



Developing
better companies

Financial report 2018

AFK General Assembly – 25 April 2019

Jarle Roth (CEO)
Lars Peder Fensli (CFO)



AFK Group in brief

10 MAIN INVESTMENTS

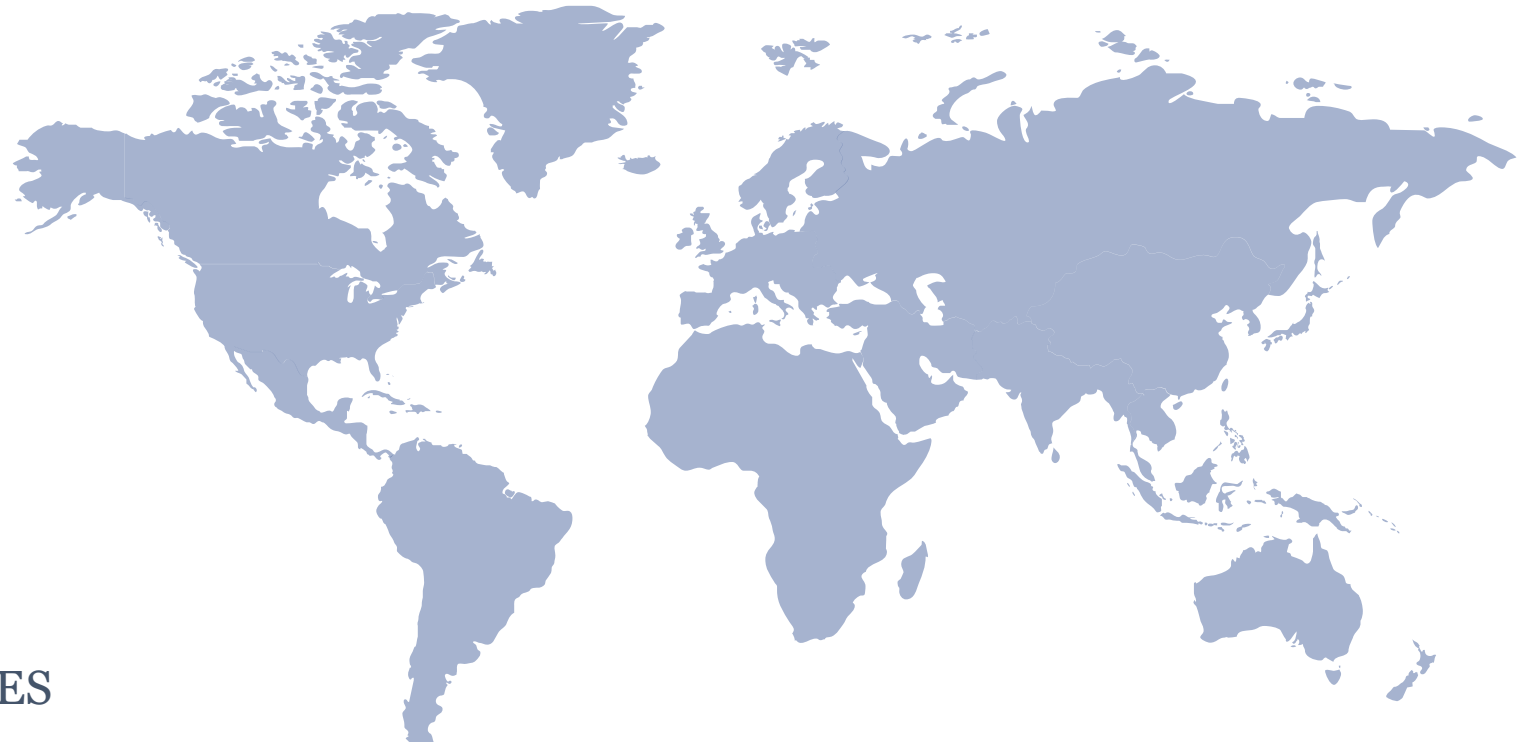
81 COMPANIES

27 COUNTRIES

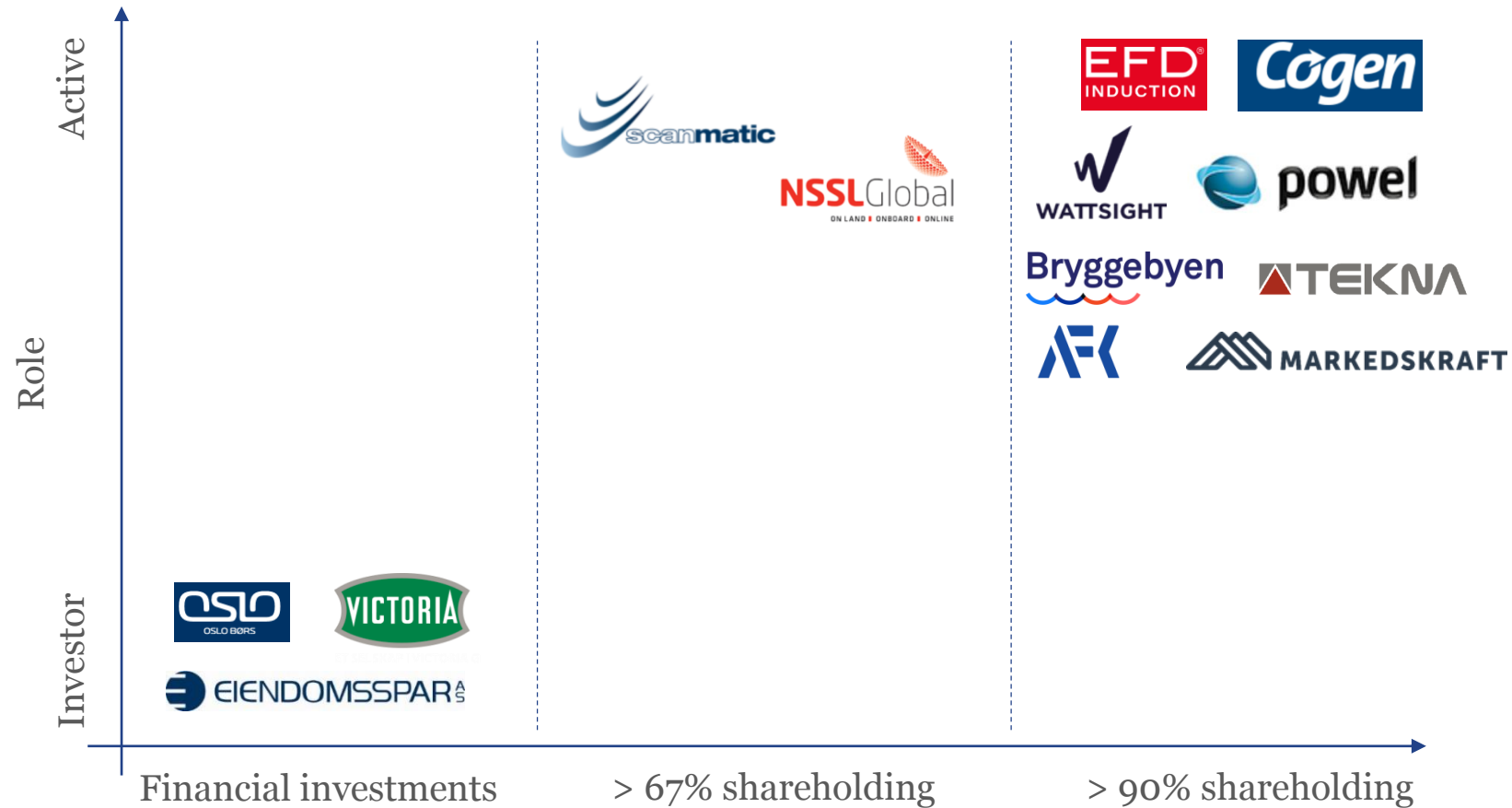
+2200 EMPLOYEES

MNOK **4 906** REVENUES

MNOK **501** EBITDA



The AFK portfolio



Organisation – AFK management

Corporate Management



Jarle Roth
CEO



Lars Peder Fensli
CFO



Morten Henriksen
Senior Vice President



Torkil Mogstad
Senior Vice president

Business Development



Ingunn Ettestøl



Espen Schie



Stig Svensson



Tom K. Pedersen

Property Development



Gunnar Line



Preben T. Nilsen



Hege Eikin

Finance and Accounting

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.

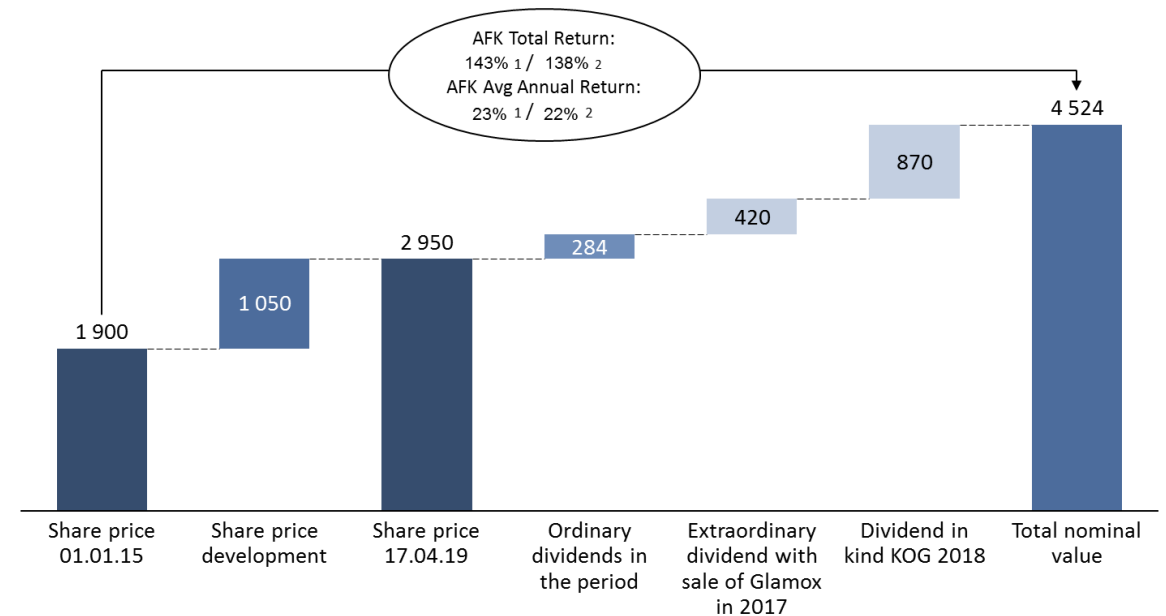


In the period 2014 – 2018, large extraordinary dividends of 1540 NOK/ share has been distributed, equivalent to 3.4 bn NOK.



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 - 17 April 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.

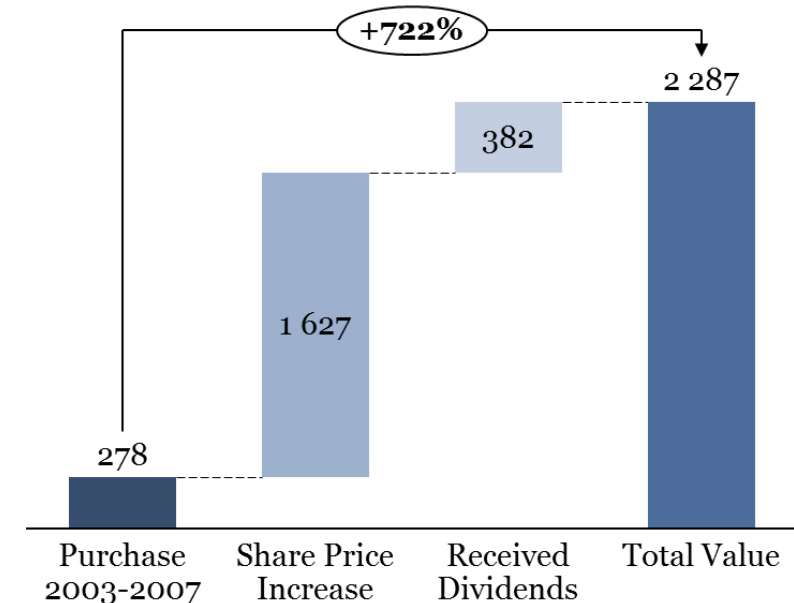


4.36 KOG shares per AFK share allocated to shareholders in AFK at 27 April, corresponding to a value of 870 NOK per AFK-share.



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.

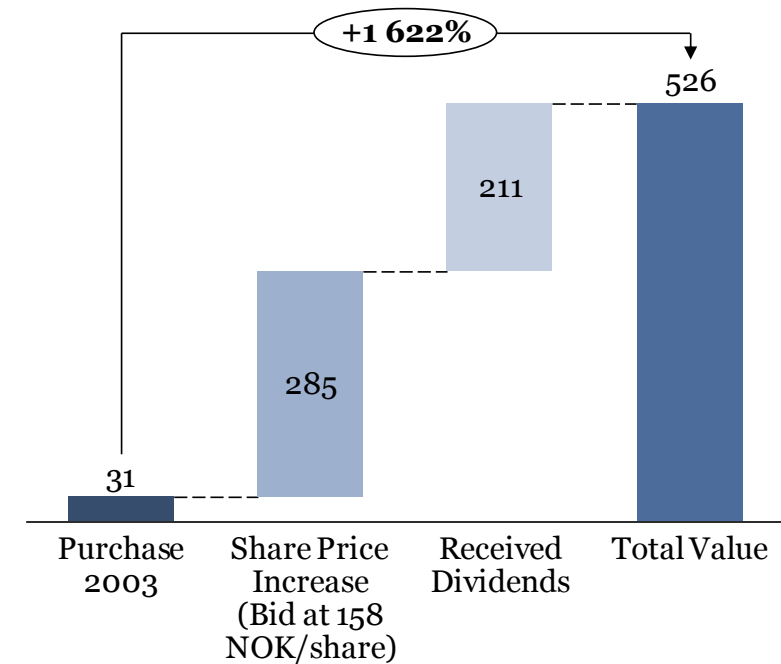


AFK acquired its shareholding in Oslo Børs VPS Holding in 2003 at cost price MNOK 31



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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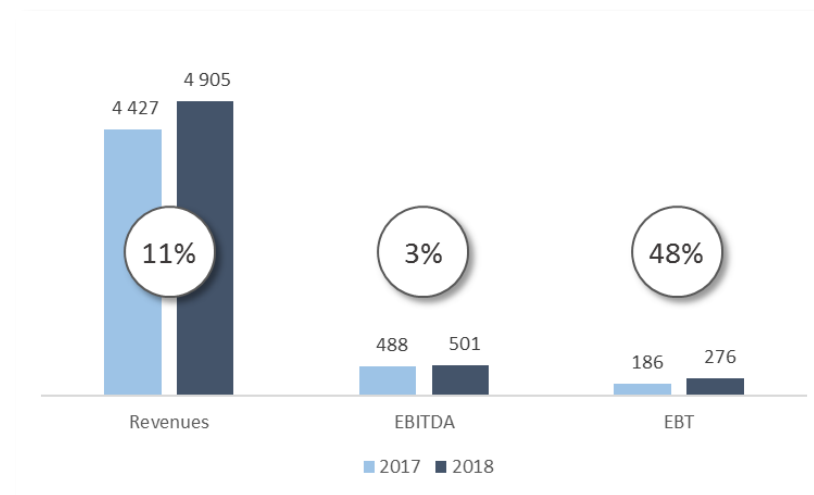


Strong revenue growth and good financial performance in 2018

Highlights – 2018

- Growth in revenues and EBITDA compared to 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 negatively affected by
 - provisions made in Powel 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 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	4 906	4 427
EBITDA	132	120	501	488
EBITDA margin	10 %	10 %	10 %	11 %
Earnings before tax (EBT)	30	-18	276	186
Operating Cashflow	37	183	250	402
NIBD	103	121	101	105
Equity	3 174	4 386	3 172	4 386
Equity Ratio	54 %	57 %	54 %	51 %



Stable revenues and earnings expected in 2019

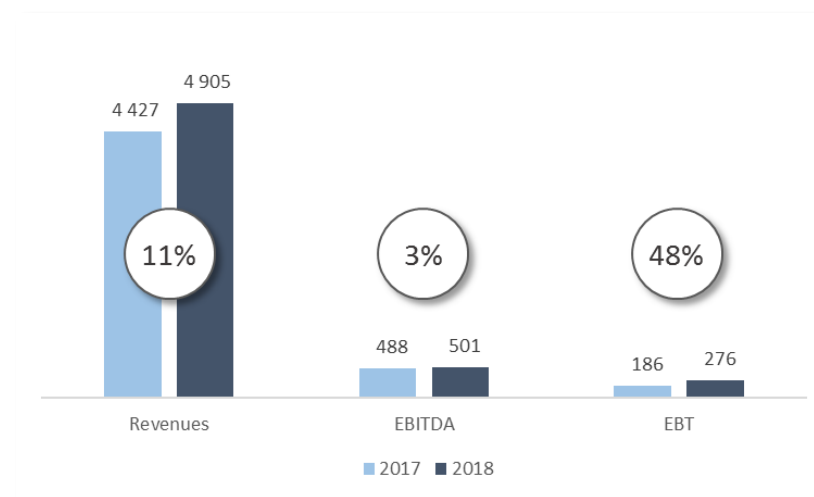
Events after the end of the fourth quarter

- 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
- New Chairman of AFK BOD
- Strengthened organization at AFK office in Arendal
- 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

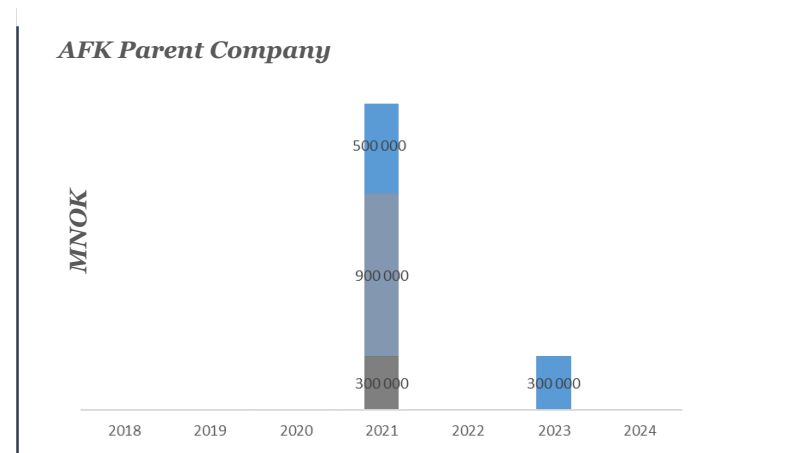
(Consolidated balance sheet as per 31.12.2018)

Amounts in MNOK	AFK Group
Property, plant and equipment	1 006
Intangible assets	758
Other investments and assest	404
Total non-current assets	2 169
Inventories	360
Cash and cash equivalents	1 892
Trade and other receivables	1 471
Total current assets	3 723
Total assets	5 892
Equity	3 005
Non-controlling interests	167
Total equity	3 172
Interest-bearing loans and borrowings	777
Other non-current liabilities	202
Total non-current liabilities	979
Interest-bearing loans and borrowings (current)	296
Trade and other payables	738
Other current liabilities	707
Total current liabilities	1 741
Total equity and liabilities	5 892

Key Financials

- NIBD : MNOK 101 Equity: MNOK 3 172
- NIBD / EBITDA (LTM): 0,2 Equity Ratio: 54%

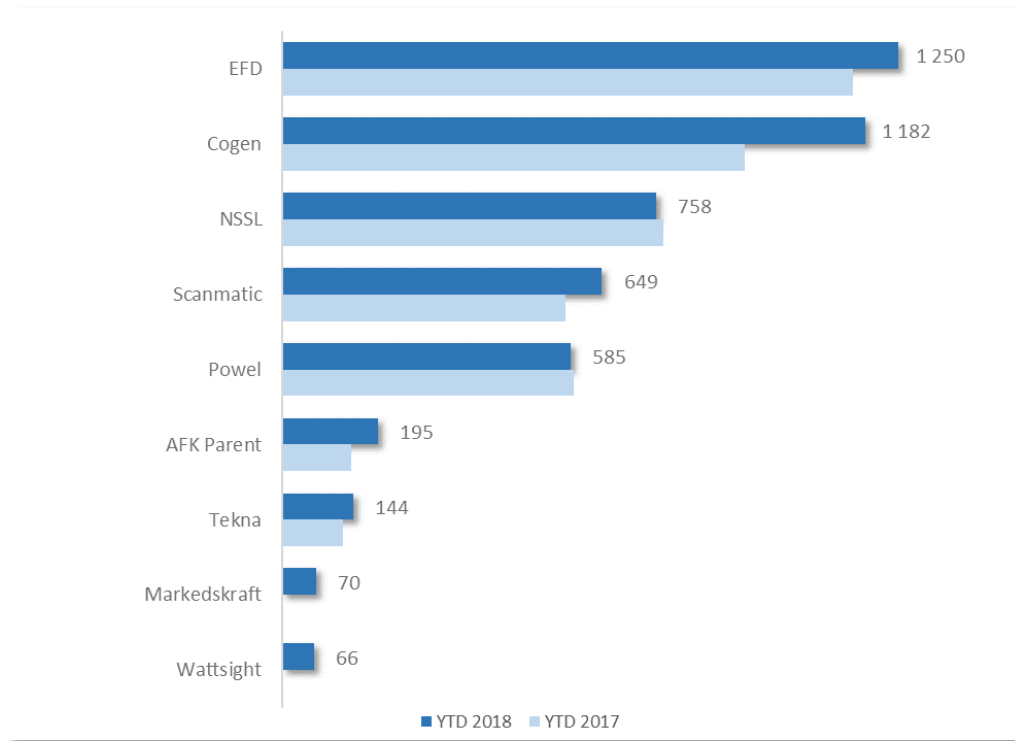
Maturity profile long-term debt facilities*



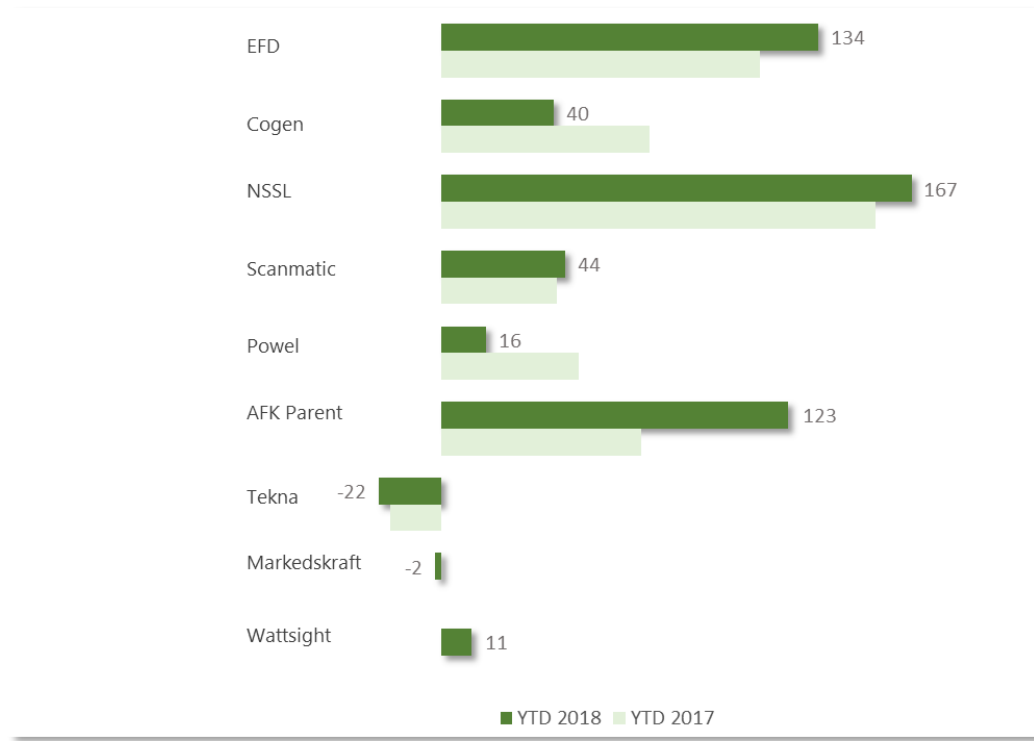
*Options to extend not included

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)
2018: MNOK 1 250 (1 158)

EBITDA

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

Employees: 1 107

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 and earnings to be weaker in 2019 than in 2018



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)
2018: MNOK 1 182 (938)

EBITDA

Q4 2018: MNOK 2 (16)
2018: MNOK 40 (74)

Employees: 62

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)
2018: MNOK 758 (774)

EBITDA

Q4 2018: MNOK 39 (42)
2018: MNOK 167 (154)

Employees: 182

Headquarters: Redhill, England

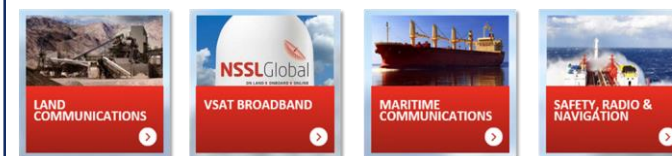
AFK shareholding: 80 %

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)
2018: MNOK 585 (591)

EBITDA

Q4 2018: MNOK -5 (13)
2018: MNOK 16 (49)

Employees: 433

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)
2018: MNOK 649 (574)

EBITDA

Q4 2018: MNOK 12 (17)
2018: MNOK 44 (41)

Employees: 166

Headquarters: Arendal, Norway

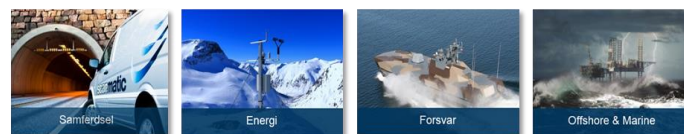
AFK shareholding: 69 %

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)
2018: MNOK 144 (124)

EBITDA

Q4 2018: MNOK -10 (8)
2018: MNOK -22 (-18)

Employees: 184

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
2018: MNOK 66

EBITDA

Q4 2018: MNOK 3
2018: MNOK 11

Employees: 34

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



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
2018: MNOK 70

EBITDA

Q4 2018: MNOK 3
2018: MNOK -2

Employees: 50

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 2019 to be in line with 2018, 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)
2018: MNOK 195 (141)

EBITDA

Q4 2018: MNOK 42 (28)
2018: MNOK 123 (71)

Employees: 22

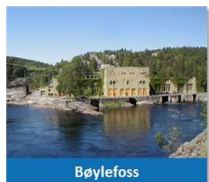
Headquarters: Arendal, Norway

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.

Bryggebyen



Bryggebyen



Bryggebyen



Bryggebyen



Bryggebyen

