Annual Report 2018

ARENDALS FOSSEKOMPANI

NOTE: This is a translation of Arendals Fossekompani's 2018 Annual Report, prepared for information purposes only. The official, audited Annual Report has been prepared in Norwegian only.

Arendals Fossekompani (AFK) is an industrial investment company that owns energy and technology related companies with an international focus area.

AFK is the majority owner of companies with more than 2.200 employees in 27 countries. For more than 100 years, AFK has been a proud producer of hydro power from two power plants.

AFK was founded in 1896 and has been listed on Oslo Stock Exchange (OSE) since 1913. Company headquarters are located in Arendal, Norway.

From hydropower pioneer to industrial investment company

1896 \

Company Founded

Arendals Fossekompani was founded on 30 January 1896. The original purpose was to utilize the water in Arendalsvassdraget to generate electricity. The company bought several waterfalls, including Bøylefossen and Flatenfossen.

1913 \

Power and Industry

The building of Bøylefoss Power Plant was initiated in 1911, in parallel with the establishment of new power-intensive industry in Eydehavn, some 15 kilometers away. The first electric power from Bøylefoss was delivered to Eydehavn in the summer of 1913 – the same year Arendals Fossekompani was listed on Oslo Stock Exchange.

1927 \

More Power

Due to increased industrial demand for electric power, Flatenfoss Power Plant opened in 1927. The original plant remained operational until it was replaced in 2009.

1960s \

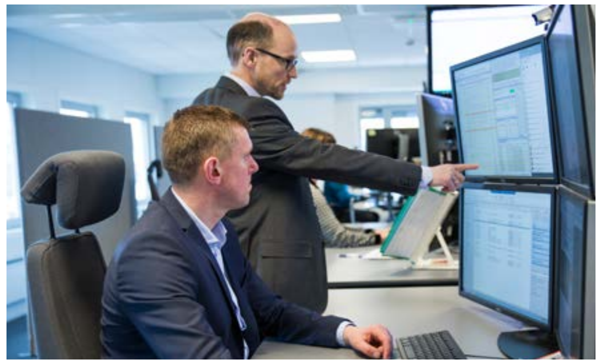
Financial Investor

For decades Arendals Fossekompani built a financial capacity that eventually led to a more diversified investment strategy. At the end of the 1960s, the company's changed its mission statement and built a portfolio of financial investments in listed and non-listed companies.

1990s \

New Opportunities

The deregulation of the Norwegian electricity market provided new market opportunities. Arendals Fossekompani took an active role and established Markedskraft AS, a subsidiary which is an independent service provider in the Nordic and European wholesale market for electricity.



2000s \

International Investor

In the new millennium, Arendals Fossekompani started its transformation from a local hydropower company to an international investment company. A series of successful acquisitions of Norwegian and international companies between 2004 and 2013 formed AFK as we know it today. Annual turnover has increased from around NOK 300 million to NOK 5 billion. Revenues from hydropower currently account for 3 per cent of AFK total turnover.

Arendals Fossekompani (AFK) is an industrial investment group holding 10 main investments and a portfolio of financial investments. In total, these operations employ more than 2,200 people.

AFK OPERATES IN several different industries and is represented in 27 countries through its subsidiaries. The parent company operates hydropower stations, develops its subsidiaries through long-term and active ownership, develops the businesses and manages financial investments.

2018 IN BRIEF

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

In 2018 Arendals Fossekompani posted a profit after tax on ordinary activities of MNOK 141, with the AFK shareholders' share of profit amounting to MNOK 112. On 9 May AFK distributed the company's shares in Kongsberg Gruppen ASA to the company's shareholders as a dividend in kind with a total value of MNOK 1,905, corresponding to a value of NOK 870 per share.

The profit after tax on ordinary activities for continuing operations, before non-controlling interests, closed on MNOK 141 (99). Profit before tax was MNOK 276 (186). Operating profit amounted to MNOK 261 (265). Including translation differences, changes in the value of available-for-sale financial assets, non-controlling interests and other comprehensive income items, total comprehensive income for continuing operations was MNOK 762 (372).

AFK is on a sound financial footing and as at the end of 2018 was in an approximately net debt-free position. The book value of equity as at 31 December 2018 was MNOK 3,172.

AFK has enjoyed a year of good growth in both sales revenues and operating profit from continuing operations. Operating revenues were 11% higher than in the previous year, with EFD Induction, Cogen Energia, Scanmatic and the parent company's power production unit contributing to positive development of the top line.

High power prices resulted in good earnings for the parent company's power production unit in 2018. In contrast, the Group's earnings were negatively affected by provisions at Powel and write-offs at Arendal Lufthavn Gullknapp, while high CO_2 costs had a significant negative impact on Cogen Energia's earnings. It is expected that the latter will be partly compensated by future production bonuses that Cogen Energia receives from Spanish authorities. However, since there is considerable uncertainty regarding how these will be calculated, the company has adopted a conservative approach to recognising these costs.

On 21 December AFK accepted an offer from Euronext N.V. for the company's shareholding in Oslo Børs VPS, corresponding to NOK 145 per share. In the first quarter of 2019 AFK accepted an increased offer equivalent to NOK 158 per share. Among other things, the transaction is subject to approval by the relevant authorities.

In 2018 AFK bought out the minority shareholders in Markedskraft and Wattsight, thereby increasing its shareholding in the companies from 72% to 93% in the case of Markedskraft and from 72% to 91% in the case of Wattsight.

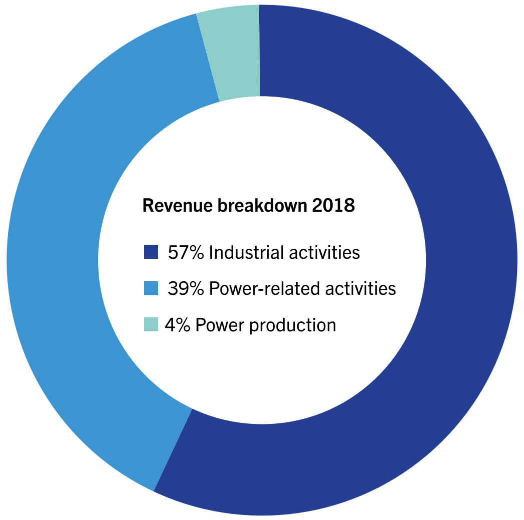
The parent company's financial portfolio achieved a return of 21% in 2018. The total value of the portfolio as of 31 December 2018 was MNOK 1,021, of which unrealised exchange rate gains amounted to MNOK 960.

The Board of Directors of Arendals Fossekompani ASA is proposing an ordinary dividend for the 2018 financial year of NOK 56 per share. Subject to approval by the general meeting, the dividend will be paid out on 9 May 2019.

OUTLOOK FOR 2019

Overall for AFK, revenues and EBITDA (adjusted for IFRS 16 effects) for 2019 are expected to be in line with 2018.

Headquarters: Arendal
Chairman: Øyvin Brøymer
CEO: Jarle Roth
arendalsfossekompani.no



Key figures, MNOK	2018	2017	2016
Operating revenues	4,906	4,427	4,014
EBITDA	501	488	448
EBITDA margin	10 %	11 %	11 %
Profit after tax	141	99	301
Profit from discontinued operations	0	2,401	175
Share of profit attributable to owners of the parent	112	2,414	384
Total comprehensive income	762	2,775	356
Operating cash flow	250	402	293
NIBD	101	105	1,915
Equity	3,172	4,386	3,181
Equity ratio	54 %	51 %	41 %

Creating value through long-term, active ownership

OUR MOST IMPORTANT TASK is to create lasting value through active and long-term ownership within the areas where the company holds investments. This includes our eight subsidiaries, in which AFK owns between 67% and 100%, hydropower, real estate projects and financial management. In total, these operations employ more than 2,200 people in 27 countries.

In hydropower Arendals Fossekompani has a proud history extending back more than a century. Every year our power plants in the Arendal watercourse contribute enough renewable energy to supply 25,000 households

In 2018 Arendals Fossekompani delivered higher revenues and earnings than in the previous year. Total operating revenues increased by 11% to NOK 4.9 billion, with an EBITDA margin of 10%. Several of the companies contributed higher revenues. Important actions were taken during the year that will contribute to increased competitiveness in the future.

LASTING VALUE

Arendals Fossekompani's vision is to create lasting value through the growth and development of the businesses in which we are involved. Conduct and decisions are to be characterised by our values: cooperative, long-term, proactive and responsible. With roots in local power production, we will build on our traditions while also being innovative and able to transform ourselves.

Our portfolio of businesses is well positioned for the future. Most have a very limited carbon footprint and offer products and services with good development prospects in a future where sustainability and digital solutions are becoming increasingly important.

Arendals Fossekompani has a decentralised management model in which the management and boards of the subsidiaries have great freedom to shape the development of their own companies. The Group is always represented on the boards of its subsidiaries and contributes knowledge, genuine interest in their business and a network that strengthens the position of both the Group and the subsidiaries.

Through dividends and increases in the share price 2018 has also been a good year for shareholders, providing a total return of 30%. A dividend was paid in the form of distribution of the Group's shares in Kongsberg Gruppen.

Due to the ownership structure AFK is not a very liquid share, but interest in the company has increased as a result of greater visibility and a shareholder-friendly approach. As a curiosity it may be mentioned that AFK is the second-oldest share currently on Oslo Stock Exchange. The company was listed back in 1913 and only Norsk Hydro has been listed longer.

During 2018 we developed a new, modern visual identity to raise the company's profile, for the purposes of both recruitment and the range of relevant investment opportunities.

Today Arendals Fossekompani has a strong organisation and great financial freedom to act. The outlook for our businesses is generally good, and we see many opportunities to strengthen our position within selected segments and markets.

Jarle Roth
CEO

Board of Directors

Øyvin A. Brøymer
Chairman of the Board

Morten Bergesen
Deputy Chairman

Rikke T. Reinemo

Heidi Marie Petersen

Arild Nysæther

Kristine Landmark

Didrik Vigsnæs

Management

Jarle Roth
CEO

Lars Peder Fensli
CFO

Torkil S. Mogstad
Executive Vice President

Morten Henriksen
Executive Vice President

Report from the Board of Directors for 2018

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

SIGNIFICANT DEVELOPMENTS IN 2018

The parent company is engaged in power production and also has a portfolio of investments. The company has its registered address in Froland, while the main offices for the Group are located in Arendal.

In 2018 Arendals Fossekompani (AFK) posted operating revenues of MNOK 4,906 (4,427). Operating profit came in at MNOK 261 (265). Profit after tax was MNOK 141 (2,500). Profit from ordinary operations in 2017 includes discontinued operations, including operating profits and a transaction gain on the sale of Glamox totalling MNOK 2,401.

At the end of 2018 AFK had equity with a book value of MNOK 3,182 (4,386). This represents an equity ratio of 54% compared with 51% in 2017. Changes in equity compared with 2017 are primarily due to the distribution of AFK's shares in Kongsberg Gruppen ASA as a dividend in kind in May 2018.

The parent company posted total operating revenues of MNOK 195 in 2018 (141). Operating profit came in at MNOK 115 (65). Profit after tax was MNOK 51 (2,671). Changes in profit after tax compared with 2017 are primarily due to dividends received and the gain on the sale of Glamox, totalling MNOK 2,534.

The parent company's financial investments – which here include cash held as well as listed and unlisted investments – amounted to MNOK 1,306 (4,007) as of 31 December 2018.

OUR INVESTMENTS

Subsidiaries: 2018 and 2019 (forecast)

- **EFD INDUCTION** delivers advanced heating systems based on induction technology to the engineering industry throughout the world. In 2018 the business posted revenues of MNOK 1,250 (1,158). Ordinary profit after tax came in at MNOK 67 (54). EFD Induction expects revenues and earnings in 2019 to be lower than in 2018.
- **NSSLGLOBAL** is a systems integrator and service provider of mobile, satellite-based communications solutions to the public and private sectors. In 2018 the business posted revenues of MNOK 758 (774). Ordinary profit after tax came in at MNOK 83 (77). NSSLGlobal expects revenues in 2019 to be somewhat higher than in 2018, while earnings are expected to be somewhat weaker.
- **POWEL** develops and delivers business-critical IT solutions and services. In 2018 Powel posted revenues of MNOK 585 (591). The company made a loss after tax of MNOK 21 (loss of 34). The loss was partly due to provisions associated with restructuring and uncertainty relating to certain project deliveries. For 2019 Powel expects revenues to be somewhat weaker than in 2018, while earnings are expected to improve.
- **SCANMATIC** supplies technical infrastructure as well as instrumentation and control systems. In 2018 the business had revenues of MNOK 649 (574). Ordinary profit after tax was MNOK 31 (30). For 2019 Scanmatic expects revenues to be somewhat weaker than in 2018, while earnings are expected to be in line with 2018.
- **COGEN ENERGIA** operates its own and third-party combined heat and power plants. In 2018 the business posted revenues of MNOK 1,182 (938). Ordinary profit after tax came in at MNOK 13 (47). Cogen expects revenues for 2019 to be on par with 2018, while earnings are expected to be somewhat weaker.
- **TEKNA** manufactures equipment for production of spherical micro- and nanoparticles based on the use of plasma generated by electrical induction. The company also has a subsidiary that uses such machinery to produce various metal powders, including those used in 3D printing of parts for the aerospace and medical industries. In 2018 the business posted revenues of MNOK 144 (124). The company made a loss after tax of MNOK 41 (loss of 32). The negative result for the year is a natural consequence of the fact that the company is in a development phase with a high rate of investment. Tekna expects both revenues and earnings in 2019 to be better than in 2018.
- **MARKEDSKRAFT** offers services in the physical, financial and green power markets of the Nordic region. In 2018 the business posted revenues of MNOK 70 (121). The company made a loss after tax of MNOK 6 (profit of 3). The change in revenues and earnings compared with 2017 is mainly due to the fact that the company's analysis operations were spun off at the end of 2017 into a separate company, Wattsight AS. Markedskraft expects revenues for 2019 to be on par with 2018, while earnings are expected to be better.
- **WATTSIGHT** is a leading player within fundamental data and market analysis in the European power market. The company was established in December 2017. In 2018 the business posted revenues of MNOK 66 and earnings after tax of MNOK 8. For 2019 Wattsight expects further growth in revenues, but somewhat lower earnings as a result of active investments on the technology side.

The Board of Directors would like to emphasize that there is significant uncertainty associated with the assessment of future circumstances.

REVIEW OF THE ANNUAL FINANCIAL STATEMENTS

In the opinion of the Board, the annual financial statements provide a true and fair view of the Group's and the company's financial 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 confirms that the Group satisfies the conditions for the going concern basis of accounting.

BOARD OF DIRECTORS

As the annual general meeting in April 2018 Rikke Reinemo and Kristine Landmark were elected as new members of the Board. On the same date Marianne Lie and Marianne Sigurdson Lyngvi stood down from the Board.

PERSONNEL, EQUALITY, WORKING ENVIRONMENT AND THE NATURAL ENVIRONMENT

At the end of the year the parent company had 22 employees. Of these, three were women. Employment relationships are characterised by their long-term nature and stability. The company aims to improve the balance between genders. The Board of Directors currently consists of three women and four men. The working environment at AFK is considered good. The parent company has a committee that deals with matters related to health, safety and the environment. The committee has representatives from staff and management. A number of minor measures were implemented with a view to safety and environmental improvements.

Sickness absence in the parent company amounted to 122 days, which corresponds to 1.18% of total working hours. Non-work-related long-term sickness absence for one employee amounted to 66 days. Without this, absence due to sickness was 0.54%. In 2018 there were no accidents or personal injuries of significance at the parent company. Neither has there been any material damage worth noting.

- Sickness absence at **EFD INDUCTION** in 2018 was 2.19% (2.59%). There were a total of 53 (15) days of absence due to work-related injuries.
- Sickness absence at **COGEN ENERGIA** in 2018 was 2.7% (3.9%). There were a total of 3 (0) days of absence due to work-related injuries.
- Total sickness absence at **POWEL** in 2018 was 2.5% (2.5%). No work-related injuries were reported in 2018.
- Sickness absence at **NSSLGLOBAL** in 2018 was 2.6% (1.27%). There were a total of 4 (0) days of absence due to work-related injuries.
- Sickness absence at **SCANMATIC** in 2018 was 2.9% (2.7%). No work-related injuries were reported in 2018.
- Sickness absence at **TEKNA** in 2018 was 2.2% (1.2%). There were a total of 61 (1) days of absence due to work-related injuries.
- Sickness absence at **MARKEDSKRAFT** in 2018 was 2.2% (2.8%). No work-related injuries were reported in 2018.
- Sickness absence at **WATTSIGHT** in 2018 was 1.5%. No work-related injuries were reported in 2018.

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

The parent company's operations have only a minor 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 hydro power.

Operations at AFK's other businesses also involve little risk of pollution of the natural environment. To the extent that such risk exists, measures have been implemented in line with national laws and guidelines to prevent any negative environmental impact.

WORK TO PROMOTE THE AIMS OF THE NORWEGIAN ANTI-DISCRIMINATION AND ACCESSIBILITY ACT

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

RESEARCH AND DEVELOPMENT

Capitalised and expensed research and development costs within AFK's operations totalled MNOK 209 (172) in 2018.

ETHICS AND CORPORATE SOCIAL RESPONSIBILITY

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

The corporate social responsibility report details AFK's efforts and guidelines in the areas of human rights, labour rights, social conditions, the environment and anti-corruption. A statement is provided for each individual subgroup.

AFK sets high ethical standards, and communication with the outside world is to be open, clear and honest. The company has a responsibility to ensure 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 particularly wishes to contribute to value creation and social development in the Arendal region. The same applies to our subsidiaries in their local communities. The company supports the Arendalsuka, an annual meeting place for politics and business, and the Canal Street jazz and blues festival, among other things, in addition to various initiatives for children and youth within sports and culture.

IFRSs

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

SHARES AND SHAREHOLDERS

During the year a total of 30,088 (22,847) shares were traded, representing 1.2% of the total number of outstanding shares. As of 31 December 2018 the company held 50,852 treasury shares, representing 2.3% of the total number of outstanding shares.

The Board of Directors will propose that the general meeting renews the Board's authorisation to purchase treasury shares within a total framework of 10% of the shares and within a price range of NOK 100 – NOK 5,000.

The share price started the year at NOK 3,100 and closed the year at NOK 3,160. The increase in value for 2018, including the distribution of the dividend in kind worth NOK 870, was 30% (23%).

FINANCIAL POSITION

The financial position of the company and the Group is good. The Board assumes that the assets of the parent company and the Group provide a good basis for growth.

RISKS AND UNCERTAINTIES

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 matters are described in detail in Note 16 to the annual financial statements.

APPROPRIATION OF PROFIT FOR THE YEAR

The recognised surplus at Arendals Fossekompani ASA amounted to NOK 50,779,043. The Board of Directors proposes that the surplus is allocated as follows:

Dividend of NOK 56 per share	NOK 122,581,648
From other equity	NOK -71,802,605
Total allocated	NOK 50,779,043

Froland, 26 March 2019

Øyvin A. Brøymer
Chairman

Morten Bergesen
Deputy Chairman

Didrik Vigsnes

Arild Nysæther

Kristine Landmark

Heidi Marie Petersen

Rikke T. Reinemo

Jarle Roth
CEO

ARENDALS FOSSEKOMPANI

AFK parent company – conducts active ownership, power production and financial management.

Headquarters: Arendal, Norway

Chairman: Øyvin Brøymer

CEO: Jarle Roth

arendalsfossekompani.no

THE ACTIVITIES OF the parent company consist of power production in the Arendal watercourse, active ownership, business development and financial investments.

2018 IN BRIEF

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

The parent company's revenues in 2018 amounted to MNOK 195 (141). EBITDA for the parent company was MNOK 123 (71). Ordinary profit after tax came in at MNOK 51 (2,671). Earnings in 2018 were negatively affected by impairment of the company's shareholding in Arendal Lufthavn Gullknapp in the amount of MNOK 67. The change in earnings after tax compared with the same period the previous year is mainly due to gains from the sale of the company's shareholding in Glamox.

Dividends from subsidiaries and associates contributed MNOK 34 (372). In addition, the company received returns on financial investments in the amount of MNOK 45 (59). In 2018 the parent company recorded exchange gains on loans in foreign currency of MNOK 23 (loss of 62). All revenues associated with the financial portfolio were recognised as finance income.

POWER GENERATION

The parent company generates power at two locations in the Arendal watercourse. The Bøylefoss and Flatenfoss power plants produce around 500 GWh of renewable energy annually, enough to supply 25,000 households. Upgrades to both plants are planned in the coming years in order to satisfy more stringent statutory requirements for power stations with associated dams. The reconstruction of dams will start once detailed requirements have been agreed with the Norwegian Water Resources and Energy Directorate (NVE).

Gross power generation in 2018 was 488 GWh (515 GWh). Total net revenues from the sale of power amounted to MNOK 192 (137), of which the sale of spot power comprised MNOK 190 (132). Average electricity prices in the spot market (ref. Arendal) closed 2018 at 41.5 øre/kWh (26.9), while the company achieved an average power price of 40.7 øre/kWh (26.9).

Normal maintenance work was carried out on the power plants. Costs expensed in connection with maintenance work amounted to MNOK 7 (6) in 2018. Plant operations continued without any significant accidents or injuries. Following the long drought in summer 2018 NVE gave permission to operate with a reduced minimum flow in the lower part of the Arendal watercourse. This resulted in lower power generation than normal in the summer half of the year.

FINANCIAL PORTFOLIO

The parent company manages an investment portfolio comprising a limited number of financial securities. As of 31 December the value of the share portfolio was MNOK 1,021, of which unrealised exchange gains amounted to MNOK 960. The portfolio consists of investments in Victoria Eiendom, Eiendomsspar and Oslo Børs VPS. Shares in Kongsberg Gruppen with a total value of MNOK 1,905 were distributed to the company's shareholders as a non-cash distribution on 9 May 2018.

On 21 December AFK accepted an offer from Euronext N.V. for the company's shareholding in Oslo Børs VPS, corresponding to NOK 145 per share. In the first quarter of 2019 AFK accepted an increased offer equivalent to NOK 158 per share. Among other things, the transaction is subject to approval by the relevant authorities. The return on financial investments for the year

was MNOK 209 (343). This represents a return of 21% (15%). The change in value of the Kongsberg Gruppen shares in the current year up to 9 May was MNOK 457. This change in value is not included in the calculated return, however, but is instead included in comprehensive income for the period.

OUTLOOK FOR 2019

Management will continue its focus on developing the Group's subsidiaries further and on management of the company's financial investments. Revenues and earnings from power generation are expected to be somewhat weaker in 2019 than in 2018.

Key figures, MNOK	2018	2017	2016
Operating revenues	195	141	113
EBITDA	123	71	45
EBITDA margin	63%	50%	40%
Profit after tax	51	2,671	328
Operating cash flow	55	77	21
NIBD	-86	-129	1,662
Equity	2.964	4.198	2.363
Equity ratio	81%	67%	51%

EFD INDUCTION

EFD Induction provides industrial induction heating processes in defined market segments around the world.

Headquarters: Skien, Norway
Ownership AFK: 97,8 %
Chairman: Jarle Roth
CEO: Bjørn Eldar Petersen
efd-induction.com

EFD INDUCTION DESIGNS, builds, installs and maintains a complete range of induction heating equipment. With more than 20,000 installations in 80 countries for a wide range of industrial applications, EFD solutions bring the benefits of induction technology to many of the world's leading manufacturing and service companies.

Induction heating solutions can be profitably used in virtually any industrial application that requires heat. EFD Induction hardening machines, for example, are widely used in the automotive industries. EFD Induction equipment is also commonly found in the metal and foundry, tube and pipe, wire and cable, aviation, shipbuilding, HVAC, oil and gas, power generation, appliances, and electrotechnical industries.

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, EFD Induction also has sales and service companies in Austria, Brazil, Denmark, Finland, Italy, Japan, Malaysia, Mexico, Russia, South Korea, Spain, Sweden, Thailand and the United Kingdom.

2018 IN BRIEF

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

EFD Induction's revenues in 2018 amounted to MNOK 1,250 (1,158). EBITDA amounted to MNOK 134 (113). Ordinary profit after tax came in at MNOK 67 (54).

In 2018 the company posted revenue growth of 8% and earnings after tax were 24% higher than in the previous year. Included in profit is a gain of MNOK 17 recognised in connection with the sale of land and buildings in France, India and Norway. Development was positive in the majority of the company's activity areas and across regions. Work on improvements and transformation is a continuous activity.

Order intake for 2018 was significantly stronger than in 2017 (+15%). Considerable fluctuation can occur from one quarter to another, affecting revenues and earnings in the subsequent quarters. Seen over a somewhat longer time horizon, these fluctuations will even out.

EFD Induction carries out development projects both jointly with customers and on its own behalf. All development costs are expensed. In 2018 these amounted to MNOK 36, an increase of 9% on 2017.

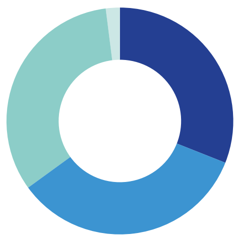
The company finances its activities through loans in multiple currencies and seeks to limit foreign exchange risk by currency hedging both customer orders and expected future customer orders.

OUTLOOK FOR 2019

EFD induction expects revenues and earnings in 2019 to be lower than in 2018.

2007	2008	1.107	18	1.250	134
AFK'S ENTRY	SUBSIDIARY SINCE	EMPLOYEES	COUNTRIES	REVENUE (MNOK)	EBITDA (MNOK)

Key figures, MNOK	2018	2017	2016
Operating revenues	1.250	1.158	1.031
EBITDA	134	113	76
EBITDA margin	11%	10%	7%
Profit after tax	67	54	26
Operating cash flow	67	62	60
NIBD	65	81	76
Equity	426	398	371
Equity ratio	43%	43%	44%



Revenue breakdown 2018
- 34% Induction power systems
- 33% Service and aftersales
- 31% Induction heating machines
- 2% Other

Cogen

Cogen Energia builds and operates cogeneration power plants for higher energy efficiency, reduced CO2-emissions and increased competitiveness.

Headquarters: Madrid, Spain
Ownership AFK: 100 %
Chairman: Morten Bergesen
CEO: Antonio Quilez
cogen-energia.com

COGEN OPERATES IN in the Spanish market, managing a portfolio of more than 14 cogeneration plants with an electric capacity above 260 MW in most relevant industrial sectors; paper, food industry, chemical, textile, cheese manufacturing, and more.

Cogen was founded in 1999 with the objective of developing and operating cogeneration projects and with the commitment of helping the industry to reduce its energy costs, as well as to improve the security and quality in the supply of energy necessary for its industrial processes.

2018 IN BRIEF

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

Cogen Energia's revenues in 2018 amounted to MNOK 1,182 (938). EBITDA amounted to MNOK 40 (74). Ordinary profit after tax came in at MNOK 13 (47).

The increase in revenues was mainly due to a doubling of production capacity at the largest customer towards the end of 2017, which had its full effect in 2018. In addition, Spanish power prices were high in the second half of the year, resulting in high revenues from power generation.

The company receives public subsidies from the Spanish authorities in the form of a bonus per MWh produced. High revenues from power production were largely offset by ongoing provisions for received production bonuses, since high power prices in 2018 will mean that future production bonuses are reduced.

Weaker earnings for 2018 are primarily due to higher costs for purchases of CO_2 emissions allowances. Regulation of combined heat and power plants means that the costs of purchasing such allowances are compensated by the production bonus that the company receives from the authorities. At the time of writing the calculation of this compensation has not been finalised, and the company has therefore taken a conservative approach to the reporting of these costs.

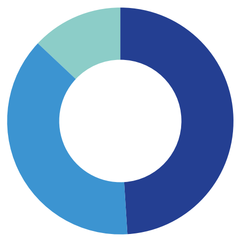
The combined heat and power plants largely operated normally throughout the year. Mechanical problems at one of the plants were dealt with by leasing a back-up turbine, with the result that the number of operating hours was not significantly affected.

OUTLOOK FOR 2019

Cogen expects revenues for 2019 to be on a par with 2018, while earnings are expected to be somewhat weaker.

2007	2011	62	1	1.182	40
AFK'S ENTRY	SUBSIDIARY SINCE	EMPLOYEES	COUNTRIES	REVENUE (MNOK)	EBITDA (MNOK)

Key figures, MNOK	2018	2017	2016
Operating revenues	1.182	938	488
EBITDA	40	74	22
EBITDA margin	3%	8%	5%
Profit after tax	13	47	0
Operating cash flow	4	56	7
NIBD	149	115	171
Equity	147	133	76
Equity ratio	22%	23%	19%



NSSLGlobal

ON LAND ▮ ONBOARD ▮ ONLINE

NSSLGlobal is a leading independent provider of satellite communications and IT solutions with innovation and customer service at the core of its DNA.

Headquarters: London, UK
Ownership AFK: 80 %
Chairman: Arild Nysæther
CEO: Sally-Ann Ray
nsslglobal.com

WITH 50 YEARS OF experience in the government and maritime mobility markets, NSSLGlobal provides best-in-class satellite solutions, working in partnership with some of the largest MSS and VSAT satellite operators including Inmarsat, Iridium and Thuraya, Telesat, Eutelsat, Intelsat, SES and JCSAT.

Headquartered in the United Kingdom, the company employs 200 staff worldwide and has 11 offices across Germany, Denmark, Norway, Poland, Singapore, South Africa and the United States.

2018 IN BRIEF

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

NSSLGlobal's revenues in 2018 amounted to MNOK 758 (774). EBITDA closed on MNOK 167 (154). Ordinary profit after tax came in at MNOK 83 (77).

The company's revenues were somewhat lower than in the previous year, while profit before tax was higher. This was largely due to customers switching to IP-based services with better gross margins. Volumes of network traffic managed for European defence customers were lower than in the previous year due to the scaling down of these customers' operational activity levels.

In the fourth quarter the company renewed and extended contracts with some of its largest customers.

In December, NSSLGlobal acquired the assets and customer contracts of Station 711. This company offers full-scale mobile satellite service products for the maritime sector, supported by an experienced team of engineers. NSSLGlobal expects to be able to offer its full product ranges to Station 711's customers.

The company's customer portfolio comprises more than 5,000 users within maritime, offshore and onshore sectors.

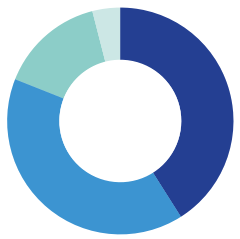
NSSLGlobal has won a number of awards for the quality of its service offering within VSAT (Very Small Aperture Terminal) systems. In 2018, the company won the Stellar Award for Most Innovative Satellite Application for its new FusionIP service, which combines VSAT with 4G LTE (Long Term Evolution). VSAT connects a parabolic antenna via satellite to a ground station. The antenna generally has a diameter of between 75 cm and 1.2 m. The VSAT market is experiencing substantial growth in the number of terminals in the maritime sector. In 2018 the company also launched its new service offering Cruise Control+, which is an advanced package solution encompassing vessel communication, IT and digital welfare solutions for crews.

OUTLOOK FOR 2019

NSSLGlobal expects revenues to increase in 2019, while higher costs are expected to result in somewhat weaker earnings.

2000	2010	182	9	758	167
AFK'S ENTRY	SUBSIDIARY SINCE	EMPLOYEES	COUNTRIES	REVENUE (MNOK)	EBITDA (MNOK)

Key figures, MNOK	2018	2017	2016
Operating revenues	758	774	902
EBITDA	167	154	174
EBITDA margin	22%	20%	19%
Profit after tax	83	77	87
Operating cash flow	132	123	134
NIBD	-201	-91	-65
Equity	383	298	254
Equity ratio	61%	55%	50%



Revenue breakdown 2018
- 41% UK
- 40% Europa
- 15% ROW
- 4% USA

scanmatic

Scanmatic delivers robust system solutions and products in the fields of instrumentation, data collection and remote monitoring and control.

Headquarter: Arendal, Norway

Ownership AFK: 68,9 %

Chairman: Jarle Roth

CEO: Kim Steinsland

scanmatic.no

THE COMPANY IS a multidisciplinary engineering company with wide-ranging expertise offering a broad variety of services. Since its establishment in 1971, Scanmatic has focused on the development and supply of quality products and systems within industrial instrumentation, monitoring and control systems for professional, industrial customers in the communications, defence, offshore and renewable energy sectors.

A typical Scanmatic delivery is a robust industrial system designed for high reliability and long life in a challenging environment, often outdoors or subsea. Scanmatic applications are based on open standards and often consist of a mixture of standard hardware and software, the company's own products and software developed by Scanmatic.

The Scanmatic group consists of 4 companies, Scanmatic AS (parent company), and the subsidiaries Scanmatic Elektro AS, Scanmatic Instrument Technology AS and Scanmatic Environmental Technology AB.

2018 IN BRIEF

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

Scanmatic's revenues in 2018 amounted to MNOK 649 (574). EBITDA amounted to MNOK 44 (41). Ordinary profit after tax came in at MNOK 31 (30). Revenues in 2018 increased by 13%, with both the Scanmatic parent company and Scanmatic Elektro contributing to positive development of the top line.

Throughout 2018 the Scanmatic parent company had good growth in the market area of transport, where Scanmatic Elektro is the company's largest individual customer. Delivery projects within automation and instrumentation for tunnels are the dominant areas within transport. Scanmatic also supplies automation and instrumentation for roads and tunnels to other electrical contractors.

The areas of renewable energy and defence saw good increases in activity levels, while the activity level for offshore fell slightly compared with the previous year. Within renewable energy the company is experiencing consistent growth in demand for instrumentation and automation solutions from a well-established customer base in Norway and Sweden. Within defence the main focus in 2018 was on the development of a new hardware platform for the company's full product portfolio within sonar testing and training. This project is a collaboration between Innovation Norway, the Norwegian defence research establishment (FFI) and Scanmatic.

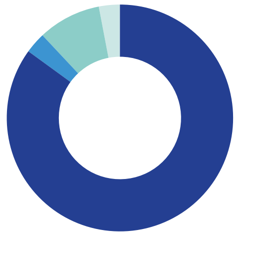
Throughout 2018 Scanmatic Elektro has had consistently high resource utilisation, mainly based on large rehabilitation projects within tunnel safety. In 2018 the company bolstered its organisation, particularly within project management, and in addition completed ISO certification. The transport market area, which consists of electrical installations in road and tunnel projects, makes up the majority of the company's activities. In addition, the company has two smaller departments which provide design and installation of fibre communications and base stations, as well as other infrastructure for wireless communication (primarily 4G/5G mobile networks).

OUTLOOK FOR 2019

Scanmatic expects somewhat weaker revenues in 2019 than in 2018, while earnings are expected to remain at the same level.

2004	2004	166	2	649	44
AFK'S ENTRY	SUBSIDIARY SINCE	EMPLOYEES	COUNTRIES	REVENUE (MNOK)	EBITDA (MNOK)

Key figures, MNOK	2018	2017	2016
Operating revenues	649	574	659
EBITDA	44	41	61
EBITDA margin	7%	7%	9%
Profit after tax	31	30	44
Share of profit attributable to owners of the parent	20	21	26
Operating cash flow	-1	-14	13
NIBD	0	-19	-60
Equity	120	102	93
Equity ratio	39%	38%	40%



powel

Powel develops and delivers business-critical software solutions to an international market.

Headquarters: Trondheim, Norway
Ownership AFK: 96,6 %
Chairman: Jarle Roth
CEO: Trond Straume
powel.com

BASED ON CUSTOMER collaboration, automation and efficiency improvement, Powel enables customers to work smarter, which is beneficial for business, society and the environment. Powel mainly works within four market areas: Asset Performance, Environment, Smart Energy and Powel Construction.

Powel is headquartered in Trondheim, Norway, and has several more locations in Norway. The company is also located in Sweden, Denmark, Germany, Poland, Turkey and Switzerland.

2018 IN BRIEF

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

Powel's revenues in 2018 amounted to MNOK 585 (591). EBITDA amounted to MNOK 16 (49). The company made a loss after tax of MNOK 21 (loss of 34).

Overall Powel's Nordic operations delivered a satisfactory result, while operations in Europe were characterised by large investments. In 2018 a new CEO took over at Powel and the business was reorganised. Significant cost-cutting measures were implemented, with a negative effect on results in 2018. To focus the business, the Metering business area was sold towards the end of the year. As a result, the cost base has been significantly reduced and there is therefore a good basis for generating better earnings in the future.

Powel is continuing its investment in sustainable infrastructure that is critical to society, with a sharp focus on international growth through the further development of cloud-based solutions. A significant element of the company's strategy is its close collaboration with industry partners to facilitate integration with third-party solutions.

Asset Performance is an area of activity where the cloud platform powel.net is providing new opportunities associated with automation and mobile decision support. This is enabling grid companies to streamline their work processes associated with planning, construction, operation and maintenance of the grid.

The Smart Energy business area has continued its focus on expanding its market position outside the Nordic region. The European power market is undergoing major changes, which is expected to result in increased demand for Smart Energy solutions since the changes in the market demand greater speed, automation and integration.

Within the Environment business area the company's activity level within water and municipal technology continues to develop positively. Powel completed a number of innovation projects and launched several new solutions in 2018. There is a continuing trend among customers towards renting cloud-based solutions.

Powel Construction delivers tools and solutions to a number of Norwegian and Swedish businesses within infrastructure design and construction. The industry is undergoing major changes as a result of digitalisation, and Powel Construction is well positioned to meet new customer demand with its existing solutions and expertise.

OUTLOOK FOR 2019

Powel expects revenues in 2019 to be somewhat weaker than in 2018, while earnings are expected to be somewhat better.

2007	2009	433	7	585	16
AFK'S ENTRY	SUBSIDIARY SINCE	EMPLOYEES	COUNTRIES	REVENUE (MNOK)	EBITDA (MNOK)

Key figures, MNOK	2018	2017	2016
Operating revenues	585	591	560
EBITDA	16	49	61
EBITDA margin	3%	8%	11%
Profit after tax	-21	-34	9
Operating cash flow	68	34	49
NIBD	62	97	73
Equity	129	153	194
Equity ratio	34%	24%	40%

TEKNA

Tekna delivers equipment for powder production of advanced materials. Tekna is also a producer of such powder.

Headquarters: Sherbrooke, Canada
Ownership AFK: 100 %
Chairman: Morten Henriksen
CEO: Luc Dionne
tekna.com

TEKNA MACHINES ARE used to produce spherical micro- and nanoparticles of various metals and ceramics based on the use of plasma produced by electrical induction.

Tekna is amongst the world leading producers of high-value-added powders. Metallic powders are mainly used in additive manufacturing and electronic products. Additive manufacturing, also known as 3D printing, allows for the design of complex metal parts that are lighter, more efficient and environmentally friendlier than conventionally manufactured parts.

Tekna's headquarter is located in Sherbrooke, Canada. The company operates manufacturing centers in Canada and France, as well as sales and distribution offices in China, India and South Korea.

2018 IN BRIEF

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

Tekna's revenues in 2018 amounted to MNOK 144 (124). EBITDA amounted to a loss of MNOK 22 (loss of 18). The company made a loss after tax of MNOK 42 (loss of 32).

The company is experiencing good sales growth. Asia is the company's largest market, but it also has significant activities in Europe and North America. Earnings are somewhat lower than in the previous year. The accounting losses are mainly due to planned costs associated with R&D projects, development and further development of products that were launched in 2018, sales and marketing activities, and impairment losses on inventories due to obsolescence.

The machine production unit delivers systems to industrial customers as well as public sector customers. This segment is growing and we are seeing a shift away from small machines for research and training to larger industrial machines. Development of components based on 3D printing of metals is a substantial driver for Tekna's products, and we are seeing a similar development within the area known as printed electronics, where there is demand for nanoparticles of various substances.

During the year production of titanium and aluminium powders increased and was streamlined, while new nickel-based alloys were launched based on production in France. In 2018 the company also achieved qualification of its powders for a number of potential new customers within the aerospace, automotive and other industries.

From the Asian electronics industry there is growing demand for powders in the nanometer dimension and work is continuing on a number of initiatives within this segment.

Tekna is continously working to boost its market position by entering into strategic agreements with leading operators within both primary materials and the production of advanced products. These collaboration agreements will be important as the business is further scaled up.

OUTLOOK FOR 2019

Tekna expects higher revenues and improved earnings in 2019 compared with 2018.

2013	2014	184	5	144	-22
AFK'S ENTRY	SUBSIDIARY SINCE	EMPLOYEES	COUNTRIES	REVENUE (MNOK)	EBITDA (MNOK)

Key figures, MNOK	2018	2017	2016
Operating revenues	144	124	125
EBITDA	-22	-18	7
Profit after tax	-	-	6%
Operating cash flow	-42	-32	-13
Operating cash flow	-30	-6	11
NIBD	153	126	76
Equity	41	20	54
Equity ratio	16%	10%	30%

Revenue breakdown 2018
67% Machinery
33% Powders

MARKEDSKRAFT

Markedskraft is a dominant independent portfolio manager in the Nordic power market.

Headquarters: Arendal, Norway
Ownership AFK: 93,3 %
Chairman: Morten Henriksen
CEO: Christian Sønderup
markedskraft.com

HAVING PIONEERED THE market for nearly 25 years, Markedskraft offers deep insights and understanding of the power industry, and defines itself as a specialized knowledge company, covering risk- and portfolio management services.

Markedskraft's mission is to create customer value by understanding the fundamental drivers of the power market, thereby providing customers with a unique basis for critical decision-making. Markedskraft prides itself in being the only independent service provider that can assist throughout the entire value chain, including advisory services, risk management, financial portfolio management and physical handling and settlement. The company also offers investors capital management within power derivatives.

As Markedskraft is MiFID licensed by the Financial Supervisory Authority, it serves as a reassurance to its clients that their interests are being managed in an utmost professional manner within the strict legal framework accompanying the MiFID license.

Today, Markedskraft serves clients in the Nordic countries from offices in Norway, Sweden, Denmark and Finland.

2018 IN BRIEF

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

Towards the end of 2017 Markedskraft's analysis business was spun off into a separate company, Wattsight. Revenues and earnings for 2018 are therefore not compatible with previous years.

Markedskraft's revenues in 2018 amounted to MNOK 70 (121). EBITDA amounted to a loss of MNOK 2 (profit of 5). The company made a loss after tax of MNOK 6 (profit of 3).

The power markets in the Nordic region and the rest of Europe will undergo a transformation in the coming years with consolidation, new products and real-time operations being key elements. Markedskraft has started on a journey in which a focus on enabling technology, a new platform for interaction with customers and automation of tasks are some of the most important processes. This development is necessary to offer value-adding services to existing and new customers in the future.

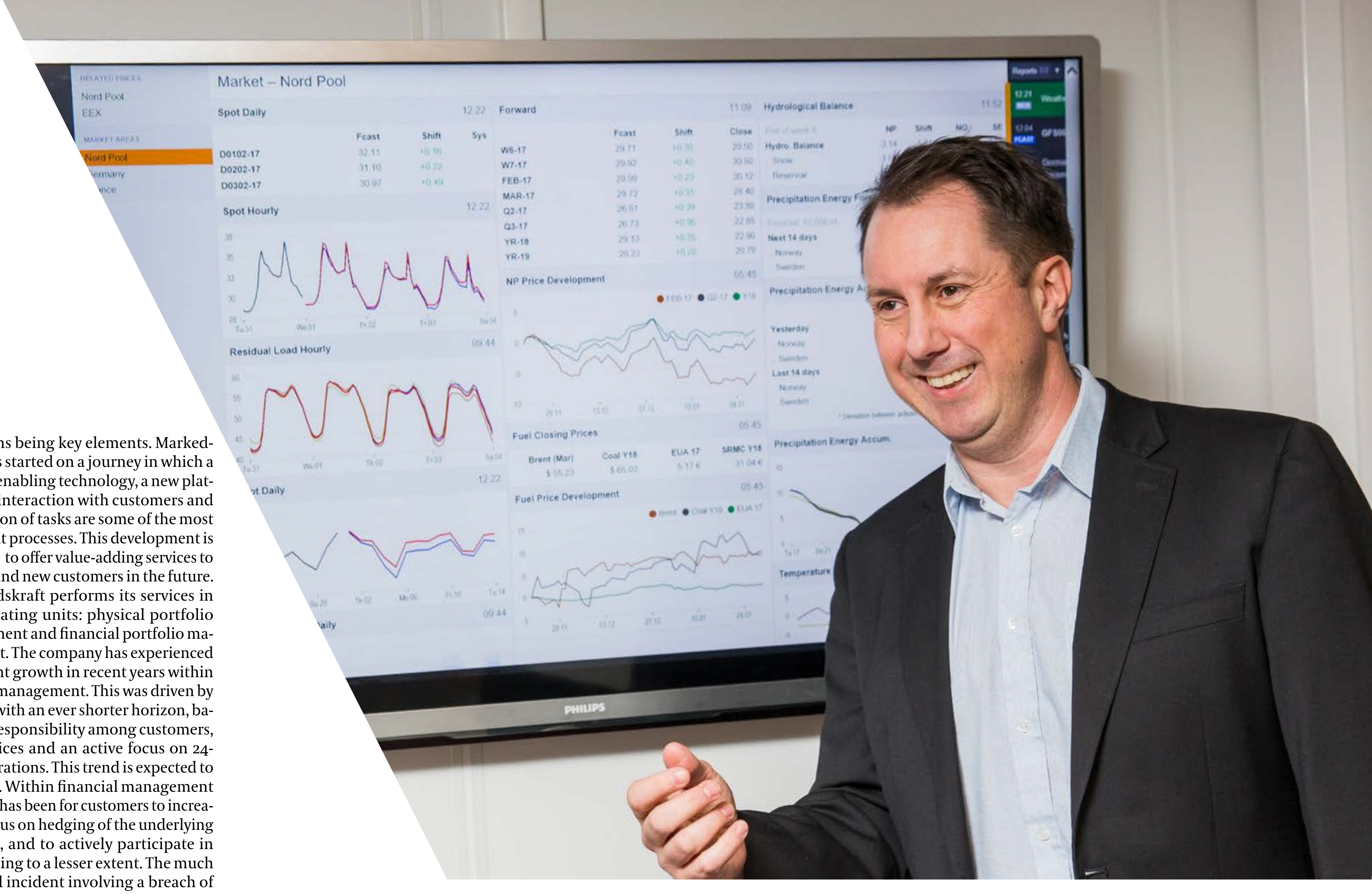
Markedskraft performs its services in two operating units: physical portfolio management and financial portfolio management. The company has experienced significant growth in recent years within physical management. This was driven by markets with an ever shorter horizon, balancing responsibility among customers, new services and an active focus on 24-hour operations. This trend is expected to continue. Within financial management the trend has been for customers to increasingly focus on hedging of the underlying portfolio, and to actively participate in pure trading to a lesser extent. The much discussed incident involving a breach of margin requirements related to the clearing of derivative contracts at Nasdaq by a central counterparty had an impact on the year both for Markedskraft and for a number of the company's customers.

The Finnish company Energiameklarit was acquired and integrated into Markedskraft in 2018. This strengthens Markedskraft's position in the Finnish market and has created a good basis for further growth.

In October, Christian Sønderup was appointed as the company's new CEO. The business is undergoing restructuring and in 2019 will be developed further with a focus on more automated services and efficient system solutions.

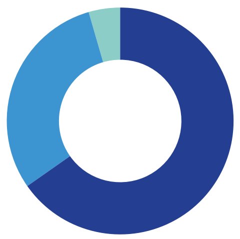
OUTLOOK FOR 2019

Markedskraft expects revenues to be roughly as in 2018, but with somewhat stronger earnings



1992	1992	50	4	70	-2
AFK'S ENTRY	SUBSIDIARY SINCE	EMPLOYEES	COUNTRIES	REVENUE (MNOK)	EBITDA (MNOK)

Key figures, MNOK	2018	2017	2016
Operating revenues	70	121	130
EBITDA	-2	5	2
EBITDA margin	-	4%	2%
Profit after tax	-6	3	-4
Operating cash flow	-36	66	-14
NIBD	-78	-134	-49
Equity	49	72	74
Equity ratio	20%	27%	37%



WATTSIGHT

Wattsight is a leading provider of data and consulting services to the European energy market.

Headquarters: Arendal, Norway
Ownership AFK: 90,7 %
Chairman: Morten Henriksen
CEO: Espen Zachariassen
wattsight.com

WATTSIGHT PROVIDES customers with the insight they need to better understand the European power market by forecasting fundamentals and prices for the short, medium and long-term horizon. Customers rely on Wattsight's business intelligence, consultations with analysts and cost-efficient decision support for investments in power and energy assets.

Wattsight serves a large number of clients, including several of Europe's major power and energy companies and financial institutions which value the unique competence of analysts, modelling skills and market intelligence based on more than two decades of experience.

The staff includes experts in power and energy markets, climate policy, mathematical and economic modelling, forecasting methodologies and market reporting.

Wattsight is located in Arendal and Oslo (Norway), Berlin (Germany) and Vienna (Austria).

2018 IN BRIEF

Wattsight was established in December 2017 through a spin-off of the analysis unit at Markedskraft into a separate company. There are thus no historical results to show for the company. Wattsight's revenues in 2018 amounted to MNOK 66. EBITDA amounted to MNOK 11. Ordinary profit after tax came in at MNOK 8.

In 2018, Wattsight was established as a new brand in the European power market. The company carried out considerable work on its Norwegian and international profile during the year.

During the year Wattsight achieved solid growth and the company has successfully moved into new markets and market segments. The company is a leader within fundamental data and market analysis of the European market for electrical power, and at the end of the year the company had around 350 customers in 30 European countries as well as important reference customers in markets outside Europe.

The company and its analysts enjoy a high profile in Norway and internationally, and are increasingly being quoted when significant incidents occur. During 2018 the company achieved massive press coverage in a number of matters, including a central counterparty's breach of margin requirements related to the clearing of derivative contracts at Nasdaq, extreme volumes of snow in the Alps, extreme drought in Central Europe and in connection with the German coal commission's recommendation for a faster phase-out of coal- and lignite-fired power production. Wattsight is continuing to build the brand and has taken further steps towards becoming the leading analysis platform within the European power markets.

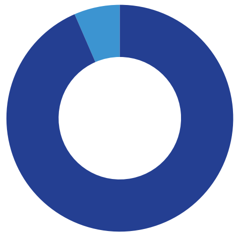
During the year the company boosted its services with a new solution for data distribution, increased use of machine learning in the products and an improved front-end solution. In 2019 the company will further step up the pace of development, paving the way for a more efficient interface with customers, greater technology content in the products and a generally higher pace of innovation in new products aimed at a power market that is undergoing significant change

OUTLOOK FOR 2019

For 2019 Wattsight expects further growth in revenues, but somewhat lower earnings as a result of active investments in the technology side.

2018	2018	34	3	66	11
AFK'S ENTRY	SUBSIDIARY SINCE	EMPLOYEES	COUNTRIES	REVENUE (MNOK)	EBITDA (MNOK)

Key figures, MNOK	2018	2017	2016
Operating revenues	66		
EBITDA	11		
EBITDA margin	16%		
Profit after tax	8		
Operating cash flow	18		
NIBD	-26		
Equity	25		
Equity ratio	63%		



Revenue breakdown 2018
93% Subscription revenues
7% Other

Real Estate

Arendals Fossekompani owns and develops four properties in and around Arendal.

ARENDAL LUFTHAVN GULLKNAPP
AFK owns 91% of the airport situated in the Municipality of Froland, which has adjoining industrial areas of around 2,000,000 decares.

In the autumn of 2018, OSM Aviation Academy started up pilot training at Gullknapp and a new student intake is planned for March. Work is also actively under way to position Gullknapp as a test centre and centre of excellence for drone operations. In November, Arendal Lufthavn Gullknapp was allocated MNOK 5.4 in operational support via the national budget for 2019.

The Municipality of Froland is working on the alignment of a new access road to the industrial area.

Based on thorough assessment of balance sheet values for Arendal Lufthavn Gullknapp, in the fourth quarter of 2018 it was decided to recognise impairment losses of MNOK 37 in respect of intangible assets, plant and land.

VINDHOLMEN EIENDOM
This business, which changed its name from Arendal Industrier in 2018, is a wholly owned subsidiary of AFK. As previously, the company's activities consisted of leasing out buildings and areas in the Vindholmen area of Arendal. This area was made available previously through a long-term lease with the landowner AFK, but in 2018 the plot was transferred to Vindholmen Eiendom.

An application to change the zoning plan for the area from purely commercial use to combined residential and commercial was approved by Arendal City Council in February 2018. The development project has been named Bryggebyen and the plan is to build 700 residential units over the coming 10–15 years. Project planning for the first stage of construction, encompassing 82 apartments, was completed in December 2018. Sales are scheduled to start in spring 2019.

STEINODDEN EIENDOM
The company owns the property Steinodden at Kilsund in Arendal, where Scanmatic AS ran its operations until May 2018 before moving to new premises at Bedriftsveien 17 in Arendal. The plan is for the property at Steinodden to be rezoned for residential use. AFK's shareholding is 72.3%.

BEDRIFTSVEIEN 17
In January 2016 AFK purchased all the shares in Bedriftsveien 17 AS in Arendal. Conversion to workshops and offices was completed in May 2017. The premises are leased to Scanmatic AS on a long-term agreement.

GEVINST- OG TAPSKONTO

DEBET:		KREDIT:	
Rente konto	kr. 126 539,58	Saldo fra forrige aar	kr. 31 087,83
Administration og kontorhold	» 52 274,91	Kraftleie konto	» 834 180,54
Anlæggets driftskonto	» 112 627,49		
Eiendommenes driftskonto	» 2 807,96		
Andel i Brugseierforeningens driftsutgifter	» 13 287,67		
Konto for skatter	» 83 844,98		
Konto for avgifter (stat og kommuner)	» 40 500,00		
Diverse undersøkelsesarbeider	» 352,50		
Overført til amortisationsfond for obligationslaanet	» 143 333,33		
Balance	» 289 699,95		
	Kr. 865 268,37		Kr. 865 268,37

BALANCEKONTO

AKTIVA:		PASSIVA:	
Eiendoms konto	kr. 763 120,98	Aktiekapitalens konto	kr. 3 600 000,00
Immobilie konto (Bøilefos Kraftanlæg m. v.)	» 4 855 256,97	Fornyelsesfond for kraftanlægget	» 160 000,00
Arendalsfeltene	» 317 112,57	Reservefondets konto	» 122 000,00
Rettigheters konto (andel Nidelvens regulering m. v.)	» 1 487 610,91	Amortisationsfond fremkommet ved indfrielse av obligationslaanet til senere disposition	» 573 333,33
Konto for værdipapirer	» 5 250,00	Dispositionsfondets konto kr. 50 000,00	
Inventarie konto	» 15 000,00	Overskud av A/S Barbusutlodning efter foretatavskrivning » 36 929,10	» 86 929,10
Material konto	» 22 811,08	Obligationslaanet	» 3 726 666,67
Diverse debitorer	» 29 252,87	Diverse kreditorer	» 7 728,22
Indestaaende i banker	» 1 096 250,99	Aktieutbytte konto	» 26 025,00
Kassa konto	» 715,90	Gevinst- og tapskonto	» 289 699,95
	Kr. 8 592 382,27		Kr. 8 592 382,27

ARENDAL & KRISTIANIA 31. december 1918. / 12. februar 1919

I DIREKTIONEN FOR AKTIESELSKAPET ARENDALS FOSSEKOMPANI

S. EYDE. AXEL SMITH. C. W. EGER. SIGURD BRINCH.

Regnskapet er revidert og fundet overensstemmende med bøkerne.

OLE J. HERLOFSON. C. B. EVENSEN.
Revisorer.

Annual Report 1918

The Norwegian industrialist Sam Eyde was among those signing on behalf of the board of Aktieselskapet Arendals Fossekompani in 1918. The company performed well during the year, and as a result the shareholders received a total dividend of NOK 216,000.

AKTIESELSKAPET ARENDALS FOSSEKOMPANI

GEVINST- OG TAPSKONTO
OG BALANCEKONTO

SAMT BERETNING OM
SELSKAPETS DRIFT

PR. 31. DECEMBER 1918

KRISTIANIA
EMIL MOESTUE A/S
1919

Director General Sam Eyde, Chairman of the Board Arendals Fossekompani, 1911–1920.

Financial statements and notes to the annual and consolidated financial statements

Income statement

(NOK thousand)	Note	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Continuing operations					
Operating revenues and operating costs					
Sales revenues	1	4 871 817	4 383 105	191 762	136 818
Other operating revenues	1,2	33 708	43 768	2 938	3 853
Total operating revenues		**4 905 525**	**4 426 873**	**194 701**	**140 672**
Cost of goods sold		2 419 703	2 116 459	5 167	2 777
Personnel costs	4	1 435 076	1 302 936	34 136	37 704
Other operating costs	7,19	549 711	519 847	32 695	28 709
Total operating costs		**4 404 490**	**3 939 242**	**71 997**	**69 190**
EBITDA		**501 035**	**487 630**	**122 703**	**71 481**
Depreciation of property, plant and equipment	5	122 632	109 001	7 050	6 429
Amortisation of intangible assets	6	74 053	77 039	274	245
Impairment of non-current assets	5,6	42 943	36 569		
Operating profit		**261 408**	**265 022**	**115 380**	**64 807**
Finance income and finance costs					
Income from investments in subsidiaries and associates	8,11			33 663	371 879
Finance income	8,25	94 330	158 488	81 442	2 454 918
Intra-group interest income	8			6 540	5 408
Finance costs	8	76 565	230 846	115 853	208 302
Net financial items	8	**17 765**	**-72 358**	**5 792**	**2 623 903**
Share of profit from associates	11	-3 061	-6 329		
Profit before taxes		**276 112**	**186 335**	**121 171**	**2 688 710**
Tax expense	9	135 376	87 812	70 392	17 240
Net profit for the year, continuing operations		**140 735**	**98 522**	**50 779**	**2 671 470**
Discontinued operations					
Profit from discontinued operations	26		2 400 984		
Net profit for the year		**140 735**	**2 499 507**	**50 779**	**2 671 470**
Attributable to					
Non-controlling interests		28 322	84 859		
Equity holders of the parent		112 413	2 414 647	50 779	2 671 470
Total		**140 735**	**2 499 507**	**50 779**	**2 671 470**
Basic/diluted earnings per share (NOK)	22	**51**	**1103**		
Basic/dil. earnings per share from cont. operations (NOK)	22	**51**	**6**		

Statement of comprehensive income

	Note	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Translation differences		6 611	-10 603		
Change in hedging reserve		-8 619	-5 385		
Change in fair value, financial assets at fair value through OCI	16	620 378	285 090	620 378	285 090
Change in fair value of available-for-sale equity instruments transferred to profit or loss	8,16		4 825		4 825
Tax on items that may be reclassified to profit or loss	9	1 761	1 243		
Items that may be reclassified to profit or loss		***620 131***	***275 171***	***620 378***	***289 915***
Actuarial gains and losses		1 863	-2 620	370	-2 870
Tax on actuarial gains and losses	9	-354	573	-81	660
Items that will not be reclassified to profit or loss		***1 508***	***-2 048***	***288***	***-2 210***
Other comprehensive income from discontinued operations			*1 925*		
Other comprehensive income for the period		**621 640**	**275 048**	**620 667**	**287 705**
Net profit for the year		140 735	2 499 507	50 779	2 671 470
Total comprehensive income for the period		**762 375**	**2 774 555**	**671 446**	**2 959 175**
Attributable to					
Non-controlling interests		28 984	92 298		
Equity holders of the parent		733 391	2 682 257	671 446	2 959 175
Total		**762 375**	**2 774 555**	**671 446**	**2 959 175**

Balance sheet

(NOK thousand)	Note	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Assets					
Property, plant and equipment	5	1 006 358	1 033 713	163 793	164 261
Intangible assets	6	757 963	799 327	7 379	5 916
Investments in subsidiaries	3, 5, 11			1 607 422	1 524 634
Investments in associates	11	17 379	20 440	22 762	22 762
Loans to Group companies				250 955	240 132
Other receivables and investments	12	193 458	182 625	146 657	119 374
Pension funds	4	28 824	26 338	7 436	5 999
Deferred tax assets	9	164 660	197 205	91 533	133 128
Total non-current assets		**2 168 643**	**2 259 648**	**2 297 936**	**2 216 206**
Inventories	13	360 246	290 481		
Trade and other receivables	13, 14, 16	1 470 800	1 525 300	6 239	11 094
Intra-group loans				66 535	34 001
Cash and cash equivalents	15	871 387	2 162 354	285 754	1 705 751
Financial assets at fair value through OCI	16	1 020 706	2 301 025	1 020 706	2 301 025
Total current assets		**3 723 138**	**6 279 160**	**1 379 233**	**4 051 871**
Total assets		**5 891 781**	**8 538 808**	**3 677 169**	**6 268 077**
Equity and liabilities					
Share capital (2,239,810 shares at NOK 100)	10	223 981	223 981	223 981	223 981
Other paid-in capital		1 117	1 117	1 117	1 117
Other reserves		888 231	1 907 930	889 059	1 895 225
Retained earnings		1 891 316	2 087 458	1 850 235	2 077 450
Total equity attributable to equity holders of the parent		**3 004 645**	**4 220 486**	**2 964 391**	**4 197 773**
Non-controlling interests	11	167 018	165 387		
Total equity		**3 171 663**	**4 385 873**	**2 964 391**	**4 197 773**
Liabilities					
Bond loans	**17, 25**	299 335	298 935	299 335	298 935
Interest and currency swaps related to bond loans	**16, 17**	100 037	96 466	100 037	96 466
Interest-bearing loans and borrowings	**17, 25**	377 745	1 727 865	198 522	1 535 290
Employee benefits	**4**	39 864	46 124	8 678	13 883
Provisions	**17**	70 658	25 879		
Deferred tax liabilities	**9**	91 275	89 411		
Total non-current liabilities		**978 915**	**2 284 681**	**606 572**	**1 944 574**
Interest-bearing loans and borrowings	**17, 25**	121 974	87 976		
Bank overdraft facility	**17**	173 821	152 376		
Trade and other payables	**18**	738 181	685 200	24 208	49 598
Taxes payable	**9**	84 398	106 381	48 269	29 841
Other current liabilities	**18**	622 831	836 321	14 108	29 270
Liabilities to Group companies				19 621	17 022
Total current liabilities		**1 741 204**	**1 868 255**	**106 206**	**125 730**
Total equity and liabilities		**5 891 781**	**8 538 808**	**3 677 169**	**6 268 077**

Froland, 26 March 2019

Øyvin A. Brøymer
Chairman

Morten Bergesen
Deputy Chairman

Didrik Vigsnes

Arild Nysæther

Kristine Landmark

Heidi Marie Petersen

Rikke T. Reinemo

Jarle Roth
CEO

Statement of changes in equity

(NOK thousand)

Group	Share capital	Other paid-in capital	Translation differences	Hedging reserve	Fair value reserve	Treasury shares	Total other reserves	Retained earnings	Total	Non-controlling interests	Total
2017											
Balance as at 1 January	223 981	92	116 806	-12 117	1 676 147	-72 231	1 708 605	752 239	2 684 917	495 706	3 180 624
Total comprehensive income for the period			-44 175	-7 162	289 915		238 577	2 443 679	2 682 257	92 298	2 774 555
Purchase/sale of treasury shares		1 025				1 393	1 393		2 418		2 418
Capital changes from subsidiaries			-58				-58	121 521	121 462	-101 336	20 127
Effect on sale of Glamox			-59 102	18 515			-40 587	-102 763	-143 350	-199 805	-343 155
Dividend to shareholders								-1 127 218	-1 127 218	-121 477	-1 248 695
Balance as at 31 December	**223 981**	**1 117**	**13 471**	**-765**	**1 966 062**	**-70 838**	**1 907 930**	**2 087 458**	**4 220 486**	**165 387**	**4 385 873**
2018											
Balance as at 31 December 2017	223 981	1 117	13 471	-765	1 966 062	-70 838	1 907 930	2 087 458	4 220 486	165 387	4 385 873
Restated as at 1 January 2018**								-6 735	-6 735		-6 735
Balance as at 1 January	223 981	1 117	13 471	-765	1 966 062	-70 838	1 907 930	2 080 723	4 213 751	165 387	4 379 138
Total comprehensive income for the period			-6 346	-7 187	620 378		606 845	126 546	733 391	28 984	762 375
Purchase/sale of treasury shares											
Capital changes from subsidiaries			-3	3				-37 669	-37 669	-18 763	-56 432
Dividend to shareholders*					-1 626 544		-1 626 544	-278 283	-1 904 828	-8 590	-1 913 418
Balance as at 31 December	**223 981**	**1 117**	**7 122**	**-7 949**	**959 896**	**-70 838**	**888 231**	**1 891 316**	**3 004 645**	**167 018**	**3 171 663**

Parent company	Share capital	Other paid-in capital	Translation differences	Hedging reserve	Fair value reserve	Treasury shares	Total other reserves	Retained earnings	Total	Non-controlling interests	Total
2017											
Balance as at 1 January	223 981	92			1 676 147	-72 230	1 603 917	535 408	2 363 398		2 363 398
Total comprehensive income for the period					289 915		289 915	2 669 260	2 959 175		2 959 175
Purchase/sale of treasury shares		1 025				1 393	1 393		2 418		2 418
Dividend to shareholders								-1 127 218	-1 127 218		-1 127 218
Balance as at 31 December	**223 981**	**1 117**			**1 966 062**	**-70 837**	**1 895 225**	**2 077 450**	**4 197 773**		**4 197 773**
2018											
Balance as at 1 January	223 981	1 117			1 966 062	-70 837	1 895 225	2 077 450	4 197 773		4 197 773
Total comprehensive income for the period					620 378		620 378	51 067	671 446		671 446
Purchase/sale of treasury shares											
Dividend to shareholders*					-1 626 544		-1 626 544	-278 283	-1 904 828		-1 904 828
Balance as at 31 December	**223 981**	**1 117**			**959 896**	**-70 837**	**889 059**	**1 850 235**	**2 964 391**		**2 964 391**

* In 2018 the shareholders were paid a dividend in kind through the allotment of 4.36 shares in Kongsberg Gruppen per share in Arendals Fossekompani.

** The implementation of IFRS 15 as of 1 January 2018 using the cumulative method reduced the Group's equity by NOK 6,735,000.

Translation differences
Translation differences consist of all foreign currency exchange differences arising on the translation of the financial statements of foreign operations with a different functional currency.

Hedging reserve
The hedging reserve consists of the effective portion of cumulative net changes in the fair value of cash flow hedges.

Fair value reserve
The fair value reserve consists of cumulative net changes in the fair value of "investments at fair value through other comprehensive income" until the investment is derecognised.

Treasury shares
Treasury shares refers to the acquisition cost of the company's shares that are owned by the Group. As at 31 December 2017 the Group held 50,852 (2016: 51,852) of the company's shares.

Statement of cash flows

(NOK thousand)

	Note	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Cash flow from operating activities					
Net profit for the year, continuing operations		**140 735**	**98 522**	**50 779**	**2 671 470**
Adjusted for					
Depreciation and impairment of property, plant and equipment		153 453	113 732	7 050	6 429
Amortisation of intangible assets		86 175	108 876	274	245
Net financial items		-17 765	72 358	-5 792	-2 623 903
Share of profits from associates		3 061	6 329		
Gain on sale of property, plant and equipment		-30 608	-233		-4
Tax expense		135 376	87 812	70 392	17 240
Total		**470 427**	**487 397**	**122 703**	**71 477**
Change in inventories		-60 548	414		
Change in trade and other receivables		-95 195	-221 214	6 210	-17 986
Change in trade and other payables		6 329	252 072	-37 013	40 152
Change in provisions and employee benefits		37 559	-24 983	-6 643	2 205
Total		**358 572**	**493 685**	**85 258**	**95 848**
Taxes paid		-108 094	-91 679	-29 841	-18 677
Net cash flow from operating activities	**A**	**250 478**	**402 006**	**55 417**	**77 172**
Cash flow from investing activities					
Interest received etc.	**8**	62 249	26 196	54 759	13 118
Dividends received		45 454	434 182	79 117	431 037
Proceeds from the sale of PP&E		27 518	11 472		2 580
Proceeds from the sale of available-for-sale assets			28 805		28 805
Proceeds from other investments		2 127	18 302		361
Proceeds from the sale of shares in subsidiaries		14 634	2 741 267		2 740 278
Purchase of shares in subsidiaries (reduced by cash balance)				-149 988	-144 417
Purchase of available-for-sale and held-for-trading assets		-730		-730	
Investment in associates and other long-term investments			-20 016		-17 766
Purchase of property, plant and equipment and intangible assets		-236 078	-205 344	-8 578	-7 908
Disbursements for other investments		-23 589	-11 667	-20 124	
Net cash flow from investing activities	**B**	**-108 414**	**3 023 197**	**-45 543**	**3 046 087**
Cash flow from financing activities					
Equity payment from non-controlling interests		151	294		
Payment for purchases of non-controlling interests		-52 366	-124 711		
New long-term borrowings	**25**	82 936	79 446		
Repayment of long-term borrowings	**25**	-1 397 984	-200 471	-1 339 428	-144 682
Change in non-current intra-group balances				-12 049	-34 522
Change in current intra-group balances				-29 690	19 570
Interest paid etc.	**8**	-78 050	-234 676	-45 303	-195 141
Net change in bank overdraft		20 185	-14 452		
Dividend paid		-12 442	-1 245 997	-3 400	-1 127 218
Purchase/sale of treasury shares			2 418		2 418
Net cash flow from financing activities	**C**	**-1 437 570**	**-1 738 149**	**-1 429 870**	**-1 479 575**
Net change in cash and cash equivalents	**A+B+C**	**-1 295 505**	**1 687 054**	**-1 419 997**	**1 643 684**
Cash and cash equivalents as at 1 January		2 162 354	455 730	1 705 751	62 067
Currency translation adjustments for cash and cash equivalents		4 538	19 570		
Cash and cash equivalents as at 31 December		**871 387**	**2 162 354**	**285 754**	**1 705 751**

Notes to the annual and consolidated financial statements for 2018

Accounting policies

Information about the company
Arendals Fossekompani ASA is domiciled in Norway, and with headquarters in Bøylefoss, in the Municipality of Froland. The consolidated financial statements for financial year 2017 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 associated interpretations, as well as Norwegian disclosure requirements pursuant to the Norwegian Accounting Act applicable as of 31December2017.

The annual and consolidated financial statements were approved by the board of directors on 26 March 2019.

The annual and consolidated financial statements will be submitted for adoption at the Annual General Meeting scheduled for 25 April 2019. 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 2018

The following new standards have been adopted by the Group with effect from 1 January 2018.

IFRS 15 Revenue from contracts with customers

The standard establishes a new five-step model which is applicable to revenue from contracts with customers. Revenue is recognised in the amount that reflects the consideration expected to be received in exchange for transfer of goods or services to a customer. In accordance with the new standard, variable consideration may only be recognised to the extent that it is highly probable that a significant reversal of accumulated revenue will not take place. The new principles introduced by IFRS 15 imply a more structured approach to measurement and recognition of revenue. Contracts with customers that are recognised in accordance with IFRS 9 Financial instruments should follow the principles of IFRS 9 as they are not within the scope of IFRS 15. The retrospective method was used on implementation of the standard and comparative figures for 2017 have not been restated. The implementation of IFRS 15 has not had a material impact on the financial statements of the Group.

IFRS 9 Financial instruments

In accordance with IFRS 9, classification of financial assets is based on the business model for managing financial assets and the contractual cash flow characteristics of the financial assets. The measurement categories under IAS 39 are replaced by three main categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income. Implementation of IFRS 9 has not had a materail impact on the financial statements of the Group and classification of the Group's financial assets and liabilities is unchanged. Shareholdings that were previously classified as Available-for-sale were measured at fair value through other comprehensive income in accordance with IFRS 39. According to IFRS 9, there is the option to choose whether changes in fair value should be recognsed in the income statement or in other comprehensive income. The Group will continue to measure existing shareholdings at fair value through other comprehensive income. For future investments this will be assessed separately for each new shareholding.

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 shareholdings in the acquired entity; less
- Net value (normally fair value) of identifiable 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. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated 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 acconted 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 mainly classified as fair value through other comprehensive income. After initial recognition, these instruments are measured at fair value. Changes in fair value are recognised in other comprehensive income.

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

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

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

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

Hedging activities
Cash flow hedge
When a derivative is designated as a hedging instrument on variability in cash flows for a recorded asset or liability, or for a highly probable forecast transaction, the effective portion of a change in fair value is recognised in other comprehensive income. The Group performs a qualitative 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 depreciation (see below) and any impairment losses. The cost for capital equipment produced by the company includes material costs, direct costs of labour and a reasonable share of indirect production costs.

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

Borrowing costs that are directly attributable to the acquisition of an asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. These borrowing costs are capitalised as part of the asset's cost when it is probable that they will lead to future benefits for the Group, and the costs can be measured in a reliable manner. Other borrowing costs are recognised in the income statement in the period in which they incur.

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

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

- Watercourse regulations 40–50 years
- Power generation
  - Buildings 50 years
  - Dams, water channels and hatches 25–40 years
  - Machine equipment 40 years
  - Thermal power plant (Spain) 25 years
  - Grid assets 25–35 years
- Industrial activities
  - Buildings 20–25 years
  - Machinery and equipment 7–15 years
- Operational moveable property, vehicles, equipment etc. 3–12 years

Residual value is assessed annually unless it is immaterial.

Leased assets
The company and the Group have individual lease agreements on terms that mostly transfer the economic rights and liabilities to the Group. These are classified as finance leases and are recognised according to accounting policies as for similar assets.

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

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

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

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

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

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

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

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

Amortisation
Amortisation is calculated and recognised in income using the straight-line-method over the estimated useful economic life of the intangible assets, unless the lifetime is indefinite. Goodwill is annually tested for impairment, at balance sheet date. Capitalised costs associated with the granting of concessions are amortised over the period until the next concession application. The amortisation period is 50 years. Excess values associated with customer relations, customer contracts, brands and own software development and other development costs are amortised over a period of 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. See also the section below on operating income and Note 13.

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

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

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

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

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

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

Intangible assets
The fair value of intangible assets is based on discounted forecast cash flows from the use and any subsequent sale of the assets.

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

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

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

Impairment
The carrying amount of the company's and Group's assets is, with the exception of inventories and deferred tax assets, reviewed each balance sheet date to assess whether there are indications of impairment. If any such indication exists, the asset's recoverable amount will be estimated.

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

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

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

Reversal of impairment
Impairments of goodwill are not reversed.

For other assets, impairment losses are reversed if there is a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

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

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

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

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

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

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 projects 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 recognised in the period they are identified.

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

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

Revenue from energy sales is recognised at the transaction date.

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

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

Government grants
Government grants that compensate for incurred expenses are recognised as a cost reduction in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants related to the acquisition of operating assets are recognised as reduction of cost and amortised by reducing amortisation over the operating asset's useful economic life.

Costs
Lease payments for operating leases
Lease payments for operating leases are recognised in the income statement on a linear basis over the lease term.

Any lease incentives received are recognised as an integral part of total lease costs.

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

Taxes
Income tax on the profit for the period consists of current and deferred tax. Income tax is recognised in the income statement with the exception of tax on items that are recognised directly in equity or in other comprehensive income. The tax effect of the latter items is recognised directly in equity or in other comprehensive income.

Current tax is the forecast tax payable on the year's taxable income at current tax rates at the balance sheet date, and any adjustments of tax payable for previous years less tax paid in advance.

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

Deferred tax assets are recognised only to the extent that it is probable that the asset can be utilised against future taxable results. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax asset will be realised.

Tax assets that can only be utilised via group contributions from the parent company are not recognised until the contribution has actually been paid and is recognised in the individual companies.

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

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 decision-maker.

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 2018. Based on the assessments made so far, it is assumed that the following standards and IFRICs will have an effect on future financial reporting:

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces the previous applicable standard on leases, IAS 17. The new standard changes the accounting treatment of leases that are recognised as operating leases under the current standard. It requires that all leases, regardless of their type and with few exceptions, must be recognised in the lessee's balance sheet as an asset with a corresponding liability. The standard is effective from 1 January 2019. Expected effect of implementation of IFRS 16 is disclosed in note 27.

Note 1 Segment reporting

(NOK thousand)

Segment information is presented for the company’s and the Group’s continuing operating segments. The division into operating segments shows the largest subgroups as separate segments. This is based on the Group’s management and internal reporting structure. Internal pricing between the segments is based on the arm’s length principle. Segment profit/loss, assets and liabilities include items that relate directly to the segments as well as items allocated based on a reasonable distribution formula. The “Other activities” segment comprises the companies: Markedskraft, Wattsight, Steinodden Eiendom, Arendal Lufthavn Gullknapp, Songe Træsliperi, Vindholmen Eiendom, Norsk Vekst and Bedriftsveien 17.

* Depreciation and impairment in the “Investment activities” segment refers to depreciation and impairment of excess value established on the acquisition of subsidiaries.

** Net financial items in the “Investment activities” segment " for the Group and in the “Total” column include shares of subsidiaries’ profits.

Group	**Energy sales**		**Investment activities***		**EFD**		**NSSL**		**Powel**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
At a point of time	190 824	136 818			573 806	417 478	753 152	773 148		
Over time					656 027	735 887			583 212	591 198
Other operating revenues	1 626	2 395	1 312	1 459	20 599	4 363	4 833	907	2 254	
Operating revenues	**192 451**	**139 213**	**1 312**	**1 459**	**1 250 432**	**1 157 728**	**757 984**	**774 055**	**585 466**	**591 198**
Operating costs	52 210	49 731	15 943	17 757	1 116 905	1 045 175	590 548	620 296	569 731	541 947
Depreciation, amortisation	6 903	6 674	20 142	15 506	25 668	24 169	57 698	51 697	42 992	79 392
Operating profit/loss	**133 338**	**82 808**	**-34 773**	**-31 804**	**107 859**	**88 384**	**109 738**	**102 062**	**-27 257**	**-30 141**
Net financial items**			36 267	-73 782	-5 692	-6 769	-47	-359	-860	444
Tax expense	72 247	43 059	-8 484	-32 224	35 302	27 840	26 404	24 243	-7 195	4 127
Net profit/loss for the year	**61 091**	**39 749**	**9 978**	**-73 362**	**66 866**	**53 776**	**83 287**	**77 460**	**-20 922**	**-33 824**
Segment assets	268 640	294 670	1 882 526	4 591 935	992 783	921 220	632 588	543 405	386 031	648 242
Segment liabilities	81 155	63 150	336 793	1 756 341	566 602	523 405	249 233	245 633	256 798	495 594
Net int.-bearing debt			-85 801	-128 638	65 094	81 047	-200 624	-91 645	62 291	96 834

Group, cont.	**Cogen**		**Scanmatic**		**Tekna**		**Other activities**		**Total**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
At a point of time	1 181 118	936 314			143 574	122 953	140 706	127 543	2 983 181	2 514 255
Over time			649 397	573 775					1 888 636	1 900 860
Other operating revenues	1 255	1 220			311	1 093	1 519	322	33 708	11 758
Operating revenues	**1 182 373**	**937 534**	**649 397**	**573 775**	**143 885**	**124 047**	**142 225**	**127 865**	**4 905 525**	**4 426 873**
Operating costs	1 141 925	863 259	605 763	532 424	165 549	142 187	145 916	126 468	4 404 490	3 939 242
Depreciation, amortisation	15 477	19 492	3 275	2 931	12 540	8 952	54 934	13 796	239 628	222 608
Operating profit/loss	**24 972**	**54 784**	**40 360**	**38 421**	**-34 204**	**-27 092**	**-58 625**	**-12 400**	**261 408**	**265 022**
Net financial items**	-4 473	5 547	-881	-122	-6 307	-5 419	-3 303	1 772	14 704	-78 687
Tax expense	7 669	13 034	8 113	8 075	1 256	-72	65	-270	135 376	87 812
Net profit/loss for the year	**12 830**	**47 296**	**31 366**	**30 224**	**-41 767**	**-32 439**	**-61 994**	**-10 358**	**140 735**	**98 522**
Segment assets	664 137	584 454	309 204	270 863	260 063	202 898	495 811	481 122	5 891 781	8 538 808
Segment liabilities	516 729	451 803	188 856	168 496	219 223	182 877	304 730	265 636	2 720 119	4 152 935
Net int.-bearing debt	149 145	115 341	-70	-18 731	154 912	126 111	-43 458	-73 380	101 489	106 939

Geographic area	**Norway**		**Europe**		**Asia**		**North America etc.**		**Consolidated**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Operating revenues	1 416 261	1 224 791	2 659 857	2 426 948	517 698	489 267	311 709	285 867	4 905 525	4 426 873
Segment assets	3 447 013	6 176 550	1 643 787	1 610 526	436 893	384 114	416 783	367 618	5 944 476	8 538 808

Parent company	**Energy sales**		**Investment activities**		**Total**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Operating revenues	**192 451**	**139 213**	**2 250**	**1 459**	**194 701**	**140 672**
Operating costs	52 210	49 731	19 788	19 460	71 997	69 190
Depreciation, amortisation	6 903	6 674	421		7 324	6 674
Operating profit/loss	**133 338**	**82 808**	**-17 959**	**-18 001**	**115 380**	**64 807**
Net financial items			5 792	2 623 903	5 792	2 623 903
Tax expense	72 247	43 059	-1 855	-25 819	70 392	17 240
Net profit/loss for the year	**61 091**	**39 749**	**-10 312**	**2 631 721**	**50 779**	**2 671 470**
Segment assets	268 640	294 670	3 408 529	5 973 407	3 677 169	6 268 077
Segment liabilities	81 155	63 150	631 623	2 007 154	712 778	2 070 304
Net int.-bearing debt			-85 801	-128 638	-85 801	-128 638

Note 2 Other operating revenues / Sales revenues

Other operating revenues	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Rental income	1 556	1 822	280	502
Other operating revenues	32 153	41 946	2 658	3 351
Total other operating revenues	**33 708**	**43 768**	**2 938**	**3 853**

Sales revenues

Sales revenues are specified for the parent company and subsidiaries in Note 1 Segment reporting. Refer to the description of operations in the annual report for details of the individual companies' sales.

Note 3
Subsidiaries acquired in 2018

The Group did not take over any subsidiaries of a material size or significance in 2018 or 2017.

Note 4 Employee benefits

	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Salaries	1 144 865	1 024 661	30 602	29 218
Social security contributions	158 367	138 125	4 674	3 923
Pension costs	54 013	55 146	-2 451	1 636
Other benefits	77 831	85 005	1 310	2 927
Total employee benefits	**1 435 076**	**1 302 936**	**34 136**	**37 704**
Number of full-time equivalents	**2 243**	**2 178**	**22**	**21**

2018	**Salaries, fees**	**Previous year's bonus paid out this year**	**Benefits in kind**	**Total remune-ration**	**Accrued pension costs**	**Number of board meetings (i)**
Senior executives						
Jarle Roth, CEO	3 918	2 431	241	6 590	99	
Lars Peder Fensli, CFO	1 824	554	18	2 396	97	
Morten Henriksen, Executive Vice President	2 150	651	21	2 822	101	
Torkil Mogstad, Executive Vice President	1 786	524	18	2 328	100	
Board members, audit and compensation committees						
Øyvin A. Brøymer, Chairman of the Board	453			453		11
Morten Bergesen, Deputy Chairman	364			364		11
Didrik Vigsnæs, Board member	259			259		11
Arild Nysæther, Board member	346			346		11
Heidi Marie Petersen, Board member	259			259		10
Kristine Landmark (from April 2018)	187			187		6
Rikke T. Reinemo (from April 2018)	221			221		5
Marianne Lie, Board member (until April 2018)	90			90		4
Marianne Sigurdson Lyngvi, Board member (until April 2018)	73			73		4
Total remuneration	11 930	4 160	298	16 388	397	

2017	**Salaries, fees**	**Previous year's bonus paid out this year**	**Benefits in kind**	**Total remune-ration**	**Accrued pension costs**	**Number of board meetings (i)**
Senior executives						
Jarle Roth, CEO	3 280	446	240	3 966	97	
Lars Peder Fensli, CFO	2 040	94	18	2 152	99	
Morten Henriksen, Executive Vice President	2 192	255	21	2 468	98	
Torkil Mogstad, Executive Vice President	1 629	179	18	1 826	98	
Board members, audit and compensation committees						
Øyvin A. Brøymer, Chairman of the Board	348			348		12
Morten Bergesen, Deputy Chairman	319			319		12
Didrik Vigsnæs, Board member	212			212		12
Arild Nysæther, Board member	313			313		12
Heidi Marie Petersen, Board member	212			212		11
Marianne Lie, Board member	262			262		12
Marianne Sigurdson Lyngvi, Board member	212			212		11
Total remuneration	11 019	974	297	12 290	392	

*(i) 11 Board meetings were held in 2018 and 12 in 2017

In addition, NOK 442,000 (286,000) 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 NSSL.
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.

Note 4 cont.

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 3,000 shares in the company at a 15% discount with a tie-in period of three years. Lars Peder Fensli, Morten Henriksen and Torkil Mogstad have the right to buy 1,000 shares on the same terms.

Pension liabilities / costs
The Group's Norwegian companies are legally obliged to operate an occupational pension scheme in accordance with the Norwegian Act relating to mandatory occupational pensions. The pension schemes satisfy the requirements of the Act. The pension scheme encompasses retirement pension, incapacity pension and survivor's pension. All companies in the Group have phased out defined-benefit plans with effect from 31 December 2015 at the latest. The exception to this is for employees over 60 years over age who were members of the AFK Pension Plan, who will remain in the defined-benefit pension scheme until reaching retirement age.

	Group		Parent company	
	2018	**2017**	**2018**	**2017**
Pension liabilities				
Present value of unfunded liabilities	29 680	34 226	7 605	12 168
Present value of funded liabilities	71 817	71 250	48 941	48 442
Fair value of pension assets	-100 641	-97 588	-56 377	-54 441
Recognised employers' contributions	1 072	1 716	1 072	1 716
Present value of net liabilities	**1 928**	**9 604**	**1 242**	**7 884**
Of which presented as pension assets	28 824	26 338	7 436	5 999
Other pension liabilities	9 112	10 182		
Gross pension liabilities	**39 864**	**46 124**	**8 678**	**13 883**
Change in recognised net liability for defined-benefit pensions				
Net funded defined-benefit pension liability as at 1 January	-26 338	-17 627	-5 999	-7 177
Liability for unfunded schemes as at 1 January	35 395	36 289	13 883	12 720
Paid-in contributions	-2 445	-11 487	-862	-119
Paid out from the scheme	-2 725	-3 431	-792	-678
Actuarial (gains) losses from other comprehensive income	-820	2 620	-370	2 870
Exchange rate changes, pension liabilities	1 813	1 272		
Costs of defined-benefit schemes	-2 953	1 968	-4 619	267
Net liability for defined-benefit schemes as at 31 December	**1 928**	**9 604**	**1 242**	**7 884**
Costs recognised in the income statement				
Costs relating to this period's pension entitlements	1 873	1 553	66	100
Interest on the liabilities	2 089	2 387	1 315	1 416
Expected return on pension plan assets	-2 356	-2 297	-1 288	-1 323
Recognised employers' contributions	305	297	152	74
Recognised actuarial gains/losses		28		
Effect of partial discontinuation of Board pensions	-4 864		-4 864	
Costs of defined-benefit pension schemes	**-2 953**	**1 968**	**-4 619**	**267**
Costs of defined-contribution pension schemes	55 992	52 875	1 194	1 066
Net interest on pension liabilities transferred to finance	-27	-92	-27	-92
Transfer effect of discontinuation of separate line in income statement	1 000	395	1 000	395
Total pension costs	**54 013**	**55 146**	**-2 451**	**1 636**
Actual return on pension plan assets	**-1 159**	**6 343**	**-653**	**4 301**

Assumptions for defined-benefit pension schemes

Significant actuarial assumptions at the balance sheet date (presented as weighted averages):
Table K2013BE is used to calculate life expectancy.

	Group		Parent company	
	2018	**2017**	**2018**	**2017**
Discount rate 31 December	2,60 %	2,40 %	2,60 %	2,40 %
Expected return on pension plan assets 31 December	2,60 %	2,40 %	2,60 %	2,40 %
Future wage growth	2,75 %	2,50 %	2,75 %	2,50 %
Expected adjustment to base amount (G)	2,50 %	2,25 %	2,50 %	2,25 %
Future adjustment of pensions	0,80 %	0,50 %	0,80 %	0,50 %

Investment profile for pension funds in the Group

	Shares	**Current bonds**	**Money market**	**Non-current bonds**	**Other**
31.12.2017	35 %	62 %	3 %	0 %	0 %
31.12.2018	34 %	65 %	1 %	0 %	0 %

Development of the Group's funded pension liabilities

	2018	**2017**	**2016**	**2015**	**2014**
Present value of funded defined-benefit pension liability	71 817	71 250	77 068	76 946	443 328
Fair value of pension plan assets	100 641	97 588	93 325	98 460	333 129
Deficit (surplus) for the scheme	**-28 824**	**-26 338**	**-16 257**	**-21 514**	**110 199**

Note 5 Property, plant & equipment
Group

2017	**Under construction**	**Hydropower stations**	**CHP plants***	**Other property****	**Machinery, fixtures**	**Total**
Cost						
Balance as at 1 January	168 389	314 489	597 382	402 758	746 073	2 229 091
Additions	55 223	2 291	932	14 710	77 382	150 538
Transferred from under construction	-215 063	12 242		202 022	799	
Disposals		-22 529	-243	-15 553	-29 345	-67 671
Exchange rate differences	3 142		50 977	-7 740	27 260	73 638
Balance as at 31 December	**11 691**	**306 493**	**649 048**	**596 197**	**822 168**	**2 385 597**
Accumulated depreciation and impairment						
Balance as at 1 January		167 147	434 870	111 554	522 020	1 235 591
Ordinary depreciation for the year		5 750	13 871	12 576	76 803	109 001
Impairment losses***				4 731		4 731
Disposals		-19 945	-316	-6 250	-26 359	-52 870
Exchange rate differences			37 903	1 778	15 751	55 431
Balance as at 31 December		**152 952**	**486 329**	**124 389**	**588 214**	**1 351 884**
Book value as at 1 January	**168 389**	**147 342**	**162 512**	**291 204**	**224 053**	**993 500**
Book value as at 31 December	**11 691**	**153 541**	**162 718**	**471 808**	**233 954**	**1 033 713**

2018	**Under construction**	**Hydropower stations**	**CHP plants***	**Other property****	**Machinery, fixtures**	**Total**
Cost						
Balance as at 1 January	11 691	306 493	649 048	596 197	822 168	2 385 597
Additions	26 047	656	15 164	25 174	91 069	158 109
Transferred from under construction						
Disposals			-11 897	-67 159	-28 514	-107 570
Exchange rate differences	43		7 859	-1 615	2 203	8 490
Balance as at 31 December	**37 781**	**307 150**	**660 173**	**552 597**	**886 925**	**2 444 627**
Accumulated depreciation and impairment						
Balance as at 1 January		152 952	486 329	124 389	588 214	1 351 884
Ordinary depreciation for the year		6 264	13 400	18 767	84 201	122 632
Impairment losses****				30 773	48	30 821
Disposals			-11 550	-41 421	-22 650	-75 621
Exchange rate differences			6 057	23	2 472	8 552
Balance as at 31 December		**159 216**	**494 237**	**132 531**	**652 285**	**1 438 269**
Book value as at 1 January	**11 691**	**153 541**	**162 718**	**471 808**	**233 954**	**1 033 713**
Book value as at 31 December	**37 781**	**147 934**	**165 937**	**420 066**	**234 640**	**1 006 358**

* CHP plants refers to Cogen's combined district heating and gas power plants.
** "Other property" includes a finance lease with a book value of NOK 15,722,000 that is discussed in more detail in Note 19.
*** Impairment losses in 2017 refer to the book value of properties in Vindholmen that are to be demolished in connection with development of the area. Impairment losses in 2018 refer to the decision made in 2018 to demolish a building in Vindholmen with a book value of NOK 4,034,000 as well as to construction in connection with the airport at Gullknapp with a book value of NOK 26,787,000 that has been written down to the assessed value.

Provision of security
As at 31 December 2018 operating assets in the subsidiaries with a book value of NOK 211,205,000 (2017: NOK 198,724,000) were pledged as security for bank loans (see Note 17).

Note 5 Property, plant & equipment cont.
Parent company

2017	**Under construction**	**Hydropower stations**	**Other property**	**Machinery, fixtures**	**Total**
Cost					
Balance as at 1 January	9 137	314 489	8 580	7 224	339 430
Additions	4 142	2 291		1 475	7 908
Addition of facilities under construction	-12 242	12 242			
Disposals		-22 529		-949	-23 478
Balance as at 31 December	**1 037**	**306 493**	**8 580**	**7 750**	**323 860**
Accumulated depreciation and impairment					
Balance as at 1 January		167 147	2 376	4 541	174 064
Ordinary depreciation for the year		5 750	131	548	6 429
Disposals		-19 945		-949	-20 895
Balance as at 31 December		**152 952**	**2 507**	**4 139**	**159 599**
Book value as at 1 January	**9 137**	**147 342**	**6 204**	**2 683**	**165 366**
Book value as at 31 December	**1 037**	**153 541**	**6 072**	**3 610**	**164 261**

2018	**Under construction**	**Hydropower stations**	**Other property**	**Machinery, fixtures**	**Total**
Cost					
Balance as at 1 January	1 037	306 493	8 580	7 750	323 860
Additions	4 767	656		1 418	6 841
Disposals			-260		-260
Balance as at 31 December	**5 804**	**307 150**	**8 320**	**9 168**	**330 441**
Accumulated depreciation and impairment					
Balance as at 1 January		152 952	2 507	4 139	159 599
Ordinary depreciation for the year		6 264	131	654	7 050
Disposals					
Balance as at 31 December		**159 216**	**2 639**	**4 793**	**166 648**
Book value as at 1 January	**1 037**	**153 541**	**6 072**	**3 610**	**164 261**
Book value as at 31 December	**5 804**	**147 934**	**5 681**	**4 374**	**163 793**

Note 6 Intangible assets

Group

2017	Intang. assets	Goodwill	Concessions	Total
Cost				
Balance as at 1 January	894 148	575 257	12 250	1 481 655
Additions	49 783	5 023		54 806
Acquired in business combinations and acquisitions		4 583		4 583
Disposals	-46 372	-20 388		-66 760
Exchange rate differences	22 944	32 281		55 225
Balance as at 31 December	**920 503**	**596 755**	**12 250**	**1 529 509**
Accumulated amortisation and impairment				
Balance as at 1 January	590 532	74 383	6 089	671 004
Ordinary amortisation for the year	76 794		245	77 039
Impairment for the year	26 372	5 466		31 838
Disposals	-44 283	-20 388		-64 671
Exchange rate differences	7 649	7 324		14 973
Balance as at 31 December	**657 063**	**66 785**	**6 334**	**730 182**
Book value 1 January	**303 616**	**500 873**	**6 161**	**810 651**
Book value 31 December	**263 441**	**529 970**	**5 916**	**799 327**

2018	Intang. assets	Goodwill	Concessions	Total
Cost				
Balance as at 1 January	920 503	596 755	12 250	1 529 509
Additions	76 235	1 733		77 968
Disposals	-59 773	-742		-60 515
Exchange rate differences	-569	5 995		5 425
Balance as at 31 December	**936 396**	**603 741**	**12 250**	**1 552 387**
Accumulated amortisation and impairment				
Balance as at 1 January	657 063	66 785	6 334	730 182
Ordinary amortisation for the year	73 808		245	74 053
Impairment for the year	10 213	1 909		12 121
Disposals	-30 626			-30 626
Exchange rate differences	1 402	7 291		8 693
Balance as at 31 December	**711 860**	**75 985**	**6 579**	**794 424**
Book value 1 January	**263 441**	**529 970**	**5 916**	**799 327**
Book value 31 December	**224 536**	**527 757**	**5 671**	**757 963**

Parent company

2017	Intang. assets	Goodwill	Concessions	Total
Cost				
Balance as at 1 January	471		12 250	12 721
Balance as at 31 December	**471**		**12 250**	**12 721**
Accumulated amortisation and impairment				
Balance as at 1 January	471		6 089	6 560
Ordinary amortisation for the year			245	245
Balance as at 31 December	**471**		**6 334**	**6 805**
Book value 1 January			**6 161**	**6 161**
Book value 31 December			**5 916**	**5 916**

2018	Intang. assets	Goodwill	Concessions	Total
Cost				
Balance as at 1 January	471		12 250	12 721
Additions	1 737			1 737
Balance as at 31 December	**2 208**		**12 250**	**14 458**
Accumulated amortisation and impairment				
Balance as at 1 January	471		6 334	6 805
Ordinary amortisation for the year	29		245	274
Balance as at 31 December	**500**		**6 579**	**7 079**
Book value 1 January			**5 916**	**5 916**
Book value 31 December	**1 708**		**5 671**	**7 379**

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

	Intang. assets	Goodwill	Concessions	Total
Intangible assets by company				
Arendals Fossekompani	1 708		5 671	**7 379**
Markedskraft	8 498	7 754		**16 252**
EFD	1 869	116 487		**118 357**
Powel	80 258	135 793		**216 051**
NSSL Global	21 879	256 090		**277 969**
Arendal Lufthavn Gullknapp				
Cogen	24 384	6 108		**30 492**
Tekna	84 808			**84 808**
Scanmatic	1 131	5 525		**6 656**
Total intangible assets	**224 536**	**527 757**	**5 671**	**757 963**

Intangible assets comprise capitalised development costs and licences for software as well as excess value associated with customer relationships, customer contracts, patents and trademarks. In Cogen intangible assets consist of CO_2 allowances purchased in the market. 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 2018 has been calculated in the same way as in 2017. Budgets have been used for 2019 and long-term budgets from strategy plans for the period up to 2023. In addition, a standard growth rate of 2% is applied up to 2027 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 of 6.1% was used for a company with risk as the market index. Special circumstances relating to the individual calculations are commented on below.

EFD
The required rate of return on total assets (the weighted average cost of capital (WACC) before tax) is set at 10%. When calculating WACC consideration is given to the fact that the group's earnings are in EUR and USD, and that the business is cyclical. The risk-free interest rate has been set at 1.7%.

Powel
The weighted average cost of capital (WACC before tax) is set at 11.5%. The risk-free interest rate has been set at 1.7%.

NSSL Global
The weighted average cost of capital (WACC before tax) is set at 9.5%. The risk-free interest rate has been set at 1.3%. When calculating WACC consideration is given to the fact that the group's earnings are in GBP and USD.

Cogen Energia España
The weighted average cost of capital (WACC before tax) is set at 10.5%. The risk-free interest rate has been set at 1.3%.

Tekna Holdings Canada
The weighted average cost of capital (WACC before tax) is set at 13.5%. The risk-free interest rate has been set at 2%.

Scanmatic
The weighted average cost of capital (WACC before tax) is set at 10.5%. The risk-free interest rate has been set at 1.7%.

Markedskraft
The weighted average cost of capital (WACC before tax) is set at 10.5%. The risk-free interest rate has been set at 1.7%.

Wattsight
The weighted average cost of capital (WACC before tax) is set at 9.5%. The risk-free interest rate has been set at 1.7%.

Gullknapp has recognised impairment losses of NOK 10,213,000 in respect of, among other things, capitalised project management in connection with the development of the airport. NSSL has recognised impairment losses of NOK 1,909,000 in respect of goodwill in connection with divested subsidiaries.

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

Research and development costs
In 2018 development costs of NOK 50,097,000 were capitalised (2017: NOK 49,891,000). Other research and development costs in the Group are expensed as they arise and amounted to NOK 158,597,000 in 2018 and NOK 122,502,000 in 2017.

CO_2 allowances
Cogen received no free CO_2 allowances for 2018. Actual emissions in 2018 were 229,000 tonnes. Allowances had been purchased for emissions of 90,000 tonnes as of 31 December 2018; the remainder have been or will be purchased in 2019. Accrued expenses of MEUR 2.1 have been recognised in respect of the purchase of CO_2 allowances.

Note 7 Other operating costs

	Group		Parent company	
	2018	2017	2018	2017
Other operating costs				
Maintenance of property, plant and equipment	37 183	31 610	6 985	5 759
Fees	48 608	43 233	4 584	3 429
Rent and related costs	104 603	123 877	2 111	1 655
Marketing, sales and advertising	32 262	33 428	541	572
ICT costs	55 233	45 797	2 897	2 014
Losses on receivables	2 898	3 325		
Insurance premiums	28 261	25 227	1 593	1 770
Property tax	10 184	11 198	4 229	5 619
Travel expenses	99 740	97 660	1 397	995
Concession fees	3 127	3 249	2 842	2 582
Other operating costs	127 613	101 241	5 516	4 316
Total other operating costs	**549 711**	**519 847**	**32 695**	**28 709**

	Group		Parent company	
	2018	2017	2018	2017
Remuneration to auditor				
Statutory audit	7 822	6 831	849	463
Other verification tasks	454	346	167	16
Tax advice	871	917	135	130
Other non-audit services	5 991	2 236	600	1 314
Total	**15 138**	**10 330**	**1 751**	**1 923**

Note 8 Finance income and finance costs

	Group		Parent company	
	2018	2017	2018	2017
Finance income				
Income from investments in subsidiaries and associates			33 663	371 879
Interest income	11 204	16 150	8 702	2 028
Intra-group interest income			6 540	5 408
Dividend income	45 454	59 158	45 454	59 158
Gains on disposal of securities	44	4 419	44	4 419
Gain on sale of Glamox (see Note 25)				2 323 477
Exchange gains on loans in foreign currency	33 821	72 832	27 010	64 796
Other finance income	3 807	5 928	232	1 040
Finance income	**94 330**	**158 488**	**121 645**	**2 832 205**
Finance costs				
Interest expense	55 649	78 904	40 152	64 824
Exchange losses on loans in foreign currency	12 469	137 130	3 571	126 531
Impairment of investment in avail.- for-sale current assets		10 200		10 200
Impairment of investments in subsidiaries/associates		4 000	67 200	4 000
Net interest expense from pension liabilities	27	92	27	92
Other finance costs	8 421	519	4 904	2 654
Finance costs	**76 565**	**230 846**	**115 853**	**208 302**
Net financial items	**17 765**	**-72 358**	**5 792**	**2 623 903**

Note 9 Tax expense

Ordinary income tax in Norway:

- Ordinary income tax on general income. The tax rate was 23% in 2018 and is being changed to 22% in 2019. The 22% tax rate was used to calculate Deferred tax assets and Deferred tax liabilities as at 31 December 2018.

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 35.7% in 2018 and will change to 37% in 2019.
  The 37% tax rate has been used to calculate Deferred resource rent tax assets as at 31 December 2018.

	Group		Parent company	
	2018	2017	2018	2017
Current tax expense				
Natural resource tax for the year	6 689	6 656	6 689	6 656
Tax payable on general income less natural resource tax	72 420	72 674	-6 689	-6 656
Adjustment for previous years	-2 320	95		
Resource rent tax payable for the year	41 579	23 185	41 579	23 185
Total current tax	**118 369**	**102 610**	**41 580**	**23 185**
Deferred tax expense				
Effect of change in temporary differences	15 273	-18 237	25 961	-10 467
Effect of changed tax rate	1 671	3 357	2 787	4 440
Effect of change in temporary differences, resource rent tax	1 128	1 273	1 128	1 273
Effect of changed tax rate, resource rent tax	-1 064	-1 190	-1 064	-1 190
Total deferred tax expense	**17 008**	**-14 798**	**28 812**	**-5 945**
Total tax expense in the income statement	**135 376**	**87 812**	**70 392**	**17 240**
Reconciliation of effective tax rate				
Profit before tax	**276 112**	**186 326**	**121 171**	**2 688 708**
Tax based on current ordinary tax rate	63 506	44 718	27 869	645 290
Resource rent tax for the year	42 708	23 267	42 708	23 267
Effect of non-deductible expenses	10 988	10 299	16 939	6 563
Effect of non-taxable income	-16 545	-20 713	-18 315	-662 259
Effect of unrecognised tax loss carryforward	26 549	25 399		
Effect of different tax rates abroad	2 156	656		
Effect of changed tax rates	74	3 475	1 191	4 440
Effect of changed tax assessments for previous years	1 465			
Over-/underprovision relating to previous years	4 476	710		-61
Tax expense in reconciliation of effective tax rate	**135 376**	**87 812**	**70 392**	**17 240**
Current ordinary tax rate in Norway	23,0 %	24,0 %	23,0 %	24,0 %
Effective tax rate	49,0 %	47,1 %	58,1 %	0,6 %
Tax recognised in other revenues and costs				
Relating to the hedging reserve	-1 761	-1 239		
Relating to actuarial gains and losses	354	-573	81	-660
Total tax recognised in other revenues and costs	**-1 407**	**-1 812**	**81**	**-660**

Tax payable

Tax payable of NOK 84,398,000 (2017: NOK 106,267,000) for the Group and NOK 48,269,000 (2017: NOK 29,270,000) for the parent company consists of unassessed tax payable for the current period.

Note 9 Tax expense cont.

Deferred tax assets and deferred tax liabilities

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Group						
Property, plant and equipment	34 580	29 372	-39 838	-48 474	-5 258	-19 102
Goodwill, intangible assets	505	638	-28 595	-37 701	-28 090	-37 064
Non-current receivables and liabilities in foreign currency				-469		-469
Construction contracts	1 259	474	-24 381	-15 106	-23 122	-14 632
Inventories	7 926	4 548	-1 688	-1 236	6 238	3 312
Overdue receivables	686	537	-11		675	537
Leases	2 513	2 860			2 513	2 860
Gains and losses account	1 501	402	-22	-29	1 479	373
Provisions	8 417	10 644		-331	8 417	10 313
Other items	2 421	572	-2 012	-647	409	-75
Financial instruments	25 101	23 509			25 101	23 509
Employee benefits	5 868	7 283	-1 853	-1 290	4 015	5 993
Tax loss carryforward	190 031	225 930			190 031	225 930
- Unrecognised tax loss carryforward	-139 314	-124 047			-139 314	-124 047
=Recognised tax loss carryforward	50 718	101 883			50 718	101 883
Total deferred ordinary income tax	**141 494**	**182 721**	**-98 400**	**-105 282**	**43 094**	**77 439**
Property, plant & equipment, resource rent tax	30 291	30 355			30 291	30 355
Total deferred resource rent tax	**30 291**	**30 355**			**30 291**	**30 355**
Deferred tax asset/liability	**171 785**	**213 076**	**-98 400**	**-105 282**	**73 385**	**107 794**
Offsetting of assets and liabilities	-7 125	-15 871	7 125	15 871		
Net deferred tax asset/liability	**164 660**	**197 205**	**-91 275**	**-89 411**	**73 385**	**107 794**

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Parent company						
Property, plant and equipment	17 993	19 546			17 993	19 546
Gains and losses account	165	215			165	215
Financial instruments	22 008	22 187			22 008	22 187
Employee benefits	273	1 813			273	1 813
Tax loss carryforward	20 803	59 012			20 803	59 012
Total deferred ordinary income tax	**61 242**	**102 773**			**61 242**	**102 773**
Property, plant & equipment, resource rent tax	30 291	30 355			30 291	30 355
Total deferred resource rent tax	**30 291**	**30 355**			**30 291**	**30 355**
Deferred tax assets/liabilities	**91 533**	**133 128**			**91 533**	**133 128**
Offsetting of assets and liabilities						
Net deferred tax asset	**91 533**	**133 128**			**91 533**	**133 128**

Note 9 Change in deferred tax over the year

	Balance 1 January	Recognised in income	From Other comp. income	Change in tax loss carry-forward	Mergers, demergers and acquisit.	Exchange rate differences	Balance 31 December	Balance 1 January	Recognised in income	Changed accounting policy	From Other comp. income	Change in tax loss carry-forward	Mergers, demergers and acquisit.	Exchange rate differences	Balance 31 December
Group															
Ordinary income tax															
Property, plant and equipment	-21 674	2 961			1 368	-1 758	-19 102	-19 102	13 202					637	-5 263
Goodwill, intangible assets	-46 416	10 222			356	-1 227	-37 064	-37 064	10 170				-593	-603	-28 090
Non-current receivables and liabilities i	-464	31				-37	-469	-469	458					12	
Construction contracts	-16 795	2 394				-230	-14 632	-14 632	-11 418	2 863				64	-23 122
Inventories	3 477	-423				257	3 312	3 312	2 784					142	6 238
Overdue receivables	483	133			-112	34	537	537	129					9	675
Leases	3 221	-595				235	2 860	2 860	-366					18	2 513
Gains and losses account	-112	466			20	-0	373	373	1 106						1 479
Provisions	5 259	4 382				672	10 313	10 313	-1 937					41	8 417
Other items	-989	963				-48	-75	-75	376					108	409
Financial instruments	38 127	-15 924	1 239			67	23 509	23 509	-179		1 761			9	25 101
Employee benefits	6 617	-1 627	573			430	5 993	5 993	-1 676		-354			58	4 020
Tax loss carryforward	91 373	11 896		-1 675	-2 900	3 188	101 883	101 883	-29 592			-12 702	-8 927	56	50 718
Total ordinary income tax	**62 108**	**14 879**	**1 812**	**-1 675**	**-1 268**	**1 583**	**77 439**	**77 439**	**-16 944**	**2 863**	**1 407**	**-12 702**	**-9 520**	**551**	**43 094**
Resource rent tax															
Property, plant and equipment	30 437	-82					30 355	30 355	-64						30 291
Total resource rent tax	**30 437**	**-82**					**30 355**	**30 355**	**-64**						**30 291**
Total change in deferred tax	**92 545**	**14 797**	**1 812**	**-1 675**	**-1 268**	**1 583**	**107 794**	**107 794**	**-17 008**	**2 863**	**1 407**	**-12 702**	**-9 520**	**551**	**73 385**
Parent company															
Ordinary income tax															
Property, plant and equipment	21 650	-2 104					19 546	19 546	-1 553						17 993
Gains and losses account	-71	287					215	215	-51						165
Financial instruments	38 111	-15 924					22 187	22 187	-179						22 008
Employee benefits	1 330	-177	660				1 813	1 813	-1 459		-81				273
Tax loss carryforward	36 586	23 945		-1 520			59 012	59 012	-25 507			-12 702			20 803
Total ordinary income tax	**97 606**	**6 027**	**660**	**-1 520**			**102 773**	**102 773**	**-28 748**		**-81**	**-12 702**			**61 242**
Resource rent tax															
Property, plant and equipment	30 437	-82					30 355	30 355	-64						30 291
Total resource rent tax	**30 437**	**-82**					**30 355**	**30 355**	**-64**						**30 291**
Total change in deferred tax	**128 043**	**5 945**	**660**	**-1 520**			**133 128**	**133 128**	**-28 812**		**-81**	**-12 702**			**91 533**

Note 10
Equity

	Share capital	
	Ordinary shares	
	2018	2017
Issued as at 31 December – fully paid up	2 239 810	2 239 810
	2 239 810	2 239 810

As at 31 December 2018 registered share capital consisted of 2,239,810 ordinary shares (2017: 2,239,810). The shares have a par value of NOK 100 (2017: 100).

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
The company's shareholding in Kongsberg Gruppen was distributed as an ordinary dividend in May 2018.
The ordinary dividend for 2018 was proposed by the Board of Directors after the balance sheet date. An ordinary dividend of NOK 56 per outstanding share has been proposed for 2018.
No provision has been made for the proposed dividend and there are no tax consequences.
No dividend is paid on treasury shares.

	Ordinary dividend	
	Proposal for 2018, to be paid out in 2019	Approved in 2017, paid out in 2018
Dividend in kind: 4.36 shares in Kongsberg Gruppen per share in AFK (value 31 December 2017)		1 444 383
Ordinary cash dividend: NOK 56,00 per share	122 582	
Total:	122 582	1 444 383

Note 11
Group companies

Subsidiaries	Domicile	Shareholding		Non-controlling interests' share of equity, by subgroup		Value in parent company balance sheet	
		2018	2017	2018	2017	2018	2017
Markedskraft AS*	Arendal	93,3 %	72,0 %	3 286	15 414	34 540	20 790
Wattsight AS*	Arendal	90,7 %	72,0 %	2 300	4 834	39 953	19 190
Scanmatic AS	Arendal	68,9 %	67,7 %	63 585	54 491	7 763	5 716
Steinodden Eiendom AS	Arendal	77,6 %	73,1 %	805	1 026	7 733	7 141
Songe Træsliperi AS	Risør	50,8 %	50,8 %	27	27	100	100
EFD AS	Skien	97,8 %	97,5 %	9 252	9 912	424 658	412 182
Powel AS	Trondheim	96,7 %	96,1 %	4 330	6 872	310 103	306 758
Arendal Lufthavn Gullknapp AS	Froland	91,0 %	89,9 %	8 692	13 564	87 722	135 073
Vindholmen Eiendom AS	Arendal	100,0 %	100,0 %	-	-	73 250	58 250
Bedriftsveien 17 AS	Arendal	100,0 %	100,0 %	-	-	12 837	12 837
Norsk Vekst AS	Arendal	100,0 %	100,0 %	-	-	113	113
NSSL Global Ltd	UK	80,0 %	80,0 %	76 670	59 554	273 298	273 298
Cogen Energia España S.L.	Spain	100,0 %	100,0 %	620	(307)	90 699	90 699
Tekna Holdings Canada Inc.	Canada	100,0 %	100,0 %	-	-	244 654	182 487
Total				169 567	165 387	1 607 422	1 524 633

Dividends and group contributions from subsidiaries are recognised as income in the parent company in the amount of NOK 33,663,000 in 2018 and NOK 371,879,000 in 2017.

* Wattsight AS was spun off from Markedskraft AS at the end of December 2017.

Note 11 cont.

			Shareholding	
			2018	2017
Subsidiary of Wattsight AS				
Wattsight GmbH	Berlin	Germany	100,0 %	100,0 %
Subsidiaries of 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.	Wolverhampton	UK	100,0 %	100,0 %
EFD Induction Inc.	Detroit	USA	100,0 %	100,0 %
EFD Induction AB	Västerås	Sweden	100,0 %	100,0 %
EFD Induction s.r.l.	Milan	Italy	100,0 %	100,0 %
EFD Induction Ltd.	Bengaluru	India	100,0 %	100,0 %
EFD Induction (Shanghai) Co., Ltd.	Shanghai	China	100,0 %	100,0 %
EFD Induction Ges.m.b.H.	Vienna	Austria	100,0 %	100,0 %
EFD Induction s.l.	Bilbao	Spain	100,0 %	100,0 %
Inductro SRL	Bucharest	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	São Paolo	Brazil	100,0 %	100,0 %
EFD Induction Oil & Gas Service	Penang	Malaysia	100,0 %	100,0 %
EFD Induction S de R.L.	Queretaro	Mexico	100,0 %	
Subsidiaries of Powel ASA				
Powel Energy Management AB	Jönköping	Sweden		100,0 %
Powel Danmark A/S	Odense	Denmark	100,0 %	100,0 %
Cascade AS	Tønsberg			100,0 %
Powel AB	Jönköping	Sweden	100,0 %	100,0 %
Powel AG	Basel	Switzerland	100,0 %	100,0 %
Powel Enerji Cözümleri Ltd	Istanbul	Turkey	100,0 %	100,0 %
Powel Sp. Z.o.o.	Gdansk	Poland	100,0 %	100,0 %
Metertech AS	Trondheim			51,0 %
Powel Construction AS	Trondheim		100,0 %	100,0 %
Powel Metering AS	Trondheim			100,0 %
Powel Environment AS	Trondheim		100,0 %	
Powel GmbH	Düsseldorf	Germany	100,0 %	100,0 %
Powel Analytics AS	Trondheim		100,0 %	100,0 %
Subsidiaries of NSSL Global Ltd.				
NSSL Global LLC	California	USA	100,0 %	100,0 %
Aero-Satcom Ltd.	London	UK	50,0 %	50,0 %
Marine Electronic Solutions Ltd.	London	UK	51,0 %	51,0 %
NSSLGlobal Technologies AS	Oslo		100,0 %	100,0 %
NSSL Global PTE Ltd	Singapore	Singapore	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.	Warsaw	Poland	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 %
NSSL Global PTY Ltd		South Africa	100,0 %	100,0 %
NSSLGlobal Israel Ltd		Israel	100,0 %	
Subsidiaries of Scanmatic AS				
Scanmatic Elektro AS	Arendal		51,0 %	51,0 %
Scanmatic Enviromental Technology AB	Åkersberga	Sweden	100,0 %	100,0 %
Scanmatic Instrument Technology AS	Ås		100,0 %	100,0 %
Subsidiary of Scanmatic Elektro AS				
Optonet AS	Søgne			100,0 %
Subsidiaries of Cogen Energia España S.L.				
Tortosa Energia SA	Tortosa	Spain	94,0 %	94,0 %
Cogen Eresma SL	Segovia	Spain	89,9 %	89,9 %
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	75,0 %	75,0 %
Subsidiaries of 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.	Macon	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 %

Note 11 cont.
Investments in associates

Unit	Industry	Shareholding	Carrying amount as at 1 Jan	Shares purchased	Shares sold	*Shares reclassified	Other revenues and costs	Share of profit/loss	Impairment	Carrying amount, Group 31 Dec	Cost, 31 Dec
NorSun	PV manufacture	21,3 %	20 440					-3 061		17 379	22 762
Flumill AS*		45,3 %	0					0		0	53 434
Total investments in associates			**20 440**					**-3 061**		**17 379**	**76 197**

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

Summary financial information for the individual companies, based on 100%

Unit	Sales	Profit/loss for the year	Other comp. income	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity
NorSun	515 591	-14 379		256 702	175 735	139 319	147 688	145 430
Flumill AS	51	-1 571		54 447	95	1 383	3 849	49 310
Total	**515 642**	**-15 950**		**311 149**	**175 830**	**140 702**	**151 537**	**194 740**

The information has been taken from provisional financial statements and therefore does not show the final figures for the companies.
The CFO of Arendals Fossekompani is a member of the board at NorSun.
The COO of Arendals Fossekompani is a member of the board at Flumill.

Note 12 Other receivables and investments

	Group		Parent company	
	2018	**2017**	**2018**	**2017**
Long-term investments				
Loans to employees	1 895	2 599	935	1 214
Contributions to company pension plan	12 000	12 000	12 000	12 000
Natural resource tax receivable	74 257	67 099	74 257	67 099
Other non-current receivables	51 827	57 729	18 139	23 350
Other investments	53 478	43 198	41 325	15 711
Total long-term investments	**193 458**	**182 625**	**146 657**	**119 374**

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.

Note 13 Inventories

	Group	
	2018	**2017**
Inventories		
Raw materials	133 293	108 595
Work in progress	109 219	66 858
Spare parts	36 156	24 939
Finished goods	81 578	90 089
Total inventories (net after provision for obsolescence)	**360 246**	**290 481**
Provision for obsolescence	23 001	17 178

Construction contracts
The subsidiaries EFD, 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	
	2	**2017**
Earned, uninvoiced revenues (advance payments from customers)	294 181	280 508
- Provision for losses	-11 261	
- Of which invoiced	-150 234	-357 736
Advance payments from customers / Accrued receivables	**132 686**	**-77 229**

(See Note 18 / Note 14)
There are no retained payments from customers.

Note 14 Trade and other receivables

	Group		Parent company	
	2018	**2017**	**2018**	**2017**
Trade receivables	1 004 738	1 141 498	2 087	6 835
Other receivables and prepayments (including accrued receivables)	465 976	383 802	4 152	4 259
	1 470 800	**1 525 300**	**6 239**	**11 094**

See also Note 16 under Credit risk.

Note 15 Cash and cash equivalents

	Group		Parent company	
	2018	**2017**	**2018**	**2017**
Bank deposits	871 357	2 162 328	285 754	1 705 751
Cash	30	26		
	871 387	**2 162 354**	**285 754**	**1 705 751**

Note 16 Financial risk management / financial instruments

Overview of the company's and the Group's financial instruments

Fair value and corresponding carrying amount value:

	Group				Parent company			
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
	2018	2018	2017	2017	2018	2018	2017	2017
Trade and other receivables such as derivatives*	1 470 800	1 470 800	1 525 300	1 525 300	6 239	6 239	11 094	11 094
Cash and cash equivalents*	871 387	871 387	2 162 354	2 162 354	285 754	285 754	1 705 751	1 705 751
Financial assets at fair value through other comprehensive income*	1 020 706	1 020 706	2 301 025	2 301 025	1 020 706	1 020 706	2 301 025	2 301 025
Other receivables and investments*	193 458	193 458	182 625	182 625	146 657	146 657	119 374	119 374
Loans to Group companies*					317 489	317 489	274 133	274 133
Derivatives, interest and currency swaps	-100 037	-100 037	-96 466	-96 466	-100 037	-100 037	-96 466	-96 466
Derivative liabilities, included in trade payables	-25 407	-25 407	-8 497	-8 497	0	0	0	0
Interest-bearing loans and borrowings*	-673 540	-673 540	-1 968 217	-1 968 217	-198 522	-198 522	-1 535 290	-1 535 290
Bond loans	-299 335	-317 515	-298 935	-330 855	-299 335	-317 515	-298 935	-330 855
Trade and other payables*	-712 774	-712 774	-676 703	-676 703	-24 208	-24 208	-49 598	-49 598
Other current liabilities*	-622 831	-622 831	-836 321	-836 321	-14 107	-14 108	-29 270	-29 270
Liabilities to Group companies*					-19 621	-19 621	-17 022	-17 022
	1 122 427	1 104 247	2 286 165	2 254 245	1 121 015	1 102 834	2 384 796	2 352 876
Unrealised gains / losses:		-18 180		-31 920		-18 180		-31 920

* 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 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).

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
- Financial assets at fair value through OCI	3 035	1 017 670		1 020 705
- Bond loans		-317 515		-317 515
	3 035	700 155		703 190
Other derivative financial assets				
Interest and currency swaps related to bond loans		-100 037		-100 037
Other derivative financial liabilities		-25 407		-25 407
	3 035	574 711		577 746
2017				
- Financial assets at fair value through OCI	1 444 383	856 642		2 301 025
- Bond loans		-330 855		-330 855
	1 444 383	525 787		1 970 170
Other derivative financial assets				
Interest and currency swaps related to bond loans		-96 466		-96 466
Other derivative financial liabilities		-8 497		
	1 444 383	420 824		1 865 207

Note 16 Financial risk management / financial instruments cont.

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	
	2018	2017	2018	2017	2018	%	2017	%	2018	2017
Listed shares										
Kongsberg Gruppen	25 812	9 552 796	0,0	8,0	4 130,0	6,8	278 283	83,0	3 035	1 444 383
Total listed shares					**4 130,0**		**278 283**		**3 035**	**1 444 383**
Unlisted shares										
Silver Pensjonsforsikring		784 947	3,4				196	0,1		-
Eiendomsspar	390 432	390 432	1,0	1,0	2 490,0	4,1	2 490	0,7	147 974	137 822
Victoria Eiendom	870 959	870 959	6,1	6,1	23 621,0	38,8	23 621	7,0	592 252	470 318
Oslo Børs VPS Holding	1 996 000	1 996 000	4,6	4,6	30 569,0	50,3	30 569	9,1	277 444	248 502
Total unlisted shares					**56 680**		**56 876**		**1 017 670**	**856 642**
Total available-for-sale shares held by the parent company and the Group					**60 810**	100,0	**335 159**	100,0	**1 020 705**	**2 301 025**

Fair value – change during the year:

Fair value 1 January 2018	**2 301 025**
Change in value recognised in other comprehensive income	620 378
Shares in Kongsberg Gruppen distributed as dividend in kind	(1 900 698)
Fair value 31 December 2018	**1 020 705**

Dividends were received as follows: Kongsberg Gruppen NOK 64,000 (NOK 35,823,000), Eiendomsspar NOK 1,757,000 (NOK 1,659,000), Victoria Eiendom NOK 6,097,000 (NOK 5,661,000) and Oslo Børs VPS Holding NOK 36,327,000 (NOK 15,669,000)

Sensitivity analysis indicates that a 10% change in fair value as at 31 December 2018 would change equity by NOK 102,071,000 and profit for the year from continuing operations by NOK 0 (2017: by NOK 230,102,000 and NOK 0 respectively).

No other companies in the Group have material holdings of held-for-trading financial assets or available-for-sale financial assets.

Financial risk management

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

- Credit risk

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

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

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

Note 16 Financial risk management / financial instruments cont.

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

	Group		Parent company	
	2018	2017	2018	2017
Total carrying amount of receivables	1 339 031	1 311 743	22 408	19 702
Of which due for payment	360 712	105 587		233
Provision for losses	12 196	6 774		

Recognised losses on receivables in 2018 amount to NOK 0 for the parent company and are expensed net at NOK 5,231,000 for the Group.
For 2017 recognises losses were NOK 0 thousand for the parent company and NOK 8,449,000 for the Group (continuing operations).

Trade receivables:

Breakdown of the book value of outstanding trade receivables:

Receivables	Current	1 to 30 days	31 to 60 days	61 to 90 days	>90 days	Total
AFK parent	1 327	545	215			2 087
EFD	193 003	17 421	4 671	3 725	4 422	223 243
NSSL	86 194	7 266	4 433	3 464	3 164	104 522
Powel	53 338	11 754	1 685	303	447	67 528
Cogen	97 182	106 473	49 418	48 412	570	302 055
Tekna	5 845	4 176	2 445	448	2 552	15 467
Scanmatic	108 392	5 803	423	506	63 988	179 112
Wattsight	1 908	-	854	156	1 065	3 983
Markedskraft	64 135	24 547	13 068	12 876	-8 108	106 518
Real estate	185			20	20	225
Total	**611 510**	**177 986**	**77 213**	**69 911**	**68 120**	**1 004 739**

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

Recognised losses	Current	1 to 30 days	31 to 60 days	61 to 90 days	>90 days	Total
AFK parent	-	-	-	-	-	-
EFD	488	67	172	245	5 255	6 227
NSSL	119	60	267	164	4 325	4 936
Powel	-		100	200	400	700
Cogen	-	-	-	-	-	-
Tekna	-	-	-	-	-	-
Scanmatic	-	-	-	-	-	-
Wattsight	-	-	-	-	303	303
Markedskraft	-	-	-	-	-	-
Real estate				10	20	30
Total	**608**	**127**	**539**	**619**	**10 303**	**12 196**

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

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

Provision for losses	Total
Opening balance 2018	6 774
Change resulting for changes in expected losses (loss rates) and change resulting from changes in outstanding receivables (volume)	10 653
Realised losses during the period (-)	-5 231
Closing balance 2018	12 196

- 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.

The EFD subgroup has established an international group account arrangement covering the subsidiaries in Europe and America. 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
2018							
Interest-bearing loans and borrowings	799 054	883 918	90 388	22 882	84 478	612 577	73 594
Bank overdraft facility	173 821	173 821	173 821				
Trade and other payables	712 773	712 774	711 905	869			
Other current liabilities	622 830	622 830	506 796	116 034			
Derivatives, see Note 17	125 444	125 444	10 217	5 849	3 745	105 634	
Total	**2 433 922**	**2 518 787**	**1 493 126**	**145 634**	**88 223**	**718 211**	**73 594**
2017							
Interest-bearing loans and borrowings	2 114 776	2 247 959	68 836	70 850	147 514	1 900 428	60 331
Bank overdraft facility	152 376	152 376	152 376				
Trade and other payables	676 703	676 990	676 990				
Other current liabilities	836 321	836 321	747 860	88 461			
Derivatives, see Note 17	104 963	104 963	5 200	3 297		96 466	
Total	**3 885 140**	**4 018 610**	**1 651 263**	**162 608**	**147 514**	**1 996 894**	**60 331**

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
2018							
Interest-bearing loans and borrowings	497 857	552 386	10 231	10 231	20 461	511 464	
Trade and other payables	24 208	24 208	24 208				
Other current liabilities	14 108	14 108	14 108				
Derivatives, see Note 17	100 037	100 037				100 037	
Total	**636 210**	**690 738**	**48 546**	**10 231**	**20 461**	**611 501**	
2017							
Interest-bearing loans and borrowings	1 834 225	1 941 112	21 377	21 377	42 755	1 855 602	
Trade and other payables	49 598	49 598	49 598				
Other current liabilities	29 270	29 270	29 270				
Derivatives, see Note 17	96 466	96 466				96 466	
Total	**2 009 558**	**2 116 446**	**100 245**	**21 377**	**42 755**	**1 952 068**	

- Market risk

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

Foreign exchange risk

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

Exposure as at 31 December was as follows: (EUR thousand)

	Group		Parent company	
	2 018	2017	2 018	2017
Bank deposits	6 491	19 431	792	1 404
Trade receivables	19 285	10 440	1 508	569
Trade payables	-4 765	-3 963	0	0
Interest-bearing liabilities	-123 631	-262 487	-38 511	-102 644
Balance sheet exposure	**-102 620**	**-236 579**	**-36 211**	**-100 671**

A sensitivity analysis indicates that a 5% appreciation of NOK against EUR as at the year-end would impact earnings for the Group in 2018 by the equivalent of MEUR +5.1 and in 2017 by the equivalent of MEUR +11.8. 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.
As at 31 December 2018 the parent company had debenture loans totalling GBP 5,000,000 (the equivalent figure as at 31 December 2017 was GBP 27,000,000).

Hedge accounting
Some customer contracts are currency-hedged when entered into. Currency hedging is also carried out in some cases for budgeted cash flows in foreign currency. EFD reports both cash flow hedging and fair value hedging as hedge accounting.
At year-end EFD had the following forward currency contracts specified as hedging:

Amounts in NOK thousand	Contract value	Unrealised gains/losses
Hedging of future cash flows	577 658	(25 010)
Fair value hedging	8 675	(398)
Balance sheet exposure	**586 333**	**(25 407)**

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:

Currency	2019	2020	2021	Nominal amount (currency)	Carrying amount (NOK '000)
EUR	14 400	10 125	5 300	**29 825**	-9 501
USD	15 120	8 400	4 000	**27 520**	-15 734
JPY	15 000			**15 000**	-48
GBP	355			**355**	-124
Total					**-25 407**

Change in carrying amount in the period:	
Carrying amount 1 January	**-8 497**
Change in value recognised in other comprehensive income	-8 619
Reclassified from other comprehensive income to profit or loss	-8 291
Carrying amount 31 December	**-25 407**

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 NOK -1.0 million.
The amount is stated before taxes.

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

Market risk relating to securities
The company and the Group are exposed to price risk on investments in equity instruments classified as held for trading or available for sale. All decisions on significant purchases and sales are made by the Board of Directors. The main objective of the investment strategy is to maximise the return through ongoing dividends and increases in the value of the portfolio.

An overview of the company's financial assets held for trading and financial assets available for sale is given earlier in this note.

Note 17
Interest-bearing loans and borrowings, and provisions
Interest-bearing loans and borrowings
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.

Bond loans:	2018	2017
5.95% loan 2011–2021	300 000	300 000
- capitalised loan costs	665	1 065
= Booked value	299 335	298 935
Fair value (see Note 16)	317 515	330 855

This loan is linked to an interest rate and currency swap in which the NOK 300,000,000 loan with a fixed interest rate of 5.95% is conv. to EUR 38,511,000 and a fixed euro interest rate of 4.84%. The value of this agreement as at 31 December 2017 was NOK -100,037,000.

Debenture loans:		2018	2017
Parent company			
GBP LIBOR + fixed margin	Floating interest 30 Mar 2015 – 30 Jun 2021		77 637
CAD LIBOR + fixed margin	Floating interest 30 Mar 2015 – 4 Jul 2021	95 627	
NIBOR + fixed margin	Floating interest 1 Jul 2015 – 30 Jun 2021		200 000
NIBOR + fixed margin	Floating interest 3 Jul 2016 – 4 Jul 2021		440 000
GBP LIBOR + fixed margin	Floating interest 3 Jul 2016 – 4 Jul 2021	55 606	221 820
EUR LIBOR + fixed margin	Floating interest 3 Jul 2016 – 4 Jul 2021		106 275
Euribor + fixed margin	Floating interest 4 Jul 2017 – 30 Jun 2021		492 015
NIBOR + fixed margin	Floating interest 14 Jun 2013 – 30 Jun 2021	50 000	-
Capitalised loan costs		(2 711)	(2 457)
Total debenture loans parent company		**198 522**	**1 535 290**
Subsidiaries			
EFD	Floating interest (EUR)	82 323	118 875
Cogen	Floating interest (EUR)	123 922	62 786
Tekna	Floating interest (CAD)	16 521	38 858
Tekna	Interest-free (CAD)	8 203	6 237
Bedriftsveien 17	Floating interest (NOK)	29 088	30 300
Arendal Industrier	Floating interest (NOK)	41 139	23 494
Total debenture loans subsidiaries		**301 197**	**280 552**
Total for the Group		**499 719**	**1 815 842**

	Group		Parent company	
Loans secured by pledged assets:	2018	2017	2018	2017
Long-term borrowings	179 556	204 480		
Bank overdraft facility	173 821	144 012		
Total borrowings	**353 377**	**348 492**		
Loans are secured by the following pledged assets:				
Other property	196 876	190 305		
Moveable property	14 329	8 419		
Inventories	89 710	44 162		
Trade receivables	339 259	499 518		
Total security	**640 174**	**742 403**		

Security for promissory note and bond loans with a countervalue of MNOK 198.5 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. For EFD the equity must be at least 30% and NIBD divided by EBITDA must be < 3. 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 except Markedskraft are in compliance with the requirements of their covenants as at 31 December 2018. Markedskraft breached the equity percentage requirement, but the bank has granted it until 31 December 2019 to get this in place.

Provisions
Of the total provisions as at 31 December 2018 of NOK 70,658,000 (NOK 25,879,000), Cogen's provisions to cover changes in the production bonus amount to NOK 68,671,000 (NOK 23,440,000). This is discussed further in the comments on the company.

Note 18 Trade payables and other current liabilities

	Group		Parent company	
	2018	2017	2018	2017
Trade payables	738 179	683 945	8 845	35 790
Other current liabilities (including advance payments from customers)	597 424	829 078	32 071	43 078
Derivatives at fair value	25 407	8 497		
Total	**1 361 010**	**1 521 521**	**40 915**	**78 868**

Note 19 Operating and finance leases

See also Note 27.

Operating leases (nominal amounts)	Group	
	2018	2017
Less than one year	68 429	46 571
Between one and five years	179 970	107 808
Over five years	49 794	10 873
Total lease liabilities	**298 193**	**165 252**

The Group leases various office premises and equipment through operating leases. The leases typically have a term of 10 years with an option to extend on expiry. Rents increase annually by a percentage of the consumer price index. No leases have clauses concerning contingent lease payments.

In 2018 costs of MNOK 65 were recognised in the income statement for operating leases from continuing operations (2017: MNOK 46.6).

Finance leases

Three of the subsidiaries in the Group have finance leases. The highest value lease is a lease on a building with an option to buy a property before 2027. The property has been provided as security for the associated finance lease liability and has a book value of NOK 15,722,000. The lease was renewed in 2015.

Future minimum lease payments	Group	
	2018	2017
Less than one year	6 626	1 387
Between one and five years	7 511	5 560
Over five years	6 088	7 479
Total	**20 226**	**14 426**
Present value of future minimum lease payments	**18 520**	**12 438**
Of which:		
- current liabilities	6 626	1 387
- non-current liabilities	11 894	11 051

Note 20 Events after the reporting period

On 21 January President and CEO Jarle Roth resigned from his position at the company to take up a new position outside AFK. Roth has a notice period of six months and will remain in his position during this time. The Board of Directors has begun working on the recruitment of a new President and CEO.

At present there are two bidders for Oslo Børs VPS and the final outcome of this process has yet to be decided.

Other than this, no events have occurred since the closing date that have a material impact on the financial statements.

Note 21 Accounting estimates and assessments

Key accounting estimates

Key accounting estimates are estimates that are important for the presentation of the company's and the Group's financial position and earnings, and which require subjective assessment.

Arendals 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 equipment and financial instruments available for sale, are tested for impairment when there is an indication that a fall in value may have occurred.

Long-term manufacturing contracts

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

Note 22 Earnings per share in NOK

Basic earnings per share/diluted

Basic earnings per share for 2018 are based on profit attributable to the equity holders of the parent and the weighted average number of outstanding ordinary shares during 2018, which was 2,188,958 (2017: 2,188,458), calculated as follows:

Profit attributable to ordinary shares	**2018**	**2017**
Net profit for the year	140 735	2 499 507
- Non-controlling interests' share of profit/loss	-28 322	-84 859
Profit for the year attributable to equity holders of the parent	**112 413**	**2 414 648**
- Earnings from operations held for sale	0	-2 400 984
Profit for the year, continuing operations, attributable to equity holders of the parent	**112 413**	**13 664**

Weighted average number of ordinary shares	**2018**	**2017**
Issued ordinary shares, 1 January	2 239 810	2 239 810
Effect of treasury shares	-50 852	-50 852
Number of outstanding shares as at 31 December	2 188 958	2 188 958
Weighted average number of ordinary shares for the year	**2 188 958**	**2 188 458**
Basic earnings per share / diluted earnings per share (NOK)	**51,35**	**1 103,36**
Basic earnings per share / diluted earnings per share, continuing operations (NOK)	**51,35**	**6,24**

Note 23
The 20 largest shareholders

	Number of shares	Shareholding
Ulfoss Invest AS	588 395	26,3 %
Havfonn AS	582 716	26,0 %
Must Invest AS	564 249	25,2 %
Arendals Fossekompani ASA	50 852	2,3 %
Intertrade Shipping AS	30 126	1,3 %
Svanhild og Arne Musts fond	27 289	1,2 %
Fondsfinans Pensjonskasse	20 463	0,9 %
Fabulous AS	18 245	0,8 %
Per-Dietrich Johansen	15 015	0,7 %
Cat Invest AS	14 874	0,7 %
Ropern AS	13 515	0,6 %
Bøhler Invest AS	11 400	0,5 %
Sverre Valvik AS	11 281	0,5 %
Erik Bøhler	11 204	0,5 %
Annelise Altenborg Must	9 467	0,4 %
Ove Oland	8 420	0,4 %
Fr Falck Frås AS	7 373	0,3 %
Erik Christian Must	7 200	0,3 %
Fondsfinans Utdannelsesfond	7 169	0,3 %
Trine Must	7 200	0,3 %
	2 006 453	89,6 %

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.

Board of Directors	Own holdings	Related parties	Total
Øyvin A. Brøymer		30 126	30 126
Morten Bergesen		582 716	582 716
Didrik Vigsnæs		720	720
Heidi Marie Petersen		459	459
Arild Nysæther			
Kristine Landmark			
Rikke Reinemo			
		614 021	614 021
Senior executives:			
Jarle Roth*		1 000	1 000
Lars Peder Fensli*		187	187
Morten Henriksen*	300		300
	300	1 187	1 487

*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 27.5% of shares with voting rights in the company.
Loans to senior executives (see Note 4) amounted to NOK 2,624,000 (2017: NOK 2,704,000) 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 2018 Arendals Fossekompani purchased services relating to market management for NOK 502,000 from Markedskraft (NOK 480,000 in 2017).
In 2018 Arendals Fossekompani made a gain on foreign currency loans to Markedskraft of NOK 166,000 (gain of NOK 1,386,000 in 2017). NSSL Global Ltd purchased services from Whitehill Design Ltd for a total of GBP 2,200 in 2018 (GBP 1,100 in 2017). This company is controlled by the spouse of the CEO of NSSL Global Ltd.
In 2018 Tekna sold goods it had produced to EFD for CAD 3,632,000 and to AFK for CAD 720,000.
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

	Loans maturing in less than one year		Loans maturing after more than one year	
	2018	2017	2018	2017
Group				
Liabilities as at 1 January	**87 976**	**59 488**	**2 026 799**	**2 147 069**
Cash flow	35 912	27 243	-1 350 960	-148 268
Other changes with no cash effect	-3 777		982	
Exchange rate effects	1 862	1 245	260	27 998
Liabilities as at 31 December	**121 974**	**87 976**	**677 080**	**2 026 799**
Parent company				
Liabilities as at 1 January			**1 834 225**	**1 978 906**
Cash flow			-1 339 428	-144 682
Other changes with no cash effect			147	
Exchange rate effects			2 914	
Liabilities as at 31 December			**497 857**	**1 834 225**

Note 26 Discontinued operations

On 29 September 2017 Arendals Fossekompani entered into an agreement to sell its 75.16% shareholding in Glamox. Consequently, the company's financial figures have been placed on separate lines in the income statement as "Profit from discontinued operations".
The proceeds from the sale of the shares amounted to NOK 2,791,809,000. The sale resulted in a gain in the parent company of NOK 2,323,477,000 and in the Group of NOK 2,191,816,000. In addition to this, AFK received an extraordinary dividend from Glamox in August 2017 of NOK 210,452,000.

Glamox's key figures relating to the income statement and statement of cash flow for 2017 are presented below.

Income statement	2018	2017
Operating revenues		2 436 271
Operating costs		2 078 205
Depreciation of property, plant and equipment		42 515
Amortisation of intangible assets		33 714
Operating profit/loss		**281 837**
Net financial items		-7 622
Tax expense		-65 047
Gain on sale of Glamox		2 191 816
Earnings from discontinued operations		**2 400 984**
Basic earnings per share (NOK)		1 097

Cash flow from operations held for sale	2018	2017
Net cash flow from operating activities		171 115
Net cash flow from investing activities		-164 937
Net cash flow from financing activities		-386 252
Net cash flow for the year		**-380 074**

Note 27 Implementation of IFRS 16

IFRS 16, which deals with the accounting treatment of leases, enters into force on 1 January 2019.
An estimate has been made of the accounting effect of its implementation, as shown below.

	Group		Parent company	
	Estimated value 01.01.2019	**Estimated income statement effect in 2019**	**Estimated carrying amount 01.01.2019**	**Estimated income statement effect in 2019**
Value of right-of-use	271 794		7 361	
Lease liability	271 794		7 361	
Depreciation		66 493		942
Interest		8 495		240
Lease costs (to be reversed)		-69 587		-1 077

Reconciliation between Note 19 and estimated lease liabilities according to IFRS 16

	Group	**Parent company**
Lease liabilities according to Note 19 in the annual financial statements for 2018.	298 193	8 567
Discounting	-28 524	-1 206
Addition for: finance lease as at 31 Dec 2018	18 501	
Deduction for short-term leases expensed as operating costs	-2 113	
Deduction for low-value leases expensed as operating costs	-970	
Translation differences	5 208	
Estimated lease liability as at 1 January 2019 acc. to IFRS 16	**290 295**	**7 361**
Finance lease in 2018	-18 501	
Increase in liability on introduction of IFRS 16	**271 794**	**7 361**

IFRS 16 will be implemented with effect from 1 January 2019.

Total liabilities	
2018	**2017**
2 114 776	**2 206 557**
-1 315 048	-121 025
-2 795	
2 122	29 244
799 054	**2 114 776**
1 834 225	**1 978 906**
-1 339 428	-144 682
147	
2 914	
497 857	1 834 225

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 2018 and as of 31 December 2018 (Annual Report for 2018).

The single-entity financial statements and consolidated financial statements have been prepared in accordance with IFRSs as adopted by the European Union, along with relevant interpretations, and in compliance with further disclosure requirements pursuant to the Norwegian Accounting Act applicable as of 31 December 2018. 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 2018.

TO THE BEST OF OUR KNOWLEDGE

- the Annual Financial Statements for 2018 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 2018,
- the Annual Report for the Group and the parent company provides a true and fair view of:

  - the development, results and financial position of the Group and the parent company,

  - the key risks and uncertainties faced by the Group and the company.

Froland, 26 March 2019

Øyvin A. Brøymer
Chairman

Morten Bergesen
Deputy Chairman

Didrik Vigsnæs

Arild Nysæther

Kristine Landmark

Heidi Marie Petersen

Rikke T. Reinemo

Jarle Roth
CEO

Corporate governance at Arendals Fossekompani

Adopted by the Board of Directors on 17 August 2006 (last revised 26 March 2019)

ARENDALS FOSSEKOMPANI is an industrial investment company which, on the basis of local power production, develops companies with international potential. We engage in active, long-term and responsible ownership, and combine industrial competence with financial strength. The Group operates a decentralised management model in the pursuit of strategic development and operational improvement. This model allows us to create value for our shareholders, employees, customers and society as a whole. Good corporate governance will ensure we achieve this goal.

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: http://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 ASA 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: https://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 liquidity management operations. Liquidity will be managed mainly via listed shares and bonds. The bulk of our share portfolio will consist of a limited number of major investments. Our investment strategy is based on our belief that active, long-term and responsible ownership provides the best return for the risk involved.

3. Equity and dividends
Equity
The book value of the Group's equity as at 31 December 2018 was MNOK 3,182 which amounted to 53.5% of total assets. Actual equity is significantly higher, and the company has a solid financial foundation. The Board constantly assesses the company's need for financial strength 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.

Since 1 July 2013, the general meeting has been entitled to authorise the Board to allocate an annual dividend based on the approved annual financial statements. Grounds should be given for any such proposal.

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 26 April 2018 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 100 and a maximum price of NOK 5,000 per share.

As at 31 December 2018 the Group owns a total of 50,852 shares, or 2.3% of all the shares in the company. These shares are freely negotiable. This authorisation is valid until the 2019 annual general meeting.

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.

Transactions with related parties
No transactions have occurred between the company and shareholders, board members, senior executives or their related parties in 2018 that could be described as *not immaterial transactions*. See Note 24 to the Annual Report for further details.

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

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

6. General meeting
Notification
The annual general meeting is held as early in the year as is practically possible after the close of the previous financial year, usually in April or May.

An invitation to attend and associated agenda documents will be available on the company's website at least 21 days prior to the general meeting. A written invitation to attend, without associated agenda documents, will be sent to all shareholders with a known address. 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 the internet. 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: Morten Bergesen, Øyvin A. Brøymer (Chairman), Arild Nysæther, Heidi Marie Petersen, Didrik Vigsnæs, Rikke Reinemo and Kristine Landmark, 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.

Board of Directors – composition and competence
It is considered important that the Board as a whole has experience of board proceedings and of the company's core activities. 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. Øyvin A. Brøymer has been elected to chair the Board.

Changes to the Board of Directors in 2018
At the annual general meeting held in April 2018 Didrik Vigsnæs was re-elected to the Board, while

Kristine Landmark and Rikke Reinemo were elected as new board members

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 2018 board members had the following shareholdings – either personally or through wholly owned companies: Øyvin A. Brøymer (30,126 shares) and Heidi M. Petersen (459 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 2018 a total of 11 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 2018 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 and representatives of executive management. 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.

Infor-PM, a web-based database solution, is used for 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 also uses Infor-PM 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 2018 annual general meeting resolved that, with effect from April 2018, the Chairman of the Board will receive a fee of NOK 470,000 and NOK 280,000 will be paid to the other board members. Arild Nysæther received GBP 22,500 for board duties at NSSL 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.

The 2018 annual general meeting elected PwC as the new 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.

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