INFORMATION MEMORANDUM

PREPARED IN CONNECTION WITH THE PURCHASE OF SHARES IN

GLAMOX

BY

ARENDALS FOSSEKOMPANI

This information memorandum (the "**Information Memorandum**") has been prepared in accordance with Section 3.5 of the Oslo Børs' Continuing Obligations (the "**Continuing obligations**").

No shares or other securities are being offered or sold in any jurisdiction pursuant to this Information Memorandum.

FONDSFINANS

21 December 2012

IMPORTANT NOTICE

This information memorandum has been prepared in compliance with section 3.5 of the Continuing Obligations as a result of Arendals Fossekompani ASA ("Arendals Fossekompani", "AFK" or the "Company" and, together with its consolidated subsidiaries, the "Group") through purchase of shares (the "**Transaction**") obtained more than 50 % ownership in Glamox ASA ("Glamox"), which has an impact on group revenues that exceeds the 25 % limit.

For the definitions of terms used throughout this Information Memorandum, including the preceding pages, see Section 10 "Definitions and glossary".

No shares or other securities are being offered or sold in any jurisdiction pursuant to this Information Memorandum.

This Information Memorandum was submitted to Oslo Børs ASA (the "**Oslo Stock Exchange**") for inspection and review before publication in accordance with Section 3.5 of the Oslo Børs' Continuing Obligations. This Information Memorandum is not a prospectus and has neither been inspected nor approved by the Oslo Stock Exchange or the Financial Supervisory Authority of Norway ("**NFSA**") in accordance with the rules that apply to a prospectus. This Information Memorandum has been prepared in an English version only.

All inquiries relating to this Information Memorandum must be directed to the Company. No other person is authorized to give any information about, or to make any representations on behalf of, Arendals Fossekompani in connection with the Transaction. If any such information is given or representation made, it must not be relied upon as having been authorised by the Company. The information contained herein is as of the date hereof and is subject to change, completion and amendment without further notice. The delivery of this Information Memorandum shall not imply that there has been no change in the Company's affairs or that the information set forth herein is correct as of any date subsequent to the date hereof.

The contents of this Information Memorandum are not to be construed as legal, business or tax advice. Each reader of this Information Memorandum should consult with its own legal, business or tax advisor as to legal, business or tax advice. If you are in any doubt about the contents of this Information Memorandum, you should consult your stockbroker, bank manager, lawyer, accountant or other professional advisor.

The distribution of this Information Memorandum in certain jurisdictions may be restricted by law. The Company requires persons in possession of this Information Memorandum to inform themselves about, and to observe, any such restrictions. No action has been taken or will be taken in any jurisdiction by the Company that would permit the possession or distribution of any documents relating to the Transaction or any amendment or supplement thereto, including but not limited to this Information Memorandum, in any country or jurisdiction where specific action for that purpose is required.

Investing in the Company's shares (the "Shares") involves risk. See Section 1 "Risk factors" below.

Currency presentation

Unless otherwise indicated, all references in this Information Memorandum to "**Norwegian kroner**" or "**NOK**" are to the lawful currency of Norway; all references to "**U.S. dollars**", "**USD**" or "**US$**" are to the lawful currency of the United States of America; all references to "**GBP**" or "£" are to the lawful currency of the United Kingdom; all references to "**EURO" or "EUR"** are to the lawful currency of the member states of the European Union.

Presentation of financial information

The financial information contained in this Information Memorandum relating to Arendals Fossekompani has been prepared in accordance with International Financial Reporting Standards as adopted by EU ("**IFRS**"). This Information Memorandum presents financial information derived from AFK's audited consolidated financial statements as of, and for the years ended, 31 December 2012, 2011 and 2009 and from AFK's unaudited condensed consolidated financial statements as of, and for the six month period ended 30 June 2012 and 2011 and the ninth month period ended 30 September 2012 and 2011, each as incorporated by reference hereto.

Certain statements within this Information Memorandum may constitute forward looking statements. Such forward looking statements involve risks. See section 1 "Risk factors" below.

TABLE OF CONTENTS

APPENDICES:

1 RISK FACTORS

1.1 General

In addition to the other information set out in this Information Memorandum, the following risk factors should be carefully considered when analysing Arendals Fossekompani and/or the Transaction, including the related financing. The risks described below could have a material adverse effect on the business, financial condition or results of operations of the Arendals Fossekompani. Accordingly, the risks described herein could have a material adverse effect on the trading price of the Shares. The information below does not purport to be exhaustive. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also have a material adverse effect on the business, financial conditions or results of operations Arendals Fossekompani.

A prospective investor and shareholder in the Company should carefully consider the factors set forth below, and elsewhere in this Information Memorandum, and should consult his or her own expert advisors as to the suitability of an investment in the shares of the Company and/or its assessment of the proposed Combination

The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Company's cash flows, business, results of operations and financial position.

Risks may in many cases effect revenue, efficiency, cost level of purchasing or operation, profit of the Company and/or the share price.

1.2 Risks relating to the Arendals Fossekompani

The general macroeconomic environment, along with fluctuations in currency exchange rates and interest rates, may have an adverse effect on the Company's performance;

The Company may be affected by the general state of the economy and business conditions, including, but not limited to, the occurrence of recession and inflation, unstable or adverse credit markets, fluctuations in operating expenses, technical problems, work stoppages or other labour difficulties, property or casualty losses which are not adequately covered by insurance, and changes in governmental regulations, such as increased taxation or introduction of regulations decreasing the number of customers or increasing operating costs and capital expenditure. This could take the form of reduced demand for the Company's services, price pressure or losses on receivables resulting from customers' inability to pay their debts, which may have a material adverse effect on the Company's sales and profitability.

The Company is exposed to currency fluctuations in connection to purchases, sales and loans in other currencies than Norwegian Kroner ("**NOK**"). AFK has a substantial portion of its business based in Norway and its accounting and reporting currency is NOK. Sale of electricity through Nord Pool Spot ("**Nord Pool**") generates revenues in EUR. In addition, through its major group subsidiaries, as described in section 4.5.2, AFK receives a large part of their consolidated income in foreign currencies, in which EUR, GBP and USD are the most significant ones.

The Company has a large amount of their debt structured with floating interest rate which may affect the Company's overall ability to generate free cash flow, and potentially raise the need for refinancing in the future which may affect the shareholders.

The hydropower operations are affected by volatility in price and volumes;

Volume and prices are subject to significant risk in relation to power production and trading. In the Nordic Power market, precipitation levels and winter temperatures can cause considerable fluctuations in both prices and output volumes. In addition, power prices are influenced by the price level of gas, oil, coal and CO_2 allowances.

Price fluctuations in the investment portfolio;

The Company has a significant amount invested in securities, both equities and bonds, in companies listed on the Oslo Stock Exchange, as well as unlisted companies and funds. Despite holding a diversified portfolio and carefully monitoring their investments, the Company cannot guarantee that the value of the investments in the future may not deteriorate. As of the date of the Information Memorandum, the Company's investment portfolio has a total value of NOK 1.868,2 million, representing 35.3 % of total group assets.

Continued growth in related markets;

The future success of the Company's business depends on the continued growth in the market in which the Company operates. There can be no assurance that the current growth in the market will continue, and discontinued or reduced growth may have a material adverse effect on the Company's business, operating results and financial condition.

Competitive markets;

The Company may in the future also be exposed to increased competition from current market players or new entrants to the market. Competition in the markets where the Company operates may lead to reduced profitability and/or expansion opportunities. The failure of the Company to maintain its competitiveness and respond to increased competition may have a material adverse effect on the Company's business, operating results and financial condition.

New markets;

The Company may in the future enter into new markets, both geographically and in terms of new products and new customer groups. New market entries are associated with similar risks as those related to managing growth, and will require investments and significant resources, including management time. In the short term, new market entries may generate negative results. Unsuccessful entry into new markets could have a material adverse effect on the Company's business, operating results and financial condition.

The Company provides warranties in connection with divestment of subsidiaries which may affect its overall performance if a valid claim is made.

The Company is vulnerable to adverse market perception;

As it expands, the Company will be vulnerable to adverse market perception as it must display a high level of integrity and maintain the trust and confidence of its customers. Any mismanagement, fraud or failure to satisfy fiduciary or regulatory responsibilities, allegations of such activities, or negative publicity resulting from such activities, or the association of any of the above with the Company or a relevant industry sector generally could adversely affect the Company's reputation and the value of the Company's brands, business, results of operations and financial position.

Technical problems or other problems relating to the products and services being sold;

There may be situations where the customers, the Company and the vendors may not agree upon the reasons for defects or claims, and that such situations may result in costly and time consuming disputes or in other ways may affect the Company's business.

The Company is dependent on its employees;

The successful development and performance of the Company's business depends on its ability to attract and retain skilled professionals with appropriate experience and expertise. There can be no assurance that the Company will have access to sufficient skilled personnel.

The Company is exposed to risks associated with international operations;

The Company's operations in international markets is subject to risks inherent in international business operations, including, but not limited to, general economic conditions in each foreign country in which the Company will operate, overlapping differing tax structures, problems related to management of an organisation spread over various countries, unexpected changes in regulatory requirements, compliance with a variety of foreign laws and regulations, and longer accounts receivable payment cycles in certain countries. The materialisation of such risks may adversely affect the Company's reputation, as well as its business, operating results and financial condition.

1.3 **Risks relating to Glamox**

In addition to the risks mentioned above, with exception of risks related to Hydropower, the following risks are related to Glamox;

Revenues are driven by building and renovation within their core business areas;

The Professional Building Solutions (PBS) division provides total lighting solutions to the professional building market, in which the most important markets are Central and Northern Europe, as well as the United States for arm-based table and illuminated magnifier lamps. The level of activity in the new construction, restoration and modernisation within the professional building sectors drives developments in the individual markets. At the time of the Information Memorandum, the PBS market conditions are rather weak. Negative development in the activity of underlying markets is out of Glamox' control and may cause adverse effects on profitability, affecting Arendals Fossekompani.

The Global Marine and offshore (GMO) division delivers professional lighting solutions to the global marine and offshore markets. The level of activity in the new construction, renovation and restoration of all types of maritime vessels and offshore installations drives developments for this division. At the time of the Information Memorandum, the GMO market conditions are good. Negative development in the activity of underlying markets is out of Glamox' control and may cause adverse effects on profitability, affecting Arendals Fossekompani.

1.4 **Risks relating to the transaction and the combined company**

The unaudited pro forma financial information is not necessarily indicative of AFK, Glamox and their combined future results;

This Information Memorandum contains unaudited pro forma financial information, which gives effect to the Combination and the financing transactions. The unaudited pro forma financial information is based on preliminary estimates and assumptions which the Company believes to be reasonable and is being furnished solely for illustrative purposes and is not necessarily indicative of what AFK's and Glamox' combined results of operations and financial condition would have been had the Combination and financing transactions occurred on 1 January 2012. As a result, an investor should not place undue reliance on the unaudited pro forma financial information presented in this Information Memorandum.

Consolidating Glamox will have significant effect on the Company's total revenues and profits;

Year to date as of third quarter 2012 (30.09), Glamox has total revenues of NOK 1.319 billion, profit after taxes of NOK 53.9 million and total assets of NOK 1.181 billion, compared to AFK's total revenues of NOK 1.874 billion, profit after taxes of NOK 234 million and total assets of NOK 5.290 billion. Adverse development in the business of Glamox may have significant effect on the overall revenues, profitability and performance of the Company.

1.5 Risks relating to the Shares of Arendals Fossekompani

The market price of the Shares may fluctuate significantly in response to a number of factors, many of which may be out of the Company's control;

The share price of publicly traded companies can be highly volatile. The price at which the Shares may be quoted and the price which Shareholders may realise for their Shares will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect the industry as a whole or quoted companies generally. These factors include those referred to in this Section 1, as well as the Company's financial performance, the impact of shareholders being released from lock-in restrictions, stock market fluctuations and general economic conditions. Share price volatility arising from such factors may adversely affect the value of an investment in the Shares. The market price of the Shares may not reflect the underlying value of the AFK Group's net assets.

Liquidity of the Shares;

The trading price of the Shares could fluctuate significantly in response to a number of factors beyond the AFK Group's control, including, but not limited to, quarterly variations in operating results, adverse business developments, changes in financial estimates and investment recommendations or ratings by securities analysts, or any other risk discussed herein materialising or the anticipation of such risk materialising;

In recent years, the global stock markets have experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies. Those changes may occur without regard to the operating performance of these companies. The price of the AFK Group's Shares may therefore fluctuate based upon factors that have little or nothing to do with the Group, and these fluctuations may materially affect the price of its Shares.

Further, the market price of the Shares could decline as a result of sales of a large number of Shares in the market or the perception that these sales could occur, or any sale of Shares by any of the Group's major shareholders or primary insiders from time to time. These sales, or the possibility that these sales may occur, might also make it more difficult for the Group to sell equity securities in the future at a time and at a price it deems appropriate.

Dilution;

Shareholders not participating in future offerings may be diluted and pre-emptive rights may not be available to shareholders, including, but not limited to shareholders resident in jurisdictions with restrictions having the effect that they will not be granted subscription rights in connection with, or be able to subscribe for new shares in, such offerings. It may in the future issue warrants and/or further options to subscribe for Shares, including (without limitation) to certain advisers, employees, directors, senior management and consultants. The exercise of such warrants and/or options would result in dilution of the shareholdings of other investors.

Forward Looking Statements;

Certain statements within this Information Memorandum constitute forward looking statements. Such forward looking statements involve risks and other factors which may cause the actual results, achievements or performance of the AFK Group to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Such risks and factors include, without limitation, general economic and business conditions, changes in government regulation, competition, changes in development plans and other risks described in this chapter. There can be no assurance that the results and events contemplated by the forward looking statements in this Information Memorandum will, in fact, occur. The Company will not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events, circumstances or unanticipated events occurring after the date of this Information Memorandum, except as required by law or by regulatory authority.

2 STATEMENT OF RESPONSIBILITY

Statement from the Board of Directors of Arendals Fossekompani ASA

This Information Memorandum has been prepared by Arendals Fossekompani ASA to provide information regarding the Transaction.

The Board of Directors of Arendals Fossekompani ASA hereby confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Information Memorandum is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

21 December 2012

Erik Must (Chairman)

Morten Bergesen	Øyvind A. Brøymer	Kjell Christian Ulrichsen
Marianne Lie	Marianne Sigurdson Lyngvi	Heidi Marie Petersen

3 DESCRIPTION OF THE TRANSACTION

3.1 Overview of the Transaction

On November 16th 2012, Arendals Fossekompani acquired 6,602,888 of the outstanding shares in Glamox from Skagen Vekst Verdipapirfond at NOK 15 per share. The total consideration of NOK 90.94 million was settled in cash, increasing AFK's ownership share from 49.9 % to 59.1 %.

On November 19th 2012, AFK announced that they had acquired additionally 3.7 % shares in Glamox at NOK 15 per share for a total consideration of NOK 36,609,855, along with their intention to make the same offer to remaining shareholders.

On November 23rd 2012, AFK made a formal offer to acquire all shares of Glamox with acceptance deadline Monday December 17th 2012. Prior to any such acceptances, AFK owns 41,431,434 shares in Glamox representing approx. 62.8 %.

Erik Must, through his family-owned company and Fondsavanse, has declined to sell his 24.5 % share in Glamox, which implies that AFK can obtain a maximum share of 75.5 % through its offer.

Glamox has a total of 65,988,668 shares outstanding, implying a total equity value of NOK 989.83 million based on NOK 15 per share.

On December 17 2012, AFK had received acceptance for additionally 5,682,913 shares (8.6 %) for a total consideration of NOK 85.2 million to obtain a total share of 71.4 % in Glamox.

An overview of Arendals Fossekompani and Glamox is provided in section 4 and section 5 respectively.

3.1.1 The consideration

The consideration for AFK's purchase of Skagen Vekst Verdipapirfond's 9.2 % holding in Glamox was settled at NOK 15 per share for a total of NOK 90,943,320.

The consideration for the additional 2,440,657 shares (3.7 %) amounted to NOK 36,609,855.

The consideration for the outstanding proposal due December 17 2012 amounted to a total of NOK 85,243,695. For further details the reader is referred to the purchase accountings in section 7.3.1.

3.1.2 Completion and conditions for completion

The offer deadline is set to 08.00 Monday December 17 2012 and the completion date is 20 December 2012.

3.2 Rationale for the transaction

Arendals Fossekompani acquired 9.2 % of the shares in Glamox from Skagen Vekst Verdipapirfond for a consideration of NOK 15 per share. There exist no formal strategic planning, share purchase agreements or negotiations regarding this transaction. As AFK became majority owner in Glamox they decided to give the same offer to the remaining shareholders. AFK has been, and will continue to be, a committed owner with a long-term focus. AFK is not planning to enforce any changes to the overall strategy of Glamox, its daily business activities and operations or management and employees.

3.3 The Transaction's significance for the earnings, assets and liabilities of AFK

As a consequence of AFK becoming majority owner by obtaining more than 50 % stake in Glamox, it will need to incorporate Glamox to its accountings in compliance with the IFRS rules. The impact on AFK involves a 21 % change in total assets, 70 % change in operational revenues and a change of 61.5 % in net income based on Q3 2012 figures, see section 7.3.

The transaction does not impose any known tax implications to the Company. See section 7.3.6 for a statement regarding any accounting effects due to the Transaction.

For a further description of the Transaction's significance for the earnings, assets and liabilities of the Combined Group please see the pro forma financials in section 7.

3.4 Interests of certain persons in the Transaction

No agreements have been, or are expected to be, entered into, in connection with the Transaction for the benefit of the executive management or members of the board of directors of AFK or Glamox.

3.5 Related parties in the Transaction

The reader is referred to section 3.1 - Overview of the Transaction as well as description of Arendals Fossekompani and Glamox in section 4 and section 5 respectively.

4 DESCRIPTION OF ARENDALS FOSSEKOMPANI

4.1 **Corporate information**

The Company's legal and commercial name is Arendals Fossekompani ASA. AFK is a Norwegian public limited liability company incorporated and operating under the laws of Norway, including the Norwegian Public Limited Companies Act, with company registration number 910 261 525.

The Company's registered address is Langbryggen 5, 4841 Arendal, Norway, its telephone number is +47 37 23 44 00, its fax number is +47 37 23 44 01 and its website is www.arendalsfoss.no.

The Company was incorporated 30th of January 1896 and has been listed on Oslo Stock Exchange with the ticker "AFK" since 1915 with exception for a two-year period between 1989 and 1991. The administration is located in the municipality of Froland.

Main investors are Ulefoss Invest AS (26.3 %), Havfonn AS (26.0 %) and Must Invest AS (25.2 %), private investment companies owned by the Ulrichsen-, Bergesen- and Must-families respectively. A more detailed overview of the Company's current shareholders is presented in section 4.11.

The core asset of Arendals Fossekompani is the hydro power stations which were originally built to supply heavy industries in the Arendal Region. In addition to hydro power, the Company is through its investment activities involved in other industrial enterprises, and holder of shares in various companies listed on the Oslo Stock Exchange.

4.2 **History and development**

The following provides a brief overview of the main events in the history and development of Arendals Fossekompani:

AFK was established January 30 1896 as a power production company to supply heavy industries in the Arendal Region. The Company has throughout its existence developed and modernised their core asset, consisting of the three hydro power stations; "Bøylefoss", "Flatenfoss 2" and "Flatenfoss 3". The power plants are located in the municipalities of Froland and Åmli and provide an annual production in the order of 500 GWh.

Markedskraft AS was established as a subsidiary in 1992. In 2008 Arendals Fossekompani merged with Norsk Vekst AS, making EFD AS and Sonans AS subsidiaries of the Company. AFK reached majority ownership in Powel AS in 2009 and World Wide Mobile Communications AS (WWMC) in 2010, followed by the divestment of Sonans AS and acquisition of Cogen AS in 2011. The Company is considering divestment of NSSL Global in which they own 80 % through WWMC AS.

In addition to hydro power production, AFK is invested in a small number of energy related companies and has made significant financial investments in Norwegian companies listed on the Oslo Stock Exchange, in which their holding of some 8 % of the shares in Kongsberg Gruppen ASA is the most significant.

4.3 **Strategy**

4.3.1 Overall strategy

The overall strategy is to concentrate activities on power-related services, renewable energy technology and production, and energy efficiency. Moreover, AFK is determined to maintain the property assets and develop the current portfolio further, as well as divest assets that are outside the strategic area. Further development and growth is focused on businesses that are engaged in production of equipment and services within the renewable energy segment.

4.3.2 Long term assets

AFK plan to further develop their hydropower production assets with profitable investments, as well as develop the Vindholmen area in Arendal. As part of their investment strategy, AFK intends to be an active owner in developing Kongsberg Group, EFD, Powel, Glamox, Markedskraft, Scanmatic, Flumill and Cogen and provide capital to new acquisitions through their subsidiaries. AFK aims to keep an investment portfolio mainly consisting of a limited number of larger investments.

4.3.3 Managing debt and liquidity

AFK will maintain a conservative debt structure serviceable by power output even in times of statistically rare hydrological situations, and will keep a significant amount in cash or highly liquid Norwegian shares. For more details on current capital structure, see section 6.3.2.

4.4 **Group structure**

Arendals Fossekompani ASA is the parent company in the Arendals Fossekompani Group. Figure 4.1 depicts AFK and its main group subsidiaries:

Figure 4.1 – AFK Group structure

Table 4.1 and Table 4.2 provide an overview of the Company's subsidiaries and associated companies as of the date of the Information Memorandum. Note that ownership in companies related to their investment portfolio is not included in the definitions above. In addition, Tekna Systèmes Plasma Inc is a Canadian associate through EFD Induction AS.

Table 4.1 – AFK subsidiaries

Subsidiary	Ownership	Organisation number
WWMC	100.00 %	981 477 863
Cogen AS	100.00 %	966 639 199
Subsea Cabling Tech AS[1]	100.00 %	992 189 916
Norsk Vekst AS	100.00 %	993 229 954
Powel AS	95.80 %	976 574 958
Kelin Kraft AS	90.80 %	979 366 175
Arendal Lufthavn Gullknapp AS	82.80 %	936 740 987
EFD Induction AS	70.00 %	930 400 580
Glamox ASA	67.79 %	912 007 782
Markedskraft ASA	67.20 %	863 769 132
Scanmatic AS	65.60 %	920 353 908
Songe Træsliperi AS	50.76 %	932 806 045

Table 4.2 – AFK associates

Associated company	Ownership	Organisation number
Tekna Systèmes Plasma Inc	49.00 %	n.a
Flumill AS	42.30 %	984 417 594
Arendal Industrier AS	40.00 %	952 214 489

4.5 Operations

4.5.1 Hydro power production

Arendals Fossekompani owns and operates three power plants that are located in Arendalsvassdraget, north of Arendal, and accounts for a significant portion of group profits. The three power plants; "Bøylefoss", "Flatenfoss 2" and "Flatenfoss 3" contributes with an annual production of about 500 GWh.

4.5.1.1 Bøylefoss

Installed capacity	65 MW
Avg. annual production	388 GWh
Built	1913
Intake	Haugsjå dam
Head	62 m
Tunnel length	2km + 250m pipeline
Turbines	8
Capacity	125 m3/s

4.5.1.2 Flatenfoss 2

Installed capacity	5.5 MW
Avg. annual production	33 GWh
Built	1981
Intake	Nidelva
Head	10 m
Tunnel length	-
Turbines	1
Capacity	60 m3/s

[1] To be dissolved

4.5.1.3 Flatenfoss 3

Installed capacity	7.1 MW
Avg. annual production	46 GWh
Built	2009
Intake	Nidelva
Head	10 m
Tunnel length	-
Turbines	1
Capacity	80 m3/s

The Hydropower production has on average contributed with 10.2 % of total revenues and 23 % of total net income during the three-year period of 2009 - 2011. Revenue contribution by segment is further depicted in section 4.5.3.

During the last eight years the power plants have produced a total of 467 GWh on average and the normal annual precipitation in the Arendalsvassdraget is 1080 mm. For further information, see section 8.3 – Arendals Fossekompani and hydropower.

AFK is dedicated to maintain, streamline and develop the hydro power plants in accordance with the requirements set out by the society and profitability to their shareholders.

4.5.1.4 Waterfall rights and watercourse regulations

The waterfall rights owned by AFK are not subject to reversionary right for the Norwegian State, as the rights were acquired prior to the inclusion of the reversion-clause in the Norwegian Industrial Concession Act of 1909.

The watercourse regulations utilised by AFK are owned by the watercourse association Arendals Vassdrags Brukseierforening (AVB). AVB is defined as a public entity, and consists of Arendals Fossekompani, Agder Energi Produksjon, Skagerak kraft and Skafså Kraftverk. As AVG is public, the watercourse regulation installations are not subject to state-reversion.

4.5.2 Major Group subsidiaries

Besides hydropower, AFK has a limited number of larger investments with focus on renewable energy and efficient utilisation of energy. The following list provides a brief description of the major group subsidiaries[2];

EFD Induction: is a global induction heating company. It designs, manufactures and maintains induction heating equipment and systems for industrial applications. Moreover, EFD Induction provides complete solutions for induction heating, including e.g. hardening and welding, and have production units in Norway, Germany, France, Romania, India, China, USA and Canada. *Sales 2011: NOK 911 million. Ownership: 70.0 %.Remaining shares mainly owned by management.*

NSSL Global: is an independent service provider for satellite communications solutions. It offers a wide range of services within systems integration, network management and application development. It provides communication and IT solutions to the maritime, government, energy, media, finance and corporate sectors. NSSL Global is based in the UK and has a network of engineers and service agents worldwide to provide local support to its global customer base. *Sales 2011: NOK 477 million. Ownership: 80 %, 20 % owned by management.*

[2] Source: Arendals Fossekompani annual reports complemented by information from the individual companies' homepages.

Powel: develops and supplies business-critical software and associated services designed in particular for power generators, distribution companies, and local authorities. Products include software for smart generation, grid management, smart metering and technical infrastructure management. The headquarter is located in Trondheim, Norway.
Sales 2011: NOK 314 million. Ownership: 95.8 %.Remaining shares owned by management.

Markedskraft: is an independent provider of services to players in the Nordic and European wholesale market for electricity. The company assist throughout the entire value chain including fundamental market analysis, advisory services, risk management, financial portfolio management and physical handling and settlement. Markedskraft also offers capital management services within power derivatives.
Sales 2011: NOK 80 million. Ownership: 67.2 %.Remaining shares owned by management.

Kelin Kraft: Established in 1997 offering invoicing, collection and settlement services to the Scandinavian energy and grid companies. The company is headquartered in Sandnes, Norway and has offices in Kungsbacka (Sweden) and Fredericia (Denmark).
Sales 2011: NOK 19 million. Ownership: 90.8 %. Remaining shares owned by management.

Scanmatic: develops, produces and delivers industrial systems and products within data acquisition, remote control and surveillance, industrial data communication, SCADA systems and Hydro acoustics. Main customer segments are energy, defense and industry/offshore sectors. Their headquarter is located northeast of Arendal, Norway.
Sales 2011: NOK 68 million. Ownership: 68.5 %. Remaining shares owned by management.

Cogen: builds, owns and operates Combined Heat and Power (CHP) plants in Spain. CHP plants utilize surplus heat from power generation based on fossil fuels (typically gas or coal) for industrial processes. This increases the amount of usable output from the plant, and hence results in increased energy efficiency. Cogen also invests in biomass energy production in Spain.
Sales: NOK 2011 426 million. Ownership: 95.5 %. Remaining shares owned by management.

4.5.3 Revenues by segment and geography

Table 4.3 provides a breakdown of revenues by segments:

Table 4.3 – AFK revenues by segment

Revenues (NOK million)	2011	2010	2009
Sale of electricity	159.8	185.0	149.6
Financial activities	0.9	0.7	1.1
Major subsidiaries			
EFD	911.3	722.2	676.1
Powel	314.1	254.4	154.9
WWMC (NSSL)	477.0	174.8	n.a
Markedskraft	99.0	112.8	106.9
Cogen	180.7	n.a.	n.a
Scanmatic	67.8	52.4	53.2
Other	1.8	2.1	0.9
Total	**2,212.4**	**1,504.5**	**1,142.8**

Sale of electricity is revenues from the three hydropower plants as described in section 4.5.1.

AFK owns 80 % of NSSL Global through WWMC (consolidated as of 16.08.2010). Cogen AS was consolidated as of 30.08.2011 and Kelin Kraft is included in Markedskraft.

Other consists of the companies Arendal Lufthavn Gullknapp, Songe Træsliperi, Subsea Cablig Technology, Norsk Vekst and Scanmatic Eiendom. Table 4.4 provides a breakdown of revenues by geographic markets:

Table 4.4 – AFK revenues by geographic markets

Revenues (NOK million)	2011	2010	2009
Norway	543.0	524.4	396.0
Europe	1,102.3	606.7	454.3
Asia	255.4	279.3	216.2
USA and other	311.6	94.1	76.3
Total	**2,212.4**	**1,504.5**	**1,142.8**

4.5.4 Market trends and outlook

The hydropower segment;

By the end of October 2012, the reservoir level in Arendalsvassdraget was higher than normal levels for the season and the Company expects the overall power production for 2012 to be slightly higher than normal. Total reservoir holdings in both Norway and Sweden are above normal levels adjusted for seasonality. Mountain snow levels are currently at normal levels. The hydrologic balance is currently 10 TWh above the normal level.

The price level for coal is currently 20% lower compared to the same period in 2011, dioxide emission quotas are 25% less pricy, while the oil price is at a standstill compared to 2011. Power forward prices for the rest of the year is marginally higher than for the same period in 2011.

Overall, the Company expects lower revenues and operating profit from sales of electricity in 2012 compared to 2011.

Major group subsidiaries as of September 30 2012[3]

EFD Induction has during 2012 seen weaker results due to technical challenges from several major deliverances which have imposed higher costs. EFD Induction is currently implementing measures to manage the situation. EFD has a solid order backlog, but uncertainties regarding future order backlog persists due to unresolved matters in the European Union and due to expectations of decreased growth rate in Asia.

Powel is expected to deliver an increased performance in 2012 compared with 2011 and is well positioned in its market due to several profitable acquisitions in recent years.

Markedskraft have turned the negative trends of 2011 and expects positive results for 2012. The overall long-term outlook is considered good.

WWMC is the holding company of NSSL Global ltd (80 % ownership). AFK is at the time of the Information Memorandum considering divestment of NSSL Global. The overall outlook are considered good with a solid position within satellite communications.

[3] Unless otherwise stated, the Company is not aware of any material circumstances in the period between September 30 2012 and the date of this Information Memorandum.

Glamox is covered in section 5.9.

Cogen expects better results in 2012 than in 2011, but new legislation in Spain makes a significant reduction in 2013 results probable.

Scanmatic has doubled their sales as of year to date Q3 2012 compared with 2011 and will probably achieve record results in 2012. The outlook for 2013 looks bright.

Kelin has been underperforming in 2012 compared to 2011 and will record a loss in 2012, but is expected to achieve positive results in 2013.

Investment portfolio;

In general terms, the outlook for the companies in which AFK is invested is affected by uncertainty in the global economy, despite that the portfolio is considered to be dominated of well positioned companies.

4.6 Board of directors and management

4.6.1 Board of Directors

At the date of the Information Memorandum, the Company's Board of Directors consists of the following:

Table 4.5 – AFK Board of directors

Name	Position	Principal activities	Number of shares
Erik Must	Chairman	Owner and Chairman of a number of companies	573,716
Øyvin A Brøymer	Deputy Chairman	Chairman of Investtech Com AS and Medi-Stim ASA	23,000
Kjell Chr. Ulrichsen	Member	Chairman and Board Member in a number of companies	588,395
Morten S Bergesen	Member	CEO of Havfonn AS, Chairman of Bergehus Holding AS	582,716
Marianne Lie	Member	CEO Fajona Consulting AS, Board member of Arendals Fossekompani Pensjonskasse	0
Heidi M Petersen	Member	Chairman Future Subsea AS, Board member of Glamox ASA	179
Marianne S Lyngvi	Member	Board Member of Arendal Industrier AS	15

The listed number of shares is including shares hold in person or by close relatives or by owned companies in accordance with the accounting law § 7-26. No member of the Board of Directors have options in AFK.

The registered business address of the Company serves as C/O address for all Board members in relation to their directorship in the Company.

None of the Board members are part of the Company's senior management.

None of the members of the Board of Directors have entered into service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment.

Erik Must – Chairman (born 1943): Mr. Must has a M. Sc. in Business from Copenhagen School of Economics (1967). Must is currently Chairman of the Board in Fondsfinans ASA, Fondsfinans Kapitalforvaltning AS, Arendals Fossekompani ASA, Gyldendal ASA and Erik Must AS. He is also Board member of "Norges Handels- og Sjøfartstidende" AS and the Arentz Legacy.

Øyvin A Brøymer – Deputy Chairman (born 1948): Mr. Brøymer has a M. Sc. in Business (1971) from BI Norwegian Business School and an MBA with major in Finance from the University of Wisconsin (1974). Mr Brøymer has 15 years of experience as CFO in Hafslund Nycomed ASA and four years as Executive Vice President in Leif Høegh & Co ASA. He currently runs his own investment business, primarily focused on industry, real estate and shipping. He is currently Chairman of Investtech Com AS and Medi-Stim ASA, and Boardmember of a number of companies.

Kjell Chr. Ulrichsen – Board Member (born 1944): Mr. Ulrichsen has a M. Sc. in Business (1967) from BI Norwegian Business School. Mr. Ulrichsen is member of the Board and part owner in Telenor Arena through his family company Vicama AS where he sits as Chairman of the Board. Moreover, he is currently Chairman of the Board and Board member in more than 20 small or medium sized companies.

Morten S Bergesen – Board Member (born 1974): Mr. Bergesen has a M. Sc. in Business from BI Norwegian Business School. He has previously worked at Econ, and is currently CEO of the family office Havfonn AS. Mr. Bergesen is currently Chairman of Bergehus Holding AS, and Board member in Agrinos AS, Cogen AS, IFM Immobillien AG and two Danish real estate companies.

Marianne Lie – Board Member (born 1962): Marianne Lie has a degree in Social studies from the University of Oslo. She is a former CEO of Norwegian Shipowners' Association, Vattenfall Norge and Helsevakten Telemed. She is currently Board member in Wilh. Wilhelmsen ASA, RS Platou ASA, Rainpower ASA, Cecon ASA, Isco AS, Ard Group AS and Arendal Fossekompani ASA.

Heidi M Petersen – Board Member (born 1958): Mrs. Heidi M. Petersen holds a M. Sc. degree from the Norwegian University of Science and Technology (NTNU/NTH). In the period from 2000 to July 2007 she was managing director of Future Engineering AS and Rambøll Oil & Gas AS, (Future was sold to Rambøll Group AS in 2004). Previous experience also includes department manager, project manager and engineer in Kværner Oil & Gas. Petersen currently chairs the boards of Sandefjord Airport Torp, Future Subsea as and TS-Group (Oil Services) and is member of the board of Eitzen Chemicals ASA, North Energy ASA, CECON ASA, Arendals Fossekompani ASA, Glamox ASA, Calora Subsea AS.

Marianne S Lyngvi – Board Member (born 1954): Marianne Lyngvi is Head of Postgraduate studies at the University of Agder. She has previously been member of Arendal's city council and an elected representative in Tromøy municipality. Other experience includes Chair of Norges

Venstrekvinnelag and member of the central board in the political party Venstre from 1999 to 2005.

4.6.2 Management

At the date of the Information Memorandum, the management the Company consists of the following persons:

Table 4.6 – AFK management

Name	Position	Employed since	Number of shares
Sverre Valvik	Chief Executive Officer	1991	11,440
Sam C. Syvertsen	Director of Investment	2010	2,610
Morten Henriksen	Director of Technology	2008	300
Gunnar Line	Controller	2008	400
Thor R Gabrielsen	Finance and Administration manager	1995	1,000

The registered business address of the Company serves as C/O address for all members of the senior management in respect to their position in the Company.

No member of the Management have options in AFK.

No member of the Group's management have entered into service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment.

Sverre Valvik – Chief Executive Officer (born 1949): Mr. Valvik has a M. Sc. in Electronics Engineering (Elektro) from the Norwegian University of Science and Technology (NTNU/NTH) (1973) and has been employed at AFK since 1991. He has extensive experience within hydro power that includes the unification of Norwegian power plants. He currently holds several board positions in AFK's subsidiaries as well as other companies.

Sam C. Syvertsen – Director of Investments (born 1956): Mr. Syvertsen has a M. Sc. in Business Administration (1980) and Doctorate Courses (HAE) (1986) from the Norwegian School of Economics and Business Administration (NHH) and has been employed at AFK since 2010. Prior to joining AFK, he worked as Director of Portfolio management and Analysis in Markedskraft from 1994 to 2010. Other experience includes CFO and COO at St Gobain Norway (Silicon Carbide Manufacture) from 1987 to 1994 and at the Group planning department in Statoil from 1981 to 1985. Mr. Syvertsen currently holds several board positions in AFK's subsidiaries and other companies.

Morten Henriksen – Director of Technology (born 1968): Mr. Henriksen has a M. Sc. in Electric Power Engineering (Elkraft) from the Norwegian University of Science and Technology (NTNU/NTH) (1991) and has been employed at AFK since 2008. Former experience includes different positions at Alcatel, Norconsult, Sweco and Statkraft. Mr. Henriksen currently holds board positions at several AFK subsidiaries and other companies.

Gunnar Line – Controller (born 1956): Mr. Line is a state authorised auditor since 1985 and has been employed at AFK since 2008. Previous experience include Senior Manager at KPMG Arendal from 1988 to 2008 and Manager at KPMG in Oslo from 1981 to 1988.

Thor R Gabrielsen – Finance and Administration Manager (born 1948): Mr. Gabrielsen has a M. Sc. in Business Administration from the Norwegian School of Economics and Business Administration (NHH) and has been with AFK for more than 15 years. Previous experience includes positions within the automotive sector, information technology, audit and bank and finance.

4.7 Legal and arbitration proceedings

The Company is not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) in the 12 months prior to the date of this Information Memorandum, which may have, or have had in the recent past, significant effects on the Company's and/or the group's financial position or profitability.

In connection with the sale of Sonans in 2011, the byers have signalled that they are in discussion with the tax authorities on certain issues related to recovery of VAT and if an unfavourable result is reached, they claim recourse from AFK under warranties given in connection with the sale. AFK is of the opinion that the case is not covered under the warranties.

4.8 Research and development and licenses

The Company does not own patents or licenses that are of vital importance for their operating business, with exception of their waterfall rights as described in section 4.5.1.4.

4.9 Corporate governance

AFK complies with Norwegian guides for ownership and corporate governance of October 21 2012.

The management and board of AFK evaluate the principles for ownership and corporate governance on a yearly basis. For more information the reader is referred to the Company's annual reports.

All of the directors of the Board of AFK are independent from AFK's executive management and material business contacts. The chairman of the board, Erik must, along with the two board members Kjell Christian Ulrichsen and Morten Sigval Bergesen, represent the three largest shareholders in AFK as stated in section 4.1.

4.10 Material Contracts

Neither AFK nor any of the companies in the AFK group have entered into any material contracts outside the ordinary course of business.

4.11 Major shareholders of Arendals Fossekompani

At the date of the Information Memorandum AFK have 1,109 shareholders. Table 4.1 shows the 20 largest shareholders in the Company.

Shareholders owning 5% or more of the Shares on the Oslo Stock Exchange must disclose its holding to the market pursuant to Norwegian securities law. The Company is not aware of any other persons or entities that, directly or indirectly, have an interest of 5% or more of the Shares as of the date of the Information Memorandum.

Table 4.7 – AFK top 20 shareholders

	NAME	HOLDINGS OF SHARES	OWNERSHIP INTEREST
1	ULFOSS INVEST AS	588,395	26.3 %
2	HAVFONN AS	582,716	26.0 %
3	MUST INVEST AS	564,249	25.2 %
4	ARENDALS FOSSEKOMPANI ASA	26,194	1.2 %
5	SVANHILD OG ARNE MUSTS FOND FOR ME	26,184	1.2 %
6	INTERTRADE SHIPPING AS	23,000	1.0 %
7	SKIENS AKTIEMØLLE ASA	20,871	0.9 %
8	BØHLER ERIK	20,504	0.9 %
9	FONDSFINANS ASA PENSJONSKASSE	18,589	0.8 %
10	FABULOUS AS	18,245	0.8 %
11	A/S HERDEBRED	15,755	0.7 %
12	JOHANSEN PER-DIETRICH	15,015	0.7 %
13	ROPERN AS	13,515	0.6 %
14	SVERRE VALVIK A.S.	11,440	0.5 %
15	FONDSFINANS UTDANNELSESFOND	10,919	0.5 %
16	CAT SHIPPING AS	10,134	0.5 %
17	VIOLINA SHIPPING AS	10,000	0.4 %
18	MUST ANNELISE ALTENBURG	9,467	0.4 %
19	HELGE REIN BY BRUG AS	9,113	0.4 %
20	OLAND OVE	8,370	0.4 %
	OTHER	237,135	10.6 %
	TOTAL NUMBER OF SHARES	2,239,810	100.0 %
	Nominal share value	100	
	Share capital	223,981,000	

Source: Bloomberg

The three major shareholders; Ulfoss Invest AS, Havfonn AS and Must Invest AS are represented in the board of AFK as depicted in section 4.1

4.12 Shares and share capital

As of the date of this Information Memorandum, the Company's share capital is NOK 223,981,000 divided into 2,239,810 Shares, with a nominal value of NOK 100 per Share. There is one class of Shares. The Shares are equal in all respects and each Share carries one vote at the general meetings of shareholders. No shareholder may, in person or by proxy, vote for more than one quarter of the total number of shares (Articles of Association §10). Acquisition of shares are subject to approval by the Board and the consent may only be rejected if there is a reasonable cause (Articles of Association §7).

Arendals Fossekompani's Shares are in registered form and are registered in book-entry form in the VPS under the securities identification code ISIN NO 000 3572 802 with DnB Nor Bank ASA, Verdipapirservice, Stranden 21, 0021 Oslo, Norway, as registrar.

Table 4.8 provides the development of the share capital and the number of outstanding shares in the Company for the period between 1 January 2009 and to the date of this Information Memorandum.

Table 4.8 – Development of AFK share capital

Date	Total share capital prior to change	Type of change	Change in share capital (NOK)	Par value (NOK)	Total share capital after change	Number of shares after change
12.06.2012	22,398,100	Fund issue increasing par value per share from 10 to 100	201,582,900	100	223,981,000	2,239,810

During the time period there has been no changes to the share capital with exception of the above mentioned fund issue of NOK 201,582,900. Par value increased from NOK 10 to NOK 100 per share and total number of shares remained unchanged.

4.13 Share price development for AFK

The Company's share price has varied between NOK 1630 and NOK 1700 during the last 12 months with relatively low volumes as shown in Figure 4.2:

Figure 4.2 – AFK share price development LTM

Source: Bloomberg

4.14 Statutory auditors

The historical financial information for the Company for the last three years has been audited by KPMG AS, registration number 935 174 627, with registered business address at Sørkedalsveien 6, 0369 Oslo, Norway. KPMG AS is member of Den Norske Revisorforening (the Norwegian Institute of Public Accountants).

KPMG has conducted the audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants.

5 DESCRIPTION OF GLAMOX

5.1 Corporate information

The Company’s legal and commercial name is Glamox ASA.

The Company’s registered address is Birger Hatlebakksvei 15, 6405 Molde, Norway, its telephone number is +47 71 24 60 00, its fax number is +47 71 24 60 01 and its website is www.glamox.no.

The Company was incorporated October 16th 1951 and registered in the Norwegian Register of Business Enterprises on February 19th 1995 with registration number 912 007 782.

Glamox is incorporated and operating under the laws of Norway, including the Norwegian Public Limited Companies Act.

The Glamox group is organised with Glamox ASA as the parent company. Operations are currently divided between two divisions; *Professional Building Solutions* and *Global Marine & Offshore*, in which each division is responsible for its own group of companies. Description of operations is further described in Section 5.4.

Glamox is a Norwegian industrial Group that develops, produces and distributes professional lighting solutions for the global market, with operations in several European countries, as well as in Asia, Canada and the US.

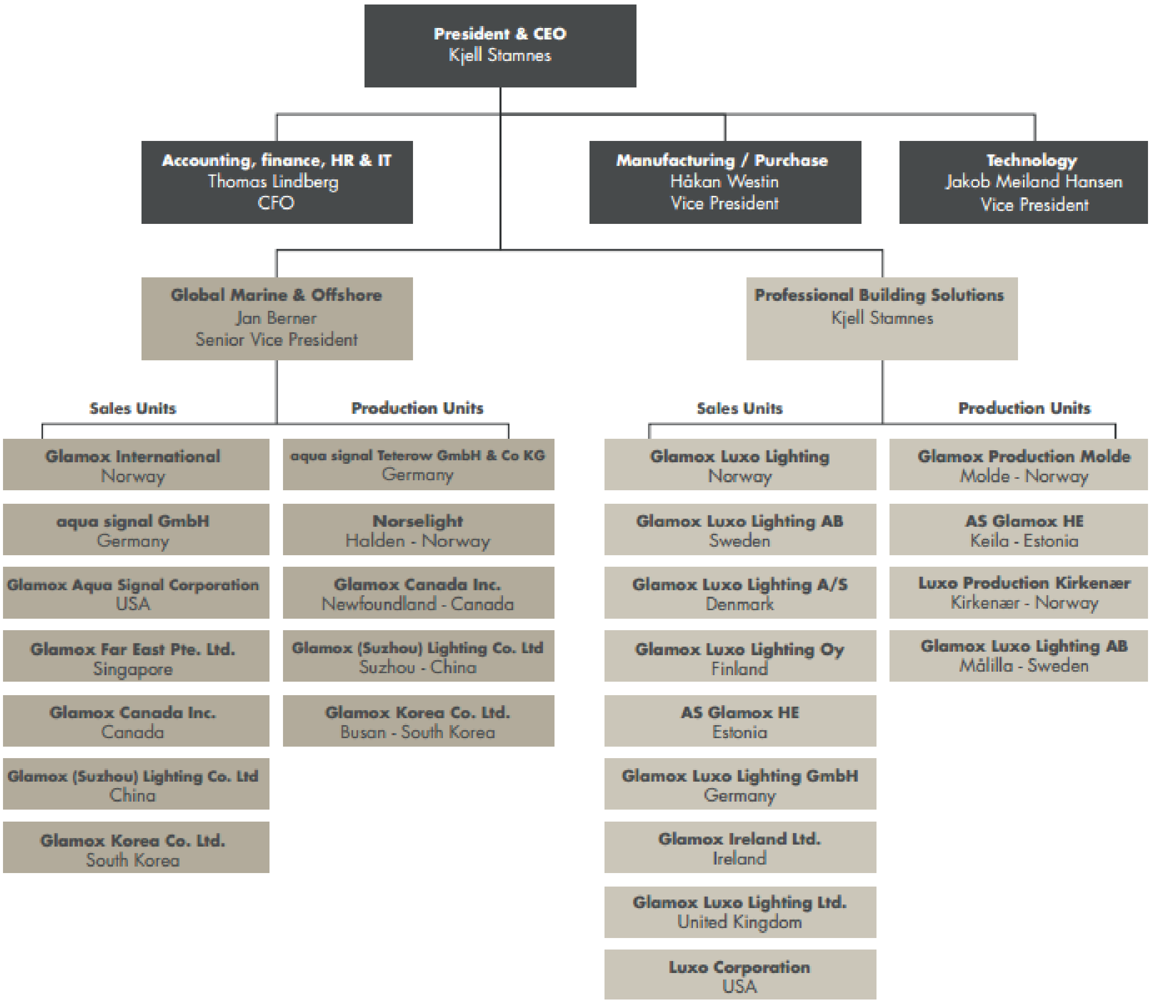
5.2 History in brief

Time period	**Event**
1947	Birger Hatlebakk established the predecessor of Glamox ASA.
1951	Glamox ASA incorporated.
1961 - 1970	Sales unit are established in Denmark, UK and Sweden. In 1969 Glamox starts developing electrical heaters.
1971 - 1980	Sales units are established in Finland, Germany and Austria. In 1978 a factory is established in Finland. Total revenue increases from NOK 42 million to NOK 156 million and approximately 50 % was delivered outside Norway. First deliveries for marine and offshore environments in the North Sea.
1981 - 1990	New ownership structure and successful launching of new products creates a base for further growth. Total revenue increases to NOK 688 million. Glamox acquires Enebra and IFA. The product assortment for marine and offshore is expanded.
1991 - 2000	Subsidiaries are established in Canada, Estonia, Latvia, Singapore and China. Glamox International is established. Aqua signal and parts of Høvik Lys are acquired by Glamox. Norselight is acquired in 2000. The Glamox Groups total revenue increases to NOK 1,300 million and total employees are 1,200.
2001 - 2012	Followed by a weak financial period with write down of the share capital and need for equity issue, the base for increased growth and profitability is laid in 2001. In 2008 the Glamox Group achieves its best results in their 60 years of operation. The total revenue is NOK 1,593 million with 1,030 employees. In spring 2009 Glamox acquires Luxo.

5.3 **Group structure**

The Glamox group is organised with Glamox ASA as the parent company as described in Figure 5.1.

Figure 5.1 – Glamox Group structure



Source: Glamox.com

In addition to Glamox' 100 % ownership in Luxo AS and Birger Hatlebakks Veg 15 AS they own 100 % of the shares in their subsidiaries as mapped above.

5.4 **Operations**

Glamox is a worldwide lighting company with sales companies in several European countries, as well as in Asia, USA and Canada. Important production facilities are located in Germany, Estonia, Norway (Molde) and China. Through its network of sales companies, agents and distributors they operate in more than 60 countries.

Operations are divided between Professional Building Solutions (PBS) and Global Marine and Offshore (GMO).

5.4.1 Professional Building Solutions

PBS is a supplier of interior and industrial lighting in Europe, and of task lights and magnifiers globally. They provide a complete product range for schools, healthcare facilities, commercial and industrial buildings, retail facilities and hotels and restaurants.

PBS has sales units in Norway, Sweden, Denmark, Finland, Russia, Estonia, Germany, UK, Ireland and USA, as well as a distribution network covering additional countries.

PBS' main markets are the Central and Northern Europe, as well as the United States for arm-based task lights and illuminated magnifiers. The lighting industry in Europe is highly fragmented, with production overcapacity creating considerable pressure on prices. The level of activity in the new construction, restoration and modernisation within the professional building sectors is the main driver in the individual markets.

Table 5.1 – Glamox segment PBS key figures

Key figures (mNOK)	2011	2010	2009
Revenues	1,147	1,132	1,043
Operating results	102	57	36
Operating margin (%)	*8.9*	*5.0*	*3.5*

Source: Glamox ASA annual reports

5.4.2 Global Marine and Offshore (GMO)

GMO is a global supplier of lighting solutions to the marine and offshore market, providing services to segments such as; commercial marine, cruise and ferries, oil & gas, recreational boats, navy and obstruction lighting.

GMO have sales companies in Europe, North America, China, Singapore and Korea in addition to a network of agents and distributors in 60 countries.

The level of activity in the new construction, renovation and restoration of all types of maritime vessels and offshore installations drives developments for this division.

For many years, the division has focused on five strong international brands;

GLAMOX aqua signal® NORSElight

The right light LUXO HØVIK LYS

Glamox has more than 60 years of experience within the illumination business. Glamox serves professional markets, offices and industry, both onshore and offshore.

Aqua Signal is a brand name for marine lighting and has been around for more than 140 years.

Norselight has a history of more than 90 years and manufactures highly specialised search lights and special applications for the marine market.

Luxo is a traditional brand that has delivered high quality solutions for more than 75 years, mainly for office buildings, industrial plants, health care facilities and other public areas.

Høvik Lys has more than 130 years of history within design and decorations lighting worldwide.

Table 5.2 – Glamox segment GMO key figures

Key figures (mNOK)	2011	2010	2009
Revenues	564	640	720
Operating results	57	75	65
Operating margin (%)	*10.1*	*11.7*	*9.1*

Source: Glamox ASA annual reports

5.5 Key financial figures

Table 5.3 – Glamox key figures

Key figures (mNOK)	2011	2010	2009
Total revenue	1,714	1,790	1,763
Operating Profit	152	137	125
Profit before tax	150	144	109
Profit after tax	108	113	66
Cash from operations	117	199	169
Operating margin (%)	*8.9*	*7.7*	*7.1*
Return on equity (%)	*21.6*	*24.7*	*16.1*
Equity ratio (%)	*43.7*	*41.1*	*39.3*
Earnings per share (NOK)	1.6	1.7	1.0
Total assets	1,188	1,167	1,106
Equity	519	480	435
Debt	670	687	671
Group average number of man-years	1178	1237	1261
Glamox ASA number of employees	527	524	436

Source: Glamox ASA annual reports, ravn.no

5.6 Board of directors and management

5.6.1 Board of Directors

As of the date of the Information Memorandum, the Glamox Board of Directors consists of the following persons:

Table 5.4 – Glamox Board of directors

Name	Position	Principal activities
Bjørn Arnestad	Chairman	CEO & Chair of Bna Invest AS
Sverre Valvik	Member	CEO Arendals Fossekompani
Heidi M Petersen	Member	Board Member Arendals Fossekompani
Kristine Landmark	Member	Owner and CEO of K. Landmark
Torfinn Kildal	Member	Chairman of Interwell AS
Nils Erik Iversen	Member	Employee representative
Henny O S Eidem	Member	Employee representative
Sigmund M Johansen	Member	Employee representative

5.6.2 Management

At the date of the Information Memorandum, the Glamox management consists of the following persons:

Table 5.5 – Glamox management

Name	Position	Number of shares
Kjell Stamnes	CEO and President	1,391,750
Jan Berner	Senior Vice President	0
Thomas Lindberg	Chief Financial Officer	25,559
Haakan Westin	Vice President Manufacturing	0
Knut S Rusten	Vice President Marketing	0
Jakob M Hansen	Vice president Technology	0

No member of the management or Board of Directors owns any options in Glamox. With exception of Henny Eidem's 14 shares, no member of the Board of Directors own any shares in Glamox.

5.7 Legal and arbitration proceedings

Arendals Fossekompani is not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) in the 12 months prior to the date of this Information Memorandum, which may have, or have had in the recent past, significant effects on the financial position or profitability of Glamox.

5.8 Significant changes in the financial or trading position

AFK is not aware of any significant changes in Glamox' financial or trading position in the period between the release of third quarter report and the date of the Information Memorandum.

5.9 Market trends and outlook involving Glamox

The markets for Professional Building Solutions have continued to fluctuate in 2012. Overall, Glamox have experienced weak growth in their primary markets year to date.

The Global Marine & Offshore markets have performed well overall during 2012. Within the division's largest segment, Commercial Marine, the shipyards continue to experience a decrease in the total order reserve with exception of Norway. The Oil & Gas segment are experiencing good markets, in particular in Korea, Singapore and to an increasing degree, Brazil.

The markets will continue to be affected by global economic uncertainty, which means that market developments are highly uncertain. This affects development within both the land-based business area and the marine and offshore business area. For the PBS business area, Glamox anticipate that the markets will remain at the same level as in 2011 and 2012. The GMO business area is expected to experience a further decline in the market for merchant vessels. The oil & gas segment is expected to experience continued market growth in 2013.

The long-term strategy of Glamox continues to focus on profitable organic growth. Given that the lighting industry in Europe is highly fragmented, with large numbers of small and medium-sized companies, they expect an increase in reorganisations. Technological changes resulting from LED technology are also expected to create structural changes in the industry, which could already be seen in 2011 through vertical acquisitions. To further develop their position in the lighting market, Glamox will need to supplement organic growth with acquisitions.

6 FINANCIAL INFORMATION ARENDALS FOSSEKOMPANI

6.1 Historical financial information and summary of accounting policies

This section presents an overview of AFK's financial position, operating performance (financial statement) and cash flow for the fiscal years 2009, 2010 and 2011, as well as an unaudited financial statement for the six months ended 30 June 2012 and 2011, and the nine months ended 30 September 2012 and 2011.

The Company's historical consolidated financial statements were prepared in accordance with IFRS as adopted by EU.

The Company's audited consolidated financial statements as of, and for the years ended, 31 December 2011, 2010 and 2009, including an overview of the Company's accounting policies, explanatory notes and auditor's statements, are incorporated by reference hereto, see section 9.1 below. Complete financial statements, including accounting policies, explanatory notes and auditor's statements are available for download on the Group's web page.

KPMG audited the Company's consolidated financial statements as of, and for the years ended, 31 December 2011, 2010 and 2009, without any qualifications or disclaimers.

There is no other information in the Information Memorandum, which has been audited by the auditors.

The Company's unaudited condensed consolidated financial statements as of, and for the six months ended 30 June 2012 and 2011, and the nine months ended 30 September 2012 and 2011, are incorporated by reference hereto, see 9.1.

6.2 No significant change

There has not been any significant change to the Company's financial or trading position since 30 September 2012 to the date of this Information Memorandum.

6.3 Arendals Fossekompani selected financial information

The following tables present selected financial information for AFK as of, and for the years ended, 31 December 2011, 2010 and 2009, and as of, and for the nine months ended, 30 September 2012 and 2011, which has been derived from the Company's audited consolidated financial statements as of and for the years ended 31 December 2011, 2010 and 2009, and from the Company's unaudited condensed consolidated financial statements as of, and for the six months ended 30 June 2012 and 2011, and the nine months ended, 30 September 2012 and 2011.

This AFK selected financial information should be read together with the Company's consolidated financial statements and the related notes thereto, and other financial information included elsewhere in this Information Memorandum.

6.3.1 *AFK condensed consolidated statement of income*

Table 6.1 – AFK P&L statement

Condensed consolidated statement of income	Nine months ended 30 September (Unaudited)		Six months ended 30 June (Unaudited)		Year ended 31 December (Audited)		
NOK million (except per share data)	**2012**	**2011**	**2012**	**2011**	**2011**	**2010**	**2009**
Revenue	1 869	1 412	1 293	942	2 193	1 486	1 031
Other income	5	62	3	2	19	18	111
Total revenue and income	1 874	1 474	1 296	944	2 212	1 504	1 143
Cost of goods sold	(878)	(556)	(600)	(341)	(872)	(418)	(288)
Salaries	(547)	(502)	(377)	(339)	(713)	(589)	(571)
Other operating expenses	(233)	(205)	(151)	(140)	(303)	(247)	(226)
Total operating expenses	(1 658)	(1 263)	(1 128)	(820)	(1 889)	(1 255)	(1 086)
EBITDA	**216**	**211**	**168**	**124**	**324**	**250**	**57**
Depreciation, amortisation and impairments	(111)	(81)	(73)	(52)	(133)	(91)	(52)
Operating profit (EBIT)	**105**	**130**	**95**	**72**	**191**	**159**	**6**
Net financial items	131	113	45	204	31	106	238
Share of profits (loss) associated company	44	44	29	30	61	74	56
Income (loss) before tax	**280**	**287**	**169**	**307**	**283**	**340**	**299**
Income taxes	(46)	(53)	(38)	(38)	(58)	(103)	(78)
Income (loss) from continuing operations	234	234	131	269	225	237	221
Income (loss) from discontinued operations	-	-	-	-	-	21	11
Net income (loss)	**234**	**233**	**131**	**269**	**225**	**258**	**232**
Net income (loss) attributable to minority interests	6	9	6	3	16	3	(21)
Net income (loss) attributable to AFK shareholders	229	224	124	266	209	255	253
Basic and diluted earnings per share from continuing operations(NOK)	103	101	56	120	94	106	110
Basic and diluted earnings per share from discontinued operations(NOK)	-	-	-	-	-	9	5
Source: Arendals Fossekompani ASA							

6.3.2 *AFK condensed statement of financial position*

Table 6.2 – AFK balance sheet

Condensed consolidated statement of financial position	As of 30 September (Unaudited)		As of 30 June (Unaudited)		As of 31 December (Audited)		
NOK million (except per share data)	**2012**	**2011**	**2012**	**2011**	**2011**	**2010**	**2009**
Assets							
Cash and cash equivalents	492	560	360	313	613	318	312
Short-term investments	1 868	1 768	1 985	2 426	1 873	2 484	1 865
Inventories	176	166	186	144	176	124	109
Receivables and other current assets	660	586	763	484	676	575	441
Total current assets	**3 196**	**3 079**	**3 294**	**3 367**	**3 338**	**3 500**	**2 726**
Goodwill and intangible assets	569	572	581	561	576	567	367
Property, plant and equipment	803	831	808	478	813	476	414
Investments in associated companies	494	447	474	557	478	539	550
Other non-current assets	226	200	207	221	209	244	312
Total non-current assets	**2 092**	**2 051**	**2 069**	**1 816**	**2 076**	**1 826**	**1 643**
Total assets	**5 288**	**5 130**	**5 363**	**5 183**	**5 414**	**5 327**	**4 369**
Liabilities and equity							
Short-term borrowings	112	119	140	107	60	100	58
Accounts payable	318	328	323	252	388	354	181
Other current liabilities	358	374	405	329	330	373	349
Total current liabilities	**788**	**821**	**867**	**687**	**778**	**827**	**589**
Senior unsecured bond	694	296	296	-	296	-	-
Other long-term borrowings	1 169	1 541	1 568	1 410	1 704	1 610	1 576
Deferred tax liabilities	40	20	42	5	42	7	8
Other long-term liabilities	94	86	102	67	110	70	77
Total non-current liabilities	**1 997**	**1 943**	**2 008**	**1 482**	**2 152**	**1 687**	**1 661**
Equity attributable to AKF shareholders	2 332	2 208	2 317	2 869	2 319	2 667	1 982
Minority interest	171	160	170	145	165	146	137
Total equity	**2 503**	**2 366**	**2 487**	**3 015**	**2 484**	**2 813**	**2 119**
Total liabilities and equity	**5 287**	**5 130**	**5 363**	**5 183**	**5 414**	**5 327**	**4 369**
Source: Arendals Fossekompani ASA							

6.3.3 AFK condensed consolidated statement of cash flow

Table 6.3 – AFK cash flow statement

Condensed consolidated statement of cash flow	As of 30 September (Unaudited)		As of 30 June (Unaudited)		As of 31 December (Audited)		
NOK million (except per share data)	**2012**	**2011**	**2012**	**2011**	**2011**	**2010**	**2009**
Operating activities							
Net income (loss)	234	233	131	269	225	258	232
Net (income) loss from discontinued operations	-	-	-	-	-	(21)	(11)
Depreciation, amortisation and impairment	111	81	73	52	133	91	52
Net financial items	(131)	(113)	(45)	(204)	(31)	(106)	(238)
Share of profits (loss) associated company	(44)	(44)	(29)	(30)	(61)	(74)	(56)
Income taxes	46	53	38	38	58	103	78
Other adjustments	(71)	(103)	(117)	(66)	(161)	(52)	(2)
Net cash provided by operating activities	**145**	**108**	**51**	**59**	**163**	**198**	**55**
Investing activities							
Purchases of property, plant and equipment	(115)	(62)	(88)	(39)	(126)	(75)	(80)
Purchases of other long-term investments	(44)	(144)	(15)	(41)	(125)	(136)	(60)
Purchases of short-term investments	(234)	(55)	(123)	(55)	(108)	(189)	(76)
Proceeds from sales of property, plant and equipment	236	152	18	144	155	83	216
Proceeds from sales of other long-term investments	2	234	(1)	221	253	16	370
Proceeds from dividend and financial items	159	104	131	109	113	165	250
Net cash used in investing activities	**5**	**230**	**(77)**	**340**	**161**	**(136)**	**620**
Financing activities							
Loan proceeds	397	298	-	-	375	104	127
Principal repayments	(529)	(160)	(135)	(182)	(107)	(64)	(374)
Net increase (decrease) in other short-term debt	(15)	(42)	39	(35)	(116)	21	(200)
Purchase of shares	1	-	-	-	-	2	7
Proceeds from shares issued	-	-	-	-	-	-	-
Dividends paid	(128)	(187)	(128)	(183)	(187)	(111)	(111)
Net cash provided by (used in) financing activities	**(274)**	**(91)**	**(225)**	**(401)**	**(35)**	**(49)**	**(551)**
Net decrease in cash and cash equivalents	(125)	247	(251)	(2)	289	13	124
Foreign currency effects on cash and cash equivalents	5	(5)	(2)	(2)	7	(6)	(2)
Cash and cash equivalents at beginning of period	613	318	613	318	318	312	191
Cash and cash equivalents at end of period	492	560	360	313	613	318	312
Source: Arendals Fossekompani ASA							

6.4 Liquidity and capital resources

The table below includes information on AFK's liquidity and debt for the years indicated and as of the date of the Information Memorandum.

Table 6.4 – Liquidity and capital resources

Liquidity and capital resources	As of 30 September (Unaudited)		As of 30 June (Unaudited)		As of 31 December (Audited)		
NOK million (except per share data)	**2012**	**2011**	**2012**	**2011**	**2011**	**2010**	**2009**
Net cash provided by operating activities	145	108	51	59	163	198	55
Cash and cash equivalents	492	560	360	313	613	318	312
Short-term investments	1 868	1 768	1 985	2 426	1 873	2 484	1 865
Liquid assets	**2 360**	**2 328**	**2 345**	**2 739**	**2 486**	**2 802**	**2 176**
Short-term borrowings	112	119	140	107	60	100	58
Bond	694	296	296	-	296	-	-
Other long-term borrowings	1 169	1 541	1 568	1 410	1 704	1 610	1 576
Interest-bearing debt	**1 975**	**1 956**	**2 004**	**1 517**	**2 060**	**1 710**	**1 634**
Net interest-bearing assets (debt)	**385**	**372**	**341**	**1 222**	**426**	**1 092**	**543**
Source: Arendals Fossekompani ASA							

Table 6.5 - Liquidity and solvency ratios

Liquidity and solvency ratios	As of 30 September (Unaudited)		As of 30 June (Unaudited)		As of 31 December (Audited)		
Percentage or fraction	**2012**	**2011**	**2012**	**2011**	**2011**	**2010**	**2009**
Interest coverage (EBIT / Interest Expense)	1.6	2.0	2.3	2.1	3.1	3.6	0.1
Liquidity ratio (Current assets / Current liabilities)	4.1	3.8	3.8	4.9	4.3	4.2	4.6
Debt to equity (book value)	0.53	0.54	0.54	0.42	0.54	0.47	0.51

6.4.1 Cash flow

At the end of the third quarter 2012, cash and cash equivalents were NOK 132 million higher compared to the end of the third quarter (30 June 2012) and NOK 121 million lower compared to year-end 2011. Cash provided by operating activities excluding working capital changes amounted to NOK 158 million in the quarter, compared to NOK 117 million as 30 June 2012 and NOK 147 million in 2011, reflecting stable earnings despite a year-on-year 39% decrease in the average Elspot price. Few changes in working capital resulted in a total net operating cash flow of NOK 145 million. Financing activities in the quarter contributed negatively to cash flow with NOK 274 million. Included in this amount were bank down payments of NOK 529 million and NOK 397 million in net proceeds from the senior unsecured bond issue in July.

In 2011, cash and cash equivalents increased significantly compared to the previous Year, as cash flow from investing activities was positively affected by the sale of the subsidiary Sonans. In 2010, cash provided by operating activities increased significantly compared to the previous year. This increase was due to a normalisation of the EBITDA-margin to the levels seen prior to 2009. The increase in short-term investments in 2010 and the decrease in 2011 are results of the performance of the investment portfolio which generated 31.3% and -16.5% returns in 2010 and 2011, respectively. Interest coverage has come down in Q3 2012 compared to Q3 2011, while both the liquidity ratio and the debt to equity ratio are at stable and decent levels.

6.4.2 Financing arrangements

Table 6.6 – Financing arrangements

Short-term financing	Interest rate 2011	As of 31 December (Audited)		
NOK million (except per share data)	**2011**	**2011**	**2010**	**2009**
Bank overdraft facility	N/A	60	100	58
Total short-term financing		**60**	**100**	**58**
Source: Arendals Fossekompani ASA				

Table 6.7 – Financing arrangements

Long-term financing	Interest rate (As of 31 December 2011)	Maturity (As of 31 December 2011)	As of 31 December (Audited)		
NOK million (except per share data)	**2011**	**2011**	**2011**	**2010**	**2009**
Senior unsecured bond	5.95 %	19.07.2021	296	-	-
NOK I	NIBOR + margin	16.01.2014	25	25	-
NOK II	NIBOR + margin	16.01.2014	365	365	365
NOK III	NIBOR + margin	31.01.2015	40	40	-
NOK IV	NIBOR + margin	12.01.2012	200	200	200
NOK V	NIBOR + margin	27.06.2012	76	76	100
NOK VI	NIBOR + margin	16.01.2014	50	50	50
EUR I	NIBOR + margin	-	-	-	27
EUR II	LIBOR + margin	07.11.2012	227	229	244
EUR III	LIBOR + margin	-	-	195	208
EUR IV	LIBOR + margin	27.06.2012	305	307	302
GBP	LIBOR + margin	31.01.2015	65	63	-
USD	LIBOR + margin	31.01.2015	102	-	-
Other long-term borrowings	NIBOR + margin	-	249	59	81
Total long-term financing			**2 000**	**1 610**	**1 576**
Source: Arendals Fossekompani ASA					

Other long-term borrowings of NOK 249 million belongs to subsidiaries of AFK. AFK will in the future continue to finance their running business with use of excess cash, bank debt and bonds.

Table 6.8 – Financing arrangements

Secured financing	As of 31 December (Audited)		
NOK million (except per share data)	**2011**	**2010**	**2009**
Bank overdraft facility	44	73	47
Long-term borrowings	114	53	69
Total secured financing			
Source: Arendals Fossekompani ASA			

As of 31 December 2011, AFK's long-term financing consisted of a ten year senior unsecured bond of NOK 296 million and NOK 1 704 million in multi-currency credit facilities with different maturities and interest margins (totalling NOK 2 billion in long-term financing), see Table 6.7. During 2012 and until the date of the Information Memorandum, NOK 808 million has matured. In July 2012, the Company issued a new five year bond of NOK 700 million (net proceeds of NOK 694 million), to cover for the matured long-term financing.

The multi-currency credit facilities are secured through a negative pledge. NOK 114 million of the total long-term financing, and NOK 44 million of the short-term bank overdraft, are secured by assets (Table 6.8).

AFK will maintain a conservative debt structure serviceable by power output even in times of statistically rare hydrological situations, and will keep a significant amount in cash or highly liquid Norwegian shares

According to the Bond Agreements, the Company must comply with two main financial covenants:

1. Value Adjusted Equity Ratio of minimum 40%, calculated on each quarter date.

2. Minimum MIKA adjusted book equity: NOK 1 500 million

As of the time of the Information Memorandum, the Company was in compliance with all covenants.

6.4.3 Working capital

The Company is of the opinion that the working capital available to it is sufficient for its present requirements, i.e. for at least the 12 months period following the date of this Information Memorandum.

6.4.4 Trend information

Description of trends and outlook concerning the markets AFK operates in is included in 4.5.4.

7 UNAUDITED PRO FORMA FINANCIAL INFORMATION

7.1 General information and purpose of the unaudited pro forma condensed financial information

Pro forma financial information (condensed consolidated income statements and balance sheet) has been prepared to illustrate the main effects of the Transaction had it happened as at 1 January 2011 (for the pro forma condensed consolidated income statement for 2011), 1 January 2012 (for the pro forma condensed consolidated income statement for the nine month period ended 30 September 2012) and as at 30 September 2012 (for the pro forma condensed consolidated balance sheet as at that date). Pro forma condensed consolidated income statements have been prepared for the financial year 2011 and the nine month period ended 30 September 2012. Pro forma condensed consolidated balance sheet has been prepared as at 30 September 2012.

The unaudited pro forma financial information has been prepared for illustration purposes only and it is based on adjustments and assumptions provided by the management in Arendals Fossekompani ASA. Because of its nature, the pro forma financial information addresses a hypothetical situation. Therefore, it does not represent Arendals Fossekompani Group's actual financial position or results.

The Transaction reflected in the unaudited pro forma financial statements consists of Arendals Fossekompani ASA's acquisition of 12.9 % of the outstanding shares in Glamox ASA in November 2012. The additional acquisition of 8.6 % of the outstanding shares in the period 23 November to 17 December is not included. This part of the Transaction would, however, only result in a somewhat higher cash consideration (approximately NOK 85 million) with related pro forma interest (approximately NOK 5 million) and a change in the equity split between shareholders and non-controlling interests (approximately NOK 85 million). The Transaction is described in further detail in chapter 3.

7.1.1 Sources for pro forma financial information

The pro forma condensed consolidated income statement for 2011 is based on the audited consolidated financial statements for Arendals Fossekompani Group and Glamox Group enclosed by reference (see section 9.1).

The pro forma condensed consolidated income statement for the nine month period ended 30 September 2012 and the pro forma condensed consolidated balance sheet as at 30 September 2012, are based on official unaudited condensed consolidated quarterly interim financial statements for Arendals Fossekompani Group and Glamox Group for the nine month period ended 30 September 2012 enclosed by reference (see section 9.1).

7.2 Basis for preparation

The unaudited pro forma financial information must be read in conjunction with the audited consolidated financial statements of Arendals Fossekompani Group for 2011 and the unaudited official consolidated quarterly condensed financial statements of Arendals Fossekompani Group for the nine month period ended 30 September 2012.

The unaudited pro forma financial information is based on the same accounting principles as those applied in the audited consolidated financial statements for 2011 and in the unaudited official condensed consolidated quarterly financial statements for the nine month period ended 30 September 2012. These accounting principles are in accordance with International Financial

Reporting Standards (IFRS) as applied by EU. These accounting principles have been incorporated into this Information Memorandum by reference, see section 9.1.

Significant differences in accounting principles between Arendals Fossekompani Group and Glamox Group are analysed and described below.

Certain numbers in the pro forma financial information have been rounded for the convenience of the readers. Accordingly, in certain instances, the sum of the numbers in a column may not conform exactly to the total figure given.

7.3 Unaudited pro forma financial statements

7.3.1 Purchase accounting

In November 2012, AFK became majority owner in Glamox through the Transaction as described in section 3 and specified in section 7.1. A total consideration of NOK 127,553,175 was paid in cash. Previously acquired shareholding of 49.9 % had a book value of NOK 129,156,669. Table 7.1 provides an overview of the impacts on assets and liabilities for AFK on the time of the Transaction.

Table 7.1 – Purchase accounting Glamox

(NOK million)	Book value prior to acquisition N-GAAP	Book value prior to acquisition IFRS adjusted	Market value adjustments	Values accounted for through acquisition
Property, plant and equipment	244,481	244,481	59,773	304,254
Goodwill	13,619	13,619	179,955	193,574
Other intangible assets	9,144	9,144	161,668	170,812
Products and customers			55,901	
Other investments	2,065	2,065		2,065
Deferred tax assets	11,998	11,998		11,998
Inventories	287,884	287,884		287,884
Account receivables	297,354	297,354		297,354
Cash and cash equivalents	314,583	314,583		314,583
Deferred tax liabilities	(35,933)	(35,933)	(77,656)	(113,589)
Loans and borrowings	(200,642)	(200,642)		(200,642)
Employee benefits	(30,360)	(30,360)		(30,360)
Provisions (Corporate tax)	(11,430)	(11,430)		(11,430)
Account payables	(192,389)	(192,389)		(192,389)
Other current liabilities	(54,672)	(54,672)		(54,672)
Tax payable	(45,513)	(45,513)		(45,513)
Net identifiable assets and liabilities	**610,189**	**610,189**	**379,641**	**989,830**

7.3.2 Notes to unaudited IFRS adjustments

The following IFRS adjustments apply to the unaudited pro forma financial information as presented in sections 7.3.3, 7.3.4 and 7.3.5 respectively.

Goodwill

Glamox Group carries certain amounts of Goodwill on the balance sheet. According to NGAAP, Goodwill is being amortized over its expected useful life. Under IFRS, Goodwill is not amortized, but tested annually for impairment and written down if necessary.

In accordance with IFRS, existing Goodwill is not brought back to its original amount, but frozen as from the date of transition to IFRS. For Glamox Group financial information included in the group financial statements of Arendals Fossekompani Group, the date of transition to IFRS is 1 January 2011.

Derivatives / hedge accounting
Under NGAAP, Glamox Group has classified certain forward exchange contracts as cash flow hedges and booked the related exchange differences as a part of sales transactions.
Under IFRS, these forward exchange contracts have been deemed not to qualify for hedge accounting. In the unaudited pro forma financial information, the contracts have therefore been valued at fair value and any related changes and tax effects have been shown as financial income or cost.

Comprehensive income
Under NGAAP, the concept of comprehensive income does not exist. Equity transactions with shareholders as well as all other changes in equity that are not part of net income are shown as changes in equity.
Elements of comprehensive income for Glamox Group that were originally shown as changes in equity have been restated as IFRS adjustments to the pro forma financial information. These adjustments include:

- Translation differences arising upon consolidation of foreign subsidiaries
- Translation differences related to loans deemed as part of net investment in foreign subsidiaries
- Actuarial gains and losses
- Related tax effect

7.3.3 Unaudited pro forma condensed consolidated income statement for 2011

Table 7.2 shows an unaudited pro forma condensed consolidated income statement for 2011 for Arendals Fossekompani Group assuming that the Transaction occurred as at 1 January 2011.

Table 7.2 – Condensed consolidated statement of income

Condensed consolidated statement of income	Note	AFK (Audited) IFRS	Glamox (Audited) NGAAP	Glamox (Unaudited) IFRS adj.	Proforma adj. (Unaudited) IFRS	Proforma (Unaudited) IFRS
NOK million	**#**	**2011**	**2011**	**2011**	**2011**	**2011**
Revenue		2 193	1 682			3 875
Other income		19	31			50
Total revenue and other income		2 212	1 713	-	-	3 925
Cost of goods sold (including electric power)		872	793			1 665
Payroll		713	540			1 253
Other operating expenses		303	177			480
Total operating expenses		1 888	1 510	-	-	3 398
EBITDA		**324**	**203**	**-**	**-**	**527**
Depreciation	1,5	133	51	(3)	30	211
Operating profit (EBIT)		**191**	**152**	**3**	**(30)**	**316**
Financial income	4	245	12		137	394
Financial expense	9	214	14		8	236
Net financial items		31	(2)	-	129	158
Share of results from associates	4	61			(54)	7
Income (loss) before tax		**283**	**150**	**3**	**45**	**481**
Tax expense	5,9	58	43		(6)	95
Net income (loss)		**225**	**107**	**3**	**51**	**386**
Net income (loss) attributable to minority interest	7	16	-		48	64
Net income (loss) attributable to AFK shareholders	7	209	107	3	3	322
Total		*225*	*107*	*3*	*51*	*386*
Comprehensive income						
Total translation diff income statement	3	5	-	(2)	-	3
Change in hedging reserve		(10)				(10)
Change in financial instr available for sale		(465)				(465)
Financial instr available for sale transf to ordinary profit		97				97
Tax on comprehensive income	3	3		1		4
Comprehensive income from associate	4	(6)			1	(5)
Actuarial gains and losses	3			(1)		
Non-controlling interests share		-				-
Total other comprehensive income		**(376)**	**-**	**(2)**	**1**	**(376)**
Profit for the period		225	107	3	51	386
Total comprehensive income for the period		**(151)**	**107**	**1**	**52**	**10**
Net income (loss) attributable to minority interest		16			48	64
Translation difference from Equity NCI		-				-
Net income (loss) attributable to AFK shareholders		(167)	107	1	5	(54)
Total		*(151)*	*107*	*1*	*53*	*10*

Source: Arendals Fossekompani ASA						

7.3.4 *Unaudited pro forma condensed consolidated income statement for the nine month period ended 30 September 2012*

Table 7.3 shows an unaudited pro forma condensed consolidated income statement for the nine month period ended 30 September 2012 for Arendals Fossekompani Group assuming that the Transaction occurred as at 1 January 2012.

Table 7.3 - Condensed consolidated statement of income

Condensed consolidated statement of income	Note	AFK (Audited) IFRS	Glamox (Audited) NGAAP	Glamox (Unaudited) IFRS adj.	Proforma adj. (Unaudited) IFRS	Proforma (Unaudited) IFRS
NOK million	**#**	**30.09.2012**	**30.09.2012**	**30.09.2012**	**30.09.2012**	**30.09.2012**
Revenue		1 869	1 301	-	-	3 170
Other income		5	19	-	-	24
Total revenue and other income		1 874	1 320	-	-	3 194
Cost of goods sold (including electric power)		878	602	-	-	1 480
Payroll		547	413	-	-	960
Other operating expenses		233	137	-	-	370
Total operating expenses		1 658	1 152	-	-	2 810
EBITDA		**216**	**168**	**-**	**-**	**384**
Depreciation	1,5	111	36	(3)	22	166
Operating profit (EBIT)		**105**	**132**	**3**	**(22)**	**218**
Financial income	4	213	23	-	117	353
Financial expense	9	82	24	-	6	112
Net financial items		131	(1)	-	111	241
Share of results from associates	4	44	-	-	(46)	(2)
Income (loss) before tax		**280**	**131**	**3**	**43**	**457**
Tax expense	2,5,9	46	37	-	(5)	78
Net income (loss)		**234**	**94**	**3**	**47**	**378**
Net income (loss) attributable to minority interest	7	6	-	-	41	47
Net income (loss) attributable to AFK shareholders	7	228	94	3	6	331
Total		*234*	*94*	*3*	*47*	*378*
Comprehensive income						
Total translation diff income statement		1	-	14	-	15
Change in hedging reserve		-	-	(13)	-	(13)
Change in financial instr available for sale		(24)	-	-	-	(24)
Financial instr available for sale transf to ordinary profit		(62)	-	-	-	(62)
Tax on comprehensive income		-	-	-	-	-
Comprehensive income from associate		(1)	-	-	1	(0)
Actuarial gains and losses		-	-	-	-	-
Non controlling interests share		-	-	-	-	-
Total other comprehensive income		**(86)**	**-**	**1**	**1**	**(84)**

Profit for the period		234	94	3	47	378
Total comprehensive income for the period		**148**	**94**	**4**	**48**	**294**
Net income (loss) attributable to minority interest		3	-	-	41	44
Translation difference from Equity NCI		-	-	-	-	-
Net income (loss) attributable to AFK shareholders		145	94	4	7	250
Total		148	94	4	48	294
Source: Arendals Fossekompani ASA						

7.3.5 Unaudited pro forma condensed consolidated balance sheet as at 30 September 2012

Table 7.4 shows an unaudited pro forma condensed consolidated balance sheet as at 30 September 2012 for Arendals Fossekompani ASA assuming that the Transaction occurred as at 30 September 2012.

Table 7.4 - Condensed consolidated statement of financial position

Condensed consolidated statement of financial position	Note	AFK (Audited) IFRS	Glamox (Audited) NGAAP	Glamox (Unaudited) IFRS adj.	Proforma adj. (Unaudited) IFRS	Proforma (Unaudited) IFRS
NOK million	**#**	**30.09.2012**	**30.09.2012**	**30.09.2012**	**30.09.2012**	**30.09.2012**
Assets						
Cash and cash equivalents	8	492	315	-	(128)	679
Short-term investments		1 868	-	-	-	1 868
Inventories		176	288	-	-	464
Receivables and other current assets		660	297	-	-	957
Total current assets		**3 196**	**900**	**-**	**(128)**	**3 968**
Goodwill and intangible assets		569	35	-	397	1 001
Property, plant and equipment		803	244	-	60	1 107
Investments in associated companies		494	-	-	(381)	113
Other non-current assets		226	2	-	-	228
Total non-current assets		**2 092**	**281**	**-**	**76**	**2 449**
Total assets		**5 288**	**1 181**	**-**	**(52)**	**6 417**
Liabilities and equity						
Short-term borrowings		112	-	-	-	112
Accounts payable		318	116	-	-	434
Other current liabilities	2	358	-	-	-	-
Total current liabilities		**788**	**304**	**1**	**-**	**1 093**
Senior unsecured bond		694	-	-	-	694
Other long-term borrowings		1 169	201	-	-	1 370
Deferred tax liabilities	5	40	36	-	78	154
Other long-term liabilities		94	30	-	-	124
Total non-current liabilities		**1 997**	**267**	**-**	**78**	**2 342**
Paid in share capital		224	66	-	(66)	224
Other equity	2,4,5, 6,7,8	2 108	544	(1)	(432)	2 219
Minority interest	7	171	-	-	368	539
Total equity		**2 503**	**610**	**(1)**	**(130)**	**2 982**

Total liabilities and equity		**5 288**	**1 181**	**-**	**(52)**	**6 417**
Source: Arendals Fossekompani ASA						

7.3.6 Notes to unaudited pro forma adjustments

The unaudited pro forma adjustments described in the following notes represent effects that are expected to appear in future financial statements. The adjustments as such and the amounts are to some extent dependent on future transactions and events.

Gain on existing shares in Glamox / removal of associate

In accordance with IFRS 3, in a business combination, shares that the acquirer held in the acquired business prior to the transaction must be treated as if they had been sold and reacquired at the same price per share as the new shares. For Arendals Fossekompani Group this resulted in a substantial gain since they already held 49.9 % of Glamox Group prior to the transaction. The pro forma adjustment will not have effect for future periods.

Identifiable assets – property plant and equipment and intangibles with related depreciation and tax effects

Also, in accordance with IFRS 3, Arendals Fossekompani Group has prepared a preliminary analysis of identifiable assets in Glamox Group (Purchase Price Allocation - PPA) with related tax effects. The pro forma condensed consolidated balance sheet as at 30 September 2012 has been adjusted accordingly. Related depreciation and tax effects have also been calculated and adjusted for in the pro forma condensed consolidated income statements.
The pro forma adjustments will have effect for future periods.
The final values may be influenced by changes in the PPA.

Goodwill

In accordance with IFRS 3, the residual value after deducting book equity and identifiable assets in the PPA has been presented as Goodwill net of tax.
The pro forma adjustments will have effect for future periods.

The final amount of Goodwill may be influenced by changes in the PPA. No impairment of Goodwill has been reflected in the pro forma financial information.

Non-controlling interests

In accordance with IFRS 3, Arendals Fossekompani Group has elected to calculate Goodwill for all shareholders including non-controlling interests in the business combination. Thus, total pro forma equity adjustment for non-controlling interests includes their share of Goodwill. The pro forma adjustments will have effect for future periods.

In the income statements, the amounts assigned to non-controlling interests have been adjusted to reflect their share of net results from Glamox Group.

Cash

The cash paid in the transaction has been reflected as a reduction of cash in the unaudited pro forma condensed consolidated balance sheet as at 30 September 2012. The pro forma adjustment will not have effect for future periods.

Financial expense - interest

In the pro forma financial information, an increase of interest expense with related tax effect has been included to reflect the potential effect had the transaction occurred as at 1 January 2011 and 1 January 2012 respectively. The interest has been calculated based on actual historical interest rates. The pro forma adjustments will not have effect for future periods.

8 MARKET

8.1 Intro to the Nordic power market[4]

Electricity production differs considerably between the Nordic countries. In Norway, nearly all electricity is generated from hydropower, while Sweden and Finland utilises a combination of hydropower, nuclear power and conventional thermal power. Denmark has historically relied mainly on thermal power, but wind power is providing an increasing part of the demand for energy.

Table 8.1 provides an overview of the electricity contribution by different sources in the Nordic power market as of 2011.

Table 8.1 – Sources of energy and shares in the Nordic power market

	Hydropower	CHP	Nuclear	Wind
Share	50 %	31 %	12 %	7 %
Producing country	Norway Sweden	Finland Denmark	Finland Sweden	Denmark

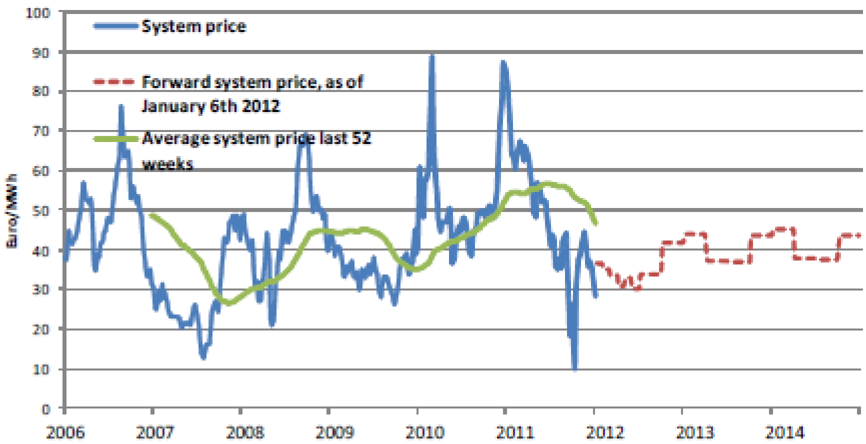
The hydrological balance (the amount of water available for hydro production) varies significantly between the seasons which cause volatility in the hydropower output from the Nordic region. Combined Heat and Power (CHP), which consists of thermal power generation based on coal, gas and biofuel, act as "swing-production" for balancing the total production during seasons when the level of hydropower generation is low. As an example, in the period 2003 – 2006 the annual total output from renewable sources varied between 192 TWh (2003) and 253 TWh (2005).

The Nordic region has a total of 98,414 MW in installed capacity for power generation and the total power generation in the Nordic region in 2011 was 370 TWh. The wholesale power market is a common Nordic market, where electricity is traded on the Nordic electricity exchange, Nord Pool. Trading at Nord Pool is voluntary, however all day-ahead cross-border trading must be done at Nord Pool Spot which consists of two sub-markets, the day-ahead market Elspot and the intra-day market Elbas. In the day-ahead market, electricity is traded for the next day's 24 hours. In the intra-day market, participants in Norway, Finland, Sweden, Denmark, Germany and Estonia can trade for the forthcoming day after the day-ahead spot market has closed. In the financial market the players can secure prices for future purchases or sales of electricity.

Figure 8.1 shows the development in spot prices, average prices and three year forward prices on Nord Pool.

[4] Chapter 8.1 is based on information from the "Nordic Market report 2012" of July by NordREG; www.nordicenergyregulators.org.

Figure 8.1 – Nord Pool historical and forward prices



8.2 Electricity and hydropower[5]

Nordic electricity spot prices started the year at very high levels, driven by a significant hydrological deficit of almost 40 TWh. However, high imports, high thermal power production and high precipitation resulted in a more normal hydrological balance by the autumn, putting downward pressure on spot prices. In 2011, the total power consumption in the Nordic market decreased by 19 TWh to 379 TWh, mainly due to milder weather. Total Nordic power production decreased by 4 TWh to 370.5 TWh. 5.2 TWh was imported (1% of consumption), compared to 19.2 TWh in 2010. Demand for power fell by 4 per cent.

Power production in Norway amounted to 128 TWh in 2011, a 3.7% increase from 2010. 95.3 per cent of the production originated from hydropower. By the end of 2011, water reservoirs in Norway were 80 per cent of full capacity, which is 11 percentage points above normal and the highest level experienced since 1990. The useful inflow to the Norwegian power production system was 122 per cent of the normal level, compared to 82 per cent in 2010. The production capacity for a year with normal useful inflow is estimated to 130 TWh. Over the last ten years, the average yearly increase in electricity production has been 0.5 per cent.

Gross domestic consumption amounted to 125.1 TWh, a decrease of 4.7 per cent compared to 2010. 3.2 TWh was exported, compared to a 7.6 TWh import in 2010. Gross consumption with normal inflow decreased by 8.8 per cent, as high temperatures characterised the year. Adjusted to normal temperature levels, the decrease in consumption was 2.2 per cent. Over the last decade, the average yearly increase has been 1.4 per cent.

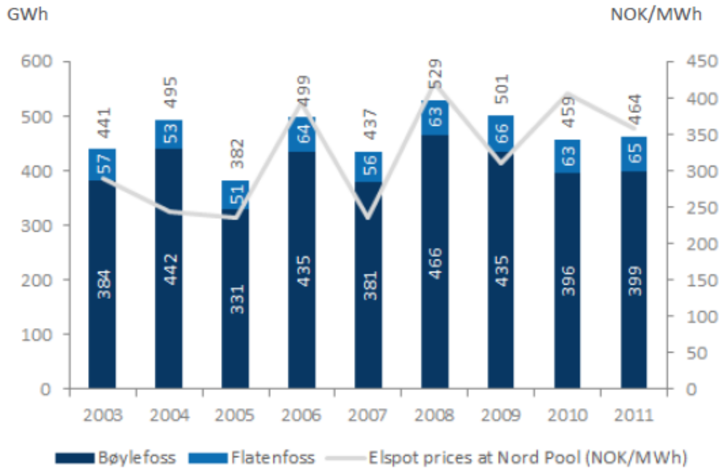
8.3 Arendals Fossekompani and hydropower

AFK has three hydropower assets; Bøylefoss, Flatenfoss 2 and Flatenfoss 3, with a capacity of 65 MW, 5.5 MW and 7.1 MW, respectively. In average, the assets generate 465 GWh annually. In comparison, the total installed power production capacity in Norway was 31,714 MW at the end of 2011, of which 95 % is hydro based.

[5] Chapter 8.2 and Chapter 8.3 is based on information from Arendals Fossekompani and historical spot prices from www.nordpoolspot.com.

All three hydropower plants are located in Arendalsvassdraget, north of Arendal. AFK owns the waterfall rights and there are no reversionary rights for the Norwegian government, as the rights were acquired prior to the inclusion of the reversion-clause in the Norwegian Industrial Concession Act of 1909. 95 per cent of the Norwegian hydropower production is subject to reversion. The watercourse regulations (reservoirs etc.) are also non-reversionary as further outlined in section 4.5.1.4.

Figure 8.2 – Production and elspot prices 2003 - 2011



Source: Nord Pool, Arendals Fossekompani

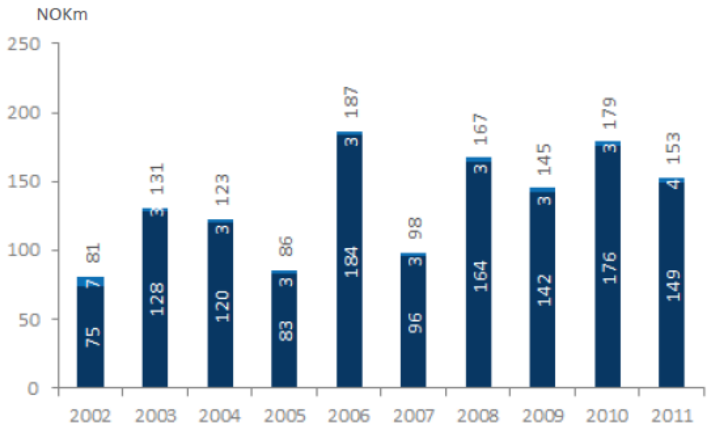
Table 8.2 – Historical reservoir levels (million m^3)

	2004	2005	2006	2007	2008	2009	2010	2011	Normal
Jan	723	962	750	1103	773	720	788	471	738
Feb	587	732	590	888	722	508	543	379	587
Mar	489	539	365	804	651	345	365	288	452
Apr	843	628	426	886	771	759	463	620	567
Mai	1009	816	958	926	1083	846	732	650	954
Jun	969	938	920	941	1069	788	686	851	1005
Jul	1017	916	831	1142	1029	976	645	1109	977
Aug	1096	890	933	1135	1061	1017	838	1179	979
Sep	1040	829	894	1074	988	960	822	1265	1005
Okt	1267	907	1008	952	1008	838	1017	1210	1072
Nov	1028	1102	1251	879	968	1203	858	1167	1031
Des	983	941	1196	807	825	1041	637	1162	900

The average net production and Elspot price between year 2003 and 2011 have been 467 GWh and NOK 0.36/kWh, respectively (Figure 8.2). As illustrated in Table 8.2, reservoir levels in Arendalsvassdraget are generally at its highest in June, due to the melting of snow, and in October due to strong precipitation.

Figure 8.3 – Power sales 2002 – 2011 in GWh

Figure 8.4 – Power sales 2002 – 2011 in NOK million



In 2001 and 2002, AFK sold 50 GWh at a fixed price of which 30 GWH was mandatory "concession power" to the local municipalities, pursuant to the Norwegian Industrial Concession Act. From 2002-2011, only the concession power of approx. 30 GWh has been sold at a fixed price (Figure 8.3). The concession power represents approx. 6 per cent of the power sold measured in GWh, and is sold at a fixed price of NOK 4 million, equivalent to NOK 0.14/kWh.

Figure 8.4 demonstrates that 97-98 per cent of the power revenue from 2002 to 2011 was generated by spot power.

9 ADDITIONAL INFORMATION

9.1 Incorporation by reference

Oslo Stock Exchange's "Continuing Obligations for Listed Companies" allow the Company to "incorporate by reference" information in this Information Memorandum that has been previously filed with the Oslo Stock Exchange in other documents.

The Company hereby incorporates the following documents by reference into this Prospectus:

- its interim reports for the first three quarters of 2012, available at www.arendalsfoss.no
- its annual report for the year ended 31 December 2011, 2010 and 2009, available at www.arendalsfoss.no

The information incorporated by reference into this Information Memorandum should be read in connection with the cross-reference list below.

All the relevant information can be found on the Company's webpage www.arendalsfoss.no.

Table 9.1 – Cross reference table to information incorporated by reference

Section in Information Memorandum	Disclosure requirements of the Information Memorandum	Reference document and link	Page (P) in reference document
Section 7	Unaudited interim report	Interim report for the three and six month period ended 30 June 2012: http://jmadmin.barlind.com/kunder/arendalsfoss/filer/Kvartalsrapport_2012_Q2.pdf	P 6
	Pro forma financial information (Annex II, Section 3.)	Interim report for the three month period ended 30 September 2012: http://jmadmin.barlind.com/kunder/arendalsfoss/filer/01_Kvartalsrapport_2012_Q3.pdf	P 5
Section 6.3 and 6.4	Audited historical financial information (Annex I, Section 20.1)	Financial statements 2011: http://jmadmin.barlind.com/kunder/arendalsfoss/filer/Arsrapport_2011_web.pdf	P 10
		Director's report 2011: http://jmadmin.barlind.com/kunder/arendalsfoss/filer/Arsrapport_2011_web.pdf	P 3
		Financial statements 2010: http://jmadmin.barlind.com/kunder/arendalsfoss/filer/Arsrapport_2010.pdf	P 11
		Director's report 2010: http://jmadmin.barlind.com/kunder/arendalsfoss/filer/Arsrapport_2010.pdf	P 3
		Financial statements 2009: http://jmadmin.barlind.com/kunder/arendalsfoss/filer/A107656_arsrapport_2009_til_web.pdf	P 3
		Director's report 2009: http://jmadmin.barlind.com/kunder/arendalsfoss/filer/A107656_arsrapport_2009_til_web.pdf	P 11
			P3
Section6.3 and 6.4	Audit report (Annex I, Section 20.4.1)	Auditor's report 2011: http://jmadmin.barlind.com/kunder/arendalsfoss/filer/Arsrapport_2011_web.pdf	P 52
		Auditor's report 2010: http://jmadmin.barlind.com/kunder/arendalsfoss/filer/Arsrapport_2010.pdf	P 52
		Auditor's report 2009: http://jmadmin.barlind.com/kunder/arendalsfoss/filer/A107656_arsrapport_2009_til_web.pdf	P 47
Section 6.3	Accounting policies (Annex I, Section 20.1)	Accounting principles (annual report 2011): http://jmadmin.barlind.com/kunder/arendalsfoss/filer/Arsrapport_2011_web.pdf	P 14

9.2 **Documents on display**

Copies of the following documents will be available for inspection at AFK's registered office during normal business hours on Monday to Friday each week (except public holidays) for a period 12 months from the date of this Information Memorandum:

- the Memorandum and Articles of Association of the Company;
- the audited financial statements of AFK for the years ended 31 December 2011, 2010, 2009; and
- this Information Memorandum.

Copies of this Information Memorandum may also be obtained from Fondsfinans ASA during the same 12 month period.

9.3 **Third party information**

The information in this Information Memorandum that has been sourced from third parties has been accurately reproduced and as far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

10 DEFINITIONS AND GLOSSARY

10.1 Definitions

When used in this Information Memorandum, the following terms shall have the meanings set out below, unless the context otherwise requires. Words importing the plural shall be construed to include the singular and vice versa.

Table 10.1 - Definitions

AFK	Arendals Fossekompani ASA.
Arendals Fossekompani	Arendals Fossekompani ASA is a public limited liability company incorporated under the laws of Norway and with registered office in Arendal, Norway, and with registration number 910 261 525.
Borrowings	Interest-bearing debt.
Corporate Governance Code	Norwegian Code of Practice for Corporate Governance published on 21 October 2009 by the Norwegian Corporate Governance Board.
EBIT	Earnings before financial items and tax.
EBITDA	Earnings before financial items, tax, depreciation and amortisation.
Glamox	Glamox ASA is a public limited liability company incorporated under the laws of Norway and with registered office in Molde, Norway, and with registration number 912 007 782.
Group	The Company and its subsidiaries.
IFRS	International Financial Reporting Standards
Information Memorandum	This information memorandum dated 21 December 2012.
Negative pledge	
NFSA	The Norwegian Financial Supervisory Authority ("Finanstilsynet").
Nord Pool	Nord Pool Spot runs the leading power market in Europe. Organisation number 984 058 098
Oslo Stock Exchange	Oslo Børs ASA.
Shares	Common shares in the capital of the Company, each with a par value of NOK 100 and "Share" means any one of them.
The Company	Arendals Fossekompani ASA.
Transaction	The purchase of shares performed by the Company to obtain more than 50 % ownership in Glamox.
TWh	Terra watt hours
VPS	The Norwegian Central Securities Depository ("Verdipapirsentralen")

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To the Board of Directors of Arendals Fossekompani ASA

Independent Assurance Report on Pro Forma Financial Information

In accordance with the "Continuing Obligations of Stock Exchange Listed Companies" issued by Oslo Børs (Oslo Stock Exchange) and EU Regulation No 809/2004, we report on the compilation of the unaudited pro forma financial information of Arendals Fossekompani ASA and subsidiaries ("the Company") consisting of the unaudited condensed pro forma balance sheet of the Company as at 30 September 2012, the unaudited condensed income statements of the Company for 2011 and the nine month period ended 30 September 2012 and accompanying notes and descriptions to the unaudited pro forma financial information, which is set out in section 7 of the Company's information memorandum dated 21 December 2012 ("the Information Memorandum").

The pro forma financial information has been compiled on the basis described in section 7 of the Information Memorandum, for illustrative purposes only, to provide information about how the acquisition of 12,9% of the outstanding shares in Glamox ASA might have affected the unaudited condensed consolidated balance sheet of the Company as at 30 September 2012 and the unaudited condensed consolidated income statement of the Company for 2011 and the unaudited condensed consolidated income statement of the Company for the nine month period ended 30 September 2012. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.

The Board of Directors' responsibility
It is the Board of Directors' responsibility to compile the pro forma financial information in accordance with the requirements of EU Regulation No 809/2004.

Reporting responsibility
It is our responsibility to provide the opinion required by Annex II item 7 of EU Regulation No 809/2004 as to the proper compilation of the pro forma financial information. We are not responsible for updating any reports or opinions previously made by us for any events that occurred subsequent to the dates of our reports on the historical financial information used in the compilation of the pro forma financial information, nor does the aforementioned opinion require an audit of historical unadjusted financial information, the adjustments to conform the accounting policies of Glamox ASA to the accounting policies of the Company, or the assumptions summarized in section 7 of the Information Memorandum. The financial information used in the compilation of the pro forma information is unaudited as described in section 7 of the Information Memorandum. We do not accept any responsibility for financial information which we have not audited.

KPMG

Work performed
We conducted our work in accordance with Norwegian Standard on Assurance Engagements 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". We planned and performed our work to obtain reasonable assurance that the pro forma financial information in all material respects has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company. Our work primarily consisted of comparing the unadjusted financial information with the source documents as presented or referred to in section 7 of the Information Memorandum, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Management of the Company.

Opinion
In our opinion:

a) The pro forma financial information has been properly compiled on the basis stated in section 7 of the Information Memorandum; and
b) That basis is consistent with the accounting policies of the Company.

Emphasis of Matter
We draw attention to the fact that the Company, in their preparation of the pro forma financial information, has based their pro forma adjustments related to identifiable assets and goodwill (with related depreciation and amortization) on a preliminary purchase price allocation. The final allocation may differ substantially from the preliminary allocation and may give rise to depreciations and amortizations that are materially different from the ones applied to the pro forma information. We refer to further information given in section 7 of the Information Memorandum. Our opinion is not qualified in respect of this matter.

This report is issued for the sole purpose of the Information Memorandum required by Oslo Børs' "Continuing Obligations of Stock Exchange Listed Companies" section 3.5 as set out in the Information Memorandum. This report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the described transaction.

Arendal, 21 December 2012
KPMG AS

Nils Eivind Holst
State Authorised Public Accountant