ANNUAL REPORT 2021

Harald Røraas is upgrading the wifi network in Åmli power station.

agder energi

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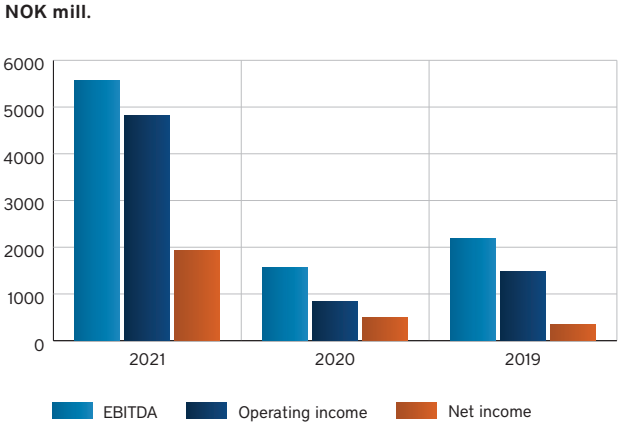
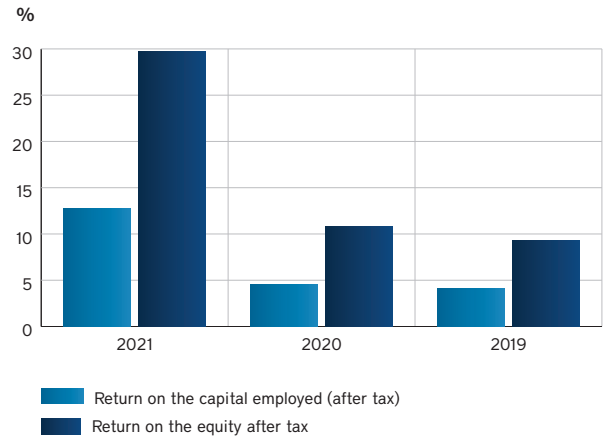
KEY FIGURES

UNDERLYING PERFORMANCE

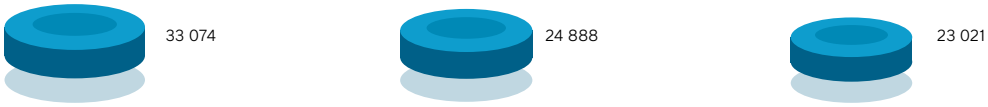




	Def.		2021	2020 (restated)	2019	2018	2017
FROM INCOME STATEMENT							
Operating revenues		NOK million	20,474	8,204	13,185	13,980	10,358
EBITDA	1	NOK million	4,622	2,583	3,033	1,626	1,770
Operating profit		NOK million	3,858	1,857	2,330	967	1,062
Profit before tax		NOK million	4,101	1,694	2,211	853	848
Net income for the year (controlling interest's share)		NOK million	2,062	1,909	1,122	-198	487
FROM STATEMENT OF FINANCIAL POSITION							
Total assets		NOK million	33,074	24,888	23,021	22,616	20,831
Equity		NOK million	7,369	5,569	4,082	3,526	4,565
Interest-bearing liabilities		NOK million	9,030	10,937	10,758	9,260	9,240
Capital employed	2	NOK million	16,399	16,506	14,840	12,787	13,805
Unrestricted liquidity	3	NOK million	4,927	5,332	3,018	2,864	2,372
Net interest-bearing liabilities	4	NOK million	6,603	10,605	10,740	8,896	9,188
Interest-bearing liabilities due over coming 12 months		NOK million	1,284	2,000	2,372	1 ,657	1,740
Bank deposits excluding restricted assets		NOK million	1,407	332	18	364	52
UNDERLYING PERFORMANCE	5						
Underlying operating revenues		NOK million	21,425	7,191	12,329	15,312	11,185
Underlying EBITDA	1	NOK million	5,574	1,570	2,178	2,957	2,597
Underlying operating profit		NOK million	4,810	844	1,475	2,298	1,889
Underlying profit before tax		NOK million	4,582	628	1,202	2 117	1,645
Underlying net income for the year (controlling interest's share)		NOK million	1,923	489	340	874	845
CASH FLOW							
Net cash provided by operating activities		NOK million	5,540	1,569	502	2,049	1,189
Dividends paid		NOK million	325	615	592	608	610
Maintenance investments		NOK million	484	562	551	397	470
New investments		NOK million	730	700	801	1 000	878
Acquisition of shares/ownership interests and capital increases		NOK million	61	55	41	94	69

KEY FIGURES

FINANCIAL POSITION	2021	2020	2019
Equity	7 369	5 569	4 082
Interest-bearing liabilities	9 030	10 937	10 758
Capital employedl	16 399	16 506	14 840
Total assets	33 074	24 888	23 021



	Def.		2021	2020 (restated)	2019	2018	2017
KEY FIGURES FOR UNDERLYING PERFORMANCE							
Return on capital employed before tax	6	%	29.2	6.2	10.9	17.8	13.7
Return on capital employed after tax	7	%	12.7	4.5	4.1	8.1	7.5
Return on equity after tax	8	%	29.7	10.8	9.3	21.6	18.4
Equity ratio	9	%	22.3	22.4	17.7	15.6	21.9
HYDROELECTRIC POWER							
EBITDA		NOK million	5,060	836	1,701	2,629	2,034
Actual electricity generation	10	GWh	8,880	8,112	7,288	8,686	8,812
Expected electricity generation	10	GWh	8,700	8,700	8,300	8,300	8,500
Reservoir reserves at 31 Dec.		GWh	2,700	4,914	3,724	3,180	4,429
Reservoir capacity		GWh	5,321	5,321	5,321	5,321	5,250
Average spot price		øre/kWh	76.0	9.8	38.7	41,5	26.9
Electricity price realised		øre/kWh	80.1	18.9	32.8	39.2	30.5
Cost of generation/kWh		øre/kWh	10.6	9.5	9.2	10.0	10.6
NETWORK							
EBITDA		NOK million	370	578	362	287	531
Number of transmission and distribution customers		1,000	210	207	205	202	199
Energy supplied		GWh	5,689	5,347	5,547	5,670	5,573
Power grid capital (NVE capital)	11	NOK million	5,993	5,510	5,275	5,083	4,644
KILE cost	12	NOK million	61	50	48	187	64
ELECTRICITY SALES							
EBITDA		NOK million	119	125	98	75	120
EBITDA margin		%	1.0	3.0	1.5	1.2	2.4
Electricity sales		GWh	21,925	18,244	17,060	14,106	14,324

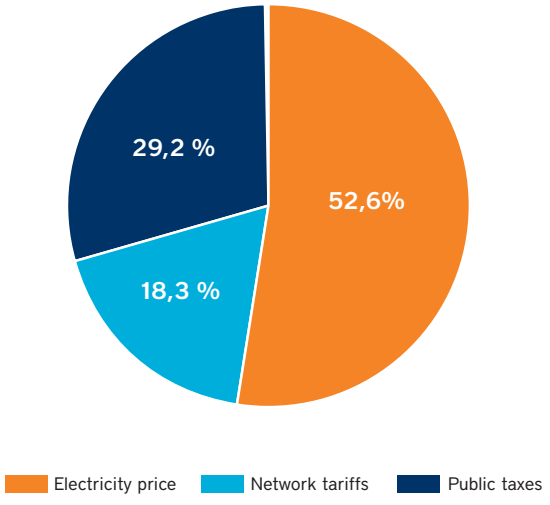
KEY FIGURES

	Def.	2021	2020 (omarbeidet)	2019	2018	2017
DISTRICT HEATING						
EBITDA	NOK million	42	35	39	41	40
Energy supplied	GWh	161	140	151	155	143
Price of heating sold	øre/kWh	71	70	73	72	63
Gross margin, heating	øre/kWh	42	40	43	43	38
Share of renewable generation	%	89	99	99	99	99
EMPLOYEES, HEALTH AND SAFETY						
Number of permanent and temporary staff at 31 Dec.		935	925	1,020	1,005	1,210
Number of permanent and temporary full-time equivalents at 31 Dec.		907	881	987	976	1,162
Sickness absence	%	2.8	2.7	3.1	3.6	3.5
Total non-lost-time and lost-time injuries per million working hours		2.2	3.4	1.8	3.8	3.7

DEFINITIONS

1. Operating profit before depreciation and impairment losses
2. Equity + interest-bearing liabilities.
3. Bank deposits, certificates 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 2021:



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.
- The basis for the calculations is an average spot price 2021 at 76 øre/kWh.

GROUP MANAGEMENT

Steffen Syvertsen
CEO

Kristin A. Dale
EVP HR & Communication

Jan Erik Eldor
EVP Distribution

Svein Are Folgerø
EVP Innovation

Anders Gaudestad
EVP Energy Management & Trading

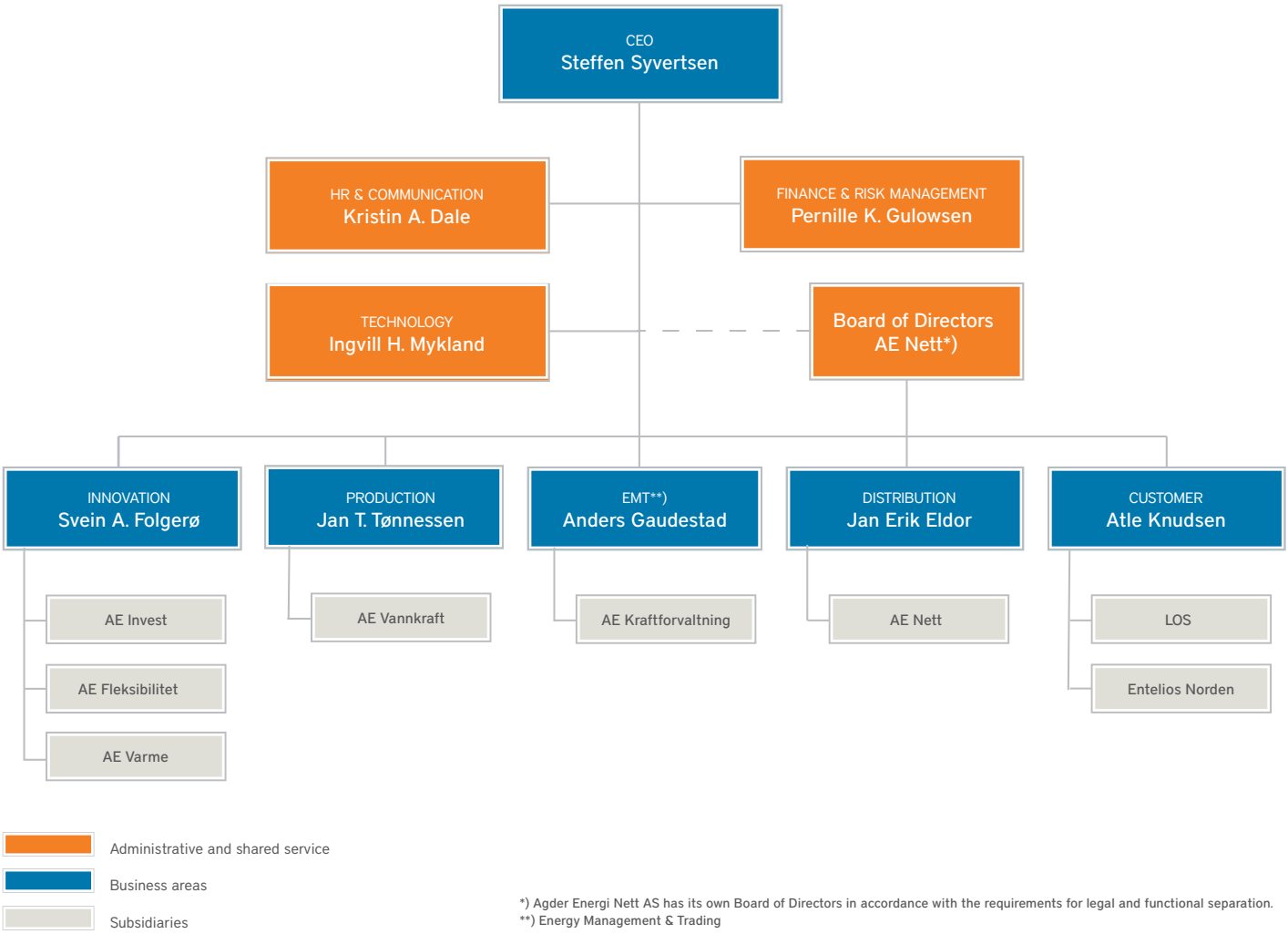
Pernille K. Gulowsen
CFO

Atle Knudsen
EVP Customer

Ingvill H. Mykland
CTO

Jan T. Tønnessen
EVP Production

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: Production; Distribution; Energy management & Trading; Customer; 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 – CSR, regulatory environment, Early Warning, sustainability, communication, HR, health and safety, quality, payroll, documentation and property
- Technology – infrastructure/operations, ICT development, 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.

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.

Distribution
The Distribution business area is a natural monopoly that is responsible for fulfilling Agder Energi's 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 the business area's 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.

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.

The business area, which operates through 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. Energy Management & Trading is also responsible for the Group's trading portfolios and power purchase agreements (PPAs) with industrial customers and investors.

It operates in Nordic and European markets, having a presence in Sweden, Germany and Switzerland, as well as in Norway. Its operations in Germany also include dispatch optimisation for renewable energy and trading in guarantees of origin.

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 green 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 and Otera 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 its business, and to protect and boost the value of Agder Energi's hydroelectric power.

The Innovation business area includes Agder Energi Invest AS (formerly Agder Energi Venture AS) and the growth companies in its venture capital portfolio: Ergon Nordic AS, comprising companies in bioenergy and district heating/cooling; Agder Energi Fleksibilitet AS, comprising the Group's ownership interests and projects in the area of flexibility; and the Group's strategic projects and new ventures.

Goals and results

The Group's strategy from 2020 sets out a course for achieving 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.

Agder Energi Nett is testing alternatives to creosote utility poles, which are not ideal from an environmental point of view. At Austerdalen substation in Kvinesdal poles made of aluminium are installed. The substation, which was commissioned in 2021, was built to allow the grid to cope with more renewable electricity.

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

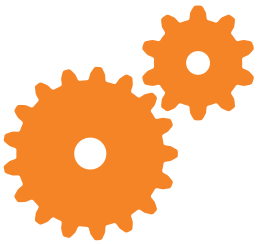
Agder Energi shall be close to its customers and the region. Customers shall know that we are there for them. An open dialogue based on a joint understanding of the facts helps us to bring out the best in each other. By cooperating we preserve our regional identity and help to develop the region.

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.

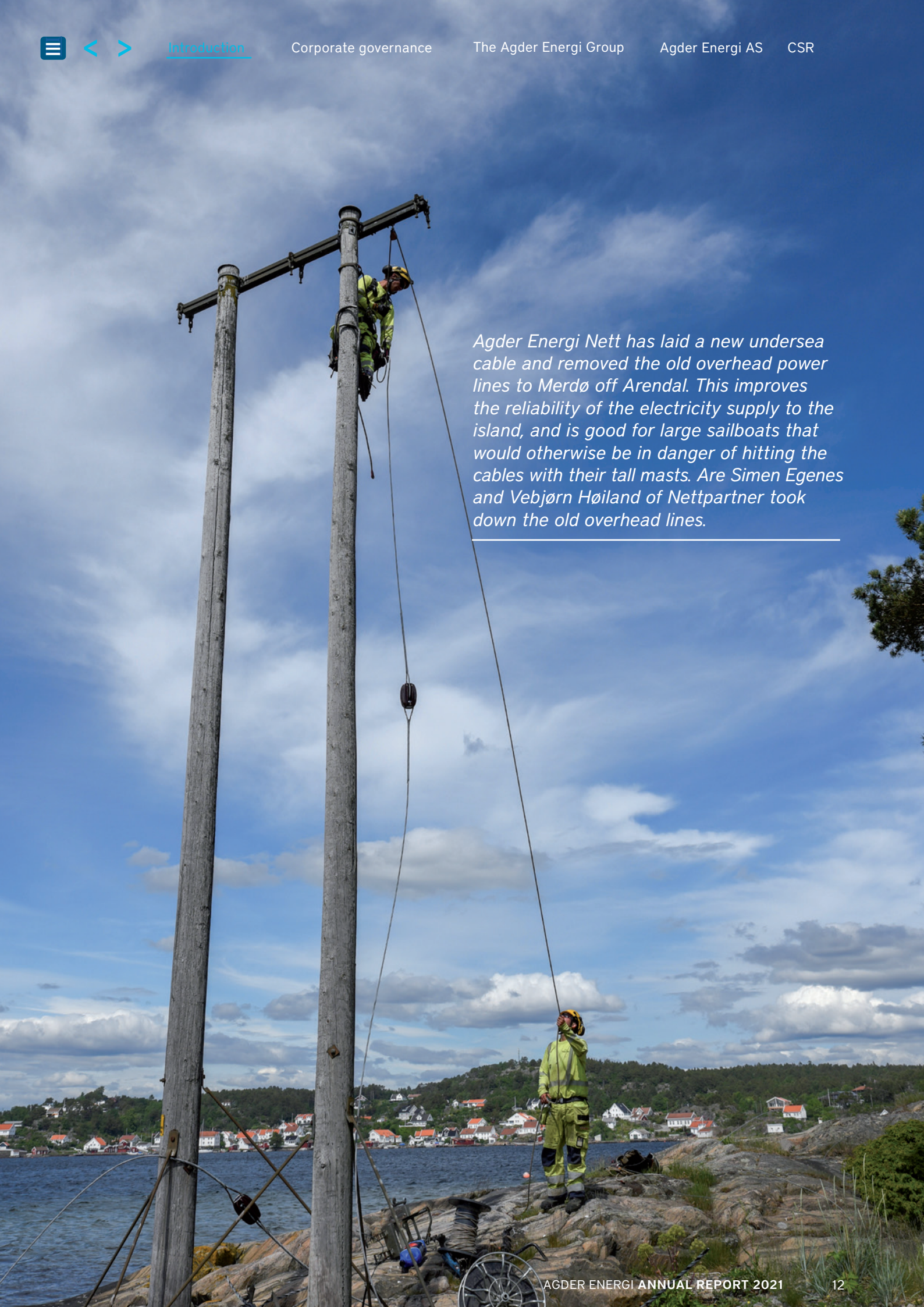
Dynamism

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.



Agder Energi Nett has laid a new undersea cable and removed the old overhead power lines to Merdø off Arendal. This improves the reliability of the electricity supply to the island, and is good for large sailboats that would otherwise be in danger of hitting the cables with their tall masts. Are Simen Egenes and Vebjørn Høiland of Nettpartner took down the old overhead lines.

AN EXTRAORDINARY YEAR

2021 was truly an extraordinary year for the Norwegian and European electric power system. That has affected both the financial results of electric utilities like Agder Energi, and our position in society.

The combination of record high electricity prices, high hydroelectric power generation and a strong operational performance means that the Group achieved record net income of NOK 1,923 million.

We are pleased about that. Our profit is returned to society via our public sector owners and the state through higher dividends and tax revenues. It also enables us to invest in new green energy generation and in more green jobs.

However, the extreme conditions in electricity markets at the end of 2021 and start of 2022 have undoubtedly been difficult for many customers. I totally understand that, and it is natural that ordinary customers despair when their electricity bills rise sharply and apparently unexpectedly.

There are many reasons why electricity prices have reached record levels over the winter, including low precipitation here in Norway, higher CO2 prices in Europe and high natural gas prices.

It is important and right that the government has taken steps to compensate electricity customers in the face of these extraordinary circumstances.

However, we must look at both the short-term and long-term situation in tandem, to ensure that we continue the electrification of society. Because we cannot let our response to the current electricity price crisis hamper our ability to respond to the long-term climate crisis. It won't go away, and the key to solving it is rapidly phasing out fossil fuel use and replacing it with renewable energy.

I believe that the current market model is the one best suited to promoting the necessary investments in renewable energy and infrastructure. But naturally both we and the wider industry must make a constructive contribution to the public debate on how to improve the system and how profits and losses should be shared. And we have to recognise the fact that many customers feel the market is complicated and lacks transparency. Electricity is a product, but in our country it is also an essential necessity. We can and should do more to ensure that costs are more predictable for ordinary electricity customers.

Agder Energi has high ambitions for its contribution to the electrification of society. We have entered into strong alliances with heavyweight international industrial partners to develop offshore wind in the North Sea. That will generate more renewable electricity and provide a foundation for building up a Norwegian supplier industry.

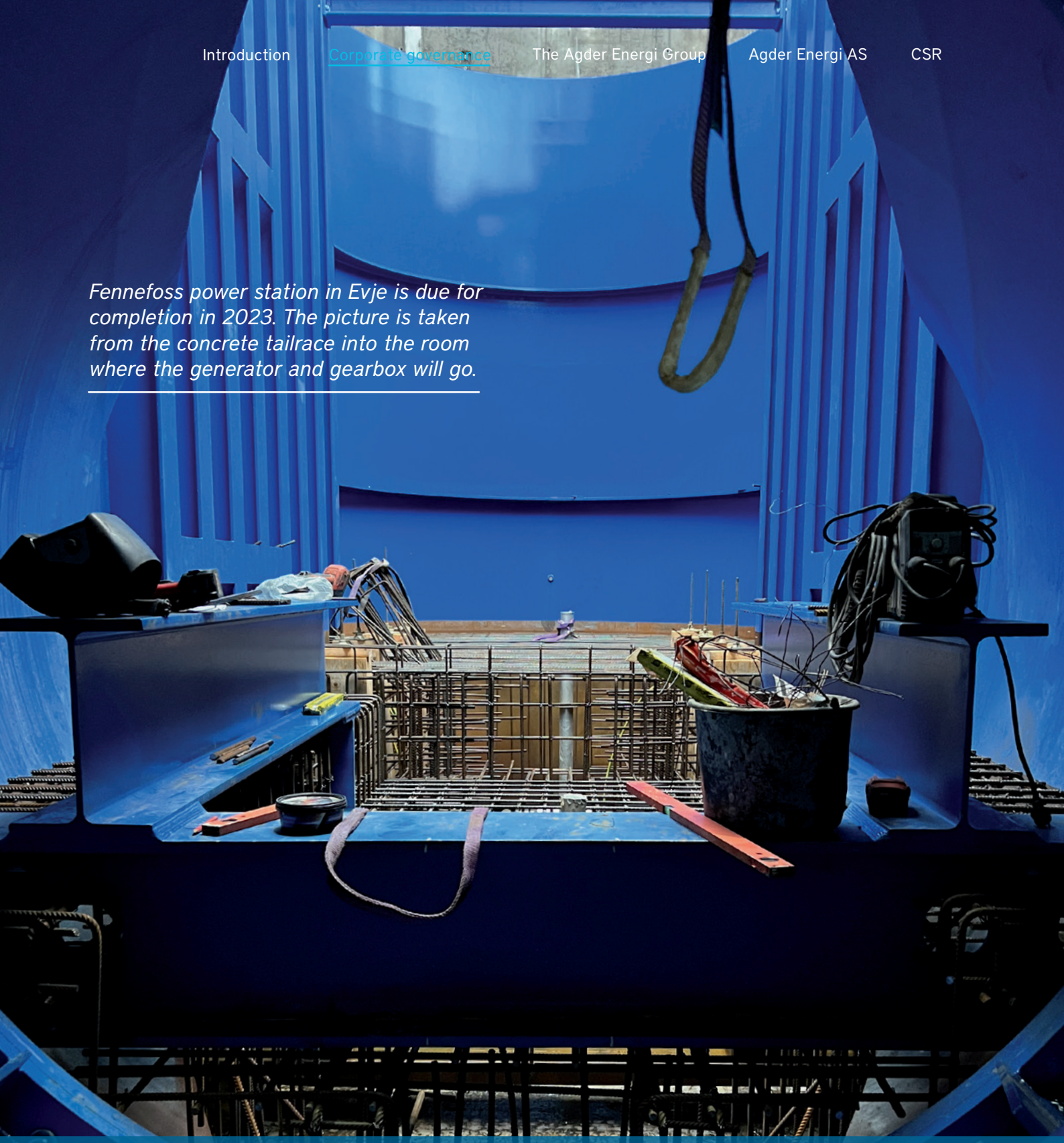
We also want to create growth and jobs in new green onshore industries. The establishment of the Morrow battery cell factory and related value chain in Arendal is one practical example of this, where a pilot factory is scheduled to be operational as soon as in the first half of 2023.

Over the course of 2021, good work has also been done on the merger process with Glitre Energi. Whether or not the two groups will merge is a decision for the shareholders, but I am just as convinced as ever that a merger would be right option for both groups. Becoming a larger entity will protect existing jobs and provide opportunities to create new ones, and lay the foundations for greater value creation and higher returns for the shareholders in both regions.

As this annual report goes to press, we are witnessing a war in Europe of a type that few of us could have imagined. Right now, no-one knows what the outcome of the war in Ukraine will be, but it already seems clear that this represents a turning point for international security. Since Russia is the biggest supplier of gas to Europe, it has become very plain that energy policy is also security policy. Now European leaders are recognising the need to end our dependence on fossil fuels from Russia.

This represents an enormous challenge, but more renewable energy will obviously be a vital part of the solution. This means Agder Energi, with its business operations throughout the value chain for renewable energy, is also part of the solution. That is a motivating thought for me and my colleagues, and makes me hopeful about the future, in spite of the very uncertain times we live in.

Steffen Syvertsen
CEO



Fennefoss power station in Evje is due for completion in 2023. The picture is taken from the concrete tailrace into the room where the generator and gearbox will go.

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 10th edition of the Norwegian Code of Practice published by the Norwegian Corporate Governance Committee (NUES), published on 14 October 2021.

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.

Recommendation in the NUES Code of Practice	Agder Energi's comments
1. Corporate Governance Statement The Board of Directors shall ensure that the corporate governance of the entity is good. In the Directors' report or in a document referred to in the annual report, the Board shall give a general outline of the entity's corporate governance. This shall cover all of the individual points in the Code of Practice. Any nonconformities with the Code of Practice shall be justified, and the systems in place at the entity shall be explained.	The adopted corporate governance principles regulate the relationship between the shareholders, Board of Directors and executive management of an entity, as well as describing the relevant roles and reporting structures. Each heading represents one topic covered by the Code of Practice. 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. Activities The entity's articles of association shall clearly set out its activities. The Board should draw up clear goals, strategies and risk profiles for the business, so that the entity can create value for its shareholders in a sustainable way. The Board should therefore take financial, social and environmental considerations into account. The Board should assess these goals, strategies and risk profiles at least yearly.	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's mission – "We supply clean energy so society can prosper now and into the future" highlights the links between the group and society. The Group sets itself high standards for fulfilling its mission in a responsible and sustainable way. The ethical guidelines can be found on the Group's website ae.no. Agder Energi is one of Norway's biggest energy utilities, as well as being a major employer, with approximately 900 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. There is a more detailed description of the Group's business activities in a separate section of this annual report. 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.

Recommendation in the NUES Code of Practice	Agder Energi's comments
	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 participates in the UN Global Compact and the Norwegian SKIFT network. Our sustainability goals have been approved by the Science Based Targets initiative (SBTi), and we are certified under the Equality at Work and Eco-Lighthouse schemes. Of the 17 Sustainable Development Goals, we have chosen the following ones as being most relevant to us:  More information about CSR at Agder Energi can be found in Agder Energi's 2021 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 The Board should ensure that the entity has a good capital structure that reflects the entity's goals, strategy and risk profile. The Board should establish and disclose a clear and predictable dividend policy. Any proposal for the Board to be given a mandate to approve the distribution of dividends should be explained. Mandates granted to the Board to increase the entity's share capital or to repurchase shares should be intended for a defined purpose. Such mandates should be limited in time to no later than the date of the next annual general meeting.	At 31 December 2021, the Group had NOK 7,369 million of equity, giving it an equity ratio of 22,3%. 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.

Recommendation in the NUES Code of Practice	Agder Energi's comments
4. Equal treatment of shareholders Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital should be justified. Where the Board resolves to carry out an increase in share capital and waive the pre-emption rights of existing shareholders on the basis of a mandate granted to the Board, the justification should be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital. Any transactions the entity carries out in its own shares should be done either through the stock exchange or at prevailing market prices if carried out in any other way. If there is limited liquidity in the entity's shares, the entity should consider other ways to ensure equal treatment of all shareholders.	Agder Energi is not listed on a stock exchange, and due to the limited negotiability of its shares (cf. recommendation no. 5), this recommendation is of little relevance to it. The great majority of the Group's subsidiaries are wholly owned, so the recommendations of the Code of Practice are not particularly relevant to them either.
5. Shares and free negotiability The entity should not limit the ownership, negotiability or voting rights of its shares. The entity should explain any limits on the ownership, negotiability or voting rights of its shares.	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 Board should ensure that the entity's shareholders can participate in the general meeting. The Board should ensure that: • the resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting • the registration deadline for the meeting is set as close to the date of the meeting as possible • Board members and the chairman of the nomination committee may attend the general meeting • the general meeting is able to elect an independent chairman for the meeting Shareholders should be able to vote on each individual matter, including on each individual candidate nominated for election. Shareholders who cannot attend the meeting in person should be given the opportunity to vote. The company should provide a form of proxy and nominate a person who can act as a proxy for shareholders.	The Code of Practice's recommendation with respect to ensuring that as many shareholders as possible can participate in the general meeting has not been implemented at Agder Energi. Under the agreements between shareholders, the only participants at the AGM are one representative of the shareholder municipalities and one representative of Statkraft Industrial Holding. The Chair of the Board, CEO and external auditor shall also participate. The nomination committee and Board members are also entitled to participate.
7. Nomination committee The entity should have a nomination committee, which should be laid down in the entity's articles of association. The general meeting should stipulate guidelines for the nomination committee, elect the chair and members of the nomination committee, and determine the committee's remuneration. The nomination committee should consult with shareholders, the Board and CEO as part of its work on proposing candidates for election to the Board.	The articles of association specify that the company shall have a nomination 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 nomination committee nominates candidates for the corporate assembly and for the Board of Directors. The shareholders' agreement contains certain rules on the work of the nomination committee, designed to ensure compliance with the stipulations of the agreement.

Recommendation in the NUES Code of Practice	Agder Energi's comments
The members of the nomination committee should be selected to take into account the interests of shareholders in general. The majority of the committee should be independent of the Board and other senior executives. The nomination committee should not include any senior executives or Board members. The nomination committee's duties should be to propose candidates for election to the Board and nomination committee (and corporate assembly where appropriate) and to propose the fees to be paid to members of these bodies. The nomination committee should justify why it is proposing each candidate. The entity should disclose the membership of the committee and any deadlines for proposing candidates.	
8. Board of Directors, composition and independence The composition of the Board should ensure that the board can attend to the common interests of all shareholders and meets the entity's need for expertise, capacity and diversity. Attention should be paid to ensuring that the Board can function effectively as a collegiate body The composition of the Board should ensure that it can operate independently of any special interests. The majority of the shareholder-elected members should be independent of senior executives and material business contacts. At least two of the Board members elected by shareholders should be independent of the entity's main shareholder(s). The Board of Directors should not include senior executives. If the Board does include senior executives, the entity should justify this and implement consequential adjustments to the organisation of the Board's work, including the use of Board committees to help ensure more independent preparation of matters for discussion by the Board, cf. Section 9 of the Code of Practice. The general meeting (or the corporate assembly where appropriate) should elect the chair of the Board. The term of office for Board members should be no longer than two years at a time. The annual report should provide information to illustrate the expertise of the Board members and information on their record of attendance at Board meetings. In addition, the annual report should identify which members are considered to be independent. Board members should be encouraged to own shares in the company.	The composition of the Board of Directors is designed to safeguard the collective interests of the shareholders and meet the entity's need for expertise, capacity and diversity. The Code of Practice's recommendation that the Chair of the Board be elected by the AGM 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. The shareholder-elected members are independent of senior executives and material business contacts. Details of who has attended Board meetings during the year can be found in Note 29 to the consolidated financial statements. *Entitlement of Board members to own shares* The Code of Practice's recommendation that Board members be encouraged to own shares in the entity has not been implemented at Agder Energi. Under the articles of association and the shareholders' agreement, neither Board members nor other private individuals are entitled to own shares in Agder Energi.

Recommendation in the NUES Code of Practice	Agder Energi's comments
9. The work of the Board The Board should issue instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties. These instructions should state how the Board and executive management shall handle agreements with related parties, including whether an independent valuation must be obtained. The Board should also present any such agreements in their annual directors' report. The Board should ensure that Board members and senior executives make the company aware of any material interests that they may have in items to be considered by the Board. In order to ensure a more independent consideration of matters of a material character in which the Chair of the Board is, or has been, personally involved, such discussions should be chaired by some other member of the Board. The Public Companies Act stipulates that large companies must have an audit committee. The entire Board of Directors should not act as the entity's audit committee. Smaller companies should consider establishing an audit committee. In addition to the legal requirements on the composition of the audit committee etc., the majority of the members of the committee should be independent of the entity. The Board of Directors should also consider appointing a remuneration committee in order to help ensure thorough and independent preparation of matters relating to compensation paid to the senior executives. Membership of such a committee should be restricted to members of the Board who are independent of the entity's executive management. The Board should provide details in the annual report of any Board committees appointed. The Board should evaluate its performance and expertise annually.	The Board's tasks are regulated by the Limited Liability Companies Act and other relevant legislation, the entity'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. *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). *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. *Remuneration committee* The Board of Agder Energi has established a remuneration and succession planning committee. This committee shall help the Board with assessing and setting the terms of employment for the CEO, as well as with drawing up the main principles and strategy for remuneration and succession planning for the Group management, with a particular emphasis on ensuring talent development and diversity.
10. Risk management and internal controls The Board of Directors must ensure that the entity has sound internal controls and systems for risk management that are appropriate in relation to the extent and nature of its activities. The Board should carry out an annual review of the entity's most important areas of exposure to risk and its internal control arrangements.	Agder Energi integrates risk management, internal controls and internal auditing into its corporate governance using the three lines of defence model and in accordance 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.

Recommendation in the NUES Code of Practice	Agder Energi's comments
	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 through the Group's second line of defence, and all subsidiaries produce an annual self-declaration on their internal controls in accordance with their responsibility as the first line of defence. The Group'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 Group and as the third line of defence it has a mandate to communicate directly with the Board and the Board's audit committee. The Group 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. Remuneration of the Board of Directors The remuneration of the Board of Directors should reflect the Board's responsibilities, expertise, time commitment and the complexity of the entity's activities. The remuneration of the Board should not be profit-related. The entity should not grant share options to Board members. Board members and/or companies with which they are associated should not take on specific assignments for the entity in addition to their appointment as a Board member. If they do nonetheless take on such assignments, this should be disclosed to the full Board. The remuneration for such additional duties should be approved by the Board. Any remuneration in addition to normal directors' fees should be specifically identified in the annual report.	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 29 to the consolidated financial statements.
12. Salary and other remuneration for senior executives The guidelines on the salary and other remuneration for senior executives must be clear and easily understandable, and they must contribute to the entity's commercial strategy, long-term interests and financial viability. The entity's arrangements in respect of salary and other remuneration should help ensure senior executives and shareholders have convergent interests, and should be simple. Performance-related remuneration should be subject to an absolute limit.	Management compensation reflects the Group's guidelines on compensation. The senior management team has no separate bonus agreement for 2021, but it does take part in the Group's profit-sharing scheme in the same way as the Group's other employees. Information about management compensation is presented in Note 29 to the consolidated financial statements. Information about the Group's remuneration policy can be found in Agder Energi's report on Diversity and Equal Opportunity, which is available on ae.no.

Recommendation in the NUES Code of Practice	Agder Energi's comments
13. Information and communications The Board of Directors should establish guidelines for the entity's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market. The Board should establish guidelines for the entity's communication with shareholders other than through general meetings.	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 Board of Directors should establish guiding principles for how it will act in the event of a take-over bid. In a bid situation, the Board and management have an independent responsibility to help ensure that shareholders are treated equally, and that the entity's business activities are not disrupted unnecessarily. The Board has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer. The Board should not hinder or obstruct take-over bids for the company's activities or shares. Any agreement with the bidder that acts to limit the entity's ability to arrange other bids for the entity's shares should only be entered into where it is self-evident that such an agreement is in the common interest of the entity and its shareholders. This provision shall also apply to any agreement on the payment of financial compensation to the bidder if the bid does not proceed. Any financial compensation should be limited to the costs the bidder has incurred in making the bid. Agreements entered into between the entity and the bidder that are material to the market's evaluation of the bid should be publicly disclosed no later than at the same time as the announcement that the bid will be made is published. In the event of a take-over bid for the entity's shares, its Board should not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid. If an offer is made for the entity's shares, its Board should issue a statement making a recommendation as to whether shareholders should or should not accept the offer.	The shareholders' agreement defines the pre-emption 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 Invest.

Recommendation in the NUES Code of Practice	Agder Energi's comments
The Board's statement on the offer should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which individual members of the Board do not support the Board's statement. The Board should arrange a valuation from an independent expert. The valuation should include an explanation, and should be made public no later than at the time of the public disclosure of the Board's statement. Any transaction that is in effect a disposal of the entity's activities should be decided by a general meeting (or the corporate assembly where relevant).	
15. Auditor The Board of Directors should ensure that the auditor submits the main features of the plan for the audit of the company to the audit committee annually. The Board should invite the auditor to meetings that deal with the annual accounts. At these meetings the auditor should report on any material changes in the entity's accounting principles and key aspects of the audit, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management. The Board should at least once a year review the entity's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement. The Board should establish guidelines in respect of the use of the auditor by the entity's executive management for services other than the audit.	Ernst & Young was the Group's external auditor in 2021. 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 entity'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 entity's internal controls with the Board, including any weaknesses identified by the auditor and proposals for improvements. The Audit Committee evaluates the external auditor's independence and reviews the overall use of the external auditor for consultancy purposes.

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 enterprise 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, sustainability goals, 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. Critical circumstances are reported explicitly.

INTERNAL CONTROLS

Internal controls are an integral part of enterprise 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 and access controls, including 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, sharing learning points 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, the safety and security of operations and systems, the regulatory environment and reputation. 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.

Agder Energi generates all of its electricity in the NO2 price area – one of the price areas that experienced record high electricity prices in 2021. 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. Over the long term, 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.

Fluctuations in the price of electricity futures contracts affect the value of electricity price hedges and give 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 is implementing an ambitious strategy to adapt to the changes associated with the green transition facing the electric power industry. 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 green value chains.

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. 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.

ICT security

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.

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; contribute specialist expertise through expert committees, industry associations and independently; 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.

Reputation

Reputational risk can affect all or parts of the Group, or the industry as a whole. The high electricity prices in 2021 have put the spotlight on the electric power industry, everywhere from social media platforms to political discourse. In order to protect the reputation of the industry, Agder Energi strives to share its expert knowledge and propose solutions. The reputational risk to the Group is managed by having high ethical standards, good corporate governance and robust processes, as well as by treating customers and other stakeholders well.

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 supply clean energy so society can prosper now and into 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.

The overriding aim of Agder Energi's corporate 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.

A key element of this 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 2021 on the Group's website ae.no.

Tor Magne Omsland has worked at Agder Energi for 22 years and has varied tasks in several of the power stations.

BOARD OF DIRECTORS' REPORT

DIRECTORS' REPORT

Agder Energy supplies clean energy so society can prosper now and into 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 2,062 million in 2021 (controlling interest's share), compared with NOK 1,909 million in 2020. Underlying net income under IFRS was NOK 1,923 million (controlling interest's share), up from NOK 489 million in 2020. Agder Energi's hydropower stations generated 8,880 GWh of clean energy in 2021 (2020: 8,112 GWh).

HIGHLIGHTS

On 29 January 2021, the Boards of Directors of Agder Energi and Glitre Energi signed a letter of intent on a merger between the two groups. In the second quarter of 2021, the shareholders of both Agder Energi and Glitre Energi approved the letter of intent, and work is being done to value both companies, negotiate the exchange ratio and draw up the final agreement. The plan is to present the final merger agreement for review by the shareholders in the second quarter of 2022.

In February, the Åseral Nord project was completed, and the new Langevatn reservoir and transfer tunnel to Nåvatn are now in use. This will reduce the amount of potential generation lost due to water flowing over the dam at Langevatn during flood conditions, allowing more renewable energy to be generated by Skjerka power station.

Agder Energi is increasing its presence in the growing market for green heating, and in June it combined the companies Agder Energi Varme, Bio Energy and Norsk Energigjenvinning under joint management. As part of this process, the minority shareholders in Bio Energy and Norsk Energigjenvinning were bought out, and all of the companies are now wholly owned by Agder Energi.

In August, Morrow Batteries raised NOK 230 million of new equity. This will help to fund the next phase of the project, which will see a new innovation centre built in Grimstad and the detailed planning of the pilot factory in Arendal. The company's ambition is to produce the world's most sustainable batteries. Agder Energi Invest provided NOK 35 million of the new equity, and its ownership interest after the share issue is 35.3%.

In August, Agder Energi's Board of Directors decided to install a new generator at Høgefoss power station. This will increase generation by around 21 GWh. Greater turbine flow capacity will also increase the value of the electricity generated, by enabling a higher capture rate for all of the energy produced. Initial preparations started in the autumn of 2021, and commissioning is due in the third quarter of 2023.

In the third quarter, Agder Energi Nett notified the Norwegian Water Resources and Energy Directorate that it plans to build a new power line from Vallemoen in Lindesnes via Lyngdal to Øye in Kvinesdal. The new line will improve grid resilience as the electrification of society advances.

In October, Agder Energi signed an agreement to sell the German company Nordgröön to the Dutch energy group Eneco. The transaction was completed in December. In the wake of that, the German company Entelios AG was transferred to the Innovation business area, while the remaining Germany operations will continue in Energy Management & Trading, where they will be integrated with the existing activities.

In the third quarter, Agder Energi Vannkraft notified the Norwegian Water Resources and Energy Directorate (NVE) that it plans to build Syrtveit power station, which is in Evje og Hornnes Municipality. If the power station is built, it will generate 100-120 GWh of clean, renewable energy each year. That is equivalent to the annual consumption of around 6,000 households.

In December, Agder Energi partnered with Green Investment Group, one of the world's largest investors in and developers of green infrastructure, for the competition to develop a floating offshore wind farm at Utsira Nord. This is one of two areas that the government designated for the development of offshore wind in January 2021. The area, which is around 30 kilometres from the Norwegian coast, has deep waters, is close to large industrial facilities and enjoys particularly good wind conditions. This makes Utsira Nord particularly suited to floating offshore wind. Through their partnership, Agder Energi and Green Investment Group aim to help the Norwegian government achieve its net zero goal for 2050, as well as to support the development of a profitable domestic offshore wind industry that both stimulates innovation and creates jobs regionally and nationally.

In January 2022, Agder Energi Vannkraft signed a major contract to supply renewable energy to Yara Norge over the period 2023-2032. Yara is building a demonstration plant that will produce hydrogen using electricity, rather than the fossil fuels that are currently used. Agder Energi, which generates its own hydroelectric power and has access to other forms of renewable energy, is in a particularly strong position to meet Yara's needs.

* 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 carry-forwards are calculated; see page 116 for further details.

The past year has seen abnormally high electricity prices, which put our industry in the public spotlight in the second half of 2021. This has continued at the start of 2022. The importance of energy in helping society to prosper now and into the future has moved up the agenda, and interconnections with Europe have become part of the public debate in Norway. The reputation of the electricity retailers and electric power industry is declining, but LOS has maintained a good reputation in challenging conditions.

For our customers, the high prices have been a challenge, and they have led to a big increase in the number of domestic customers contacting LOS. The company had to deal with 63,000 customer enquiries during the period October to December 2021, compared with 27,500 in the same period of the previous year. This high level of activity has been handled well by LOS in challenging circumstances. For Entelios, which serves business customers, the number of enquiries has been more normal, and its focus has been on monitoring trade receivables.

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 the pandemic is not expected to have a significant impact on its operations in the long term.

The biggest non-financial impacts have been widespread working from home and health and safety measures for those members of staff who do need to attend their workplace.

FINANCIAL PERFORMANCE

Agder Energi's operating revenues were NOK 20,474 million (NOK 8,204 million) in 2021. The big NOK 12,270 million increase was due to the high electricity prices in 2021, which led to higher energy sales at the Hydroelectric Power, LOS and Entelios Nordic segments. There was a NOK 1,200 million loss (NOK 1,113 million gain) on electricity and currency contracts related to the Group's hedging activities.

The Group's operating profit was NOK 3,858 (1,857) million. Profit before tax rose by over 140% to NOK 4,101 (1,694) million. This increase was primarily due to a strong contribution from the Group's hydroelectric power stations, thanks to record electricity prices and a rise in the amount of electricity generated. Net income (controlling interest's share) improved from NOK 1,909 million in 2020 to NOK 2,062 million in 2021.

Energy purchases rose to NOK 13,408 million (NOK 3,266 million). This increase was due to high electricity prices pushing up the cost of energy purchases at LOS and Entelios Nordic, as well as the Network segment facing higher costs for transmission losses.

In total, employee benefits and other operating expenses were 16 percent higher than in 2020. The main reasons for this were wage growth, an increase in the number of full-time equivalents in 2021, business development and new ventures, the merger process with Glitre and a one-off insurance settlement at the Network segment in 2020.

Agder Energi's electricity price hedging is designed to make dividend payments more stable and predictable over the long term. Unrealised changes in the value of cash-settled hedges are recognised as they arise in the reported profit based on IFRS. The significant increase in forward prices for electricity during 2021 reduced the value of the cash-settled hedges. This is in contrast to 2020, when the Group's profit benefited significantly from valuation gains on hedges.

Net financial items came to NOK 243 (-163) million. Investments in associates and joint ventures contributed a NOK 259 (105) million gain, mainly on account of three factors. NOK 178 million of it came from a revaluation gain on our investment in Otovo when the company was reclassified from being an associate to being a long-term shareholding measured at fair value. In addition, a NOK 60 million gain was recognised after an update to the estimated purchase price adjustment relating to the sale of our ownership interest in Fosen Vind. Finally, the dilution of our ownership interest in Morrow Batteries from 39% to 35.3% gave an accounting gain of NOK 47 million. Interest on the Group's debt portfolio came to NOK 232 (247) million, and there was an exchange rate gain of NOK 0 million (NOK 61 million). There was an unrealised NOK 202 million gain (NOK 100 million loss) on interest rate swaps and shareholdings. Of that, NOK 133 (-100) million came from interest rate contracts and NOK 69 (0) million from a gain on our investment in Otovo in the period after it was reclassified as a shareholding measured at fair value.

The Group's tax expense was NOK 2,089 (423) million. This consisted of NOK 831 (352) million of income tax and NOK 1,258 (70) million of resource rent tax. Income tax was higher due to the increase in profit before tax. The increase in resource rent tax was a result of hydroelectric power generated having a significantly higher spot value thanks to the high spot prices, as well as a higher effective tax rate. The tax rate rose because the resource rent tax takes into account the spot value of electricity generated, but not the value of any hedges. In 2021, those hedges made a negative contribution, whereas in 2020 there were significant gains on hedges.

Business disposals, including the sale of Craftor, contributed NOK 734 million to net income in 2020. In 2021, there was a NOK 401 million gain on disposals and shareholdings.

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 2021, underlying operating revenues came to NOK 21,425 (7,191) million, and underlying operating profit was NOK 4,810 (844) million.

The sharp increase in underlying operating profit was due to record profit at our Hydroelectric Power segment, which made NOK 4,751 million, up from NOK 558 million in 2020. This can mainly be explained by higher achieved electricity prices, as well as higher electricity generation. Achieved prices were 62.3 øre/kWh, 230% higher than the 18.9 øre/kWh achieved in 2020. The Group generated 8,880 GWh (8,112 GWh) of hydroelectric power in 2021, up 9%.

The Group's underlying profit before tax was NOK 4,582 (628) million. The tax expense also rose sharply to NOK 2,661 (194) million. The main reasons for the increase in the tax expense were higher net income and higher resource rent tax due to significantly higher spot prices. The resource rent tax calculation takes into account the spot value of electricity generated, but not the value of hedges. In 2021, those hedges made a negative contribution, whereas in 2020 there were significant gains on hedges. That explains why the effective tax rate rose to 58% (31%).

The Group's underlying net income (controlling interest's share) came to NOK 1,923 (489) 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 had total assets worth NOK 33,074 million at the close of 2021, compared with NOK 24,888 million in 2020. The large increase in total assets was mainly due to high electricity prices, which led to significantly higher trade receivables, higher gross values for derivatives and an increase in cash and cash equivalents. High investments in the Hydroelectric Power and Network segments in 2021 also led to an increase in property, plant and equipment at the end of the year.

The Group's book equity rose by NOK 1,800 million to NOK 7,369 (5,569) million at the year-end. This increase was the result of high reported IFRS profit less dividend distributions. However, due to the large increase in total assets, the equity ratio remained unchanged at 22% (22%).

At the end of 2021, the Group had NOK 9,030 (10,937) million of gross interest-bearing liabilities. Meanwhile, it had NOK 6,890 (10,605) million in net interest-bearing liabilities. The average interest rate was 2.1%, down from 2.3% the previous year. Our interest rate duration, which is managed by using fixed-interest loans and interest rate derivatives, was 4.3 (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 comprised NOK 2.5 (5.0) billion of unused credit facilities and NOK 2.5 (0.4) billion of bank deposits and short-term interest-bearing securities. The size of the credit facilities was lowered back down to normal levels in the second quarter.

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

Cash flow from operating activities came to NOK 5 540 million in 2021, compared with NOK 1 569 million in 2020. The cash flow from operating activities was the Group's highest ever by some margin, which is due to various factors. A strong underlying performance, particularly in the Hydroelectric Power segment, is one key reason. In addition, the amount of tax paid was just NOK 139 million. That is because tax is paid in arrears, and low electricity prices in 2020 meant that both income tax and resource rent tax payable were significantly lower than normal. At the end of 2021, NOK 2,707 million had been set aside for tax payable on profit for the year. Although this amount relates to 2021, it will only be payable and affect cash flows in 2022.

In addition, the cash flow statement includes a NOK 2,681 million adjustment for non-cash gains and losses. A significant proportion of this relates to timing effects arising from customer management at Entelios Nordic. Entelios offers various services that aim to minimise the electricity price paid by the customers who use its management services. These services leave Entelios with an electricity price exposure with respect to its customers. In order to hedge its net exposure, the company uses exchange-traded contracts. These exchange-traded contracts are futures contracts, and changes in their value are settled daily. Entelios' contracts with its customers are forward contracts, which are only settled on their delivery dates. The big increase in prices has resulted in significant gains on the exchange-traded contracts and the associated cash receipts, whereas cash payments for the roughly equivalent losses on contracts with customers have been limited. The positive cash flow will therefore be reversed in subsequent periods when the contracts with customers are settled. Conversely, higher working capital during the period had a negative impact on cash flow. That was mainly due to higher electricity prices, which resulted in higher trade receivables.

Investment in property, plant and equipment and intangible assets amounted to NOK 1,365 (1,404) million. NOK 151 (142) 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. Net cash used in investing activities totalled NOK 2,392 million, up from NOK 699 million in 2020. The increase was due to NOK 1,020 of excess liquidity being invested in short-term interest-bearing securities in 2021, as well as 2020 including NOK 753 million of proceeds from the disposal of Craftor.

NOK 325 (615) million was paid out in dividends. Net cash provided by operating activities less dividends therefore came to NOK 5,215 (953) 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 2020, the controlling interest's share of underlying net income under IFRS was NOK 489 million. In view of an overall assessment of the future outlook and our financial position, it is proposed that the NOK 590 million accounting gain on the sale of Craftor AS in 2020 be included in the calculation basis for dividends. Based on that, the Board of Directors proposes a dividend payout of NOK 755 million for the 2021 financial year.

The net income for the year of the parent company Agder Energi AS was NOK 1,441 (1,301) 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	755
Transferred to other reserves	686
Total allocations	**1,441**

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 segments reported are Hydroelectric Power, Network, LOS, Entelios Nordic, Entelios Central & Western Europe and Other Activities. The financial figures for the segments are reported on an underlying IFRS basis, since that is what is used in internal reporting to the management and Board. A more detailed description of the segments is given below.

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. In a normal year it expects to generate 8,700 GWh, and it owns 50 hydroelectric power stations, directly or through joint arrangements. Most of its power stations are in Agder, but it also owns power stations in the counties of Rogaland and Vestfold og Telemark. All of its electricity is generated in the NO2 price area. 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 6,357 (1,985) million of operating revenues in 2021, while its operating profit was NOK 4,751 (558) million. The main reasons for this NOK 4,193 million increase in profit were significantly higher electricity prices and higher electricity generation.

For the year as a whole, the average spot price in the NO2 area was 76.0 øre/kWh (9.8 øre/kWh), an increase of 678%. The volume-weighted spot price for the electricity generated by the segment in 2021 was 80.1 øre/kWh. Achieved electricity prices were lower than spot prices, but they also rose sharply to 62.3 øre/kWh (18.9 øre/kWh). Achieved prices were lower than volume-weighted prices due to the sale of compensation power and concession power at regulated prices, as well as a negative contribution from electricity price and currency hedges. This is in contrast to 2020, when electricity prices were low and hedges made a positive contribution.

The segment's market operations relating to trading and origination once again made a significant positive contribution in 2021.

The main reason for the high electricity prices in 2021, and particularly in the final two quarters of the year, is the high price of gas in Europe. Limited gas supplies from Russia, combined with periods of cold weather in the autumn and a cold outlook for the winter, led to such a scarcity of gas that the gas price at times was more than five times as high as it has been for the past ten years. In addition, the CO2 price almost trebled, from 30 EUR/tonne to almost 90 EUR/tonne over the course of 2021.

For much of the day, electricity prices on the continent and in the United Kingdom are determined by the cost of the marginal source of power needed to meet demand, which is generally the cost of electricity from gas-fired power stations. In the markets that surround us, high gas and CO2 prices have therefore resulted in prices that are far higher than in the past. The high prices on the continent and in the UK have affected prices in the NO2 area, which is normal in dry years when Southern Norway is at times dependent on electricity imports to meet demand. In contrast to 2020, when Southern Norway had a big electricity surplus due to large quantities of snow and rain, the autumn of 2021 was very dry, which meant that reservoirs were not topped up much, so for extended periods their water levels were close to record lows. This has affected electricity prices in South Norway, which have been pushed up towards the levels in our neighbouring countries. Not all parts of the Nordic countries have seen as high prices as the NO2 area. Prices have generally been significantly lower in the northernmost parts of Norway and Sweden, due to a large electricity surplus that cannot all be exported.

The segment generated 8,880 GWh (8,112 GWh) of hydroelectric power during 2021, an increase of 9% over the previous year. Lower precipitation than normal meant that hydrological resources fell in 2021. At the end of the year, reservoir reserves were around 2.7 TWh (4.9 TWh), which is significantly below normal. As a proportion of total capacity, reservoir reserves were 51% (92%). At the end of the year, the

average reservoir level for all of the electric utilities in the NO2 price area was 50% (78%) of capacity, a notable 28 percentage points below the average for the past ten years.

Pre-tax profit in 2021 amounted to NOK 4,647 (475) million, an increase of around 880%. As well as paying ordinary income tax, the Hydroelectric Power segment pays resource rent tax. The Group's tax expense was NOK 2,670 (140) million. The main reasons for the increase in the tax expense were higher net income and higher resource rent tax due to significantly higher spot prices. The effective tax rate rose to 57.5% (29.4%). This increase reflected a negative contribution from hedges, whereas in the previous year they made a significant positive contribution. Net income amounted to NOK 1,977 (335) million, an increase of NOK 1,642 million.

The segment invested NOK 390 (557) million in property, plant and equipment in 2021, with the biggest project being the new Fennefoss power station near Evje. A number of smaller refurbishment and government imposed projects are also ongoing. The introduction of a cash flow tax on hydroelectric power investments as of 2021 will have a significant positive impact on liquidity by lowering resource rent tax payable in future years.

Network

The Network segment is responsible for developing, operating and maintaining the transmission and distribution grid in Agder. The segment had NOK 1,462 (1,443) million of operating revenues in 2021. It made an operating profit of NOK 74 million, down from NOK 298 million in 2020. High electricity prices meant that the cost of transmission losses was around NOK 220 million higher than in 2020. That is the main explanation for the low operating profit. Another reason why profit fell is that in 2020 a NOK 40 million gain was recognised for an insurance payout relating to extreme weather events in previous years.

There were three major power outages in 2021. Combined with a number of individually minor incidents, this meant that expenses related to fault resolution and KILE were NOK 7 million and NOK 16 million respectively higher than expected. KILE is a reduction applied to the company's income cap in the event of power outages.

NOK 696 (577) million was invested by the segment in 2021. Including NOK 151 (142) million of customer contributions, gross investment was NOK 847 (719) million. The increase in investment was the result of both growth in the number of projects requested by customers and several large regional power grid projects being implemented in 2021 after being delayed or postponed in 2020 on account of the pandemic. The electrification of society means that customers are requiring more power, which is part of the reason for customer-initiated projects.

LOS

LOS is one of Norway's leading electricity retailers. It supplies electricity to domestic customers all over Norway, with the bulk of them being in Southern Norway. The company's turnover was NOK 1,660 million in 2021, compared with NOK 463 million in 2020. The volume of electricity supplied rose from 1.94 TWh to 2.03 TWh. The increase in turnover was almost entirely due to higher spot prices. LOS is continuing to develop relevant products, services and digital customer solutions for the domestic market.

The segment's operating profit was NOK 38 (80) million. The decline in profit was mainly due to high electricity prices, which put considerable pressure on the company's margins.

Entelios Nordic

Entelios Nordic 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 and Finnish markets, as well as customers in Denmark.

In 2021, Entelios' turnover was NOK 9,995 million, up from NOK 3,648 million the previous year. The increase was due to higher spot prices and growth in sales volumes. The volume of electricity sold was 19.9 TWh (16.1 TWh). This growth was due to an increase in customer numbers. The segment's operating profit was NOK 70 (33) million. Profit rose thanks to a strong contribution from trading portfolios.

Entelios Nordic is the part of the Agder Energi Group with greatest exposure to customers. In response to the Covid-19 crisis, several measures were implemented to reduce the risk of bad debts. These included updating credit checks, chasing up payments more closely and considering the need for collateral. In spite of the exceptional circumstances that we experienced, both realised losses and bad debt provisions are in line with previous years.

Entelios Central Western Europe

The Central Western Europe segment has consisted of the German part of Entelios and the company Nordgröön. The companies in this segment have managed and optimised distributed renewable energy generation and sold flexibility services. In the fourth quarter, Nordgröön was sold to the Dutch company Eneco.

In 2021, the continuing operations had turnover of NOK 115 (26) million, and made an operating loss of NOK 9 (45) million. The loss was lower than in 2020, as a result of stronger margins and reduced expenses.

Having been sold, Nordgröön is classified as discontinued operations, and in the income statement it is presented on a separate line. It is not included in the above figures. Before it was sold, Nordgröön's turnover was NOK 1,982 (1,183) million, while it made an operating profit of NOK 3 million (loss of NOK 2 million). Higher electricity prices resulted in higher turnover, in spite of the volume under management falling. Including an accounting gain on the disposal, Nordgröön contributed NOK 45 million of net income (loss of NOK 3 million).

Other activities

This segment includes 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, and a few other small companies.

Other activities also includes the Innovation business area, which is responsible

for business development and new ventures. Building on its domain knowledge, Agder Energi is building a presence in new value chains in the green economy. The aim is twofold: to create value and expand its business, and to protect and boost the value of Agder Energi's hydroelectric power.

In 2020, the Ministry of Petroleum and Energy opened the areas Sørlige Nordsjø II and Utsira Nord for applications to develop offshore renewable energy generation. In Sørlige Nordsjø II, Agder Energi and its partners HitecVision and Green Investment Group will enter the competition to develop an offshore wind farm. Agder Energi has a 37.5% ownership interest in the project. Similarly, Agder Energi has entered into a 50/50 partnership with Green Investment Group for its participation in the competition to develop an offshore wind farm in Utsira Nord.

In August, Morrow Batteries raised NOK 230 million of new equity. This will help to fund the next phase of the project, which will see a new innovation centre built in Grimstad and the detailed planning of the pilot factory in Arendal. The company's ambition is to produce the world's most sustainable batteries. Agder Energi Invest provided NOK 35 million of the new equity, and its ownership interest after the share issue is 35.3%.

Agder Energi's part-owned subsidiary ECO STOR, which operates in Norway and Germany, is positioning itself as a total supplier of grid-scale energy storage systems. The company is developing well, and in order to finance its future growth, it carried out a NOK 72 million capital increase, with Agder Energi investing NOK 30 million of that.

As the share of renewable electricity in the energy mix rises, there will be a growing need for new flexibility services to optimise the electric power system. Agder Energi's ownership of the fully-owned subsidiaries Agder Energi Fleksibilitet, Nodes, NodesTech and Enfo puts it in a strong position to meet the growing demand for new market solutions for flexibility trading. As they are waiting for regulatory clarifications, in 2021 these companies obtained most of their revenues from demonstration projects.

Through the company Green Hyco, we are continuing to develop opportunities for the production of green hydrogen and ammonia.

In 2021 Agder Energi increased its presence in the growing market for green heating, and it combined the companies Agder Energi Varme, Bio Energy and Norsk Energigjenvinning under joint management.

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 124 (108) million in 2021, while its operating profit was NOK 19 (12) million. The volume of billable energy supplied rose to 149 GWh (127 GWh). This increase was due to a cold winter, as well as customer growth. The company's hedging of energy contracts made a negative contribution in the period. The segment invested NOK 17 (20) million. Agder Energi Varme expects continued growth from urbanisation and the densification of towns.

EMPLOYEES AND SKILLS DEVELOPMENT

Health and safety

The Group's sickness absence rate has remained steady at low levels in recent years, and in 2021 it was 2.8% (2.7%). Of that, 0.7% (0.6%) was short-term absence and 2.1% (2.1%) 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.

In 2021, 3 (3) occupational accidents were recorded involving our own employees, and 4 (7) involving contractors. Five of the injuries were related to people falling while walking. For our own employees, there was a small increase in severity. The accident figures are equivalent to a total injury frequency (number of injuries, whether or not they resulted in lost time, per million work hours) of 2.2 (3.4).

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. 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 2021, the Group had 935 (925) full-time and temporary employees, representing 907 (881) full-time equivalents. There has been an increase in the number of new hires in the Network segment and in the Innovation business area. However, the sale of Nordgröön in December and the restructuring of Entelios Central Western Europe led to the loss of around 25 full-time equivalents. The parent company had 147 (162) permanent employees at the end of the year. During 2021, 2 (3) apprentices worked at the Group.

Women make up 26% (25%) of the Group's employees, and 39% (41%) of the parent company's. Women make up 23% (23%) of the Group's managers, and there are three women and six men in the senior management team. Women occupy 42% (42%) of the seats on the Board.

We recruit, develop and deploy human resources in the way that is best 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. In November 2021, Agder Energi renewed its certification in accordance with the project's measurement criteria. 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 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 require companies to perform an analysis of material aspects to determine which sustainability topics are material for the Group itself, and which ones are important to the Group's stakeholders.

The 2021 sustainability report reflects the materiality assessment that was carried out in the autumn of 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 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 the 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 business processes in order to prevent, or rapidly correct, any nonconformities.

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, strategic investments, the safety and security of operations and systems, the regulatory environment and reputation. 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 elec-

tricity 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.

Fluctuations in the price of electricity futures contracts affect the value of electricity price hedges and give 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 decisions
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 green value chains.

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.

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.

ICT security and data protection
Agder Energi continuously and systematically works to meet external requirements and internal needs for the security and robustness of our ICT infrastructure, to protect itself against cyber attacks and system faults, and to ensure the secure and stable operation of its ICT systems.

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, contribute specialist expertise, 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.

Reputation
The high electricity prices in 2021 have put the spotlight on the electric power industry, everywhere from social media platforms to political discourse. In order to make a positive contribution to the reputation of the industry, Agder Energi strives to share its expert knowledge and propose solutions. The reputational risk to the Group is managed by having high ethical standards, good corporate governance and robust processes, as well as by treating customers and other stakeholders well.

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.

Insurance for Board members and Managing Director
The company has Directors' Liability Insurance covering any culpable acts or omissions of the executive management or Board of Directors leading to the plaintiff suffering financial losses. The insurance policy does not cover personal injuries or damage to property.

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.

Within the field of hydroelectric power, most of this work is done in partnership with research institutions. In relation to environmental impacts, the main focus in recent years has been on the downstream migration of salmon smolts past run-of-the-river plants, and measures to increase salmon production in river systems. Agder Energi is participating in HydroCen with several other energy and industrial companies as well as research institutes. HydroCen 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 project on salmon migration, which was run by the Norwegian Institute for Water Research (NIVA), looked at the downstream migration of smolts and the upstream migration of mature salmon past Rygene power station. The results of the project were important in relation to the summary requested by the Norwegian Water Resources and Energy Directorate (NVE), which was handed over in 2021. This knowledge is now being used in dialogue with regional and national authorities with a view to changing the rules governing the operation of the dam at Rygene power station. We consider it likely that the Hydroelectric Power segment will have to release somewhat more water past Rygene power station than is specified by the rules from 1975.

In 2021, the Network segment received funding from the Research Council of Norway for the project DataArena, which looks at simulation services for electrification. The DataArena project is developing a simulation service that will make it easier for businesses to connect to the power grid, allow them to see the available network capacity and enable them to cooperate with others to reduce costs.

For several years, the Network segment has been working to modernise its operations using drones, and in 2021 it took a big step further by using drones in the annual inspection of its overhead power lines. Compared with using helicopters, drones reduce the risk of injuries and accidents, so this is an important health and safety measure. Drones can be used in more challenging weather conditions than helicopters, which makes it possible to quickly identify what faults need rectifying. This has significantly simplified work on restoring the electricity supply in emergency situations.

The Network segment also participates in the Centre for Intelligent Electricity Distribution (CINELDI), which is developing solutions for the flexible and intelligent electrical distribution systems of the future. Amongst other things, we are involved in a project where artificial intelligence is being used to analyse photos. This project aims to develop a solution to analyse data in real time while a drone flies over the power lines. The purpose is to discover faults immediately, and thus reduce the lead time for getting the grid back up.

Agder Energi is working in partnership with the University of Agder (UiA) on 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.

Agder Energi is also participating in the R&D and innovation project Green Platform Ocean Grid, in partnership with Sintef and the offshore wind industry. The project will develop new technology, knowledge and solutions aimed at enabling profitable offshore wind development on the Norwegian continental shelf, including in relation to how the wind farms will be connected to the grid.

EVENTS AFTER THE REPORTING PERIOD

There have been no incidents in 2022 that have a significant impact on the financial statements for 2021. Events after the reporting period that may impact the Group's future financial performance are discussed below.

The invasion of Ukraine has led to greater geopolitical tensions between Russia and the West. Agder Energi has established its own emergency response team to monitor the situation. The emergency response

team is in constant dialogue with the relevant authorities and is coordinating the Group's contingency planning.

Even if the situation escalates, the Norwegian government considers a direct confrontation with Russia to be unlikely. However, we must be prepared for Russia to use restrictions on gas exports to Europe and the West as a countermeasure to Western sanctions. The use of hybrid tactics, including cyber attacks and isolated sabotage actions against critical infrastructure, are also considered likely measures that we must protect ourselves against.

Agder Energi has contingency plans for all areas of the Group's activities. The Group often performs emergency response exercises involving a variety of scenarios. This is so we are ready to respond well to any extraordinary circumstances such as major power outages, flooding, cyber attacks, etc. The situation in Ukraine makes this even more important, and it is an area of priority for the Group and its companies.

OUTLOOK

Energy markets are changing, and on 29 January 2021 the Boards of Directors of Glitre Energi and Agder Energi signed a letter of intent on a merger between the two groups. In the second quarter of the year, the shareholders of both Glitre Energi and Agder Energi gave their approval to the letter of intent. Work on valuing the two groups, negotiating the exchange ratio and drawing up the final agreement has continued throughout 2021, and the plan is to present the final merger agreement for review by the shareholders in the second quarter of 2022. 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 price in real terms in the NO2 price area being approximately 35 øre/KWh. In 2020, when very heavy precipitation caused the Norwegian electricity market to diverge from European prices, the average electricity price in the NO2 area was 9.8 øre/kWh, a record low. In 2021 the situation was turned on its head, and the average electricity price in the NOS price area was 76.2 øre/kWh, a record high, mainly due to the high price of natural gas in Europe.

Russia's invasion of Ukraine at the end of February 2022 has created high levels of uncertainty and put constraints on gas supplies to Europe. Natural gas prices are once again very high. This is putting upward pressure on electricity prices in Europe, including Southern Norway and the NO2 area. For January and February, the average price in the NO2 price area was 131 øre/kWh. The futures markets for electricity currently indicate that in 2022 electricity prices will remain around that level, in other words even higher than the record set in 2021. For the coming years, markets indicate that electricity prices in the NO2 area will be around 80 øre/kWh in 2023 and fall back to 50 øre/kWh in 2025, which is nearly twice as high as the prices expected by the market a year ago.

Over the longer term, we expect the electricity market to undergo significant changes. Ambitious climate targets are likely to lead to high CO2 prices, the phasing out of coal power and a continuing need for natural gas for flexible electricity generation. Hydrogen is expected to become an important part of the future energy landscape, and in time it may replace natural gas for electricity generation. The amount of electricity generated by wind and solar power is expected to rise significantly – in the Nordic countries, on the continent and in the United Kingdom. Offshore wind is likely to play a particularly important role in the future. The ambition is for Europe to have at least 100 GW (approximately 450 TWh) of offshore wind by 2030, which is three times as much as total electricity generation in Norway, and 450 GW (approximately 2,000 TWh) by 2050.

Electricity consumption in the Nordic countries is expected to rise rapidly until 2030, before increasing more slowly as we transition to a low-emission society by 2050. Electricity consumption is expected to rise in response to growing demand from the electrification of the transport sector, the need for power from shore for oil and gas installations and the development of new energy-intensive industries such as data centres, battery factories and hydrogen production. Up to 2030, consumption is expected to rise faster than production, reducing the region's electricity surplus. Beyond 2030, offshore wind power may help to offset growing consumption, and in due course create a growing electricity surplus that can be exchanged with the countries surrounding the Nordic region.

The transition from a fossil fuel-based electric power system to a renewable one will lead to a growing proportion of non-dispatchable sources such as wind and solar power. That is expected to lead to greater price fluctuations. That will create challenges with respect to optimising generation and consumption, but it also provides opportunities to achieve higher prices for dispatchable generation.

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 developing 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 new jobs, and to boost the value of Agder Energi's hydroelectric power.

High levels of investment are expected in the Hydroelectric Power segment over the coming years, due to the requirements of the Norwegian dam safety regulation, the need for power station rehabilitation projects and the ongoing construction of Fennefoss power station, amongst other things.

Network

There is high demand for grid capacity in the distribution area served by the Network segment. As of January 2022, applications had been lodged for approximately 1,250 MW of new grid connections for major consumers, which is similar to what has historically been the peak consumption in the area. Moreover, there is also general demand growth from sources such as electric vehicle chargers. The segment is constantly working to enable new major consumers to connect to the grid in the best and most cost-efficient way possible. However, it is vital for the regulatory environment for distribution system operators to be adapted to the new, changing circumstances.

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 through the use of other tools. Exploiting flexibility in the electrical grid can help to reduce costs, so efforts are being made to use the available potential for demand response. That potential is expected to increase over the coming years.

The Network segment has installed instrumentation in much of the power grid, and it is using the new information this provides to operate and develop the grid more efficiently. Drones are increasingly used for inspections of overhead power lines, which allows rapid investigation of issues and provides significant health and safety benefits. Trees falling on power lines has been a significant challenge in recent years, and we are using laser scanning of the vegetation to identify forest growth and high-risk trees. New technology and digitalisation are creating new opportunities that will be further developed over the coming years.

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, 24th March 2022
Board of Directors of Agder Energi AS

Lars Erik Torjussen
Chair

Gro Elisabeth Lundevik Deputy chair	Vibekke Hellesund Board member	Hilde Bakken Board member
Torun Revdal Board member	Lars Petter Maltby Board member	Asbjørn Grundt Board member
Kristin Steenfeldt-Foss Board member	Oddvar Emil Berli Board member	Lasse Lundsholt Board member
Roger Thorsland Board member	Asbjørn Hoveland Board member	Steffen Syvertsen CEO

Two new rock-fill dams on Lake Skjerkevatn have replaced five old concrete dams, which required very expensive maintenance and repair work. The water level of what used to be Lake Skjerkevatn was raised by 23 metres, turning it and what was previously known as Lake Nåvatn into a single reservoir. As a result of this, the amount of clean, renewable energy generated at Skjerka power station has increased by around 40 GWh per year. This is roughly equivalent to the annual electricity consumption of 2,000 households.

BOARD OF DIRECTORS


Lars Erik Torjussen


Gro Elisabeth Lundevik


Lars Petter Maltby


Vibekke Hellesund


Hilde Bakken


Kristin Steenfeldt-Foss


Asbjørn Grundt


Torun Revdal


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, 24th March 2022
Board of Directors of Agder Energi AS

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Chair

Gro Elisabeth Lundevik
Deputy chair

Vibekke Hellesund
Board member

Hilde Bakken
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Lasse Lundsholt
Board member

Roger Thorsland
Board member

Asbjørn Hoveland
Board member

Steffen Syvertsen
CEO

Detail of Agder Energi's head office in Kristiansand. The work of art Circuit was created by Laila Kongevold.

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	2021	2020 (restated)
Energy sales	2	19,643	5,189
Transmission revenues	3	1,381	1,338
Other operating revenues		649	565
Gains and losses on electricity and currency contracts	4	-1,200	1,113
Total operating revenues	1	**20,474**	**8,204**
Energy purchases	2	-13,408	-3,266
Transmission expenses		-264	-395
Other raw materials and consumables used		-134	-178
Employee benefits	5	-958	-810
Depreciation and impairment losses	11	-764	-726
Property taxes and licence fees	6	-225	-210
Other operating expenses	7	-862	-762
Total operating expenses		**-16,615**	**-6,347**
Operating profit		**3,858**	**1,857**
Share of profit of associates and joint ventures	14	259	105
Financial income	9	17	85
Unrealised gains and losses on interest rate contracts and shares	9	202	-100
Financial expenses	9	-236	-253
Net financial income/expenses		**243**	**-163**
Profit before tax		**4,101**	**1,694**
Income tax	10	-831	-352
Resource rent tax	10	-1,258	-70
Tax expense		**-2,089**	**-423**
Net income from continuing operations		**2,012**	**1,271**
Net income from discontinued operations	31	45	668
Net income		**2,058**	**1,939**
Of which attributable to non-controlling interests		-5	30
Of which attributable to controlling interest		2,062	1,909

COMPREHENSIVE INCOME

(Amounts in NOK million)	Note	2021	2020
Net income		**2,058**	**1,939**
Other comprehensive income and expenses			
Cash flow hedges	26	54	-28
Translation differences		-9	17
Tax impact	10	-12	6
Total items that may be reclassified to income statement		**33**	**-5**
Remeasurements of pensions	20	2	188
Tax impact	10	15	-2
Total items that will not be reclassified to income statement		**17**	**186**
Total other comprehensive income and expenses		**50**	**181**
Comprehensive income		**2,108**	**2,120**
Of which attributable to non-controlling interests	32	-5	29
Of which attributable to controlling interest		2,113	2,091

STATEMENT OF FINANCIAL POSITION

(Amounts in NOK million)	Note	31.12.21	31.12.20
Deferred tax assets	10	211	273
Intangible assets	12	380	376
Property, plant and equipment	13	17,345	16,762
Investments in associates and joint ventures	14	177	124
Derivatives	24	1,617	1,625
Other non-current financial assets	15	1,334	1,461
Total non-current assets		**21,063**	**20,621**
Inventories		136	65
Receivables	16	7,618	2,675
Derivatives	24	2,842	1,125
Cash and cash equivalents	17	1,415	402
Total current assets		**12,011**	**4,267**
TOTAL ASSETS		**33,074**	**24,888**
Paid-in capital	18	1,907	1,907
Retained earnings		5,424	3,627
Non-controlling interests		37	34
Total equity		**7,369**	**5,569**
Deferred tax	10	1,112	1,779
Provisions	19	2,483	2,128
Derivatives	24	1,772	1,171
Interest-bearing non-current liabilities	21	7,746	8,937
Total non-current liabilities		**13,114**	**14,014**
Interest-bearing current liabilities	21	1,284	2,000
Tax payable		2,707	189
Derivatives	24	4,842	903
Other non-interest-bearing current liabilities	22	3,759	2,213
Total current liabilities		**12,592**	**5,305**
TOTAL EQUITY AND LIABILITIES		**33,074**	**24,888**

Kristiansand, 24th March 2022
Board of Directors of Agder Energi AS

Lars Erik Torjussen
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Asbjørn Hoveland
Board member

Steffen Syvertsen
CEO

STATEMENT OF CASH FLOWS

(Amounts in NOK million)	Note	2021	2020
Cash flow from operating activities			
Profit before tax from continuing operations		4,101	1,694
Profit before tax from discontinued operations	31	45	691
Depreciation and impairment losses	11	764	734
Non-cash gains/losses	4, 9	2,681	-319
Share of profit of associates and joint ventures	14	-259	-105
Gain/loss on sale of businesses		-48	-616
Tax paid		-139	-650
Change in trade receivables	16	-1,675	141
Change in trade payables	22	856	138
Change in net working capital, etc.		-785	-140
Net cash provided by operating activities		**5,540**	**1,569**
Investing activities			
Purchase of property, plant, equipment and intangible assets	12, 13	-1,214	-1,262
Purchase of property, plant and equipment paid for by customers	13	-151	-142
Purchase of businesses/financial assets		-61	-55
Net change in loans	16	-1,018	-10
Sale of property, plant, equipment and intangible assets		5	17
Sale of businesses/financial assets		46	753
Net cash used in investing activities		**-2,392**	**-699**
Financing activities			
New long-term borrowings	21	177	1,890
Repayment of long-term borrowings	21	-1,505	-1,416
Net change in current liabilities		-500	-458
Transactions with non-controlling interests		19	0
Dividends paid		-325	-615
Net cash used in financing activities		**-2,136**	**-598**
Net change in cash and cash equivalents		**1,013**	**271**
Cash and cash equivalents at start of period		402	131
Cash and cash equivalents at end of period	17	1,415	402

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 01/01/2020	**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**
Equity at 01/01/2021	**1,907**	**-126**	**7**	**3,746**	**5,535**	**34**	**5,569**
Net income for the year	0	0	0	2,062	**2,062**	-5	**2,058**
Other comprehensive income and expenses	0	42	-9	17	**51**	0	**50**
Dividends paid	0	0	0	-325	**-325**	0	**-325**
Other changes in equity	0	0	0	9	**9**	9	**18**
Equity at 31/12/2021	**1,907**	**-83**	**-1**	**5,509**	**7,331**	**37**	**7,369**

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 2021 compared with 2020.

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 20% of the turnover of continuing operations in 2021. 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 a profit-related tax that is calculated on the basis of the net resource rent of 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.

As of 2021, all new investments in hydroelectric power generation may be deducted directly for resource rent tax purposes. Meanwhile, the nominal tax rate has been raised from 37% to 47.4%, but a deduction is applied when calculating the company tax, which means that the marginal resource rent tax remains virtually unchanged at 37%.

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.

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 2021 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 2021. None of these amendments are expected to have a material impact on Agder Energi's financial statements.

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)
		2021	2021	2021	2021	2021	2021	2021	2021	2021	2021
INCOME STATEMENT	Note										
Operating revenues		6,357	1,462	9,981	132	1,660	3,155	-1,321	21,425	-951	20,474
– of which external operating revenues		6,335	1,468	9,697	132	1,654	2,141	0	21,425	-951	20,474
– of which internal operating revenues		23	-6	284	0	6	1,014	-1,321	0	0	0
Cost of energy, transmission and other raw materials and consumables used		-502	-545	-9,685	-64	-1,507	-2,224	721	-13,807	0	-13,807
Employee benefits	5	-177	-142	-92	-39	-39	-497	27	-958	0	-958
Other operating expenses	7	-619	-403	-126	-33	-74	-405	573	-1,087	0	-1,087
Operating profit before depre-ciation and impairment losses		**5,060**	**370**	**78**	**-4**	**41**	**29**	**0**	**5,574**	**-951**	**4,622**
Depreciation and impairment losses	11	-309	-296	-8	-4	-3	-144	0	-764	0	-764
Operating profit		**4,751**	**74**	**70**	**-9**	**38**	**-115**	**0**	**4,810**	**-951**	**3,858**
Share of profit of associates and joint ventures	14	0	0	0	0	0	-9	0	-9	268	259
Financial income	9	102	1	3	0	3	401	-494	17	202	219
Financial expenses	9	-206	-73	-28	0	-1	-421	494	-236	0	-236
Net financial income/expenses		**-104**	**-72**	**-25**	**0**	**2**	**-28**	**0**	**-228**	**470**	**243**
Profit before tax		**4,647**	**3**	**45**	**-9**	**40**	**-143**	**0**	**4,582**	**-481**	**4,101**
Tax expense	10	-2,670	-1	-11	0	-9	29	0	-2,661	573	-2,089
Net income from continuing operations		**1,977**	**2**	**34**	**-9**	**31**	**-115**	**0**	**1,921**	**91**	**2,012**
Net income from discontinued operations	31	0	0	0	-2	0	0	0	-2	48	45
Net income		**1,977**	**2**	**34**	**-11**	**31**	**-115**	**0**	**1,919**	**139**	**2,058**
STATEMENT OF FINANCIAL POSITION											
Total assets		14,348	8,127	5,421	82	531	15,323	-15,065	28,766	4,308	33,074
Equity		2,862	1,116	573	78	137	5,602	-3,262	7,106	263	7,369
Total segment liabilities		11,486	7,011	4,847	4	394	9,721	-11,803	21,660	4,046	25,705
Capital employed 1)		7,519	5,661	758	3	293	14,164	-12,261	16,136	263	16,399
Interest-bearing liabilities	21	4,656	4,545	185	-75	156	8,562	-8,999	9,030	0	9,030
Funds from operation (FFO) 2)		2,978	371	12	-4	36	-17	-494	2 883		
Carrying amount of associates and joint ventures	14	0	0	0	0	0	177	0	177	0	177
Investments in intangible assets 3)		0	32	9	2	4	32	16	95	0	95
Investments in property, plant and equipment 3)		390	663	0	0	0	52	164	1,269	0	1,269
Number of full-time equivalents in continuing operations		136	212	68	0	43	448		907		907

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)	Note	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											
Operating revenues		1,985	1,443	3,648	26	463	611	-986	7,191	1,013	8,204
– of which external operating revenues		1,684	1,371	3,586	26	457	67	0	7,191	1,013	8,204
– of which internal operating revenues		301	72	62	0	6	545	-986	0	0	0
Cost of energy, transmission and other raw materials/consumables used		-414	-389	-3,456	18	-271	221	453	-3,839	0	-3,839
Employee benefits	5	-104	-117	-76	-60	-35	-454	35	-810	0	-810
Other operating expenses	7	-631	-360	-75	-23	-74	-305	496	-972	0	-972
Operating profit before depre-ciation and impairment losses		**836**	**578**	**42**	**-39**	**83**	**73**	**-3**	**1,570**	**1,013**	**2,583**
Depreciation and impairment losses	11	-278	-279	-10	-6	-3	-153	3	-726	0	-726
Operating profit		**558**	**298**	**33**	**-45**	**80**	**-80**	**0**	**844**	**1,013**	**1,857**
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	0	-1	-730	724	-253	-100	-353
Net financial income/expenses		**-82**	**-90**	**-12**	**0**	**3**	**-34**	**0**	**-216**	**53**	**-163**
Profit before tax		**475**	**208**	**21**	**-45**	**82**	**-114**	**0**	**628**	**1,066**	**1,694**
Tax expense	10	-140	-46	-5	0	-18	16	0	-194	-229	-423
Net income from continuing operations		**335**	**162**	**16**	**-45**	**64**	**-98**	**0**	**434**	**837**	**1,271**
Net income from discontinued operations	31	0	0	0	-3	0	87	0	84	583	668
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		
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	51	37	378		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.

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 **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 Nordic 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 and Finnish markets, as well as customers in Denmark.

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. In 2021, the company Nordgröön was sold, and the business area for management and optimisation has been reclassified as discontinued operations. Consequently, Entelios CWE will not be presented as a separate segment as from 2022.

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.

The financial figures for the segments are reported on an underlying IFRS basis, since that is 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	**2021**	2020
Electricity and currency contracts	4	-951	1,013
Adjustment to revenues/operating profit		**-951**	**1,013**
Unrealised gains and losses on interest rate swaps	9	133	-100
Unrealised gains and losses on shareholdings		69	0
Material gains on disposals/reclassifications		316	736
Tax impact of negative resource rent carryforwards		-69	4
Tax impact of other corrections		642	-232
Adjustment to net income		**139**	**1,420**

The majority of Agder Energi's turnover comes from customers in Norway or from Nord Pool Spot (the marketplace for trading physical power contracts). Agder Energi also has significant turnover in Sweden through Entelios AB. Turnover from discontinued operations in Germany is presented in Note 31.

Geographic distribution of operating revenues by location of business

(Amounts in millions of NOK)	**2021**	2020
Norway	17,590	5,126
Sweden	2,721	1,422
Germany	133	26
Other countries	1,230	517
Total energy sales, transmission revenues and other operating revenues	**21,674**	**7,091**
Gains and losses on electricity and currency contracts	-1,200	1,113
Total operating revenues	**20,474**	**8,204**

Geographic distribution of assets based on location of business

(Amounts in millions of NOK)	**2021**	2020
Norway	30,760	23,807
Sweden	1,527	716
Germany	252	198
Other countries	535	167
Total assets	**33,074**	**24,888**

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

2021

(Amounts in millions of NOK)	Hydro-electric Power	Net-work	Entelios Norden	Entelios CWE	LOS	Parent-company, other	IFRS adjust-ment	Total
Energy sales	6,614	47	11,531	125	1,634	-307	0	19,643
Transmission revenues	0	1,381	0	0	0	0	0	1,381
Other operating revenues	70	40	45	6	20	468	0	649
Total revenue from contracts with customers under IFRS 15	**6,684**	**1,468**	**11,576**	**132**	**1,654**	**161**	**0**	**21,674**
Impact of financial instruments on revenues in segment reporting	-349	0	-1,879	0	0	1,980	-951	-1,200
Total external operating revenues	**6,335**	**1,468**	**9,697**	**132**	**1,654**	**2,141**	**-951**	**20,474**

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	1,383	6	3,161	26	437	182	0	5,189
Transmission revenues	0	1,338	0	0	0	0	0	1,338
Other operating revenues	67	28	46	5	20	399	0	565
Total revenue from contracts with customers under IFRS 15	**1,450**	**1,371**	**3,207**	**26**	**457**	**581**	**0**	**7,091**
Impact of financial instruments on revenues in segment reporting	234	0	380	0	0	-514	1,013	1,113
Total external operating revenues	**1,684**	**1,371**	**3,586**	**26**	**457**	**67**	**1,013**	**8,204**

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.

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**	**2021**	2020
Power generation	Hydroelectric Power and other	6,619	1,725
Retail market	Entelios Nordic and LOS	13,165	3,597
Network	Network	47	6
District heating	Other	219	196
Market operations 1)	Central Western Europe	125	21
Eliminations		-531	-356
Total		**19,643**	**5,189**

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)	**2021**	2020
Power generation	503	301
Retail market	13,083	3,214
Network	289	41
District heating	110	98
Market operations	63	0
Eliminations	-639	-388
Total	**13,408**	**3,266**

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

	2021	2020
Net electricity generation (less pumping) (GWh)	8,880	8,112
Reservoir reserves at 31 Dec. (GWh)	2,700	4,914
Reservoir reserves as % of capacity	51%	92%

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 560 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 5.5 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 25 øre/kWh and an expected inflation rate of 2.5%.

(Volume in GWh)	**2021**	2020
Volume of concession power (GWh)	560	553
Regulated price (øre/kWh)	11.4	11.3

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)	**2021**	2020
Shortfall for the year	146	108
Accumulated shortfall (+)/surplus (-) in transmission revenues not included on the statement of financial position	2	-143

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	2021	2020
Cash-settled electricity contracts	24	-1,157	1,231
Currency contracts, basis swaps and currency loans	24	550	-342
Embedded derivatives	24	-378	82
Supply of free electricity/compensation	19	-267	-75
Other energy-related contracts at fair value	24	300	117
Total change in unrealised gains and losses		**-951**	**1,013**
Realised gains and losses for the year		-248	99
Total		**-1,200**	**1,113**
Reversal of unrealised gains and losses at 1 January on contracts closed out during the year 1)		-194	229
Gains and losses on contracts that had not been closed out as of 31 December		-757	784
Total		**-951**	**1,013**

1) Value at start of 2021 (2020) of contracts that were closed out during 2021 (2020).

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	2021	2020
Wages and salaries		851	744
Employers' National Insurance Contributions		120	103
Pension expense (incl. employers' NICs)	20	85	89
Other benefits and reimbursements		26	12
Capitalised wage costs arising from own investments		-124	-137
Total		**958**	**810**
Number of full-time equivalents in continuing operations at 31 Dec.		907	860

Management compensation is detailed in Note 29.

NOTE 6 PROPERTY TAXES AND LICENCE FEES

(Amounts in millions of NOK)	**2021**	2020
Licence fees	56	57
Property taxes	169	153
Total	**225**	**210**

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 2.4 (2.3) billion using a discount rate of 2.5%.

NOTE 7 OTHER OPERATING EXPENSES

(Amounts in millions of NOK)	**2021**	2020
Property-related expenses	51	33
Lease of machinery and office equipment	15	7
Purchase of plant and equipment	79	58
Repairs to and maintenance of equipment	14	21
Contractors	145	94
Operation/maintenance of IT systems	76	70
Technical consultants	41	47
Administrative consultants	146	149
Other external services	46	47
Office supplies, telecommunications, postage, etc.	36	34
Cost of vehicles	18	18
Travel expenses, subsistence allowances, mileage expenses, etc.	12	12
Sales, advertising, representation, membership fees and gifts	39	39
Insurance premiums	34	25
Share of other operating expenses at joint arrangements	104	87
Other operating expenses	5	22
Total	**862**	**762**

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)	**2021**	2020
Statutory audit	4.1	3.9
Other certification services	0.2	0.2
Tax advice	0.1	0.1
Other services not related to auditing	1.7	0.3
Total	**6.1**	**4.5**

The cost of other services not related to auditing rose due to assistance provided in conjunction with the possible merger with Glitre Energy.

NOTE 9 FINANCIAL INCOME AND EXPENSES

(Amounts in millions of NOK)	Note	2021	2020
Share of profit of associates and joint ventures	14	**259**	**105**
Net realised exchange rate gains		0	62
Other interest income		17	20
Other financial income		0	3
Financial income		**17**	**85**
Unrealised gains and losses on interest rate contracts		133	-100
Unrealised gains and losses on shares		69	0
Unrealised gains and losses on interest rate contracts and shares		**202**	**-100**
Interest expense on loans 1)		166	187
Interest expense on interest rate swaps		66	60
Other interest expenses		10	11
Interest on capitalised construction loans		-15	-25
Net realised exchange rate losses		0	1
Impairment of non-current financial assets		0	1
Other financial expenses		9	18
Financial expenses		**236**	**253**
Net financial income/expenses		**243**	**-163**

1) Relates to interest expenses on loans carried at amortised cost. Also includes NOK 5 million of lease liabilities..

NOTE 10 TAX

(Amounts in millions of NOK)	2021	2020
Tax expense in income statement		
Income tax payable	1,096	203
Resource rent tax payable	1,560	13
Changes in deferred income tax	-266	149
Changes in deferred resource rent tax	-302	57
Total tax expense recognised in income statement	**2,089**	**423**
Reconciliation of nominal and effective tax rates		
Profit before tax	4,101	1,691
Expected tax based on nominal tax rate of 22%	902	372
Tax effect of		
Permanent differences	-74	-34
Impact of loss carryforwards not included on the SoFP	2	7
Resource rent tax incl. deferred tax	1,258	77
Total tax expense	**2,089**	**423**
Effective tax rate	51%	25%

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	6,127	4,761
Current assets/liabilities	-63	-150
Pension liabilities	297	642
Other non-current provisions	-2,367	-1,092
Derivatives	-742	401
Other	-47	-2
Gross differences	**3,207**	**4,559**
Tax rate	22%	22%
Net deferred income tax assets (-)/liabilities (+)	**705**	**1,003**
Resource rent		
Temporary differences	858	2,116
Negative resource rent carryforwards expected to be offset against profit over the coming 10 years	-446	-759
Gross differences	**412**	**1,357**
Tax rate	47.4%	37%
Net deferred income tax assets (-)/liabilities (+)	**195**	**502**
Of which presented in the financial statements as:		
Deferred tax	**1,112**	**1,779**
Deferred tax assets	**211**	**273**
Deferred tax assets arising from negative resource rent carryforwards not included on the SoFP	-104	-247

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 1.2% and 1.6%. 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)	**2021**	2020
Changes in net deferred tax liabilities (+)/ assets (-) over the year		
Net deferred tax liabilities (+)/assets (-) at 31 Dec. prior year	1,505	1,301
New deferred tax liabilities (+)/assets (-)	-33	1
Change in net deferred tax liabilities (+)/assets (-) included in comprehensive in-come	-3	-3
Change in deferred tax liabilities (+)/assets (-) recognised through profit or loss	-569	206
Net deferred tax liabilities (+)/assets (-) at 31 Dec.	**901**	**1,505**
Changes in deferred tax on items in the SoCI		
Remeasurements of pensions	-15	2
Cash flow hedges	12	-6
Net change in deferred tax on items in the SoCI	**-3**	**-3**

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	**2021**	2020
Amortisation of intangible assets	12	81	77
Impairment of intangible assets	12	8	0
Depreciation of property, plant and equipment	13	647	629
Impairment of property, plant and equipment	13	28	22
Total depreciation, amortisation and impairment losses recognised in operating profit		**764**	**726**
Reversal of impairment of financial assets		0	-1
Depreciation of discontinued operations		0	8
Total depreciation, amortisation and impairment losses recognised in statement of cash flows		**764**	**734**

NOTE 12 INTANGIBLE ASSETS

(Amounts in millions of NOK)	Goodwill	Software	Other intangible assets	**Total intangible assets**
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
Impairment losses	0	0	0	0
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**
Carrying amount at 01/01/2021	58	244	74	376
Additions	0	43	51	95
Disposals at book value	0	-1	0	-1
Depreciation	0	-61	-20	-81
Impairment losses	0	-2	-5	-8
Carrying amount at 31/12/2021	**58**	**223**	**99**	**380**
Acquisition cost	44	486	211	741
Accumulated depreciation and impairment losses	14	-263	-111	-360
Carrying amount at 31/12/2021	**58**	**223**	**99**	**380**
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 2021. 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)	**2021**	2020
Entelios Norden	51	51
Others	7	7
Carrying amount of goodwill	**58**	**58**

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 01/01/2020	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**
Carrying amount at 01/01/2021	1,123	3,473	2,471	956	1,749	4,136
Additions	5	868	182	81	284	455
Disposals at book value	0	0	0	0	0	0
Depreciation	0	-79	-159	-38	-70	-159
Impairment losses	0	-6	-11	-9	0	0
Carrying amount at 31/12/2021	**1,128**	**4,257**	**2,483**	**990**	**1,963**	**4,432**
Acquisition cost	1,184	5,946	5,946	2,231	3,147	7,223
Accumulated depreciation and impairment losses	-57	-1,689	3,463	-1,241	-1,184	-2,790
Carrying amount at 31/12/2021	**1,128**	**4,257**	**2,483**	**990**	**1,963**	**4,432**
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 01/01/2020	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**
Carrying amount at 01/01/2021	768	97	321	1,446	220	16,762
Additions	18	1	99	-736	13	1,269
Disposals at book value	0	-5	-6	0	0	-11
Depreciation	-33	-6	-51	0	-54	-647
Impairment losses	0	0	-1	0	0	-28
Carrying amount at 31/12/2021	**754**	**87**	**362**	**710**	**179**	**17,345**
Acquisition cost	1,053	170	799	710	344	28,753
Accumulated depreciation and impairment losses	-300	-83	-438	0	-165	-11,408
Carrying amount at 31/12/2021	**754**	**87**	**362**	**710**	**179**	**17,345**
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 15 (25) million in 2021, calculated using the Group's average interest rate of 2.1% (2.3%).

NOK 2,956 (2,992) million is included for Agder Energi's share of property, plant and equipment at joint operations in the main groups under hydroelectric power generation and under work in progress.

Of the additions under distribution networks, NOK 151 (142) 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 215 (191) million in 2021. NOK 390 (463) million of capitalised reinvestments in existing facilities have been included under the additions for the year.

Office buildings constituted NOK 142 (173) million of the leased assets, and the depreciation on them was NOK 43 (43) million. The remaining leased assets were vehicles, machinery and equipment.

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
- 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)	**2021**	2020
Associates	155	78
Joint ventures	21	46
Carrying amount at 31 Dec.	**177**	**124**
Profit from associates	-4	-10
Profit from joint ventures	-22	-28
Gain on disposals and reclassifications	286	143
Share of profit of associates and joint ventures	**259**	**105**

In 2021, the gain on disposals and reclassifications consists of three elements, all of which are non-cash items.

- NOK 178 million from the reclassification of Otovo from a shareholding in an associate to a long-term shareholding. The revaluation gain at the time of reclassification is included under profit from associates, whereas subsequent changes in value are presented under unrealised gains and losses on interest rate contracts and shareholdings; see Note 9.
- NOK 60 million resulting from an update to the estimated purchase price adjustment relating to the previously completed sale of Fosen Vind. This adjustment represents a revision to an estimate and the final purchase price depends on the situation in several years' time.
- NOK 47 NOK million from a share issue at Morrow Batteries. As a result of the issue, Agder Energi's ownership interest fell from 39% to 35%. For accounting purposes, this dilution is considered a gain on the reduced ownership interest.

Breakdown of investments in associates:

(Amounts in millions of NOK)	Ownership interest	Carrying amount at 31/12/2020	Acquisitions and capital increases	Disposals, dividends, etc.	Consolidated share of profit/loss	Carrying amount at 31/12/2021
Otera AS	19.5%	55	2	-4	10	63
Skagerak Venture Capital I AS	19.6%	2	0	0	0	2
Morrow Batteries AS	35.3%	21	82	0	-14	89
NorthConnect KS/AS	22.3%	0	0	0	0	0
Miljø Energi AS	48.0%	0	1	0	0	1
Total for associates		**78**	**86**	**-4**	**-4**	**155**

Breakdown of investments in joint ventures:

(Amounts in millions of NOK)	Ownership interest	Carrying amount at 31/12/2020	Acquisitions and capital increases	Disposals, dividends, etc.	Consolidated share of profit/loss	Carrying amount at 31/12/2021
Nodes AS	100.0%	3	8	-6	-5	0
Nodes-Tech AS	100.0%	16	3	-16	-4	0
Oss Norge AS	50.0%	27	8	0	-14	21
Total for joint ventures		**46**	**18**	**-21**	**-22**	**21**

In 2021, Agder Energi Fleksibilitet AS (a wholly-owned subsidiary of Agder Energi AS) bought all of the shares in Nodes AS and Nodes-Tech AS.

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 owns the 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)	**2021**	2020
Energy sales	2,778	445
Other operating revenues	8	9
Total operating revenues	**2,787**	**454**
Transmission expenses	6	47
Energy purchases	26	5
Property taxes and licence fees	98	94
Depreciation	107	103
Other operating expenses	80	64
Total operating expenses	**317**	**312**
Operating profit	**2,470**	**142**
Non-current assets	2,956	2,997
Current assets	178	69
Total assets	**3,134**	**3,066**
Current liabilities	174	72
Net assets	**2,960**	**2,993**

NOTE 15 NON-CURRENT FINANCIAL ASSETS

(Amounts in millions of NOK)	Note	2021	2020
Investment in Otovo AS		254	0
Investments in other shares and ownership interests		25	33
Other receivables 1)		159	521
Pension assets	20	896	906
Total		**1,334**	**1,461**

1) In 2020, this amount mainly represented receivables related to cash collateral for cash-settled electricity trading on NASDAQ. The reduction in 2021 was due to Agder Energi transferring its membership of NASDAQ to a bank. This involves the bank providing collateral to NASDAQ for Agder Energi's positions.

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)	2021	2020
Face value of trade receivables	4,095	2,061
Bad debt provision	18	17
Total trade receivables	**4,077**	**2,044**
Accrued revenues	604	349
Prepaid expenses	148	108
Receivables from joint arrangements	0	3
Commercial paper	1,020	0
Compensation due for high electricity prices	170	0
VAT receivable	405	0
Collateral provided to stock exchanges	791	0
Other receivables	225	105
Share of current assets at joint arrangements	178	66
Total receivables	**7,618**	**2,675**

In 2021, there was a NOK 4 (7) million expense for net realised losses on trade receivables.

Commercial paper comprises short-term interest-bearing securities issued by Norwegian municipalities and industrial companies. The investment of excess liquidity in these securities is the reason why there was a NOK 1,018 million cash outflow under net change in loans.

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
2021	3,997	51	13	3	31	4,095
2020	1,863	131	9	11	47	2,061

NOTE 17 CASH AND CASH EQUIVALENTS

(Amounts in NOK million)	2021	2020
Deposits in cash pooling arrangement	501	51
Cash and cash equivalents	906	281
Restricted assets (e.g. term deposits, tax withholding account and client assets)	8	70
Total	**1,415**	**402**

As of 31/12/2021, 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.

At 31/12/2021, companies in the Group had pledged NOK 791 million in collateral to various stock exchanges. This amount has been reclassified from cash and cash equivalents to other current receivables.

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**

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 2021 amount to NOK 755 million.

NOTE 19 UNEARNED REVENUE AND PROVISIONS

(Amounts in NOK million)	Note	2021	2020
Pension liabilities	20	317	302
Other non-current provisions		2,166	1,826
Total		**2,483**	**2,128**

Breakdown of unearned revenue and 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 01/01/2020	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**
Carrying amount at 01/01/2021	803	232	0	701	90	1,826
Unrealised gains and losses	260	0	0	0	0	260
Adjustments to provisions	0	7	0	151	-46	112
Provisions used	0	0	0	-20	-12	-32
Carrying amount at 31/12/2021	**1,062**	**239**	**0**	**832**	**32**	**2,166**

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 151 (142) million increase for the year relates to customer contributions for grid upgrades and new connections.

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. In 2019, employees born in 1963 or later were transferred to a defined contribution plan with effect from 1 January 2020. 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. This funded public sector pension plan provides defined future pension benefits. 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.

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 the plans in conjunction with the transition to a defined contribution plan. Provisions for the plans are presented under unfunded pension liabilities.

Public early retirement scheme:
Employees born in 1962 or earlier have an early retirement scheme, known as an AFP scheme. The scheme does not receive any government subsidy. The Group is therefore fully liable for all of its obligations in the scheme.

Defined contribution pension plan and private AFP scheme:
All employees born after 1963 are covered by a defined contribution pension plan and are also entitled to a private AFP scheme. The private AFP scheme 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.

(Amounts in millions of NOK)	Note	2021	2020
The pension expense for the year has been calculated as follows			
Current service cost		23	28
Interest on net pension assets		-9	-9
Employers' National Insurance Contributions		2	3
Employee contributions		-2	-2
Administration costs		6	6
Pension expense for the year, defined benefit plans		**20**	**27**
Private AFP scheme including employers' NICs		9	9
Defined contribution pension plans (including employers' NICs)		55	53
Total pension expense recognised in the income statement	5	**85**	**89**
Pension liabilities and pension plan assets			
Change in gross pension liabilities			
Gross pension liabilities at 1 Jan.		2,325	2,323
Current service cost (incl. emp. NICs)		26	32
Interest cost		36	50
Pension benefits paid out		-90	-84
Remeasurements		241	4
Gross pension liabilities at 31 Dec. (including employers' NICs)		**2,538**	**2,325**
Breakdown of defined benefit pension liabilities			
Funded pension liabilities		2,247	2,039
Unfunded pension liabilities		290	285
Gross pension liabilities at 31 Dec.		**2,538**	**2,325**
Change in gross pension plan assets			
Fair value of pension plan assets at 1 Jan.		2,929	2,725
Expected return on pension plan assets		46	59
Remeasurements		243	191
Administration costs		-6	-6
Pension contributions		0	26
Pension benefits paid out		-70	-66
Dividends paid by the pension fund		-25	0
Fair value of pension plan assets at 31 Dec.		**3,117**	**2,929**
Net pension liabilities (-)/assets (+) at 31 Dec.		**579**	**604**
Net pension assets recognised on the SoFP	15	896	906
Pension liabilities recognised on the SoFP	19	317	302
Net pension liabilities (-)/assets (+) recognised at 31 Dec.		**579**	**604**

(Amounts in millions of NOK)	**2021**	2020
Change in net defined benefit pension plan assets		
Net defined benefit pension plan assets at 1 Jan.	604	402
Pension expense recognised in profit or loss excluding employee contributions	-22	-29
Company net contributions including employers' NICs	0	26
Pension benefits included under operating expenses	20	16
REMEASUREMENTS	2	188
Dividends paid by the pension fund	-25	0
Net pension liabilities (-)/assets (+) recognised at 31 Dec.	**579**	**604**
Remeasurements are made up of		
Changes in demographic assumptions	-16	42
Changes in financial assumptions	-225	-46
Positive (+)/negative (-) deviation from expected return on pension plan assets	243	191
Total remeasurements included in the SoCI	**2**	**188**

Assumptions used to determine pension liabilities at 31 Dec.		
Discount rate	1.90%	1.60%
Annual wage growth	2.75%	2.00%
Increase in the National Insurance Scheme's basic amount ("G")	2.50%	1.75%
Annual indexing of pensions	1.75%	1.00%
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	206	194
Fall in pension liabilities if the discount rate rises	-183	-172
Increase in pension liabilities if annual indexing of pensions and "G" is higher	189	174
Reduction in pension liabilities if annual indexing of pensions and "G" is lower	-169	-156

Assumptions used to calculate the pension expense for the year		
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%

Allocation of pension plan assets by investment category at 31 Dec.		
Property funds	14%	13%
Interest-bearing financial instruments	25%	29%
Shares	31%	30%
Hedge funds	30%	28%
Total	**100%**	**100%**

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

(Amounts in millions of NOK)	2021	2020
Number of people covered by the pension plans		
Defined benefit plan: current employees	108	122
Defined benefit plan: accrued entitlements and retired employees	1,403	1,408
Defined contribution plan: current and temporary employees	773	759
Current employees entitled to public sector AFP, and early retirees	164	171

NOTE 21 INTEREST-BEARING LIABILITIES

(Amounts in millions of NOK)	2021	2020
Interest-bearing non-current liabilities		
Bonds	4,624	5,422
Liabilities to financial institutions	2,978	3,330
Lease liabilities	124	171
Other interest-bearing non-current liabilities	21	13
Total	**7,746**	**8,937**
Interest-bearing current liabilities		
Commercial paper 0 500	0	500
Lease liabilities 61 53	61	53
Current portion of non-current liabilities (principal repayments due within one year)	1,222	1,447
Total	**1,284**	**2,000**

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)	2021	2020
Change in interest-bearing liabilities broken down by cash and non-cash items.		
Interest-bearing liabilities at 1 Jan.	10,937	10,758
New long-term borrowings (cash item)	177	1,890
Repayment of long-term borrowings (cash item) 1)	-1,505	-1,416
Net change in current liabilities (cash item)	-500	-458
Exchange rate fluctuations (non-cash item)	-92	137
New lease liabilities (non-cash item)	13	30
Reduction in lease liabilities through disposals (non-cash item)	0	-5
Interest-bearing liabilities at 31 Dec.	**9,030**	**10,937**

1) Includes NOK 58 million in repayment of lease liabilities.

NOTE 22 OTHER NON-INTEREST-BEARING CURRENT LIABILITIES

(Amounts in millions of NOK)	2021	2020
Trade payables	1,983	928
Unpaid government taxes and duties, tax deducted at source, etc.	683	366
Share of non-current liabilities at joint arrangements	174	72
Other current liabilities	918	847
Total	**3,759**	**2,213**

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 asymmetric 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
2021					
Derivatives and electricity contracts measured at fair value*	24	4,459	0	3,200	1,259
Shares and ownership interests	15	279	254	0	25
Total assets		**4,738**	**254**	**3,200**	**1,284**
Supply of free electricity and compensation	19	1,062	0	0	1,062
Derivatives and electricity contracts measured at fair value*	24	6,614	0	6,150	464
Total liabilities		**7,677**	**0**	**6,150**	**1,527**
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**

* 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 assets 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 337 million on level 3 financial instruments.

Assets and liabilities measured with level 3 inputs*

(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 01/01/2021	33	-803	872	103
Additions	0	0	0	0
Disposals	-8	0	0	-8
Gains and losses recognised in profit or loss	0	-260	-78	-337
Closing balance at 31/12/2021	**25**	**-1,062**	**795**	**-242**

* Liabilities are shown with a minus sign. The amount recognised relates to contracts still held by Agder Energi at the end of 2021.

Shares and ownership interests comprise the Group's investments in shares and interests in unlisted companies.

Supply of free electricity and compensation are perpetual obligations to supply electricity without any consideration being paid. These obligations have arisen in conjunction with Agder Energi obtaining waterfall rights. Derivatives and electricity contracts measured at fair value comprise long-term non-standard electricity contracts as well as embedded currency derivatives in long-term contracts to sell electricity. These contracts are considered level 3 assets as their duration is longer than the period for which there are quoted prices for the input variables used in the valuation, which are primarily electricity prices, exchange rates and prices for guarantees of origin.

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 106 million reduction (increase) in the valuation. A 5% strengthening (weakening) of the Norwegian krone against the euro would have given a NOK 255 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.

(Amounts in millions of NOK)	Note	Carrying amount **2021**	Fair value **2021**	Carrying amount 2020	Fair value 2020
Interest-bearing liabilities measured at amortised cost					
Bonds	21	5,599	5,668	6,372	6,532
Liabilities to financial institutions	21	3,246	3,290	3,840	4,015
Commercial paper	21	0	0	500	500
Overdraft and other interest-bearing current liabilities	21	0	0	0	0
Lease liabilities	21	185	185	225	225
Total interest-bearing liabilities		**9,030**	**9,143**	**10,937**	**11,272**

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.

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.

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.

CO2
CO2 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)	**2021**	2020
Derivative, non-current assets		
Portfolio of cash-settled electricity contracts*	379	387
Currency derivatives and basis swaps	67	86
Embedded currency derivatives in electricity contracts	383	774
Other contracts	789	377
Total	**1,617**	**1,625**
Derivative, current assets		
Portfolio of cash-settled electricity contracts*	2,467	883
Currency derivatives and basis swaps	285	149
Embedded currency derivatives in electricity contracts	87	74
Interest rate swaps	3	19
Total	**2,842**	**1,125**
Derivatives, non-current liabilities		
Portfolio of cash-settled electricity contracts*	1,143	258
Currency derivatives and basis swaps	48	251
Interest rate swaps	117	310
Other contracts	464	352
Total	**1,772**	**1,171**
Derivatives, current liabilities		
Portfolio of cash-settled electricity contracts*	4,589	654
Currency derivatives and basis swaps	253	248
Total	**4,842**	**903**

* 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 Group's retail customer portfolio comprises 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 price exposure.

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	**382**	**-382**

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 with 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	**80**	**-80**

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 4.3 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)	34	-34
Gains and losses on interest rate swaps recognised in profit or loss	-119	109
Total impact on profit before tax	**-85**	**75**
Gains and losses on hedging instruments, cash flow hedges	-45	42
Total impact on comprehensive income (before tax)	**-130**	**117**

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

	2021	2020
Nominal average interest rate, NOK	2.2%	2.6%
Nominal average interest rate, euros	1.9%	1.8%

Fixed-interest periods within loan portfolio*

(Amounts in millions of NOK)	1-3 years	3-5 years	5-10 years
NOK-denominated loans	3,150	3,402	1,701
Euro-denominated loans	2,424	2,099	770
Total	**5,574**	**5,501**	**2,471**

* The table shows the average volume of fixed-rate loans in the three time frames, including the effect of interest rate swaps.

COUNTERPARTY RISK

Counterparty 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 2021, 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. Agder Energi has established an internal framework for managing counterparty risk, with a particular focus on concentrated counterparty risk. The cost of the counterparty risk shall be included in the estimated value of contracts, and the management of counterparty risk is based on estimated potential future exposure. The majority of cash-settled electricity contracts are cleared through NASDAQ. For these contracts, there is assumed to be little counterparty risk. For 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 limit. 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)	5,079	620	4,459

(Amounts in millions of NOK)	Financial liabilities		
	Gross amount	Amount offset	Carrying amount
Derivatives (non-current and current)	7,234	620	6,614

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 variation margins for futures traded through NASDAQ. Agder Energi manages this risk through liquidity forecasts and simulations, as well as by establishing minimum liquidity requirements. In 2021, Agder Energi transferred its membership of NASDAQ to a bank. This involves the bank providing collateral to NASDAQ for Agder Energi's positions. Agder Energi has signed an agreement with the bank involving the loan of securities to cover its collateral requirements. The bank finances the collateral requirement, which means that it is not included on Agder Energi's statement of financial position. However, the underlying liability for the collateral requirement remains unchanged. At the turn of the year, Agder Energi's share of the collateral requirement was 81 million euros.

To protect itself against refinancing risk, Agder Energi has set up NOK 2,000 million of credit facilities with banks. 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 NOK 2,500 million in total 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 2022	Due in 2023	Due in 2024	Due in 2025	Due after 2026	Due after 2026
Bonds and liabilities to financial institutions	1,226	1,452	842	752	1,066	3,507
Commercial paper and overdraft facility	0	0	0	0	0	0
Lease liabilities	61	52	49	31	3	0
Interest payments	210	167	144	147	127	324
Total interest-bearing liabilities	**1,497**	**1,671**	**1,035**	**930**	**1,196**	**3,831**
Financial liabilities at fair value through profit or loss	4,842	1,090	371	147	121	1,106
Other non-interest-bearing current liabilities	3,759	0	0	0	0	0
Total non-interest-bearing liabilities	**8,601**	**1,090**	**371**	**147**	**121**	**1,106**
Total	**10,098**	**2,760**	**1,406**	**1,077**	**1,317**	**4,937**

Breakdown of loans by currency

(Amounts in millions of NOK)	2021	2020
NOK-denominated loans	6,504	7,818
Euro-denominated loans	2,549	3,202
Total	**9,053**	**11,020**

The Group has 203 million euros of euro-denominated loans. In addition, Agder Energi has used basis swaps to convert NOK 500 million of loans into 53 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 2021 was NOK -36 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	2021	2020
Fair value of derivatives designated as hedging instruments		
Derivatives designated as cash flow hedges	-70	-114
Total fair value of derivatives designated as hedging instruments	**-70**	**-114**
Cash flow hedges		
Gains/losses recognised in the SoCI	44	-14
Reclassified to profit or loss	11	-14
Total gains/losses on hedging instruments recognised in the SoCI	**54**	**-28**
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 591 (649) million in off-statement of financial position bank guarantees. NOK 202 (412) million of this relates to payment guarantees for electricity trading, NOK 48 (48) million to tax deductions at source, NOK 185 (183) million to network tariffs passed on to customers and NOK 156 (6) million to contractual guarantees. There is also a NOK 145 million portfolio of payment guarantees that will expire in 2023. This portfolio of guarantees relates to a company that was sold in 2021. The guarantee portfolio includes a counter-guarantee from a company with an A- credit rating, which means it represents a negligible risk to Agder Energi AS.

At the close of the year, the parent company had issued guarantees worth NOK 104 (108) million in relation to subsidiaries' external liabilities.

Off-balance 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. On 6 February 2022 the court of appeal ruled in favour of the tax authorities. Agder Energi considers that the judgement is based on a misapplication of the law and has therefore appealed. Although Agder Energi disagrees with the judgement, the accounts have been prepared on the assumption that it stands, in line with the Group's accounting principles. The inability to make deductions has an estimated negative impact on the Group's tax expense and cash flow of NOK 10 million.

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.

Events after the end of the reporting period

Invasion of Ukraine
Russia's invasion of Ukraine in 2022 has led to greater uncertainty about the future. It has also caused electricity prices in Europe and Southern Norway to rise significantly. However, the situation has had no impact on the financial statements for 2021. There have been no other events in 2022 that affect the financial statements for 2021.

NOTE 29 MANAGEMENT COMPENSATION, ETC.

For 2021, the remuneration paid to the Board of Directors, audit committee and succession planning and compensation committee was NOK 2,195,000, NOK 113,000 and NOK 60,000 respectively. For 2020, the remuneration was NOK 1,485,000, NOK 60,000 and NOK 45,000 respectively.

The remuneration paid to the Corporate Assembly was NOK 10,000 (NOK 10,000).

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	Audit committee	Remuneration committee	Board meetings
Lars Erik Torjussen	Chair of the Board 3) 4)	Whole year	570,100		30,000	10 of 10
Gro Elisabeth Lundevik	Deputy Chair	Whole year	175,000			10 of 10
Lars Petter Maltby	Board member	Whole year	148,000			10 of 10
Vibekke Hellesund	Board member 2)	Whole year	145,000	30,000		10 of 10
Hilde Bakken	Board member 1)	Whole year	0			10 of 10
Asbjørn Grundt	Board member 1) 3)	Whole year	0			10 of 10
Marit Grimsbo	Board member 1)	Up to May	0			4 of 5
Torun Revdal	Board member 1)	From June	0			4 of 5
Siw Linnea Poulsson	Board member 1) 2)	Up to May	0			5 of 5
Kristin Steenfeldt-Foss	Board member 1) 2)	From June	0			5 of 5
Roger Thorsland	Employee representative	Whole year	145,000			10 of 10
Oddvar Emil Berli	Employee representative 3)	Whole year	145,000		15,000	10 of 10
Lasse Lundsholt	Employee representative 2)	Whole year	145,000	30,000		10 of 10
Asbjørn Hoveland	Employee representative	Whole year	145,000			10 of 10

1) From 2021, the remuneration of the Board members nominated by Statkraft is paid to their employer, represented by the company Statkraft Industrial Holding AS.
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.

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	4,017	0	112	4,129	756
Kristin A. Dale	Chief HR and Communication Officer	Whole year	1,683	0	111	1,795	227
Jan Erik Eldor	Business Area Director for Distribution	Whole year	1,887	0	116	2,003	294
Svein Are Folgerø	Business Area Director for Inno-vation	Whole year	2,016	0	112	2,129	345
Anders Gaudestad	Business Area Director for Energy Management	Whole year	2,248	0	127	2,375	379
Pernille K. Gulowsen	CFO	Whole year	2,091	0	123	2,214	317
Atle Knudsen	Business Area Director for Customer	Whole year	2,002	0	120	2,122	322
Ingvill H. Mykland	Chief Technology Officer	Whole year	1,683	0	111	1,794	227
Jan Tønnessen	Business Area Director for Production	Whole year	2,069	0	110	2,179	365

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 2021.

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 12 million of sales to such companies in 2021 and NOK 18 million in 2020. Purchases from those companies amounted to NOK 311 million in 2021 and NOK 256 million in 2020. 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 2021 and NOK 0.2 million in 2020. Purchases from those companies amounted to NOK 17 million in 2021 and NOK 12 million in 2020. 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 2021. Nor were there any significant business acquisitions in 2020.

Business disposals

The company Nordgröön was part of the Entelios CWE segment until it was sold in December 2021. 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 2020 have been restated:

	2020		
(Amounts in millions of NOK)	Previously reported	Change	Restated
Energy sales	6,372	-1,183	5,189
Other operating revenues	560	5	565
Energy purchases	-4,416	1,150	-3,266
Employee benefits	-826	16	-810
Depreciation and impairment losses	-728	2	-726
Other operating expenses	-776	14	-762
Total adjustment to operating profit		2	
Financial expenses	-254	0	-253
Total adjustment to net income from continuing operations		3	
Net income from discontinued operations	670	-3	668
Net income	1,909	0	1,909

The table below shows condensed income and cash flow figures for the discontinued operations until the date of the sale and transaction. The Swedish company Craftor was sold in 2020. The figures for 2020 include both Nordgröön and Craftor.

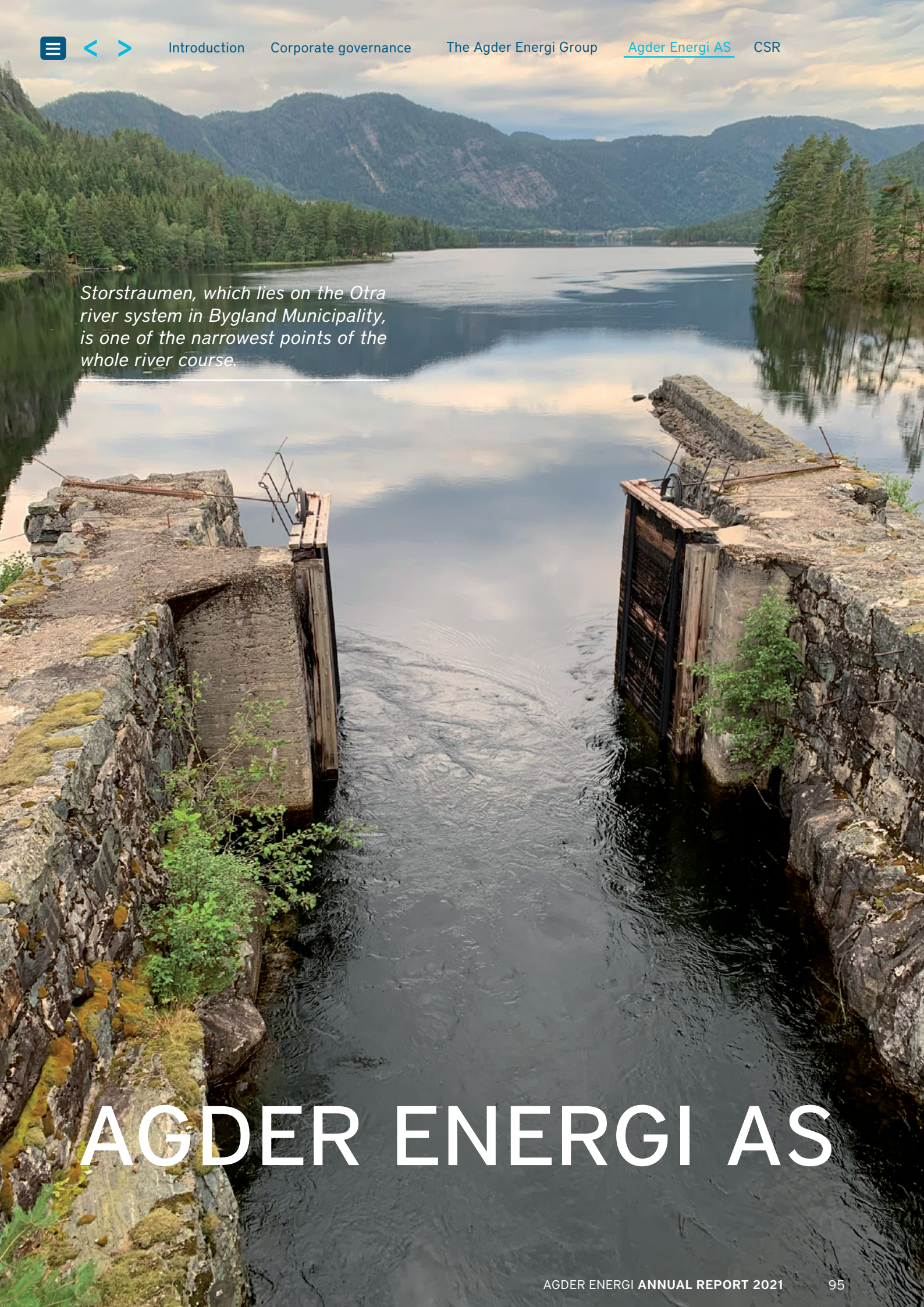
(Amounts in millions of NOK)	**2021**	2020
Operating revenues	1,978	2,326
Operating expenses	-1,981	-2,212
Operating profit	**-3**	**114**
Net financial income/expenses	0	-6
Profit before tax	**-3**	**108**
Tax expense	0	-24
Net income	**-3**	**84**
Gain on disposal of discontinued operations	48	583
Net income from discontinued operations	**45**	**668**
Net cash provided by operating activities	-3	69
Net cash provided by/used in investing activities	43	745
Net cash provided by financing activities	0	-17
Net cash flow from discontinued operations	**40**	**798**

NOTE 32 GROUP STRUCTURE

The table below shows the companies in the Agder Energi Group at 31/12/2021.

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
Agder Energi Kraftforvaltning GmbH	100,0		Germany
Agder Energi Fleksibilitet AS	100,0		Norway
Nodes AS	100,0		Norway
Nodes Tech AS	100,0		Norway
Agder Energi Varme AS	100,0		Norway
Baltic Hydroenergy AS	100,0		Norway
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 Invest AS	100,0		Norway
Ergon Nordic AS	100,0		Norway
Norsk Energigjenvinning AS	100,0		Norway
Norsk Biobrensel AS	100,0		Norway
Norbio AB	100,0		Sweden
Bioenergy AS	100,0		Norway
Bio Energy Sales AS	100,0		Norway
Lahaugmoen Drift AS	100,0		Norway
Adaptic AS	83,5		Norway
Meventus AS	100,0		Norway
Meventus AB	100,0		Sweden
ReSiTec AS	92,5		Norway
Netsecurity AS	83,3		Norway
Eco STOR AS	70,2		Norway
Eco STOR GmbH	62,5	(43,9)	Germany
Green Hyco AS	100,0		Norway
Entelios AG	100,0		Germany

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



Storstraumen, which lies on the Otra river system in Bygland Municipality, is one of the narrowest points of the whole river course.

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	2021	2020
Other operating revenues	1	327	360
Total operating revenues		**327**	**360**
Employee benefits	2, 3	-227	-226
Depreciation and impairment losses	4, 5	-9	-9
Other operating expenses	1, 6, 7	-217	-227
Total operating expenses		**-453**	**-463**
Operating profit		**-127**	**-104**
Financial income	1, 8	3,116	3,376
Financial expenses	1, 8	-1,149	-1,964
Net financial income/expenses		**1,967**	**1,412**
Profit before tax		**1,840**	**1,309**
Tax expense	9	-399	-8
Net income		**1,441**	**1,301**
Allocation of profit:			
Proposed dividends	10	755	325
Transferred to other reserves	10	686	976
Total appropriations		**1,441**	**1,301**

STATEMENT OF FINANCIAL POSITION

(Amounts in NOK million)	Note	2021	2020
Deferred tax assets	9	113	0
Intangible assets	4	12	16
Property, plant and equipment	5	19	24
Investments in subsidiaries	11	3,548	3,423
Investments in associates	11	102	133
Other non-current financial assets	12	10,330	10,588
Total non-current assets		**14 124**	**14,184**
Receivables	1	4 424	1,708
Cash and cash equivalents	13	902	252
Total current assets		**5,326**	**1,959**
TOTAL ASSETS		**19,451**	**16,143**
Paid-in capital	10	1,907	1,907
Retained earnings	10	3,153	2,436
Total equity		**5,061**	**4,344**
Deferred tax	9	0	47
Provisions	3, 14	178	231
Interest-bearing non-current liabilities	15	7,601	8,745
Total non-current liabilities		**7,779**	**9,022**
Interest-bearing current liabilities	15, 16	4,733	2,224
Tax payable	9	437	8
Other non-interest-bearing current liabilities	1, 17	1,441	545
Total current liabilities		**6,611**	**2,778**
TOTAL EQUITY AND LIABILITIES		**19,451**	**16,143**

Kristiansand, 24th March 2022
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*	Torun Revdal *Board member*	Asbjørn Grundt *Board member*
Kristin Steenfeldt-Foss *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	2021	2020
Cash flow from operating activities			
Profit before tax		1,840	1,309
Depreciation and impairment losses	4, 5, 8	64	81
Income from investments in subsidiaries		-1,943	-1,285
Income from investments in associates		-64	-152
Tax paid		-1	-1
Change in net working capital, etc.		350	12
Net cash provided by operating activities		**247**	**-36**
Investing activities			
Purchase of property, plant, equipment and intangible assets		0	-11
Acquisitions/financial investments and equity investments in subsidiaries		-179	-94
Net change in loans/cash equivalents		-1,203	146
Dividends received from associates		4	0
Sale of property, plant, equipment and intangible assets		0	3
Sale of businesses/financial assets		0	645
Net cash used in investing activities		**-1,379**	**689**
Financing activities			
New long-term borrowings		175	1,890
Repayment of long-term borrowings		-1,439	-1,352
Net change in current interest-bearing liabilities		-500	-186
Net change in cash pooling arrangement		3,257	-611
Intra-group distributions received		135	576
Intra-group distributions paid out		-50	-396
Dividends received from subsidiaries		530	290
Dividends paid		-325	-612
Net cash used in financing activities		**1,783**	**-401**
Net change in cash and cash equivalents		**650**	**252**
Cash and cash equivalents at start of year		252	0
Cash and cash equivalents at end of year		902	252

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	2021	2020
Intra-group balances			
Other non-current financial assets	12	9,683	9,604
Trade receivables		47	38
Other current receivables		2,365	691
Cash pool receivables		865	889
Total receivables		**12,959**	**11,221**
Trade payables	17	2	6
Other current liabilities	17	532	50
Cash pool liabilities	15	3,510	278
Total liabilities		**4,044**	**334**
Revenues and expenses relating to intra-group transactions			
Other operating revenues		-306	336
Total operating revenues		**-306**	**336**
Other operating expenses		26	33
Total operating expenses		**26**	**33**
Income from investments in subsidiaries	8	1,943	1,285
Other interest and financial income		482	804
Other interest and financial expenses		345	312
Net financial income/expenses		**2,080**	**1,777**

NOTE 2 EMPLOYEE BENEFITS, MANAGEMENT COMPENSATION, ETC.

(Amounts in millions of NOK)	Note	2021	2020
Employee benefits			
Salary		167	175
Employers' National Insurance Contributions		24	23
Pension expense including employers' NICs	3	18	20
Other benefits and reimbursements		17	8
Total		**227**	**226**
Number of full-time equivalents at 31 Dec.		**146**	**161**

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
Agder Energi has an occupational pension plan run by Agder Energi Pensjonskasse for people taken on before 1 April 2007. In 2019, employees born in 1963 or later were transferred to a defined contribution plan with effect from 1 January 2020. 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. This funded public sector pension plan provides defined future pension benefits. 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.

Public early retirement scheme:
Employees born in 1962 or earlier have an early retirement scheme, known as an AFP scheme. The scheme does not receive any government subsidy. The Group is therefore fully liable for all of its obligations in the scheme.

Defined contribution pension plan and private AFP scheme:
All employees born after 1963 are covered by a defined contribution pension plan and are also entitled to a private AFP scheme. The private AFP scheme 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.

(Amounts in millions of NOK)	2021	2020
The pension expense for the year has been calculated as follows		
Current service cost	9	10
Interest income/expenses on pension assets/liabilities	-6	-6
Other expenses, defined benefit pension plan	3	3
Pension expense for the year, defined benefit plans	**5**	**8**
Defined contribution pension plans (including employers' NICs)	13	13
Total pension expense recognised in the income statement	**18**	**20**

(Amounts in millions of NOK)	2021	2020
Pension liabilities and pension plan assets		
Gross funded pension liabilities	979	908
Unfunded pension liabilities	157	159
Gross pension liabilities at 31 Dec. incl. emp. NICs	**1,136**	**1,067**
Fair value of pension plan assets at 31 Dec.	1,575	1,499
Net pension plan assets at 31 Dec.	**439**	**432**

(Amounts in millions of NOK)	2021	2020
Change in defined benefit pension liabilities		
Net defined benefit pension liabilities at 1 Jan.	432	266
Pension expense recognised in profit or loss excluding employee contributions	-6	-8
Company contributions including employers' NICs	0	12
Pension benefits included under operating expenses	12	7
Remeasurements	26	155
Dividends paid by the pension fund	-25	0
Net pension liabilities (-)/assets (+) recognised at 31 Dec.	**439**	**432**
Pension plan assets	596	591
Pension liabilities (*)	157	159
Net pension liabilities (-)/assets (+) recognised at 31 Dec.	**439**	**432**

Remeasurements are made up of:		
Gains (+)/losses (-) on gross pension liabilities	-87	21
Gains (+)/losses (-) on pension plan assets	113	134
Remeasurements recognised on statement of financial position	**26**	**155**

Assumptions used to determine pension liabilities at 31 Dec.

	2021	2020
Discount rate in %	1.90%	1.60%
Annual wage growth in %	2.75%	1.00%
Increase in the National Insurance Scheme's basic amount ("G") in %	2.50%	1.75%
Annual indexing of pensions in %	1.75%	1.00%
Mortality and disability table	K2013	K2013

NOTE 4 INTANGIBLE ASSETS

(Amounts in millions of NOK)	Software	Total intangible assets
Cost as of 01/01/2021	22	22
Additions	0	0
Disposals	0	0
Cost as of 31/12/2021	**22**	**22**
Accumulated depreciation at 31/12/2021	10	10
Accumulated impairment losses at 31/12/2021	0	0
Carrying amount at 31/12/2021	**12**	**12**
Årets avskrivninger	4	4
Årets nedskrivninger	0	0
Økonomisk levetid/avskrivningstid	3-5 years	

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

(Amounts in millions of NOK)	Properties	Vehicles, fixtures, fittings, machinery, etc.	Total property, plant and equipment
Cost as of 01/01/2021	34	15	48
Additions	0	0	0
Disposals	0	2	2
Cost as of 31/12/2021	**34**	**13**	**47**
Accumulated depreciation at 31/12/2021	18	9	27
Accumulated impairment losses at 31/12/2021	0	0	0
Carrying amount at 31/12/2021	**16**	**4**	**19**
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 6 AUDITOR´S FEE

(Amounts in 1,000s of NOK excl. VAT)	**2021**	2020
Statutory audit	529	580
Tax advice	18	18
Other services not related to auditing	1,589	140
Total	**2,199**	**738**

The cost of other services not related to auditing rose due to assistance provided in conjunction with the possible merger with Glitre Energy.

NOTE 7 OTHER OPERATING EXPENSES

(Amounts in NOK million)	**2021**	2020
Property-related expenses, lease of machinery and office equipment	66	50
Purchase of plant and equipment	19	15
External services	117	147
Office supplies, telecommunications, postage, etc.	8	9
Travel expenses, subsistence allowances, mileage expenses, etc.	2	3
Sales, advertising, representation, membership fees and gifts	8	5
Other operating expenses	-3	-2
Total	**217**	**227**

NOTE 8 FINANCIAL INCOME AND EXPENSES

(Amounts in millions of NOK)	**2021**	2020
Income from investments in subsidiaries*	1,943	1,285
Income from investments in associates	64	152
Exchange rate gains	867	1,670
Other interest and financial income	242	269
Total financial income	**3,116**	**3,375**
Impairment charge against non-current financial assets	55	71
Exchange rate losses	865	1,626
Other interest and financial expenses	229	266
Total financial expenses	**1,149**	**1,964**
Net financial income/expenses	**1,967**	**1,412**

* 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 9 TAX

(Amounts in millions of NOK)	2021	2020
The tax expense consists of		
Income tax payable	554	19
Change in deferred income tax	-155	-11
Tax expense in income statement	**399**	**8**
Tax payable on the statement of financial position		
Profit before tax	1,840	1,309
Permanent differences	-26	-1,274
Change in temporary differences	704	52
Profit/loss for income tax purposes	**2,518**	**87**
Income tax payable	554	19
Taxable intra-group distributions	-117	-11
Tax payable on the statement of financial position	**437**	**8**
Reconciliation of nominal tax rate with effective tax rate		
Profit before tax	**1,840**	**1,309**
Expected tax based on nominal rate	405	288
Tax effect of		
Non-deductible expenses/non-taxable income	-6	-280
Tax expense in income statement	**399**	**8**
Effective tax rate	**22%**	**1%**
Breakdown of temporary differences/deferred tax assets		
Property, plant and equipment	-7	-9
Pension liabilities	125	182
Derivatives	-647	62
Other	15	-23
Total taxable (+)/deductible (-) temporary difference	**-514**	**212**
Total capitalised deferred tax liabilities (+)/assets (-)	**-113**	**47**
Changes in net deferred income tax over the year:		
Net deferred tax liabilities (+)/assets (-) at 1 Jan.	47	79
Change in net deferred tax liabilities (+)/assets (-) on items recognised in equity	-5	-21
Change in deferred tax liabilities (+)/assets (-) recognised through profit or loss	-155	-11
Net deferred income tax liabilities (+)/assets (-) at 31 Dec.	**-113**	**47**
Changes in deferred tax on items recognised in equity		
Remeasurements of pensions	5	21
Total change	**5**	**21**

NOTE 10 EQUITY

(Amounts in millions of NOK)	Note	Share capital	Share premium account	Other paid-in capital	Other reserves	Total equity
Equity at 01/01/2021		1,809	47	51	2,436	4,343
Remeasurements of pen-sions	3				31	31
Net income for the year					1,441	1,441
Allocated dividends					-755	-755
Equity at 31/12/2021		**1,809**	**47**	**51**	**3,153**	**5,061**

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

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	2,947	1,908	100%	1,937
Agder Energi Kraftforvaltning AS	Kristiansand	11	2	100%	20
Agder Energi Kraftforvaltning GmbH	Berlin	72	30	100%	65
Agder Energi Nett AS	Arendal	1,118	116	100%	612
LOS AS	Kristiansand	137	31	100%	214
Entelios AB 1)	Stockholm	170	-31	100%	295
Entelios AS	Kristiansand	335	65	100%	110
Agder Energi Varme AS	Kristiansand	117	1	100%	125
Agder Energi Invest AS 1)	Kristiansand	100	-15	100%	68
Stoaveien 14 AS	Kristiansand	17	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	0	100%	4
Enfo AS	Bærum	11	-8	100%	34
Agder Energi Fleksibilitet AS 1)	Kristiansand	22	-9	100%	60
Total shares in subsidiaries					**3,548**
Associates 2)					
Otera AS	Kristiansand	146	35	19.5 %	57
Oss Norge AS	Drammen	23	-27	50.0 %	46
North Connect KS	Kristiansand	220	-100	22.25 %	0
North Connect AS	Kristiansand	22	-10	22.25%	0
Total for associates					**102**

* 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 32 of the consolidated financial statements.
2) The equity and profit/loss of associates has been estimated for 2021.

NOTE 12 OTHER NON-CURRENT FINANCIAL ASSETS

(Beløp i mill. kr)	Note	2021	2020
Loans to Group companies	1	9,683	9,604
Investments in shares and ownership interests		1	1
Other non-current receivables 1)		50	392
Pension assets	3	596	591
Total non-current financial assets		**10,330**	**10,588**

1) 1) Other non-current receivables consist of receivables arising from the disposal of Fosen Vind (NOK 20 million) and the sale of Entelios AG to Agder Energi Invest AS (NOK 30 million).

NOTE 13 CASH AND CASH EQUIVALENTS

(Amounts in millions of NOK)	2021	2020
Cash and cash equivalents	401	200
Deposits in cash pooling arrangement	501	51
Total	**902**	**252**

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.

As of 2021, the item deposits in cash pooling arrangement comprises the Group's total bank deposits. In the statement of financial position of Agder Energi AS, subsidiaries' deposits and overdrafts in the cash pooling arrangement are presented, respectively, as intra-group liabilities and receivables (cash pool liabilities/receivables); see Note 1. The comparative figures for 2020 have been restated.

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

NOTE 14 PROVISIONS

(Amounts in millions of NOK)	Note	2021	2020
Pension liabilities	3	157	159
Other non-current provisions		21	71
Total provisions		**178**	**231**

Other non-current provisions include a NOK 13 million bad debt provision on a lease contract at Kjøita and a NOK 8 million provision for redundancy packages.

NOTE 15 INTEREST-BEARING LIABILITIES

(Amounts in millions of NOK)	2021	2020
Non-current liabilities with a term to maturity of more than 1 year		
Bonds	4,624	5,422
Liabilities to financial institutions	2,977	3,322
Total interest-bearing non-current liabilities	**7,601**	**8,745**
Interest-bearing current liabilities		
Commercial paper and repayments of long-term debt due within one year	1,222	1,947
Intra-group liabilities (cash pooling arrangement)	3,510	278
Total interest-bearing current liabilities	**4,733**	**2,224**

Guarantees and obligations relating to interest-bearing non-current liabilities are described in greater detail in Note 19.

NOTE 16 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 the contracts are in the name of Agder Energi AS, but Agder Energi AS also enters into identical contracts with the relevant subsidiaries.

The company uses hedge accounting for these contracts, so they are not capitalised. The net value of contracts with NASDAQ was NOK 31 million at 31 December 2021. The value of the company's contracts with its subsidiaries was NOK -31 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 company's debt portfolios include foreign currency loans. 203 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 53 million euros of mirrored loans provided to Agder Energi Vannkraft AS.

NOTE 17 OTHER NON-INTEREST-BEARING CURRENT LIABILITIES

(Amounts in millions of NOK)	Note	2021	2020
Trade payables		37	34
Intra-group trade payables	1	2	6
Unpaid government taxes and duties, tax deducted at source, etc.		15	16
Allocated dividends		755	325
Other current liabilities		100	115
Other current liabilities to Group companies	1	532	50
Total other non-interest-bearing current liabilities		**1,441**	**545**

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 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 591 million in outstanding off-statement of financial position bank guarantees. Of this, NOK 202 million comprises payment guarantees for electricity trading, NOK 185 million is a guarantee for network tariffs passed on to customers, NOK 48 million is a guarantee for tax deducted at source, NOK 149 comprises contractual guarantees and NOK 7 million is a guarantee for rent and other matters. There is also a NOK 145 million portfolio of payment guarantees that will expire in 2023. This portfolio of guarantees relates to a company that was sold in 2021, and it includes a counter-guarantee from a company with an A- credit rating, which means it represents a negligible risk to Agder Energi AS.

At the close of the year, Agder Energi AS had issued guarantees worth NOK 104 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

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Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

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 (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2021 and the income statement and statement 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 of the Group comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, statement of cash flows and statement of 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 comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and 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 give a true and fair view of the financial position of the Group as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 18 years from the election by the general meeting of the shareholders on 1 June 2004 for the accounting year 2004 with renewed election on the 23 May 2014.

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 2021. 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

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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.

Accounting for financial derivatives and long-term delivery contracts

Basis for the key audit matter
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.

Our audit response
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 annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and Chief Executive Officer) is 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 board of directors' report, the statement on corporate governance and the statement on corporate social responsibility contain the information required by applicable legal requirements and 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 or that the information required by applicable legal requirements is not included, we are required to report that fact.

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We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in 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 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 and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirement

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of our audit of the financial statements of Agder Energi AS we have performed an assurance engagement to obtain reasonable assurance whether the financial statements included in the annual report, with the file name agderenergias-2021-12-31- en, has been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation given with legal basis in Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements included in the annual report have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's responsibilities

Management is responsible for the preparation of an annual report and iXBRL tagging of the consolidated financial statements that complies with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary to enable the preparation of an annual report and iXBRL tagging of the consolidated financial statements that is compliant with the ESEF Regulation.

Auditor's responsibilities

Our responsibility is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation based on the evidence we have obtained. We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

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As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its annual report in XHTML format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Kristiansand, 24 March 2022
ERNST & YOUNG AS

Finn Espen Sellæg
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been prepared 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 2021 the municipal majority shareholders in Agder Energi decided that the dividend policy for the years 2021 – 2023 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)	2021	2020
IFRS operating revenues	20,474	8,204
Unrealised gains and losses, electricity and currency	951	-1 013
Material gains on the disposal of businesses or ownership interests in businesses	0	0
Underlying operating revenues	**21,425**	**7,191**
IFRS operating profit	3,858	1,857
Depreciation and impairment losses	764	726
IFRS EBITDA	**4,622**	**2,583**
Unrealised gains and losses, electricity and currency	951	-1,013
Material gains on the disposal of businesses or ownership interests in businesses	0	0
Underlying EBITDA	**5,574**	**1,570**
IFRS operating profit	3,858	1,857
Unrealised gains and losses, electricity and currency	951	-1,013
Material gains on the disposal of businesses or ownership interests in businesses	0	0
Underlying operating profit	**4,810**	**844**
IFRS net income (controlling interest's share)	2,062	1,909
Changes in unrealised gains and losses after tax	107	-683
Changes in deferred tax assets from neg. resource rent carryforwards	69	-4
Material gains on the disposal of businesses or ownership interests in businesses	-316	-734
Underlying net income (controlling interest's share)	**1,923**	**489**

LOS is one of Norway's leading electricity retailers, and it supplies electricity and energy-related products and services to domestic customers all over Norway. The company offers customers quick and safe home charging with Easee, a powerful and modern electric car charger. Ingrid Lofnes is the leader for business development and digitization in LOS.

CORPORATE SOCIAL RESPONSIBILITY (CSR) AT AGDER ENERGI IN 2020

AGDER ENERGI

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY 2021

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

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SUSTAINABILITY

NETWORK RELIABILITY

2021 **99.98%**

2020 **99.98%**

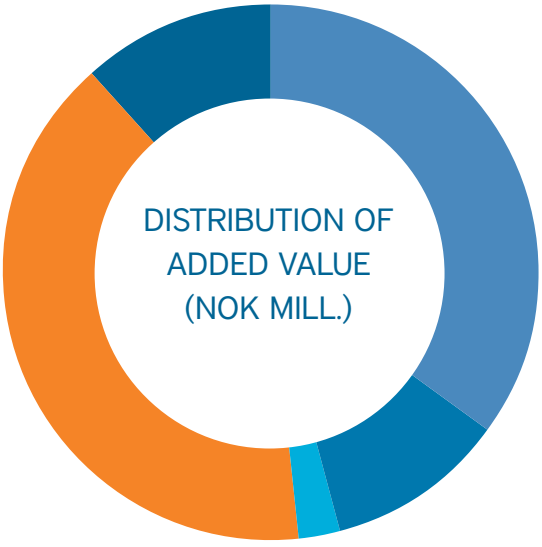
2019 **99.98%**

LOST TIME INJURIES PER MILLION WORK HOURS

2021 **2.6**

2020 **2.6**

2019 **1.8**

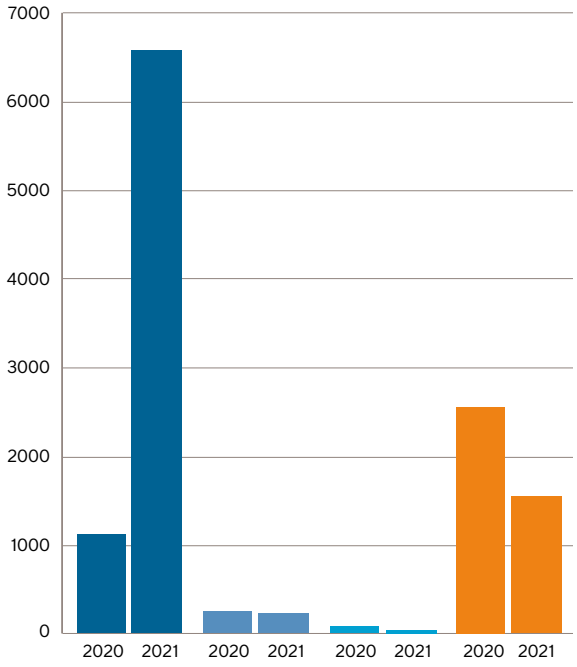


Net amount received by the company	2 300
Net amount received by employees	712
Net amount received by lenders	166
Net amount received by the public sector	2 628
Net amount received by shareholders	755

AVAILABLE DISTRIBUTION

	2021	2020	2019
Net amount received by the company	35 %	23 %	27 %
Net amount received by employees	11 %	22,5 %	14 %
Net amount received by lenders	3 %	7,1 %	7 %
Net amount received by the public sector	40 %	35,5 %	52 %
Netto fordelt eiere	12,3 %	12,3	- %

GREENHOUSE GAS EMISSIONS (tCO_2e)



	2021	2020	2019
Direct emissions - Scope 1:	6,636	1,192	1,753
Indirect emissions - Scope 2 Physical approach:	265	289	228
Indirect emissions - Scope 2 Market-based approach:	15	67	42
Indirect emissions - Scope 3:	2,660	1,683	6,084

Power stations

2021	2020	2019
53	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)

	2021	2020	2019
Water	8,897	8,136	7,237
Solar PV	0.03	0.03	0.04
District heating	183	157	168
TOTAL ENERGY GENERATION	**9,080**	**8,293**	**7,405**

SUSTAINABILITY AT AGDER ENERGI 2021

Seven 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. UN target 7.2.

CURRENT STATUS

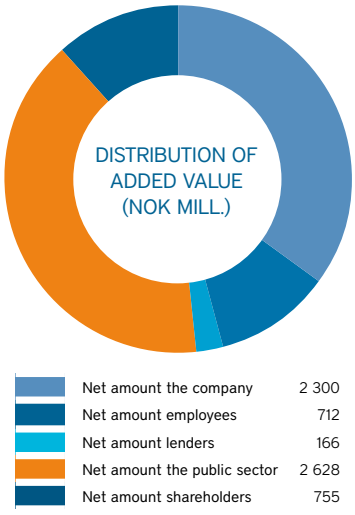
96.2 percent. The is below our goal, but an improvement over last year. Damage to the main bearing at Rygene power station and damage to the gates at Holen power station are the two single incidents that had the biggest negative impact on availability.
In addition to Bjelland and Tryland power stations being out of service for extended periods due to repairs, there have also been interruptions to operation caused by projects and maintenance.

- At least 99 percent of our district heating energy shall come from renewable sources. UN target 7.2.

- 89 percent of district heating energy was renewable. This is below the goal, but in the summer of 2021, there was an explosion at the company's biggest supplier for district heating, Returkraft, which halted its deliveries and kept them off line for a period of half a year.

GOALS

- We shall help to create the green jobs of the future. The Group shall create and distribute economic value, not just to its owners, but also to its employees, lenders and the public sector. UN target 8.2.



AVAILABLE DISTRIBUTION

	2021	2020	2019
Net amount the company	35 %	23 %	27 %
Net amount employees	11 %	22,5 %	14 %
Net amount lenders	3 %	7,1 %	7 %
Net amount the public sector	40 %	35,5 %	52 %
Net amount shareholders	12,3 %	12,3	- %

- All employees at Agder Energi shall recognise the value of diversity to a forward-looking business and we shall work actively to promote diversity and equal opportunity. UN targets 8.5 and 8.8.

- This is an ongoing area of focus for Agder Energi, and in 2021 we renewed our certification under the Equality at Work scheme.

- We shall have no workplace accidents or occupational sickness absence. We shall have a high level of job satisfaction and employees shall look after their own health. Our sickness absence rate shall be below 3 percent. UN target 8.8.

- The sickness absence rate was 2.8 percent. Working from home because of the Covid-19 restrictions has been a challenge for some employees, and our areas of focus have included ergonomics, sleep, physical activity and general health.

GOALS

- The up-time of our power distribution network in Agder shall be at least 99.98 percent. UN target 9.1.
- 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. UN targets 9.1 and 9.4.

CURRENT STATUS

- 99.981 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 was similar to in 2020. The number of requests for simple connections were 27 percent higher in 2021 than in 2020. For big business customers, the equivalent increase was 16 percent from 2020 to 2021.

GOALS

- By 2025, all suppliers shall adhere to our sustainability requirements, and we shall base our purchases on the 10 principles for green procurement established by Skift – The Business Community's Climate Leaders. UN targets 12.6 and 12.7.
- By 2025, at least 95 percent of our procurement by value shall be from suppliers with environmental certification in accordance with ISO 14001 or Eco-Lighthouse, or with some equivalent environmental management system in place. UN targets 12.6 and 12.7.
- We shall ensure that all employees have relevant information about, and an awareness of, sustainability at all our business operations. We shall strive to reduce negative impacts on, and the risk of causing harm to, the environment, and shall help ensure the efficient use of resources. UN target 12.8.

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. We are in the process of setting specific goals (principle 1 of the 10 principles for green procurement established by Skift) in consultation with individual companies in the Group. Agder Energi Vannkraft has reached furthest with this process, and we want to make use of their approach and experiences in the Group's ongoing efforts to set clear, ambitious goals for sustainable procurement.
- 52 percent
- Agder Energi is constantly working to increase employees' knowledge about, and awareness of, sustainability. In the Group's employee satisfaction survey, on average employees rated their familiarity with Agder Energi's sustainability goals as 8 on a scale of 1 to 10.

GOALS

- We shall reduce our own greenhouse gas emissions by an amount that is consistent with limiting global warming to 1.5 °C. We shall reduce them by at least 5% per year and by 50% by 2030. UN target 13.2.
- We review climate risk at the Group annually and report in accordance with the TCFD standards. UN target 13.3.
- By 2025, all new projects shall take into account climate risk, to avoid additional impacts from climate change, and we shall have new streams of revenues as a result of climate change. UN target 13.3

CURRENT STATUS

- Far off the goal of a 5% annual reduction. This was primarily due to Agder Energi Varme increasing its emissions by 542 tCO2e to 5,575 tonnes in 2021, after an explosion at its supplier of waste heat Returkraft, which meant that the waste heat it previously supplied had to be replaced by oil-fired boilers for a period of half a year. For a more detailed description, see the section on Greenhouse gas emissions.
- We have reviewed climate risk at the Group; see Agder Energi's separate TCDF report for 2021. business areas.
- We have initiated a project that is working to ensure that climate risk is considered in all projects and in all areas of our corporate governance.

GOALS

- When building and operating our infrastructure, we shall take into account the need to protect vulnerable ecosystems and biodiversity on land and in our rivers. Our goal is to avoid all serious environmental incidents. UN target 13.3: 15.1 and 15.5

CURRENT STATUS

- No serious environmental incidents related to biodiversity.

GOALS

- The UN's Sustainable Development Goals can only be achieved through cooperation. In order to accelerate the green transition, we shall seek out new partnerships and alliances with companies that complement our areas of expertise. UN target 17.16.
- We shall help to test tomorrow's energy solutions for cities and communities through our participation in Electric Region Agder. UN target 17.17.

CURRENT STATUS

- Together with NOAH, Mai Invest, Bellona and Arendal Municipality, we are establishing a value chain for batteries in conjunction with Morrow's planned Gigafactory in Southern Norway.

  We are partnering with Vårgrønn and Green Investment Group in competitions to develop offshore wind power on the Norwegian continental shelf.
- Together with Siemens, the Norwegian Electrical Trade Association and Bellona, we picked Norway's most electrified municipality during Arendalsuka in 2021.

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

STAKEHOLDERS AND AGDER ENERGI

Agder Energi defines stakeholders as people or groups who are affected by, or who could affect, the Group's business activities. Cooperation with stakeholders is a high priority for Agder Energi, and as a publicly owned company we are dependent on being trusted. Cooperation with stakeholders is therefore part of the Group's day-to-day activities.

Each company defines its most important stakeholders in its business plan, and the Group's most important stakeholders are the ones identified as important by the companies overall. The important stakeholders include employees, shareholders, customers, stakeholder organisations, government authorities, suppliers, lenders and other business partners.

Sustainability reporting is a key aspect of our communication with the Group's most important stakeholders, and the purpose of this reporting is to meet their needs for information about the Group's efforts to integrate CSR and sustainability into its day-to-day operations.

EMPLOYEES

At the close of the year, the Group had 935 permanent and temporary employees. Meanwhile, the companies covered by this report had 710 employees at the end of the year. Employee representatives and managers at Agder Energi have several regular, formal channels for discussing both strategic and operational issues. There are also a number of informal channels of communication. A working environment survey of the Group's employees is carried out every two years.

The Electrician and IT workers union, The Norwegian Society of Graduate Technical and Scientific Professionals (Tekna), The Norwegian Society of Engineers and Technologists (NITO) and Negotia each have a chief employee representative for the Group. They also have a joint chief representative for the Group. There are a number of channels through which employee representatives, the Group management and company managers can meet. The most important ones include the Group works council, Group meetings, working environment committees and company works councils.

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. This is an ongoing area of focus for Agder Energi, and in 2021 the Group renewed its certification under the Equality at Work scheme.

SHAREHOLDERS

Each year, the Group management team meets the shareholder municipalities at meetings with their executive boards or municipal councils. The municipal shareholders also hold regular shareholder meetings. The main topics for shareholder meetings are matters relating to the ownership of the Group, but other issues of concern to municipalities can also be raised, such as new power stations and grid reliability. Communication between the Group management team and the Board of Directors takes place through formal channels that keep the owners informed of important events and allow them to have a say in major decisions.

CUSTOMERS

ustomers are an important stakeholder group for the companies that operate in the domestic and business markets. LOS performs regular customer surveys, whose results are used to adapt the company's communication with the market and its customers. In addition to its own surveys, LOS also participates in a number of national surveys performed for the electric power industry, including the TNS Kantar working environment survey, BI's Norwegian Customer Satisfaction Barometer, and EPSI Rating Norge's customer satisfaction survey.

CAPITAL MARKETS

Agder Energi is dependent on capital markets to obtain access to capital and financing on good terms. Capital markets look at financial results, climate risk, greenhouse gas emissions, environmental plans, diversity and good corporate governance.

ADVOCACY ORGANISATIONS

The big changes taking place in the energy industry make it vital to have the information that we need to position ourselves for the future. This is one of the reasons why the Group participates in a number of regional, national and international groups, councils and committees working on questions relating to the regulatory framework for the industry. These include both technical organisations and trade associations.

One of the most important ones is Energi Norge, the organisation which represents businesses in the energy sector affiliated to the Confederation of Norwegian Enterprise (NHO). Another organisation that Agder Energi is a member of is Eurelectric – The Association of the Electricity Industry in Europe.

The UN's Sustainable Development Goals provide an important platform for companies to achieve green, long-term profitability. Agder Energi is therefore playing an active part in the UN Global Compact. We also cooperate closely with other organisations on matters relating to sustainability and business development. One of the ways we do this is through a partnership agreement with the environmental organisation ZERO, which has been running since 2013. The Group is also actively involved in Klimapartnere, which is a partnership between academia and public and private enterprises. The members of Klimapartnere are striving to reduce their own greenhouse gas emissions and to promote a greener society and economy. Agder Energi is also a member of the business-driven climate network Skift. Skift's goal is to lead the way in identifying new business opportunities on the road to a low-emission society.

GOVERNMENT AUTHORITIES AND THE LOCAL COMMUNITY

In conjunction with all power station projects, good communication with local authorities and other stakeholders in the local community is a priority. The issues that are typically of most interest to stakeholders include indirect economic impacts on local businesses and environmental questions. When a licence application is submitted, the Norwegian Water Resources and Energy Directorate organises stakeholder and public consultations. Agder Energi also wishes to support the development of the business community in southern Norway. One way it does this is through active involvement in projects to help achieve the ambition of making Agder the world's first fully electric region by 2030 – Electric Region Agder.

STRATEGIC PARTNERS

One important development that is highlighted in the Group's corporate strategy is that new players and forms of collaboration are appearing in Agder Energi's business areas. It is therefore important for the Group to establish partnerships and alliances with new entrants, in addition to those it has with its traditional partners and regulators. The aim is to increase our ability to develop new business opportunities in order to fulfil the Group's strategic goals.

AGDER ENERGI'S SUPPLY CHAIN

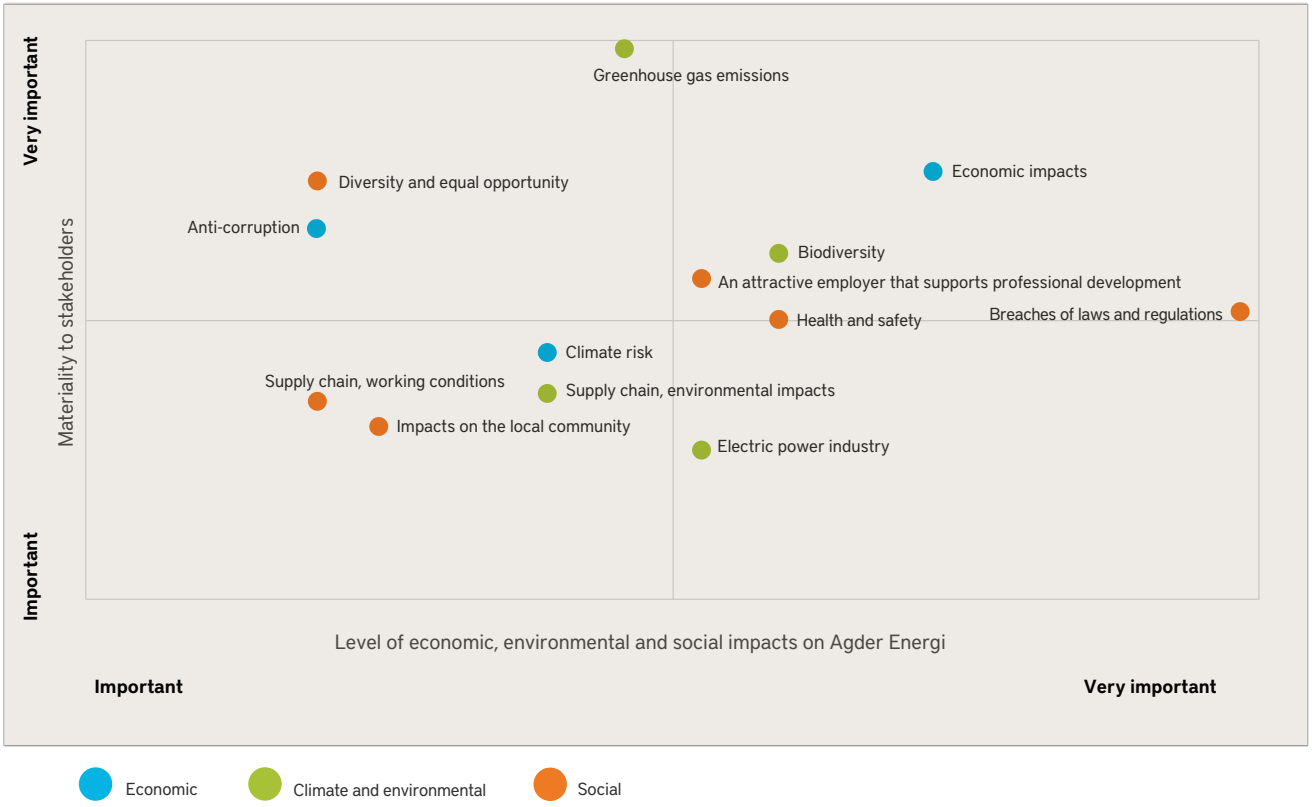
Agder Energi's mission to supply clean energy so society can prosper now and into the future also sets the parameters for risk management throughout the value chain. So that it can make a positive contribution to society, the Group sets standards for all of its suppliers – from international suppliers of raw materials to local subcontractors. To demonstrate that ethical conduct gives a competitive advantage, Agder Energi takes into account transparency and responsible working conditions when selecting suppliers.

Agder Energi Nett and Agder Energi Varme are covered by the Norwegian Public Procurement Act. Suppliers to the distribution system operator must qualify through UNCE, which is a supplier register and pre-qualification system used by Scandinavian utilities. For major investment projects, the total value of goods and services purchased can be of the order of one billion Norwegian kroner. Purchases for these projects range from construction services to advanced technical components. Technical installations often involve subcontractors in a number of countries.

Each year, Agder Energi buys goods and services worth over NOK 2 billion. In 2019, around 40 percent of those purchases, worth roughly NOK 750 million, were made in the Agder region. One example of a project that is creating substantial indirect economic impacts for suppliers is the construction of a new dam at Langevatn in Åseral and the refurbishment of the tunnel to Nåvatn, which was affected by landslides. The project, which was completed in spring 2021, enables an increase in electricity generation equivalent to the consumption of around 2,600 households.

ANALYSIS OF MATERIAL ASPECTS

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 materiality assessment in the autumn of 2020, which now forms the basis for Agder Energi's work on sustainability and CSR.
The figure below shows the most important and most material topics for our stakeholders in terms of our impact on the world around us.



The x axis shows the biggest risks and opportunities for Agder Energi in terms of economic, environmental and social impacts. The topics that are of most importance to the company's stakeholders, and that will affect their assessments and choices, are shown on the y axis.

We did not carry out a new assessment to identify material topics in 2021, but a judgement was made that the topics chosen in the autumn of 2020 were still the most material ones.

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 its employees' skills to be 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. Agder Energi's 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 make every effort 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. 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 52 part-owned and wholly-owned power stations including three power stations in Latvia.

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 critically endangered. In 2021, the classifications of salmon and reindeer were raised from species of low concern to near-threatened species. These two species are also affected by the operation of our hydroelectric power stations.

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.

The executive management is not aware of any unwanted incidents at the Group's subsidiaries in 2021, 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 2.2 in 2021. The sickness absence rate was 2.8 percent. 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 in 2021 our targets were approved by the global Science Based Targets initiative. Our approved targets are: To reduce direct greenhouse gas emissions (Scope 1) and indirect emissions from energy consumption (Scope 2) by 50 percent by 2030, using 2019 as the base year. We shall also require our concrete suppliers to have established their own targets under the Science Based Targets Initiative by 2025; indirect emissions from purchases and materials (Scope 3).

Our GHG accounting is done using a software tool from 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 to cover peak loads at district heating plants and for transport (owned and leased vehicles). It also includes direct process emissions of the insulating gas 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 24,714 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 2021, Agder Energi Nett's distribution losses amounted to approximately 320 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.

Results measured against Science Based Targets in 2021:
Scope 1: The plan was to reduce our Scope 1 emissions by approximately 5 percent per year, but instead they rose significantly from 1,753 tCO2e in 2019 to 6,636 tCO2e in 2021. That is an increase of 279 percent. This was primarily due to an increase of 5,033 tCO2e at Agder Energi Varme, after an explosion at its supplier of waste heat Returkraft, which meant that the waste heat it previously supplied had to be replaced by oil-fired boilers for a period of half a year. Emissions of SF6 gas were 51 tCO2e (10 percent) higher than in 2019, due to equipment failures at Agder Energi Nett. Some of the increase may also be due to better reporting procedures due to a growing focus on this greenhouse gas. In 2021, emissions from vehicles used at our sites were 513 tCO2e, which was a 28 percent reduction.

Scope 2: Indirect emissions from electricity consumption are reduced to zero under the market-based method by buying guarantees of origin for all consumption in Norway and Sweden. There are some emissions from district heating. Scope 2 emissions have been reduced by 65 percent from 42 tCO2e to 15 tCO2e.

Scope 3: We shall require our concrete suppliers to have established their own targets under the Science Based Targets Initiative by 2025. We do not yet have a system in place for measuring what proportion of our concrete comes from suppliers with their own targets under the Science Based Targets Initiative. However, we are actively reviewing our purchasing procedures for concrete and putting in place a system for measuring this.

We are also working on using low-carbon concrete for our construction and maintenance activities. By buying low-carbon concrete instead of normal concrete for certain projects, Agder Energi Vannkraft reduced its emissions by 432 tCO2e in 2021.

CLIMATE RISK

Historically, Agder Energi has always worked on emergency preparedness for extreme weather events, but without referring to this as "climate risk". The recommendations of the G20 group of countries' Task Force on Climate-Related Financial Disclosures (TCFD) have become the most recognised standard on how to analyse and report climate risk. The TCFD framework helps us to get an overall picture of climate risk, including both physical climate risks and transition risks.

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 biggest climate-related risks and opportunities are described below.

Physical climate risk
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.

Transition risk
Stricter licence terms and bans (or taxes) on raw materials used at our power plants and in our processes may result in a loss of revenues and higher costs.

Changes to markets and technology provide new opportunities for Agder Energi within green value chains, but they may also increase competition as new companies enter the market for renewable energy.

For more details about how the Group manages and responds to climate risk, please see Agder Energi's TCFD report, which is available on our website ae.no.

Normally, damming river systems helps to smooth out fluctuations in streamflow, and it can significantly mitigate flooding. The degree of mitigation depends on the amount of water that can be stored in relation to the size of the drainage basin. The picture is from the great flood in October 2017, when large amounts of water flowed out of the dam at Nomeland power plant in Iveland.

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 87 companies in 2021, selected on the basis of an overall risk assessment. This includes two "follow-up" audits. A total of 127 suppliers have an up-to-date audit report registered with UNCE as of 15 February 2022.

Audits are based on recognised auditing standards and are performed in collaboration with the purchasing network Achilles. Some audits were performed remotely, but their quality met the necessary standards and the system continued to work in spite of the Covid-19 situation. 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 suppliers shall adhere to our sustainability requirements, and at least 95 percent of our procurement by value shall be from suppliers with environmental certification in accordance with ISO 14001 or Eco-Lighthouse, or with some equivalent environmental management system in place. As of 15 February 2021, 52 percent of our procurement by value comes from suppliers with environmental certification.

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 in 2021 it renewed its certification based on the measurement criteria for the Equality at Work project. 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, based on figures for 2019, 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 jobsoutside 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 those at Latgales Energetika, generated 8,900 GWh of electricity in 2021. 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 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 in Kristiansand also supplies district cooling to many of the biggest buildings in the town. Free cooling is 100 percent 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.

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.

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.

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)	2021	2020 (restated)	2019 (restated)
Operating revenues	21,674	7,091	12,938
Goods consumed/operating expenses	-14,601	-4,521	-9,173
Gross added value	**7,073**	**2,570**	**3,765**
Capital depreciation	-764	-726	-703
Net added value	**6,309**	**1,844**	**3,062**
Net financial items, excl. interest	207	124	62
Discontinued operations	45	668	38
Available for distribution	**6,561**	**2,636**	**3,162**
DISTRIBUTION OF ADDED VALUE			
Employees			
Gross salaries and benefits	1,082	947	838
Tax paid by employees	-250	-260	-253
Employers' National Insurance Contributions	-120	-103	-141
Net amount received by employees	**712**	**584**	**444**
Lenders			
Interest, etc. paid to lenders	166	187	209
Net amount received by lenders	**166**	**187**	**209**
The public sector			
Ordinary taxes	831	352	477
Property taxes	169	153	140
Resource rent tax	1,258	70	638
Tax paid by employees	250	260	253
Employers' National Insurance Contributions	120	103	141
Net amount received by the public sector	**2,628**	**938**	**1,649**
Shareholders			
Allocated for distributions by the company (dividends/guarantees)	755	325	-
Net amount received by shareholders	**755**	**325**	**-**
The company			
Retained earnings	2,305	571	846
Non-controlling interest's share of profit	-5	30	14
Net amount received by the company	**2,300**	**601**	**860**
Total amount distributed	**6,561**	**2,636**	**3,162**

TCFD-INDEKS

	TCFD Recommendations	Reference
Governance	Describe how the organization manages climate-related risks and opportunities	
	a) Description of the Board's oversight of climate-related risks and opportunities	TCFD report p. 4 Annual report p. 15, 19 og 22
	b) Description of management's role in assessing and managing climate-related risks and opportunities	TCFD report p. 4 Annual report p. 15, 19 og 22
Strategy	Describe relevant and potential impacts of climate-related risks and opportunities on the organization's busi-nesses, strategy, and financial planning	
	a) Describe climate-related risks and opportunities the organization has identi-fied over the short, medium, and long term	TCFD report p. 4
	b) Impact of climate-related risks and opportunities on the organization's busi-nesses, strategy, and financial planning	Annual report p. 13, 25 and 37-38
	c) Describe the potential impact of various scenarios, including a 2°C scenario, on the organization's businesses, strategy, and financial planning	TCFD report p. 6
Risk Management	Describe how the organization identifies, assesses and manages climate-related risks	
	a) Describe the processes used by the organization to identify and assess climate-related risks	TCFD report p. 6
	b) Describe the organization's processes for managing climate-related risks	Annual report p. 19-20 and 23
	c) Describe how processes for identifying, assessing, and managing climate-relat-ed risks are integrated into the organization's overall risk management	TCFD report p. 7
Metrics and Targets	Report on the methods, metrics and targets used to assess and manage relevant climate-related risks and op-portunities	
	a) Describe the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management processes	TCFD report p. 8
	b) Organizations should report Scope 1, Scope 2 and, if relevant Scope 3 green-house gas emissions, as well as the related risk factors	Annual report p. 23
	c) Describe the targets used by the organization to manage climate-related risks and opportunities, and performance against those targets	Sustainability report p. 5-7 TCFD report p. 9 Annual report p. 26, 123-125 and 137 Web site: ae.no

* Website: https://www.ae.no/en/about-agder-energi/corporate-social-responsibility-csr/

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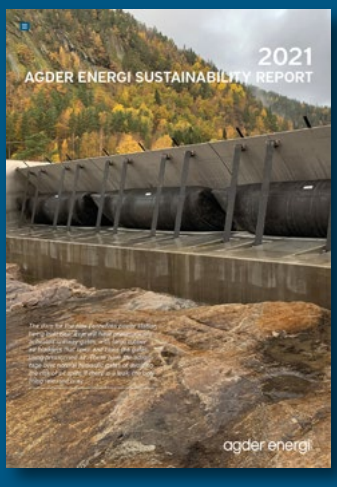
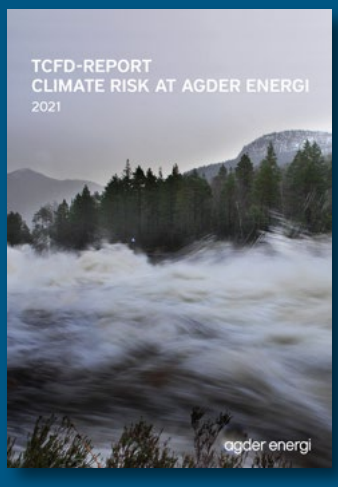
The Sustainibility Report, the Diversity and Equal Opportunity Report and the TCFD-Report for 2021 is available at ae.no



Sustainibility Report

Diversity and Equal Opportunity Report



TCFD-Report

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