

Developing
better companies

Financial report Q4 2018

15 February 2019

Jarle Roth (CEO)
Lars Peder Fensli (CFO)



AFK Group in brief

10 MAIN INVESTMENTS

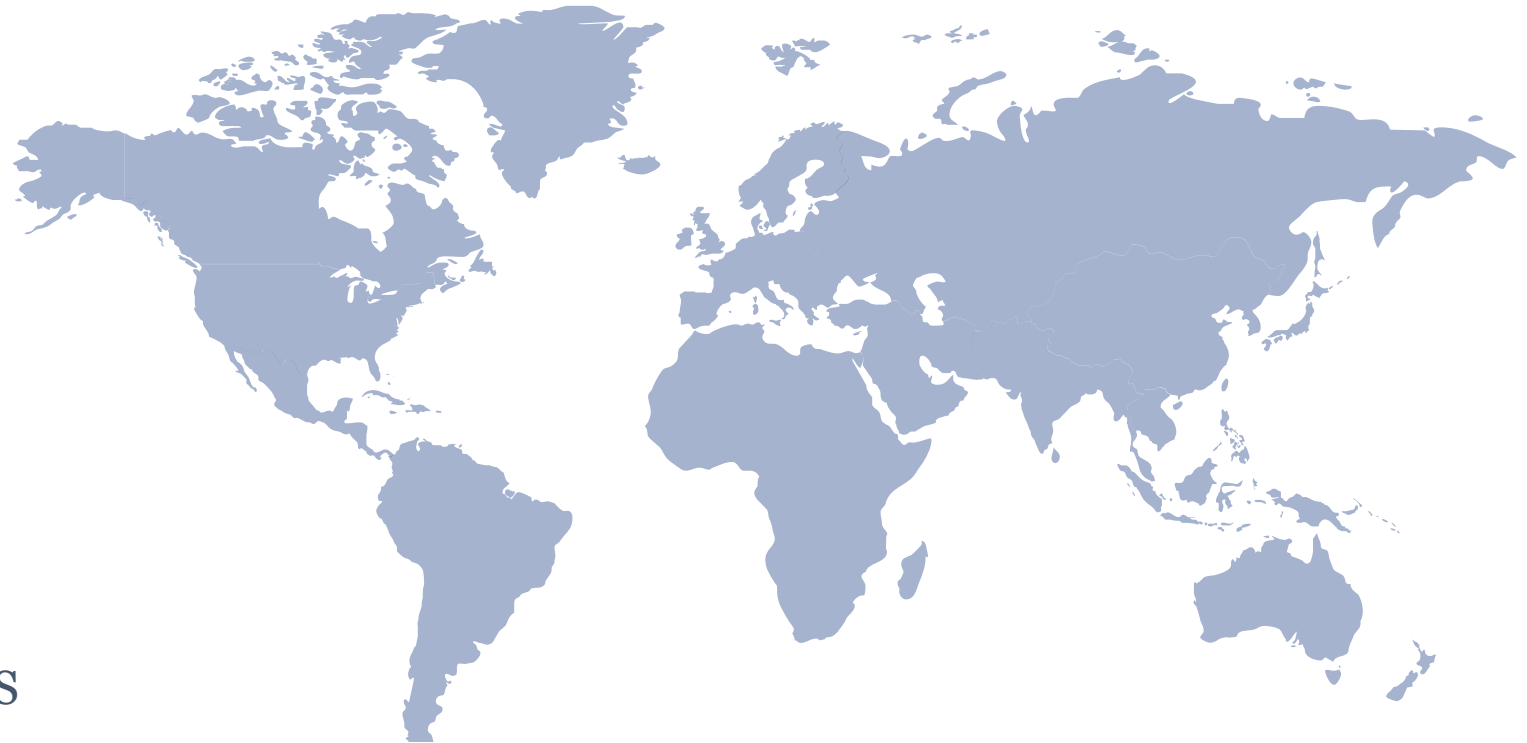
81 COMPANIES

24 COUNTRIES

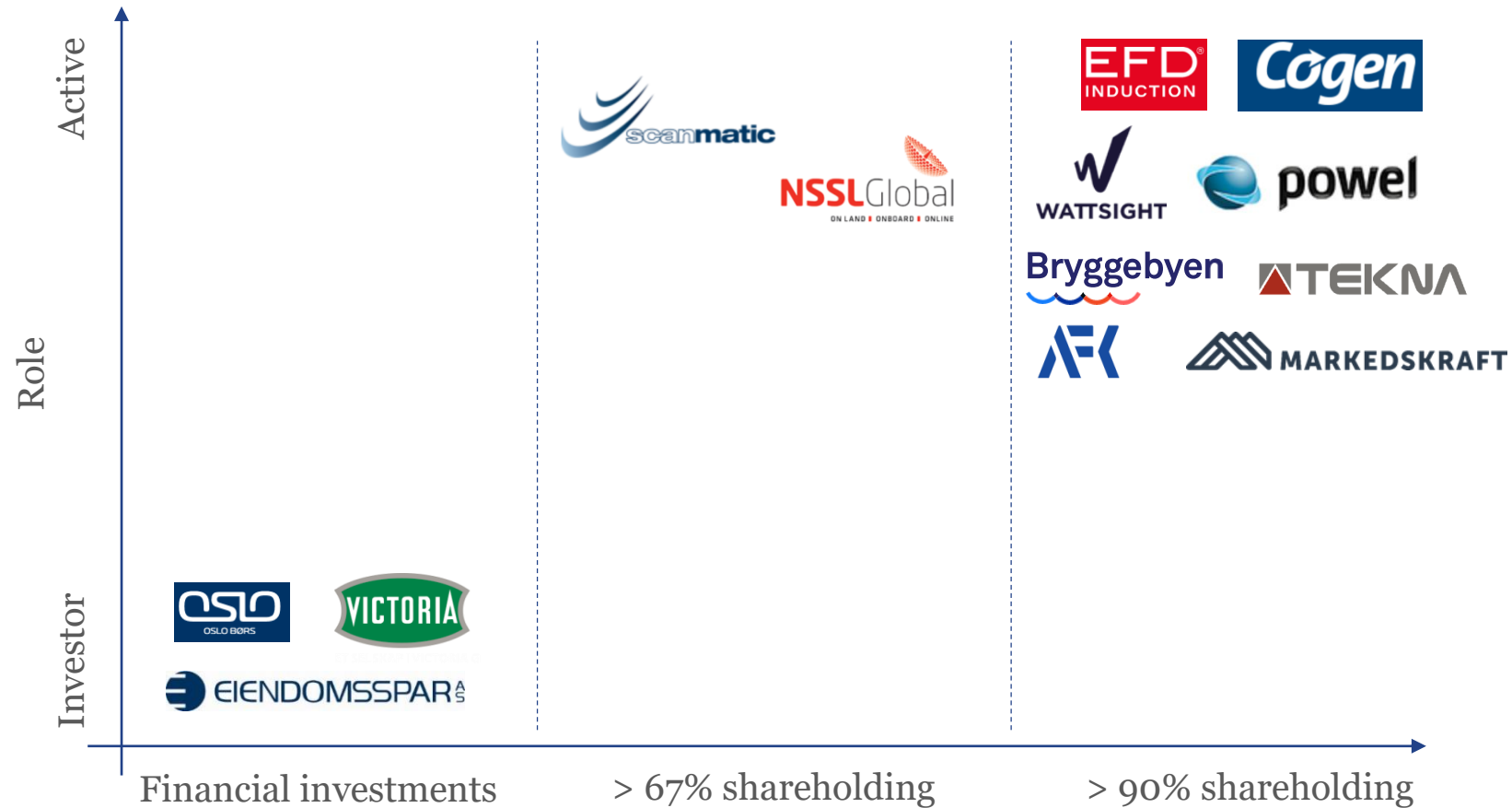
+2100 EMPLOYEES

MNOK **4 887** REVENUES

MNOK **495** EBITDA



The AFK portfolio



Stock Price Development

AFK Dividend Policy



AFK shall pay a dividend that reflects the company's long term strategy, financial position and investment capacity. The dividend shall be stable, and over time ensure competitive direct returns to its shareholders.

Dividend will likely be in the area of 40-60% of yearly net income.

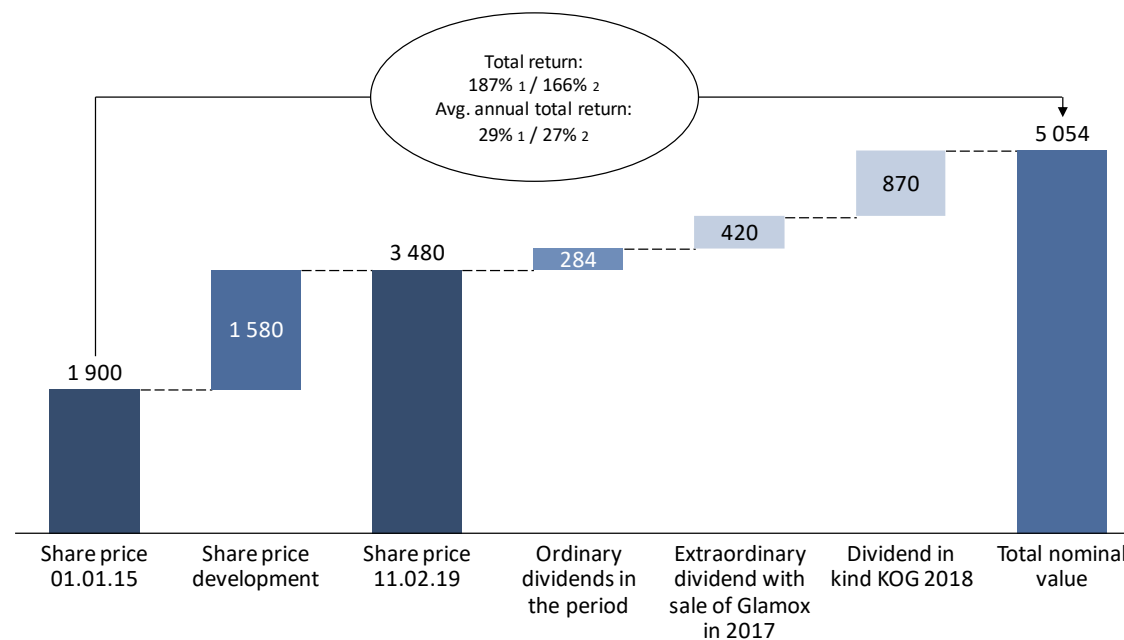


In the period 2014 – 2018, large extraordinary dividends of 1540 NOK/share has been distributed, equivalent to 3.4 bn NOK.



AFK considers it important to inform its shareholders and investors about the group's development and financial position. A new format for annual and quarterly reports was established in 2017.

AFK stock return 2015 - 11 Feb 2019



Source: Oslo Børs

1) Dividends assumed reinvested (compounded)

2) Dividends assumed not reinvested (simple)

Distribution of AFK's shares in Kongsberg Gruppen ASA as dividends in kind with a total value of MNOK 1.904

Distribution of dividends in kind Q2 2018



In Q2 2018, Arendals Fossekompani ASA distributed its shareholding in Kongsberg Gruppen ASA as dividends in kind with a total value of MNOK 1904.

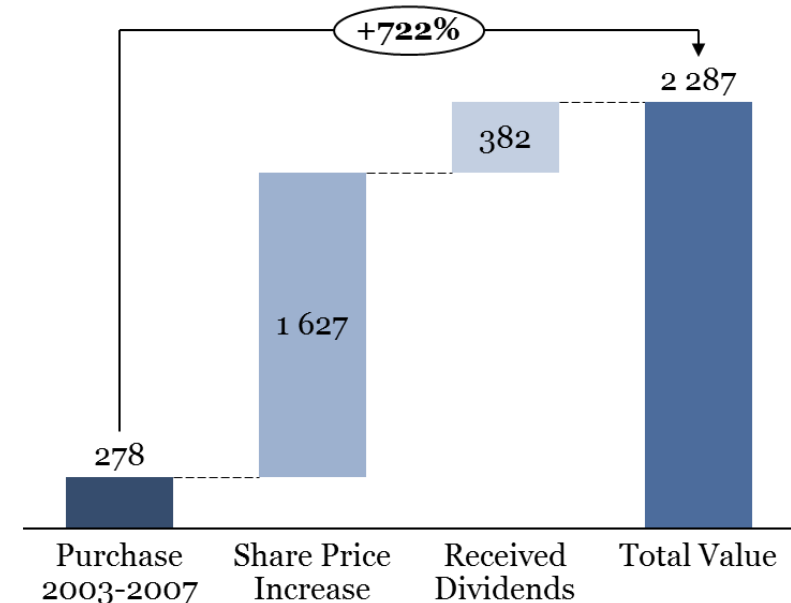


4.36 KOG shares per AFK share allocated to shareholders in AFK at 27 April, corresponding to a value of 870 NOK per AFK-share.



AFK with substantial financial profits from the KOG shareholding. The total returns in the period 2003-2018 was MNOK 2007, including direct returns (received dividends).

AFK's return as a shareholder



Substantial (unrealized) profits from Oslo Børs VPS

Bid on Oslo Børs VPS Holding



On December 21, AFK accepted an offer from Euronext N.V. for its 4.46% shareholding in Oslo Børs VPS at 145 NOK/share. On February 11, the bid was raised to 158 NOK/share.

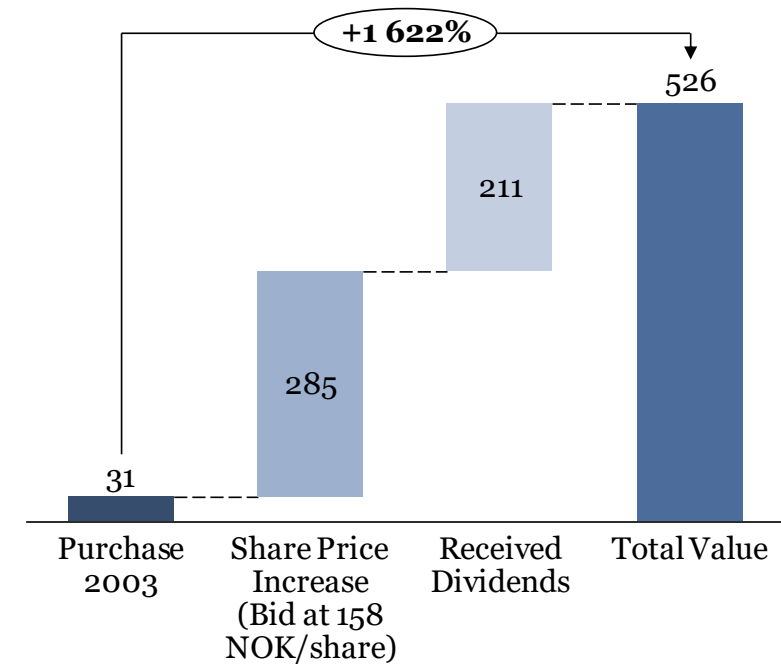


AFK acquired its shareholding in Oslo Børs VPS Holding in 2003 at cost price MNOK 31



AFK with substantial financial profits from the Oslo Børs VPS shareholding. The total returns in the period 2003-2019 is MNOK 496, including direct returns (received dividends).

AFK's return as a shareholder



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Interim report Q4 2018

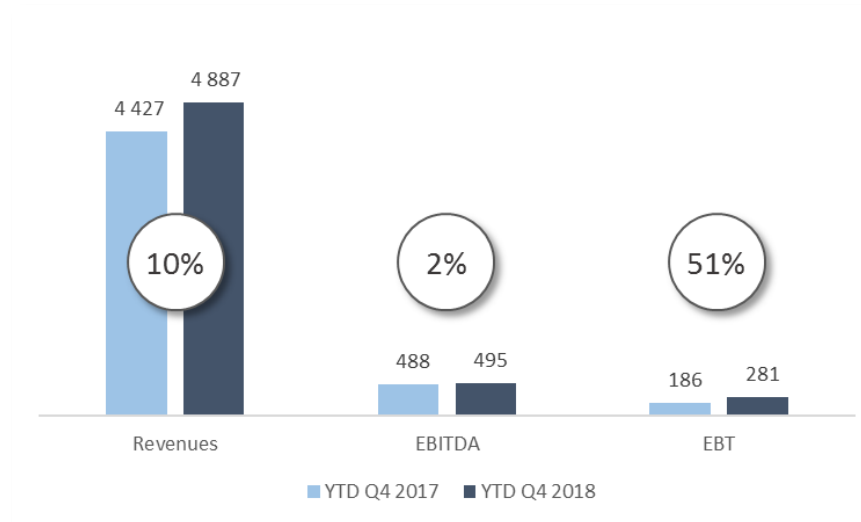


Strong revenue growth and good financial performance in the period

Highlights – Q4 2018

- Growth in revenues and EBITDA in Q4 and YTD, compared to similar periods in 2017
- EFD Induction, Scanmatic, Cogen and AFK Parent company as main contributors to the positive top line growth in the quarter
- AFK Parent company with solid EBITDA in the fourth quarter due to high average power prices in the period
- Earnings in the quarter negatively affected by
 - provisions made in Powel of MNOK 24 related to organizational restructuring and two specific projects
 - increased CO2-prices impacting Cogen's operating result. Increased costs related to the purchase of CO2 quotas will be compensated through public subsidies. However, as the calculation related to this compensation is not yet clarified, the company has not accounted for this in the 2018 accounts
 - amortizations made in Arendal Lufthavn Gullknapp of MNOK 37 related to revised valuation of plant and property
- On December 21, AFK accepted an offer from Euronext N.V. for its shareholding in Oslo Børs VPS at NOK 145/share

Financial Figures, MNOK	Q4-18	Q4-17	YTD 2018	YTD 2017
Operating Revenues	1 352	1 234	4 887	4 427
EBITDA	132	120	495	488
EBITDA margin	10 %	10 %	10 %	11 %
Earnings before tax (EBT)	30	-18	281	186
Operating Cashflow	37	183	268	402
NIBD	103	121	103	121
Equity	3 174	4 386	3 174	4 386
Equity Ratio	54 %	57 %	54 %	57 %



Stable revenues and earnings expected in 2019

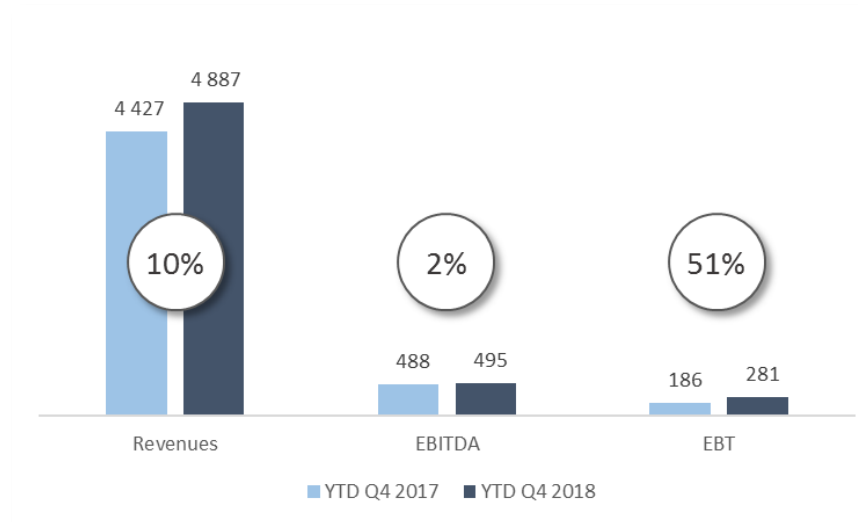
Events after the end of the fourth quarter

- CEO of Arendals Fossekompagni ASA, Jarle Roth, resign his position in the company as per 21st of January, accepting a new position outside the AFK Group
- At present date there are two bidders for the shares in Oslo Børs VPS. The outcome of this process is not yet clear
- The board of directors proposes a dividend pay-out for 2018 of NOK 56/share

Outlook 2019

- Overall for the Group, revenues and earnings for 2019 are expected to be in line with 2018

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AFK Group with solid financial capacity

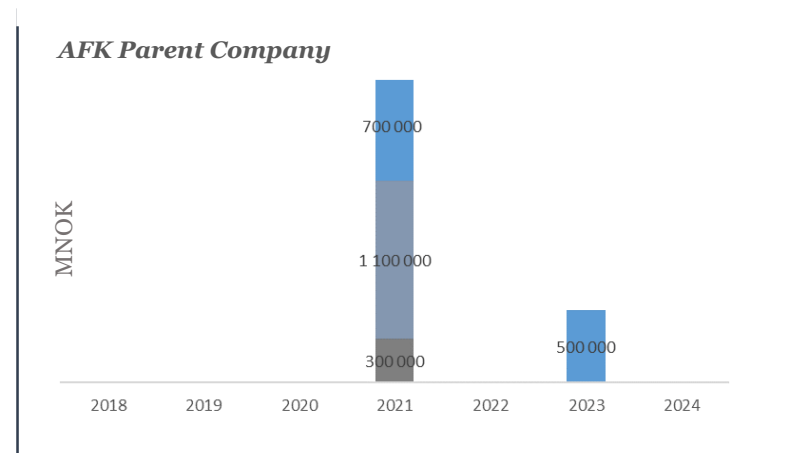
(Consolidated balance sheet as per 31.12.2018)

Amounts in MNOK	AFK Group
Property, plant and equipment	1 035
Intangible assets	757
Other investments and assest	400
Total non-current assets	2 192
Inventories	343
Cash and cash equivalents	1 865
Trade and other receivables	1 450
Total current assets	3 659
Total assets	5 852
Equity	3 007
Non-controlling interests	167
Total equity	3 174
Interest-bearing loans and borrowings	778
Other non-current liabilities	190
Total non-current liabilities	967
Interest-bearing loans and borrowings (current)	270
Trade and other payables	774
Other current liabilities	666
Total current liabilities	1 710
Total equity and liabilities	5 852

Key Financials

- NIBD : MNOK 105
- NIBD / EBITDA (LTM): 0,2
- Equity: MNOK 3 174
- Equity Ratio: 54%

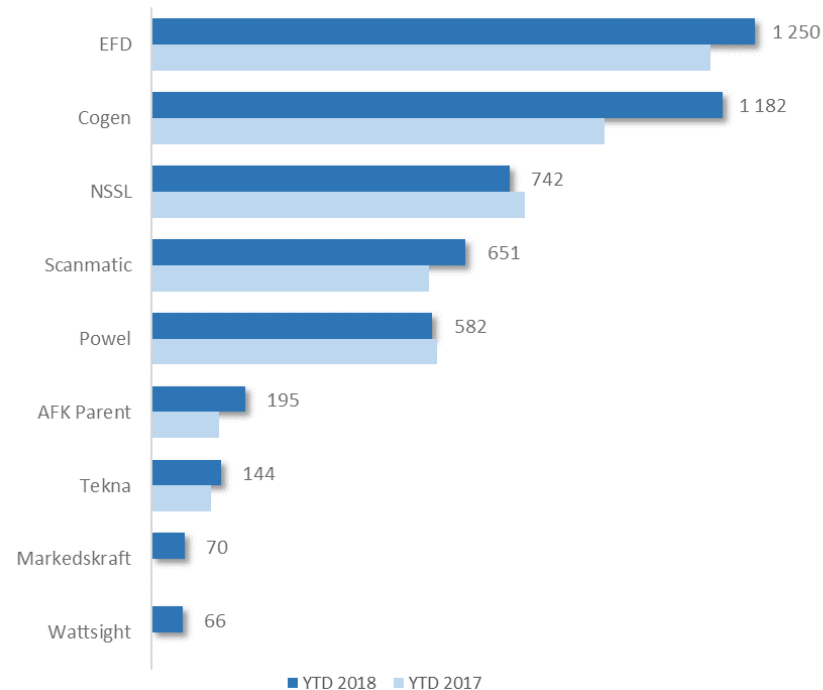
Maturity profile long-term debt facilities*



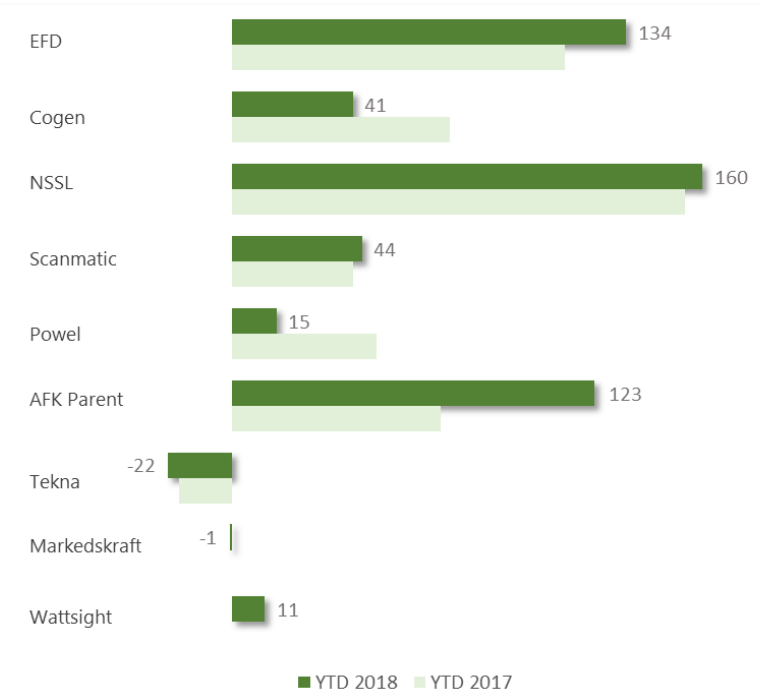
*Options to extend not included

NSSL, EFD and AFK Parent company as main contributors to AFK Group EBITDA in 2018

AFK Group – split operating revenues (MNOK)



AFK Group – split EBITDA (MNOK)



Industrial investments

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



EFD delivers advanced heating systems based on induction technology for the engineering industry throughout the world. The main customers are within the automotive industry, pipe production, the electronics industry, cable industry and mechanical industry.

Operating revenues

Q4 2018: MNOK 363 (330)
YTD 2018: MNOK 1 250 (1 158)

EBITDA

Q4 2018: MNOK 51 (39)
YTD 2018: MNOK 134 (113)

Employees: 1 092

Headquarters: Skien, Norway

AFK shareholding: 98 %

AFK focus

Improving competitive position through product development and optimizing value chain. Evaluating add-on acquisitions and growth initiatives in selected niches.

Outlook 2019

EFD Induction expects revenues in 2019 to be on par with 2018. Earnings are expected to be weaker.



Cogen operates its own and third-party combined heat and power plants in Spain. Surplus heat from gas-based electricity generation produces heat, steam or cooling for industrial partners. The electricity produced is sold at the physical electricity market.

Operating revenues

Q4 2018: MNOK 309 (281)
YTD 2018: MNOK 1 182 (938)

EBITDA

Q4 2018: MNOK 2 (16)
YTD 2018: MNOK 41 (74)

Employees: 52

Headquarters: Madrid, Spain

AFK shareholding: 100 %

AFK focus

Keep improving general operations of plants, renew existing customer contracts. Actively evaluate new growth opportunities.

Outlook 2019

Cogen expects revenues to be on par with 2018. Earnings are expected to be somewhat weaker.



NSSL is an independent provider of satellite communications and IT support that delivers high-quality voice and data services to customers everywhere in the world, regardless of location and terrain.

Operating revenues

Q4 2018: MNOK 184 (192)
YTD 2018: MNOK 742 (774)

EBITDA

Q4 2018: MNOK 39 (42)
YTD 2018: MNOK 160 (154)

Employees: 171

Headquarters: Redhill, England

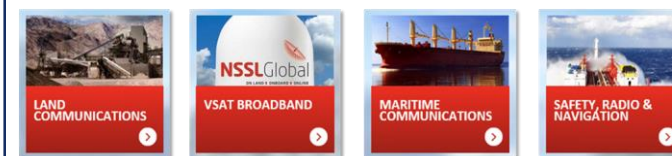
AFK shareholding: 80 %

AFK focus

Renew key customer contracts where needed, develop next generation products and services based on technology available from recent acquisitions. Consider new acquisitions.

Outlook 2019

NSSL expects somewhat increased revenues in 2019, whilst earnings are expected to be somewhat weaker.



Industrial investments

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



Powel develops and delivers business-critical IT solutions and services to the energy sector in the Nordic region and Europe, to municipalities in Norway, as well as the contractor sector in Norway and Sweden.

Operating revenues

Q4 2018: MNOK 152 (159)

YTD 2018: MNOK 582 (591)

EBITDA

Q4 2018: MNOK -5 (13)

YTD 2018: MNOK 15 (49)

Employees: 458

Headquarters: Trondheim, Norway

AFK shareholding: 97 %

AFK focus

First phase of transformation completed and new organisation implemented. Loss making subsidiary divested in Q4. Improve profitability through increased sales and investments in key segments.

Outlook 2019

Powel expects revenues to be somewhat weaker in 2019, whilst earnings are expected to be better.



Scanmatic delivers technical infrastructure as well as instrumentation and control systems for industrial and professional customers within Defence, Transportation, Renewable energy and Offshore.

Operating revenues

Q4 2018: MNOK 204 (182)

YTD 2018: MNOK 651 (574)

EBITDA

Q4 2018: MNOK 12 (17)

YTD 2018: MNOK 44 (41)

Employees: 158

Headquarters: Arendal, Norway

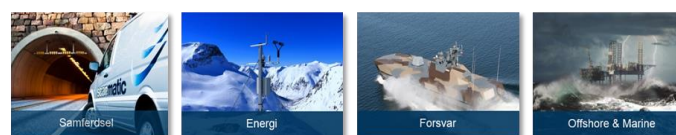
AFK shareholding: 69 %

AFK focus

Deliver projects on time and according to commitments. Build a stronger orderbook for 2H 2019 and 2020. Evaluate/review strategic initiatives in new segments and markets.

Outlook 2019

Scanmatic expects revenues to be somewhat weaker in 2019, whilst earnings are expected to be on par with 2018.



Tekna manufactures systems and equipment for production of spherical micro and nanoparticles of various metals based on the use of plasma generated by electrical induction. Tekna also has a subsidiary that uses such systems to produce various metal powders.

Operating revenues

Q4 2018: MNOK 35 (31)

YTD 2018: MNOK 144 (124)

EBITDA

Q4 2018: MNOK -10 (8)

YTD 2018: MNOK -22 (-18)

Employees: 149

Headquarters: Sherbrook, Canada

AFK shareholding: 100 %

AFK focus

Optimize sales of powder and efficiency improvements in all parts of the operation. Introduce new materials to the market. Evaluate strategic partnerships.

Outlook 2019

Tekna expects revenues and earnings to be better in 2019 than in 2018.



Industrial investments

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



Wattsight is a leading provider of data and consulting services to the European energy market, providing forecasting of fundamentals and prices for the short, medium and long-term horizon.

Operating revenues

Q4 2018: MNOK 17

YTD 2018: MNOK 66

EBITDA

Q4 2018: MNOK 3

YTD 2018: MNOK 11

Employees: 37

Headquarters: Arendal, Norway

AFK shareholding: 91%

AFK focus

Wattsight will through 2019 accelerate the technology shift and offer more advanced products based on AI and Machine learning. This will strengthen the offering in markets that become automated and real time.

Outlook 2019

Wattsight expects revenues and earnings in 2019 to be in line with 2018.



Markedskraft provides services for efficient handling of production, distribution and consumption in the short- and long term wholesale power market.

Operating revenues

Q4 2018: MNOK 21

YTD 2018: MNOK 70

EBITDA

Q4 2018: MNOK 3

YTD 2018: MNOK -1

Employees: 48

Headquarters: Arendal, Norway

AFK shareholding: 93%

AFK focus

Markedskraft is embarking on a transition towards more automated services and stronger focus on technology. The shift will enable new and more advanced products for existing and new customers.

Outlook 2019

Markedskraft expects revenues in 2018 to be in line with 2019, whilst earnings are expected to improve



AFK Parent company

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

Power generation

Arendals Fossekompani generates power at two locations in the Arendal watercourse. The Bøylefoss and Flatenfoss power stations produce in excess of 500 GWh annually.

Operating revenues

Q4 2018: MNOK 66 (49)

YTD 2018: MNOK 195 (141)

EBITDA

Q4 2018: MNOK 42 (28)

YTD 2018: MNOK 123 (71)

Employees: 22

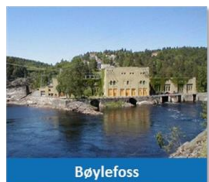
Headquarters: Arendal, Norway

AFK focus

AFK is planning investments/upgrades to both plants in the coming years in order to satisfy more stringent statutory requirements for power stations with associated dams.

Outlook 2019

Revenues and earnings from power generation are expected to be somewhat weaker in 2019 than in 2018.



Bøylefoss



Flatenfoss 2



Flatenfoss 2

Real Estate

Real Estate includes AFK's real estate investments in the Arendal area. Vindholmen Eiendom (Bryggebyen) represents the largest development project. Arendal Lufthavn Gullknapp is in the Municipality of Frøland.

Bryggebyen

Vindholmen Eiendom is on schedule with development of the waterside residential project Bryggebyen Vindholmen.

Calculation of the turnkey project cost for the first construction phase of Bryggebyen were completed in Q4. Assuming signature of satisfactory contract with contractor, sales start-up is planned in spring 2019.

Arendal Lufthavn Gullknapp

The company OSM Aviation Academy started up an aviation school at Gullknapp in 2018. Work is also under way on positioning ALG as a test centre and centre of excellence for drone operations.



Financial portfolio

Arendals Fossekompani manages an investment portfolio of financial securities – mainly a limited number of liquid listed shares, but also some selected less liquid holdings of financial nature.

Share portfolio

As at 31 December the total value of the share portfolio was MNOK 1021, consisting of investments in Victoria Eiendom, Eiendomsspar and Oslo Børs VPS.

The return on financial investments for the year was 21% as at 31 December, or MNOK 209.

The shares in Kongsberg Gruppen, with a total value of MNOK 1,904, were distributed to the company's shareholders as a dividend in kind on 9 May 2018.

Oslo Børs VPS

On December 21, AFK accepted an offer from Euronext N.V. for its shareholding in Oslo Børs VPS at NOK 145/share. The transaction is conditional upon, among other things, approval from relevant authorities.

At present date there are two bidders for the shares in Oslo Børs VPS. The outcome of this process is not yet clear.