ANNUAL REPORT 2020

We provide clean energy for a sustainable society, now and in the future.

agder energi

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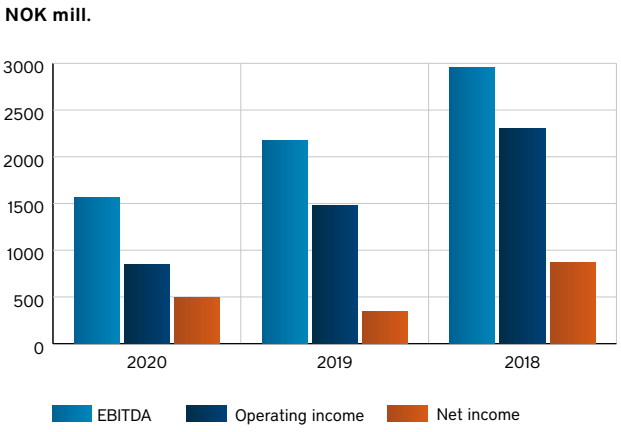
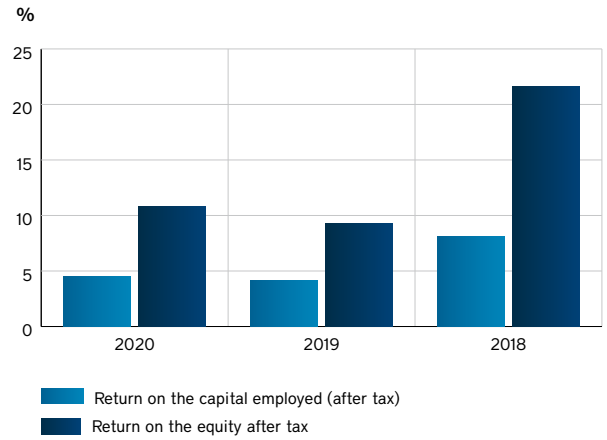
KEY FIGURES

UNDERLYING PERFORMANCE

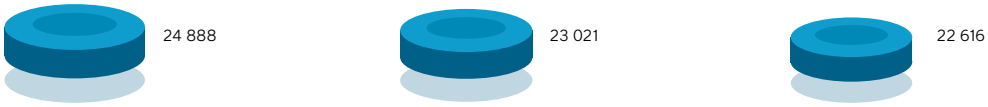




	Def.		2020	2019	2018	2017	2016
FROM INCOME STATEMENT							
Operating revenues		NOK million	9,382	13,185	13,980	10,358	8,086
EBITDA	1	NOK million	2,583	3,033	1,626	1,770	1,573
Operating profit		NOK million	1,855	2,330	967	1,062	972
Profit before tax		NOK million	1,691	2,211	853	848	799
Net income for the year (controlling interest's share)		NOK million	1,909	1,122	-198	487	251
FROM STATEMENT OF FINANCIAL POSITION							
Total assets		NOK million	24,888	23,021	22,616	20,831	20,319
Equity		NOK million	5,569	4,082	3,526	4,565	4,626
Interest-bearing liabilities		NOK million	10,937	10,758	9,260	9,240	9,143
Capital employed	2	NOK million	16,506	14,840	12,787	13,805	13,769
Unrestricted liquidity	3	NOK million	5,332	3,018	2,864	2,372	2,023
Net interest-bearing liabilities	4	NOK million	10,605	10,740	8,896	9,188	8,620
Interest-bearing liabilities due over coming 12 months		NOK million	2,000	2,372	1,657	1,740	2,243
Bank deposits excluding restricted assets		NOK million	332	18	364	52	523
UNDERLYING PERFORMANCE	5						
Underlying operating revenues		NOK million	8,369	12,329	15,312	11,185	8,705
Underlying EBITDA	1	NOK million	1,569	2,178	2,957	2,597	2,192
Underlying operating profit		NOK million	842	1,475	2,298	1,889	1,591
Underlying profit before tax		NOK million	626	1,202	2,117	1,645	1,328
Underlying net income for the year (controlling interest's share)		NOK million	489	340	874	845	738
CASH FLOW							
Net cash provided by operating activities		NOK million	1,569	502	2,049	1,189	1,779
Dividends paid		NOK million	615	592	608	610	660
Maintenance investments		NOK million	562	551	397	470	522
New investments		NOK million	700	801	1,000	878	733
Acquisition of shares/ownership interests and capital increases		NOK million	55	41	94	69	155

KEY FIGURES

FINANCIAL POSITION	2020	2019	2018
Equity	5 569	4 082	3 526
Interest-bearing liabilities	10 937	10 758	9 260
Capital employedl	16 506	14 840	12 787
Total assets	24 888	23 021	22 616



	Def.		2020	2019	2018	2017	2016
KEY FIGURES FOR UNDERLYING PERFORMANCE							
Return on capital employed before tax	6	%	6.2	10.9	17.8	13.7	11.3
Return on capital employed after tax	7	%	4,5	4.1	8.1	7.5	6.8
Return on equity after tax	8	%	10.8	9.3	21.6	18.4	12.2
Equity ratio	9	%	22.4	17.7	15.6	21.9	22.8
HYDROELECTRIC POWER							
EBITDA		NOK million	836	1,701	2,629	2,034	1 ,749
Actual electricity generation	10	GWh	8,112	7,288	8,686	8,812	8,880
Expected electricity generation	10	GWh	8,700	8,300	8,300	8,500	8,400
Reservoir reserves at 31 Dec.		GWh	4,914	3,724	3,180	4,429	3,766
Reservoir capacity		GWh	5,321	5 ,321	5,321	5,250	5,250
Average spot price		øre/kWh	9.8	38.7	41.5	26.9	23.3
Electricity price realised		øre/kWh	18.9	32.8	39.2	30.5	27.8
Cost of generation/kWh		øre/kWh	9.5	9.2	10.0	10.6	11.3
NETWORK							
EBITDA		NOK million	578	362	287	531	637
Number of transmission and distribution customers		1,000	207	205	202	199	195
Energy supplied		GWh	5,347	5,547	5,670	5,573	5,581
Power grid capital (NVE capital)	11	NOK million	5,510	5,275	5,083	4,644	4,101
KILE cost	12	NOK million	50	48	187	64	53
ELECTRICITY SALES							
EBITDA		NOK million	125	98	75	120	97
EBITDA margin		%	3.0	1.5	1.2	2.4	2.8
Electricity sales		GWh	18,244	17,060	14,106	14,324	11,500

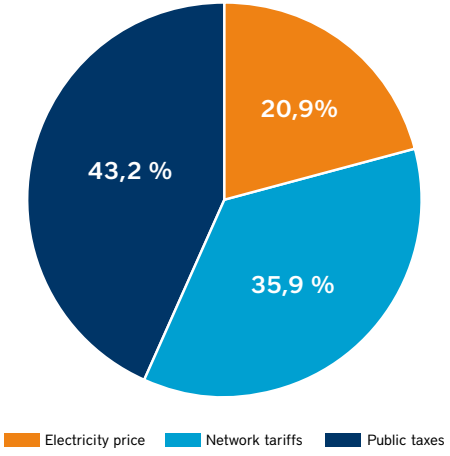
KEY FIGURES

	Def.	2020	2019	2018	2017	2016
DISTRICT HEATING						
EBITDA	NOK million	35	39	41	40	33
Energy supplied	GWh	140	151	155	143	137
Price of heating sold	øre/kWh	70	73	72	63	59
Gross margin, heating	øre/kWh	40	43	43	38	32
Share of renewable generation	%	99	99	99	99	99
EMPLOYEES, HEALTH AND SAFETY						
Number of permanent and temporary staff at 31 Dec.		915	1,020	1,005	1,210	1,432
Number of permanent and temporary full-time equivalents at 31 Dec.		881	987	976	1,162	1,401
Sickness absence	%	2.6	3.1	3.6	3.5	3.5
Total non-lost-time and lost-time injuries per million working hours		2.0	1.8	3.8	3.7	5.4

DEFINITIONS

1. Operating profit before depreciation and impairment losses
2. Equity + interest-bearing liabilities.
3. Bank deposits and unused credit facilities. Excludes restricted assets.
4. Interest-bearing liabilities - unrestricted liquidity.
5. The underlying figures take the Group's IFRS profit and adjust it for unrealised gains and losses on financial instruments, material gains and losses on the disposal of businesses or ownership interests in businesses and changes in the way that negative resource rent carry-forwards are calculated. See separate detailed description of alternative performance measures on page 112.
6. (Underlying operating profit + financial income) / Average capital employed.
7. (Underlying net income for the year + interest expense after tax) / Average capital employed.
8. Underlying net income for the year / Average equity.
9. Equity / total assets.
10. All power generation figures are quoted less pumping and losses.
11. Basis for calculating the income cap. Set by the Norwegian Water Resources and Energy Directorate (NVE).
12. Adjustment to income cap for energy not supplied

THE DISTRIBUTION OF ELECTRICITY PRICES, GRID RENT AND PUBLIC FEES FOR AN AVERAGE CUSTOMER IN 2020:



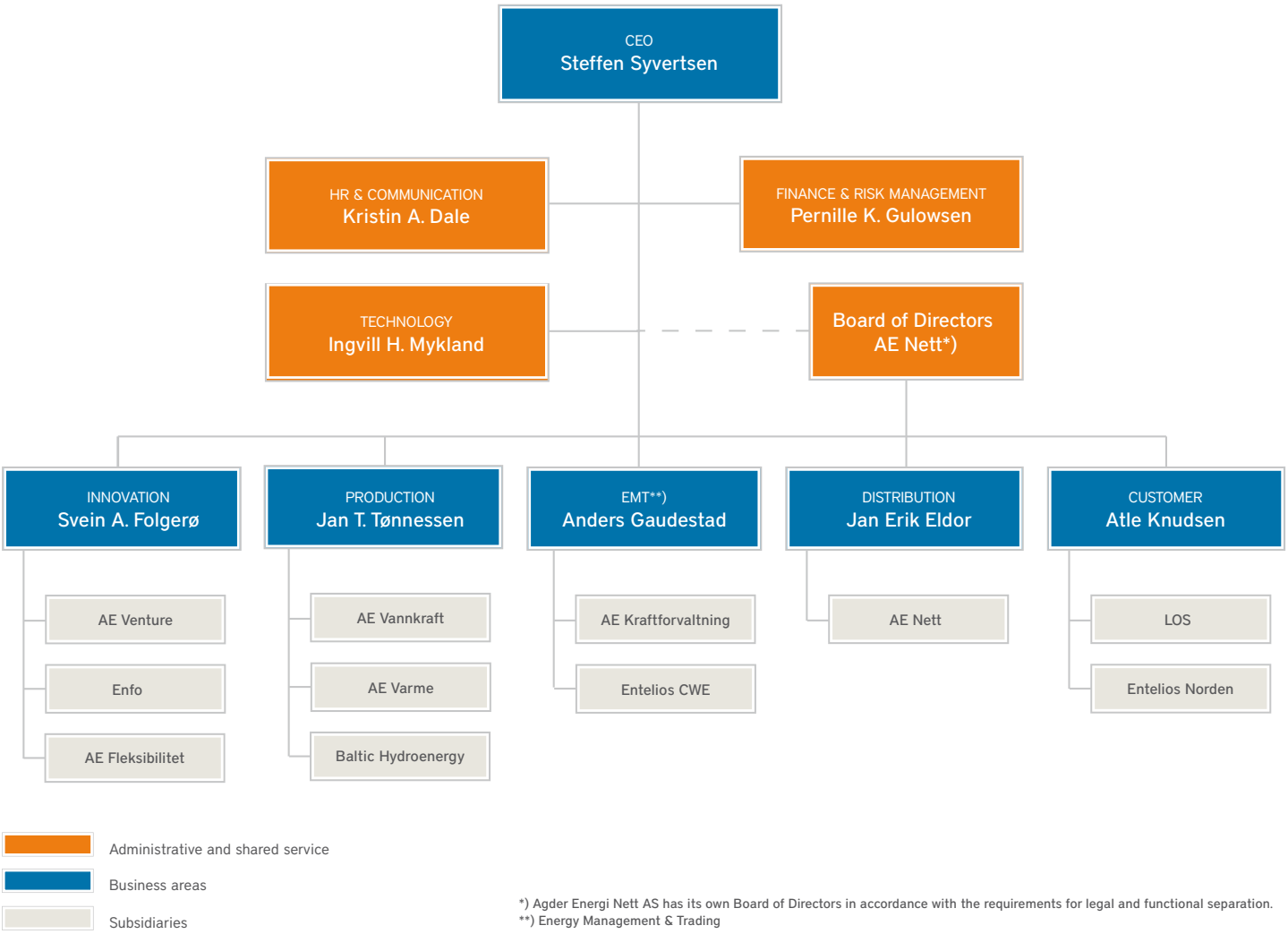
The electricity bill the customer pays consists of:

- The electricity price, which the customer pays to its electricity retailer. Customers can choose between a fixed or variable rate electricity contract (in the same way as for a mortgage). The electricity price also includes a mark-up for the electricity retailer and the cost of legally required electricity certificates.
- Network tariffs, which go to the customer's local distribution system operator, to cover the operation, maintenance and development of the electrical grid. Each year, the Norwegian Water Resources and Energy Directorate (NVE) sets how much each distribution system operator can charge.
- Government taxes: VAT, electricity tax and contributions to the Enova fund.

GROUP MANAGEMENT

Group Management Team (from left): CFO and Deputy CEO, Pernille Kring Gulowsen; Business Area Director for Energy Management & Trading, Anders Gaudestad; Business Area Director for Distribution, Jan Erik Eldor; CEO Steffen Syvertsen; Business Area Director for Customer, Atle Knudsen; Chief HR and Communication Officer, Kristin A. Dale; Chief Technology Officer, Ingvill H. Mykland; Business Area Director for Production, Jan Tore Tønnessen; Business Area Director for Innovation, Svein Are Folgerø.

GROUP STRUCTURE



*) Agder Energi Nett AS has its own Board of Directors in accordance with the requirements for legal and functional separation.
**) Energy Management & Trading

WHERE WE OPERATE

OUR BUSINESS

Agder Energi's subsidiaries are organised into five business areas, which reflect the Group's core activities and value chain: power generation; energy management; distribution; retailing; and innovation. In addition, the parent company is responsible for shared services. The Group's business areas and the administrative departments at the parent company are led by directors. They and the CEO constitute the senior management team.

Parent company and shared services
Agder Energi AS provides administrative functions and shared services to the Group. Administrative functions are split into the following disciplines and areas of responsibility:

- Accounting and Finance – management accounting, financial accounting, finance, tax, capital allocation/portfolio management, risk management, purchasing, legal and compliance
- HR and Communications – communication, early warming, regulatory environment, CSR, health and safety, HR, payroll, documentation and property
- Technology – ICT, security and emergency preparedness, special projects

Production
The Production business area is responsible for developing, operating and maintaining the Group's wholly-owned and part-owned hydroelectric power stations, as well as its district heating systems.

The biggest driver of value creation for the hydroelectric power business is its power generating capacity. This is affected by the availability of plant at power stations, the reservoir volumes permitted by its licence terms and the addition of new capacity through reinvestment and by obtaining new licences. This part of the business area operates through the company Agder Energi Vannkraft AS. The business area also includes the Group's ownership interest in Baltic HydroEnergy AS.

Agder Energi Varme AS supplies district heating and cooling in the Agder region. Agder Energi Varme adds value by building and operating infrastructure for the generation and distribution of water-based heating and cooling for buildings. It generates energy using waste heat and renewable energy sources.

Energy Management & Trading
The Energy Management & Trading business area is responsible for the Agder Energi Group's trading contracts and for managing market risk. This includes the Group's management and trading of energy products in the Nordic region and Europe.

Agder Energi Kraftforvaltning AS is responsible for managing and maximising the return on the electricity generated by the Group, on behalf of Agder Energi Vannkraft AS. It does this by trying to optimise scheduling and by managing market risks, taking into account hydrology, weather data and information about markets. Agder Energi Kraftforvaltning AS is also responsible for the Group's trading portfolios.

Our German operations consist of the companies Entelios GmbH, Entelios AG, and Nordgröön Energie GmbH. These businesses are involved in trading and managing renewable energy, flexibility and guarantees of origin.

Distribution
The Distribution business area is a natural monopoly that is responsible for fulfilling our duty to society to provide electrical energy to end users. The government caps its revenues, which means that efficient operation and successful management of the power grid are the main drivers of value for the business area.

The Energy Act establishes rules for how energy companies can organise their business if they own a distribution system operator. This is reflected in our organisational structure, in which the distribution system operator's day-to-day operations and work on developing and upgrading the grid are managed through the allocation and supervision of budgets.

The business area, which operates through Agder Energi Nett AS, is responsible for building, operating and maintaining the transmission and distribution grid in the county of Agder. That company is an independent entity controlled by its own AGM and Board.

Customer
The Customer business area is responsible for developing and adding value at our companies that operate in the domestic and business markets.

Entelios Norden offers clean energy, cutting-edge expertise and technology that enable industrial companies, big and small businesses and public enterprises to lead the way in terms of climate-friendly energy solutions. It adds value through good management, tailored solutions and an efficient operating model. Entelios Norden consists of the companies Entelios AS, Entelios AB, Entelios Aps and Entelios OY, as well as the asset manager Entelios Trading AB.

LOS AS is responsible for supplying electricity to the retail market. It is the dominant player in the Agder region and also serves customers in the rest of Norway. LOS generates profit from the margin it achieves on selling electricity and associated products, as well as by having a cost-efficient business model and good customer relationships. The Customer business area also includes the Group's ownership interest in Oss Norge AS.

Innovation
The Innovation business area is responsible for the Group's business development and new ventures. Building on its domain knowledge, Agder Energi will seek out and build a presence in new value chains in the green economy. The aim is twofold: to create value and expand our business, and to protect and boost the value of Agder Energi's hydroelectric power.

The Innovation business area includes Agder Energi Venture AS and the companies in its venture capital portfolio, Agder Energi Fleksibilitet AS and the Group's ownership interests and projects in the area of flexibility, and the Group's strategic projects and new ventures.

Goals and results

In December 2020, Agder Energi's Board of Directors adopted a new Group strategy, which sets a course for profitable growth in a renewable future. The Group's strategic goals are that:

- Agder Energi shall increase its profitability
- Agder Energi shall grow and become more competitive
- Agder Energi shall accelerate the green transition
- Agder Energi shall be a forward-looking organisation

The goals and results of the business areas are monitored through their own business plans.

Otra Kraft owns the dam at Sarvsfossen, and the reservoir behind it feeds Skarg power station in Bykle. Otra Kraft is owned by Agder Energi Vannkraft, which has a 68.6% interest, and Skagerak Kraft, which has a 31.4% interest.

MISSION, VISION AND VALUES

Agder Energi provides clean energy for a sustainable society, now and in the future.

Agder Energi's vision is to be one of the leading companies in the Norwegian renewable energy sector.

The Group has defined its values as closeness, credibility, dynamism and innovation.

Closeness

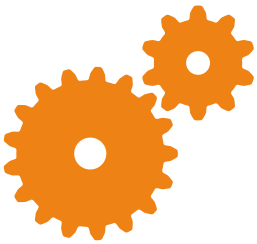
Agder Energi shall be close to its customers and the region. Customers shall know that we are there for them. An open dialogue based on a joint understanding of the facts helps us to bring out the best in each other. By cooperating we preserve our regional identity and help to develop the region.

Credibility

We shall gain credibility by keeping promises, both to third parties and within our organisation. The way in which we achieve our goals is just as important as reaching them. Individual employees must safeguard their integrity and credibility in all of their activities, both within and outside the business.

Dynamism

We shall be dynamic, and have a clear corporate strategy that helps us to implement projects and achieve our goals. This dynamism shall be shown both by the organisation and by individual employees. Organisational dynamism involves having decision-making procedures that ensure successful implementation and profitability. Individual dynamism involves exploiting any opportunities that exist within the framework of our overall strategy.



Innovation

We shall promote innovation and creativity, so that our employees become more skilled and efficient, enabling them to help to grow and develop our business. Innovation is a process in which people build on each other's contributions and ideas. We have to think in new ways and create new processes, while also retaining the best aspects of what we currently do.

The power grid provides light and heat to the district of Lund in Kristiansand.

PROFITABLE GROWTH IN A RENEWABLE FUTURE

A year ago, in March 2020, just as we were finishing our annual report for 2019, the Covid-19 pandemic hit Norway with full force. At that point, there were many things we didn't know about the year ahead of us.

Now that 2020 is behind us, it can only be said that it was a year like no other that any of us has experienced. Although the end of the pandemic may be on the horizon, there are still many uncertainties.

Amidst so much uncertainty, it's satisfying to be able to say that at Agder Energi we once again fulfilled our mission. We supply clean energy so society can prosper, and we do that even under the most challenging circumstances. Agder Energi has managed to keep all of its facilities running, and our operational activities have not been affected by the Covid-19 outbreak. I would like to say a big thank you to all of the Group's employees, who have put in so much hard work to ensure that our critical infrastructure keeps operating.

At the same time as dealing with the pandemic, in 2020 we looked ahead, analysed the world around us and set out a strategic course for the future. That work resulted in our new corporate strategy, which was adopted by the Group's Board of Directors in December 2020. We have called it "Profitable growth in a renewable future". Because that's what we want to achieve, for the benefit of the Agder Energi Group, and for our shareholders, employees and community. It is a strategy that I am looking forward to implementing together with all of our excellent employees.

As our financial results for 2020 demonstrate, Agder Energi is already a profitable business. And renewable energy is what our business is about. The new strategy sets out how we can become even more profitable in a future where the world around us will also move to renewable energy, and where green value creation is a top priority for society.

For us, 2020 was at least as much about the weather as the Covid-19 pandemic. It was a wet and mild year, with lots of snow, leading to record low electricity prices, which naturally had an impact on our financial performance. Nevertheless, thanks to our hedging activities and a lower tax expense, our net income was higher than in 2019.

Hydroelectric power is, and will remain, at the heart of our business, and we will continue to develop it. It was therefore a great day for me when I was able to break ground on the construction of Fennefoss power station in Evje og Hornnes. The power station is due for completion in 2023.

At the same time as doing things like this to develop our core business, in 2020 we worked on major, challenging strategic processes. In order to stand better prepared for the future, we have initiated an ambitious programme to reduce our costs by NOK 100 million. That will continue in 2021, in order to make our operations more efficient.

That is vital if we want to remain competitive in a world and in an industry that is undergoing rapid and fundamental changes. Those changes have also informed Agder Energi's Board of Directors' decision to recommend a letter of intent regarding a merger with Glitre Energi. It is up to the shareholders to make the final decision, but my recommendation as CEO is clear: I believe that a merger would be good for the Group, our employees and our shareholders, and that it would help both to protect existing jobs and to create new jobs in the region.

Regardless of what happens with the merger, I and all my colleagues will continue to do everything we can to implement the new corporate strategy. In 2021 we will face big challenges, and even bigger opportunities.

Steffen Syvertsen
CEO

District heating provides sustainable, efficient under-soil heating for the pitch at the Sparebanken Sør Arena in Kristiansand. This means that the elite football team Start, as well as other teams from the whole of southern Norway, can use the pitch for training and matches throughout the winter.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Statement of Compliance
In accordance with Section 3-3b of the Norwegian Accounting Act, Agder Energi has a duty to report on its corporate governance procedures. Agder Energi has chosen to follow the corporate governance recommendations set out in the 9th edition of the Norwegian Code of Practice published by the Norwegian Corporate Governance Committee (NUES), published on 17 October 2018.

Agder Energi AS has issued bonds that are listed on Oslo Børs. Consequently, we have chosen to implement the Code of Practice in so far as we consider it relevant and appropriate.

1. Corporate Governance Statement
The adopted corporate governance principles regulate the relationship between the shareholders, Board of Directors and executive management of a company, as well as describing the relevant roles and reporting structures.

Each heading represents one topic covered by the recommendations. Agder Energi has chosen to adapt Sections 5, 6 and 8 to reflect its operations and ownership structure. Apart from this, Agder Energi considers that it complies fully with the Code of Practice.

Overseas entities
Agder Energi also owns overseas entities. These entities comply with their national rules, as well as following the Group guidelines on areas such as auditing and internal controls.

2. Business activities
Agder Energi's purpose is defined in the company's articles of association: "The company's purpose is to: exploit, produce and sell energy; contribute to the safe and efficient supply of energy; and exploit related, profitable business opportunities within the energy and infrastructure sectors."

Agder Energi is one of Norway's biggest energy companies, as well as being a major employer, with approximately 750 employees. The Group's core business consists of hydropower generation, energy management, electricity retailing and operating the grid. Its other activities include district heating and venture capital investment.

Agder Energi has goals, strategies and risk profiles covering the whole Group, for each business area and subsidiary, and for certain aspects of its operations. The Board's review and assessment of the goals, strategies and risk profiles follows an annual plan.

There is a more detailed description of the Group's business activities in a separate section of this annual report.

Corporate Social Responsibility (CSR)
Section 3-3c of the Norwegian Accounting Act, the Norwegian Corporate Governance Committee's Code of Practice and the Global Reporting Initiative (GRI) all establish rules on how Agder Energi must fulfil its corporate social responsibility and communicate what it does. These Norwegian and international guidelines all emphasise the following four areas: human rights, labour, the environment and anti-corruption activities. Agder Energi's corporate social responsibility strategy sets out the Group's definitions, goals, plan of action, areas of responsibility and reporting structure in relation to CSR.

More information about CSR at Agder Energi can be found in Agder Energi's 2020 sustainability report, which is published alongside this annual report.

Exemption from the Group's joint guidelines
The operations of some the subsidiaries in the Group are very remote from, and have little in common with, the core activities of Agder Energi, and there are few synergies to be realised by integrating them more closely with the Group's other activities. This may apply to companies in the Group's development portfolio, subsidiary groups or joint ventures. These companies are exempted from some of the Group's joint guidelines. Any exemptions are specified in the relevant internal guidelines, and there are separate internal rules in place of the joint guidelines.

3. Equity and dividends
At 31 December 2020, the Group had NOK 5,569 million of equity, giving it an equity ratio of 22.4%. The Board of Directors considers it important for the Group to have a capital structure that provides financial stability, bearing in mind its stated credit rating goal, strategy and risk profile.

The Group's dividend policy reflects the stated aim of giving shareholders a stable and predictable return on their investment through cash dividends. The Group's future dividend policy will depend on parameters such as the Group's strategic priorities, expected cash flow, investment plans, financing requirements, the need for adequate financial flexibility and debt-servicing ability.

Equity raising
Equity increases shall be proposed by the Board and discussed by the AGM. The Board is not currently authorised to carry out equity increases.

4. Equal treatment of shareholders and transactions with related parties
For significant transactions between the company and shareholders, Board members, key employees or any of their related parties, the Board shall obtain a valuation from an independent third party.

5. Shares and free negotiability
The Norwegian Corporate Governance Committee's Code of Practice recommends that companies should not limit the ownership, negotiability or voting rights of shares. Agder Energi AS is governed by rules that restrict the ownership of waterfall rights in the Waterfall Rights Act. The articles of association state that only shareholders who meet the conditions for being allocated indefinite waterfall licences are entitled to own Class A shares. The company's shareholders have also signed agreements that regulate the sale of shares.

6. Annual General Meeting

The Code of Practice recommends enabling as many shareholders as possible to attend the company's Annual General Meeting, and enabling shareholders who cannot attend to vote. This recommendation has not been implemented at Agder Energi. Under the agreements between shareholders, the AGM is only attended by one representative of the shareholder municipalities and one representative of Statkraft Industrial Holding. The Chair of the Board, CEO and external auditor shall also attend. The election committee and Board members are also entitled to attend.

7. Election committee

The articles of association specify that the company shall have an election committee. It consists of five members, who are appointed for a two-year term. Under the current shareholders' agreement, the municipal shareholders can appoint three members, while Statkraft can appoint two. The election committee nominates candidates for the corporate assembly and for the Board of Directors.

The shareholders' agreement contains certain rules on the work of the election committee, designed to ensure compliance with the stipulations of the agreement.

8. Board of Directors, composition and independence

The composition of the Board of Directors is designed to safeguard the collective interests of the shareholders and meet the company's need for expertise, capacity and diversity. The Code of Practice recommends that the Chair of the Board should be elected by the AGM. This recommendation has not been implemented at Agder Energi. Under the shareholders' agreement, twelve people sit on the Group's Board of Directors. Four members, including the Chair and Deputy Chair, are elected at the proposal of the municipal shareholders, four members are elected at the proposal of Statkraft and four at the proposal of the employees. The executive management is not represented on the Board. Board members are elected for a two-year term.

The Board members are presented in a separate section of this annual report. Details of who has attended Board meetings during the year can be found in Note 31 to the consolidated financial statements.

Entitlement of Board members to own shares

The Code of Practice recommends that Board members be encouraged to own shares in the company. This recommendation has not been implemented at Agder Energi. Under the company's articles of association and the shareholders' agreement, neither Board members nor other private individuals are entitled to own shares in Agder Energi.

9. The work of the Board

The Board's tasks are regulated by the Limited Liability Companies Act and other relevant legislation, the company's articles of association and the Board guidelines. The Board reviews its work and expertise annually.

The Board appoints the CEO. The Board has drawn up instructions for, and delegated authority to, the CEO.

Audit committee

In accordance with the Stock Exchange Regulations, the Board of Agder Energi has established an audit committee that assists and advises the Board in relation to its supervision of the Group's financial reporting and the effectiveness of its internal control systems.

Conflicts of interest and abstention

The Board shall ensure that Board members and senior managers disclose any significant interests they have in matters being deliberated by the Board (even if those interests do not require abstention).

10. Risk management and internal controls

Agder Energi integrates risk management, internal controls and internal auditing into its corporate governance in line with "COSO Enterprise Risk Management – Integrating with Strategy and Performance", which emphasises the link between risk management and strategy.

The Group is inevitably exposed to risks in a variety of areas throughout the value chain. The most important risks relate to market price movements, strategic investments, operational safety, the regulatory environment, ICT security and compliance. In line with the Board's guidelines, the Group performs an annual review of internal controls and risk management in collaboration with the external auditor. Risk assessments and changes to the business environment are reported regularly to the Board, and all subsidiaries produce an annual self-declaration on their internal controls, which also covers the ethical guidelines and corporate social responsibility.

The company's internal audit service helps the Board to exercise good corporate governance by providing an independent, unbiased assessment of the most important risks facing the company and it has a mandate to communicate directly with the Board and the Board's audit committee.

The company provides various channels for whistleblowing, one of which is an external one approved by the Norwegian Data Protection Authority.

There is a more detailed description of Agder Energi's internal control and risk management systems in a separate section of this annual report.

11. Board fees

Members of the Board are paid based on their roles. Their fees are not profit-related. No Board members are entitled to a pension, options or termination compensation from the company, apart from the entitlements of the employee representatives in their capacity as employees.

Details of the fees paid to individual Board members are presented in Note 31 to the consolidated financial statements.

12. Management compensation

Management compensation reflects the Group's guidelines on compensation. The senior management team has no bonus arrangement for 2020.

Information about management compensation is presented in Note 31 to the consolidated financial statements.

13. Information and communication

Agder Energi satisfies all statutory requirements relating to financial reporting and disclosure. The Group considers maintaining good, appropriate lines of communication with its owners and external stakeholders to be a priority.

The twenty-five municipal shareholders coordinate their activities through two forums established for this purpose: the owners' meeting and the work committee.

The municipal owners understand that the procedures for reporting financial information to Statkraft mean that the latter owner is frequently updated before the municipalities.

The Group publishes quarterly financial reports and other information for the benefit of its shareholders and external stakeholders.

14. Acquisitions and disposals

The shareholders' agreement defines the pre-emptive rights of current shareholders in the event of shares being sold.

The disposal and acquisition of the Group's ownership interests and subsidiaries is handled in accordance with the relevant authorisations at Agder Energi. Disposals and acquisitions can take place as a result of the strategic decisions of companies in the Group or through the wholly-owned subsidiary Agder Energi Venture.

15. External auditor

Ernst & Young was the Group's external auditor in 2020.

Each year, the auditor presents an outline plan for the year's auditing activities to the audit committee.

The auditor attends the meeting at which the Board reviews the annual financial statements. At the meeting, the auditor goes over any significant changes in the company's accounting principles, key aspects of the audit, calculations of significant accounting estimates and all significant issues where there has been any disagreement between the auditor and the executive management. Each year the auditor also discusses the company's internal controls with the Board, including any weaknesses identified by the auditor and proposals for improvements.

The Group's central finance function is kept informed of any consulting, tax advice and other services provided by the external Group auditor that are not related to the normal auditing process. The external Group auditor is responsible for constantly assessing his own independence.

The electricity retailer LOS wants to make it easy for its customers to make greener decisions in their day-to-day lives.

ENTERPRISE RISK MANAGEMENT

RISK MANAGEMENT

At Agder Energi, risk management has for several years been an integrated part of corporate governance, both at the strategic and operational levels. "COSO Enterprise Risk Management – Integrating with Strategy and Performance" (2017) highlights the importance of enterprise risk management in strategic planning and of introducing enterprise risk management throughout an organisation. There follows a brief description of how COSO's five components have been implemented in the Agder Energi Group's enterprise risk management system.

Governance and culture
In order to ensure that the instructions of the owners are followed, and that the Group is managed appropriately, the Board has established guidelines for its own activities, instructions at subsidiaries and instructions and an authorisation matrix for the Group CEO. These documents underpin the Group's strategy, which in turn sets out goals and priorities for the Group and its business areas. The Board has also approved a general description of its corporate governance model, which together with the adopted risk management strategy provides the basis for the executive management's integrated risk management activities.

The Board has adopted a set of core values and ethical guidelines for Agder Energi, which form the basis for the corporate culture at the Group. This is disseminated across the Group through our mission statement, the HR strategy's management requirements and an emphasis on teamwork.

Strategy and Objective-Setting
Based on the Group's corporate and risk management strategies, all of the Group's business areas have drawn up business plans. These business plans include strategic and operational goals, areas of priority and risk assessments. Areas that involve trading in financial markets have special risk management strategies and limits on risk exposure that reflect the Board's appetite for risk.

Implementation of Risk Assessments and Risk Management
The Group's risk management systems deal with potential positive and negative outcomes related to the company's strategic and operational performance. Health and safety has top priority and is always the first item on the agenda at management meetings, both at a Group level and within the individual companies.

Individual companies are responsible for identifying, prioritising and monitoring their own risk exposures, and risk management at the operational level takes place across the organisation as an integrated part of normal business activities. Companies report their risk assessments and risk management activities to the Group.

The analysis of Agder Energi's overall risk exposure takes place at the Group level, based on individual companies' reports combined with the strategic assessments of the senior management team, the technical assessments of shared services and the Group auditor's comments. Risk assessments are included in reports to the Board. Portfolio management helps us to see how risks affect the Group as a whole.

Review and Revision
In order to pick up on changes that are relevant to the company's business, Agder Energi has introduced an Early Warning system. This system is used to carefully monitor developments in the regulatory environment and markets in which the Group operates, as well as technological developments. The information thus obtained is used to continuously update risk assessments and in strategic and commercial decision-making procedures.

Risk management and performance is reviewed regularly at individual companies and at the Group level. The Group's risk management strategy, including the associated appetite for risk, risk frameworks and authorisations, are reviewed and revised annually by the Board. As part of the Group's overall progression, corporate governance will be subject to continuous improvement and development, in response to the companies' own initiatives, updated guidelines from shared functions and the results of internal audits.

Information, Communication, and Reporting
In order to promote integrated corporate governance processes, the Group has implemented a combined governance and information management solution, which helps to further integrate financial and risk management into management processes. The system is used for internal communication within the business areas and for communication with the group management team and Board of Directors.

Uncertainties with respect to key figures, the Group's financial exposures, overall risk assessments and external developments are regularly reported to the management and Board, who are notified explicitly of any critical scenarios.

INTERNAL CONTROLS

Internal controls are an integral part of overall risk management procedures, and they shall provide reasonable assurance that goals relating to operations, reporting and compliance will be achieved. There follows a description of how the quality management system, control mechanisms, audits and whistleblowing channels promote good internal controls at Agder Energi.

Internal control system
Internal controls at the company are implemented through clear guidelines and established processes. This is documented by the fact that governance documents have been made available to all employees through our quality management system "THIS is how we do things at Agder Energi", generally abbreviated to the first word of the Norwegian name – SLIK.

Through SLIK, the full range of the Group's governance documents – from steering documents through manuals to descriptions of work processes – are easily accessible on the Group's intranet "Energisk". Subsidiaries in the Group implement SLIK across the organisation through their own corporate governance systems with company-specific governance documents.

Control mechanisms
Agder Energi has established control mechanisms for safety, security, emergency preparedness and critical aspects of its business processes in order to prevent, or rapidly correct, any nonconformities. Due to increasing levels of digitalisation, Agder Energi has established an ICT model and platform with new, stricter security requirements. In the face of growing numbers of climate-related events, checking and monitoring weather data plays an important role in helping us to manage and adapt the resources that we administer. For our internal procedures, we have established control mechanisms that combine manual controls such as check lists, access controls such as electronic approval processes following the four eyes principle and automatic notification systems such as position monitoring for trading portfolios.

In addition, all subsidiaries must submit an annual self-declaration on their internal controls. This is done through a common reporting format that makes it clear what kinds of controls the Group expects its subsidiaries to implement.

Auditing
Agder Energi has an internal audit service, which assists the Board, group management and business areas by providing an independent, unbiased assessment of the Group's risk management procedures. The internal audit service's mandate and guidelines are approved by the Board, which also reviews the internal audit service's annual report and its audit plans.

The external auditor is chosen by the AGM, and is responsible for the financial audit of the parent company, Group and subsidiaries. Agder Energi has a Group-wide agreement with Ernst & Young, which must be used by all subsidiaries for the statutory audit. Companies in the Group's international and venture capital portfolios may use a different auditor.

Whistleblowing procedures
The Group has several channels for whistleblowing, one of which is independent of the company. There are formal procedures in place for dealing with whistleblower reports. Such reports are treated in strict confidence unless criminal conduct is involved. Agder Energi has established procedures that safeguard the rights of whistleblowers. The Group gives priority to raising awareness within the Group of its ethical guidelines, standards and whistleblowing systems/procedures.

Agder Energi has systems for reporting unwanted incidents and suggested improvements both for its own employees and for subcontractors. The system is available through several platforms, including a mobile phone app and an online reporting tool, where people can report and record nonconformities, observations, suggested improvements, accidents and near misses. The reports are analysed, and all high risk incidents are investigated, with a view to limiting potential consequences, ensuring that the causes are uncovered and implementing measures for continuous improvement.

RISK MANAGEMENT

The Group is inevitably exposed to risks in a variety of areas throughout the value chain. The most important risks relate to market price movements, strategic investments, operational safety, the regulatory environment and ICT security. Compliance is also an area of priority, in order to ensure compliance with laws, regulations and good governance practice.

Market risk
Agder Energi is exposed to significant market risk through the generation and trading of electricity, with its revenues from electricity sales being exposed to electricity price risk and currency risk.

Hedging strategies for the power generation portfolio are subject to limits on how much power can be sold through futures contracts and the results are closely monitored. Agder Energi has built up a strong team specialising in energy management, analysis and modelling. Subject to the above constraints, the amount of electricity sold through futures contracts is continuously adjusted, bearing in mind the company's price expectations, reservoir reserves and generating capacity. The sale of currency futures also takes into account electricity price hedging and the total risk associated with the generation portfolio. The hedging strategy both reduces risk and makes a positive contribution to Agder Energi's financial performance.

Energy trading and power purchase agreements (PPAs) are managed and monitored in separate portfolios, with their own limits on risk exposure.
Electricity retailing is considered a margin business and financial hedges are used to minimise the electricity price risk and currency risk.

If the price of electricity futures contracts falls, the value of the electricity price hedges rises, giving rise to counterparty risk. The most important measures to limit counterparty risk are taken prior to signing contracts. Credit checks are carried out on counterparties and major contracts are only signed with financially sound counterparties. Guarantees and terms of contract further reduce counterparty risk. Agder Energi could incur significant losses if one of our largest counterparties were to go bankrupt.

Strategic investments
The Group has an ambitious strategy to adapt to the changes facing the electric power industry associated with the green transition. Strategic risk is managed by pursuing selective profitable growth, continuous improvement and innovation within existing business areas, as well as by investing in new areas related to renewable energy.

Agder Energi has a clearly stated goal for its credit rating, both to ensure that the company is managed well and to provide access to credit markets. With the power sector currently going through a period of heavy investment, in power stations, grid upgrades and new business opportunities, Agder Energi has more investment opportunities than it is capable of pursuing by itself. Portfolio management, scenario-based assessments and long-term capital allocation are designed to encourage optimal use of capital at the Group over time. Agder Energi may also seek to share risk by entering into partnerships with other entities.

Operational safety
There are operational risks associated with all of the processes in the value chain. The most important ones are the risk of injuries to the Group's employees and third parties, damage to power plants, distribution networks and other assets, negative impacts on the environment and climate, negative impacts on the Group's reputation and the risk of failures in administrative and management processes. Climate change and extreme weather events are making it increasingly challenging to ensure reliability of supply, as well as the safety of our employees, our contractors, and the general public. Personal safety is always our very highest priority.

Operational risk is managed through preventive measures and procedures for responding to incidents. In recent years, Agder Energi has stepped up its preventive measures for extreme weather events by carrying out extra line clearing on its electric power grid. Agder Energi participates in the organisation "Kraftforsyningens beredskapsorganisasjon" (KBO) as a power generating company, district heating company and distribution system operator. For the purpose of risk management, Agder Energi has chosen to establish contingency plans, training exercises and preventive measures even at companies not covered by the KBO requirements. Agder Energi has insurance policies to cover all major types of operational incident.

Business environment
Big changes lie ahead for the electric power industry, on account of climate change and the need to create a society based on renewable energy. Changes in the business environment and political decisions affect our room for manoeuvre and constitute a significant element of the Group's risk exposure. Agder Energi works systematically to understand how the business environment is changing, exploit any available room for manoeuvre and make strategic choices.

Agder Energi will need to adapt if it wants to remain a key player in the electric power industry, although we do not yet know the exact nature and extent of those adaptations. The Group is making the changes needed to adapt itself to an industry in a state of flux. This includes changes to its technology, such as digitalisation and cloud computing, and to its culture, such as a management development programme focusing on continuous improvement, change management and teamwork. Cooperation and partnerships will also be important tools for responding to changes in the electric power industry.

ICT security and data protection
ICT security is a high priority for the electric power industry and wider society. Agder Energi continuously and systematically works to meet external requirements and internal needs for the security and robustness of our ICT infrastructure. It has implemented an extensive ICT security programme to protect itself against cyber attacks and system faults, and to ensure the secure and stable operation of its ICT systems. This will continue to be a priority going forward.

Compliance
The most important areas of compliance risk for Agder Energi are physical and cash-settled electricity trading, licence terms, data protection, safety and security. These risks are managed by taking a systematic approach to analysing and assessing risks, and prioritising measures to deal with compliance risk, as a separate area of our work on risk management.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Agder Energy Group's mission is to provide clean energy for a sustainable society, now and in the future. Renewable energy is part of the solution to the global crisis arising from climate change, and electricity plays a key role in society. Consequently, the Group's core business is inherently sustainable. Nevertheless, the way in which we conduct our core business at Agder Energi is closely watched.

Agder Energi's CSR goals:
Agder Energi is one of Norway's largest producers of renewable energy, and its CSR activities are designed to ensure that its operations are run in a sustainable and ethical way.

The Norwegian Accounting Act, Norwegian Corporate Governance Committee's Code of Practice and Global Reporting Initiative (GRI) all establish rules on how Agder Energi must fulfil its corporate social responsibility and communicate what it does. These Norwegian and international guidelines all emphasise the following four areas: human rights, labour, the environment and anti-corruption activities. Agder Energi integrates social and environmental considerations into its operations, its decision-making processes and the activities of its subcontractors.

In December 2020, Agder Energi adopted a new Group strategy. The overriding aim of the strategy is to create profitable growth in a renewable future. In order to achieve this, the Group shall both continue to build on its core business, by developing its renewable hydroelectric power and smart grid solutions, and invest further in energy management and trading, as well as in the customer interface. Another key element of the new strategy is that Agder Energi shall help to speed up the green transition. The Group shall help to build a society based on renewable energy and enable customers and partners to take part in the green transition. That involves developing new industries and businesses based on access to renewable energy. There is likely to be great potential in new green value chains in a society that is increasingly demanding products and services that have been produced sustainably.

Agder Energi's CSR goals are related to the ten basic principles of the UN Global Compact. The joint goals for the Group are implemented by the individual companies, which also draw up company-specific goals. Agder Energi requires subcontractors to take into account the Group's CSR goals.

The joint Group CSR goals are:

Human rights
Agder Energi and its subcontractors shall conduct themselves in accordance with the UN's internationally accepted human rights conventions. The Group and its subcontractors shall never be complicit in the breach of human rights.

Labour rights
Agder Energi and its subcontractors shall comply with the eight fundamental conventions of the International Labour Organisation (ILO) on the right to organise, the right to collective bargaining and the elimination of forced labour, child labour and discrimination at the workplace.

Environmental impacts
Each company within the Agder Energi Group draws up environmental goals for its operations, reflecting the nature of its business. Subcontractors are required to have procedures in place for environmental protection measures.

Anti-corruption
Agder Energi's goal is that no form of active or passive corruption shall take place within the Group's business activities. More information about the Group's CSR activities can be found in the section of the annual report on CSR and in the CSR report for 2020 on the Group's website ae.no.

The snow has settled on the new dam at Langevatn in Åseral. The water level has risen by 10 metres, making it possible to increase electricity generation by enough to meet the needs of around 2,600 average households. The tunnel from Langevatn to Nåvatn, which was affected by landslides, has also been refurbished.

BOARD OF DIRECTORS' REPORT

DIRECTORS' REPORT

Agder Energy provides clean energy for a sustainable society, now and in the future. The Group's activities comprise the generation, distribution and sale of energy, as well as providing energy-related services. Its vision is to be one of the leading companies in the Norwegian renewable energy sector. Most of Agder Energi's business is done in southern Norway, and the company has its head office in Kristiansand.

The Group's profit for the year under IFRS was NOK 1,909 million in 2020 (controlling interest's share), compared with NOK 1,122 million in 2019. Underlying net income under IFRS was NOK 489 million (controlling interest's share), up from NOK 340 million in 2019. Agder Energi's hydropower stations generated 8,112 GWh of clean energy in 2020 (2019: 7,288 GWh).

HIGHLIGHTS

Energy markets are changing rapidly, and in January 2021 the Boards of Directors of Agder Energi and Glitre signed a letter of intent on a merger. This would create Norway's biggest electric utility, with operations in the whole value chain from power generation to electricity consumers. Creating a stronger, more competitive business will enable us to develop new jobs in the two regions, and to attract talent, capital and new business partners.

In April, Agder Energi signed a long-term contract to supply electricity to the Swedish industrial conglomerate Boliden. The agreement, which strengthens our presence across the Nordic region, will see Agder Energi supply 15 TWh over 15 years to Boliden's locations in Sweden and Finland. The contract runs from 2022–2037.

In June, the Board of Directors of Agder Energi adopted a decision to build Fennefoss power station. Work started at the beginning of September, and the project is due for completion in the spring of 2023. The power station, which will exploit the 8-metre drop of Fennefossen waterfall, will have a rated capacity of 9.9 MVA. It will generate approximately 59 GWh of power each year, equivalent to the annual consumption of around 3,000 households.

Towards the end of October, Agder Energi agreed to sell its 67% ownership interest in the Swedish electrical contracting firm Craftor. The sale reflects our strategy of focusing on new opportunities in Agder Energi's core business, which is the generation, distribution and sale of renewable energy and related solutions. The sale, which was completed in December, generated a positive cash flow effect of NOK 753 million, and a NOK 590 million accounting gain.

In February 2021, Agder Energi and HitecVision entered into a partnership to develop new companies that will take part in the green transition, and they are currently assessing several potential industrial ventures. The parties have already agreed that offshore wind will be their first investment, and Agder Energi and Vårgrønn, which is part-owned by HitecVision, will submit a joint expression of interest in developing an offshore wind farm in the Sørlige Nordsjø II area.

In the second quarter, Agder Energi and NOAH AS established the company Morrow Batteries. The company, which is 39% owned by Agder Energi Venture, plans to build a research centre and factory to serve the rapidly growing battery market. In December the company signed a letter of intent on building a battery cell factory at Eyde Energipark in Arendal. The company's ambition is to produce the world's most sustainable batteries. Construction of the first phase of the factory is due to begin in 2023.

In March, the Norwegian Water Resources and Energy Directorate (NVE) granted Agder Energi Nett permission to build a new power line between Kulia and Kristiansand. The existing power lines are old, and the project will help to make the grid more robust. It involves building a new 9.6 km-long power line and taking down 45.6 km of existing lines.

As part of its focus on the Nordic market, Entelios acquired the Finnish company Scandem Oy in October. The company manages a 1 TWh customer portfolio, and it will increase Entelios' presence in the common Nordic energy market.

The Covid-19 pandemic

Agder Energi is responsible for critical infrastructure, and throughout the Covid-19 pandemic it has implemented measures to safeguard its operations and help reduce infection pressure in society, in line with the recommendations of national health authorities. Agder Energi has managed to keep all of its facilities operating, and at the time of the annual report's publication its operations had not been affected by the Covid-19 outbreak.

Measures have been implemented to reduce counterparty risk, particularly arising from the Group's customer-facing activities in the business market. So far we have not identified any major trade receivables for which it has been necessary to recognise a bad debt provision. In response to the coronavirus situation, Agder Energi expanded its credit facilities with banks by NOK 1.5 billion in order to give it more financial flexibility. The Group had a liquidity buffer of NOK 5.4 (3.1) billion at the end of the year, consisting of unused credit facilities and bank deposits.

The pandemic has led to a global economic downturn, which has impacted the electric power and renewable energy industries. The direct financial impacts have been limited, but the downturn has pushed up market risk and increased uncertainty about future electricity prices.

* The underlying IFRS figures take the Group's IFRS profit and adjust it for unrealised gains and losses on financial instruments, material gains and losses on the disposal of businesses or ownership interests in businesses and changes in the way that negative resource rent carryforwards are calculated; see page 111 for further details.

FINANCIAL PERFORMANCE

Agder Energi's operating revenues were NOK 9,382 million (NOK 13,185 million) in 2020. The NOK 3,803 million reduction was due to low electricity prices in 2020, which led to lower energy sales at our Hydroelectric Power segment, LOS and Entelios Norden. Meanwhile, gains on electricity and currency contracts related to the Group's hedging activities made a NOK 1,113 (247) million positive contribution.

The Group's operating profit was NOK 1,855 (2,330) million. Its pre-tax profit was NOK 1,691 (2,211) million, and its net income (controlling interest's share) rose from NOK 1,122 million in 2019 to NOK 1,909 in 2020.

Operating profit and pre-tax profit mainly fell on account of lower profit at the Hydroelectric Power segment, which in turn was due to low electricity prices. Our distribution system operator put in a solid performance and delivered significantly better results than in 2019.

The Group is keeping a close eye on its costs. Its programme to reduce variable expenses has been a success, with other operating expenses falling NOK 107 million to NOK 776 (883) million. Employee benefits were in line with the previous year, after adjusting for a one-off NOK 114 million gain in 2019 linked to changes to pension rules that affected the Group's pension plans.

In 2020, the reported operating profit was once again significantly affected by gains on cash-settled hedges. Under IFRS, changes in the value of these contracts are recognised through profit or loss as they arise.

Forward electricity prices, particularly for the next few years, fell significantly in 2020. Unrealised gains on derivatives boosted net income by NOK 683 million. Business disposals, including the sale of Craftor, contributed NOK 734 million to net income.

Net financial expenses came to NOK 164 (119) million. Interest on the Group's debt portfolio came to NOK 242 (266) million, and there was an exchange rate gain of NOK 61 million (loss of NOK 15 million). It also made an unrealised loss of NOK 100 million (gain of NOK 29 million) on interest rate swaps, due to a sharp fall in market interest rates. Investments in associates and joint ventures contributed a NOK 105 (110) million gain. Approximately NOK 100 million of the gain came from a revision to the estimated purchase price adjustment relating to the previously completed sale of Fosen Vind. There was also an accounting gain in conjunction with the creation of the Otera Group.

The Group's tax expense was NOK 423 (1,114) million. This consisted of NOK 352 (477) million of income tax and NOK 70 (638) million of resource rent tax. The income tax expense fell on account of lower pre-tax profit, while the fall in resource rent tax was caused by electricity generated having a significantly lower spot value, due to low spot prices.

Underlying performance

The Group's underlying profit does not include unrealised gains and losses and significant gains from disposals, which is the main reason for the difference between the reported and underlying profit. See the section on "Alternative profit measures" for information about their purposes, definitions and presentation. In 2020, the Group's underlying operating profit amounted to NOK 842 (1,475) million, while net income (controlling interest's share) was NOK 489 (340) million.

The decline in the Group's underlying profit was caused by the hydroelectric power generation business, which made an operating profit of NOK 558 million, down from NOK 1,421 million in 2019. The main explanation for this decline is lower achieved electricity prices, partially offset by higher electricity generation. Achieved prices were 19.2 øre/kWh, 41% lower than the 32.8 øre/kWh achieved in 2019. The Group generated 8,112 GWh (7,288 GWh) of hydroelectric power in 2020, up 11%. Lower electricity prices resulted in lower resource rent tax, which is the main reason why the tax expense fell to NOK 140 (899) million. Consequently, the hydroelectric power generation business's net income only fell by NOK 99 million, from NOK 434 million in 2019 to NOK 335 million in 2020.

The contribution to underlying profit from the Group's distribution system operation rose in 2020, with the business making an operating profit of NOK 298 (71) million. This increase was due to factors including higher recognised transmission revenues, lower expenses from distribution losses and insurance payouts for the extreme weather events in 2018.

The underlying performance of LOS was strong in 2020, and its operating profit rose to NOK 80 (62) million.

Capital structure and cash flow

The aim behind the Group's management of its capital structure is to keep an appropriate balance between financial strength and investment capacity, while maintaining a strong credit rating of at least BBB+.

Agder Energi's assets had a book value of NOK 24,888 million at the close of 2020, compared with NOK 23,021 in 2019. High investment levels at the Hydroelectric Power and Network segments pushed the value of property, plant and equipment up to NOK 16,762 (16,123) million at the end of the year.

The Group's book equity rose by NOK 1,487 million to NOK 5,569 (4,082) million at the year-end. This increase was the result of high reported IFRS profit less dividend distributions. The remeasurements on pensions for the year also boosted equity. The equity ratio rose to 22% (18%).

At the end of 2020, the Group had NOK 10,937 (10,758) million of interest-bearing liabilities, and it paid an average interest rate of 2.3%, down from 2.7% the previous year. Our interest rate duration, which is managed by using fixed-interest loans and interest rate derivatives, was 4.1 years at the turn of the year.

Liquidity risk is managed through cash flow forecasts and by having an adequate liquidity buffer, committed credit facilities,

access to a variety of sources of financing and markets, and a smooth maturity structure on our debt. The Group's liquidity buffer at the end of the year was NOK 5.4 (3.1) billion, consisting of unrestricted liquid assets and unused credit facilities.

Strong finances and good risk management practices are important to maintaining Agder Energi's credit rating, and it has a credit rating of BBB+ (negative outlook) from Scope Ratings.

Cash flow from operating activities came to NOK 1,569 million, compared with NOK 502 million the previous year. To put this in context, cash flow was low in 2019, whereas in 2020 it was close to the average for the past five years. Underlying EBITDA fell, but this was offset by a reduction in working capital.

Investment in property, plant and equipment and intangible assets amounted to NOK 1,404 (1,456) million. NOK 142 (104) million of this comprised investments in power distribution networks paid for by customers. On the statement of cash flows, investments are presented gross, with customer payments included under net cash provided by operating activities. The Hydroelectric Power and Network segments were responsible for 91% of the investments in property, plant and equipment. Receipts from the sale of investments came to NOK 753 million, compared with NOK 139 million in 2019, and related to the sale of our shares in Craftor.

NOK 615 (592) million was paid out in dividends. Net cash provided by operating activities less dividends therefore came to NOK 953 (-90) million. As a result, net investment for the year was financed by cash flow from operating activities.

Proposed dividends

Agder Energi's dividend policy states that the proposed dividend should be determined on the basis of the Group's underlying net income the previous year, in order to ensure predictable dividends of our shareholders. The guideline dividend payout ratio is 70%. In 2019, the controlling interest's share of underlying net income under IFRS was NOK 340 million. In view of overall assessment of the future outlook and our financial position, it is proposed that the NOK 125 million accounting gain on the sale of Grønn Kontakt AS in 2019 be included in the calculation basis for dividends. Based on that, the Board of Directors proposes a dividend payout of NOK 325 million for the 2020 financial year.

The net income for the year of the parent company Agder Energi AS was NOK 1,301 (401) million under NGAAP. The Board proposes that Agder Energi AS's net income for the year be appropriated as follows:

(Amounts in millions of NOK)	
Allocated for dividends	325
Transferred to other reserves	976
Total allocations	**1,301**

Going concern assumption

In accordance with the Norwegian Accounting Act, the Board of Directors confirms that the annual financial statements have been prepared on the basis of a going concern assumption, and that the assumption is justified.

SEGMENTS

Agder Energi is organised as a corporate group, with Agder Energi AS as the parent company. The segments are presented in line with how the management team makes, reviews and evaluates its decisions. The operating segments have been changed for 2020 as a result of changes to the Group structure and senior management team. The segments reported are now Hydroelectric Power, Networks, LOS, Entelios Norden and Entelios Central & Western Europe. The Group's other operations are reported under Other activities. A more detailed description of the segments is given below.

From 2020, the financial figures for the segments are reported on an underlying IFRS basis, since that is what is now used in the internal reporting to the management and Board. Comparative figures for the segments have been restated to reflect both the new organisational structure and the transition to underlying IFRS.

Hydroelectric Power

This segment is responsible for developing, operating, maintaining and refurbishing the Group's hydroelectric power stations, and it is one Norway's largest producers of electricity. Hydroelectric Power owns 50 hydroelectric power stations, directly or through joint arrangements, and in a normal year it expects to generate 8,700 GWh. Most of its power stations are in Agder, but it also owns some in the counties of Rogaland and Vestfold og Telemark. The segment's operating revenues come from the sale of the power that it generates in the spot market, electricity contracts with industrial customers, the sale of concession power and financial trading.

The Hydroelectric Power segment had NOK 1,985 (2,765) million of operating revenues in 2020, while its operating profit was NOK 558 (1,421) million. Lower electricity prices are the main reason why profit fell by NOK 863 million.

The segment made a pre-tax profit of NOK 475 (1,333) million, and a profit after tax of NOK 335 (434) million, down NOK 99 million.

As well as paying ordinary income tax, the hydroelectric power business also pays resource rent tax. The tax expense for the year amounted to NOK 140 (899) million. The effective tax rate fell to 29.5% (67.4%). The decline in the tax expense was mainly attributable to lower resource rent tax due to low spot prices. The resource rent tax calculation takes into account the spot value of electricity generated, but not the value of cash-settled hedges. In 2020 the Group made significant gains on contracts that are not subject to resource rent tax, which is the reason why the effective tax rate fell.

The Group generated 8,112 (7,288) GWh of hydroelectric power in 2020. Compared with the previous year, the amount of electricity generated rose by 11%. Hydrological resources were significantly better than

normal at the end of the year, and reservoir reserves rose from 3.7 TWh at the start of the year to 4.9 TWh at year-end. All of Agder Energi's electricity is generated in the NO2 price zone. At the end of 2020, the average reservoir level for all of the electric utilities in the price zone was 91% (71%) of capacity, over eighteen percentage points above the average for the past ten years.

In 2020, the average spot price in Agder Energi's pricing region (NO2) was 9.8 øre/kWh (38.7 øre/kWh), 75% lower than in 2019. The Hydroelectric Power segment's hedging activities generated significant gains, and the sale of guarantees of origin continues to make an important contribution. At 19.2 øre/kWh, achieved prices were significantly higher than spot prices in 2020. Compared with the previous year, achieved prices fell by 41%. In addition, the segment's market operations relating to trading and origination made a bigger and significant positive contribution in 2020.

The record low electricity price in 2020 was roughly half the previous low since 2000, and you have to go right back to the start of the 1990s to find a lower annual average price. The main reason for the low prices is the large quantity of snow that fell in the winter of 2020. When the snow melted, it filled the reservoirs to the brim, and eventually there was nowhere left to store the water. In addition, 2020 was a wet, mild and windy year. A large electricity surplus, on account of electricity generation far exceeding consumption, meant that for much of the year Norway was completely decoupled from the electricity prices in the surrounding countries.

Reservoir levels were expected to fall in the autumn, leading to higher prices. However, several heavy rain events meant that prices fell below 10 øre/kWh on several occasions, before picking up slightly towards the end of the year. The Covid-19 pandemic has led to somewhat lower electricity consumption in the Nordic countries, and the downturn in the global economy has put downward pressure on electricity prices in continental Europe, but in the case of Norway it was the hydrological situation that led to record low electricity prices in 2020.
In the Hydroelectric Power segment, NOK 557 (680) million was invested in property, plant and equipment in 2020. The biggest projects were Åseral Nord, which involves building a new dam at Langevatn and refurbishing the northern part of the tunnel between Langevatn and Nåvatn in Åseral, which has been affected by landslides, reinvestment in response to a turbine failure at Rygene power station, and a voltage upgrade in the Høgefoss area.

Network
The Network segment is responsible for developing, operating and maintaining the transmission and distribution grid in Agder. The segment had NOK 1,443 (1,375) million of operating revenues in 2020. It made an operating profit of NOK 298 million, up NOK 227 million from NOK 71 million in 2019.

Operating profit improved for a number of reasons. Network tariffs rose by NOK 85 million. Lower electricity prices reduced the cost of transmission losses by NOK 81 million. NOK 40 million was recognised in the 2020 income statement for an insurance payout relating to the extreme weather events in 2018, after a final decision was reached in the fourth quarter. The Network segment has increased the depreciation period for various assets in 2020, so depreciation was NOK 13 million lower than in 2019. In addition, a higher proportion of the cost of additional line clearing is being capitalised this year; see below. Wage costs rose by NOK 30 million, after new rules on public sector occupational pension plans led to a one-off NOK 31 million reduction in the pension expense for 2019.

There were no unusual power outages in 2020, and the cost of fault resolution was in line with expectations.

In the Network segment, NOK 577 (505) million was invested in 2020. Including NOK 142 (105) million of customer contributions, gross investment was NOK 719 (608) million. The company is continuing to take action to reduce the risk of trees falling on its power lines and thereby causing power cuts. In 2020, NOK 65 (114) million was spent on this project. NOK 16 (90) million of this was expensed.

LOS
LOS, which is Norway's third largest electricity retailer, supplies electricity to domestic customers all over Norway, with the bulk of them being in southern Norway. The company's turnover was NOK 463 million in 2020, compared with NOK 979 million in 2019. This decline was the result of lower spot prices. The volume of energy supplied in the period rose to 1,940 GWh (1,860 GWh). LOS is continuing to develop relevant products, services and digital customer solutions for the domestic market.

Operating profit rose to NOK 80 (62) million as a result of growth in customer numbers and margins, combined with a strong underlying operational performance.

Entelios Norden
Entelios Norden is one of the leading energy retailers in the Nordic region. In Norway, it is the leading supplier of electricity to the commercial market. Entelios also has significant turnover in the Swedish market, as well as customers in Denmark and Finland.

In 2020, the segment's turnover was NOK 3,648 million, down from NOK 5,546 million the previous year. This decline was the result of lower spot prices. The volume of electricity sold was 16.3 TWh (15.2 TWh), while the total amount of physical electricity managed was 19.4 TWh (18.9 TWh). The increase in volume reflected growth in customer numbers, particularly in the Norwegian market. The segment's operating profit was NOK 33 (23) million. A smaller contribution from financial trading and lower margins on energy sales meant that the Swedish part of the business was less profitable than in 2019. There was a NOK 7 million amortisation charge relating to past acquisitions, compared with NOK 33 million in 2019.

Entelios Norden is the part of the Agder Energi Group with greatest exposure to customers. In response to the Covid-19 crisis, several measures have been implemented to reduce the risk of bad debts. This includes updating credit checks, chasing up payments more closely and considering the need for collateral. In spite of the exceptional circumstances,

both realised losses and bad debt provisions are in line with previous years.

On 1 October, Entelios acquired Scandem Oy's customer portfolio and employees in Finland. This will help to reinforce Entelios' position in the Nordic energy market. The customer portfolio acquired consists of around 30 companies with a combined volume of just under 1 TWh.

Entelios Central Western Europe
Agder Energi's activities in the German market comprise Entelios' German business and the company Nordgröön. The companies in this segment manage and optimise distributed renewable energy generation and sell flexibility services.

The German businesses' turnover in 2020 was NOK 1,204 (1,394) million, and they made an operating loss of NOK 47 (68) million. The loss was attributable to the sale of flexibility solutions and to the management and optimisation of distributed renewable energy generation.

Other activities
This segment comprises the parent company Agder Energi, which is responsible for various shared functions, management and financing. In addition, it includes Agder Energi Kraftforvaltning, which is responsible, through a service agreement, for managing and maximising the return on the electricity generated by Hydroelectric Power, Agder Energi Varme, the Group's development and venture capital activities, and a few other small companies.

Agder Energi Varme develops, builds and supplies district heating and cooling services for homes and commercial buildings, mainly in Kristiansand, Arendal and Grimstad. The company's turnover was NOK 108 (116) million in 2020, while its operating profit was NOK 12 (17) million. Its profitability was hit by low prices, but the hedging of energy contracts made a significant positive contribution. The volume of billable energy supplied in 2020 was 140 GWh (151 GWh). Customer numbers grew, but the volume supplied was still lower than the previous year due to the weather in 2020 once again being significantly milder than normal. Investment totalled NOK 20 (32) million. Agder Energi Varme expects continued growth from urbanisation and the densification of towns.

The Group's venture capital investments are grouped in the company Agder Energi Venture. The value of the companies in the portfolio rose in 2020. The biggest valuation gains related to Bio Energy and NEG, thanks to their strong underlying operational performance. Important activities in 2020 included developing the industrial value chain for batteries by establishing the company Morrow Batteries, as well as additional investment in ECO STOR.

The Swedish company Craftor formed part of "Other activities" until Agder Energi sold its 67% ownership interest in December 2020. Before being sold, the company's turnover was NOK 1,148 million and it made an operating profit of NOK 117 million. In the income statement, the contribution of the business until it was sold and the gain on its disposal are split out from other activities and presented on a separate line as "Net income from discontinued operations". Comparative figures have been restated to reflect this. The sale of the company generated a NOK 590 million gain and a positive cash flow effect of NOK 753 million.

EMPLOYEES AND SKILLS DEVELOPMENT

Health and safety
The Group's sickness absence rate has remained steady at low levels in recent years, and in 2020 it was 2.6% (3.1%). Of that, 0.6% (0.8%) was short-term absence and 2% (2.3%) was long-term absence (more than 16 days). The Group aims to have a sickness absence rate below 3%, and for some time we have been working hard to provide an early, tailored response to absences.

3 (3) occupational accidents were recorded for our own employees: one prolapsed disc, and two minor hand injuries that didn't require any time off. 5 (10) days were lost to injuries to our own employees. The accident figures are equivalent to a 12-month rolling average total injury frequency (number of injuries, whether or not they resulted in lost time, per million work hours) of 2 (2). In addition, our contractors suffered 7 (19) minor injuries.

For Agder Energi, safety is the top priority. The safety of our contractors and third parties is just as important as the safety of our own employees, and the aim is to prevent all personal injuries. A lot of effort has been put into making Agder Energi a safe company where injuries don't occur, and into creating a good working environment. We work systematically on continuous improvement in relation to the health and safety of our own employees, contractors and third parties. In order to build on the positive trend, we aim to share experiences and learn across industries. Root cause analysis is performed in the event of incidents with a high risk of injury. This work is producing results. The aim is to learn even more from incidents that could have led to injuries, and to share knowledge across the Group and throughout the energy industry.

Staff and organisational structure
At the close of 2020, the Group had 915 (1,020) full-time and temporary employees, representing 881 (987) full-time equivalents. The number of employees fell on account of the sale of Craftor in December. The parent company had 162 (173) permanent employees at the end of the year. During 2020, 3 (5) apprentices worked at Agder Energi.

Women make up 25% (25%) of the Group's employees, and 41% (42%) of the parent company's. Women make up 23% (21%) of the Group's managers, and there are three women and six men in the senior management team. Women occupy 42% (33%) of the seats on the Board.

We recruit, develop and deploy human resources in the best way for achieving the Group's goals. This involves offering competitive salaries, ongoing training, continuous improvement, a good working environment, and a strong emphasis on health and safety and leadership.

Agder Energi works systematically on equal opportunity and diversity, which includes participating in the project Equality at Work (Norw.: *Likestilt arbeidsliv*). The project is about equality in the widest possible sense, and involves providing equal opportunity regardless of gender, religion, ethnicity, any disability and sexual orientation. Agder Energi will be recertified based on the project's measurement criteria in 2021. More detailed information and a report on our work in this area can be found in the report "Diversity and equal opportunity" on our website ae.no.

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SUSTAINABILITY

Renewable energy is part of the solution to the global crisis created by climate change, and as one of Norway's biggest producers of renewable energy, the Group's core business is inherently sustainable. Agder Energi shall carry out all of its activities in a sustainable, ethical and socially responsible way. Several governance documents have been drawn up in order to ensure that this is put into practice. Our business areas are responsible for carrying out activities relating to sustainability. That involves drawing up environmental goals and implementing measures to achieve them.

In its efforts to meet its responsibilities to society, Agder Energi bases its work on globally recognised initiatives and standards, such as the UN Global Compact, which promotes sustainable and socially responsible policies, and the conventions of the International Labour Organisation (ILO). Agder Energi has committed itself to adhere to the Global Compact, and it will continue to do so. This platform is based on ten fundamental principles relating to human rights, labour standards, the environment and anti-corruption. Each year, Agder Energi reports on its work on CSR and sustainability in accordance with the Global Reporting Initiative standards. These standards now make it clearer that companies must analyse which sustainability topics are material for the Group itself, and which ones are important to the Group's stakeholders.

The 2020 sustainability report has been updated to reflect the materiality assessment that was carried out in 2020. The general information at the Group level is presented in the section of the annual report on sustainability. More detailed company-specific information can be found in a separate sustainability report published on the Group's website ae.no.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk management and internal controls
The Board has established general guidelines for the Group's corporate governance model. The Group's corporate strategy sets out goals and priorities for the Group and its business areas, which provide the basis for the executive management's integrated risk management activities, together with the adopted authorisations and risk management strategy.

Based on the Group's corporate and risk management strategies, all of the Group's business areas have drawn up business plans. These business plans include strategic and operational goals, areas of priority and risk assessments. Areas that involve trading in financial markets have their own risk management strategies and limits on risk exposure.

The Group's risk management systems deal with potential positive and negative outcomes in relation to the company's goals. Individual companies are responsible for identifying and monitoring their own risk exposures, and risk management at the operational level takes place across the organisation as an integrated part of normal business activities. High-level analysis of Agder Energi's overall risk exposure takes place at the Group level and is reported to the Board.

In order to promote integrated corporate governance processes, the Group has implemented a combined governance and information management solution, which helps to further integrate financial and risk management into management processes.

Internal controls at the company are implemented through clear guidelines and established processes that are made available to all employees through our quality management system SLIK. Through SLIK, all of the Group's governance documents – from steering documents through manuals to descriptions of work processes – are available on the Group's intranet. Subsidiaries in the Group implement SLIK across the organisation through their own corporate governance systems with company-specific governance documents.

Agder Energi has established control mechanisms for safety, security, emergency preparedness and critical aspects of its processes in order to prevent, or rapidly correct, any nonconformities. Due to increasing levels of digitalisation, Agder Energi has established an ICT model and platform with new, stricter security requirements. In the face of growing numbers of climate-related events, checking and monitoring weather data plays an important role in helping us to manage and adapt the resources that we administer. For our internal procedures, we have established control mechanisms that combine manual controls, access controls and automatic notification systems. In addition, all subsidiaries must submit an annual self-declaration on their internal controls. Risk management and internal controls at Agder Energi are described in greater detail in this report's section on "Integrated risk management".

Risks
The most important risks relate to market price movements, operational safety including personal safety and environmental protection, strategic investments, the

business environment and ICT security. Compliance is also an area of priority, in order to ensure compliance with laws, regulations and good governance practice. There follows a brief description of these risks. Risks and risk management are described in greater detail in this report's section on "Integrated risk management".

Market risk
Agder Energi is exposed to significant market risk through the generation and trading of electricity, with its revenues from electricity sales being exposed to electricity price risk and currency risk. Hedging strategies for the power generation portfolio are subject to limits on how much power can be sold through futures contracts and close monitoring of downside risks. Energy trading and power purchase agreements (PPAs) are managed and monitored in separate portfolios, with their own limits on risk exposure. Electricity retailing is considered a margin business and financial instruments are used to minimise the electricity price risk and currency risk.

If the price of electricity futures contracts falls, the value of the electricity price hedges rises, giving rise to counterparty risk. The most important measures to limit counterparty risk are taken prior to signing contracts. Credit checks are carried out on counterparties and major contracts are only signed with financially sound counterparties. Guarantees and terms of contract further reduce counterparty risk. Agder Energi could incur significant losses if one of our largest counterparties were to go bankrupt.

Operational safety
The most important operational risks are the risk of injuries to the Group's employees and third parties, damage to infrastructure and other assets, negative impacts on the environment and climate, negative impacts on the Group's reputation and the risk of failures in administrative and management processes. Climate change and extreme weather events are making it increasingly challenging to ensure reliability of supply, as well as the safety of our employees, our contractors, and the general public. Personal safety is always our very highest priority.

Operational risk is managed through preventive measures and procedures for responding to incidents. For the purpose of risk management, Agder Energi has chosen to establish contingency plans, training exercises and preventive measures even at companies not covered by "Kraftforsyningens beredskapsorganisasjon" (KBO). Agder Energi has insurance policies to cover all major types of operational incident.

Strategic investments
The Group is implementing an ambitious strategy to adapt to the changes facing the electric power industry associated with the green transition. Strategic risk is managed by pursuing selective profitable growth, continuous improvement and innovation within existing business areas, as well as by investing in new areas related to renewable energy. Agder Energi has a clearly stated goal of having a rating of BBB+. Portfolio management and long-term capital allocation are designed to encourage optimal use of capital at the Group over time. Agder Energi may also seek to share risk by entering into partnerships with other entities.

Business environment
Changes in the business environment and political decisions affect the company's room for manoeuvre and constitute a significant element of the Group's risk exposure. Agder Energi works systematically to understand how the business environment is changing, exploit any available room for manoeuvre and make strategic choices.

The Group is making the changes needed to adapt itself to an industry in a state of flux, in areas such as technology/digitalisation, a culture of change/teamwork and collaborations/partnerships.

ICT security and data protection
Agder Energi continuously and systematically works to meet external requirements and internal needs for the security and robustness of ICT infrastructure, and to ensure that personal data are processed appropriately.

Compliance
The most important areas of compliance risk for Agder Energi are physical and cash-settled electricity trading, licence terms, data protection, safety and security. These risks are managed by taking a systematic approach to analysing and assessing risks, and prioritising measures to deal with compliance risk.

SHAREHOLDER INFORMATION

The company's share capital consists of 2,700,000 shares with a face value of NOK 670. Of these, 1,800,000 are class A shares and 900,000 are class B shares. Class A shares can only be owned by shareholders who meet the conditions for being allocated indefinite waterfall licences under the relevant current legislation.

A shareholders' agreement regulates matters such as pre-emptive rights for existing shareholders in the event of shares in the company being sold. In addition, the municipal shareholders have agreed to coordinate their votes at the AGM.

CORPORATE GOVERNANCE

Agder Energi uses the Norwegian Code of Practice published by the Norwegian Corporate Governance Committee (NUES), within the framework set by the company's organisational structure and ownership.

Matters relating to corporate governance are described in greater detail in a separate section of this annual report.

RESEARCH AND DEVELOPMENT

The Group's investment in R&D and innovation shall lay the foundations for long-term, profitable growth and promote development activities to increase the potential of the core business.

Over the past year, Agder Energi Fleksibilitet's work to develop new business opportunities relating to the optimisation of the electric power system has begun to bear fruit through large-scale pilots such as Stockholm Flex in Sweden and Intraflex in the United Kingdom. The growing share of renewable energy in the energy mix and events like cold snaps confirm there is a growing need for new solutions in Europe and the United States. NODES and Enfo are obtaining commercial revenues from customer projects that have largely been funded by public grants either from the EU or national sources. The authorities are using these grants to accelerate the development of new solutions and new business models, and the testing of a variety of market designs, so that the mature market needed to enable electrification can be achieved. The NorFlex project, which includes Statnett as one of the participants, has now reached the phase where flexibility trading is taking place on a commercial basis. The project runs until the spring of 2020 and has received a NOK 22 million grant from Enova.

In conjunction with its evaluation of new green value chains, Agder Energi has started work on preliminary projects relating to large-scale hydrogen production and the feasibility of offshore wind farms. Both of these preliminary studies have received support from Innovation Norway.

Agder Energi is involved in the "Electric Region Agder", which aims to make Agder Norway's first fully electric region. This innovation project is exploring possible business models and opportunities that will arise as growing areas of society are electrified. Together with Kristiansand Municipality and Agder County Council, Agder Energi has developed a model to assess the electrification level and potential of a town or region.

Agder Energi and Siemens have created the website El-indeks. It presents the electrification level of Norway's municipalities with the aim of showing which actions they can take in order to reduce Norway's greenhouse gas emissions.

Agder Energi is participating in HydroCen with other energy and industrial companies as well as several research institutes. It is a Centre for Environment-friendly Energy Research backed by the Research Council of Norway. The centre focuses on research relating to hydroelectric power, including ways to reduce any environmental impacts. The Group also participates in CINELDI, another research centre supported by the Research Council of Norway. CINELDI is developing solutions for the flexible and intelligent electrical distribution systems of the future. In addition, Agder Energi is involved in several one-off projects that are part-funded by the Research Council of Norway's ENERGIX programme.

Agder Energi is collaborating with the University of Agder's Centre for Artificial Intelligence Research on production planning and the use of machine learning to control hydroelectric power stations. The Group also cooperates with the university in other areas, such as on Master's degrees related to the Group's operations. Through its ownership interest in NORCE, the Group supports the renewable energy research community in the region.

EVENTS AFTER THE REPORTING PERIOD

There have been no incidents in 2021 that have a significant impact on the financial statements for 2020. Events after the reporting period that may impact the Group's future financial performance are discussed below.

OUTLOOK

Energy markets are changing, and in recent years there has been a gradual consolidation of the electric power industry, with major new industrial partnerships being forged across sectors. In January, the Boards of Directors of Agder Energi and Glitre signed a letter of intent on a merger, and the shareholder committees of both groups support the recommendations of the boards. The next step will be for the shareholders to review the letter of intent that has been negotiated before the end of April. A merger would create Norway's biggest electric utility, with operations in the whole value chain from power generation to electricity consumers. It would also generate significant synergies. Moreover, creating a stronger, more competitive business will enable us to develop new jobs in the two regions, and to attract talent, capital and new business partners.

Hydroelectric Power

Electricity prices in Norway have fluctuated a great deal over the past 15 years, with the average nominal price in the NO2 pricing region being just under 30 øre/KWh. In 2020, the average electricity price was 9.8 øre/KWh. The main reasons for the low electricity prices last year are the large quantity of snow that fell in the winter of 2020 and the fact that it was a wet, mild and windy year. Over the short term, hydrological conditions have a big impact on electricity prices. Electricity prices are also closely linked to CO2 prices, as well

as to coal and gas prices, through the marginal cost of generating electricity at coal- and gas-fired power stations needed to meet demand in the integrated European electricity market. How the coronavirus situation will affect energy markets in the medium to long term is still unclear.

The start of 2021 has been dry and cold, with little wind. That has pushed up electricity prices significantly. The futures markets for electricity indicate that the average electricity price in 2021 may be around 30-35 øre/kWh, while they indicate that for the coming years the price in the Nordic power system may be just under 30 øre/kWh. However, the price in the NO2 region is expected to be slightly higher than that, as the new interconnectors to Germany and the UK will be connected to the NO2 area, whereas large amounts of wind power, particularly in the northern parts of the Nordic region, are expected to result in lower electricity prices elsewhere.

Over the longer term, we expect the electricity market to undergo significant changes. Technological progress will underpin investment in renewable energy generation in Europe. Solar and wind power will grow, whereas coal will gradually be phased out due to climate change goals and political decisions. Gas will therefore in due course become the dominant fossil fuel source, and hence also play a bigger role in setting prices.

Electricity consumption in the Nordic region is expected to grow until 2040, as a result of growing demand from industry, the electrification of the transport sector and new energy-intensive business areas such as data centres, battery factories and hydrogen production. At the same time, electricity generation is expected to grow, particularly from wind power, and overall the NVE and other key players still expect Norway to have an electricity surplus in the coming years, which viewed in isolation will put downward pressure on electricity prices. New interconnectors are integrating Norway more closely with the rest of Europe, so Agder Energi will increasingly be affected by price levels and fluctuations in continental Europe and the United Kingdom. In Europe, a big shift from fossil fuels to renewable energy sources is underway, which is expected to lead to greater price fluctuations, because wind and solar power generation vary with the weather. In the Nordic region, the growing share of unregulated electricity generation, such as wind power and run-of-the-river hydroelectricity, means that the weather will have an even bigger impact on Norwegian and Nordic electricity prices than in the past.

These changes are making existing markets more complex, while systems and balancing markets are being developed to deal with the new challenges. We will need to build up the necessary knowledge, expertise and analytical skills, as well as develop models and new technology, in order to continue adding value from energy management. This applies both to the value we add to our own electricity generation and trading, and to our management of market risk and financial challenges on behalf of market players who don't have that capacity themselves.

Thanks to its experience and excellent understanding of the market, Agder Energi is in a strong position to create more value from trading activities, as well as being a complete supplier of products and services, particularly to renewable power generators and power-intensive industries. Building on its own expertise, Agder Energi will proactively build a presence in new value chains in the green economy. The aim is twofold: to create new areas of business, and to boost the value of Agder Energi's hydroelectric power.

The level of investment in the Hydroelectric Power segment is expected to remain high over the coming years, due to the requirements of the Norwegian dam safety regulation and the construction of Fennefoss power station, amongst other things.

Network

The Network segment carried out wide-ranging corrective measures after the extensive power cuts in 2018. Work on line clearing has been a priority, and there have also been significant upgrades to the power grid. In 2020 the Agder region once again experienced periods of heavy snowfall and strong winds, but this did not significantly affect the supply of electricity. This suggests that the measures implemented have been effective. Work on analysis-based line clearing will continue, in addition to other initiatives aimed at improving reliability of supply.

Through its smart meter project, the company has installed instrumentation in much of its infrastructure, and it has developed models and tools that use data, knowledge and analysis to facilitate greater decision-making support for the operation and development of the electricity network. This work will be continued in order to help deal with the increasing complexity of the energy system in a cost-effective way.

The Network segment aims to provide customers in Agder with the highest possible grid reliability at the lowest possible cost. Pressures on the electricity network can be met through traditional investments, operation and maintenance, or other tools. One important tool that may become increasingly significant in the future is distribution system operators being able to make greater use of load response provided by both consumers and producers.

In the coming years, society's energy consumption will undergo a major transformation. In the space of just a few years, the aim is to move energy consumption away from fossil fuels to zero-emission sources, and electrification will be one of the most important tools in that transition. This will require good electrical infrastructure, and distribution system operators are currently working hard to develop a forward-looking energy system that will enable the smart electrification of society. The anticipated growth in consumption and production may create challenges. Together with other big distribution system operators, the Network segment has therefore signalled the need for a joint, national electrification strategy, if Norway wants to meet its climate-related and economic goals by 2030 in a cost-effective way.

LOS
The electricity retailer LOS expects to achieve continued growth in the domestic market by developing new products, services and digital customer solutions, and by making greater use of strategic partners.

Entelios Norden
Entelios Norden is the leading supplier of energy to the commercial market in the Nordic region. The company's growth strategy aims to develop a balanced, profitable portfolio, primarily through organic growth. It is focusing on offering management and energy services through partnerships.

Kristiansand, 25. March 2021
Board of Directors of Agder Energi AS

Lars Erik Torjussen
Chair

Gro Elisabeth Lundevik
Deputy chair

Lars Petter Maltby
Board member

Vibekke Hillesund
Board member

Hilde Bakken
Board member

Marit Grimsbo
Board member

Asbjørn Grundt
Board member

Siw Linnea Poulsson
Board member

Oddvar Emil Berli
Board member

Lasse Lundsholt
Board member

Roger Thorsland
Board member

Asbjørn Hoveland
Board member

Steffen Syvertsen
CEO

As well as providing enough renewable energy for around 3,000 households, the construction of Fennefoss power station at Evje is creating significant indirect economic benefits for businesses in Agder. The local company TT Anlegg won the contract to build the new power station, which is due to be completed in 2023.

BOARD OF DIRECTORS


Lars Erik Torjussen


Gro Elisabeht Lundevik


Lars Petter Maltby


Vibekke Hellesund


Hilde Bakken


Marit Grimsbo


Asbjørn Grundt


Siw Linnea Poulsson


Oddvar Emil Berli


Lasse Lundsholt


Roger Thorsland


Asbjørn Hoveland

Declaration pursuant to Section 5-5 of the Securities Trading Act

We confirm that, to the best of our knowledge, the annual financial statements have been prepared in accordance with current accounting standards, and that the information contained therein provides a true and fair view of the assets, liabilities, financial position and overall results of the parent company and of the Group. We also confirm that the annual report gives a true and fair view of the performance, results and financial position of the parent company and the Group, as well as describing the most important areas of risk and uncertainty facing the Group's businesses.

Kristiansand, 25. March 2021
Board of Directors of Agder Energi AS

Lars Erik Torjussen
Chair

Gro Elisabeth Lundevik *Deputy chair*	Lars Petter Maltby *Board member*	Vibekke Hillesund *Board member*
Hilde Bakken *Board member*	Marit Grimsbo *Board member*	Asbjørn Grundt *Board member*
Siw Linnea Poulsson *Board member*	Oddvar Emil Berli *Board member*	Lasse Lundsholt *Board member*
Roger Thorsland *Board member*	Asbjørn Hoveland *Board member*	Steffen Syvertsen *CEO*

Power lines are inspected and the snow depth in the mountains is measured.

THE AGDER ENERGI GROUP

THE AGDER ENERGI GROUP

FINANCIAL STATEMENTS

Click on the text to go to the page of your choice

INCOME STATEMENT

(Amounts in NOK million)	Note	2020	2019 (restated)
Energy sales	2	6,372	11,182
Transmission revenues	3	1,338	1,256
Other operating revenues	1	560	500
Gains and losses on electricity and currency contracts	4	1,113	247
Total operating revenues		**9,382**	**13,185**
Energy purchases	2	-4,416	-7,842
Transmission expenses		-395	-390
Other raw materials and consumables used		-178	-153
Employee benefits	5	-826	-690
Depreciation and impairment losses	11	-728	-703
Property taxes and licence fees	6	-210	-192
Other operating expenses	7	-776	-883
Total operating expenses		**-7,528**	**-10,854**
Operating profit		**1,855**	**2,330**
Share of profit of associates and joint ventures	14	105	110
Financial income	9	85	25
Unrealised gains and losses on interest rate contracts	9	-100	29
Financial expenses	9	-254	-282
Net financial income/expenses		**-164**	**-119**
Profit before tax		**1,691**	**2,211**
Income tax	10	-352	-477
Resource rent tax	10	-70	-638
Tax expense		**-423**	**-1 114**
Net income from continuing operations		**1,269**	**1,097**
Net income from discontinued operations	31	670	38
Net income		**1,939**	**1,135**
Of which attributable to non-controlling interests	32	30	14
Of which attributable to controlling interest		1,909	1,122

COMPREHENSIVE INCOME

(Amounts in NOK million)	Note	2020	2019
Net income		**1,939**	**1,135**
Other comprehensive income and expenses			
Cash flow hedges	26	-28	-13
Translation differences		17	-3
Tax impact	10	6	3
Total items that may be reclassified to income statement		**-5**	**-13**
Remeasurements of pensions	20	188	38
Tax impact	10	-2	-17
Total items that will not be reclassified to income statement		**186**	**21**
Total other comprehensive income and expenses		**181**	**8**
Comprehensive income		**2,120**	**1,143**
Of which attributable to non-controlling interests	32	29	15
Of which attributable to controlling interest		2,091	1,129

STATEMENT OF FINANCIAL POSITION

(Amounts in NOK million)	Note	31.12.20	31.12.19
Deferred tax assets	10	273	277
Intangible assets	12	376	400
Property, plant and equipment	13	16,762	16,123
Investments in associates and joint ventures	14	124	66
Derivatives	24	1,625	958
Other non-current financial assets	15	1,461	1,268
Total non-current assets		**20,621**	**19,093**
Inventories		65	133
Receivables	16	2,675	3,095
Derivatives	24	1,125	569
Cash and cash equivalents	17	402	131
Total current assets		**4,267**	**3,928**
TOTAL ASSETS		**24,888**	**23,021**
Paid-in capital	18	1,907	1,907
Retained earnings		3,627	2,142
Non-controlling interests		34	33
Total equity		**5,569**	**4,082**
Deferred tax	10	1,779	1,578
Provisions	19	2,128	2,032
Derivatives	24	1,171	825
Interest-bearing non-current liabilities	21	8,937	8,386
Total non-current liabilities		**14,014**	**12,820**
Interest-bearing current liabilities	21	2,000	2,372
Tax payable		189	653
Derivatives	24	903	549
Other non-interest-bearing current liabilities	22	2,213	2,545
Total current liabilities		**5,305**	**6,118**
TOTAL EQUITY AND LIABILITIES		**24,888**	**23,021**

Kristiansand, 25. March 2021
Board of Directors of Agder Energi AS

Lars Erik Torjussen
Chair

Gro Elisabeth Lundevik *Deputy chair*	Lars Petter Maltby *Board member*	Vibekke Hellesund *Board member*	Hilde Bakken *Board member*	Marit Grimsbo *Board member*	Asbjørn Grundt *Board member*
Siw Linnea Poulsson *Board member*	Oddvar Emil Berli *Board member*	Lasse Lundsholt *Board member*	Roger Thorsland *Board member*	Asbjørn Hoveland *Board member*	Steffen Syvertsen *CEO*

STATEMENT OF CASH FLOWS

(Amounts in NOK million)	Note	2020	2019
Cash flow from operating activities			
Profit before tax from continuing operations		1,691	2,211
Profit before tax from discontinued operations	31	694	47
Depreciation and impairment losses	11	734	705
Non-cash gains/losses on energy, currency and interest rate contracts	4, 9	-319	-1,393
Share of profit of associates and joint ventures	14	-105	-110
Gain/loss on sale of businesses		-616	0
Tax paid		-650	-990
Change in trade receivables	16	141	-215
Change in trade payables	22	138	-144
Change in net working capital, etc.		-140	391
Net cash provided by operating activities		**1,569**	**502**
Investing activities			
Purchase of property, plant, equipment and intangible assets	12, 13	-1,262	-1,352
Purchase of property, plant and equipment paid for by customers	13	-142	-104
Purchase of businesses/financial assets		-55	-41
Net change in loans		-10	-2
Sale of property, plant, equipment and intangible assets		17	1
Sale of businesses/financial assets		753	139
Net cash used in investing activities		**-699**	**-1,359**
Financing activities			
New long-term borrowings	21	1,890	1,946
Repayment of long-term borrowings	21	-1,416	-1,407
Net change in current liabilities	21	-458	658
Dividends paid		-615	-592
Net cash used in financing activities		**-598**	**605**
Net change in cash and cash equivalents		**271**	**-252**
Cash and cash equivalents at start of period		131	383
Cash and cash equivalents at end of period	17	402	131

STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK million)	Paid-in capital	Cash flow hedges	Translation differences	Retained earnings	Total for controlling interest	Non-controlling interests	Total equity
Equity at 01/01/2019	**1,907**	**-94**	**-7**	**1,693**	**3,499**	**27**	**3,526**
Net income for the year	0	0	0	1,121	**1,121**	14	**1,135**
Other comprehensive income and expenses	0	-10	-4	21	**7**	1	**8**
Dividends paid	0	0	0	-592	**-592**	0	**-592**
Other changes in equity	0	0	0	14	**14**	-9	**5**
Equity at 31/12/2019	**1,907**	**-104**	**-11**	**2,257**	**4,049**	**33**	**4,082**
Equity at 01/01/2020	**1,907**	**-104**	**-11**	**2,257**	**4,049**	**33**	**4,082**
Net income for the year	0	0	0	1,909	**1,909**	30	**1,939**
Other comprehensive income and expenses	0	-22	19	186	**183**	-1	**181**
Dividends paid	0	0	0	-612	**-612**	-3	**-615**
Other changes in equity	0	0	0	6	**6**	-25	**-19**
Equity at 31/12/2020	**1,907**	**-126**	**7**	**3,746**	**5,535**	**34**	**5,569**

GENERAL INFORMATION AND SUMMARY OF THE MOST IMPORTANT ACCOUNTING PRINCIPLES

GENERAL INFORMATION

Agder Energi's activities comprise the generation, distribution and sale of energy, as well as providing energy-related services. Most of the Group's operations are in southern Norway. The parent company Agder Energi AS is a Norwegian limited liability company, founded and domiciled in Norway. The address of the company's head office is Kjøita 18, 4630 Kristiansand.

SUMMARY OF THE MOST IMPORTANT ACCOUNTING PRINCIPLES

Basis of preparation
Agder Energi's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU. The consolidated financial statements apply the historical cost principle, except in the case of certain financial assets and liabilities (including cash-settled derivatives) that are measured at fair value.

Changes to accounting principles
Agder Energi made no changes to its accounting principles in 2020 compared with 2019. In 2019, the Group adopted IFRS 16 – Leases. The way in which it has been implemented is described in greater detail below.

Consolidation principles
The consolidated financial statements present the overall financial performance and position of the parent company and its subsidiaries when considered as a single entity. Companies in which the Group holds a controlling interest are consolidated. A controlling interest normally exists if Agder Energi holds more than 50% of voting rights, either through an ownership interest or through agreements. Subsidiaries acquired or established during the year are consolidated from the date of acquisition or establishment. The non-controlling interests' share of profit or loss after tax is specified on a separate line.

All of the financial statements of individual companies included in the consolidated financial statements have been restated to ensure that equivalent statement of financial position items and transactions are treated consistently throughout the Group. All intra-group transactions, receivables, liabilities and unrealised gains and losses have been eliminated in the consolidated financial statements.

Acquisitions
Purchase price allocation is performed for the date when control was obtained. This is when the risks and rewards of ownership have been taken over, and normally coincides with the acquisition date. Transaction costs are not included in the purchase price, and are instead expensed as incurred. The cost of shares in subsidiaries is eliminated against equity on the acquisition date. Bargain purchase gains are based on fair values. These gains are attributed to any of the company's assets and liabilities with fair values that differ from their carrying amounts. A provision is made for deferred tax relating to any such asset write-ups or write-downs. Any part of the bargain purchase gain that cannot be attributed to identifiable assets and liabilities is treated as goodwill. No provision is made for deferred tax on goodwill. If the value of the assets and liabilities transferred in conjunction with an acquisition exceeds the purchase price, the difference is recognised through profit and loss under other operating revenues.

Non-controlling interests in the acquiree are measured either at fair value, or as the non-controlling interest's share of the acquiree's net identifiable assets. The measurement method should be chosen individually for each business combination.

For step acquisitions, previously held assets are measured at fair value at the date control is obtained. Any gains or losses are recognised through profit or loss.

Changes in ownership interests in subsidiaries
Changes in the parent's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

Joint operations
Joint operations involve participants who have joint control over an entity having a contractual right to the assets of the entity, and responsibility for its liabilities. Decisions relating to relevant activities require the consent of the participants with joint control. Ownership interests in part-owned power stations and water management associations are classified as joint operations and are accounted for by including the Group's share of assets, liabilities, revenues and expenses on the relevant lines in the consolidated financial statements (proportionate consolidation).

Joint arrangements and associates
A joint arrangement is a company that is subject to a contractual arrangement whereby two or more parties have joint control. Special rules on voting rights may give owners more or less control than their ownership interests would imply.

Associates are companies over which the Group wields significant influence. Normally this applies to companies in which it has a 20-50% ownership interest.

Joint arrangements and associates are accounted for using the equity method. The Group's proportionate share of the profit or

loss for the year of these entities is recognised under financial income/expenses. On the statement of financial position, these investments are classified as non-current financial assets, and are carried at cost adjusted for the Group's share of retained earnings since acquisition, impairment losses and equity transactions at the companies.

Revenues

Recognition of revenues – general

Proceeds from the sale of goods and services to customers are recognised as revenues when the goods or service are delivered. The lines in the income statement for energy sales, transmission revenues and other operating revenues include revenue from contracts with customers in accordance with IFRS 15. Energy sales also includes some small amounts related to green electricity certificates received by our electricity generation business and the sale of concession power, which both fall outside the scope of IFRS 15.

Energy sales

Revenues from the sale of electricity are recognised when the electricity is supplied.

Energy sales include revenues from the sale of electricity generated by the Group and energy sold to end users. The performance obligation is to supply electricity, and the transaction price is the consideration that the Group expects to receive. The performance obligation is fulfilled over time, which means that the revenues shall be recognised at the transaction price for each kWh supplied. Agder Energi takes a practical approach to implementing IFRS 15, which involves recognising revenues from electricity sales in the amount that Agder Energi is entitled to invoice. The right to invoice arises when the electricity has been generated and supplied, and the right to invoice normally corresponds directly to the value to the customer. In some cases the Group sells electricity through a market, in which case the market is defined as the customer.

When electricity retailers and electricity generating companies in the Group buy and sell electricity through a market, their purchases and sales are presented gross. This is because they are separate business areas whose transactions are managed and executed completely independently of one another.

Transmission revenues

Revenues from the transmission of electricity are recognised when the electricity is supplied.

The performance obligation is to transport energy, and the transaction price is the consideration that the Group expects to receive. Agder Energi takes a practical approach to implementing IFRS 15, which involves recognising transmission revenues in the amount that Agder Energi is entitled to invoice. The right to invoice arises when the electricity has been transported, and the right to invoice normally corresponds directly with the value to the customer.

Each year, distribution system operators receive customer contributions for new connections and grid upgrades. A critical judgement in relation to the distribution system business is whether this is a separate performance obligation in accordance with IFRS 15 or if it is linked to the future transport of energy. Agder Energi has considered that customer contributions are not payment for a separate performance in accordance with IFRS 15, but rather relate to the future transport of energy and benefit the customer over the useful life of the asset. The customer contribution received therefore creates a contractual obligation that is gradually recognised as revenue over a period of time. The duration of the period is equivalent to the useful life of the asset that has been built. Unearned revenue arising from customer contributions is presented in Note 19.

Distribution system operation is subject to the regulations of the Norwegian Water Resources and Energy Directorate (NVE) on income caps. Each year, NVE specifies an income cap for each individual distribution system operator. The revenues recognised in the income statement represent the volumes delivered during the financial period multiplied by the applicable tariff. The difference between the income cap and the actual tariff revenues creates a surplus or shortfall. The surplus or shortfall is not taken into account in the financial statements, but the amount is detailed in Note 3.

Disposal of property, plant and equipment

When disposing of property, plant and equipment, any gain or loss is calculated by comparing the sales price with the remaining carrying amount of the asset sold. Any gain or loss is presented under other operating revenues or other operating expenses respectively.

Green electricity certificates

Green electricity certificates received as a result of qualifying electricity generation are recognised at fair value under energy sales when the electricity is generated. Green electricity certificates held by the electricity generation business are presented as inventories on the statement of financial position, and are measured at the lower of their value when acquired and current fair value less costs to sell.

When the retail business sells electricity, the estimated cost of purchasing green electricity certificates to cover the volume sold is expensed. A provision for volumes not covered by purchased electricity certificates is included on the statement of financial position under current liabilities measured at fair value. Green electricity certificates purchased are measured at cost. If the company has more electricity certificates than it needs to cover the volume of electricity sold, the excess is presented under inventories. Any such excess is measured at the lower of cost and fair value less costs to sell.

Foreign currency

The consolidated financial statements are presented in Norwegian kroner (NOK). Subsidiaries with functional currencies other than NOK were responsible for around 35% of the turnover of continuing operations in 2020. These are translated into NOK using the current-rate method. That involves the statement of financial position being translated at the exchange rate on 31 December and the income statement being translated at average monthly exchange rates. Translation differences are included under other comprehensive income and expenses in the statement of comprehensive income.

When preparing the accounts of the individual companies, transactions in currencies other than the functional currency of the company are translated into the functional currency using the exchange rate on the date of transaction. Foreign currency-denominated statement of financial position items are measured using the exchange rate on the statement of financial position date. Translation differences are recognised under financial income/expenses. This does not apply to euro-denominated loans used to secure future revenues from electricity sales in that currency. Translation differences relating to these loans are classified as operating gains or losses.

Financial instruments

The Group designates financial instruments in the following categories: a) Financial assets and liabilities at fair value through profit or loss; b) Financial assets at amortised cost; c) Financial liabilities at amortised cost. Designation is based on the type of instrument and its purpose. Instruments are classified when they are acquired.

a) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are financial instruments that are not measured at amortised cost. All derivatives must be measured at fair value through profit or loss, unless they are part of an accounting hedge. For derivatives other than cash flow hedges, unrealised gains and losses are recognised through profit or loss.

Physical contracts for the purchase and sale of energy, CO2 quotas, guarantees of origin and electricity certificates that form part of the trading portfolio are accounted for as financial instruments. Like their cash-settled equivalents, they are measured at fair value.

Physical contracts for the purchase and sale of energy, CO2 quotas, guarantees of origin and electricity certificates that have been entered into for the purpose of obtaining electricity needed by the Group, or as a means of selling the electricity it generates, and which do not contain embedded derivatives, are normally recognised on delivery. Contracts entered into for different purposes are recorded in separate books.

Agder Energi has some contracts for physical energy sales that are settled in euros. The performance obligations in the contracts are met using electricity generated by the Group, so the contracts do not fall within the scope of IFRS 9. However, the fact that the contracts are settled in euros means that they contain an embedded foreign currency derivative. Under the criteria set out in IFRS 9, the foreign currency derivatives are not closely related to the electricity contract. They are therefore separated from the contracts for physical delivery and measured at fair value.

Presentation of derivatives in the income statement and statement of financial position

Derivatives are presented on separate lines in the statement of financial position under assets and liabilities respectively. Derivatives are presented gross on the statement of financial position, unless there exists a legal right to offset, and that right will actually be used when the contracts are settled. Electricity contracts traded in markets satisfy the offsetting requirements. Contracts with the same counterparty expiring in the same financial period are therefore presented net in the statement of financial position.

In the income statement, gains and losses on derivatives are presented on separate lines. Energy and foreign currency derivatives used as economic hedges of operating exposure are presented under operating revenues, while gains and losses on interest rate derivatives are presented under financial income/expenses. Regular payments relating to interest rate swaps are presented as a financial expense.

b) Financial assets at amortised cost

Financial assets are classified as being measured at amortised cost if the cash flows are solely payments of interest and principal, and if the instruments are held within a business model whose objective is to collect contractual cash flows. Trade receivables make up by far the biggest proportion of the Group's assets measured at amortised cost. On initial recognition, they are measured at their transaction price. In most cases the interest component is insignificant, in which case the trade receivables are measured at their nominal value less any impairment losses.

Agder Energi makes a provision for any expected losses on financial assets at amortised cost. The provision is equivalent to the difference between the contractual cash flows and the cash flows that the Group expects to receive based on the information available on the reporting date.

c) Financial liabilities at amortised cost

On initial recognition, financial liabilities are measured at fair value plus directly attributable transaction costs. Subsequently financial liabilities are carried at amortised cost using the effective interest rate method.

Hedging

In order to manage its risk exposures arising from fluctuations in electricity prices, exchange rates and interest rates, the Group uses euro-denominated loans and derivatives, such as futures contracts for electricity and currency, as well as interest rate swaps and basis swaps (combined interest rate and currency swaps). The purpose of these instruments is to secure cash flows from future electricity generation, as well as to avoid large variations in the interest expense payable on the Group's debt portfolio.

For most of its hedging relationships, the Group has chosen not to meet the documentation requirements for hedge effectiveness established by the accounting standards. These contracts are therefore not accounted for as hedges, even if they have been entered into as hedges. These kinds of hedges are treated as financial assets or financial liabilities measured at fair value through profit or loss.

Certain interest rate swaps do meet the conditions for cash flow hedges under IFRS 9, and they are accounted for accordingly. These hedging relationships are presented in the consolidated financial statements as follows: The effective part of gains or losses on hedging instruments is recognised under other comprehensive

income and expenses in the statement of comprehensive income, whereas the ineffective part is recognised under financial income/expenses in the income statement. Any effective gain or loss on a hedging instrument is recycled to profit or loss if the hedged item is recognised in the income statement.

Compensation

The Group pays compensation to landowners for the right to use waterfalls and land. Compensation is also paid for any damage to forests, land, etc. The compensation is a combination of one-off payments and perpetual charges or obligations to supply electricity free of charge. The present value of annual charges and the cost of supplying free electricity are presented under provisions. If a contract to supply free electricity includes the option of settlement in cash, it is classified as a derivative and is measured at fair value through profit or loss. On initial recognition, the cross entry of the provision is a hydropower licence, which is presented under property, plant and equipment. In subsequent periods, annual compensation payments, as well as changes to provisions, are considered other operating expenses, whereas one-off payments are deducted from the provision.

Concession power and licence fees

Each year, the Group supplies electricity to local municipalities at a price set by the Norwegian parliament. Revenues from this "concession power" are recognised as they are earned, based on the regulated price. The present value of the future loss of revenue due to the difference between the regulated price and spot price is not included on the statement of financial position, but it is presented in Note 2.

Each year, the Group pays licence fees to the central government and municipalities for the increase in generating capacity achieved by damming and piping water. Licence fees are expensed as they are incurred. The capitalised value of future fees is not included on the statement of financial position, but is calculated and presented in Note 6.

Tax

All of the companies in the Group have to pay ordinary income tax. In addition, Agder Energi Vannkraft is covered by the special rules on the taxation of companies that generate electricity. The Group therefore pays income tax, natural resource tax and resource rent tax.

Income tax

Income tax is calculated in accordance with standard tax rules. The tax expense in the income statement consists of tax payable and changes in deferred tax liabilities/assets. This does not apply to deferred tax liabilities/assets relating to items recognised as other comprehensive income and expenses in the statement of comprehensive income or directly in equity, or to deferred tax liabilities/assets arising in conjunction with business combinations. Tax payable is calculated on the taxable profit for the year. Deferred tax liabilities/assets are calculated on the basis of the temporary differences that exist between accounting and tax values, as well as the tax effect of any loss carryforwards. Deferred income tax liabilities and assets that are expected to be reversed in the same period are offset against each other. As assessment is made as to whether it will be possible to utilise deferred tax assets. Any deferred tax assets that can probably be utilised are included on the statement of financial position.

Natural resource tax

The natural resource tax payable is not affected by profit, and is calculated on the basis of the individual power station's average generation over the past seven years. The tax is charged at 1.3 øre/kWh. Natural resource tax can be deducted from income tax. Any natural resource tax that cannot be fully offset against income tax can be carried forward and deducted from income tax in subsequent years. In such cases, the portion of the natural resource tax that has not been offset is recognised as an asset.

Resource rent tax

Resource rent tax is calculated by applying the Norwegian Taxation Act's special rules on the taxation of companies that generate electricity. The expense in the income statement consists of resource rent tax payable and changes in deferred resource rent tax liabilities/assets.

Resource rent tax is profit-related, and it is payable at a rate of 37% of the net resource rent estimated for each individual power station. The resource rent is estimated from the hourly output of the individual power station, multiplied by the spot price for the corresponding hour. In the case of concession power and power supplied under contracts with a duration of at least seven years, the actual sales price is applied. Actual operating expenses, tax-deductible depreciation and a tax-free allowance are deducted from the estimated gross rent in order to reach the net taxable resource rent. The tax-free allowance is determined each year by multiplying the tax value of the power station's property, plant and equipment by a standard interest rate set by the Ministry of Finance. In 2020 the standard interest rate was 0.3%. Positive and negative resource rent can be offset between power stations. This does not apply to negative resource rent arising prior to 2007, which can only be offset at the power station where it arose. Any negative resource rent can be carried forward with interest to be offset against future positive resource rent. The interest rate applied to carryforwards was 2.5% for 2020.

Deferred resource rent tax assets and liabilities

When calculating the deferred tax liabilities and assets to be included on the statement of financial position, temporary differences and part of the accumulated negative resource rent are taken into account. The part of the negative resource rent tax that can be offset against temporary differences is capitalised on the statement of financial position, as is the part that is likely to be used within a 10-year time frame. Tax-free allowances are treated as a permanent difference in the year for which they are calculated.

Deferred resource rent tax liabilities and assets are presented gross.

Tax uncertainties

In certain situations, it can be unclear how tax rules should be applied or interpreted.

As a general rule, in such cases the financial statements will reflect Agder Energi's interpretation of the rules. However, this does not apply in cases where the tax authorities have issued, or notified that they will issue, a ruling that conflicts with Agder Energi's view. In those cases, the financial statements reflect the interpretation of the tax authorities, even if Agder Energi disagrees and has appealed against the ruling.

Classification of current and non-current assets and liabilities

An asset is classified as a current asset if it fulfils one of the following criteria:

a) it is expected to be realised in, or is held for sale or consumption in, the ordinary business cycle;
b) it is primarily held for trading;
c) it is expected to be realised within twelve months of the end of the reporting period, or:
d) it is a form of cash or cash equivalent, unless it is subject to restrictions which mean that it cannot be realised or used to settle a liability within twelve months of the end of the reporting period.

A liability is classified as a current liability if it fulfils one of the following criteria:

a) it is expected to be settled as part of the ordinary business cycle;
b) it is primarily held for trading;
c) it is due for payment within twelve months of the end of the reporting period; or:
d) the company has no unconditional right to delay settlement of the liability beyond twelve months after the statement of financial position date.

All other assets are classified as non-current assets and all other liabilities are classified as non-current liabilities.

For non-current liabilities, any principal repayments due over the first year are presented as current liabilities.

Intangible assets

Intangible assets, including goodwill, are carried at cost less accumulated depreciation and impairment losses, provided that they meet the criteria for capitalisation. Intangible assets with an uncertain useful life, including goodwill, are not depreciated, and are instead tested annually for impairment.

Property, plant and equipment

Investments in production facilities and other property, plant and equipment are carried at cost, less accumulated depreciation and impairment losses. Hydropower licences are classified as property, plant and equipment. Depreciation starts when the assets are available for use. The acquisition cost of property, plant and equipment includes the expenses involved in acquiring and preparing the asset for use. For large investments, interest payable is calculated using the average interest rate on the Group's borrowings during the investment period, and the interest is capitalised as part of the acquisition cost. Costs incurred after the item entered service, such as regular maintenance, are expensed.

Costs accrued in relation to internal investments within the Group are capitalised. The acquisition cost only includes directly attributable costs.

Depreciation is calculated using the straight-line method over the expected useful life. The residual value is taken into account when calculating annual depreciation. Sites are not depreciated. Hydropower licences are not depreciated either, as they do not revert to public ownership. Major maintenance activities that do not add anything to property, plant and equipment (periodic maintenance) are capitalised and depreciated over the maintenance interval. The estimated useful life, depreciation method and residual value are reassessed each year.

When assets are sold or disposed of, their carrying amount is deducted, and any loss or gain is recognised in the income statement under other operating expenses and revenues. Repairs and regular maintenance are expensed as incurred. Additions or improvements are added to the asset's cost and are depreciated at the same rate as the asset. The distinction between maintenance and upgrades/improvements is judged on the basis of the condition of the asset when it was acquired by the company. Expenses that lead to significantly higher cash flows by increasing the useful life of property, plant and equipment and/or reducing maintenance costs, and that also improve functionality, are considered upgrades/improvements.

If new parts are capitalised on the statement of financial position, the carrying amount of the parts that were replaced is deducted, and any gain or loss is recognised in profit or loss.

Each year, Agder Energi Nett receives customer contributions that fully or partially pay for new connections or grid upgrades. Assets paid for by customers are capitalised as property, plant and equipment, while the customer contribution received is included on the statement of financial position as unearned revenue and is recognised as revenue over the useful life of the asset.

Leases

When signing contracts, Agder Energi assesses to what extent they include a lease, i.e. whether they include a right to control the use of an identifiable asset for a period of time in exchange for consideration. For leases, the present value of regular rent payments is recognised as an interest-bearing liability, and the right of use as a non-current asset, from the date on which the asset is made available to the Group. In subsequent periods, the lease liability is adjusted for accrued interest and rent payments, while the right-of-use asset is adjusted for depreciation and impairment losses. Linear depreciation is applied over the anticipated useful life.

Impairment losses

Property, plant, equipment and intangible assets that are depreciated are also tested for impairment if there is any indication to suggest that future cash flows cannot justify the carrying amount. Any difference between the carrying amount and the recoverable amount is expensed in the income statement. The recoverable amount is the higher of fair value less costs to sell and the utility value.

When testing for impairment, non-current assets are grouped at the lowest possible level at which it is possible to identify independent cash flows (cash flow generating

units). Most of the Group's non-current assets are held by the hydroelectric power and network business areas. Within hydroelectric power generation, any power stations on the same river system that are managed collectively are tested for impairment as a single cash flow generating unit.

In conjunction with each financial report, the Group assesses whether any past impairment of non-financial assets, except goodwill, should be reversed.

Inventories
Inventories are carried at the lower of cost and fair value less costs to sell. The acquisition cost is calculated using the FIFO principle.

Reservoir reserves
The Group's most valuable raw material is the water stored in its reservoirs. The value of this water is not capitalised on the statement of financial position.

Cash pooling arrangement
Agder Energi AS has a cash pooling arrangement with its subsidiaries, and the Group has a joint bank account for short-term deposits and short-term loans. External interest income and interest expenses arising from the cash pooling arrangement are presented as interest income and interest expenses on the consolidated income statement. On the consolidated statement of financial position, net deposits and overdrafts are presented as cash and cash equivalents and current liabilities respectively.

Liquid assets
Cash and cash equivalents includes cash, bank deposits and commercial paper with a remaining term to maturity of less than three months when it was acquired.

Dividends
Proposed dividends are classified as equity. Dividends are reclassified as current liabilities when they are adopted by the AGM.

Provisions, contingent assets and contingent liabilities
A provision is recognised if the Group has a present obligation arising from a past event, and if it is probable that it will have to settle the obligation. Provisions are measured using the management's best estimate of the cost of settling the obligations on the statement of financial position date, and are discounted to their present value if this makes a significant difference.

Pensions
Defined benefit plans
A defined benefit plan is a pension plan which defines the pension benefit an employee will receive on retirement. The pension liability recognised for defined benefit plans is the present value of the pension benefits earned as of the statement of financial position date, less the fair value of the pension plan assets. The pension obligation is calculated annually by an independent actuary using the projected credit unit method.

Remeasurements as a result of changes to the actuarial and economic assumptions are recognised in the statement of comprehensive income under other comprehensive income or expenses. This also applies to the positive or negative difference between the return on pension plan assets and the discount rate.

Changes to defined benefit pension obligations arising from plan amendments that are applied retrospectively, i.e. where the change in entitlement also applies to past years of service, are recognised directly in profit or loss. Changes that are not applied retrospectively are recognised through profit or loss over the remaining years of service.

The net pension liabilities associated with underfunded pension plans, and unfunded pension plans that are treated as operating expenses, are classified as provisions for non-current liabilities. For pension plans with a surplus, the surplus is presented as a net pension asset under other non-current financial assets.

The pension expense for the period is included under employee benefits. It consists of the sum of the current service cost, interest on net pension liabilities, past service pension adjustments and employers' NICs.

Defined contribution pension plans
In the case of a defined contribution plan, the Group makes regular contributions into a separate legal entity, but has no further liabilities once the contributions have been made.

The contributions are expensed as employee benefits when they are made.

Statement of cash flows
The statement of cash flows has been prepared using the indirect method.

New accounting standards and interpretations
In 2020 there were no changes to accounting standards that had a material impact on Agder Energi's financial statements.

The IASB has made amendments to existing accounting standards that had not yet entered into force at the end of 2020. None of these amendments are expected to have a material impact on Agder Energi's financial statements.

In 2019 it was only the new standard for leases that had a material impact on Agder Energi's financial statements.

IFRS 16 – Leases:
IFRS 16, which replaced IAS 17 Leases, was implemented by Agder Energi as of 01/01/2019. The standard sets out principles for recognition, measurement, presentation and disclosures in relation to leases. The standard only applies to Agder Energi in its capacity as a lessee. IFRS 16 requires all leases to be treated in the same way, equivalent to the model used for finance leases under IAS 17. Leases of low-value assets and leases of 12 months or less are exempted. At the start of the lease term, the lessee recognises a liability to make payments under the lease and an asset representing the right to use the leased asset. The lessee must recognise an interest expense on the liability and depreciate the asset.

IFRS 16 was implemented by making use of the exemption in the standard that allows entities to continue identifying leases according to past practice. On the transition date, assets were measured individually at a value equivalent to the lease liability.

The tables below show the impact of implementing IFRS 16. The first part shows the effect on the statement of financial position on the implementation date. The second part shows the effect on the income statement for 2019. Capitalised leases mainly comprise leased office premises. In addition, there are leased vehicles, machinery and equipment.

Balance sheet effects

(Amounts in millions of NOK)	31/12/2018	Effect of IFRS 16	01/01/2019
Property, plant and equipment	15,171	262	15,433
Equity	3,526	0	3,526
Interest-bearing non-current liabilities	7,603	215	7,818
Interest-bearing current liabilities	1,657	47	1,704

CRITICAL ACCOUNTING JUDGEMENTS

Below we have set out the areas where the judgements made by management in applying the Group's accounting principles potentially have a material impact on the consolidated financial statements.

Non-financial energy contracts
Non-financial energy contracts, which in accordance with IFRS 9 are considered to be contracts that can be "settled net in cash", are treated as though they were financial instruments. This applies unless the contracts have been entered into and continue to be held for the purpose of the receipt or delivery of the energy in accordance with the Group's expected purchase, sale or usage requirements (the "own use" exemption). In some cases determining whether a contract of this kind should be classified as cash-settled is based on best judgement.

Based on the criteria set out in IFRS 9, the senior management team has used its best judgement to assess which contracts should be defined as financial instruments and which contracts should not.

Contracts classified as financial instruments are carried at fair value, with gains and losses recognised in profit or loss, while other contracts are recognised on delivery.

Concession power and licence fees
The concession power provided and the licence fees paid to the central government and municipalities are supposed to compensate for the damage or inconvenience caused by hydropower projects. Liabilities arising from the fact that future concession power may be supplied at a discount to the market price, as well as the cost of future licence fees, are regulatory requirements and are therefore non-contractual liabilities. Consequently they are not included in the financial statements, but their present value has been calculated, and is presented in Note 2 and Note 6.

UNCERTAINTIES – CRITICAL ACCOUNTING ESTIMATES

In conjunction with the preparation of the financial statements, the management has to make certain estimates and assumptions. These affect the reported assets and liabilities, including contingent assets and liabilities at the end of the reporting period, and the reported revenues and expenses for the period. Actual results may deviate from these estimates.

The most important assumptions concerning the future and other key sources of estimation uncertainty are set out below.

Fair value of financial instruments
The fair value of long-term cash-settled electricity contracts, embedded derivatives and electricity contracts not covered by the own use exemption is partly calculated using assumptions that are not observable in the market. Where that is the case, the management has based its estimates on the information available in the market in combination with its best judgement. There is a more detailed description of the assumptions used to value those contracts in Note 23. The fair value of exchange-traded interest rate, foreign currency and electricity derivatives is calculated based on market practice and confirmed by external market players.

Property, plant and equipment
Property, plant and equipment is depreciated over its expected useful life, giving rise to depreciation in the income statement. Estimates of the useful life of assets are based on experience and past performance, but they also rely significantly on best judgement. The estimated useful life is adjusted if new information implies that the current useful life is no longer the best estimate. The residual value, which is taken into account when calculating depreciation, is also estimated.

The Group spends significant amounts on maintenance and upgrades to its property, plant and equipment. Best judgement is used to determine whether any given expenditure is an upgrade (capitalised) or maintenance (expensed). Expenditures that lead to significantly higher cash flows by increasing the useful life of property, plant and equipment and/or reducing maintenance costs, and that also improve functionality, are capitalised. Regular maintenance is expensed. See Note 13 for a breakdown of expensed maintenance activities.

Impairment losses
The Group invests significant amounts in intangible assets and property, plant and equipment. These non-current assets are tested for impairment if there is an indication that they have fallen in value. This might be indicated by changes in market prices or contract structures, negative events or other operating conditions. When calculating the recoverable amount, a number of estimates must be made regarding future cash flows, with required rates of return, prices, operating margins and sales volumes being the most important factors.

Pensions
Calculating pension liabilities involves using best judgement and estimates for a number of parameters. See Note 20 for a more detailed description of the assumptions that have been applied.

NOTES

NOTE 1 SEGMENT INFORMATION

(Amounts in millions of NOK)		Hydro-electric Power	Net-work	Entelios Norden	Entelios CWE	LOS	Parent/ Other	Elimina-tions	Total under-lying IFRS	IFRS adjust-ments	Total (IFRS)
		2020	**2020**	**2020**	**2020**	**2020**	**2020**	**2020**	**2020**	**2020**	**2020**
INCOME STATEMENT	Note										
Operating revenues		1,985	1,443	3,648	1,204	463	611	-986	8,369	1,013	9,382
– of which external operating revenues		1,978	1,371	3,586	910	457	67	0	8,369	1,013	9,382
– of which internal operating revenues		7	72	62	294	6	545	-986	0	0	0
Energy and transmission costs, and other raw materials and consumables used		-414	-389	-3,456	-1,132	-271	221	453	-4,989	0	-4,989
Employee benefits	5	-104	-117	-76	-76	-35	-454	35	-826	0	-826
Other operating expenses	7	-631	-360	-75	-37	-74	-305	496	-985	0	-985
Operating profit before depre-ciation and impairment losses		**836**	**578**	**42**	**-40**	**83**	**73**	**-3**	**1,569**	**1,013**	**2,582**
Depreciation and impairment losses	11	-278	-279	-10	-7	-3	-153	3	-728	0	-728
Operating profit		**558**	**298**	**33**	**-47**	**80**	**-80**	**0**	**842**	**1,013**	**1,855**
Share of profit of associates and joint ventures	14	0	0	0	0	0	-37	0	-37	143	105
Financial income	9	54	3	4	0	3	734	-724	75	10	85
Financial expenses	9	-137	-93	-16	-1	-1	-730	724	-254	-100	-354
Net financial income/expenses		**-82**	**-90**	**-12**	**-1**	**3**	**-34**	**0**	**-216**	**53**	**-164**
Profit before tax		**475**	**208**	**21**	**-47**	**82**	**-114**	**0**	**626**	**1,066**	**1,691**
Tax expense	10	-140	-46	-5	0	-18	16	0	-194	-229	-423
Net income from continuing operations		**335**	**162**	**16**	**-48**	**64**	**-98**	**0**	**432**	**837**	**1,269**
Net income from discontinued operations	31	0	0	0	0	0	87	0	87	583	670
Net income		**335**	**162**	**16**	**-48**	**64**	**-11**	**0**	**519**	**1,420**	**1,939**
STATEMENT OF FINANCIAL POSITION											
Total assets		10,293	7,172	1,904	206	483	15,133	-12,793	22,398	2,489	24,888
Equity		2,475	1,113	403	26	126	4,259	-3,115	5,287	282	5,569
Total segment liabilities		7,818	6,058	1,501	180	357	10,874	-9,678	17,112	2,207	19,319
Capital employed 1)		7,312	5,070	949	17	126	14,778	-12,029	16,223	282	16,505
Interest-bearing liabilities	21	4,838	3,956	546	-9	0	10,519	-8,913	10,937	0	10,937
Funds from operation (FFO) 2)		709	580	56	-40	86	789	-726	1,455		2,478
Carrying amount of associates and joint ventures	14	0	0	0	0	0	124	0	124	0	124
Investments in intangible assets 3)		0	50	11	7	3	38	0	109	0	109
Investments in property, plant and equipment 3)		557	527	3	1	1	79	-5	1,162	176	1,338
Number of full-time equivalents in continuing operations		138	184	72	72	37	378		881		881

1) Equity + interest-bearing liabilities.

2) Underlying EBITDA + dividends from associates and joint ventures + financial income – tax payable.

3) Includes additions of intangible assets and property, plant and equipment through business combinations.

(Amounts in millions of NOK)		Hydro-electric Power	Net-work	Entelios Norden	Entelios CWE	LOS	Parent/ Other	Elimina-tions	Total under-lying IFRS	IFRS adjust-ments	Total (IFRS)
		2019	**2019**	**2019**	**2019**	**2019**	**2019**	**2019**	**2019**	**2019**	**2019**
INCOME STATEMENT	Note										
Operating revenues		2,765	1,375	5,546	1,394	979	1,006	-737	12,329	856	13,185
– of which external operating revenues		2,816	1,321	5,509	1,131	967	585	0	12,329	856	13,185
– of which internal operating revenues		-51	54	37	264	12	421	-737	0	0	0
Energy and transmission costs, and other raw materials and consumables used		-430	-487	-5,364	-1,330	-804	-250	278	-8,385	0	-8,385
Employee benefits	5	-79	-87	-69	-66	-41	-395	48	-690	0	-690
Other operating expenses	7	-555	-439	-80	-63	-70	-291	422	-1,076	0	-1,076
Operating profit before depre-ciation and impairment losses		**1,701**	**362**	**33**	**-65**	**65**	**70**	**11**	**2,178**	**856**	**3,034**
Depreciation and impairment losses	11	-280	-291	-10	-4	-2	-116	0	-703	0	-703
Operating profit		**1,421**	**71**	**23**	**-68**	**62**	**-46**	**11**	**1,475**	**856**	**2,330**
Share of profit of associates and joint ventures	14	0	0	0	0	0	-15	0	-15	125	110
Financial income	9	31	3	5	0	4	450	-469	25	0	25
Financial expenses	9	-119	-97	-11	-1	-1	-511	458	-282	29	-254
Net financial income/expenses		**-88**	**-94**	**-6**	**-1**	**4**	**-76**	**-11**	**-272**	**153**	**-119**
Profit before tax		**1,333**	**-22**	**17**	**-69**	**66**	**-122**	**0**	**1,202**	**1,009**	**2,211**
Tax expense	10	-899	6	-4	0	-15	25	0	-887	-228	-1,114
Net income from continuing operations		**434**	**-17**	**13**	**-69**	**51**	**-97**	**0**	**316**	**781**	**1,097**
Net income from discontinued operations	31	0	0	0	0	0	38	0	38	0	38
Net income		**434**	**-17**	**13**	**-69**	**51**	**-58**	**0**	**354**	**781**	**1,135**
STATEMENT OF FINANCIAL POSITION											
Total assets		10,700	6,815	2,019	159	572	14,995	-13,196	22,066	955	23,021
Equity		2,287	1,059	412	-2	114	3,885	-3,111	4,644	-561	4,082
Total segment liabilities		8,413	5,757	1,607	161	458	11,111	-10,085	17,422	1,516	18,938
Capital employed 1)		7,501	5,032	631	-7	114	14,019	-11,889	15,401	-561	14,840
Interest-bearing liabilities	21	5,215	3,974	219	-6	0	10,134	-8,778	10,757	0	10,757
Funds from operation (FFO) 2)		1,094	361	37	-64	69	511	-458	1,549		
Carrying amount of associates and joint ventures	14	0	0	0	0	0	66	0	66	0	66
Investments in intangible assets 3)		0	61	0	0	22	38	15	136	0	136
Investments in property, plant and equipment 3)		680	444	2	3	-10	92	1	1,212	149	1,361
Number of full-time equivalents in continuing operations		141	172	66	72	39	371		860		860

1) Equity + interest-bearing liabilities.

2) Underlying EBITDA + dividends from associates and joint ventures + financial income – tax payable.

3) Includes additions of intangible assets and property, plant and equipment through business combinations. The negative value for LOS is due to its reclassification.

Segment information is presented consistently with internal reporting to the Group management team (the Group's senior decision-makers). Segment reporting is used by Agder Energi's management to assess the performance of the various business areas, and to allocate resources to them. Operating segments are presented in accordance with the organisational structure, and are based on the internal business areas. The operating segments changed as a result of changes to the Group's structure and management team that came into effect on 1 January 2020, which means that as of 2020 Agder Energi reports the following segments: Hydroelectric Power; Network; Entelios Norden; Entelios Central & Western Europe (CWE); LOS and Parent/Other. Comparative figures have been restated to reflect this.

The Hydroelectric Power segment is responsible for developing, operating, maintaining and refurbishing the Group's hydroelectric power stations, and it is one Norway's largest producers of electricity.

The Network segment is responsible for developing, operating and maintaining the transmission and distribution grid in Agder.

Entelios Norden is one of the leading energy retailers in the Nordic region. In Norway, it is the leading supplier of electricity to the commercial market. Entelios also has significant turnover in the Swedish market, as well as customers in Denmark and Finland.

Entelios Central Western Europe incorporates Agder Energi's activities in the German market. The companies in this segment manage and optimise distributed renewable energy generation and sell flexibility services.

LOS, which is Norway's third largest electricity retailer, supplies electricity to domestic customers all over Norway, with the bulk of them being in southern Norway.

Parent/Other consists of other activities. This includes the parent company Agder Energi, which is responsible for various shared services, Group management and financing, and Agder Energi Kraftforvaltning, which is responsible, through a service agreement, for managing and maximising the return on the electricity generated by Hydroelectric Power. It also includes Agder Energi Varme and the Group's development projects and venture capital activities, as well as various small companies.

From 2020, the financial figures for the segments are reported on an underlying IFRS basis, since that is what is now used in the internal reporting on the segments to the management and Board.

Eliminations relates to the elimination of intra-group transactions and balances. Transactions between segments are on an arm's-length basis.

The IFRS adjustments segment covers items arising from the fact that the accounts of segments are presented in accordance with Underlying IFRS, while the consolidated financial statements are presented in accordance with IFRS. The main reason for the differences between the segment reporting and the consolidated financial statements is that changes in unrealised gains/losses on derivatives are not included in the segment reporting. In addition, material gains and losses on disposals of businesses are excluded from the underlying figures. The table below shows a reconciliation of the accounting principles used for segment reporting with the Group's IFRS figures.

Summary of adjustments from net income of segments to net income under IFRS

(Amounts in millions of NOK)	Note	**2020**	2019
Electricity and currency contracts	4	1,013	856
Adjustment to revenues/operating profit		**1,013**	**856**
Unrealised gains and losses on interest rate swaps	9	-100	29
Material gains on disposals		734	125
Tax impact of negative resource rent carryforwards		4	-36
Tax impact of other corrections		-230	-192
Adjustment to net income		**1,420**	**781**

The majority of Agder Energi's turnover comes from customers in Norway or from Nord Pool Spot (the marketplace for trading physical power contracts). In addition, Agder Energi has significant turnover in Sweden through Entelios AB and in Germany through its subsidiary group Entelios GmbH.

Geographic distribution of operating revenues by location of business		
(Amounts in millions of NOK)	**2020**	2019
Norway	5,420	9,804
Sweden	1,422	1,624
Germany	910	1,131
Other countries	517	380
Total energy sales, transmission revenues and other operating revenues	**8,269**	**12,938**
Gains and losses on electricity and currency contracts	1,113	247
Total operating revenues	**9,382**	**13,185**

Geographic distribution of assets based on location of business		
(Amounts in millions of NOK)	**2020**	2019
Norway	23,807	21,875
Sweden	716	881
Germany	198	155
Other countries	167	111
Total assets	**24,888**	**23,021**

The table below shows a reconciliation of revenue from contracts with customers under IFRS 15 with the external revenues reported for the segments.

2020

(Amounts in millions of NOK)	Hydro-electric Power	Net-work	Entelios Norden	Entelios CWE	LOS	Parent-company, other	IFRS adjust-ment	Total
Energy sales	1,677	6	3,161	911	437	182	0	6,372
Transmission revenues	0	1,338	0	0	0	0	0	1,338
Other operating revenues	67	28	46	0	20	399	0	560
Total revenue from contracts with customers under IFRS 15	**1,744**	**1,371**	**3,207**	**910**	**457**	**581**	**0**	**8,270**
Impact of financial instruments on revenues in segment reporting	234	0	380	0	0	-514	1,013	1,113
Total external operating revenues	**1,978**	**1,371**	**3,586**	**910**	**457**	**67**	**1,013**	**9,382**

2019

(Amounts in millions of NOK)	Hydro-electric Power	Net-work	Entelios Norden	Entelios CWE	LOS	Parent-company, other	IFRS adjust-ment	Total
Energy sales	3,306	31	5,566	1,120	956	202	0	11,182
Transmission revenues	0	1,256	0	0	0	0	0	1,256
Other operating revenues	59	33	3	11	12	383	0	500
Total revenue from contracts with customers under IFRS 15	**3,365**	**1,321**	**5,569**	**1,131**	**967**	**585**	**0**	**12,938**
Impact of financial instruments on revenues in segment reporting	-549	0	-60	0	0	0	856	247
Total external operating revenues	**2,816**	**1,321**	**5,509**	**1,131**	**967**	**585**	**856**	**13,185**

NOTE 2 ENERGY SALES

Agder Energi optimises its generation of hydroelectric power based on an assessment of the value of available water in relation to current and expected future spot prices. Contracts for physical delivery and cash-settled contracts are used to secure cash flows from power generation. Energy sales only covers revenues from physical energy sales to customers, while the income statement effects of financial contracts are presented as gains and losses on electricity and currency contracts, see Note 4.

Long-term physical delivery contracts with industrial customers total around 17 TWh over the period from now until 2030. The Group's energy sales and purchases are specified in the tables below. Electricity generated by the hydropower business and sold through Nord Pool Spot and electricity bought through Nord Pool Spot for the retail business are presented gross.

Energy sales by category

(Amounts in millions of NOK)	**Segment**	**2020**	2019
Power generation	Hydroelectric Power and other	1,725	3,248
Retail market	Entelios Norden and LOS	3,597	6,560
Network	Network	6	31
District heating	Other	196	197
Market operations 1)	Central Western Europe	1,211	1,374
Eliminations		-364	-229
Total		**6,372**	**11,182**

1) Refers to managing and providing market access for renewable energy on behalf of external generating companies, as well as selling flexibility services

Energy purchases by category

(Amounts in millions of NOK)	**2020**	2019
Power generation	301	328
Retail market	3,214	6,172
Network	41	148
District heating	98	108
Market operations	1,146	1,332
Eliminations	-384	-246
Total	**4,416**	**7,842**

The table below shows key figures for our power generating activities.

	2020	2019
Net electricity generation (less pumping) (GWh)	8,112	7,288
Reservoir reserves at 31 Dec. (GWh)	4,914	3,724
Reservoir reserves as % of capacity	92 %	71 %

The resources Agder Energi needs to generate power are available to it through licences. Agder Energi controls – either directly or indirectly through water management associations and joint arrangements – licences to regulate watercourses and to acquire ownership rights to waterfalls. These licences do not revert to public ownership, with the exception of a few minor regulations of the Arendal river system, which constitute less than 1% of the total river regulation capacity. Agder Energi has a perpetual obligation to supply 553 GWh each year to local municipalities, who are entitled to buy electricity at a regulated price. In most cases this price is set by the Ministry of Petroleum and Energy, but Agder Energi has some licences where the price is established individually based on government guidelines. Revenues from concession power are recognised as income when the electricity is supplied.

The loss of revenue (compared with market prices) arising from future deliveries of concession power is estimated at NOK 2.2 billion. No provisions have been made for this in the financial statements, as it is estimated that the agreed price covers electricity generation costs. The calculation of the loss of revenue is based on a nominal pre-tax interest rate of 5.0%, a price differential of 10 øre/kWh and an expected inflation rate of 2.5%.

(Volume in GWh)	**2020**	2019
Volume of concession power (GWh)	553	553
Regulated price (øre/kWh)	11.3	11.0

NOTE 3 TRANSMISSION REVENUES

Transmission revenues, which come from the Network segment, amounted to NOK 1,388 (1,256) million.

The Norwegian Water Resources and Energy Directorate regulates the revenues of distribution system operators by setting an annual income cap. Based on the income caps they have been allocated and the volumes of electricity they expect to distribute, distribution system operators set the network tariffs payable by customers. In the event of any difference between actual and expected volumes, revenues from network tariffs will show a surplus or shortfall relative to the permitted revenues (income cap). In the accounts of Agder Energi Nett AS, this difference is treated as either a liability or an asset. However, in the consolidated financial statements, which are presented in accordance with IFRS, this surplus or shortfall does not qualify for inclusion on the statement of financial position, and only the actual network tariff revenues are recognised in the income statement.

(Amounts in millions of NOK)	**2020**	2019
Revenues under next year's income cap recognised in the consolidated income statement	-108	-86
Accumulated surplus transmission revenues not included on the statement of financial position	143	251

NOTE 4 GAINS AND LOSSES ON ELECTRICITY AND CURRENCY CONTRACTS

Breakdown of profit and loss effects of financial instruments by class of instrument:

(Amounts in millions of NOK)	Note	2020	2019
Cash-settled electricity contracts	24	1,231	860
Currency contracts, basis swaps and currency loans	24	-342	205
Embedded derivatives	24	82	-42
Supply of free electricity/compensation	19	-75	-30
Other energy-related contracts at fair value	24	117	-136
Total change in unrealised gains and losses	26	**1,013**	**856**
Realised gains and losses for the year		99	-609
Total		**1,113**	**247**
Reversal of unrealised gains and losses at 1 January on contracts closed out during the year 1)		229	440
Gains and losses on contracts that had not been closed out as of 31 December		784	416
Total		**1,013**	**856**

1) Value at start of 2020 (2019) of contracts that were closed out during 2020 (2019).

The table above refers to financial instruments that are used in relation to electricity generation or the retail business and that must be measured at fair value through profit or loss. These are mainly designed to secure future revenues from electricity sales.

NOTE 5 EMPLOYEE BENEFITS

(Amounts in millions of NOK)	Note	2020	2019
Wages and salaries		756	720
Employers' National Insurance Contributions		106	112
Pension expense (incl. employers' NICs)	20	89	-33
Other benefits and reimbursements		12	39
Capitalised wage costs arising from own investments		-137	-148
Total		**826**	**690**
Number of full-time equivalents at 31 Dec.		881	860

The pension expense for 2019 included a NOK 114 million gain arising from a change to pension plans.

For details of senior management compensation, please see Note 29.

NOTE 6 PROPERTY TAXES AND LICENCE FEES

(Amounts in millions of NOK)	**2020**	2019
Licence fees	57	52
Property taxes	153	140
Total	**210**	**192**

Licence fees are perpetual payments designed to compensate for the damage or inconvenience caused by hydropower projects. The fees are paid annually and are adjusted in line with the consumer price index, initially at the first turn of the year five years after the licence was granted and subsequently every five years. Annual and perpetual payments to compensate for the damage or inconvenience caused by the development of hydropower stations are indexed in the same way as licence fees.

The present value of the Group's future licence fees, for which no provision has been made in the financial statements, has been calculated to be NOK 1.9 billion using a discount rate of 2.5%.

NOTE 7 OTHER OPERATING EXPENSES

(Amounts in millions of NOK)	**2020**	2019
Property-related expenses	33	25
Lease of machinery and office equipment	8	9
Purchase of plant and equipment	58	57
Repairs to and maintenance of equipment	21	16
Contractors	94	157
Operation/maintenance of IT systems	70	69
Technical consultants	47	52
Administrative consultants	154	187
Other external services	48	39
Office supplies, telecommunications, postage, etc.	35	34
Cost of vehicles	18	22
Travel expenses, subsistence allowances, mileage expenses, etc.	12	29
Sales, advertising, representation, membership fees and gifts	39	38
Insurance premiums	25	25
Share of other operating expenses at joint arrangements	87	88
Other operating expenses	27	36
Total	**776**	**883**

NOTE 8 AUDITOR'S FEE

The Group's auditor Ernst & Young audits the parent company and the most important subsidiaries.

The total auditing fees paid to Ernst & Young for consolidated companies comprise:

(Amounts in millions of NOK)	**2020**	2019
Statutory audit	3.9	3.4
Other certification services	0.2	0.1
Tax advice	0.1	0.0
Other services not related to auditing	0.3	0.4
Total	**4.5**	**3.9**

NOTE9 FINANCIAL INCOME AND EXPENSES

(Amounts in millions of NOK)	Note	2020	2019
Share of profit of associates and joint ventures	14	**105**	**110**
Net realised exchange rate gains		62	0
Other interest income		20	23
Other financial income		3	2
Financial income		**85**	**25**
Unrealised gains and losses on interest rate contracts	24	-100	29
Unrealised gains and losses on interest rate contracts		**-100**	**29**
Interest expense on loans 1)		188	209
Interest expense on interest rate swaps		60	57
Other interest expenses		11	13
Interest on capitalised construction loans		-25	-23
Net realised exchange rate losses		1	15
Impairment of non-current financial assets		1	0
Other financial expenses		18	12
Financial expenses		**254**	**282**
Net financial income/expenses		**-164**	**-119**

1) Relates to interest expenses on loans carried at amortised cost. Also includes NOK 6 million of lease liabilities.

NOTE 10 TAX

(Amounts in millions of NOK)	2020	2019
Tax expense in income statement		
Income tax payable	203	75
Resource rent tax payable	13	532
Changes in deferred income tax	149	402
Changes in deferred resource rent tax	57	106
Total tax expense recognised in income statement	**423**	**1,114**
Reconciliation of nominal and effective tax rates		
Profit before tax	1,691	2,211
Expected tax based on nominal rate of 22% (23%)	372	486
Tax effect of		
Permanent differences	-34	-35
Impact of loss carryforwards not included on the SoFP	7	25
Resource rent tax incl. deferred tax	77	638
Total tax expense	**423**	**1,114**
Effective tax rate	25%	50%

The low tax rate in 2020 was mainly due to a reduction in resource rent tax payable due to historically low electricity prices.

Breakdown of temporary differences and negative resource rent carried forward		
Taxable income		
Property, plant and equipment	4,761	4,664
Current assets/liabilities	-150	-222
Pension liabilities	642	495
Other non-current provisions	-1,092	-1,241
Derivatives	401	261
Other	-2	5
Gross differences	**4,559**	**3,962**
Tax rate	22%	22%
Net deferred income tax assets (-)/liabilities (+)	**1,003**	**872**
Resource rent		
Temporary differences	2,116	1,909
Negative resource rent carryforwards expected to be offset against profit over the coming 10 years	-759	-749
Gross differences	**1,357**	**1,160**
Tax rate	37%	37%
Net deferred income tax assets (-)/liabilities (+)	**502**	**429**
Of which presented in the financial statements as:		
Deferred tax	**1,779**	**1,578**
Deferred tax assets	**273**	**277**
Deferred tax assets arising from negative resource rent carryforwards not included on the SoFP	-247	-283

The assessment of whether the Group will be able to make use of its accumulated negative resource rent carryforwards is based on market prices for electricity and an assumption that future yields on short-term government debt will be between 0.3% and 1.3%. In accordance with the relevant accounting standards, the calculation makes an adjustment to the expected value of negative resource rent carryforwards to allow for the uncertainty associated with this.

(Amounts in millions of NOK)	**2020**	2019
Changes in net deferred tax liabilities (+)/ assets (-) over the year		
Net deferred tax liabilities (+)/assets (-) at 31 Dec. prior year	1,301	777
New deferred tax liabilities (+)/assets (-)	1	2
Deferred tax liabilities (-)/assets (+) at businesses disposed of during the year	0	0
Change in net deferred tax liabilities (+)/assets (-) included in comprehensive income	-3	14
Change in deferred tax liabilities (+)/assets (-) recognised through profit or loss	206	508
Net deferred tax liabilities (+)/assets (-) at 31 Dec.	**1,505**	**1,301**
Changes in deferred tax on items in the SoCI		
Remeasurements of pensions	2	17
Cash flow hedges	-6	-3
Net change in deferred tax on items in the SoCI	**-3**	**14**

Tax uncertainties

Tax cases where the outcome is uncertain are described in greater detail in Note 28.

NOTE 11 DEPRECIATION AND IMPAIRMENT LOSSES

(Amounts in millions of NOK)	Note	**2020**	2019
Amortisation of intangible assets	12	77	60
Depreciation of property, plant and equipment	13	629	636
Impairment of property, plant and equipment	13	22	7
Total depreciation, amortisation and impairment losses recognised in operating profit		**728**	**703**
Reversal of impairment of financial assets		-1	0
Depreciation of discontinued operations		6	3
Total depreciation, amortisation and impairment losses recognised in statement of cash flows		**734**	**705**

NOTE 12 INTANGIBLE ASSETS

(Amounts in millions of NOK)	Goodwill	Software	Other intangible assets	**Total intangible assets**
Carrying amount at 01/01/2019	94	178	54	326
Additions	2	91	43	136
Disposals at book value	0	0	-2	-2
Depreciation	0	-42	-18	-60
Carrying amount at 31/12/2019	**96**	**227**	**77**	**400**
Acquisition cost	96	385	157	638
Accumulated depreciation and impairment losses	0	-158	-80	-238
Carrying amount at 31/12/2019	**96**	**227**	**77**	**400**
Carrying amount at 01/01/2020	96	227	77	400
Additions	0	92	18	109
Disposals at book value	-38	-18	0	-56
Depreciation	0	-57	-20	-77
Carrying amount at 31/12/2020	**58**	**244**	**74**	**376**
Acquisition cost	44	455	167	665
Accumulated depreciation and impairment losses	14	-211	-93	-289
Carrying amount at 31/12/2020	**58**	**244**	**74**	**376**
Depreciation period	Tested annually for impairment	3-5 years	3-8 years	

Goodwill impairment

The Group tests goodwill annually for impairment, or more frequently if there is evidence to suggest a fall in value. No goodwill impairment was recognised in 2020. Agder Energi has not identified any other intangible assets with indefinite useful lives. Goodwill that has arisen in conjunction with acquisitions has been allocated as follows:

Breakdown of goodwill on the SoFP

(Amounts in millions of NOK)	**2020**	2019
Craftor	0	38
Entelios Norden	51	51
Others	7	7
Carrying amount of goodwill	**58**	**96**

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

	HYDROELECTRIC POWER GENERATION				DISTRIBUTION SYSTEM	
(Amounts in millions of NOK)	Rights and licences	Tunnels and dams	Machinery and electrical infrastructure	Power station buildings and sites	Regional power transmission grid	Local distribution network
Carrying amount at 01/01/2019	1,126	3,484	2,214	971	1,673	3,701
Additions	0	107	355	47	168	383
Disposals at book value	0	0	0	0	-12	0
Depreciation	-3	-70	-157	-38	-73	-169
Impairment losses	0	-2	-5	0	0	0
Carrying amount at 31/12/2019	**1,123**	**3,519**	**2,407**	**980**	**1,756**	**3,915**
Acquisition cost	1,179	5,052	5,525	2,138	2,822	6,288
Accumulated depreciation and impairment losses	-56	1,533	-3,118	-1,158	-1,066	-2,514
Carrying amount at 31/12/2019	**1,123**	**3,519**	**2,407**	**980**	**1,756**	**3,775**
Carrying amount at 01/01/2020	**1,123**	**3,519**	**2,407**	**980**	**1,756**	**3,775**
Additions	0	25	244	13	61	518
Disposals at book value	0	0	1	0	0	-8
Depreciation	0	-71	-158	-36	-69	-148
Impairment losses	0	0	-22	0	0	0
Carrying amount at 31/12/2020	**1,123**	**3,473**	**2,471**	**956**	**1,749**	**4,136**
Acquisition cost	1,179	5,077	5,763	2,150	2,874	6,778
Accumulated depreciation and impairment losses	-57	-1,604	-3,292	-1,194	-1,125	-2,642
Carrying amount at 31/12/2020	**1,123**	**3,473**	**2,471**	**956**	**1,749**	**4,136**
Depreciation period (years)	67/ not depreciated	67-99	20-50	50-67/ not depreciated	15-70	15-60

	DISTRICT HEATING		OTHER ACTIVITIES			
(Amounts in millions of NOK)	District heating	Property	Other	Work in progress	Leased assets	**Total property, plant and equipment**
Carrying amount at 01/01/2019	720	114	184	984	262	15,433
Additions	59	0	39	159	44	1,361
Disposals at book value	0	-4	-9	0	0	-25
Depreciation	-28	-7	-40	0	-54	-639
Impairment losses	0	0	0	0	0	-7
Carrying amount at 31/12/2019	**751**	**103**	**174**	**1,143**	**252**	**16,123**
Acquisition cost	987	175	776	1,143	306	26,392
Accumulated depreciation and impairment losses	-236	-72	-462	0	-54	-10,269
Carrying amount at 31/12/2019	**751**	**103**	**314**	**1,143**	**252**	**16,123**
Carrying amount at 01/01/2020	**751**	**103**	**314**	**1,143**	**252**	**16,123**
Additions	48	1	75	319	35	1,338
Disposals at book value	0	0	-16	-15	-9	-48
Depreciation	-31	-6	-52	0	-58	-629
Impairment losses	0	0	0	0	0	-22
Carrying amount at 31/12/2020	**768**	**97**	**321**	**1,446**	**220**	**16,762**
Acquisition cost	1,035	176	757	1,446	330	27,567
Accumulated depreciation and impairment losses	-267	-78	-436	0	-111	-10,805
Carrying amount at 31/12/2020	**768**	**97**	**321**	**1,446**	**220**	**16,762**
Depreciation period (years)	8-60	25-99/ not depreciated	3-20		3-7	

Additions for work in progress are calculated as gross additions less completed projects within the relevant category.

Periodic maintenance is included within the relevant category. Capitalised loan arrangement fees amounted to NOK 25 (23) million in 2020, calculated using the Group's average interest rate of 2.3% (2.7%). See Note 9.

NOK 2,992 (3,015) million of property, plant and equipment at joint arrangements (see Note 14) is included in the main groups under hydroelectric power generation and under work in progress.

Of the additions under distribution networks, NOK 142 (104) million were financed through customer contributions.

The stated depreciation periods apply to the majority of the assets in each category, although there may be some minor deviations from them.

Maintenance expenses came to NOK 191 (288) million in 2020. NOK 463 (440) million of capitalised reinvestments in existing facilities have been included under the additions for the year.

Office buildings constituted NOK 173 (216) million of the leased assets, and the depreciation on them was NOK 43 (43) million. The remaining leased assets were vehicles, machinery and equip-ment.

Below the useful lives of the most important assets on the SoFP are set out:

Hydroelectric power stations

	Depreciation (years)
Waterfall rights	Not depreciated
Structures	
- Rock-fill dams	99
- Caverns	99
- Concrete dams	67
- Power station buildings	67
- Other buildings	50
Penstock	
- Underground	99
- Underground pipeline	67
- Above ground pipeline	40
Gates, gratings, entrances, etc.	
- Intake gates	50
- Dam gates	50
- Gratings	50
- Entrances	50
- Stream intakes	50
Roads and bridges	
- Roads/quays	67
- Bridges	50

Hydroelectric power stations

	Depreciation (years)
Machinery	
- Runners	40
- Turbines	40
- Turbine hall cranes, air handling units, pumps	25
- Turbine regulators	15
- Grating cleaners	10
Process equipment and communication	
- Grid control systems	20
- Control centre	10
- Communications/Control/Logging	10
Electrical systems	
- Transformers	40
- Generators	40
- Auxiliary systems (switches, low-voltage systems)	25
- Switchgear and other high-voltage systems	25
Periodic maintenance (interval)	
- Refurbishment of buildings	25
- Machinery – major service	20
- Electrical systems – major service	20

Energy distribution networks

	Depreciation period (years)
Regional power transmission grid:	
- Power and ground cables	50
- High-voltage power lines	40
- Grid control systems	25
Local power distribution network:	
- High-voltage lines and cables	55
- Low-voltage lines and cables	55
- Distribution substations	45
- Smart meters	17

Other assets

	Depreciation period (years)
- Sites	Not depreciated
- District heating pipelines	60
- Office buildings	50
- Vehicles	8
- Fixtures and fittings	5
- Office and IT equipment	3

NOTE 14 ASSOCIATES AND JOINT ARRANGEMENTS

Agder Energi has various investments in associates and joint arrangements. Joint arrangements include joint ventures and joint operations. Associates and joint ventures are accounted for using the equity method, whereas proportionate consolidation is used for investments in joint operations.

Associates and joint ventures (accounted for using the equity method)

(Amounts in millions of NOK)	**2020**	2019
Associates	78	40
Joint ventures	46	26
Carrying amount at 31 Dec.	**124**	**66**
Profit from associates	-10	-12
Profit from joint ventures	-28	-25
Gain on disposals	143	148
Share of profit of associates and joint ventures	**105**	**110**

Approximately NOK 100 million of the gain on disposals in 2020 came from a revision to the estimated purchase price adjustment relating to the previously completed sale of Fosen Vind. There was also an accounting gain in conjunction with the creation of the Otera Group. It is made up of Otera AS as the parent company and Otera Infra and the company Traftec as subsidiaries. Agder Energi has received a 19.5% ownership interest in the new group, in return for its 49% ownership interest in Otera Infra. Both of these were non-cash transactions.

Breakdown of investments in associates:

(Amounts in millions of NOK)	Ownership interest	Carrying amount at 31/12/2019	Acquisitions and capital increases	Disposals, dividends, etc.	Consolidated share of profit/loss	Carrying amount at 31/12/2020
Otovo AS	9.8%	3	0	0	-3	0
Otera Infra AS	0.0%	24	0	-24	0	0
Otera AS *)	19.5%	0	58	-4	1	55
Skagerak Venture Capital I KS/GP KS	0.0%	13	0	-17	4	0
Skagerak Venture Capital I AS	19.6%	0	2	0	0	2
Morrow Batteries AS	39.0%	0	26	0	-5	21
NorthConnect KS/AS	22.3%	0	7	0	-7	0
Total for associates		**40**	**92**	**-45**	**-10**	**78**

Breakdown of investments in joint ventures:

(Amounts in millions of NOK)	Ownership interest	Carrying amount at 31/12/2019	Acquisitions and capital increases	Disposals, dividends, etc.	Consolidated share of profit/loss	Carrying amount at 31/12/2020
Nodes AS	50.0%	4	6	0	-7	3
Nodes-Tech AS	50.0%	22	4	0	-10	16
OSS Norge AS	50.0%	0	38	0	-11	27
Total for joint ventures		**26**	**48**	**0**	**-28**	**46**

Skagerak Venture Capital I KS/GP KS was closed in 2020 after its assets were used as a non-cash capital contribution in conjunction with the establishment of Skagerak Venture Capital I AS.

*) Otera Infra AS was transferred to Otera AS as a non-cash capital contribution in 2020.

Joint operations (proportionate consolidation)

Joint operations consist of power stations and water management associations. Agreements regulate key areas of cooperation, and the joint owners receive their respective shares of the electricity generated in return for covering an equivalent proportion of the expenses. The Group uses the proportional consolidation method to account for joint operations, and the Group's share of revenues, expenses, assets and liabilities are consolidated on a pro-rata basis. Agder Energi is a joint owner of the following power stations and water management associations:

Otra Kraft ownsthe Holen, Brokke and Skarg power stations on the River Otra. Otra Kraft is owned by Agder Energi Vannkraft, which has a 68.6% interest, and Skagerak Kraft, which has a 31.4% interest, and is managed through the general meeting. The company has its head office at Rysstad in Valle.

Ulla Førre is owned by Statkraft, Lyse Kraft, Skagerak Energi, Haugaland kraftlag and Agder Energi Vannkraft. Agder Energi Vannkraft has a 6.0% ownership interest in Ulla Førre, which entitles it to an equivalent proportion of the power generated by the facility.

The power station **Finndøla kraftverk** is 50:50 owned by Agder Energi Vannkraft and Skagerak Kraft.

The power station **Hekni kraftverk** is a statutory co-ownership between Agder Energi Vannkraft, with a 66.67% interest, and Skagerak Kraft, with 33.33%. The co-ownership is managed through a steering committee. Agder Energi Vannkraft represents the co-ownership in dealings with third parties.

The water management association **Otteraaens Brugseierforening** comprises Agder Energi Vannkraft, Skagerak Kraft and Vigelands Brug. The association is managed through its Board. Agder Energi Vannkraft's ownership interest, including its indirect interest through Otra Kraft, is approximately 73.8%. Otteraaens Brugseierforening has its business address in Valle.

The water management association **Arendals Vasdrags Brugseierforening** comprises Agder Energi Vannkraft, Skafså Kraftverk, Skagerak Kraft and Arendals Fossekompani. The association is managed through a Board, and has its business address in Arendal. Agder Energi Vannkraft's ownership interest is approximately 52.2%. No single member can have more than 50% of the votes.

Sira-Kvina is owned by Agder Energi Vannkraft (12.2%), Lyse Kraft(41.1%), Statkraft Energi (32.1%) and Skagerak Kraft (14.6%). It is managed through its Board. The company has its business address at Tonstad.

Below there follows a summary of the Group's share of assets, liabilities, revenues and expenses at jointly controlled assets. The energy sales in the table do not represent actual revenues, and have instead been calculated by multiplying Agder Energi Vannkraft's actual power generation by the average electricity price, and adding Agder Energi Vannkraft's share of revenues from concession power.

(Amounts in millions of NOK)	**2020**	2019
Energy sales	445	1,052
Other operating revenues	9	9
Total operating revenues	**454**	**1,061**
Transmission expenses	47	-50
Energy purchases	5	-32
Property taxes and licence fees	94	-81
Depreciation	103	-101
Other operating expenses	64	-62
Total operating expenses	**312**	**-326**
Operating profit	**142**	**735**
Non-current assets	2,997	3,020
Current assets	69	138
Total assets	**3,066**	**3,158**
Current liabilities	72	133
Net assets	**2,993**	**3,026**

NOTE 15 NON-CURRENT FINANCIAL ASSETS

(Amounts in millions of NOK)	Note	2020	2019
Investments in shares and ownership interests		33	5
Loans to associates and joint arrangements		0	1
Other receivables 1)		521	556
Pension assets	20	906	705
Total		**1,461**	**1,268**

1) The majority of the amount relates to receivables related to cash collateral for financial trading, as well as non-current trade receivables.

The fair value of non-current financial assets is described in greater detail in notes 23 and 25.

NOTE 16 RECEIVABLES

(Amounts in millions of NOK)	2020	2019
Face value of trade receivables	2,061	2,402
Bad debt provision	17	18
Total trade receivables	**2,044**	**2,384**
Accrued revenues	349	237
Prepaid expenses	108	86
Receivables from joint arrangements	3	0
Other receivables	105	250
Share of current assets at joint arrangements	66	138
Total receivables	**2,675**	**3,095**

Expensed net realized loss on trade receivables in 2020 is NOK 7 million (NOK 7 million).

Ageing analysis of trade receivables

(Amounts in millions of NOK)	Not overdue	0-30 days overdue	31-60 days overdue	61-90 days overdue	Over 90 days overdue	Total
2020	1,863	131	9	11	47	2,061
2019	2,229	111	7	5	50	2,402

NOTE 17 CASH AND CASH EQUIVALENTS

(Amounts in NOK million)	2020	2019
Deposits in cash pooling arrangement	51	0
Cash and cash equivalents	281	108
Restricted assets (e.g. term deposits, tax withholding account and client assets)	70	23
Total	**402**	**131**

As of 31.12.2020, the parent company had a cash pooling arrangement with an associated NOK 500 million overdraft facility. Most subsidiaries in the Group in which the parent company holds an ownership interest of at least 50% take part in the cash pooling arrangement and are jointly and severally liable to the bank for the overdraft facility.

A NOK 48 million bank guarantee covering the parent company and subsidiaries has been used as security for tax deductions at source.

NOTE 18 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital is made up of	Number	Nominal value	Share capital (in NOK 000s)
Share capital	**2,700,000**	**670**	**1,809,000**

List of shareholders in Agder Energi AS

	Number of class A shares	% of class A shares	Number of class B shares	% of class B shares	Total number of shares	% of tot. number of shares	Share capital
Statkraft Industrial Holding AS	743,197	41.289%	485,990	53.999%	1,229,187	45.525%	823,555
Kristiansand Municipality	160,690	8.927%	65,654	7.295%	226,344	8.383%	151,650
Arendal Municipality	115,017	6.390%	57,507	6.390%	172,524	6.390%	115,591
Lindesnes Municipality	118,313	6.573%	32,536	3.615%	150,849	5.587%	101,069
Grimstad Municipality	53,327	2.963%	26,663	2.963%	79,990	2.963%	53,593
Lyngdal Municipality	58,029	3.224%	15,958	1.773%	73,987	2.740%	49,571
Flekkefjord Municipality	53,269	2.959%	14,650	1.628%	67,919	2.516%	45,506
Kvinesdal Municipality	49,254	2.736%	13,545	1.505%	62,799	2.326%	42,075
Lillesand Municipality	40,901	2.272%	20,450	2.272%	61,351	2.272%	41,105
Sirdal Municipality	43,845	2.436%	12,057	1.340%	55,902	2.070%	37,454
Vennesla Municipality	42,343	2.352%	11,644	1.294%	53,987	2.000%	36,171
Froland Municipality	31,847	1.769%	15,924	1.769%	47,771	1.769%	32,007
Evje og Hornnes Municipality	27,511	1.528%	13,756	1.528%	41,267	1.528%	27,649
Hægebostad Municipality	28,776	1.599%	7,913	0.879%	36,689	1.359%	24,582
Farsund Municipality	27,502	1.528%	7,563	0.840%	35,065	1.299%	23,494
Birkenes Municipality	22,679	1.260%	11,340	1.260%	34,019	1.260%	22,793
Åmli Municipality	21,921	1.218%	10,960	1.218%	32,881	1.218%	22,030
Risør Municipality	21,052	1.170%	10,525	1.169%	31,577	1.170%	21,157
Valle Municipality	20,327	1.129%	10,164	1.129%	30,491	1.129%	20,429
Bygland Municipality	19,995	1.111%	9,998	1.111%	29,993	1.111%	20,095
Iveland Municipality	19,155	1.064%	9,578	1.064%	28,733	1.064%	19,251
Tvedestrand Municipality	19,066	1.059%	9,533	1.059%	28,599	1.059%	19,161
Åseral Municipality	21,776	1.210%	5,988	0.665%	27,764	1.028%	18,602
Vegårshei Municipality	14,553	0.809%	7,277	0.809%	21,830	0.809%	14,626
Bykle Municipality	13,232	0.735%	6,616	0.735%	19,848	0.735%	13,298
Gjerstad Municipality	12,423	0.690%	6,211	0.690%	18,634	0.690%	12,485
Total	**1,800,000**	**100%**	**900,000**	**100%**	**2,700,000**	**100%**	**1,809,000**

The NOK 1,809 million of share capital is made up of class A and class B shares.

Class A shares can only be owned by shareholders who meet the conditions for being allocated indefinite waterfall licences under the relevant current legislation. Class B shares are freely negotiable. In all other respects, class A and class B shares have equal rights.

The company has entered into an industrial collaboration agreement with its biggest shareholder, Statkraft Industrial Holding AS. There is also a shareholders' agreement between the shareholders in the company.

The company has a corporate assembly with 15 members, who are elected for a two-year term.

Proposed dividends for 2020 amount to NOK 325 million.

NOTE 19 UNEARNED REVENUE AND PROVISIONS

(Amounts in NOK million)	Note	2020	2019
Pension liabilities	20	302	303
Other non-current provisions		1,826	1,729
Total		**2,128**	**2,032**

Breakdown of other non-current provisions

(Amounts in millions of NOK)	Supply of free electricity 1)	Supply of free electricity and compensation 2)	Cash-settled electricity contracts 3)	Unearned revenue, customer contributions 4)	Other provisions 5)	Total
Carrying amount at 01/01/2019	703	227	56	487	224	1,697
Unrealised gains and losses	30	0	-48	0	0	-18
Adjustments to provisions	0	0	0	105	-14	90
Provisions used	0	0	0	-15	-26	-41
Carrying amount at 31/12/2019	**733**	**227**	**8**	**577**	**184**	**1,729**
Carrying amount at 01/01/2020	733	227	8	577	184	1,729
Unrealised gains and losses	70	0	-8	0	0	62
Adjustments to provisions	0	5	0	142	-89	57
Provisions used	0	0	0	-17	-4	-22
Carrying amount at 31/12/2020	**803**	**232**	**0**	**701**	**90**	**1,826**

1) Perpetual obligations to supply electricity free of charge that are presented as financial instruments at fair value in accordance with IFRS 9, as they can be settled in cash. Also see notes 23 and 25.

2) Perpetual obligations to supply electricity free of charge and pay compensation that are accounted for in accordance with IAS 37. These obligations to supply free electricity cannot be settled in cash. Compensation involves annual cash payments that are adjusted by inflation every five years.

3) Non-current cash-settled contracts measured in accordance with IFRS 9. Also see notes 23 and 25.

4) Customer contributions are a contractual obligation under IFRS 15 that is recognised as revenue over the useful life of the asset. The average useful life of these assets is around 30 years. The amounts presented as "Provisions used" are recognised as transmission revenues. The NOK 105 (142) million increase for the year relates to customer contributions for grid upgrades and new connections.

5) The biggest item is a provision in conjunction with the sale of Fosen Vind DA. The final consideration depends on several parameters such as future tax rates and development costs. There is still uncertainty about several of these parameters, and the provision is updated as and when new information becomes available. The adjustment to the provision in 2020 is a non-cash item, but a NOK 108 million gain has been recognised in the income statement.

NOTE 20 PENSIONS

The Group's pension plans

Defined benefit pension plans
For most of its Norwegian companies, Agder Energi has an occupational pension plan run by Agder Energi Pensjonskasse for people taken on before 1 April 2007. This funded public sector pension plan provides defined future pension benefits (defined benefit plan). Benefits are based on the employee's number of years of service and salary on reaching retirement age. The pension plan meets the legal requirements for public sector occupational pension plans.

In 2019 there were several changes to the regulations on public sector occupational pension plans. These included new rules on how benefits from the National Insurance Scheme were to be integrated with occupational pension plans. It was also decided that public sector occupational pension plans should go from being defined benefit plans to being unit benefit plans for everyone born in 1963 or later. In conjunction with the transition to unit benefit plans, Agder Energi chose to transfer employees born in or after 1963 to a defined contribution plan, with effect from January 2020. As such, a unit benefit plan was not introduced at Agder Energi. For the age group affected, pension rights accrued up to and including 2019 continue to be included in the pension liability as an accrued pension entitlement. The defined benefit pension plan was kept in place for employees born in 1962 or earlier.

Certain current and former senior managers are entitled to pension benefits over and above those covered by the company pension plan. Current employees ceased to accrue entitlements under these plans in conjunction with the transition to a defined contribution plan. Provisions for these plans are presented under unfunded pension liabilities.

Early retirement schemes (AFP schemes)
Agder Energi has an early retirement scheme, known as an AFP scheme, for employees born in 1962 or earlier. The scheme does not receive a government subsidy, so the Group is fully liable for all of the obligations under the scheme. Accrued entitlements under the plan are presented under unfunded pension liabilities.

Defined contribution pension plan
Anyone taken on after 1 April 2007 is entitled to membership of a defined contribution pension plan. As of 1 January 2020, all employees born in 1963 or later are also covered by the defined contribution plan.

Private AFP scheme
Employees covered by the defined contribution pension plan are entitled to a private AFP scheme. This is a lifelong supplement to their retirement pensions from the National Insurance Scheme. The AFP scheme is funded by contributions made by the employer. It is considered a defined benefit plan, but it is accounted for as a defined contribution plan. The contribution for 2016 was 2.5%.

Past service pension adjustments in 2019
For accounting purposes, the changes to pension regulations and plans referred to above were treated as a past service pension adjustment, and a NOK 114 million gain on pension liabilities was recognised in the income statement in 2019.

(Amounts in millions of NOK)	Note	2020	2019
The pension expense for the year has been calculated as follows			
Current service cost		28	48
Interest on net pension assets		-9	-8
Employers' National Insurance Contributions		3	6
Past service pension adjustment recognised in the income statement		0	-114
Employee contributions		-2	-5
Administration costs		6	4
Pension expense for the year, defined benefit plans		**27**	**-68**
Private AFP scheme including employers' NICs		9	4
Defined contribution pension plans (including employers' NICs)		53	30
Total pension expense recognised in the income statement	5	**89**	**-33**
Pension liabilities and pension plan assets			
Change in gross pension liabilities			
Gross pension liabilities at 1 Jan.		2,323	2,179
Current service cost (incl. emp. NICs)		32	54
Interest cost		50	58
Benefits paid/paid-up policies		-84	-73
Past service pension adjustment		0	-114
Remeasurements		4	219
Gross pension liabilities at 31 Dec. (including employers' NICs)		**2,325**	**2,323**
Breakdown of defined benefit pension liabilities			
Funded pension liabilities		2,039	2,021
Unfunded pension liabilities		285	302
Gross pension liabilities at 31 Dec.		**2,325**	**2,323**
Change in gross pension plan assets			
Fair value of pension plan assets at 1 Jan.		2,725	2,473
Expected return on pension plan assets		59	66
Administration costs		-6	-4
Pension contributions		26	0
Benefits paid/paid-up policies		-66	-66
Remeasurements		191	257
Fair value of pension plan assets at 31 Dec.		**2,929**	**2,725**
Net pension liabilities (-)/assets (+) at 31 Dec.		**604**	**402**
Net pension assets recognised on the SoFP	15	906	705
Pension liabilities recognised on the SoFP	19	302	303
Net pension liabilities (-)/assets (+) recognised at 31 Dec.		**604**	**402**

(Amounts in millions of NOK)	**2020**	2019
Change in net defined benefit pension plan assets		
Net defined benefit pension plan assets at 1 Jan.	402	294
Pension expense recognised in profit or loss excluding employee contributions	-29	64
Company net contributions including employers' NICs	26	0
Pension benefits included under operating expenses	16	7
Remeasurements	188	38
Net pension liabilities (-)/assets (+) recognised at 31 Dec.	**604**	**402**

Remeasurements are made up of		
Changes in demographic assumptions	42	38
Changes in financial assumptions	-46	-123
Transition to new life table	0	-134
Positive (+)/negative (-) deviation from expected return on pension plan assets	191	257
Total remeasurements included in the SoCI	**188**	**38**

Assumptions used to determine pension liabilities at 31 Dec.		
Discount rate	1.60%	2.20%
Annual wage growth	2.00%	2.50%
Increase in the National Insurance Scheme's basic amount ("G")	1.75%	2.25%
Annual indexing of pensions	1.00%	1.50%
Life table	K2013	K2013
Retirement age: 64.5 years on average for both years.		

Sensitivity analysis for a +/- 0.5% percentage point change in assumptions		
Increase in pension liabilities if the discount rate falls	194	199
Fall in pension liabilities if the discount rate rises	-172	-176
Increase in pension liabilities if annual indexing of pensions and "G" is higher	174	150
Reduction in pension liabilities if annual indexing of pensions and "G" is lower	-156	-137

Assumptions used to calculate the pension expense for the year		
Discount rate	2.20%	2.70%
Annual wage growth	2.50%	2.75%
Increase in the National Insurance Scheme's basic amount ("G")	2.25%	2.50%
Annual indexing of pensions	1.50%	1.75%

Allocation of pension plan assets by investment category at 31 Dec.		
Property funds	13%	13%
Interest-bearing financial instruments	29%	32%
Shares	30%	30%
Hedge funds	28%	25%
Total	**100%**	**100%**

Pension plan assets consist of instruments traded on a stock exchange or funds that publish daily market prices.

	2020	2019
Number of people covered by the pension plans		
Defined benefit plan: current employees	122	132
Defined benefit plan: accrued entitlements and retired employees	1,408	1,422
Defined contribution plan: current and temporary employees	759	844
Current employees entitled to public sector AFP, and early retirees	161	204

NOTE 21 INTEREST-BEARING LIABILITIES

(Amounts in millions of NOK)	2020	2019
Interest-bearing non-current liabilities		
Bonds	5,422	5,684
Liabilities to financial institutions	3,330	2,494
Lease liabilities	171	192
Other interest-bearing non-current liabilities	13	16
Total	**8,937**	**8,386**
Interest-bearing current liabilities		
Commercial paper	500	500
Overdraft and other interest-bearing current liabilities	0	458
Lease liabilities	53	64
Current portion of non-current liabilities (principal repayments due within one year)	1,447	1,350
Total	**2,000**	**2,372**

The fair value of the Group's interest-bearing liabilities is described in Note 23. All of the above statement of financial position items are measured at amortised cost. Note 25 sets out further details of interest rates, durations, liquidity risk, credit facilities, etc. Some loans form part of hedging relationships in accordance with IFRS 9. See Note 26 for a more detailed description.

(Amounts in millions of NOK)	2020	2019
Change in interest-bearing liabilities broken down by cash and non-cash items.		
Interest-bearing liabilities at 1 Jan.	10,758	9,260
New long-term borrowings (cash item)	1,890	1,946
Repayment of long-term borrowings (cash item) 1)	-1,416	-1,407
Net change in current liabilities (cash item)	-458	658
Exchange rate fluctuations (non-cash item)	137	-9
Gains/losses on fair value hedges (non-cash item)	0	4
New lease liabilities (non-cash item)	30	44
Reduction in lease liabilities through disposals (non-cash item)	-5	0
Effect of adopting IFRS 16 (non-cash item)	0	262
Interest-bearing liabilities at 31 Dec.	**10,937**	**10,758**

1) Includes NOK 57 million in repayment of lease liabilities.

NOTE 22 OTHER NON-INTEREST-BEARING CURRENT LIABILITIES

(Amounts in millions of NOK)	2020	2019
Trade payables	928	916
Unpaid government taxes and duties, tax deducted at source, etc.	366	444
Share of non-current liabilities at joint arrangements	72	133
Other current liabilities	847	1,052
Total	**2,213**	**2,545**

NOTE 23 FINANCIAL INSTRUMENTS

Volume of financial instruments

Financial instruments constitute a significant proportion of Agder Energi's total assets, and they have a big impact on the Group's financial position and results. The majority of the financial instruments are used in energy trading or as financial hedges.

Within energy trading, financial instruments are used as part of a hedging strategy. When managing the Group's exposure to risks associated with future electricity prices and exchange rates, these instruments are viewed together with future physical trading; see Note 25. Physical energy trading is only recognised in the financial statements when the energy is supplied/bought, whereas energy and currency derivatives are measured at fair value through profit or loss. If there are large volumes of these derivatives, they can therefore cause great volatility in the Group's reported statement of financial position and net income, without it reflecting the overall financial results.

Financial hedges mainly consist of loans and interest rate swaps. When managing the Group's interest rate risk, these two types of financial instruments are assessed together, and they are also viewed in the context of the Group's other interest rate risks; see Note 25. In the financial statements, loans are measured at amortised cost, whereas interest rate swaps are measured at fair value through profit or loss. This can cause fluctuations in the Group's reported profit or loss, without it reflecting its overall financial performance. There are some minor exceptions to this asymmetrical treatment; see Note 26 on accounting hedges.

In order to highlight the unrealised impact of these electricity, currency and interest rate contracts, their values and changes in value are presented on separate lines in the statement of financial position and income statement.

Fair value of financial instruments

The table below sets out to what extent observable market data are used to value financial instruments measured at fair value. The financial instruments have been broken down into the various categories used by the Group for classification purposes.

(Amounts in millions of NOK)	Note	Total	Level 1	Level 2	Level 3
2020					
Derivatives and electricity contracts measured at fair value*	24	2,749	0	1,524	1,225
Shares and ownership interests	15	33	0	0	33
Total assets		**2,782**	**0**	**1,524**	**1,258**
Supply of free electricity and compensation	19	803	0	0	803
Derivatives and electricity contracts measured at fair value*	24	2,074	0	1,722	352
Total liabilities		**2,877**	**0**	**1,722**	**1,155**
2019					
Derivatives and electricity contracts measured at fair value*	24	1,527	0	761	766
Shares and ownership interests	15	5	0	0	5
Total assets		**1,532**	**0**	**761**	**771**
Supply of free electricity and compensation	19	741	0	0	741
Derivatives and electricity contracts measured at fair value*	24	1,374	0	1,270	103
Total liabilities		**2,115**	**0**	**1,270**	**844**

* Includes derivatives listed on a stock exchange, embedded derivatives in electricity contracts, cash-settled electricity contracts and electricity contracts for physical delivery measured at fair value in accordance with IFRS 9.

Level 1 assets are financial instruments the fair values of which can be determined from market prices in an active market.

Level 2 assets are financial instruments the fair values of which are estimated using a valuation model that only uses market data as its inputs.

Level 3 asses are financial instruments the fair values of which are estimated using a valuation model that does not only use market data as its inputs. In 2020 the Group recognised a net loss of NOK 147 million on level 3 financial instruments.

Level 3 assets and liabilities at fair value*

(Amounts in millions of NOK)	Shares and ownership interests	Supply of free electricity and compensation	Derivatives and electricity contracts measured at fair value	Total
Opening balance at 01/01/2020	5	-733	655	-73
Additions	30	0	0	30
Disposals	-1	0	0	-1
Gains and losses recognised in profit or loss	-1	-70	218	147
Closing balance at 31/12/2020	**33**	**-803**	**872**	**103**

* Liabilities are shown with a minus sign. The amount recognised relates to contracts still held by Agder Energi at the end of 2020.

The valuation of contracts measured at fair value under Level 3 is most sensitive to changes in assumptions about the EUR/NOK exchange rate, electricity prices and interest rate fluctuations. A 10% increase (reduction) in the electricity price would have given a NOK 92 million reduction (increase) in the valuation. A 5% strengthening (weakening) of the Norwegian krone against the euro would have given a NOK 291 million reduction (increase) in the valuation. A 1 percentage point increase (reduction) in the interest rates would have given a NOK 76 million increase (NOK 219 million reduction) in the valuation.

Fair value of financial instruments measured at amortised cost

In the case of financial instruments measured at amortised cost, there may be a discrepancy between their fair value and carrying amount. This is true of the Group's interest-bearing liabilities. In the case of current assets and liabilities like trade receivables, bank deposits, trade payables, etc., the difference is insignificant. The table below therefore only shows the difference between the carrying amount and fair value for the Group's interest-bearing liabilities.

(Amounts in millions of NOK)	Note	Carrying amount **2020**	Fair value **2020**	Carrying amount 2019	Fair value 2019
Interest-bearing liabilities measured at amortised cost					
Bonds	21	6,372	6,532	6,784	6,867
Liabilities to financial institutions	21	3,840	4,015	2,758	2,841
Commercial paper	21	500	500	500	500
Overdraft and other interest-bearing current liabilities	21	0	0	458	457
Lease liabilities	21	225	225	258	258
Total interest-bearing liabilities		**10,937**	**11,272**	**10,758**	**10,923**

The fair value has been estimated at Level 2, i.e. using a valuation model that only uses market data as its inputs.

Assumptions used to determine fair value of energy derivatives

In measuring the fair value of energy derivatives, the following parameters and assumptions have been applied:

Electricity prices

Listed derivatives and other bilateral contracts are measured using a smooth forward curve based on the final price on the statement of financial position date. The prices used are discounted.

Agder Energi has a number of perpetual supply contracts (compensation power), which are accounted for in accordance with IFRS 9. The market value of these contracts has been calculated based on a 200 year term. Market prices are applied for the first ten years. For the subsequent ten years, inflation-adjusted market prices are used. For subsequent periods, best estimates of future prices are used.

Foreign currency
For contracts quoted in foreign currency, the calculation for the first twenty years is based on the exchange rate at the end of the reporting period and the associated forward exchange rates. For subsequent periods separate exchange rate assumptions are used.

Commodities
For certain electricity contracts, the contract price is linked to the prices of various commodities. Valuations are based on the forward prices on the relevant commodity exchanges. If there are no quoted prices for the relevant time period, the commodity prices are inflation-adjusted from the last quoted market price.

Green electricity certificates
Contracts for the purchase and sale of electricity certificates that do not qualify for the own use exemption under IFRS 9 are measured at fair value. Valuations are based on forward prices. For contracts with terms that run beyond the period for which market prices are available, a risk discount is applied to the available forward prices.

Guarantees of origin
Contracts for the purchase and sale of guarantees of origin that do not qualify for the own use exemption under IFRS 9 are measured at fair value. The valuation uses the forward prices quoted by large brokers. For contracts with terms that run beyond the period for which market prices are available, a risk discount is applied to the available forward prices.

CO_2
CO_2 contracts are valued using the forward price of emission quotas (EUAs) on NASDAQ and ICE.

Interest rates
Energy derivatives are discounted by the market interest rate curve (swap curve). For the purpose of discounting perpetual supply contracts related to compensation power, a risk-adjusted nominal interest rate is used.

Assumptions used to determine fair value of currency and interest rate derivatives
Interest rate and currency swaps, as well as currency futures (including embedded currency derivatives in electricity contracts), are valued by discounting future cash flows to their present value. Expected cash flows are calculated and discounted by looking at the observed market interest rates on the various currencies (swap curves) and the observed exchange rates, which are used to derive forward exchange rates. Where possible, the estimated present values are checked against the equivalent calculations carried out by the counterparties to the contracts.

NOTE 24 DERIVATIVES

Agder Energi has both independent derivatives (simply referred to as derivatives) and embedded derivatives.

Agder Energi has some contracts for physical energy sales that are settled in euros. The performance obligations in the contracts are met using electricity generated by the Group, so the contracts do not fall within the scope of IFRS 9. However, the fact that the contracts are settled in euros means that they contain an embedded foreign currency derivative. Under the criteria set out in IFRS 9, the foreign currency derivatives are not closely related to the electricity contract. They are therefore separated from the contracts for physical delivery and measured at fair value.

In the table below, derivatives with positive and negative fair values are broken down by whether they are electricity, currency or interest rate derivatives. The figures for energy derivatives are the accounting values of contracts which, under the criteria set out in IFRS 9, fall within the definition of financial instruments. Power contracts for physical delivery that qualify for the own use exemption under IFRS 9 are not defined as financial instruments. There are therefore significant discrepancies between accounting values and underlying financial values, as the portfolios contain both contracts that fall within the scope of IFRS 9 and ones that do not. A small proportion of the Group's interest rate derivatives are designated as accounting hedges; see Note 26 on accounting hedges.

Agder Energi offers portfolio management services to its customers, who include consumers and producers. These products involve Agder Energi supplying physical electricity and implementing various strategies on behalf of its customers to hedge their electricity price exposure. Agder Energi acts as the counterparty to its customers and then hedges its exposure through trades on NASDAQ (market for cash-settled electricity contracts) and bilateral contracts. Both the contracts with customers and the cash-settled hedges are included on the statement of financial position. This increases the Group's total assets, because it means the gross value of the derivatives on the statement of financial position is higher.

(Amounts in NOK million)	**2020**	2019
Derivative, non-current assets		
Portfolio of cash-settled electricity contracts*	387	244
Currency derivatives and basis swaps	86	17
Embedded currency derivatives in electricity contracts	774	697
Other contracts	377	0
Total	**1,625**	**958**
Derivative, current assets		
Portfolio of cash-settled electricity contracts*	883	418
Currency derivatives and basis swaps	149	61
Embedded currency derivatives in electricity contracts	74	69
Interest rate swaps	19	21
Total	**1,125**	**569**
Derivatives, non-current liabilities		
Portfolio of cash-settled electricity contracts*	258	368
Currency derivatives and basis swaps	251	155
Interest rate swaps	310	198
Other contracts	352	103
Total	**1,171**	**825**
Derivatives, current liabilities		
Portfolio of cash-settled electricity contracts*	654	473
Currency derivatives and basis swaps	248	76
Total	**903**	**549**

* Includes both the portfolio of financial production hedges and the retail customer portfolio.

NOTE 25 FINANCIAL RISK MANAGEMENT

Agder Energi's business activities expose it to market risk, credit risk and liquidity risk. There follows a more detailed description of these risks, and of how they are managed.

MARKET RISK

Market risk primarily consists of electricity price risk, currency risk and interest rate risk. Risk management at Agder Energi focuses on entire portfolios of contracts, and not specifically on contracts that fall within the scope of IFRS 9.

There are internal guidelines on exposure to market risk, for both the hedging and trading portfolios. Agder Energi's risk management function has been given responsibility for continuously monitoring compliance with limits on risk exposure. Trading in both cash-settled and physical contracts is monitored systematically and reported regularly, both to senior management and to the Group's risk management section.

MARKET RISK ARISING FROM ELECTRICITY PRICES

Power generation portfolio

Agder Energi's hydroelectric power generation business is exposed to risks arising from fluctuations in prices and volumes, as both future prices and precipitation levels are unknown.

Agder Energi enters into contracts and trades various cash-settled instruments, within set limits, in order to secure its revenues from electricity sales. This helps to stabilise revenues from one year to another, which is considered desirable on account of the great uncertainty surrounding electricity prices. Hedging activities take into account the Group's risk profile, risk capacity and expected electricity prices. For risk management purposes, cash-settled and physical contracts are considered together.
The exposure of the portfolio at any given time consists of expected future power generation, purchase and sale commitments under long-term physical contracts, as well as contracts on NASDAQ and bilateral cash-settled contracts. Bilateral financial contracts are only used to a limited extent.

The physical contracts in the portfolio comprise contracts concluded on normal commercial terms, contracts to supply concession power and various contracts to supply free power and compensation power. The durations of the commercial contracts vary, but they all expire by the end of 2030. The Group has perpetual agreements to supply compensation power, and the contracts to supply concession power are also perpetual. These perpetual contracts cover less than ten percent of the Group's mean electricity generation.

Risk management takes into account the effect of resource rent tax.

Retail customer portfolio

The retail customer portfolio covers the sale of electricity to consumers in Norway, and to state-owned entities and private companies throughout the Nordic region.

With many of our business customers we have contracts to provide management and electricity trading products that reflect their expected actual electricity consumption. This part of our business involves signing contracts with retail customers that are based on the conditions obtained by Agder Energi in the market. In so far as the customer is offered a profile or regional price that cannot be fully mirrored in the market, the residual risk is monitored carefully.

Contracts for physical delivery are based on spot prices or prices that have been fixed for varying lengths of time. This creates an electricity price risk when our electricity retail business is unable to change the price paid by the customer even if the spot price has changed. This risk is hedged by using cash-settled contracts with NASDAQ or other bilateral counterparties within or outside the Group. The retail customer portfolios are exposed to volume and market timing risks, as some of the physical fixed-price contracts are flexible in terms of the volumes delivered. Based on experience, knowledge of normal seasonal variation and knowledge of other specific issues that affect end users' electricity consumption, Agder Energi calculates the volumes likely to be consumed, and which consequently need to be hedged. Limits have been set on the maximum unhedged exposure to price and volume risk.

The net exposure of the retail portfolios at any given time consists of sale contracts with prices that are fixed for varying lengths of time, as well as contracts on NASDAQ and bilateral cash-settled contracts. The vast majority of the contracts expire in less than three years, but there may be some contracts with longer terms. The portfolio aims to keep electricity price risk low and to protect our margins in this business area. The retail portfolio maintains a net long position in cash-settled contracts.

Independent portfolios
Agder Energi also has separate portfolios that are managed independently of its expected power generation and electricity retailing activities. In these independent portfolios, a distinction is made between the purchase and sale of standard products (trading) and the purchase and sale of non-standard contracts. All of the contracts in the trading portfolios are measured at fair value in the financial statements.

VaR calculations are the most important tool used to manage the risk exposures arising from the trading portfolios. The financial exposure at any given time is limited in relation to the power generation portfolio.
In the case of the portfolios of non-standard contracts, the most important risk management occurs before they are signed, through how they are structured and the negotiation of terms and conditions. The permitted volume of open positions in non-standard products is governed by maximum downside exposure limits derived from the scenario-based stress testing of financial market risk.

Electricity trading authorisations are expressed in terms of limits on potential losses. At an operating level, risk management focuses on minimising any losses.

Electricity price sensitivity

Impact on profit of gains and losses on assets and liabilities at fair value in the event of electricity price

(Amounts in millions of NOK)	Change in electricity prices	
	-10%	10%
Total impact on profit before tax	**284**	**-284**

The table shows a partial risk analysis of how the Group's pre-tax profit would be affected by changes in the values of assets and liabilities in the event of a parallel 10% decrease/increase in forward electricity prices. The analysis only covers assets and liabilities measured at fair value in accordance with IFRS 9.

MARKET RISK – CURRENCY

Agder Energi is exposed to currency risk, mainly through its electricity generation business and retail business.

The biggest exposure to currency risk arises from physical electricity sales by the electricity generation business. Nord Pool Spot contracts are settled in euros, and Agder Energi has also entered into long-term contracts to sell electricity that are payable in euros. In addition, currency risk arises as a result of financial trading on NASDAQ OMX being settled in euros.

Exposure to currency risk arising from electricity generation over the coming years is hedged in accordance with adopted limits on risk exposure. Exchange rate hedging can be done separately from electricity price hedging.

In the retail business, currency risk arises if the price paid by the customer is specified in a different currency from the one used to buy the physical electricity, guarantees of origin and electricity certificates, or the one used to settle cash-settled electricity futures. Currency risk is hedged externally through banks or the parent company.

The company's back and middle office function is responsible for checking that trading in foreign exchange instruments adheres to the adopted strategies and limits on risk exposure.

The table below shows a partial risk analysis of how the Group's pre-tax profit would be affected by changes in the values of assets and liabilities in the event of a parallel 5% decrease/increase in the NOK/EUR exchange rate. A decrease is taken to mean the Norwegian krone strengthening in relation to the euro. The analysis covers changes in the value of currency futures, basis swaps, foreign currency loans, electricity derivatives, long-term contracts to sell electricity measured at fair value under IFRS 9 and embedded derivatives within long-term physical contracts.

Impact on profit of gains and losses on assets and liabilities in the event of exchange rate fluctuations

(Amounts in millions of NOK)	Change in exchange rate (NOK/EUR	
	-5%	5%
Total impact on profit before tax	**82**	**-82**

MARKET RISK – INTEREST RATES

The vast majority of the Group's exposure to interest rate risk arises from its debt portfolio. The Group also has an offsetting exposure to interest rate fluctuations through the deductible interest rate for resource rent purposes, and through the reference interest rate applied to the income cap on its distribution system business. Interest rate swaps are used to achieve the desired exposure to interest rates within the Group's debt portfolio. The fixed interest period is set by using fixed-interest loans and interest rate derivatives.

Sensitivity to interest rates is measured by modified duration within a defined period of 1 to 5 years. Average duration at the close of the year was 4.1 years. The chosen strategy aims to minimise net financial expenses over the long term, while reducing risk to an acceptable level. It is based around making use of the Group's natural interest rate hedges, such as the income cap on its distribution system business and the deductible interest rate used to calculate the resource rent tax payable by the power generation business. The group finance department is responsible for taking positions. Exposure to interest rate risk is measured. Current exposure to interest rate risk in relation to the limit specified in the finance strategy is reported monthly to the CFO.

Impact on profit of interest rate fluctuations

(Amounts in millions of NOK)	Change in interest rates	
	-1 percentage point	+1 percentage point
Impact on interest expense (- indicates higher expense)	43	-43
Gains and losses on interest rate swaps recognised in profit or loss	-141	130
Total impact on profit before tax	**-98**	**87**
Gains and losses on hedging instruments, cash flow hedges	-49	49
Total impact on comprehensive income (before tax)	**-147**	**136**

The table shows a partial risk analysis of how the Group's pre-tax profit would be affected by a parallel 1 percentage point increase/decrease in the yield curve. It also shows the impact on other comprehensive income and expenses as a result of certain interest rate derivatives being designated as cash flow hedges. All impacts are shown before tax. The analysis only covers interest-bearing liabilities measured at amortised cost under IFRS 9 and interest rate derivatives.

Breakdown of interest rates by currency

	2020	2019
Nominal average interest rate, NOK	2.6%	3.1%
Nominal average interest rate, euros	1.8%	2.0%

Fixed-interest periods within loan portfolio*

(Amounts in millions of NOK)	1-3 years	3-5 years	5-10 years
NOK-denominated loans	3,870	3,674	1,798
Euro-denominated loans	2,434	2,210	1,361
Total	**6,304**	**5,885**	**3,159**

* The table takes into account the impact of interest rate swaps and shows the average volume of hedged loans in the three time frames.

CREDIT RISK

Credit risk is the risk that a party to a cash-settled or physical trade will cause his counterparty to incur a loss by failing to fulfil his obligations.

Agder Energi takes on counterparty risk by selling and distributing electricity, and by selling other goods and services. For receivables measured at amortised cost, a provision is made for expected bad debts. For 2020, provisions have only been made for trade receivables; see Note 16. The credit risk exposure arising from receivables is virtually identical to the carrying amount on the statement of financial position; see notes 15 and 16.

The trading of financial instruments also gives rise to counterparty risk. The majority of cash-settled electricity contracts are cleared through NASDAQ. For these contracts, there is assumed to be little counterparty risk. For all other electricity contracts, the maximum exposure to any individual counterparty is determined based on an internal credit rating. The credit rating is based on information such as key financial figures. Counterparties are then grouped in various risk classes, each of which is allocated a maximum exposure level. Bilateral contracts are subject to limits on exposure to individual counterparties, both in terms of value and duration.

In order to limit credit risk, bank guarantees are sometimes demanded when a contract is signed. Parent company guarantees are also used. In those cases, the parent company is assessed and classified in the normal way. Agder Energi has good procedures for ensuring that outstanding receivables are paid on time. An ageing analysis of customers is continuously monitored. Historically Agder Energi's losses on its receivables have been low.

The maximum credit risk arising from derivatives is virtually identical to the carrying amount on the statement of financial position; see Note 23. For energy derivatives, the credit risk associated with all contracts traded through NASDAQ is limited by the fact that counterparties provide cash collateral or bank guarantees. For bilateral contracts, including long-term electricity contracts with industrial customers, there is not normally any such security.

The table below shows a reconciliation of the gross amount, amount offset and carrying amount for financial instruments with offset agreements or similar agreements. For Agder Energi, this is only relevant to derivatives. A financial asset and financial liability are shown net on the statement of financial position if Agder Energi has a legally enforceable right to set-off the asset and liability, and if it intends to settle on a net basis.

Offsetting

(Amounts in millions of NOK)	**Financial assets**		
	Gross amount	Amount offset	Carrying amount
Derivatives (non-current and current)	3,242	493	2,749

(Amounts in millions of NOK)	**Financial liabilities**		
	Gross amount	Amount offset	Carrying amount
Derivatives (non-current and current)	2,566	493	2,074

LIQUIDITY RISK

Agder Energi is exposed to liquidity risk arising from the fact that its liabilities do not mature at the same time as when cash flows are generated, as well as from variations in margin requirements and settlement dates for futures traded through NASDAQ. Agder Energi manages this risk through liquidity forecasts and simulations, as well as by establishing minimum liquidity requirements. Agder Energi uses a NOK 500 million credit facility with a bank as a reserve for liquidity requirements relating to NASDAQ. In addition, Agder Energi has set up NOK 4,000 million of credit facilities with banks to protect itself against refinancing risk. This amount is big enough to provide sufficient time to set up alternative financing arrangements. The parent company has set up a cash pooling arrangement with an associated NOK 500 million overdraft facility. At the close of the year, the Group had a total of NOK 5,000 million in unused credit facilities. The capital markets consider Agder Energi to be a low-risk borrower, and the Group has good access to credit.

Liquidity risk is reassessed regularly. The Group finance department is responsible for ensuring that the Group has adequate liquidity within the framework of the finance strategy. Key figures relating to liquidity risk are included in the Group's risk report to the Board of Directors. Targets have been established for the minimum remaining term to maturity of the debt portfolio, and credit facilities with banks shall cover all loans maturing within at least 9 months.

Maturity structure of liabilities

(Amounts in millions of NOK)	Due in 2021	Due in 2022	Due in 2023	Due in 2024	Due in 2025	Due after 2025	Unspecified
Bonds and liabilities to financial institutions	1,484	1,238	1,454	863	654	4,604	0
Commercial paper and overdraft facility	500						
Lease liabilities	59	54	46	44	30	0	0
Interest payments	236	206	171	155	140	416	0
Total interest-bearing liabilities	**2,279**	**1,497**	**1,671**	**1,062**	**824**	**5,020**	**0**
Financial liabilities at fair value through profit or loss	903	363	207	105	11	132	1,155
Other non-interest-bearing current liabilities	2,213						
Total non-interest-bearing liabilities	**3,116**	**363**	**207**	**105**	**11**	**132**	**1,155**
Total	**5,395**	**1,861**	**1,878**	**1,168**	**834**	**5,152**	**1,155**

Breakdown of loans by currency

(Amounts in millions of NOK)	**2020**	2019
NOK-denominated loans	7,818	7,529
Euro-denominated loans	3,202	3,284
Total	**11,020**	**10,813**

The Group has 226 million euros of euro-denominated loans. In addition, Agder Energi has used basis swaps to convert NOK 750 million of loans into 80 million euros of euro-denominated loans. This is reflected in the table above, which is why the total value of loans in the table does not match the table in Note 21. The fair value of the swaps at the end of 2020 was NOK -92 million, which was included under derivatives on the statement of financial position; see Note 24. Basis swaps are contracts to swap principal and interest payments between currencies. When the contract expires, the principal is swapped back to the original currency using the exchange rate when the contract was signed.

Euro-denominated loans are used as cash flow hedges to secure future cash flows in euros, but hedge accounting is not used.

NOTE 26 ACCOUNTING HEDGES

Agder Energi has various interest swaps linked to specific loans that serve as cash flow hedges, i.e. they are variable-to-fixed interest rate swaps. The face value of the hedged items is 91 million euros.

In addition to the above, until the end of 2013 Agder Energi had designated 168 million euros worth of loans as cash flow hedges of highly probable future revenues from electricity sales. As of 2014, Agder Energi decided not to meet the documentation requirements in relation to accounting for these foreign currency loans as hedges. Hedge accounting was no longer used for these loans after that point. Unrealised foreign exchange losses on the loans that arose during the period of hedge accounting will be reversed through profit or loss between now and 2028 in parallel with the recognition of the hedged electricity sales.

For its other financial hedging relationships, Agder Energi has chosen not to meet the extensive documentation requirements specified in the IFRS rules on hedge accounting.

Amounts in millions of NOK	2020	2019
Fair value of derivatives designated as hedging instruments		
Derivatives designated as cash flow hedges	-114	-100
Total fair value of derivatives designated as hedging instruments	**-114**	**-100**
Cash flow hedges		
Gains/losses recognised in the SoCI	-14	-24
Reclassified to profit or loss	-14	12
Total gains/losses on hedging instruments recognised in the SoCI	**-28**	**-13**
Cash flow hedge ineffectiveness recognised in profit or loss	**0**	**0**

NOTE 27 MORTGAGED ASSETS, LIABILITIES AND GUARANTEES ISSUED

Mortgages
Agder Energi AS has no mortgage debt.

Liabilities and guarantees issued
Agder Energi has no covenants relating to financial key figures in its loan agreements.
Agder Energi's loan agreements do contain negative pledge clauses, which also cover its subsidiaries. This means that any new security interests require the consent of the lenders.

Agder Energi has NOK 649 (778) million in off-statement of financial position bank guarantees. NOK 412 (327) million of this relates to payment guarantees for electricity trading, NOK 48 (48) million to tax deductions at source, NOK 183 (299) million to network tariffs passed on to customers and NOK 6 (104) million to contractual guarantees.

At the close of the year, the parent company had issued guarantees worth NOK 108 (10) million in relation to subsidiaries' external liabilities.

Off-statement of financial position contractual obligations
At any given time the Group has several ongoing investment projects that involve obligations to fulfil contracts with subcontractors. The Group also has obligations arising from its ownership interests in joint arrangements and water management associations; cf. Note 14.

Electricity from the generation portfolio has been sold in advance through physical contracts with industrial clients that are not included on the statement of financial position. These contracts form part of the risk management strategy for electricity generation; see Note 25. Similarly, the retail portfolio offers physical fixed-price contracts. The exposure arising from them is hedged as described in Note 25.

Agder Energi Varme has entered into a long-term contract to buy heating energy from the municipally-owned enterprise Returkraft. The contract, which runs for 20 years with an optional extension, commits Agder Energi Varme to buying an agreed volume from Returkraft's waste-to-energy plant in Kristiansand from 2010 onwards.

Since 2010, Agder Energi has had its head office in leased premises at Kjøita in Kristiansand. It has signed a 15+5-year lease on the building with the lessor Kjøita 18 AS. It is not considered reasonably certain that the 5-year option to renew will be exercised, so that period is not included in the lease liability presented on the statement of financial position.

NOTE 28 CONTINGENT LIABILITIES AND EVENTS AFTER THE END OF THE REPORTING PERIOD

Agder Energi's operations are extensive, and it can therefore get involved in major and minor disputes from time to time.

Contingent liabilities

Tax

For the purposes of calculating resource rent, the tax authorities have denied Agder Energi Vannkraft the right to deduct the value of the 85 GWh of free electricity that it has supplied annually since 2011 – most recently in a ruling by the Tax Appeals Board. The district court heard the case in December 2020, but it had not yet announced its judgement when the financial statements were submitted. Due to negative resource rent carryforwards, the cash flow impact has been modest to date. The power station in question now has taxable income, and the inability to make this deduction will therefore increase our tax expense and reduce our cash flows by NOK 5-10 million per year.

Agder Energi Nett has been issued a ruling on a change in the tax assessment for the smart meter project for the period since 2015. The Central Tax Office for Large Enterprises (Sfs) believes that certain items that Agder Energi has expensed for tax purposes should be capitalised. The change has caused a reduction in the deferred tax liabilities on the statement of financial position and an equivalent increase in the tax payable. It has only had a modest impact on profit. Agder Energi Nett disagrees with the ruling and has appealed it to the Tax Appeals Board.

The financial statements reflect the view expressed by Sfs in its notice.

Concession power in the Mandal river system

In conjunction with Royal Decree of 6 December 2013 relating to further exploitation of Lake Skjerkevatn and Royal Decree of 3 February 2017 on the so-called Åseral projects, the Ministry of Petroleum and Energy (OED) has changed the price terms for some of Agder Energi Vannkraft's existing obligations to supply concession power (approximately 30 GWh). Agder Energi Vannkraft had expected the extra electricity generated under the new licences to be subject to the OED price, but thought that electricity generated under the existing licences granted prior to 1959 would continue to be supplied at the cost at the relevant power station. The change in the price terms may result in an annual loss of revenue of NOK 2-3 million.

Agder Energi considers that the OED has no grounds to change the price terms for older licences in conjunction with issuing the two aforementioned licences.

Agder Energi tried to get the OED to overturn its decision on the price terms, but finally it sued the state for having taken an invalid administrative decision. The Group lost the case in the district court and appealed the decision. The case was heard by the court of appeal in March 2021, but it had not yet announced its judgement when the financial statements were submitted.

Events after the end of the reporting period

At the end of 2020, Agder Energi's investment in Otovo AS was classified as an investment in an associate; see Note 14. In the first quarter of 2021, it was concluded that the requirements for classifying it as an associate are no longer met. In 2021 the investment has therefore been reclassified as an investment in shares, to be measured at fair value in accordance with IFRS 9. This change will boost net income by NOK 179 million in the first quarter of 2021.

NOTE 29 MANAGEMENT COMPENSATION, ETC.

Board of Directors

The compensation of the Board of Directors and Corporate Assembly for 2020 was NOK 1,590,300 and NOK 10,000 respectively. The equivalent figures in 2019 were NOK 1,350,500 and NOK 12,400 respectively.

The Board members are not entitled to any special termination benefits such as bonuses, profit-sharing or options.

All of the stated figures exclude employers' NICs.

Board of Directors

(Amounts in NOK)		Period	Directors' fees	Board meetings
Lars Erik Torjussen	Chair of the Board 3) 4)	Whole year	482,400	11 out of 11
Tine Sundtoft	Deputy Chair	until May	70,800	2 out of 3
Gro Elisabeth Lundevik	Deputy Chair	from June onwards	102,100	8 out of 8
Jill Akselsen	Board member	until May	52,100	3 out of 3
Lars Petter Maltby	Board member	from June onwards	84,600	8 out of 8
Leif Atle Beisland	Board member 2)	until May	62,500	3 out of 3
Vibekke Hellesund	Board member 2)	from June onwards	102,100	5 out of 8
Jon Vatnaland	Board member 1) 3)	until August	0	4 out of 5
Hilde Bakken	Board member 1)	from November onwards	0	3 out of 3
Asbjørn Grundt	Board member 1) 3)	Whole year	0	11 out of 11
Marit Grimsbo	Board member 1)	Whole year	0	10 out of 11
Siw Linnea Poulsson	Board member 1) 2)	Whole year	0	11 out of 11
Johan Ekeland	Employee representative	until May	52,100	3 out of 3
Roger Thorsland	Employee representative	from June onwards	84,600	8 out of 8
Sverre Halvard Hamre	Employee representative	until May	52,100	3 out of 3
Oddvar Emil Berli	Employee representative 3)	Whole year	155,800	11 out of 11
Lasse Lundsholt	Employee representative 2)	from June onwards	102,100	8 out of 8
Asbjørn Hoveland	Employee representative	from June onwards	84,600	8 out of 8
Morten Johnsen	Employee representative	until May	52,100	3 out of 3

1) Employees of Statkraft are not paid Directors' fees.
2) Member of the Board's audit committee
3) Member of the Board's compensation and succession planning committee
4) The ordinary fee received by the Chair was NOK 290,000. The amount in excess of this comprises extra fees for work on the ongoing merger discussions with Glitre Energi.

In 2020, NOK 58,800 and NOK 26,300 were paid in fees to the audit committee and succession planning committee respectively.

In 2020, Board members' deputies received NOK 50,300 in fees.

None of the Board members received compensation from any other companies in the Group, with the exception of the employee representatives, who receive salaries for their ordinary jobs. Their compensation as Agder Energi employees is not included in the above figures. No Board members have any loans from the company.

Senior management team

(Amounts in NOK 000s)		Period	Salary	Bonus	Other benefits 1)	Total taxable income	Pension expense
Steffen Syvertsen	CEO	Whole year	3,617	0	115	3,732	677
Kristin A. Dale	Chief HR and Communication Officer	Whole year	1,563	0	113	1,676	217
Jan Erik Eldor	Business Area Director for Distribution	Whole year	1,796	0	114	1,910	259
Svein Are Folgerø	Business Area Director for Innovation	Whole year	1,954	0	113	2,067	328
Anders Gaudestad	Business Area Director for Energy Management	Whole year	2,168	0	116	2,283	147
Pernille K. Gulowsen	CFO	Whole year	2,035	0	114	2,149	302
Atle Knudsen	Business Area Director for Customer	Whole year	2,001	0	118	2,119	308
Ingvill H. Mykland	Chief Technology Officer	Whole year	1,587	0	113	1,701	237
Jan Tønnessen	Business Area Director for Production	Whole year	1,982	0	113	2,094	333

1) Other benefits include mileage allowances, mobile phones and other benefits.

Loans/guarantees issued and share option schemes

No members of the senior management team have been granted loans or had guarantees issued on their behalf by Agder Energi. Agder Energi does not have any share option schemes for management or other employees.

Bonuses and pension plans

No members of the senior management team had bonus agreements in 2020.

The CEO is covered by Agder Energi's ordinary pension plan for income up to 12G, and by its pension plan included under operating expenses for income over 12G. The retirement age for the position is 70. A mutual notice period of 6 months has been agreed for the CEO. In his contract, the CEO renounces the right to the protections against dismissal stipulated in the Working Environment Act. If the employer makes use of this clause, termination compensation is payable equivalent to 10 months' basic salary on top of the agreed notice period. The termination compensation will not be reduced by the amount of any other income the CEO receives during the period that the compensation is payable.

For other members of the senior management team, the notice period is also six months. There are no special agreements on termination compensation.

Everyone in the senior management team has a defined contribution pension plan in line with the Group's standard plan.

NOTE 30 RELATED PARTIES

All associates and joint arrangements specified in Note 14 are classified as related parties of Agder Energi. The Group had NOK 18 million of sales to such companies in 2020 and NOK 25 million in 2019. Purchases from those companies amounted to NOK 256 million in 2020 and NOK 211 million in 2019. The people specified in Note 29, who are members of the Group's senior management team or Board of Directors, are also related parties of Agder Energi.

Agder Energi's largest shareholder is Statkraft Industrial Holding AS, which owns 45.525% of the shares in the company. Sales to companies in the Statkraft Group amounted to NOK 0.2 million in 2020 and NOK 6 million in 2019. Purchases from those companies amounted to NOK 12 million in 2020 and NOK 52 million in 2019. Statkraft Industrial Holding AS is also a joint owner of several of the joint arrangements in which Agder Energi holds an ownership interest.

All transactions with related parties are carried out on an arm's length basis.

NOTE 31 ACQUISITIONS, DISPOSALS AND BUY-OUT OF NON-CONTROLLING INTERESTS

Business acquisitions

Agder Energi did not make any significant business acquisitions in 2020. Nor were there any significant business acquisitions in 2019.

Business disposals

The Swedish electrical contracting firm Craftor formed part of the Other activities segment until Agder Energi sold its 67% ownership interest in December 2020. In the income statement, the contribution of the business until it was sold and the gain on its disposal are split out from other activities and presented on a separate line as "Net income from discontinued operations". Comparative figures have been restated to reflect this.

The table below shows how the comparative figures for 2019 have been restated:

	2019		
(Amounts in millions of NOK)	Previously reported	Change	Restated
Other operating revenues	1,412	-912	500
Other raw materials and consumables used	-843	690	-153
Employee benefits	-812	122	-690
Depreciation and impairment losses	-706	3	-703
Other operating expenses	-928	45	-883
Total adjustment to operating profit		**-54**	
Financial expenses	-289	7	-282
Income tax	-485	8	-477
Total adjustment to net income from continuing operations		**-38**	
Net income from discontinued operations	0	38	38
Net income	1,135	0	1,135

The table below shows condensed income and cash flow figures for the business until the date of the sale and transaction.

(Amounts in millions of NOK)	**2020**	2019
Operating revenues	1,148	912
Operating expenses	-1,031	-858
Operating profit	**117**	**54**
Net financial income/expenses	-6	-7
Profit before tax	**111**	**47**
Tax expense	-24	-8
Net income	**87**	**38**
Gain on disposal of discontinued operations	583	0
Net income from discontinued operations	**670**	**38**
Net cash provided by operating activities	69	1
Net cash provided by/used in investing activities	745	0
Net cash provided by financing activities	-17	0
Net cash flow from discontinued operations	**798**	**1**

The sale of the company generated a NOK 590 million gain, including a currency gain of NOK 7 million.

Agder Energi did not complete any significant disposals in 2019.

NOTE 32 GROUP STRUCTURE

The table below shows the companies in the Agder Energi Group at 31/12/2020.

Subsidiaries	Ownership interest in %*		Country
Agder Energi Nett AS	100.0		Norway
Agder Energi Vannkraft AS	100.0		Norway
Agder Energi Kraftforvaltning AS	100.0		Norway
LOS AS	100.0		Norway
Entelios AS	100.0		Norway
Entelios AB	100.0		Sweden
Entelios Trading AB	100.0		Sweden
Entelios ApS	100.0		Denmark
Entelios OY	100.0		Finland
Enfo AS	100.0		Norway
Entelios AG	100.0		Germany
Entelios GmbH	100.0		Germany
Nordgröön Energie GmbH	100.0		Germany
Agder Energi Fleksibilitet AS	100.0		Norway
Agder Energi Varme AS	100.0		Norway
Baltic Hydroenergy AS	100.0		Norway
UAB Baltic Hydroenergy	100.0		Lithuania
JSC Latgales Energetika	64.0		Latvia
Stoaveien 14 AS	100.0		Norway
Stoa 192 AS	100.0		Norway
Stoa 234 AS	100.0		Norway
Agder Energi Venture AS	100.0		Norway
NEG AS	74.5		Norway
Norsk Energigjenvinning AS	100.0	(74.5)	Norway
NEG Skog AS	100.0	(74.5)	Norway
Norsk Biobrensel AS	100.0	(74.5)	Norway
Norbio AB	100.0	(74.5)	Sweden
Norbio Energi AS	100.0	(74.5)	Norway
Miljøenergi AS	52.0	(38.7)	Norway
Bioenergy AS	85.9		Norway
Bio Energy Sales AS	100.0	(85.9)	Norway
Lahaugmoen Drift AS	100.0	(85.9)	Norway
Adaptic AS	90.7		Norway
Meventus AS	100.0		Norge
Meventus AB	100.0		Sweden
ReSiTec AS	92.5		Norway
Netsecurity AS	83.3		Norway
Eco STOR AS	74.8		Norway
Green Hyco AS	100.0		Norway

* Figures in brackets indicate Agder Energi AS's indirect ownership interest in companies where it holds minority interests through intermediate companies.

Non-controlling interests

The non-controlling interests' share of net income was NOK 30 (14) million in 2020. NOK 29 (13) million of this related to Craftor. Craftor was sold in December 2020; see Note 31.

Agder Energi Nett uses a helicopter carrying a big saw with 9-12 circular blades to maintain a safe distance between the vegetation and live power lines, as well as to make the adjacent forest more resilient to wind and snow.

AGDER ENERGI AS

AGDER ENERGI AS

FINANCIAL STATEMENT

Click on the text to go to the page of your choice

INCOME STATEMENT

(Amounts in NOK million)	Note	2020	2019
Other operating revenues	1	360	363
Total operating revenues		**360**	**363**
Employee benefits	2, 3	-226	-211
Depreciation and impairment losses	8, 9	-9	-7
Other operating expenses	1, 4, 5	-227	-227
Total operating expenses		**-463**	**-444**
Operating profit		**-104**	**-81**
Financial income	1, 6	3,376	1,644
Financial expenses	1, 6	-1,964	-1,070
Net financial income/expenses		**1,412**	**574**
Profit before tax		**1,309**	**493**
Tax expense	7	-8	-92
Net income		**1,301**	**401**
Allocation of profit:			
Proposed dividends	13	325	-
Transferred to other reserves	13	976	401
Total appropriations		**1,301**	**401**

STATEMENT OF FINANCIAL POSITION

(Amounts in NOK million)	Note	2020	2019
Intangible assets	8	16	15
Property, plant and equipment	9	24	25
Investments in subsidiaries	11	3,423	3,418
Investments in associates	11	133	74
Other non-current financial assets	10	10,588	10,475
Total non-current assets		**14,184**	**14,006**
Receivables	1	819	993
Cash and cash equivalents	12	863	0
Total current assets		**1,682**	**993**
TOTAL ASSETS		**15,866**	**14,999**
Paid-in capital	13	1,907	1,907
Retained earnings	13	2,436	1,897
Total equity		**4,344**	**3,804**
Deferred tax	7	47	79
Provisions	3, 16	231	347
Interest-bearing non-current liabilities	14	8,745	8,166
Total non-current liabilities		**9,022**	**8,592**
Interest-bearing current liabilities	14, 17	1,947	2,036
Tax payable	7	8	0
Other non-interest-bearing current liabilities	1, 15	545	566
Total current liabilities		**2,500**	**2,602**
TOTAL EQUITY AND LIABILITIES		**15,866**	**14,999**

Kristiansand, 25. March 2021
Board of Directors of Agder Energi AS

Lars Erik Torjussen
Chair

Gro Elisabeth Lundevik *Deputy chair*	Lars Petter Maltby *Board member*	Vibekke Hellesund *Board member*	Hilde Bakken *Board member*	Marit Grimsbo *Board member*	Asbjørn Grundt *Board member*
Siw Linnea Poulsson *Board member*	Oddvar Emil Berli *Board member*	Lasse Lundsholt *Board member*	Roger Thorsland *Board member*	Asbjørn Hoveland *Board member*	Steffen Syvertsen *CEO*

STATEMENT OF CASH FLOWS

(Amounts in NOK million)	Note	2020	2019
Cash flow from operating activities			
Profit before tax		1,309	493
Depreciation and impairment losses	6, 8, 9	81	79
Income from investments in subsidiaries		-1,285	-558
Income from investments in associates		-152	-110
Tax paid		-1	-23
Change in net working capital, etc.		12	308
Net cash provided by operating activities		**-36**	**189**
Investing activities			
Purchase of property, plant, equipment and intangible assets		-11	-11
Acquisitions/financial investments and equity investments in subsidiaries		-94	-139
Net change in loans		146	-1,026
Sale of property, plant, equipment and intangible assets		3	0
Sale of businesses/financial assets		645	139
Net cash used in investing activities		**689**	**-1 037**
Financing activities			
New long-term borrowings		1,890	1,946
Repayment of long-term borrowings		-1,352	-1,352
Net change in current interest-bearing liabilities		-186	-43
Intra-group distributions received		576	950
Intra-group distributions paid out		-396	-647
Dividends received from subsidiaries		290	586
Dividends paid		-612	-592
Net cash used in financing activities		**210**	**848**
Net change in cash and cash equivalents		**863**	**0**
Cash and cash equivalents at start of year		0	0
Cash and cash equivalents at end of year		863	0

ACCOUNTING PRINCIPLES

The financial statements have been presented in compliance with the Norwegian Accounting Act and generally accepted accounting principles.

Accrual, classification and measurement principles

In accordance with generally accepted accounting principles, the financial statements are based on the historical cost, revenue recognition, matching, conservatism, hedging and congruence principles. In the event of uncertainty, best judgement is applied. Financial statements are prepared using uniform principles that are applied consistently over time. The financial statements have been prepared on the assumption of the business being a going concern.

Recognition of revenues and expenses

Revenues and expenses are recognised in profit or loss when they are earned/incurred. Revenues from the sale of goods are recognised on delivery. Revenues from services are recognised in the income statement as they are supplied.

General principles for measurement and classification

Current assets and current liabilities cover items that are due for payment within one year of the transaction date, as well as items relating to the business cycle. Other items are classified as non-current assets or non-current liabilities. Current assets are carried at the lower of cost and fair value. Current liabilities are carried at their nominal value on the initial date.

Non-current assets are carried at cost, but are written down to the recoverable amount if there is evidence of impairment, in compliance with the Norwegian accounting standard on the impairment of non-current assets.

Intangible assets

Intangible assets are included on the statement of financial position if they meet the criteria for capitalisation, with the exception of research and development costs, which are expensed as they are incurred. This means that expenses associated with intangible assets are included on the statement of financial position if it is considered probable that future economic benefits attributable to the assets will flow to the company and it has been possible to reliably measure the acquisition cost of the asset.

Property, plant and equipment

Property, plant and equipment is depreciated in a straight line over its anticipated useful life. Maintenance on property, plant and equipment is considered an operating expense, while upgrades and replacements are added to the acquisition cost of the asset and are depreciated together with the asset. The distinction between maintenance and upgrades/improvements is judged on the basis of the condition of the asset when it was acquired.

Non-current financial investments

The historical cost method is used for shares, bonds and other financial instruments. This means that shares/ownership interests are carried at cost, and any dividends received are recognised as other financial income. Dividends and intra-group distributions received are recognised if the underlying profit was earned while the asset was owned by the Group. Intra-group distributions received are recognised in the year that they are allocated by subsidiaries. Dividends from subsidiaries are also recognised in the year that they are appropriated by the subsidiary. Investments are written down to fair value if there is evidence of other-than-temporary impairment. Dividends from associates are recognised when they are approved.

Interest rate swaps

Interest rate swaps are used to match the duration and interest rate sensitivity of the company's debt portfolio to the Group's policy and strategy. Interest rate swaps are managed within the context of the Group's overall debt portfolio. Instruments in the hedging portfolio thus meet the criteria for hedge accounting, which means that all profit and loss effects are recognised over the contract period and the value of the portfolio is kept off the statement of financial position.

Foreign currency and currency instruments

The finance department manages the Group's overall exposure to currency risk. To some extent Agder Energi AS acts as a counterparty within the Group when it does not make sense to hedge subsidiaries' exposure to currency risk directly in the market. Where the parent company has acted as a counterparty in conjunction with the need of subsidiaries to hedge their currency risk exposure arising from electricity sales, the contracts are accounted for as part of the Group's currency hedging activities. These contracts are presented on the statement of financial position at fair value, with changes in fair value recognised through profit or loss.

Receivables

Trade debtors and other receivables are presented on the statement of financial position at their nominal value less anticipated bad debts. Provisions for bad debts are made on the basis of individual assessments of the individual receivables.

Cash pooling arrangement

Agder Energi AS is part of a cash pooling arrangement with its subsidiaries. This means that the Group has a joint bank account for short-term deposits and short-term loans. Interest income and interest expenses arising from the cash pooling arrangement are classified as external in the company's income statement.

Pensions

Defined benefit pension plan

Pension costs and pension liabilities are calculated using a linear accumulation model based on assumptions relating to discount rates, projected salaries, the level of benefits from the National Insurance Scheme and future returns on pension plan assets, as well as actuarial calculations of mortality, voluntary turnover, etc. Pension plan assets are measured at their

fair value, and have been deducted in the net pension liabilities presented on the statement of financial position. Remeasurements over the course of the year are recognised in the statement of financial position at the end of the year, so that the carrying amount always reflects the full extent of the liabilities. In the event of changes in pension obligations arising from plan amendments, the portion of the change that has already been accrued at the time of the amendment is recognised directly in the income statement. Pension expenses and net pension liabilities include a charge for employers' national insurance contributions.

Defined contribution plan
For defined contribution plans, the pension expense is equivalent to the premiums/contributions paid over the course of the year.

Taxes
Income tax is calculated in accordance with standard tax rules. The tax expense in the income statement consists of tax payable and changes in deferred tax liabilities/assets. Tax payable is calculated on the taxable profit for the year. Deferred tax liabilities/assets are calculated on the basis of the temporary differences that exist between accounting and tax values, as well as the tax effect of any loss carryforwards. Deferred tax assets are only recognised on the statement of financial position if it is likely that they will be realised in the future. Tax on equity transactions is recognised directly in equity.

Liabilities
Agder Energi AS uses the amortised cost principle, and consequently the effective interest rate method, for interest and liabilities. Under the effective interest rate method, the carrying amount of a loan is the sum of future cash flows attributable to the loan discounted by the original effective interest rate calculated for the cash flows. This means that loan arrangement fees are deducted on initial recognition, and that over the duration of the loan, the difference between the nominal interest rate (the rate charged) and the effective interest rate (the rate expensed) is recognised in the statement of financial position under amortisation. In practice loans are therefore initially recognised at their face value less arrangement fees, which means that the debt is not carried on the statement of financial position at its nominal value.

A provision is made for Agder Energi AS's proposed dividends at 31 December.

Contingent liabilities and contingent assets
If there is a greater than 50% probability that an uncertain liability will need to be settled, a provision is made based on a best estimate of what the settlement will be. If there is a smaller than 50% probability that an uncertain liability will need to be settled, information is provided in the notes. Contingent assets are not recognised, but if there is a greater than 50% probability that the company will receive payment, information is provided in the notes. The amount is not estimated if it would be inappropriate to do so under generally accepted accounting principles. Furthermore, under generally accepted accounting principles entities shall be able to recognise liabilities/provide information based on best judgement without this prejudicing the outcome of any court case.

Statement of cash flows
The statement of cash flows has been prepared using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short-term, liquid investments that can be converted into known cash values immediately and at insignificant risk, and that mature less than three months after their acquisition dates.

NOTES

NOTE 1 INTRA-GROUP TRANSACTIONS AND BALANCES

(Amounts in millions of NOK)	Note	2020	2019
Intra-group balances			
Other non-current financial assets	10	9,604	9,608
Trade receivables		38	52
Other current receivables		691	885
Total receivables		**10,333**	**10,545**
Trade payables	15	6	4
Other current liabilities	15	50	396
Total liabilities		**56**	**401**
Revenues and expenses relating to intra-group transactions			
Other operating revenues		336	336
Total operating revenues		**336**	**336**
Other operating expenses		33	29
Total operating expenses		**33**	**29**
Income from investments in subsidiaries	6	1,285	558
Other interest and financial income		804	482
Other interest and financial expenses		312	239
Net financial income/expenses		**1,777**	**801**

NOTE 2 EMPLOYEE BENEFITS, MANAGEMENT COMPENSATION, ETC.

(Amounts in millions of NOK)	Note	2020	2019
Employee benefits			
Salary		175	172
Employers' National Insurance Contributions		23	25
Pension expense including employers' NICs	3	20	-5
Other benefits and reimbursements		8	19
Total		**226**	**211**
Number of full-time equivalents at 31 Dec.		**161**	**176**

The pension expense for 2019 was affected by changes in legislation on pensions that apply to all public sector defined benefit pension plans. For more detailed information, see Note 3 Pensions. For details of management compensation and non-executive Directors' fees at Agder Energi AS, please see Note 29 to the consolidated financial statements.

NOTE 3 PENSIONS

The company's pension plans

Defined benefit pension plans
For most of its Norwegian companies, Agder Energi has an occupational pension plan run by Agder Energi Pensjonskasse for people taken on before 1 April 2007. This funded public sector pension plan provides defined future pension benefits (defined benefit plan). Benefits are based on the employee's number of years of service and salary on reaching retirement age. The pension plan meets the legal requirements for public sector occupational pension plans.

In 2019 there were several changes to the regulations on public sector occupational pension plans. These included new rules on how benefits from the National Insurance Scheme were to be integrated with occupational pension plans. It was also decided that public sector occupational pension plans should go from being defined benefit plans to being unit benefit plans for everyone born in 1963 or later. In conjunction with the transition to unit benefit plans, Agder Energi chose to transfer employees born in or after 1963 to a defined contribution plan, with effect from January 2020. As such, a unit benefit plan was not introduced at Agder Energi. For the age group affected, pension rights accrued up to and including 2019 continue to be included in the pension liability as an accrued pension entitlement. The defined benefit pension plan was kept in place for employees born in 1962 or earlier.

Certain current and former senior managers are entitled to pension benefits over and above those covered by the company pension plan. Current employees ceased to accrue entitlements under these plans in conjunction with the transition to a defined contribution plan. Provisions for these plans are presented under unfunded pension liabilities.

Early retirement schemes (AFP schemes)
Agder Energi has an early retirement scheme, known as an AFP scheme, for employees born in 1962 or earlier. The scheme does not receive a government subsidy, so the Group is fully liable for all of the obligations under the scheme. Accrued entitlements under the plan are presented under unfunded pension liabilities.

Defined contribution pension plan
Anyone taken on after 1 April 2007 is entitled to membership of a defined contribution pension plan. As of 1 January 2020, all employees born after 1963 are also covered by the defined contribution plan.

Private AFP scheme
Employees covered by the defined contribution pension plan are entitled to a private AFP scheme. This is a lifelong supplement to their retirement pensions from the National Insurance Scheme. The AFP scheme is funded by contributions made by the employer. It is considered a defined benefit plan, but it is accounted for as a defined contribution plan. The contribution for 2016 was 2.5%.

Past service pension adjustments in 2019
For accounting purposes, the changes to pension regulations and plans referred to above were treated as a past service pension adjustment, and a NOK 23 million gain on pension liabilities was recognised in the income statement in 2019.

(Amounts in millions of NOK)	2020	2019
The pension expense for the year has been calculated as follows		
Current service cost	10	16
Administration costs	3	2
Interest income/expenses on pension assets/liabilities	-6	-8
Past service cost	0	-23
Employers' National Insurance Contributions	1	2
Employee contributions	0	-1
Pension expense for the year, defined benefit plans	**8**	**-13**
Defined contribution pension plans (including employers' NICs)	13	8
Total pension expense recognised in the income statement	**20**	**-5**

(Amounts in millions of NOK)	2020	2019
Pension liabilities and pension plan assets		
Gross funded pension liabilities	908	920
Unfunded pension liabilities	159	169
Gross pension liabilities at 31 Dec. incl. emp. NICs	**1,067**	**1,089**
Fair value of pension plan assets at 31 Dec.	1,499	1,355
Net pension plan assets at 31 Dec.	**432**	**266**

Change in defined benefit pension liabilities		
Net defined benefit pension liabilities at 1 Jan.	266	277
Pension expense recognised in profit or loss excluding employee contributions	-8	11
Company contributions including employers' NICs	12	0
Pension benefits included under operating expenses	7	6
Remeasurements	155	-29
Net pension liabilities (-)/assets (+) recognised at 31 Dec.	**432**	**266**
Pension plan assets	591	435
Pension liabilities (*)	159	169
Net pension liabilities (-)/assets (+) recognised at 31 Dec.	**432**	**266**

Remeasurements are made up of:		
Gains (+)/losses (-) on gross pension liabilities	21	-122
Gains (+)/losses (-) on pension plan assets	134	93
Remeasurements recognised on statement of financial position	**155**	**-29**

Assumptions used to determine pension liabilities at 31 Dec.

	2020	2019
Discount rate	1.60%	2.20%
Annual wage growth	1.00%	2.50%
Increase in the National Insurance Scheme's basic amount ("G")	1.75%	2.25%
Annual indexing of pensions	1.00%	1.50%

Number of people covered by the pension plans

	2020	2019
Defined benefit plan: current employees	29	28
Defined benefit plan: accrued entitlements and retired employees	737	743
Defined contribution plan: current employees	130	96
Current employees entitled to public sector AFP, and early retirees	50	64

NOTE 4 AUDITOR'S FEE

Total fees paid to auditor for auditing and other services comprise the following:

(Amounts in 000s of NOK excl. VAT)	2020	2019
Statutory audit	580	544
Tax advice	18	33
Other services not related to auditing	140	283
Total	**738**	**859**

NOTE 5 OTHER OPERATING EXPENSES

(Amounts in NOK million)	2020	2019
Property-related expenses, lease of machinery and office equipment	50	33
Purchase of plant and equipment	15	8
External services	147	160
Office supplies, telecommunications, postage, etc.	9	7
Travel expenses, subsistence allowances, mileage expenses, etc.	3	9
Sales, advertising, representation, membership fees and gifts	5	5
Other operating expenses	-2	4
Total	**227**	**227**

NOTE 6 FINANCIAL INCOME AND EXPENSES

(Amounts in millions of NOK)	2020	2019
Income from investments in subsidiaries*	1,285	558
Profit/loss on investments in associates	152	110
Exchange rate gain	1,670	692
Other interest and financial income	269	285
Total financial income	**3,376**	**1,644**
Impairment charge against non-current financial assets	71	73
Exchange rate losses	1,626	694
Other interest and financial expenses	266	303
Total financial expenses	**1,964**	**1,070**
Net financial income/expenses	**1,412**	**574**

* Profit/loss from investments in subsidiaries comprises allocated dividends, intra-group distributions from subsidiaries and gains on the disposal of subsidiaries. These amounts are recognised in the income statement as they are considered to reflect the return on the investment.

NOTE 7 TAX

(Amounts in millions of NOK)	2020	2019
The tax expense consists of		
Income tax payable	19	87
Change in deferred income tax	-11	5
Tax expense in income statement	**8**	**92**
Tax payable on the statement of financial position		
Profit before tax	1,309	493
Permanent differences	-1,274	-75
Change in temporary differences	52	-22
Profit/loss for income tax purposes	**87**	**396**
Income tax payable	19	87
Taxable intra-group distributions	-11	-87
Tax payable on the statement of financial position	**8**	**0**
Reconciliation of nominal tax rate with effective tax rate		
Profit before tax	**1,309**	**493**
Expected tax based on nominal rate	288	108
Tax effect of		
Non-deductible expenses/non-taxable income	-280	-16
Tax expense in income statement	**8**	**92**
Effective tax rate	**1%**	**19%**
Breakdown of temporary differences/deferred tax assets		
Property, plant and equipment	-9	-11
Pension liabilities	182	264
Derivatives	62	111
Other	-23	-4
Total taxable (+)/deductible (-) temporary difference	**212**	**359**
Total capitalised deferred tax liabilities (+)/assets (-)	**47**	**79**
Changes in net deferred income tax over the year:		
Net deferred tax liabilities (+)/assets (-) at 1 Jan.	79	80
Change in net deferred tax liabilities (+)/assets (-) on items recognised in equity	-21	-6
Change in deferred tax liabilities (+)/assets (-) recognised through profit or loss	-11	5
Net deferred income tax liabilities (+)/assets (-) at 31 Dec.	**47**	**79**
Changes in deferred tax on items recognised in equity		
Remeasurements of pensions	21	6
Total change	**21**	**6**

NOTE 8 INTANGIBLE ASSETS

(Amounts in millions of NOK)	Software	Software under development	**Total intangible assets**
Cost as of 01/01/2020	2	14	16
Additions	20	-14	6
Disposals	0	0	0
Cost as of 31/12/2020	**22**	**0**	**22**
Accumulated depreciation at 31/12/2020	5		5
Accumulated impairment losses at 31/12/2020	0		0
Carrying amount at 31/12/2020	**16**	**0**	**16**
Depreciation for the year	4	0	4
Impairment losses for the year	0	0	0
Useful life/depreciation period	3-5 år		

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

(Amounts in millions of NOK)	Properties	Vehicles, fixtures, fittings, machinery, etc.	**Total property, plant and equipment**
Cost as of 01/01/2020	34	12	46
Additions	0	5	5
Disposals	1	2	3
Cost as of 31/12/2020	**34**	**15**	**48**
Accumulated depreciation at 31/12/2020	16	8	24
Accumulated impairment losses at 31/12/2020	0	0	0
Carrying amount at 31/12/2020	**18**	**7**	**24**
Depreciation for the year	2	3	5
Impairment losses for the year	0	0	0
Useful life/depreciation period	25 years – not depreciated	3-8 years	

NOTE 10 OTHER NON-CURRENT FINANCIAL ASSETS

(Amounts in millions of NOK)	Note	**2020**	2019
Loans to Group companies	1	9,604	9,608
Investments in shares and ownership interests		1	2
Other non-current receivables 1)		392	430
Pension assets	3	591	435
Total non-current financial assets		**10,588**	**10,475**

1) Other non-current receivables mainly consist of guarantees given to NASDAQ.

NOTE 11 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

(Amounts in millions of NOK)	Registered office	Company's equity	Company's net income	Ownership voting rights	Carrying amount*
Subsidiaries					
Agder Energi Vannkraft AS	Kristiansand	2,559	339	100%	1,937
Agder Energi Kraftforvaltning AS	Kristiansand	17	2	100%	20
Agder Energi Nett AS	Arendal	1,002	246	100%	612
LOS AS	Kristiansand	126	64	100%	214
Entelios AB 1)	Stockholm	59	-19	100%	146
Entelios AS	Kristiansand	271	37	100%	110
Agder Energi Varme AS	Kristiansand	117	-5	100%	125
Agder Energi Venture AS 1)	Kristiansand	115	13	100%	68
Entelios GmbH 1)	Berlin	39	12	100%	40
Stoaveien 14 AS	Kristiansand	14	3	100%	1
Stoa 192 AS	Kristiansand	1	0	100%	2
Stoa 234 AS	Kristiansand	1	0	100%	2
Baltic Hydroenergy AS 1)	Kristiansand	4	-13	100%	11
Enfo AS	Bærum	14	0	100%	29
Entelios AG	Munich	7	-15	100%	57
Agder Energi Fleksibilitet AS	Kristiansand	21	-13	100%	50
Total shares in subsidiaries					**3,423**
Associates 2)					
Otera AS	Kristiansand	144	23	19.5%	54
OSS Norge AS	Drammen	35	-21	50.0%	38
North Connect KS	Kristiansand	310	0	22.25%	36
North Connect AS	Kristiansand	31	0	22.25%	4
Total for associates					**133**

* Carried at the lower of cost and fair value

1) Subsidiaries of Agder Energi AS with subsidiary groups. For an overview of the Group's organisation structure, please refer to Note 29 of the consolidated financial statements.

2) The equity and profit/loss of associates has been estimated for 2020.

In 2020, Agder Energi AS sold its ownership interest in Craftor Holding AB. The disposal resulted in a NOK 640 million accounting gain for the company.

NOTE 12 CASH AND CASH EQUIVALENTS

(Amounts in millions of NOK)	2020	2019
Cash and cash equivalents	200	0
Deposits in cash pooling arrangement	663	-186
Total	**863**	**-186**

Agder Energi AS has set up a cash pooling arrangement with an associated NOK 500 million overdraft facility. Most subsidiaries in which the parent company holds an ownership interest of at least 50% take part in the cash pooling arrangement and are jointly and severally liable to the bank for the overdraft facility.

A NOK 48 million bank guarantee covering Agder Energi AS and its subsidiaries has been used as security for tax deductions at source.

NOTE 13 EQUITY

(Amounts in millions of NOK)	Note	Share capital	Share premium account	Other paid-in capital	Other reserves	**Total equity**
Equity at 01/01/2020		1,809	47	51	1,897	3,804
Remeasurements of pensions	3				176	176
Net income for the year					1,301	1,301
Dividends paid					-612	-612
Allocated dividends for 2020					-325	-325
Equity at 31/12/2020		**1,809**	**47**	**51**	**2,436**	**4,344**

For details of share capital and shareholder information, please refer to Note 18 to the consolidated financial statements.

NOTE 14 INTEREST-BEARING LIABILITIES

(Amounts in millions of NOK)	2020	2019
Non-current liabilities with a term to maturity of more than 1 year		
Bonds	5,422	5,684
Liabilities to financial institutions	3,322	2,482
Total interest-bearing non-current liabilities	**8,745**	**8,166**
Interest-bearing current liabilities		
Commercial paper and repayments of long-term debt due within one year	1,947	1,850
Deposits in cash pooling arrangement (overdraft facility)	-	186
Total interest-bearing current liabilities	**1,947**	**2,036**

Guarantees and obligations relating to interest-bearing non-current liabilities are described in greater detail in Note 18.

NOTE 15 OTHER NON-INTEREST-BEARING CURRENT LIABILITIES

(Amounts in millions of NOK)	Note	2020	2019
Trade payables		34	28
Intra-group trade payables	1	6	4
Unpaid government taxes and duties, tax deducted at source, etc.		16	16
Allocated dividends		325	-
Other current liabilities		115	122
Other current liabilities to Group companies	1	50	396
Total other non-interest-bearing current liabilities		**545**	**566**

NOTE 16 PROVISIONS

(Amounts in millions of NOK)	Note	2020	2019
Pension liabilities	3	159	169
Other non-current provisions		71	178
Total provisions		**231**	**347**

In 2016, Agder Energi AS sold its ownership interest in Fosen Vind DA. The final transaction price depends on various future metrics and a large proportion of the amount received has therefore not yet been recognised as income. NOK 40 million of the company's other non-current provisions are related to this. Of the remaining amount, NOK 22 million relates to a bad debt provision on a lease contract and NOK 7 millions consists of other non-current provisions.

NOTE 17 MARKET AND FINANCIAL RISK

Risk management policy and strategy

The Group's Board of Directors has formulated an overall risk management policy containing frameworks and guidelines to ensure a uniform approach to risk management throughout the Group. In order to manage exposure to market and financial risk, and based on the risk management policy, separate risk strategies have been drawn up for the following areas:

- Production
- Electricity trading
- Retail market
- Finance (interest rates and foreign currency)

One of the main purposes of the risk management policy and strategies is to hedge against fluctuations in future cash flows.

Electricity derivatives with subsidiaries and NASDAQ as counterparties

Several of Agder Energi AS's subsidiaries trade cash-settled electricity derivatives on NASDAQ. Formally, this involves Agder Energi AS acting as NASDAQ's counterparty, and Agder Energi entering into identical contracts with the relevant subsidiaries in parallel.

The company uses hedge accounting for these contracts, and so they are not capitalised. The net value of contracts with NASDAQ was NOK 54 million at 31 December 2020. The value of the company's contracts with its subsidiaries was NOK -54 million.

Debt portfolio

The Agder Energi Group's whole loan portfolio is held by Agder Energi AS. This exposes the company to a significant interest rate risk. The Group has a central finance department within Agder Energi, which has overall responsibility for banking services, financing, currency operations, corporate finance and other financial services.

Interest rate risk is measured by modified duration, which is kept within a target period of 1 to 5 years. Rules on durations and other rules relating to interest rate portfolios, liquidity risk, etc. are given in the risk policy and finance strategy. The chosen strategy aims to minimise net financial expenses over the long term, while reducing risk to an acceptable level. Exposure to interest rate risk is measured and monitored. The group finance department is responsible for taking positions.

The parent company's debt portfolios include foreign currency loans. 226 million euros in loans are used as a hedge against fluctuations in the Group's revenues in that currency. Agder Energi AS has lent an equivalent amount in euros to Agder Energi Vannkraft AS. Agder Energi AS has also taken out interest rate and currency swaps for 80 million euros of mirrored loans provided to Agder Energi Vannkraft AS.

NOTE 18 CONTINGENT LIABILITIES

Agder Energi AS had no significant contingent liabilities at the end of the year.

NOTE 19 MORTGAGED ASSETS, LIABILITIES AND GUARANTEES ISSUED

Mortgages

Agder Energi AS currently has no mortgage loans.

Liabilities and guarantees issued

Agder Energi AS has no covenants relating to financial key figures in its loan agreements.
The company's loan agreements do contain negative pledge clauses, which also cover its subsidiaries. This means that any new security interests require the consent of the lenders.

Agder Energi AS has NOK 649 million in outstanding off-statement of financial position bank guarantees. Of this total, NOK 412 million comprises payment guarantees for electricity trading, NOK 183 million is an internal guarantee for network tariffs passed on to customers, NOK 48 million is a guarantee for tax deducted at source and NOK 6 million is a rent guarantee.

At the close of the year, the parent company had issued guarantees worth NOK 108 million in relation to external liabilities.

Contractual obligations

Agder Energi Group leases office premises at Kjøita in Kristiansand. The lease contract is between Kjøita 18 AS and Agder Energi AS. Since 01/01/2017, the building has been owned by Arctic Securities. This has not resulted in any changes to the terms of the lease. At the end of the year, the contract had 5 years left to run, with a renewal option for a further five years

AUDITOR'S REPORT

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Agder Energi AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Agder Energi AS comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2020, the statements of other comprehensive income, income statement, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Building a better working world

Accounting for financial derivatives and long-term delivery contracts

Agder Energi produces electric power that primarily is sold in the Norwegian market, where the spot price is volatile and nominated in Euro at Nord Pool Spot. The exposure for changes in the power spot price and currency exchange rates are partly hedged using financial derivatives and long-term delivery contracts. Financial derivatives comprise of energy and currency derivatives, which are accounted for at fair value with changes in fair value recognized in the consolidated income statement. Some long-termed delivery contracts are priced in Euro, where the embedded currency derivative is accounted for at fair value. Changes in spot price for power and currency lead to significant changes in the fair value of financial derivatives and embedded derivatives in long-termed delivery contracts. Financial derivatives and long-termed delivery contracts are considered to be a key audit matter basted on the number of transactions, complexity and degree of judgment related to the assessment of fair value.

We have throughout our audit evaluated the group's internal control over trading, monitoring and accounting for financial derivatives and long-termed delivery contracts. Our audit procedures included test of existence, completeness and contractual terms for the financial derivatives through external confirmations. Additionally we have tested the valuation for a sample of the group's financial derivatives through external confirmations. Fair value of embedded currency derivatives were assessed through external benchmarks of future exchange rates and interest rate curves. We performed analytical procedures and evaluated management's analysis of changes in fair value of financial instruments related to the power generating portfolio.

Further we have evaluated the presentation and classification of the financial derivatives and long-termed delivery contracts in the consolidated financial statements, including information presented in the notes. See note 4, 23, 24, 25 and 26.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the reports on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the reports on corporate governance and corporate

social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Kristiansand, 25 March 2021
ERNST & YOUNG AS

Finn Espen Sellæg
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

ALTERNATIVE PERFORMANCE MEASURES (APM)

Agder Energi's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Alternative performance measures are used to provide relevant supplementary information to the IFRS financial statements by adjusting for impacts that are not considered relevant to the underlying profit for the period. Using alternative performance measures that better reflect the underlying value added by the Group will make it easier to compare results and cash flows over time. The alternative performance measures are defined, calculated and used consistently and transparently over time.

The alternative performance measures are used for internal management and governance purposes, and in 2018 the municipal majority shareholders in Agder Energi decided that the dividend policy for the years 2018–2020 should use the previous year's underlying profit under IFRS.

Agder Energi uses the following alternative performance measures:
- *Underlying operating revenues: Operating revenues +/- the adjustments described below*
- *EBITDA: Operating profit before depreciation and impairment losses*
- *Underlying EBITDA: EBITDA +/- the adjustments described below*
- *Underlying operating profit: Operating profit +/- the adjustments described below*
- *Underlying net income: Net income +/- the adjustments described below*

The following adjustments are made to calculate the Group's underlying operating revenues, EBITDA, operating profit and net income:

1. +/- Unrealised gains and losses on electricity and currency contracts, interest rate contracts at fair value and currency loans.

Agder Energi has a significant volume of contracts that are measured at fair value under IFRS. These are mainly financial contracts whose aim is to hedge the value of future electricity generation. Future electricity generation is only recognised when it occurs. Fluctuations in the value of the financial contracts are excluded from the underlying results and are only included when they are settled. This ensures consistency in the timing of when the hedging instruments and hedged items are included in the underlying results. It also reduces fluctuations in the results and gives a more accurate idea of how Agder Energi has performed in the reporting period. Changes in the fair value of compensation power agreements and other contracts measured at fair value are also excluded from the underlying results. However, changes in the market value of the Group's trading portfolios are included in the underlying results.

The underlying operating revenues, EBITDA and operating profit are adjusted for the pre-tax effect of unrealised gains and losses on electricity and currency contracts and of currency loans.

Underlying net income is adjusted for the post-tax effect of unrealised gains and losses on electricity and currency contracts and of currency loans. In addition, it includes the post-tax effect of unrealised gains and losses on interest rate swaps.

2. +/- Material gains and losses on the disposal of businesses or ownership interests in businesses

An adjustment is made for material gains and losses on the disposal of businesses or ownership interests in businesses, since these are not considered to be part of the underlying performance in the reporting period. Material gains and losses refers to disposals of businesses or ownership interests in businesses with an impact on net income of at least NOK 25 million in a single financial year. Even if several items individually have a smaller impact than NOK 25 million, they are considered material if their total impact is greater than NOK 50 million in a financial year. In conjunction with disposals, gains and losses are presented as other operating revenues and other operating expenses respectively. Gains and losses on the disposal of ownership interests in businesses that are not controlled by Agder Energi are presented under financial items.

Underlying operating revenues, EBITDA and operating profit include the pre-tax effect of gains and losses on disposals.

Underlying net income includes the post-tax effect of gains and losses on disposals of businesses or ownership interests in business that are not controlled by Agder Energi.

3. +/- Changes in deferred tax assets arising from negative resource rent carryforwards at power stations

The accounting rules require future tax savings from negative resource rent carryforwards to be included on the balance sheet as an asset. Agder Energi has implemented this requirement by including the estimated value of tax savings over the coming ten years on its balance sheet. This calculation is highly sensitive to changes in parameters like electricity prices in euros and the EUR/NOK exchange rate. The carrying amount of this accounting estimate is almost entirely governed by external factors such as electricity prices and the EUR/NOK exchange rate, so changes in the estimate recognised in the income statement tell us nothing about the underlying performance during the reporting period.

This adjustment is reflected in the underlying net income.

(Amounts in NOK million)	2020	2019
IFRS operating revenues	9,382	13,185
Unrealised gains and losses, electricity and currency	-1,013	-856
Material gains on the disposal of businesses or ownership interests in businesses	0	0
Underlying operating revenues	**8,369**	**12,329**
IFRS operating profit	1,855	2,330
Depreciation and impairment losses	728	703
IFRS EBITDA	**2,582**	**3,034**
Unrealised gains and losses, electricity and currency	-1 013	-856
Material gains on the disposal of businesses or ownership interests in businesses	0	0
Underlying EBITDA	**1,569**	**2,178**
IFRS operating profit	1,855	2,330
Unrealised gains and losses, electricity and currency	-1,013	-856
Material gains on the disposal of businesses or ownership interests in businesses	0	0
Underlying operating profit	**842**	**1 475**
IFRS net income (controlling interest's share)	1,909	1,122
Changes in unrealised gains and losses after tax	-683	-692
Changes in deferred tax assets from neg. resource rent carryforwards	-4	36
Material gains on the disposal of businesses or ownership interests in businesses	-734	-125
Underlying net income (controlling interest's share)	**489**	**340**

LOS is Norway's third largest electricity retailer, and it supplies electricity and associated products and services to domestic customers all over Norway.

CORPORATE SOCIAL RESPONSIBILITY (CSR) AT AGDER ENERGI IN 2020

AGDER ENERGI

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY 2020

Click on the text to go to the page of your choice

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SUSTAINABILITY

NETWORK RELIABILITY

2020 **98.98%**

2019 **99.98%**

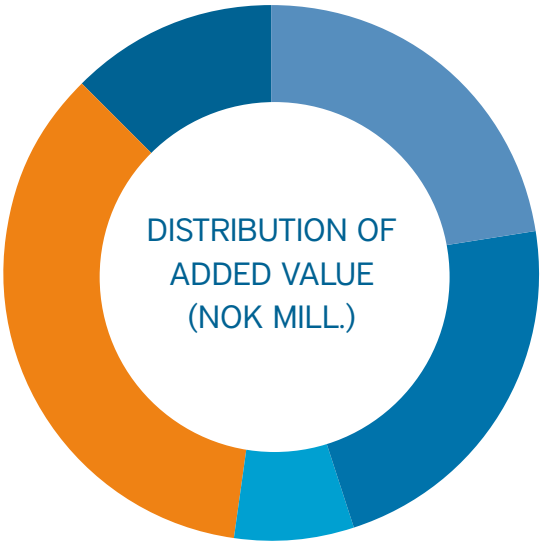
2018 **99.94%**

LOST TIME INJURIES PER MILLION WORK HOURS

2020 **2.6**

2019 **1.8**

2018 **3.8**

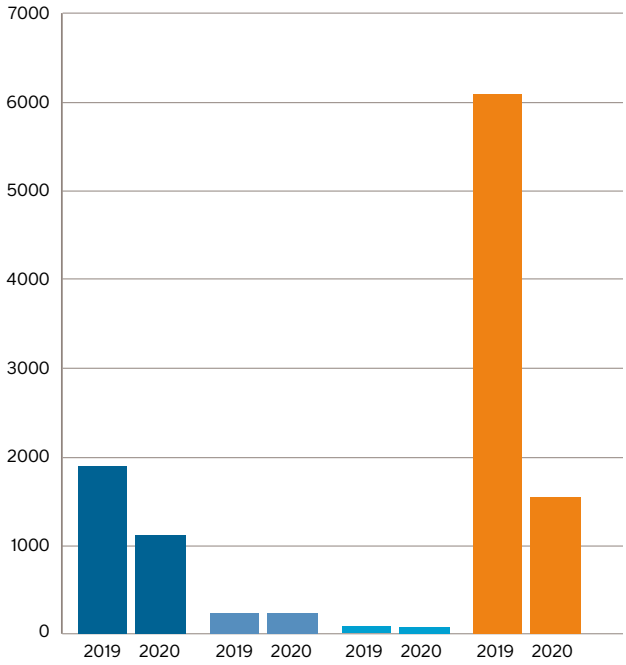


Net amount the company	601
Net amount employees	597
Net amount lenders	188
Net amount the public sector	941
Net amount shareholders	325

AVAILABLE DISTRIBUTION

	2020	2019	2018
Net amount the company	22.7 %	27.2 %	14.5 %
Net amount employees	22.5 %	14.0 %	20.2 %
Net amount lenders	7.1 %	6.6 %	4.9 %
Net amount the public sector	35.5 %	52.2 %	44.0 %
Net amount shareholders	12.3 %	-	16.4 %

GREENHOUSE GAS EMISSIONS (tCO_2e)



	2020	2019
Direct emissions - Scope 1:	1,192	1,892
Indirect emissions - Scope 2 Physical approach:	289	228
Indirect emissions - Scope 2 Market-based approach:	67	76
Indirect emissions - Scope 3:	1,683	6,084

Power stations

2020	2019	2018
57	57	57

Power stations refers to power stations owned by companies reporting in the CSR report and varies from the numbers presented earlier in the annual report

ENERGY GENERATIONS (GWH)

	2020	2019	2018
Water	8,136	7,237	8,688
Solar PV	0.03	0.04	0.03
District heating	157	168	172
TOTAL ENERGY GENERATION	**8,293**	**7,405**	**8,860**

SUSTAINABILITY AT AGDER ENERGI 2020

Six of the UN's 17 sustainability goals are the natural starting point for Agder Energy's continued work on the environment and sustainability.

GOALS

- Our hydroelectric power stations shall be available to generate electricity 98 percent of the time.
- At least 99 percent of our district heating energy shall come from renewable sources.
- We shall spend at least 75 percent of the money that goes into our green fund on measures to promote sustainability at Agder Energi and our customers.

CURRENT STATUS

- Outcome: 92.9 percent. The outcome in 2020 was lower than the goal for the year. This was partly due to major repair work at Rygene power station after cracks formed in the runner chamber. There were also several other relatively large projects that prevented power stations from operating for extended periods.
- Outcome: 99.3 percent of district heating energy was renewable.
- Outcome: In 2020, we spent money on an environmental project in the River Nidelva, which involved creating nursery areas for salmon at Espeland. We also provided financial support for the installation of solar panels on the roofs of three of Entelios's customers in Sweden, and for an energy-efficiency project at Karlstad University. The final figures, which were not available at the time of writing in mid-February 2021, will determine whether the goal has been met.

GOALS

- The up-time of our power distribution network in Agder shall be at least 99.98 percent.
- Agder Energi Nett shall have a quick turnaround time for connecting new customers, and we shall build the right infrastructure at the right time and in the right place.
- We shall raise the proportion of R&D investment in our projects.

CURRENT STATUS

- Outcome: 99.982 percent up-time.
- Agder Energi Nett has been receiving a growing number of requests for grid connection. In spite of this, the time taken from when a customer contacts us until they are physically connected has fallen significantly. Requests for simple connections were 18 percent higher in 2020 than in 2019. For big business customers, there was a 10 percent increase from the previous year. Meanwhile, the time taken to fulfil requests fell by around 15 percent from 2019 to 2020.
- In 2020, Agder Energi secured funding from Innovation Norway for research projects looking at offshore wind power and hydrogen, and the NorFlex project also continued with funding from Enova. In the case of Agder Energi Nett, R&D grants can be up to 0.3 percent of the company's invested capital, and in 2020 this ceiling was reached.

GOALS

- To help increase the electrification level in our region.
- For our methodology for calculating the electricity index and electrification level to be used by all of Norway's municipalities when planning their electrification programmes.

CURRENT STATUS

- Over the course of the year, we have helped test tomorrow's energy solutions for cities and communities through our participation in Electric Region Agder.
- In the spring of 2020, Agder Energi and Siemens launched an electricity index for municipalities, the business community and stakeholder organisations, and it also arranged talks and discussions on the possibilities for electrification at municipalities.

GOALS

- To have implemented sustainability requirements and criteria for 100 percent of our purchases.

CURRENT STATUS

- What we require and expect of our suppliers has been defined through our Guidelines on Corporate Social Responsibility and Ethics, which are included in our contractual documents.

GOALS

- We shall reduce our own greenhouse gas emissions by at least 5 percent in 2020, and by at least 50 percent by 2030. The baseline is emissions in 2019.
- During 2020 we shall perform a comprehensive survey of climate risks facing the Group, based on various climate scenarios.

CURRENT STATUS

- The Group has chosen to sign up to the Science Based Targets initiative. Emissions in 2020 fell by more than 5 percent. In spite of the pandemic, our business activity was virtually the same as in a normal year, but in particular, the number of flights fell due to travel restrictions.
- In 2020 we carried out a scenario-based risk assessment for all of the Group's business areas.

GOALS

- At least 90 percent of employees at Agder Energi shall have received sustainability training.

CURRENT STATUS

- Outcome: 72 percent of employees completed an online course on ethics in which CSR and sustainability were key topics.

SUSTAINABLE ENERGY FOR FUTURE GENERATIONS

Agder Energi has reported on the Group's work on sustainability in accordance with the Global Reporting Initiative (GRI) since 2010. GRI is the most widely used framework for sustainability reporting, both worldwide and in Norway. The GRI rules changed in 2018, and there is now a clearer requirement to analyse which sustainability topics are material for the Group itself, and which ones are important to the Group's stakeholders. Moreover, the rules state that disclosures shall reflect the materiality assessment – so most information shall be given about the most important areas.

Agder Energi's values and ethical guidelines provide the foundations for our business activities. That also applies to our work on sustainability. Several governance documents have been drawn up to put our sustainability principles into practice, including the Group CSR and Environmental Guidelines and the CSR and Environmental Strategy. The business areas are responsible for carrying out work on sustainability, including setting environmental goals and implementing measures to achieve those goals.

In 2000 the UN launched the Global Compact, which is a global network of companies that support corporate social responsibility and wish to promote responsible and sustainable business practices. The Global Compact is based on ten fundamental principles relating to human rights, labour standards, the environment and anti-corruption. The principles are taken from international conventions, and as such they represent a shared set of values for global businesses.

Agder Energi helped to establish the Global Compact network in Norway in 2018. As a member of the network, we undertake to do our utmost to run our business in accordance with the Global Compact's two main aims: to integrate the ten principles into our business activities, and to catalyse actions and partnerships in support of the UN's goals for sustainable development.

Agder Energi has been seeking an overall framework for its work on the environment and sustainability. From the 17 UN Sustainable Development Goals, we have selected the six goals that it made most sense to prioritise going forwards. Based on them, goals and action plans have been formulated for Agder Energi as a group, for its subsidiaries and for its business areas.

As well as taking part in the UN Global Compact, Agder Energi works closely with various other organisations that promote sustainable business development: Skift – The Business Community's Climate Leaders, ZERO and Klimapartnere. Our mission is clear: We supply clean energy so society can prosper now and into the future. That means supplying sustainable energy for future generations.

Unni Farestveit
CSR Director

SUSTAINABILITY-RELATED TOPICS THAT ARE IMPORTANT TO AGDER ENERGI

One of the key principles of the GRI Standards is that companies shall tailor their own sustainability reporting in light of the topics that are most material to their operations. A materiality assessment is a review of the opportunities and risks facing a company, as well as of who the company's most important stakeholders are and what their priorities are. We carried out a new materiality assessment in 2020, which now forms the basis for Agder Energi's work on sustainability and CSR.

New topics that are now considered material:
Climate risk: The ability of society to respond to climate change is increasingly coming into question, and there is an expectation that companies should systematically address climate risk.
Working conditions and environmental impacts in supply chains: The importance of using purchasing to promote the development of green, forward-looking solutions has become increasingly clear in recent times. Below, working conditions and personal safety in supply chains have been merged into one topic as they should be considered jointly when setting requirements and making assessments.
Diversity and equal opportunity: There is a growing focus on diversity in society, and it is no longer just about gender equality – it has become a broader topic that now increasingly also encompasses religion, ethnicity, any disability and sexual orientation.

The companies covered by this sustainability report individually provide disclosures on the topics that are material to them. In addition, the Group aggregates data for the topics that are most material to Agder Energi as a whole.

As a result of the materiality assessment, twelve topics were selected as being particularly important:

Anti-corruption
Like all businesses, Agder Energi faces risks associated with financial crime such as corruption, misconduct and illegal price fixing. The Board and executive management of Agder Energi are responsible for implementing a robust anti-corruption system, an important element of which is providing training to employees.

Within Agder Energi's ethical framework, all employees have a responsibility to prevent corruption. Preventive measures have been put in place, such as ethical guidelines, dilemma training and internal controls. All employees do an annual e-learning course on these topics. An anti-corruption handbook is available to all employees in Norway and at our international businesses.

Moreover, a new role has been created with the main aim of preventing corruption. Various internal and external whistleblowing channels have been established. Agder Energi has created an interdisciplinary ethics committee to deal with matters reported through the whistleblowing channels.

All of Agder Energi's employees have received information and training on the Group's anti-corruption guidelines and procedures.

An attractive employer that supports professional development
Agder Energi considers that its employees' skills are an important resource. In order to be an attractive employer that supports professional development, the Group prioritises looking after the needs of its employees.

The Group's approach to training is informed by the innovation and business development activities set out in the Group's strategy, as well as by the need for digitalisation and adaptation to new technology. The Group is therefore working to establish a strong culture of continuous improvement, modernisation and innovation.

Agder Energi is continuously improving its skills base and capacity for change. This includes reinforcing our technical expertise and increasing our focus on talent management. As part of that strategy, we are putting the spotlight on trainees. As of the winter of 2021, Agder Energi has four trainees from the Trainee Sør programme, and its aim is to have, at all times, one trainee in each of its business areas, as well as one Group trainee. Through our involvement with Trainee Sør, we have had over 100 trainees working in many different parts of our business.

The Group is experiencing a growing need to make use of expertise across its companies, and internal mobility is increasing. The Group is therefore making increasing use of flexible working structures, which facilitate the sharing of expertise between companies without staff having to be transferred. We try hard to provide opportunities for career development at the Group.

Biodiversity
Biodiversity is important to the Group as a whole, but particularly so to Agder Energi Vannkraft and Agder Energi Nett. All companies in the Group follow the Group CSR and Environmental Guidelines, which give the companies themselves responsibility for setting goals with respect to their environmental impacts. Agder Energi Vannkraft focuses on biodiversity in the watercourses where it operates, while the impact of power lines on vulnerable species is an important topic for Agder Energi Nett. The Group regularly assesses the need to make changes to its activities in relation to biodiversity.

Dams and power stations change the natural environment, but the Group's activities do not have a bigger impact on nature or society than is usual for this kind of business. At the companies covered in this report, Agder Energi has 57 part-owned and wholly- owned power stations including three power stations in Latvia and five in Lithuania.

Distribution system operation is not as such polluting, but power

lines have an impact on the landscape, and there is a risk of birds colliding with them or suffering electric shocks. Agder Energi Nett's operations have a particularly big impact on one critically endangered species, the Eurasian eagle-owl. Agder Energi Vannkraft's operations affect eels, which are defined as vulnerable, as well as salmon and bleke, which are defined as being of least concern.

Breaches of laws and regulations

The Group considers it a priority to adhere to the requirements stipulated by relevant laws and regulations. Compliance is a line management responsibility implemented through organisational structures, procedures and systems. In order to assist line managers with this, a Group compliance function has been established.

Agder Energi's compliance system consists of functions to prevent, identify and respond to issues. The parent company and the biggest business areas have their own compliance officers.

Once a year, the subsidiaries in the Group give an update on compliance to the parent company. Currently there is no system in place for continuous reporting of breaches of laws and regulations.

Unwanted incidents that occurred in 2020 are described in the section on the company in question. In 2020, Agder Energi Varme was fined for an oil spill that occurred back in 2018. The company has accepted the fine and tightened up its procedures in accordance with the relevant regulations and guidelines.

The executive management is not aware of any other unwanted incidents at the Group's subsidiaries in 2020, or of the authorities imposing fines or other sanctions on them.

Health and safety

Health and safety is a priority area at all levels of our organisation. Our health and safety activities are regulated by legislation, company guidelines, instructions and procedures, as set out in the Group's health and safety management system.

We have a zero accident vision and we want all of our employees to experience job satisfaction. The health and safety figures for recent years show improvement. Health and safety has been prioritised throughout the organisation, and it is the first item on the agenda at management meetings at both the Group and company levels. Employees receive health and safety training that reflects their roles and certain companies, such as Agder Energi Vannkraft, have additional health and safety training programmes.

Our total injury frequency (number of injuries per million work hours) was 2.6 in 2020. The sickness absence rate was 2.6%. Most of our companies have seen these numbers improve during the Covid-19 pandemic. We work proactively to detect potential long-term absence at an early stage and we closely follow up sickness absence at the Group.

Dedicated health and safety managers at power stations are responsible for reporting and facilitating improvements to health and safety procedures, as required and in response to defined threshold values. There is an occupational health and safety system with working environment committees covering all workers, who are given the opportunity to report dangerous situations and accidents. Employees participate in, and contribute to, health and safety activities through the working environment committees and safety representatives at individual companies, as well as through departmental safety and working environment surveys. We have also established a public, anonymous whistleblowing channel that our own employees, contractors and third parties can use to report any misconduct. In addition, all of the companies in the Group have a company health service.

Agder Energi has a range of risk assessment tools adapted to the activities and situations they are designed for. Broadly speaking, risk assessments are carried out for emergency planning, liability during projects, restructuring and operational issues. Risk managers at individual companies are responsible for keeping assessments up-to-date. For workplace operations, a Safe Job Analysis (SJA) is used, which is carried out by the person responsible for the work before starting. This covers local issues and is designed to deal with the risks associated with the task at hand. Risk assessments may lead to physical or organisational changes, which are implemented to ensure that the working environment is completely safe.

Greenhouse gas emissions

For a Group whose business is based on the generation, distribution and sale of renewable energy, low greenhouse gas emissions provide a significant competitive advantage and are important to the Group's ability to add value. The Group is working to minimise its own greenhouse gas emissions and has chosen to sign up to the Science Based Targets initiative. Based on our involvement in this initiative, we have set a goal of reducing our own emissions by at least 50% by 2030, with 2019 as the base year.

To help us in this work, we have started using a software tool supplied by CEMAsys. This tool is based on the international standard "A Corporate Accounting and Reporting Standard", developed by the "The Greenhouse Gas (GHG) Protocol Initiative". This is the world's most widely used method for measuring a company's greenhouse gas emissions, and the ISO 14064-I standard is based on it. As well as ensuring that up-to-date emission factors are used, the software tool makes it easier to analyse what areas make the biggest contributions to emissions.

This analysis is split into three separate scopes:

Scope 1: Mandatory reporting for all emission sources at assets over which the organisation has operational control. This includes all use of fossil fuels by stationary and mobile activities (owned and leased vehicles, oil-fired boilers, etc.). It also includes direct

process emissions of SF6 at Agder Energi Vannkraft and Agder Energi Nett where relevant.

Scope 2: Mandatory reporting of indirect emissions from purchased energy: electricity and district heating/cooling. The GHG Protocol requires electricity consumption to be reported in two ways. The physical approach (location-based method) uses emission factors based on actual emissions from electricity generation within a specific area. The market-based approach uses emission factors based on whether or not the enterprise chooses to buy guarantees of origin. In total, the companies in the Group have acquired guarantees of origin for all of their 30,038 MWh of consumption in Norway and Sweden. Agder Energi Nett's revenues are regulated by the government. The income cap takes little account of the need to buy guarantees of origin to cover distribution losses. In 2020, Agder Energi Nett's distribution losses amounted to approximately 307 GWh.

Scope 3: Voluntary reporting of indirect emissions related to purchased goods and services. These are emissions that can be indirectly attributed to the organisation's activities, but that are outside its control (hence indirect). Scope 3 reporting includes flights, travel by own cars and hire cars, and waste from the offices in Kristiansand and Arendal. We also report emissions arising from contractors' use of concrete and asphalt at Agder Energi Vannkraft's big projects. In addition, the use of helicopter fuel for inspection flights by Agder Energi Nett is included.

The biggest direct emissions (scope 1) are from road transport, burning fossil fuels to meet peak loads on district heating systems and SF6 emissions from switchgear.

Indirect emissions from electricity consumption (scope 2) are reduced to zero under the market-based method by buying guarantees of origin for all consumption in Norway and Sweden.

The biggest contribution to other indirect emissions (scope 3) comes from the use of concrete and asphalt for the repair and construction of hydroelectric power stations. Business travel by air, employees' own cars and hire cars also contribute to indirect emissions.

Changes were made to the reporting method in 2019, and on account of this change to the calculation of greenhouse gas emissions, the Group has chosen not to present comparative figures for 2018, since they would not be directly comparable to those for 2019 and 2020.

Climate risk

Historically, Agder Energi has always worked on emergency preparedness for extreme weather events, but without referring to it as "climate risk".

In 2020 we carried out a scenario-based risk assessment for all of the Group's business areas. The methodology involved identifying and assessing possible climate risks based on two hypothetical future scenarios. The scenarios were designed to be probable, but no conclusion was drawn as to exactly how probable. The aim was to build knowledge and raise awareness in order to inform our contingency planning, strategic choices, identification of opportunities and long-term investment decisions. Our work reflects UN Sustainable Development Goal 13, "Climate action", which speaks of the need to improve one's ability to combat, adapt to and mitigate the consequences of climate change, and to build knowledge and awareness about this.

Our experience of the process was that it was useful to learn more about the distinction between climate risk and climate change reporting/accounting. This was a new area for many people at the Group, and it led to good, constructive discussions within our management teams.

In line with society's growing focus on climate risk, the Group will further strengthen its work on climate risk in 2021 and beyond.

CLIMATE RISK AT AGDER ENERGI

Risk category	Risk assessment	Main action	Conclusion
Physical risk Costs associated with physical damage as a r esult of climate change	Agder Energi has infrastructure that is particularly vulnerable to extreme weather events, especially along river systems and in forests. Both an increase in extreme weather events and more intense precipitation will increase the risks associated with outages, expenses for fault resolution, rising insurance premiums and revenue loss. Changes to hydrological conditions may affect the operating patterns of power stations and revenues from power generation. That may create both risks and opportunities for Agder Energi, but the downside is expected to be bigger than the upside.	The Group has plans in place for dealing with emergency situations and carries out drills. Our Distribution business area has in recent years carried out a major project to reduce risks, which has involved extra line clearing and doing more work on analysing and understanding forests. The condition of our infrastructure is increasingly monitored using real-time data, which allows a proactive maintenance strategy. Hydrological models are used to monitor and simulate changes in hydrological resources and electricity prices.	High risk
Transition risk Financial risk associated with the transition to a low-emission society	Stricter licence terms designed to protect the environment and biodiversity may result in a loss of revenues. Bans (or taxes) on environmentally hazardous substances may increase the cost of refurbishing facilities and building new ones. Changes to markets and technology provide new opportunities, but also increase competition for established companies such as Agder Energi. Reputation represents the biggest upside for Agder Energi, which already produces all of its energy from renewable sources. However, the EU's classification system (taxonomy) may classify hydroelectric power as non-sustainable, which risks undermining the role of hydroelectric power in the energy system of the future.	Agder Energi has for a long time been monitoring political, market and technological changes. The Group seeks to influence and adapt to policy by maintaining close ties to the places where the regulatory framework is formed, including Brussels/the EU, and it actively analyses how changes and trends may affect Agder Energi. Towards the end of 2020, a new Group strategy was adopted that lays the foundations for adapting to change and seizing new opportunities.	Medium risk

Working conditions and environmental impacts in supply chains

In its contracts, Agder Energi stipulates that suppliers shall comply with the Group's rules on working conditions and environmental impacts. With the help of an external supplier, the Group audited 77 companies in 2020, selected on the basis of an overall risk assessment. This included 10 "follow-up audits" at companies where there had either been one major nonconformity or four or more minor nonconformities. A total of 149 suppliers have an up-to-date audit report registered with UNCE as of 12 January 2021.

Audits are based on recognised auditing standards and are performed in collaboration with the purchasing network Achilles. Agder Energi has chosen to put the spotlight on high-risk industries, as well as on improving the quality of its audits and following up open items in audit reports.

Our goal is that by 2025 all of our suppliers shall meet our sustainability requirements and that at least 95 percent of suppliers shall have environmental certification or have an equivalent environmental management system in place.

Diversity and equal opportunity

As part of a systematic approach to promoting diversity, Agder Energi is participating in the project "Equality at Work" (Norw.: *Likestilt arbeidsliv*). The project is about equal opportunity in the widest possible sense. That means providing equal opportunity regardless of gender, religion, ethnicity, any disability and sexual orientation.

Agder Energi is continuously working on these issues, and it will be recertified based on the measurement criteria for the Equality and Work project during 2021. *Also see the separate report on Diversity and equal opportunity.*

Economic impacts

A strong economic performance is a prerequisite for running the company and is of vital importance to our employees, shareholders and the Agder Energi Group. Reporting on our economic impacts is a way of highlighting how the Group creates and distributes economic value, not just to the shareholders but also to the employees, lenders, the public sector, and the company itself.

According to an analysis of indirect economic benefits carried out by PWC, the NOK 2.1 billion of value added created by Agder Energi's employees gives rise to a further NOK 2.9 billion of value added outside our business. In addition, there are significant unquantifiable wider economic benefits. Moreover, the 669 Agder Energi employees who are resident in Agder create over 600 jobs outside the Group. In other words, overall the Group helps to keep almost 1,300 in employment in the region. That also gives rise to substantial personal tax revenues for the municipalities in Agder.

The electric power/renewable energy industry

The renewable energy industry has an important social mission, but it also has the potential to have a positive or negative impact on the economy, environment, climate and society. Some of the topics that are important to energy companies in general are not as relevant to groups that base their activities on generating and distributing renewable hydroelectric power. Climate-friendly renewable energy generation is one of the most important ways in which we can combat climate change.

The way in which this work is conducted is part of Agder Energi's business strategy, and as one of Norway's largest energy utilities the Group plays an important role in society.

The Group's hydroelectric power stations, including UAB Baltic Hydroenergy and Latgales Energetika, generated 8,293 GWh of electricity in 2020. Agder Energi is building several hydroelectric power plants that will be completed over the coming years. The Group is also working on several major hydroelectric projects that may increase the Group's renewable energy generation in the future.

The high proportion of renewable energy in our district heating systems mainly reflects our use of waste heat from Returkraft and Glencore Nikkelverk in Kristiansand. In Arendal, we burn sawdust from engineered wood manufacturers in Vennesla and Kragerø, while in Grimstad and at Sørlandsparken in Kristiansand we burn sawdust briquettes from sawmills in Agder. This ensures that natural resources are fully utilised, which is both sustainable and good value for money. Agder Energi Varme's free cooling plant also supplies district cooling to many of the biggest buildings in Kristiansand. Free cooling is 100% renewable, only using cold sea water from a depth of 150 metres to cool buildings.

IMPACTS ON THE LOCAL COMMUNITY

The local community and the Agder Energi Group are symbiotic. Our modern society couldn't function without the electricity supplied by the Group, and without the local community, the Group would be unable to achieve its goals. That's why Agder Energi works to ensure the best possible relationship with the local communities in the areas where it operates..

Business environment and innovation

In order to increase the value added by the Group, Agder Energi aims to be the industry leader with respect to understanding, exploiting and influencing the business environment. Market developments and relevant technology are closely monitored. This work informs our continuous improvement processes, lobbying activities and policy positions.

Research and development

The Group's investment in R&D shall lay the foundations for long-term, profitable growth and promote development activities to increase the potential of the core business. Through our ownership interest in Teknova, an institute for applied R&D, we support the renewable energy research community in the region. Agder Energi Vannkraft participates in HydroCen, together with the trade organisation Energi Norge and other energy and industrial companies, as well as the Norwegian University of Science and Technology, NINA, SINTEF and other research institutes. HydroCen is a Centre for Environment-friendly Energy Research backed by the Research Council of Norway. The centre aims to provide the Norwegian hydropower sector with new knowledge and innovative solutions.

Innovation

In order to ensure that we are in a position to exploit the technologies and markets of the future, we are always on the look-out for new opportunities within and beyond our current core activities. These include a collaboration with the University of Agder on artificial intelligence at power stations and a project for smart grids in partnership with Microsoft. The Group is also playing a leading role in the pilot project NorFlex, supported by Enova, which is a partnership with a number of other organisations in the energy industry to test various technologies to encourage customers to be more flexible in their electricity consumption.

In 2020, Agder Energi and its partners NOAH and Bellona founded the company Morrow Batteries, which aims to build a battery cell factory at Eyde Energipark in Arendal. SINTEF, Innovation Norway, the Eyde cluster and raw material suppliers are also participating as partners in the project. The company will start large-scale production of batteries using current lithium-ion technology, at the same time as developing the lithium-sulphur batteries of the future.

Support for children and young people

Agder Energi's subsidiary LOS engages with the local community through the LOS fund, which each year provides NOK 1 million in grants to children under the age of 18 in southern Norway. Since 2004, the electricity retailer has supported more than 1,000 clubs, associations and individuals spread across all of the municipalities in southern Norway.

GROUP CSR GOALS

Based on the CSR and Environmental Strategy and the Group CSR and Environmental Guidelines, and informed by the Ethical Guidelines and Group HR Guidelines, we have set joint goals for the Group relating to key areas of CSR. Both individual companies and the Group management team are responsible for meeting the Group CSR Goals. The goals cover four main areas:

Human rights
Agder Energi and its subcontractors shall conduct themselves in accordance with the UN's internationally accepted human rights conventions. A subcontractor is defined as someone who performs services for or sells products to Agder Energi. The Group and its subcontractors shall never be complicit in the breach of human rights.

This is backed up by a risk assessment of various parts of the business focusing on the likelihood of breaches of human rights. Suppliers are assessed on the basis of their importance to Agder Energi, and checks are carried out during audits and site visits to suppliers.

Labour rights
Agder Energi and its subcontractors shall comply with the eight fundamental conventions of the International Labour Organisation (ILO) on the right to organise, the right to collective bargaining and the elimination of forced labour, child labour and discrimination at the workplace.

Labour rights are monitored using a risk assessment of the likelihood of them being breached. For suppliers and contractors, the importance of the delivery and the project are also taken into account. Measures used to guarantee labour rights include audits, visits to suppliers and the obligation to ensure compliance. The obligation to ensure compliance is an obligation to ensure that pay and working conditions at suppliers comply with the current regulations on the general application of collective agreements.

Environmental impacts
Each company within the Agder Energi Group draws up environmental goals for its operations, reflecting the nature of its business. Subcontractors must have procedures in place for environmental protection measures.

Individual companies are responsible for ensuring that their suppliers meet this requirement. Amongst other things, some companies require suppliers and contractors to report various environmental data.

Anti-corruption
Agder Energi's goal is that no form of active or passive corruption shall take place within the Group's business activities. The Board and executive management of Agder Energi are responsible for implementing a robust anti-corruption system, an important element of which is providing training to employees.

VALUE ADDED STATEMENT

The value added statement gives an account of the wealth created by the Group over the year, and shows how it is distributed amongst the stakeholder groups: employees, lenders, the public sector, shareholders and the company itself. The figure for value added is adjusted for unrealised gains and losses on energy, currency and interest rate contracts.

(Amounts in NOK million)	2020	2019 (restated)	2018
Operating revenues	8,270	12,938	15,367
Goods consumed/operating expenses	-5,685	-9,173	-11,091
Gross added value	**2,585**	**3,765**	**4,276**
Capital depreciation	-728	-703	-659
Net added value	**1,858**	**3,062**	**3,617**
Net financial items, excl. interest	124	62	-5
Discontinued operations	670	38	-
Available for distribution	**2,652**	**3,162**	**3,612**
DISTRIBUTION OF ADDED VALUE			
Employees			
Gross salaries and benefits	963	838	1,119
Tax paid by employees	-260	-253	-259
Employers' National Insurance Contributions	-106	-141	-132
Net amount received by employees	**597**	**444**	**728**
Lenders			
Interest, etc. paid to lenders	188	209	177
Net amount received by lenders	**188**	**209**	**177**
The public sector			
Ordinary taxes	352	477	198
Property taxes	153	140	143
Resource rent tax	70	638	859
Tax paid by employees	260	253	259
Employers' National Insurance Contributions	106	141	132
Net amount received by the public sector	**941**	**1,649**	**1,591**
Shareholders			
Allocated for distributions by the company (dividends/guarantees)	325	0	592
Net amount received by shareholders	**325**	**0**	**592**
The company			
Retained earnings	571	846	530
Non-controlling interest's share of profit	30	14	-6
Net amount received by the company	**601**	**860**	**524**
Total amount distributed	**2,652**	**3,162**	**3,612**

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The Corporate social responsibility report for Agder Energi 2020 is available at ae.no

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