

ATIONS

FOR GENERATIONS

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For generations, Arendals Fossekompagni has provided people and communities with clean energy and inspiration. Established in 1896 to harness the energy from an everlasting resource, water – we have utilized the benefits of this resource to build and develop high-tech companies. What started as a local producer of hydropower, has transformed into a global industrial investor.

While running water continues to power our business, we search for, invest in, and support companies that have the potential to make a difference. To enable the transition to a more sustainable future we offer human and financial resources to renew and advance industries. Our competence is particularly strong in areas such as renewable energy, electrification, materials, digitalization, and big data analytics.

We are a proud builder and supporter of technology that impacts the world. That is our legacy, our history, our future. It is what we have done, and what we'll continue to do.

For generations.

Financial and Sustainability Highlights 2022

NOK 7.55

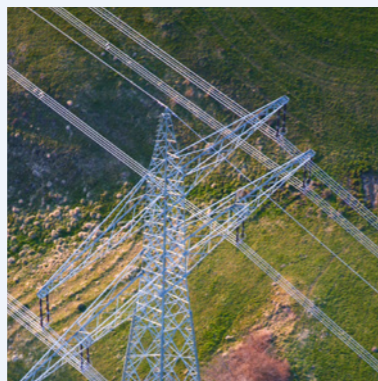
1.9% of market cap paid as dividend

In addition to quarterly cash dividends of NOK 3.75 per share, Arendals Fossekompagni paid extraordinary dividend totaling NOK 3.80 per share, as dividend in kind.

value

SaaS growth continues

Value reported revenue growth in all segments in 2022. Total revenues grew by 17% to NOK 1.2 billion compared with 2021, while SaaS revenues grew by 28%.



Record-high electricity prices, increased hydropower tax

The average price of electricity in the NO2 spot market reached record-high levels. An increased tax burden on Norwegian hydropower producers reduced net profit for the year.

ENRX

A global player within induction heating and wireless charging

Following the acquisition of wireless charging solutions provider IPT Technology, ENRX (formerly known as Evolgy) was established to combine IPT Technology (Charge) with EFD Induction (Heat). ENRX saw high order intake during 2022 and an all-time-high order backlog at year-end.

64%

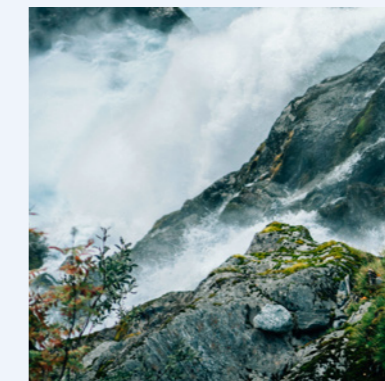
Strong increase in Tekna backlog

Tekna saw a 64% increase in its backlog at year-end compared to 2021. The Tekna share made the transition to Oslo Børs, the main list of the Oslo Stock Exchange on 1 July 2022.

ampwell

Establishing energy storage company

Following the acquisition of the German energy storage specialist Commeo in Q2, AFK established Ampwell to build an eco-system for battery technology and Battery-as-a-Service business model.



Sustainability linked loan facilities

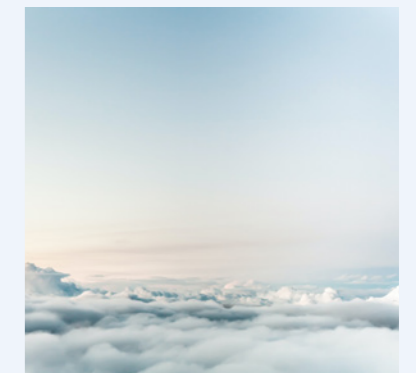
Renewal of loan facilities totaling NOK 1.8 billion was finalized in June. As part of the new terms, Arendals Fossekompagni will be rewarded for its performance related to a selection of sustainability targets.

Certified as Equal Workplace

Following a thorough evaluation of how equality and diversity are implemented in the company strategy, Arendals Fossekompagni was certified as an Equal Workplace in 2022.

Science Based Targets

We have in 2022 submitted science based emission reduction targets in line with the Science Based Target initiative criteria and recommendation. We are committed to reducing absolute Scope 1 and Scope 2 greenhouse gas emissions by 42% by 2030.



Reduced greenhouse gas emissions

Continuous focus on sustainability resulted in reduction of our total Scope 1 and Scope 2 emissions from 4,404 tCO₂e in 2021 to 4,061 tCO₂e in 2022.

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Arendals Fossekompani

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Building a 2030 compliant, high value portfolio

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



Based on more than a century of renewable energy production, Arendals Fossekompni has a broad and well-diversified portfolio with a strong sustainability profile. Major investments are in hydro, wind and solar power, software for management of renewable energy, battery technology, optimisation of resources, electrification, mobile communication solutions, and additive manufacturing. All our businesses are well positioned in global megatrends, and they have strong organisations and valuable customer bases. Our portfolio is very exciting, and we believe it has a strong potential for value enhancement towards 2030 and beyond.

POSITIONING THE PORTFOLIO, BUILDING NEW BUSINESSES

In a busy 2022, Arendals Fossekompni completed various structural and strategic actions, including the acquisition of energy storage specialist Commeo and induction charging expert IPT Technology.

With the acquisition of Commeo, Arendals Fossekompni established the company Ampwell, which will combine hardware from Commeo with technology from start-up Collect Energy, to build an eco-system for battery technology and a Battery-as-a-Service business model.

IPT Technology was grouped with EFD Induction in a company called Evolgy, now rebranded as ENRX. ENRX combines EFD Induction's global market leadership in industrial induction heating systems (Heat) with IPT Technology's leading technology in the high growth market for wireless induction charging solutions for mobility and industrial applications (Charge).

A third acquisition, Factlines, was made through our portfolio company Alytic. Offering a digital solution, Factlines makes supply chain mapping efficient, supporting the process from requirements and code of conduct – to risk analysis, follow-up, and dialogue.

CREATING LONG-TERM VALUE

Today, our portfolio companies have approximately 2,400 employees in 25 countries. The most important tasks for the AFK Group are to continue to create lasting value for our shareholders, our employees and society at large and to exercise good corporate governance of our portfolio companies.

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

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

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

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

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

Lars Peder Fensli,
Interim CEO

Arendals Fossekompani in the world



NUMBER OF EMPLOYEES BY COUNTRY

Norway	745	USA	89	Thailand	12	Israel	5
Germany	359	Romania	80	Malaysia	8	Spain	5
India	229	France	72	Japan	7	South Korea	2
China	192	Denmark	65	Italy	6	Austria	1
Canada	179	Sweden	59	Netherlands	6		
United Kingdom	155	Switzerland	22	Singapore	6		
Poland	126	Brazil	16	Finland	5		

● **Arendals Fossekompani Parent Company**

(AFK Group Management, AFK Vannkraft), AFK Property

Employees 38 Head office Arendal, Norway

Countries Norway

● **Vergia**

Employees 3 Head office Arendal, Norway

Countries Norway

● **Ampwell**

Employees 60 Head office Arendal, Norway

Countries Norway, Germany

● **Alytic**

Employees 86 Head office Arendal, Norway

Countries Norway, Germany, Netherlands

● **Volue**

Employees 778 Head office Oslo, Norway

Countries Norway, Germany, Poland, Denmark, Sweden, Switzerland, Finland, Japan, Spain

● **NSSLGlobal**

Employees 223 Head office London, UK

Countries United Kingdom, Germany, Norway, Denmark, Singapore, Israel, Netherlands, Poland, USA, Sweden

● **Tekna**

Employees 216 Head office Sherbrooke, Canada

Countries Canada, France, China, South Korea

● **ENRX**

Employees 1,047 Head office Skien, Norway

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

Who we are

Arendals Fossekompani is an industrial investment company that combines industrial, technological, and capital markets expertise to identify and develop opportunities for value creation. We have an attractive portfolio positioned in verticals driven by global megatrends. Our portfolio companies have 2,400 employees in 25 countries. Established in 1896 to harness the energy from an everlasting natural resource; water, Arendals Fossekompani is still a proud producer of hydropower. In addition, we operate globally in many forward-looking industries including 3D printing, algo trading, satellite services, battery and solar technology, software and digitalisation, as well as various green energy technologies.



Our mission

Arendals Fossekompani shall create lasting value for its stakeholders through long-term and active development of the companies we own. We invest in and own companies that make energy from renewable sources more usable and accessible, and that contribute to a more sustainable use of resources. Based on our industrial and financial expertise, we also invest in technology and energy companies that enable the green transition.

Arendals Fossekompani is a proud builder and supporter of technology that impacts the world. That is our legacy, our history, our future. It is what we have done, and what we'll continue to do. For generations.

Our values

Collaborative

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

Long-term

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

Dynamic

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

Responsible

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

Value creation for generations

1896

Company founded



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

1913

Electricity and industry



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

1927

More hydropower



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

1960s

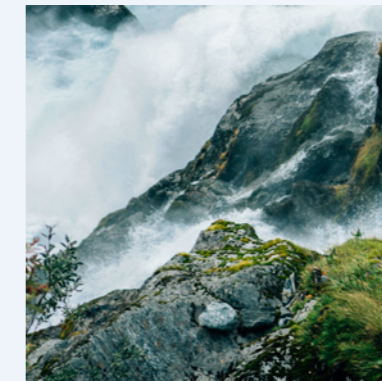
Financial investor



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

1990s

New opportunities



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

2000s

International investor



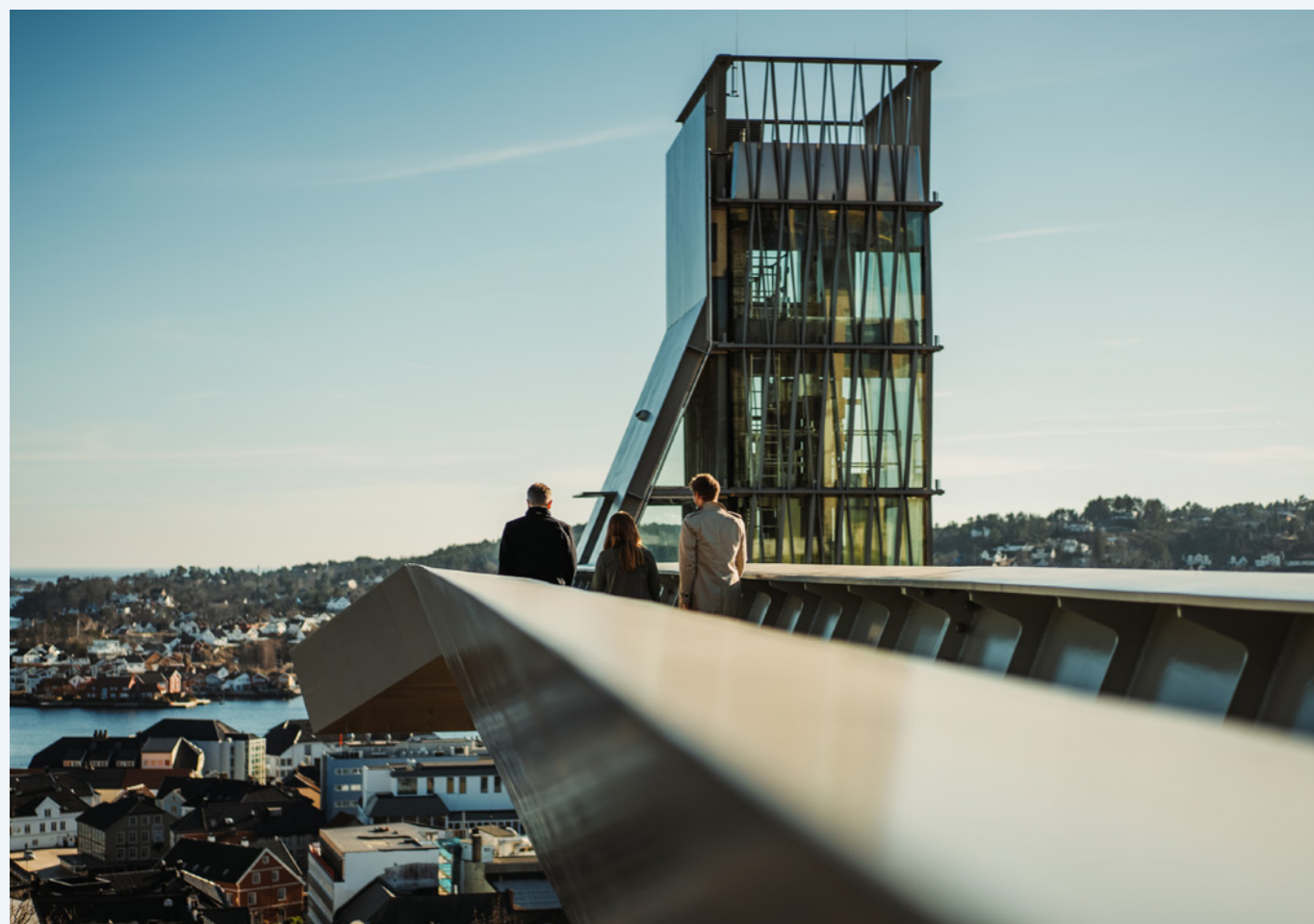
The new millennium marked the start of the transformation of Arendals Fossekompani, from a local hydropower producer to an international investment company. A series of successful investments in Norwegian and international companies, since the early 2000's up until today, have contributed to today's portfolio of companies within forward-looking industries such as Green Energy, Technology, Electrification, Materials and Property.

Consolidated revenues increased from around NOK 250 million in 2004 to nearly NOK 4,600 million in 2022.

In 2022, hydropower accounted for approximately thirteen percent of consolidated revenues.

Arendals Fossekompagni Group

Arendals Fossekompagni is an industrial investment company holding nine core investments and a portfolio of financial investments. These operations employ 2,400 people in 25 countries.



Head office
Arendal, Norway

Chair
Trond Westlie

Chief Executive Officer
Lars Peder Fensli

Employees
2,400

Countries
25

Arendals Fossekompagni (AFK) has proud traditions in power production and owns and operates two hydropower plants. In addition, Arendals Fossekompagni operates globally in many forward-looking industries including 3D printing, algo trading, satellite services, battery and solar technology, software, and digitalisation, as well as various green energy technologies.

FINANCIAL FIGURES (MNOK)

	2022	2021	2020
Total revenue	4,587	4,232	3,157
EBITDA	726	686	401
Operating profit (EBIT)	429	450	161
Operating margin	9%	11%	5%
Earnings before tax (EBT)	426	332	99
Earnings after tax (EAT)	-33	97	66
Operating cash flow	483	857	135
NIBD	-1,208	-1,805	-580
Equity	3,784	3,909	3,856
Equity ratio	48%	57%	55%

SUSTAINABILITY KPIs

	2022	2021	2020	
Environment	Scope 1 GHG (tCO ₂ e)	1,614	1,581	656 ¹
	Scope 2 GHG (location-based) (tCO ₂ e)	2,447	2,823	238
	Scope 3 GHG (tCO ₂ e)	3,394	1,276	175
	Energy consumption (MWh)	25,859	24,449	10,336
Social	Lost time injury rate	1.0	0.8	-
	Sick leave	3.0%	-	-
	Absentee rate	3.0%	1.5%	2.9%
	Turn-over rate	16%	7.6%	4.5%
	Women in Board of Directors	28%	30%	13%
Governance	CoC signed	78%	87%	87%
	No of reported incidents/breach of CoC/SCoC	2	-	-
	Operations assessed for corruption risks	69%	100%	-
	Training in CoC and Whistleblower policy	45%	87%	-

1. Former portfolio company, Cogen, is not included. ENRX did not report GHG emissions in 2020.

2022 IN BRIEF

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

In 2022, Arendals Fossekompani reported consolidated revenues of NOK 4,587 million (4,232 million) and operating profit of NOK 429 million (450 million). Ordinary profit after tax amounted to NOK -33 million (97 million), of which the AFK shareholders' share of the profit was NOK 6 million (107 million). Including currency differences, changes in the value of available-for-sale financial assets, minority interests, and other comprehensive income items, the Group's total comprehensive income was NOK 12 million (160 million).

The Arendals Fossekompani's financial position remains solid. The cash position as at 31 December amounted to NOK 1,160 million. In addition, the company has undrawn credit facilities of NOK 1,947 million, securing net available liquidity of NOK 3,107 million at year-end.

Consolidated revenues in 2022 increased by 8% year-on-year. Adjusted for AFK Property's revenue recognition of the first phase of the development project Bryggebyen in 2021, consolidated revenues grew by 23% in 2022, compared to 2021. 2022 was marked by high electricity prices and high activity levels in the portfolio companies. AFK also completed two strategic transactions during 2022, including the acquisition of energy storage specialist Commeo, forming the basis for establishing the energy storage company Ampwell, as well as the acquisition of the induction charging company IPT Technology, which was merged with EFD Induction, forming ENRX Group.

Volue

Volue continues the transformation towards recurring revenues and Software-as-a-Service (SaaS), with SaaS revenues growing by 28% from 2021 to 2022. Growth was particularly strong within the Energy segment, driven by volatile power markets and high demand for forecast, analytics, and trading services. The SaaS transformation builds a platform that can handle a large number of new customers, enabling further revenue growth. Recurring revenue constituted 63% of total revenues and reached NOK 765 million in 2022, an increase of 15% compared to 2021. Strategic contracts won within all segments during the year confirms Volue's capabilities and position in the market.

Tekna

Tekna reported operating revenues of CAD 26.9 million in 2022, in line with 2021. The order backlog as per year-end saw a 64% increase from 2021, reflecting growing demand for additive materials and strong pipeline of systems projects. Tekna initiated a machine capacity increase program during 2022 to meet the demand from additive manufacturing, targeting 70% capacity increase. Steps were taken during the year to improve profitability and cash position. Tekna uplisted to Oslo Børs during 2022.

ENRX

ENRX (previously Evolgy) was formed through the combination of induction heating company EFD Induction and the wireless charging solutions provider IPT Technology, the latter acquired during 2022. ENRX combines EFD Induction's global market leadership in industrial induction heating systems (Heat) with IPT's leading technology in the high-growth market for wireless induction charging solutions for mobility and industrial applications (Charge). Total operating revenues increased by 15% to EUR 132 million in 2022, driven by both higher activity level within the Heat segments, as well as a smaller revenue contribution from the Charge segment. Order intake in 2022 amounted to EUR 157 million as at 31 December, corresponding to a 22% increase year-over-year. The backlog at year-end was at an all-time high.

NSSLGlobal

NSSLGlobal reported continued strong revenue growth of 13% and profitability increase during 2022, with airtime revenues and expansion of maritime and government project work as main drivers. NSSLGlobal experienced healthy sales throughout the year, including new VSAT leasing orders, governmental and maritime engineering orders, as well as defense contracts across Europe. The company's long-term backlog provides a stable outlook going forward.

Alytic

Alytic continued the development of its portfolio of data- and technology-driven companies during 2022. Highlights for the year included the launch of Kontali's new seafood analytics portal Edge and expansive investments in Greenfact to position the company as a global provider of market data analytics and insight with green certificates and carbon markets. In addition, Alytic established itself in the ESG services vertical through the acquisition of Factlines.

AFK Vannkraft

AFK Vannkraft (Hydropower) contributed with substantial revenues and operating profit in 2022 due to significant uplift in electricity prices. The average spot price in the NO2 price area was EUR 211/MWh (71/MWh) in 2022 while production reached 351 GWh (517 GWh). Operating revenues for the year reached NOK 606 million (373 million) with an operating profit of NOK 537 million (300 million). Earnings after tax amounted to NOK 156 million (170 million), including a NOK 75 million incremental tax provision from changes in the tax regime for Norwegian hydropower producers implemented during 2022.

SUSTAINABILITY

For the first time, our Annual Report is compliant with the Global Reporting Initiative (GRI). The GRI standards are the most widely used standards for sustainability reporting.

Total Scope 1 emissions for Arendals Fossekompani as a group was 1,614 tCO₂e in 2022, up from 1,581 in 2021. Scope 2 emissions decreased to 2,447 tCO₂e (2,823), while the energy consumption increased slightly. Scope 3 emissions increased to 3,394 tCO₂e (1,276), mainly because all portfolio companies began reporting waste in 2022.

In 2022, the AFK Group did an assessment of the Group's activities against the EU taxonomy. 58% of the Group's turnover is eligible with the EU Taxonomy. An alignment of 22% shows that the Group contributes positively. Our investment strategy has resulted in 69% eligibility and 25% alignment of the Group's CapEx. For OpEx, the numbers are 50% eligibility and 14% alignment. The OpEx KPI are based on our reporting on both turnover and CapEx, as no activities have been identified solely for OpEx.

The lost time injury rate was 1.0 in 2022, a slight increase from 0.8 in 2021. The absentee rate increased to 3.0% (1.5%). The Women in Board of Directors rate decreased slightly because of some start-up portfolio companies which have not yet established a Board of Directors.

The share of employees that has signed the Code of Conduct decreased to 78%, mainly due to new acquisitions and newly established companies, especially the acquisitions of Commeo and IPT Technology.

EVENTS AFTER THE CLOSE OF THE YEAR

On 16 December 2022, it was announced that Ørjan Svanevik would resign as CEO of Arendals Fossekompani, and CFO Lars Peder Fensli would function as interim CEO as of 1 January 2023 until a new CEO was appointed. On 10 January 2023, it was

announced that Benjamin Kristoffer Golding was appointed new CEO of Arendals Fossekompani. Golding will assume his position at Arendals Fossekompani as soon as his job at DNB comes to an end, but no later than 1 August 2023.

On 11 April 2023, Arendals Fossekompani and Tekna signed a loan facility agreement totaling MCAD 25 to finance operations and further growth in Tekna. The facility will be made available in three tranches (MCAD 5+10+10).

On 9 February 2023, the Board of Directors decided to pay an ordinary cash dividend of NOK 0.95 per share for the fourth quarter 2022. The dividend was paid on 22 February.

On 8 March 2023, the construction of Kilandsfoss Hydropower Plant began. When finalized in 2025, Kilandsfoss will produce approximately 38 GWh. Project partners are the municipalities of Froland and Åmli, each with one-third ownership.

OUTLOOK

There is ongoing uncertainty associated with the war in Ukraine, the tax regime for the hydropower industry, supply chain constraints, soaring inflation, rising interest rates, as well as the development of energy prices. In this unpredictable environment, Arendals Fossekompani's solid financial position enables continued support of the portfolio companies, both in handling short-term challenges but also in continued investments to strengthen their long-term competitiveness.

In light of the market's estimated power price trend for 2023 and forecasted production, the revenues and operating profit for AFK Hydropower are expected to be lower than the all-time-high in 2022.

Following high activity levels in all portfolio companies, somewhat offset by lower power price expectations, 2023 revenues are expected to be on par with 2022. Operating profit is expected to be lower than 2022.

Our main sustainability target for 2023 is to ensure that our governance is in accordance with the OECD Guidelines for Multinational Enterprises and NUES. AFK will apply to become a member of Principles for Responsible Investments (PRI).

In Norway, 2023 marks the first year of mandatory reporting on the EU Taxonomy. During the 2022 assessment, we identified areas of improvement, and these will be included in the strategy for 2023. Our focus will be on documentation and scope of alignment assessments. As a part of our Science Based Target project, we have committed and submitted science-based emission reduction targets for AFK Parent Company and AFK Hydropower. The targets will be validated by the Science Based Target initiative (SBTi) in 2023. Portfolio companies must set their own targets within five years. We will also commit to setting net-zero targets to align with the ambitious goals in the Paris Agreement, which means to reduce emissions to limit global warming to 1.5 °C by 2050.

We aim to reach the goal of 40% female members on our Board of Directors in 2023. In addition, we aim to have 40% women in C-suite positions by 2027.

SHARE PRICE

There is a total of 55,995,250 shares in the company. The share price on 31 December 2022 was NOK 250.5, compared to NOK 445 on 31 December 2021, corresponding to a decrease of -43.7%. When including direct yield (dividend payouts) in the same period, total decrease in shareholder value was -42.0%.

Arendals Fossekompani's total market capitalization was NOK 14.0 billion at year-end. Compounded annual return to AFK shareholders was 18.0% (29.5% including dividends) in the period December 2012 to December 2022.



Group Management

Arendals Fossekompagni Group Management employs 21 people at the head office in Arendal. The team focuses on the development of new sustainable business opportunities, active ownership of portfolio companies, hydropower generation, property projects, and management of financial investments.



Head office
Arendal, Norway

Chair
Trond Westlie

Chief Executive Officer
Lars Peder Fensli

Employees
21

Countries
1

Combining industrial, technological, and capital markets expertise, Group Management identifies and develops opportunities for value creation. As an active owner of our portfolio companies, we drive strategy developments, financing, restructuring and transactions, to ensure long-term sustainable value creation.

FINANCIAL FIGURES (MNOK)	2022	2021	2020
Revenue and other income	23	9	7
EBITDA	-82	-60	-52
Operating profit (EBIT)	-86	-63	-53
Operating margin	-	-	-
Earnings before tax (EBT)	461	1,283	504
Provision for income tax	5	30	-15
Earnings after tax (EAT)	456	1,253	519
Operating cash flow	-539	310	-3,237
NIBD	-1,279	-950	-400
Equity	2,228	1,772	519

SUSTAINABILITY KPIs	2022	2021	2020	
Environment	Scope 1 GHG (tCO ₂ e)	0	0	0
	Scope 2 GHG (Location based) (tCO ₂ e)	0.3	0.3	0.6
	Scope 3 GHG (tCO ₂ e)	34	46	22
	Energy consumption (MWh)	32	33.7	32.9
Social	Lost time injury rate	0	0	0
	Sick leave	1.3%	-	-
	Absentee rate	1.4%	0.8%	0%
	Turn-over rate	5%	0%	0%
	Women in Board of Directors	43%	43%	43%
Governance	CoC signed	100%	100%	100%
	No of reported incidents/breach of CoC/SCoC	0	-	-
	Operations assessed for corruption risks	100%	100%	-
	Training in CoC and Whistleblower policy	100%	76%	-
	Equity ratio	74%	75%	43%

Arendals Fossekompani has an attractive portfolio positioned in verticals driven by global megatrends, such as Green Energy, Digitalisation & Big Data Analytics, and Electrification & Materials. Our companies are both listed and privately own, and Arendals Fossekompani is – as part of our strategy – the majority owner.

2022 IN BRIEF

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

In 2022, AFK Group Management reported revenues of NOK 22 million (9 million). Operating expenses increased to NOK 105 million (69 million), mainly due to costs of several acquisition processes and increased number of employees. The operating profit was NOK -86 million (-63 million). Net profit for the year was NOK 456 million, mainly driven by dividend payments from portfolio companies and profit from transactions.

Arendals Fossekompani's financial position remains solid. The cash position as at 31 December amounted to NOK 1,160 million. In addition, the company has undrawn credit facilities of NOK 1,947 million, securing net available liquidity of NOK 3,107 million per year-end.

During 2022, we made two strategic investments through the acquisitions of IPT Technology and Commeo. Both companies have already proven to be highly relevant additions to our portfolio, expanding our offering in two attractive megatrends and utilizing and creating synergies within our portfolio.

On 7 April, Arendals Fossekompani acquired the German energy storage specialist Commeo GmbH and formed the new company Ampwell. With Commeo as a key building block, Ampwell will build an eco-system for battery technology and a Battery-as-a-Service business model.

On 19 May, the wireless charging solution provider IPT Technology GmbH was acquired, which led to the establishment of the Evolgy Group, which initially consists of EFD Induction and IPT Technology (Evolgy changed its name to ENRX in March 2023).

In June, loan facilities totaling NOK 1.8 billion were renewed at improved terms and with links to sustainability targets. As such, Arendals Fossekompani is rewarded for its continuous sustainability work.

GHG emissions consist of Scope 2 and Scope 3. In 2022, Scope 2 was 0.3 tCO₂ and Scope 3 was 34 tCO₂e. During 2022, we committed and set reduction targets in line with the criteria and recommendations of the Science Based Targets initiative (SBTi). This commitment includes reduction of absolute Scope 1 and Scope 2 GHG emissions with 42% by 2030 from a 2021 base year.

The absentee rate was 1.4% in 2022. The turn-over rate was 5.0% with one temporary employee leaving the company, while there were 5 new hires. As in previous years, the rate of women in Board of Directors was 43%.

100% of employees have signed and received training in AFK's Code of Conduct. During 2022, a new Business partner Code of Conduct (BCoC) was developed. We have a whistleblowing channel, so that employees can report on unwanted situations anonymously. There were no reported incidents in the whistleblowing channel during 2022.

In 2022, the Transparency Act entered into force. To comply with this act, we have completed a project where we gathered information from all main suppliers. The goal of this assessment was to understand the most important risks in our value chain. The results are published in the separate report Human Rights and Transparency Report. In addition, we have created a guideline for handling incoming requests for information, in accordance with the Transparency Act.



Shareholder Information

Arendals Fossekompani is committed to maintaining an open dialogue with its shareholders, investors, analysts, and the financial markets in general. Our goal is to ensure that the share price reflects its underlying value by making all price-relevant information available to the market.



We work to create shareholder value in the form of dividends and share price growth over time. In accordance with the document Corporate Governance in Arendals Fossekompani (last revised on 30 March 2021), the company's dividend policy is defined as follows: "AFK's dividend policy is to pay dividends that reflect the company's long-term strategy, financial position and investment capacity. AFK's objective is to pay dividends that will provide shareholders with a competitive return over time."

DIVIDEND FOR 2022

Total dividends paid in 2022 amounted to NOK 409 million, corresponding to NOK 7.55 per share. In addition to quarterly cash dividends of NOK 3.75 per share, Arendals Fossekompani distributed a total of 11,300,000 shares in Tekna Holding ASA, equal to one share for every 5 shares held in Arendals Fossekompani and corresponding to NOK 3.80 per share, as dividend in kind. Total dividends paid was equivalent to 1.9% of the volume-weighted average share price in 2022.

SHARES AND SHARE CAPITAL

As at 31 December 2022, there were a total of 55,995,250 shares in the company, of which 1,118,319 were treasury shares (2.0% of the total number of outstanding shares). The three largest shareholders of Arendals Fossekompani are Ulfoss Invest AS (26.3%), Havfonn AS (26.0%) and Must Invest AS (25.2%).

There were 4,999 shareholders at year-end 2022, compared to 5,289 shareholders at the end of 2021.

SHARE PRICE LAST 20 YEARS (NOK)



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

STOCK EXCHANGE LISTING

Arendals Fossekompani ASA is listed at Oslo Børs under the ticker code AFK. The company was listed in 1913 and is the second oldest company at 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

Currently AFK Parent Company owns 2.1% treasury shares. At Arendals Fossekompani's Annual General Meeting on 5 May 2022, the Board of Directors was authorized to acquire treasury shares up to a maximum of 10%. In accordance with this authorization, the Board of Directors is only permitted to acquire treasury shares at a price ranging from a minimum of NOK 10 and a maximum of NOK 2,000 per share. This authorization will remain in effect until the Annual General Meeting in 2023.

In 2022, the company sold 44,306 shares to Executive Management in connection with the company's incentive program.

OPTION SCHEMES

As at 31 December 2022, Arendals Fossekompani had no option schemes.

INVESTOR RELATIONS

Arendals Fossekompani seeks to maintain an open dialogue with shareholders, debt holders, financial analysts, and the stock markets in general. The company regularly holds presentations in connection with the publication of quarterly results. All company press releases, stock exchange announcements and investor relations information are available at www.arendalsfossekompani.no. The website also includes quarterly reports, annual report, presentations, Articles of Association, and the financial calendar.

NOMINATION COMMITTEE

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

AUDIT COMMITTEE

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

ANNUAL GENERAL MEETING

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

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

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

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

SHARE PRICE AND MARKET CAP

The price of shares in Arendals Fossekompani decreased by 43% in 2022 and closed at 250.5 at year-end, corresponding to a market capitalization of NOK 14 billion.

TRADING VOLUME

AFK trading volume was comparable to 2021, with a total of 3,430,618 shares traded in 2022, corresponding to 6.1% of all shares. Overall turnover from trading of the AFK share in 2022 was NOK 1,299 million, compared to NOK 1,114 million in 2021.

KEY FIGURES FOR AFK SHARE (NOK)

	2022	2021	2020	2019	2018
Closing price 31/12 ¹	250.5	441	180	103	123
Annual growth (%)	-43	145	75	-17	24
High/Low ²	471 / 214	503 / 175	195 / 82	137 / 86	167 / 98
Share price average ²	322	302	127	112	134
Market cap 31/12 (million)	14,027	24,204	9,863	5,639	6,775
Dividend per share ³	7.55	37.08	3.44	2.24	34.81
Dividend accumulated	105.72	98.17	61.09	57.65	55.41
Annual turnover (million)	1,299	1,113	282	79	94
Volume	3,430,618	3,472,586	1,979,993	738,500	673,425
Total shareholder return (%)	-41.5	166.0	78.3	-15.0	58.9

1. Numbers adjusted for share split effectuated in 2020

2. Based on closing price

3. Paid quarterly

Reporting 100 years ago

In 1922, production at Bøylefoss hydropower plant increased compared to the year before, but activity levels at the two major consumers at the time, Det Norske Nitridaktieselskap (producer of aluminum) and Arendal Smelteverk (producer of silicon carbide), was still below average. Only two of the three turbines at Bøylefoss were needed to produce enough energy to supply demand.

TOTAL REVENUES FOR THE YEAR

NOK 1,097,000

NET PROFIT

NOK 503,000

DIVIDEND PAID TO SHAREHOLDERS

NOK 288,000

1922





Portfolio

02

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AFK Vannkraft	38
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AFK Property	70

Arendals Fossekompani Assets

Investments are based on an understanding of Arendals Fossekompani having the competence and energy necessary to be the best owner in a long-term perspective. Our investments are concentrated within four areas: Green Energy, Digitalization & Big Data Analytics, Electrification & Materials, and Property.

Green energy

Based on more than a century of hydropower production, we are looking to expand our green energy portfolio. As the world is in dire need of more green power, we are looking to capitalize on our competence and history to develop more fossil-free energy sources.

VANNKRAFT

AFK ownership 100%	Head office Froland, Norway
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ampwell

AFK ownership 100%	Head office Arendal, Norway
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Vergia

AFK ownership 100%	Head office Arendal, Norway
-----------------------	--------------------------------

Digitalization & Big Data Analytics

Anything that can be digital, will be digital. By enabling and assisting a digital transformation and providing decision-making data analytics, our portfolio of companies are frontrunners in the digital energy space.

vo!ue

AFK ownership 60%	Head office Oslo, Norway
Market cap (31.12) 4,050 MNOK	Listed at Oslo Børs

NSSLGlobal

AFK ownership 80%	Head office London, UK
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alytic

AFK ownership 95%	Head office Arendal, Norway
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Electrification & Materials

Anything that can be electric, will be electric. As a result, demand for electricity will of course grow, as will demand for smart electric solutions. We invest in companies that install smartness into the electric future.

TEKNA

AFK ownership 71%	Headquarter Sherbrooke, Canada
Market cap (31.12) 739 MNOK	Listed at Oslo Børs

ENRX

AFK ownership 95%	Head office Skien, Norway
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Property

AFK | Property

AFK ownership 100%	Head office Arendal, Norway
-----------------------	--------------------------------

AFK Vannkraft

Portfolio company

AFK Vannkraft generates power at two locations in the Arendal watercourse. The Bøylefoss and Flatenfoss hydropower plants produce on average more than 500 GWh annually.



AFK VANNKRAFT

Head office
Froland, Norway

Chair
Trond Westlie

Operating Manager
Jan Roald Evensen

Employees
15

Countries
1

Running water is an important part of our running business. For more than 100 years, we have extracted energy from the river Nidelva in the Arendal watercourse.

FINANCIAL FIGURES (MNOK)

	2022	2021	2020
Operating revenue	606	373	63
Operating profit (EBIT)	535	298	-2
Operating margin	88%	80%	-3%
Earnings before tax (EBT)	535	298	-2
Provision for income tax	387	130	-3
Earnings after tax (EAT)	148	169	1

SUSTAINABILITY KPIs

	2022	2021	2020	
Environment	Scope 1 GHG (tCO ₂ e)	20	23	12
	Scope 2 GHG (Location based) (tCO ₂ e)	1.9	2.6	3.0
	Scope 3 GHG (tCO ₂ e)	7.8	18	0.2
	Energy consumption (MWh)	357	277	173
Social	Lost time injury rate	0	0	0
	Sick leave	5%	-	-
	Absentee rate	6%	1.3%	7.9%
	Turn-over rate	0%	0%	0%
Governance	Women in Board of Directors	43%	43%	43%
	CoC signed	100%	100%	100%
	No of reported incidents/breach of CoC/SCoC	0	-	-
	Operations assessed for corruption risks	100%	100%	-
	Training in CoC and Whistleblower policy	100%	100%	-

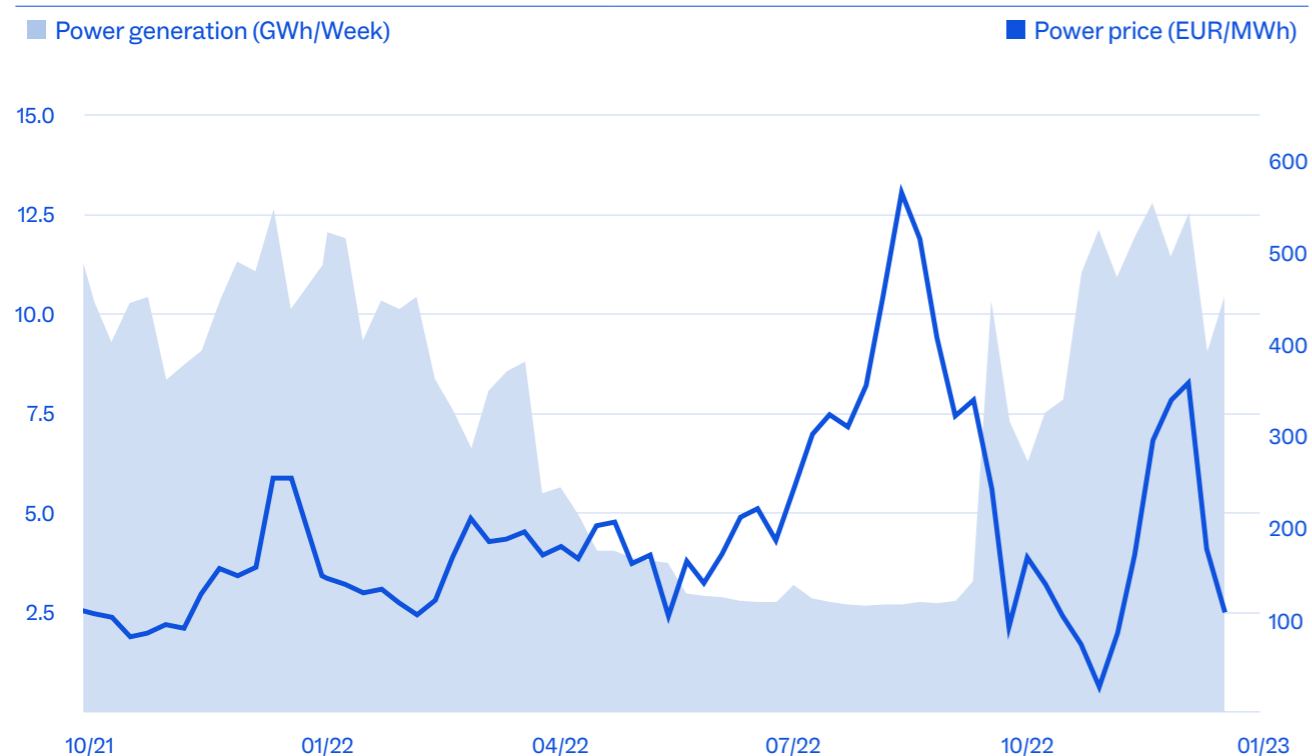
AFK Vannkraft is required by law to improve the power plants and associated dam facilities, and consequently Arendals Fossekompani is planning upgrades to both plants in the coming years. The reconstruction of dams will start once detailed requirements have been agreed with the Norwegian Water Resources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

AFK Vannkraft reported revenues of NOK 606 million (373 million) in 2022. EBITDA amounted to NOK 545 million (308 million) and operating profit to NOK 535 million (298 million). Net financial items consist primarily of internal and external dividends and transactions effects, currency effects, and interest costs.

Provision for income tax amounted to NOK 378 million (130 million) in 2022. The tax provision reflects the following changes in the tax regime for Norwegian hydropower producers, as presented by the Norwegian government on 28 September 2022: i) increased resource rent tax from 37% to 45% as of 1 January 2022 and ii) high-price contribution tax of 23% applicable from 28 September 2022 on realized monthly average electricity prices above NOK 0.7/kWh. These changes resulted in an incremental provision for income tax amounting to NOK 75 million in 2022.

Power price in the NO2 price area and power generation for Arendals Fossekompani per week for the period 30/09/2021 – 31/12/2022.

POWER PRICE & POWER GENERATION



Electricity prices in southern Norway rose in the three first quarters of the year. However, in the fourth quarter the prices started to decrease, resulting in an average price in the NO2 price area for 2022 of 211 EUR/MWh (71 EUR/MWh). This is the highest annual price level seen in the NO2 price area. The high price level was a result of several factors, including i) low hydro reservoir levels, due to low inflow and low snow reservoirs from the winter season, ii) strong interconnections from the NO2 price area to the European power market, and iii) high prices for coal, gas, and CO₂ lifting the European prices for electricity.

Our hydropower plants had some minor interruptions due to planned maintenance and inspections in 2022. Power generation amounted to 351 GWh (517 GWh). The Norwegian Water Resources and Energy Directorate issued a special permission for the minimum water flow regulation in the watercourse to be reduced from 40 to 30 m³/s for the summer season and until 1 November, which resulted in record low production in this period. AFK has a defined strategy of selling hydropower production in the day-ahead (spot) market.

Precipitation and inflow by the end of the year were respectively around 91% and 76% of the norm for the watercourse. The accumulated amount of snow and the reservoir levels in the water course was higher than normal by year-end.

Essential audits and maintenance routines took place during the year with established control procedures for the hydropower facilities.

In 2022, our Scope 1 emissions were 20 tCO₂e, compared to 23 tCO₂e in 2021. Our location-based Scope 2 emissions were 2,2 tCO₂e, slightly lower than the year before. Our Scope 3 emissions were 52 tCO₂e in 2022.

During 2022 we conducted a risk and vulnerability assessment regarding HSE and worktasks to identify possible hazards and increase awareness. All incidents are recorded. In 2022 there was no incidents.

Species of fish affected by our hydropower stations have been subject of an external audit. In 2022, there were three species of fish in the watercourse, which is the same as in previous years.

OUTLOOK

Considering the market's estimated power price trends for 2023, water levels and forecasted production, AFK Hydropower expects revenues and operating profit for 2023 to be lower than in the record-breaking year 2022.

Actual energy prices depend on many factors, including hydrological balance, oil and gas prices, weather conditions, temperatures, and more. With limited reservoir capacity, the production volume will also be dependent on precipitation.

AFK Hydropower will perform a complete environmental risk and vulnerability assessment in 2023, to further map and improve the impact on the surrounding environment.

Rehabilitation of the exterior of the Bøylefoss hydropower plant building will start in 2023.

We aim to distribute a new Business Partner Code of Conduct in 2023.

Ampwell

Portfolio company

Ampwell was established by Arendals Fossekompni in 2022 to build an eco-system for battery technology and a Battery-as-a-Service business model. Efficient energy storage solutions are needed to reduce energy costs and enable the green transition. With Ampwell, it is possible to fully utilize non-flexible power production, like wind and solar, to secure a functional and stable energy grid.



ampwell

Head office
Arendal, Norway

Chair
Torkil Mogstad

Chief Executive Officer
Torkil Mogstad

Ownership
100%

Employees
60

Countries
2

In April 2022, Arendals Fossekompni acquired 54.9% of Commeo, a German company specializing in energy storage and energy management solutions. Commeo provides solutions for commercial and industrial energy storage by manufacturing battery modules and rack systems, including control units and software for monitoring and data logging. Commeo's energy storage solutions could for example be used for 'peak-shaving' purposes (using energy from the battery racks during peak price periods to avoid steep tariffs charged by the energy system operators) or time shifting (to reduce energy costs by shifting energy consumption to low price periods).

FINANCIAL FIGURES (MNOK)	2022	2021	2020
Operating revenue	105	-	-
EBITDA	-38	-	-
Operating profit (EBIT)	-53	-	-
Operating margin	-50%	-	-
Earnings before tax (EBT)	-62	-	-
Operating cash flow	-64	-	-
NIBD	373	-	-
Equity	31	-	-
Equity ratio	6%	-	-

SUSTAINABILITY KPIs	2022	2021	2020	
Environment	Scope 1 GHG (tCO ₂ e)	26	-	-
	Scope 2 GHG (location-based) (tCO ₂ e)	15	-	-
	Scope 3 GHG (tCO ₂ e)	36	-	-
	Energy consumption (MWh)	227	-	-
Social	Lost time injury rate	17	-	-
	Sick leave	6.4%	-	-
	Absentee rate	6.4%	-	-
	Turn-over rate	17%	-	-
	Women in Board of Directors	0%	-	-
Governance	CoC signed	0%	-	-
	No of reported incidents/breach of CoC/SCoC	0	-	-
	Operations assessed for corruption risks	0%	-	-
	Training in CoC and Whistleblower policy	0%	-	-

Established in 2014, Commeo has over the years developed its proprietary energy storage system and is now in a position where the product can be manufactured on an industrial scale. Commeo systems typically range from 50 kWh to 1 MWh, but the modular plug-and-play setup allows for even larger systems. The company is on a strong growth trajectory and has started the construction of a new production facility which will be one of Germany's largest.

In 2022, Arendals Fossekompni acquired 40% of Collect Energy, a Spanish company currently developing analysis and control software in cooperation with some of the largest energy players in Europe. The solutions are specifically designed for the stationary storage market and will help customers utilize the stored energy in the best possible manner. The solutions are meant to be agnostic, which means they will be able to connect to several different batteries, independent of manufacturer and technology. Arendals Fossekompni will reach majority ownership by the end of H1 of 2023.

2022 IN BRIEF

Revenues for 2022 (June-December) amounted to EUR 10.5 million, and operating profit in the same period was EUR -5.8 million. Revenues were driven by increasing battery module sales in Commeo throughout the year and increased production capabilities. Investments in growth in Commeo and Collect Energy, as well as at Ampwell parent level, contributed to negative margins in 2022.

The construction of Commeo's new semi-automatic production facility is currently ongoing. The first part of the new production facilities is estimated to be finalized in mid-2024 and will over time enable production capacity above 1 GWh. The demand for stationary storage, and the sales pipeline for Commeo, continues to increase.

Since the beginning of 2022, Collect Energy has rapidly developed its software platform, with new applications being developed according to plan. In parallel, the company has built a strong pipeline of leads and trial customers, from small commercial & industrial operations, to large and international utility-scale clients.

In 2022 Ampwell performed a double materiality analysis resulting in the following focus areas: Reliable and resilient energy, Circularity and lifecycle management, Material sourcing and supply chains, Attractive employer, and Business ethics.

In its first year of business, Ampwell started to report on its Scope 1, Scope 2 and Scope 3 emissions. Emissions stem almost entirely from the Commeo production facility. Scope 1 emissions in 2022 were 26 tCO₂e, mainly from transportation. Scope 2 emissions are related to consumption of electricity at the production facility in Germany and was 15 tCO₂e in 2022, where most of the energy is bought with guarantees of origin. Scope 3 emissions in 2022 were 36 tCO₂e and related to waste and business travel.

Ampwell did its first assessment of activities against the EU Taxonomy, where Commeo's activities were assessed. 100% of Commeo's revenue was found to be aligned with the activity 'storage of electricity'.

OUTLOOK

Driven by strong demand for energy storage solutions, Ampwell expects to generate strong revenue growth in 2023, which will be its first full year of operation. EBIT is expected to improve from the 2022 level but remain negative for the year due to the ramp-up phase of production of battery modules and development of related software solutions. Uncertainty remains high due to the strained global supply situation related to components.

In 2023, a sustainability strategy will be developed.



Vergia

Portfolio company

Arendals Fossekompni established Vergia early in 2022 to combine all existing green infrastructure projects and related portfolio companies in a new entity. Vergia is a strategic green energy enabler leveraging in-house competence with strategic partners to develop infrastructure projects in alternative verticals within the energy transition sphere.



Head office
Oslo, Norway

Chair
Trond Westlie

Chief Executive Officer
Martin Kjäll-Ohlsson

Ownership
100%

Employees
3

Countries
1

The Vergia ecosystem includes verticals such as small-scale hydropower, energy parks, power-to-x, offshore wind, and green fuel. Vergia is owned 100% by Arendals Fossekompni.

FINANCIAL FIGURES (MNOK)	2022	2021	2020
Total revenue	1		
EBITDA	-7		
Operating profit (EBIT)	-7		
Operating margin			
Earnings before tax (EBT)	-18	-2	
Operating cash flow	-7		
NIBD	5	-10	
Equity	9	18	
Equity ratio	28%	100%	

SUSTAINABILITY KPIs	2022	2021	2020	
Environment	Scope 1 GHG (tCO ₂ e)	0	-	-
	Scope 2 GHG (location-based) (tCO ₂ e)	0.1	-	-
	Scope 3 GHG (tCO ₂ e)	2.8	-	-
	Energy consumption (MWh)	9.1	-	-
Social	Lost time injury rate	0	-	-
	Sick leave	0.8%	-	-
	Absentee rate	0.8%	-	-
	Turn-over rate	0%	-	-
	Women in Board of Directors	0%	-	-
Governance	CoC signed	100%	-	-
	No of reported incidents/breach of CoC/SCoC	0	-	-
	Operations assessed for corruption risks	0%	-	-
	Training in CoC and Whistleblower policy	100%	-	-

OFFSHORE WIND

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

AMMONIA

Vergia and Grieg Maritime Group have joined forces to create a leading provider of green ammonia. North Ammonia is dedicated to developing the next generation green fuels for shipping and transportation. The company builds on extensive first-hand experience: Grieg Maritime Group has more than 60 years of experience in shipping. Arendals Fossekompani has 126 years of experience in industrial developments and green power production. Eydehavn in Arendal has been chosen as the first production site for North Ammonia. Eydehavn is being developed as a maritime hub and is ideally located for green ammonia production and distribution. MoUs have been signed with maritime end-users. World-class technology, engineering and maritime cooperation partners are in place to develop the project and production facility.

SMALL-SCALE HYDROPOWER

Demand for electricity is expected to grow significantly in years to come, due to electrification of the transportation and industry sectors, increased household consumption, and interconnectors between the Nordics and Europe. Vergia has two small-scale hydropower development projects; Kilandsfoss and Glomsdam, which can contribute with an annual production of 38 and 7.3 GWh respectively.

ENERGY PARKS

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

HYDROGEN

Vergia, Kongsberg Maritime and Moreld have joined forces to develop a combined offshore substation and hydrogen factory. Hydepont is a complete solution for receiving, converting, and transmitting the full energy potential from offshore wind farms, with reduced dependence on the onshore power grid. Placed in the ocean, close to wind farms, Hydepont can convert all or part of the energy into hydrogen. This will reduce the need for upscaling the power grid both to and on land.

SUSTAINABILITY

In 2022, Vergia performed a double materiality assessment for two areas; Vergia's own operations and Vergia's projects. For its own operations, Vergia will focus on business ethics and strive to be a great place to work. For its projects, Vergia will focus on enabling the green transition, minimising impact on nature, and creating value for local communities.

Vergia's GHG emissions include Scope 2 and Scope 3 emissions. Scope 2 is electricity consumption in office spaces and was 0.1 tCO₂e in 2022. Scope 3 emissions are from waste and business travel and was 2.8 tCO₂e in 2022.

OUTLOOK

In 2023, Seagust will enter a bid in the first Norwegian offshore wind licensing round. Kilandsfoss Hydropower Plant will begin construction.

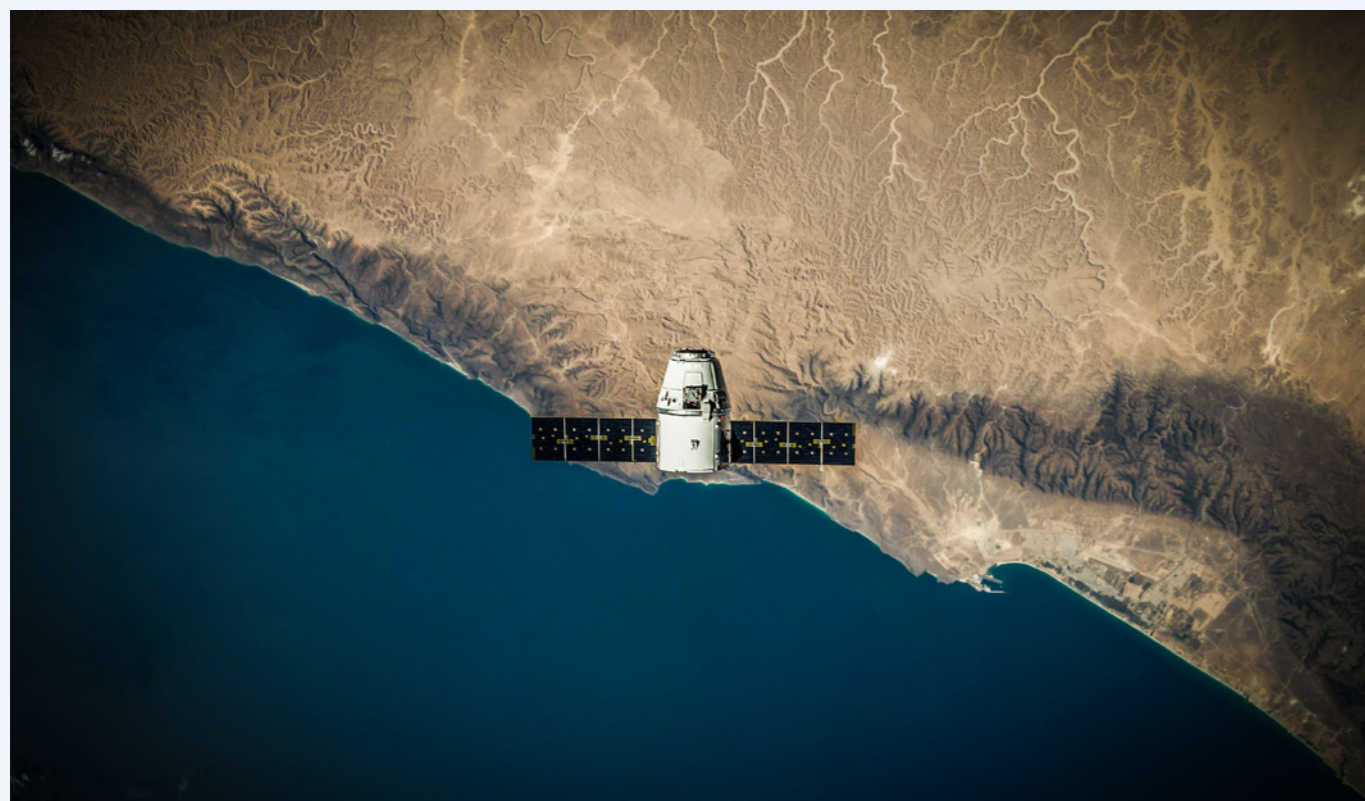
Vergia will work to meet the requirements of the EU Taxonomy.



NSSLGlobal

Portfolio company

Building on more than 50 years of experience in the maritime and military mobility markets, NSSLGlobal is a well-run company with solid results over the last decades. With world-class technology and a unique understanding of its clients, NSSLGlobal is able to provide vital services in demanding situations anywhere in the world. This provides for solid revenues and attractive margins. Arendals Fossekompani has been the majority owner of NSSLGlobal since 2010.



Head office
London, UK

Chair
Arild Nysæther

Chief Executive Officer
Sally-Anne Ray

Ownership
80%

Employees
223

Countries
10

NSSLGlobal is an independent provider of cyber secure satellite and mobile communications and IT support that delivers high-quality voice and data services across the globe, regardless of location or terrain. NSSLGlobal's activities are divided into four main areas: Airtime, Projects, Hardware and Service. Its main customers are within the maritime segment, the military and government sector, large international corporations and the energy sector.

FINANCIAL FIGURES (MNOK)	2022	2021	2020
Operating revenue	1,042	907	898
EBITDA	255	208	214
Operating profit (EBIT)	209	166	162
Operating margin	20%	18%	18%
Earnings before tax (EBT)	236	178	154
Operating cash flow	154	197	166
NIBD	-356	-322	-274
Equity	524	458	424
Equity ratio	57%	57%	56%

SUSTAINABILITY KPIs	2022	2021	2020	
Environment	Scope 1 GHG (tCO ₂ e)	180	83	167
	Scope 2 GHG (location-based) (tCO ₂ e)	120	125	134
	Scope 3 GHG (tCO ₂ e)	270	100	41
	Energy consumption (MWh)	1,563	1,024	576
Social	Lost time injury rate	0	0	0
	Sick leave	1.8%	-	-
	Absentee rate	1.8%	1.0%	1.0%
	Turn-over rate	24%	1.8%	13%
	Women in Board of Directors	33%	50%	50%
Governance	CoC signed	100%	100%	100%
	No of reported incidents/breach of CoC/SCoC	0	-	-
	Operations assessed for corruption risks	0%	0%	-
	Training in CoC and Whistleblower policy	100%	100%	-

NSSLGlobal has more than 50 years of experience in the maritime and military mobility markets. The company operates its own Global VSAT network using its own patented Satlink Hub and Modem technology, as well as partnering with other established satellite and mobile operators such as Inmarsat IridiumThuraya and Vodaphone and more recently with LEO operator Starlink. Customers are supported locally via global sales and service offices, 24/7 network operations centers, teleports and a global network of local service partners.

NSSLGlobal is headquartered in the United Kingdom, but also has offices in Germany, Denmark, Norway, Sweden, Poland, Netherlands, Singapore, USA, Israel, and Japan. The revenue model is to a large degree based on multi-year subscription and support contracts, thereby securing a significant degree of recurring revenues. Its main customers are found in the maritime segment, in the military and government sector, and in the energy sector.

2022 IN BRIEF

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

NSSLGlobal reported revenues of GBP 88.0 million (76.7 million) in 2022. EBITDA amounted to GBP 21.5 million (17.6 million). Operating profit was GBP 17.7 million (14.0 million), while the ordinary profit after tax was GBP 15 million (12.0 million).

Revenue growth in 2022 was largely driven by increased government airtime, equipment sales and projects related to increased operational activity caused by the war in Ukraine. In addition, expansion of maritime and government projects contributed positively, while delays in component and hardware deliveries had a slight negative impact on growth during the year.

Operating margin for the year of 20% (18%) was largely related to higher airtime and project revenues with a positive margin impact.

The company experienced healthy sales throughout the year, including new VSAT leasing orders, governmental and maritime engineering orders, as well as defense contracts across Europe. NSSLGlobal and its team partners did not win the specific Skynet Service Delivery Wrap contract to operate and manage UK Ministry of Defence's (MoD) constellation of military satellites beyond 2024, but remains a significant service provider to the MoD through a number of other framework agreements and recent contract wins.

Examples of contract wins during Q4 include a new multi-million 3-year Ships Alongside contract with Defence Digital, UK Ministry of Defence, including service management, engineering services and support for a number of UK and International Dockyards and including installations in ships and submarines. The company was also awarded a contract with the Bavarian State Ministry of the Interior to strengthen the state's critical communications infrastructure. The company secured a 3-year contract with Mitsui OSK LNG Transport (Europe) Ltd, for their fleet, including VSAT, Entertainment and Cyber services as well as FusionIPLeo trials which will be rolled out in the first quarter of 2023.

NSSLGlobal's FusionIPLeo service offers a hybrid of the best of GEO, LTE and LEO-based satellite constellations. It combines the trusted benefits of a global, high availability GEO service with the low latency and high capacity from LTE, incorporating the rapidly expanding LEO constellations as of Q1 2023. At the core of this service is NSSLGlobal's Smart@Sea platform providing secure and seamless solutions to the end user, as well as additional cyber, Crew entertainment, IT and Management functionality.

In 2022, Scope 1 GHG emissions were 180 tCO₂e, related to company-owned fossil-fueled cars and gas usage for stationary combustion. Emissions will decrease as NSSLGlobal makes its fleet of vehicles hybrid or fully electric over the next 2-3 years. Scope 2 emissions was 120 tCO₂e in 2022, a slight reduction from 125 tCO₂e in 2021. Scope 3 emissions consists of waste, business travel and fuel-and-energy-related activities.

NSSLGlobal conducted an EU Taxonomy eligibility assessment and found two eligible activities. These have not yet been assessed for alignment.

100% of the employees received training in and signed the Code of Conduct. The sick leave remained low at 1.8%, and the turnover rate was 24%. 33% of Board of Directors in NSSLGlobal are women.

OUTLOOK

NSSLGlobal expects 2023 revenues to be in line with 2022, driven by a solid pipeline for sales and bid, somewhat offset by lower expected airtime. Operating profit is expected to be lower than in 2022, driven by the latter, as well as inflation-driven cost increases.

A long-term goal is to reduce greenhouse gas emissions by 50% by 2035. In 2023, NSSLGlobal will roll out phase 3 of its Energy Savings Opportunities Scheme and the Streamlined Energy and Carbon Reporting programmes for the UK part of the company.

NSSLGlobal will continue its oversight of key vendors to ensure legislative compliance to policies and procedures. The company aims to engage locally to identify environmental initiatives which can support local communities, and to identify certified schemes which can offset greenhouse gas emissions.

Volue

Portfolio company

Arendals Fossekompagni created Volue in 2020 based on the belief that the world of energy would become increasingly volatile, and that this would require new ways of thinking, new competence, and new technology. As a testament to this vision being right, Volue continues to build its European presence while expanding to other continents. As a provider of competence and software that enable its customers to succeed in the green transition, Volue enjoys a profitable and promising position.



volue

Head office
Oslo, Norway

Chair
Ørjan Svanevik

Chief Executive Officer
Trond Straume

Ownership
60%

Employees
778

Countries
9

Volue is a market leader in technologies and services that power the green transition. Based on 50 years of experience, Volue provides innovative solutions, systems and insights to industries critical to society. 750 employees work with more than 2,200 customers across energy, power grid, water and infrastructure projects that ensure a sustainable, flexible and reliable future. Volue operates within three segments, Energy, Power Grid and Infrastructure. The company is active in 40+ countries.

FINANCIAL FIGURES (MNOK)	2022	2021	2020
Operating revenue	1,217	1,041	891
EBITDA	147	138	148
Operating profit (EBIT)	40	45	82
Operating margin	3%	4%	9%
Earnings before tax (EBT)	36	40	73
Operating cash flow	214	131	190
NIBD	-426	-382	-432
Equity	809	767	743
Equity ratio	43%	44%	50%

SUSTAINABILITY KPIs	2022	2021	2020	
Environment	Scope 1 GHG (tCO ₂ e)	17	0	0
	Scope 2 GHG (location-based) (tCO ₂ e)	111	96	641
	Scope 3 GHG (tCO ₂ e)	404	89	112
	Energy consumption (MWh)	2,040	2,078	-
Social	Lost time injury rate	0	0	-
	Sick leave	2.7%	-	-
	Absentee rate	2.7%	2.2%	2.0%
	Turn-over rate	17%	11%	11%
Governance	Women in Board of Directors	50%	50%	12%
	CoC signed	97%	89%	-
	No of reported incidents/breach of CoC/SCoC	1	-	-
	Operations assessed for corruption risks	100%	-	-
	Training in CoC and Whistleblower policy	0%	-	-

2022 IN BRIEF

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

Volue reported operating revenues of NOK 1,217 million (1,041 million), corresponding to 17 percent growth year-on-year. EBITDA amounted to NOK 147 million (141 million). The operating profit was NOK 40 million (45 million), while the ordinary profit before tax was NOK 36 million (40 million).

Revenue growth was mainly driven by the Energy Segment, which increased by 28% from NOK 595 million in 2021 to NOK 762 million in 2022. Volue's Software-as-a-Service (SaaS) revenues grew at a higher pace than the top line, underpinning the shift in business model. Adjusted EBITDA for the group was NOK 203 million (214 million) with an adjusted EBITDA margin of 17%.

The company is continuing to build a highly sticky customer base and yet again reported an annual churn well below 2 percent, statistically suggesting an average customer lifecycle of 50 years.

Annual recurring revenues reached NOK 765 million in 2022, a 15 percent growth from 2021, while SaaS revenues showed a 28 percent growth year-on-year. Energy Market Operations contributed with strong non-recurring revenues in 2022, driven by unparalleled volatility in energy markets.

Volue has taken steps to integrate climate risk assessments into the company's risk management process. GHG emission reporting has been expanded to include waste and electricity upstream in the Scope 3 emissions. In 2022, the Scope 3 emissions were 404 tCO₂e. Scope 1 emissions were 17 tCO₂e, which is from 5 fossil-fuelled company cars. Location-based Scope 2 increased to 111 tCO₂e from 96 tCO₂e during 2022. There is an ongoing preparation for committing to targets in line with the Paris agreement and the 1.5 degree scenario.

Volue did an EU taxonomy assessment and found 4 eligible activities. 3 of these activities were found to be aligned.

Turn-over rate increased from 11% in 2021 to 17% in 2022. 50% of Volue's Board of Directors are women.

97% of employees have confirmed that they have read and understood the Code of Conduct. Volue is in an ongoing process to have all suppliers sign the Supplier Code of Conduct or to provide documentation of compliance with Volue's Code of Conduct. In 2022, there was one reported Code of Conduct or Supplier Code of Conduct incidents.

KEY DEVELOPMENTS

The year brought sales of strategic magnitude in all segments. Volue made a breakthrough deal with a German power major in the Energy segment. The customer has split its business into "Green" and "Brown" power production, and chose a cross-portfolio platform of capabilities from Volue with the goal to digitise the entire value-chain of its renewable portfolio. The contract was signed less than five months after the first point of contact, which demonstrates that Volue's customer-base is moving faster, and perhaps becoming less conservative. This puts Volue in pole position for winning market-shares. After conducting a comprehensive market analysis, the customer found Volue to be unmatched in the competitive landscape. Winning this breakthrough contract, also brings validation to Volue's ambitions for continental Europe. Volue is also very excited to announce its first customer in Japan, following the entrance into the Japanese market during 2022.

Volue also signed a transformative deal in the Power Grid segment. To meet the expectations of fast and efficient electrification of society, Volue and a major Nordic utility have signed a strategic contract. The joint goal is to launch a set of solutions

that will enable the utility to digitise the end-to-end process of planning and constructing new grids. These solutions will be modular, targeting a wider European market, deployable across different geographical markets and regulations. By automating what is today manual work processes and enabling mobile access, the end result is a streamlined workflow and high efficiency improvements for electrical utilities. This will significantly strengthen Volue's offering in Europe.

In the Infrastructure segment, the Construction division reached 1,000 customers and added 100 in 2022. All of them were SaaS contracts and 30 were in Sweden.

To remain an attractive employer to a diverse pool of talents, Volue launched a diversity and inclusion policy in March. A new and common standard for performance reviews for all employees was implemented in January.

A Volue Sustainable Leader programme was established, with 90 participating leaders attending during the year.

Volue's 24/7 security monitoring and response capabilities has been strengthened. The number of employees that have signed the information security policy has increased during the year and a common contingency plan has been implemented.

OUTLOOK

Volue continues to prioritise strategic investments in its SaaS platform and expansion into new markets. This creates short- to mid-term EBITDA impact and increased R&D capitalisation in line with plans. Measures are in place to counter margin effects, and Volue will work diligently to improve profitability going forward. The long-term ambition of NOK 2 billion in revenues, including M&A, by 2025 is maintained. The long-term target of 15% annual organic revenue growth is also maintained, with 2023 growth expected somewhat under the long-term target. The 2025-targets for adjusted EBITDA margin are under review. For 2023 Volue sees adjusted EBITDA margin improving from 2022 levels. ARR and SaaS are expected to improve in line with 2022 performance.

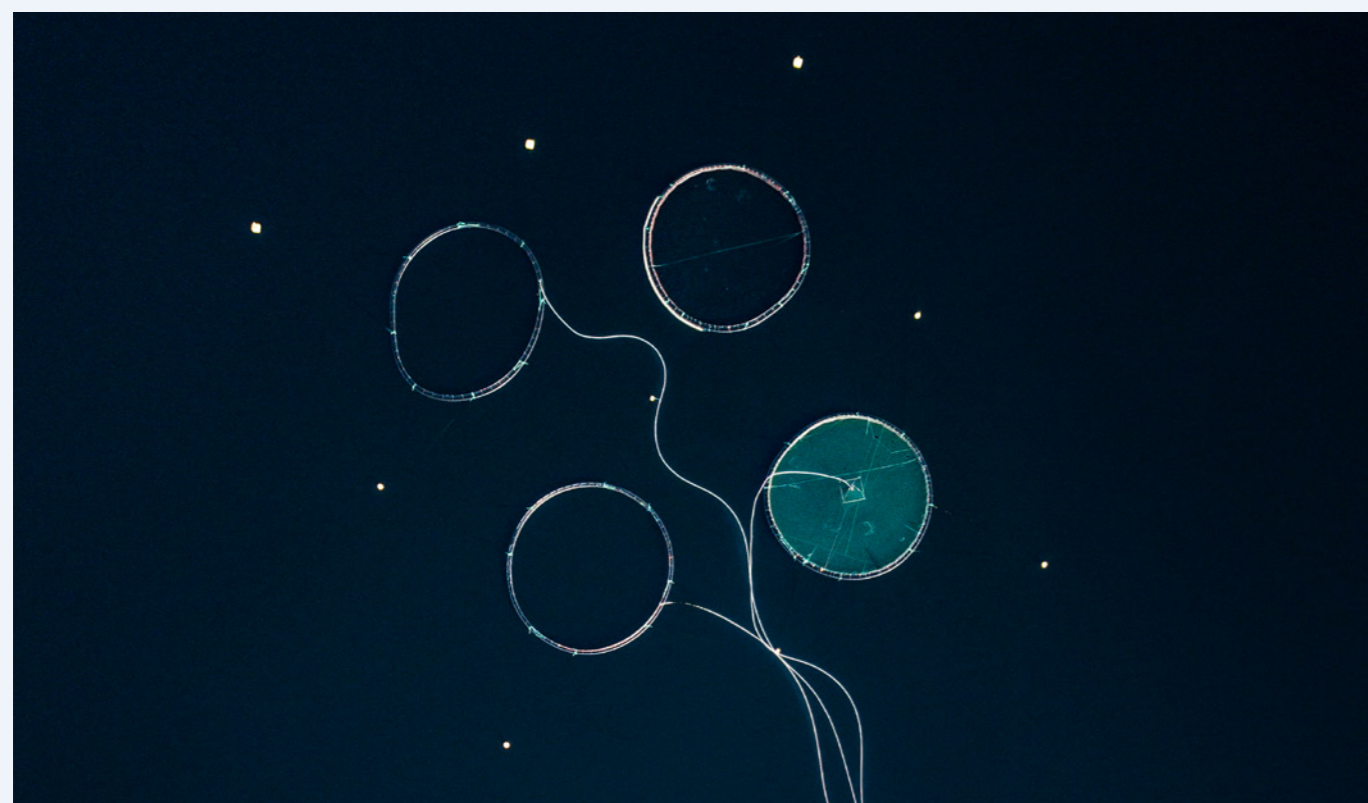
For 2023, Volue has outlined the following priorities and ambitions:

- Capitalize on changing energy market dynamics.
- Focus on margin-improving initiatives.
- Continue to grow ARR business in line with 2022 performance.
- Strategic investments for international growth.
- Structural growth through M&A.
- Expand activities outside the Nordics.
- Implement a diversity initiative across gender and ethnicity. The goal is to have 25% female share by the end of 2023 and 30% by 2025.
- Increase effort and focus on systematic HSE work, risk assessment and reporting of occupational incidents. Volue will build a succession plan for all key roles, with female successors for at least 50% of the roles.
- Conduct a mapping of business partners in terms of potential risks to human rights and decent working conditions.
- Finalise and implement environmental policy.
- Implement a framework to include EU Taxonomy eligibility assessment for new business cases.

Alytic

Portfolio company

Established by Arendals Fossekompni in 2021, Alytic builds on the competence and methodology that grew former AFK portfolio company Wattsight (now part of Volue) to become a digital European powerhouse for energy market data. The main goal for Alytic is to grow companies to world-class businesses within their respective industries. An investment team work closely with the portfolio companies to drive value through strategic development and implementation, leadership support, sales enhancement, HR and talent acquisition, and by leveraging data science and technology.



alytic

Head office
Arendal, Norway

Chair
Lars Peder Fensli

Chief Executive Officer
Espen Zachariassen

Ownership
95%

Employees
86

Countries
3

Alytic creates value by developing sustainable companies that centre around expertise and data. There is significant untapped opportunity in utilizing data effectively for insights and actions across numerous industries and markets. There is a growing demand for more advanced solutions to manage, analyse, and present information.

FINANCIAL FIGURES (MNOK)	2022	2021	2020
Total revenue	41	27	2
EBITDA	-41	-12	-1
Operating profit (EBIT)	-46	-16	-1
Operating margin	-112%	-58%	-66%
Earnings before tax (EBT)	-45	-16	-1
Operating cash flow	-35	-12	
NIBD	-45	-25	-32
Equity	132	80	59
Equity ratio	67%	74%	80%

SUSTAINABILITY KPIs	2022	2021	2020	
Environment	Scope 1 GHG (tCO ₂ e)	0	0	-
	Scope 2 GHG (location-based) (tCO ₂ e)	2.4	Incl. in AFK	-
	Scope 3 GHG (tCO ₂ e)	57	-	-
	Energy consumption (MWh)	324	-	-
Social	Lost time injury rate	0	0	-
	Sick leave	3.2%	-	-
	Absentee rate	3.2%	0.7%	-
	Turn-over rate	13%	17%	-
	Women in Board of Directors	21%	50%	-
Governance	CoC signed	20%	0%	-
	No of reported incidents/breach of CoC/SCoC	0	-	-
	Operations assessed for corruption risks	94%	-	-
	Training in CoC and Whistleblower policy	20%	18%	-

2022 IN BRIEF

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

Alytic reached three significant milestones in 2022: The first was to establish itself in the ESG services vertical, which was done through the acquisition of Factlines, a Norwegian SaaS company. The second was to develop a new, expansive strategy for Greenfact, with further investment to position the company as a global provider of insights in markets supporting the transition to net-zero. In line with this strategy, Greenfact was rebranded to Veyt in the first quarter of 2023. The third was the launch of Edge by Kontali, a new seafood analytics portal and API offering.

During the second quarter, Alytic acquired a majority stake in Factlines AS, a Norwegian SaaS company specializing in supply chain mapping and transparency. Factlines' streamlined software covers the entire process from OECD requirements and Code of Conduct, to risk analysis, monitoring, and communication. The acquisition of Factlines aligns with Alytic's strategy and goal to create a European hub for responsible supply chains, ESG reporting, and product life cycle assessment (LCA). Since the acquisition, the focus has been on building a robust management team and enhancing the product, technology, and design capabilities within the organization.

In 2022, Alytic followed up on its ambition to develop Veyt into a globally leading provider of insights and analytics for renewable energy and decarbonisation. During the year, the company went from being a niche supplier of market analysis to positioning itself as a globally leading expert on both renewable energy certificates markets, the compliance carbon markets and the voluntary carbon markets. A new product platform was developed along with a suite of analytics tools to deliver these insights and support clients with advanced analytics and forecasts. Building on an existing base of more than 120 international clients, Veyt is well positioned to take advantage of the increased focus on the renewable energy sector and decarbonisation through a line-up of new products, reports, webinars, and podcasts.

Alytic's first acquisition, Kontali, a premier knowledge-based consultancy and data provider for the fish farming industry, achieved a major accomplishment in 2022. Through extensive tech talent acquisition in 2021, Kontali doubled in size and successfully launched its seafood insights platform, Edge, in the fourth quarter of 2022. Edge has received positive market reception, with Kontali successfully onboarding a growing number of new and existing clients to the platform.

Utel, an Alytic portfolio company since 2021, acquired senior machine learning engineering and UX design talent to strengthen its technology team. Throughout the year, Utel worked closely with customers to test prototypes for their new network anomaly detection solution, building on its existing telco fraud detection solution. The development of a more general solution opens new application areas for Utel, with significant growth potential expected from emerging technologies such as 5G and an increased market need to fight and prevent fraud.

Reported for the first time ever, Scope 3 emission for 2022 were 57 tCO₂e and related to travel and waste. Scope 2 emissions are from the portfolio companies, and Scope 1 emissions remained at zero. An EU Taxonomy assessment has been conducted and Alytic has identified two eligible activities. It has been concluded that these activities are not yet aligned with the EU taxonomy.

Assessments of each portfolio company's value chain was performed in a due diligence process. Alytic is continuously addressing relevant issues with the management of the portfolio companies to ensure that all workers and contractors have good working conditions.

21% of Alytic's Board of Directors are women.

20% of Alytic's employees have signed and received training in the Code of Conduct.

OUTLOOK

In 2023, Alytic's portfolio companies are transitioning from a development phase to a growth and commercialization phase. Throughout the year, the Alytic companies expect to see innovative new products brought to market, creating substantial value for customers, driving both revenue growth and stronger positions in their relevant markets.

Alytic continues to invest in its existing portfolio and to search for new acquisition targets.

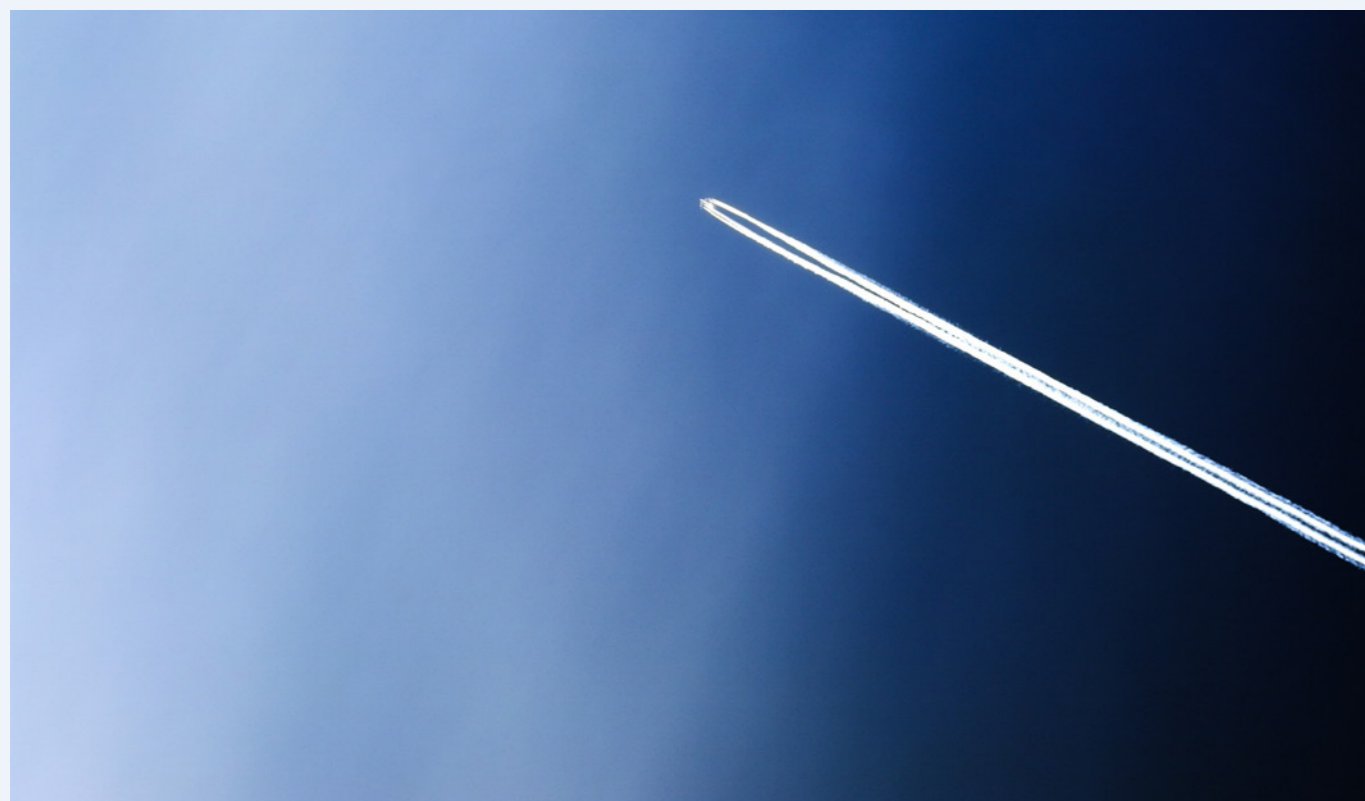
In 2023, a sustainability strategy with associated targets will be developed for each portfolio company.



Tekna

Portfolio company

Arendals Fossekompni acquired Tekna in 2013 to pursue the opportunities presented by a unique and promising technology developed at the University of Sherbrooke in Canada. Tekna produces plasma systems and spherical metal powders in different alloys and sizes, suitable for additive manufacturing and industries such as electronics and batteries. This gives Tekna an attractive position in global megatrends.



Head office
Sherbrooke, Canada

Chair
Dag Teigland

Chief Executive Officer
Luc Dionne

Ownership
71%

Employees
216

Countries
4

Tekna is a world-leading provider of advanced materials and plasma systems to several industries. Tekna produces high-purity metal powders for applications such as 3D printing in the aerospace, medical and automotive sectors, as well as optimized induction plasma systems for industrial research and production. With its unique, IP-protected plasma technology, the company is well positioned in the growing market for advanced nanomaterials within the electronics and batteries industries.

FINANCIAL FIGURES (MNOK)	2022	2021	2020
Operating revenue	199	184	150
EBITDA	-124	-71	10
Operating profit (EBIT)	-153	-89	-24
Operating margin	-77%	-49%	-16%
Earnings before tax (EBT)	-166	-98	-48
Operating cash flow	-145	-89	2
NIBD	-40	-215	150
Equity	389	531	128
Equity ratio	72%	82%	36%

SUSTAINABILITY KPIs	2022	2021 ¹	2020	
Environment	Scope 1 GHG (tCO ₂ e)	585	577	474
	Scope 2 GHG (location-based) (tCO ₂ e)	34	42	3
	Scope 3 GHG (tCO ₂ e)	755	432	-
	Energy consumption (MWh)	11,583	7,435	5,799
Social	Lost time injury rate	2.7	3.4	0
	Sick leave	3%	-	-
	Absentee rate	3%	2%	2.4%
	Turn-over rate	22%	15%	6%
	Women in Board of Directors	40%	0%	0%
Governance	CoC signed	91%	82%	99%
	No of reported incidents/breach of CoC/SCoC	1	-	-
	Operations assessed for corruption risks	0%	0%	-
	Training in CoC and Whistleblower policy	0%	0%	-

1. 2021 numbers were revised in 2022.

2022 IN BRIEF

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

Tekna reported revenues of CAD 26.9 million (CAD 26.8 million) in 2022. Adjusted EBITDA amounted to CAD -12.8 million (-4.6 million). The operating profit was CAD -20.7 million (-12.5 million), while earnings before tax was CAD -22.5 million (-14.3 million).

Throughout 2022, Tekna continued experiencing rising demand for its materials for Additive Manufacturing, further confirming the company's position in this market. Tekna's additive material sales grew by 8% in 2022, despite capacity constraints and R&D work impacting the production. Significant new orders were signed during the year, and Tekna is experiencing a gradual shift towards larger orders and long-term supply agreements.

Total order backlog at the end of 2022 was CAD 25.0 million. This is a 64% increase year-on-year, which provides a strong momentum going into 2023. The backlog for additive materials amounted to CAD 14.1 million.

On 1 July 2022, Tekna Holding was uplisted to the main list at Oslo Børs. This further increases the company's visibility in the marketplace and cements its position as a global provider of advanced material solutions.

Tekna has seen the Systems market rebound with several contracts awarded during the year. In October, an order in excess of CAD 9 million was confirmed to deliver PlasmaSonic equipment to a leading aerospace original equipment manufacturer, with delivery planned for early 2024. In January 2023, two more plasma system sales valued at CAD 1.6 million for delivery by end of 2023 were announced.

Tekna achieved ISO 13485:2016 certification for its Additive Materials division in 2022. This certification establishes that the processes Tekna uses to manufacture its commercial powders meet the highest global standards for medical products. Tekna Plasma Systems laboratory achieved ISO 17025:2017, which certifies the analytical services in competence of testing and calibration.

Strong demand and Tekna's increasing market share have made capacity expansion a key priority for the company. The additive material capacity increase program has been progressing well throughout 2022. Increasing capacity will translate into higher material availability, shorter delivery lead-times and increased sales, which is synchronized with the customer roll-out plan.

Tekna is continuously striving to achieve a climate-friendly production. As a part of this, Tekna completed a first alignment study for the EU taxonomy. In addition, Tekna have updated their system maintenance manuals to recommend green maintenance and guidance on end-to-life disposal. A new prototype for a multi-usage powder transportation vessel got certified for road and sea freight. After some design optimization, operations will start in 2023.

Tekna has developed a carbon reduction action plan for more sustainable production. To improve reporting of emissions, the baseline measurement for Scope 3 is continuing. In 2022 Tekna mapped the employee commute and deepened the understanding of the waste category. A productivity improvement of Tekna's plasma systems has been implemented for greater energy conservation. Scope 1 emissions were 585 tCO₂e in 2022, all these emissions come from use of natural gas. Location-based Scope 2 emissions were 34 tCO₂e in 2022, down from 42 tCO₂e in 2021.

Tekna appointed several new board members in 2022, increasing female representation from 0% in 2021 to 40% in 2022. Turn-over has increased from 15% in 2021 to 22% in 2022. A Tekna Code of Conduct was approved by the Board of Directors in 2022 and signed by 91% of the employees.

Tekna's suppliers and business partners should respect human rights. To comply with the Transparency Act, Tekna has signed a partnership with Factlines to apply a solid and consistent approach. To handle the climate risk of supply chain, Tekna has mapped the transport routes of critical suppliers and have assessed them for potential risk. Mitigation plans are continuously being developed.

EVENTS AFTER THE CLOSE OF THE YEAR

In January 2023, Espen Schie was appointed Chief Financial Officer of Tekna. Schie brings long-term financial management experience and comes from the role as Vice President of Finance & Controlling at Arendals Fossekompani.

AFK reiterates its long-term support of Tekna. In the first quarter of 2023, Arendals Fossekompani and Tekna signed a CAD 25 million term loan facility agreement to support operations and growth in Tekna.

OUTLOOK

Operating revenues and margins are expected to increase during 2023, supported by the strong order backlog. Increasing production and delivery of additive materials remain top priority to serve the Additive Manufacturing industry, which remains the most prominent segment for Tekna. The company will prioritize near-term revenue opportunities within additive manufacturing and microelectronics in 2023 including the commissioning of three additional powder manufacturing systems.

Tekna has taken important and immediate steps towards improving profitability and cash position. A roadmap to profitability has been drawn up, emphasizing operational excellence, right-sizing of organisation, strict prioritisation of R&D efforts towards AM and Microelectronics, and strategic focus on near term revenue opportunities.

Tekna's strategy, technology and products are considered highly relevant in today's global markets, which are marked by geopolitical turmoil, economic uncertainty, and an urge for sustainability and increased predictability. The company's customers are transitioning towards new technology, moving manufacturing closer to markets whilst considering more sustainable production processes.

Tekna aims to reduce greenhouse gas emissions. The goal for carbon reduction is 50% for Scope 1 and Scope 2. To meet these goals, science-based targets will be developed in accordance with the Science Based Target initiative. After the first EU Taxonomy alignment study was performed in 2022, formal reporting will start in 2023.

Tekna aims to increase Supplier Code of Conduct self-assessment participation by 10%.

ENRX

Portfolio company

Following Arendals Fossekompagni's acquisition of IPT Technology in May 2022, IPT Technology and long-standing portfolio company EFD Induction was comprised in the new company ENRX. As a frontrunner within both induction charging and induction heating systems, ENRX is established as a global powerhouse for induction technology, serving several large industries.



ENRX

Head office
Skien, Norway

Chair
Ørjan Svanevik

Chief Executive Officer
Bjørn E. Petersen

Ownership
95%

Employees
1,047

Countries
17

ENRX combines EFD Induction's global market leadership in industrial induction heating systems (Heat) with IPT Technology's leading technology in the high growth market for wireless induction charging solutions for mobility and industrial applications (Charge). Among the industries served by ENRX are automotive, renewable energy, pipe fabrication, electronics, cable, and mechanical engineering.

FINANCIAL FIGURES (MNOK)	2022	2021	2020
Operating revenue	1,338	1,171	1,104
EBITDA	75	143	109
Operating profit (EBIT)	-3	83	41
Operating margin	0%	7%	4%
Earnings before tax (EBT)	-20	72	30
Operating cash flow	46	96	69
NIBD	425	31	52
Equity	384	405	374
Equity ratio	22%	36%	35%

SUSTAINABILITY KPIs	2022	2021	2020	
Environment	Scope 1 GHG (tCO ₂ e)	766	898	-
	Scope 2 GHG (location-based) (tCO ₂ e)	2,162	2,557	-
	Scope 3 GHG (tCO ₂ e)	1,820	1,643	-
	Energy consumption (MWh)	9,428	11,008	-
Social	Lost time injury rate	1.1	2.3	-
	Sick leave	3.5%	-	-
	Absentee rate	3.5%	2.8%	2%
	Turn-over rate	13%	2.2%	11%
	Women in Board of Directors	17%	0%	0%
Governance	CoC signed	65%	100%	-
	No of reported incidents/breach of CoC/SCoC	0	-	-
	Operations assessed for corruption risks	0%	-	-
	Training in CoC and Whistleblower policy	78%	-	-

2022 IN BRIEF

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

ENRX reported revenues of EUR 132.2 million (115.2 million) in 2022. EBITDA amounted to EUR 7.4 million (14.1 million). The operating profit was EUR -0.3 million (8.2 million), while the ordinary 2022 profit before tax was EUR -2.0 million (7.1 million).

Revenue growth of 15% during 2022 was driven by higher activity level within Heat, as well as a smaller revenue contribution from the Charge division following the acquisition of IPT Technology in May 2022. In geographical terms, the company saw solid growth in all regions during 2022. The growth was in some regions hampered by supply chain disturbances and delayed deliveries.

Operating costs saw an uptick during the year, primarily related to the recognition of a restructuring provision of EUR 3.9 million related to parts of the German operation, component cost increase, and general cost inflation. In addition, costs related to M&A and ERP implementation impacted the cost level in 2022. IPT Technology, acquired during the year, had a negative EBIT contribution of EUR 2.2 million. Adjusted for restructuring costs related to the German operation and one-time costs related to the acquisition of IPT Technology, operating profit for the full year 2022 was EUR 4.1 million, corresponding to an EBIT margin 3.1%.

Overall, the Heat segment did well across all activity areas. The order intake for induction power sources reached an all-time high of EUR 70.1 million, up 52% from 2021. The service and after sales segment reached EUR 51.4 million in order intake, while the sale of induction hardening machines ended up slightly below budget at EUR 35.2 million, due to difficult market conditions in the EU and North America, partly offset by strong demand from Asia.

Despite the acquisition of IPT Technology in 2022, Scope 1 greenhouse gas emissions for the ENRX group was 766 tCO₂e, down from 898 tCO₂ the year before. Scope 2 emissions were 2,162 tCO₂e in 2022, down from 2,557 in 2021. Scope 3 emissions were from business travel, waste, and fuel-and-energy-related activities and was 1,820 tCO₂e in 2022.

Through an EU taxonomy assessment, three activities were identified as eligible, where two of these were concluded to not yet be aligned, and one was not assessed for alignment.

To achieve a more resource efficient production, Evolgy is undergoing an ISO 14001 certification process for all plants. During 2022, such certifications were given to the ENRX plants in Germany, India and China.

Moving closer to its target of 20% female employees in 2025, ENRX Heat increased the ratio from 15.5% in 2021 to 16.1% in 2022, but with the acquisition of IPT Technology, the overall female ratio was still at 15.5%. With a continuous focus on HSE and a vision of zero injuries across all operations, ENRX had 2 injuries in 2022, down from 4 in 2021.

In 2022, all prioritized suppliers in Norway and India completed a self-assessment used by ENRX to evaluate supplier performance. A similar self-assessment is underway in China, Germany, and the US.

OUTLOOK

Order intake held up well throughout the year. Already in October, the Heat segment passed the full year's order intake budget. 2022 ended nearly 30% ahead of target, at an all-time high of EUR 157 million. The current order backlog creates a strong fundament for continued profitable growth in 2023, and the market for heating products is still considered strong.

Electrification is likely to experience tremendous growth over the next decade. The global trend is a shift from gas and flame heating to more energy-efficient and eco-friendly alternatives, such as induction heating. To remain at the forefront of induction technology, ENRX continues its R&D efforts. In the second quarter of 2023, the company will launch a small mobile air-cooled induction heating generator that can be used virtually everywhere electricity is found.

For several years, ENRX has been the leading supplier of equipment to the renewable power sector. The company aims to contribute to the development of electric vehicles. The acquisition of IPT Technology opens a growing and potentially large market within wireless charging solutions, which is expected to generate long-term revenue and cost synergies to further improve the company's operational leverage.

Both revenue and operating profit is expected to be higher in 2023 than in 2022.

ENRX is committed to reducing its CO₂ footprint and plans to introduce more digital solutions that advance remote assistance and reduce the need for travel. Induction technology is inherently eco-friendly, and ENRX constantly strives to make products even more energy efficient. The ISO 14001 certification of production facilities continues in 2023. Going forward, ENRX will further expand its portfolio by providing sustainable alternatives for charging electric vehicles as well as power supply solutions for industrial applications.

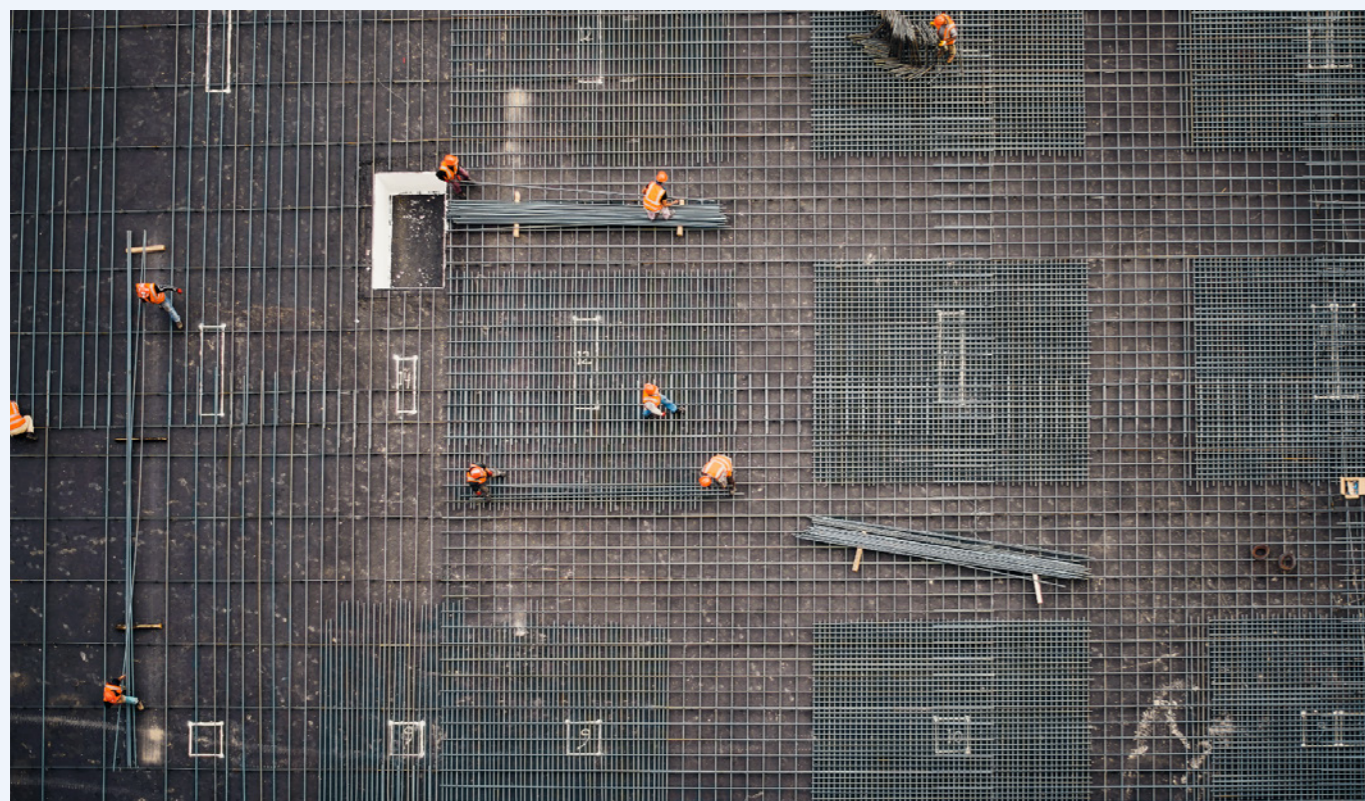
Being part of a major global industry, ENRX must demonstrate a sustainable supply chain. ENRX demands from its suppliers in Europe, North America and Asia that they complete a self-assessment questionnaire and sign off on ENRX's Supplier Code of Conduct. For 2023, the goal is to complete this assessment for the remaining production facilities.

On route to increasing its ratio of female workforce to 20% by 2025, ENRX's target for 2023 is 18%. ENRX aims to train 83% of the workforce in Code of Conduct in 2023.



AFK Property Portfolio Company

AFK Property comprises all property related companies and property investments in Arendals Fossekompani.



AFK | Property

Head office
Arendal, Norway

Chair
Torkil Mogstad

Chief Executive Officer
Tom Krusche Pedersen

Ownership
100%

Employees
2

Countries
1

The portfolio of AFK Property is diverse. It includes the development of a new urban residential area in Arendal, featuring an outdoor recreational space and a public water park – and the management of several properties in Southern Norway.

FINANCIAL FIGURES (MNOK)	2022	2021	2020
Total revenue	35	510	10
EBITDA	6	40	-2
Operating profit (EBIT)	-7	27	-11
Operating margin	-19%	5%	-106%
Earnings before tax (EBT)	-10	25	-13
Operating cash flow	-40	309	-200
NIBD	135	68	355
Equity	206	215	198
Equity ratio	47%	46%	31%

SUSTAINABILITY KPIs	2022	2021	2020	
Environment	Scope 1 GHG (tCO ₂ e)	20	-	3
	Scope 2 GHG (location-based) (tCO ₂ e)	1.5	-	-
	Scope 3 GHG (tCO ₂ e)	7.3	34	26
	Energy consumption (MWh)	295	-	-
Social	Lost time injury rate	0	0	-
	Sick leave	3.8%	-	-
	Absentee rate	3.8%	-	-
	Turn-over rate	0%	-	-
	Women in Board of Directors	0%	0%	0%
Governance	CoC signed	100%	0%	-
	No of reported incidents/breach of CoC/SCoC	0	-	-
	Operations assessed for corruption risks	100%	-	-
	Training in CoC and Whistleblower policy	100%	-	-

BRYGGEBYEN

The by far largest company in the property portfolio is Vindholmen Eiendom AS, which is transforming an old shipyard area into a new urban residential/commercial zone right outside the center of Arendal City under the name Bryggebyen. The transformation will take 10-15 years to complete and will create 500-700 residential units in combination with exciting and highly relevant trade and commerce offerings. The first and second stage of the development was concluded in 2021 and all 113 apartments were sold before year-end 2021. Not only was this the largest residential project in the region that year, but it also had the quickest sell-out time, demonstrating the attractiveness of the Bryggebyen area. To satisfy the market's desire to be part of Bryggebyen, Arendals Fossekompagni made the decision to initiate phase 3 of the Bryggebyen project, adding 48 new apartments. These went on sale in the second quarter of 2022, of which 41 were sold as at 31 December 2022. AFK also plans to build an indoor water park in the area. The municipality of Arendal has signed a long-term rental agreement with the water park.

ARENDAL AIRPORT & PROPERTY GULLKNAPP

AFK Property is the majority owner of this property which comprises a relatively new airport facility and an attractive area of 200,000 sqm. The main user of the airport facility is OSM Aviation Academy which runs a pilot school at the premises. Future plans include developing the airport facility into a center for drones as well as a hub for electrified aviation under the name Gullknapp Aerial Center. The significant size of the area combined with direct access to the high voltage grid has made the property attractive for industrial players, including those drawn to Arendal in connection with Morrow Batteries' plan for establishing a giga-factory for battery cell production. Gullknapp is located about 15 km north of Arendal and therefore in close vicinity to both the new E18 highway and the Port of Arendal. Having its own airport facility is of course also an advantage. Real estate areas for industrial use are becoming scarce around Arendal, and Gullknapp is highly relevant for power and transportation intensive industries such as battery-related production of cells, electrodes and electrode materials, as well as hydrogen and ammonia production to support the transition into a sustainable future.

BØLEVEGEN 4

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

LONGUM PROPERTY

In the second quarter, AFK Property acquired 170,000 sqm of mostly commercial land located outside the city of Arendal. The property is close to the E18 highway on route to the main production site of the coming Morrow battery factory. The land is also in the vicinity of Bedriftsveien 17, which is also in the portfolio of AFK property.

BEDRIFTSVEIEN 17

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

SUSTAINABILITY

AFK Property is reporting Scope 1 emissions of 20 tCO₂e for 2022. These emissions are all at Gullknapp and is from fossil-fuelled cars and chemical de-icing. Scope 2 emissions was 1.5 tCO₂e and Scope 3 emissions was 7.3 tCO₂e in 2022.

AFK Property conducts annual environmental audits. For the largest project Bryggebyen, there is a focus on reducing carbon emissions and increasing waste management during the construction phase. At Gullknapp, AFK Property monitors chemical oxygen demand and noise levels. The chemical oxygen demand is well below the 10 tonnes limit, and noise levels are satisfactory.

In 2023, AFK Property will continue work with suppliers throughout the value chain to secure basic human rights and safety and health of people. An updated Business Code of Conduct will be sent out as a part of the supplier contract.

OUTLOOK

In 2023, AFK Property will proceed with the building of 48 units in the Bryggebyen apartment project. All units are scheduled to be finalized in 2024. Regulation of the fourth stage of the Bryggebyen project will be initiated during the year. AFK Property will also proceed with the regulation process for Longum Næringspark, in addition to building a 2,500 square meter facility for ENRX.





From the Boardroom

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Board of Directors



Trond Ødegård Westlie

Director of Board

Trond Westlie (1961) has held the position as Chairman of the Board of Directors of Arendals Fossekompani ASA since May 2022. He is an experienced executive and Chief Financial Officer for large international public corporations. Westlie brings a broad understanding of the financial markets and years of relevant board experience. Westlie is a Certified Public Accountant, holding a degree from the Norwegian School of Economics.

Independent of Executive Management

Current Board positions: Wilh. Wilhelmsen Holding ASA, Shama AS, Vergia AS

Board meetings attended in 2022: 5



Morten Bergesen

Board Member

Morten Bergesen (1974) has been a member of the Board of Directors of Arendals Fossekompani ASA since May 2004. He is an experienced chairperson with a demonstrated history of working in a broad range of industries, serving both Norwegian and international companies. Bergesen holds a master's degree in economics from BI Norwegian Business School.

Independent of Executive Management

Current Board positions: IFM AG, Aksjefonn AS, Klynge AS, Bergehus Holding AS, Breifonn AS, THF AS

Board meetings attended in 2022: 10



Stine Rolstad Brenna

Board Member

Stine Rolstad Brenna (1965) has been a member of the Board of Directors of Arendals Fossekompani ASA since September 2020. She is an experienced CFO, investor and board professional, serving both Norwegian and international companies. Brenna holds a master's degree in corporate finance, international business and strategy from BI Norwegian Business School.

Independent of Executive Management

Current Board positions: Lyse AS, Theion GmbH, Rabbalshede Kraft AB, Sporveien AS, Lørenskog kommunale pensjonskasse

Board meetings attended in 2022: 9



Lise Lindbäck

Board Member

Lise Lindbäck (1970) has been a member of the Board of Directors of Arendals Fossekompani ASA since May 2022. She brings extensive and broad experience from financial markets, with a proven ability to manage high performing teams in an international environment. Lindbäck holds a master's degree in economics and business administration from the Norwegian School of Economics.

Independent of Executive Management

Current Board positions: Alpha Corporate Finance AS, SEWA Grih Rin Ltd., SubK Impact Solutions Ltd.

Board meetings attended in 2022: 5



Didrik Vignæs

Board Member

Didrik Vignæs (1966) has been a member of the Board of Directors of Arendals Fossekompani ASA since May 2016. He brings decades of experience as CEO of investment companies, and he is a seasoned board professional serving a wide range of companies. Vignæs holds a bachelor's degree in business administration from the University of Bradford School of Management.

Independent of Executive Management

Current Board positions: Dima AS, Zone Security AS, Vicama Capital AS, Malling & Co Vekst AS, Oseberget Eiendom AS

Board meetings attended in 2022: 10



Anne Grethe Dalane

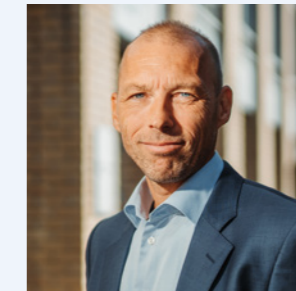
Board Member

Anne Grethe Dalane (1960) has been a member of the Board of Directors of Arendals Fossekompani ASA since May 2022. She brings extensive leadership experience from Yara and Hydro and is a long-standing board member of several international companies. Dalane holds a master's degree from the Norwegian School of Economics.

Independent of Executive Management

Current Board positions: BW LPG, PGS

Board meetings attended in 2022: 5



Christian Must

Board Member

Christian Must (1973) has been a member of the Board of Directors of Arendals Fossekompani ASA since May 2021. He brings extensive business development experience across industry verticals and has served as a board professional for a wide range of companies. Must holds a master's degree in industrial economics and technology management from the Norwegian University of Science and Technology and AFA from the Norwegian School of Economics.

Independent of Executive Management

Current Board positions: DN Media Group, Cenate, Must AS, Vedeld AS

Board meetings attended in 2022: 10

Board of Directors' Report

A long-term approach in times of volatility

In times marked by a war in Europe, supply-chain disturbances in the aftermath of the pandemic, increased inflation, and – in general; global volatility, Arendals Fossekompni remains true to its core values: Collaborative, Long-term, Dynamic, and Responsible.



With more than a century of industrial history, we continue to develop our companies in a sustainable and long-term perspective. Our ambition is to utilize our competencies to build world-leading positions in industries driven by global megatrends. We do this by taking the long term view on objectives, but relentlessly working to improve our performance in our day to day efforts. Long term perspective requires urgent patience.

Our ambition is to build the Arendals Fossekompni even stronger, to serve as the best owner of our portfolio companies. This implies developing the portfolio based on industry experience and understanding, financial competence and strength, and by identifying synergies in the portfolio.

Today, Arendals Fossekompni has an attractive portfolio positioned in verticals driven by global megatrends, such as Green Energy, Digitalisation & Big Data Analytics, and Electrification & Materials. Our companies are both listed and privately own, and Arendals Fossekompni is – as part of our strategy – the majority owner.

In recent years, Arendals Fossekompni has been responsible for the creation of Volue, ENRX, Alytic, Ampwell and Vergia – all serving as examples of overall strategic decisions to further value-creation. For details on the 2022 performance of our portfolio companies and the AFK Group, please see chapter 1 and 2 of this report.

Arendal is our hometown. We remain committed to contributing to the development of this great city and its people.

REVIEW OF THE ANNUAL FINANCIAL STATEMENTS

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

BOARD OF DIRECTORS

At the Annual General Meeting in May 2022, Didrik Vignæs and Stine Rolstad Brenna were re-elected as board members for a term of one year. Trond Westlie, Lise Lindbäck, and Anne Grethe Dalane were elected to the Board for a term of one year.

PERSONNEL, EQUAL OPPORTUNITY, WORKING ENVIRONMENT AND THE NATURAL ENVIRONMENT

At the end of the year, Arendals Fossekompni Parent Company had 36 employees, of which 9 were women. The employment situation is marked by long-term relationships and stability. The company aims to improve the balance between the genders. The Board currently consists of three women and four men. The working environment at AFK is considered good. The Parent Company has a separate committee for dealing with issues related to health, environment, and safety. There are representatives for employees and corporate management on the committee.

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

Sick leave in the Parent Company amounted to 244 days (non-work related), which corresponds to 3.3% of the total working hours. There were no accidents or personal injuries of significance in 2022, nor any significant material damage.

- Sick leave at Volue was 2.7% (2.2%) in 2022. There was a total of 4,484 days of absence due to illness.

- Sick leave at Tekna was 2.6% (2.0%) in 2022. There was a total of 1,221 days of absence due to illness.
- Sick leave at NSSLGlobal was 1.8% (1.0%) in 2022. There was a total of 1,192 days of absence due to illness.
- Sick leave at ENRX was 3.5% (2.8%) in 2022. The company recorded a total of 8,318 days of absence due to illness.
- Sick leave at Ampwell was 6.4% in 2022. The company recorded a total of 587 days of absence due to illness.
- Sick leave at Alytic was 3.2% in 2022. There was a total of 456 days of absence due to illness.
- Sick leave at Vergia was 0.8% in 2022. The company recorded a total of 2 days of absence due to illness.
- Sick leave at AFK Property was 3.8% in 2022. The company recorded a total of 15 days of absence due to illness.

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

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

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

Operations in AFK's portfolio companies entail little risk of pollution of the natural environment. All portfolio companies have conducted materiality analyses and climate risk analyses to manage and measure this risk. To the extent that these analyses show that such risks exist, measures have been implemented in accordance with national legislation and guidelines to prevent any negative environmental impact. The company is aligned with the greenhouse gas emission reduction goals for 2030, as described in the Paris Agreement.

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

It is important for Arendals Fossekompáni to promote equality in all areas and to prevent discrimination based on ethnicity, religion, or disability. The Parent Company has evaluated, examined risks, analyzed causes, and will implement measures according to the activity and reporting obligations in The Equality and Anti-discrimination Act.

A separate report on Human Rights and Transparency Act published and also available on the AFK website. In addition, Arendals Fossekompáni has submitted near-term company-wide emissions reduction targets in line with the Science Based Targets initiative.

RESEARCH AND DEVELOPMENT

Capitalised and expensed research and development costs in AFK's businesses totaled NOK 261 million (194 million) in 2022.

ETHICS AND SOCIAL RESPONSIBILITY

A report in accordance with Section 3.3 of the Norwegian Accounting Act regarding

corporate social responsibility is included in Chapter 4. This part of the annual report is also available on the company's website.

Chapter 4 elaborates on Arendals Fossekompáni's efforts and guidelines in the areas of environment, social issues, and governance. KPIs and targets for improvements are aligned across the portfolio.

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

IFRS

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

THE AFK SHARE

There are a total of 55,995,250 shares in the company. As at 31 December 2022 a total of 1,118,319 were treasury shares, which represents 2.0% of the total number of outstanding shares. The share price on 31 December 2021 was NOK 445 and on 31 December 2022 NOK 250.5. The company had 4,999 shareholders at year-end. The Board of Directors will propose that the Annual General Meeting renew the Board's authorization to purchase treasury shares within a total framework of 10% of the shares and within a price range of NOK 10-2000.

LIABILITY INSURANCE

Arendals Fossekompáni holds a Directors' and Officers' Liability Insurance with world-wide coverage.

FINANCIAL POSITION

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

RISKS AND FACTORS OF UNCERTAINTY

Arendals Fossekompáni is exposed to credit risk, market risk and liquidity risk. These matters are described in detail in Note 16 to the annual financial statements for 2022.

The ongoing war in Ukraine continues to pose supply chain risks and disruptions on the energy markets. The company has taken strong measures to ensure embargo compliance across the value chain.

DIVIDENDS AND ALLOCATION OF NET PROFIT FOR THE YEAR

Arendals Fossekompáni announces dividends on a quarterly basis. The Board of Directors approves the quarterly dividends based on an authorization from the General Meeting. When deciding the quarterly dividends, the Board of Directors takes into consideration expected cash flow, capital expenditure plans, financing requirements and appropriate financial flexibility. In 2022, AFK paid dividends amounting to NOK 409 million. AFK's net profit for 2022 amounted to NOK -33 million. The Board of Directors proposes that the net profit is transferred to other equity.

OUTLOOK

2023 revenues for AFK Group are expected to be on par with 2022, driven by high activity levels in all portfolio companies and their position within attractive megatrends, offset by lower estimated power prices. Operating profit is expected to be lower than 2022 due to reduced earnings from AFK Hydropower because of lower estimated price trend. Note that there is uncertainty associated with the war in Ukraine, supply chain constraints, soaring inflation, rising interest rates, the development of energy prices, and tax regulations for the Norwegian hydropower industry.

AFK HYDROPOWER

In light of the market's estimated power price trend for 2023, revenues and operating profit for AFK Hydropower are expected to be lower than in 2022. Net cash generated from hydropower production will also be impacted by the increase in resource rent tax from 37% to 45% (effective as of 1 January 2022), as well as 'high-price contribution' tax on monthly average realized electricity prices in excess of NOK 0.70 per kWh (effective as of 28 September 2022). These taxes were presented by the Norwegian government on 28 September 2022. Actual energy prices depend on many factors, including hydrological balance, oil and gas prices, weather conditions, temperatures and more. With limited reservoir capacity, the production volume will also be dependent on precipitation.



VOLUE

Volue revenues are expected to be on par with 2022, while operating profit for 2023 is expected to be higher than in 2022.

TEKNA

Tekna expects 2023 revenues and operating profit to be higher than in 2022.

NSSLGLOBAL

NSSLGlobal expects 2023 revenues to be in line with 2022, while operating profit is expected to be lower than in 2022.

ENRX

ENRX expects 2023 revenues and operating profit to be higher than in 2022.

AMPWELL

Ampwell expects to generate continued revenue growth throughout 2023. EBIT is expected to improve but remain negative for 2023.

The Board of Directors emphasizes that significant uncertainty is associated with assessments of future circumstances.

EVENTS AFTER THE CLOSING OF 2022

On 16 December, it was announced that Ørjan Svanevik was to resign as CEO of Arendals Fossekompani, and CFO Lars Peder Fensli would function as interim CEO as of 1 January 2023 until a new CEO was appointed and operational. On 10 January 2023, it was announced that Benjamin Golding was appointed new CEO. Golding will assume his position at Arendals Fossekompani as soon as his job in DNB comes to an end but no later than 1 August 2023.

Froland, 11 April 2023


Trond Westlie,
Chairman


Morten Bergesen,
Board Member



Didrik Vignæs,
Board Member


Christian Must,
Board Member


Stine Rolstad Brenna,
Board Member


Lise Lindbäck,
Board Member


Anne Grethe Dalane,
Board Member


Lars Peder Fensli,
Acting CEO and CFO

Corporate Governance Report

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



CORPORATE GUIDELINES

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

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

NORWEGIAN CODE OF PRACTICE

Each element of the Norwegian Code of Practice for Corporate Governance, last revised on 14 October 2021, is addressed below. A total review and amendment of this corporate governance report was performed by the Board of Directors in 2023, following the changes made in the company since the last corporate governance report of 30 March 2022. A description is given of Arendals Fossekompani's compliance with, and deviations from, the Code of Practice. A complete overview of the Code of Practice and official remarks by the Oslo Stock Exchange are available online at www.nues.no.

1. CORPORATE GOVERNANCE REPORT

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

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

Our Code of Conduct reflects our commitment to ethical business conduct and addresses topics such as anti-corruption, equality and anti-discrimination, and sustainability. The Code of Conduct is subject to regular review and the latest version was adopted by the Board of Directors on 9 February 2023. Our expectations and guidelines towards suppliers and business partners are set out in the Business Partner Code of Conduct as approved by the Board of Directors.

2. BUSINESS ACTIVITIES

The object of Arendals Fossekompani is, through in-house production, participation in new infrastructure, purchase, or leasing, to make use of or sell electricity, as well as to participate, directly or indirectly, in other industrial activities or business enterprises, including investing in real estate.

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

Arendals Fossekompani has significant financial capacity. Our investment portfolio will, at all times, consist partly of long-term and active ownership commitments, and partly of liquid financial assets. Liquidity will be managed mainly via listed shares

and bonds. The bulk of our share portfolio will consist of a limited number of major investments. Our investment strategy is based on our belief that active, long-term and responsible ownership provides the best return for the risk involved.

Further descriptions of targets, strategies, risk profile and the objective of creating long-term value for shareholders in a sustainable way, is described elsewhere in the Annual Report, also available at www.arendalsfossekompani.no/en/investor-relations.

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

In Arendals Fossekompani, we integrate considerations related to our broader stakeholders into our business and value creation for our shareholders through our sustainability framework and reporting. Our objectives, principal strategies and stakeholder engagement are further described elsewhere in the Annual Report, and on our website www.arendalsfossekompani.no.

In Arendals Fossekompani, we have a clear focus on our corporate responsibility for environmental and social conditions, including work environment, diversity, equality, non-discrimination, human rights and work against corruption and bribery. We are committed to contributing to the UN Sustainable Development Goals, and our work with diversity and equality is further described in the separate chapter Diversity and Equality in the Annual Report. Further details and descriptions on our work on these matters can be found in the Annual report, and on our website.

3. EQUITY AND DIVIDENDS

Equity

The book value of the Group's equity as at 31 December 2022 was MNOK 3,950 which amounted to 49% of total assets. Market value is significantly higher, and the company has a solid financial foundation. The Board constantly assesses the company's financial capacity in light of our objectives, strategy and risk profile.

Dividend policy

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

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

From 1 July 2013, the Annual General Meeting has the opportunity to authorize the Board of Directors to distribute dividends on the basis of the approved annual accounts. Proposals for such authorization should be justified. In order to ensure flexibility and efficiency in the implementation of quarterly dividend payments, the Board proposes that the Annual General Meeting in 2023 continues to authorize the Board to pay dividends, limited in time to the Annual General Meeting in 2024.

Capital increase

No authorization 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 authorize the Board to purchase up to 10% of the company's own shares. At the Annual General Meeting on 5 May 2022, the Board was authorized to purchase treasury shares up to a maximum of 7.93% of the total number of shares. The terms of the authorization permit the Board to acquire treasury shares only between a minimum price of NOK 10 and a maximum price of NOK 2,000 per share. This authorization will remain in effect until the Annual General Meeting in 2023.

As at 31 December 2022, the Group owned a total of 1,118,319 shares, corresponding to 2.0% of all the outstanding shares in the company. These shares are freely negotiable.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

Share class

The Group's shares consist exclusively of A-shares. According to Section 11 of our 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 Liability 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 2022 that could be described as not immaterial transactions. In 2022, 51806 shares were sold from the company to senior executives and board members, in accordance with the approved share purchase program. See Note 4.1 of the 2022 Annual Report.

Guidelines for board members and senior executives

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

5. FREELY NEGOTIABLE SHARES

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

Deviations from the Code: The Articles of Association hold that transfer of shares is conditional on the Board's consent.

6. GENERAL MEETING

Notification

The Annual General Meeting is held as early as practically possible after the close of the previous financial year, usually in April or May. Meeting notices and attendance registration forms are sent to all shareholders no later than 21 days prior to the General Meeting through digital communication, or through regular mail to shareholders with a known address who do not consent to digital communication.

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

Our financial calendar will be published online.

Participation

Shareholders can give notice of their participation either in writing or via email or digital solutions. The Board wishes to arrange the meeting so that as many as possible of the shareholders are able to participate. Shareholders who cannot attend are encouraged to appoint a proxy. We accommodate requests of digital attendance to the General Meeting in line with legal requirements. Representatives of the Board of Directors shall attend the General Meeting, along with the auditor. The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) shall participate on behalf of Group 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 three-member Nominations Committee established in accordance with item 11 of the Articles of Association. One of the members in the Nomination Committee is currently a member of the Board of Directors.

The latest recommendation from NUES, last revised in October 2021, is to have no member in the Nomination Committee from the Board of Directors. Our current practice will be evaluated in 2023. Candidates eligible 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.

According to the rules of procedures for the Nomination Committee approved by the General Assembly in May 2022, the Nomination Committee shall, in the judgement of candidates, evaluate the competence required by the company. The nomination committee shall work for diversity in the board of the company. The Nomination Committee shall also consider that the Board of Directors is fitted to act independently of special interests.

Deviations from the Code: A member from the Board of Directors is in the Nomination Committee.

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The Board consists of seven members and is currently composed of the following: Trond Westlie (Chair, member since 2022), Morten Bergesen (member since 2004), Christian Must (member since 2021), Didrik Vignsnæs (member since 2016), Anne Grethe Dalane (member since 2022), Lise Lindbäck (member since 2022) and Stine Rolstad Brenna (member since 2020), all elected by the shareholders. The members are elected for a period of one year. There is no maximum length of tenure for the members of the Board of Directors. The Board has 3/7 women members. According to Norwegian law, it is prohibited to obtain certain information about job applicants, in particular linked to underrepresented social groups. Although it is the company's objective to have broad representation at all levels, Arendals Fossekompani do not track or report information relating to underrepresented social groups. Note 4.1 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. Hence, stakeholders' views will be taken into consideration by the Nomination Committee. Nominations submitted in time will be included in the invitation to attend the General Meeting sent to all shareholders and posted on our website. Board members are elected by simple majority. Members are elected for one year at a time, with the possibility of re-election. About half of all board members are elected each year.

The composition and competence of the Board of Directors

The Board of Directors should be composed so that it safeguards the interests of the shareholder community and the company's need for expertise and diversity. This implies that the individual board members have the necessary experience, competence and capacity to carry out their duties satisfactorily and independently. The competence of the members of the Board covers a wide range of industries, technologies, board experience, compliance, governance, finance and sustainability. These are all competences important to the development of the company. The presentation of the Board in this report gives a presentation of the individual competences and main positions held by each of the Board members.

According to the 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 members of the Board are elected for one year at a time and selects its own Chair. Trond Westlie has been elected to chair the Board.

Changes to the Board of Directors in 2022

At the Annual General Meeting held in May 2022, Trond Westlie, Anne Grethe Dalane and Lise Landbäck were elected Board Members. Jon Hindar, Kristine Landmark and Heidi Pettersen resigned from the Board of Directors.

Independence of the Board of Directors

All shareholder-elected board members are considered autonomous and independent of Group management. The same applies to material business connections. At the close of the year, Didrik Vignsnæs is the Managing Director of Vicama AS, the largest shareholder in Ulfoss Invest AS, which owns – directly, indirectly or via related parties – approximately 26% of the Arendals Fossekompani shares. Morten Bergesen was Managing Director of Havfonn AS at the close of the year, which owns directly, indirectly or via related parties—approximately 26% of the Arendals Fossekompani shares. Christian Must was at the close of the year, member of the board in Must

Invest, which owns directly, indirectly or via related parties – approximately 25% of the Arendals Fossekompani shares.

The Board works actively to ensure that no conflict of interest exists between shareholders, the Board, Group management, and other stakeholders. Stakeholders will be informed if conflicts of interest were to occur. The Code of Conduct describes how Board members should behave if conflicts of interest were to occur. All Board members receive information on the Code of Conduct.

Shares owned by board members

In addition to the shares held by the representatives of the three principal shareholders, as at 31 December 2022, board member Stine Rolstad Brenna had the following shareholdings, either personally or through wholly-owned companies: 7,500 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 organized. The Board shall set the company's financial objectives and approve its plans and budgets. The Board is also responsible for approving and updating the organization's purpose, value statement, policies and goals related to sustainable development. The senior executives in the Company are delegated the task to update and present material to the Board that are relevant to make good decisions regarding plans budgets and policies and goals related to maintain a sustainable development.

Furthermore, the Board is overseeing the organization's due diligence and other processes to identify and manage the organization's impacts on the economy, environment, and people. Stakeholders are encouraged to support these processes with their input during the Annual General Meeting.

The targets, strategies and risk profile of the Company are reviewed annually by the Board of Directors.

The sustainability strategy, the materiality analysis, stakeholder analyses and the sustainability report are approved by the Board of Directors. The operational implementation of these processes is delegated to the Chief Sustainability Officer (CSO) of the Company. This is in accordance with the Environmental Policy of the Company.

The Board of Directors has delegated the formal stakeholder dialogue to the senior executives in the companies. A review of the systematic stakeholder interviews is each year presented to the Board of Directors from the CSO.

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 Group 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 to 8 times a year. Additional meetings are held when necessary. In 2022, a total of 10 board meetings were held.

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

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

Duty of confidentiality – communication between the Board and shareholders

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

Legal competence

The Board complies with the rules for legal competence and disqualification pursuant to Section 6–27 of the Norwegian Public Limited Liability Companies Act and the Board's own Rules of Procedure. There were no issues in 2022 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 and a Remuneration Committee, both comprising members of the Board.

The Audit Committee

The company has a three-member Audit Committee established in accordance with the Rules of Procedure for the Audit Committee approved by the Board of Directors. The members are all members of the Board of Directors and consists of Stine Rolstad Brenna (Chair, member since 2020), Morten Bergesen (member since 2010) and Anne Grethe Dalane (member since 2022). The committee has 2/3 women members. There are no underrepresented social groups in the committee.

All the members of the audit committee are elected from the members of the Board of Directors and are independent of the group management. The competence of the members is covered under the section about the Board of Directors and the presentation of the Board of Directors in the annual report.

The Audit Committee is a preparatory committee to the Board of Directors. The committee is also responsible for providing support to the Board in the reporting of annual accounts, audits, internal control, risk management, sustainability reporting and more. The instruction for the Audit Committee was last revised by the Board of Directors in March 2023, to also include the obligation to supervise the audit of the annual accounts by the auditor in line with the EU regulation (EU) No 537/2014, and to assess and supervise the interdependence of the auditor as included in the amendments to the Auditors Act of 1 January 2021. At least one member shall be independent of the company's Group management and have qualifications in accounting or auditing. Board members who are also members of the Group management cannot at the same time be members of the Audit Committee.

The Remuneration Committee

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

The company has a four-member Remuneration Committee established in accordance with the rules of procedure for the Remuneration Committee approved by the Board of Directors. The members are all members of the Board of Directors and consists of Trond Westlie (Chair, member 2022), Christian Must (member since 2022), Didrik Vignæs (member since 2019) and Lise Lindbäck (member since 2022). The committee has 1/4 women members. According to Norwegian law, it is prohibited to obtain certain information about job applicants, in particular linked to underrepresented social groups. Although it is the company's objective to have broad represen-

tation at all levels, Arendals Fossekompni do not track or report information relating to underrepresented social groups.

All the members of the Remuneration committee are elected from the members of the Board of Directors and are independent of the group management. The competence of the members is covered under the section about the Board of Directors and in the Annual Report.

Self-assessment

The Board carries out an assessment of its activities once a year, where the Board considers the outcomes of its processes and tasks as described above, including their own performance in overseeing the management of the organization's impacts on the economy, environment, and people. The starting point for this assessment is Arendals Fossekompni's business activities and the work of the Board, how the Board works and its interactions. With regards to this, the Board also evaluates its performance in relation to corporate governance.

In 2022, no self-assessment was conducted as there were many changes to the Board during the year, hence, no actions were taken in response to the evaluations. The next self-assessment will take place in 2023 as the members of the Board have held their positions for some time.

Deviations from the Code: In 2022, no self-assessment was conducted as there were many changes to the Board during the year.

Onboarding and competence development

To advance the collective knowledge, skills, and experience of the Board related to sustainable development, the Board has an onboarding program covering these topics as the board members enter their roles.

Through regular presentations about topics related to sustainability in the board meetings as well as more in-depth strategic presentations about this topic in the strategy meeting, the Board will further advance their collective knowledge in this topic.

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

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

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

Critical concerns

Arendals Fossekompani has guidelines for ethical business conduct (the Code of Conduct) which can be found on the Company website. All employees and the Board receive training in our Code of Conduct and the whistleblower policy, which explains the company's internal guidelines on how to deal with critical concerns if they occur. The Board is alerted about critical events.

11. REMUNERATION TO THE BOARD OF DIRECTORS

The Annual General Meeting determines the remuneration payable to board members. The 2022 Annual General Meeting resolved that, with effect from May 2022, the Chairman of the Board will receive a fee of NOK 635,000, and NOK 340,000 will be paid to the other board members.

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

12. REMUNERATION OF SENIOR EXECUTIVES

The Remuneration Policy with guidelines for remuneration of executive management and report on the annual remuneration of executive management is subject to approval and advisory vote by the Annual General Meeting in accordance with the Public Limited Companies Act section 6-16 A and B. The General Meeting approve the Remuneration Policy by any material change and at least every fourth year and shall annually provide an advisory vote on the annual remuneration report of the previous year. No consultants are involved in determining remuneration. The Remuneration Report and the Remuneration policy for 2022 were adopted unanimously in the Annual General Meeting in May 2022.

The Remuneration Policy and Remuneration Report are available on our website. Shareholders are encouraged to state their opinions regarding remuneration of both the Board of Directors and Senior Executives at 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 in line with the guidelines in the Remuneration Policy. The Board may also award an annual performance-related bonus to the CEO.

The Board's evaluation is based on market surveys for similar positions. The terms and conditions for other senior executives and employees at the Parent Company are set by the CEO in line with the guidelines in the Remuneration Policy. The CEO informs the Chair of the Board of the terms and conditions.

Terms and conditions for the senior executives of portfolio companies 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, without being complicated or be wage leading. The remuneration is structured to provide strong alignment between the interests of executives and shareholders, including a focus on delivering on the company's key strategic objectives, and in support of the business strategy and long-term interests. More information about purpose and principles for remuneration of senior executives in Arendals Fossekompani can be found in the Remuneration Policy published on our website.



A description of how the remuneration policy for members of the Board and senior executives relate to their objectives and performance in relation to the management of the organization's impacts on the economy, environment, and people, can also be found here.

Performance-related remuneration

Senior executives at the Parent Company benefit from performance-related bonus schemes as described in the Remuneration Policy and Remuneration Report available at www.arendalsfossekompani.no.

Portfolio companies offer performance-based remuneration to varying degrees, as stipulated in the employees' contracts.

Terms and conditions

Terms and conditions for remuneration of the Board of Directors are described in Note 4 of the Annual Report.

13. INFORMATION AND COMMUNICATION

Annual financial statements and annual report – periodic reporting

The Group normally publishes its preliminary annual financial statements in February. The complete annual financial statements, along with the Annual Report, are published on our website in March/April. In addition, accounting figures are reported on a quarterly basis.

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

Other market information

It is considered important to the Group to inform owners and investors about our performance and financial status. Emphasis is placed on providing the financial market with the same information at the same time. In conversations with shareholders and analysts, care is taken to avoid giving more information to some than to others. Arendals Fossekompani has developed an Investor Relations Policy that is available on our website.

Arendals Fossekompani insider instructions are updated according to the European Market Abuse Regulation (MAR).

14. GUIDELINES FOR EQUALITY AND DIVERSITY

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

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

The Group management currently consists of one woman and four men. The individuals in Group management have backgrounds from different industry sectors, which increases diversity.

The company has set the following objectives for diversity:

- Within 2023, at least 40% of the members of Board of Directors shall be women.
- Within 2023, at least 40% of the Group management shall be women.

During 2022, Arendals Fossekompani recruited new colleagues and is happy to see a growth in the number of female employees, which is a good start for our journey towards better inclusion and greater diversity.

15. TAKEOVERS

Based on our current shareholder structure, the conditions described for takeovers do not apply to the company. The rules of procedure for the Board of Directors of February 2022 do however include guidelines and principles for the event of a takeover bid and for transactions that in fact constitute a disposal of the business of Arendals Fossekompani.

16. AUDITOR

The 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 Group management.

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

Auditor's formal relationship with executive management

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

PwC is the selected 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.



Sustainability

04

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Integrity

Over the past few years, our sustainability and social responsibility efforts have become more known due to open and transparent communication. We have published an increasing set of sustainability related documents, including our Code of Conduct, Business Code of Conduct, our annual sustainability report, and other important policy documents, which are all available on our website.

We are proud that also our portfolio companies are communicating more proactively about their sustainability efforts, and several of the companies, including Volue, Tekna and ENRX, now publish their own sustainability reports.

Reporting Frameworks



GLOBAL REPORTING INITIATIVE

The Global Reporting Initiative (GRI) is an independent, international organisation that provides a global common language to both the reporting and communication of impacts. The GRI Standards are the world's most widely used standards for sustainability reporting. The Standards are advancing the practice of sustainability reporting, and enabling organizations and their stakeholders to take action that creates economic, environmental, and social benefits for everyone. Arendals Fossekompani and portfolio companies report on material impacts for a variety of sustainability issues, such as climate change, health and safety, and corporate governance, in accordance with GRI's recommendations.



SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

The Sustainability Accounting Standards Board (SASB) provides a set of industry-specific standards that are used to guide the disclosure of financially material sustainability information for Arendals Fossekompani.



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The purpose of the TCFD Standard is to give investors more knowledge on the financial impacts of climate-related issues, based on four core recommendations: Governance, Strategy, Risk Management, and Metrics and Targets. From 2020 to 2022, a climate risk analysis, including an assessment of different climate scenarios, was carried out for the portfolio, based on TCFD recommendations. The TCFD: Climate-Risk Assessment Report 2022 is attached. Arendals Fossekompani conducted climate risk assessments in accordance with the TCFD recommendations in 2020 and 2021. Based on these assessments, we developed an ambitious target to limit our negative climate impact.



CARBON DISCLOSURE PROJECT

Carbon Disclosure Project (CDP) is an international reporting framework for companies to manage their environmental impacts. It is aimed at increasing transparency and providing an intuitive performance score based on companies' climate action. 2021 marked the first year AFK publicly disclosed its environmental impacts to CDP. AFK was awarded a score "B" in 2021 and 2022.



GREENHOUSE GAS PROTOCOL

The GHG Protocol establishes comprehensive global standardized frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions. The GHG Protocol Corporate Accounting and Reporting Standard provides requirements and guidance for companies and other organizations preparing a corporate-level GHG emissions inventory.



UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Arendals Fossekompani supports the United Nations Sustainable Development Goals (SDG). We have chosen six SDGs where we think we can make the largest positive contribution, which are all linked to our focus areas and material topics. Our portfolio companies have chosen SDGs independently of this. Our commitments to the SDGs have been tied in with these strategic focus areas to further emphasize how they are addressed. We have chosen SDGs 5: Gender Equality, 8: Decent Work and Economic Growth, 13: Climate Action, 7: Affordable and Clean Energy, 9: Industry, Innovation and Infrastructure, and 12: Responsible Consumption and Production.



SCIENCE BASED TARGET INITIATIVE

In 2022, Arendals Fossekompani committed and submitted science-based emission reduction targets in line with the Science Based Target initiative (SBTi) criteria and recommendation. Validation of targets are booked for 2023. When the targets are approved by SBTi, it will be communicated through their website. Arendals Fossekompani will, after validation, continue to report on our emissions and progress towards meeting our 2030 targets. Arendals Fossekompani has committed to reducing absolute Scope 1 and Scope 2 GHG emissions with 42% by 2030 from a 2021 base year. Our portfolio companies will set their own science based targets within 2027, as part of the Portfolio Coverage approach. In 2023, we will commit to also setting net zero targets to align with the ambitious aim of the Paris Agreement. This means that we will commit to what science dictates is necessary to reduce emissions to meet net-zero global emissions by 2050 to limit global warming to 1.5 °C. This target is approved by the Board of Directors.

EU Taxonomy Summary

As a key part of the European Union’s Green Deal, the EU Taxonomy was created to define a common and enforceable language on sustainability to scale up sustainable investments and avoid greenwashing. The EU Taxonomy establishes a European classification system for sustainable economic activities. It includes six environmental objectives, of which the first two are adopted by the EU and the others are not yet adopted:

1. Climate change mitigation.
2. Climate change adaptation.
3. Sustainable use and protection of water and marine resources.
4. Transition to a circular economy.
5. Pollution prevention and control.
6. Protection and restoration of biodiversity and ecosystems.

Companies must report the share of aligned, eligible and non-eligible economic activities for three financial KPIs: net revenue (turnover), capital expenditure (CapEx) and operating expenditure (OpEx).

An activity is considered eligible if it matches the description of an economic activity in the EU Taxonomy. An eligible activity needs to fulfil technical screening criteria (TSC) to be considered aligned. Refer to the figure below for a detailed overview of the process.

EU TAXONOMY ASSESSMENT



ARENDALS FOSSEKOMPANI AND THE EU TAXONOMY

Arendals Fossekompni carried out a stakeholder analysis in 2021, where the EU Taxonomy was one of the most material topics addressed. We have incorporated the EU taxonomy into our investment strategy, encompassing new investments related to electrification, materials and green energy. Such investments should show a potential to contribute to, or to be transformed to contribute to, one of the six environmental objectives defined by the EU Taxonomy. Due to strategic importance and stakeholder expectations, AFK performed an initial assessment of the EU Taxonomy in 2021, which provided an indication of eligibility and alignment of the portfolio. In 2022, we expanded our assessment to cover alignment, in addition to eligibility.

SCOPE

All portfolio companies in the AFK group have been considered for reporting on the EU Taxonomy for 2022. Vergia is recently established, and therefore not considered financially material for the group, and therefore scoped out of the 2022 reporting. We have not included joint ventures and associated companies, as they are not consolidated in the group’s financial statements. Each portfolio company has identified their core activities by assessing the financial materiality and strategic relevance of their economic activities. Activities not assessed as core to the portfolio companies, have been scoped out from reporting for 2022. In addition to the adopted Climate Delegated Act, we assessed the activities proposed by the Platform on Sustainable Finance. Since the technical screening criteria (TSC) for the four remaining environmental objectives have not been adopted by the EU, the reporting on these activities is limited to eligibility, pending finalization of the criteria.

ECONOMIC ACTIVITIES IN THE PORTFOLIO

Environmental objective	Economic activity as defined in the EU Taxonomy	Transitional/ Enabling	Relevant companies
Climate change mitigation	3.6	Manufacture of low carbon technologies	ENRX, Tekna
	4.5	Electricity generation from hydropower	AFK Vannkraft
	4.9	Transmission and distribution of electricity	Enabling Volve
	4.10	Storage of electricity	Enabling Ampwell
	8.2	Data-driven solutions for GHG emissions reductions	Enabling Alytic, Volve
Climate change adaptation	9.1	Close to market research, development and innovation	Enabling Alytic, ENRX
	7.7	Emergency services - Technical protection response and Assistance	- NSSLGlobal
	8.2	Computer programming, consultancy and related activities	- Volve
Transition to a circular economy	2.6	Manufacture of durable electrical and electronic equipment	- ENRX
	14.1	Provision of electrical and electronic equipment through circular business models	- NSSLGlobal

PROCESS

The EU Taxonomy assessment has been conducted by each portfolio company, supported by a core team with representatives from AFK. Assessments have been performed in accordance with the structure of the EU Taxonomy, starting with eligibility assessments before assessing compliance with the TSC for substantial contribution and do no significant harm (DNSH). The minimum safeguards assessment has been conducted by AFK on Group level, based on policies and procedures covering the AFK Group. Eligible activities that met the TSC for substantial contribution and DNSH, as well as the minimum safeguards, are reported as aligned. AFK reports the EU Taxonomy on an aggregate level of portfolio companies.

CONCLUSIONS

Achieving the goal set out in our 2021 reporting, Arendals Fossekompani is proud to report on alignment for 2022. Given the high percentage of eligible activities, we see a great potential within the portfolio companies' business activities. Our goal is to increase both eligible and aligned reporting in the years to come. For future reporting we will focus on activities that have not been fully evaluated for alignment, as well as the non-core activities that are not reported on this year. We are looking forward to the 2023 Taxonomy reporting where we expect to have a complete taxonomy reporting covering all AFK portfolio companies and business activities.

Stakeholder Dialogue and Materiality Analysis

A stakeholder assessment has defined the following key stakeholder groups for Arendals Fossekompani: Investors, customers, regulators, NGOs, and employees.

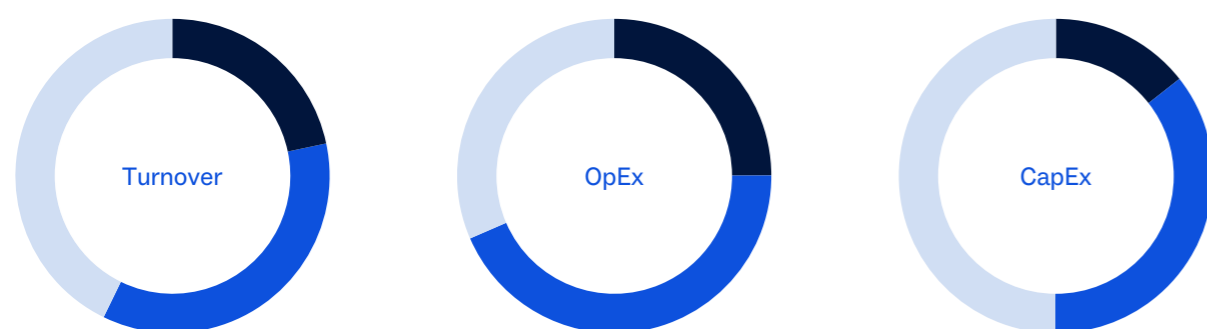
Arendals Fossekompani is continuously engaging with our stakeholders. Stakeholder dialogue is important because it gives us a representative overview of the expectations of those around us and ensures that we are on the right track.

The method of engagement varies between the different stakeholders and from year-to-year. In 2022 we mainly engaged through systematic in-depth interviews, as well as regular meetings and dialogue, and our annual and quarterly reports.

The two-way communication has resulted in meaningful engagement. The results from the stakeholder dialogue have provided us with valuable insights into our stakeholders' expectations regarding sustainability and has impacted the selection of our strategic focus areas and material topics. Our progress in this area is communicated back to stakeholders, mainly through this sustainability report.

EU TAXONOMY ELIGIBILITY AND ALIGNMENT

■ Aligned ■ Eligible, not aligned ■ Non-eligible



22%
aligned
36%
eligible, not aligned
42%
non-eligible

25%
aligned
44%
eligible, not aligned
31%
non-eligible

14%
aligned
36%
eligible, not aligned
50%
non-eligible

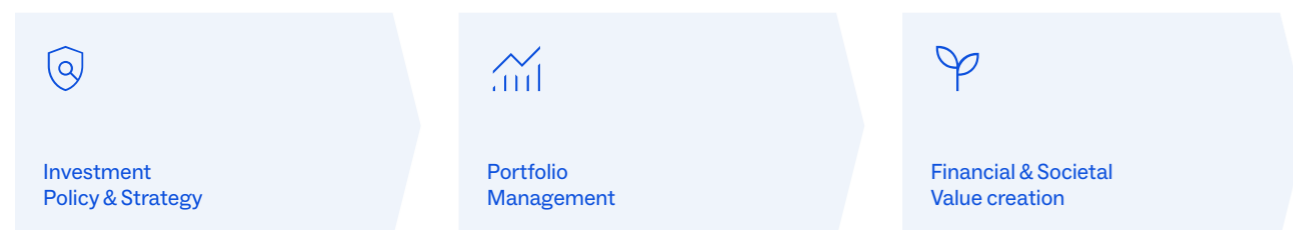
STAKEHOLDER DIALOGUE

Why ESG matter for and why that is important for Arendals Fossekompani	Arena for dialogue	
Investors	Attractive returns and value growth potential A future-proof investment Being taxonomy compliant	Access to equity at favourable terms Right-priced stock for use as currency in M&A	Meetings Quarterly updates Company presentations
Customers		Customers buying our products and services	Meetings E-mail Seminars / webinars / conferences
Regulators	Operating in line with legislation	Operating in line with legislation (mitigate reputation and financial risk) Operating in line with expectations from the greater society Being seen as a transparent and trustworthy company	Reporting requirements Audits
NGOs		Operating in line with expectations from the greater society Being seen as a transparent and trustworthy company	Meetings Seminars / webinars / conferences
Employees	Pride Sense of purpose beyond earning a living	Access to great talent Lower turnover Lower recruitment costs	Employee development talks Town-hall meetings E-mail / Teams

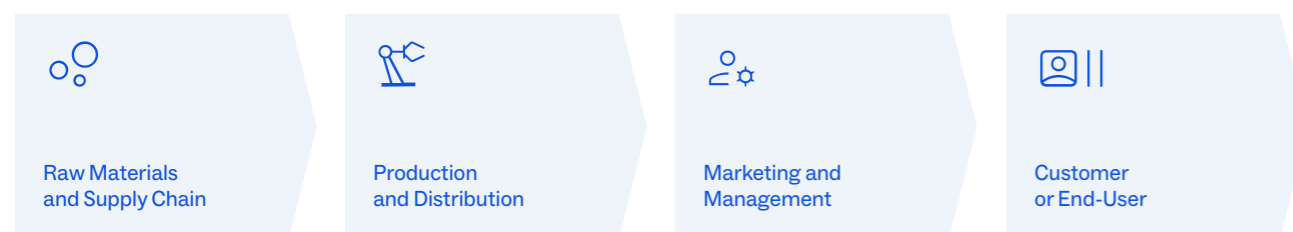
To further analyse our sustainability impacts, we have evaluated each activity of our primary and secondary value chain, and defined material risks and opportunities. This analysis has been conducted according to the GRI reporting framework and TCDF recommendations of best practice. A GRI content index is provided as an appendix to this report.

ARENDALS FOSSEKOMPANI'S PRIMARY AND SECONDARY VALUE CHAIN

Primary value chain (AFK Parent Company)



Secondary value chain (Portfolio companies)



Sustainability Priorities

Based on the analyses of our stakeholders and the primary and secondary value chain, a consequence vs likelihood analysis has been conducted to define the material topics for Arendals Fossekompani.

MAIN RISKS

- Failure to meet potential legal requirements and stakeholder expectations.
- Potential gap in ambitions between AFK Parent Company and portfolio companies.

MAIN OPPORTUNITIES

- Increased demand for our green technologies.
- Active sustainability management.
- Transparency through non-financial disclosures.

Updated Materiality Assessment

In 2022, AFK Parent Company did a review of the material topics for reporting. The review included an internal and external assessment of the focus areas and material topics, with specific interviews with a selection of our stakeholders.

The double materiality assessment was carried out in three main parts:

1. An assessment of Arendals Fossekompani's impact on sustainability factors including a consequence analysis of the value chain, as well as sector impacts and relevant standards.
2. An assessment of how sustainability impacts Arendals Fossekompani, including in-depth interviews and dialogue with stakeholders, analysis of how megatrends shape and impact us, and risks and opportunities.
3. Anchoring of focus areas and material topics: Focus areas are identified, and the actual approach to follow up the material topics and reporting of performance. The 2022 materiality assessment did not result in any changes to our focus areas, however, the list of material topics were specified, as this had not been done before (hence, no change to the material topics).

Strategic Focus Areas and Material Topics

The outcome of the 2022 materiality assessment was a detailed overview of Arendals Fossekompani's stakeholders and their expectations, a consequence vs likelihood matrix, where our material topics were singled out based on the significance of our actual or potential impact, and the identification of five strategic focus areas that will guide our sustainability strategy moving forward. These five focus areas are: Ethical business conduct, Responsible investments, Optimizing the portfolio companies, A great place to work, and Community engagement. For each focus area we have identified material topics for our business environment.

Ethical business conduct	Anti-corruption and bribery Responsible supply chain Information security
Responsible investments	New investments Green financing
Optimizing portfolio companies	Economic performance Strengthening sustainability performance
A great place to work	Diversity and equality Employee satisfaction and talent attractiveness Health and safety
Community engagement	Sponsorship, partnerships and other investments

Membership Associations

To support the work with these five focus areas we are members of these relevant industry organisations:



UNITED NATIONS GLOBAL COMPACT

A UN initiative that supports global companies that are committed to responsible business practices in the areas of human rights, labour, the environment, and corruption. Our annual report on Communication on Progress is a key component of our commitment to UN Global Compact. Furthermore, we cooperate by arranging seminars, our employees have participated in courses held by UN Global Compact, and we pay an annual membership fee.



KLIMAPARTNERE AGDER

A network for working together to achieve GHG reductions and a low emission society. We actively contribute to knowledge sharing by arranging seminars together and participate in professional events held by Klimapartnere. We pay an annual membership fee.



FORNYBAR NORGE

A part of the Confederation of Norwegian Enterprises (NHO). We participate through membership in the industry forum for the power market. We pay an annual membership fee.



Ethical Business Conduct

Anti-corruption and Bribery

MATERIALITY

At Arendals Fossekompni, we have a long and proud history. We will always act responsibly and with integrity everywhere we operate. In this way we honour our legacy and secure our current and future license to operate. Some of our operations take place in countries associated with high political, corruption and human rights risks. The potential negative impact from these risks makes anti-corruption and anti-bribery material topics for us.

Several of the portfolio companies regularly conduct risk assessments relating to corruption. Corruption risks typically includes the risk of bribery, extortion, fraud, embezzlement and money laundering, and the significance of such risks are often linked to location of operation. Our portfolio companies are operating in an international environment, where our operations in China and India are perceived to constitute a higher risk, ref. the Transparency International Corruption Perception Index. When we are involving in activities in our supply chain, that means activities both in, procurement of products to our production or in sale of our products.

APPROACH

Our Code of Conduct constitutes our framework for managing compliance and integrity risks. The Code of Conduct describes our commitments and requirements regarding business practice, personal conduct and expectations towards business partners. The Code of Conduct outlines clear principles and rules in key compliance and integrity areas like anti-corruption and anti-bribery, facilitation payments, conflict of interest, gifts and hospitality, human rights and labour rights, fair competition, anti-money laundering, sanctions and trade compliance, and more.

Our Code of Conduct is endorsed by the Board of Directors and is publicly available on our webpage¹. The Audit Committee regularly reviews the company's compliance with the Code of Conduct and supporting documents, and the Chief Sustainability Officer reports to the Audit Committee on the design, implementation and effectiveness of our business integrity program and activities, and reviews performance in this respect.

PERFORMANCE

In 2022, Arendals Fossekompni maintained most core elements of its compliance program including the anti-corruption and human rights compliance frameworks.

- We conducted screenings of potential projects in high-risk countries and of potential business partners.
- All whistleblower reports received were investigated.
- A Code of Conduct e-learning program was made available to company personnel.

There was one confirmed incident of corruption in the reporting year, which was a false representation. One employee was dismissed or disciplined for corruption and one contract with a business partner was terminated due to violations related to corruption.

1. <https://afk-assets.fra1.digitaloceanspaces.com/website/documents/Code-of-Conduct-Arendals-Fossekompni.pdf>

OPERATIONS ASSESSED FOR RISKS RELATED TO CORRUPTION

Total number of operations	152
Total number of operations assessed for risks related to corruption	105
Percentage of operations assessed for risks related to corruption	69%

COMMUNICATION ABOUT ANTI-CORRUPTION POLICIES AND PROCEDURES

	Total	Europe	America	Asia
Board of Directors	35 (61%)	35	0	0
C-suite positions	38 (67%)	31	6	1
Non-executive level management	140 (84%)	118	10	12
Other employees	1,686 (76%)	1,104	166	416
Business partners	1,287 (5.7%)	230 (1.1%)	46 (8.9%)	1,011 (52%)

TRAINING IN ANTI-CORRUPTION POLICIES AND PROCEDURES

	Total	Europe	America	Asia
Board of Directors	20 (35%)	20	0	0
C-suite positions	30 (53%)	29	0	1
Non-executive level management	86 (52%)	74	0	12
Other employees	931 (42%)	519	2	410

LOOKING FORWARD

In 2023, we will continue our efforts to secure responsible business conduct and promote a culture of compliance and integrity. We will build a common compliance program for all portfolio companies to ensure that these matters remain relevant in a dynamic global context and amid challenges, such as increased regulations, enforcement, complexity and external expectations, as well as sustainability impact and alignment with our strategic sustainability agenda.



Responsible Supply Chain

MATERIALITY

Mismanagement of a global supply chain can cause negative environmental and social impacts, as well as impacts related to governance issues, such as corruption and data privacy violations. Arendals Fossekompni takes a precautionary principle approach to business ethics and responsible supply chain. We have a duty to responsibly manage our relationships with our suppliers, monitor their activities and actively work to diversify our supplier portfolio. With a multitude of suppliers in our supply chain, ensuring a responsible approach and management of this network to mitigate negative impacts, is a material topic for Arendals Fossekompni.

Arendals Fossekompni is committed to respecting human rights in all our operations. This includes the rules and principles laid out in the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation (ILO) on Fundamental Principles and Rights at Work and the International Bill of Human Rights, and the OECD Guidelines for Multinational Enterprises. We do not accept any form of forced labour, including child labour. We comply with all fundamental labour rights and have a continuous focus on providing safe working conditions for all.

APPROACH

Our policies on ethical business conduct are addressed in our Code of Conduct, which all our employees have signed, and which is also extended to our suppliers through our Business Partner Code of Conduct. To secure that we meet the demands that we set for others, we have revised and assessed our Code of Conduct and Business Partner Code of Conduct, with help from judicial experts. All portfolio companies have their own Code of Conduct and Business Partner Code of Conduct.

Our commitment to sustainability includes our external operations related to our suppliers and customers, as well as our internal operations. Suppliers are expected to adhere to our business ethics guidelines as outlined in the Business Partner Code of Conduct, including our standards for health and safety, human and labour rights, environment, quality management, business integrity and corporate social responsibility. We also expect suppliers and business partners to act in a trustworthy and transparent way.

The Business Partner Code of Conduct and Arendals Fossekompni's expectations towards suppliers and business partners are further outlined on our website.

Suppliers and business partners are controlled and followed up through our Factlines supply chain management system, which enables us to verify and monitor suppliers' performance. Our risk-based supplier onboarding process, which includes health and safety, environmental and compliance aspects (such as human and labour rights risks checks), allows for comprehensive evaluation of our qualified suppliers. The goal is to ensure that our supply base is aligned with our principles and requirements. Our audit questionnaire includes a detailed verification of adherence to our Supplier Declaration and internationally recognized standards for human and labour rights (e.g., UN Guiding Principles for Business and Human Rights).

It is important that employees are aware of and report undesirable behaviour through our internal whistleblowing channel.

Arendals Fossekompni is committed to provide for or cooperate in the remediation of negative impacts that the organization identifies it has caused or contributed to, whether this relates to negative local community impact, occupational health and safety breaches, corruption or the like. The company conducts risk assessments on a regular basis, as stated throughout this report. Although the company has not estab-

lished nor participates in official grievance mechanisms, Arendals Fossekompani has established a whistleblowing channel and provides contact details for key employees on the company's website. We are also continuously engaging with relevant stakeholder groups about our sustainability impact, both systematically and on a day-to-day basis, to map questions or complaints on topics that they are interested in or concerned with. Should we receive complaints from stakeholders, our procedure is to follow the steps as outlined in our whistleblower policy.

THE TRANSPARENCY ACT

On 1 July 2022, the Norwegian Transparency Act entered into force. The act relates to enterprises' transparency and work on fundamental human rights and decent working conditions. More than 8,000 Norwegian businesses now have the duty to carry out due diligence of human rights in their own operations, as well as their value chains. Stakeholders' right to information about conditions at production facilities concerning a particular product or service that the business provides, is material in this new act. It is important that Arendals Fossekompani acts according to the law and sets a good example for the portfolio by identifying risks among suppliers.

To comply with the new Transparency Act, we have completed a project in which we gathered information from all main suppliers. This due diligence was conducted through a Factlines CSR self-reporting form, which is based on the OECD guidelines and the UNGC principles, as well as the Transparency Act. The goal was to gather information to measure and understand the most important risks in our value chain. The results classified the suppliers in different risk groups, which enabled us to identify which to follow up first. In addition, we have created a guideline for handling incoming requests for information, in accordance with the Transparency Act.

In 2023, we publish a Human Rights and Transparency Act Report to address the content in the Transparency Act. For more information about how Arendals Fossekompani works with human rights and a responsible supply chain, including screening of new suppliers on social criteria and negative social impact in the supply chain and actions taken, please refer to the separate Human Rights and Transparency Act Report found on our website.

PERFORMANCE

Improvements and actions taken in 2022 includes:

- A mapping of our suppliers.
- Implementing the Factlines system to follow up suppliers.
- Updating our Supplier Code of Conduct.
- Establishing a new Transparency Act routine.

Our survey of suppliers showed no significant breaches of human rights, but there are a few risks related to production countries that we will follow up in 2023. Arendals Fossekompani had no significant instances of non-compliance with laws and regulations during the reporting period and received no fines for instances of non-compliance with laws and regulations. We had zero reported incidents regarding breach of human rights in our operations or supply chain in the reporting period.

LOOKING FORWARD

In 2023, we will establish a common business partner conduct procedure for all portfolio companies. This is important due to challenges like increased regulations, enforcement, complexity and external expectations, as well as sustainability impact and alignment with our strategic sustainability agenda. We also plan to continue the

work with our suppliers, nudging them to improve on securing basic human rights, safety and health of people involved in all parts of their value chains. As a follow-up from our human right's due diligence, we will start a dialogue with suppliers that have production in high-risk countries.

Information Security

MATERIALITY

Cyber security is the application of technologies, processes, and controls to protect systems, networks, programs, devices, and data from cyber-attacks. Cyber security reduce the risk of cyber-attacks and protect against the unauthorized exploitation of systems, networks, and technologies. Cyber security is a critical, board-level issue in Arendals Fossekompani and our portfolio companies, and we can have both an actual and potential positive or negative impact on cyber security. Our positive impact relates to Arendals Fossekompani's ability to establishing safety guidelines, providing training to employees, and implementing cyber secure systems.

A lack of cyber security could have an actual or potential negative impact, for example relating to the critical infrastructure offered by some of our portfolio companies, such as Volue, NSSLGlobal and Alytic, where a potential breaches could, in the most severe instances, lead to critical downtime, impacting people, the environment and/or the economy.

The 2022 IBM study "Cost of a data breach" documents that the average cost of a data breach is USD 4.35 million. 83% of the organisations studied have had more than one breach. Average cost savings associated with fully deployed security AI and automation was USD 3.05 million. The cost of breaches is lower for organisations that deploy zero trust technology. System error or human error account for 45% of the incidents leading to loss of data, according to IBM.

APPROACH

New regulations and reporting requirements make cyber security risk oversight a challenge. In Arendals Fossekompani, the Board requires assurance from management that cyber risk strategies will reduce the risk of attacks and limit financial and operational impacts. The Board, in cooperation with portfolio company management groups, has a central role in putting cyber security on the agenda. The goal is to identify gaps and initiate improvement projects to close the gaps. Improvement projects will increase the level of awareness and security in portfolio companies.

Cyber security should be a regular and natural part of the agenda and the annual schedule for the Board. Management should regularly report back to the Board regarding topics important for cyber security. If gaps are identified, a list of improvement projects should be made, with a timeline, a responsible person, and a timely report.

The management is responsible for determining cyber security risks and adequate company preparedness, and report back to the Board. The most important steps in securing cyber security are defined in our Cyber Security Check List for AFK Boards:

- Defining roles and responsibilities for cyber security.
- Training employees (ambition to train 100% of employees by end of 2024, up from 19% in 2022).
- Performing emergency drills.
- Updating procedures and policies to reflect cyber security best practices.
- Ensuring that the company has an Incident Handling Procedure, and that it is tested and key employees are trained in using it.

- Implementing best practices in the organisation.
- Implementing 24/7 systems surveillance with both automated and human response to security alerts.

PERFORMANCE

Our performance relating to cyber security in 2022 includes:

- Establishing cyber security check-list for all our Boards.
- Information security policy update.
- Provide training for employees on cyber security.

We currently provide training to several of our portfolio companies, with a possibility of rolling out training to more companies shortly.

LOOKING FORWARD

In 2023, we will continue to use cyber security check lists for all portfolio companies. This is important due to increased complexity and external expectations, as well as the increasing risk for cyber security breaches. Our focus areas for 2023 relating to this topic includes:

- Performing risk assessments.
- Training Board Members.
- Conduct penetration testing.
- Facilitate a common awareness campaign in all portfolio companies.



Responsible Investments

New Investments

MATERIALITY

Arendals Fossekompani is looking for potential investments within green energy and technology that can support our long-term ambition to have a portfolio that will stand the test of generations, that contributes to a sustainable society, and that is future-oriented.

As part of our screening criteria, new investments should demonstrate a potential to contribute to, or to be transformed to contribute to, one of the six environmental objectives defined by the EU Taxonomy. As far as our impact assessment shows, neither Arendals Fossekompani nor our business partners have a negative impact on this topic.

APPROACH

As an international industrial investment company, Arendals Fossekompani is continuously looking for new investments and M&A opportunities. Possible investments, partnerships and M&A candidates are evaluated according to Arendals Fossekompani's responsible investment scope and screening process. Investment possibilities that are not in line with our investment criteria and company strategy, will not be considered. Investments and acquisitions of companies lay the foundation for a positive sustainability impact in the management phase.

Following our strategy, Arendals Fossekompani's investments are focused on the areas green energy, electrification and materials and digitalisation. With investment and development goals within these sectors, our portfolio will contribute to a more sustainable future.

A significant part of onboarding a new investment to our sustainability framework is to perform an EU Taxonomy assessment. Such an assessment will define if the investment's activities are eligible with the EU Taxonomy criteria.

PERFORMANCE

In 2022, Arendals Fossekompani established the battery technology company Ampwell, which consists of the newly acquired companies Commeo and Collect. Ampwell has the potential to become an attractive partner in the green transition based on the company's fully integrated energy storage services. Commeo's battery solutions are enabling increased use of intermittent renewable energy and Collect's software services increase energy efficiency. Ampwell has performed assessments for EU Taxonomy eligible and aligned activities for their subsidiary company Commeo. Based on this assessment, 100% of Commeo's revenue was found to be aligned with the EU Taxonomy.

The strategic green energy enabler Vergia was established in 2022 to combine all existing green infrastructure projects and related portfolio companies in a new entity. Vergia has invested in offshore wind, green fuels, and hydropower, and therefore has attractive energy positions driving the green transition.

During 2022, Arendals Fossekompani has also improved its position in the electrification segment by acquiring the induction charging company IPT Technology. By merging our portfolio company EFD Induction and IPT Technology, we established the induction company ENRX. These companies have now been rebranded to ENRX Heat and ENRX Charge. ENRX Charge solutions for wireless and dynamic charging enable electrification of new sectors, both within industrial and mobility segments. ENRX Charge has identified six eligible activities, of which five are categorized in the environmental objective climate change mitigation. The last one is categorized in the transition to a circular economy category.

All these new investments are all well positioned for the green transition, in line with our investment and development strategy, and have high eligibility towards the EU Taxonomy.

LOOKING FORWARD

Going forward, we will continue to develop our newly established companies, including our new investments. The new companies are onboarded to our sustainability framework, to ensure continuous focus. For future investments, we will continue to have the same long-term ambition. The EU taxonomy eligibility and alignment will be a part of the investment criteria. In addition, we will include climate risk assessments as part of the due diligence process of future possible investments.

Green Financing

MATERIALITY

Arendals Fossekompni aims to be a leading Norwegian industrial investment company that promotes renewable energy and sustainable utilization of resources. Green investments and projects provide us with financing agreements with favourable terms, which incentivise us to stay focused on green developments. In this manner, the green financing criteria are important for future investments and potential projects. In addition, being granted green financing will be seen as a quality sign by stakeholders. Our impact assessment shows that Arendals Fossekompni does not have an actual or potential negative impact on this topic.

APPROACH

Arendals Fossekompni has two different green financing facilities: Green bonds and sustainability linked loans. Our Green Bond Framework is aligned with the Green Bond Principles published by the International Capital Market Association. This defines investments eligible for green bonds. In addition, Arendals Fossekompni has renewed its financial facilities linked to sustainability targets.

Green bond loans are earmarked for specific environmental or sustainability projects and are typically asset-linked. The Green Bond Framework has defined a process used to identify, select, and report on eligible projects. Issuing bonds under the Green Bond Framework is part of our broader commitment to making significant contributions to a low-carbon and environmentally sustainable society.

The green bonds are related to two categories: Renewable energy and eco-efficient and/or circular economy adapted products, production technologies and processes.

A renewal of Arendals Fossekompni's financing facilities was finalized in June 2022. This agreement is linked to our sustainability strategy and performance related to a selection of sustainability targets. Through sustainability linked loans, companies receive better financial terms as they strive to make a planet-positive contribution. If and when we reach the agreed-upon targets, it will trigger a lower interest rate. The discount is in itself small, but the principle of being rewarded for continuously improving our sustainability position is important to us.

PERFORMANCE

Arendals Fossekompni currently has a positive net cash position. However, it is essential to have instruments in place to provide financial capacity when needed, for instance to make new acquisitions or to support the existing portfolio companies. Thus, three new revolving loan facilities are provided by Handelsbanken and Danske Bank for a duration of five to seven years, including options for extensions. Currently, 88% of our loan facilities have a green profile.



LOOKING FORWARD

Our goal is to develop green and sustainable companies. We will continue to finance projects and developments that support our ambitions, so that we remain a leading Norwegian industrial investment company. We will continuously follow up on our goal to have loan facilities with a green profile. In 2023, we will publish a report on use of proceeds related to the green bonds and follow up KPIs and report on requirements of sustainability linked loan to our stakeholders.



Optimizing the Portfolio Companies

Economic Performance

MATERIALITY

Sustainability is linked to long-term performance; this is a clear belief of both Arendals Fossekompani and our main stakeholders. It is a long-term goal for Arendals Fossekompani to link our sustainability actions to the economic performance we see in the group.

Generally, the green revolution is characterized by regulations and market and technology risks and opportunities. These are necessities for achieving the ambitions of climate mitigation in society. New regulatory requirements, such as the EU Taxonomy and circular economy reporting, as well as strict regulations for mineral mining, poses a risk to many businesses. A more volatile energy market and increasing energy prices, due to increased renewable energy production and carbon taxes, affect businesses that are heavily dependent on electricity. Finally, and perhaps most prevalent in the green transition, is the need for a technological restructuring of the energy market, phasing out fossil fuels, and an increased emphasis of low impact- and zero-emission technologies. This creates valuable opportunities for an industrial investment company like ours.

APPROACH

Our actual and potential impact relating to economic performance is mainly positive: As an owner and a parent company we engage directly in the sustainability performance of our portfolio companies, and through individual materiality assessments and climate risk analysis, we focus on material topics that will increase our economic performance and reduce the risks in the portfolio. We recognise the impact companies have on the environment and consider environmentally sustainable business conduct as an opportunity to ensure long-term performance and growth.

Arendals Fossekompani is committed to environmental sustainability in all our business decisions and operations, and our Environmental Policy has been adopted by the Board of Directors and is applicable to all employees and projects. We have made separate reports about the performance of the portfolio related to the EU Taxonomy and climate risk assessment. As for the climate risk analysis, we have considered two different scenarios: 1) a green revolution that is characterized by transition risks and opportunities, and 2) a climate crisis scenario which entails considerable physical risks.

Our portfolio companies are exposed to transitional risks throughout their value chains, particularly in terms of rising energy prices, as well as prices for products and services in the supply chain. Additionally, regulations aimed at driving the transition to a circular economy will have an impact on the requirements our portfolio companies face. Arendals Fossekompani's exposure to physical risks is largely through our supply chains, with tier 2 and tier 3 suppliers located in areas prone to extreme weather and higher temperatures. At the customer end of our value chains, we identified the potential for increased demand for the products and services of our portfolio companies. Transitional and physical risks will create both opportunities and risks for us. So far, our analysis gives reason to believe that there is a potential upside for the economic performance for our portfolio with regards to transitional climate risk.

A TCFD maturity assessment has been conducted for the AFK Group. Documentation on TCFD risk assessment performed in the group is found as an attachment to the annual report.



PERFORMANCE

In 2022, Arendals Fossekompani Parent Company continued to support the portfolio companies. Good collaboration resulted in several important sustainability assessments being finalized. Targets and ambitions related to economic performance are established for each portfolio company and followed up on an annual basis. The effectiveness of the actions taken are evaluated in the annual strategy process. Other activities conducted in 2022 includes:

- A materiality analysis has been conducted for seven portfolio companies and joint ventures.
- Three joint meetings were held with sustainability teams of portfolio companies to share knowledge and information.
- A joint EU Taxonomy project was arranged for all portfolio companies.
- A TCFD assessment report was established.

LOOKING FORWARD

The following activities have been planned for 2023:

- Strengthening our EU Taxonomy assessment.
- Digitalizing our sustainability reporting.
- Further investigate and, in time, report in accordance with the Corporate Sustainability Reporting Directive (CSRD).

Strengthening Environmental Performance

MATERIALITY

As an industrial investment company, Arendals Fossekompani has a double value chain, first the value chain as an investment company and then the specific value chain for each portfolio company. The most material topic will be how we work with and improve our portfolio companies. To address the adverse impact of our portfolio, we do materiality updates of all our portfolio companies. Common denominators for the group are GHG emissions, use of energy, and waste management. In a diverse portfolio these topics are regarded as the most material KPIs to follow up across companies. Each portfolio company also performs its own materiality analysis in order to follow up the environmental performance that is the most material for their business.

APPROACH

Continuously strengthening the sustainability performance is essential for optimising our portfolio of green-tech companies. Arendals Fossekompani seeks to achieve long-term value through our investments. Crucial to our long-term success is a solid sustainability framework, ensuring proper governance and compliance, a great working environment, and a focus on our contribution to the green transition. All our investments are subject to a sustainability onboarding processes, which include an initial materiality assessment and the identification of sustainability focus areas for the company.

Once onboarded, our portfolio companies are integrated in the annual sustainability assessments and reporting processes. To be aware of risks and opportunities, we conduct climate risk assessments of all our companies annually. Each year, we will also be screening eligibility and alignment with the EU Taxonomy Regulations for all companies.

Carbon accounting is a fundamental tool in identifying tangible measures to reduce GHG emissions. Our annual Carbon Accounting Report enables Arendals Fossekompani to benchmark performance indicators and evaluate progress over time for all portfolio companies. From the nature of the businesses in the AFK Group comes that we have not registered any biogenic CO₂-emissions in 2022. None of our businesses are involved in processing of biologically based materials.

Our Carbon Accounting Report for 2022 has been compiled with assistance from CEMAsys and is based on the international standard; A Corporate Accounting and Reporting Standard, developed by the Greenhouse Gas Protocol Initiative (GHG Protocol). The GHG Protocol is the most widely used and recognised international standard for measuring greenhouse gas emissions (GHG) and is the basis for the ISO standard 14064-1.

Our Carbon Accounting Report provides an overview of the group's GHG emissions, which is an integrated part of Arendals Fossekompani's climate strategy. In order to strengthen the sustainability performance of our portfolio companies, we monitor GHG emissions for Scope 1 and Scope 2, in addition to a limited Scope 3 reporting.

All emissions data are provided on a group level, using the operational control method. 2021 is chosen as the base year for emissions in AFK Group, since emissions from ENRX (former EFD Induction) was not included in the emissions data collected in 2020. Reported emissions are based on all known emissions, which are documented by invoices. Emissions are assumed to be based on all purchases made in 2022. The assumptions and emission factors used for calculations are included in the Carbon Accounting Report 2022.

PERFORMANCE

Scope 1 includes all direct emission sources. For the group, we are reporting emissions related to transportation, chemical processes, stationary combustion, and refrigerants, which amounted to 1,614 tons of CO₂e in 2022.

Scope 2 includes indirect emissions related to purchased energy; electricity and heating/cooling where the organisation has operational control. For the group, we are reporting emissions related to electricity use, district heating, and electrical vehicles. Using a location based approach¹, this amounted to 2,447 tons of CO₂e in 2022. With market based electricity calculations, the total Scope 2 is 4,052.7 tons of CO₂. The electricity emission factors used are based on national gross electricity production mixes from the International Energy Agency's statistics (IEA Stat), and emission factors per fuel type are based on assumptions in the IEA methodological framework. Factors for district heating/cooling are either based on actual (local) production mixes, or average IEA statistics.

In 2022 the total amount of energy produced from these two hydropower plants was 351 GWh, this equals the amount of energy sold in the power market. Total production of energy from the AFK Group, equals the production from our hydropower plants at Bøylefoss and Flatenfoss. Total use of energy in AFK Group is equals energy consumption minus energy sales: 26 GWh-351 GWh= -325 GWh. The energy consumptions is the sum of the energy consumption of AFK Parent Company and all the portfolio companies. The two major energy consumers of the portfolio companies in the group is ENRX and Tekna, which both have industrial processes that require use of energy in order to produce their end products. The rest of the portfolio companies are less material energy consumers, since their consumptions mostly are related to use of energy in office buildings and in transportations, with some exceptions.

Scope 3 includes indirect emissions resulting from value chain activities. The Scope 3 emissions are a result of the upstream and downstream activities, which are not controlled by the company, i.e. they are indirect. For the group, we are reporting Scope 3 emissions related to waste generation and management, other fuel- and

energy related activities, business travel and employee commuting, which amounted to 3,394 tons of CO₂e in 2022.

In total, Arendals Fossekompani and its portfolio companies emitted 7,455 tons of CO₂e in 2022. Using a market-based approach, this amounts to 9,061 tons of CO₂e.

In 2022, several sustainability projects were carried out together with our portfolio companies:

- Sustainability onboarding of new AFK investments marked the initial implementation of sustainability frameworks for several companies.
- An initial assessment of the EU Taxonomy gave us an indication of eligibility and alignment of our portfolio.
- Climate risk assessments, based on TCFD recommendations, helped identify material risks and opportunities in our portfolio companies.

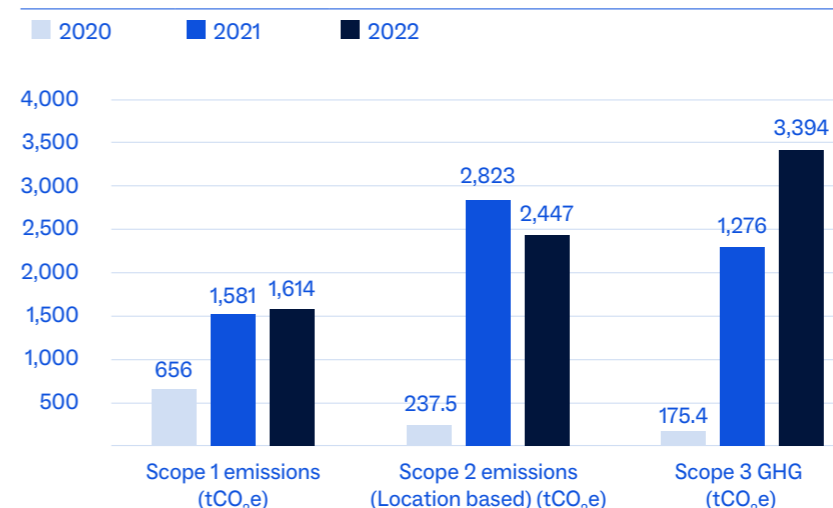
LOOKING FORWARD

We will continue to work together with our portfolio companies to support their sustainability efforts and encourage improvements in their materiality assessments. Our objective is to be in full compliance with the EU Taxonomy, and we will map the consequences and changes necessary for our reporting requirements to be according to the new sustainability reporting directives.

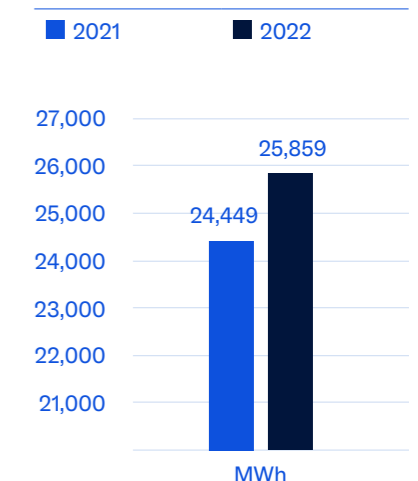
In 2022, Arendals Fossekompani committed to and submitted science-based emission reduction targets, in line with the Science Based Target initiative (SBTi) criteria and recommendation. The targets will be validated in 2023, and after this, we will continue to report on our emissions and progress towards meeting our 2030 targets. Arendals Fossekompani are committed to reducing absolute Scope 1 and Scope 2 GHG emissions from 2021 level by 42% by 2030. The following activities are planned for 2023:

- Map the financial implications of climate risk and opportunities, as well as mapping the costs we have taken to manage such risks.
- Map other important adverse environmental impacts in the portfolio.
- Follow up on our commitment to the Science Based Targets initiative.

GHG EMISSIONS¹



ENERGY CONSUMPTION



1. Former portfolio company, Cogen, is not included. EFD Induction did not report GHG emissions in 2020.

A Great Place to Work

Diversity and Equality

MATERIALITY

In Arendals Fossekompani, we believe that a workforce with a wide array of skills and backgrounds drives productivity and performance.

We are mindful that if not managed correctly, Arendals Fossekompani could have a potential negative impact on diversity and equality. That is why this is a strategic focus area not only for us, but also for each of the portfolio companies that Arendals Fossekompani is invested in. Ensuring a diverse and equal workplace is also mentioned in our Code of Conduct, to which all portfolio companies are expected to adhere.

Today, Arendals Fossekompani's actual and potential impact on diversity and equal opportunity is first and foremost positive: We are a global company empowered by a diverse workforce of 2,445 employees from 25 countries. The number of female employees is steadily increasing and women are filling important roles across our global portfolio. This is important for our future value creation both in the short, medium and long term.

Our ambition is to preserve and continue to build an inclusive company culture with zero tolerance for discrimination, whether it is based on grounds of gender, age, disability, ethnicity, sexual orientation, or religious belief.

APPROACH

In 2022, Arendals Fossekompani Parent Company carried out a project to address the Norwegian Equality and Anti-Discrimination Act and Arendals Fossekompani's Activity and Reporting Obligation. This work resulted in a separate report where we map the status of equality and diversity. The Activity and Reporting Obligation Report is also linked to the certification program Equal Workplace. The report is found on our webpage.

We regularly check in with the portfolio companies to ensure that they are in compliance with relevant laws and regulations regarding equality and diversity, and we encourage portfolio companies to conduct their own mapping in accordance with the Activity and Reporting Obligation, to discover the status of diversity and equality in their own organisations. Our Code of Conduct was updated in 2022 to comply with the latest version of the Norwegian Equality and Anti-Discrimination Act, and all portfolio companies are expected to adhere to the Code of Conduct and its guidelines for equality, inclusion and non-discrimination. For more information on how we engage with the specific portfolio companies, please refer to the Optimizing Portfolio Companies chapter of this report.

To reflect our global operations, we have used the regions Europe, America, and Asia as significant location of operation. Several of our portfolio companies have more specific indicators on diversity, where diversity in nationalities is the most used.

Arendals Fossekompani is certified according to Equal Workplace (Likestill Arbeidsliv), a certification scheme run by Agder County. This is a certification that needs to be verified every three years. It facilitates continuous work with equality and diversity in the workplace and guides the certified organisations in the right direction with determined focus areas and criteria. Our certification has resulted in the establishment of an action plan for equality and diversity efforts, with targets for 2022 through 2025. We have already set up a new HR system as a part of our action plan, to secure equal follow-up by all employees.



The work we have done to address both the The Equality and Anti-Discrimination Act and the Equal Workplace certification, will be a great guidance and roadmap in continuing our journey towards better inclusion and greater diversity.

PERFORMANCE

AFK Group has conducted a survey in all portfolio companies to gather the information presented in the table Employee Diversity. GRI's definitions of full-time, part-time, permanent, and temporary employee has been used. Compared to 2021, the number of employees in AFK Group has increased. This is mainly due to acquisition of IPT Technology, establishment of Ampwell and acquisition of Commeo, and many new hires in Alytic. ENRX, Ampwell, Alytic and NSSLGlobal have workers with non-guaranteed hours. Information about gender and region could not be obtained for 2022.

In 2021, we defined specific goals for gender equality, applicable for the entire group of AFK companies. Gender equality is measured at three corporate levels: Board of Directors, C-suite positions, and total work force. At year-end 2022, there were 28% women on our Boards, 14% women in C-suite positions and 20% women in the total work force. The decrease of 2% of women on the Boards is the result of three new companies that have been included in the portfolio during 2022. These companies do not yet have a full Board in place, leaving the CEOs as Chair of the Boards as of now. If we exclude these newly acquired companies, the percentage of women on the Boards would be 30%.

Annual total compensation for the highest paid individual (CEO) was NOK 7,665,484 in 2022 (percentage decrease from 2021: 16.18%). Annual total compensation for all employees was NOK 629,672 in 2022 (percentage increase from previous reporting period is not reported as we did not collect this information for 2021). The ratio between the annual compensation for the highest paid individual and the average annual compensation for employees is 8.2%. For more information regarding remuneration, please refer to the separate Remuneration report.

In November 2022, we hosted a Girls & Technology event in cooperation with The Confederation of Norwegian Enterprises (NHO). The project aims to increase the number of girls in technical education and professions and raise awareness about technical fields of study. By sharing our personal and company stories we hope to inspire these young girls, and perhaps welcome them as future employees in a few years.

LOOKING FORWARD

As part of the Equal Workplace certification process, an action plan is developed for the next three years. The goals set during the certification process are related to topics such as inclusive working environment, recruitment and career, and life phases. The goals include creating and improving routines for a better follow-up of employees in different life situations, training of leaders in managerial positions, professionalising the recruitment processes, increasing knowledge about equality and diversity, and generally raising the quality of internal processes related to equality and diversity.

Our portfolio companies are encouraged to work towards achieving the Equal Workplace certification, and we will create learning sessions on equality and diversity for all portfolio companies.

Our target is to achieve a share of 50% women in all our boards and C-suite positions by 2027.

EMPLOYEE DIVERSITY

All numbers are per 31.12.2022

Age group (AFK Group total):	< 30 years	30-50 years	> 50 years
Female	495 (20%)	96 (4%)	122 (5%)
Male	1,956 (80%)	322 (13%)	552 (23%)
Total	2,451	418 (17%)	674 (27%)
Age group (full-time employees):	< 30 years	30-50 years	> 50 years
Female	438 (19%)	85 (4%)	102 (4%)
Male	1,863 (81%)	279 (12%)	523 (23%)
Total	2301	364 (16%)	625 (27%)
Age group (part-time employees):	< 30 years	30-50 years	> 50 years
Female	57 (38%)	11 (7%)	20 (13%)
Male	93 (62%)	43 (29%)	29 (19%)
Total	150	54 (36%)	49 (33%)
Age group (permanent employees):	Europe	America	Asia
Female	475 (21%)	81 (4%)	120 (5%)
Male	1,794 (79%)	256 (11%)	541 (24%)
Total	2269	337 (15%)	661 (29%)
Age group (temporary employees):	Europe	America	Asia
Female	22 (12%)	18 (10%)	2 (1%)
Male	160 (88%)	73 (40%)	7 (4%)
Total	182	91 (50%)	9 (5%)
Region (organisation total):	Europe	America	Asia
Female	495 (20%)	385 (16%)	57 (2%)
Male	1,956 (80%)	1,342 (55%)	399 (16%)
Total	2,451	1,727 (70%)	456 (19%)
Region (full-time employees):	Europe	America	Asia
Female	438 (19%)	330 (14%)	55 (2%)
Male	1,863 (81%)	1,262 (55%)	388 (17%)
Total	2301	1,592 (69%)	443 (19%)
Region (part-time employees):	Europe	America	Asia
Female	57 (38%)	55 (37%)	2 (1%)
Male	93 (62%)	80 (53%)	11 (7%)
Total	150	135 (90%)	13 (9%)
Region (permanent employees):	Europe	America	Asia
Female	475 (21%)	368 (16%)	54 (2%)
Male	1,794 (79%)	1,218 (54%)	361 (16%)
Total	2,269	1,586 (70%)	415 (18%)
Region (temporary employees):	Europe	America	Asia
Female	21 (12%)	19 (10%)	3 (2%)
Male	155 (88%)	122 (67%)	38 (21%)
Total	182	141 (77%)	41 (23%)

DIVERSITY OF GOVERNANCE BODIES

Board of Directors	< 30 years	30-50 years	> 50 years
Female	16 (28%)	9 (16%)	7 (12%)
Male	41 (72%)	13 (23%)	28 (50%)
Total	2445	22 (39%)	35 (61%)
C-suite positions	< 30 years	30-50 years	> 50 years
Female	8 (14%)	5 (9%)	3 (5%)
Male	49 (86%)	26 (46%)	23 (40%)
Total	57	31 (54%)	26 (46%)
Executive level management	< 30 years	30-50 years	> 50 years
Female	34 (21%)	26 (16%)	6 (4%)
Male	132 (79%)	78 (47%)	52 (31%)
Total	166	104 (63%)	58 (35%)
Organisation total	< 30 years	30-50 years	> 50 years
Female	495	277 (11%)	122 (5%)
Male	1,956	1,082 (44%)	552 (23%)
Total	2,441	1,359 (55%)	674 (27%)

EMPLOYEE FUNCTIONS

Technical and production functions	< 30 years	30-50 years	> 50 years
Female	223	133 (8%)	42 (3%)
Male	1,447	821 (49%)	387 (23%)
Total	1670	954 (57%)	429 (26%)
Administrative functions	< 30 years	30-50 years	> 50 years
Female	201 (50%)	116 (29%)	57 (14%)
Male	199 (50%)	109 (27%)	71 (18%)
Total	400	225 (56%)	128 (32%)
Other functions	< 30 years	30-50 years	> 50 years
Female	32 (20%)	19 (12%)	6 (4%)
Male	132 (80%)	80 (49%)	39 (24%)
Total	164	99 (60%)	45 (27%)

REMUNERATION BETWEEN GENDERS AND EMPLOYEE CATEGORY

Job function		Europe		America		Asia	
		#	NOK	#	NOK	#	NOK
C-suite men	Remuneration	23	2,346,813	1	-	1	-
	Salary	36	1,839,879	*	*	*	*
C-suite women	Remuneration	-	-	-	-	-	-
	Salary	6	1,559,676	-	-	-	-
C-suite ratio women to men	Remuneration	-	-	-	-	-	-
	Salary	-	85%	-	-	-	-
BoD men	Remuneration	17	233,840	-	-	-	-
	Salary	6	400,383	-	-	-	-
BoD women	Remuneration	8	535,353	-	-	-	-
	Salary	9	411,255	-	-	-	-
BoD ratio women to men	Remuneration	-	229%	-	-	-	-
	Salary	-	103%	-	-	-	-
Non-executive women	Remuneration	63	643,492	3	-	2	-
	Salary	77	641,943	*	*	*	*
Non-executive men	Remuneration	192	787,941	9	1,246,501	10	1,211,055
	Salary	258	726,486	9	1,004,477	10	893,871
Non-executive ratio women to men	Remuneration	-	82%	-	-	-	-
	Salary	-	88%	-	-	-	-
Technical and production men	Remuneration	462	538,491	172	636,117	331	249,316
	Salary	829	598,264	172	502,710	331	215,201
Technical and production women	Remuneration	44	567,181	35	590,419	20	96,008
	Salary	136	639,336	35	487,526	20	72,799
Technical and production ratio women to men	Remuneration	-	105%	-	93%	-	39%
	Salary	-	107%	-	97%	-	34%
Administrative men	Remuneration	97	865,812	25	822,782	43	136,455
	Salary	110	766,403	25	650,212	43	103,394
Administrative women	Remuneration	105	485,391	18	882,892	32	105,465
	Salary	136	486,435	18	719,370	32	88,624
Administrative ratio women to men	Remuneration	-	56%	-	107%	-	77%
	Salary	-	63%	-	111%	-	86%
Other functions men	Remuneration	32	1,052,140	8	937,635	9	574,471
	Salary	83	732,272	8	781,368	9	509,984
Other functions women	Remuneration	7	1,291,617	2	-	-	-
	Salary	12	793,753	*	*	-	-
Other functions ratio women to men	Remuneration	-	123%	-	-	-	-
	Salary	-	108%	-	-	-	-

* Not displayed salary/remuneration of employee categories with less than 5 employees.

NON-DISCRIMINATION

Total number of incidents of discrimination during the reporting period	2
Incident reviewed by the organization	1
Remediation plans being implemented	1
Remediation plans that have been implemented, with results reviewed through routine internal management review processes	1
Incident no longer subject to action	1

Employee Satisfaction & Talent Attractiveness

MATERIALITY

Arendals Fossekompani aspires to be a preferred employer. It is important to retain knowledge and experience in the company, in addition to attracting new talents. We need great people to help develop and advise our portfolio companies, based on knowledge about new technologies. This is why 'Great Place to Work' is singled out as a strategically important focus area, and why employee satisfaction and talent attractiveness is a material topic.

Arendals Fossekompani's actual and potential impact on employee satisfaction and talent attractiveness can be both positive and negative. Poor management of the working environment can potentially lead to dissatisfaction, high turnover rate or sick leave, and failure to attract the talents we need. On the other hand, establishing clear guidelines for management and employees, and implementing measures aimed at enhancing the working environment and employee satisfaction, can make Arendals Fossekompani and our portfolio companies a preferred employer and a workplace where employees thrive and succeed.

APPROACH

At Arendals Fossekompani we offer favourable working conditions for our employees: We provide learning opportunities and contribute to the development of our employees' careers, and we provide our employees with flexibility, adjust tasks, working hours etc. if needed. The feedback we receive is that this gives room to combine a working life and a family life. We are currently in the process of mapping employee benefits in Arendals Fossekompani's portfolio companies, including benefits provided to full-time employees that are not provided to temporary or part-time employees.

As part of our Equal Workplace certification, we developed an action plan for the topic "Recruitment and career", focusing on professionalising the recruitment process, boosting attractiveness towards new talents, as well as developing the competencies of our employees. Another topic is "Life phases" which addresses different life situations employees can find themselves in, and where they need support, for example maternity/paternity leave, welfare leave, retirement, and more.

We strive for employee satisfaction and the highest possible talent attractiveness across the portfolio. We regularly follow-up our portfolio companies to see how they are doing.

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

New employee hires	Total	< 30 years	30-50 years	> 50 years
Female	132 (25%)	48 (9%)	68 (13%)	16 (3%)
Male	395 (75%)	163 (31%)	197 (37%)	35 (7%)
Total	527	211 (40%)	265 (50%)	51 (10%)
New hires per region	Total	Europe	America	Asia
Female	132 (25%)	108 (20%)	15 (3%)	9 (2%)
Male	395 (75%)	295 (56%)	41 (8%)	59 (11%)
Total	527 (22%)	403 (76%)	56 (11%)	68 (13%)
Employee turnover	Total	< 30 years	30-50 years	> 50 years
Female	95 (19%)	21 (22%)	41 (15%)	33 (27%)
Male	285 (15%)	66 (21%)	150 (14%)	69 (13%)
Non-binary	1 (-)	0 (0%)	1 (-)	0 (0%)
Total	381 (16%)	87 (21%)	192 (14%)	102 (15%)
Employee turnover per region	Total	Europe	America	Asia
Female	95 (19%)	72 (19%)	14 (26%)	9 (16%)
Male	285 (15%)	199 (15%)	51 (24%)	35 (9%)
Non-binary	1 (-)	1 (-)	0 (0%)	0 (0%)
Total	381 (16%)	272 (16%)	65 (24%)	44 (10%)

Turnover calculated as number of employees leaving divided by number of employees in the organisation for each employee category.

PERFORMANCE

Our goal for the Arendals Fossekompagni Group in 2022 was to have less than 3% absentee rate, the actual number was 3.0%. The turnover rate for Arendals Fossekompagni Group was 16% in 2022. The total number of new hires was 165, and the total number of employees leaving the Group was 137. The total number of employees who took parental leave during the year was 89, of which 30 were women and 59 were men.

As part of our work on employee satisfaction and talent attractiveness, we have professionalized our recruitment processes. These efforts have extended into a process of implementing a new recruitment system. We also increased employee benefits.

LOOKING FORWARD

Improvement plans for 2023 include the implementation of a new HR system for better structures for performance reviews and check-ins, updated job descriptions for all employees, and policies for parents-to-be, employees on parental leave, and senior employees. We will also acquire a recruitment/applicant tracking system, and include templates for pre-, on- and off-boarding in the HR system. We will ensure that we have good structures for deciding salary and salary reviews to prevent systematic differences and implement an employee handbook as part of the HR system. A HR group will be formed to share knowledge across the portfolio companies, work together to reach long-term goals, and achieve synergies across industries.

Health and Safety

MATERIALITY

Healthy and safe working conditions are recognized as a human right and addressed in authoritative intergovernmental instruments. Healthy and safe working conditions are also a Sustainable Development Goal. Healthy and safe working conditions involve both the prevention of physical and mental harm, and promotion of workers' health.

Failure to ensure healthy and safe working conditions could lead to an actual or potential negative impact, in which employees are harmed or injured while at work. In the most severe cases, unsafe working conditions could lead to long-term reduced health or even fatalities, which is an unacceptable risk.

APPROACH

Arendals Fossekompagni aims to have a positive impact on occupational health and safety, and this is a key priority and a strategic focus across our portfolio. We are committed to providing a healthy and safe working environment for all employees, and have conducted risk assessments, implemented guidelines, established management systems, and provided training to management and employees to prevent harm and promote health in the workplace. Our policies on health and safety are addressed in our Code of Conduct, which all our employees (100%) have signed, and which is also extended to our suppliers through our Business Partner Code of Conduct.

PERFORMANCE

Occupational health and safety management system

AFK Vannkraft has implemented a comprehensive internal control system, as required by law (the Norwegian Internal Control Regulations (Interkontrollforskriften)). Through the implementation of the occupational health and management system, we aim to protect people's lives and health, to protect nature and the environment against unintended stresses, to protect facilities, equipment and production, and to ensure a targeted and cost-effective operation.

All of our hydropower plant workers are included in the occupational health and safety management system. The main activities at the plants are to generate electricity at two locations in the Arendal watercourse, whereas the activities related to the production of hydropower are the main scope for the health and safety management system.

Hazard identification, risk assessment, and incident investigation

To identify work-related hazards and assess risks on a routine basis, AFK Vannkraft conducts risk and vulnerability analysis for continuous work by identifying and eliminating hazards, assessing risks and implementing improvement measures. These analyses are reviewed annually and audited when needed, and actions are taken to minimise the identified hazards and risks. Another measure to identify work-related hazards and assess risks, is the weekly safety rounds on the hydropower plant, in addition to a more comprehensive annual safety round on-site. We also perform a safe work analysis before starting a job that is not described in a policy, to secure health and safety in every job execution. Employees' job descriptions contains defined safety roles for each specific area of the on-site hydropower workers.

To identify work-related hazards and assess risks on a non-routine basis, AFK Vannkraft has established a whistleblowing system for employees to report incidents and irregularities, including situations that can potentially cause injury and ill health. This system also allows anonymous reporting of incidents. The process of reporting is described in the Whistle Blowing Policy which is found on our webpage. There is also a system for registration of any identified discrepancy that is identified.

Every inquiry or reported incident in these systems are treated by management and followed up with concrete actions.

The results of these measures are evaluated and reviewed on a regular basis, in order to improve both the occupational health and safety management system, as well as the measures taken.

Occupational health services

Arendals Fossekompni has established an occupational health services agreement with Avonova Helse, where a cooperation plan has been developed for activities designed to meet our HSE goals. Arendals Fossekompni has a zero vision for injuries and work-related sick leave. These activities have been implemented to meet this goal: regular risk assessments, training, and evaluation. As part of the risk assessment, employees are offered health checks, including a hearing and sight check. For training, a first aid course is held annually for employees in AFK Vannkraft. For evaluation, cooperation meetings are conducted. Avonova is supporting with safety rounds and measurements and risk assessments for employees located at Bøylefoss.

During 2022, Avonova assisted us with several activities. An occupational hygienist did a safety round and risk assessment at Bøylefoss. An HSE review was conducted, and an occupational hygienist gave advice with regards to drafting an instruction on the use of acid washing. In total ten health checks were conducted with employees at Bøylefoss and four health checks were conducted with employees in Arendal.

Worker participation, consultation, and communication on occupational health and safety

Employee elected safety representatives at Arendals Fossekompni participate in the consultation and implementation of the occupational health and management system. These representatives receive training through a dedicated course for safety representatives. The representatives are conducting safety rounds annually to ensure that all safety standards are fulfilled. To be able to receive input from all employees, a suggestion box is placed out in the hydropower station where employees anonymously can give feedback and improvement suggestions.

During the health checks with the occupational health services, a survey is conducted where topics such as working environment and social conditions are covered. An ergonomics review, which includes a workstation check, is scheduled annually. Finally, an assessment of light and noise is regularly conducted.

An HSE group is established and consists of two worker representatives and two representatives from the management. For Arendals Fossekompni, this includes a safety representative and a union representative. The CEO and the operations manager represents the management. The HSE group is an arena for exchange of experience and consultancy. The group can discuss any question related to employee wellbeing, working environment and safety - and recommend solutions. However, it is the organisation which is responsible for implementing the solution. The group is also assisting with training for the organisation. The HSE group normally meet twice a year or when needed.

Worker training on occupational health and safety

A first-aid course with focus on electrical incidents is conducted annually. In 2022 this was done in March. For personnel conducting work in overhead line installations, a course must be carried out yearly. A fire drill is conducted every second year. For employees that are particularly exposed (e.g. employees that are working in a heated environment, at heights / on scaffolds), necessary courses are provided.

Promotion of worker health

All employees are yearly offered flu vaccines. In 2022, the occupational health services provided vaccines for employees both in Arendal and at Bøylefoss. All employees are covered by the company's health insurance. This insurance covers expenses for treatments of work-related illness or injuries. In addition, employees are covered by the company's work illness insurance, leisure accident insurance, collective accident insurance, group life insurance, and travel insurance. All employees are offered health check-ups with focus on lifestyle. This health check-up gives employees advice on lifestyle topics such as diets and workouts.

Prevention and mitigation of occupational health and safety impacts directly linked to business relationships

The Business Partner Code of Conduct is based on the ten Principles of the United Nations Global Compact concerning human rights, labour rights, environmental responsibility and anti-corruption, and aims to prevent and mitigate negative occupational health and safety impacts that are directly or indirectly linked to our operations, products, or services by our business partners.

Extract from the Business Partner Code of Conduct: "AFK does not accept any involuntary labour and expects all its business partners to comply with all fundamental labour rights and applicable laws and regulations. Business partners shall ensure fair salaries, safe working conditions (including necessary supervision and protection from fire and other dangers), the right to organize, a good workplace environment, and have in place a whistleblowing procedure for the reporting concerns by employees."

"AFK and its business partners shall comply with applicable laws and regulations regarding the use, prohibition and restriction of hazardous substances and shall avoid the use of conflict materials, i.e. materials that originate from conflict areas and contribute to fund governments and movements which violate fundamental human rights."

	ENRX	Vergia	Ampwell	Tekna	AFK Property	Alytic	NSSL Global	Volue	AFK Parent Company
The number and rate of fatalities as a result of work-related injury	0	0	0	0	0	0	0	0	0
The number and rate of high-consequence work-related injuries (excluding fatalities)	0	0	0	0	0	0	0	0	0
The number of recordable work-related injuries	67	0	1	4	0	0	1	0	0
The rate of recordable work-related injuries	36	0	17	11	0	0	2,4	0	0
The main types of work-related injury	Cuts	n/a	Lacerations, bruises	Cuts and scratches	n/a	n/a	Minor cuts	n/a	n/a
The number of hours worked	1,853,609	1,907	60,720	372,839	2,978	106,493	414,497	1,262,085	54,930

ARENDALS FOSSEKOMPANI PARENT COMPANY

To identify work-related hazards and assess risks on a routine basis, AFK Parent Company conducts ROS analysis (risk and vulnerability analysis) for continuous work. To identify work-related hazards and assess risks on a non-routine basis, AFK has established a whistle blowing system for employees to report incidents and irregularities, including situations that can potentially cause injury and ill health and which employees wish to remove themselves from. Risks identified in the risk assessment will be used to eliminate hazards. The HSE group consists of two worker representatives and two representatives from the management team, who implement changes related to eliminating hazards. There have been no cases of high-consequence injuries in the reporting period.

AMPWELL

Determination of hazards has been done by Ampwell's safety expert through an annual hazard assessment, and respective measures are introduced in order to shut down and/or reduce hazards, if any. On-site inspections by the occupational safety and health committee are taking place on a quarterly basis (participants includes the external safety officer, in-house safety advisers, the external company doctor, the environmental management officer, and head of production). Standards, methodologies, and assumptions used for compiling this information includes:

- operating manual.
- risk assessments.
- hazard assessment.
- safety inspections.
- maintenance intervals of operating plant.
- CE-conformity of operating plant.
- application/implementation of legal provisions from DIN EN ISO 14001.
- training of in-house safety advisers
- training of in-house first aiders.
- training of in-house fire protection assistants.
- training of in-house adviser for hazardous goods.
- training of in-house environmental management officer.
- training of in-house laser advisers.
- training of in-house waste management officers.

There have been no cases of high-consequence injuries in the reporting period.

VERGIA

There have been no cases of high-consequence injuries in the reporting period.

VOLUE

Value's main business relates to software development, where the risk of high-consequence injuries is very low. Value's business related to Industrial IoT will in some cases involve a risk of work-related hazards. These risks are determined individually for each project based on a risk assessment, for example in the case of working with high voltage electricity. There have been no cases of high-consequence injuries in the reporting period.

NSSLGLOBAL

NSSLGlobal determines hazards by conducting Hazard IDs. The company conducts risk assessments to eliminate hazards and minimize risks using the hierarchy of controls. Standards, methodologies, and assumptions used to compile this information includes ISO 45001 certified our OH&S Management System. All accidents, incidents and near misses are recorded. There have been no cases of high-consequence injuries in the reporting period.

ALYTIC

Alytic's business relates to software development, where the risk of high-consequence injuries is very low. As a result, there have been no cases of high-consequence injuries in the reporting period.

TEKNA

Tekna determines hazards based on:

- Audits made with a partner organisation specialised in prevention that helps the company determine where measures can be taken to assure the safety of our personnel (mutuelle de prevention).
- Incident and accident log.
- Employee concerns that are brought to the health and safety committee.
- Risk analysis.

To eliminate hazards and minimize risks the company is currently working on:

- Improvement on some machines (automation) to reduce the human factor that may cause a potentially dangerous situation.
- Improvement to the lock out procedure and training to make it easier to use by employees.
- Improvement in the work methods and training in the machining department.
- Improvement on the hydrogen network to make it safer.

To eliminate other work-related hazards and minimize risks, the company:

- Complete inspection forms for the health and safety committee members.
- Look at improvement in the daily inspection forms for lifts and hoist.
- Adds the Prevention program on same level fall (slips/trip hazard).

Since 2022, Tekna have used OSHA standard methodologies for OHS reporting. For example, Tekna's internal LTIR and TRIR is calculated on a 200,000 hours basis. There have been no cases of high-consequence injuries in the reporting period. Workers who are not employees have been excluded from the calculations, as the information is not tracked.

ENRX

ENRX have determined several hazards, mainly related to machinery used. These hazards are mitigated by safety features at the machinery where possible and specific safety instructions and training where not possible. IPT identify hazards through yearly risk analyses. The results including actions taken are part of the safety instruction for all employees. No hazards have been identified in the reporting period. Actions are taken as part of the risk analysis and integrated into the local management system, which includes:

- Inspection forms for the health and safety committee members.
- Improvement in the daily inspection forms for lifts and hoist.
- Adding the Prevention program on same level fall (slips/trip hazard).

Since 2022, ENRX have used the OSHA standard methodologies for OHS reporting. For example, ENRX' internal LTIR and TRIR is calculated on a 200,000 hours basis. There have been no cases of high-consequence injuries in the reporting period. Workers who are not employees have been excluded from the calculations, as the information is not tracked.

AFK PROPERTY

To identify work-related hazards and assess risks on a routine basis, AFK Property conducts ROS analysis (risk and vulnerability analysis) for continuous work. To identify work-related hazards and assess risks on a non-routine basis, AFK Property has established a whistle blowing system for employees to report incidents and irregularities, including situations that can potentially cause injury and ill health and which they wish to remove themselves from. Risks identified in the risk assessment are used to eliminate hazards. The HSE group consisting of two worker representatives and two representatives from the management implement changes related to eliminating hazards. There have been no cases of high-consequence injuries in the reporting period.

LOOKING FORWARD

As part of the Equal Workplace certification and the Activity and Reporting Obligation, we plan to work with a HR system for AFK Parent Company that will ensure good handling of health and safety. We have conducted an extensive mapping of occupational health and safety risks linked to Arendals Fossekompani and our portfolio's activities, and in 2023 we will also set key performance indicators that will be measured and followed up on a regular basis. In 2023 we will evaluate the effectiveness of the actions taken and possibly consider implementing other measures and activities.



Community Engagement

Sponsorship, Partnerships and Other Investments

MATERIALITY

Since 1896, Arendals Fossekompani has contributed to building local societies. We are passionate about developing and contributing to sustainable local value creation, making the Agder region more attractive to visit and move to. Our ambition is to contribute to quality of life, strengthen local businesses, and attract and retain a competent workforce. We realize that contribution and participation in partnerships and local initiatives go beyond our own business goals.

APPROACH

Arendals Fossekompani Parent Company has a positive impact on local communities through sponsorships, partnerships, and cooperation with universities. Parts of our efforts are also directed at larger infrastructure initiatives and projects.

In 2022 we established a Sponsor- and Partnership Policy with a regional approach aimed at southern Norway where our presence is strongest. In this policy we specify our focus areas and criteria for support, which include culture, sports, education, and humanitarian and community-oriented purposes. We support partners and projects that promote sustainability, gender equality and societal development, and prioritize children and young people, and non-profit purposes and organizations.

Through our support, we seek to actively influence that our partners also contribute to community-oriented purposes and make a difference beyond their own core activity. The sponsor- and partnership committee in Arendals Fossekompani manages these activities.

Local community engagement is based on a mapping of local communities' needs, stakeholder engagement, local community consultation and more. Our sponsor and partnership criteria and examples of supported partners are disclosed at our webpage in the section: Local Communities.

Arendals Fossekompani Parent Company's support to infrastructure projects is subject to ongoing initiatives in the region, and vary from year to year. The sponsor- and partnership committee evaluates the initiatives. Any support to these projects is determined by the Board of Directors.

PERFORMANCE

All of Arendals Fossekompani Parent Company's operations (100%) have implemented local community engagement activities, impact assessments and/or development programs, for example including the use of social impact assessments, public disclosure of results of environmental and social impact assessments (through the annual report), local community development programs based on local communities' needs, and stakeholder engagement plans based on stakeholder mapping.

In 2022, Arendals Fossekompani Parent Company supported 45 organisations and projects. The socially beneficial activities of our portfolio companies are organised and implemented by each company, and the different companies have a variety of focus areas, depending on relevance to their business strategy, material topics and operations. As a result, there is no central collection of data that could be used to calculate the percentage of business locations where measures that involve local communities have been implemented.

Examples of our community engagement include:

Arendalsuka

Arendalsuka is an annual national meeting place for politics and business. Ever since its inception in 2012, Arendals Fossekompani has been a supporter and main sponsor.

Local sports teams

We proudly partner with local handball club ØIF Arendal, and footballers in Jerv and Arendal Fotball, which are all engaged in contributing to the society beyond sports achievements. Together with ØIF Arendal we collaborate on "Strandryddedagen" where young teams clean the beaches in and around Arendal. The support for Jerv has been earmarked for the establishment of a fund to help children in low-income families, as well as the club's street team. The support for Arendal Fotball is divided equally between the women's team and the men's team. Other sponsorship towards sports include Arendal Tennisklubb, Froland IL, IK Grane, Arendal Triathlon, IL Express, and more.

Agder Kunstfagskole

Support to the establishment of a higher education school for art education.

Trainee Sør & internships

Through the regional trainee program, offering young graduates a unique opportunity to get professional experience from a variety of businesses, we have engaged several trainees. In addition, we hire summer interns to offer young undergraduates and graduates the opportunity of professional experience. Our commitment to the regional trainee program Trainee Sør and the hiring of summer interns both contribute to increasing the overall competence in our region and are unique opportunities for recruitment of young professionals to Arendals Fossekompani.

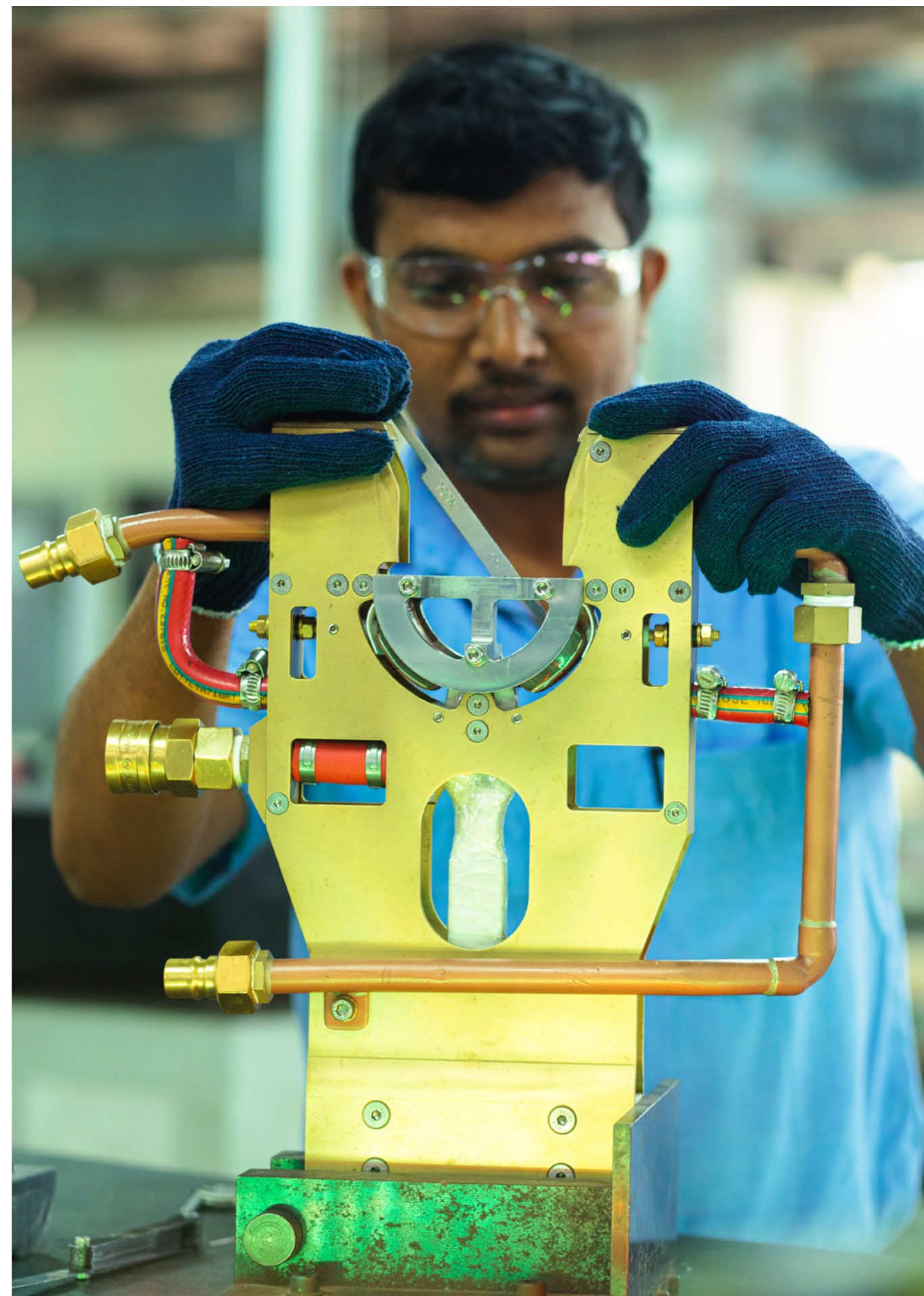
Other local engagement activities from 2022 include:

First Lego League Agder, a competition for elementary and middle school within science, technology, engineering, and math, Froland Skolemusikkorps, Tromøy Fritidsklubb and Idrettsleiren.

Additionally, in recent years, Arendals Fossekompani Parent Company has supported a variety of infrastructure projects. Formerly an industrial area, Løkholmen in Arendal was in 2021 transformed into a popular green islet for recreational activities. Together with Arendal Municipality we are currently working on realising a new swimming facility. In 2022 we supported «Kanalselskapet» which is working to reestablish the Arendal canals.

LOOKING FORWARD

We are further developing our community engagement approach and strategy, with the aim of becoming more proactive in areas and projects we support, to make an even greater impact. Moving forward we will also consider broadening our scope and goals.



Ambitions and Targets for 2023

Arendals Fossekompni is committed to improving our sustainability work and further reducing the impact we have on our planet. In 2023, we will continue measuring and improving our work related to our five focus areas for the whole group. For 2023, our main target is to ensure that AFK governance is in accordance with the OECD Guidelines for Multinational Enterprises and NUES. In 2023, AFK will apply to become a member of PRI: Principles for Responsible Investments, a UN-supported network working together to promote sustainable investments.



Ethical Business Conduct

In 2023, we will continue to improve our way of working with governance, risk, and compliance.

We will have a particular focus on the implementation of the Corporate Sustainability Reporting Directive. All enterprises that are covered by the act should perform due diligence assessments. AFK has launched a project to implement measures and plans to meet the requirements in the Transparency Act. AFK will also further assess the EU Taxonomy and publish numbers on eligibility and alignment according to the EU Taxonomy for 2023.

Improvement Activities in 2023

- Continuous improvement of our end-to-end process to follow up on business partners.
- Improving our global risk assessment process.
- Implementing engaging business ethics training concepts to build awareness and engagement.
- Digitalization or automation of identified compliance processes to increase efficiency.

Targets

- 100% of employees receive training in Code of Conduct.
- 100% of employees sign Code of Conduct.
- 100% of employees receive training in Whistleblower Policy.
- 100% of employees receive training in ICT security.

Responsible Investments

Responsible investment is an important topic to attract investors and long-term shareholder. AFK is looking for investments in the three core sectors where we have our strengths and competences: Digitalization, electrification and materials, and green energy. To ensure that all new investments and joint ventures comply with our standards related to ethical business conduct, we have established an onboarding process for all new investments. The key element in the onboarding process is to perform a materiality analysis according to the GRI standard.

Improvement Activities in 2023

- Onboarding according to our sustainability framework.
- EU taxonomy eligibility and alignment as investment criteria.
- Publish report on use of proceed related to green bonds.

Targets

- 100% sustainability onboarding of new investments.
- 100% EU Taxonomy eligibility potential in new investments.

Optimizing the Portfolio Companies

Arendals Fossekompni is an industrial investment company, supporting the green transition. Together with our portfolio companies, we will provide green, enabling technologies to accelerate global efforts to meet the goals of the Paris Agreement. We will provide a disclosure of our Scope 1 and Scope 2 emissions, together with a selection of our material Scope 3 emissions for the entire portfolio. Our pledge to meet the goals of the Paris Agreement requires us to evaluate how to reach this target. A roadmap will be developed in 2023, based on the Science Based Target initiative (SBTi).

Improvement Activities in 2023

- Conduct an assessment of the portfolio's alignment with the EU Taxonomy, in which the new Technical Screening Criteria will be evaluated.
- Re-evaluate our eligibility. The targets will be validated in 2023, and after this, we will continue to report on our emissions and progress towards meeting our 2030 targets.
- Map the financial implications of climate risk and opportunities, as well as mapping the costs we have taken to manage such risks.
- Map other important adverse environmental impacts in the portfolio.
- Follow up on our commitment to the Science Based Targets Initiative.

Targets

- Reducing absolute Scope 1 and Scope 2 GHG emissions by 42% by 2030.

Great Place to Work

Protecting labour rights and promoting a safe and secure work environment for our employees, continues to be our main priority for 2023. We will also advance in our work towards gender equality on all levels of our portfolio. Human rights are important for AFK, and we strive to work in compliance with the UN Guiding Principles for human rights.

In 2023, AFK will continue to measure and report on health and safety, including injuries, turnover, and absentee rate. Our long-term ambition is to ensure low levels in all these areas. For gender equality, our KPIs will be to measure the percentage of women in various parts of the organization.

Improvement Activities in 2023

Through the process of preparing the Activity and Reporting Obligations Report 2022, a set of strategic improvements projects for 2023 were defined. Primarily, we will expand our set of governing policies related to recruitment, wages, job descriptions, and career development. AFK will work towards our goals from the ARP. To improve communication with potential new attractive employees, we will further develop the career section on our website and improve our dialogue with Norwegian universities.

Targets

- 50% women in Board of Directors by 2027.
- At least 40% women in C-suite positions by 2027.
- Less than 3.0% absentee rate in 2023.

Community Engagement

Ever since the establishment of Arendals Fossekompni 127 years ago we have been passionate about developing the Arendal region. Moving forward, we will continue to support urban community projects, local sports teams, and cultural events and initiatives.

Improvement Activities in 2023

- Further developing our community engagement approach and strategy, with the aim of becoming more proactive in areas and projects we support, to make an even greater impact.
- Digitalization of the sponsorship processes and follow-up of existing partners and initiatives.
- Consider broadening our scope and goals.



Financial Statements

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STATEMENT OF INCOME

(1 000 NOK)

	Note	Group		Parent Company	
		2022	2021	2022	2021
Revenue		4 568 534	4 196 380	605 400	370 658
Other Income	1,2	18 002	35 910	22 687	11 713
Revenue and other income	1	4 586 536	4 232 290	628 087	382 372
Materials and consumables used		1 446 542	1 585 290	4 203	2 496
Employee benefit expenses	4	1 691 116	1 421 931	78 370	65 700
Other operating expenses	7	722 461	539 251	82 552	65 370
Operating expenses		3 860 120	3 546 472	165 124	133 566
EBITDA		726 417	685 819	462 963	248 805
Depreciation	5	183 679	170 718	11 532	11 367
Amortisation	6	104 308	58 370	1 934	1 934
Impairment loss property, plant and equipment	5	202	606		
Impairment loss intangible assets	6	9 489	5 897		
Operating profit		428 740	450 227	449 497	235 505
Finance income	8	118 486	46 574	601 459	1 470 955
Finance costs	8	81 201	152 889	54 503	125 486
Net financial items		37 285	-106 316	546 956	1 345 469
Share of profit or loss of associates and joint ventures	11	-40 405	-12 173		
Profit before income tax		425 620	331 738	996 454	1 580 974
Income tax expense	9	458 139	234 733	392 149	159 421
Profit (-loss) from continuing operations		-32 519	97 005	604 305	1 421 553
Profit (-loss) from discontinued operations	26		28 822		
Profit (-loss) for the year		-32 519	125 827	604 305	1 421 553
Attributable to					
Equity holders of the company		5 744	106 709	604 305	1 421 553
Non-controlling interests		-38 263	19 118		
Total		-32 519	125 827	604 305	1 421 553
Basic/diluted earnings per share (NOK)	22	0,10	1,95	11,02	25,92

STATEMENT OF COMPREHENSIVE INCOME

(1 000 NOK)

	Note	Group		Parent Company	
		2022	2021	2022	2021
Items that may be reclassified to statement of income					
Total Effect from Foreign Exchange		56 245	-69 907		
Change on Cash flow hedges		-8 582	-3 861		
Tax on cash flow hedges that may be reclassified to P&L	9	1 888	1 335		
OCI from discontinued operations			6 550		
Items that may be reclassified to statement of income		49 552	-65 883		
Items that will not be reclassified to statement of income					
Change in financial assets at fair value through OCI	16	-3 311	95 193	-3 311	95 193
Actuarial gains and Losses		-2 352	5 852	-2 615	2 823
Tax on OCI that will not be reclassified to P&L	9	838	-1 185	575	-621
Items that will not be reclassified to statement of income		-4 825	99 860	-5 351	97 396
Total Other Comprehensive Income (OCI)		44 727	33 977	-5 351	97 396
Profit (-loss) for the year		-32 519	125 827	604 305	1 421 553
Total Comprehensive Income		12 208	159 804	598 954	1 518 949
Attributable to					
Equity holders of the company		37 690	156 310	598 954	1 518 949
Non-controlling interests		-25 482	3 494		
Total		12 208	159 804	598 954	1 518 949
Total Comprehensive Income per share (NOK)		0,69	2,85	10,92	27,69

STATEMENT OF FINANCIAL POSITION

(1 000 NOK)

	Note	Group		Parent Company	
		2022	2021	2022	2021
Assets					
Property, plant and equipment	5	1 086 112	938 675	229 477	169 928
Intangible assets	6	1 756 782	1 091 977	8 731	10 664
Investments in associates and joint ventures	11	37 317	16 922	16 906	4 750
Investment in subsidiaries	3,11			1 751 829	1 623 119
Intercompany loans				320 728	5 050
Net pension assets	4	24 993	28 365	12 041	13 859
Non-current receivables and investments	12	263 696	264 323	170 609	173 548
Deferred tax assets	9	108 430	91 927	47 349	42 352
Non-current assets		3 277 331	2 432 190	2 557 669	2 043 269
Inventories	13	845 472	502 272		
Contract assets	13	136 970	150 780		
Accounts receivable	14	926 124	772 808	31 233	58 278
Other receivables	14	261 635	219 347	477 062	100 654
Derivatives - current assets:	16	11 065	11 317		
Other current assets	14	30 371	25 545		
Cash and cash equivalents	15	2 339 664	2 708 412	1 160 349	1 411 245
Financial assets at fair value through OCI	16	11 830	15 227	11 830	15 227
Current assets		4 563 132	4 405 709	1 680 476	1 585 404
Total assets		7 840 462	6 837 898	4 238 145	3 628 673

	Note	Group		Parent Company	
		2022	2021	2022	2021
Equity and liabilities					
Share capital	10	223 981	223 981	223 981	223 981
Other paid-in capital		21 800	10 120	21 800	10 120
Treasury shares		-110 012	-63 119	-110 012	-63 119
Other reserves		-6 608	-47 215	-2 630	681
Retained earnings		2 993 674	3 239 771	2 894 225	2 700 126
Capital and reserves attributable to owners of the company		3 122 836	3 363 537	3 027 365	2 871 788
Non-controlling Interests	11	661 511	545 306		
Total equity		3 784 347	3 908 843	3 027 365	2 871 788
Non-current bond loans	17,25	497 581	496 581	497 581	496 581
Non-current interest-bearing debt	17,25	353 067	169 850	153 307	
Pension liabilities	4	23 588	25 353	6 358	7 091
Other non-current liabilities	25	32 079	20 380		
Non-current provisions		1 950	10 300	1 600	10 000
Deferred tax liabilities	9	65 025	52 776		
Non-current lease liabilities	19,25	203 076	141 601	60 258	15 365
Non-current liabilities		1 176 366	916 841	719 105	529 037
Current interest-bearing debt	17,25	170 841	122 333		
Bank overdraft	25	110 873	114 100		
Derivatives - current liabilities	16	9 196	4 305		
Accounts payable	18	969 613	753 718	12 105	51 777
Payable income tax	9	436 746	187 002	374 830	112 023
Contract liabilities	13	233 496	166 505		
Current interest-bearing debt, intercompany				17 185	35 672
Current lease liabilities	19	58 454	64 449	2 300	3 897
Current provisions	18	117 662	92 710		
Other current liabilities	18	772 868	507 092	85 255	24 478
Current liabilities		2 879 748	2 012 214	491 675	227 848
Total liabilities and equity		7 840 462	6 837 898	4 238 145	3 628 673

Froland, 11 April 2023


Trond Westlie,
Chairman


Morten Bergesen,
Board Member


Didrik Vignæs,
Board Member


Christian Must,
Board Member


Stine Rolstad Brenna,
Board Member


Lise Lindbäck,
Board Member


Anne Grethe Dalane,
Board Member


Lars Peder Fensli,
Acting CEO and CFO

STATEMENT OF CASH FLOWS

(1 000 NOK)

	Note	Group		Parent Company	
		2022	2021	2022	2021
Cash flow from operating activities					
Net profit for the year, continuing operations		-32 519	97 005	604 305	1 421 553
Adjusted for					
Depreciation, impairment and amortization		297 677	235 592	13 466	13 301
Net financial items		-37 285	106 315	-546 956	-1 345 469
Share of profit from associates and joint ventures		40 405	12 173		
Gain/loss from sales of assets		-140	-468	-503	-348
Tax expense		458 139	234 733	392 149	159 421
Change in inventories		-276 034	176 267		
Change in trade and other receivables		-164 258	-278 692	3 086	-32 098
Change in trade and other payables		180 171	164 892	-38 644	31 936
Cash flow from internal accounts payable and receivable				25 924	-45 124
Change in other current assets		-15 960	8 948		20 422
Change in other current liabilities		248 519	171 554	61 932	10 847
Change in other provisions		-20 011	-25 497	-8 400	
Change in employee benefits		-1 861	-7 905	-1 530	-1 520
Tax paid		-193 717	-37 627	-112 023	3 224
Net cash from operating activities	A	483 124	857 290	392 806	236 144
Cash flow from investing activities					
Interest received and realized FX gains	8	60 220	16 917	45 855	11 563
Dividends received	8	3 659	2 698	97 229	87 191
Proceeds from the sales of PPE		4 220	5 479	503	348
Purchase of PPE and intangible assets		-358 488	-252 918	-23 828	-7 562
Purchase of shares in associates		-29 829			
Purchase of shares in subsidiaries (reduced by cash balance)	3	-224 159	-33 539		
Purchase of financial assets at fair value			-9 000		-9 000
Proceed from sale of financial assets at fair value		85	833 940	85	823 940
Purchase of other investments		-53 305	-76 749	-43 751	-51 452
Proceed from sale of other investments		5 916	35 167		35 167
Purchase of non controlling interests				-91 651	-46 900
Proceeds from the sales of shares in subsidiaries		5 409	1 183 245	5 506	1 333 515
Net cash from investing activities	B	-586 272	1 705 240	-10 052	2 176 809

STATEMENT OF CASH FLOWS

(1 000 NOK)

	Note	Group		Parent Company	
		2022	2021	2022	2021
Cash flow from financing activities					
Equity payments from/ to non controlling interests		17 699	636 748		
Cash from new borrowings	25	268 680	560 221	147 763	496 775
Repayment of long-term borrowings	25	-256 833	-673 015	-3 958	-525 131
Cash flow from internal loans and borrowings				-514 343	182 623
Cash flow from net change in current interest-bearing debt	25	2 686	-95 029		
Interest paid and realized FX losses	8	-54 738	-72 292	-33 675	-42 934
Payment of interest and currency swap			-105 916		-105 916
Dividend paid		-230 544	-1 797 893	-206 292	-1 775 958
Group Contribution				12 278	
Cash flow from treasury shares		-35 423	3 192	-35 423	3 192
Net cash from financing activities	C	-288 473	-1 543 985	-633 649	-1 767 349
Cash flow	A+B+C	-391 621	1 018 545	-250 896	645 604
Opening balance for cash and cash equivalents		2 708 412	1 688 228	1 411 245	765 641
FX effects on cash accounts		22 873	1 651		
Closing Balance for cash and cash equivalents		2 339 664	2 708 412	1 160 349	1 411 245
Unused credit facilities		2 194 085	2 270 996	1 947 000	2 000 000

STATEMENT OF CHANGES IN EQUITY

(1 000 NOK)									
Group									
	Note	Share capital	Other paid-in capital	Treasury shares	Other reserves	Retained earnings	Owner's equity	Non-controlling Interests	Total equity
Balance at 1 January 2021		223 981	7 675	-63 866	704 379	2 680 261	3 552 430	303 100	3 855 530
Profit (-loss) for the year						105 581	105 581	20 246	125 827
Total Other Comprehensive Income (OCI)					45 752	4 977	50 729	-16 752	33 977
Treasury shares			2 445	747			3 192		3 192
Transactions with non-controlling interests	8					1 282 985	1 282 985		1 282 985
Realization of financial asset at fair value through OCI					-797 829	797 829			
Issue of shares from non-controlling interests						515 925	515 925	130 154	646 079
Capital changes from subsidiaries					484	-114 432	-113 948	137 537	23 589
Dividends paid	10					-2 033 356	-2 033 356	-28 979	-2 062 335
Balance at 31 December 2021		223 981	10 120	-63 119	-47 215	3 239 771	3 363 537	545 306	3 908 843
Balance at 1 January 2022		223 981	10 120	-63 119	-47 215	3 239 771	3 363 537	545 306	3 908 843
Profit (-loss) for the year						6 034	6 033	-38 552	-32 519
Total Other Comprehensive Income (OCI)					33 385	-1 728	31 657	13 070	44 727
Effect of share based payment	4					11 327	11 327	3 883	15 210
Treasury shares			11 681	-46 893		-211	-35 423		-35 423
Transactions with non-controlling interests	3,10				-4 340	128 570	124 230	161 543	285 773
Capital changes from subsidiaries					11 563	18 664	30 226	43	30 269
Dividends paid	10					-408 752	-408 752	-23 783	-432 535
Balance at 31 December 2022		223 981	21 800	-110 012	-6 608	2 993 674	3 122 836	661 511	3 784 347

STATEMENT OF CHANGES IN EQUITY

(1 000 NOK)									
Parent Company									
	Note	Share capital	Other paid-in capital	Treasury shares	Other reserves	Retained earnings	Owner's equity	Non-controlling Interests	Total equity
Balance at 1 January 2021		223 981	7 675	-63 866	703 317	2 511 897	3 383 004		3 383 004
Profit (-loss) for the year						1 421 553	1 421 553		1 421 553
Total Other Comprehensive Income (OCI)					95 193	2 202	97 396		97 396
Treasury shares			2 445	747			3 192		3 192
Dividends paid	10					-2 033 356	-2 033 356		-2 033 356
Balance at 31 December 2021		223 981	10 120	-63 119	681	2 700 126	2 871 788		2 871 788
Balance at 1 January 2022		223 981	10 120	-63 119	681	2 700 126	2 871 788		2 871 788
Profit (-loss) for the year						604 305	604 305		604 305
Total Other Comprehensive Income (OCI)					-3 311	-2 040	-5 351		-5 351
Effect of share based payment	4					797	797		797
Treasury shares			11 681	-46 893		-211	-35 423		-35 423
Dividends paid	10					-408 752	-408 752		-408 752
Balance at 31 December 2022		223 981	21 800	-110 012	-2 630	2 894 225	3 027 365		3 027 365

Notes to the annual and consolidated financial statements for 2022

Accounting policies

INFORMATION ABOUT THE COMPANY

Arendals Fossekompni ASA is domiciled in Norway, and with headquarters in Bøylefoss, in the Municipality of Froland. The consolidated financial statements for financial year 2022 include the company and its subsidiaries (as a whole, referred to as "the Group"). Information about the companies included in the scope of consolidation is disclosed in Note 11, together with information about Group investments in associates.

BASIS FOR PREPARATION

The annual and consolidated financial statements have been prepared in accordance with 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 2022.

The annual and consolidated financial statements were approved by the board of directors on 11 April 2023.

The annual and consolidated financial statements will be submitted for adoption at the Annual General Meeting scheduled for 4 May 2023. 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 2022

No new standards have been adopted by the Company and the Group with effect from 1 January 2022.

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 consideration exceeds identifiable assets and liabilities:

- The consideration transferred; plus.
- Any non-controlling interest in the acquired entity; plus any gradual acquisition, the fair value of existing share-holdings in the acquired entity; less.
- Net value (normally fair value) of 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

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

SEGMENT REPORTING

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.

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 AT FAIR VALUE THROUGH PROFIT OR LOSS

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

OTHER

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

DERIVATIVES

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

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

Hedging activities

CASH FLOW HEDGE

When a derivative is designated as a hedging instrument on variability in cash flows for a recorded asset or liability, or for a highly probable forecast transaction, the effective portion of a change in fair value is recognised in other comprehensive income. The Group performs a qualitative assessment of hedging effectiveness. A hedging instrument is derecognised when it no longer satisfies hedge accounting criteria, sold, terminated or matures. The accumulated change in fair value recognised in other comprehensive income remains until the forecast transaction occurs. If the hedged item is a financial asset, the amount recognised in other comprehensive income is transferred to the income statement in the same period as the hedged item affects the income statement. If the hedged transaction is no longer expected to occur, the accumulated unrealised gains or losses are immediately recognised in the income statement.

FAIR VALUE HEDGING

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

Equity

ORDINARY SHARES

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

PURCHASE AND SALE OF TREASURY SHARES

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

DIVIDENDS

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

Property, plant and equipment

OWN ASSETS

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

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

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

POST-ACQUISITION COSTS

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

DEPRECIATION

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

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

Residual value is assessed annually unless it is immaterial.

LEASES

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

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

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

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

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

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

To determine the incremental borrowing rate, the group:

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

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

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Intangible assets

GOODWILL

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

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

OTHER INTANGIBLE ASSETS

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

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

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

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

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

SUBSEQUENT COSTS

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

AMORTISATION

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

Inventories

Inventories are recognised at the lower of cost and net sales value. Net sales value is the estimated sales price in ordinary operations, less the estimated costs for completion and sales costs.

Cost is based on the first-in first-out principle and includes costs incurred upon procurement of goods and the costs of bringing them to their present condition and location. For finished goods and work in progress, cost is calculated as a share of the indirect costs based on normal utilisation of capacity.

Construction contracts

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

Determining fair value

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

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

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

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

Property, plant and equipment

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

Trade and other receivables

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

Intangible assets

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

Investments in shares, bonds and funds

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

Non-derivative financial liabilities

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

Derivatives

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

Impairment

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

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

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

Calculation of recoverable amounts

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

Reversal of impairment

Impairments of goodwill are not reversed.

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

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

Employee benefits

DEFINED CONTRIBUTION PENSION PLANS

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

DEFINED BENEFIT PENSION PLANS

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

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

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

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

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

SHARE-BASED COMPENSATION

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

Provisions

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

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

Operating income

GOODS SOLD AND SERVICES RENDERED

Operating revenue is recognised when performance obligations are satisfied through the transfer of a good or service to the customer, either over time or at a point in time. By transfer is meant that the customer has obtained control of the good or service. The most central indicators of transfer of control is that the Group has obtained the right to payment for the good or service, that the customer has obtained the right to the good or service, that the Group has transferred physical control of the good or service, that the customer has taken on the significant risks and rewards related to ownership of the good or service. Operating revenue is presented net of sales-related taxes and rebates.

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

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

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

Revenue from energy sales is recognised at the transaction date.

FINANCIAL INCOME

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

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

GOVERNMENT GRANTS

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

Costs

LEASE PAYMENTS FOR OPERATING LEASES

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

FINANCIAL EXPENSES

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

Taxes

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

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

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

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

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

Cash and cash equivalents

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

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 2022. Based on the assessments made so far, it is assumed that coming standards and IFRIC approved by the EU will not have a material effect on the financial statements.

NOTE 1 SEGMENT REPORTING

(1 000 NOK)
Per 31.12.

	Hydropower		Group Management		Volve		NSSGlobal		ENRX	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Sales at a point in time	605 400	370 658			233 919	184 353	1 042 013	907 325	708 950	563 008
Sales over time					981 242	854 722			629 369	607 799
Other Income	618	2 568	22 830	9 146	4 307	21 603			6 262	8 389
Revenue and other income	606 018	373 226	22 830	9 146	1 219 468	1 060 678	1 042 013	907 325	1 344 581	1 179 196
Operating expenses	61 407	64 906	104 620	68 661	1 072 845	922 553	787 089	699 022	1 269 705	1 036 214
Depreciation, amortization and impairment	9 567	9 989	3 904	3 312	106 470	93 097	45 712	42 689	78 316	59 638
Operating profit	535 044	298 332	-85 693	-62 827	40 154	45 028	209 211	165 613	-3 439	83 344
Share of profit or loss of associates and JV										
Net financial items			546 954	1 345 469	-3 910	-5 525	27 058	12 155	-16 605	-10 973
Income tax expense	387 028	129 584	5 126	29 837	17 078	11 884	58 730	35 850	14 368	20 427
Profit (-loss) continuing operations	148 016	168 748	456 134	1 252 805	19 166	27 619	177 540	141 918	-34 413	51 945
Total assets	222 622	238 329	4 016 715	3 390 344	1 864 916	1 746 235	915 389	800 901	1 765 276	1 140 618
Total liabilities	447 710	170 891	764 312	585 994	1 056 191	979 359	391 148	342 850	1 381 458	735 622
Net interest bearing debt			-1 278 952	-950 260	-426 070	-382 075	-355 888	-321 947	424 747	30 963

NOTE 1 SEGMENT REPORTING

(1 000 NOK)
Per 31.12.

	Tekna		Property		Alytic		Ampwell		Vergia	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Sales at a point in time	152 489	129 447	23 543	500 151	39 342	26 904	105 265		938	
Sales over time	46 063	52 012								
Other Income	5 679	5 704	11 628	9 869	1 221	102	769			
Revenue and other income	204 231	187 164	35 171	510 020	40 564	27 006	106 035		938	
Operating expense	327 759	258 057	29 111	469 918	81 189	39 166	143 997		8 116	7
Depreciation, amortization and impairment	29 380	18 266	12 652	13 002	4 904	3 445	14 908			
Operating profit	-152 907	-89 159	-6 592	27 101	-45 528	-15 605	-52 871		-7 179	-7
Share of profit or loss of associates and JV	-11 149	-10 093					-2 100		-10 967	-2 081
Net financial items	-1 938	863	-3 358	-2 032	406	-106	-7 032		-86	
Income tax expense	839	-781	-488	8 202	-2 604	-721	-650			
Profit (-loss) continuing operations	-166 834	-97 607	-9 462	16 866	-42 518	-14 991	-61 352		-18 232	-2 088
Total assets	536 600	643 883	442 547	471 007	197 092	107 778	520 017		33 840	17 619
Total liabilities	147 705	113 070	236 387	255 740	64 632	27 515	489 313		24 513	10
Net interest bearing debt	-40 158	-214 578	134 901	68 404	-45 146	-25 394	373 209		4 911	-9 953

	Eliminations		Total	
	2022	2021	2022	2021
Sales at a point in time			2 911 860	2 681 847
Sales over time			1 656 674	1 514 533
Other Income	-35 312	-21 470	18 002	35 910
Revenue and other income	-35 312	-21 470	4 586 536	4 232 290
Operating expense	-25 718	-12 033	3 860 120	3 546 472
Depreciation, amortization and impairment	-8 135	-7 845	297 677	235 592
Operating profit	-1 460	-1 593	428 740	450 227
Share of profit or loss of associates and joint ventures	-16 189		-40 405	-12 173
Net financial items	-504 204	-1 446 166	37 285	-106 316
Income tax expense	-21 289	451	458 139	234 733
Profit (-loss) continuing operations	-500 563	-1 448 211	-32 519	97 005
Total assets	-2 674 551	-1 718 817	7 840 462	6 837 898
Total liabilities	-947 257	-281 989	4 056 111	2 929 061
Net interest bearing debt			-1 208 447	-1 804 838

Segment reporting

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.

Hydropower

Hydropower generates electricity at two locations in the Arendal water - course. The Bøylefoss and Flatenfoss power stations produce more than 500 GWh annually. All financial items have been allocated to the Administration segment.

Group Management

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

Volue

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

NSSL Global

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

ENRX

ENRX was formed through the combination of EFD Induction and the wireless charging solutions provider IPT Technology, which was acquired by AFK during the second quarter. ENRX delivers advanced green power technology based on induction technology, with activities in three main areas: Induction Heating Machines, Induction Power Systems, Spares and Services, and the new area of Wireless Charging Solutions. ENRX's primary customer base operates within the automotive industry, renewables/wind turbines, pipe production, the electronics industry, the cable industry, and mechanical engineering.

Tekna

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

Property

AFK Property comprises all property related companies and property investments.

Alytic

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

Ampwell

Ampwell was established by Arendals Fossekompani in 2022 to build an eco-system for battery technology and a Battery-as-a-Service business model. Ampwell will accomplish this by combining hardware, software, other technologies and dedicated competence. Ampwell is majority owner in the energy storage specialist Commeo GmbH and 40% ownership in the software company Collect Energy S.L.

Vergia

Vergia was established by Arendals Fossekompani in 2022. The Vergia ecosystem includes verticals such as small-scale hydropower, energy parks, power-to-x, off-shore wind and green fuel. Vergia is owned 100% by Arendals Fossekompani.

NOTE 1 GEOGRAPHICAL SEGMENTS

(1 000 NOK)

Geographical segments	Norway		Europe		Asia		North America		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue	1 200 009	2 366 197	2 370 382	1 802 931	616 381	483 647	399 765	366 916	4 586 536	4 232 290
Segment assets	3 553 373	14 164 847	3 049 811	2 296 486	603 470	516 987	633 809	517 030	7 840 462	6 837 898

Parent Company	Hydropower		Group Management		Total	
	2022	2021	2022	2021	2022	2021
Revenue and other income	606 018	373 226	22 070	9 146	628 087	382 372
Operating expenses	61 407	64 906	103 718	68 661	165 124	133 566
Depreciation, amortization and impairment	9 567	9 989	3 899	3 312	13 466	13 301
Operating income	535 044	298 332	-85 547	-62 827	449 497	235 505
Net financial items			546 956	1 345 469	546 956	1 345 469
Income tax expense	387 028	129 584	5 121	29 837	392 149	159 421
Profit (-loss) continuing operations	148 016	168 748	456 289	1 252 805	604 305	1 421 553
Total assets	222 622	238 329	4 015 522	3 390 344	4 238 145	3 628 673
Total liabilities	447 710	170 891	763 070	585 994	1 210 780	756 885
Net interest bearing debt			-1 279 127	-950 260	-1 279 127	-950 260

NOTE 2 OTHER INCOME

(1 000 NOK)

	Group		Parent Company	
	2022	2021	2022	2021
Other income	11 646	32 030	4 518	4 527
Other income, intercompany			17 667	6 839
Gain sales of assets	1 946	396	503	348
Grants/subsidies	4 470	3 484		
Other income	18 002	35 910	22 687	11 713

NOTE 3 BUSINESS COMBINATIONS

(1 000 NOK)

ACQUISITION OF COMMEO GMBH (AMPWELL SEGMENT)

On 6 April 2022 Arendals Fossekompni ASA acquired 54.9% of the issued share capital in Commeo GmbH, a German company specialising in energy storage and energy management solutions. Commeo provides solutions for commercial and industrial energy storage by manufacturing battery modules and rack systems, including control units and software for monitoring and data logging. Commeo's battery system is modular and therefore scalable from kW to MW scale. At acquisition date Commeo employs 50 people and plans to build new production facilities.

Acquisition of Commeo GmbH

Purchase consideration	
Cash paid	72 126
Deferred consideration	21 194
Total purchase consideration 54.9%	93 319

Total consideration based on 100.00%	169 981
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The assets and liabilities recognised as a result of the acquisition of Commeo GmbH on 100% basis are as follows:

Order backlog	7 554
Customer relationships	23 625
Technology	82 416
Property and plant	1 862
Vehicles, machinery and equipment	37 055
Inventory	43 561
Accrued revenues over time	1 052
Trade and other receivables	6 983
Cash and cash equivalents	6
Subordinated loan from shareholders (*)	-32 487
Deferred tax liability	-4 676
Loans and Borrowings	-100 780
Accruals	-2 580
Provisions	-34 141
Trade and other payables	-15 438
Other current liabilities	-62 732
Net identifiable assets acquired	-48 718

Added goodwill	218 699
Net assets required	169 981

The net identifiable assets are acquired at fair value. (*) In addition, Arendals Fossekompni has taken over as debtor for shareholders loans of total NOK 32.5 million.

The goodwill is attributable to the workforce and allocated to Ampwell segment. This acquisition is part of the Ampwell growth strategy to build an eco-system for battery technology and a Battery-as-a-Service business model. There is believed to be a significant growth potential for the products and services Commeo will be able to deliver within the Ampwell strategy.

The acquired business contributed with revenues of NOK 105 million and a net loss of NOK 47 million to the group for the period 6 April to 31 December 2022. If the acquisition had occurred on 1 January 2022, consolidated pro-forma revenues and profit for the year ended 31 December 2022 would have been NOK 123 million for revenues and NOK 56 million as a net loss.

Outflow of cash to acquire subsidiary, net of cash acquired

Cash consideration	72 126
Less cash acquired	-6
Net outflow of cash - investing activities	72 119

ACQUISITION OF FACTLINES AS (ALYTIC SEGMENT)

On 28 April 2022 Alytic AS acquired 62.4% of the issued share capital in Factlines AS, a Norwegian company specialising in offering a digital solution for securing responsible supply chains. Factlines supports the process from requirements and code of conduct - to risk analysis, follow-up and dialogue. On 1 July 2022 the Transparency Act entered into force in Norway. The purpose of the act is to promote enterprises' respect for fundamental human rights and decent working conditions in connection with the production of goods and the provision of services. Documentation of supply chains is now required by law, and Factlines offers a digital solution to ensure compliance with these new requirements.

Acquisition of Factlines AS

Purchase consideration	
Cash paid	983
Liquidity infusion by Alytic on behalf of NCI of 37.56%	9 059
Total purchase consideration 62.44%	10 043

Total consideration based on 100.00%	16 082
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The assets and liabilities recognised as a result of the acquisition of Factlines AS on 100% basis are as follows:

Other intangible assets	6 546
Vehicles, machinery and equipment	23
Trade and other receivables	2 518
Cash and cash equivalents (*)	179
Loans and Borrowings	-2 344
Provisions	-717
Trade and other payables	-2 818
Other current liabilities	-1 085
Net identifiable assets acquired	2 301

Added goodwill	13 781
Net assets required	16 082

The net identifiable assets are acquired at fair value. (*) Cash and cash equivalents before Alytic's liquidity infusion of total tNOK 24 123 into Factlines AS.

The goodwill is attributable to the workforce and allocated to Alytic segment. Factlines offers a highly competent team, a great software-as-a-service solution, a solid customer base and is believed to have a huge potential.

The acquired business contributed with revenues of tNOK 2 471 and a net loss of tNOK 5 063 to the group for the period April 28th to December 31st 2022. If the acquisition had occurred on January 1st 2022, consolidated pro-forma revenues and profit for the year ended 31st December 2022 would have been tNOK 4 385 for revenues and tNOK 6 830 as a net loss.

Outflow of cash to acquire subsidiary, net of cash acquired

Cash consideration	10 043
Less cash acquired	-179
Net outflow of cash - investing activities	9 864

ACQUISITION OF IPT TECHNOLOGY GMBH (ENRX SEGMENT)

On 19 May 2022 Induction Holding AS acquired 100% of the issued share capital in IPT Technology GmbH, a German company specialising in wireless energy for industrial and e-mobility applications. ENRX Group was established when ENRX Group acquired 100% of the shares in Induction Holding AS from Arendal Fossekompani ASA end of June 2022. IPT Technology GmbH and EFD Induction have complementary induction technology and with the trend towards electrification that is taking place in the industrial segment, and the general trend towards electric vehicles, it is believed to be a significant growth potential for the products and services these companies will be able to deliver together.

Acquisition of IPT Technology GmbH

Purchase consideration	
Cash paid	151 554
Total purchase consideration	151 554

The assets and liabilities recognised as a result of the acquisition of IPT Technology GmbH are as follows:

Order backlog	7 745
Customer relations	2 454
Technology	77 373
Vehicles, machinery and equipment	1 158
Inventory	11 048
Advances paid to suppliers	698
Trade accounts receivables	1 378
Other current receivables	1 202
Bank deposits	18 455
Deferred tax liability	-9 837
Trade and other payables	-6 501
Other current liabilities	-42 112
Advances received from customer	-9 914
Net identifiable assets acquired	53 147

Added goodwill	98 407
Net assets required	151 554

The acquired intangible assets consist of technology, patents, order backlog and customer relationships. The net identifiable assets are acquired at fair value.

The goodwill is attributable to the workforce and the high synergies between the two businesses. It will not be deductible for tax purposes. The acquired business contributed revenues of NOK 13,1 million and a net loss of NOK 23,2 million to the group for the period May 19th to December 31st 2022. If the acquisition had occurred on January 1st 2022, consolidated pro-forma revenues and profit for the year ended December 31st 2022 would have been NOK 16,7 million for operating revenues and NOK 35,4 million as a net loss.

Outflow of cash to acquire subsidiary, net of cash acquired

Cash consideration	151 554
Less cash acquired	-18 455
Net outflow of cash - investing activities	133 099

ACQUISITION OF LONGUM PROPERTY AS (PROPERTY SEGMENT)

In April 2022, AFK Property acquired 100% of the shares in Longum Property AS. Longum Property owns 170,000 sqm of mostly commercial land located outside the city of Arendal. The property is close to the E18 highway on route to the main production site of the coming Morrow battery factory. The land is also in the vicinity of Bedriftsveien 17, which is also in the portfolio of AFK property.

Acquisition of Longum Property AS

Total purchase consideration	9 282
Cash paid	9 282

The assets and liabilities recognised as a result of the acquisition of Longum Property AS are as follows:

Land	9 002
Trade accounts receivables	102
Cash and cash equivalents	205
Deferred tax liability	-738
Other current liabilities	-27
Net identifiable assets acquired	8 544

Added goodwill	738
Net assets required	9 282

The goodwill is solely related to deferred tax liability regarding added fair value of the acquired land. The acquired business contribution to revenues and cost for the group for the period are insignificant.

Outflow of cash to acquire subsidiary, net of cash acquired

Cash consideration	9 282
Less cash acquired	-205
Net outflow of cash - investing activities	9 077

SUBSIDIARIES ACQUIRED IN 2021

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

NOTE 4.1 EMPLOYEE BENEFIT EXPENSES

(1 000 NOK)

	Group		Parent Company	
	2022	2021	2022	2021
Salaries	1 579 526	1 336 072	62 573	53 199
Social security contributions	180 354	135 431	7 784	7 096
Pension costs	63 505	56 719	4 242	3 617
Capitalised cost	-207 360	-156 125		
Share-based payments	15 239		797	
Other benefits	59 852	49 834	2 973	1 789
Total employee benefits	1 691 116	1 421 931	78 370	65 700
Average number of full-time headcounts	2 381	2 179	35	28

2022	Salaries, fees	Previous year's bonus paid out this year	Benefits in kind	Total remuneration	Share-based payment	Accrued pension costs	Number of board meetings (i)
Senior executives							
Ørjan Svanevik, CEO	4 988	2 379	298	7 665	250	130	
Lars Peder Fensli, CFO	2 171	591	27	2 789	125	116	
Morten Henriksen, Executive Vice President	2 768	703	27	3 498	125	118	
Torkil Mogstad, Executive Vice President	2 028	513	27	2 568	125	96	
Ingunn Ettestøl, CSO	1 702	376	27	2 105	83	135	
Board members, audit and compensation committees							
Trond Westlie, Chairman from 06.05.2022	470			470			5
Jon Hindar, Chairman, til 06.05.2022 (iii)	205			205			5
Morten Bergesen, Deputy Chairman, (ii), (iii), (iv)	436			436			10
Didrik Vignsnes, Board Member	367			367			10
Christian Must, Board member	387			387			10
Heidi Marie Petersen, Board Member, until 06.05.2022	107			107			1
Kristine Landmark, Board Member, until 06.05.2022	107			107			4
Stine Rolstad Brenna, Board Member, (ii)	419			419			9
Lise Lindback, Board Member from 06.05.2022	250			250			5
Anne Grethe Dalane, Board member, from 06.05.2022 (ii)	269			269			5
Total remuneration	16 674	4 562	406	21 642	708	595	

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

(i) 10 Board meetings were held in 2022 and 13 in 2021.

(ii) Member of Audit Committee

(iii) Member of Compensation Committee

(iv) Member of Nomination Committee

In addition, tNOK 155 (186) was paid in pensions to former board members.

Senior executives participate in the collective pension scheme for employees of the parent company and subsidiaries. Refer to the description in the note on pensions. All companies in the Group have phased out defined-benefit pension schemes with effect from 31 December 2015. 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. Regarding loans and security provided to members of the management team, the Board of Directors and other elected bodies of the company refer to Note 24.

Employment terms for the CEO and other senior executives:

On 16 December 2022 it was announced that Ørjan Svanevik resigns as CEO of Arendals Fossekompni. Formal resignation date is 30 June 2023. The following severance pay has been agreed for the CEO in the event the termination of his employment: Salary will be paid during the notice period (6 months). In addition he will receive a severance pay amounting to 6 months of salary. Total accrued cost for severance pay for the CEO amounts to NOK 6,2 million including social security taxes.

As part of new incentive program for senior executives in AFK in May 2022, the CEO was given the right to buy 15 637 shares in the company at a 20% discount with a tie-in period of three years. Each year, Lars Peder Fensli, Morten Henriksen, Torkil Mogstad and Ingunn Ettestøl have the right to buy 7 819 shares on the same terms. As part of the severance agreement, the CEO may keep these shares after resignation. The shares are subject to the original requirements including the lock-up period.

Executives may borrow up to two-thirds of the purchase price for the shares on the same terms as ordinary employee loans. Loans are secured by a mortgage on the shares and run as long as the employment relationship lasts. As part of the severance agreement, the loan granted to the CEO may be continued after resignation and subject to the existing loan terms.

NOTE 4.2 PENSION LIABILITIES

(1 000 NOK)

PENSION OBLIGATIONS / COSTS

The Group's Norwegian companies are obligated to maintain an occupational pension scheme pursuant to the Mandatory Occupational Pension Scheme. The pension scheme satisfies statutory requirements. The pension scheme includes a retirement pension, disability pension and survivor pension. With effect no later than 31.12.2015, all the companies in the Group discontinued their defined benefit plan.

	Group		Parent Company	
	2022	2021	2022	2021
Pension liabilities				
Present value of unfunded liabilities	10 626	10 871	5 573	6 215
Present value of funded liabilities	76 592	79 341	45 927	45 891
Fair value of pension assets	-91 682	-95 967	-57 968	-59 750
Recognised employers' contributions	786	876	786	876
Present value of net liabilities	-3 679	-4 878	-5 683	-6 768
Of which presented as pension assets	24 993	28 365	12 041	13 859
Other pension liabilities	2 274	1 866		
Gross pension liabilities	23 588	25 353	6 358	7 091
Change in recognised net liability for defined-benefit pensions				
Net funded defined-benefit pension liability as at 1 January	-15 049	-3 586	-13 859	-9 621
Liability for unfunded schemes as at 1 January	10 327	7 197	7 091	7 197
Paid-in contributions	1 731	-815	-997	-1 070
Paid out from the scheme	-3 638	-4 378	-535	-549
Actuarial (gains) losses from other comprehensive income	1 095	-3 218	2 615	-2 823
Exchange rate changes, pension liabilities	418	-70		
Costs of defined-benefit schemes	10	534	2	98
Net liability for defined-benefit schemes as at 31 December	-5 106	-4 337	-5 683	-6 768
Costs recognised in the income statement				
Costs relating to this period's pension entitlements	373	444		
Interest on the liabilities	1 588	1 297	961	881
Expected return on pension plan assets	-1 946	-1 802	-1 120	-950
Recognised employers' contributions	-5	595	162	168
Expenses from defined benefit plans	10	534	2	98
Costs of defined-contribution pension schemes	61 954	54 477	2 922	2 178
Net interest on pension liabilities transferred to finance	222	438		70
Transfer effect of discontinuation of separate line in income statement	1 318	1 270	1 318	1 270
Total pension costs	63 505	56 719	4 242	3 617
Actual return on pension plan assets	-1 526	8 178	-950	5 515
Development of the Group's funded pension liabilities				
Present value of funded liabilities	76 592	79 341	45 927	45 891
Fair value of pension assets	-91 682	-95 967	-57 968	-59 750
Net result	-15 090	-16 625	-12 041	-13 859

NOTE 4.3 SHARE-BASED PAYMENTS

4.3.1 EMPLOYEE SHARE OPTION PLAN - VOLUE GROUP

The amended guidelines for remuneration of leading persons in the Volue group including the establishment of the share option plan was approved by the shareholders at the 2021 extraordinary general meeting.

The share option plan is based on a structure in which the Company's senior management and certain other key employees are granted share options in the Company. Each share option carries the right to acquire one share in the Company. The total number of share options that may be issued under the plan is 2,397,747 for the first-year grant of options and 2,867,621 for the second-year grant of options.

The share options vest three years after the date of grant (service condition) and will lapse if not exercised within seven years following the date of grant. For the share options to vest, a minimum average share price development of 4.5% p.a. is required (performance condition).

Upon any exercise of share options, the Company may settle its obligations by selling the relevant number of shares or by payment in cash. The share option plan has been treated as an equity-settled plan under IFRS. The strike price of the share options will be based on the volume weighted average share price over the ten last trading days preceding the grant date. The total profit each option holder may achieve shall be limited to 300% of the fair market value of the share at grant.

Summary of share options granted under the plan:

	2022		2021	
	Average exercise price per share option (NOK)	Number of options	Average exercise price per share option	Number of options
As at 1 January	70,00	1 781 085	0	0
Granted during the year	34,90	2 658 229	70,00	1 781 085
Exercised during the year	0	0	0	0
Forfeited during the year	70,00	107 875	0	0
As at 31 December	48,46	4 331 439	70,00	1 781 085
Vested and exercisable at 31 December		0		0

No options expired during the periods covered by the tables above.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price (NOK)	Share options 31 December 2022	Share options 31 December 2021
21-Dec-21	20-Dec-28	70,00	1 673 210	1 781 085
19-Dec-22	18-Dec-29	34,90	2 658 229	0
Total			4 331 439	1 781 085

Weighted average remaining contractual life of options outstanding at end of period

6.58 years 6.97 years

FAIR VALUE OF OPTIONS GRANTED

The assessed fair value at grant date of options granted during the year ended 31 December 2022 was NOK 7,6 per option (2021 – NOK 15,2). The fair value at grant date is independently determined using an adjusted form of the Black-Scholes model that considers the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option, and the volatilities of the peer group companies.

The model inputs for options granted:

- a. Options are granted for no consideration and vest after three years (service condition) and based on minimum share price development (performance condition). Vested options are exercisable for a period of four years after vesting.
- b. Exercise price 34,90 (2021 – 70,00)
- c. Grant date: 19 December 2022 (2021 – 21 December 2021).
- d. Expiry date: 18 December 2029 (2021 – 20 December 2028).
- e. Share price at grant date: 28,99 (2021 – 56,15).
- f. Expected price volatility of the company's shares: 40% (2021 – 40%).
- g. Expected dividend yield: 0.00% (2021 – 0.00%).
- h. Risk-free interest rate: 3.86% (2021 – 3.86%).

The estimated expected price volatility is based on median of volatilities of the peer group companies over an historical period of 5 years since Volue has a short historical period only. The estimated expected lifetime of the options is set at 5 years.

Total expenses arising from share options are recognized during the period as part of employee benefit expenses and based on expected vesting of 75% regarding service condition.

4.3.2 Employee share scheme - Arendals Fossekompni ASA

In May 2022, the Board of Directors in Arendal Fossekompni ASA approved a new incentive program for senior management and key employees which implies senior management is allowed to purchase a certain maximum number of shares in the Company each year. The shares are offered with 20% discount and three years lock-up period.

In May 2022, senior management and key employees purchased 49,856 shares from the Company with 20% discount and a lock-up period of three years resulting in a share price of NOK 287,78. The price has been calculated based on a weighted average stock market price of NOK 359,72 for the period 4-6 May.

4.3.3 Employee share scheme - Alytic Group

In 2021, the Board of Directors in Alytic AS approved a new incentive program for senior management and key employees which implies senior management is allowed to purchase a certain maximum number of shares in the Company each year. The shares are offered with 20% discount without any lock-up period.

During 2022, senior management and key employees purchased 63,100 shares from the Company with 20% discount resulting in a share price of NOK 93,33. The price has been calculated based on equity investments in the Company resulting in an estimated stock market price of NOK 116,66.

4.3.4 Employee share scheme - ENRX group

ENRX group granted performance shares to all employees for the share price of NOK 47,68 per share (exercise price) with a lockup period of 3 years. The cost of the equity settled transactions is determined by the fair value at grant date using an appropriate valuation model in form of a Discounted Cash Flow (DCF) model with several underlying assumptions. The fair value of the shares granted is calculated at NOK 77,64 per share. The value between the exercise price of the performance shares and the calculated fair value of the performance shares is expensed over the vesting period equal to the lockup period. The lockup period started 1 January 2022.

4.3.5 Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognized during the period as part of employee benefit expense were as follows:

(1 000 NOK)	2022	2021
Options issued under employee share option plan in Volue	9 100	0
Shares purchased under employee share scheme in AFK	800	0
Shares purchased under employee share scheme in Alytic	1 470	0
Shares purchased under employee share scheme in ENRX	3 870	0
Total expenses	15 240	0

NOTE 5 PROPERTY, PLANT & EQUIPMENT

(1 000 NOK) Group 2021							
Cost	Hydro power plants	Under construction	Vehicles, machinery and equipment	Buildings and land	Right-of-use vehicles, machinery and eq.	Right-of-use buildings and land	Property, plant and equipment
Balance at 1 January 2021	311 951	26 449	979 509	580 017	17 674	272 580	2 188 180
Additions	11	17 955	54 764	40 926			113 655
Aquisitions through business combinations			1 346			514	1 860
Disposal		42	-17 771	-33 918	8 846	-22 723	-65 523
Disposal of companies and businesses							
Transferred from under construction		-6 988	6 988				
No longer in use			-38 496	-400			-38 896
Change in RoU					-825	56 235	55 409
Effect of movements in exchange rates		850	10 095	2 024	-389	3 110	15 689
Balance at 31 January 2021	311 961	38 308	996 435	588 649	25 305	309 716	2 270 375
Depreciation and impairment losses							
Balance at 1 January 2021	-174 467		-792 661	-167 331	-3 934	-64 312	-1 202 704
Depreciation	-6 200		-69 752	-26 257	-6 414	-62 095	-170 718
Impairment			-606				-606
Reallocated to operating cost *			-11 030				-11 030
Aquisitions through business combinations			-270				-270
No longer in use			38 465	421			38 886
Disposal			16 107	11 036	-9 318	492	18 316
Change in RoU					3 425	2 936	6 361
Effect of movements in exchange rates			-8 397	-338	210	-1 410	-9 935
Balance at 31 January 2021	-180 666		-828 145	-182 469	-16 031	-124 388	-1 331 700
Book value at 1 January 2021	137 484	26 449	186 849	412 686	13 740	208 268	985 476
Book value at 31 December 2021	131 295	38 308	168 290	406 179	9 274	185 328	938 675

NOTE 5 PROPERTY, PLANT & EQUIPMENT

(1 000 NOK) Group 2022							
Cost	Hydro power plants	Under construction	Vehicles, machinery and equipment	Buildings and land	Right-of-use vehicles, machinery and eq.	Right-of-use buildings and land	Property, plant and equipment
Balance at 1 January 2022	311 961	38 308	996 435	588 649	25 305	309 716	2 270 375
Additions	5 946	40 698	91 746	11 748	191	890	151 217
Aquisitions through business combinations		1 075	35 334	10 774	200	2 204	49 587
Disposal	-73		-270 080	-1 038	-1 983	-7 844	-281 018
Transferred from under construction		-7 441	7 441				
Reclassification		-13 123	10 046	2 893	183		
No longer in use			-53 367	-1 043			-54 410
Change in RoU					5 266	103 042	108 309
Effect of movements in exchange rates		3 008	18 755	7 609	993	8 808	39 173
Balance at 31 December 2022	317 833	62 526	836 310	619 560	30 156	416 816	2 283 201
Depreciation and impairment losses							
Balance at 1 January 2022	-180 666	0	-828 145	-182 469	-16 031	-124 388	-1 331 700
Depreciation	-6 106		-73 271	-26 810	-7 133	-70 355	-183 674
Impairment			-202				-202
Aquisitions through business combinations				-3 548			-3 548
Reclassification			0	174	-174		
No longer in use			53 181	1 229			54 410
Disposal	73		267 055	10	1 983	7 844	276 966
Change in RoU					1 435	10 568	12 003
Effect of movements in exchange rates		0	-15 800	-2 601	-565	-2 463	-21 429
Balance at 31 December 2022	-186 699	0	-597 181	-214 015	-20 400	-178 793	-1 197 089
Book value at 1 January 2022	131 295	38 308	168 290	406 179	9 274	185 328	938 675
Book value at 31 December 2022	131 134	62 526	239 129	405 545	9 756	238 023	1 086 112

* Reallocation is due to change in accounting principles regarding cloud computing (SaaS arrangements).

Provision of security

As at 31 December 2022 operating assets in the subsidiaries with a book value of tNOK 316 762 (2021: tNOK 343 078) were pledged as security for bank loans (see Note 17).

NOTE 5 PROPERTY, PLANT & EQUIPMENT

(1 000 NOK)

Parent Company 2021

Cost	Hydro power plants	Under construction	Vehicles, machinery and equipment	Buildings and land	Right-of-use vehicles, machinery and eq.	Right-of-use buildings and land	Property, plant and equipment
Balance at 1 January 2021	311 951	2 966	13 940	4 756		22 576	356 188
Additions	11	5 222	1 954				7 187
Disposal			-1 336				-1 336
Transferred from under construction		-1 953	1 953				
Change in RoU					504	1 170	1 673
Balance at 31 December 2021	311 961	6 235	16 511	4 756	504	23 746	363 713
Depreciation and impairment losses							
Balance at 1 January 2021	-174 467		-7 338			-1 949	-183 753
Depreciation	-6 200		-1 855		-14	-3 298	-11 367
Disposal			1 336				1 336
Balance at 31 December 2021	-180 666		-7 857		-14	-5 247	-193 785
Book value at							
1 January 2021	137 484	2 966	6 602	4 756		20 627	172 435
31 December 2021	131 295	6 235	8 653	4 756	490	18 499	169 928

NOTE 5 PROPERTY, PLANT & EQUIPMENT

(1 000 NOK)

Parent Company 2022

Cost	Hydro power plants	Under construction	Vehicles, machinery and equipment	Buildings and land	Right-of-use vehicles, machinery and eq.	Right-of-use buildings and land	Property, plant and equipment
Balance at 1 January 2022	311 961	6 235	16 511	4 756	504	23 746	363 713
Additions*	5 946	-5 055	22 938				23 828
Disposal	-73		-421				-494
Transferred from under construction							
Change in RoU						47 253	47 253
Balance at 31 December 2022	317 833	1 180	39 028	4 756	504	70 999	434 300
Depreciation and impairment losses							
Balance at 1 January 2022	-180 666		-7 857		-14	-5 247	-193 785
Depreciation	-6 106		-1 742		-168	-3 516	-11 532
Disposal	73		421				494
Balance at 31 December 2022	-186 699		-9 179		-182	-8 763	-204 823
Book value at							
1 January 2022	131 295	6 235	8 653	4 756	490	18 499	169 928
31 December 2022	131 134	1 180	29 849	4 756	322	62 236	229 477

* Negative addition of under construction assets of tNOK 5 055 is a reversal of wrongly capitalized costs that should have been expensed as operating expenses.

NOTE 6 INTANGIBLE ASSETS

(1 000 NOK) Group 2021						
Cost	Goodwill	Other intangible assets	Concessions	Capitalised development cost	Intangible assets under development	Intangible assets and goodwill
Balance at 1 January 2021	700 526	431 062	12 250	462 079	46	1 605 963
Additions		1 476		120 171	16 750	138 396
Aquisitions through business combinations	25 879	23 978		7 158		57 015
Reclassification		-20 779		9 387	11 392	
No longer in use		-138 674		-266 812		-405 487
Under development		-1 489			1 489	
Effect of movements in exchange rates	1 219	3 857		1 317	120	6 513
Balance at 31 January 2021	727 624	299 430	12 250	333 300	29 796	1 402 401
Amortization and impairment losses						
Balance at 1 January 2021	-39 459	-282 983	-7 069	-312 107		-641 618
Amortization		-16 468	-245	-41 658		-58 370
Impairment	-1 174	-73		-4 650		-5 897
Aquisitions through business combinations		-591				-591
No longer in use		138 674		266 767		405 441
Effect of movements in exchange rates	-4 045	-5 101		-242		-9 388
Balance at 31 January 2021	-44 678	-166 541	-7 314	-91 891		-310 424
Book value at 1 January 2021	661 068	148 079	5 181	149 972	46	964 345
Book value at 31 December 2021	682 946	132 889	4 936	241 409	29 796	1 091 977

NOTE 6 INTANGIBLE ASSETS

(1 000 NOK) Group 2022						
Cost	Goodwill	Other intangible assets	Concessions	Capitalised development cost	Intangible assets under development	Intangible assets and goodwill
Balance at 1 January 2022	727 624	299 430	12 250	333 300	29 796	1 402 401
Additions		27 004		176 347	5 175	208 525
Aquisitions through business combinations	331 625	174 383		31 376		523 302
Reclassification		654		-556	-98	
No longer in use		-11 587				-11 587
Under development				3 838	-3 838	
Effect of movements in exchange rates	16 189	21 425		1 859	632	54 188
Balance at 31 January 2022	1 075 438	511 310	12 250	546 165	31 666	2 176 829
Amortization and impairment losses						
Balance at 1 January 2022	-44 678	-166 541	-7 314	-91 891		-310 424
Amortization	-204	-42 175	-245	-61 684		-104 308
Impairment		-808		-8 680		-9 489
Aquisitions through business combinations		-1 797				-1 797
Reclassification		649		-649		
No longer in use		10 544				10 544
Effect of movements in exchange rates	1 750	-5 480		-844		-4 573
Balance at 31 December 2022	-43 131	-205 609	-7 559	-163 748		-420 047
Book value at 1 January 2022	682 946	132 889	4 936	241 409	29 796	1 091 977
Book value at 31 December 2022	1 032 307	305 701	4 691	382 417	31 666	1 756 782

NOTE 6 INTANGIBLE ASSETS

(1 000 NOK) Parent Company 2021						
Cost	Goodwill	Other intangible assets	Concessions	Capitalised development cost	Intangible assets under development	Intangible assets and goodwill
Balance at 1 January 2021		8 539	12 250		46	20 835
Additions		375				375
No longer in use		-384			-46	-430
Balance at 31 December 2021		8 530	12 250			20 780
Amortization and impairment losses						
Balance at 1 January 2021		-1497	-7 069			-8 566
Amortization		-1 689	-245			-1 934
No longer in use		384				384
Balance at 31 December 2021		-2 802	-7 314			-10 116
Book value at 1 January 2021		7 042	5 181			12 268
Book value at 31 December 2021		5 728	4 936			10 664

Parent Company 2022

Cost	Goodwill	Other intangible assets	Concessions	Capitalised development cost	Intangible assets under development	Intangible assets and goodwill
Balance at 1 January 2022		8 530	12 250			20 780
Balance at 31 December 2022		8 530	12 250			20 780
Amortization and impairment losses						
Balance at 1 January 2022		-2 802	-7 314			-10 116
Amortization		-1 689	-245			-1 934
Balance at 31 December 2022		-4 490	-7 559			-12 049
Book value at 1 January 2022		5 728	4 936			10 664
Book value at 31 December 2022		4 040	4 691			8 731

NOTE 6 INTANGIBLE ASSETS

(1 000 NOK) A breakdown of the allocation of intangible assets between the companies is provided below.						
	Other intangible assets	Goodwill	Concessions	Capitalised development cost	Intangible assets under development	Total
Intangible assets by company						
Arendals Fossekompani	4 040		4 691			8 731
Volue	49 407	271 184		290 221	12 552	623 364
ENRX	80 558	219 611		55 675	1 139	356 983
NSSLGlobal	640	271 145				271 785
Tekna	46 656			6 642	8 860	62 158
Alytic	13 429	47 434		20 247	9 116	90 227
Ampwell	110 970	222 195		9 632		342 797
AFK Property		738				738
Total intangible assets	305 701	1 032 307	4 691	382 417	31 666	1 756 782

Other intangible assets consist mainly of technology, patents and trademarks, customer relationships and customer contracts. Capitalised development cost consist mainly of software development and platform development. 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 2022 has been calculated in the same way as in 2021. Budgets have been used for 2023 and long-term forecasts from strategy plans for the period up to 2027. In addition, a convergence period of 5 years is applied to bridge 2027 financials to a terminal period with an applied growth rate of 2.0%. The risk-free interest rate has been assessed separately for each company. A risk premium between 5.9% and 7.0% was used in the calculations. Moreover, scenario weighting and peer multiple analyses are used for sensitivity purposes. Special circumstances relating to the individual calculations are commented on below.

Volue

Volue is listed on Oslo Stock Exchange and the value as per 31.12.2022 was MNOK 4,050 while the booked equity of the company as per 31.12.2022 was MNOK 809. The marked value can decrease by more than 80% before an impairment may be needed.

ENRX

The Required Rate of Return (WACC before tax) has been set to 11.5%. 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 3.0%. A sensitivity analysis based on a unilateral change in estimated future EBITDA shows that a reduction of more than 31% may lead to impairment. Equivalently, a 2.7 percentage point change in WACC may cause impairment.

NSSLGlobal

The Required Rate of Return (WACC before tax) has been set to 11.2%. The risk-free rate of return has been set to 3.3%. When calculating the WACC consideration is given to the fact that the company's earnings are in GBP and USD. A sensitivity analysis based on a unilateral change in estimated future EBITDA shows that a reduction of more than 73% may lead to impairment.

Tekna

Tekna is listed on Oslo Stock Exchange and the value as per 31.12.2022 was MNOK 739, while the booked equity of the company as per 31.12.2022 is MNOK 389. The marked value can decrease by more than 47% before an impairment may be needed.

Alytic

The Required Rate of Return (WACC before tax) has been set to 12.6%. When calculating the WACC, consideration is given to the fact that the company's earnings are mainly in NOK, and that the portfolio companies to a large degree have a SaaS business model. The risk-free rate of return has been set to 2.8%. A sensitivity analysis based on a unilateral change in estimated future EBITDA shows that a reduction of more than 52% may lead to impairment.

Ampwell

Goodwill of NOK 222 million is related to the acquisition of Commeo GmbH in 2022. We refer to note 3 for the purchase price analysis at acquisition date. Goodwill is determined in Euro and subject to FX translation effects at reporting date.

SUMMARY

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

RESEARCH AND DEVELOPMENT COST

In 2022 development costs of tNOK 176 347 were capitalized (2021 tNOK 120 171). Other research and development costs in the Group are expensed as they arise and amounted to tNOK 84 282 in 2022 and tNOK 74 288 in 2021.

Volue capitalize development cost related to development of a wide range of software solutions for the energy and infrastructure industries. The development of these software products will help customers manage and optimize their operations, assets, and resources in the future. The software products that Volue develop and capitalize include: Energy Trading and Risk Management software: Enables energy traders to manage their physical and financial trades, as well as monitor and analyze market data and risks. Energy Market Analysis software: Provides customers with up-to-date market information and analytics, helping them make informed decisions about energy trading and pricing. Power System Analysis software: Helps customers manage and optimize their power grids, by providing real-time monitoring, forecasting, and optimization tools. Asset Management software: Helps customers manage their assets throughout their lifecycle, from planning and construction to operation and maintenance. Geographic Information System software: Enables customers to manage and analyze geographical data, helping them make informed decisions about infrastructure planning and management. Water and Wastewater Management software: Helps customers manage their water and wastewater treatment plants, by providing real-time monitoring, forecasting, and optimization tools.

NOTE 7 OTHER OPERATING COSTS

	Group		Parent Company	
	2022	2021	2022	2021
(1 000 NOK)				
Other operating cost				
Contractors	9 622	16 447		
Maintenance property, plant and equipment	45 556	37 819	19 135	14 294
Loss sales of other non-current assets	70	116		
Premises, service and office costs	76 527	47 089	3 870	2 923
Audit and other fees	191 676	130 788	22 410	15 676
Consession fees	2 903	3 482	2 903	2 888
Company cars, lifts and trucks	3 923	11 419	317	244
Communication costs	9 519	5 177		
Travelling costs, indirect	43 670	15 404	2 270	690
Sales and marketing costs	69 880	23 538	4 530	52
Manufacturing indirect costs	26 855	21 132	111	128
Other operating costs (Misc.)	61 689	14 833	9 620	12 203
Insurances	13 807	10 899	1 822	1 789
ICT costs	67 591	98 194	8 358	7 853
Property tax	9 304	10 953	4 532	5 545
Loss allowance	-311	257		
Bad debts	5 461	6 245		
Operating costs, IC			2 671	1 084
Restructuring	39 388	1 386		
Other direct costs	44 893	84 332		
Other operating expenses	722 461	539 251	82 552	65 370
Remuneration to auditor				
Statutory audit	14 420	14 520	2 072	3 058
Other assurance services	1 268	1 381	27	23
Tax advice	1 503	1 137	27	74
Other non-audit services	9 066	5 201	905	120
Total remuneration to auditor	26 257	22 240	3 031	3 276

NOTE 8 FINANCE INCOME AND FINANCE COSTS

	Group		Parent Company	
	2022	2021	2022	2021
Finance income				
Interest income, intercompany			14 732	3 272
Interest income	35 778	14 287	24 750	8 203
Currency exchange income (net)	74 616	27 979	40 151	6 791
Other finance income	4 433	1 610	356	88
Gain on partial sale of subsidiaries *			325 421	1 282 985
Gain/loss on total sale of subsidiaries				82 425
Dividend income	3 659	2 698	3 009	2 698
Dividend income, intercompany			94 220	84 494
Group contribution income IFRS, intercompany			98 819	
Finance cost				
Interest expense	38 268	44 933	23 971	30 188
Interest expense cashpool	2 132	1 281		
Interest expense on lease	7 526	7 257	740	581
Currency exchange expense (net)	17 567	12 011	5 751	9 890
Other finance cost **	15 707	87 408	13 206	84 828
Impairment loss on subsidiaries			10 836	
Finance costs	81 201	152 889	54 503	125 486
Net financial items	37 285	-106 316	546 956	1 345 469

* Sale of IPT Technology and profit from dividend in kind Tekna Holding ASA included in 2022 figures.

In 2021 partial sale and listing of Volue ASA (gain of NOK 1 145 million) and Tekna Holding ASA (gain of NOK 138 million) were included. In the group accounts these gains has been recognized directly in equity.

** 2022 figures includes impairment of investment in NorSun AS with tNOK 10 835 (77 737).

NOTE 9.1 TAX EXPENSE

Ordinary income tax in Norway:

- Ordinary income tax on general income. The tax rate was 22% in 2021 and 2022. The 22% tax rate was used to calculate deferred tax assets and deferred tax liabilities as at 31 December 2022.

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 taxation of income from use of natural resources like hydropower. The resource rent tax for hydropower 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. Effective resource rent tax on hydropower has been increased from 37% to 45% with effect from the 2022 fiscal year. Small hydropower stations do not pay resource rent tax. Corporate tax is calculated before resource rent tax on hydropower. An effective resource rent tax rate of 45% therefore means that the formal resource rent tax is set at 57.7%. The total marginal tax (resource rent tax and corporate tax) will then be 67% for hydropower. In addition, high-price contribution is set at 23% of power revenues that exceed NOK 0.70 per kWh. This means that total marginal tax will be 90% for hydropower exceeding NOK 0.70 per kWh.
- High-price contribution tax is introduced as a new tax for hydropower from 28 September 2022. The high-price contribution is set at 23% of power revenues that exceed NOK 0.70 per kWh. The tax brings the marginal tax rate for higher profits to 90%. The tax will be calculated based on monthly average spot prices for each price area, but use actual contract price for any industrial contracts. In addition to the standard deduction of NOK 0.70 per kWh, the tax base is adjusted for realised gains and losses on certain hedging instruments and certain deductible expenses. Management therefore considers the tax base to represent a net amount. In addition, the tax is imposed on the same tax subjects as for ordinary income tax and resource rent tax. Furthermore, it is the owners of the tax-transparent energy producers who are responsible for the tax, and the tax is not deductible for any other income tax. If management had concluded that the tax base did not represent a net result, the tax would have been treated as a levy within the scope of IAS 37, with the consequence that the tax would have been presented as an operating expense. Since Arendals Fossekompani do not have any derivative that could influence the level of the high price contribution in future periods, there are no deferred tax consequences related to the tax, and the amount recognised as an expense in 2022 would be the same according to IAS 37 and IAS 12.

Based on statements made by the government, the high-price contribution is considered as a situational and temporary high-price tax that is expected to be removed within the end of the year 2024.

INCREASED TAX BURDEN

The tax provision for 2022 reflects the changes in the tax regime for Norwegian hydropower producers. Increase of resource rent tax and introduction of high-price contribution has resulted in an incremental income tax expense amounting to NOK 75 million in 2022.

	Group		Parent Company	
	2022	2021	2022	2021
Current tax expense				
Natural resource tax for the year	6 266	8 028	6 266	6 592
Tax payable on general income less natural resource tax	206 763	119 595	125 475	16 766
High-price tax contribution	34 130		34 130	
Adjustment for previous years	-1 955	-288		
Resource rent tax payable for the year	230 700	95 533	230 700	105 431
Total current tax	475 904	222 868	396 570	128 790
Deferred tax expense				
Effect of change in temporary differences	-12 412	15 597	920	29 816
Effect of changed tax rate	-12	-3 956		
Effect of change in temporary differences, resource rent tax	514	224	514	815
Effect of changed tax rate, resource rent tax	-5 855		-5 855	
Total deferred tax expense	-17 765	11 865	-4 421	30 631
Total tax expense in the income statement	458 139	234 733	392 149	159 421
Reconciliation of effective tax rate				
Total pre tax income	425 620	331 738	996 454	1 580 974
Tax based on current ordinary tax rate	93 636	72 982	219 220	347 814
High-price tax contribution	34 130		34 130	
Resource rent tax for the year	225 359	106 246	225 359	106 246
Effect of different tax rates abroad	-3 701	-5 505		
Calculated tax	349 425	173 724	478 709	454 060
Effect of non-deductible expenses	89 837	53 116	6 678	26 662
Effect of non-taxable income	-36 573	-21 933	-93 237	-321 302
Effect of unrecognised tax loss carryforward	77 812	42 095		
Effect of changed tax rates	-39	-4 729		
Effect of changed tax assessments for previous years	-20 958	-9 547		
Over-/underprovision relating to previous years	-1 365	2 007		
Tax expense in reconciliation of effective tax rate	458 139	234 733	392 149	159 421
Current ordinary tax rate in Norway	22,0%	22,0%	22,0%	22,0%
Effective tax rate	108,4%	70,8%	39,4%	10,1%
Tax recognised in other comprehensive income (OCI)				
Tax on OCI that may be reclassified to P&L	1 888	1 335		
Tax on OCI that will not be reclassified to P&L	838	-1 185	575	-621
Total tax recognised in OCI	2 726	150	575	-621

Tax payable

Tax payable of tNOK 436 746 (2021: tNOK 187 002) for the Group and tNOK 374 830 (2021: tNOK 112 023) for the parent company consists of unassessed tax payable for the current period.

NOTE 9.2 DEFERRED TAX

	(1 000 NOK) Group					
	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
Property, plant and equipment	27 598	31 923	-38 478	-43 825	-10 880	-11 902
Goodwill, intangible assets	7 211	7 509	-40 505	-23 960	-33 293	-16 451
Non-current receivables and liabilities in foreign currency	2 663	698	-1 043	-519	1 620	179
Construction contracts			-3 733	-4 634	-3 733	-4 634
Inventories	11 655	10 410		-247	11 655	10 163
Trade and other receivables	991	1 150			991	1 150
Leases	18 396	17 338	-1 547	-180	16 849	17 158
Untaxed gains and losses	556	817	-9	-11	547	806
Provisions	10 632	8 075	-280	-229	10 352	7 846
Other assets	611	35	-5 072	-5 353	-4 460	-5 318
Financial instruments	2 023		-145	-1 007	1 878	-1 007
Employee benefits	51	1 717	-3 755	-3 708	-3 704	-1 991
<i>Tax loss carryforward</i>	<i>203 094</i>	<i>158 474</i>		<i>1 377</i>	<i>203 094</i>	<i>159 851</i>
<i>Unrecognised tax loss carryforward</i>	<i>-180 311</i>	<i>-144 045</i>		<i>-111</i>	<i>-180 311</i>	<i>-144 156</i>
Recognised tax loss carryforward	22 783	14 429		1 266	22 783	15 695
Total deferred ordinary income tax	105 172	94 100	-94 566	-82 407	10 606	11 693
PPE, resource rent tax	32 800	27 459			32 800	27 459
Total deferred resource rent tax	32 800	27 459			32 800	27 459
Deferred tax asset/liability	137 972	121 559	-94 566	-82 407	43 405	39 151
Offsetting of assets and liabilities	-29 541	-29 631	29 541	29 631		
Net deferred tax asset/liability	108 430	91 927	-65 025	-52 776	43 405	39 151
Parent Company						
Property, plant and equipment	15 732	16 238			15 732	16 238
Leases		60				60
Gains and losses account	68	84			68	84
Employee benefits			-1 250	-1 489	-1 250	-1 489
Total deferred ordinary income tax	15 799	16 382	-1 250	-1 489	14 549	14 893
PPE, resource rent tax	32 800	27 459			32 800	27 459
Total deferred resource rent tax	32 800	27 459			32 800	27 459
Deferred tax asset/liability	48 599	43 841	-1 250	-1 489	47 349	42 352
Offsetting of assets and liabilities	-1 250	-1 489	1 250	1 489		
Net deferred tax asset/liability	47 349	42 352			47 349	42 352

NOTE 9.3 CHANGE IN DEFERRED TAX OVER THE YEAR

(1 000 NOK)
Group 2021

	Total Opening Balance	Changes in Net Income	Reclassi- fication	From OCI	Change in tax loss carry- forward	Mergers and acqui- sitions	Group Contribution Received/ Paid	Total Effect from Foreign Exchange	Closing Balance
Ordinary income tax									
Property, plant and equipment	-8 229	6 441	-7 509	1		-3 084		518	-11 863
Goodwill, intangible assets	-22 131	-294	7 509			-2 397		862	-16 451
Construction contracts	-5 046	383						29	-4 634
Inventories	11 289	-985						-141	10 163
Trade and other receivables	1 042	65				2		41	1 150
Leases	12 858	4 678				-115		-252	17 168
Untaxed gains and losses	855	-171							684
Provisions	8 718	-1 333						282	7 668
Other items	-7 710	4 226	342			-2 175		203	-5 114
Financial instruments	22 429	-24 768		1 332				0	-1 007
Employee benefits	1 818	-2 552		-1 185		-41		-57	-2 017
Tax loss carryforward	29 343	3 261			-9 806	425	-7 234	-43	15 947
Total ordinary income tax	45 237	-11 050	342	148	-9 806	-7 385	-7 234	1 441	11 693
Property, plant and equipment	28 303	-845							27 459
Loss carried forward - Resource rent	3 334	30			-3 364				
Total resource rent tax	31 637	-815			-3 364				27 459
Total change in deferred tax	76 874	-11 864	342	148	-13 170	-7 385	-7 234	1 441	39 151

NOTE 9.3 CHANGE IN DEFERRED TAX OVER THE YEAR

(1 000 NOK)
Group 2022

	Total Opening Balance	Changes in Net Income	Reclassi- fication	From OCI	Change in tax loss carry- forward	Mergers and acqui- sitions	Group Contribution Received/ Paid	Total Effect from Foreign Exchange	Closing Balance
Ordinary income tax									
Property, plant and equipment	-11 863	-753	2 675			-615		-668	-11 223
Goodwill, intangible assets	-16 451	522	-2 675			-14 171		-1 975	-34 750
Non-current rec. and liab. in for. currency		-177	1 728					70	1 620
Construction contracts	-4 634	1 146						-7	-3 495
Inventories	10 163	1 389						515	12 067
Trade and other receivables	1 150	-31				2		30	1 150
Leases	17 168	-491			-30			394	17 041
Gains and losses account	684	-137							547
Provisions	7 668	2 777						188	10 632
Other items	-5 114	559				-49		-185	-4 789
Financial instruments	-1 007	997		1 888				0	1 878
Employee benefits	-2 017	-240	-1 728	838		-89		125	-3 111
Tax loss carryforward	15 947	6 862			-738	39		927	23 038
Total ordinary income tax	11 693	12 424		2 726	-768	-14 883		-586	10 606
Property, plant and equipment	27 459	5 341							32 800
Total resource rent tax	27 459	5 341							32 800
Total change in deferred tax	39 151	17 765		2 726	-768	-14 883		-586	43 405

NOTE 9.3 CHANGE IN DEFERRED TAX OVER THE YEAR

(1 000 NOK) Parent Company 2021									
	Total Opening Balance	Changes in Net Income	Reclassi- fication	From OCI	Change in tax loss carry- forward	Mergers and acqui- sitions	Group Contribution Received/ Paid	Total Effect from Foreign Exchange	Closing Balance
Ordinary income tax									
Property, plant and equipment	16 704	-467							16 238
Leases	4	56							60
Gains and losses account	106	-21							84
Financial instruments	23 506	-23 506							
Employee benefits	-533	-334		-621					-1 489
Tax loss carryforward	12 246	-5 544			-6 702				
Total ordinary income tax	52 033	-29 816		-621	-6 702				14 893
Property, plant and equipment	28 303	-845							27 459
Loss carried forward - Resource rent	3 334	30			-3 364				
Total resource rent tax	31 637	-815			-3 364				27 459
Total change in deferred tax	83 670	-30 631		-621	-10 066				42 352

Parent Company 2022

Ordinary income tax									
Property, plant and equipment	16 238	-506							15 732
Leases	60	-60							
Gains and losses account	84	-17							68
Employee benefits	-1 489	-337		575					-1 250
Total ordinary income tax	14 893	-920		575					14 549
Property, plant and equipment	27 459	5 341							32 800
Total resource rent tax	27 459	5 341							32 800
Total change in deferred tax	42 352	4 421		575					47 349

NOTE 10 EQUITY

	Share capital	
	Ordinary shares	
	2022	2021
Issued as at 31 December – fully paid	55 995 250	55 995 250
	55 995 250	55 995 250

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

DIVIDEND

The Company pay dividend quarterly. The following dividend has been paid; In February (for Q4), tNOK 49 407 (tNOK 38 419), in May tNOK 52 174 (tNOK 1 646 605 - Q1 and additional), in September tNOK 52 171 (tNOK 43 819) and in November tNOK 52 078 (tNOK 46 620). In addition shares in Tekna Holding ASA (in 2021 Volue ASA) have been distributed as dividend (5 shares in AFK gave 1 share in Tekna). Value of this dividend was tNOK 202 460 (tNOK 257 398). No dividend is paid on treasury shares.

	Ordinary dividend	
	Approved 2022 and paid in 2022	Approved 2021 and paid in 2021
Paid	206 292	1 775 958
Value of shares	202 460	257 398
Total	408 752	2 033 356

NOTE 11 GROUP COMPANIES

(1 000 NOK)

Subsidiaries	Domicile	Shareholding		Non-controlling		Value in parent	
		2022	2021	2022	2021	2022	2021
Volue ASA	Oslo	60,1%	60,1%	327 948	311 968	304 295	304 295
NSSL Global Ltd	UK	80,0%	80,0%	104 848	91 610	273 298	273 298
ENRX ASA / EFD Induction AS	Skien	95,1%	96,1%	18 354	5 661	453 036	410 988
Alytic AS	Arendal	95,0%	96,0%	39 610	20 025	140 219	74 100
Tekna Holding ASA	Arendal	71,1%	79,9%	109 136	108 104	321 744	361 426
AFK Property AS	Arendal	100,0%	100,0%	7 351	7 937	227 692	184 060
Vergia AS / AFK Energy AS	Arendal	100,0%	100,0%			31 343	14 950
Ampwell AS	Arendal	100,0%		54 263		100	
AFK Tyskland Holding AS	Arendal	100,0%				100	
				661 511	545 306	1 751 829	1 623 119

NOTE 11.2 SUBSIDIARIES

			Shareholding	
			2022	2021
Subsidiaries in Volue ASA	Oslo	Norway		
Subsidiaries in Volue Technology AS				
Volue Technology AS	Trondheim	Norway	100,0%	100,0%
Volue Technology Denmark A/S	Odense	Denmark	100,0%	100,0%
Volue AB	Jönköping	Sweden	100,0%	100,0%
Volue AG	Basel	Switzerland	100,0%	100,0%
Volue Enerji Cözümleri	Istanbul	Turkey	100,0%	100,0%
Volue Sp. z.o.o.	Gdansk	Poland	100,0%	100,0%
Volue GmbH	Dusseldorf	Germany		100,0%
Volue GK	Tokyo	Japan	100,0%	
Subsidiaries in Volue Industrial IOT AS				
Volue Industrial IoT AS	Arendal	Norway	100,0%	100,0%
Volue Denmark ApS	Middelfart	Denmark	100,0%	100,0%
Volue in Situ AB	Åkersberga	Sweden	100,0%	100,0%
Volue Instrument Technology AS	Ås	Norway		100,0%
Subsidiaries in Volue Market Service AS				
Volue Market Services AS	Arendal	Norway	100,0%	100,0%
Volue Market Services	Stockholm	Sweden	100,0%	100,0%
Volue Market Services	Aarhus	Denmark	100,0%	100,0%
Volue Market Services	Helsingfors	Finland	100,0%	100,0%
Subsidiaries in Volue Insight AS				
Volue Insight AS	Arendal	Norway	100,0%	100,0%
Volue Insight GmbH	Berlin	Germany		100,0%
Volue Germany GmbH (Lirkron GmbH)	Munchen	Germany	100,0%	100,0%
Volue Energy GmbH (Procom GmbH)	Aachen	Germany	100,0%	100,0%
Volue UK Ltd	Bristol	UK	100,0%	
Subsidiaries in NSSLGlobal Ltd.				
NSSLGlobal LLC	California	USA	100,0%	100,0%
NSSLGlobal PTE Ltd	Singapore	Singapore	100,0%	100,0%
Nera Satellite Services LTD	London	UK	100,0%	100,0%
NSSL Ltd	London	UK	100,0%	100,0%
Aero-Satcom Ltd.	London	UK	50,0%	50,0%
NSSLGlobal AB	Hönö	Sweden	100,0%	
NSSLGlobal Technologies AS	Oslo	Norway	100,0%	100,0%
NSSLGlobal Continental Europe APS	Brøndby	Denmark	100,0%	100,0%
NSSLGlobal APS	Brøndby	Denmark	100,0%	100,0%
NSSLGlobal Polska SP. Z.o.o.	Warszawa	Poland	100,0%	100,0%
NSSLGlobal Israel Ltd	Beit Shemesh	Israel	100,0%	100,0%
NSSLGlobal Kabushiki Kaisha	Tokyo	Japan	100,0%	100,0%
NSSL Global BV	Scheemda	Netherlands	100,0%	

NOTE 11.2 SUBSIDIARIES

			Shareholding	
			2022	2021
NSSLGlobal GmbH	Barbützel	Germany	100,0%	100,0%
NSSLGlobal Distribution GmbH	Barbützel	Germany	100,0%	100,0%
ESS Hanika GmbH	Barbützel	Germany	100,0%	100,0%
Subsidiaries in ENRX ASA				
Induction Holding AS	Skien	Norway	100,0%	100,0%
IPT GmbH	Skien	Norway	100,0%	100,0%
EFD Induction Group AS	Skien	Norway	100,0%	100,0%
EFD Induction AS	Skien	Norway	100,0%	100,0%
EFD Induction AS	Västerås	Sweden	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 S.A	Grenoble	France	100,0%	100,0%
EFD Induction Ltd.	Wolverhampton	UK	100,0%	100,0%
EFD Induction Inc.	Detroit	USA	100,0%	100,0%
EHE Acquisition Corporation Inc	Detroit	USA	100,0%	100,0%
EFD Induction s.r.l	Milano	Italy	100,0%	100,0%
EFD Induction Ltd.	Bangalore	India	100,0%	100,0%
EFD Induction (Shanghai) Co., Ltd.	Shanghai	China	100,0%	100,0%
EFD Induction Ges.m.b.H	Wien	Austria	100,0%	100,0%
EFD Induction s.l	Bilbao	Spain	100,0%	100,0%
Inductro SRL	Bucuresti	Romania	100,0%	100,0%
EFD Induction SP. Z o.o	Gliwice	Poland	100,0%	100,0%
EFD Induction Co., Ltd	Bangkok	Thailand	100,0%	100,0%
EFD Induction K.K.	Yokohama	Japan	100,0%	100,0%
EFD Inducaao Brasil Ltd	Sao Paolo	Brazil	100,0%	100,0%
EFD Induction Oil & Gas Service	Pinang	Malaysia	100,0%	100,0%
EFD Induction Sdn. Bhd.	Selangor	Malaysia		100,0%
EFD Induction S de R.L	Queretaro	Mexico	100,0%	100,0%
Subsidiaries in Tekna Holding ASA				
Subsidiaries in Tekna Holdings Canada Inc.	Sherbrooke	Canada	96,4%	96,4%
Tekna Plasma Systems Inc.	Sherbrooke	Canada	100,0%	100,0%
Tekna Advanced Materials Inc.	Sherbrooke	Canada	100,0%	100,0%
Tekna Plasma Europe S.A.S.	Mâcon	France	100,0%	100,0%
Tekna Plasma Systems(Suzhou)Co Ltd.	Suzhou	China	100,0%	100,0%
Tekna Plasma India Private Ltd.	Chennai	India	100,0%	100,0%
Tekna Plasma Korea Co, Ltd	Incheon	South Korea	100,0%	100,0%
Tekna Inc	Delawere	USA	100,0%	

NOTE 11.2 SUBSIDIARIES

			Shareholding	
			2022	2021
Subsidiaries in Alytic AS				
Kontali Holding AS	Arendal	Norway	100,0%	100,0%
Kontali Analyse AS	Kristiansund	Norway	75,1%	71,0%
Seafood TIP	Utrecht	Netherlands	100,0%	100,0%
Utel Holding AS	Arendal	Norway	100,0%	100,0%
Utel Systems AS	Grimstad	Norway	91,8%	92,5%
Greenfact Holding AS	Arendal	Norway	100,0%	100,0%
Greenfact AS	Oslo	Norway	60,0%	60,0%
Greenfact GmbH	Berlin	Germany	100,0%	
Greenfact Ltd	London	UK	100,0%	
Factlines Holding AS	Oslo	Norway	100,0%	100,0%
Factlines AS	Oslo	Norway	62,5%	
Alytic Blue AS	Oslo	Norway	100,0%	
Subsidiaries in AFK Property AS				
Vindholmen Eiendom AS	Arendal	Norway	100,0%	100,0%
Bedriftsveien 17 AS	Arendal	Norway	100,0%	100,0%
Bøleveien 4 AS	Skien	Norway	100,0%	100,0%
Steinodden Eiendom AS	Arendal	Norway	77,6%	77,6%
Arendal Lufthavn Gullknapp AS	Arendal	Norway	92,1%	92,1%
Songe Træsliperi AS	Tvedestrand	Norway		50,8%
Gullknapp Invest AS	Arendal	Norway	100,0%	100,0%
Gullknapp Utvikling AS	Arendal	Norway	100,0%	50,0%
Longum Property AS	Arendal	Norway	100,0%	
AFK Longum Invest AS	Arendal	Norway	100,0%	
Bryggebyen Folkebad AS	Arendal	Norway	100,0%	
Subsidiaries in Vergia AS				
Vergia green Fuels AS	Arendal	Norway	100,0%	
Vergia green system solutions AS	Arendal	Norway	100,0%	
Vergia Hydropower AS	Arendal	Norway	100,0%	
Vergia Wind AS	Arendal	Norway	100,0%	
Vergia Solar AS	Arendal	Norway	100,0%	
Vergia Property AS	Arendal	Norway	100,0%	
Subsidiaries in Ampwell AS				
Cellect Holding AS	Arendal	Norway	100,0%	
Commeo Holding AS	Arendal	Norway	100,0%	
Commeo GmbH	Arendal	Norway	55,0%	
AFK Storage 3 AS	Arendal	Norway	100,0%	
Subsidiaries in AFK Tyskland Holding AS				
Arendals Fossekompagni Deutschland GmbH	Berlin	Germany	100,0%	

NOTE 11.3 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

(1 000 NOK)

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

In the consolidated group accounts the investments in joint ventures and associates are accounted for in accordance with the equity method.

In the company accounts the investments in joint ventures and associates are accounted for based on historic cost.

Entity	Country		Ownership interest
Imphytec Powders SAS	France	Production of powders	48,00%
NorSun AS	Norway	Solar energy	20,80%
North Ammonia AS	Norway	Green ammonia	50,00%
Seagust AS	Norway	Offshore wind	47,50%
Hydepoint AS	Norway	Hydrogen	33,33%
Kilandsfoss AS	Norway	Hydro powerplant	33,33%
Glomsdam Kraftverk AS	Norway	Hydro powerplant	50,00%
Cellect Energy S.L.	Spain	Software for energy storage	40,00%

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

	NorSun	North Ammonia	Seagust	Hydepoint	Kilandsfoss	Glomsdam Kraftverk	Cellect Energy	Imphytec Powders	Total
Balance at 1 January 2021								9 422	9 422
Income from associates		-980	-1 101					-10 093	-12 173
Aquisitions through business combinations	-4 997								-4 997
Investment/disposal of companies and businesses								10 165	10 165
Issue of shares from non-controlling interests	4 997	4 997	4 750						14 744
FX differences on foreign operations								-238	-238
Balance at 31 December 2021		4 018	3 649					9 256	16 922
Balance at 1 January 2022		4 018	3 649					9 256	16 922
Income from associates	-16 189	-2 370	-4 986	-3 183	-110	-317	-2 100	-11 149	-40 405
Aquisitions through business combinations	33 095					-122	1 350	4 566	38 889
Investment/disposal of companies and businesses						-4			-4
Issue of shares from non-controlling interests			14 725	2 841	153	500	2 147		20 366
FX differences on foreign operations							2	1 546	1 548
Balance at 31 December 2022	16 906	1 647	13 388	-342	43	57	1 399	4 219	37 317

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

DESCRIPTION OF THE BUSINESS IN ASSOCIATES AND JV

NorSun

NorSun is a Norwegian solar energy company that manufactures and markets high performance monocrystalline silicon ingots and wafers for the global solar energy industry. Dedicated to high efficiency N-type wafers and sustainable production with low CO₂ emissions, NorSun is an established supplier to tier-one cell manufacturers. NorSun is headquartered in Oslo in Norway and operates a modern production facility located in Årdal in Norway. NorSun became an associate company from 1 July 2022.

North Ammonia

North Ammonia is domiciled in Norway, where the head office is in Arendal. The group is one of two partners who collaborate on production of green ammonia. This is a strategically important business as a result of the Group's focus on becoming a worldwide supplier of green ammonia - the future sustainable fuel. The other partner is Grieg Edge, a Norwegian innovation company with focus on sustainable solutions only. The owners of North Ammonia are committed to further capital contributions in 2023 to secure financing of the company. The partners have an agreement with North Ammonia that profits of the company will not be distributed until it has the consent of both the partners.

Seagust

Seagust is domiciled in Norway, where the head office is in Arendal. The group is one of two partners who collaborate on utilization of offshore wind resources in the North Sea. This is a strategically important business as a result of the Group's focus on expansion in the offshore wind market to develop more renewable energy. The other partner is Ferd, a large Norwegian industrial investment company. The owners of Seagust are committed to further capital contributions in 2023 to secure financing of the company. The partners have an agreement with Seagust that profits of the company will not be distributed until it has the consent of both the partners. In 2022 Vattenfall and Seagust have formed a joint venture to bid for offshore wind areas in Norway's upcoming licensing round. The joint venture intends to bid on licenses in both the Utsira Nord and Sørlige Nordsjø II areas in the North Sea. The licensing rounds are expected to take place within 2023.

Hydepoint

Hydepoint is a complete solution for receiving, converting, and transmitting the full energy potential from offshore wind farms, with reduced dependence on the onshore power grid. Placed in the ocean, close to wind farms, Hydepoint can convert all or part of the energy into hydrogen. Arendals Fossekompani, Kongsberg Gruppen and Moreld are industrial partners and equally large owners of the company Hydepoint AS. Moreld contributes with offshore infrastructure solutions, Kongsberg Gruppen contributes with power and management systems, and Arendals Fossekompani contributes with solutions for optimized planning and operation through its in-depth knowledge of the power market, including through the portfolio company Value. Hydepoint is headquartered in Oslo, Norway. The owners of Hydepoint are committed to further capital contributions in 2023 to secure financing of the company.

Kilandsfoss

Arendals Fossekompani has started the construction phase of the new hydropower plant Kilandsfoss, located in the river Nidelva in Norway. The run-of-the-river facility will produce 38 GWh per year. Partner in the Kilandsfoss project are the municipalities of Froland and Åmli, each with one-third ownership. Estimated build time is two years and Kilandsfoss hydropower plant is scheduled to produce electricity in 2025.

Glomsdam kraftverk

Glomsdam kraftverk is owned by Vergia Hydropower AS (Arendals Fossekompani) and Vest-Telemark Kraftlag AS. The Company has raised capital from the owners in January 2023 to enable the planning of the project phase of Glomsdam Kraftverk.

Cellect Energy

Cellect Energy is a provider of smart software for energy storage systems that helps to operate and optimizes lifetime and profit. The company was established by Arendal Fossekompani together with key employees and is headquartered in Barcelona, Spain.

Imphytek Powders

Imphytek Powders S.A.S. has its headquarters and operations in Macon in France. The company is combining Aperam's expertise in Nickel & Specialty Alloys with Tekna's unique wire plasma atomization technology. The joint venture has the exclusive right to sell nickel alloy powder in Europe, and benefits from all market and product developments made by Tekna and Aperam in the past years. The company's main activities are the production of high-performance powder for advanced manufacturing technologies. The company is organized as a company with limited liability similar to Norwegian private limited liability companies, and the company is not publicly traded. The company is strategically important company within Tekna Group in the business area Advanced Manufacturing.

NOTE 11.3 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES CONT.

(1 000 NOK)

The table below shows the condensed financial information of the associates and joint ventures, based on 100%

Income Statement	Imphytec Powders		NorSun		North Ammonia		Seagust	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenue	3 956	6 809	301 769		932			
Operating expenses	19 130	28 394	357 648		5 606	1 959	10 501	2 318
Depreciation and amortisation	1 134	1 941	17 944					
Net financial items		-11	-4 182				4	
Profit before income tax	-16 308	-23 537	-79 494		-4 740	-1 959	-10 497	-2 318
Income tax expense		17						
Profit (-loss) for the year	-16 308	-23 554	-79 494		-4 740	-1 959	-10 497	-2 318
Balance Sheet								
Non-current assets	11 320	10 968	97 129		234		889	267
Cash and cash equivalents	60	5 674	45 944		3 351	8 308	30 972	7 829
Other current assets	20 620	18 492	183 068		59		1 751	18
Non-current liabilities	46 941	20 941	123 705					
Current liabilities	1 034	5 780	101 311		320	273	4 551	423
Equity	-15 976	8 414	81 280		3 295	8 035	28 185	7 682

Income Statement	Hydepoint		Kilandsfoss		Glomsdam Kraftverk		Collect Energy	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenue							253	
Operating expenses	9 551		329		635		6 096	
Depreciation and amortisation							24	
Net financial items							-5	
Profit before income tax	-9 551		-329		-635		-5 872	
Income tax expense								
Profit (-loss) for the year	-9 551		-329		-635		-5 872	
Balance Sheet								
Non-current assets							318	
Cash and cash equivalents	2 830		125		221		3 001	
Other current assets			47				1 364	
Non-current liabilities								
Current liabilities	3 856		21		107		503	
Equity	-1 027		128		114		3 497	

NOTE 12 OTHER RECEIVABLES AND INVESTMENTS

(1 000 NOK)

Long-term investments	Group		Parent Company	
	2022	2021	2022	2021
Loans to employees	32 090	38 525	1 663	1 642
Contributions to company pension plan	22 002	22 002	22 002	22 002
Natural resource tax receivable	42 334	63 780	42 334	63 780
Other non-current receivables	32 685	22 136	20 572	17 180
Other investments	134 585	117 881	84 038	68 944
Total long-term investments	263 696	264 323	170 609	173 548

Security provided for loans to employees

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

NOTE 13 INVENTORIES AND CONTRACTS WITH CUSTOMERS

(1 000 NOK)

Inventories	Group	
	2022	2021
Raw materials	324 986	174 574
Work in progress	253 030	138 926
Spare parts	46 778	37 071
Finished goods	220 679	151 701
Total inventories (net after provision for obsolescence)	845 472	502 272
Provision for obsolescence	94 174	81 979

The provision for obsolescence in 2022 is mainly related to slow-moving items in ENRX (NOK 48 million), spare parts in NSSL (NOK 10 million) and off-size powders in Tekna (NOK 36 million).

NOTE 13 INVENTORIES AND CONTRACTS WITH CUSTOMERS

(1 000 NOK)

CONSTRUCTION CONTRACTS (SALES OVER TIME)

The subsidiaries ENRX, Tekna, NSSL and Volue recognise construction contracts in accordance with percentage of completion method. Changes during the year are due to most contracts having a duration less than a year. At year-end these subsidiaries had the following carrying amounts associated with construction contracts and projects in progress:

	Group	
	2022	2021
Contracts with at-delivery billing		
Booked income	193 656	236 909
Payments received	-56 686	-86 129
Contract assets	136 970	150 780
Contracts with advance billing		
Payments received	253 113	215 549
Booked income	-19 617	-49 044
Contract liabilities	233 496	166 505
Net contract assets / - liabilities	-107 812	-15 725

	Group	
	2022	2021
Booked income from uncompleted contracts per 31.12		
Booked accrued income per 31.12	244 349	300 917
Booked accrued expenses per 31.12	-204 675	-289 925
Reported margin per 31.12	39 673	10 992

	Group	
	2022	2021
Remaining income from sales over time contracts		
Within one year	326 218	254 708
Remaining income (sales over time)	326 218	254 708

NOTE 13 INVENTORIES AND CONTRACTS WITH CUSTOMERS CONT.

(1 000 NOK)

Contract Assets

Posted gross value of contract assets are distributed as follows:

Receivables	2022	2021
Volue Consolidated	54 181	65 595
ENRX	81 570	77 978
Tekna Group	1 219	7 208
Sum	136 970	150 780

Provisions for expected losses on projects are distributed as follows:

Provision for loss onerous contracts	2022	2021
Volue	16 963	31 118
Sum	16 963	31 118

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:

Provision for loss onerous contracts	Group	
	2022	2021
Total Opening Balance	31 118	10 668
Changes in expected losses (loss rates) and outstanding receivables (volume)	4 145	33 758
Realized losses during the period (-)	-18 300	-13 308
Exchange differences on translation of foreign operations		
Closing Balance	16 963	31 118

NOTE 14 TRADE AND OTHER RECEIVABLES

(1 000 NOK)

	Group		Parent Company	
	2022	2021	2022	2021
Accounts receivables				
Trade accounts receivables	950 095	792 808	822	916
Loss allowance (Note 16)	-23 971	-19 999		
Trade accounts rec, IC			30 412	57 362
Total	926 124	772 808	31 233	58 278
Other receivables				
Current interest-bearing rec., IC			466 123	66 218
Dividends and group contribution receivable, IC			9 462	
Other current receivables	261 635	219 347	1 478	34 436
Total	261 635	219 348	477 062	100 654
Advances paid to suppliers	22 876	13 390		
Accrued revenues at the point in time	7 495	12 155		
Total	30 371	25 545		

NOTE 15 CASH AND CASH EQUIVALENTS

(1 000 NOK)

	Group		Parent Company	
	2022	2021	2022	2021
Cash and cash equivalents	2 339 664	2 708 412	1 160 349	1 411 245
Here of restricted cash	167 558	97 490	2 993	2 821

NOTE 16 FINANCIAL RISK MANAGEMENT / FINANCIAL INSTRUMENTS CONT.

(1 000 NOK)

The breakdown of the parent company's financial assets is as follows:

Financial assets at fair value through OCI	Number of shares		Shareholding in %		Fair value	
	2022	2021	2022	2021	2022	2021
Listed shares						
Kongsberg Gruppen	25 812	25 812	0,01%	0,01%	10 727	7 382
Canopy Holding	423 167	423 167	0,48%	0,48%	199	1 117
Norse Atlantic	450 000	450 000	0,22%	0,58%	905	6 728
Total listed shares					11 831	15 227
Financial assets at fair value through OCI					11 831	15 227

Fair value – change during the year:

Financial assets at fair value through OCI	2022	2021
Balance at 1 January	15 227	734 973
Change in financial assets at fair value through OCI	-3 311	95 193
Proceed from sale of financial assets at fair value	-85	-823 940
Purchase of financial assets at fair value		9 000
Balance at 31 December	11 830	15 227

The following dividend is received: Kongsberg Gruppen tNOK 310 (tNOK 206).

Change in assets at fair value are based on changes in the market values of listed shares.

A sensitivity analysis indicates that a 10% change in fair value as at 31 December 2022 would change equity by tNOK 1.183 and profit for the year from continuing operations by tNOK 0 (2021: by tNOK 1.523 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.

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

	Group		Parent Company	
	2022	2021	2022	2021
Total receivables	1 229 195	1 029 018	508 296	158 932
Outstanding trade receivables	950 071	792 805	822	916
Loss allowance	23 971	19 999		

Trade receivables

Breakdown of the book value of outstanding trade receivables in:

Outstanding trade receivables 2022	Overdue					Trade accounts receivable
	Not due	1-30 days	31-60 days	61-90 days	More than 90 days	
Arendals Fossekompni ASA	789				32	822
Volue Consolidated	342 652	41 013	3 313	2 889	5 405	395 272
ENRX	240 057	45 521	11 894	5 663	47 253	350 389
NSSLGlobal Consolidated	90 088	30 358	8 281	7 090	7 096	142 913
Tekna Group	16 574	8 869	6 068	3 375	6 437	41 322
AFK Property Group	966	982	27	27	36	2 037
Alytic (Cons)	4 133	674	827	540	532	6 705
Ampwell Group	10 600					10 600
AFK Tyskland Group	12					12
Total	705 870	127 418	30 408	19 585	66 791	950 071

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

Loss allowance 2022	Overdue					Loss allowance
	Not due	1-30 days	31-60 days	61-90 days	More than 90 days	
Volue Consolidated	41	64	614	1 719	1 971	4 409
ENRX	515	304	27	11	8 934	9 791
NSSLGlobal Consolidated					9 419	9 419
Tekna Group					302	302
Alytic (Cons)			50			50
Total	556	368	691	1 730	20 627	23 971

Loss allowance is calculated based on historical losses and individual assessment of each item and customer.

Changes in the period's loss allowance are explained as follows:

	Group	Group
	2022	2021
Loss allowance		
Total Opening Balance	19 999	17 912
Changes in expected losses (loss rates) and outstanding receivables (volume)	5 382	901
Realized losses during the period (-)	-1 088	1 002
Exchange differences on translation of foreign operations	533	184
Closing Balance	23 971	19 999

Breakdown of the book value of outstanding trade receivables in:

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

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

Loss allowance 2021	Overdue					Loss allowance
	Not due	1-30 days	31-60 days	61-90 days	More than 90 days	
Volue Consolidated			350	350	938	1 638
ENRX	1 249	39	102	2	8 044	9 437
NSSLGlobal Consolidated					8 874	8 874
Alytic (Cons)		25	25			50
Total	1 249	64	477	352	17 856	19 999

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

The breakdown of the liabilities of the company and the Group is as follows:

(Contractual cash flows include interest calculated based on interest rates at the balance sheet date)

(Contractual cash flows of the bond loans that have maturity of 12 months or less are related to interest payments)

Group 2022	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years
Accounts payable	969 613	969 456	969 044	412			
Current interest-bearing debt	170 841	174 981	161 730	13 251			
Bank overdraft	110 869	113 123	18 738	94 385			
Current lease liabilities	58 454	60 432	29 031	31 401			
Total current liabilities	1 309 776	1 317 991	1 178 543	139 448			
Non-current bond loans	497 581	569 733		13 075	13 075	39 225	504 358
Non-current interest-bearing debt	353 067	435 834	8 549	11 174	86 652	88 418	241 041
Non-current lease liabilities	203 076	209 065			62 373	74 504	72 187
Total non-current liabilities	1 053 724	1 214 632	8 549	24 249	162 101	202 147	817 586

Group 2021

Accounts payable	753 718	753 718	753 627	92			
Current interest-bearing debt	122 333	126 025	30 942	95 083			
Bank overdraft	114 106	114 563	64 387	50 176			
Current lease liabilities	64 449	66 712	29 756	36 956			
Total current liabilities	1 054 607	1 061 019	878 712	182 307			
Non-current bond loans	496 582	591 525		13 075	13 075	39 225	526 150
Non-current interest-bearing debt	169 849	199 685	1 392	1 459	18 587	54 439	123 808
Non-current lease liabilities	141 601	141 601			75 431	66 170	
Total non-current liabilities	808 032	932 810	1 392	14 534	107 093	159 833	649 958

Parent Company 2022	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years
Accounts payable	12 105	12 105	12 105				
Current interest-bearing liab, IC	17 185	17 185		17 185			
Current lease liabilities	2 300	5 360	2 680	2 680			
Total current liabilities	31 590	34 651	14 785	19 865			
Non-current bond loans	497 581	569 733		13 075	13 075	39 225	504 358
Non-current interest-bearing debt	153 307	177 836	2 453	2 453	4 906	14 717	153 307
Non-current lease liabilities	60 258	83 568			5 254	14 694	63 620
Total non-current liabilities	711 146	831 137	2 453	15 528	23 235	68 637	721 285

Parent Company 2021	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years
Accounts payable	51 777	51 777	51 777				
Current interest-bearing liab, IC	35 672	35 672		35 672			
Current lease liabilities	3 897	3 897	1 949	1 949			
Total current liabilities	91 346	91 346	53 725	37 621			
Non-current bond loans	496 581	590 986		12 536	13 075	39 225	526 150
Non-current lease liabilities	15 365	16 690			3 637	9 879	3 174
Total non-current liabilities	511 947	607 675		12 536	16 712	49 104	529 324

For other receivables and payables measured at amortised cost the book value is assumed to equal the fair value. For contractual cash flows related to derivatives we refer to hedge accounting further below.

MARKET RISK

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

FOREIGN EXCHANGE RISK

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

Exposure at 31 December was as follows (1 000 EUR)

	Group		Parent Company	
	2022	2021	2022	2021
Bank deposits	12 814	19 329	153	466
Trade receivables	26 641	24 690	78	
Trade payables	-2 170	-4 620	-40	
Interest-bearing liabilities	-14 299	-12 086		
Balance sheet exposure (foreign exchange risk)	22 986	27 313	191	466

A sensitivity analysis indicates that a 5% appreciation of NOK against EUR as at the year-end would impact earnings for the Group in 2022 by the equivalent of MEUR -1.2 and in 2021 by the equivalent of MEUR -1.4. The amounts are stated before taxes. Other subsidiaries have only modest exposure to currencies other than the company's functional currency.

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 ENRX and Value report cash flow hedging as hedging contracts.

At year-end the companies had the following forward currency contracts specified as hedging (1 000 NOK)

	Contract value		Unrealised gains/losses	
	2022	2021	2022	2021
Hedging of future cash flows	202 708		1 869	
Fair value hedging				
Balance sheet exposure (hedging)	202 708		1 869	

	Contract value		Unrealised gains/losses	
	2022	2021	2022	2021
Hedging of future cash flows	395 196		11 614	
Fair value hedging				-4 305
Balance sheet exposure (hedging)	395 196		7 309	

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	2023	2024	2025	Nominal amount (currency)	Carrying amount (1 000 NOK)
EUR	8 504	6 836	187	15 528	10 814
USD	10 350	1 300		11 650	-8 992
JPY					
GBP	370			370	47
Total					1 869

Change in carrying amount in the period:	2022	2021
Balance at 1 January	7 012	-4 109
Changes in value posted as OCI	8 582	3 861
Reclassifies from OCI to income statement	-8 582	7 260
Balance at 31 December	1 869	7 012
Asset	11 065	11 317
Liabilities	9 196	4 305
Total	1 869	7 012

INTEREST RATE RISK

Most of the company's and the Group's interest-bearing financial assets and liabilities accrue interest at variable rates. In 2021 the parent company took out a bond of MNOK 500 at an fixed interest rate of 2,615%. An overview of interest-bearing assets can be found earlier in this note and of liabilities in Note 17. A 1% change in interest rates would affect earnings, and profit and financial items through the year, by a net amount of around NOK -0,4 million. The amount is stated before taxes.

PRICE RISK FOR ENERGY SALES

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

MARKET RISK RELATING TO SECURITIES

The company and the Group are exposed to price risk on investments in equity instruments classified as financial assets at fair value through OCI and financial assets at fair value through income statement. 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 is given earlier in this note.

	Group		Parent Company					
	2022		2021		2022		2021	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Liabilities								
Bond loans	497 581	450 000	496 581	492 500	497 581	450 000	496 581	491 961
Unrecognized income between book- and fair value		-47 581		-4 621		-47 581		-4 621

Fair value categories financial assets and liabilities

2022	Group				Parent Company			
	Fair value through income	Fair value through OCI	Amort. cost	Sum	Fair value through income	Fair value through OCI	Amort. cost	Sum
Carrying amount financial assets								
Trade and other receivables			1 187 781	1 187 781			32 711	32 711
Cash and cash equivalents			2 339 664	2 339 664			1 160 349	1 160 349
through OCI		11 830		11 830		11 830		11 830
Loans to Group companies							786 851	786 851
Derivatives	11 065			11 065				
Sum	11 065	11 830	3 527 445	3 550 341		11 830	1 979 911	1 991 742
Carrying amount financial liabilities								
Derivative liabilities	9 196			9 196				
Interest-bearing loans and borrowings			666 856	666 856			153 307	153 307
Bond loans			497 581	497 581			497 581	497 581
Trade and other payables			969 613	969 613			12 105	12 105
Liabilities to Group companies							17 185	17 185
Sum	9 196		2 134 050	2 143 246			680 179	680 179
2021								
Carrying amount financial assets								
Trade and other receivables			1 017 701	1 017 701			92 714	92 714
Cash and cash equivalents			2 708 412	2 708 412			1 411 245	1 411 245
through OCI		15 227		15 227		15 227		15 227
Loans to Group companies							71 268	71 268
Derivatives	11 317			11 317				
Sum	11 317	15 227	3 726 113	3 752 657		15 227	1 575 228	1 590 454
Carrying amount financial liabilities								
Derivative liabilities	4 305			4 305				
Interest-bearing loans and borrowings			426 670	426 670				
Bond loans			496 581	496 581			496 581	496 581
Trade and other payables			753 718	753 718			51 777	51 777
Liabilities to Group companies							35 672	35 672
Sum	4 305		1 676 969	1 681 274			584 030	584 030

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).

2022	Level 1	Level 2	Level 3	Sum
Financial assets at fair value through OCI		11 831		11 831
Financial assets at fair value through income statement				
Bond loans		-450 000		-450 000
Total		-438 169		-438 169
Other derivative financial assets		11 065		11 065
Interest and currency swaps related to bond loans				
Other derivative financial liabilities		-9 196		-9 196
Grand Total		-436 300		-436 300
2021				
Financial assets at fair value through OCI		15 227		15 227
Financial assets at fair value through income statement				
Bond loans		-492 500		-492 500
Total		-477 273		-477 273
Other derivative financial assets		11 317		11 317
Interest and currency swaps related to bond loans				
Other derivative financial liabilities		-4 305		-4 305
Grand Total		-470 261		-470 261

The fair value of the Bond loan is determined by using the indexed tax validation rules at year-end. The index is publicly available.

NOTE 17 INTEREST-BEARING DEBT AND PROVISIONS

(1 000 NOK)

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

		Group / Parent	
		2022	2021
Bond loans			
2,516% 2021 - 2028		500 000	500 000
Capitalised loan costs		-2 419	-3 419
Bond loans - booked value		497 581	496 581
Fair value (ref note 16)		450 000	492 500
		Parent Company	
Debenture loans		2022	2021
Euribor + fixed margin	Floating interest	157 707	
Capitalised loan costs		-4 400	
Total debenture loans parent company		153 307	
		Subsidiaries	
Tekna Consolidated	Fixed interest rate	4 698	34 857
Tekna Consolidated	Debenture loans	37 882	18 723
ENRX consolidated	Floating interest	139 994	90 425
AFK Property Group	Floating interest	135 651	146 463
Alytic AS	Floating interest	3 232	1 714
Ampwell Consolidated	Floating interest	49 144	
Total Debenture loans Subsidiaries		370 600	292 182
Total Debenture loans Group		523 907	292 182
		Group	
Loans secured by pledged assets		2022	2021
Non-current interest-bearing debt		148 800	159 047
Bank overdraft		30 932	27 754
Total		179 733	186 801
		Parent Company	
Loans are secured by the following pledged assets			
Buildings and land		175 832	119 541
Vehicles, machinery and equipment		140 930	223 537
Inventories		435 132	318 187
Trade receivables		209 974	400 723
Total security		961 867	1 061 989

Security for promissory note and bond loans with a countervalue of MNOK 500 taken out in the parent company has been given in the form of negative pledges. Trade receivables in two of the subsidiaries have been pledged as security for bank guarantees and overdrafts given. For the Group the value-adjusted equity must be at least 40% and have a value of at least MNOK 1 500. For Volue the equity must be at least MNOK 100 and at least 25% of total balance value. For ENRX the equity must be at least 27%, gearing ratio (NIBD/ EBITDA) <3 and cash reserve > MEUR 10. Tekna have some covenants connected to operational activities, but none financial covenants. All the companies are in compliance with the requirements of their covenants at 31 December 2022.

NOTE 18 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	Group		Parent Company	
	2022	2021	2022	2021
Trade payables	690 510	476 529	11 036	49 680
Other payables	279 103	277 194		
Trade acc payable, IC			1 069	2 097
Account Payables	969 613	753 722	12 105	51 777
Social security taxes and VAT	160 194	102 622	44 581	
Advance payments from customers point-in-time	15 230	1 068		
Accrued interest cost	11 456	11 454	10 444	10 803
Other current liabilities	586 011	391 983	30 230	13 675
Other current liabilities	772 891	507 126	85 255	24 478
Earn-out liabilities Procom GmbH	60 431	57 253		
Onerous contracts Volue group (note 13)	16 963	31 118		
Restructuring provision ENRX	40 268	4 339		
Current provisions	117 662	92 710		
Restructuring provision ENRX				
Provision 1 January	4 339	18 250		
Increases	39 385	1 382		
Provisions used	-5 072	-14 454		
FX adjustments	1 615	5 178		
Provision 31 December	40 268	4 339		

A restructuring provision is recognised when the group has prepared a detailed restructuring plan and started the implementation of the plan or communicated the plan. A restructuring plan shall include the following information: which business is affected; the main units and personnel affected by the restructuring; as well as the costs to be incurred and the timetable of the plan. The restructuring provision (severance pay) at 31 December 2022 is related to the ENRX segment business in Germany, and the part of the business which has been unprofitable for a longer period. Following the restructuring, it is anticipated that the business unit will deliver positive results. A restructuring provision related to severance pay is booked as other operating expenses.

The non-current provisions of NOK 1.9 million as of 31 December 2022 are mainly related to a guarantee granted by the parent company to purchase ENRX shares from employees at an agreed price within the year 2027 when required.

NOTE 19 LEASES

	Group		Parent Company	
	2022	2021	2022	2021
Carrying amount right-of-use assets				
Buildings	238 022	185 328	62 236	18 499
Vehicles, machinery and equipment	9 670	9 274	322	490
Sum	247 692	194 602	62 558	18 989
Lease liabilities				
Current lease liabilities	58 454	64 449	2 300	3 897
Non-current lease liabilities	203 076	141 601	60 258	15 365
Sum	261 530	206 050	62 558	19 263
Income effects				
Buildings depreciation	70 355	62 095	3 516	3 298
Vehicles, machinery and equipment	7 132	6 414	168	14
Sum depreciation	77 487	68 509	3 684	3 312
Interest expense on lease	7 526	7 257	740	581

We refer to note 5 for a specification of the movements of Right-of-Use assets.

NOTE 20 EVENTS AFTER THE REPORTING PERIOD

On 10 January 2023 Arendals Fossekompani announced that Benjamin Kristoffer Golding has been appointed as new CEO of the company.

On 9 February 2023, the Board of Directors decided to pay an ordinary cash dividend of NOK 0.95 per share for the fourth quarter 2022. The dividend was paid on 22 February.

On 8 March 2023, the construction of Kilandsfoss Hydropower Plant began. When finalized in 2025, Kilandsfoss will produce approximately 38 GWh. Project partners are the municipalities of Froland and Åmli, each with one-third ownership.

On 11 April 2023, Arendals Fossekompani and Tekna signed a loan facility agreement totaling MCAD 25 to finance operations and further growth in Tekna. The facility will be made available in three tranches (MCAD 5+10+10).

Re-financing ENRX available in three tranches (MCAD 5+10+10).

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.

CONSTRUCTION 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. The group has implemented controls to ensure that accounting for revenue over time reflects management's best estimate with respect to total contract revenue, cost, and if applicable stage of completion. The group uses the stage of completion method to determine the contract revenue recognised over time in the period. The method to determine the stage of completion is costs spent compared to total estimated costs or direct labour spent compared to total estimated direct labour. The estimation uncertainty is primarily related to cost calculation and measurement of progress. When project's remaining costs cannot be reliably estimated, only revenues equal to the accrued project costs will be recognised as revenues.

NOTE 22 EARNINGS PER SHARE IN NOK

BASIC EARNINGS PER SHARE/DILUTED

Basic earnings per share are based on profit attributable to the equity holders of the parent and the weighted average number of outstanding ordinary shares during the year, which was 54.851.441 (2021:54.890.000), calculated as follows:

Profit attributable to ordinary shares (1 000 NOK)	2022	2021
Net profit for the year	-32 519	125 827
Minority interest	-38 263	19 118
Equity holders of the parent	5 744	106 709
Weighted average number of ordinary shares		
Issued ordinary shares, 1 January	55 995 250	55 995 250
Effect of treasury shares	-1 188 319	-1 099 300
Number of outstanding shares as at 31 December	54 806 931	54 895 950
Weighted average number of ordinary shares for the year	54 851 441	54 890 000
Basic earnings per share / diluted earnings per share (NOK)	0,10	1,94

NOTE 23 THE TWENTY LARGEST SHAREHOLDERS

	Number of shares	Shareholding
Ulfoss Invest AS	14 709 875	26,3%
Havfonn AS	14 567 900	26,0%
Must Invest AS	14 106 225	25,2%
Arendals Fossekompni ASA	1 188 319	2,1%
Svanhild og Arne Must Fond	657 225	1,2%
Fabulous AS	453 853	0,8%
Per-Dietrich Johansen	375 375	0,7%
Fondsfinans Pensjonskasse	356 228	0,6%
Fløtemarken AS	348 094	0,6%
Folketrygdfondet	332 000	0,6%
Erik Bøhler	280 100	0,5%
Sverre Valvik AS	266 000	0,5%
Bøhler Invest AS	265 000	0,5%
Aksel Oland	237 994	0,4%
Ropern AS	237 478	0,4%
JP Morgan Chase Bank, N.A., London	218 156	0,4%
Annelise Altenburg Must	216 675	0,4%
Erik Christian Must	180 000	0,3%
Trine Must	180 000	0,3%
Falck Frås AS	170 000	0,3%
	49 346 497	88,1%

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

	Own holdings	Related parties	Total
Board of Directors			
Trond Westlie			-
Morten Bergesen		14 567 900	14 567 900
Didrik Vignsnæs		18 000	18 000
Christian Must	180 000	14 106 225	14 286 225
Lise Lindbäck			-
Anne Grethe Dalane			-
Stine Rolstad Brenna		7 500	7 500
	180 000	28 699 625	28 879 625
Senior Executives			
Ørjan Svanevik*		17 637	17 637
Lars Peder Fensli *		8 144	8 144
Morten Henriksen *		7 819	7 819
Torkil Mogstad *		7 819	7 819
Ingunn Ettestøl *		7 212	7 212
	-	48 631	48 631

* See Note 4 regarding share-based payments.

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.

KEY EXECUTIVES

Members of the Board of Directors and the company management and their closest relations control 51.7% of shares with voting rights in the company. Loans to senior executives (see Note 4) amounted to tNOK 10.922 (2021: tNOK 9.855) 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 2022 Arendals Fossekompni purchased services relating to market management for tNOK 866 from Volue Market Services (tNOK 1.017). In 2022 Arendals Fossekompni had a gain on foreign currency loans to Volue Market Services of tNOK 647 (loss of tNOK 2.259 in 2020). In 2022 Tekna sold goods it had produced to EFD Induction for tCAD 2 (tCAD 358). Arendals Fossekompni ASA supply AFK Property, Vergia, Ampwell and Alytic with administrative services, all invoiced based market value. Interest is charged on loans from the AFK parent company to companies in the Group in accordance with the agreement entered into. We also refer to note 4 for information regarding share-based payments within the group.

NOTE 25 CHANGE IN LOANS AND BORROWINGS

(1 000 NOK)							
	Note	Loans maturing after more than one year		Loans maturing in less than one year		Total interest-bearing liabilities	
		2022	2021	2022	2021	2022	2021
Group							
Total Opening Balance		828 412	613 241	300 888	677 482	1 129 301	1 290 723
Cash from new borrowings	CF	268 680	560 221			268 680	560 221
Repayment of long-term borrowings	CF	-256 833	-673 015			-256 833	-673 015
Cash flow from net change in current interest bearing debt	CF			2 686	-95 029	2 686	-95 029
Other changes with no cash effect		225 268	320 701	22 651	-280 231	247 918	40 470
Total Effect from Foreign Exchange		20 277	7 264	13 939	-1 334	34 216	5 930
Closing Balance		1 085 804	828 412	340 164	300 888	1 425 968	1 129 301
Parent Company							
Total Opening Balance		511 947	233 887	3 897	303 443	515 844	537 330
Cash from new borrowings	CF	147 763	496 775			147 763	496 775
Repayment of long-term borrowings	CF	-3 958	-525 131			-3 958	-525 131
Other changes with no cash effect		48 850	301 219	-1 597	-299 546	47 253	1 673
Closing Balance		711 146	511 947	2 300	3 897	713 446	515 844

	Group	
	2022	2021
Bond	497 581	496 581
Interest-bearing liabilities and credits (long-term)	353 067	169 850
Other non-current liabilities	32 079	20 380
Non-current lease liabilities	203 076	141 601
Loans maturing after more than one year	1 085 804	828 412
Interest-bearing liabilities and credits (short-term)	281 709	236 440
Current lease liabilities	58 454	64 449
Loans maturing in less than one year	340 163	300 888
Total interest-bearing liabilities	1 425 967	1 129 301

	Parent Company	
	2022	2021
Bond	497 581	496 581
Interest-bearing liabilities and credits (long-term)	153 307	
Non-current lease liabilities	60 258	15 365
Loans maturing after more than one year	711 146	511 947
Interest-bearing liabilities and credits (short-term)		
Current lease liabilities	2 300	3 897
Loans maturing in less than one year	2 300	3 897
Total interest-bearing liabilities	713 446	515 844

NOTE 26 SALE OF SUBSIDIARY

(1 000 NOK)

SALE OF COGEN ENERGIA ESPANA IN 2021

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

	2022	2021
	YTD	Full year
Operating revenues and operating costs		
Operating revenue		280 935
Operating expense		262 329
Depreciation		9 347
Operating profit		9 238
Net financial items		-1 681
Profit before income tax		7 557
Income tax expense		
Profit (-loss) from discontinued operation		7 557
Profit from the sale of Cogen Energia Espana		21 264
Net discontinued operations income (after tax)		28 822
Basic/diluted earnings per share (NOK)	0,00	0,53

* The gain on disposal of Cogen of tNOK 21 264, including tNOK 6 550 of accumulated currency translation differences reclassified from other comprehensive income, is included in profit/loss from discontinued operations.

NOTE 27 CLIMATE-RELATED RISKS

Arendals Fossekompani (AFK) has assessed climate-related risks based on the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) and has documented the recommended disclosures and responses in a stand-alone TCFD report. The report covers the company's exposure to climate-related risks, such as physical, regulatory/liability, technology, market, and reputational risks, as well as potential opportunities. AFK has not at this time identified any material impact on financial reporting judgements and estimates due to climate risks. AFK has ongoing assessments related to EU Taxonomy, and other internal initiatives to reduce its climate risk exposure. Whilst there is currently no material impact expected from climate change in the medium term, AFK follows developments and will regularly assess its portfolio risk exposure to transitional and physical climate risks.

NOTE 28 CONTINGENT LIABILITIES

A claim has been raised towards Volue Market Services AS related to financial market operations. No provisions has been made related to the claim at 31 December 2022.

NIBD

	Hydropower		Group Management		Volue		NSSLGlobal Consolidated		ENRX	
	FY22	FY21	FY22	FY21	FY22	FY21	FY22	FY21	FY22	FY21
Bond			497 042	497 121						
Non-current interest-bearing debt			153 846	-539					618	142
Interest-bearing current borrowings										
1st year installm. non-current borrowings									139 378	90 284
Bond										
Interest and ex rate swap (curr.)					6 892	17 529	23 697	16 185	80 280	80 392
Bank overdraft										
Current and non current liabilities IC			17 731	35 672	30 574	40 458			363 423	807
Total liabilities			668 619	532 254	37 465	57 987	23 697	16 185	583 698	171 624
Cash and cash equivalents			1 160 721	1 411 245	446 350	404 390	379 586	338 132	158 950	140 661
Intercompany loans			320 728	5 050						
Current interest-bearing rec., IC			466 123	66 218	17 185	35 672				
Financial assets classified as held for trading										
Total assets			1 947 571	1 482 513	463 535	440 062	379 586	338 132	158 950	140 661
Net interest bearing debt			-1 278 952	-950 260	-426 070	-382 075	-355 888	-321 947	424 747	30 963

	Tekna Group		AFK Property Group		Alytic (Cons)		Ampwell Group		Vergia Group	
	FY22	FY21	FY22	FY21	FY22	FY21	FY22	FY21	FY22	FY21
Bond										-539
Interest and ex rate swap n-c										
Non-current interest-bearing debt	29 991	26 219	130 961	141 774	3 232	1 714	34 958			539
Interest-bearing current borrowings (inp)	8 717	25 970					14 185			
1st year installm. non-current borrowings	3 872	1 391	4 689	4 689						
Bond										
Interest and ex rate swap (curr.)										
Bank overdraft										
Current and non current liabilities IC		65	35 114	30 764	2 508	-19	330 523			23 000
Total liabilities	42 580	53 646	170 764	177 227	5 740	1 695	379 667			23 000
Cash and cash equivalents	82 739	268 223	35 885	108 719	50 887	27 089	6 458			18 089
Intercompany loans										9 953
Current interest-bearing rec., IC			-23	104						
Financial assets classified as held for trading										
Total assets	82 739	268 223	35 863	108 823	50 887	27 089	6 458			18 089
Net interest bearing debt	-40 158	-214 578	134 901	68 404	-45 146	-25 394	373 209			4 911

	Eliminations		Total	
	FY22	FY21	FY22	FY21
Bond			497 581	497 121
Interest and ex rate swap n-c				
Non-current interest-bearing debt			353 067	169 310
Interest-bearing current borrowings (inp)			22 902	25 970
1st year installm. non-current borrowings			147 938	96 364
Bond				
Interest and ex rate swap (curr.)				
Bank overdraft			110 869	114 106
Current and non current liabilities IC	-810 569		-1163	703
Total liabilities	-810 569	-107 044	1 131 194	903 574
Cash and cash equivalents			2 339 664	2 708 412
Intercompany loans	-320 728	-5 050		
Current interest-bearing rec., IC	-489 841	-101 994	-23	
Financial assets classified as held for trading				
Total assets	-810 569	-107 044	2 339 642	2 708 412
Net interest bearing debt			-1 208 447	-1 804 838

FINANCIAL PERFORMANCE MEASURES

Group	2022	2021	2020	2019	2018
Sales	4 586 536	4 232 290	3 157 470	3 226 253	3 170 686
Cost of sales	1 446 542	1 585 290	1 062 363	1 036 194	975 389
EBITDA	10) 726 417	685 819	400 973	489 648	428 055
Operating profit	428 740	450 227	160 745	236 825	207 013
Net financial items	37 285	-106 316	-46 935	11 249	22 471
Equity company income	-40 405	-12 173	-14 321	-1 632	-3 061
Profit before taxes	425 620	331 738	99 489	236 212	226 423
Provision for income tax	-458 139	-234 733	-33 709	-139 951	-121 593
Net profit for the year, continuing operations	-32 519	97 005	65 780	93 671	105 032
Net discontinued operations income		28 822	54 355	-46 953	35 703
Net profit for the year	-32 519	125 827	120 135	46 718	140 735
Minority interest income	5 744	19 118	58 218	-1 313	-28 322
Total Comprehensive Income	12 208	159 804	-40 302	269 972	762 375

KEY FIGURES

Group		2022	2021	2020	2019	2018
Return on equity	1) %	-0,8%	2,5%	1,8%	2,9%	2,8%
Total profitability	2) %	0,2%	2,2%	2,1%	2,5%	2,2%
Gross operating margin	3) %	15,8%	16,2%	12,7%	15,2%	13,5%
Net operating margin	4) %	9,35%	10,64%	5,09%	7,34%	6,53%
Gross profit margin	5) %	-0,7%	2,3%	2,1%	2,9%	3,3%
Equity share	6) %	48,3%	57,2%	55,2%	54,0%	53,8%
NIBD (tNOK)	7)	-1 208 447	-1 804 838	-580 420	-199 037	53 426
Liquidity ratio 1	8)	1,6	2,2	1,9	2,2	2,0
Result after tax per share	9) NOK	-0,59	2,29	2,19	0,85	2,57
Dividend per share	NOK	7,45	37,04	1,20	2,24	2,24
Average power production last 10 years (GWh)		501	514	509	502	502

DEFINITIONS

- Return on equity**
Net profit for the year, continuing operations divided on average equity.
- Total profitability**
Net profit for the year, continuing operations + interest cost divided on average total capital.
- Gross operating margin**
Operating profit + depreciation in percentage of net operating income.
- Net operating margin**
Operating income in percentage of net operating income.
- Gross profit margin**
Net profit for the year, continuing operations divided on net operating income.
- Equity share**
Equity divided on total capital.
- NIBD - Net interest bearing debt**
Interest bearing debt - interest bearing receivables - cash.
- Liquidity ratio 1**
Current assets divided on current liability.
- Result after tax per share (EPS)**
Net profit for the year divided on average number of shares.
- Result before interest, tax, depreciation, amortization and impairment**
Operating income - operating cost.

Declaration by the members of the Board and the CEO

The single-entity financial statements and consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union, along with relevant interpretations, and in compliance with further disclosure requirements pursuant to the Norwegian Accounting Act applicable as at 31 December 2022. 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 at 31 December 2022.

TO THE BEST OF OUR KNOWLEDGE:

- the Annual Financial Statements for 2022 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 at 31 December 2022
- 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, and the key risks and uncertainties faced by the Group and the Parent Company.

Froland, 11 April 2023

The Board and CEO have reviewed and approved the Annual Report and Annual Financial Statements for Arendals Fossekompagni ASA, which includes the Group and the Parent Company, for the calendar year 2022 and as at 31 December 2022 (Annual Report for 2022).



Trond Westlie,
Chairman



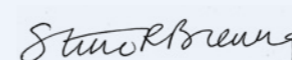
Morten Bergesen,
Board Member



Didrik Vignæs,
Board Member



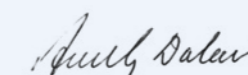
Christian Must,
Board Member



Stine Rolstad Brenna,
Board Member



Lise Lindbäck,
Board Member



Anne Grethe Dalane,
Board Member



Lars Peder Fensli,
Acting CEO and CFO



To the General Meeting of Arendals Fossekompni ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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

- the financial statements of the parent company Arendals Fossekompni ASA (the Company), which comprise the statement of financial position as at 31 December 2022, the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of Arendals Fossekompni ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2022, the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We have been the auditor of the Company for 5 years from the election by the general meeting of the shareholders on 26 April 2018 for the accounting year 2018.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Group's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other event that qualified as new Key Audit Matters for our audit of the 2022 financial statements. Furthermore, *Revenue over time from contracts with customers* and *Valuation of goodwill and intangible assets* have the same characteristics and risks as in the prior year, and therefore continue to be areas of focus this year.

Key Audit Matters	How our audit addressed the Key Audit Matter
<p>Revenue over time from contracts with customers</p> <p>In 2022, revenue recognised over time from contracts with customers constituted NOK 1 656 674 thousand, equal to approximately 36% of total operating revenues. NOK 244 349 thousand of revenue recognised over time is accrued income from uncompleted contracts at the balance-sheet date. Revenue over time from contracts with customers is recognized based on expected final outcome. Assessments of total contract cost, revenue and, if applicable, stage of completion are updated on a regular basis.</p> <p>There are several reasons why we consider revenue recognised over time to be a key audit matter. The Group has a significant volume of contracts where revenues are recognised over time. Additionally, these contracts may have a long duration and the allocation of contract revenue and costs is subject to management judgement which may be complex. Furthermore, management's judgement affects several significant financial statement line items, and thus has a pervasive effect on the financial statement.</p> <p>Notes 1 and 13 to the consolidated financial statement, and the accounting principles, include additional information on the Group's recognition of revenue over time from contracts with customers.</p>	<p>We obtained a sample of contracts and assessed the accounting treatment against the Group's accounting principles and <i>IFRS 15 Revenue from contracts with customers</i>. We found that the accounting treatment was consistent with the content of the contracts and that accounting principles were based on IFRS 15.</p> <p>Through meetings with management and project leader, including review of relevant documentation, we tested whether the Group had implemented controls to ensure that accounting for revenue over time reflects management's best estimates with respect to total contract revenue, cost, and if applicable stage of completion. We found that controls had been implemented at various levels of the organisation, and that the controls included periodic meetings to review open contracts.</p> <p>Estimating project revenue and associated costs, and if applicable calculating stage of completion requires judgement. We performed various procedures to assess whether management's judgements were reasonable, including:</p> <ul style="list-style-type: none"> • Interviewed project leaders and management challenging judgements made with respect to project estimates. • Compared expenses and hours incurred to budgeted expenses and hours. • Compared actual outcome on completed project against initial budget.



- If applicable assessed whether stage of completion on open projects corresponds to amounts recognised in the financial statements.

We found that assumptions used, and judgements made by management were reasonable. We further evaluated the disclosures in note 1 and 13 and found them to be adequate and appropriate.

Valuation of goodwill and intangible assets

On 31 December 2022 the carrying amount of goodwill and intangible assets in the Group's financial statements was NOK 1 756 782 thousand, equal to approximately 22% of total assets. Goodwill and intangible assets with indefinite economic life are tested for impairment at least annually. Impairment testing is performed at the level of cash generating unit. When testing for impairment, the carrying amount is compared to the recoverable amount. The recoverable amount is determined based on value in use or fair value less cost of disposal.

On 31 December 2022, management's impairment assessment indicated that the recoverable amount exceeded the carrying amount for all cash generating units where goodwill and intangible assets were recognised. As a result, no impairment was recorded.

We focused on valuation of goodwill and intangible assets because these assets constitute a significant share of the Group's total assets, and because calculation of the recoverable amount requires application of significant judgement by management.

Refer to note 6 to the consolidated financial statements for further information on goodwill and intangible assets, cash generating units and impairment testing.

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

Based on our audit procedures we found that valuation methods used were reasonable and consistent with our understanding of the business and industry. Our testing of data against underlying documentation did not uncover material exceptions. While we did not find evidence to indicate that goodwill or intangible assets were impaired, we note that the valuation of cash generating units is sensitive to changes in assumptions.

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



Other Information

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

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

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

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

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The



risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Arendals Fossekompni ASA, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name AFK Annual Report 2022.zip, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: <https://revisorforeningen.no/revisjonsberetninger>

Arendal, 11 April 2023
PricewaterhouseCoopers AS

Lars Ole Lindal
State Authorised Public Accountant



Appendix

06

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GRI Content Index

Arendals Fossekompani has reported in accordance with the GRI Standards for the reporting period 1 January to 31 December 2022.

GRI 2 - General Disclosures 2021

Disclosure	Disclosure description	Omission	Reference
1. THE ORGANIZATION AND ITS REPORTING PRACTICES			
2-1	Organizational details		Shareholder information (Stock Exchange Listing) Arendals Fossekompani in the world
2-2	Entities included in the organization's sustainability reporting		Notes to the financial accounts (Note 1) About this report
2-3	Reporting period, frequency and contact point		About this report
2-4	Restatements of information		About this report
2-5	External assurance		About this report Corporate Governance report (Auditor)
2. ACTIVITY AND WORKERS			
2-6	Activities, value chain and other business relationships		Who we are Arendals Fossekompani Group Stakeholder dialogue and materiality analysis Responsible supply chain
2-7	Employees	The disclosure requirements are met with one minor exception: AFK did not manage to gather information about non-guaranteed hour employees in 2022, but will improve data gathering processes and plans to obtain the information in 2023.	Diversity and equality
2-8	Workers who are not employees	Information not available: The company did not manage to gather this information for all portfolio companies in 2022, but will improve data gathering processes and plans to obtain the information in 2023.	

Disclosure	Disclosure description	Omission	Reference
3. GOVERNANCE			
2-9	Governance structure and composition		Corporate governance report (Board of Directors: Composition and independence, Nominations committee, The work of the Board of Directors, Guidelines for equality and diversity)
2-10	Nomination and selection of the highest governance body		Corporate governance report (Board of Directors: Composition and Independence, Nominations committee)
2-11	Chair of the highest governance body		Corporate governance report (Board of Directors: Composition and Independence)
2-12	Role of the highest governance body in overseeing the management of impacts		Corporate governance report (The work of the Board of Directors, The Board's tasks)
2-13	Delegation of responsibility for managing impacts		Corporate governance report (The work of the Board of Directors, The Board's tasks og Notice of board meetings and meeting procedures.)
2-14	Role of the highest governance body in sustainability reporting		Corporate governance report (The work of the Board of Directors, The Board's tasks) About this report
2-15	Conflict of interest		Corporate governance report (Board of Directors: Composition and independence, Independence of Board of Directors)
2-16	Communication of critical concerns		Corporate governance report (Risk management and internal control, Critical concerns)
2-17	Collective knowledge of the highest governance body		Corporate governance report (The work of the Board of Directors, Critical concerns)
2-18	Evaluation of the performance of the highest governance body		Corporate governance report (The work of the Board of Directors, Self-assessment)
2-19	Remuneration policies		Corporate governance report (Remuneration of senior executives) https://afk-assets.fra1.digitaloceanspaces.com/website/documents/Policy-for-remuneration-of-executive-management-in-AFK.pdf
2-20	Process to determine remuneration		Corporate governance report (Remuneration of Senior Executives, The work of the Board of Directors)
2-21	Annual total compensation ratio	a. The disclosure requirements are met based on calculations using average salary, not median. b. As this is a new requirement we did not collect salary information in 2021 and could therefore not calculate percentage increase for 2022.	Diversity and equality (Performance) Remuneration report

Disclosure	Disclosure description	Omission	Reference
4. STRATEGY, POLICIES AND PRACTICES			
2-22	Statement on sustainable development strategy		CEO statement
2-23	Policy commitments		Responsible supply chain Anti-corruption and bribery Corporate governance report (Risk management and internal control)
2-24	Embedding policy commitments		Human Rights and Transparency Act Report 2022 Corporate Governance report
2-25	Processes to remediate negative impacts		Responsible supply chain
2-26	Mechanisms for seeking advice and raising concerns		Human Rights and Transparency Act Report 2022 AFK Parent Company
2-27	Compliance with laws and regulations		Responsible supply chain
2-28	Membership associations		Membership associations

5. STAKEHOLDER ENGAGEMENT

2-29	Approach to stakeholder engagement		Stakeholder dialogue and materiality analysis
2-30	Collective bargaining agreements	Information not available: The company did not manage to gather this information for all portfolio companies in 2022, but will improve data gathering processes and plans to obtain the information in 2023.	

GRI 3 - Material topics

GRI 3: Material topics 2021

3-1	Process to determine material topics		Stakeholder dialogue and materiality analysis Strategic focus areas
3-2	List of material topics		Stakeholder dialogue and materiality analysis

RESPONSIBLE INVESTMENTS

New investments

GRI 3: Material topics 2021

3-3	Management of material topics		New investments Stakeholder dialogue and materiality analysis
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AFK KPI

AFK KPI	Turnover		EU Taxonomy Summary
AFK KPI	CapEx		EU Taxonomy Summary
AFK KPI	OpEx		EU Taxonomy Summary

Disclosure	Disclosure description	Omission	Reference
Green financing			
GRI 3: Material topics 2021			
3-3	Management of material topics		Green financing Stakeholder dialogue and materiality analysis
AFK KPI			
AFK KPI	Percentage of loans with green profile		Green financing (Performance)
OPTIMIZING PORTFOLIO COMPANIES			
Economic performance			
GRI 3: Material topics 2021			
3-3	Management of material topics		Economic performance Stakeholder dialogue and materiality analysis
GRI 201: Economic performance 2016			
201-1	Direct economic value generated and distributed		Financial statements
201-2	Financial implications and other risks and opportunities due to climate change		TCFD: Climate-Risk Assessment Report 2022
Strengthening sustainability performance			
GRI 3: Material topics 2021			
3-3	Management of material topics		Strengthening environmental performance Reporting frameworks Stakeholder dialogue and materiality analysis
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions		Strengthening environmental performance (Performance)
305-2	Direct (Scope 2) GHG emissions		Strengthening environmental performance (Performance) Carbon Accounting Report 2022
305-3	Other indirect (Scope 3) GHG emissions		Strengthening environmental performance (Performance)
GRI 302: Energy 2016			
302-1	Energy consumption within the organization		Strengthening environmental performance (Performance)

Disclosure	Disclosure description	Omission	Reference
ETHICAL BUSINESS CONDUCT			
Anti-corruption			
GRI 3: Material topics 2021			
3-3	Management of material topics		Anti-corruption and bribery Stakeholder dialogue and materiality analysis
GRI 205: Anti-Corruption (2016)			
205-1	Operations assessed for risks related to corruption		Anti-corruption and bribery (Performance)
205-2	Communication and training about anti-corruption policies and procedures	The disclosure requirements are met with one minor exception: AFK did not manage to gather this for business partner in 2022, but will improve data gathering processes and plans to obtain the information in 2023.	Anti-corruption and bribery (Performance)
205-3	Confirmed incidents of corruption and actions taken		Anti-corruption and bribery (Performance)
Responsible supply chain			
GRI 3: Material topics 2021			
3-3	Management of material topics		Responsible supply chain Stakeholder dialogue and materiality analysis
GRI 414			
414-1	New suppliers that were screened using social criteria	The disclosure requirement is met for Arendals Fossekompni Parent company. Information on other portfolio companies is not available. We will improve data gathering processes and plan to report for the entire group in 2023.	Human Rights and Transparency Act Report 2022
414-2	Negative social impacts in the supply chain and actions taken		Human Rights and Transparency Act Report 2022 (Risk of negative consequences)
Information security			
GRI 3: Material topics 2021			
3-3	Management of material topics		Information security Stakeholder dialogue and materiality analysis
AFK KPI			
AFK KPI	Training of people in ICT security		Information security (Approach)

Disclosure	Disclosure description	Omission	Reference
A GREAT PLACE TO WORK			
Diversity and equality			
GRI 3: Material topics 2021			
3-3	Management of material topics		Diversity and equality
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees		Diversity and equality (Performance)
405-2	Ratio of basic salary and remuneration of women to men		Diversity and equality (Performance)
GRI 406: Non-discrimination 2016			
406-1	Incidents of discrimination and corrective actions taken		Diversity and equality (Performance)
Employee satisfaction & talent attractiveness			
GRI 3: Material topics 2021			
3-3	Management of material topics		Employee satisfaction & talent attractiveness
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover		Employee satisfaction & talent attractiveness
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Information not available: The company did not manage to gather this information for all portfolio companies in 2022, but will improve data gathering processes and plans to obtain the information in 2023.	
AFK KPI			
AFK KPI	Parental leave		Employee satisfaction & talent attractiveness (Performance)

Disclosure	Disclosure description	Omission	Reference
Health and safety			
GRI 3: Material topics 2021			
3-3	Management of material topics		Health and safety (Materiality, Approach, Looking forward) Board of Directors' Report for 2022 (Personell, Equal opportunity) Stakeholder dialogue and materiality analysis
GRI 403: Occupational health and safety 2018			
403-1	Occupational health and safety management system	Information not available: Information only for AFK Hydropower. The company did not manage to gather this information for all portfolio companies in 2022, but will improve data gathering processes and plans to obtain the information in 2023.	Health and safety (Performance)
403-2	Hazard identification, risk assessment, and incident investigation	Information not available: Information only for AFK Hydropower. The company did not manage to gather this information for all portfolio companies in 2022, but will improve data gathering processes and plans to obtain the information in 2023.	Health and safety (Performance)
403-3	Occupational health services	Information not available: Information only for AFK Hydropower. The company did not manage to gather this information for all portfolio companies in 2022, but will improve data gathering processes and plans to obtain the information in 2023.	Health and safety (Performance)
403-4	Worker participation, consultation, and communication on occupational health and safety	Information not available: Information only for AFK Hydropower. The company did not manage to gather this information for all portfolio companies in 2022, but will improve data gathering processes and plans to obtain the information in 2023.	Health and safety (Performance)
403-5	Worker training on occupational health and safety	Information not available: Information only for AFK Hydropower. The company did not manage to gather this information for all portfolio companies in 2022, but will improve data gathering processes and plans to obtain the information in 2023.	Health and safety (Performance)

Disclosure	Disclosure description	Omission	Reference
403-6	Promotion of worker health	Information not available: Information only for AFK Hydropower. The company did not manage to gather this information for all portfolio companies in 2022, but will improve data gathering processes and plans to obtain the information in 2023.	Health and safety (Performance)
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Information not available: Information only for AFK Hydropower. The company did not manage to gather this information for all portfolio companies in 2022, but will improve data gathering processes and plans to obtain the information in 2023.	Health and safety (Performance)
COMMUNITY ENGAGEMENT			
Sponsorship, partnerships and other investments			
3-3	Management of material topics		Community Engagement Stakeholder dialogue and materiality analysis
GRI 413: Local communities 2016			
413-1	Operations with local community engagement, impact assessments and development programs		Community Engagement (Performance)
AFK KPI			
AFK KPI	No. of projects supported		Community Engagement (Performance)



To the Board of Directors of Arendals Fossekompani ASA

Independent statement regarding Arendals Fossekompani ASA's sustainability reporting

We have undertaken a limited assurance engagement of Arendals Fossekompani ASA's GRI Index and Scope 1 and Scope 2 (location and market based) emissions for the period 1 January 2022 - 31 December 2022 as presented in Arendals Fossekompani Integrated Report 2022 (sustainability reporting). Our assurance engagement was conducted to obtain limited assurance.

Arendals Fossekompani's GRI index for 2022 is an overview of which sustainability topics Arendals Fossekompani considers material to its business and which sustainability disclosures Arendals Fossekompani uses to measure and report its sustainability performance, together with a reference to where material sustainability information is reported. Arendals Fossekompani's GRI Index for 2022 is available and included in Arendals Fossekompani's Integrated Report 2022 for the period ending 31 December 2022. We have examined whether Arendals Fossekompani has developed a GRI Index for 2022 and whether mandatory disclosures are reported according to the Standards published by the Global Reporting Initiative (www.globalreporting.org/standards) (criteria)

Arendals Fossekompani has prepared its Scope 1 and Scope 2 (location and market based) emissions in line with the Greenhouse Gas Protocol - A Corporate Accounting and Reporting Standard (2004) (the Criteria). We have examined whether the scope 1 and scope 2 emissions have been calculated, estimated and reported in accordance with the Criteria as presented in the Integrated Report, chapter 04 Sustainability, subchapter Optimizing Portfolio Companies, section "Strengthening Environmental Performance".

Management's responsibility

Management is responsible for Arendals Fossekompani's sustainability reporting and for ensuring that it is prepared in accordance with criteria as described above. The responsibility includes designing, implementing and maintaining an internal control that ensures the development and reporting of the GRI Index and scope 1 and scope 2 emissions.

GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Our independence and quality control

We are independent of the company in accordance with the law and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our ethical obligations in accordance with these requirements. We use ISQM 1 - Quality management for firms that perform audits or reviews of financial statements, or other assurance or related services engagements and maintain a comprehensive system of quality control including documented guidelines and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory claim.

Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion on Arendals Fossekompani's sustainability reporting based on the procedures we have performed and the evidence we have



obtained. We conducted our work in accordance with the Standard on Assurance Engagements ISAE 3000: "Assurance engagements other than audits or review of historical financial information", and, in respect of greenhouse gas emissions, "International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements". A limited assurance engagement involves assessing the suitability in the circumstances of management's use of the criteria as the basis for the preparation of the sustainability reporting, assessing the risks of material misstatement of the sustainability reporting whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the sustainability reporting. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and, among others, included an assessment of whether the criteria used are appropriate, as well as an assessment of the overall presentation of the sustainability reporting. Our procedures also included meetings with representatives from Arendals Fossekompani who are responsible for the material sustainability topics covered by the sustainability reporting; review of internal control and routines for reporting GRI Index and scope 1 and 2 emissions; obtaining and reviewing relevant information that supports the preparation of scope 1 and scope 2 emissions; assessment of completeness and accuracy of GRI sustainability disclosures and scope 1 and 2 emissions; and controlling the calculations of scope 1 and scope 2 emissions based on an assessment of the risk of error.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the sustainability reporting has been prepared, in all material respects, in accordance with the criteria.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Arendals Fossekompani ASA's GRI Index for 2022 is not, in all material respects, developed in accordance with the requirements of the Standards published by The Global Reporting Initiative.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Arendals Fossekompani ASA's Scope 1 and Scope 2 (location and market based) emissions for the period 1 January 2022 - 31 December 2022 is not prepared, in all material respects, in accordance with the Criteria.

Arendal, 11 April 2023
PricewaterhouseCoopers AS

Hanne Sælemyr Johansen
State Authorized Public Accountant

(2)

List of Abbreviations

AC	Audit Committee
AFK	Arendals Fossekompni
AM	Additive Manufacturing
AMGTA	Additive Manufacturer Green Trade Association
ARP	Activity and Reporting Obligations
BCoC	Business Partner Code of Conduct
BOD	Board of Directors
CAD	Cash Available for Distribution
CSRD	Corporate Sustainability Reporting Directive
CDP	Carbon Disclosure Project
CapEx	Capital Expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CoC	Code of conduct
CSO	Chief Sustainability Officer
CSR	Corporate Social Responsibility
DCF	Discounted Cash Flow
DNSH	Do No Significant Harm
EAT	Earning after tax
EBT	Earnings before tax
EBIT	Earnings before interest and taxes
EBITDA	Earnings Before Interest, Taxes Depreciation, and Amortization
EU	European union
ERP	Enterprise Resource Planning
ESG	Environmental, Social and Governance
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
GWh	Gigawatt hours
HR	Human Resources
HSE	Health, Safety, and Environment
HSSE	Health, Safety, Security and Environment
IFRS	International Financial Reporting Standards

ICT	Information and Communication Technologies
IEA	International Energy Agency
ILO	Declaration of the International Labour Organisation
inp	Interestbearing current borrowings
IoT	Internet of Things
IR	Injury Rate
ISO	International Organisation for Standardisation
KPI	Key Performance Indicator
kWh	Kilowatt hours
LCA	Life Cycle Assessment
LEO	Low Earth Orbit
LTIR	Lost Time Incident Rate
MACD	Moving Average Convergence Divergence
MAR	Market Abuse Regulation
M&A	Mergers and Acquisitions
MoD	Ministry of Defense
MoU	Memorandum of Understanding
MWh	Megawatt hours
NAA	Norwegian Accounting Act
NGO	Non Governmental Organisation
NHO	Confederation of Norwegian Enterprises
NVE	The Norwegian Water Resources and Energy Directorate
OCI	Other Comprehensive Income
OECD	The Organisation for Co-operation and Development
OHS	Occupational Health and Safety
OpEx	Operating Expenditure
R&D	Research and Development
SaaS	Software-as-a-Service
SASB	Sustainability Accounting Standards Board
SBTi	Science Based Target initiative
SCoC	Supplier Code of Conduct
SDG	Sustainable Development Goal
SQM	Square meter
TCFD	Task Force on Climate-related Financial Disclosures
TRIR	Total Recordable Incident Rate
TSC	Technical Screening Criteria
UN	United Nations
WACC	Weighted Average Cost of Capital

Additional Reports

Activity and Reporting Obligations Report 2022
Carbon Accounting Report 2022
EU Taxonomy Report 2022
Human Rights and Transparency Act Report 2022
Remuneration Report 2022
TCFD: Climate-Risk Assessment Report 2022

About This Report

This is Arendals Fossekompani's first fully integrated financial and sustainability report. The report was published on 12 April, and the information refers to the reporting period 1 January to 31 December 2022.

Arendals Fossekompani publishes financial and sustainability reports on an annual basis, and prior reports can be found on our website: www.arendalsfossekompani.no. No restatement of information has been made from previous reporting periods.

The financial statements for the Parent Company and the Group are prepared in accordance with the principles in the International Financial Reporting Standard (IFRS) as adopted by the European Union. This report is prepared in accordance with the 2021 Global Reporting Initiative (GRI) Standard. The information related to the GRI disclosures are provided for all portfolio companies in the group, unless otherwise stated. The information regarding sustainability in the annual report is consolidated in the same way as for the financial information, except for the climate accounting which is established and consolidated using an operational control method in the GHG Protocol Standard. For information about other reporting frameworks, please refer to the 4.0 Sustainability chapter of this report.

The report has been read and approved by senior executives and the Board of Directors of Arendals Fossekompani. To ensure transparency and reliability of the reported GRI Index and Scope 1 and Scope 2 GHG emissions, a limited assurance has been carried out by our auditing firm PricewaterhouseCoopers (PwC). A statement on the assurance is available as an appendix to this report.

For questions about this report and its contents, please contact our Interim Chief Executive Officer, Lars Peder Fensli at lars.peder.fensli@arendalsfoss.no.

For questions related to sustainability, please contact our Chief Sustainability Officer, Ingunn Ettestøl at ingunn.ettestol@arendalsfoss.no.

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