Arendals Fossekompani
Annual Report 2019

Arendals Fossekompani (AFK) is an investment company that owns energy and technology-related companies that make the green transition possible.

Our businesses deliver technology, systems and solutions that make renewable energy increasingly more usable and accessible, which help customers achieve a more efficient and sustainable use of resources.

Today, AFK is the majority owner of companies with more than 2,200 employees in 27 countries. AFK has proud traditions in power production, and owns and operates two hydropower plants.

AFK was established in 1896 and has been listed on Oslo Børs since 1913. The company is headquartered in Arendal.

From hydropower pioneer to industrial investment company

1896 \
Company Founded

Arendals Fossekompani was founded on 30 January 1896. The company's original purpose was to exploit hydropower in the Arendal watercourse system, and the company acquired several waterfalls, including Bøylefossen in Froland and Flatenfossen on the border between Froland and Åmli.

1913 \
Power and Industry

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

1927 \
Hydropower Development

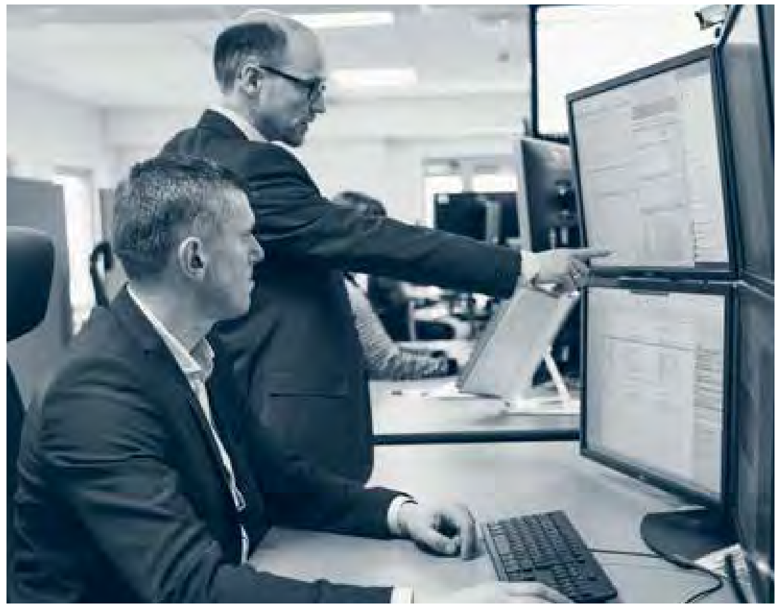
The need for more power for industry led to the development of the Flatenfossen Power Plant in 1927. The original plant was operational until it was replaced in 2009.

1960s \
Financial Investor

Arendals Fossekompani gradually gained the financial capacity to invest in industries other than power. At the end of the 1960s, the company changed its mission statement and built a portfolio of financial investments in listed and unlisted companies.

1990s \
More Power

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



2000s \
An international investment company with a green profile

The new millennium marked the start of the transformation from a local hydropower company to an international investment company. A series of successful acquisitions of Norwegian and international companies starting in 2004 has made Arendals Fossekompani the company it is today. Revenues increased from around NOK 250 million in 2004 to NOK 4.8 billion in 2019. Today, hydropower accounts for around four percent of revenues.

1919: Strike and unrest in the market

BERETNING
OM SELSKAPETS DRIFT I 1919.

Kraftcentralens drift

har i aaret foregaaet ganske normalt og helt tilfredsstillende uten nogen større driftsforstyrrelse.

Anlægget blev stanset 4de og 5te februar for almindelig eftersyn.

Det samlede antal timer som kraftleverancen har været avbrudt i aarets løp stiller sig for de forskjellige konsumenter som følger:

Det Norske Nitrid A/S: 38 timer 31 min.

Arendals Kommunale Elektricitetsverk: 174 timer 12 min., hvorav 120 timer skyldes vor konsument.

A/S Arendal Smelteverk: 6 timer 7 min.

Kraftleverancen til os fra Rygene Kraftanlæg har hele aaret foregaaet fuldt tilfredsstillende.

Kraftleverancen.

Belastningen paa vor station har gjennemgaaende i aaret været liten. Dette har hat sin grund dels i de urolige arbeidsforholde med streiker og derav følgende driftsstansninger i vore konsumenters fabrikanlæg, dels ogsaa deri at det har været forbundet med vanskeligheter for enkelte av fabrikkene at skaffe sig de nødvendige raamaterialer.

De til de forskjellige konsumenter avgivne kraftkvanta stiller sig som følger:

Det Norske Nitrid A/S ca. 14 millioner K. W. T. mot kontrahert 161 mill.

A/S Arendal Smeltverk ca. 12 millioner K. W. T. mot kontrahert 32 mill.

Arendals Komm. Elektricitetsverk 11 millioner K. W. T. mot kontrahert 19 mill.

Regnskapet.

Som foran nævnt har vore kraftkonsumenter i aarets løp arbeidet under vanskelige forholde. Da streik under visse forutsætninger betinger en reduktion i kraftleien, har disse forhold direkte indvirkning paa vore indtægter. Der hersker ikke fuld enighet om disse reduktioners beregning, og et endelig resultat kan neppe ventes at foreligge endnu paa nogen tid.

Foruten dette forhold bevirker ogsaa skattekontoens økning med ca. kr. 30,000 en reduktion av overskuddet.

De øvrige utgiftsposter har man kunnet holde uforandret, delvis er de noget mindre end fjoraarets.

Under det forløpne driftsaar er det forhold indtraadt, der git os anledning til at bestemme datoen, da de midlertidige reduktioner i kraftleien vil ophøre.

Dette vil indtræffe 1ste Juli 1921.

ARENDAL & CHRISTIANIA 31. December 1919 / 26. April 1920

SIGURD BRINCH,
adm. Direktør.

The load at our station has been generally low throughout the year. This is due in part to the difficult labour relations, with strikes and the subsequent shutdown of our consumers' factories, and in part to the fact that it has been difficult for some of the factories to obtain the necessary raw materials.

THIS IS HOW MANAGING DIRECTOR Sigurd Brinch and Board Chairman Sam Eyde described the year 1919 for the limited company Aktieselskapet Arendals Fossekompani.

In accordance with the annual report for 1919, the power company delivered 14 million kilowatt hours to Det Norske Nitrid A/S, 12 million kilowatt hours to A/S Arendal Smelteverk and 11 million kilowatt hours to Arendal's Municipal Electricity Works. This was far lower than the agreed volumes.

SAM EYDE

Samuel Eyde (1866-1940) is a Norwegian engineer and industrialist who was born in Arendal. He is best known for having founded Elektrokemisk (Elkem) and Norsk Hydro, but he also played a key role in the formation of Arendals Fossekompani and of the industrial site Eydehavn north of Arendal.

Vision and values

ARENDALS FOSSEKOMPANI shall create lasting value through long-term and active development of the businesses we own.

We invest in and own industrial businesses that make energy from renewable sources more useful and accessible, and that contribute to a more sustainable use of resources. Based on our industrial and financial expertise, we invest in technology- and energy-based businesses that make the green transition possible.

Arendals Fossekompani's contributions and mission can be described by the following sentence:

DEVELOPING BETTER COMPANIES

VALUES

Collaborative

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

Long-term perspective

Arendals Fossekompani represents 124 years of industrial history. We develop our businesses in a sustainable and long-term perspective.

Dynamic

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

Responsible

Arendals Fossekompani acts in an ethical and responsible manner in all situations. We develop our businesses in a sustainable manner.

Arendals Fossekompani is the result of sustainable choices throughout generations.

FOR MORE THAN 100 YEARS, our hydropower has been used to build Norwegian industry and Norwegian communities. At the same time, our expertise, capital and engineering skills from power generation have laid the foundation for us to own companies today with technology and solutions that contribute to the green transition around the world.

We still supply clean energy, but we are also making a positive contribution to the environment beyond hydropower production. Our companies help customers use their resources in a more sustainable manner and provide technology, systems and solutions that make energy from renewable sources more accessible and usable.

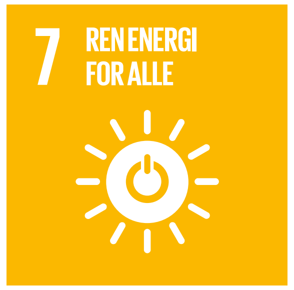
By developing sustainable solutions and products, we ensure the long-term creation of value for our shareholders, employees and society at large.

For us, the green transition is not about a mega trend, it is about where we come from and who we are. At Arendals Fossekompani, we safeguard our proud heritage based on the utilisation of renewable natural resources that also belong to the generations following us.

UN SUSTAINABLE DEVELOPMENT GOALS

Arendals Fossekompani has taken aim to clarify and illustrate its work with sustainability and social responsibility. We will illustrate our historic ownership of renewable energy and sustainable solutions, and show how we are helping to achieve the UN Sustainable Development Goals for 2030.

The UN Sustainable Development Goals consist of 17 main goals and a number of associated targets. Some companies choose many of the goals, some even choose all. Arendals Fossekompani has chosen to focus on the two sustainable development goals that encompass the activities of most of our companies – where it is clearest that we can make a difference.



Clean energy is closely linked to Arendals Fossekompani's historical role and the companies we invest in. The goal of access to reliable, sustainable and modern energy at an affordable price is part of our DNA. We contribute by producing clean energy and by helping other energy producers to make the most of their resources.

Our history is also about innovation and infrastructure. We built infrastructure for power production and distribution already in the early 1900s. And we have played an important role in a collaborative effort that triggered an industrial boom in Norway. Today, we are a global supplier of technology, systems and solutions for electrical infrastructure, for the road network and for the building and civil engineering sector.

IN ADDITION to being a parent company to our subsidiaries, we are engaged in traditional hydropower production and own several real estate projects such as Gullknapp Aerial Centre and Bryggebyen Vindholmen. For these businesses, we will also prioritise measures and reporting for Sustainable Development Goal 5: Equality between the genders and Sustainable Development Goal 8: Decent work and economic growth. These goals are in line with our values and our work methods.

FOR AFK'S PARENT COMPANY, WE WILL ALSO PRIORITISE THE FOLLOWING SUSTAINABLE DEVELOPMENT GOALS:

Arendals Fossekompani supports equal opportunity, equal rights and equal treatment of all employees, regardless of gender.

Arendals Fossekompani supports and contributes to ensuring that our employees and subcontractors have decent work, equal opportunities, fair treatment and a safe working environment.

2,200 employees in 27 countries

AFK's parent company
Head office: Arendal

Gullknapp Aerial Center
Froland

Bryggebyen Vindholmen
Arendal

EFD Induction
1107 employees
Head office: Skien
Norway, Germany, France, China, India, Poland, Romania, USA, Austria, Brazil, Denmark, Finland, Italy, Japan, Malaysia, Mexico, Russia, South Korea, Spain, Sweden, Thailand and the United Kingdom.

Cogen
82 employees
Head office: Madrid
Spain

NSSL Global
182 employees
Head office: London
United Kingdom, Germany, Denmark, Norway, Poland, Israel, Singapore, USA and Japan.

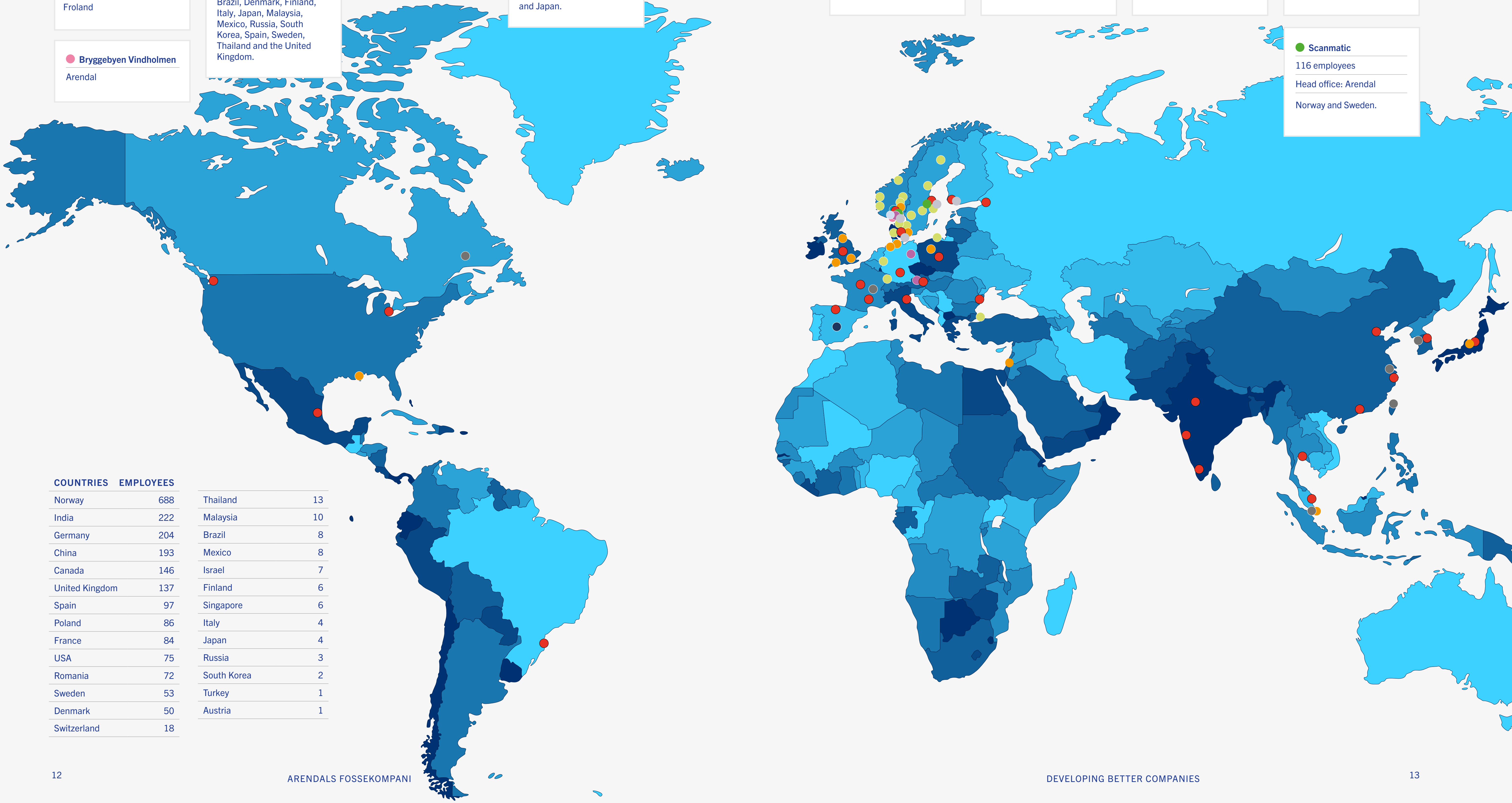
Powel
376 employees
Head office: Trondheim
Norway, Sweden, Denmark, Germany, Poland, Turkey and Switzerland.

Tekna
184 employees
Head office: Sherbrooke
Canada, France, China, Taiwan, Singapore and South Korea.

Markedskraft
50 employees
Head office: Arendal
Norway, Sweden, Denmark and Finland.

Wattsight
34 employees
Head office: Arendal
Norway, Germany and the Austria.

Scanmatic
116 employees
Head office: Arendal
Norway and Sweden.



COUNTRIES	EMPLOYEES
Norway	688
India	222
Germany	204
China	193
Canada	146
United Kingdom	137
Spain	97
Poland	86
France	84
USA	75
Romania	72
Sweden	53
Denmark	50
Switzerland	18
Thailand	13
Malaysia	10
Brazil	8
Mexico	8
Israel	7
Finland	6
Singapore	6
Italy	4
Japan	4
Russia	3
South Korea	2
Turkey	1
Austria	1

Shareholder information

Arendals Fossekompani (AFK) attaches importance to an open and trusting dialogue with its shareholders, investors, analysts and the capital markets.

OUR GOAL is for the share price to reflect the underlying values of the company by making all price-relevant information available to the market. AFK works to create shareholder value in the form of dividends and share appreciation over time. In accordance with the document *Corporate Governance at Arendals Fossekompani* (last revised on 24 March 2020, the company's dividend policy is defined as follows: "It is AFK's policy to pay dividends that reflect the company's long-term strategy, financial position and investment capacity. AFK shall pay dividends that will provide shareholders with a competitive return over time."

DIVIDEND FOR 2019

The Board of Directors has proposed a dividend of NOK 56 per share for 2019.

SHARES AND SHARE CAPITAL

AFK has 2,239,810 ordinary shares with a par value of NOK 100 (see Note 10). The Company held 46,291 treasury shares as at 31 December 2019. As at the same date, the company had 1,827 shareholders. AFK's three largest shareholders are Ulfoss Invest AS (26.3%), Havfonn AS (26.0%) and Must Invest AS (25.2%).

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

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

STOCK EXCHANGE LISTING

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

CURRENT AUTHORISATIONS

At AFK's Annual General Meeting of 25 April 2019, the Board of Directors was authorised to acquire treasury shares up to a maximum of 7.7 per cent. In accordance with this authorisation, the Board of Directors is only permitted to acquire treasury shares at a price ranging from a minimum of NOK 100 and a maximum of NOK 5,000 per share. This authorisation will remain in effect until the Annual General Meeting in 2020.

During the period from 24 March 2019 to 24 March 2020, the company acquired 1,877 treasury shares and sold 6,488 shares in connection with the company's incentive programme.

OPTION SCHEMES

As at 31 December 2019, AFK had no option schemes.

INVESTOR RELATIONS

AFK wants to maintain a good and open dialogue with its shareholders, debt investors, analysts and the stock markets in general. The company regularly holds presentations in connection with the publication of the quarterly results.

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

NOMINATION COMMITTEE

The company's Nomination Committee consists of the following members:

- Morten Bergesen (Chairman)
- Kjell Chr. Ulrichsen
- Christian Must

AUDIT COMMITTEE

The company's Audit Committee consists of the following members:

- Morten Bergesen (Chairman)
- Arild Nysæther
- Rikke Reinemo

GENERAL MEETING

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

A notice of the meeting and the associated agenda documents will be available on the company's website at least 21 days prior to the General Meeting. A written notice of the meeting will be sent to all shareholders with a known address. The annual report and other attachments to the notice are only made available on the company's website and through the Oslo Børs publication system. Shareholders who want the attachments to be sent by post, must contact the company. Importance is attached to the agenda documents, which also include nominations for the election of board members, containing all the information necessary to help the shareholders decide on all the items on the agenda. The company's Articles of Association permit registration to attend up to two days prior to the date of the General Meeting.

Registration may take place by written notice or online. The Board wants to make provisions so that as many shareholders as possible are able to attend. Shareholders who cannot attend in person are encouraged to appear by proxy. Representatives from the Board of Directors and the auditor attend the General Meeting. The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) attend on behalf of the management.

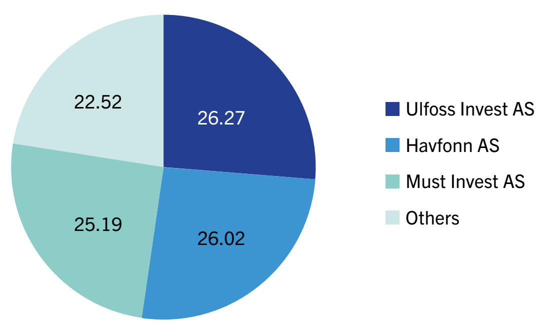
The Board of Directors sets the agenda in accordance with the main items that follow from Article 10 of the Articles of Association. The General Meeting elects the person to chair the meeting pursuant to Article 10.

AFK SHARE IN 2019

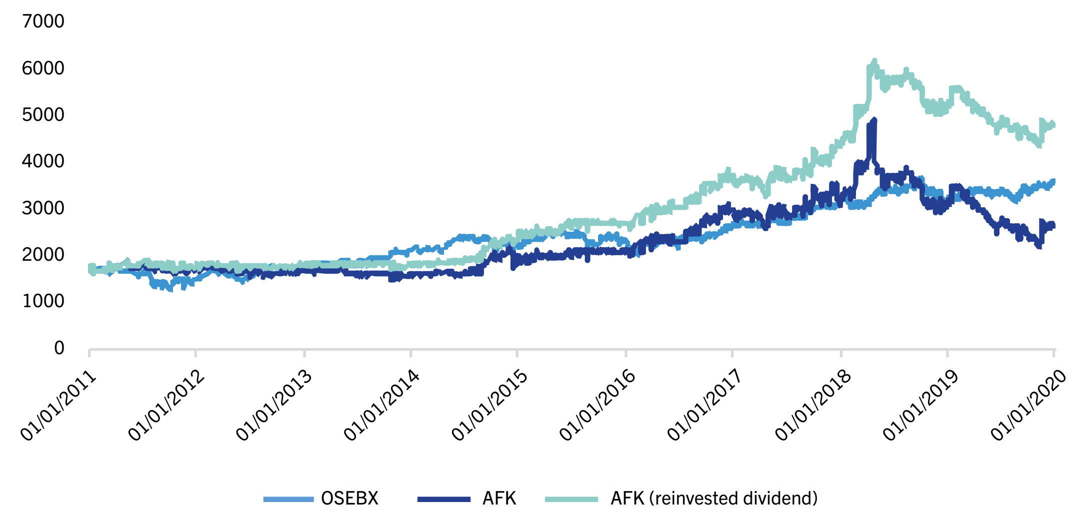
The company's total market capitalisation was NOK 5.8 billion at the end of 2019. In 2019, 29,540 shares in AFK were traded, which corresponds to 1.3 per cent of the company's total number of outstanding shares. The share was traded regularly throughout the year.

Date	Dividend (NOK)	Cumulative (NOK)
26/05/2011	80	80
24/05/2012	55	135
24/05/2013	75	210
23/05/2014	60	270
12/12/2014	250	520
22/05/2015	93	613
20/05/2016	96	709
18/05/2017	95	804
21/12/2017	420	1,224
27/04/2018	870	2,094
26/04/2019	56	2,150

OWNERS OF ARENDALS FOSSEKOMPANI



PRICE PERFORMANCE (NOK PER SHARE)



Arendals Fossekompani (AFK) is an investment company that owns energy and technology-related companies that make the green transition possible. AFK has ten principal investments, in addition to financial investments.

Established: 1896
Head office: Arendal
Board Chairman: Jon Hindar
CEO: Ørjan Svanevik
arendalsfossekompani.no

AFK OPERATES in several different industries and is represented by 2,200 employees in 27 countries through its subsidiaries. The Parent Company's own activities focus on the follow-up of its subsidiaries through active long-term ownership, power production, real estate projects and management of financial investments.

2019 IN BRIEF

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

In 2019, Arendals Fossekompani (AFK) reported an ordinary profit after tax of NOK 47 million (141 million), of which the AFK shareholders' share of the profit was NOK 45 million (112 million). Profit before tax was NOK 185 million (276 million). The operating profit amounted to NOK 176 million (261 million). Including translation differences, changes in the value of available-for-sale financial assets, minority interests and other comprehensive income items, the Group's total comprehensive income was NOK 270 million (762 million).

AFK's financial capacity is solid. The Group's liquidity is good, and it had a net positive cash position at the end of 2019. The book value of equity was NOK 3,319 million (3,172 million) as at 31 December 2019.

AFK can look back on a year of varying earnings performance in the underlying portfolio companies. For the 2019 financial year overall, the consolidated revenues and operating profit were adversely impacted by a lower level of activity and weak earnings performance in EFD Induction, as well as negative earnings in Scanmatic Elektro. On the other hand, AFK's power generating unit, NSSLGlobal, Powel and Wattsight delivered solid earnings throughout the year.

High electricity prices entailed good earnings for the Parent Company's power generating unit in 2019. NSSLGlobal has achieved solid revenue and earnings growth throughout the year, primarily driven by a temporary contract extension with particularly good margins, as well as the delivery of several large customer contracts. Powel has achieved significant earnings improvement compared with the previous year, primarily as a result of a major restructuring carried out in 2018, as well as generally good revenue growth in software sales. Throughout 2019, Wattsight continued its solid development with good customer growth in the European power markets.

NOK 37 million in non-recurring costs related to restructuring and write-downs were charged against EFD Induction's income statement. For Scanmatic Elektro, the negative earnings are primarily attributed to a large earnings adjustment related to the final settlement for one of the company's transport projects, which has resulted in a NOK 40 million non-recurring charge to this year's accounts.

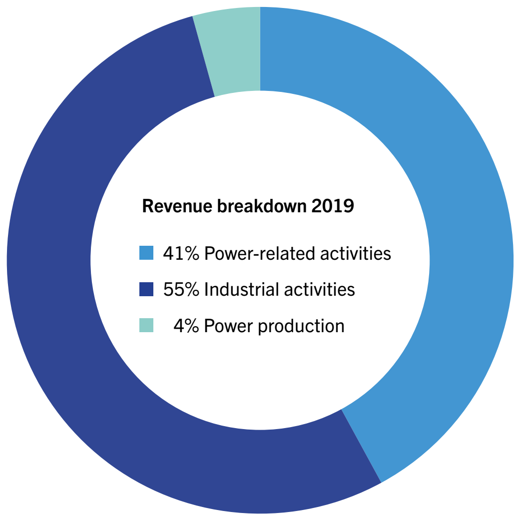
The Parent Company's financial portfolio achieved a return of 18 per cent in 2019, which corresponds to NOK 223 million. The total value of the portfolio was NOK 896 million as at 31 December 2019, of which unrealised capital gains amounted to NOK 865 million.

The Board of Directors of Arendals Fossekompani ASA is proposing an ordinary dividend for the 2019 financial year of NOK 56 per share. Subject to approval by the General Meeting, the dividend will be distributed on 18 May 2020.

OUTLOOK FOR 2020

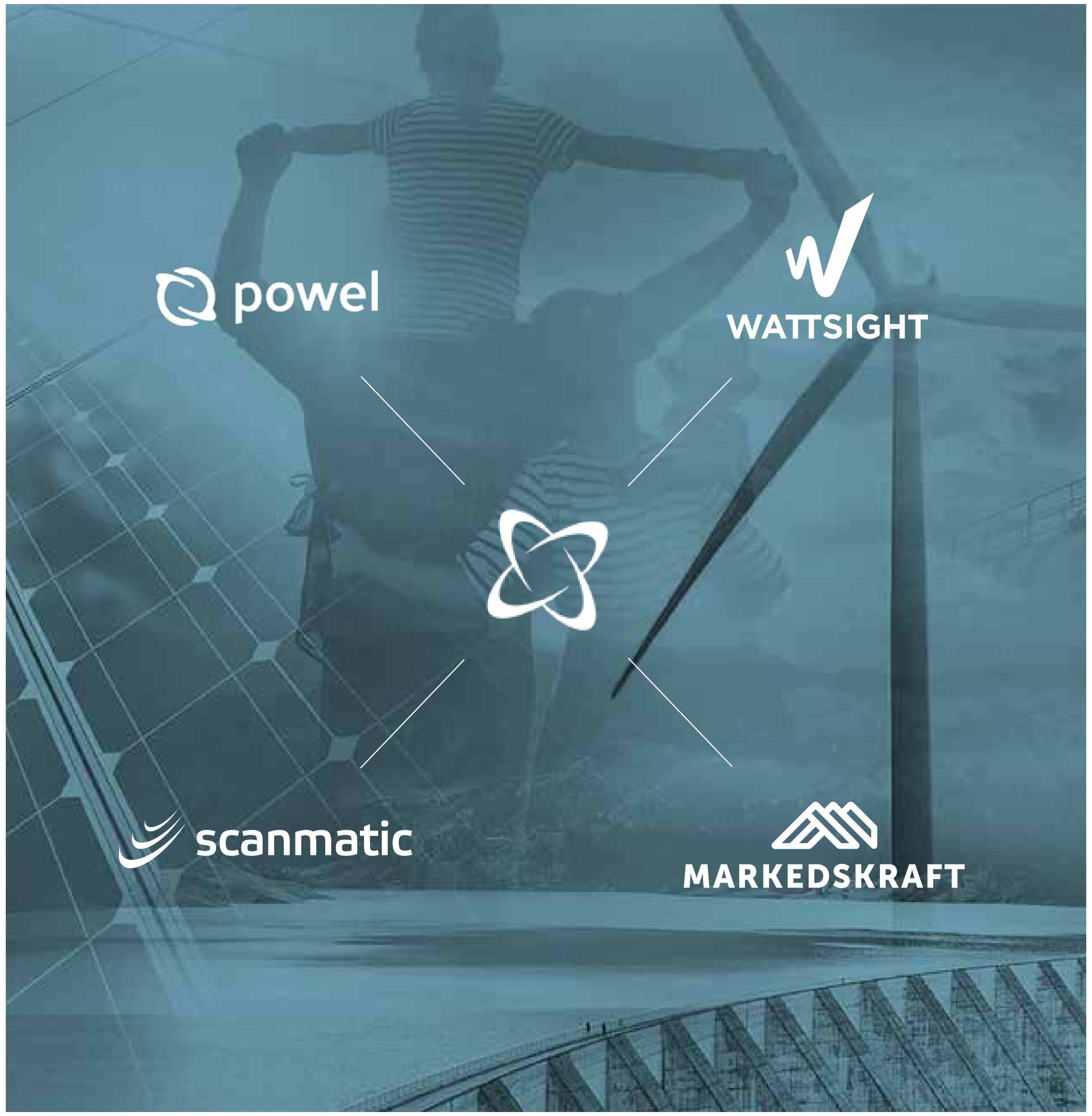
The outbreak of the corona pandemic creates a great deal of uncertainty. What consequences this will have on the world economy are currently unknown. There is no reason to believe that AFK's companies will remain untouched throughout this global crisis, but AFK has a solid financial position and is thus well equipped to withstand a possible recession

AFK reported in a stock exchange announcement on 3 March 2020 that the portfolio companies Powel, Scanmatic, Markedskraft and Wattsight will be merged into the new international technology group Volue AS. See pages 18-19 for more details about Volue.



Key figures, NOK million	2019	2018	2017
Operating revenues	4,807	4,906	4,427
EBITDA	457	501	488
Operating profit	176	261	265
Operating margin	4%	5%	6%
Profit after tax	47	141	99
Profit from discontinued operations	0	0	2,401
Share of profit attributable to owners of the parent	45	112	2,414
Total comprehensive income	270	762	2,775
Operating cash flow	479	250	402
NIBD	-154	101	105
Equity	3,319	3,172	4,386

AFK establishes Volue, a green technology group



Industrial platform for sustainable energy.

On 3 March 2020, it was announced that Arendals Fossekompani will merge the portfolio companies Powel, Scanmatic, Markedskraft and Wattsight to form the new international growth company Volue.

VOLUE WILL INCREASE THE RETURNS and reduce greenhouse gas emissions for Volue's customers in the European power market, while at the same time safeguarding the role as a promoter of increased digitalisation in other industries.

"We are very proud to announce the establishment of Volue, which will be a leading technology supplier for the green transition in Europe. Volue can fill a gap in the market by offering technology and expertise that enables the replacement of fossil energy sources with renewable sources, or the reduction of emissions from fossil sources," says Trond Straume, CEO of Volue.

Volue combines the Trondheim company Powel and the Arendal companies Scanmatic, Markedskraft and Wattsight into a single international group. Overall, the companies have large, established positions in the European energy market, with a natural centre of gravity in the Nordic region. In 2019, Volue had pro forma operating revenues of NOK 800 million, 500 employees and more than 2,000 customers in 44 countries.

The reason for the establishment of Volue is the fact that the power market is undergoing fundamental changes. Regulated energy sources are being phased out in favour of non-regulated energy sources. The transition is taking place in parallel to the electrification of society to reduce greenhouse gas emissions, which increases the complexity of the energy system.

"When the supply side depends on the weather and demand is marked by the electrification of the transport sector, this presents problems for a market that must be in constant balance so that 750 million Europeans can have light. The solution lies in the combination of digital technology and deep industry knowledge, which is precisely what Volue can offer," says Straume.

Volue will be a system provider that will build on sensor technology and data capture from Scanmatic, and industrial software solutions from Powel, which Europe's largest power producers already use to optimise their operations and maximise the value of their resources and infrastructure. This is linked to Wattsight's leading analysis environment for the European power market, and Markedskraft's trading and management of power portfolios.

Combined, the four companies will strengthen Volue's ability to digitalise other industries, such as power distribution, water and sewerage, infrastructure development, defence, transport, offshore and maritime operations.

"Overall, this is the start of a company that Europe has never seen the likes of. We have high expectations for Volue, which will solve challenges related to the biggest megatrend of our time: The massive transition from fossil to renewable energy," says CEO Ørjan Svanevik of Arendals Fossekompani.

We create value for society and our shareholders

Arendals Fossekompani is an investment company that owns international energy and technology-related companies that are making the green transition possible.

THE GROUP'S MOST IMPORTANT TASK is to exercise good corporate governance of eight international subsidiaries, in which AFK owns between 67 and 100 per cent, and to continue to create lasting value for our shareholders, our employees and society at large. The companies have around 2,200 employees 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 system produce enough renewable energy to cover the consumption of 25,000 households.

The Group also has some real estate investments in the municipalities of Arendal and Froland, as well as an investment portfolio of financial securities.

LASTING VALUE

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

The Group has a decentralised management model, in which the management and boards of its subsidiaries have a major responsibility for shaping the development of their own companies. The Group is always represented on the boards of its subsidiaries and contributes knowledge, financial strength, a genuine interest in their businesses and a network that strengthens the position of both the Group and the subsidiaries.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

In the course of the year, we have seen a clarification and visualisation of Arendals Fossekompani's work with sustainability and social responsibility. Our portfolio of companies has a clear green profile and contributes in several ways to the UN Sustainable Development Goals. For the Group, we have identified Sustainable Development Goals "7: Affordable and Clean Energy and "9: Industry, Innovation and infrastructure" as the goals where our business can make a difference. Sustainability and corporate social responsibility will be important drivers of future value creation, in the form of increased access to talent, increased access to capital and increased interest in our shares.

The interest in the company is high as a result of our green profile, increased visibility and a shareholder-friendly approach, and the shares are regularly traded on Oslo Børs. As a curiosity, it may be mentioned that AFK is the second-oldest share currently listed on Oslo Børs. The company was listed as early as 1913, and only Hydro has been listed longer.

MAJOR OPPORTUNITIES, BUT ALSO GREAT UNCERTAINTY

Today, Arendals Fossekompani has a strong organisation and considerable financial freedom of action. The outlook for our businesses is good in isolation, and we see many opportunities to strengthen our position in selected segments and markets.

The major uncertainty at the moment is the spread of the COVID-19 virus and the as of yet unknown consequences this will have on the world economy. Arendals Fossekompani is following the COVID-19 pandemic with concern. We have implemented measures to safeguard the health of our employees, business partners and the community around us. And we have implemented measures to limit or avoid the negative impact on our business activities.

There is no reason to believe that Arendals Fossekompani's companies will remain untouched throughout this global crisis, but we have a solid financial position that makes us well equipped to withstand any recession.

Ørjan Svanevik
CEO

Board of Directors

Jon Hindar
Board Chairman

Morten Bergesen
Deputy Board Chairman

Rikke Reinemo

Heidi Marie Petersen

Arild Nysæther

Kristine Landmark

Didrik Vigsnæs

Management

Ørjan Svanevik
CEO

Lars Peder Fensli
CFO

Torkil S. Mogstad
Executive Vice President

Morten Henriksen
Executive Vice President

Board of Directors' Report for 2019

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

MOST IMPORTANT DEVELOPMENT TRENDS IN 2019

The Parent Company is engaged in power production and also has a portfolio of investments. The company's registered address is in the Municipality of Froland, while the corporate functions for the Group are located in Arendal.

Arendals Fossekompani (AFK) reported operating revenues of NOK 4,807 million (4,906 million) in 2019. Operating profit was NOK 176 million (261 million). Profit after tax was NOK 47 million (141 million).

At the end of 2019, AFK had equity with a book value of NOK 3,319 million (3,172 million). This represents an equity ratio of 54%, compared with 54% in 2018.

The Parent Company reported total operating revenues of NOK 211 million (195 million) for the year. Operating profit was NOK 120 million (115 million). Profit after tax was NOK 162 million (51 million).

The Parent Company's financial investments, which include cash and cash equivalents, listed and unlisted investments, amounted to NOK 1,394 million (1,306 million) as at 31 December 2019.

OUR INVESTMENTS

- **EFD INDUCTION** delivers advanced heating systems based on induction technology to the engineering industry throughout the world. The business reported revenues of NOK 1,170 million (1,250 million) in 2019. Ordinary profit after tax was NOK -49 million (67 million).

- **NSSLGLOBAL** is a consulting systems integrator and service provider of mobile, satellite-based communications solutions to the public and private sectors. The business reported revenues of NOK 894 million (758 million) in 2019. Ordinary profit after tax was NOK 119 million (83 million).

- **POWELL** develops and delivers business-critical IT solutions and services. Powel reported revenues of NOK 548 million (585 million) in 2019. Ordinary profit after tax was NOK 30 million (-21 million).

- **SCANMATIC** supplies technical infrastructure, as well as instrumentation and control systems. The business reported revenues of NOK 421 million (649 million) in 2019. Ordinary profit after tax was NOK -41 million (31 million). The negative earnings in 2019 are primarily attributed to a large earnings adjustment related to the final settlement for one of the company's transport projects.

- **COGEN ENERGIA** operates its own and third-party cogeneration power plants. The business reported revenues of NOK 1,272 million (1,182 million) in 2019. Ordinary profit after tax was NOK 4 million (13 million).
- **TEKNA** manufactures various metal powders used in 3D printing ("additive manufacturing") in the aviation and medical industries, among others. The company also manufactures machines for production of spherical micro- and nanoparticles of various metals and ceramics based on the use of plasma generated by electrical induction. Tekna reported revenues of NOK 142 million (144 million) in 2019. Ordinary profit after tax was NOK -41 million (-41 million). The negative earnings for the year are a natural consequence of the fact that the company is in a development phase with a high rate of investment. .

- **MARKEDSKRAFT** offers services in the physical, financial and green power markets in the Nordic region. The business reported revenues of NOK 67 million (70 million) in 2019. Ordinary profit after tax was NOK -17 million (-6 million).

- **WATTSIGHT** is a leading player in fundamental data, market analysis and price forecasting in the European power market. The business reported revenues of NOK 73 million (66 million) in 2019, while the profit after tax was NOK 9 million (8 million).

The corona pandemic at the start of 2020 is having a negative impact on the revenue and earnings performance of several of AFK's portfolio companies. The situation is characterised by a high degree of uncertainty, and it must be expected that the impact on the individual businesses and AFK as a whole may be significant for the current year.

The Board of Directors emphasises that there is normally a great deal of uncertainty associated with forward-looking statements.

REVIEW OF THE ANNUAL FINANCIAL STATEMENTS

In the opinion of the Board of Directors, the annual financial statements provide a true and fair view of the Company's and the Group's position at the end of the year. There are no material uncertainties associated with the annual financial statements, and there are no other extraordinary circumstances that have affected the financial statements. The Board of Directors confirms that the prerequisites for the going concern assumption have been met.

BOARD OF DIRECTORS

At the Annual General Meeting in April 2019, Jon Hindar was elected as new Board Chairman. Morten Bergesen, Arild Nysæther and Heidi Petersen were re-elected for a term of two years. Øyvin Brøymer left the Board at the same time.

PERSONNEL, EQUAL OPPORTUNITY, WORKING ENVIRONMENT AND THE NATURAL ENVIRONMENT

At the end of the year, the Parent Company had 23 employees. Four of these employees were women. The employment situation is marked by long-term relationships and stability. The company aims to improve the balance between the genders. The Board currently consists of three women and four men. The working environment at AFK is considered good. The Parent Company has a separate committee for dealing with issues related to health, the environment and safety. There are representatives for employees and corporate management on the committee. Several minor measures have been implemented with a view to safety-related and environmental improvements.

Sickness absence in the Parent Company amounted to 83 days, which corresponds to 1.5 per cent of the total working hours. Non-work-related long-term sickness absence for one employee amounted to 63 days. Sickness absence was 0.4 per cent, excluding this. There have not been any accidents or personal injuries of significance in 2019. There has not been any material damage of significance either.

- Sickness absence at **EFD INDUCTION** was 3.0% (2.0%) in 2019. There were a total of 251 (53) days of absence due to work-related injuries.
- Sickness absence at **COGEN ENERGIA** was 1.5% (2.7%) in 2019. There were a total of 10 (3) days of absence due to work-related injuries.
- Sickness absence at **POWEL** was 2.6% (2.5%) in 2019. No work-related injuries were reported in 2019.
- Sickness absence at **NSSLGLOBAL** was 2.0% (2.6%) in 2019. There were a total of 8 (4) days of absence due to work-related injuries.
- Sickness absence at **SCANMATIC** was 3.8% (3.0%) in 2019. No work-related injuries were reported.
- Sickness absence at **TEKNA** was 2.7% (2.2%) in 2019. There were a total of 96 (61) days of absence due to work-related injuries.
- Sickness absence at **MARKEDSKRAFT** was 3.0% (2.2%) in 2019. No work-related injuries were reported.
- Sickness absence at **WATTSIGHT** was 1.9% (1.5%) in 2019. No work-related injuries were reported.

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

The Parent Company's operations have only limited negative impact on the natural environment in the form of emissions to water and air. However, the company makes a positive environmental contribution through the production of renewable hydro power.

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

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

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

RESEARCH AND DEVELOPMENT

Capitalised and expensed research and development costs in AFK's businesses totalled NOK 180 million (209 million) in 2019.

ETHICS AND SOCIAL RESPONSIBILITY

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

The report elaborates on AFK's efforts and guidelines in the areas of human rights, labour rights, social conditions, the natural environment and combating 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 is responsible for ensuring safe and good workplaces in the local communities where we are present. AFK seeks to create value for society, customers, employees and owners. For many years, the Parent Company has based its activities on the utilisation of a local natural resource, and therefore 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 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 young people within sports and culture.

IFRS

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

SHAREHOLDER MATTERS

A total of 29,540 (30,088) shares were traded during the year, which represents 1.3 per cent of the total number of outstanding shares. As at 31 December 2019, the company held 46,291 (50,852) treasury shares, which represents 2.1 per cent of the total number of outstanding shares.

The Board of Directors will propose that the General Meeting renew the Board's authorisation to purchase treasury shares within a total framework of 10 per cent of the shares and within a price range of NOK 100 to NOK 5,000.

The share price at the start of the year was NOK 3,160, compared with NOK 2,630 at the end of the year .

FINANCIAL STANDING

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

RISKS AND FACTORS OF UNCERTAINTY

The outbreak of the coronavirus creates considerable uncertainty for the global economy in 2020. Arendals Fossekompani is following the COVID-19 pandemic with concern. We have implemented measures to safeguard the health of our employees, business partners and the community around us. And we have implemented measures to limit or avoid negative impacts on our business activities. There is no reason to believe that Arendals Fossekompani's companies will remain untouched throughout this global crisis, but we have a solid financial position that makes us well equipped to withstand any recession.

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

ALLOCATION OF PROFIT FOR THE YEAR

Arendals Fossekompani's net accounting profit totalled NOK 161,512,793. The Board of Directors proposes that this profit be allocated as follows:

Dividend of NOK 56 per share	NOK	122,581,648
To other reserves	NOK	38,931,145
Total allocated	NOK	161,512,793

Froland, 24 March 2020

Jon Hindar Board Chairman	Morten Bergesen Deputy Chairman	Didrik Vigsnæs	Arild Nysæther
Kristine Landmark	Heidi Marie Petersen	Rikke Reinemo	Ørjan Svanevik CEO

ARENDALS FOSSEKOMPANI

The activities of the parent company **Arendals Fossekompani** consist of hydropower production in the Arendal watercourse system and the management of the Group.

Head office: Arendal

Board Chairman: Jon Hindar

CEO: Ørjan Svanevik

arendalsfossekompani.no

THE PARENT COMPANY focuses on hydropower production, follow-up of the subsidiaries through long-term and active ownership, business development and financial investments.

2019 IN BRIEF

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

The Parent Company reported revenues of NOK 211 million (195 million) in 2019. EBITDA amounted to NOK 129 million (123 million). The operating profit for the Parent Company was NOK 120 million (115 million), while the ordinary profit after tax was NOK 162 million (51 million).

Dividends from subsidiaries and associated companies contributed NOK 111 million (34 million). In addition, the company received dividends from financial investments in the amount of NOK 28 million (45 million). In 2019, the Parent Company recognised gains on loans denominated in a foreign currency of NOK 5 million (23 million). All income associated with the financial portfolio were recognised as financial income.

HYDROPOWER PRODUCTION

Arendals Fossekompani (AFK) generates power at two locations in the Arendal watercourse system. The Bøylefoss and Flatenfoss power plants produce around 500 GWh of renewable energy annually, which corresponds to the consumption of 25,000 households. AFK is planning upgrades to both plants in the coming years in order to satisfy statutory requirements to improve the power stations and the associated dams. The reconstruction of the dams will start once the detailed requirements have been clarified with the Norwegian Water Resources and Energy Directorate (NVE).

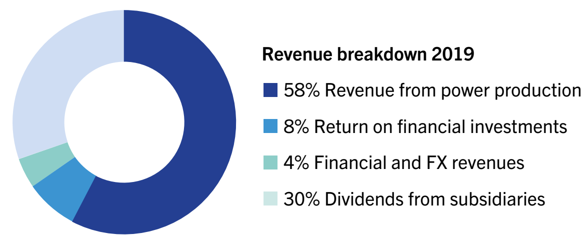
Gross power production in 2019 was 543 GWh (488 GWh). Total net revenues from the sale of power amounted to NOK 206 million (192 million), of which the sale of spot power totalled NOK 203 million (190 million). The average electricity price on the spot market (see Arendal) closed in 2019 at 38.7 øre/kWh (41.5), while the company achieved an average electricity price of 37.4 øre/kWh (40.7).

Normal maintenance work was carried out on the power plants. Costs expensed in connection with maintenance work amounted to NOK 8 million (7 million) in 2019. The plants have operated without any significant accidents or injuries. Production was very high at the end of 2019, with correspondingly high precipitation and high inflow to AFK's power stations.

FINANCIAL PORTFOLIO

AFK manages an investment portfolio consisting of a limited number of financial securities. On 14 June 2019, AFK sold its shareholdings in Oslo Børs VPS to Euronext N.V. for proceeds corresponding to NOK 324 million. As at 31 December, the value of the share portfolio was NOK 896 million. In 2019, the portfolio yielded a return of 18 per cent, corresponding to NOK 223 million. At year-end, the portfolio consisted of shareholdings in the companies Victoria Eiendom and Eiendomsspar.

Key figures, NOK million	2019	2018	2017
Operating revenues	211	195	141
EBITDA	129	123	71
Operating profit	120	115	65
Operating margin	57%	59%	46%
Profit after tax excl. gain on Glamox	51	51	348
Profit after tax	162	51	2,671
Operating cash flow	90	55	77
NIBD	-335	-86	-129
Equity	3,205	2,964	4,198
Equity ratio	82%	81%	67%



Cogen

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

Head office: Madrid
AFK's stake: 100%
Board Chairman: Morten Bergesen
CEO: Antonio Quilez
cogen-energia.com

COGEN'S COGENERATION POWER PLANTS exploit surplus heat from gas-based electricity production to generate heat, steam or cooling for industrial partners located nearby. This results in higher energy efficiency and reduced CO2 emissions, and it improves our industrial partner's competitiveness.

Since its establishment in 1999, Cogen Energia has evolved into a supplier of cogeneration solutions adapted to the needs of industry. In addition to operating its own cogeneration power plants in Spain, Cogen Energia has significant operations related to third-party operations management, maintenance and service, as well as energy management and optimisation.

The company's head office is located in Madrid.

2019 IN BRIEF

(Figures in parentheses refer to the same period the previous year). Cogen Energia reported revenues of NOK 1,272 million (1,182 million) in 2019. EBITDA amounted to NOK 15 million (40 million). The operating profit was NOK -4 million (25 million), while the ordinary profit after tax was NOK 18 million (13 million).

Lower revenues compared with the previous year are mainly attributed to lower prices for produced power and thus also fewer operating hours for the plants.

The company receives public subsidies from the Spanish authorities in the form of a bonus per MWh generated. Even though power prices were lower than expected in the power market throughout the year, they were still higher than the reference price used by the authorities for calculation of the production bonus. Therefore, ongoing provisions were set aside for the production bonus received to compensate for a future reduction in the production bonus.

The weaker earnings in 2019 are attributed, in addition to the low power prices and production bonus provisions, to the higher costs for the purchase of CO2 emissions allowances. The cost of such emissions allowances was higher in 2019 than that compensated through the production bonus the company received from the authorities. As of January 2020, the production bonus will be increased to compensate for the higher price for emissions allowances.

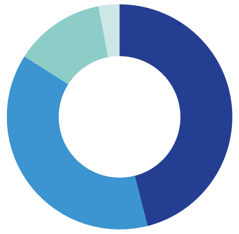
The cogeneration power plants operated more or less normally throughout the year.

OUTLOOK FOR 2020

For Cogen Energia, revenues in 2020 are expected to be significantly weaker than in 2019 due to the termination of a large, unprofitable customer contract. The operating profit is expected to be on par with the previous year, provided that the COVID-19 impact is not significant. If Cogen's industrial customers are forced to reduce their production due to the Corona epidemic, Cogen's operating profit will be affected. The customers mainly produce chemicals, pharmaceuticals, pulp and paper, and food and alcohol.

2007	2011	62	1	1,272	15
AFK ACQUIRES EQUITY STAKE	SUBSIDIARIES SINCE	EMPLOYEES	COUNTRIES	REVENUES (MNOK)	EBITDA (MNOK)

Key figures, NOK million	2019	2018	2017
Operating revenues	1,272	1,182	938
EBITDA	15	40	74
Operating profit	-4	25	55
Operating margin	0%	2%	6%
Profit after tax	-2	13	47
Operating cash flow	75	4	56
NIBD	125	149	115
Equity	181	147	133
Equity ratio	30%	22%	23%



EFD INDUCTION

EFD Induction is one of the world's largest manufacturers of equipment for industrial induction heating processes.

Head office: Skien
AFK's stake: 98.8%
Board Chairman: Ørjan Svanevik
CEO: Bjørn Eldar Petersen
efd-induction.com

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

EFD Induction's induction heating solutions can be used professionally for almost any industrial application that requires heat. The company's hardening machines are widely used in the automotive industry, while equipment from EFD Induction is otherwise commonly found in a number of other industries, such as the aviation, oil and gas, shipbuilding, power production 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, the company also has sales and service operations in Austria, Brazil, Denmark, Finland, Italy, Japan, Malaysia, Mexico, Russia, South Korea , Spain, Sweden, Thailand and the United Kingdom.

2019 IN BRIEF

(Figures in parentheses refer to the same period the previous year)
EFD Induction reported revenues of NOK 1,170 million (1,250 million) in 2019. EBITDA amounted to NOK 55 million (134 million). The operating profit was NOK -14 million (108 million), while the ordinary profit after tax was NOK -49 million (67 million).

In 2019, the company experienced a decline in revenues and earnings as a result of a weakened order intake from the automotive industry, which has resulted in a low level of activity for hardening machines (Induction Heating Machines).

Throughout 2019, the company has implemented a comprehensive plan to adapt its capacity to lower revenues. This has resulted in one-off cost effects totalling NOK 36 million, of which NOK 28 million is related to non-recurring costs and NOK 9 million is related to write-downs. Work on the improvements and restructuring will continue throughout 2020.

The order intake for 2019 was significantly weaker than in 2018 (-15%). The trend has been positive in North America across the areas of activity, but negative in Asia and Europe, which was driven in particular by the Induction Heating Machines area of activity, where there was a 40 per cent decline in orders. Considerable fluctuations may occur from one quarter to another and affect 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 at their own expense. Most of the development costs are expensed. In 2019, these costs amounted to NOK 43 million, an increase of 20 per cent compared with 2018.

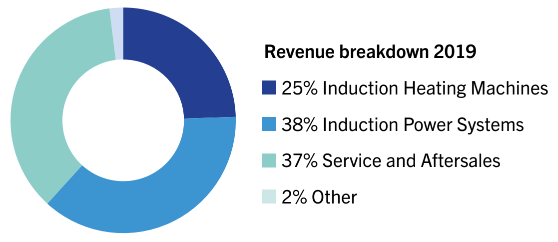
The company finances its activities through loans denominated in multiple currencies and seeks to limit foreign exchange risk by currency hedging both customer orders and expected customer orders.

OUTLOOK FOR 2020

At the beginning of 2020, the Corona epidemic had a negative impact on the company's revenue and earnings performance. The situation is characterised by a high degree of uncertainty and the impact on the business is expected to be significant this year.

2007	2008	1,107	18	1,170	55
AFK ACQUIRES EQUITY STAKE	SUBSIDIARY SINCE	EMPLOYEES	COUNTRIES	REVENUES (MNOK)	EBITDA (MNOK)

Key figures, NOK million	2019	2018	2017
Operating revenues	1,170	1,250	1,158
EBITDA	55	134	113
Operating profit	-14	108	88
Operating margin	-1%	9%	8%
Profit after tax	-49	67	54
Operating cash flow	76	67	62
NIBD	83	65	81
Equity	354	426	398
Equity ratio	36%	43%	43%



NSSLGlobal
ON LAND ▮ ONBOARD ▮ ONLINE

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

Head office: London

AFK's stake: 80%

Board Chairman: Arild Nysæther

CEO: Sally-Ann Ray

nsslglobal.com

THE COMPANY'S ACTIVITIES are divided into three main areas: Airtime, Hardware and Service. Its main customers are found in the maritime segment, military and government sector, large international concerns and the oil and gas industry.

NSSLGlobal has long experience in the public sector and maritime mobility, and provides leading satellite solutions with various network functions. The company cooperates with a number of the largest satellite operators.

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

2019 IN BRIEF

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

NSSLGlobal reported revenues of NOK 894 million (758 million) in 2019. EBITDA amounted to NOK 230 million (167 million). The operating profit was NOK 162 million (110 million), while the ordinary profit after tax was NOK 119 million (83 million).

The company's revenues were higher than the previous year, and the profit before tax was significantly higher. This is attributed to a temporary contract extension with a major customer with particularly good margins, as well as the delivery of several large customer contracts across the group. The acquisition of the business of Station 711 (acquired in the fourth quarter of 2018) has also generated higher revenues compared with the previous year.

NSSLGlobal celebrated its 50th anniversary in 2019. The company focuses deliberately on product niches and custom solutions for customer segments that value the company's broad expertise in project engineering. In terms of markets, the company concentrates on providing mobility solutions to the public sector and maritime segments.

One of the major shifts in technology is the emergence of new satellite constellations in so-called Low Earth Orbit (LEO). In order to position itself in relation to this, NSSLGlobal announced a cooperation agreement with the Canadian company Telesat, one of the developers of LEO systems.

The company continues to grow and opened a new office in Japan in 2019 to serve two new customer contracts and address the significant marine market in Japan.

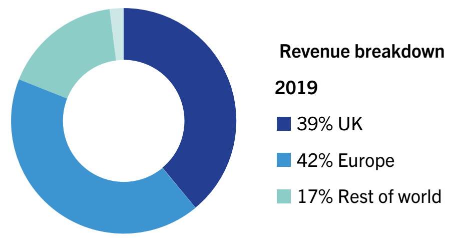
NSSLGlobal's customer portfolio comprises more than 5,000 users in the maritime, offshore and onshore sectors.

OUTLOOK FOR 2020

NSSLGlobal expects revenues in 2020 to be on par with 2019, while the operating profit is expected to be significantly lower than the previous year. The majority of the company's customers are in the military and maritime sectors. The former sector is not considered to be directly affected by the Corona epidemic, while a prolonged recession will of course affect the maritime sector.

2000	2010	182	9	894	230
AFK ACQUIRES EQUITY STAKE	SUBSIDIARY SINCE	EMPLOYEES	COUNTRIES	REVENUES (MNOK)	EBITDA (MNOK)

Key figures, NOK million	2019	2018	2017
Operating revenues	894	758	774
EBITDA	230	167	154
Operating profit	162	110	102
Operating margin	18%	15%	13%
Profit after tax	119	83	77
Operating cash flow	199	132	123
NIBD	-267	-201	-91
Equity	417	383	298
Equity ratio	53%	61%	55%



powel

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

Head office: Trondheim

AFK's stake: 96.7%

Board Chairman: Ørjan Svanevik

CEO: Trond Straume

powel.com

EXPERT KNOWLEDGE in industrial IT combined with innovation and business understanding makes Powel a solid, growing international company. The customers are energy companies, grid companies, contractors, water supply companies and the public sector.

Powel is headquartered in Trondheim and has several branch offices at various locations in Norway. The company also has offices and employees in Sweden, Denmark, Germany, Poland, Turkey and Switzerland.

2019 IN BRIEF

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

Powel reported revenues of NOK 548 million (MNOK 585 million) in 2019. EBITDA amounted to NOK 86 million (16 million). The operating profit was NOK 38 million (-27 million), while the ordinary profit after tax was NOK 30 million (-21 million).

Powel achieved higher revenues and significantly stronger earnings for continuing operations in 2019. The positive earnings performance is attributed primarily to growth in the sales of software in the domestic market, as well as to new customers outside the Nordic region. The company also has a lower cost base compared with the previous year. This is attributed to the fact that in 2018 the company implemented strategic measures to sharpen its strategy within its core areas. The order backlog strengthened throughout 2019, especially in the Smart Energy business area, which won a major contract with Europe's largest power company, the Italian company Enel.

In the Asset Performance business area, the company focuses on increasing the addressable market through business development in Europe. In the Nordic region, the company focuses on new solutions in the field of automation of network messages and mobile decision support. The new cloud-based platform powel.net provides opportunities for increased scaling, and will be important for faster development of new services and increased customer satisfaction.

The Smart Energy business area focuses on expanding its market position outside the Nordic region. The aforementioned contract with the Italian company Enel is Powell's largest-ever contract and represents the definitive breakthrough for the company's internationalisation. The European power market is undergoing major changes, which are expected to increase demand for Smart Energy's solutions, since the market changes require greater speed, automation and integration of solutions so that power producers can extract more value from their production.

In the Environment business area, the company's level of activity in water and municipal technology continues to show a positive development. Powel has increased its focus on cloud-based solutions and launched several new solutions on the market in 2019. In Denmark, the business area has won several new contracts and is experiencing good growth.

Powel Construction delivers software to a number of Norwegian and Swedish businesses within infrastructure design and development. The industry is undergoing major changes as a result of digitalisation, and the business area is seeing very good growth through a combination of further development of existing solutions and the integration of several services into the Gemini Connected cloud platform.

OUTLOOK FOR 2020

Powel is expected to report revenues and operating profit in 2020 on par with 2019, provided the COVID-19 impact on customers is not significant.

As of March 2020, Arendals Fossekompani has decided to merge the portfolio companies Powel, Markedskraft, Wattsight and Scanmatic into a new international technology group, Volue AS. Volue will increase the rate of return and reduce the carbon footprint of the company's customers in the European energy sector. See pages 18-19 for more details about Volue.

2007	2009	376	7	548	86
AFK ACQUIRES EQUITY STAKE	SUBSIDIARY SINCE	EMPLOYEES	COUNTRIES	REVENUES (MNOK)	EBITDA (MNOK)

Key figures, NOK million	2019	2018	2017
Operating revenues	548	585	591
EBITDA	86	16	49
Operating profit	38	-27	-30
Operating margin	7%	-5%	-5%
Profit after tax	30	-21	-34
Operating cash flow	96	68	34
NIBD	11	62	97
Equity	160	129	153
Equity ratio	37%	34%	24%

Scanmatic develops and delivers innovative data capture solutions based on modern sensor technology, wireless communication and intelligent system integration.

Head office: Arendal
AFK's stake: 68.9%
Board Chairman: Lars Peder Fensli
CEO: Kim Steinsland
scanmatic.no

THE COMPANY IS AMONG the country's leading suppliers of IT-based safety systems for roads and road tunnels, instrumentation solutions for environmental and structural monitoring, monitoring of anchoring systems for floating offshore installations and military radar and sonar systems.

Through continuous innovation, the company develops new and improved solutions for a broad portfolio of professional industrial customers in the market segments renewable energy, defence, traffic technology and offshore.

Scanmatic consists of four companies: Scanmatic AS (parent company) and its subsidiaries Scanmatic Elektro AS, Scanmatic Instrument Technology AS and Scanmatic Insitu AB.

2019 IN BRIEF

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

Scanmatic's reported revenues of NOK 421 million (649 million) in 2019. EBITDA amounted to NOK -42 million (44 million). The operating profit was NOK -50 million (40 million), while the ordinary profit after tax was NOK -41 million (31 million).

For the Scanmatic Group, lower revenues and a negative operating profit are primarily a consequence of significant negative earnings in Scanmatic Elektro.

Scanmatic Elektro's level of activity level was lower in 2019 compared with the previous year. In addition, the negative earnings for the year are attributed to a large earnings adjustment of NOK 40 million related to the final settlement for one of the company's transport projects.

Throughout 2019, Scanmatic's parent company has seen good growth in the renewable energy and environment market area, where the demand from both Norwegian and Swedish power producers, as well as public sector actors such as the Norwegian Meteorological Institute and the Norwegian Coastal Administration, has been good. The company has also seen a positive activity trend in the defence market area. In the offshore segment, the demand is still lower than expected, but the company's solutions for monitoring anchoring systems saw an upswing in 2019, with several relatively small but very successful projects. In the transport market area, where Scanmatic Elektro is the company's largest customer, the company's revenues were significantly lower compared with the previous year. This is attributed to a combination of a lower level of activity in Scanmatic Elektro and the fact that the company has focused more on activities in railway development in 2019, where instrumentation and automation solutions from the parent company are not relevant to the same degree as in road projects.

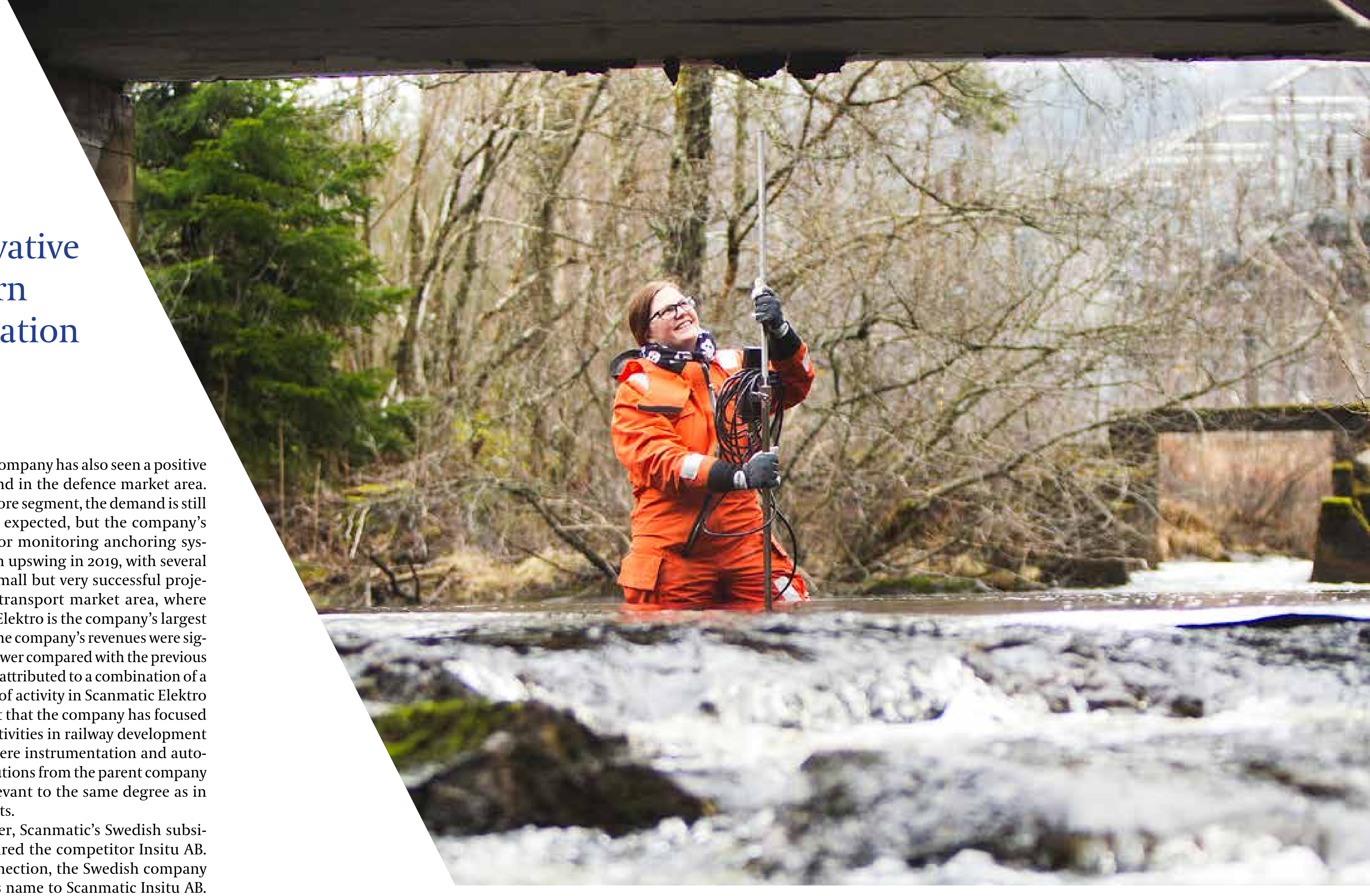
In October, Scanmatic's Swedish subsidiary acquired the competitor Insitu AB. In this connection, the Swedish company changed its name to Scanmatic Insitu AB. The Swedish operations will continue in a single company with offices in Stockholm, Ockelbo and Umeå.

Scanmatic Instrument Technology AS, which operates in the renewable energy and environment market area, delivered very good revenue and earnings performance in 2019, compared with the previous year.

OUTLOOK FOR 2020

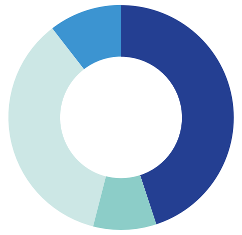
At the beginning of 2020, the Corona epidemic had a negative impact on the company's revenue and earnings performance. The situation is characterised by a high degree of uncertainty and the impact on the business is expected to be significant this year.

As of March 2020, Arendals Fossekompani has decided to merge the portfolio companies Powel, Markedskraft, Wattsight and Scanmatic into a new international technology group, Volue AS. Volue will increase the rate of return and reduce the carbon footprint of the company's customers in the European energy sector. See pages 18-19 for more details about Volue.



2004	2004	166	2	421	-42
AFK ACQUIRES EQUITY STAKE	SUBSIDIARY SINCE	EMPLOYEES	COUNTRIES	REVENUES (MNOK)	EBITDA (MNOK)

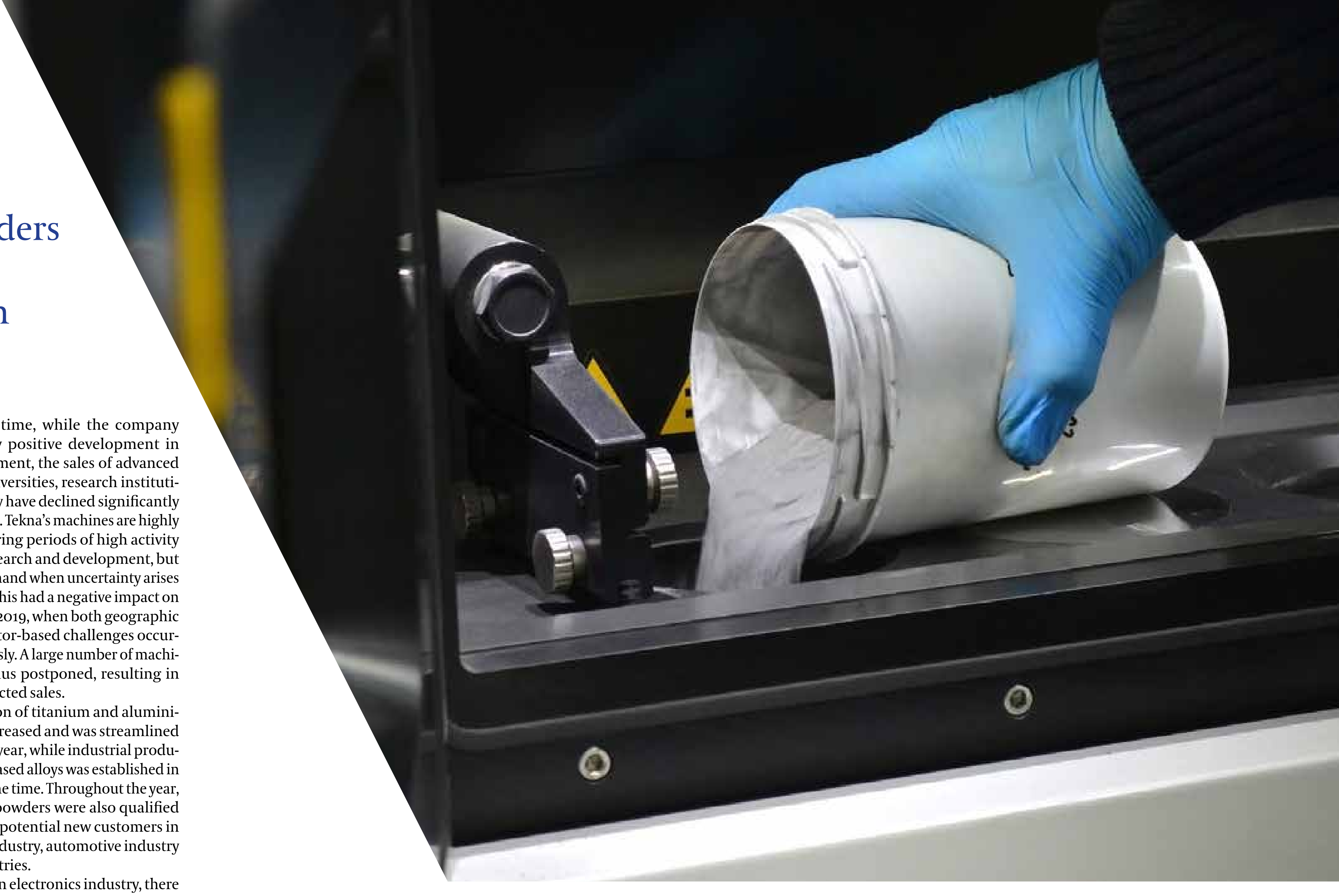
Key figures, NOK million	2019	2018	2017
Operating revenues	421	649	574
EBITDA	-42	44	41
Operating profit	-50	40	38
Operating margin	-12%	6%	7%
Profit after tax	-41	31	30
Share of profit attributable to owners of the parent	-19	20	21
Operating cash flow	23	-1	-14
NIBD	-6	0	-19
Equity	69	120	102
Equity ratio	30%	39%	38%



Revenue breakdown 2019
- 45% Renewable energy
- 9% Defence
- 36% Transport
- 10% Offshore & Maritime

TEKNA

Tekna manufactures various metal powders used in the 3D printing of components (additive manufacturing) in the aviation and medical industries, among others.



Head office: Sherbrooke, Canada
AFK's stake: 100%
Board Chairman: Morten Henriksen
CEO: Luc Dionne
tekna.com

TEKNA'S PRODUCTS make it possible to design complex metal parts that are lighter, more efficient and more environmentally friendly than conventionally manufactured parts

Tekna also manufactures machines for the production of spherical micro- and nanoparticles of various metals and ceramics based on the use of plasma generated by electrical induction.

Tekna's head office is in Sherbrooke, Canada. The company operates manufacturing centres in Canada and France, and has sales and distribution offices in China, India and South Korea.

2019 IN BRIEF

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

Tekna reported revenues of NOK 142 million (144 million) in 2019. EBITDA amounted to NOK -24 million (-22 million). The operating profit was NOK -41 million (-27 million), while the ordinary profit after tax was NOK -41 million (-42 million).

The year 2019 was an eventful year in which the company achieved very important strategic developments in a number of areas. Powder sales have increased around 50 per cent over the previous year, and even more gratifying is the fact that the share of repeat sales has seen strong growth. Titanium powder for 3D printing has dominated sales up to now, but developments in aluminium are showing great promise.

In 2019, Tekna entered into a strategic collaboration with the metal company Aperam, which is a world leader in nickel-based alloys. Tekna has developed powders based on these alloys for some years, and the two parties are now ready to take this further in a jointly owned company, ImphyTek SA. The combination of Aperam's products and Tekna's powder technology, together with the two companies' combined footprint in the market, are expected to produce rapid growth in powder sales. AFK regards this as an important step in the development of Tekna as a leading global brand.

At the same time, while the company has seen a very positive development in the powder segment, the sales of advanced machines to universities, research institutions and industry have declined significantly throughout 2019. Tekna's machines are highly sought after during periods of high activity in industrial research and development, but there is little demand when uncertainty arises in the markets. This had a negative impact on the company in 2019, when both geographic turmoil and sector-based challenges occurred simultaneously. A large number of machine sales were thus postponed, resulting in lower than expected sales.

The production of titanium and aluminium powders increased and was streamlined throughout the year, while industrial production of nickel-based alloys was established in France at the same time. Throughout the year, the company's powders were also qualified for a number of potential new customers in the aerospace industry, automotive industry and other industries.

From the Asian electronics industry, there is growing demand for powders in nanometer dimensions, and Tekna is working on several initiatives in this segment. In addition, Tekna has developed products aimed at the battery segment and is working on further industrialisation of these products.

Tekna works continuously to strengthen its market position by entering into strategic agreements with the leading players in commodities and the production of advanced products. These collaboration agreements will be important to the further scaling of the business.

OUTLOOK FOR 2020

At the start of 2020, higher revenues and improved earnings were expected compared with the previous year. Since then, the coronavirus has spread and become a global pandemic affecting all businesses, including Tekna. The final outcome is unknown, but it will obviously affect both Tekna's revenues and earnings as the industries Tekna supplies close down their production lines.

2013	2014	184	5	142	-24
AFK ACQUIRES EQUITY STAKE	SUBSIDIARY SINCE	EMPLOYEES	COUNTRIES	REVENUES (MNOK)	EBITDA (MNOK)

Key figures, NOK million	2018	2017	2016
Operating revenues	142	144	124
EBITDA	-24	-22	-18
Operating profit	-41	-27	-34
Operating margin	-	-	-
Profit after tax	-41	-42	-32
Operating cash flow	-52	-30	-6
NIBD	237	153	126
Equity	2	41	20
Equity ratio	1%	16%	10%

WATTSIGHT

Wattsight is an independent provider of data, analysis and consulting services to the European energy markets.

Head office: Arendal
AFK's stake: 90.5%
Board Chairman: Morten Henriksen
CEO: Espen Zachariassen
wattsight.com

THE COMPANY PROVIDES CUSTOMERS WITH the insight they need for a better understanding of the European power market by forecasting fundamentals and price pictures for the short-, medium- and long-term horizon. For investments in power and energy, customers rely on Wattsight's market understanding, consultations with Wattsight's analysts and cost-effective decision support.

Wattsight serves a large number of customers, including several of Europe's largest power and energy companies and financial institutions, which value the unique expertise, modelling skills and market understanding of the analysts, based on more than two decades of experience. Wattsight has experts in the power and energy markets, climate policy, mathematical and economic modelling, forecasting methods and market reporting.

Wattsight has offices in Norway, Germany and Austria.

2019 IN BRIEF

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

Wattsight reported revenues of NOK 73 million (66 million) in 2019. EBITDA amounted to NOK 12 million (11 million). The operating profit was NOK 9 million (10 million), while the ordinary profit after tax was NOK 9 million (8 million).

In 2019, Wattsight established itself as a leading brand in the European power market and is attracting considerable attention both through its own product launches and in external events in the power markets that can affect prices in the short or long term.

Wattsight achieved solid growth for yet another year, and the company has successfully moved into new markets and market segments. The company is a leader in fundamental data and market analysis of the European market for electric power, and at the end of the year the company had more than 350 customers in 30 European countries, as well as important reference customers in markets outside of Europe. In 2019, the company had a very high share of revenues from subscription services (recurring revenue).

Throughout 2019, the company has significantly strengthened the organisation, and has a targeted focus on the development of new and better solutions for customers, including near real-time decision support for those operating in the European power markets. Particular emphasis is placed on the expanded use of AI technologies for advanced decision support, as well as a standardised interface (API) for customers who want to extract data and integrate this data with their own systems.

In 2020, the company will continue this high rate of development, thus paving the way for a more efficient interface to customers, a higher technology content in the products and a generally higher rate of innovation in new products aimed at a rapidly changing power market. The company expenses its research and development work on a current basis.

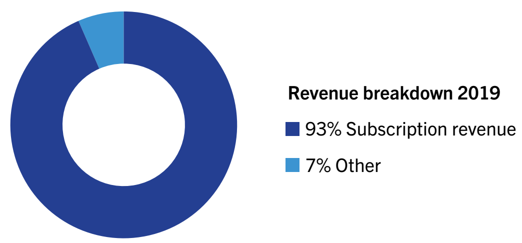
OUTLOOK FOR 2020

Solid revenue growth is expected for Wattsight, provided the impact of COVID-19 on customers is not significant. Earnings are expected to be somewhat weaker than in 2019 due to increased staffing to support the company's growth rate.

As of March 2020, Arendals Fossekompani has decided to merge the portfolio companies Powel, Markedskraft, Wattsight and Scanmatic into a new international technology group, Volue AS. Volue will increase the rate of return and reduce the carbon footprint of the company's customers in the European energy sector. See pages 18-19 for more details about Volue.

2018	2018	34	3	73	12
AFK ACQUIRES EQUITY STAKE	SUBSIDIARY SINCE	EMPLOYEES	COUNTRIES	REVENUES (MNOK)	EBITDA (MNOK)

Key figures, NOK million	2019	2018	2017*
Operating revenues	73	66	
EBITDA	12	11	
Operating profit	9	10	
Operating margin	12%	15%	
Profit after tax	9	8	
Operating cash flow	10	18	
NIBD	-15	-26	
Equity	30	25	
Equity ratio	56%	63%	



*Wattsight AS is a newly formed company as of 2018.

MARKEDSKRAFT

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

Head office: Arendal
AFK's stake: 96.7%
Board Chairman: Morten Henriksen
CEO: Christian Sønderup
markedskraft.com

THE TOTAL VOLUME of power production and consumption managed by the company makes Markedskraft one of the largest players in the Nordic region.

The company assists power suppliers, power producers, major power consumers and concession power recipients with strategic and tactical decisions regarding power trading, as well as the practical operational tasks associated with power trading. Markedskraft handles significant volumes in both production and consumption portfolios on behalf of customers throughout the Nordic region and the rest of Europe.

Markedskraft is subject to a MiFID licence, which reassures clients about the company and its internal routines and processes. Markedskraft is a neutral and independent partner. The company does not take its own positions in the financial power market, which is a crucial prerequisite for ensuring clients of a trading solution where uncontrollable costs are not added to the product price.

The company is represented with offices in Norway, Sweden, Denmark and Finland.

2019 IN BRIEF

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

Markedskraft reported revenues of NOK 67 million (70 million) in 2019. EBITDA amounted to NOK -6 million (-2 million). The operating profit was NOK -12 million (-6 million), while the ordinary profit after tax was NOK -17 million (-6 million).

The power markets in the Nordic region and the rest of Europe will undergo a transformation in the coming years, where consolidation, new products and real-time operations will be the key elements. Markedskraft started a journey in 2018, where focusing on enabling technology, a new platform for interaction with clients and the automation of tasks were some of the most important processes. Good progress was made throughout the year in this area, which will be further strengthened in the coming years. Development is absolutely necessary in order to be able to offer value-adding services to existing and new customers in the future.

Markedskraft performed its services in 2019 through two operating units: physical portfolio management and financial portfolio management. The company has experienced significant growth in recent years in physical management. This has been driven by markets with an ever shorter horizon, balancing responsibility among the customers, new services and an active focus on 24-hour operations. This trend is expected to continue. In financial management, the trend has been for customers to increasingly focus on hedging their underlying portfolios, and to a lesser extent participate actively in trading.

At the end of the year, the two operating units were merged into a single business area. In addition, a great effort has been made to ensure that all parts of the operations are seamless between the different countries. This is necessary in order to serve all the customers efficiently, regardless of where they are located.

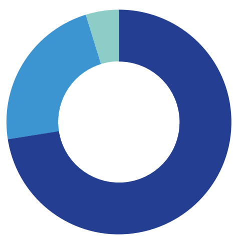
OUTLOOK FOR 2020

Markedskraft is expected to report revenues in 2020 on par with 2019, while the operating profit is expected to improve significantly, provided that the COVID-19 impact on customers is not significant.

As of March 2020, Arendals Fossekompani has decided to merge the portfolio companies Powel, Markedskraft, Wattsight and Scanmatic into a new international technology group, Volue AS. Volue will increase the rate of return and reduce the carbon footprint of company customers in the European energy sector. See pages 18-19 for more details about Volue.

1992	1992	50	4	67	-6
AFK ACQUIRES EQUITY STAKE	SUBSIDIARY SINCE	EMPLOYEES	COUNTRIES	REVENUES (MNOK)	EBITDA (MNOK)

Key figures, NOK million	2019	2018	2017*
Operating revenues	67	70	121
EBITDA	-6	-2	5
Operating profit	-12	-6	1
Operating margin	-	-	1%
Profit after tax	-17	-6	3
Operating cash flow	25	-36	66
NIBD	-112	-78	-134
Equity	51	49	72
Equity ratio	17%	20%	27%



*Includes the MKonline business area, which was spun off as a separate company (Wattsight AS) at the end of 2017

Vindholmen Eiendom AS is a wholly-owned subsidiary of AFK.

THE COMPANY OWNS land at Vindholmen in Arendal that was previously used for maritime-oriented business activities. Most of this has now been discontinued, but Vindholmen Eiendom continues to lease buildings to local industry players.

The area was rezoned as a combined residential/commercial zone in 2018. The development project, which has been named Bryggebyen, aims to develop 700 sunny residential units near the sea over the next 10-15 years. The first construction stage comprising 82 apartments was released for sale in the spring of 2019, and half of the apartments were sold at the end of 2019.

Construction started in the summer of 2019, and it is estimated that this stage will be ready to occupy in the second half of 2021.

Illustrations of the first construction stage of Bryggebyen.

Arendal Airport, Gullknapp in the Municipality of Froland was approved in 2017 and is thus Norway's newest airport with manned tower services.

IN THE AUTUMN OF 2018, the OSM Aviation Academy started a pilot school at Gullknapp. The OSM Aviation Academy is currently responsible for most of the activity at Gullknapp. The school had 50 students by the end of 2019, and the goal is to increase this number to 200 students.

We are working on establishing Gullknapp as a centre of expertise and testing for future aviation under the name the Gullknapp Aerial Center. Agder Energi Nett uses the area as a base for autonomous, drone-based inspection of its transmission line grid, and other players are also establishing businesses there.

Gullknapp is well-positioned to play a key role in electrified aviation, since the OSM Aviation Academy ordered 60 electric training aircraft from Bye Aerospace in the USA in 2019. Some of these aircraft will arrive at Gullknapp.

AFK owns 91 per cent of Arendal Lufthavn Gullknapp AS (ALG). The latter owns the airport, as well as the adjoining commercial areas of around 200 hectares. ALG received public subsidies of NOK 5.4 million in 2019.

Illustrations of the planned development of the Gullknapp Aerial Center.

Annual and consolidated financial statements with notes 2019

Income statement

(NOK thousand)

	Note	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Operating revenues and operating costs					
Sales revenues	1	4,761,047	4,871,817	209,091	191,762
Other operating revenues	1.2	45,723	33,708	2,348	2,938
Total operating revenues		**4,806,770**	**4,905,525**	**211,439**	**194,701**
Cost of goods sold		2,439,722	2,419,703	3,633	5,167
Personnel costs	4	1,413,499	1,435,076	38,839	34,136
Other operating costs	7.19	496,938	549,711	39,607	32,695
Total operating costs		**4,350,160**	**4,404,490**	**82,079**	**71,997**
EBITDA		**456,611**	**501,035**	**129,360**	**122,703**
Depreciation of property, plant and equipment	5	205,520	122,632	8,250	7,050
Amortisation of intangible assets	6	64,020	74,053	650	274
Impairment of non-current assets	5.6	10,655	42,943		
Operating profit		**176,416**	**261,408**	**120,460**	**115,380**
Finance income and finance costs					
Income from investments in subsidiaries and associates	8.11			111,136	33,663
Finance income	8.25	87,060	94,330	44,035	81,442
Intra-group interest income	8			9,129	6,540
Finance costs	8	76,826	76,565	47,014	115,853
Net financial items	8	**10,234**	**17,765**	**117,286**	**5,792**
Share of profit from associates	11	-1,632	-3,061		
Profit before taxes		**185,018**	**276,112**	**237,746**	**121,171**
Tax expense	9	138,300	135,376	76,233	70,392
Net profit for the year		**46,718**	**140,735**	**161,513**	**50,779**
Attributable to					
Non-controlling interests		1,912	28,322		
Equity holders of the parent		44,806	112,413	161,513	50,779
Total		**46,718**	**140,735**	**161,513**	**50,779**
Basic/diluted earnings per share (NOK)	22	**20.45**	**51.35**		
Basic/dil. earnings per share from cont. operations (NOK)	22	**20.43**	**51.35**		

Statement of comprehensive income

	Note	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Translation differences		11,774	6,611		
Change in hedging reserve		27,158	-8,619		
Tax on items that may be reclassified to profit or loss	9	-6,303	1,761		
Items that may be reclassified to profit or loss		***32,629***	***-247***		
Change in fair value, financial assets at fair value through OCI	16	195,432	620,378	195,432	620,378
Actuarial gains and losses		-6,359	1,863	-2,904	370
Tax on items that will not be reclassified to profit or loss	9	1,553	-354	639	-81
Items that will not be reclassified to profit or loss		***190,625***	***621,887***	***193,167***	***620,667***
Other comprehensive income for the period		**223,254**	**621,640**	**193,167**	**620,667**
Net profit for the year		46,718	140,735	161,513	50,779
Total comprehensive income for the period		**269,972**	**762,375**	**354,680**	**671,446**
Attributable to					
Non-controlling interests		2,461	28,984		
Equity holders of the parent		267,512	733,391	354,680	671,446
Total		**269,972**	**762,375**	**354,680**	**671,446**

Balance sheet

(NOK thousand)

	Note	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Assets					
Property, plant and equipment	5	1,247,234	1,006,358	164,287	163,793
Intangible assets	6	776,435	757,963	7,223	7,379
Investments in subsidiaries	3,5,11			1,637,945	1,607,422
Investments in associates	11		17,379		22,762
Loans to Group companies				292,403	250,955
Other receivables and investments	12	235,919	193,458	197,954	146,657
Pension funds	4	24,549	28,824	5,773	7,436
Deferred tax assets	9	124,658	164,660	67,403	91,533
Total non-current assets		**2,408,795**	**2,168,643**	**2,372,988**	**2,297,936**
Inventories	13	467,686	360,246		
Contract assets	13.16	123,489	190,997		
Trade and other receivables	14.16	1,064,852	1,279,803	1,466	6,239
Intra-group loans				122,505	66,535
Cash and cash equivalents	15	1,174,800	871,387	498,789	285,754
Financial assets at fair value through OCI	16	895,545	1,020,706	895,545	1,020,706
Financial assets classified as held for sale	16	10,150			
Total current assets		**3,736,523**	**3,723,138**	**1,518,306**	**1,379,233**
Total assets		**6,145,317**	**5,891,781**	**3,891,293**	**3,677,169**
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		5,510	1,117	5,510	1,117
Other reserves		832,284	888,231	798,790	889,059
Retained earnings		2,115,905	1,891,316	2,176,892	1,850,235
Total equity attributable to equity holders of the parent		**3,177,680**	**3,004,645**	**3,205,173**	**2,964,391**
Non-controlling interests	11	141,737	167,018		
Total equity		**3,319,416**	**3,171,663**	**3,205,173**	**2,964,391**
Liabilities					
Bond loans	17, 25	299,735	299,335	299,735	299,335
Interest and currency swaps related to bond loans	16, 17	92,587	100,037	92,587	100,037
Interest-bearing loans and borrowings	17, 25	332,122	377,745	133,133	198,522
Obligations from leases	17, 25	202,026		5,766	
Defined benefit plan obligations	4	40,174	39,864	8,672	8,678
Provisions	17	77,136	70,658		
Deferred tax liabilities	9	63,437	91,275		
Total non-current liabilities		**1,107,217**	**978,915**	**539,893**	**606,572**
Interest-bearing loans and borrowings	17, 25	85,926	121,974		
Bank overdraft facility	17	210,414	173,821		
Short term obligations from leases	17	63,695		993	
Trade and other payables	18	656,683	738,181	23,668	24,208
Contract assets	13.18	116,112	94,196		
Taxes payable	9	111,247	84,398	56,699	48,269
Other current liabilities	18	474,609	528,635	12,066	14,108
Liabilities to Group companies				52,801	19,621
Total current liabilities		**1,718,684**	**1,741,204**	**146,227**	**106,206**
Total equity and liabilities		**6,145,317**	**5,891,781**	**3,891,293**	**3,677,169**

Froland, 24 March 2020

Jon Hindar
Board Chairman

Morten Bergesen
Deputy Chairman

Didrik Vigsnæs

Arild Nysæther

Kristine Landmark

Heidi Marie Petersen

Rikke Reinemo

Ørjan Svanevik
CEO

Statement of changes in equity

(NOK thousand)

Group	Share capital	Other paid-in capital	Other paid-in capital	Translation differences	Hedging reserve	Fair value reserve	Treasury shares	Total other reserves	Retained earnings	Total	Non-controlling interests
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
"Rework" 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
Net profit for the period								112,413	112,413	28,322	140,735
Comprehensive income for the period			-6,346	-7,187	620,378		606,845	14,133	620,978	662	621,640
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**
2019											
Balance as at 1 January	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
Net profit for the period								44,806	44,806	1,912	46,718
Comprehensive income for the period			13,567	20,754	195,432		229,753	-7,048	222,705	549	223,254
Purchase/sale of treasury shares		4,393				4,323	4,323		8,716		8,716
Capital changes from subsidiaries								19,420	19,420	-4,701	14,720
Other comprehensive income from realization of financial assets at real value					-290,023		-290,023	290,023	-0	0	-0
Dividend to shareholders*								-122,613	-122,613	-23,041	-145,654
Balance as at 31 December	**223,981**	**5,510**	**20,689**	**12,805**	**865,305**	**-66,514**	**832,284**	**2,115,905**	**3,177,680**	**141,737**	**3,319,416**

Parent company	Share capital	Other paid-in capital	Other paid-in capital	Translation differences	Hedging reserve	Fair value reserve	Treasury shares	Total other reserves	Retained earnings	Total	Non-controlling interests
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
Net profit for the period								50,779	50,779		50,779
Comprehensive income for the period					620,378		620,378	288	620,667		620,667
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**
2019											
Balance as at 1 January	223,981	1,117			959,896	-70,837	889,059	1,850,235	2,964,391		2,964,391
Net profit for the period								161,513	161,513		161,513
Comprehensive income for the period					195,432		195,432	-2,265	193,167		193,167
Purchase/sale of treasury shares		4,393				4,323	4,323		8,716		8,716
Other comprehensive income from realization of financial assets at real value					-290,023		-290,023	290,023	-0	0	-0
Dividend to shareholders*								-122,613	-122,613		-122,613
Balance as at 31 December	**223,981**	**5,510**			**865,305**	**-66,514**	**798,790**	**2,176,892**	**3,205,173**		**3,205,173**

* 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 2019 the Group held 46,291 (2018: 50,852) of the company's shares.

Statement of cash flows

(NOK thousand)	Note	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Cash flow from operating activities					
Net profit for the year		**46,718**	**140,735**	**161,513**	**50,779**
Adjusted for					
Depreciation and impairment of property, plant and equipment		214,680	153,453	8,250	7,050
Amortisation of intangible assets		65,515	86,175	650	274
Net financial items		-10,234	-17,765	-117,286	-5,792
Share of profits from associates		1,632	3,061		
Gain on sale of property, plant and equipment		662	-30,608		
Tax expense		138,300	135,376	76,233	70,392
Total		**457,272**	**470,427**	**129,360**	**122,703**
Change in inventories		-102,761	-60,548		
Change in trade and other receivables		295,366	-95,195	3,886	6,210
Change in trade and other payables		-76,759	6,329	-1,437	-37,013
Change in provisions and employee benefits		-12,444	37,559	-1,246	-6,643
Total		**560,674**	**358,572**	**130,562**	**85,258**
Taxes paid		-87,628	-108,094	-40,144	-29,841
Net cash flow from operating activities	**A**	**473,046**	**250,478**	**90,418**	**55,417**
Cash flow from investing activities					
Interest received etc.	8	28,732	62,249	16,606	54,759
Dividends received		27,676	45,454	138,812	79,117
Proceeds from the sale of PP&E		4,631	27,518		
Proceeds from the sale of available-for-sale assets at real value		320,592		320,592	
Proceeds from other investments		763	2,127		
Proceeds from the sale of shares in subsidiaries		303	14,634	303	
Purchase of shares in subsidiaries (reduced by cash balance)		-7,621		-40,653	-149,988
Purchase of available-for-sale and held-for-trading assets			-730		-730
Purchase of property, plant and equipment and intangible assets		-178,419	-236,078	-1,598	-8,578
Disbursements for other investments		-46,974	-23,589	-30,756	-20,124
Net cash flow from investing activities	**B**	**149,683**	**-108,414**	**403,306**	**-45,543**
Cash flow from financing activities					
Equity payment from non-controlling interests		513	151		
Payment for purchases of non-controlling interests		-8,419	-52,366		
New long-term borrowings	25	41,449	82,936		
Repayment of long-term borrowings	25	-180,636	-1,397,984	-74,925	-1,339,428
Change in non-current intra-group balances				-35,851	-12,049
Change in current intra-group balances				-22,791	-29,690
Interest paid etc.	8	-75,260	-78,050	-33,225	-45,303
Net change in bank overdraft		36,522	20,185		
Dividend paid		-144,827	-12,442	-122,613	-3,400
Purchase/sale of treasury shares		8,716		8,716	
Net cash flow from financing activities	**C**	**-321,941**	**-1,437,570**	**-280,689**	**-1,429,870**
Net change in cash and cash equivalents	**A+B+C**	**300,788**	**-1,295,505**	**213,035**	**-1,419,997**
Cash and cash equivalents as at 1 January		871,387	2,162,354	285,754	1,705,751
Currency translation adjustments for cash and cash equivalents		2,625	4,538		
Cash and cash equivalents as at 31 December		**1,174,800**	**871,387**	**498,789**	**285,754**

Notes to the annual and consolidated financial statements for 2019

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 2019 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 31 December 2019.

The annual and consolidated financial statements were approved by the board of directors on 24 March 2020.

The annual and consolidated financial statements will be submitted for adoption at the Annual General Meeting scheduled for 7 May 2020. 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 2019

The following new standards have been adopted by the Group with effect from 1 January 2019.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces the current standard on leases, IAS 17. The new standard changes the accounting of leases that are treated as operating leases under the current standard. It requires that all leases, irrespective of the type and with a few exceptions, be recognized in the lessee's balance sheet as an asset (right of use from lease) with associated obligation. The company and the group implemented the standard according to modified retrospective method and comparative figures have therefore not been restated. The transitional effects of the standard are recognized as an adjustment in the opening balance for 2019. Leases that were accounted for as financial leases under IAS 17 have not been re-evaluated upon transition to IFPS 16. The accounting effect of leases is presented in Note 19. Accounting principles for leases are described under.

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 accounted for using the equity method, from the date significant influence was achieved until it ceases.

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

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

Discontinued operations

Discontinued operations Group activities that comprise a separate segment or a separate geographic area and which are sold or held for sale, or a subsidiary acquired solely for resale. An activity is classified as a discontinued operation when it is sold or when the criteria for classification as held for sale are satisfied. When an activity is classified as discontinued operation, the comparative figures for the previous period are adjusted correspondingly.

Foreign currency translation

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

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

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

Net investments in foreign operations
Translation differences arising from the translation of net investments in foreign operations are specified as translation differences in equity, and recognised in the income statement at the time of the divestment.

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

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

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

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

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

Financial assets at fair value through other comprehensive income
In accordance with the Group's investment strategy, investments in equity instruments are 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 ways, hatches 25-40 years
  - Machine equipment 40 years
  - Thermal power plant (Spain) 25 years
- Industrial activities
  - Buildings 20–25 years
  - Machinery and equipment 7–15 years
- Operational moveable property, vehicles, equipment etc. 3–12 years

Residual value is assessed annually unless it is immaterial.

Leases
The company's and the group's leases consist mainly of office space, machines, cars, IT equipment and other office machines.

For the financial year 2019, leases were treated in accordance with IAS 17. The company and the group have certain leases with conditions that essentially transfer the financial rights and obligations to the group. In 2018, these are classified as financial leases and recognized according to the same accounting principle as similar assets. Other leases are treated as operating leases.

As of 2019, the company and the group have implemented IFRS 16. At the transition to IFRS 16, the group chose not to reconsider whether a contract is or contains a lease, as a practical solution. IFRS 16 is only applied to contracts that were previously classified as leases.

At the date of initial application of IFRS 16, the company and the group measured their lease obligations at the present value of the remaining lease payments, discounted by the so-called incremental borrowing rate as of January 1, 2019. The incremental borrowing rate corresponds to the interest the tenant is supposed to have paid if the tenant should have borrowed the funds to purchase an asset of the same value as the right of use of the leased asset. Furthermore, the group recognized utility rights equal to the sum of the leases, adjusted for any down payment or accrued payments.

At the date of initial use, the Group has used the following practical solutions for leases that were previously classified as operating leases.

- Exceptions to short-term leases (12 months or less)
- Exception for low value assets
- Exceptions to intangible assets

For assessing the term of the individual leases, any options have been taken into account to the extent that it is reasonably certain that the options will be exercised. The amount of rent used in the calculation of the lease obligation includes all fixed costs related to the contract plus indirect fixed costs incurred, as well as any restitution obligations that may be incurred by the tenant.

At the transition to IFRS 16, the company and the group recognized tNOK 7,640 and tNOK 307,276 respectively as rights of use and tNOK 7,640 and tNOK 307,276 as lease obligations.

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. The net worth is classified as contract assets. Long-term manufacturing contracts where the customer has paid more than the earned contract value on the balance sheet date are classified as contract obligations. See also the section below on operating income and Note 13.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reversal of impairment
Impairments of goodwill are not reversed.

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

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

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

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

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

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

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

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

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 recognosed 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 2019. Based on the assessments made so far, it is assumed that the following standards and IFRICs will have an effect on future financial reporting:

IFRIC 23 Uncertainty over tax treatment regarding income tax treatment.

The interpretation clarifies how uncertain tax positions should be reflected in IFRS accounting. Uncertain tax positions arise when it is unclear how current tax law is to be understood for a specific transaction or event, and when it is uncertain whether the tax authorities will approve an enterprise's tax treatment. IFRIC 23 is considered not to be of material importance to the company and the group.

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 "Property" segment comprises the companies: Steinodden Eiendom, Arendal Lufthavn Gullknapp, Songe Træsliperi, Vindholmen Eiendom, Norsk Vekst og Bedriftsveien 17.

* Depreciation and impairment in the "AFK Administration" segment refers to depreciation and impairment of excess value established on the acquisition of subsidiaries.
** Net financial items in the "AFK Administrasjon" and "Total" column includes shares of associates' profits.

Group	**Energy Sales**		**AFK Administration**		**EFD Induction**		**NSSLGlobal**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
At a point of time	206,382	190,824			669,984	573,806	876,109	753,152
Over time					491,797	656,027		
Other operating revenues	1,219	1,626	1,130	1,312	8,164	20,599	18,230	4,833
Operating revenues	**207,601**	**192,451**	**1,130**	**1,312**	**1,169,946**	**1,250,432**	**894,338**	**757,984**
Operating costs	59,919	52,210	16,310	15,943	1,115,442	1,116,905	664,045	590,548
Depreciation, amortisation a	8,900	6,903	21,507	20,142	68,335	25,668	68,600	57,698
Operating profit/loss	**138,781**	**133,338**	**-36,687**	**-34,773**	**-13,832**	**107,859**	**161,692**	**109,738**
Net financial items**			21,533	36,267	-9,068	-5,692	126	-47
Tax expense	81,523	72,247	-10,952	-8,484	25,614	35,302	42,957	26,404
Net profit/loss for the year	**57,258**	**61,091**	**-4,202**	**9,978**	**-48,514**	**66,866**	**118,861**	**83,287**
Segment assets	299,269	268,640	1,897,212	1,882,526	983,148	992,783	780,501	632,588
Segment liabilities	89,040	81,155	166,953	336,793	629,470	566,602	363,690	249,233
Net int.-bearing debt			-335,441	14,236	83,066	65,094	-266,514	-200,624

Group, cont.	**Powel**		**Scanmatic**		**Tekna**		**Wattsight**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
On delivery	88,482				71,631	143,574	72,859	65,802
Percentage of completion	459,156	583,212	419,112	649,397	61,298			
Other operating revenues		2,254	2,221		9,182	311		
Operating revenues	**547,638**	**585,466**	**421,333**	**649,397**	**142,111**	**143,885**	**72,859**	**65,802**
Operating costs	461,154	569,731	462,983	605,763	166,224	165,549	60,512	54,982
Depreciation, amortisation a	48,619	42,992	8,785	3,275	16,790	12,540	3,810	946
Operating profit/loss	**37,865**	**-27,257**	**-50,435**	**40,360**	**-40,903**	**-34,204**	**8,536**	**9,874**
Net financial items**	-2,764	-860	-1,354	-881	-8,295	-6,307	2,405	657
Tax expense	5,187	-7,195	-10,888	8,113	-8,509	1,256	2,282	2,433
Net profit/loss for the year	**29,914**	**-20,922**	**-40,901**	**31,366**	**-40,689**	**-41,767**	**8,660**	**8,098**
Segment assets	434,872	386,031	228,722	309,204	283,664	260,063	54,144	39,398
Segment liabilities	275,201	256,798	159,239	188,856	281,807	219,223	24,217	14,680
Net int.-bearing debt	10,939	62,291	-6,494	-70	236,898	154,912	-15,505	-25,911

Group, cont.	**Cogen Energia**		**Markedskraft**		**Property**		**Total**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
On delivery	1,272,067	1,181,118	67,168	70,269	5,003	4,635	3,329,684	2,983,181
Percentage of completion							1,431,363	1,888,636
Other operating revenues		1,255			5,578	1,519	45,723	33,708
Operating revenues	**1,272,067**	**1,182,373**	**67,168**	**70,269**	**10,580**	**6,154**	**4,806,770**	**4,905,525**
Operating costs	1,256,659	1,141,925	72,845	71,907	14,065	19,028	4,350,160	4,404,490
Depreciation, amortisation a	19,447	15,477	6,746	4,132	8,655	49,857	280,195	239,628
Operating profit/loss	**-4,039**	**24,972**	**-12,423**	**-5,769**	**-12,140**	**-62,731**	**176,416**	**261,408**
Net financial items**	12,960	-4,473	-4,912	-2,330	-1,955	-1,630	8,677	14,704
Tax expense	10,976	7,669	151	-1,654	-42	-714	138,300	135,376
Net profit/loss for the year	**-2,055**	**12,830**	**-17,486**	**-6,445**	**-14,053**	**-63,647**	**46,793**	**140,735**
Segment assets	610,409	664,137	307,673	247,098	265,703	209,314	6,145,317	5,891,781
Segment liabilities	429,848	516,729	256,365	198,234	150,072	91,815	2,825,901	2,720,119
Net int.-bearing debt	124,692	149,145	-112,525	-77,734	126,867	60,187	-154,017	201,526

Note 1 Segment reporting
(NOK thousand)

Geographic area	Norway 2019	Norway 2018	Europe 2019	Europe 2018	Asia 2019	Asia 2018	North America etc. 2019	North America etc. 2018	Consolidated 2019	Consolidated 2018
Operating revenues	1,277,447	1,416,261	2,800,205	2,659,857	449,358	517,698	279,760	311,709	4,806,770	4,905,525
Segment assets	3,516,497	3,394,318	1,877,013	1,643,787	396,927	436,893	355,038	416,783	6,145,475	5,891,781

Parent company	Energy sales 2019	Energy sales 2018	AFK Administration 2019	AFK Administration 2018	Total 2019	Total 2018
Operating revenues	**207,601**	**192,451**	**3,839**	**2,250**	**211,439**	**194,701**
Operating costs	59,919	52,210	22,160	19,788	82,079	71,997
Depreciation, amortisation and	8,900	6,903		421	8,900	7,324
Operating profit/loss	**138,781**	**133,338**	**-18,322**	**-17,959**	**120,460**	**115,380**
Net financial items			117,286	5,792	117,286	5,792
Tax expense	81,523	72,247	-5,290	-1,855	76,233	70,392
Net profit/loss for the year	**57,258**	**61,091**	**104,255**	**-10,312**	**161,513**	**50,779**
Segment assets	299,269	268,640	3,592,024	3,408,529	3,891,293	3,677,169
Segment liabilities	89,040	81,155	597,080	631,623	686,120	712,778
Net int.-bearing debt			-335,441	-85,801	-335,441	-85,801

Note 2 Other operating revenues / Sales revenues

Other operating revenues	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Rental income	359	1,556	275	280
Other operating revenues	45,364	32,153	2,073	2,658
Total other operating revenu	**45,723**	**33,708**	**2,348**	**2,938**

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

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

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

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

CEE did not make any significant acquisitions during 2018.

Note 4 Employee benefits

	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Salaries	1,118,401	1,144,865	29,355	30,602
Social security contributions	156,764	158,367	4,650	4,674
Pension costs	60,745	54,013	2,921	-2,451
Other benefits	77,589	77,831	1,914	1,310
Total employee benefits	**1,413,499**	**1,435,076**	**38,839**	**34,136**
Number of full-time equivalents	**2,199**	**2,243**	**23**	**22**

2019	**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						
Ørjan Svanevik, CEO from 1. September 2019	1,533		51	1,584	119	
Jarle Roth, CEO till 1. August 2019	3,191	916	216	4,323	69	
Lars Peder Fensli, CFO	2,292	224	22	2,538	106	
Morten Henriksen, Executive Vice President	2,332	243	26	2,601	112	
Torkil Mogstad, Executive Vice President	1,916	202	26	2,144	103	
Board members, audit and compensation committees						
Jon Hindar, Chairman of the Board from 25. April 2019	363			363		6
Øyvin A. Brøymer, Chairman of the Board till 25. April 2019	156			156		2
Morten Bergesen, Deputy Chairman	398			398		8
Didrik Vigsnæs, Board Member	280			280		8
Arild Nysæther, Board Member	359			359		8
Heidi Marie Petersen, Board Member	280			280		8
Kristine Landmark, Board Member	280			280		7
Rikke T. Reinemo, Board Member	334			334		8
Total remuneration	13,714	1,585	341	15,640	509	

2018						
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, Board Member (from April 2018)	187			187		6
Rikke T. Reinemo, Board Member (from April 2018)	221			221		5
Marianne Lie, Board Member	90			90		4
Marianne Sigurdson Lyngvi, Board Member	73			73		4
Total remuneration	11,930	4,160	298	16,388	397	

(i) 8 Board meetings were held in 2018 and 11 in 2017

In addition, tNOK 348 (442) was paid in pensions to former board members. Current board members are not entitled to a pension.

Senior executives participate in the collective pension scheme for employees of the parent company and subsidiaries. Refer to the description in the note on pensions. All companies in the Group have phased out defined-benefit pension schemes with effect from 31 December 2015 at the latest, except in the case of employees over 60 years of age who are members of the AFK Pension Plan. These will remain in the defined-benefit scheme until they reach retirement age. With the full contributions period of 30 years the defined-benefit scheme provides a pension which, when combined with the state pension, amounts to 66% of final salary. Until the end of 2015 the parent company had a supplementary pension scheme for employees with pensionable income in excess of 12 G (G = the Norwegian National Insurance Scheme's base amount). With full entitlement the pension benefits were at the same level as for pensionable income of less than 12 G, i.e. 66%. This scheme has also ended and was replaced by an equivalent cash amount for all those under 60 years of age. Bonuses, options and other benefits are not pensionable. Senior executives of the Group received no remuneration or benefits from other Group companies except as shown above. No additional remuneration was paid for special services beyond normal management duties.
Arild Nysæther received GBP 22,500 (GBP 22,500) as Chairman of the Board of the subsidiary NSSLGlobal.
Morten Bergesen received EUR 15,000 (EUR 15,000) as Chairman of the Board of the subsidiary Cogen Energia España.

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

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	
	2019	**2018**	**2019**	**2018**
Pension liabilities				
Present value of unfunded liabilities	30,736	29,680	7,600	7,605
Present value of funded liabilities	71,403	71,817	48,566	48,941
Fair value of pension assets	-95,952	-100,641	-54,339	-56,377
Recognised employers' contributions	1,072	1,072	1,072	1,072
Present value of net liabilities	**7,258**	**1,928**	**2,899**	**1,242**
Sum ytelser til ansatte	**7,258**	**1,928**	**2,899**	**1,242**
Of which presented as pension assets	24,549	28,824	5,773	7,436
Other pension liabilities	8,367	9,112		
Gross pension liabilities	**40,174**	**39,864**	**8,672**	**8,678**
Change in recognised net liability for defined-benefit pensions				
Net funded defined-benefit pension liability as at 1 January	-28,824	-26,338	-7,436	-5,999
Liability for unfunded schemes as at 1 January	30,540	35,395	8,678	13,883
Paid-in contributions	-3,223	-2,445	-664	-862
Paid out from the scheme	-690	-2,725	-706	-792
Actuarial (gains) losses from other comprehensive income	3,223	-820	2,904	-370
Exchange rate changes, pension liabilities	3,745	1,813		
Costs of defined-benefit schemes	2,461	-2,953	123	-4,619
Net liability for defined-benefit schemes as at 31 December	**7,232**	**1,928**	**2,899**	**1,242**
Costs recognised in the income statement				
Costs relating to this period's pension entitlements	2,430	1,873		66
Interest on the liabilities	2,267	2,089	1,429	1,315
Expected return on pension plan assets	-2,543	-2,356	-1,443	-1,288
Recognised employers' contributions	306	305	137	152
Effect of partial discontinuation of Board pensions		-4,864		-4,864
Costs of defined-benefit pension schemes	**2,461**	**-2,953**	**123**	**-4,619**
Costs of defined-contribution pension schemes	56,963	55,992	1,476	1,194
Net interest on pension liabilities transferred to finance	14	-27	14	-27
Transfer effect of discontinuation of separate line in income statement	1,307	1,000	1,307	1,000
Total pension costs	**60,745**	**54,013**	**2,921**	**-2,451**
Actual return on pension plan assets	**8,104**	**-1,159**	**5,456**	**-653**

Note 5 Property, plant & equipment

Group	**Under construction**	**Hydropower stations**	**CHP plants***	**Other property****	**Right-of-use assets**	**Machinery, fixtures**	**Total**
2018							
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
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**

2019	**Under construction**	**Hydropower stations**	**CHP plants ***	**Other property ****	**Right-of-use assets**	**Machinery, fixtures**	**Total**
Cost							
Balance as at 1 January	37,781	307,150	660,173	552,597		886,925	2,444,627
Additions*****	6,663	933	2,413	-1,889	12,325	70,792	91,237
Transferred from under construction	-41,318			38,391		2,927	
Additions (acquisitions)			87,028				87,028
Additions (leases)					307,276		307,276
Reclassified		3,564		-28,858	25,294		
Disposals		-32			-4,903	-22,151	-27,087
Exchange rate differences	1,913		-5,745	1,337	4,051	21,611	23,166
Balance as at 31 December	**5,038**	**311,614**	**743,869**	**561,578**	**344,044**	**960,103**	**2,926,247**
Accumulated depreciation and impairment							
Balance as at 1 January		159,216	494,237	132,531		652,285	1,438,269
Additions (acquisitions)			33,143				33,143
Ordinary depreciation for the year		6,344	14,665	18,339	72,182	93,990	205,520
Impairment losses****			2,053	4,074		3,033	9,160
Disposals		-32		-64	-1,577	-19,178	-20,851
Reclassified		2,639		-10,649	8,010		
Exchange rate differences			-4,320	993	317	16,782	13,773
Balance as at 31 December		**168,166**	**539,778**	**145,224**	**78,933**	**746,912**	**1,679,013**
Book value as at 1 January	**37,781**	**147,934**	**165,937**	**420,066**		**234,640**	**1,006,358**
Book value as at 31 December	**5,038**	**143,448**	**204,091**	**416,355**	**265,111**	**213,192**	**1,247,234**

* "CHP plants" refers to Cogen's combined heat and power plants.
** "Other property" includes a finance lease which is reclassified as "Right-of-use assets". More details in note for parent company.
*** Impairment losses in 2018 refer to the decision made in 2018 to demolish a building at 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.
**** Impairment losses are based partly on a revised value assessment of Cogen's CHP plants and partly a reduced value of EFD due to restructuring.
***** Negative amount booked under Additions is due to governmental grant received after the initial booking of the asset.

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 2018	Under construction	Hydropower stations	Other property	Machinery, fixtures	Right-of-use assets	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**

2019	Under construction	Hydropower stations	Other property	Machinery, fixtures	Right-of-use assets	Total
Cost						
Balance as at 1 January	5,804	307,150	8,320	9,168		330,441
Additions*	-1,680	933		1,852		1,105
Transferred from Under construction	-2,920			2,920		
Reclassified		3,564	-3,564			
Additions (leases)					7,640	7,640
Disposals		-32				-32
Balance as at 31 December	**1,204**	**311,614**	**4,756**	**13,940**	**7,640**	**339,154**
Accumulated depreciation and impairment						
Balance as at 1 January		159,216	2,639	4,793		166,648
Ordinary depreciation for the year		6,344		918	988	8,250
Reclassified		2,639	-2,639			
Disposals		-32				-32
Balance as at 31 December		**168,166**		**5,712**	**988**	**174,867**
Book value as at 1 January	**5,804**	**147,934**	**5,681**	**4,374**		**163,793**
Book value as at 31 December	**1,204**	**143,448**	**4,756**	**8,228**	**6,652**	**164,287**

* Negative amount booked under Additions is due to governmental grant received after the initial booking of the asset.

Note 6 Intangible assets

Konsern 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**

2019	Intang. assets	Goodwill	Concessions	Total
Cost				
Balance as at 1 January	936,396	603,741	12,250	1,552,387
Additions	87,182			87,182
Acquired in business combinations and acquisitions		9,902		9,902
Disposals	-23,749	-1,617		-25,366
Exchange rate differences	55,916	3,372		59,288
Balance as at 31 December	**1,055,745**	**615,398**	**12,250**	**1,683,394**
Accumulated amortisation and impairment				
Balance as at 1 January	711,860	75,985	6,579	794,424
Ordinary amortisation for the year	63,775		245	64,020
Impairment for the year		1,495		1,495
Disposals	-62	-1,601		-1,663
Exchange rate differences	51,771	-3,089		48,683
Balance as at 31 December	**827,345**	**72,790**	**6,824**	**906,959**
Book value 1 January	**224,536**	**527,757**	**5,671**	**757,963**
Book value 31 December	**228,400**	**542,609**	**5,426**	**776,435**

Parent company 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**

2019	Intang. assets	Goodwill	Concessions	Total
Cost				
Balance as at 1 January	2,208		12,250	14,458
Additions	494			494
Balance as at 31 December	**2,702**		**12,250**	**14,952**
Accumulated amortisation and impairment				
Balance as at 1 January	500		6,579	7,079
Ordinary amortisation for the year	405		245	650
Balance as at 31 December	**905**		**6,824**	**7,729**
Book value 1 January	**1,708**		**5,671**	**7,379**
Book value 31 December	**1,797**		**5,426**	**7,223**

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	1,797		5,426	**7,223**
Markedskraft	8,646	6,731		**15,377**
EFD Induction	2,596	115,383		**117,978**
Powel	83,693	135,793		**219,486**
NSSLGlobal	12,102	263,220		**275,322**
Cogen Energia	37,779	13,686		**51,464**
Tekna	81,219			**81,219**
Wattsight		2,272		**2,272**
Scanmatic	569	5,525		**6,094**
Total intangible assets	**228,400**	**542,609**	**5,426**	**776,435**

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 2019 has been calculated in the same way as in 2018. Budgets have been used for 2020 and long-term budgets from strategy plans for the period up to 2024. In addition, a standard growth rate of 2% is applied up to 2028 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 (WACC before tax) has been set to 10%. When calculating the WACC consideration is given to the fact that the company's earnings are in EUR and USD, and that the business is cyclical. The risk-free rate of return has been set to 1,5%. A sensitivity analysis based on a unilateral change in estimated future EBITDA shows that a reduction of more than 61% may lead to impairment. Equivalently a change in WACC from 10% to 22% may cause impairment.

Powel
The Required Rate of Return (WACC before tax) has been set to 10,5%. The risk-free rate of return has been set to 1,5%. A sensitivity analysis based on a unilateral change in estimated future EBITDA shows that a reduction of more than 77% may lead to impairment. Equivalently a change in WACC from 10,5% to 23,5% may cause impairment.

NSSLGlobal
The Required Rate of Return (WACC before tax) has been set to 9,5%. The risk-free rate of return has been set to 0,8%. When calculating the WACC consideration is given to the fact that the company's earnings are in GBP and USD. A sensitivity analysis based on a unilateral change in estimated future EBITDA shows that a reduction of more than 53% may lead to impairment. Equivalently a change in WACC from 9,5% to 59% may cause impairment.

Cogen Energia España
The Required Rate of Return (WACC before tax) has been set to 10%. The risk-free rate of return has been set to 0,4%. A sensitivity analysis based on a unilateral change in estimated future EBITDA shows that a reduction of more than 65% may lead to impairment. Equivalently a change in WACC from 10% to 18,5% may cause impairment.

Tekna Holdings Canada
The Required Rate of Return (WACC before tax) has been set to 13,5%. The risk-free rate of return has been set to 1,6%. A sensitivity analysis based on a unilateral change in estimated future EBITDA shows that a reduction of more than 47% may lead to impairment. Equivalently a change in WACC from 13,5% to 14% may cause impairment.

Scanmatic
The Required Rate of Return (WACC before tax) has been set to 10,5%. The risk-free rate of return has been set to 1,5%. A sensitivity analysis based on a unilateral change in estimated future EBITDA shows that a reduction of more than 85% may lead to impairment. Equivalently a change in WACC from 10,5% to 100% may cause impairment.

Markedskraft
The Required Rate of Return (WACC before tax) has been set to 10,5%. The risk-free rate of return has been set to 1,5%. A sensitivity analysis based on a unilateral change in estimated future EBITDA shows that a reduction of more than 76% may lead to impairment. Equivalently a change in WACC from 10,5% to 78,5% may cause impairment.

Wattsight
The Required Rate of Return (WACC before tax) has been set to 9,5%. The risk-free rate of return has been set to 1,5%. A sensitivity analysis based on a unilateral change in estimated future EBITDA shows that a reduction of more than 85% may lead to impairment. Equivalently a change in WACC from 9,5% to 67% may cause impairment.

EFD has made a write-down of intangible assets of NOK 1,495,000.

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

CO2 allowances
Cogen did not receive free CO2 allowances (also known as European Union Allowances, or EUAs) for 2019. Actual emissions in 2019 were 203 828 tons vs. 229 000 tons in 2018. As of 31.12.2019, CO2 allowances covering emissions of 53 418 tons had been purchased. Purchases in 2018 amounted to 90 000 tons. The remaining allowances needed for 2019 will be purchased in 2020. Accrued expenses of MEUR 3,7 (for 2018 MEUR 2,1) have been recognized associated with the purchasing of CO2 allowances.

Research and development cost
In 2019 development costs of NOK 40,382,000 were capitalized (2018 50,097,000). Other research and development costs in the Group are expensed as they arise and amounted to NOK 139,520,000 in 2019 and NOK 158,597,000 in 2018.

Note 7 Other operating costs

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Other operating costs				
Maintenance of property, plant and equipment	31,616	37,183	7,771	6,985
Fees	50,676	48,608	10,341	4,584
Rent and related costs*	44,526	104,603	1,085	2,111
Marketing, sales and advertising	26,222	32,262	543	541
ICT costs	49,677	55,233	3,337	2,897
Losses on receivables	2,423	2,898		
Insurance premiums	28,654	28,261	1,372	1,593
Property tax	14,337	10,184	4,186	4,229
Travel expenses	93,626	99,740	1,025	1,397
Concession fees	3,244	3,127	2,886	2,842
Other operating costs	151,938	127,613	7,062	5,516
Total other operating costs	**496,938**	**549,711**	**39,607**	**32,695**

* Reduced rent is due to implementation of IFRS 16 Rental Agreements, See note 19.

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Remuneration to auditor				
Statutory audit	8,622	7,822	576	849
Other verification tasks	459	454	16	167
Tax advice	1,047	871	53	135
Other non-audit services	5,051	5,991	594	600
Total	**15,179**	**15,138**	**1,239**	**1,751**

Note 8 Finance income and finance costs

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Finance income				
Income from investments in subsidiaries and associates			111,136	33,663
Interest income	13,555	11,204	7,899	8,702
Intra-group interest income			9,129	6,540
Dividend income	27,676	45,454	27,676	45,454
Gains on disposal of securities	196	44	196	44
Exchange gains on loans in foreign currency	14,104	33,821	8,213	27,010
Net interest expense from pension liabilities	14		14	
Other finance income*	31,516	3,807	37	232
Finance income	**87,060**	**94,330**	**164,300**	**121,645**
Finance costs				
Interest expense	54,526	55,649	31,087	40,152
Exchange losses on loans in foreign currency	10,785	12,469	3,298	3,571
Impairment of investments in subsidiaries/associates	887		10,887	67,200
Net interest expense from pension liabilities		27		27
Other finance costs	10,628	8,421	1,742	4,904
Finance costs	**76,826**	**76,565**	**47,014**	**115,853**
Net financial items	**10,234**	**17,765**	**117,286**	**5,792**

* Other finance income in 2019 includes "gain" from Cogen's acquisition (see note 3) and the effect from reclassifying NorSun from Investment in associates to Other receivables and investments (see note 11).

Note 9 Tax expense

Ordinary income tax in Norway:

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

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

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

- Resource rent tax is determined for each individual power station and accrues to the state. This tax is based on gross resource rent income less operating costs and tax-free allowances. Resource rent income is based on market prices and therefore differs from the company's recognised sales figures. The tax rate for resource rent tax was 37% in 2019 and 2020. The 37% tax rate has been used to calculate Deferred resource rent tax assets as at 31 December 2019.

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Current tax expense				
Natural resource tax for the year	6,796	6,689	6,796	6,689
Tax payable on general income less natural resource tax	79,788	72,420	2,889	-6,689
Adjustment for previous years	-19,276	-2,320		
Resource rent tax payable for the year	49,904	41,579	49,904	41,579
Total current tax	**117,212**	**118,369**	**59,639**	**41,580**
Deferred tax expense				
Effect of change in temporary differences	19,542	15,273	15,512	25,961
Effect of changed tax rate	464	1,671		2,787
Effect of change in temporary differences, resource rent tax	1,081	1,128	1,081	1,128
Effect of changed tax rate, resource rent tax		-1,064		-1,064
Total deferred tax expense	**21,088**	**17,008**	**16,593**	**28,812**
Total tax expense in the income statement	**138,300**	**135,376**	**76,233**	**70,392**
Reconciliation of effective tax rate				
Profit before tax	**185,018**	**276,112**	**237,746**	**121,171**
Tax based on current ordinary tax rate	40,704	63,506	52,304	27,869
Resource rent tax for the year	50,985	42,708	50,985	42,708
Effect of non-deductible expenses	4,492	10,988	3,509	16,939
Effect of non-taxable income	-12,862	-16,545	-30,729	-18,315
Effect of unrecognised tax loss carryforward	35,850	26,549		
Effect of different tax rates abroad	4,861	2,156		
Effect of changed tax rates	1,653	74	113	1,191
Effect of changed tax assessments for previous years	-1,158	1,465		
Over-/underprovision relating to previous years	13,776	4,476		0
Tax expense in reconciliation of effective tax rate	**138,300**	**135,376**	**76,233**	**70,392**
Current ordinary tax rate in Norway	22.0 %	23.0 %	22.0 %	23.0 %
Effective tax rate	74.7 %	49.0 %	32.1 %	58.1 %
Tax recognised in other revenues and costs				
Relating to the hedging reserve	6,303	-1,761		
Relating to actuarial gains and losses	-1,553	354	-639	81
Total tax recognised in other revenues and costs	**4,751**	**-1,407**	**-639**	**81**

Tax payable

Tax payable of tNOK 111,247 (2018: tNOK 84,398) for the Group and tNOK 56,699 (2018: tNOK 48,269) 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	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Group						
Property, plant and equipment	38,495	34,580	-36,482	-39,838	2,013	-5,258
Goodwill, intangible assets		505	-31,079	-28,595	-31,079	-28,090
Construction contracts	1,441	1,259	-7,605	-24,381	-6,164	-23,122
Inventories	6,480	7,926	-42	-1,688	6,438	6,238
Overdue receivables	1,039	686	-99	-11	940	675
Leases	2,495	2,513	-4,830		-2,335	2,513
Gains and losses account	1,201	1,501	-17	-22	1,183	1,479
Provisions	6,399	8,417	-74		6,325	8,417
Other items	7,538	2,421	-4,564	-2,012	2,974	409
Financial instruments	21,033	25,101	-4,076		16,957	25,101
Employee benefits	3,818	5,868	-1,498	-1,853	2,320	4,015
Tax loss carryforward	169,986	190,031			169,986	190,031
- Unrecognised tax loss carryforward	-137,549	-139,314			-137,549	-139,314
= Recognised tax loss carryforward	32,437	50,718			32,437	50,718
Total deferred ordinary income tax	**122,376**	**141,494**	**-90,365**	**-98,400**	**32,010**	**43,094**
Property, plant & equipment, resource rent tax	29,210	30,291			29,210	30,291
Total deferred resource rent tax	**29,210**	**30,291**			**29,210**	**30,291**
Deferred tax asset/liability	**151,586**	**171,785**	**-90,365**	**-98,400**	**61,220**	**73,385**
Offsetting of assets and liabilities	-26,928	-7,125	26,928	7,125		
Net deferred tax asset/liability	**124,658**	**164,660**	**-63,437**	**-91,275**	**61,220**	**73,385**

	Assets		Liabilities		Net	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Parent company						
Property, plant and equipment	17,199	17,993			17,199	17,993
Leasing contracts	24				24	
Gains and losses account	132	165			132	165
Financial instruments	20,201	22,008			20,201	22,008
Employee benefits	638	273			638	273
Tax loss carryforward		20,803				20,803
Total deferred ordinary income tax	**38,193**	**61,242**			**38,193**	**61,242**
Property, plant & equipment, resource rent tax	29,210	30,291			29,210	30,291
Total deferred resource rent tax	**29,210**	**30,291**			**29,210**	**30,291**
Deferred tax assets/liabilities	**67,403**	**91,533**			**67,403**	**91,533**
Offsetting of assets and liabilities						
Net deferred tax asset	**67,403**	**91,533**			**67,403**	**91,533**

Note 9 Change in deferred tax over the year

	2018							2019							
	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	-19,102	13,202				637	-5,263	-5,263	6,716					523	1,975
Goodwill, intangible assets	-37,064	10,170			-593	-603	-28,090	-28,090	-1,906					-1,083	-31,079
Non-current receivables and liabilities	-469	458				12									
Construction contracts	-14,632	-11,418				64	-23,122	-23,122	16,953					5	-6,164
Inventories	3,312	2,784				142	6,238	6,238	253					-53	6,438
Overdue receivables	537	129				9	675	675	270					-4	940
Leases	2,860	-366				18	2,513	2,513	-4,821					-27	-2,335
Gains and losses account	373	1,106					1,479	1,479	-296						1,183
Provisions	10,313	-1,937				41	8,417	8,417	-2,513	465				-39	6,330
Other items	-75	376				108	409	409	2,634					-68	2,974
Financial instruments	23,509	-179	1,761			9	25,101	25,101	-1,807		-6,303			-33	16,957
Employee benefits	5,993	-1,676	-354			58	4,020	4,020	-2,762	-465	1,553			-37	2,308
Tax loss carryforward	101,883	-29,592		-12,702	-8,927	56	50,718	50,718	-32,727			14,366		125	32,481
Total ordinary income tax	**77,439**	**-16,944**	**1,407**	**-12,702**	**-9,520**	**551**	**43,094**	**43,094**	**-20,007**		**-4,751**	**14,366**		**-693**	**32,010**
Resource rent tax															
Property, plant and equipment	30,355	-64					30,291	30,291	-1,081						29,210
Total resource rent tax	**30,355**	**-64**					**30,291**	**30,291**	**-1,081**						**29,210**
Total change in deferred tax	**107,794**	**-17,008**	**1,407**	**-12,702**	**-9,520**	**551**	**73,385**	**73,385**	**-21,088**		**-4,751**	**14,366**		**-693**	**61,220**
Parent company															
Ordinary income tax															
Property, plant and equipment	19,546	-1,553					17,993	17,993	-794						17,199
Gains and losses account	215	-51					165	165	-33						132
Financial instruments	22,187	-179					22,008	22,008	-1,807						20,201
Employee benefits	1,813	-1,459	-81				273	273	-274		639				638
Tax loss carryforward	59,012	-25,507		-12,702			20,803	20,803	-12,628			-8,175			
Total ordinary income tax	**102,773**	**-28,748**	**-81**	**-12,702**			**61,242**	**61,242**	**-15,512**		**639**	**-8,175**			**38,193**
Resource rent tax															
Property, plant and equipment	30,355	-64					30,291	30,291	-1,081						29,210
Total resource rent tax	**30,355**	**-64**					**30,291**	**30,291**	**-1,081**						**29,210**
Total change in deferred tax	**133,128**	**-28,812**	**-81**	**-12,702**			**91,533**	**91,533**	**-16,593**		**639**	**-8,175**			**67,403**

Note 10
Equity

	Share capital Ordinary shares	
	2019	2018
Issued as at 31 December – fully paid up	2,239,810	2,239,810
	2,239,810	2,239,810

As at 31 December 2019 registered share capital consisted of 2,239,810 ordinary shares (2018: 2,239,810). The shares have a par value of NOK 100 (2018: 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.

Utbytte

The ordinary dividend for 2019 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 2019. 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 2019, to be paid out in 2020	Approved in 2018, paid out in 2019
Ordinary cash dividend: NOK 56.00 per share		122,613
Ordinary cash dividend: NOK 56.00 per share	122,840	
Total:	122,840	122,613

Note 11
Group companies

Subsidiaries	Domicile	Shareholding		Non-controlling interests' share of equity, by subgroup		Value in parent company balance sheet	
		2019	2018	2019	2018	2019	2018
Markedskraft AS	Arendal	96.7 %	93.3 %	1,718	3,286	56,050	34,540
Wattsight AS	Arendal	90.5 %	90.7 %	2,846	2,300	39,921	39,953
Scanmatic AS	Arendal	69.0 %	68.9 %	30,575	63,585	7,966	7,763
Steinodden Eiendom AS	Arendal	77.6 %	77.6 %	750	805	7,733	7,733
Songe Træsliperi AS	Risør	50.8 %	50.8 %	26	27	100	100
EFD Induction AS	Skien	98.8 %	97.8 %	4,236	9,252	433,379	424,658
Powel AS	Trondheim	96.7 %	96.7 %	5,303	4,330	310,267	310,103
Arendal Lufthavn Gullknapp AS	Froland	91.5 %	91.0 %	8,160	8,692	87,680	87,722
Vindholmen Eiendom AS	Arendal	100.0 %	100.0 %	-	-	73,250	73,250
Bedriftsveien 17 AS	Arendal	100.0 %	100.0 %	-	-	12,837	12,837
Norsk Vekst AS	Arendal	100.0 %	100.0 %	-	-	113	113
NSSLGlobal Ltd	UK	80.0 %	80.0 %	83,262	76,670	273,298	273,298
Cogen Energia España S.L.	Spain	100.0 %	100.0 %	4,760	620	90,699	90,699
Tekna Holdings Canada Inc.	Canada	100.0 %	100.0 %	-	-	244,654	244,654
Sum				141,636	169,567	1,637,945	1,607,422

Dividends and group contributions from subsidiaries are recognised as income in the parent company in the amount of NOK 111,136,000 in 2019 and NOK 33,663,000 in 2018.

Note 11 cont.

			Shareholding	
			2019	2018
Subsidiary of Wattsight AS				
Wattsight GmbH	Berlin	Germany	100.0 %	100.0 %
Subsidiaries of EFD Induction Group AS				
EFD Induction a.s	Skien	Norway	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	Milano	Italy	100.0 %	100.0 %
EFD Induction Ltd.	Bangalore	Italy	100.0 %	100.0 %
EFD Induction (Shanghai) Co., Ltd.	Shanghai	China	100.0 %	100.0 %
EFD Induction Ges.m.b.H	Wien	Austria	100.0 %	100.0 %
EFD Induction s.l	Bilbao	Spain	100.0 %	100.0 %
Inductro SRL	Bucuresti	Romania	100.0 %	100.0 %
EFD Induction SP. Z o.o	Gliwice	Poland	100.0 %	100.0 %
EFD Induction Co., Ltd	Bangkok	Thailand	100.0 %	100.0 %
EFD Induction S.A	Grenoble	France	100.0 %	100.0 %
EFD Induction Marcoussis S.A	Paris	France	100.0 %	100.0 %
EFD Induction K.K.	Yokohama	Japan	100.0 %	100.0 %
EFD Inducao Brasil Ltd	Sao Paolo	Brazil	100.0 %	100.0 %
EFD Induction Oil & Gas Service	Pinang	Malaysia	100.0 %	100.0 %
EFD Induction S de R.L	Queretaro	Mexico	100.0 %	100.0 %
Subsidiaries of Powel ASA				
Powel Energy Management AB	Jönköping	Sweden		
Powel Danmark A/S	Odense	Denmark	100.0 %	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 %
Powel Construction AS	Trondheim	Norway	100.0 %	100.0 %
Powel Enviroment AS	Trondheim	Norway	100.0 %	100.0 %
Powel Gmbh	Düsseldorf	Germany	100.0 %	100.0 %
Powel Analytics AS	Trondheim	Norway		100.0 %
Subsidiaries of NSSLGlobal Ltd.				
NSSLGlobal LLC	California	USA	100.0 %	100.0 %
Aero-Satcom Ltd.	London	UK	50.0 %	50.0 %
Marine Electronic Solutions Ltd.	London	UK	100.0 %	100.0 %
NSSLGlobal Technologies AS	Oslo	Norway	100.0 %	100.0 %
NSSLGlobal 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.	Warzsawa	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 %
NSSLGlobal PTY Ltd		South Africa	100.0 %	100.0 %
NSSLGlobal Israel Ltd		Israel	100.0 %	100.0 %
NSSLGlobal Kabushiki Kaisha		Japan	100.0 %	
Subsidiaries of Scanmatic AS				
Scanmatic Elektro AS	Arendal	Norway	51.0 %	51.0 %
Scanmatic In Situ AB	Åkersberga	Sweden	100.0 %	100.0 %
Scanmatic Instrument Technology AS	Ås	Norway	100.0 %	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	100.0 %	75.0 %
Papertech Energia SL	Pamplona	Spain	50.0 %	
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.	Mâcon	France	100.0 %	100.0 %
Tekna Plasma Systems(Suzhou)Co Ltd.	Suzhou	China	100.0 %	100.0 %
Tekna Plasma India Private Ltd.	Chennai	India	100.0 %	100.0 %
Tekna Plasma Korea Co, Ltd	Incheon	Soulh Korea	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	16.0 %	17,379			15,747	-0	-1,632			0
Flumill AS**		21.7 %	0							0	53,434
Total investments in associates			**17,379**			**15,747**	**-0**	**-1,632**		**0**	**53,435**

* AFK's stake in NorSun was reduced to 16.1 % after a share issue in June 2019. NorSun was subsequently reclassified from "Investment in associates" to "Other receivables and investments". This caused previously booked NorSun losses of NOK 7,015,000 to be reversed and booked as finance income in the income statement.

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

Note 12 Other receivables and investments

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Long-term investments				
Loans to employees	9,252	4,519	8,658	3,559
Contributions to company pension plan	27,000	12,000	27,000	12,000
Natural resource tax receivable	72,036	74,257	72,036	74,257
Other non-current receivables	35,774	49,203	444	15,515
Other investments	91,857	53,478	89,816	41,325
Total long-term investments	**235,919**	**193,458**	**197,954**	**146,657**

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	
	2019	**2018**
Inventories		
Raw materials	119,101	133,293
Work in progress	187,655	109,219
Spare parts	39,312	36,156
Finished goods	121,618	81,578
Total inventories (net after provision for obsolescence)	**467,686**	**360,246**
Provision for obsolescence	57,548	53,702

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

	Group	
	2	**2018**
Contracts with advance billing		
Booked income	397,339	244,303
- Payments received	-273,850	-53,306
= Contract assets	**123,489**	**190,997**
Contracts with at-delivery billing		
Payments received	180,643	94,195
- Booked income	-64,531	
= Contract assets	**116,112**	**94,195**
Net contract assets / - liabilities	**7,377**	**96,802**
Booked income from uncompleted contracts per 31.12	**2**	
Booked accrued income per 31.12	358,469	
- Booked accrued expenses per 31.12	-343,564	
= Reported margin per 31.12	**14,905**	
Remaining income from running settlement contracts		
	2	
Remaining income (running settlement)	**637,213**	
Expected completion		
Within one year	**508,871**	
Between one and two years	**112,526**	
More than two years	**15,816**	

The expectation is that most booked contract assets will be realized within 12 months.

Note 14 Trade and other receivables

	Group		Parent company	
	2019	2018	2019	2018
Trade receivables	905,961	1,004,738	869	2,087
Other receivables and prepayments	142,473	465,976	597	4,152
Effect of hedging of currency and gas / electric power	16,419	86		
	1,064,852	**1,470,800**	**1,466**	**6,239**

See also Note 16 under Credit risk.

Note 15 Cash and cash equivalents

	Group		Parent company	
	2019	2018	2019	2018
Bank deposits	1,174,765	871,357	498,789	285,754
Cash	35	30		
	1,174,800	**871,387**	**498,789**	**285,754**

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**
	2019	**2019**	**2018**	**2018**	**2019**	**2019**	**2018**	**2018**
Trade and other receivables such as derivati	1,048,432	1,048,432	1,470,800	1,470,800	1,466	1,466	6,239	6,239
Cash and cash equivalents*	1,174,800	1,174,800	871,387	871,387	498,789	498,789	285,754	285,754
Financial assets at fair value								
through other comprehensive income*	895,545	895,545	1,020,706	1,020,706	895,545	895,545	1,020,706	1,020,706
Financial assets classified as held for sale	10,150	10,150						
Other receivables and investments*	235,919	235,919	193,458	193,458	197,954	197,954	146,657	146,657
Contract assets*	123,489	123,489						
Loans to Group companies*					414,908	414,908	317,489	317,489
Derivatives, included in trade receivables	16,419	16,419						
Derivatives, interest and currency swaps	-92,587	-92,587	-100,037	-100,037	-92,587	-92,587	-100,037	-100,037
Derivative liabilities, included in trade paya	-9,847	-9,847	-25,407	-25,407				
Interest-bearing loans and borrowings*	-418,302	-418,302	-673,540	-673,540	-133,133	-133,133	-198,522	-198,522
Bond loans	-299,735	-312,330	-299,335	-317,515	-299,735	-312,330	-299,335	-317,515
Obligations from leases*	-265,721	-265,721			-6,759	-6,759		
Trade and other payables*	-646,840	-646,840	-712,774	-712,774	-23,668	-23,668	-24,208	-24,208
Other current liabilities*	-474,609	-474,609	-622,831	-622,831	-12,066	-12,066	-14,107	-14,108
Liabilities to Group companies*					-52,801	-52,801	-19,621	-19,621
Contract obligations*	-116,112	-116,112						
	1,181,001	1,168,406	1,122,427	1,104,247	1,387,913	1,375,318	1,121,015	1,102,834
Unrealised gains / losses:		-12,595		-18,180		-12,595		-18,180

* The original book value of these items is considered a reasonable approximation of fair value.

For other items refer to the note concerning policies for calculating fair value of the various instruments.

Fair value categories financial assets and liabilities

2019	Group				Parent company			
Carrying amount financial assets	Fair value through income	Fair value through OCI	Amort. cost	Sum	Fair value through income	Fair value through OCI	Amort. cost	Sum
Trade and other receivables			1,064,738	1,064,738			1,466	1,466
Cash and cash equivalents			1,174,800	1,174,800			498,789	498,789
Financial assets at fair value								
through OCI		895,545		895,545		895,545		895,545
Financial assets classified as held for sale			10,150	10,150				-
Loans to Group companies				-			414,908	414,908
Derivatives	16,419			16,419				-
Sum	**16,419**	**895,545**	**2,249,688**	**3,161,652**	**-**	**895,545**	**915,163**	**1,810,708**
Carrying amount financial liabilities								
Derivatives, interest and currency swaps	92,587			92,587	92,587			92,587
Derivative liabilities	9,847			9,847				-
Interest-bearing loans and borrowings			418,302	418,302			133,133	133,133
Bond loans			299,735	299,735			299,735	299,735
Trade and other payables			646,840	646,840			5,558	5,558
Liabilities to Group companies				-			52,801	52,801
Sum	**102,434**	**-**	**1,364,877**	**1,467,311**	**92,587**	**-**	**491,227**	**583,814**

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).

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
- Financial assets at fair value through OCI	3,562	891,983		895,545
- Financial assets at fair value through income	-	10,150		10,150
- Bond loans		-312,330		-312,330
	3,562	589,803		593,365
Other derivative financial assets	16,419			16,419
Interest and currency swaps related to bond loans		-92,587		-92,587
Other derivative financial liabilities	-9,842	-		-9,842
	10,139	497,216		507,355

2018				
- 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

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	
	2019	**2018**	**2019**	**2018**	**2019**	%	**2018**	%	**2019**	**2018**
Listed shares										
Kongsberg Gruppen	25,812	25,812	0.0	0.0	4,130.0	13.7	4,130	6.8	3,562	3,035
Total listed shares					**4,130.0**		**4,130**		**3,562**	**3,035**
Unlisted shares										
Eiendomsspar	390,432	390,432	1.0	1.0	2,490.0	8.2	2,490	4.1	195,216	147,974
Victoria Eiendom	870,959	870,959	6.1	6.1	23,621.0	78.1	23,621	38.8	696,767	592,252
Oslo Børs VPS Holding	-	1,996,000	0.0	4.6		0.0	30,569	50.3	0	277,444
Total unlisted shares					**26,111**		**56,680**		**891,983**	**1,017,670**
Total available-for-sale shares held by the parent company and the Group					**30,241**	100.0	**60,810**	100.0	**895,545**	**1,020,705**

Fair value – change during the year:

	2,019	2,018
Fair value 1 January 2019	1,020,705	2,301,025
Change in value recognised in other comprehensive income	195,432	620,378
Sale of shares in Oslo Børs VPS Holding	(320,592)	
Shares in Kongsberg Gruppen distributed as dividend in kind	-	-1,900,698
Fair value 31 December 2019	895,545	1,020,705

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

Money market funds	Cost		Fair value	
	2019	**2018**	**2019**	**2018**
DNB Pengemarked	10,192		10,150	
Sum	**10,192**	-	**10,150**	-

Dividends were received as follows: Kongsberg Gruppen tNOK 65 (tNOK 64), Eiendomsspar tNOK 2.245 (tNOK 1.757), Victoria Eiendom tNOK 23.951 (tNOK 6.097) and Oslo Børs VPS Holding tNOK 0 (tNOK 36.327)

Sensitivity analysis indicates that a 10% change in fair value as at 31 December 2019 would change equity by tNOK 90.574 and profit for the year from continuing operations by tNOK 1.000 (2018: by tNOK 102.071 and tNOK 0 respectively).

Financial risk management

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

- Credit risk

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

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

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

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*	
	2019	2018	2019	2018
Total carrying amount of receivables	1,064,852	1,339,031	20,951	22,408
Of which due for payment	366,818	360,712	568	
Provision for losses	33,382	12,196		

Recognised losses on receivables in 2019 amount to tNOK 0 for the parent company and are expensed net at tNOK 1.013.
For 2018 recognised losses were tNOK 0 for the parent company and tNOK 5,231 for the Group.
*Parent company numbers include Group internal receivables

Trade receivables:

Breakdown of the book value of outstanding trade receivables:

Receivables	Current	1-30 days	31-60 days	61-90 days	>90 days	Total
AFK parent	301	509	57		2	869
EFD Induction	203,424	21,848	6,463	4,307	10,071	246,113
NSSLGlobal	91,533	35,564	2,292	2,940	7,321	139,650
Powel	52,207	13,104	797	2,282	1,108	69,498
Cogen Energia	73,826	80,883	37,541	36,776	433	229,459
Tekna	5,741	3,735	2,072	792	4,898	17,238
Scanmatic	70,842	4,670	591	267	73,400	149,770
Wattsight	1,988	773	881	221	448	4,311
Markedskraft	72,410	9,812	-207	5	-7	82,013
Real estate	253	74			95	422
Total	**572,525**	**170,972**	**50,487**	**47,590**	**97,769**	**939,343**

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

Recognised losses	Current	1-30 days	31-60 days	61-90 days	>90 days	Total
AFK parent						-
EFD Induction	17		162		5,838	6,017
NSSLGlobal		51	49	47	4,187	4,334
Powel					1,400	1,400
Cogen Energia						-
Tekna					600	600
Scanmatic			2,159		18,359	20,518
Wattsight			55		445	500
Markedskraft						-
Real estate					13	13
Total	**17**	**51**	**2,425**	**47**	**30,842**	**33,382**

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

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

Provision for losses	Total
Opening balance 2019	12,196
Change resulting for changes in expected losses (loss rates)	
and change resulting from changes in outstanding receivables (volume)	22,199
Realised losses during the period (-)	-1,013
Closing balance 2019	33,382

2018:

Receivables	Current	1-30 days	31-60 days	61-90 days	> 90 days	Total
AFK parent	1,327	545	215			2,087
EFD Induction	193,492	17,488	4,843	3,970	9,677	229,470
NSSLGlobal	86,314	7,326	4,701	3,629	7,489	109,458
Powel	53,338	11,754	1,785	503	847	68,228
Cogen Energia	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	1,368	4,286
Markedskraft	64,135	24,547	13,068	12,876	-8,108	106,518
Real estate	185			30	40	255
Sum	612,118	178,113	77,752	70,530	78,423	1,016,936

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

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

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

Contract assets

Posted gross value of contract assets are distributed as follows:

Receivables	Total
EFD Induction	58,559
Powel	31,003
Tekna	10,648
Scanmatic	23,279
Sum	**123,489**

Provisions for expected losses on projects are distributed as follows:

Recognized as loss	Total
EFD Induction	
Powel	41,000
Tekna	
Scanmatic	1,512
Sum	**42,512**

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

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

Provisions	**Sum**
Opening balance 2019	12,983
Change resulting from changes in expected losses (loss rates) and change resulting from changes in outstanding receivables (volume)	57,546
Realized losses during the period (-)	-28,017
Closing balance 2019	42,512

- Liquidity risk

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

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

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

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**
2019							
Interest-bearing loans and borrowings	717,783	801,836	92,924	20,062	541,090	62,036	85,724
Obligations from leases	265,721	293,315	34,815	34,541	73,028	87,589	63,344
Bank overdraft facility	210,414	127,123	112,872	14,251			
Trade and other payables	656,683	656,683	604,824	51,858			
Contract obligations	116,112	116,112	90,407	25,705			
Other current liabilities	474,609	474,609	399,310	75,059	239		
Derivatives, see Note 17	102,434	102,434	4,000	4,000	94,119	315	
Total	**2,543,755**	**2,572,111**	**1,339,152**	**225,476**	**708,476**	**149,940**	**149,068**
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			
Contract obligations	94,196	94,196	94,196				
Other current liabilities	622,830	631,040	515,006	116,034			
Derivatives, see Note 17	125,444	125,444	10,217	5,849	3,745	105,634	
Total	**2,528,118**	**2,612,983**	**1,587,323**	**145,634**	**88,223**	**718,211**	**73,594**

Parent company	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**
2019							
Interest-bearing loans and borrowings	432,868	483,641	9,700	9,700	464,241		
Contract obligations	6,759	7,731	605	605	1,110	2,521	2,889
Trade and other payables	23,668	23,668	23,668				
Other current liabilities	12,066	12,066	12,066				
Derivatives, see Note 17	92,587	92,587			92,587		
Total	**567,948**	**619,692**	**46,039**	**10,305**	**557,938**	**2,521**	**2,889**
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**	

- 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' functiona currency. The Group's main exposure is to EUR. 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 Induction and Wattsight subgroup use derivatives t foreign exchange risk associated with sales and trade receivables. The parent company and EFD Induction also use foreign currency loans and cu 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**	
	2,019	**2018**	**2,019**	**2018**
Bank deposits	5,943	6,491	14	792
Trade receivables	9,048	19,285	1,270	1,508
Trade payables	-5,549	-4,765	0	0
Interest-bearing liabilities	-127,664	-123,631	-38,511	-38,511
Balance sheet exposure	**-118,222**	**-102,620**	**-37,227**	**-36,211**

A sensitivity analysis indicates that a 5% appreciation of NOK against EUR as at the year-end would impact earnings for the Group in 2019 by the equivalent of MEUR +5.9 and in 2018 by the equivalent of MEUR +5.8. 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.

Hedge accounting

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

Amounts in NOK thousand	**Contract value**	**Unrealised gains/losses**
Hedging of future cash flows	449,143	(8,435)
Fair value hedging	17,800	(1,297)
Balance sheet exposure	**466,943**	**(9,732)**

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	**2020**	**2021**	**2022**	**Nominal amount (currency)**	**Carrying amount (NOK '000)**
EUR	11,225	9,055	5,500	**25,780**	-1,456
USD	13,487	7,100		**20,587**	-7,198
JPY	16,000			**16,000**	197
GBP	100			**100**	23
THB	60,300			**60,300**	-1,298
Total					**-9,732**

Change in carrying amount in the period:	
Carrying amount 1 January	**-26,021**
Change in value recognised in other comprehensive income	10,872
Reclassified from other comprehensive income to profit or loss	5,416
Carrying amount 31 December	**-9,732**
Obligations	-9,847
Assets	115
Sum	**-9,732**

Hedging of gas / power prices
Cogen, a Group company, hedges future gas and power prices. This hedging is regarded as cash flow hedging. Unrealized gains/losses are recognized in "Other comprehensive income". Unrealized gains/losses are recognized as "Other current liabilities/assets".

Gas / power prices
The Group held the following hedges at year-end (in Spain):

	Volume MWh	Unrealized gains/losses
Power contracts	89,503	15,118
Gas contracts	246,629	1,187
Carrying amount - assets		**16,305**

These hedging contracts expire in the period January to March 2020.

Change in carrying amount in the period:	
Carrying amount 01.01.	-
Change in value through OCI	16,305
Reclassified from OCI to income statement.	-
Carrying amount 31.12.	**16,305**

Interest rate risk
Most of the company's and the Group's interest-bearing financial assets and liabilities accrue interest at variable rates.
In 2011 the parent company took out a bond loan of NOK 300,000,000 at an interest rate of 5.95%. At the same time an interest rate swap was entered into for the loan amount at a fixed interest rate in EUR of 4.84%. The loan and the interest rate swap both have a term of 10 years and mature in July 2021. An overview of interest-bearing assets can be found earlier in this note and of liabilities in Note 17. A 1% change in interest rates would affect earnings, and profit and financial items through the year, by a net amount of around 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 only a few energy derivatives have been used as hedging instruments to limit the risk. (see above regarding hedging of gas and power prices in Spain).

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:	2019	2018
5.95% loan 2011–2021	300,000	300,000
- capitalised loan costs	-265	-665
= Booked value	299,735	299,335
Fair value (see Note 16)	312,595	317,915

This loan is linked to an interest rate and currency swap in which the tNOK 300,000 loan with a fixed interest rate of 5.95% is converted to tEUR 38,511 and a fixed euro interest rate of 4.84%. The value of this agreement as at 31 December 2019 was tNOK -92.587.

Debenture loans:		2019	2018
Parent company			
CAD LIBOR + fixed margin	Floating interest 30.03.15 - 04.07.21	135,140	95,627
GBP LIBOR + fixed margin	Floating interest 03.07.16 - 04.07.21		55,606
NIBOR + fixed margin	Floating interest 14.06.13 - 30.06.21		50,000
Capitalised loan costs		-2,007	-2,711
Total debenture loans parent company		**133,133**	**198,522**
Subsidiaries			
EFD Induction	Floating interest (EUR)	60,111	82,323
Cogen Energia	Floating interest (EUR)	106,191	123,922
Tekna	Floating interest (CAD)	10,228	16,521
Tekna	Interest-free (CAD)	15,509	8,203
Bedriftsveien 17	Floating interest (NOK)	34,185	29,088
Arendal Industrier	Floating interest (NOK)	58,689	41,139
Total debenture loans subsidiaries		**284,914**	**301,198**
Total for the Group		**418,047**	**499,720**

	Group		Parent company	
Loans secured by pledged assets:	2019	2018	2019	2018
Long-term borrowings	204,347	179,556		
Bank overdraft facility	210,414	173,821		
Total borrowings	**414,762**	**353,377**		
Loans are secured by the following pledged assets:				
Other property	212,733	196,876		
Moveable property	9,991	14,329		
Inventories	92,254	89,710		
Trade receivables	282,127	339,259		
Total security	**597,105**	**640,174**		

Security for promissory note and bond loans with a countervalue of MNOK 432.8 taken out in the parent company has been given in the form of negative pledges. Trade receivables and inventory 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 and a minimum of 20%. For EFD Induction the equity must be at least 30% and NIBD divided by EBITDA must be <7 and falling to 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 and Scanmatic Elektro are in compliance with the requirements of their covenants as at 31 December 2019. Markedskraft breached the equity percentage requirement, but the bank has granted it until 30 June 2020 to get this in place.

Provisions
Of the total provisions as at 31 December of tNOK 77,136 (tNOK 70,658), Cogen Energia's provisions to cover changes in the production bonus amount to tNOK 67,509 (tNOK 68,671). This is discussed further in the comments on the company.

Note 18 Trade payables and other current liabilities

	Group		Parent company	
	2019	2018	2019	2018
Trade payables	619,402	738,179	5,558	8,845
Other current liabilities (including advance payments from customers)	578,265	597,424	30,176	32,071
Derivatives at fair value	9,842	25,407		
Total	**1,207,509**	**1,361,010**	**35,734**	**40,915**

Note 19 Leases

IFRS 16 was implemented retrospectively with effect from 01.01.2019.
The implementation led to the following recognition add income effects:

Carrying amount right-of-use assets	Group	Parent
	2019	2019
Buildings	222,299	6,602
Operational equipment	6,018	
Vehicles	23,320	50
Other	13,474	
Sum	**265,111**	**6,652**

Lease obligations	Group	Parent
	2019	2019
Short-term	63,695	993
Long-term	202,026	5,766
Sum	**265,721**	**6,759**

Income effects	Group	Parent
	2019	2019
Depreciation		
Buildings	56,756	928
Operational equipment	1,353	
Vehicles	11,370	60
Other	2,704	
Sum depreciation	72,182	988
Interest cost	9,922	243
Leases wrt IFRS 16	-75,977	-1,125
Net IFRS 16 effect	**6,128**	**106**

Note 20 Events after the reporting period

AFK advised on 03.03.2020 via non-regulatory press release that the Group companies Powel, Scanmatic, Markedskraft and Wattsight were being combined into the new international technology company Volue AS. Please find more about Volue on pages 18 and 19.
There is significant uncertainty concerning the effect of COVID-19 on the Group and Group company results for 2020.
Please find more about this under the comments for each Group company.

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 2019 are based on profit attributable to the equity holders of the parent and the weighted average number of outstanding ordinary shares during 2019, which was 2,191,239 (2018: 2,188,958), calculated as follows:

Profit attributable to ordinary shares	**2019**	**2018**
Net profit for the year	46,718	140,735
- Non-controlling interests' share of profit/loss	-1,912	-28,322
Profit for the year attributable to equity holders of the p	**44,806**	**112,413**

Weighted average number of ordinary shares	**2019**	**2018**
Issued ordinary shares, 1 January	2,239,810	2,239,810
Effect of treasury shares	-46,291	-50,852
Number of outstanding shares as at 31 Dec	2,193,519	2,188,958
Weighted average number of ordinary shares for the year	**2,191,239**	**2,188,958**
Basic earnings per share / diluted earnings per share (NOK)	**20.45**	**51.35**

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	46,291	2.1 %
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 %
Erik Bøhler	11,204	0.5 %
Sverre Valvik AS	10,764	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 %
Trine Must	7,200	0.3 %
Else Monica Campell	6,459	0.3 %
	2,000,665	89.3 %

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
Jon Hindar		400	400
Morten Bergesen		582,716	582,716
Didrik Vigsnæs		720	720
Heidi Marie Petersen		759	759
Arild Nysæther	300		300
Kristine Landmark	540		540
Rikke Reinemo		200	200
	840	584,795	585,635
Senior executives:			
Ørjan Svanevik*		3,000	3,000
Lars Peder Fensli *		500	500
Morten Henriksen *		700	700
Torkil Mogstad *		825	825
	0	4,200	4,200

*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 tNOK 7,375 (2018: tNOK 2,624) 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 2019 Arendals Fossekompani purchased services relating to market management for tNOK 547 from Markedskraft (tNOK 502).

In 2019 Arendals Fossekompani had a loss on foreign currency loans to Markedskraft of tNOK 192 (gain of tNOK 166 in 2018).

NSSLGlobal purchased services from Whitehill Design Ltd for a total of tGBP 2,2 in 2018 (0 in 2019).
This company is controlled by the spouse of the CEO of NSSLGlobal.

In 2019 Tekna sold goods it had produced to EFD Induction for tCAD 2,887 (tCAD 3,632) and to AFK for tCAD 519 (tCAD 720).
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		Total liabilities	
	2019	2018	2019	2018	2019	2018
Group						
Liabilities as at 1 January	**121,974**	**87,976**	**677,080**	**2,026,799**	**799,054**	**2,114,776**
Cash flow	-87,976	35,912	-51,211	-1,350,960	-139,186	-1,315,048
Acquisitions - mergers (no cash effect)						
Other changes with no cash effect	115,438	-3,777	199,445	982	314,883	-2,795
Exchange rate effects	184	1,862	8,569	259	8,753	2,121
Liabilities as at 31 December	**149,621**	**121,974**	**833,883**	**677,080**	**983,504**	**799,054**
Parent company						
Liabilities as at 1 January			**497,857**	**1,834,225**	**497,857**	**1,834,225**
Cash flow			-74,925	-1,339,428	-74,925	-1,339,428
Acquisitions - mergers (no cash effect)						
Other changes with no cash effect	993		8,152	147	9,145	147
Exchange rate effects			7,550	2,914	7,550	2,914
Liabilities as at 31 December	**993**		**438,634**	**497,857**	**439,627**	497,857

Specifications against balance

	2019	2018
Group		
Long-term:		
Bond loan	299,735	299,335
Interest-bearing liabilities and credits	332,122	377,745
Lease obligations	202,026	-
Sum long-term	833,883	677,080
Interest-bearing liabilities and credits	85,926	121,974
Lease obligations	63,695	-
Sum short-term	149,621	121,974
Interest-bearing liabilities	**983,504**	**799,054**

	2019	2018
Parent		
Long-term:		
Bond loan	299,735	299,335
Interest-bearing liabilities and credits	133,133	198,522
Lease obligations	5,766	-
Sum long-term	438,634	497,857
Interest-bearing liabilities and credits	-	-
Lease obligations	993	-
Sum short-term	993	-
Interest-bearing liabilities	**439,627**	**497,857**

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 2019 and as of 31 December 2019 (Annual Report for 2019).

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 2019. 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 2019.

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 2020

Jon Hindar Board Chairman	Morten Bergesen Deputy Chairman	Didrik Vigsnæs	
Heidi Marie Petersen Kristine Landmark	Rikke Reinemo	Arild Nysæther	Ørjan Svanevik CEO

Corporate governance at Arendals Fossekompani

Adopted by the Board of Directors on 17 August 2006 (last revised 24 March 2020)

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 inhouse 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 2019 was MNOK 3,319 which amounted to 54% 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.

Starting in Q2 2020, AFK aims to pay quarterly dividends to the company's shareholders, based on the annual accounts for the previous financial year. This will replace AFK's previous annual dividend payment scheme adopted by the company's Annual General Meeting as of 2021. The Board believes that quarterly dividend payments provide a flexibility that benefits both the company and its shareholders.

From July 1, 2013, the general meeting has the opportunity to authorize the board to distribute dividends on the basis of the approved annual accounts. Proposals for such authorization should be justified. In order to ensure flexibility and efficiency in the implementation of quarterly dividend payments, the Board of Directors proposes that the Company's Annual General Meeting in 2020 authorize the Board to pay dividends, limited in time to the Company's Annual General Meeting in 2021.

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 25 April 2019 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 2019 the Group owns a total of 46,291 shares, or 2.1% of all the shares in the company. These shares are freely negotiable. This authorisation is valid until the 2020 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 yet so that the shares can be discounted if the shares are used in connection with programs for employees and board members. At the same time, the authorization gives the Board the flexibility to utilize the mechanisms that the Public Limited Companies Act gives access to in situations where the acquisition or disposal of shares is considered advantageous to the company and the company's shareholders, including for use in share purchase programs for directors and employees of the company.

Transactions with related parties

No transactions have occurred between the company and shareholders, board members, senior executives or their related parties in 2019 that could be described as *not immaterial transactions.*

In 2019, shares were sold from the company to senior executives and board members, in accordance with the approved share purchase program. See Note 24 of the 2019 Annual Report.

Guidelines for board members and senior executives

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

5. FREELY NEGOTIABLE SHARES

Under current Norwegian legislation on industrial licensing, a shareholder who acquires more than 20% of the total number of shares in 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: Jon Hindar (Chairman), Morten Bergesen, 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.

The composition and competence of the Board of Directors

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

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

Changes to the Board of Directors in 2019

At the annual general meeting held in April 2019 Morten Bergersen, Arild Nysæther og Heidi Petersen were elected as new board members. Jon Hindar was elected chairman of the board.

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 2019 board members had the following shareholdings – either personally or through wholly owned companies: Arild Nysæther (300 shares), Jon Hindar (400 shares), Rikke Reinemo (200 shares), Kristine Landmark (300 shares) and Heidi M. Petersen (759 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 2019 a total of 8 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. 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 reportin to the Group.

Infor-PM, a web-based database solution, is used for consolidation. Our subsidiaries report all figures t 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 thecompany.

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.

ARENDALS
FOSSEKOMPANI