that may be reclassified to P&L	-2 032	-6 303		
Tax on OCI that will not be reclassified to P&L	8 076	1 553	-1 018	639
Total tax recognised in OCI	**6 045**	**-4 751**	**-1 018**	**639**

Tax payable
Tax payable of tNOK 53 682 (2019: tNOK 111 247) for the Group and tNOK 6 740 (2019: tNOK 56 699) for the parent company consists of unassessed tax payable for the current period.

Tax Assets and Liabilities

	ASSETS		LIABILITIES		NET	
Group	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Property, plant and equipment	34 161	38 495	-46 964	-36 387	-12 803	2 108
Goodwill, intangible assets	-298		-21 900	-31 079	-22 198	-31 079
Construction contracts		1 441	-5 046	-1 833	-5 046	-393
Inventories	11 315	6 480	-26	-42	11 289	6 438
TradeTrade and other receivables	1 042	1 039		-99	1 042	940
Leases	12 947	2 495	-89	-4 830	12 858	-2 335
Untaxed gains and losses	869	1 087	-14	-17	855	1 069
Provisions	9 214	6 399	-187	-74	9 027	6 325
Other assets	463	6 886	-8 105	-4 564	-7 642	2 322
Financial instruments	28 557	21 033	-1 573	-4 076	26 984	16 957
Employee benefits	3 415	3 818	-1 597	-1 498	1 818	2 320
Tax loss carryforward	158 149	169 450	12 718		170 867	169 450
Unrecognised tax loss carryforward	-117 405	-137 549	-12 458		-129 863	-137 549
Recognised tax loss carryforward	**40 744**	**31 901**	**260**		**41 004**	**31 901**
Total deferred ordinary income tax	**142 430**	**121 073**	**-85 242**	**-84 499**	**57 188**	**36 575**
PPE, resource rent tax	28 303	29 210			28 303	29 210
Losses carried forward - Resource rent	3 334				3 334	
Total deferred resource rent tax	31 637	29 210			31 637	29 210
Deferred tax asset/liability	**174 067**	**150 283**	**-85 242**	**-84 499**	**88 825**	**65 785**
Offsetting of assets and liabilities	-23 892	-25 626	23 892	25 626		
Net deferred tax asset/liability	**150 175**	**124 658**	**-61 350**	**-58 873**	**88 825**	**65 785**

	ASSETS		LIABILITIES		NET	
Parent Company	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Property, plant and equipment	16 704	17 199			16 704	17 199
Leases	4	24			4	24
Gains and losses account	106	132			106	132
Financial instruments	23 506	20 201			23 506	20 201
Employee benefits		638	-533		-533	638
Tax loss carryforward	12 246				12 246	
Unrecognised tax loss carryforward						
Recognised tax loss carryforward	**12 246**				**12 246**	
Total deferred ordinary income tax	**52 566**	**38 193**	**-533**		**52 033**	**38 193**
PPE, resource rent tax	28 303	29 210			28 303	29 210
Losses carried forward - Resource rent	3 334				3 334	
Total deferred resource rent tax	**31 637**	**29 210**			**31 637**	**29 210**
Deferred tax asset/liability	**84 204**	**67 403**	**-533**		**83 670**	**67 403**
Offsetting of assets and liabilities	-533		533			
Net deferred tax asset/liability	**83 670**	**67 403**			**83 670**	**67 403**

Change in deferred tax over the year

Amounts in NOK 1 000

Group — 2019

	Total	Changes in Net Income	Reclassification	From OCI	Change in tax loss carry-forward	Change held for sale	Foreign Exchange	Closing Balance
Ordinary income tax								
Property, plant and equipment	-5 263	6 452				95	523	2 071
Goodwill, intangible assets	-28 090	-1 906					-1 083	-31 079
Construction contracts	-23 122	1 817				5 771	5	-393
Inventories	6 238	253					-53	6 438
Overdue receivables	675	270					-4	940
Leases	2 513	-4 821					-27	-2 335
Gains and losses account	1 479	-267				-114		1 069
Provisions	8 417	-2 513	465				-39	6 330
Other items	409	2 687				-652	-68	2 322
Financial instruments	25 101	-1 807		-6 303			-33	16 957
Employee benefits	4 020	-2 762	-465	1 553			-37	2 308
Tax loss carryforward	50 718	-30 037			14 366	-536	125	31 945
Total ordinary income tax	**43 094**	**-32 634**		**-4 751**	**14 366**	**4 564**	**-693**	**36 575**
Property, plant and equipment	30 291	-1 081						29 210
Loss carried forward - Resource rent								
Total resource rent tax	**30 291**	**-1 081**						**29 210**
Total change in deferred tax	**73 385**	**-33 715**		**-4 751**	**14 366**	**4 564**	**-693**	**65 785**

Group — 2020

	Total Opening Balance	Changes in Net Income	Reclassification	From OCI	Change in tax loss carry-forward	Mergers and acquisitions	Foreign Exchange	Closing Balance
Ordinary income tax								
Property, plant and equipment	2 071	234	-14 959			8	-157	-12 803
Goodwill, intangible assets	-31 079	5 843	11 943		-868	-8 034	64	-22 131
Construction contracts	-393	-1 103	-3 558				7	-5 046
Inventories	6 438	-2 359	7 354				-145	11 289
Overdue receivables	940	14	87			11	-10	1 042
Leases	-2 335	5 258	9 953				-18	12 858
Gains and losses account	1 069	-214						855
Provisions	6 330	870	2 025				-198	9 027
Other items	2 322	2 377	-11 407			-1 129	127	-7 710
Financial instruments	16 957	3 427	-288	7 062			-175	26 984
Employee benefits	2 308	460	83	-1 018			-16	1 818
Tax loss carryforward	31 945	11 767	-1 234		-1 621		147	41 004
Total ordinary income tax	**36 575**	**26 575**	**0**	**6 045**	**-2 489**	**-9 144**	**-373**	**57 188**
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	**65 785**	**29 002**	**0**	**6 045**	**-2 489**	**-9 144**	**-373**	**88 825**

Parent Company	2019 Total Opening Balance	Changes in Net Income	From OCI	2019 Change in tax loss carry-forward	Closing Balance
Ordinary income tax					
Property, plant and equipment	17 993	-794			17 199
Leases		24			24
Gains and losses account	165	-33			132
Financial instruments	22 008	-1 807			20 201
Employee benefits	273	-274	639		638
Tax loss carryforward	20 803	-12 628		-8 175	
Total ordinary income tax	**61 242**	**-15 512**	**639**	**-8 175**	**38 193**
Property, plant and equipment	30 291	-1 081			29 210
Loss carried forward - Resource rent					
Total resource rent tax	**30 291**	**-1 081**			**29 210**
Total change in deferred tax	**91 533**	**-16 593**	**639**	**-8 175**	**67 403**

Parent Company	2020 Total Opening Balance	Changes in Net Income	From OCI	2020 Change in tax loss carry-forward	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**

Note 10 Equity

Amounts in NOK 1 000

Issued as at 31 December – fully paid up	SHARE CAPITAL ORDINARY SHARES 2020	2019
	55 995 250	2 239 810
	55 995 250	2 239 810

During 2020 the number of shares and the share value have been changed from 2.239.810 shares with a value of NOK 100 per share into 55.995.250 shares with a value of NOK 4 per share. Each share was devided into 25 new shares in the Company.

Owners of shares are entitled to the dividend approved in each individual case by the general meeting, and are entitled to one vote per share at the company's 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 treasury shares (see Note 22) are suspended until the shares have been acquired by others.

Dividend

In 2020 the Company has paid dividend quarterly starting from second quarter. For the second quarter MNOK 30.721 and for the third quarter MNOK 35.124 was paid. An exstraordinary dividend amounting to NOK 29,20 per share was proposed by the Board of Directors after the balance sheet date. No provision has been made for the proposed exstraordinary dividend and there are no tax consequences. No dividend is paid on own shares.

		ORDINARY DIVIDEND	
	Proposal for e. o. dividend, to be paid out in 2021	Approved 2020 and paid in 2020	Approved in 2019, paid out in 2020
Ordinary cash dividend 2019: NOK 2,24 per share			122 848
Quarterly dividend paid in 2020		65 845	
Exstraordinary Cash dividend: NOK 29,20 per share	1 602 614		
Total	**1 602 614**	**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	
		2020	2019	2020	2019	2020	2019
Volue AS	Oslo	75,7 %	100,0 %	182 920		382 648	
Powel AS	Trondheim		96,7 %		5 303		310 265
Wattsight AS	Arendal		90,5 %		2 846		39 921
Markedskraft AS	Arendal		96,7 %		1 718		56 050
Scanmatic AS	Arendal		69,0 %		30 575		7 966
NSSLGlobal Ltd	UK	80,0 %	80,0 %	84 841	83 262	273 298	273 298
EFD Induction AS	Skien	98,7 %	97,8 %	4 984	4 236	432 701	433 379
Tekna Holdings Canada Inc.	Canada	100,0 %	100,0 %			381 848	244 654
Cogen Energia España S.L.	Spain	100,0 %	100,0 %	11 158	4 760	90 699	90 699
Alytic AS	Arendal	100,0 %	0,0 %	10 671		50 000	
Tekna Holding AS (AFK AS)	Arendal	100,0 %	0,0 %			100	
AFK Property AS	Arendal	100,0 %	0,0 %			113	113
Arendal Lufthavn Gullknap AS	Froland	92,0 %	91,5 %	7 671	8 160	90 027	87 680
Bedriftsveien 17 AS	Arendal	100,0 %	100,0 %			12 837	12 837
Steinodden Eiendom AS	Arendal	77,6 %	77,6 %	750	750	7 734	7 733
Songe Træsliperi AS	Risør	50,8 %	50,8 %	26	26	100	100
Vindholmen Eiendom AS	Arendal	100,0 %	100,0 %			73 250	73 250
Total				**303 021**	**141 636**	**1 795 354**	**1 637 945**

Subsidiaries

			SHAREHOLDING	
			2020	2019
Subsidiaries in Volue AS	Oslo	Norway		
Subsidiaries in Volue Technology AS (Powel AS)	Trondheim	Norway		
Volue Technology Denmark A/S (Powel Danmark AS)	Odense	Denmark	100,0 %	100,0 %
Volue AB (Powel AB)	Jönköping	Sweden	100,0 %	100,0 %
Volue AG (Powel AG)	Basel	Switzerland	100,0 %	100,0 %
Volue Enerji Cözümleri (Powel Enerji Cözümleri)	Istanbul	Turkey	100,0 %	100,0 %
Volue Sp. z.o.o. (Powel Sp. z.o.o.)	Gdansk	Poland	100,0 %	100,0 %
Volue Construction AS (Powel Construction AS)	Trondheim	Norway	100,0 %	100,0 %
Volue Environment AS (Powel Environment AS)	Trondheim	Norway	100,0 %	100,0 %
Volue Gmbh (Powel Gmbh)	Dusseldorf	Germany	100,0 %	100,0 %
Subsidiaries in Volue Industrial IOT AS (Scanmatic AS)	Arendal	Norway		
Scanmatic Electro AS	Arendal	Norway	0,0 %	51,0 %
Volue Denmark ApS		Denmark	100,0 %	0,0 %
Volue in Situ AB (Scanmatic in Situ AB)	Åkersberga	Sweden	100,0 %	100,0 %
Volue Instrument Technology AS (Scanmatic Instr. Tech. AS)	Ås	Norway	100,0 %	100,0 %
Subsidiaries in Volue Market Service AS	Arendal	Norway		
Volue Market Services (Markedskraft)	Stockholm	Sweden	100,0 %	100,0 %
Volue Market Services (Markedskraft)	Aarhus	Denmark	100,0 %	100,0 %
Volue Market Services (Markedskraft)	Helsingfors	Finland	100,0 %	100,0 %
Subsidiaries in Volue Insight AS (Wattsight AS)	Arendal	Norway		
Volue Insight GmbH (Wattsight GmbH)	Berlin	Germany	100,0 %	100,0 %
Likron GmbH		Germany	100,0 %	0,0 %
Subsidiaries in NSSLGlobal Ltd.	London	UK		
NSSLGlobal LLC	New Orleans	USA	100,0 %	100,0 %
NSSLGlobal PTY Ltd.		South Africa	0,0 %	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 %	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.	Warzsawa	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	
			2020	2019
Subsidiaries in EFD Induction Group AS				
EFD Induction a.s	Skien		100,0 %	100,0 %
EFD Induction GmbH	Freiburg	Germany	100,0 %	100,0 %
EFD France Holding Eurl	Grenoble	France	100,0 %	100,0 %
EFD Induction Ltd.	Wolverhamp-ton	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 %	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 %	100,0 %
EFD Induction K.K.	Yokohama	Japan	100,0 %	100,0 %
EFD Inducao 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 Holdings Canada Inc.				
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 2020	2019
Subsidiaries in Cogen Energia España S.L.				
Tortosa Energia SA	Tortosa	Spain	94,0 %	94,0 %
Cogen Eresma SL	Segovia	Spain	89,9 %	89,9 %
Incogen S.A	Navarra	Spain	100,0 %	100,0 %
Cogen Gestion Intergral S.L.	Madrid	Spain	100,0 %	100,0 %
Energy by Cogen S.L.U.	Madrid	Spain	100,0 %	100,0 %
Create Energy UK Ltd.	Cornwall	UK	100,0 %	100,0 %
Ecoenergia Sistemas Alternativos S.L.	Navarra	Spain	100,0 %	100,0 %
Papertech Energia SL	Pamplona	Spain	50,0 %	50,0 %
Cogen Biomass, S.L.	Madrid	Spain	100,0 %	0,0 %
Subsidiaries in Alytic AS				
Kontali Holding AS	Arendal	Norway	100,0 %	0,0 %
Kontali Analyse AS	Kristiansund	Norway	71,0 %	0,0 %
Seafood TIP	Utrecht	Netherlands	100,0 %	0,0 %
Monaqua AS	Kristiansund	Norway	100,0 %	0,0 %

INVESTMENTS IN ASSOCIATES

Unit	Industry	Shareholding	Carrying amount at 1 Jan	Shares purchased	Share of profit/loss	Carrying amount, Group 31 Dec	Cost, 31 Dec
ImphyTek Powders SAS	Aerospace	50,0 %		23 743	-14 321	9 422	23 743
Flumill AS**		21,7 %	0			0	53 434
Total investments in associates				**23 743**	**-14 321**	**9 422**	**77 177**

** The investment in Flumill AS has been fully written off and the share of its profit/loss for the year is therefore not included in AFK's results.

Unit	Sales	Profit/loss for the year	Non-current assets	Current assets	Current liabilities	Equity
ImphyTek Powders SAS	606	-17 548	11 847	15 681	-44 247	-16 719
Flumill AS						
Total investments in associates	**606**	**-17 548**	**11 847**	**15 681**	**-44 247**	**-16 719**

Note 12 Other receivables and investments

Amounts in NOK 1 000

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Long-term investments				
Loans to employees	42 048	9 252	10 592	8 658
Contributions to company pension plan	27 000	27 000	27 000	27 000
Natural resource tax receivable	80 066	72 036	80 066	72 036
Other non-current receivables	101 128	35 774	619	444
Other investments	145 096	91 857	108 286	89 816
Total long-term investments	**395 337**	**235 919**	**226 563**	**197 954**

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	
	2020	2019
Raw materials	116 485	119 101
Work in progress	364 968	187 655
Spare parts	38 634	39 312
Finished goods	160 799	121 618
Total inventories (net after provision for obsolescence)	**680 885**	**467 686**
Provision for obsolete	50 281	57 548

Construction contracts
The subsidiaries EFD Induction, Powel, Tekna and Scanmatic 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	
	2020	2019
Contracts with at-delivery billing		
Booked income	244 008	272 866
Payments recieved	-83 308	-167 215
Contract assets	**160 700**	**105 651**
Contracts with advance billing		
Payments recieved	181 928	180 643
Booked income	-28 746	-64 531
Contract obligations	**153 183**	**116 112**
Net contract assets / - liabilities	**7 517**	**-10 461**

Note 13 Inventories

Amounts in NOK 1 000

	GROUP	
	2020	2019
Booked income from uncompleted contracts per 31.12		
Booked accrued income per 31.12	311 443	233 996
Booked accrued expenses per 31.12	-300 411	-219 801
Reported margin per 31.12	**11 032**	**14 195**

	GROUP	
	2020	2019
Remaining income from running settlement contracts		
Within one year	174 222	372 287
Between one and two years	10 094	112 526
More than two years		15 816
Remaining income (running settlement)	**184 316**	**500 629**

Note 14 Trade and other receivables

Amounts in NOK 1 000

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Trade accounts receivables	719 328	787 567	1 223	869
Receivables, IC	205		154 906	122 505
Other receivables and prepayments	148 686	141 036	2 031	597
Effect of hedging of currency and gas / electric power	25 088	16 419		
Trade receivables	**893 307**	**945 022**	**158 159**	**123 971**

Note 15 Cash and cash equivalents

Amounts in NOK 1 000

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Cash and cash equivalents	1 757 706	1 171 777	765 641	498 789

Note 16 Financial risk management / financial instruments

Amounts in NOK 1 000

		GROUP				PARENT COMPANY			
		2020		2019		2020		2019	
		Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Assets									
Trade and other receivables such as derivatives	*	868 219	868 219	928 602	928 602	13 519	13 519	21 431	21 431
Cash and cash equivalents	*	1 757 706	1 757 706	1 171 777	1 171 777	765 641	765 641	498 789	498 789
Financial assets at fair value through OCI	*	734 973	734 973	895 545	895 545	734 973	734 973	895 545	895 545
Financial assets clas. as held for sale		10 000	10 000	10 150	10 150				
Other receivables and investments	*	395 337	395 337	235 915	235 915	226 563	226 563	197 954	197 954
Contract assets	*	160 700	160 700	105 651	105 651				
Loans to Group companies	*	0				286 817	286 817	394 943	394 943
Derivatives, included in trade receivables		25 088	25 088	16 419	16 419				
Liabilities									
Derivatives, interest and currency swaps		106 847	106 847	92 587	92 587	106 847	106 847	92 587	92 587
Derivative liabilities, included in trade payables		28 205	28 205	9 847	9 847				
Interest-bearing loans and borrowings	*	900 291	900 291	404 155	404 155	216 773	216 773	133 133	133 133
Bond loans		299 912	306 752	299 735	312 330	299 912	306 752	299 735	312 330
RoU liabilities	*	241 200	241 200	265 721	265 721	20 645	20 645	6 759	6 759
Trade and other payables	*	679 537	679 537	601 304	601 304	17 867	17 867	23 668	23 668
Other current liabilities	*	469 551	469 551	441 359	441 359	12 957	12 957	12 066	12 066
Liabilities to Group companies	*	0	0	0	0	28 921	28 921	52 801	52 801
Contract obligations	*	153 183	153 183	116 113	116 113				
Total financial instruments		**1 079 158**	**1 072 318**	**1 133 239**	**1 120 644**	**1 323 592**	**1 316 752**	**1 387 914**	**1 375 319**
Unrealised gains / losses			-6 840		-12 595		-6 840		-12 595

*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

		GROUP				PARENT COMPANY			
Carrying amount financial assets	**2020**	**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				868 219	868 219			13 519	13 519
Cash and cash equivalents				1 757 706	1 757 706			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		25 088			25 088				
Total		**25 088**	**734 973**	**2 635 925**	**3 395 987**		**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				900 291	900 291			216 773	216 773
Bond loans				299 912	299 912			299 912	299 912
Trade and other payables				679 537	679 537			17 867	17 867
Liabilities to Group companies								28 921	28 921
Total		**135 051**		**1 879 740**	**2 014 791**	**106 847**		**563 472**	**670 319**

		GROUP				PARENT COMPANY			
Carrying amount financial assets	**2019**	**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				928 602	928 602			21 431	21 431
Cash and cash equivalents				1 171 777	1 171 777			498 789	498 789
Financial assets at fair value through OCI			895 545		895 545		895 545		895 545
Financial assets classified as held for sale				10 150	10 150				
Loans to Group companies								394 943	394 943
Derivatives		16 419			16 419				
Total		**16 419**	**895 545**	**2 110 529**	**3 022 493**		**895 545**	**915 163**	**1 810 708**
Carrying amount financial liabilities									
Derivatives, interest and curren-cy swaps		92 587			92 587	92 587			92 587
Derivative liabilities		9 847			9 847				
Interest-bearing loans and borrowings				404 155	404 155			133 133	133 133
Bond loans				299 735	299 735			299 735	299 735
Trade and other payables				601 304	601 304			23 668	23 668
Liabilities to Group companies								52 801	52 801
Total		**102 434**		**1 305 194**	**1 407 628**	**92 587**		**509 337**	**601 924**

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).

2020	Level 1	Level 2	Level 3	Sum
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	25 088			25 121
Interest and currency swaps related to bond loans		-106 847		-106 847
Other derivative financial liabilities	-28 205			-28 224
Total	**4 605**	**323 845**		**328 464**
2019				
Financial assets at fair value through OCI	3 562	891 983		895 545
Financial assets at fair value through income	-	10 150		10 150
Bond loans		-312 330		-312 330
Total	**3 562**	**589 803**		**593 365**
Other derivative financial assets	16 419			16 419
Interest and currency swaps related to bond loans		-92 587		-92 587
Other derivative financial liabilities	-9 842	-		-9 842
Total	**10 139**	**497 216**		**507 355**

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

	NUMBER OF SHARES		SHAREHOLDING IN %		COST, ADJUSTED FOR IMPAIRMENT				FAIR VALUE	
	2020	2019	2020	2019	2020	%	2019	%	2020	2019
Listed shares										
Kongsberg Gruppen	25 812	25 812	0,01%	0,01%	4 130	13,0 %	4 130	13,7 %	4 548	3 562
Skitude Holding	423 167		0,48%		1 416	4,5 %			3 174	
Total listed shares					5 546		4 130		7 722	3 562
Unlisted shares										
Eiendomsspar	390 432	390 432	1,09%	1,09%	2 490	7,9 %	2 490	8,2 %	169 838	195 216
Victoria Eiendom	870 959	870 659	6,49%	6,49%	23 621	74,6 %	23 621	78,1 %	557 414	696 767
Total listed shares					**26 111**		**26 111**		**727 252**	**891 983**
Total available-for-sale shares held by the parent company and the Group					**31 656**	**100%**	**30 241**	**100%**	**734 974**	**895 545**

Fair value – change during the year:

	PARENT COMPANY	
Financial assets at fair value through OCI	2020	2019
Balance at 1 January	895 545	1 020 706
Change in financial assets at fair value through OCI	-161 988	195 432
Proceed from sale of financial assets at fair value		-320 592
Purchase of financial assets at fair value	1 416	
Total Effect from Foreign Exchange		
Balance at 31 December	**734 973**	**895 545**

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

	COST		FAIR VALUE	
Money market funds	**2020**	**2019**	**2020**	**2019**
DNB Pengemarked	10 192	10 192	10 000	10 150
Total	**10 192**	**10 192**	**10 000**	**10 150**

The following dividend ia received: Kongsberg Gruppen tNOK 323 (tNOK 65), Eiendomsspar tNOK 1.269 (tNOK 2.245) and Victoria Eiendom tNOK 3.484 (tNOK 23.951).

A sensitivity analysis indicates that a 10% change in fair value as at 31 December 2020 would change equity by tNOK 74.517 and profit for the year from continuing operations by tNOK 1.019 (201: by tNOK 90.574 and tNOK 1.000 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 supervising 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	
	2020	**2019**	**2020**	**2019**
Total receivables	887 032	945 022	11 517	22 408
Outstanding trade receivables	271 413	295 782	137	
Provision for losses	33 185	15 089		

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
Volue	177 510	30 566	2 713	3 563	1 395	215 747
EFD Induction	183 510	20 242	5 015	3 078	22 105	233 950
NSSLGlobal	73 202	12 080	9 506	1 632	16 635	113 055
Tekna	8 273	22 519	1 112	179	2 790	34 872
Cogen	36 896	17 171	14 655	6 453	77 172	152 346
Property	623	171	332		195	1 321
Total	**481 100**	**102 748**	**33 382**	**14 904**	**120 380**	**752 513**

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

Provision for losses						
2020						
Arendals Fossekompani ASA						
Volue			700	1 105		1 805
EFD Induction			29		6 831	6 860
NSSLGlobal					9 194	9 194
Tekna						
Cogen					15 274	15 274
Property		3			50	53
Total		**3**	**729**	**1 105**	**31 349**	**33 185**

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.

	GROUP	
Provision for losses	**2020**	**2019**
Total Opening Balance	13 289	12 196
Changes in expected losses (loss rates) and outstanding receivables (volume)	12 118	3 906
Realized losses during the period (-)	8 482	-1 013
Total Effect from Foreign Exchange	-704	
Closing Balance	**33 185**	**15 089**

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
2019						
Arendals Fossekompani ASA	301	509	57		2	869
Volue	150 160	28 359	-5 042	-4 329	18 120	187 269
EFD Induction	203 424	21 848	6 463	4 307	10 071	246 113
NSSLGlobal	91 533	35 564	2 292	2 940	7 321	139 650
Tekna	5 741	3 735	2 072	792	4 898	17 238
Cogen	73 826	80 883	37 541	36 776	433	229 459
Property	253	74			95	422
Total	**525 238**	**170 972**	**43 383**	**40 486**	**40 940**	**821 020**

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

2019						
Arendals Fossekompani ASA						
Volue			164		3 911	4 075
EFD Induction	17		162		5 838	6 017
NSSLGlobal		51	49	47	4 187	4 334
Tekna					600	600
Cogen						
Property					13	13
Total	**17**	**51**	**375**	**47**	**14 549**	**15 039**

Contract Assets

Posted gross value of contract assets are distributed as follows:

	GROUP	
Receivables	**2020**	**2019**
Volue	39 335	36 444
EFD Induction	117 770	58 559
Tekna	3 594	10 648
Sum	**160 700**	**105 651**

Provisions for expected losses on projects are distributed as follows:

	GROUP	
Recognized as loss	**2020**	**2019**
Volue	74 300	41 000
Sum	**74 300**	**41 000**

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:

	GROUP	
Loss on contract asset	**2020**	**2019**
Total Opening Balance	41 000	12 983
Changes in expected losses (loss rates) and outstanding receivables (volume)	36 300	57 546
Realized losses during the period (-)	-3 000	-29 529
Closing Balance	**74 300**	**41 000**

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, Cogen Energia and Powel have established a group account arrangement covering most of the subsidiaries. This includes currencies NOK, EUR, 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)

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
2020							
Interest-bearing loans and borrowings	890 098	1 125 606	14 768	338 365	187 946	409 389	175 138
Obligations from leases	241 200	269 204	28 440	30 767	73 751	84 949	51 298
Bank overdraft	310 105	310 773	-20 677	103 931	227 520		
Trade and other payables	679 537	832 764	686 309	83 278	593		62 585
Other curr. liabilities	523 233	559 601	448 753	104 956	3 191	2 701	
Contract obligations	153 183	152 855	84 525	56 236	12 095		
Derivatives	135 051	135 882	20 287	106 902	111	8 581	
Total	**2 932 406**	**3 386 684**	**1 262 405**	**824 434**	**505 206**	**505 620**	**289 020**

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
2019							
Interest-bearing loans and borrowings	717 783	801 836	92 924	20 062	541 090	62 036	85 727
Obligations from leases	254 041	281 211	32 692	32 418	69 631	84 123	62 350
Bank overdraft	196 267	112 976	112 872	14 251			
Trade and other payables	601 300	601 300	594 977	51 858			
Other curr. liabilities	439 144	439 145	385 183	75 059	239		
Contract obligations	116 112	116 112	90 407	25 705			
Derivatives	102 434	102 434	4 000	4 000	94 119	315	
Total	**2 451 054**	**2 455 014**	**1 313 054**	**223 353**	**705 079**	**146 474**	**148 077**

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
2020							
Interest-bearing loans and borrowings	516 684	555 189	4 779	319 299	9 559	221 552	
Obligations from leases	20 645	22 837	1 765	1 765	3 435	6 349	9 523
Bank overdraft							
Trade and other payables	17 867	17 867	17 867				
Other current liabilities	12 957						
Contract obligations							
Derivatives	106 847	106 847		106 847			
Total	**710 661**	**751 358**	**73 029**	**427 911**	**12 994**	**227 901**	**9 523**

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
2019							
Interest-bearing loans and borrowings	432 868	483 641	9 700	9 700	464 241		
Obligations from leases	6 759	7 731	605	605	1 110	2 521	2 889
Bank overdraft							
Trade and other payables	23 668	23 668	23 668				
Other current liabilities	12 066	12 066	12 066				
Contract obligations							
Derivatives	92 587	92 587					
Total	**567 948**	**619 693**	**46 039**	**10 305**	**465 351**	**2 521**	**2 889**

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.

	GROUP		PARENT COMPANY	
(1 000 EUR)	2020	2019	2020	2019
Bank deposits	16 574	5 943	10	14
Trade receivables	37 199	9 048	67	1 270
Trade payables	-13 816	-5 549		
Interest-bearing liabilities	-48 603	-127 664	-38 511	-38 511
Balance sheet exposure (foreign exchange risk)	-8 646	-118 222	-38 433	-37 227

A sensitivity analysis indicates that a 5% appreciation of NOK against EUR as at the year-end would impact earnings for the Group in 2020 by the equivalent of MEUR +0.4 and in 2019 by the equivalent of MEUR +5.9. 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 has interest-bearing liabilities in EUR is that sales of spot power are 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
2020		
Hedging of future cash flows	288 403	-3 906
Fair value hedging	12 060	-202
Balance sheet exposure (hedging)	**300 462**	**-4 109**

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:

	2021	2022	2023	Nominal amount (currency)	Carrying amount (NOK '000)
Currency					
EUR	10 727	4 800	3 400	18 927	519
USD	7 800	4 900	250	12 950	-4 566
GBP	150			150	-63
THB	42 300			42 300	
Total					**-4 109**

Change in carrying amount in the period:

	2020	2019
Balance at 1 January	16 419	-26 021
Changes in value postes as OCI	-22 508	10 872
Reclassified from OCI to PL	1 980	5 416
Balance at 31 December	**-4 109**	**-9 732**
Liabilities	4 782	-9 847
Assets	8 892	115
Total	**-4 109**	**-9 732**

Hedging of gas / power prices
Cogen, a Group company, hedges future gas and power prices. This hedging is regarded as cash flow hedging. Unrealized gains/loss are recognised in "Other comprehensive income" and is included in "Total receivables".

Gas / power prices

	Volume MWh	Unrealized gains/losses
Power contracts	176 607	16 305
Gas contracts	560 160	1 516
Carrying amount - assets		**17 820**

Change in carrying amount in the period:	2020	2019
Balance at 1 January	**16 305**	
Changes in fair value charged to OCI	-2 507	16 305
Reclassified from OCI to income statement	**-31 618**	
Balance at 31 December	**-17 820**	**16 305**

Interest rate risk
Most of the company's and the Group's interest-bearing financial assets and liabilities accrue interest at variable rates. In 2011 the parent company took out a bond loan of NOK 300,000,000 at an interest rate of 5.95%. At the same time an interest rate swap was entered into for the loan amount at a fixed interest rate in EUR of 4.84%. The loan and the interest rate swap both have a term of 10 years and mature in July 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 MNOK 0.9.
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	
	2020	2019
Bond loans		
5.95% loan 2011–2022	300 000	300 000
Capitalised loan costs	-88	-265
Bond loans - booked value	**299 912**	**299 735**

This loan is linked to an interest rate and currency swap in which the tNOK 300,000 loan with a fixed interest rate of 5.95% is 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 (2019 tNOK -92 587).

			PARENT COMPANY	
			2020	2019
Debenture loans				
CAD LIBOR + fixed margin	Floating interest	30.03.15 - 04.07.22	217 672	135 140
Capitalised loan costs			-899	-2 007
Total denenture loans parent company			**216 773**	**133 133**

		SUBSIDIARIES	
		2020	2019
EFD	Floating interest (EUR)	77 029	60 111
Cogen	Floating interest (EUR)	153 693	106 191
Tekna	Floating interest (CAD)	8 672	10 228
Tekna	No interest	20 934	15 509
Bedriftsveien 17	Floating interest (NOK)	32 699	34 185
Vindholmen Eiendom	Floating interest (NOK)	80 387	58 689
Total debentture loans subsidiaries		**373 414**	**284 913**

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Loans secured by pledged assets				
Long-term borrowings	116 624	204 347		
Bank overdraft	38 573	210 414		
Total borrowings	**155 197**	**414 761**		
Loans are secured by the following pledged assets				
Other property	64 266	212 733		
Moveable property	10 147	9 991		
Inventories	116 511	92 254		
Trade receivables	206 559	282 127		
Total security	**397 484**	**597 105**		

Security for promissory note and bond loans with a countervalue of MNOK 516.7 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 Markedskraft the equity must be at least MNOK 45 an at least 20 %. For EFD the equity must be at least 27% , EBITDA at least MEUR 3.5 and cash at least MEUR 10. For Scanmatic the equity must be a minimum of 25% and at least MNOK 16. For Wattsight the equity must be over MNOK 12 and a minimum of 25%. For Powel the equity must be at least MNOK 100 and at least 25%, and there is a requirement concerning invoicing in periods when the overdraft is drawn down. All the companies are in compliance with the requirements of their covenants at 31 December 2020.

Provisions
Of the total provisions at 31 December 2020 of NOK 99,373,000 (NOK 70,658,000), Cogen's provisions to cover changes in the production bonus amount to NOK 70,531,000 (NOK 68,671,000).

Note 18 Trade payables and other current liabilities

Amounts in NOK 1 000

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Trade payables	707 741	611 147	17 867	23 668
Other current liabilities	441 343	439 144	12 834	12 066
Derivatives at fair value	28 208			
Trade acc payable, IC			123	
Total trade payables and other current liabilities	**1 177 292**	**1 050 291**	**30 824**	**35 734**

Note 19 Leases

Amounts in NOK 1 000

Note 19.1 Carrying amount right-of-use assets

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Buildings	208 978	222 299	20 627	6 602
Operational equipment	3 563	6 018		
Vehicles	8 409	11 720		50
Other	10 215	13 474		
Total	**231 165**	**253 511**	**20 627**	**6 652**

Lease obligations

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
RoU-liabilities, current	57 576	63 695	3 531	993
RoU liabilities, non-current	183 624	190 346	17 115	5 766
Total	**241 200**	**254 215**	**20 645**	**6 759**

Income effects

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Buildings depreciation	62 026	56 756	1 021	928
Operational equipment depreciation	4 094	1 353		
Vehicles depreciations	5 227	6 667	50	60
Other depreciation	4 145	2 704		
Sum depreciation	**75 491**	**72 183**	**1 072**	**988**
IFRS 16 interest	8 806	9 603	217	243
Leases wrt IFRS 17	-71 533	-71 083	-1 210	-1 125
Net IFRS 16 effect	**12 764**	**6 000**	**78**	**106**

Note 20 Events after the reporting period

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 has 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 19 March 2021 Volue applied to be transferred from Euronext Growth to the main list of the Oslo Stock Exchange. Volue has conducted an extraordinary general meeting to convert the company into a public limited company (ASA), which involved changing the composition of the company's Board of Directors.

On 22 March 2021 Tekna Holding announced a potential listing on Euronext Growth. After a successful private placement, with books covered within ten minutes, Tekna Holdning was listed on Euronext Growth and trading of the share commenced on 30 March.

On 8 April the Board of Directors decided to propose to the General Meeting on 6 May 2021 to pay an extraordinary cash dividend of NOK 29.20 per share to be paid in May 2021.

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 positionand earnings, and which require subjective assessment. Arendals Fossekompani 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 equipmentand 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 for 2020 are based on profit attributable to the equity holders of the parent and the weighted average number of outstanding ordinary shares during 2020, which was 54.282.375 (2019:54.780.975), calculated as follows:

Profit attributable to ordinary shares	2020	2019
Net profit for the year	120 135	46 718
Minority interest	58 218	1 912
Equity holders of the parent	**61 917**	**44 806**

Weighted average number of ordinary shares	2020	2019	
Issued ordinary shares, 1 January	55 995 250	55 995 250	*
Effect of treasury shares	-1 111 200	-1 157 275	*
Number of outstanding shares as at 31 Dec	**54 884 050**	**54 837 975**	*
Weighted average number of ordinary shares for the year	**54 861 013**	**54 780 975**	*
Basic earnings per share / diluted earnings per share (NOK)	**1,13**	**0,82**	

* The numbers of shares in 2019 has been recalculated according to the new share structure established in 2020
Each share was divided into 25 new shares.

Note 23 The 20 largest shareholders

The 20 largest shareholders	Number of shares	Shareholding
Ulfoss 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	1 111 200	2,0 %
Intertrade Shipping AS	762 500	1,4 %
Svanhild og Arne Musts fond	657 225	1,2 %
Fondsfinans Pensjonskasse	511 575	0,9 %
Fabulous AS	456 125	0,8 %
Per-Dietrich Johansen	375 375	0,7 %
Cat Invest AS	346 850	0,6 %
Ropern AS	287 478	0,5 %
Bøhler Invest AS	285 000	0,5 %
Erik Bøhler	280 100	0,5 %
Sverre Valvik AS	263 925	0,5 %
Annelise Altenborg Must	236 675	0,4 %
Ove Oland	210 500	0,4 %
Fr Falck Fras AS	184 325	0,3 %
Erik Christian Must	180 000	0,3 %
Trine Must	180 000	0,3 %
Else Monica Campell	158 975	0,3 %
	49 871 828	**89,10%**

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 Vigsnæs		18 000	18 000
Heidi Marie Petersen		22 475	22 475
Arild Nysæther	7 500		7 500
Kristine Landmark	14 800		14 800
Stine Rolstad Brenna		7 500	7 500
Total	**22 300**	**14 625 875**	**14 648 175**
Senior executives:			
Ørjan Svanevik*		75 000	75 000
Lars Peder Fensli *		20 000	20 000
Morten Henriksen *	7 500	20 625	28 125
Torkil Mogstad *		20 625	20 625
Ingunn Ettestøl*		12 500	12 500
Total	**7 500**	**148 750**	**156 250**

*See Note 4 regarding share options.

Note 24

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 26.4% of shares with voting rights in the company. Loans to senior executives (see Note 4) amounted to tNOK 9.030 (2019: tNOK 7.375) 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 2020 Arendals Fossekompani purchased services relating to market management for tNOK 863 from Markedskraft (tNOK 547). In 2020 Arendals Fossekompani had a gain on foreign currency loans to Markedskraft of tNOK 3.467 (loss of tNOK 192 in 2019). In 2020 Tekna sold goods it had produced to EFD Induction for tCAD 1,411 (tCAD 2,887) and to AFK for tCAD 0 (tCAD 519). Interest is charged on loans from the AFK parent company to companies in the Group in accordance with the agreement entered into.

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	
	2020	2019	2020	2019	2020	2019
Group						
Total Opening Balance	825 512	678 506	345 887	287 443	1 171 399	965 949
Cash Flow	-180 539	-146 468	423 879	26 329	243 339	-120 139
Other changes with no cash effect	53 593	283 390	-21 476	31 901	32 116	315 291
Total Effect from Foreign Exchange	-2 728	10 084	9 237	215	6 509	10 299
Closing Balance	**695 837**	**825 512**	**757 527**	**345 887**	**1 453 364**	**1 171 399**
Parent Company						
Total Opening Balance	438 634	497 857	993		439 627	497 857
Cash Flow	-208 803	-74 925	299 912		91 109	-74 925
Other changes with no cash effect	12 398	7 640	2 538	993	14 936	8 634
Total Effect from Foreign Exchange	-8 342	8 061			-8 342	8 061
Closing Balance	**233 887**	**438 634**	**303 443**	**993**	**537 330**	**439 627**

Specification of the Balance Sheet	GROUP	
	2020	2019
Bond n-c		299 735
Interest-bearing liabilities and credits (long-term)	512 214	332 122
RoU liabilities, non-current	183 624	193 655
Loans maturing after more than one year	**695 837**	**825 512**
Interest-bearing liabilities and credits (short-term)	699 951	282 193
RoU-liabilities, current	57 576	63 695
Loans maturing in less than one year	**757 527**	**345 887**
Total interest-bearing liabilities	**1 453 364**	**1 171 399**

	PARENT COMPANY	
	2020	2019
Bond n-c		299 735
Interest-bearing liabilities and credits (long-term)	216 773	133 133
RoU liabilities, non-current	17 115	5 766
Loans maturing after more than one year	**233 887**	**438 634**
Interest-bearing liabilities and credits (short-term)	299 912	
RoU-liabilities, current	3 531	993
Loans maturing in less than one year	**303 443**	**993**
Total interest-bearing liabilities	**537 330**	**439 627**

Note 26 Discontinued operations

Amounts in NOK 1 000

Volue, wich is a subsidiary of Arendals Fossekompani completed in August a disposal of its 51% share in Scanmatic Elektro. The financial 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, MNOK 32 is included in "Net discontinued operation income" Main financial information from the Profit and Loss and Balance Sheet for Scanmatic Elektro is listed below:

	2020	2019
Income statement		
Sales	181 092	311 135
Operating expense EBITDA	167 679	359 731
Depreciation	3 657	7 915
Operating profit	**9 756**	**-56 510**
Net financial items	-343	-1 015
Profit before taxes	**9 413**	**-57 526**
Provision for income tax	2 076	-12 627
Net profit for Scanmatic Elektro	**7 337**	**-44 898**
Gain on sale of Scanmatic Elektro	31 631	
Net profit discontinued operations	**38 968**	**-44 898**
Basic earnings per share / diluted earnings per share (NOK)	**0,71**	**-0,82**
Balance sheet		
Non-current assets		18 745
Current assets		140 691
Assets connected to discontinued operation		**159 437**
Non-current liabilities		16 244
Current liabilities		96 140
Liabilities connected to discontinued operation		**112 384**

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 2020 and as of 31 December 2020 (Annual Report for 2020).

The single-entity financial statements and consolidated financial statements have been prepared in accordance with IFRS 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 2020. 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 2020.

To the best of our knowledge:

- the Annual Financial Statements for 2020 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 2020,
- 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 parent company.

Froland, 26 March 2020

Jon Hindar Board Chairman	**Morten Bergesen** Deputy Chairman	**Didrik Vigsnæs**	**Arild Nysæther**
Heidi Marie Petersen	**Kristine Landmark**	**Stine Rolstad Brenna**	**Ørjan Svanevik** CEO

To the General Meeting of Arendals Fossekompani ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company Arendals Fossekompani ASA (the Company), which comprise the balance sheet as at 31 December 2020, 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 Fossekompani ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, 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 are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, 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.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, 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.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in

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

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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue from construction contracts	
In 2020, revenue from construction contracts constituted NOK 1 353 026 thousand, equal to approximately 37 % 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 and the assessment contract cost and stage of completion and 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 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.	We obtained a sample of contracts and assessed accounting treatment against the Group's accounting principles and *IFRS 15 Revenue from contracts with customers*. We found that the accounting treatment is in line with legal elements in the contracts and that accounting principles are in accordance with IFRS 15. The Group has 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 are implemented are various levels of the organisation and includes periodic meetings to review open contrcats. Through meetings with management and project leaders, including review of relevant documentation, we have verified that relevant controls have been implemented. Estimating project costs and calculating stage of completion requires judgement. We have performed various procedures to assess whether management's judgements is reasonable, including: • Interviewed project leaders and management challenging judgements made with respect to project estimates. • Reconciled expenses and hours incurred gaianst budgeted expenses and hours. • «Look-back» comparing actual outcome on completed project 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

(2)

disclosures around construction contracts and found these to be free from material misstatement.

Key Audit Matters	How our audit addressed the Key Audit Matter
Valuation of goodwill and intangible assets	
As at 31 December 2020 carrying amount of goodwill and intangible assets (excl. Concessions) in the Group's financial statements was NOK 973 868 thousand, equal to approximately 14 % 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. 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 2020, 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 bacause 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 intangible assers, cash generating units and impairment testing.	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 underlying documentation. 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 underlying documentation did yield any material exceptions. While we did not find any evidence to indicate that goodwill or intangible assets were impaired, we note that the valuation of cash generating units is sensitive to changes in assumptions. 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 in an appropriate manner and that the information was free from material misstatement.
Reorganisation	
In September 2020, the Company spun off four of its subsidiaries by way of contributions in kind to form a separate sub-group named Volue. The transaction was recorded at continuity both for the Company and the Group.	We obtained and gained an understanding of relevant documents related to the transactions. To further support our understanding, we carried out meetings and discussions with the company's management team and advisors. Through meetings and discussions, we challenged management's assessments. The key accounting issues

Volue was subsequently listed on Euronext Growth in October 2020. As part of a private placement in advance of the listing, the Company performed a partial sale of shares in Volue, recording a gain of NOK 441 million. Further, Volue raised new equity with gross proceeds to the Group of NOK 500 million. Due to the impact on the financial statements arising from the inherent complexity related to accounting and legal matters and the significant transaction amounts, this has 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.	were related to continuity versus fair value accounting, recognition of gain on sale of shares in the Company's financial statements, and effects on cash flow and equity in the Group's financial statements. To address this matter, we focused our attention towards the accounting solutions chosen by management. Our evaluations show that management's conclusions are in accordance with the legal elements in the transactions and IFRS requirements. In addition, we performed detailed substantive procedures in order to evaluate the accuracy and completeness of recognition and presentation of transactions in the financial statements. This included an evaluation of whether the presentation in the financial statements and accompanying notes is in compliance with IFRS requirements.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements 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 or 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. 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.
- 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.

Independent Auditor's Report - Arendals Fossekompani ASA

We also provide the Board of Directors 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

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Arendal, 25 March 2021
PricewaterhouseCoopers AS

Lars Ole Lindal

Lars Ole Lindal
State Authorised Public Accountant

Corporate governance at Arendals Fossekompani

Adopted by the Board of Directors on 17 August 2006 (last revised 25 March 2021)

Arendals Fossekompani (AFK) is an industrial investment company holding 7 main investments and a portfolio of financial investments. These operations employ 2,100 people in total. 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.

Arendals Fossekompani is listed on the Oslo Stock Exchange and is therefore subject to Norwegian securities trading legislation and the stock exchange's own regulations.

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 is addressed below. 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 Board has prepared a document entitled Core Values and Ethical Guidelines which covers areas including legal competence, corruption and discrimination, and which regulates the employees' securities trading activities.

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. 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.

3. EQUITY AND DIVIDENDS

Equity

The book value of the Group's equity as at 31 December 2020 was MNOK 3,856 which amounted to 55% 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 AFK'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, 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 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 to distribute dividends on the basis of the approved annual accounts. Proposals for such authorization should be justified. In order to ensure flexibility and efficiency in the implementation of quarterly dividend payments, the Board of Directors proposes that the Company's Annual General Meeting in 2021 authorize the Board to pay dividends, limited in time to the Company's Annual General Meeting in 2022.

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 7 May 2020 the Board was authorised to purchase treasury shares up to a maximum of 7.7% of the total number of shares. The terms of the authorisation permit the Board to acquire treasury shares only between a minimum price of NOK 4 and a maximum price of NOK 200 per share (when adjusting for the share split on 20 November in which each share was split into 25 shares). This authorization will remain in effect until the Annual General Meeting in 2021.

As at 31 December 2020 the Group owns a total of 1,111,200 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 2020 that could be described as not immaterial transactions.
In 2020, shares were sold from the company to senior executives and board members, in accordance with the approved share purchase program. See Note 24 of the 2020 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

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 a number of 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 that it is necessary to have an 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.

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.

21 days prior to the General Meeting, meeting notices and attendance registration forms are sent to all shareholders with a known address. These documents are also made available on the company's webpage and through the Oslo Stock Exchange distribution service. The annual report and other enclosures to the meeting 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. 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. 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. 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 with three members. 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), Arild Nysæther, Didrik Vigsnæs, 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 2020
At the annual general meeting held in May 2020 Didrik Vigsnæs, Kristine Landmark and Rikke Reinemo were re-elected as Board Members for a term of two years. At an Extraordinary General Meeting in September, Rikke Reinemo left the Board and Stine Rolstad Brenna was elected as a new Board Member.

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, Erik Must (board member Arild Nysæther is the Managing Director of Must Invest AS) and Kjell Chr Ulrichsen (Didrik Vigsnæs 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 at 31 December 2020 board members had the following shareholdings – either personally or through wholly owned companies: Arild Nysæther (7,500 shares), 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 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 2020 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 2020 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 Remunerations Committee comprising members of the Board.

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 is prepared each quarter, based on a predetermined plan. The value of material and risk-exposed balance sheet items is 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 2020 annual general meeting resolved that, with effect from May 2020, the Chairman of the Board will receive a fee of NOK 510,000 and NOK 300,000 will be paid to the other board members, unchanged from 2019. Arild Nysæther received GBP 22,500 for board duties at NSSLGlobal and Morten Bergesen received EUR 15,000 for board duties at Cogen Energia España.

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 statement on remuneration of executive management (Lederlønnserklæringen) is a separate agenda item that is put to the annual general meeting.

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. 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, 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. These guidelines are presented to the annual general meeting for information purposes.

Performance-related remuneration

Senior executives at the parent company benefit from normal performance-related bonus schemes. The subsidiaries offer performance-based remuneration to varying degrees, as laid down in employees' contracts.

Terms and conditions

Terms and conditions 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.

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.

Financial performance measures

Amounts in NOK 1 000

		2020	2019	2018	2017	2016
Group						
Sales		3 673 068	4 495 635	4 353 059	3 951 666	3 453 307
Cost of sales		1 436 767	2 203 139	2 049 618	1 773 025	1 461 820
EBITDA	10)	447 328	505 206	468 503	459 711	397 895
Operating profit		187 649	232 926	231 985	238 952	191 122
Net financial items		-52 614	11 249	17 998	-72 245	139 711
Equity company income		-14 321	-1 632	-3 061	-6 329	-5 065
Profit before taxes		120 714	242 544	246 922	160 378	325 768
Provision for income tax		-39 382	-150 927	-129 262	-82 075	62 640
Net profit for the year, continuing operations		81 332	91 617	117 862	78 303	263 127
Net discontinued operations income		38 803	-44 898	22 873	2 421 203	212 522
Net profit for the year		120 135	46 718	140 735	2 499 507	475 649
Minority interest income		-55 229	-28 322	-28 322	-84 859	-91 714
Total Comprehensive Income		**-40 561**	**269 972**	**762 375**	**2 774 555**	**355 972**

Key figures

			2020	2019	2018	2017	2016
Group							
Return on equity	1)	%	2,3 %	2,8 %	3,1 %	2,1 %	8,3 %
Total profitability	2)	%	2,9 %	2,8 %	2,7 %	3,8 %	4,7 %
Gross operating margin	3)	%	12,2 %	11,2 %	10,8 %	11,6 %	11,5 %
Net operating margin	4)	%	5,11%	5,18%	5,33%	6,0 %	5,5 %
Gross profit margin	5)	%	2,2 %	2,0 %	2,7 %	2,0 %	7,6 %
Equity share	6)	%	55,2 %	54,0 %	53,6 %	51,4 %	40,9 %
NIBD (tNOK)	7)		-461 038	-199 037	97 528	108 360	1 957 907
Liquidity ratio 1	8)		1,9	2,2	2,1	3,3	2,1
Result after tax per share	9)	NOK	2,17	0,85	2,57	45,67	8,69
Dividend per share		NOK	3,38	2,24	2,24	26,36	20,60
Average power production last 10 years (GWh)			509	502	502	500	500

Definitions:

1) Return on equity=
Net profit for the year, continuing operations divided by average equity

2) Total profitability=
Net profit for the year, continuing operations + interest cost divided by 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 by net operating income

6) Equity share=
Equity divided by total capital

7) NIBD - Net interest bearing debt =
Ineterst bearing debt interest bearing receviables - cash

8) Liquidity ratio 1=
Current assets divided by current liability

9) Result after tax per share (EPS)=
Net profit for the year divided by averange number of shares

10) EBITDA - Result before interest, tax, depreciation, amortization and impairment =
Operating income- operating cost

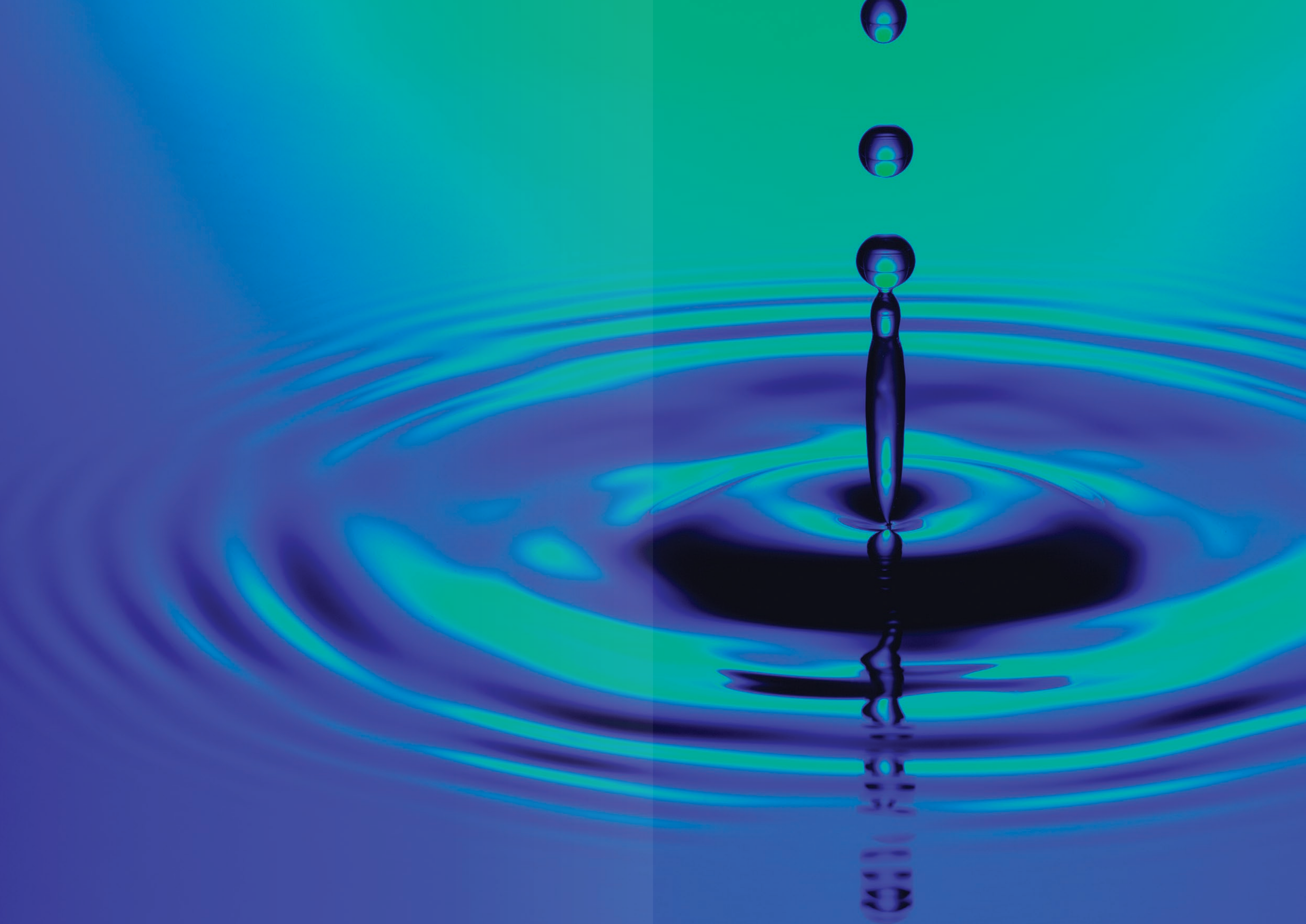
Alternative performance measures

NIBD

Amounts in NOK 1 000

	ADMINISTRATION		VOLUE		NSSLGLOBAL CONSOLIDATED		EFD INDUCTION CONSOLIDATED	
	2020	2019	2020	2019	2020	2019	2020	2019
Non-current borrowings	216 773	133 133	29	-11 680			73 798	59 876
Interest-bearing current borrowings							7 069	14 651
1st year installm. non-current borrowings							62	61
Bond (curr.)	299 912	299 735						
Interest and ex rate swap (curr.)	106 847	92 587						
Bank overdraft			3 695	64 346	11 904	15 781	71 639	68 640
Current interest-bearing liabilities, IC	28 921	52 801	36 489	59 783			31 248	29 438
Non-current borrowings IC							19	152
Total liabilities	**652 452**	**578 256**	**40 214**	**112 450**	**11 904**	**15 781**	**183 835**	**172 818**
Cash and cash equivalents	765 641	498 789	433 527	233 117	285 785	282 295	131 331	91 414
Intra-group loans	142 176	292 403						
Current interest-bearing rec., IC	144 641	122 505	28 997	52 801				
Financial assets clas. as held for trading			10 000	10 150				
Total asets	**1 052 458**	**913 697**	**472 525**	**296 067**	**285 785**	**282 295**	**131 331**	**91 414**
Net interest bearing debt	**-400 006**	**-335 441**	**-432 311**	**-183 618**	**-273 880**	**-266 514**	**52 176**	**81 478**

	TEKNA CONSOLIDATED		COGEN CONSOLIDATED		PROPERTY		ELIMINATIONS		TOTAL	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Bond n-c										299 735
Interest and ex rate swap n-c										92 587
Non-current borrowings	25 209	23 288	76 991	25 762	107 452	90 063			500 252	320 442
Interest-bearing current borrowings	4 397	2 450		80 429					11 465	97 530
1st year installm. non-current borrowings			76 702		1 704	2 811			78 469	2 872
Bond (curr.)									299 912	
Interest and ex rate swap (curr.)									106 847	
Bank overdraft					222 866	32 849			310 105	181 616
Non-current borrowings, IC	137 054	221 093		66 260	5 050	5 050	-142 054	-287 353		
Current interest-bearing liabilities, IC			35 167		41 813		-122	-5 050		
Non-current borrowings IC							-122	-5 050	-53	152
Total liabilities	**166 660**	**246 831**	**188 860**	**172 451**	**378 885**	**130 773**	**-142 298**	**-297 453**	**1 306 996**	**994 935**
Cash and cash equivalents	16 808	10 176	69 479	48 375	54 994	7 610			1 757 706	1 171 776
Intra-group loans							-142 176	-292 403		
Current intrest-bearing rec., IC										
Financial assets clas. as held for trading									10 000	10 150
Total asets	**16 808**	**10 176**	**69 479**	**48 375**	**54 994**	**7 610**	**-142 176**	**-292 403**	**1 767 706**	**1 181 926**
Net interest bearing debt	**149 852**	**236 654**	**119 382**	**124 076**	**355 452**	**124 363**			**-461 038**	**-199 037**



Arendals Fossekompani
Developing green-tech companies

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Production
Arendals Fossekompani's annual report 2020 has been produced by Group Finance and Group Communication

Design and layout
Mission AS