AF GRUPPEN

THE BEST PEOPLE

ANNUAL REPORT 2019

SWEDEN'S SEWER SYSTEM EXPERT
Jack is one of the capable concrete workers who makes AF Sweden's leading contractor for the construction and rehabilitation of sewer systems.
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SKILL AND DETERMINATION MAKE A LEADER
Skill and determination have brought Hawar where he is today, a resource for AF that can lead from a somewhat different starting point than most.
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THE COFFEE WILL BE READY SOON
In complex projects that require a high degree of special expertise, collaboration across AF's units is the key to a unique and environmentally friendly building.
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APPRENTICES TODAY, SKILLED WORKERS TOMORROW
Kristine is one of the many apprentices who will become one of the skilled workers in the construction industry with experience from AF projects.
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RECREATING THE ORIGINAL CRAFTSMANSHIP OF "BOTSEN" (OSLO PRISON)
The rehabilitation of distinctive buildings requires craftsmen with special expertise in several disciplines.
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FEARLESS AND HUMBLE IN THE MANAGER ROLE
Internal management development enables young and talented employees like Tale to manage the AF projects of the future.
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AF Gruppen is a leading contracting and industrial group that was formed by an entrepreneurial spirit and execution capabilities. We provide a broad range of services in the areas of Civil Engineering, Environment, Building, Property, Energy and Offshore, primarily in Norway and Sweden. AF creates value for its customers, owners and employees, and we contribute at the same time to solving important social challenges. In brief, we clear the past and build for the future.

AF's ambitious growth target to achieve revenues of NOK 20,000 million by 2020 was achieved already in 2019. Management capacity, technical expertise and the ability to safeguard both diversity and a common culture are important drivers for maintaining our competitiveness. We must at the same time preserve and reinforce what has characterised AF Gruppen since the start: a value-based corporate culture and an uncompromising attitude towards health, safety and ethics.

REVENUES

NOK MILLION 22,612

EBIT

NOK MILLION 1,335

OPERATING MARGIN

5.9%

EQUITY RATIO

23.3%

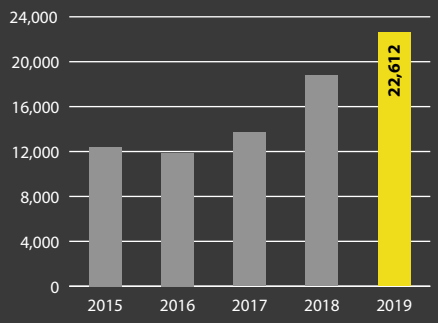
LTI-1 RATE

1.2

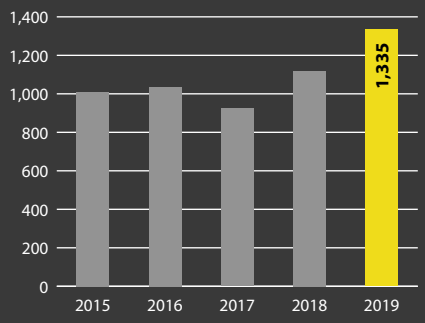
FRONT PAGE: FROM SJÖLUNDA TREATMENT PLANT IN MALMÖ. PHOTO: HANS FREDRIK ASBJØRNSEN

KEY FIGURES →

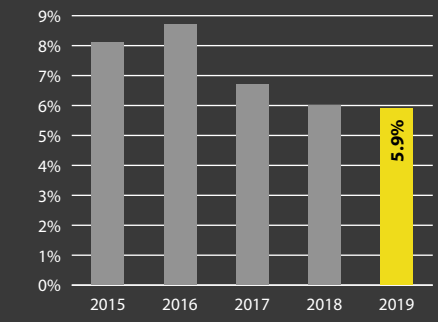
REVENUES (NOK MILLION)



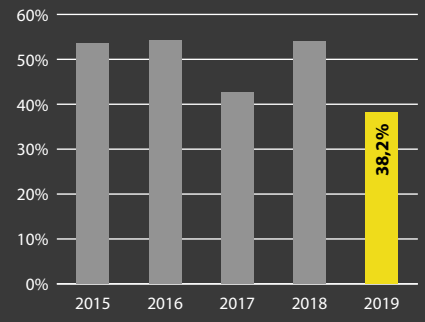
EARNINGS BEFORE INTEREST AND TAXES (NOK MILLION)



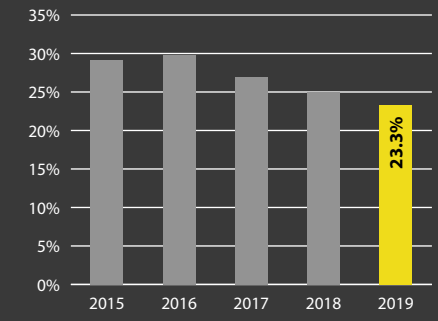
OPERATING MARGIN



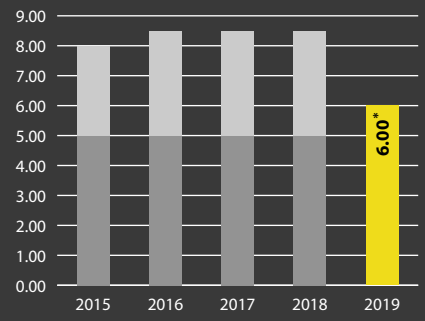
RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)



EQUITY RATIO

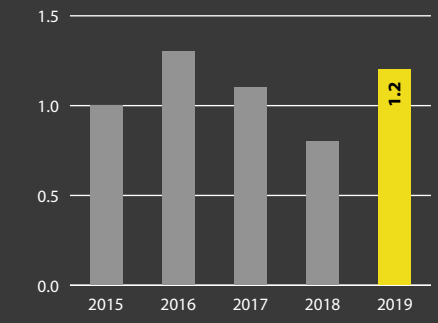


DIVIDEND PER SHARE (NOK)

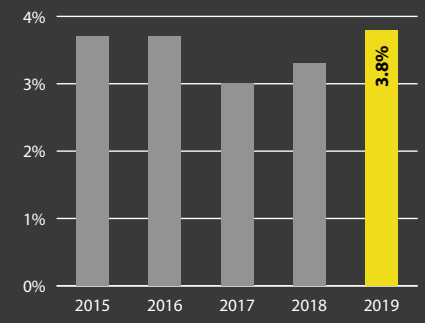


** Dividend to be distributed in the first half of 2020 is proposed, not approved*

LTI-1 RATE



ABSENCE DUE TO ILLNESS



FINANCIAL RATIOS

YEAR	2019	2018	2017	2016	2015
REVENUES (NOK MILLION)					
Operating and other revenue	**22,612**	18,767	13,704	11,876	12,398
Order backlog	**28,200**	21,541	19,773	15,332	11,183
EARNINGS (NOK MILLION)					
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**1,882**	1,303	1,092	1,212	1,151
Depreciation and write-downs	**-547**	-184	-169	-177	-142
Earnings before interest and tax (EBIT)	**1,335**	1,119	924	1,034	1,010
Earnings before tax (EBT)	**1,317**	1,136	935	1,040	1,004
Earnings after tax	**1,027**	921	754	787	778
PROFITABILITY					
EBITDA-margin	**8.3%**	6.9%	8.0%	10.2%	9.3%
Operating margin	**5.9%**	6.0%	6.7%	8.7%	8.1%
Profit margin	**5.8%**	6.1%	6.8%	8.8%	8.1%
Return on equity	**43.7%**	45.4%	35.8%	43.3%	43.8%
Return on invested capital (ROIC)	**38.2%**	53.9%	42.7%	54.2%	53.6%
Economic Value Added (NOK Million)	**735**	725	552	624	590
Cash flow from operations (NOK million)	**1,508**	841	1,354	822	1,418
BALANCE SHEET (NOK MILLION)					
Total assets	**12,854**	8,486	7 724	6 549	6 243
Shareholders' equity	**2,999**	2,124	2,078	1,950	1,820
Invested capital	**4,183**	2,223	2,198	2,063	1,925
Average invested capital	**3,603**	2,133	2,230	1,954	1,942
Equity ratio	**23.3%**	25.0%	26.9%	29.8%	29.1%
Gross interest-bearing liabilities	**1,184**	99	120	113	105
Net interest-bearing debt (receivables)	**163**	-894	-1,210	-606	-593
THE SHARE					
Market value at 31/12 (NOK)	**176,00**	132,00	133,50	154,50	139,50
No. of shares	**103,065,277**	99,009,179	97,961,000	93,610,000	92,680,000
Market value (NOK million)	**18,139**	13,069	13,078	14,463	12,929
Earnings per share (NOK)	**8.51**	7.88	6.43	7.44	7.64
Diluted earnings per share (NOK)	**8.46**	7.88	6.43	7.29	7.50
Dividend per share first half of the year (NOK) [1)]	**6.00**	5.00	5.00	5.00	5.00
Dividend per share second half of the year (NOK)	**-**	3.50	3.50	3.50	3.00
PERSONNEL					
Number of salaried employees	**2,638**	1,797	1,564	1,322	1,378
Number of skilled employees	**2,898**	2,423	2,204	1,727	1,652
Total number of employees	**5,536**	4,220	3,768	3,049	3,030
LTI-1 rate	**1.2**	0.8	1.1	1.3	1.0
Absence due to illness	**3.8%**	3.3%	3.0%	3.7%	3.7%
EXTERNAL ENVIRONMENT					
Carbon footprint	**2.3**	4.5	4.5	3.1	3.3
Source separation rate – building	**87%**	89%	83%	85%	84%
Source separation rate – renovation	**93%**	87%	85%	79%	87%
Source separation rate – demolition	**95%**	97%	95%	97%	96%
Total amount source separation in tonnes	**360,368**	512,401	324,370	507,198	319,225

[1)] The dividend to be distributed in the first half of 2020 has been proposed, but not adopted.

For definitions of key figures, see the description of alternative performance targets on page 198 and the definitions on page 200.

THE ART OF BUILDING CULTURE

AF delivered high growth and good results in 2019. CEO Morten Grongstad stresses the importance of management capacity, technical expertise and the ability to safeguard both diversity and a common culture as drivers for maintaining competitiveness.

One of my first duties in 2019 was an interview on the "Good Morning Norway" show to talk about AF's goal of doubling the percentage of women. This was perhaps not an everyday affair for us in the building and civil engineering industry, but more importantly, we attracted attention to a subject that must be promoted collectively. Diversity is crucial to our ability to stand firm against international competitors in the years to come, and at AF is not just about recruiting more women. It is about daring to invest in individuals, about giving everyone equal opportunities and creating a culture and understanding that collectively we are a community.

Looking back on 2019, we see that it was a year that clearly showed we are constantly moving. We have won new ground in Sweden with the acquisition of HMB, one of Sweden's foremost building contractors. At the end of the year, we received further proof that we are an attractive owner and partner when AF became the principal shareholder of Betonmast. This also gave us 1,000 new employees and a company with a culture, business model and core values that are a good match for us. In addition, we have experienced strong organic growth and greater recruitment than ever. New employees and a high production volume entail a significant responsibility for us to safeguard what is the most important in our industry: Health, Safety and the Environment.

At the same time, we have had a chance to test the waters and get a sense of what digitalisation, new technology and innovation mean to us as a company and industry. In the coming years, we must be prepared for the fact that the effect of the digital transformation will be greater and that the competition situation will change. This will give us new market opportunities but also present challenges. As a result of this, our ability to adapt will be even more important.

When we embarked on a new strategy period in 2016, I expressed a hope that AF would feel just as close-knit when we hopefully surpass 5,000 employees in 2020. There are now 5,700 skilled employees in the AF family, and there is a clear need to safeguard and strengthen a common foundation. It is our attitudes, culture, our way of approaching safety, and how we safeguard our most important resource – our people – that will drive us forward. We must then prioritise management and technical expertise. We are at the beginning of a long-term initiative to ensure equal opportunities for all, whether they are women or men, skilled workers or salaried employees. Our management and technical expertise are the cornerstones of our competitiveness, and I dare say that opportunities for development are what create the best people.

AF has been around for over 34 years, and I am pleased to see that there is still a lot of vitality in the company. This was confirmed to me in the autumn of 2019 when we had the honour of assembling 600 managers at AF and experiencing their engagement and energy. This convinces me that our best days lie ahead of us.

We also have a lot to do. The percentage of students applying for vocational programmes is too low. As an industry, we need to boost our attractiveness and highlight the wonderful opportunities we can offer. To achieve this, we must be able to offer and show long-term career opportunities, where the focus is on personal and professional development. New customer and government requirements for apprenticeships are pushing us in the right direction, but it is also up to us to make an effort. Our most important competitive advantage is all the capable people who work for us, and my goal for 2020 is for AF to continue to be the best home for the best people.

BUSINESS STRUCTURE

AF is a project-based contracting and industrial group with seven operational business areas: Construction, Building, Betonmast, Property, Energy and Environment, Sweden and Offshore

CIVIL ENGINEERING

AF is one of Norway's largest actors in the civil engineering market, and the customers include both public and private actors. Its project portfolio includes roads, railways, port facilities, airports, tunnels, foundation work, power and energy, as well as onshore facilities for oil and gas.

BUILDING

AF provides contracting services for residential, public and commercial buildings. Our services range from planning to building and renovation. AF cooperates closely with customers to find efficient and innovative solutions adapted to their needs.

BETONMAST

Betonmast is one of Norway's largest building contractors. The company's project portfolio includes everything from large residential property projects to commercial and public buildings. Betonmast has special expertise in project development and integrated contracts. Betonmast is also engaged in property development, and is located in Norway and Sweden.

Revenues NOK million	5,787	10,581	1,226
Earnings before tax NOK million	373	656	49
Employees	986	2,028	1,006

PROPERTY

AF develops residential and commercial buildings for its own account. AF cooperates closely with other actors in the industry, and development projects are organised as joint development companies, in which AF has an ownership stake of 40% on average.

ENERGY AND ENVIRONMENT

AF offers energy-efficient solutions for building and industry that provide a reduced environmental impact and major cost savings for the customer. AF is also a leader in environmental clean-up, demolition and recycling. Contaminated materials are sorted, cleaned and recycled at AF's environmental centres.

SWEDEN

AF provides civil engineering, building, property and environmental services in Sweden. Geografically AF is operating in Göteborg and South Sweden as well as Stockholm and Mälardalen.

OFFSHORE

AF has varied activities aimed at the oil and gas industry, ranging from HVAC to the removal and recycling of offshore installations. AF has a state-of-the art facility for environmental clean-up at Vats. Offshore also provides rig services and the maintenance and modification of onshore facilities.

18	1,072	3,683	679
107	78	149	-83
28	271	798	237

SWEDEN'S SEWER SYSTEM EXPERT

The Sjölunda treatment plant in Malmö is one of the largest sewer treatment plants in Sweden. Over the past four years, AF has built a new plant here, and designed and installed a new mechanical system for purification and sand treatment. The work encompasses many disciplines and deliveries. Jack is one of several concrete workers at AF who possesses valuable concrete expertise that has made AF Bygg Syd Sweden's expert on the rehabilitation and construction of sewer systems. Technical expertise is of essential importance when 3,400 m^3 of concrete foundation structures and conduits are to be cast with a superstructure consisting of prefabricated sandwich walls.

OUR VALUES ARE OUR DRIVING FORCE

The two AF founders Moger and Aftreth have described the start-up as “madness”. However, with thoroughness, hard work and a persistence in achieving profitable growth, they laid the foundation for unparalleled successful growth on Oslo Børs. Now, 34 years later, the same values still constitute the company’s driving force.

1980s

ENTREPRENEURIAL SPIRIT

The year is 1985. Per Aftreth and Leif Jørgen Moger founded Arbeidsfellesskapet, subsequently AF, with a group of former colleagues, supported by an overdraft facility of NOK 20 million. A high level of integrity, thoroughness, hard work and an entrepreneurial spirit resulted in a positive bottom line for the company in its first year of operation.

1990s

PROFITABILITY AND GROWTH

Our core values quickly contributed to results and larger contracts and gave AF the muscle to look towards the building and property market. In 1997, AF merged with the contractor Ragnar Evensen AS and laid the foundation for the Property business area through acquisitions. AF was listed on the stock exchange that same autumn.

2000s

NEW MARKETS

New acquisitions gave AF access to the groundwork and demolition industry, an initial foothold in Sweden and control of a larger portion of the value chain in the building and civil engineering industry. Our entry into the demolition market marked the start of new successful growth for AF through the three business areas, Energy, Offshore and Environment.

2010s

LEADING CONTRACTOR

AF grows through acquisitions in and outside of Norway. There is also significant organic growth in the Civil Engineering and Building business areas. Major acquisitions in the Swedish building market lay the foundation for the Sweden business area. The decade is rounded off with the acquisition of Betonmast.

OUR VISION

Clearing up the past, building for the future.

OUR CORE VALUES

RELIABILITY

Our employees, and particularly our managers, represent the organisation's morals and conscience. All employees have a duty and right to contribute to discussions on important processes or decisions. When decisions are made, they shall be implemented quickly, loyally and efficiently.

FREEDOM TO EXERCISE ENTREPRENEURSHIP AND DISCIPLINE IN ACCORDANCE WITH GOALS AND REQUIREMENTS

The operative activities shall be decentralised and have a good balance between freedom and discipline. We shall give employees who see and seize opportunities space. We must at the same time exercise discipline so that the creation of value is not at the expense of safety, ethics or other goals and requirements.

THOROUGHNESS AND HARD WORK

We shall have perseverance to ensure thorough preparations, clear decisions, complete execution and reliable documentation. Risk willingness is dependent on flexible employees who can make an extra effort when the situation requires an effort be made.

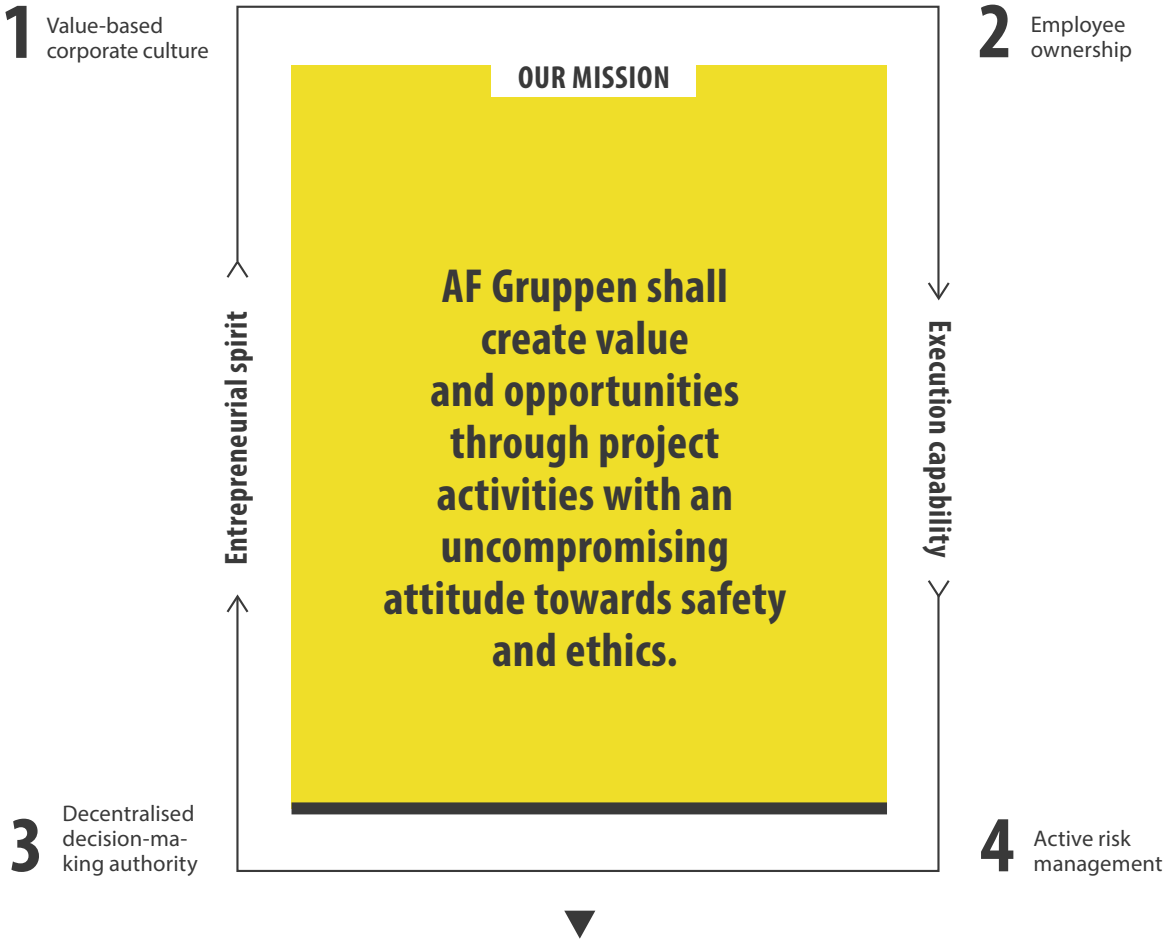
MANAGEMENT THROUGH PRESENCE AND INVOLVEMENT

Managers at AF shall set the norms by being present and setting an example. We shall have the ability to prioritise and focus our resources on defined tasks. Whoever is managed is entitled to guidance in their work. Correction is a necessary element of the management role.

PERSISTENCE IN ACHIEVING PROFITABLE GROWTH

AF shall create value through profitable revenue growth. Organic growth ensures our employees of development opportunities and that new AFers can be recruited. Growth requires that we act business-like, are innovative and invest in new business areas.

BUSINESS MODEL



Creates values for:

CUSTOMERS

AF shall have a good dialogue with the customer when carrying out projects to ensure they are satisfied with the results. The services and solutions offered by AF Gruppen shall be in accordance with what the customer needs, and they shall be delivered at competitive prices.

OWNERS

AF's owners shall receive a competitive return on their investment in the AF share through dividends and price appreciation.

EMPLOYEES

The employees are AF's most important resource. We will provide a safe and secure workplace and a good working environment. AF shall also facilitate the development of competence. In addition, employees are given an opportunity to participate in the creation of financial value through employee ownership.

SOCIETY

AF shall engage in business based on sustainable entrepreneurship. This means managing the projects with a sustainable business model and adding value to society by offering services that contribute to solving society's challenges. AF contributes to improving the environment by reducing waste, promoting recycling and reuse, and minimising the consumption of non-renewable resources.

CRITERIA FOR SUCCESS

AF's business model is based on certain key principles that we consider to be our criteria for success. Our common denominator for success is our dedicated and capable employees.

1 Value-based corporate culture

PEOPLE CREATE VALUE

Our corporate culture is the foundation of AF's success. AF's corporate culture has been built up over time by motivated and capable employees. We are proud of our culture, and we believe that it is distinguished by ethical conduct, cooperation and dedication. A key ingredient in AF's success is building our corporate culture on core values so that a uniform perception is established for how AF shall emerge both internally and externally. Corporate culture arises and is developed throughout the entire organisation at any given time, from the CEO to the project organisations. Closeness and interaction between the various business units are essential to the creation of a common understanding of who we are. We are aware of the importance of a corporate culture when acquiring new companies, and it is of decisive importance to investment decisions that the corporate culture of the companies we acquire is consistent with our own.

2 Employee ownership

EMPLOYEE OWNERSHIP IS A SUCCESS FACTOR FOR ACQUISITIONS

Employee ownership is part of the AF culture, and we search actively for businesses were the employees would like to participate on the ownership side in connection with acquisition processes. When AF Gruppen was established in 1985, one of the aims was for the employees to be given an opportunity to become co-owners. The idea was that as many employees as possible should be able to take part in the increase in value resulting from the joint creation of value and the development of the company. The same philosophy still applies. The offer of employee ownership through share and option programmes contributes to making AF an attractive place to work. The purpose of the programmes is to motivate employees to have a greater, long-term commitment to the business. Employees own shares in AF Gruppen ASA valued at more than NOK 2 billion. In addition to this, there is the value of the non-controlling shares in subsidiaries that are owned by employees. Read more about the share and option programme for employees on p. 86.

3 Decentralised decision-making authority

MOTIVATED AND QUALIFIED EMPLOYEES ARE GIVEN MANAGERIAL RESPONSIBILITY AND DECISION-MAKING AUTHORITY

AF has a decentralised operating model, and the authority and responsibility lies where value is created. AF's many capable employees are given an opportunity to assume managerial positions at an early stage. We have a goal to develop our managers internally, and over 80 per cent of our managers have risen up the ranks internally. With motivated and qualified employees, it is natural to delegate decision-making authority to those who are closest to the problems. Relying on our employees and trusting their qualifications make us dynamic and adaptable, since our employees are allowed to suggest new and better solutions to existing problems. Decision-making authority and autonomy are important in order to be able to challenge the status quo.

4 Active risk management

WE SHALL ACTIVELY ASSUME RISK THAT WE CAN INFLUENCE

AF Gruppen is exposed to risk of both an operational and financial nature. AF Gruppen wants to assume operational risk that the business units can influence and control. AF has developed risk management processes that are well adapted to our operations. Standardised, action-oriented risk management processes ensure comprehensive and coherent risk management in all parts of the organisation. AF seeks to limit exposure to risk that cannot be influenced. A risk review is conducted for all projects before a tender is submitted. Analysis of risk during the tendering phase enables the correct pricing and management of risk in the project. The same project organisations conduct detailed risk reviews every quarter. Read more about how we work systematically with risk management in all our projects and business units on p. 14.

RISK MANAGEMENT – WE SHALL ACTIVELY ASSUME RISK THAT WE CAN INFLUENCE

Risk management is an important tool that enables AF Gruppen to deliver good results over time. AF has a systematic approach to risk management in the projects and the units, during both the tender and the execution phases. The aim is not to eliminate risk, but to identify, manage and price risk correctly.

Risk is an uncertain event or action that can have a positive or negative effect on project targets, such as time, cost, scope or quality. AF Gruppen works systematically with risk management in all projects and business units. We desire to actively assume risk that we can influence, and to ensure against or avoid risk that we cannot influence. This approach to risk also contributes to our ability to submit competitive tenders. In addition, we want to have a better decision-making basis and insight before operative decisions are taken in matters with a high level of risk and a broad range of potential outcomes. Risk management has contributed to fewer loss-making projects and increased profitability in general.

AF'S RISK MANAGEMENT PROCESSES

Risk management and a scenario mentality have become integral parts of all commercial activities of AF Gruppen, involving managers at all levels. A special function for risk management facilitates the necessary processes related to risk.

AF Gruppen works continuously to improve its risk management tools and processes. Our development work is now taking shape in the Risk Management 2.0 project, which aims to make risk information more readily accessible, provide enhanced decision support through digital platforms and better adapt risk management to the different business units. The project will be implemented step by step in several of AF's business units in 2019 and 2020.

Risk management at the project level is the foundation of AF's risk work, and it starts already before a project tender is submitted. Various opportunities and threats associated with the project are discussed in the risk review, and various scenarios are considered for 5–10 predefined risk groups. This may, for example, include risk related to our capacity, our experience with the customer, contractual terms and conditions and the extent to which the project is in accordance with our strategy and expertise. For tenders in excess of NOK 100 million, the Executive Vice President for the business area will participate in the risk review, and the Corporate Management Team must approve the tender before it is submitted. Tenders with a contract value in excess of NOK 600 million are also reviewed by the Board of Directors prior to submission.

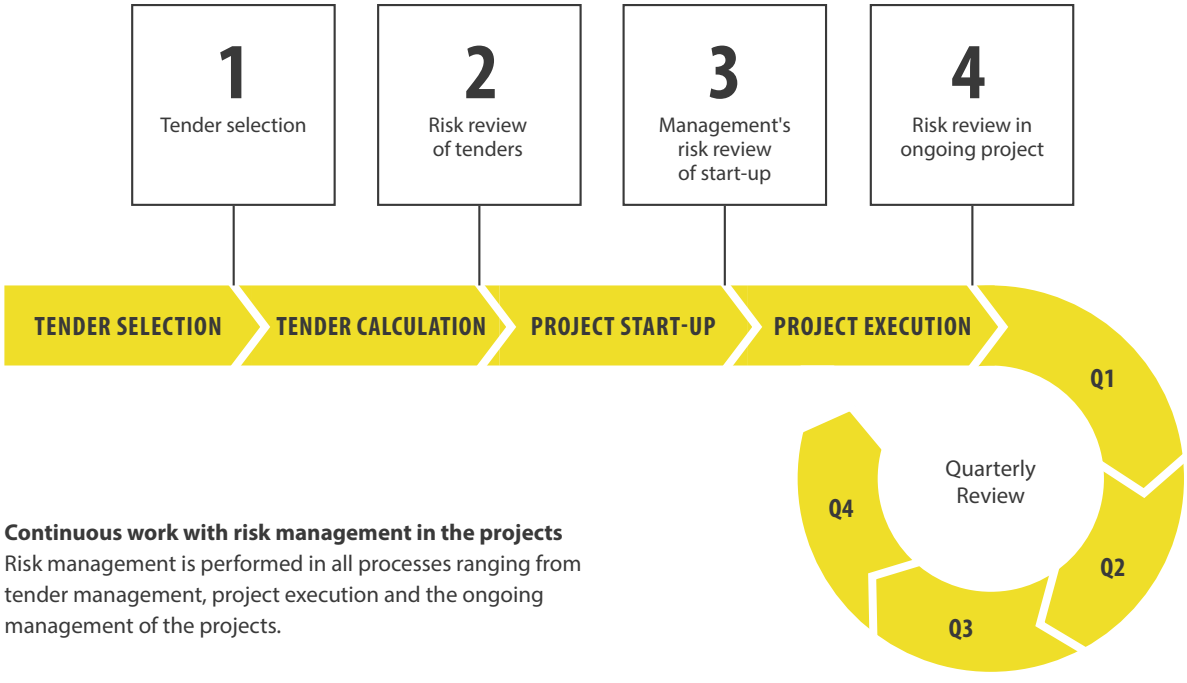
During the execution phase, risk reviews are carried out for large projects every quarter, with broad participation from the project organisation. The project management is responsible for defining specific and measurable measures for handling threats and exploiting opportunities in the project.

The business unit's management group aggregates the project analyses. A risk analysis of the project portfolio is conducted quarterly, with a quantitative assessment of the range of outcomes for each project, and representatives for the Corporate Management Team participate in this analysis. This analysis establishes the basis for the unit's priorities in the following quarter and illustrates the risk situation in the unit to the Corporate Management Team. All the risk reviews at the business unit level are aggregated by the Corporate Management Team, and the main points are presented to the Board of Directors every quarter.

SCOPE OF RISK MANAGEMENT IN 2019

The scope of the risk reviews has been stable over recent years, and in 2019, around 120 risk reviews were conducted prior to submitting important tenders and 88 quarterly risk reviews of the project portfolios in the business units were conducted.

Risk pyramid
The focus on risk management is firmly anchored in all commercial activities, from the individual project to the Corporate Management Team.



Continuous work with risk management in the projects
Risk management is performed in all processes ranging from tender management, project execution and the ongoing management of the projects.

SKILL AND DETERMINATION MAKE A LEADER

Hawar grew up west of Baghdad and arrived in Norway as a refugee when he was 16 years old. The young concrete production manager has already worked on several construction projects for AF. He greets skilled workers in their own language and always tries to keep a positive approach, even when addressing something that is problematic. He believes that most things can be solved with open questions. In his spare time, this father functions as an interpreter and leader for volunteer work and the integration of young people in his municipality.

"I am perhaps somewhat different as a manager? I come from a culture where it is important to care. Caring about others, perhaps more than oneself. I am inspired by the fact that I have been seen and have experienced so much goodwill, both fr as well as my school and municipality. They have gone out of their way to help so that I can achieve my dreams. Now I can give something back."

HIGHLIGHTS FROM 2019

AF's corporate strategy is to focus on organic and structural growth, customer and partner relations, and creativity and innovation, as well as management capacity and technical expertise. We are proud of the results we achieved in 2019, which included record-high revenues, earnings and order backlog. Some achievements deserve to be highlighted.

FROM WASTE TO RAW MATERIALS AT NES

AF Gruppen's environmental centres receive contaminated materials and decontaminate them in an environmentally responsible manner. The Nes Environmental Centre is the first of its kind in Eastern Norway and started full operation in 2019. In the future, the environmental centre will be able to receive 300,000 tonnes of contaminated materials annually. The technology used contributes to a cleaner environment by up to 80 per cent of the materials that would otherwise have ended up in traditional landfills being decontaminated and given a new life by converting waste into raw materials.

CLOSE COOPERATION AT HASLELINJE

Around the State Wine and Liquor Monopoly's old bottling plant and a newly constructed park, AF has built environmentally friendly office buildings and modern residential units. The new district between the Hasle, Løren and Økern metro stations was developed by Höegh Eiendom and AF Eiendom. AF Bygg Oslo has handed over all the 510 residential units in the Krydderhagen project, as well as the head offices of Aller Media, Agency for Urban Environment, Cowi and Securitas. AF Nybygg has built a new school for Wang Young. The Atea building and Quality Hotel HasleLinje are still under construction.

BETONMAST BECAME PART OF AF

Together with the management of Betonmast, AF Gruppen completed the acquisition of Betonmast on 31 October 2019. The acquisition is the largest in the history of AF Gruppen, and AF owned 67.4 per cent of the shares at year end. Betonmast is one of Norway's largest building contractors and has operations in the largest markets in Norway and Sweden. The company's project portfolio encompasses everything from large residential projects to commercial and public buildings, and it reported revenues of NOK 6,674 million in 2019. NOK 1,226 million of the revenues was during AF Gruppen's ownership period.

HANDOVER OF MAJOR PROJECT TO NYE VEIER

On 2 July, E18 Tvedestrand-Arendal opened to traffic two months ahead of schedule. The contract for Nye Veier encompassed the planning and construction of a completely new 23 km section of motorway, which included 4 double bedrock tunnels, 30 structures and moving 10 million cubic metres of earth. This was AF Gruppen's first contract for Nye Veier and our good cooperation will continue now in the projects E39 Kristiansand Vest – Mandal Øst and E6 Roterud – Storhove at Mjøsa.

FINANCIAL RESULTS

PROFITABILITY

GOAL

AF's goal is to have a better operating margin and a better return on invested capital than comparable companies.

AF has a goal of a retur non invested capital greater than 20% and an operating margin greater than 5%.

RESULT FOR 2019

AF achieved an operating margin of 5.9% in 2019. This is a better operating margin than achieved by comparable companies. The return on invested capital was 38.2%.

FINANCIAL STRENGTH

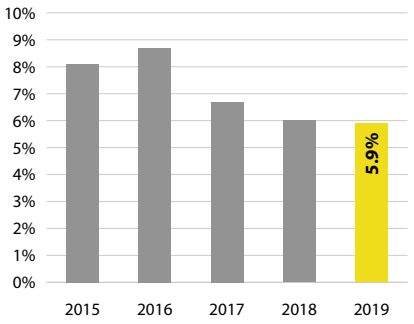
GOAL

AF's goal for financial strength is to achieve an equity ratio of a minimum of 20%, and to have sufficient liquidity to cover the Group's current needs at any given time.

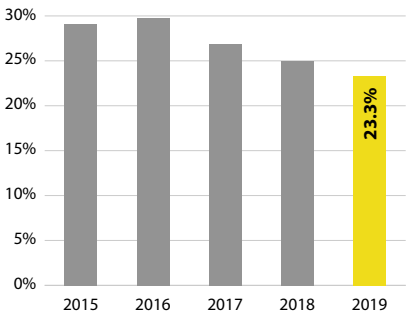
RESULT FOR 2019

AF's equity ratio was 23.3% at the end of 2019. The Group had net interest-bearing debt of NOK 163 million, in addition to unutilised credit and loan facilities of NOK 3,000 million.

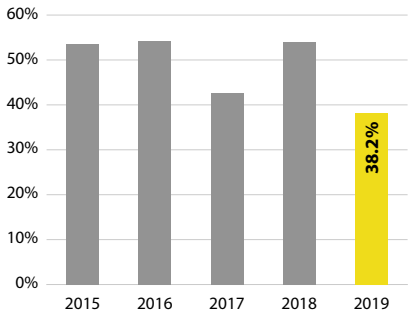
OPERATING MARGIN



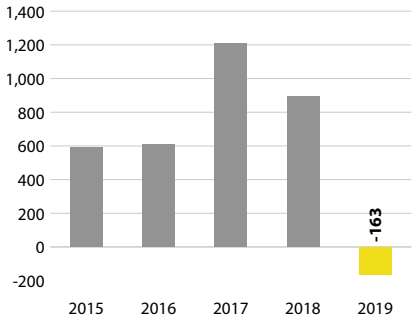
EQUITY RATIO



RETURN ON AVERAGE CAPITAL EMPLOYED



NET INTEREST-BEARING RECEIVABLES (DEBT) (NOK MILLION)



DIVIDENDS

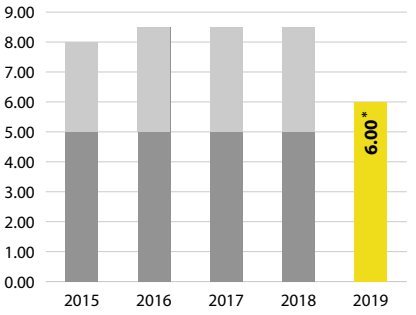
GOAL

AF's dividend policy is to give shareholders a competitive return in the form of a dividend. Dividends will be paid semi-annually. The dividend shall be stable and ideally rise in line with earnings performance. AF Gruppen's intention over time is to distribute a minimum of 50% of the profit for the year as a dividend.

RESULT FOR 2019

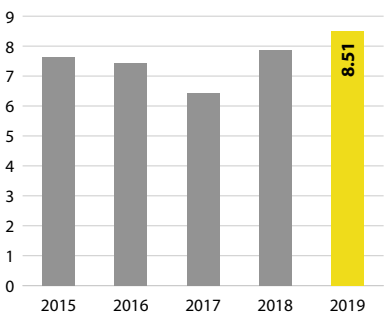
In 2019, AF paid a total dividend of NOK 8.50 per share for the 2018 financial year. Earnings per share was NOK 7.88 in 2019. Earnings per share was NOK 8.51 in 2019. For the 2019 financial year, payment of a dividend of NOK 6.00 per share is proposed for the 1st half of 2020. The dividend for payment in the 2nd half of 2020 will be announced when the results for the 3rd quarter of 2020 are presented.

DIVIDEND PER SHARE (NOK)



** Proposed dividend for distribution in the first half of 2020*

EARNINGS PER SHARE (NOK)



HEALTH AND SAFETY

GOAL

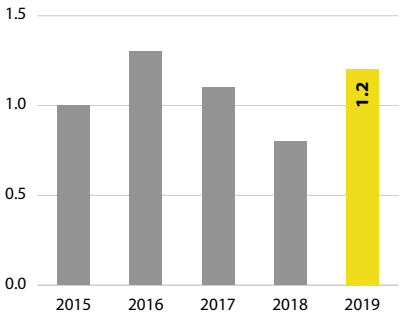
AF's goal is to perform all our operations without injuries, with an LTI rate of zero and absence due to illness of less than 3.0%.

AF's partners are subject to the same requirements as AF itself, and AF includes them in its target for lost-time injuries.

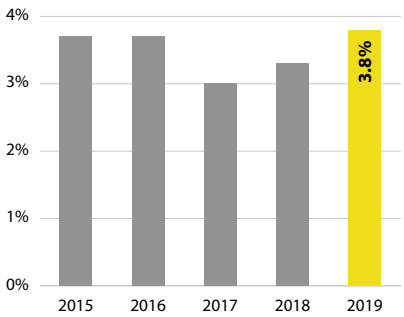
RESULT FOR 2019

AF achieved an LTI-1 rate of 1.2 and absence due to illness of 3.8%. This is on par with the best safety results in the contractor industry.

LTI-1 RATE



ABSENCE DUE TO ILLNESS



STRATEGY TOWARDS 2020

In its corporate strategy for 2017–2020, AF Gruppen has set an ambitious goal to achieve revenues of NOK 20 billion before the end of the strategy period. This goal was reached already in 2019 with revenues of NOK 22,612 million. Growth is fundamental to increasing the creation of value and ensuring that our employees have development opportunities. Regardless of whether this growth is organic or structural, our profitability requirements must be met.

Our corporate strategy for 2017–2020 was developed on the backdrop of the macroeconomic developments and important societal trends.

MARKET TRENDS

AF operates in Norway and Sweden, and the greatest activity is in and around the major cities. The following trends formed the basis for our corporate strategy for 2017–2020:

- The major cities are growing rapidly, which places greater pressure on the existing infrastructure, available residential units and commercial buildings. A greater public willingness to invest is therefore expected in the major cities.
- Public building and civil engineering contracts in Norway are becoming larger and more complex.
- The development of technology and digitisation are occurring rapidly, and this can contribute to making the projects more efficient.
- The market is becoming globalised, and this entails more foreign competitors.
- Greater market uncertainty and regional differences make contractors more vulnerable to changes in each individual market. Local adaptability will be an important quality in the future.
- Climate change entails pressure on the environment and scarce resources, and the strength of national and international regulation is increasing.

AF will achieve its growth targets through four selected focus areas. We will establish a clear position in major cities in Norway and Sweden, and we will be a mobile and comprehensive provider of services onshore and offshore.

MAJOR CITIES IN NORWAY

The priority growth areas in Norway are Greater Oslo and Greater Bergen. Oslo is growing rapidly, and AF is already well-established with a high potential for organic growth. The market opportunities in Greater Oslo are promising, especially new residential units and the associated infrastructure. Bergen is a large and stable market. Through LAB, AF has a strong foothold in the building area, and this provides good opportunities for growth on the border of the services that we provide in the region today. This applies in particular to renovation, remodelling and extension, and environmental, energy and civil engineering activities.

MAJOR CITIES IN SWEDEN

AF has identified Gothenburg and Stockholm as particularly interesting markets in Sweden. AF is well-established in Gothenburg, but we need to strengthen our position further. AF has a limited position in Stockholm today and would like to significantly strengthen its position in this area. There is particularly good growth here in private residential units and civil engineering. In addition, we see a market for environmental and recycling services in Sweden that is less mature than the market in Norway. This gives AF an advantage and good growth opportunities. Growth in Sweden will be structural to a great extent.

NATIONWIDE AND MOBILE PROJECT OPERATIONS

The largest public civil engineering investments in the future will result in large complex projects throughout the entire country. AF is already well-positioned to compete for these projects through our mobile and nationwide civil engineering activities, and growth will primarily be organic. Due to the need for local expert knowledge, AF will nevertheless seek to acquire well-managed companies with niche geographic and market expertise.

OFFSHORE

Offshore is a fourth priority growth area. Growth in demand is expected for offshore removal services in the years to come, since low oil prices and an uncertain offshore market will make the fields in the North Sea less profitable. AF therefore desires strong growth in our core offshore operations related to the demolition and recycling of offshore installations. In addition, AF would like to be a full-range provider, from the shutdown of wells to the recycling of oil installations.

Revenue goal 2020

NOK 20 bn

Organic growth 2020

60%

Structural growth 2020

40%

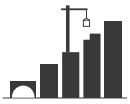
Read about the corporate initiatives we have implemented to achieve the strategic goals on the next page.

HOW WE ARE ESTABLISHING A FOUNDATION FOR GROWTH

We are prioritising four corporate initiatives to achieve our strategic goals. We are building on today's solid foundation, and we will never allow growth to occur at the expense of health, safety, the environment or our ethics.

WE SHALL

1 ORGANIC AND STRUCTURAL GROWTH



We shall realise profitable growth and achieve revenues of NOK 20 billion by 2020. Growth shall primarily be organic, but also through significant structural growth (up to 40 per cent). AF shall stimulate organic growth through recruitment and the development of its own employees, in addition to facilitating mobility across units and regions. For structural growth, we will search for well-managed companies that will be able to "stand on their own feet", where the employees would like to participate further on the ownership side. We are expecting structural growth both in our core operations and on the border of our core operations. All the acquired companies shall share the same values as AF and observe AF's four absolute requirements:

- Values and code of conduct
- HSE routines
- Risk management
- Financial reporting

2 CUSTOMER AND SUPPLIER RELATIONSHIPS

We will work to ensure that our customers and suppliers select us as their preferred partner. Cooperation with customers and suppliers shall provide mutual added value in a long-term perspective. AF shall seek contractual forms and cooperation with shared incentives, among other things. We shall be aware of the importance of good customer and supplier management at all levels of the organisation. Good relationships strengthen our competitiveness and improve our quality.

3 INNOVATION AND CREATIVITY

We will increase our competitiveness through an entrepreneurial spirit. Innovation and creativity entail both the identification and realisation of productivity improvements in our existing operations, and by investing in new business opportunities in the project industry. The introduction of new, digital tools is an important element of our focus. In this way, we can ensure our competitiveness through being cost and productivity leaders in the industry, and by identifying new business opportunities.

4 MANAGEMENT CAPACITY AND TECHNICAL EXPERTISE

We will attract and develop the industry's best management and technical expertise. To ensure adequate management capacity, we will strengthen our management development programme for the internal development of managers and facilitate the mobility of resources across the business units. Industry-leading technical expertise shall be attained through focused external recruitment and by the development of technical expertise internally. AF has set a goal that the percentage of women in the Group shall be 20 per cent to ensure that AF has access to "the best people". An additional goal is to increase the number of women who are developed to become managers.

WHAT WE HAVE DONE IN 2019

On 2 January 2019, AF Gruppen Sweden completed the acquisition of 70 per cent of HMB Holding AB (HMB). The company reported revenues of SEK 1,391 million and had 282 employees as at 31 December 2019. On 31 October 2019, AF Gruppen and the management of Betonmast completed the purchase of Betonmast AS. The acquisition was carried out through the newly established Betonmast Holding AS. AF Gruppen owns 67.4 per cent of the shares in Betonmast Holding and the management and former shareholders of Betonmast own 32.6 per cent as at 31 December 2019. The Betonmast Group reported approximately 1,000 employees and revenues of NOK 1,226 million in the last two months of 2019. AF Gruppen ended 2019 with its highest ever order backlog. The Group target of revenues of at least NOK 20,000 million by 2020 was reached one year ahead of time.

Revenues for 2019 (NOK million)

22,612

AF started to measure customer and supplier satisfaction in 2017, and this has also become a permanent item on the agenda of all key management and quarterly meetings. AF has observed increased participation in the measurements that are conducted for both active and completed projects. Adapted measures are carried out in relation to customers and suppliers where there is a potential for improvement. We are working strategically with selected suppliers to ensure long-term cooperation. We have also increased our visibility in industry forums, supplier and customer gatherings, one on one meetings with our most important suppliers and customers, lectures and other contributions. AF also arranges its own annual industry gathering "Entreprenørens marked", most recently at Lillo Gård in Nydalen, where the topic addressed was "innovation and creativity".

Supplier satisfaction (2018) (scale of 1–6)

5.1

In 2019, AF continued to pursue the "AF way" for innovation and creativity. The corporate Innovation & Digitalisation department has been significantly strengthened, and efforts are in full swing to support efficiency enhancement and improvement processes in units, projects and support functions. In 2019, we have really seen the synergies of collaboration with Construct Venture, which makes us an attractive partner for the testing of new technology. Work processes are streamlined and automated through integrations and software bots (RPA). Several gatherings have been arranged for the digital building site, as well as two innovation gatherings.

Number of automated processes (RPA)

25

More than 230 managers have been through AF's management development programmes in 2019, which cover both technical and management expertise, as well as diversity and inclusion. Systematic efforts are being made to increase the proportion of women at AF, in cooperation with the industry through, for example, the DIVERSITAS network. More than 530 employees have completed HSE courses, and over 180 new employees have been introduced to AF's business concept and core values at a two-day introductory course. Technical courses were offered to over 100 participants in 2019, and technical discipline networks were established across AF, related, for example, to the Digital Building Site.

Number of employees who have participated in AF's management development programmes

230

THE COFFEE WILL BE READY SOON

A 36-metre-high environmental building and an advanced energy delivery. At the new Coffee House in Vestby, where one-third of all the coffee consumed in Norway will be produced, AF is building Norway's first factory in solid wood. In order to obtain BREEAM-NOR Excellent certification and fulfil the passive building standard, measures must be planned and implemented from the design phase to a completed building. Linn at AF Bygg Østfold registers the building's actual CO_2emissions, while Jon at AF Energi og Miljøteknikk is in charge of the energy delivery and is responsible for the heating, cooling, energy production and energy management in the Coffee House. One of the energy sources is a solar cell system consisting of 1,280 panels with a total power output of 365 kWp. Technical expertise and collaboration across the business areas increases our competitiveness and reduces the greenhouse gas emissions.

SUSTAINABLE ENTREPRENEURSHIP

30 CORPORATE SOCIAL RESPONSIBILITY
32 SAFETY
34 HEALTH
36 ENVIRONMENT
38 ETHICS
40 VALUE CREATION

Kaffehuset in Vestby.

CORPORATE SOCIAL RESPONSIBILITY THROUGH SUSTAINABLE ENTREPRENEURSHIP

We assume corporate social responsibility at AF through sustainable entrepreneurship. We carry out our operations in a sustainable manner and contribute at the same time to solving the societal challenges of our time.

Corporate social responsibility means taking responsibility for the organisation's impact on people, society and the environment, and contributing to positive social development through the creation of value that can help solve societal challenges. AF has a particular corporate social responsibility in which societal challenges can be related to our business activities. We have therefore defined AF's corporate social responsibility as sustainable entrepreneurship.

SUSTAINABLE ENTREPRENEURSHIP

Our corporate social responsibility can be divided into two parts: first and foremost we must manage our own projects in a sustainable manner. This means that our employees must have a safe and good working environment, that our business operations follow ethical guidelines, laws and regulations, and that we must minimise our impact on the external environment. This is fundamental to all of our operations, and we have defined this through four main categories: safety, health, the environment and ethics.

In addition, we have a responsibility to contribute to positive social development by providing services that society requires. We can contribute innovation, creativity and skills development to create services that can meet the challenges of today and tomorrow.

Through a solid foundation that ensures responsible and sustainable project execution, as well as the continuous development of new business concepts, AF creates value for our society. This is our contribution to the work with the UN sustainable development goals, that specify the global societal challenges that we must collectively solve.

FOLLOW-UP OF CORPORATE SOCIAL RESPONSIBILITY AT AF

CEO Morten Grongstad is responsible for AF's corporate social responsibility and this follows his line management; each executive vice president is responsible for his/her respective business areas. Executive Vice President Eirik Wraal has specialist responsibility for corporate social responsibility.

With the support of the Board, AF Gruppen's corporate management team have stipulated general principles for corporate governance. The principles constitute the framework for business activities within all areas and at all levels of the organisation and are enshrined in
the documents:

- Purpose – Goals – Values
- Code of Conduct.
- Group Policy

AF MEETS SOCIETY'S CHALLENGES

Sustainable entrepreneurship means that AF can meet some of society's major challenges with new and innovative solutions. The sustainable development goals adopted by the United Nations is the world's common global work plan to eradicate poverty, combat inequality and stop climate change by 2030. The sustainable development goals that are considered relevant to AF's business activities are related to equality, decent workplaces and a good working environment for our employees, ethical behaviour and protection of worker rights, as well as combating corruption and work-related crime. In addition, the UN has goals related to the development of infrastructure, responsible consumption and the processing of waste and sustainable cities and communities, as well as access to clean energy. The achievement of these goals by society is dependent on companies like AF developing their range of services further and creating new solutions for these challenges.

UN SUSTAINABLE DEVELOPMENT GOALS

The UN sustainable development goals specify the global societal challenges that we must collectively solve and represent a common global work plan. The following sustainable development goals are considered to be relevant to AF Gruppen:

SAFETY IS OUR NUMBER ONE PRIORITY

AF has worked deliberately and systematically with safety for a number of years. It is our responsibility to ensure a safe workplace for everyone working on our projects.

AF has a structured and uniform system for health and safety work. All undesired incidents and circumstances are registered and dealt with in the non-conformance system Synergi Life in order to find the underlying causes and measures for improvement. Our willingness for continuous improvement is strong. In 2019, 27,055 (36,700) incidents and circumstances were reported (RUI).

Growth must not be at the expense of either health or safety. AF stipulates clear requirements for acquired companies, and assistance is offered to strengthen the system and culture related to health and safety work. AF imposes the same strict safety requirements on its subcontractors as on its own organisation.

EVERYONE SHOULD ARRIVE HOME SAFELY FROM WORK

AF's goal for health and safety is to avoid injuries, diseases and afflictions attributed to the working environment. For safety, it is about avoiding work accidents, particularly accidents that result in serious personal injury and absence.

The basic idea behind safety work at AF is that all undesired incidents have a cause, and that they can therefore be avoided. Potential undesired incidents are identified through risk analysis, and preventive barriers are established so that the risk is eliminated or reduced to an acceptable level. If undesired incidents nevertheless occur, they are followed up to find the underlying causes, so that improvement measures can be implemented. AF is always prepared for serious accidents and is organised with an emergency preparedness system for each project, in addition to an overarching system at the corporate level, the purpose of which is to manage and reduce the harmful effects and ensure good follow-up. The most serious incidents are followed up by subsequent investigations in which the Corporate Management Team participates.

The most important measurable parameter for safety work at AF is the LTI-1 rate. The LTI-1 rate is defined as the number of lost time injuries, the number of serious personal injuries and the number of serious personal injuries with permanent disabilities per million man-hours, and this includes our own employees, subcontractors and suppliers who are injured in our projects.

The injury rate has shown a positive trend throughout the years, from an LTI-1 rate of around 20 for the Norwegian operations in the early 1990s, to an LTI-1 rate of 1.2 (0.8) in 2019. This rate represents 22 lost time injuries in 2019.

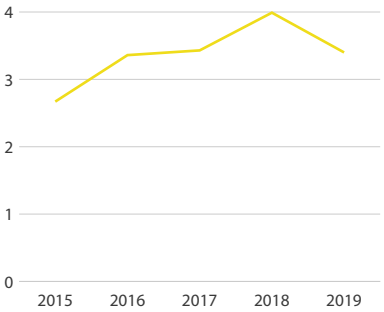
AF SAFETY BOOST

The year 2019 was marked by the AF Safety Boost. In spite of a low LTI-1 rate, AF Gruppen still has too many personal injuries. The AF Safety Boost consisted of six main initiatives that the Group worked on and implemented throughout 2019:

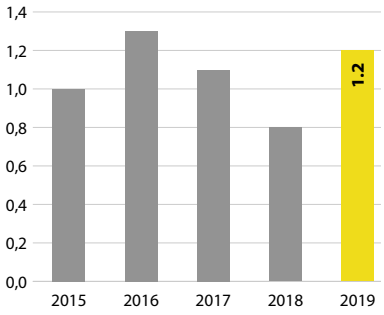
- The definition of LTI-1 was expanded to also apply to serious personal injury without absence
- A corporate goal of LTI-2 < 5 was established
- New rules entailed that incidents with a high loss potential were expanded from one to two categories, with the strictest category receiving a more thorough follow-up than before.
- Mandatory use of gloves and goggles throughout the Group
- Strengthening first line awareness of risk and safety through the implementation of Safetalk.
- A project has been established to strengthen the digital transfer of experience at AF. The latter initiatives extend over time and will also continue in 2020 and 2021.

DECENT WORK AND ECONOMIC GROWTH
The UN's goal is that worker rights shall be protected, and that all employees shall have a safe and secure working environment.

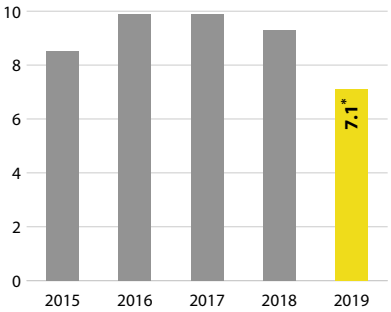
REPORTED INCIDENTS AND CIRCUMSTANCES (RUI) PER MAN-YEAR



LTI-1 RATE



LTI -2 RATE



** Number is excl. Betonmast*

AF's Goal: AF's goal is that no one should become ill or get injured from working at AF. The LTI-1 rate shall be 0. The health and safety of our employees, subcontractors and suppliers is our number one priority.

Status: The safety boost in 2019, which included mandatory use of gloves and goggles, will contribute to an even safer workplace in the future for our employees and subcontractors. Even though the LTI-1 rate is low at AF, we will continue to work towards our goal of LTI-1 = 0.

Investing in the next generation of hearing protection
AF has invested in the start-up company Minuendo in 2019. Minuendo has addressed an HSE challenge for which there is no adequate solution, namely noise exposure for employees in the building and civil engineering industry. The challenge with today's hearing protection is that one cannot know for certain whether it has the desired effect, either because of leakage, the product functioning poorly or incorrect use. With the new technology, it is possible to monitor the noise level both outside and inside the ear to prevent future hearing loss.

HEALTH

AF's goal for health and safety is to avoid injuries, diseases and afflictions attributed to the working environment. For health work, it is about avoiding exposure to health hazards in everyday work life, related, for example, to ergonomic conditions, chemicals, noise, dust, pressure, harassment, etc.

HEALTHY EMPLOYEES

AF works continuously to ensure that all employees experience job satisfaction and well-being. Sickness absence is an indicator of health work, and our rate was 3.8 (3.3) per cent in 2019. AF's sickness absence is considered low in the building and civil engineering industry. Some of the sickness absence is work-related, and systematic, long-term work to achieve the goal of a "healthy sickness situation" has, therefore, high priority.

AF has an internal corporate health service that assists with preventive health work. They monitor employee health through regular health check-ups, and assist the sickness absence committees in the business units to ensure that everyone with sickness absence is followed up well.

To ensure that there is knowledge of what employees can be exposed to while working, and what measures can prevent health injuries, AF has health cards for the 15 most relevant types of exposure available in several languages. In addition, AF has developed and uses the Health Risk programme, which enables us to better identify and influence health risks.

EMPLOYEE SATISFACTION

The Employee Satisfaction Survey (ESS) that was conducted in 2019 shows that our employees are very satisfied with their own work and with AF as their employer. The survey shows that the on-the-job development opportunities are the most important driver of satisfaction on the job for both skilled and salaried employees. The ESS consists of a number of questions related to the areas of satisfaction, interaction and management. Each business unit prepares a plan of action based on the survey.

Last year, AF intensified its focus on apprentices by motivating more students to choose vocational programmes through the campaigns "Norway's Nicest Craftsman" og "We Build Small Houses". In the Autumn of 2019, AF's first apprentice gathering with 53 apprentices from across all the units was held at Helsfyr. After this apprentice gathering, a survey was distributed by AF as a training establishment, and as many as 90 per cent of the apprentices who participated in the survey ranked their experience as an apprentice at AF with respect to satisfaction as 5.4 out of 6. The apprentices point out in particular that being trained by capable and engaged professionals is a major contributor to why they are so satisfied at AF.

AF has an employee representative and safety organisation that ensures that the employees have an opportunity to influence their working conditions. There is a special Works Council and Working Environment Committee with representatives from the Corporate Management Team, the employees and senior employee representatives. New guidelines that entered into force in 2018 ensure that salaried workers, skilled workers and both genders represent the employees on the Board of Directors.

THE BEST PEOPLE

Developing the knowledge and competence of our employees is the most profitable investment we make. The most important tool for the promotion of professional development is practical training in the line hierarchy. AF also offers formal training through the AF Academy and external continuing education. The breadth of AF's centres of expertise provides a good foundation for professional development and career opportunities throughout the Group. AF has a decentralised decision-making structure in which capable employees are given an opportunity to take responsibility early on. AF's goal is to develop managers through internal training, and around 80 per cent of today's managers have been recruited internally.

AF is an attractive employer, and this is reflected by the Universum Student Survey 2019, in which AF Gruppen was ranked as the tenth most attractive employer among engineering students. AF was also named "Climber of the Year" in the Universum Professional Survey 2019, where we jumped up to 15th place. AF's goal is to attract the best talents both among experienced professionals and new graduates.

One of AF's corporate initiatives is to attract and develop the best managers and technical expertise in the industry. An important measure is to increase the percentage of women. AF wants to invest in the best people, and it is, therefore, important to recruit from both genders. AF set a goal in 2018 to increase the percentage of women to 20 per cent. A working group has been established that will work with measures to ensure that both genders have equal opportunities to pursue a career at AF.

EQUALITY BETWEEN THE GENDERS
The UN want to ensure women full and genuine participation and equal opportunities for leading positions at all levels in important decision-making processes.

DECENT WORK AND ECONOMIC GROWTH
The UN's goal is that worker rights shall be protected, and that all employees shall have a safe and secure working environment.

ESS AF Gruppen 2019

Scale 1–6

5.2

Percentage of women at AF

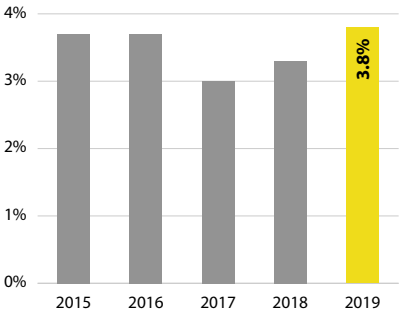
9.4%

AF's Goal: AF's employees shall have an everyday working life that ensures their overall health, in addition to having all the opportunities to create a career and enjoy their work. AF has set a sickness absence target of less than 3 per cent and a 20 per cent proportion of women in the long term.

Status: The employee satisfaction survey in 2019 shows that employees are quite satisfied. Sickness absence is in excess of 3 per cent, and in 2020, AF will investigate what actions we can take to create a healthier working environment for our employees and subcontractors that promote health. Everything we do to ensure that all of our employees have a good working environment and good opportunities will make us competitive, and it will also be important in order to retain our greatest resource, our employees.

Participating in pioneering work on diversity in working life
Together with 12 other major groups, AF is participating in a three-year research project to find out what measures will help increase the proportion of women in Norwegian companies. The project is being carried out by the Centre for Research on Gender Equality (CORE) at the Department of Social Research on behalf of #ShesGotThis. All the companies will report indicators that will show the correlation between the measures and key gender balance figures. In 2020, the research project will also be expanded to include a qualitative mapping. Career preferences and perceived opportunities and obstacles in working life are among the areas that will be highlighted.

ABSENCE DUE TO ILLNESS



THE ENVIRONMENT – A SHARED RESPONSIBILITY

One of our time's greatest societal challenges is climate change. As a consequence of this, the European Commission has launched a plan of action for a circular economy.

A circular economy is based on the reuse and recycling of materials, so that as few resources as possible are lost. Key to the EU's plan of action is the Framework Directive on Waste, which ranks measures to reduce the volumes of waste, reduce the waste that is produced, reuse resources, recycle materials and use waste for the production of energy before the disposal of any waste that cannot be used.

Norway is obligated to observe the Framework Directive on Waste through the EEA Agreement. The EU's Framework Directive sets a goal of reusing or recycling at least 70 per cent of construction and demolition waste by 2020. If we look at construction waste as a whole, the industry needs good contributions in order to meet this goal

RESPONSIBLE AND SUSTAINABLE PROJECT EXECUTION

Environmental work at AF starts at the project and business unit level. Environmental risks are identified and ranked here. Together with laws, regulations and specific contractual requirements, analyses form the basis for the goals of the projects and units for the external environment. Several of AF's business units, both in building and civil engineering, have employed resources with environmental expertise to work on optimising the environmental impact of projects. The goal is for the environmental footprint of the project activities to be as small as possible.

AF focuses on environmental conditions that we can influence. The projects are planned so that as little waste as possible is created, and so that the waste can be sorted for recycling to the greatest possible extent. To facilitate recycling, the source separation rate at all our business units is measured, and this rate represents how much of the waste from the activities is sorted for recycling. The source separation rate at AF as a whole is well above the current regulatory requirements.

AF is at all times prepared to minimise damage to and losses in the external environment if an accident or incident with a pollution potential were to occur. Incidents will subsequently be analysed in order to establish preventive barriers for future projects.

The management system for environmental work at AF follows the principles of the environmental standard ISO 14001. AF is affiliated with the extended producer responsibility company NORSIRK AS and thus fulfils its producer responsibility for packaging. This is an international scheme that is to help ensure the financing of return schemes for used packaging.

USE OF DIESEL IS THE GREATEST SOURCE OF CO_2 EMISSIONS

AF's impact on climate is measured continuously in the form of the volume of greenhouse gas emissions in tonnes of CO_2 equivalents. A CO_2 equivalent is a unit that is used for comparison of the effects of various greenhouse gases on the climate. Our climate accounts show that the consumption of diesel by construction machinery accounts for the greatest share of AF's greenhouse gas emissions. In 2019, AF saw a 19.9 per cent increase in greenhouse gas emissions. This increase is mainly related to more business units being included in the climate accounts. Previous years only wholly owned subsidiaries were included, while we in 2019 also have included partially owned subsidiaries. In addition, the revenue growth contributes to a higher absolute number. Carbon footprint, which means the number of CO_2 equivalents per million revenue, is an indicator for increase or decrease in climate impact from the way we work. The carbon footprint of AF was reduced from 4.5 in 2018 to 2.3 in 2019.

There are many exciting developments in electric construction machinery. They reduce the level of noise and have significantly lower CO_2 emissions. In 2019, AF started using several electric machines in projects, including concrete injection machines. These machines are used, for example, in tunnels, and they result in cleaner air and better working conditions in tunnels, in addition to saving the global environment.

See page 197 of the climate accounts

RESPONSIBLE CONSUMPTION AND PRODUCTION
The UN's goal is to achieve a more environmentally friendly management of all forms of waste throughout their entire life cycle.

STOPPING CLIMATE CHANGE
The UN wants to combat climate change and its consequences to limit any harmful effects on human health and the environment.

Total amount of mass recycled in the environmental centres in 2019
(tonnes))

317,730

Total amount of mass separated at source in 2019
(tonnes)

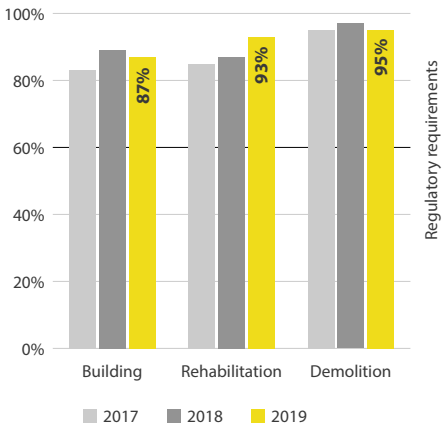
360,368

AF's Goal: The building, civil engineering and property sectors are responsible for substantial greenhouse gas emissions. It is the responsibility of AF to carry out projects in such a way that the environmental impact is minimised.

Status: All projects at AF are required to sort waste at source, which can be recycled and then become new building materials in new projects. The circular value chain is an important part of AF's environmental work, and the source separation rate in the projects is well in excess of the government requirements.

More environmentally friendly materials and a circular value chain
AF has mapped greenhouse gas emissions in all phases of the building projects. Analyses show that reducing the amount of materials and switching to more environmentally friendly materials will have a major impact on AF's emissions. AF is experiencing a greater demand for environmental buildings, among other clients as well, and has long and broad experience in meeting the BREEAM requirements and fulfilling the passive house standard.

SOURCE SEPARATION RATE



ETHICS – GOOD BUSINESS PRACTICES IN OUR BACKBONE

AF's credibility and competitiveness are based on trust. We have an uncompromising attitude regarding ethics and clear requirements that apply to everyone we cooperate with.

CORPORATE CULTURE IS THE KEY

Our employees represent AF Gruppen in all business contexts, and it is essential that they identify with AF's Code of Conduct. Suppliers and subcontractors are also required to follow the Code of Conduct through AF's Supplier Statement. In the assessment of candidates for acquisition, decisive importance is placed on whether the company's corporate culture and core values are in accordance with those of AF.

AF has zero tolerance for price collusion and corruption. Our Code of Conduct forbids the Company's employees to discuss, propose or enter into agreements with competitors that may affect the competitive situation.

In accordance with AF Gruppen's corporate policy, all contracts shall be in writing and signed by at least two representatives of AF. This reduces the risk that individuals will be offered, or choose to accept, bribes.

TRAINING FOR ALL EMPLOYEES

All new employees at AF are given an introduction to our Code of Conduct and core values at a mandatory introductory course. The course ensures that all the employees are aware of what requirements and expectations apply, and it is an important instrument for building a corporate culture with high ethical standards.

AF has an operations supervisor course that covers subjects such as purchasing, HSE and personnel management. The management courses at AF include "dilemma training" and other attitude-forming tasks to ensure that AF Gruppen's guidelines are practised uniformly.

AF arranges a self-developed course in the prevention of work-related crime at lease twice a year.

COMPLIANCE THROUGH THE USE OF MANAGEMENT SYSTEMS

AF has introduced organisational and structural measures to ensure that AF only cooperates with serious actors. Among other things, there is a position in the Group that has work-related crime as its speciality, and each business unit has its own seriousness manager. They meet regularly through AF's network organisation for work-related crime, WR Crime.

Intercompany network organisations have been established to create arenas for cooperation and the transfer of experience across the various units and to ensure compliance with the requirements throughout all of AF:

- HSE Forum for questions related to HSE legislation
- Personnel Forum for safeguarding employee rights
- WR Crime Forum for work to counteract work-related crime
- Purchasing Forum for questions related to business ethics

All of AF's business units have management systems, and many of them are ISO-certified. The management system contains the plans, risk assessments and procedures that are required to ensure uniform management of the various projects, and that the activities are carried out in accordance with the Group's ethical framework conditions.

NOTIFICATION OF CENSURABLE CONDITIONS

AF has procedures and routines related to the notification of censurable conditions, including the violation of laws ad ethical guidelines. Both our own employees, contracted personnel and external parties are entitled to whistleblow, and the whistleblower shall be protected from retaliation. Whistleblowing can be open or anonymous, and both the whistleblowing and identity of the whistleblower will be handled confidentially. Whistleblowing can be to an immediate superior in the line organisation, to a manger at a higher level, by e-mail to the Whistleblowing Committee, or by sending an electronic form from www.afgruppen.no/varsling. In the last-mentioned case, the notification is sent to an external company before the Whistleblowing Committee receives it and follows up in accordance with AF's routines. An anonymous whistleblowing option is also provided.

MEASURES AGAINST WORK-RELATED CRIME

The procurement of goods and services accounts for around 65 per cent of the revenues of AF. AF is responsible for the entire contract pyramid

for our projects and we work both proactively and reactively to ensure compliance with our ethical guidelines among our suppliers. Prequalification routines are used proactively: AF only permits two levels of subcontractors. We use StartBANK, for example, as well as a proprietary prequalification module in StartBANK to asses potential suppliers. When subcontractors are approved and given access to a project, they are followed up reactively through spot checks and controls to verify that the activities are carried out in accordance with the regulations and the applicable guidelines, by verifying pay and working conditions, among other things. The most important verifications we carry out are:

- Control of salary and working conditions among suppliers, subcontractors and employment agencies, both by the projects themselves and with the assistance of AF Gruppen's WR Crime Consultant. Several units have introduced use of the HSEREG tool in this work
- Access control for the projects
- Internal audits are conducted at all levels of the organisation
- Safety rounds are conducted weekly for all projects to ensure compliance with the regulations for the working environment
- Audits of subcontractors and suppliers are conducted to ensure that they have good systems with respect to the working conditions and ethics

If work-related crime is detected among our subcontractors, this will be classified as a red matter and the matter will be investigated. The investigation of such matters is a high-priority task at AF, which takes precedence over a lot of other things and is focused on a great deal. The purpose of the investigation is to identify improvement opportunities and measures that will prevent similar conditions from reoccurring.

ZERO TOLERANCE FOR ECONOMIC OR FINANCIAL CRIME

AF Gruppen has introduced strict requirements for invoice processing as a barrier to embezzlement and financial irregularities. Incoming invoices are processed electronically, and they must be approved and authorised in accordance with an authority matrix. Payments must also be approved by two persons.

AF Gruppen has a special policy related to price-sensitive information and maintains ongoing control of transactions with shares in AF carried out by the Company's employees and their related parties. Abuse of price-sensitive information will result in police charges and a dismissal.

See the table on pages 42–43 with answers to the UN Global Compact.

PEACE AND JUSTICE

The UN's goal is for the world to achieve a significant reduction in all forms of corruption and bribery, and that institutions shall be developed so that they are well-functioning, responsible and transparent at all levels.

AF's Goal: AF's activities, employees and subcontractors shall be distinguished by good ethical conduct, and we have zero tolerance for corruption, work-related crime and other unethical conduct. AF shall only cooperate with serious players.

Status: AF conducts regular inspections to ensure that only authorised personnel have access to the building sites and that they have pay and working conditions that are in accordance with the laws and regulations. We register everyone who is on our building sites, when they are there, how much they work and what pay they receive. This is important in order to prevent social dumping on the building site. AF has its own "labour inspection authority" that maintains ongoing control of the building sites. Several units have introduced MSREG, a tool that coordinates the systems for manpower registration, documentation and the follow-up of subcontractors in the projects. Good systems and routines have been established to ensure ethical operations. AF has not identified any incidents of corruption or work-related crime in our projects in 2019.

OUR SOCIETAL DUTY – CREATION OF VALUE FOR SOCIETY

In order for society as a whole to be able to achieve the UN goals, new services must be developed to solve our environmental challenges. Corporate social responsibility is not just a duty for AF, it is an opportunity to create sustainable solutions.

TOOLS FOR CREATING VALUE LIE WITH THE EMPLOYEES

AF's most important tools for managing sustainable entrepreneurship are the promotion of innovation, creativity and skills development. By innovation, we mean improving the existing processes and services. We want to develop new concepts and services that society needs through innovation. Innovation and creativity is a priority area for AF. It is our employees who are our drivers in this area. Dedicated employees contribute with their visions to the creation of new business areas and solutions in the AF system. Good technical expertise is a vital source of innovation and creativity, which can, over time, create new standards in our industry. Therefore, our combined expertise is decisive for long-term and sustainable value creation. We are proud of our employees' visions that drive AF and the industry as a whole forward.

SUSTAINABLE CITIES AND SOCIETY

The UN's goal is to achieve a more environmentally friendly management of all forms of waste throughout their entire life cycle, and to reduce the emission of chemicals and waste to limit any harmful effects on human health and the environment by 2030.

PROMOTER OF LOWER GREENHOUSE GAS EMISSIONS

Anastasia Wraa

As the person responsible for BREEAM certification at AF Bygg Oslo, Anastasia Wraa verifies that the building projects achieve environmental certification at the level defined by the client. Last year, AF Bygg Oslo was certified as an Environmental Lighthouse, which entails a commitment to continuous environmental work and improvement.

"I have worked and studied the environment in buildings for a number of years, but I never feel that I have learned everything, because new and exciting concepts are emerging all the time. I try to pick up everything new that is happening in the industry and introduce it at AF. For example, I introduced a life cycle analysis (LCA) tool, which we now use to reduce the greenhouse gas emissions from our new projects. I find that we manage to achieve a high environmental and sustainability level for projects when this is required by the clients, but to solve climate challenges and save the planet we need absolutely all of our projects to do the same. Environment must become the "new HSE" – a matter of course.

CLEAN ENERGY FOR ALL

The UN aims to significantly increase the share of renewable energy in the world's overall consumption of energy.

CHALLENGING THE INDUSTRY

Tor Olsen

After almost 35 years in energy conservation, Chief Technical Officer Tor Olsen at AF Energy & Miljøteknikk (EMT) was awarded the Enova Prize. The prize is awarded to persons who contribute to the development or implementation of new energy or climate technology. The prize winner has distinguished himself by being a driving force for the transition to a low-emission society. An example of this is EMT's innovative way of heating apartments in Bjørvika. The use of district heating releases what Tor Olsen refers to as high-quality electricity.

"This solution releases significant amounts of electricity for electric vehicles. With traditional solutions, most of the capacity would be used for heating, which would have made charging electric vehicles almost impossible. The building industry is not always as innovative. There has been a great deal of scepticism about the use of district heating, because it requires thinking differently about both the technical solutions and financing. We have challenged our industry colleagues to think innovatively, and we will continue to do so," says Olsen.

RESPONSIBLE CONSUMPTION AND PRODUCTION

The UN aims to reduce the negative impact on the environment in metropolitan areas, measured per capita, by paying particular attention, among other things, to air quality, as well as public and other forms of waste management.

A REVERSE VENDING MACHINE FOR THE INDUSTRY

Thomas Jøstad Henriksen

In 2019, AF Gruppen, the Municipality of Nes and Gunnar Holth Grusforretning started production at the first environmental centre for the recycling of contaminated materials in Eastern Norway. The Nes Environmental Centre can wash, sort and recycle materials that have traditionally been delivered to landfill – such as gravel strewn on the pavements where you walk. The decontamination technology developed by AF enables receiving and recycling all types of materials locally, and returning clean and approved products back to society in the form of road sand, crushed stone and aggregates for asphalt.

"Up until now, not even a kilo of road sand has been recycled in Eastern Norway, which is a shame. Road sand is one of the easiest materials for us to recycle," says Thomas Jølstad Henriksen, general manager of the Nes Environmental Centre.

"We also achieve transport economic gains by the fact that the trucks that arrive at the facility can actually also transport clean materials out of the facility and back to society again. Such a degree of recycling has never before been achieved by any landfill in Eastern Norway."

UN GLOBAL COMPACT

The United Nations Global Compact is based on ten principles in the areas of human rights, working conditions, the environment and anti-corruption. Adherence to the UN Global Compact entails that companies do their utmost to operate their businesses in accordance with the ten principles:

THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT	Relevance to AF	Action
HUMAN RIGHTS		
1 **Businesses should support and respect the protection of internationally recognised human rights, and**	AF Gruppen complies with all the current laws and respects internationally recognised human rights, regardless of where we operate.	AF has laid down its attitudes and principles concerning human rights in fundamental documents: the Code of Conduct, corporate policy and Purpose, Goals and Values.
2 **make sure that they are not complicit in human rights abuses**	AF does not deal with companies that contribute in any way to human rights violations.	All subcontractors and suppliers must undergo prequalification. AF follows up suppliers on an ongoing basis, and excludes actors who we suspect may practice unethical conduct. *See also Principle 4*
WORKING CONDITIONS		
3 **Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,**	AF facilitates the organisation of employees, and the right to collective bargaining is recognised and respected.	More than 90 per cent of the skilled workers in units wholly owned by AF are unionised. AF participates in collective bargaining for all employees and at all levels where this is relevant. AF also has a well-functioning employee representative organisation. *Read more on p. 34 (health).*
4 **the elimination of all forms of forced and compulsory labour,**	AF's employees have pay conditions in accordance with the national legislation and agreements with trade unions. AF uses only suppliers that undertake to comply with our ethical guidelines, satisfy statutory requirements, collective agreement requirements and internal requirements at AF.	AF has a procedure for verifying the pay and working conditions at subcontractors and employment agencies. In 2019, AF blocked specific actors who did not comply with AF's ethical guidelines related to working conditions. The conditions were identified before the suppliers in question were contracted by AF. *Read more on p. 38 (ethics).*
5 **the effective abolition of child labour, and**	AF does not make use of child labour in its projects, and we must not make use of companies (particularly transnational companies) that have product and service chains in which the economic exploitation of children may occur.	AF examines the employment contracts of all the employees of subcontractors and employment agencies as a result of the Seriousness Initiative. *Read more on p. 38 (ethics).* No actual instances of child labour have been uncovered, suspected or identified in any of our projects or at any of our suppliers.
6 **the elimination of discrimination in respect of employment and occupation**	AF shall have a working environment where there is no prejudice, discrimination, verbal abuse or persecution. AF's principles related to discrimination are laid down in the Code of Conduct.	All employees must sign the Code of Conduct when they are recruited, and participate in an introductory course at which the Code of Conduct is reviewed. The strategy towards 2020 includes specific goals to increase the percentage of women at AF. In 2018, a target was set to increase the percentage of women at AF to 20 per cent, compared with AF's percentage of 10 per cent at the end of 2019. The Corporate Management Team and the entire organisation are working actively to make AF an attractive employer for everyone. *Read more on p. 34 (health).*

THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT	Relevance to AF	Action
ENVIRONMENT		
7 **Businesses should support a precautionary approach to environmental challenges,**	AF works continuously to reduce its impact on our environment. Every one of AF Gruppen's companies and business units has its own goals for the external environment. AF shall also comply with the main principles of the ISO 14001 environmental standard.	AF requires that a risk analysis shall be conducted prior to the start-up of any project. Environmental risk is an element of this analysis. Risk analyses have been conducted in accordance with the corporate policy in 2019. *Read more on p. 14 (risk management).*
8 **undertake initiatives to promote greater environmental responsibility, and**	By focusing on the environment, energy and recycling, we will safely remove and eliminate materials, earth and energy solutions that are harmful to the environment. Our services and solutions should make it possible for our customers to take greater responsibility for the environment.	AF is continuously developing its range of services. The source separation rate and carbon footprint are parameters that are measured in AF's projects, and focusing on these parameters promotes greater environmental responsibility in the organisation as a whole. In addition, AF has prepared several business areas that can contribute to a circular economy. *Read more on p. 36 (environment).*
9 **encourage the development and diffusion of environmentally friendly technologies**	One of AF's core values is entrepreneurial spirit. We will offer services and solutions that meet the environmental challenges of today and tomorrow through our environmental competence.	AF has developed unique technology that enables the decontamination and reuse of contaminated materials at our environmental centres. In 2019, a new environmental centre was established at Nes in Akershus. Energy conservation services and environmentally friendly buildings are a range of services that are under constant development at AF. For offshore activities, the Environmental Base at Vats has been established as an approved and certified reception facility for recyclable materials. *Read more on p. 36 (environment).*
ANTI-CORRUPTION		
10 **Businesses should work against corruption in all its forms, including extortion and bribery**	AF aims to be trustworthy. The Company has an uncompromising attitude towards safety and ethics. AF's Code of Conduct describes our attitude towards corruption, price collusion and bribery.	It is expected that all employees comply with principles that are embedded in our Code of Conduct, which includes anti-corruption principles. No instances of corruption, including blackmail and bribery, have been identified in 2019. An approval requirement for the engagement of subcontractors and suppliers is compliance with the current laws and regulations related to corruption in the past, including compliance with the tax laws. *Read more on p. 38 (ethics).*

uvex
water
ORICA

APPRENTICES TODAY, SKILLED WORKERS TOMORROW

When AF blasts through rock to construct the new E39 route, Kristine drills, sets the charge and fills it over with gravel before the blast occurs. As an apprentice in rock and mining, there is no lack of adrenaline in her daily life. At her qualifying examination, Kristine will be challenged in drilling, calculation of explosives, bottom loading and sealing the boreholes with gravel. But before that, there will be a lot of training. Some days they can set charges in up to 200 holes.

"It is very fun to work with explosives. Many people are surprised when I say that I work with blasting on a major road project. I really enjoy it. I like to prove people wrong when they underestimate me."

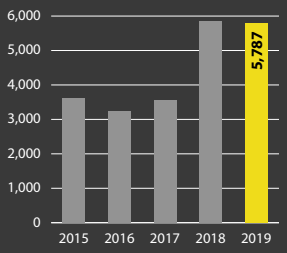
BUSINESS AREAS

48 CIVIL ENGINEERING
52 BUILDING
56 BETONMAST
60 PROPERTY
64 ENERGY AND ENVIRONMENT
68 SWEDEN
72 OFFSHORE

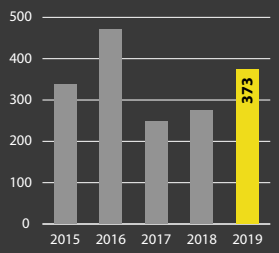
From project E39 Kristiansand vest – Mandal øst for Nye Veier.

CIVIL ENGINEERING

REVENUES NOK MILL.

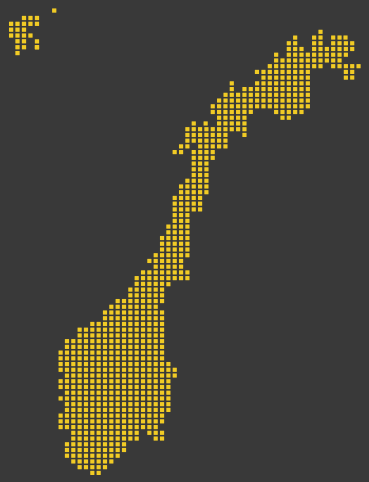


OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

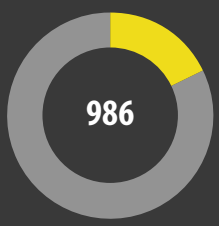
- Norway



KEY FIGURES

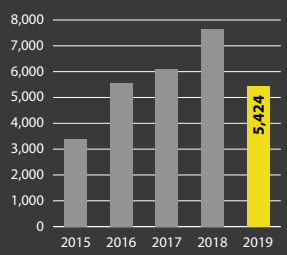
NOK million	2019	2018	2017
Revenue	5,787	5,861	3,569
Operating profit (EBIT)	373	275	249
Earnings before tax (EBT)	376	293	269
Operating margin	6.5%	4.7%	7.0%
Profit margin	6.5%	5.0%	7.5%
Order backlog	5,424	7,664	6,082

EMPLOYEES



AF Gruppen 5,536

ORDER BACKLOG NOK MILL.



CIVIL ENGINEERING CONSIST OF

- AF Anlegg
  JR Anlegg
- Målselv Maskin & Transport

HIGH LEVEL OF ACTIVITY AND STRONG RESULTS

The Civil Engineering business maintained a very high level of activity in 2019. Several projects in the final phase contributed to a strong result. Several large contracts have been signed during the year and will contribute to a continued high level of activity in the future.

AF is one of Norway's largest actors in the civil engineering market, and the customers include both public and private actors. Its project portfolio includes roads, railways, port facilities, airports, tunnels, foundation work, power and energy, as well as onshore facilities for oil and gas.

The Civil Engineering business area in Norway consists of two business units: AF Anlegg and Målselv Maskin & Transport. AF Anlegg carries out civil engineering projects throughout Norway. Målselv Maskin & Transport is the largest machinery contractor in Troms and carries out projects in the areas of technical municipal facilities, road construction, earthmoving, and site preparation and concrete work, among others.

YEAR 2019 IN BRIEF

The Civil Engineering business area reported revenues of NOK 5,787 million (5,861 million) in 2019. Earnings before tax were NOK 376 million (293 million). The profit margin ended at 6.5 per cent, compared with 5.0 per cent in 2018.

AF Anlegg maintained a very high level of activity in 2019. The year was marked by high production in two major projects for Nye Veier: E18 Tvedestrand – Arendal, which was completed in 2019, and E39 Kristiansand vest – Mandal øst, which completed its first full year of operations. The latter project is a large and challenging project with a high level of activity that is on schedule. The unit delivered strong results for the year, with an industry-leading profit margin. There are several projects in the final phase that contributed overall to the strong results.

AF Anlegg signed several major contracts during the year. AF Gruppen was appointed by Statsbygg as the contractor for the Integrated Energy Supply contract for the new Government Building Complex in Oslo. The contract work started in the fourth quarter of 2019 and is scheduled for completion in December 2023. The contract is an integrated contract with an estimated value of NOK 550 million excl. VAT. After the end of the year, Nye Veier chose AF Gruppen for the concretisation phase for the regulation, planning and construction of the new E6 Roterud-Storhove. A contract for this project will have a value of NOK 3,750 million, excluding VAT. This project is not included in the order backlog as at 31 December 2019.

Målselv Maskin & Transport reported a high level of activity and very good results for 2019. During the year, the unit was appointed as the supplier of a new building and civil engineering project for the outer perimeter of the Evenes air base for the Norwegian Defence Estates Agency. This is a general contract and has an estimated value of NOK 136 million excl. VAT.

At year end, the Civil Engineering business area had an order backlog of NOK 5,424 million (7,664 million).

MARKET OUTLOOK

The civil engineering market in Norway is good and not very sensitive to cyclical fluctuations, as public sector demand is the strongest driver behind investments in civil engineering in Norway. In the proposal for the 2020 State Budget, NOK 75.4 billion has been allocated to transport, which is an increase of NOK 3.3 per cent over the final budget for 2019. NOK 69.3 billion will be used to follow up the National Transport Plan 2018–2029, NOK 44.6 billion of which is earmarked for roads.

Prognosesenteret expects civil engineering investments to amount to around NOK 100 billion in 2020. This corresponds to a 12 per cent increase in civil engineering investments for 2020, compared with 2019. For the period from 2020 to 2022, total growth of up to 30 per cent is expected in civil engineering investments. Almost half of the civil engineering investments during the period up to 2022 are expected to come from road construction, while the strongest growth is expected in railway and tramline systems. Prognosesenteret expects that the measures taken by the authorities to reduce the spread of the coronavirus will have a significant impact on civil engineering production. Several ongoing civil engineering projects may be delayed, and projects that have not yet started may be postponed. There is a great deal of uncertainty, but Prognosesenteret has nevertheless chosen to build forecasts based on the assumption that the coronavirus measures will be phased out well before the end of the year. Investment estimates for transport and road projects are expected to remain high, as well as the planned start-up of many major civil engineering projects. This provides a good foundation for further growth of AF's civil engineering activities, even though the consequences of the coronavirus contribute to uncertainty in the short term.

SELECTED PROJECTS

SØRFJORD WIND POWER PLANT

The Sørfjord Wind Farm is under construction at Middagsfjellet in Sørfjorden in Tysfjord Municipality. Målselv Maskin & Transport has carried out the infrastructure work, such as road construction, parking spaces and cable trenches. The development company, Sørfjord Vindpark AS, is constructing the plant in cooperation with Nordkraft. The 23 wind turbines will stand on 80-metre towers and have a rotor diameter of 130 metres. They will have a total capacity of 97 MW.

BUSINESS UNIT: MÅLSELV MASKIN & TRANSPORT AS
CLIENT: SØRFJORD VINDPARK AS (WHOLLY OWNED BY FORTUM)
COMPLETION: AUGUST 2019
CONTRACT VALUE: NOK 77 MILLION EXCL. VAT.

E18 TVEDESTRAND-ARENDAL

After 2.5 years of work, 22 km of fresh asphalt could open before the summer holidays in 2019, several months ahead of schedule. The work included four double bedrock tunnels, 50 structures and earthmoving of 11 million m^3. AF was responsible for the design work, and Norconsult was the consultant for the project. Several digital solutions were tested, including the use of building information modelling (BIM), which was used almost exclusively for construction projects earlier.

BUSINESS UNIT: AF ANLEGG
CLIENT: NYE VEIER
COMPLETION: JULY 2019
CONTRACT VALUE: NOK 3,200 MILLION EXCL. VAT.

VAMMA POWER PLANT

The Vamma Power Plant in the river Glomma near Askim is Norway's largest run-of-river power plant and has been in operation for over 100 years. The power plant has now increased its capacity with a large new turbine with an output of 128 MW, which will generate 1,000 GWh annually. The intake consists of a 120-metre-long tunnel with a cross section of 250 m^2 and a 500 m^2 trash rack. The end result is a state-of-the-art facility that will provide stable production from the river Glomma.

BUSINESS UNIT: AF ANLEGG AND AF DECOM
CLIENT: E-CO
COMPLETION: FEBRUARY 2019
CONTRACT VALUE: NOK 370 MILLION EXCL. VAT.

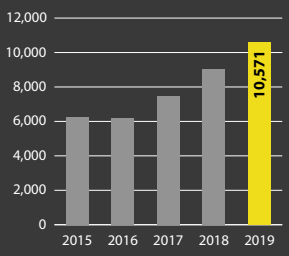
ØRLANDET

In recent years, AF has signed several contracts with the Norwegian Defence Estates Agency related to the construction of a combat aircraft base at Ørlandet. The work encompasses site preparation work and the construction of 12 hangars, outdoor areas and infrastructure and the outer perimeter. In December 2019, AF was appointed as the contractor for the construction of a new fuel facility for the F35 aircrafts. The work starts in January 2020 and completion is expected in 2021.

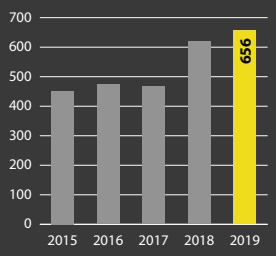
BUSINESS UNIT: AF ANLEGG
CLIENT: NORWEGIAN DEFENCE ESTATES AGENCY
COMPLETION: 2020/2021
CONTRACT VALUE: NOK 1,235 MILLION EXCL. VAT (DIVIDED OVER FOUR CONTRACTS)

BUILDING

REVENUES NOK MILL.

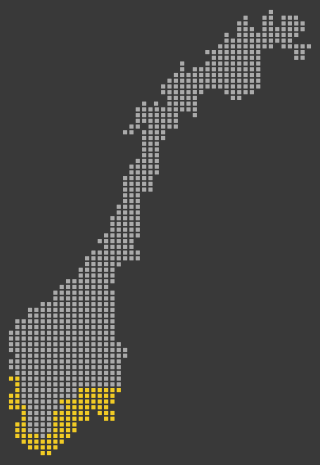


OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

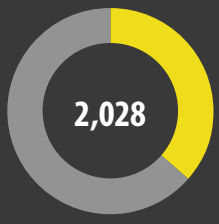
- Norway



KEY FIGURES

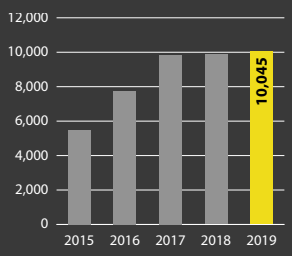
NOK million	2019	2018	2017
Revenue	10,581	9,055	7,474
Operating profit (EBIT)	656	619	467
Earnings before tax (EBT)	667	645	481
Operating margin	6.2%	6.8%	6.3%
Profit margin	6.3%	7.1%	6.4%
Order backlog	10,045	9,871	9,837

EMPLOYEES



AF Gruppen 5,536

ORDER BACKLOG NOK MILL.



BUILDING CONSIST OF

- AF Bygg Oslo
- AF Bygg Østfold
- AF Byggfornyelse
- AF Nybygg
- Strøm Gundersen
- Strøm Gundersen Vestfold
- Haga & Berg
- Consolvo
- AF Håndverk
- LAB Entreprenør
- Åsane Byggmester-forretning
- FAS
- HTB
- EIQON

REVENUE GROWTH, STRONG RESULTS AND A SOLID ORDER RESERVE

Building reported continued growth and delivered strong results in 2019. This applies both to our operations in Eastern Norway and the Bergen region. The building units are attractive partners and won many new projects throughout the year.

AF provides contracting services for residential, public and commercial buildings. Our services range from planning to building and renovation. AF cooperates closely with customers to find efficient and innovative solutions adapted to their needs. Building encompasses the Norwegian business and is mainly located in Eastern Norway and the Bergen region.

Building consists of 14 units and their associated subsidiaries: AF Bygg Oslo, AF Byggfornyelse, AF Nybygg, AF Bygg Østfold, Strøm Gundersen, Strøm Gundersen Vestfold, Haga & Berg, Consolvo, AF Håndverk, Eiqon, LAB Entreprenør, Fundamentering, Åsane Byggmesterforretning and HTB. All the contractor units have strong local roots and a broad range of services.

YEAR 2019 IN BRIEF

Building reported revenues of NOK 10,581 million (9,055 million) and earnings before tax of NOK 667 million (645 million) in 2019. This gives a profit margin of 6.3 per cent, compared with 7.1 per cent in 2018.

Most business units reported growth in revenues and good results for the year. The building businesses AF Bygg Oslo, AF Nybygg, Strøm Gundersen and Haga & Berg, together with the rehabilitation business AF Håndverk, all reported strong results for 2019. In the Bergen region, all units reported good results for the year. There are large variations in the profitability of the project portfolios of AF Bygg Østfold, AF Byggfornyelse and Eiqon, and the units delivered results below expectations for the year.

The total order book for Building stood at NOK 10,045 million (9,871 million) at the end of 2019.

MARKET OUTLOOK

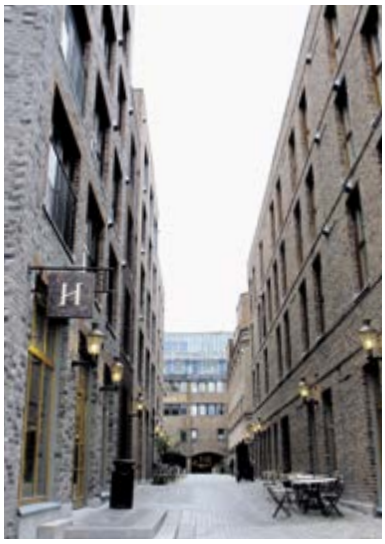
The building market in Norway reported a record-high level in 2019 with a total production value of NOK 338 billion.

Prognosesenteret expects a decline of 12.4 per cent in the building market in 2020, and then growth of 3.7 per cent in 2021 and 3.3 per cent in 2022. The greatest decline in 2020 is expected in new residential buildings and new commercial building production, even though the decline will also be felt in the renovation, remodelling and extension market. A decline in the building market is expected in all the counties in 2020, but the greatest decline measured by production value is expected in Viken, Oslo and Vestland. The rapid spread of the coronavirus and large parts of the Norwegian economy and society shutting down means there is a high level of uncertainty in the forecast. The forecasts from Prognosesenteret do not expect that the contractors will manage to maintain normal progress in their production in the short term. Prognosesenteret believes that it will mainly be the first half of 2020 that will be impacted the hardest and that production will start to pick up in the second half of 2020. It is nevertheless expected that building demand initiated by the public sector will increase to reduce the negative impact on the industry.

The strong growth in starts in 2016–17 has resulted in increased completion rates for new residential buildings from the autumn of 2018 and into 2019. Start permits for 31,643 new residential units were registered in 2019, which was unchanged from the level for the previous year. Prognosesenteret now expects that the number of registered start permits will decline by 24 per cent in 2020 to 24,000 residential units. Already in 2021, 8 per cent growth is expected to 26,000 new residential units, and in 2022, the forecasts show 12 per cent growth to 29,000 new start permits. This means that Prognosesenteret is expecting an average decline of 20 per cent for the years 2020–2022, compared with the last three-year period 2017–2019, and the forecast clearly shows that the strongest decline will be for new apartments. For Oslo, it is expected that the number of new residential unit starts in 2020 will end up at practically the same level as the previous year, around 2,500 residential units, which was, by the way, the lowest level in many years. A higher level of starts is expected in Oslo over the next two years.

The coronavirus, stock market decline and oil price fall will have a negative impact on the Norwegian economy in both the short and medium term. In March, Norges Bank lowered the key rate to 0.25 per cent. Never before has the key rate been so low. In addition, the central bank has issued F loans to the banks and decided to reduce the banks' capital requirements. Even though a high level of activity is expected for AF's building operations in Norway in the future, the consequences of the coronavirus will contribute to a greater degree of uncertainty for the building market in the short term.

SELECTED PROJECTS



NYGAARDSPLASSEN IN FREDRIKSTAD

Nygaardsplassen in Fredrikstad is being transformed now into the city's most attractive shopping district. The size of the buildings will follow the historic lots in the centre of Fredrikstad. Each of the buildings will have its own type of brick and an individual look. All the business premises will have direct access to a common passage. This will connect Nygaardsplassen to the city's central square, Stortorvet. There will be residential units on the other floors.

BUSINESS UNIT: AF BYGG ØSTFOLD
CLIENT: CITYPLAN AS
COMPLETION: OKTOBER 2019
CONTRACT VALUE: MNOK 87 EXCL. VAT.

KOLBOTN CARE HOME UNITS (KOMBO)

The Kolbotn Care Home Units have an ideal location in the heart of Kolbotn. Since the building is located between brick buildings and a wooded mountain slope, wood has been used for the façade. A lot of exposed wood helps regulate the humidity inside the building. The municipality has focused on the sustainability of the entire project, and the building has been designed as a passive house with a load-bearing system of solid wood.

BUSINESS UNIT: AF NYBYGG
CLIENT: OPPEGÅRD MUNICIPALITY
COMPLETION: JANUARY 2019
CONTRACT VALUE: NOK 209 MILLION EXCL. VAT.

THE MAP CENTRE AT THE NATIONAL LIBRARY

The National Library's map centre stores the world's most comprehensive collection of printed maps of Norway, the Nordic region and the High North, the oldest of which is from 1482. The work encompasses construction of the map centre, footbridges between the map centre and the National Library, establishment of a ventilation room in the loft of the east wing, as well as electrical work in the existing technical rooms. Both of the adjoining buildings were in normal operation during the construction period.

BUSINESS UNIT: HAGA & BERG
CLIENT: ENTRA
COMPLETION: MAY 2020
CONTRACT VALUE: NOK 6.5 MILLION EXCL. VAT.

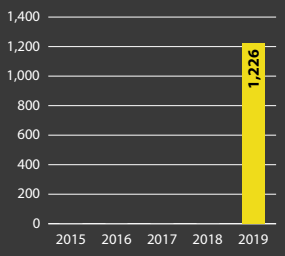
STAIR BRIDGE OVER VØRINGSFOSSEN

Vøringsfossen is located in the inner reaches of Måbødalen in Hardanger and is an icon along the National Tourist Routes. The waterfall has a total height of 182 metres. The work encompasses the installation of a stair bridge over Vøringsfossen, assembly of fence segments along the paths and precipices and the viewing platforms. The bridge is part of the safety work carried out to make the most visited waterfall in Norway safer.

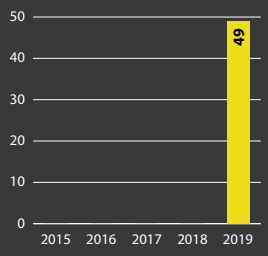
BUSINESS UNIT: CONSOLVO
CLIENT: NATIONAL TOURIST ROUTES
COMPLETION: JULY 2020
CONTRACT VALUE: NOK 37 MILLION EXCL. VAT

BETONMAST

REVENUES NOK MILL.

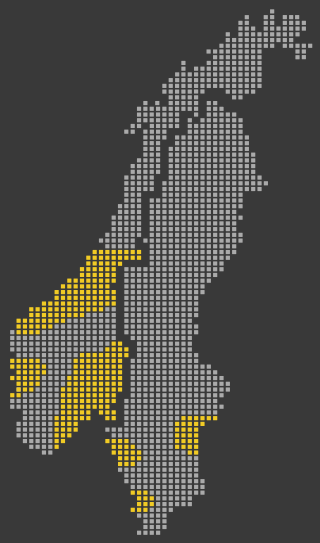


OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

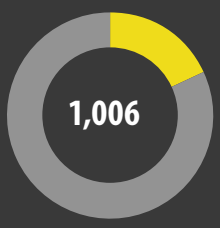
- Norway
- Sweden



KEY FIGURES

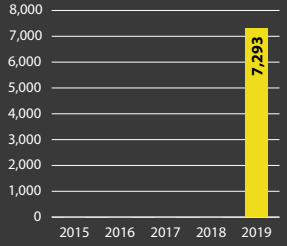
NOK million	2019	2018	2017
Revenue	1,226	-	-
Operating profit (EBIT)	49	-	-
Earnings before tax (EBT)	46	-	-
Operating margin	4.0%	-	-
Profit margin	3.8%	-	-
Order backlog	7,293	-	-

EMPLOYEES



AF Gruppen 5,536

ORDER BACKLOG NOK MILL.



BETONMAST CONSIST OF

- Betonmast Boligbygg
- Betonmast Oslo
- Betonmast Bergen
- Betonmast Trøndelag
- Betonmast Romerike
- Betonmast Røsand
- Betonmast Telemark
- Betonmast Østfold
- Betonmast Innlandet
- Betonmast Buskerud-Vestfold
- Betonmast Göteborg
- Betonmast Mälardalen
- Betonmast Malmö
- Betonmast Stockholm
- Betonmast Anläggning
- Betonmast Eiendom

BECAME PART OF AF GRUPPEN IN 2019

The acquisition of Betonmast was completed on 31 October 2019. The result for the last two months of the year was in line with AF's expectations. Betonmast and AF are now working together to benefit mutually from each other's expertise.

Betonmast is one of Norway's largest building contractors and has operations in the largest markets in Norway and Sweden. The project portfolio comprises everything from major residential projects to commercial and public buildings. Betonmast is a major player in building for the public sector, and possesses specialist expertise in project development and collaborative contracts.

Betonmast consists of 16 business units in Norway and Sweden: Betonmast Boligbygg, Betonmast Oslo, Betonmast Bergen, Betonmast Trøndelag, Betonmast Romerike, Betonmast Røsand, Betonmast Telemark, Betonmast Østfold, Betonmast Innlandet, Betonmast Buskerud-Vestfold, Betonmast Göteborg, Betonmast Mälardalen, Betonmast Malmö, Betonmast Stockholm, Betonmast Anläggning and Betonmast Eiendom.

YEAR 2019 IN BRIEF

Betonmast became a part of AF Gruppen on 31 October 2019. In the last two months of 2019, Betonmast saw revenues of NOK 1,226 million and reported a pre-tax profit of NOK 46 million. The profit margin ended at 3.8 per cent in 2019.

The result was in line with our expectations. Betonmast Oslo and Betonmast Romerike excelled with strong results, while Betonmast Bergen, Betonmast Boligbygg, Betonmast Telemark and Betonmast Ringerike reported weak results. Organisational changes have been made in several units.

The corporate management team at Betonmast has been strengthened after the end of the year with three new members to get even closer to the operations and support the Group's main goals. Active efforts are ongoing to determine how Betonmast and AF Gruppen best shall exploit each others' expertise and insight to increase value creation.

Betonmast signed a number of contracts in the fourth quarter. Betonmast Bergen has signed a general contract with Bane Nor Eiendom to build a workshop for the new Flirt trains. The contract is valued at NOK 145 million excluding VAT. Betonmast Bergen has also entered into an agreement with Sandsli Boligutvikling AS to develop yet another construction stage in Sandsliåsen in Bergen. The contract is an integrated project contract valued at approximately NOK 120 million excluding VAT. Betonmast Østfold has entered into a contract with Askim municipality to renovate the previous hospital in Askim into a modern health building. The contract is an integrated project contract valued at NOK 198 million excluding VAT. Betonmast Romerike has signed a contract with AXER Eiendom AS to build Fagerborgkvartalet. The contract, which is a turnkey contract and is for the construction of 145 apartments, is valued at NOK 360 million excluding VAT. In partnership with Asplan Viak, Betonmast Røsand signed a contract to build a new cultural centre and swimming pool for Aukra municipality. The project will now enter a collaboration phase. The expected contract total after collaboration is approximately NOK 186 million excluding VAT.

As at 31 December 2019, Betonmast's order backlog was NOK 7,293 million.

SELECTED PROJECTS

SNØ

Betonmast has built SNØ, a 50,000 square metre indoor ski centre, in Lørenskog. SNØ consists of a 1,000 metres of cross-country trails suspended from the ceiling and an alpine slope that is 500 meters long with a vertical drop of 90 metres. The slope has a width of 100 to 40 metres and is divided into three runs. A 13,000 square metre commercial building has also been constructed at the bottom of the slope. This building offers various services, equipment rental, shops, food and beverage facilities, a fitness centre and offices.

BUSINESS UNIT: BETONMAST ROMERIKE
CLIENT: SNØPORTEN UTVIKLING
COMPLETION: DECEMBER 2019
CONTRACT VALUE: NOK 700 MILLION EXCL. VAT.

CLARION HOTEL THE HUB

In the middle of Oslo city centre, Betonmast has built the Clarion Hotel The Hub, Norway's largest hotel with over 800 rooms, good conference facilities, restaurants, a lobby and bars. A total of 20,000 square metres were demolished, 35,000 square metres were constructed and approximately 20,000 square meters were renovated. This combination made the project complex, and the location was challenging, but the project was carried out in a short period of time. The project achieved the BREEAM-NOR classification Very Good.

BUSINESS UNIT: BETONMAST OSLO
CLIENT: ROYAL CHRISTIANIA HOTEL AS/STRAWBERRY BROTHERS
COMPLETION: MARCH 2019
CONTRACT VALUE: NOK 1,100 MILLION EXCL. VAT.

MAGASINPARKEN SKI

Betonmast Boligbygg will construct 188 apartments in the new Magasinparken district in Ski. The contract is a turnkey contract, and the apartments will be distributed over five buildings and include an underground parking facility. Magasinparken will have distinctive architecture, and each of the buildings has been designed by four different renowned architect's offices. This has resulted in five very different and exciting buildings with around 40 apartments per building.

BUSINESS UNIT: BETONMAST BOLIGBYGG
CLIENT: SOLON EIENDOM
COMPLETION: 2023
CONTRACT VALUE: NOK 528 MILLION EXCL. VAT.

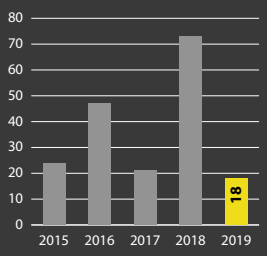
LINDHOLMEN TECHNICAL SCHOOL

Lindholmen Technical School is the first municipal upper secondary school to be built in Gothenburg in 20 years. The exterior consists of hard materials, such as concrete, glass, bricks and solar panels. The interior of the building is softer, with long truss beams of solid wood. Wiring, a sprinkler system and ventilation ducts are visible in the ceiling. The intention is to use the visible construction pedagogically in the classroom.

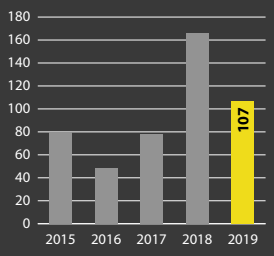
BUSINESS UNIT: BETONMAST GÖTEBORG
CLIENT: MUNICIPAL ADMINISTRATION OFFICE, GOTHENBURG CITY
COMPLETION: 2020
CONTRACT VALUE: SEK 325 MILLION EXCL. VAT.

PROPERTY

REVENUES NOK MILL.

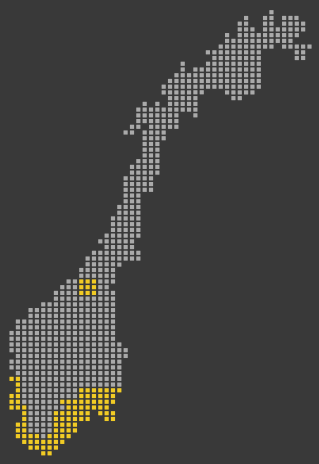


OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

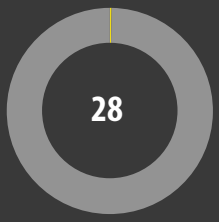
- Norway



KEY FIGURES

NOK million	2019	2018	2017
Revenue	18	73	21
Operating profit (EBIT)	107	166	78
Earnings before tax (EBT)	100	157	64
Operating margin	-	-	-
Profit margin	-	-	-
Order backlog	-	-	-

EMPLOYEES



AF Gruppen 5,536

PROPERTY CONSIST OF

- AF Eiendom
- LAB Eiendom

GOOD SALES AND GOOD RESULTS

The Property business area reported a high level of activity and good results in 2019.

Property buys, develops and sells residential and commercial projects in Norway. The activities take place in geographic areas where AF has its own production capacity. Property cooperates closely with other solid players in the property industry, and the development projects are mainly organised in part-owned companies. The earnings that are recognised in Property correspond to the earnings after tax multiplied by the ownership interest (equity method of accounting).

YEAR 2019 IN BRIEF

Property reported earnings before tax of NOK 100 million (157 million) in the 2019. In addition to a good year for residential sales, the sale of commercial property at Hasle in Oslo made a strong contribution to the results in 2018. In 2019, another major commercial project at Hasle was launched, Quality Hotel Hasle-Linje. Residential sales in 2019 were good with 363 (284) apartments sold, and AF's share was 130 (100).

The residential market in Greater Oslo, where Property has most of its activities, has been marked by cautious optimism among the residential buyers in 2019. Property achieved good results for 2019. The largest contributors to this were the residential property projects Krydderhagen and Lillo Gård, which are located at Hasle and at Nydalen in Oslo. The unit has also received significant profit contributions from Nye Kilen Brygge in Sandefjord and Lilleby Triangel in Trondheim.

A total of 477 (297) apartments were handed over in 2019, and AF's share was 159 (131). Of the total of 477 apartments handed over during the year, 254 apartments were handed over at Lillo Gård, 86 at Thurmannskogen and 137 at Krydderhagen.

At the end of 2019, Property had ownership interests in residential property projects with a total of 235 (260) units available for sale. AF's share was 88 (103) residential units. Of these, there was a total of 32 (1) unsold completed apartments, of which AF's share was 11 (0).

At the start of 2020, AF's property business had five residential property projects with a total of 634 apartments in the production phase, and AF's share was 244. The share of apartments sold in these projects was 84 per cent.

- Lillo Gård, Nydalen (total of 415 units, 135 in production)
- Nye Kilen Brygge, Sandefjord (a total of 135 units, all in production)
- Bo på Billingstad, Asker (total of 186 units, 88 in production)
- Lilleby Triangel, Trondheim (total of 398 units, 147 in production)
- Skiparviken, Bergen (total of 129 units, all in production)

At the end of the year, AF had a development portfolio in Norway that was estimated to yield 1,865 (1,831) residential units. AF's share of this was 916 (871) residential units. The majority of the portfolio is located in Greater Oslo and Bergen.

Property is a partner in the Hasle Linje Næring project in Oslo (AF's stake is 49.5 per cent). The project has a total commercial area of 74,484 square meters GFA, of which 38,401 square meters GFA were under construction at the end of 2019.

- Atea Building at Hasle (total of 18,333 square metres GFA under construction)
- K4 hotel and offices at Hasle (total of 20,068 square metres GFA under construction)

MARKET OUTLOOK

Figures from Eiendom Norge for the 4th quarter of 2019 show that the moderate price growth in the Norwegian residential market will continue. At the end of the 4th quarter, residential property prices nationally were 2.6 per cent higher than a year ago. The strongest performance in 2019 was Oslo, with an increase of 5.5 per cent. A moderate price performance, high level of activity and smaller regional differences have been characteristic of the market over the past two years. The coronavirus, stock market decline and oil price fall will have a negative impact on the Norwegian economy. Eiendom Norge expects the level of activity in the residential market will decline as a result of this. It is too early to tell how the residential property prices will perform in 2020. In March, Norges Bank lowered the key rate to 0.25 per cent, and it also decided to reduce the banks' capital requirements. This can help counteract the negative impact on the residential market attributed to increased unemployment and generally greater economic uncertainty.

SELECTED PROJECTS

KRYDDERHAGEN

Together with Höegh Eiendom, AF has developed the Krydderhagen property project at Hasle. The 510 apartments are centrally located, with public transport, shops and daycare in the immediate vicinity. Green areas and playgrounds have been established between the buildings. Earlier, the State Wine and Liquor Monopoly had its well-stocked spice warehouse here, and the construction stages are therefore called Basil, Coriander, Muscat, Safran and Rosemary.

BUSINESS UNIT: AF EIENDOM
CONTRACTOR: AF BYGG OSLO
COMPLETION: AUTUMN OF 2019
OWNERSHIP STAKE: 50%

BILLINGSTAD

At the former Vestre Billingstad industrial area in Asker, AF Eiendom, Eiendomsplan and Klaveness Marin are developing new modern residential units in idyllic surroundings. Emphasis has been placed on variation of the buildings, adaptation to the landscape and maintenance of the local vegetation. The residential area has good public transport and can offer apartments and townhouses of different sizes and qualities.

BUSINESS UNIT: AF EIENDOM
CONTRACTOR: PEAB
COMPLETION: 2022
OWNERSHIP STAKE: 33%

KARVESVINGEN 5 (ATEA BUILDING)

The commercial building at Hasle will be Oslo's first smart building. The principal tenant, Atea, has helped develop the project. It should be possible to adapt a smart building to the needs of the users at any given time. For example, the actual use of the building can affect the cleaning frequency, and the digital platform provides an overview of when the canteen queue is the longest and if any room has a defective light. The building measures 18,000 m^2 and can accommodate around 1,000 workplaces.

BUSINESS UNIT: AF EIENDOM
CONTRACTOR: AF BYGG OSLO
COMPLETION: JANUARY 2020
OWNERSHIP STAKE: 50%

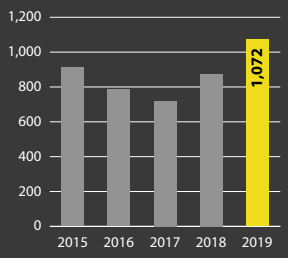
BRØTER TERRASSE

Centrally located but secluded in Lillestrøm, AF Eiendom is building 78 apartments in cooperation with Mallin Eiendom AS and Bori Utvikling AS. The building encircles an inner courtyard and garden, and the modern apartments will have a rooftop terrace, balcony or ground-level patio. The exterior of the buildings will be clad with natural colour wood and the inner courtyards will have a fresh yellow colour. The west-facing courtyard will allow the sun to shine through.

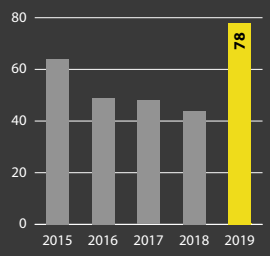
BUSINESS UNIT: AF EIENDOM
CONTRACTOR: NOT SELECTED
COMPLETION: 2023
OWNERSHIP STAKE: 35%

ENERGY AND ENVIRONMENT

REVENUES NOK MILL.

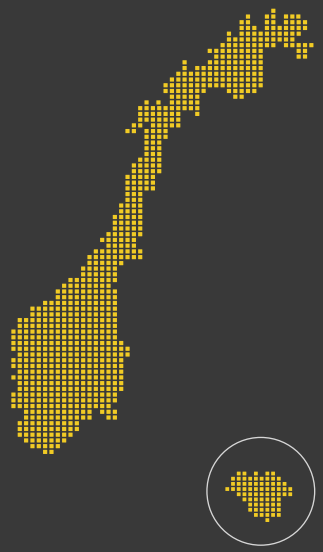


OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

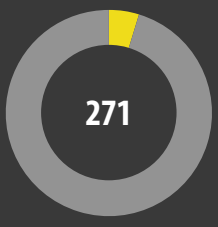
- Norway
- Lithuania



KEY FIGURES

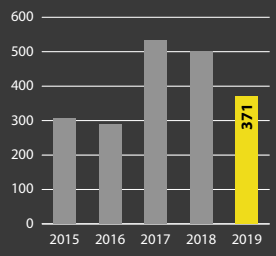
NOK million	2019	2018	2017
Revenue	1,072	875	718
Operating profit (EBIT)	78	44	48
Earnings before tax (EBT)	75	41	49
Operating margin	7.3%	5.0%	6.7%
Profit margin	7.0%	4.7%	6.9%
Order backlog	371	501	534

EMPLOYEES



AF Gruppen 5,536

ORDER BACKLOG NOK MILL.



ENERGY AND ENVIRONMENT CONSIST OF

- AF Energi & Miljøteknikk
  Boligenergi
  AF Energija Baltic
  Enaktiva
- AF Decom
  Rimol Miljøpark
  Jølsen Miljøpark
  Nes Miljøpark

HIGH LEVEL OF ACTIVITY AND GOOD PROFITABILITY

The Energy and the Environment business area increased its level of activity and improved its profitability further in 2019. AF envisions more opportunities for further growth going forward

AF offers smart and energy-efficient solutions for buildings and industry and is a leading player in environmental clean-up, demolition and recycling. Contaminated materials are sorted, decontaminated and recycled at AF's environmental centres Rimol, Jølsen and Nes. Over 80 per cent of the materials are recycled.

The Energy and Environment business areas were merged into a single business area, Energy and Environment as of 1 January 2019. The business area consists of two business units, AF Energi & Miljøteknikk and AF Decom. The business area also has activities in Boligenergi AS, which is owned together with OBOS, and AF Energija Baltic, which was established in Lithuania in 2017. Energija shall primarily be a supplier to the Norwegian Energy business.

The range of energy services includes thorough energy analyses that result in a system design and the implementation of measures to conserve the consumption of energy. AF designs, installs and monitors local heating plants for commercial buildings and industry, in addition to supplying heating and cooling plants for residential and commercial buildings. In addition, services related to the operational monitoring of energy plants, energy services and energy monitoring are provided. Boligenergi offers total energy conservation and renewable energy solutions for housing cooperatives and condominiums.

In the environment area, AF Gruppen provides traditional demolition services and the subsequent receiving, treating and recycling of materials. We have solid expertise in areas such as environmental clean-up, demolition, constructive blasting and recycling. AF's demolition activities are characterised by a high level of safety and protection of the external environment.

YEAR 2019 IN BRIEF

The Energy and Environment business area reported revenues of NOK 1,072 million (875 million) in 2019. This represents revenue growth of 22 per cent compared with the previous year. Earnings before tax were NOK 75 million (41 million). This gives a profit margin of 7.0 per cent (4.7 per cent).

AF Energi & Miljøteknikk has increased its level of activity in 2019 and can now report good results for the year. Boligenergi also reported strong margins for 2019, while the operations in the Baltic region delivered results below expectations. AF Energi & Miljøteknikk has also chosen now to focus in particular on the electrical trades, an area where opportunities for further growth are envisioned.

AF Decom's level of activity has also increased in 2019 compared with the previous year. The unit delivered strong results for both demolition and recycling at AF's environmental centres. In demolition there are a number of projects that contribute to good profitability. The unit was granted an operating license for the Nes Environmental Centre in June. AF Gruppen is looking at the possibility of establishing more recycling centres in the time ahead.

At the end of the year, the Energy and Environment business area had an order backlog of NOK 371 million (501 million).

MARKET OUTLOOK

AF Gruppen's level of demolition activity is closely connected to the general level of activity in the building and civil engineering markets. The consequences of the coronavirus could thus also contribute to a greater degree of uncertainty for the demand for such services.

The authorities in Norway have defined ambitious energy goals related to a reduction in the consumption of energy towards the year 2030. Enova has found that there is a major maintenance backlog for public buildings and major conservation opportunities in connection with the rehabilitation of buildings. The delivery of heating and cooling to commercial buildings is another interesting market. The demand here is connected to commercial building starts. Prognosesenteret expects a decline of 16 per cent in the total floor area of commercial building starts in 2020. For 2021 and 2022, the forecast shows growth of 7 per cent and 6 per cent, respectively. For the publicly-funded submarkets, the negative consequences of the coronavirus will likely be significantly less than for private commercial buildings. The floor area of commercial building starts is high compared with the average for the past decade. A good market overall is expected for AF's Energy and Environment activities, even though the near future is marked by uncertainty.

SELECTED PROJECTS

DRAMMEN HOSPITAL

The South-Eastern Norway Regional Health Authority will establish a new hospital at Brakerøya in Drammen, and AF Decom was commissioned to demolish the older industrial buildings to prepare the site. The area had a built-up area of approximately 40,000 m^2. The oldest buildings in the area were from about 1913 and contained products that are now regarded as environmentally hazardous. The work therefore consisted largely of an environmental clean-up of the buildings.

BUSINESS UNIT: AF DECOM
CLIENT: SOUTH-EASTERN NORWAY REGIONAL HEALTH AUTHORITY
COMPLETION: 2019
CONTRACT VALUE: NOK 60 MILLION EXCL. VAT.

HOLEN SCHOOL BERGEN

Bergen Municipality will build a new primary school in Laksevåg. AF Decom was commissioned for the environmental clean-up and demolition of the former primary and lower secondary school. The assignment consisted of complete demolition of 7,500 m^2, selective demolition of 2,000 m^2 protected buildings, clean-up of 2,100 tonnes of contaminated plant growth and earth, as well as the construction of a new access road for residents in the area. The project has achieved a recycling rate of 99.8%.

BUSINESS UNIT: AF DECOM
CLIENT: BERGEN MUNICIPALITY
COMPLETION: 2019
CONTRACT VALUE: NOK 16 MILLION EXCL. VAT.

BILLINGSTAD ENERGY PLANT

In the new development at Vestre Billingstad, the developers are joining forces to establish a common energy solution that AF Energi & Miljøteknikk will design, build and operate. AF taking responsibility for both the design and installation, in addition to assuming co-ownership of the plant during the operating phase, will be beneficial for all the parties. The development of the area will take place over 10 years, and the energy plant will also deliver energy during the construction period.

BUSINESS UNIT: AF ENERGI & MILJØTEKNIKK
CLIENT: BILLINGSTAD ENERGI AS
COMPLETION: 2020
CONTRACT VALUE: NOK 31 MILLION EXCL. VAT.

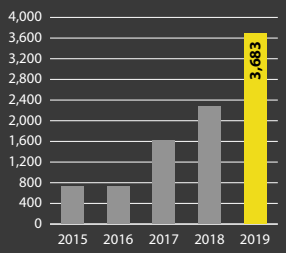
MODUM MUNICIPALITY

AF Energi & Miljøteknikk has carried out around 140 energy conservation measures for 21 buildings in Modum Municipality. In the contract, AF has guaranteed energy savings of 28%, and the measures carried out include the establishment of a heat plant with a heat pump, installation of an automatic energy monitoring system and replacement of lighting to LED technology. The measures will provide overall energy savings of 2.8 GWh per year.

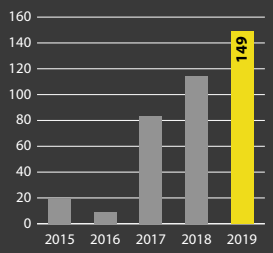
BUSINESS UNIT: AF ENERGI & MILJØTEKNIKK
CLIENT: MODUM MUNICIPALITY
COMPLETION: 2020
CONTRACT VALUE: NOK 28 MILLION EXCL. VAT

SWEDEN

REVENUES NOK MILL.



OPERATING PROFIT NOK MILL.



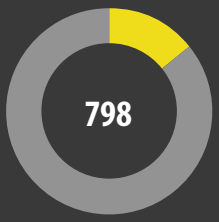
GEOGRAPHIC PRESENCE

- Sweden

KEY FIGURES

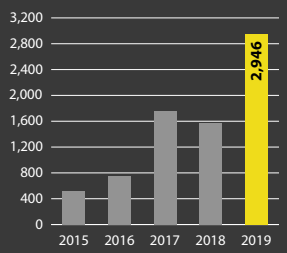
NOK million	2019	2018	2017
Revenue	3,683	2,270	1,611
Operating profit (EBIT)	149	114	83
Earnings before tax (EBT)	146	113	82
Operating margin	4.0%	5.0%	5.2%
Profit margin	4.0%	5.0%	5.1%
Order backlog	2,946	1,578	1,760

EMPLOYEES



AF Gruppen 5,536

ORDER BACKLOG NOK MILL.



SWEDEN CONSIST OF

- Kanonaden Entreprenad
- Pålplintar
- AF Bygg Göteborg
- AF Bygg Syd
- AF Projektutveckling
- AF Härnösand Byggreturer
- HMB

HIGHER LEVEL OF ACTIVITY AND GOOD RESULTS

Sweden reported higher revenues in 2019 as a result of the acquisition of HMB. Sweden delivered good results overall, even though the level of profitability varies between the business units.

AF's Swedish operations in civil engineering, building, property and demolition are combined in the Sweden business area. The geographic area of operation encompasses Gothenburg and Southern Sweden, as well as Stockholm and Mälardalen.

On 2 January 2019, AF Gruppen Sweden completed the acquisition of 70 per cent of the shares in HMB Holding (HMB). HMB builds commercial buildings, residential buildings and public buildings and covers geographically Stockholm/Mälardalen, as well as Dalarna, Västmanland, Uppland and Gästrikland.

The business area consists of the business units Kanonaden, Pålplintar, AF Bygg Göteborg, AF Bygg Syd, AF Projektutveckling, AF Härnösand Byggreturer and HMB.

YEAR 2019 IN BRIEF

Sweden reported revenues of NOK 3,683 million (2,270 million) and earnings before tax of NOK 146 million (113 million) in 2019. This gives a profit margin of 4.0 per cent, compared with 5.0 per cent in 2018.

The level of activity for the operations in Sweden increased by 62 per cent in 2019 compared with 2018. This growth is primarily attributed to the acquisition of HMB, as well as some revenue growth in Kanonaden. Sweden delivered good results overall, even though the level of profitability varies between the business units.

In the Swedish operations, the building units and demolition operations reported good results for the year. The level of activity in both AF Bygg Göteborg and AF Bygg Syd was on par with the previous year in 2019. HMB reported revenues of NOK 1.3 billion in 2019 and delivered a good profit margin for the year. AF Härnösand Byggreturer reported a somewhat lower level of activity in 2019, but continues to deliver strong margins.

In the Swedish construction market, Kanonaden reported a somewhat higher level of activity in 2019 compared with the previous year. The unit delivered good results. Pålplintar reported an increased level of activity in 2019, but delivered negative results. Measures have been implemented to improve the performance of the unit. Pålplintar has decided to discontinue the foundation business and continue the concrete business. Discontinuation of this business had a negative impact on profit of NOK 25 million in 2019.

AF Projektutveckling, AF's property business in Sweden, had no projects in the production phase but several in the development phase in 2019. The unit has a building site inventory (residential units under development) that is estimated at 368 (485) residential units. AF's share of this was 233 (343) residential units.

At the end of 2019, the Sweden business area had an order backlog of NOK 2,946 million (1,578 million).

MARKET OUTLOOK

In 2019, residential property prices for apartments and detached houses increased 5 per cent in Sweden compared with 2018. In the metropolitan areas, prices rose between 4 per cent and 7 per cent in 2019, and the Malmö region showed the highest growth for both apartments and detached houses. In February 2020, the Swedish central bank, Riksbanken, decided to maintain the interest rate at zero. The coronavirus has spread after this, and the Swedish economy will also be impacted negatively. Riksbanken is monitoring the situation closely and has implemented a number of measures since the last interest rate meeting, in order to supply liquidity so that Swedish companies will, for example, still have access to credit. This is taking place at the same time as the Swedish Government is launching crisis packages to help the business sector by easing the layoff regulations and deferring the payment of payroll and value-added taxes, among other things. There is a great deal of uncertainty about how greatly the building and civil engineering markets in Sweden will be impacted by the coronavirus. Before the spread of the virus was known, the Swedish Construction Federation expected a decline of 2 per cent in the building and civil engineering investments in Sweden in 2020. This was after several years of high growth. The largest fall is expected in residential building production. In the new building sector, a decline of 10 per cent is expected in 2020. Civil engineering investments are expected to grow by 4 per cent in 2020. In 2020, this growth will be driven primarily by increased investments in new road projects, as well as railway investments. This indicates that AF's operations in Sweden will see a somewhat hesitant market and stiff competition, where the consequences of the coronavirus will also contribute to a greater degree of uncertainty in the future.

SELECTED PROJECTS

KNIVSTA CENTRE FOR SPORTS AND CULTURE

The Knivsta Centre for Sports and Culture is being constructed as a climate-smart passive house in solid wood. The building has been designed to have a minimal need for heating energy. Heat will be produced internally by the ice machine in the ice hall. The new meeting place in Knivsta will consist of two complete sports halls. There will also be a stage for performing arts that will accommodate an audience of 400, martial arts facilities and an ice hall that will have room for 300 spectators.

BUSINESS UNIT: HMB CONSTRUCTION
CLIENT: KOMMUNFASTIGHETER IN KNIVSTA
COMPLETION: APRIL 2020
CONTRACT VALUE: SEK 350 MILLION EXCL. VAT.

SÖDRA SKOLAN IN FALUN

HMB has been commissioned to build the new Södra School in Falun, and the students will be able to move into the new 6,000 square metre school in the autumn of 2020. The school should feel safe, and therefore the four school buildings have been placed around a courtyard enclosed in glass. If you stand in the middle of the courtyard, you can see the sky. The school also contains sound-insulated music rooms, where future musicians can play without disturbing the other classes.

BUSINESS UNIT: HMB CONSTRUCTION
CLIENT: FALU MUNICIPALITY
COMPLETION: 2020
CONTRACT VALUE: SEK 125 MILLION, EXCL. VAT

KRISTINEHED UPPER SECONDARY SCHOOL IN HALMSTAD

The new, modern Kristinehed Upper Secondary School for students in the vehicle and transport specialisation programme and the building and construction programme opened its doors in September 2019. The school consists of three buildings with a total of 4,800 square metres. The school has classrooms and workshops, machine rooms and a large training area for lorries and heavy machinery. The upper secondary school is part of an initiative to attract more students to the automotive industry.

BUSINESS UNIT: AF BYGG SYD
CLIENT: HALMSTAD MUNICIPALITY
COMPLETION: 2019
CONTRACT VALUE: SEK 88 MILLION, EXCL. VAT

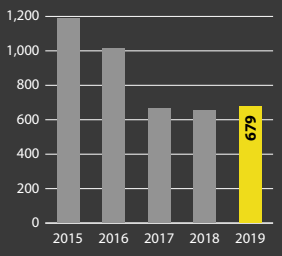
HORNAMOSSEN WIND FARM

The Hornamossen Wind Farm is being built on a plateau west of Vättern in Habo Municipality and will have 10 windmills with a total height of 175 m. The wind farm has been developed by OX2, which develops, builds and manages large-scale wind power in Europe. Kanonaden has been commissioned to build roads, construct the foundation for the power plants and pull cables. The wind farm is expected to start generating electricity in the fourth quarter of 2020.

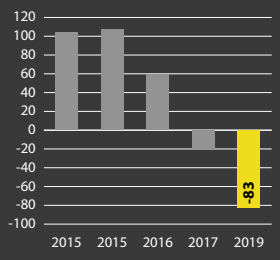
BUSINESS UNIT: KANONADEN ENTREPRENAD
CLIENT: OX2
COMPLETION: 2020
CONTRACT VALUE: SEK 50 MILLION, EXCL. VAT

OFFSHORE

REVENUES NOK MILL.



OPERATING PROFIT NOK MILL.



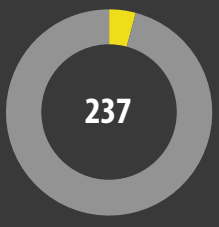
GEOGRAPHIC PRESENCE

- Norwegian and British continetal shelf
- Norway
- UK

KEY FIGURES

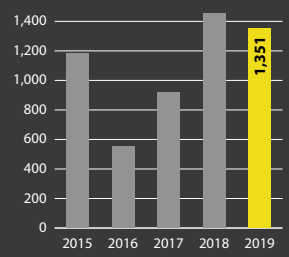
NOK million	2019	2018	2017
Revenue	679	655	664
Operating profit (EBIT)	-83	-21	59
Earnings before tax (EBT)	-94	-27	49
Operating margin	-12.2%	-3.2%	8.8%
Profit margin	-13.9%	-4.1%	7.4%
Order backlog	1,351	1,456	916

EMPLOYEES



AF Gruppen 5,536

ORDER BACKLOG NOK MILL.



OFFSHORE CONSIST OF

- AF Offshore Decom
  AF Offshore Decom UK Ltd.
  AF Miljøbase Vats
- AF AeronMollier

LOW LEVEL OF ACTIVITY AND WEAK PROFITABILITY

The lack of large offshore campaigns, a lower level of production than expected at Vats and the write-down of goodwill impacted the profitability of Offshore in 2019. AF AeronMollier reported positive results for 2019.

AF has varied activities aimed at the oil and gas industry. Our services range from new construction and modification of climate control systems (HVAC) for the offshore and marine markets, to the removal and recycling of offshore installations. AF has a state-of-the art facility for environmental clean-up at Vats.

Offshore consists of the business units AF AeronMollier and AF Offshore Decom with subsidiaries.

YEAR 2019 IN BRIEF

The Offshore business area reported revenues of NOK 679 million (655 million) for 2019. Earnings before tax were NOK -94 million (-27 million). This gives a profit margin of -13.9 per cent, compared with -4.1 per cent in 2018.

AF Offshore Decom reported a low level of activity in 2019 and delivered negative results. The unit's revenues and profitability largely depend on the timing of offshore campaigns, as well as the level of activity at the Environmental Base at Vats. The unit did not have any major offshore campaigns in 2019 but prepared for upcoming offshore campaigns and demolition at Vats. An effort is being made to win more projects, but the market for the removal of offshore installations is marked by strong competition. AF Offshore Decom has several platform structures at Vats, but lower than expected production for the year impacted profitability. A large portion of the order reserve is related to demolition at Vats in 2021.

The unit has recently assembled a new management team and several strategic initiatives are underway to maintain and improve the unit's competitiveness in the future. In 2019, AF Gruppen has taken a strategic position in the offshore market. AF Offshore Decom has established the company Fairfield Decom in partnership with Heerema Marine Contractors (HMC) and Decom Energy. The new business combines Decom Energy's knowledge and experience with AF and HMC's expertise in offshore removal and recycling. The goal is to create a unique player that can offer comprehensive solutions for late-life operations and removal and recycling jobs on the British continental shelf. Fairfield Decom is headquartered in Aberdeen.

AF AeronMollier reported significant revenue growth in 2019 and positive results for the year, both in the marine and offshore sectors. In the marine sector, the unit can report a number of deliveries in the marine electrification sector, while large deliveries were made to Johan Sverdrup and Johan Castberg in the offshore sector.

At year end, the Offshore business area had an order backlog of NOK 1,351 million (1,456 million).

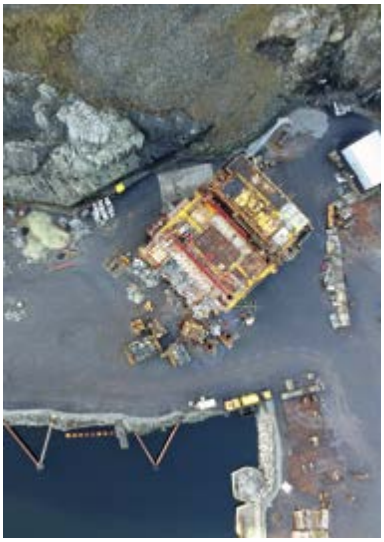
MARKET OUTLOOK

The market for the removal of offshore installations is marked by strong competition and few demolition projects to be carried out in the short term. Estimates from the British industry organisation Oil & Gas UK show, however, that an increased volume for the demolition and removal of end of life oil installations is expected going forward. In the 2019 to 2028 period it is expected that more than 1,200,000 tonnes of top deck must be removed in the North Sea. This concerns the British, Norwegian, Danish and Dutch sectors.

For AF's offshore activities within climate control (HVAC), as well as maintenance and modifications, the market conditions are still challenging, but growth is expected within some cruise and passenger vessel segments. Electrification of the marine sector also affords interesting opportunities.

Oil prices have fallen significantly in 2020. Saudi Arabia and Russia disagree on limiting oil production, which is thus increasing despite of low demand due to the coronavirus outbreak. Lower oil prices will in isolation contribute to reduced profitability and a lower willingness to invest among the oil companies. Such uncertainty in the oil industry may in particular impact AF's HVAC activities, as well as maintenance and modification.

SELECTED PROJECTS



AF MILJØBASE VATS

Decommissioned platforms are disassembled and source separated at AF Miljøbase Vats in Rogaland. Up to 98% of the steel from the platforms is recycled, including the reinforcement steel. In 2019, 21.800 tonnes of steel were recycled, and several new contracts were signed that will generate activity at the facility from 2020. The environmental base is Europe's most modern of its kind, and the work here complies with strict safety and environmental requirements.

BUSINESS UNIT: AF OFFSHORE DECOM
OPERATIONS: FROM 2009

DUNLIN

AF has signed a contract with Fairfield Betula Ltd. in a consortium with Heerema Marine Contractors (HMC) related to the removal and recycling of the Dunlin Alpha topsides in the British sector of the North Sea. The contract encompasses the Engineering, Preparations, Removal and Disposal (EPRD) of the platform with a total weight of approximately 20,000 tonnes. The platform will be removed and recycled during the period from 2021 to 2024.

BUSINESS UNIT: AF OFFSHORE DECOM
CLIENT: FAIRFIELD BETULA LIMITED
COMPLETION: 2024
CONTRACT VALUE: NOT STATED

FJORD 1

Ventilation and air conditioning (HVAC) is one of the largest consumers of energy on cruise and passenger ships. For Havyard Ship Technology, AF AeronMollier will deliver HVAC systems to ten new electric Fjord 1 ferries. The system is based on a proprietary system, the Aeron Energy Recovery System (AERS), which utilises energy from seawater and technical equipment whenever possible, so that the consumption of energy is significantly reduced.

BUSINESS UNIT: AF AERONMOLLIER
CLIENT: HAVYARD SHIP TECHNOLOGY
COMPLETION: FEBRUARY 2020
CONTRACT VALUE: NOK 40 MILLION EXCL. VAT

JOHAN SVERDRUP, PHASE 2

Johan Sverdrup is among the five largest oilfields on the Norwegian continental shelf. With expected resources of 1.9–3.0 billion barrels of oil, the field will be one of the most important industrial projects in Norway over the next 50 years. Good ventilation and cooling are important safety factors on a platform, and AF AeronMollier has been a key supplier of all the ventilation equipment for all the platforms, as well as the onshore facilities.

BUSINESS UNIT: AF AERONMOLLIER
CLIENT: EQUINOR
COMPLETION: FEBRUARY 2020
CONTRACT VALUE: NOK 80 MILLION EXCL. VAT.

ICH SPRECHE
DEUTSCH
JEG SNAKKER
NORSK

RECREATING THE ORIGINAL CRAFTSMANSHIP OF "BOTSEN" (OSLO PRISON)

On the roof of Oslo Prison, Block A, Thorendahl AS has carried out an extensive rehabilitation project. 5,400 square metres of the roof have been replaced, and the cornice has been pargeted. The prison building, better known as "Botsen" was built around 1850 and is a protected historic building. All the tinsmithing, carpentry and masonry work was carried out by special craftsmen based on historical principles. Thomas is the site manager and has extensive experience from demanding historical projects. He and the other craftsmen have faithfully carried out the carpentry work for the roof structures and masonry work to restore the original pargeted cornice.

Rehabilitation of "Botsen" prison in Oslo.

SHAREHOLDER INFORMATION

80 CORPORATE MANAGEMENT TEAM
82 BOARD OF DIRECTORS
84 CORPORATE GOVERNANCE
86 THE SHARE

CORPORATE MANAGEMENT TEAM

MORTEN GRONGSTAD

(1975)
CEO

Morten Grongstad was employed by AF in 2012 and was the Executive Vice President for Property and Building before he was appointed CEO in 2015. He was formerly the CEO of Fornebu Utvikling, and he has experience from Orkla Eiendom and McKinsey. Morten Grongstad has an advanced degree in economics (siviløkonom) from the BI Norwegian Business School. He owns 231,193 shares and 35,922 options in AF Gruppen ASA as at 31 December 2019.

SVERRE HÆREM

(1965)
CFO

Sverre Hærem has been the CFO of AF since 2007. During the period from 2012 to 2013, he was also the Executive Vice President for the Energy business area. He has previously been the CFO of Fjord Seafood ASA and CFO of Dyno. Sverre Hærem has an advanced economics degree (siviløkonom) from BI Norwegian Business School. He owns 128,557 shares and 24,918 options in AF Gruppen ASA as at 31 December 2019.

IDA AALL GRAM

(1977)
Executive Vice President

Ida Aall Gram became a part of the corporate management team on 1 January 2019 and is responsible for the Property business area in Norway. She came to AF as a portfolio director for AF Eiendom in 2017. She has previous experience from Gyldendal, Orkla Eiendom and McKinsey and has an advanced degree in economics (siviløkonom) from BI Norwegian Business School. She owns 3,094 shares and 12,723 options in AF Gruppen ASA as at 31 December 2019.

EIRIK WRAAL

(1979)
Executive Vice President

Eirik Wraal is responsible for the Energy & Environment business area and corporate social responsibility at AF Gruppen. He came from the position of head of AF Decom and has been with AF since 2004. Eirik Wraal has also held various operational roles in AF's environmental business and has an advanced engineering degree (sivilingeniør) from the Norwegian University of Science and Technology (NTNU). He owns 30,138 shares and 21,970 options in AF Gruppen ASA as at 31 December 2019.

GEIR FLÅTA

(1978)
Executive Vice President

Geir Flåta joined the Corporate Management Team on 1 March 2019 and is responsible for the wholly owned business activities in the Building business area. He comes from the position of Director for AF Nybygg and has broad project and managerial experience from building and civil engineering activities at AF. Flåta has an MBA from the Norwegian School of Economics (NHH) and an advanced engineering degree from the Norwegian University of Science and Technology (NTNU). He owns 200 shares and 17,720 options in AF Gruppen ASA as at 31 December 2019.

BÅRD FRYDENLUND

(1968)
Executive Vice President

Bård Frydenlund is responsible for Personnel and Organisation and Bygg Sør-Vest. He has been with AF as the Personnel Director since 2000, and he has held various roles in Personnel and Organisation. Bård Frydenlund has a degree in economics (diplomøkonom) and Master of Management from BI Norwegian Business School. He owns 140,611 shares and 21,970 options in AF Gruppen ASA as at 31 December 2019.

AMUND TØFTUM

(1978)
Executive Vice President

Amund Tøftum is responsible for the Offshore business area and for part-owned companies in the Building business area. He came from the position of project director at AF Offshore Decom. He has experience from business development and various operational roles in Civil Engineering and Offshore at AF. Amund Tøftum has an advanced engineering degree (sivilingeniør) from the Norwegian University of Science and Technology (NTNU) and has worked at AF since 2005. He owns 82,761 shares and 21,970 options in AF Gruppen ASA as at 31 December 2019.

ARILD MOE

(1965)
Executive Vice President

Arild Moe is responsible for the Civil Engineering business area. He has held various managerial positions at AF and has been employed by the company since 1990. Arild Moe holds a degree in construction and civil engineering from Oslo University College and a degree in business economics from the University of Agder. He owns 263,668 shares and 24,152 options in AF Gruppen ASA as at 31 December 2019.

BOARD OF DIRECTORS

PÅL EGIL RØNN

(1968)
Board chairman

Pål Egil Rønn was the CEO of AF Gruppen from 2007 to 2015. He has held various managerial positions at AF Gruppen since 1999. His other board positions include Bouvet AS, Sparebank 1 Gudbrandsdalen, Eidsiva Energi AS and Øster Hus Gruppen AS. He has an advanced engineering degree (sivilingeniør) and doctorate from the Norwegian University of Science and Technology (NTNU).

HEGE BØMARK

(1963)
Board Member

Hege Bømark has a background as a financial analyst at Fearnley Finans (Fonds) AS and Orkla Finans (Fondsmegling) AS. Past board positions have included Norwegian Property ASA, Fornebu Utvikling ASA and BWG Homes ASA, and she is currently a board member of Europris ASA, Union Eiendomsinvest Norge AS and OBOS-banken AS. She has an advanced economics degree (siviløkonom) from the Norwegian School

KRISTINA ALVENDAL

(1972)
Board Member

Kristina Alvendal is the CEO and owner of a property development company, and the former CEO of Airport City Stockholm AB. Alvendal has had a long political career in Stockholm, including as Deputy Mayor of Stockholm with responsibility for urban and property development. She also sits on a number of boards. She is a lawyer with specialisation in English law.

KENNETH SVENDSEN

(1973)
Board Member

Kenneth Svendsen is an employee representative on the Board of Directors. Has been with AF Gruppen since 1998 and has had various roles within the company, including surveying supervisor, operations manager and project manager. He is currently a Division Director at AF Anlegg. He has a degree in construction and civil engineering from Narvik University College.

KRISTIAN HOLTH

(1984)
Board Member

Kristian Holth has a background as the CFO of KB Gruppen AS and Contiga AS. He also has experience from McKinsey & Company. Other board positions include Gunnar Holth Grusforretning AS, Vestlandsentreprenøren AS and BRG Entrepenør AS. He has an advanced engineering degree (sivilingeniør) in industrial economics from the Norwegian University of Science and Technology (NTNU).

HILDE WIKESLAND FLAEN

(1983)
Board member

Hilde Wikesland Flaen is an employee representative on the Board of Directors. She has been employed by AF Gruppen since 2008 and has varied experience as a project engineer, operation supervisor, site manager and contract manager at AF Anlegg. She has an advanced engineering degree (sivilingeniør) in structural engineering and architecture from UMB.

ARNE SVEEN

(1970)
Board member

AArne Sveen is an employee representative on the Board of Directors. He has worked for AF since 1999, as the chief employee representative and chief safety representative for the past thirteen years, with responsibility for the Collective Agreement for Building Trades. Previously, he worked as a crane operator/site preparation worker for AF Bygg Oslo.

BORGHILD LUNDE

(1965)
Board Member

Borghild Lunde is a member of the corporate management team and the director of business development and purchasing at Aibel AS. Borghild has previously had a long career with management positions in the oil, gas and chemical operations at ABB in Norway and internationally. She has an advanced engineering degree (sivilingeniør) from the Norwegian University of Science and Technology (NTH).

ARNE BAUMANN

(1962)
Board Member

Arne Baumann is an Executive Vice President of OBOS Boligutvikling in Norway and Sweden. He has worked for OBOS since 2002 and has broad experience from residential development and the development and management of commercial buildings. He has an advanced degree in economics (siviløkonom) from the BI Norwegian Business School and holds an MBA from the University of Wisconsin-Madison.

KJETEL DIGRE

(1969)
Board Member

Digre is the COO and Senior Vice President Operations and Asset Development at Aker BP, where he has worked with new technology and digitalisation of the Norwegian Continental Shelf, in addition to operations and field development. He has had a long senior management career, in which he has led major offshore projects for Equinor, such as the Johan Sverdrup and Gjøa prospects. He has a MSc in Subsea Engineering from Heriot-Watt University.

CORPORATE GOVERNANCE

AF Gruppen is a value-based company with a strong culture. AF Gruppen's values together with the principles for risk management and internal control make up the cornerstones of corporate governance.

KEY EVENTS IN 2019

Work on the implementation of a corporate strategy for 2017–2020 has been an important item for the Board of Directors in 2019 as well. The strategy highlights four principal initiatives for AF's work: organic and structural growth, customer and partner relations, creativity and innovation, as well as management capacity and technical expertise.

In accordance with the Group's strategy, the Corporate Management Team has considered several potential acquisitions in 2019 and carried out two acquisitions. On 2 January 2019, AF acquired 70 per cent of the shares in the Swedish building contractor HMB Holding AB (HMB). On 31 October, AF and the management of Betonmast completed the acquisition of the building contractor Betonmast, which has operations in Norway and Sweden. The transaction was the largest in the history of AF Gruppen.

The Board of Directors has worked on new financing facilities with DNB og Handelsbanken in the amount of NOK 3,000 million in 2019. The financing of AF Gruppen shall be robust in relation to market-related and operational fluctuations and support the growth strategy. The new facilities replace the previous facilities in the amount of NOK 1,880 million.

WORK OF THE BOARD OF DIRECTORS

Good corporate governance is the responsibility of the Board of Directors. The Board of Directors annually reviews AF Gruppen's principles and code of practice for corporate management and prepares a statement in accordance with the Norwegian Code of Practice of 17 October 2018, cf. www.nues.no.

The Board has an established annual plan for its work. The annual plan includes a review of risk areas and internal control, as well as the approval of the strategy, interim financial statements, annual financial statements and budget. In addition, our core values, guidelines for ethics and social responsibility and organisational structure will be reviewed.

In addition to the regular items, the Board of Directors considers all potential acquisitions, site investments and contract tenders with a contract sum in excess of NOK 600 million. The tenders are considered, for example, on the basis of strategic, financial and organisational criterias, and important risk factors are highlighted in particular. Contracts with a lower contract sum are also considered by the Board of Directors if the risk situation or other factors so indicate. In 2019, the Board of Directors considered nine tenders before they were submitted.

BOARD OF DIRECTORS

Members	Number of shares [1]	Attendance record
Pål Egil Rønn (Chairman)	207,225	11/11
Arne Baumann	17,053,686	11/11
Kristian Holth	15,491,531	11/11
Hege Bømark	-	11/11
Borghild Lunde	26,048	10/11
Kjetel Rokseth Digre	-	8/8
Kristina Alvendal	-	8/8
Kenneth Svendsen	90,370	11/11
Hilde W. Flaen	25,527	8/8
Arne Sveen	-	11/11

[1] *Number of shares owned as at 31 December 2019 includes shares that belong to the immediate family and companies in which the individual has a controlling influence.*

BOARD'S AUDIT COMMITTEE
Hege Bømark (Chairman)
Borghild Lunde
Kjetel Rokseth Digre

BOARD'S REMUNERATION COMMITTEE
Pål Egil Rønn (Chairman)
Kristian Holth
Arne Baumann
Kristina Alvendal

NOMINATION COMMITTEE
Roar Engeland (Chairman)
Marianne E. Johnsen
Roy G. Holth
Peter Groth

EXTERNAL AUDITOR
PricewaterhouseCoopers AS

The complete statement of corporate governance is available at afgruppen.no

AF'S COMPLIANCE WITH THE NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE

Section of the Norwegian Code of Practice for Corporate Governance		Deviation from the Code of Practice
1	Statement of corporate governance	No deviation
2	Activities	No deviation
3	Share capital and dividends	No deviation
4	Equal treatment of shareholders and transactions with related parties	No deviation
5	Negotiability	No deviation
6	General Meeting	One deviation, see the text below
7	Nomination Committee	Two deviations, see the text below
8	Corporate Assembly and Board of Directors – composition and independence	No deviation
9	Work of the Board of Directors	No deviation
10	Risk management and internal control	No deviation
11	Directors' fees	No deviation
12	Remuneration of executive personnel	One deviation, see the text below
13	Information and communication	No deviation
14	Company takeover	No deviation
15	Auditor	No deviation

DEVIATIONS FROM THE NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE

In the opinion of the Board of Directors, AF Gruppen has deviations from three of the sections in the Code of Practice:

Section 6. General Meeting
AF Gruppen has two deviations from the Code of Practice for this section. The General Meeting is not chaired by an independent chairperson, but by the Board Chairman. The fact that the General Meeting shall be chaired by the Board Chairman in stipulated in the Articles of Association. The need for an independent chairperson has not been considered necessary either based on the items that are reviewed at the General Meeting and a limited degree of disagreement among the shareholders.

The second deviation from this section is the fact that not all the board members attend the General Meeting. The Board of Directors considers it adequate that the Board Chairman, Chairmen of the Audit Committee and Chairman of the Compensation Chairman are present. Other board members will attend as required.

Section 7. Nomination Committee
AF Gruppen has one deviation from the Code of Practice for this section. The majority of the Nomination Committee is not independent of the Board of Directors.

Section 12. Remuneration of executive personnel
AF Gruppen has one deviation from the Code of Practice for this section. There is no ceiling for performance-related remuneration for employees. This has been adopted by the Board of Directors with the aim that employees, in the same manner as the owners, shall have an opportunity to share in the creation of value without limitation.

THE SHARE

The year 2019 was a very good year for AF Gruppen's shareholders. The AF share yielded a total return of 40.3 per cent in 2019.

The AF share price increased 33.3 per cent in 2019 and ended the year 2019 with a closing price of 176.00, compared with a closing price of 132.00 in 2018. Adjusted for a dividend of NOK 8.50 per share, this gives a total return of 40.3 per cent for 2019. During the same period, the Oslo Børs Benchmark Index rose 16.5 per cent.

HISTORY

AF Gruppen was established in 1985 and was listed on 8 September 1997. The shares in AF Gruppen are listed on the Oslo Børs OB Match List and trade under the ticker symbol AFG. There is only one class of shares, and all the shares carry voting rights. The shares are included in the total index, benchmark index, fund index and Mid Cap index.

AF Gruppen is among the shares on Oslo Børs that have yielded the highest return over time for its shareholders. Over the last five years, the AF share has yielded a return of 201.5 per cent, including dividends. This corresponds to an average annual return of 24.7 per cent. In comparison, the Oslo Børs Benchmark Index rose 61.7 per cent over the last five years, which corresponds to an average annual return of 10.1 per cent.

AF Gruppen's goal is to create value for shareholders through a competitive return relative to comparable investment alternatives. This return will be a combination of dividends and share price appreciation.

DIVIDEND

A total of NOK 8.50 per share was paid in 2019 for the 2018 financial year. The company paid a dividend of NOK 3.50 per share in November 2019, in addition to a dividend of NOK 5.00 per share that was distributed in May 2019.

The Board proposes a dividend of NOK 6.00 per share for the 2019 financial year for distribution in the first half of 2019 to the General Meeting. The dividend will be distributed on 27 May to the shareholders of record as at 19 May 2020.

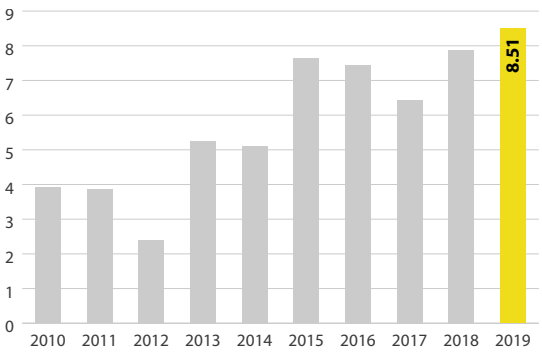
Dividends are paid out up to twice a year if the company's earnings are able to justify such. Distribution will preferably take place after the Annual General Meeting and after presentation of the quarterly results for the 3rd quarter.

Over time, AF Gruppen should provide its shareholders with a competitive return. Provided that the underlying performance is satisfactory, AF Gruppen assumes that dividends will be stable and, preferably, rise in the future. The Board evaluates the company's liquidity and possible strategic transactions before proposing a dividend to the General Meeting. The intention over time is to distribute a minimum of 50 per cent of the profit for the year as dividend.

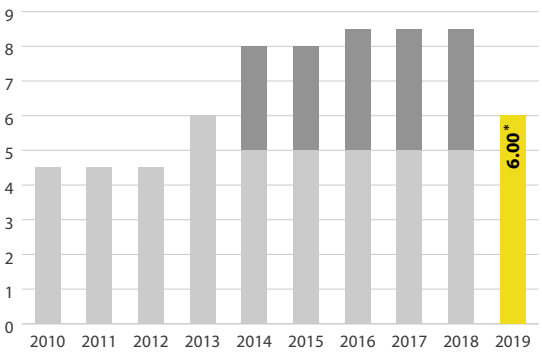
SHARE CAPITAL AND SHAREHOLDER COMPOSITION

At the end of 2019, the share capital totalled NOK 5,153,263.85, divided into 103,065,277 shares, each

EARNINGS PER SHARE (NOK)



DIVIDEND PER SHARE (NOK)

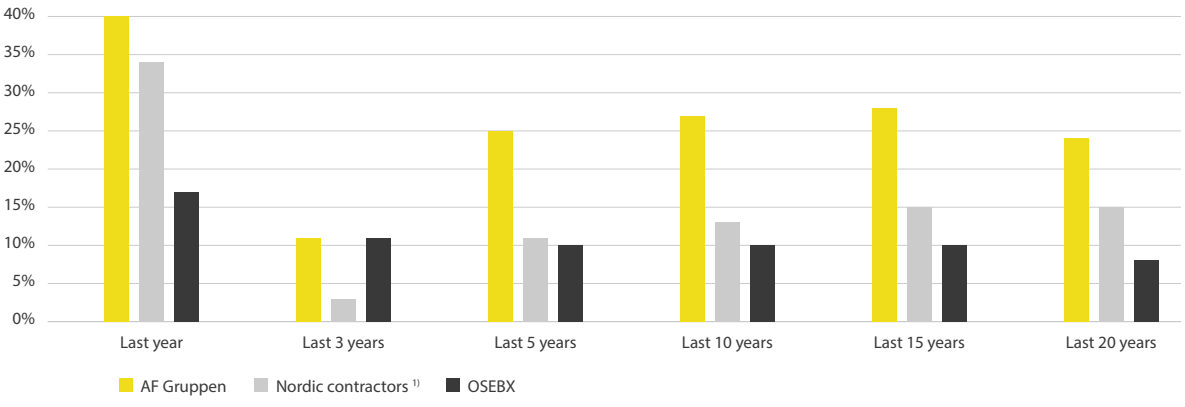


** Proposed, not adopted dividend for 1st half-year 2020*

Key figures for the share	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Key figures for the share	18,139	13,069	13,078	14,463	12,929	7,009	5,578	4,578	3,556	2,845
Number of shares traded (1,000)	6,537	4,360	8,137	6,690	10,370	7,102	2,559	2,568	2,095	2,969
Total number of shares as at 31/12 (Mill.)	103.07	99.01	97.96	93.61	92.68	88.72	82.33	81.38	80.81	71.12
Number of shareholders as at 31/12	3,582	3,303	3,158	2,737	2,575	1,815	1,494	1,407	1,254	914
Share prices as at 31/12	176.00	132.00	133.50	154.50	139.50	79.00	67.75	56.25	44.00	40.00
– High	185.00	142.00	162.00	164.50	139.50	82.00	72.00	59.25	53.00	43.00
– Low	135.50	118.50	122.00	120.00	77.25	66.50	54.75	41.50	38.60	32.60
Earnings per share (NOK)	8.51	7.88	6.43	7.44	7.64	5.11	5.26	2.40	3.83	3.92
Diluted earnings per share (NOK)	8.46	7.88	6.43	7.29	7.50	5.09	5.11	2.37	3.83	3.82
Dividends per share (NOK)	6.00*	8.50	8.50	8.50	8.00	8.00	6.00	4.50	4.50	4.50
Distribution ratio	70.6%	107.9%	132.2%	114.2%	104.7%	156.6%	114.1%	187.5%	117.5%	114.8%
Direct return	6.4%	6.4%	5.5%	5.7%	10.1%	8.9%	8.0%	10.2%	11.3%	11.3%
Share's total return	40.3%	5.6%	-8.1%	16.5%	86.7%	25.5%	28.4%	38.1%	21.3%	37.1%
Return on equity (ROE)	43.7%	45.4%	35.8%	43.3%	43.8%	34.3%	38.4%	19.0%	28.5%	37.6%
Share price /earnings per share (P/E)	20.7	16.8	20.8	20.8	18.3	15.5	12.9	23.4	11.5	10.2
Share price / equity per share (P/B)	6.1	6.2	6.3	7.4	7.1	4.7	4.2	3.8	2.7	2.9
Return on average capital employed (ROaCE)	38.2%	53.9%	42.7%	54.2%	53.6%	38.7%	45.7%	24.8%	35.9%	36.0%
Enterprice value / EBIT (EV/EBIT)	13.7	12.5	12.8	13.4	12.2	11.2	8.5	13.5	8.0	6.2
Enterprice value /Invested capital (EV/CE)	4.4	6.3	5.4	6.7	6.4	3.9	3.4	3.3	2.1	2.2

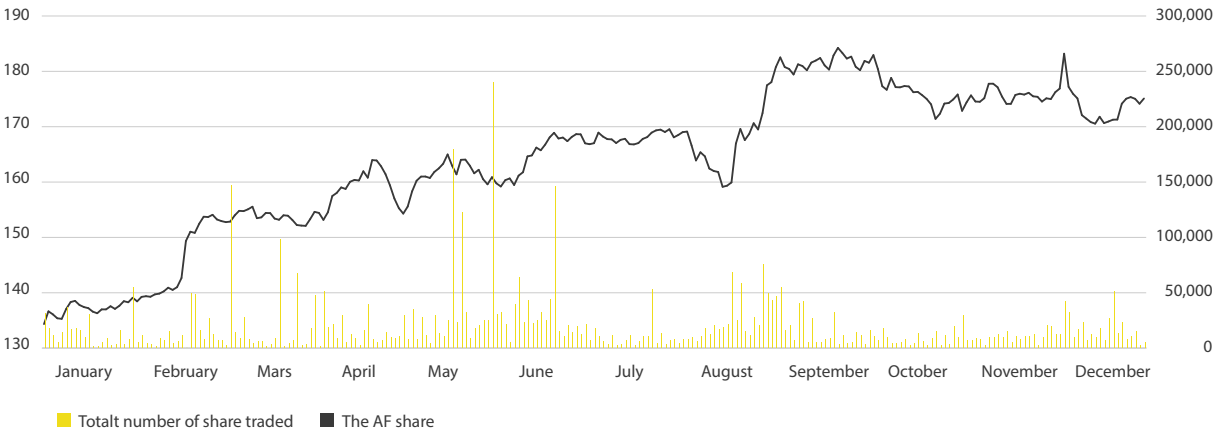
** Proposed, not adopted dividend for payment 1st half-year 2020*

ANNUAL TOTAL RETURN AS AT 31 DECEMBER 2019



1) Unweighted avarage of competing nordic contractors (local currency)

GRAPH FOR THE AF SHARE FOR 2019



with a nominal value of NOK 0.05. The share capital increased by NOK 202,805 and 4,056,098 shares in 2019 in connection with four new share issues. The new share issues were carried out in connection with the share programme for employees (544,608 shares), acquisition of HMB (736,911 shares) and acquisition of Betonmast (2,284,409 shares). In addition to the private offering in connection with the acquisition of Betonmast, a repair issue was adopted, in which 490,170 new shares were issued.

We gained even more shareholders in 2019, and AF Gruppen had 3,582 (3,303) shareholders at the end of the year. Nearly 1,400 of these shareholders are employees of AF. The ten largest shareholders own 67.3 per cent of the shares, and OBOS is the largest shareholder this year as well, with a total ownership interest of 16.5 per cent (18.2 per cent). Employees of AF own approximately 12.1 per cent (14.2 per cent) of the shares, and 93.5 per cent (94.3 per cent) of the shares are owned by Norwegian shareholders.

The greatest changes among the largest shareholders in 2019 was the National Insurance Scheme Fund (Folketrygdfondet) increasing its ownership stake from 7.3 per cent to 9.3 per cent, while OBOS BBL reduced its ownership stake from 18.3 per cent to 16.6 per cent. There have been no significant changes among the other major shareholders.

The buyback of shares will be considered on an ongoing basis in light of the company's alternative investment options, financial situation and need for treasury shares in connection with the sale of shares to employees, options programme, bonus programme and acquisitions. AF Gruppen has been authorised by the General Meeting to buy up to 10 per cent of the shares outstanding.

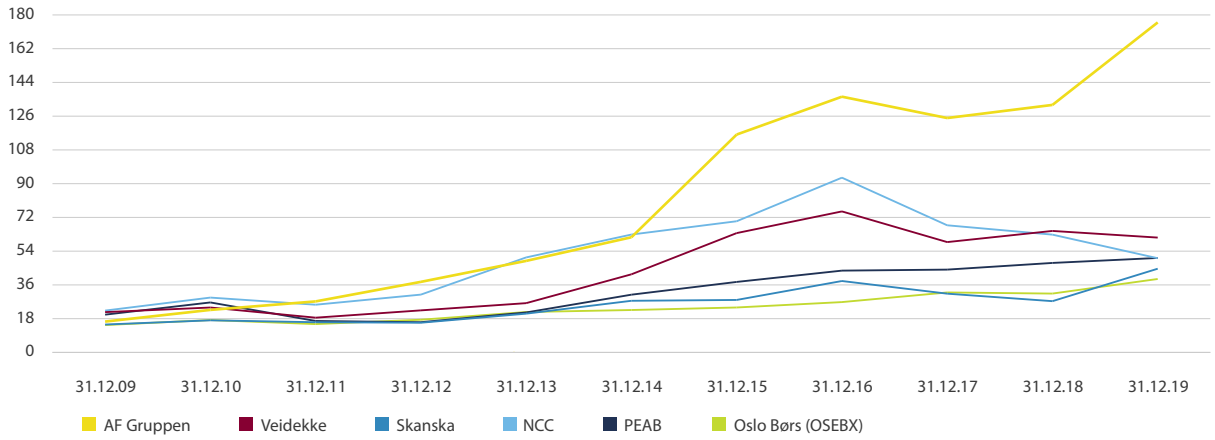
LIQUIDITY

The share's liquidity is low, but has improved somewhat in recent years. Over the last five years, the turnover rate has ranged from 5 to 10 per cent. In 2019, the rate was

Shareholders	Number of shares 31/12/2019	% of total 31/12/2019
OBOS BBL	17,053,686	16.55%
ØMF Holding AS	15,598,182	15.13%
Constructio AS	14,470,022	14.04%
Folketrygdfondet	9,588,821	9.30%
LJM A/S	2,515,217	2.44%
Artel II AS	2,508,267	2.43%
Landsforsakringar Fastighetsfond	2,367,125	2.30%
Vito Kongsvinger AS	1,911,676	1.85%
Arne Skogheim AS	1,753,870	1.70%
Staavi, Bjørn	1,627,000	1.58%
Moger Invest AS	1,292,609	1.25%
Janiko AS	1,217,186	1.18%
Flygind AS	1,021,509	0.99%
KLP AksjeNorge Indeks	663,453	0.64%
Stenshagen Invest AS	609,977	0.59%
Eriksson, Erik Håkon	560,000	0.54%
Landkreditt Utbytte	500,000	0.49%
Regom Invest AS	451,394	0.44%
Nordea Bank Abp	446,410	0.43%
Riddervold, Esben Adolf	400,000	0.39%
Total 20 largest	**76,556,404**	**74.28%**
Total other	26,485,577	25.70%
Own shares	23,296	0.02%
Total other shares	**103,065,277**	**100.00%**

Number of shares	Number of owners	Per cent
1–100	952	0.03%
101–500	626	0.17%
501–1,000	360	0.28%
1,001–5,000	829	2.01%
5,001–10,000	341	2.29%
10,001–100,000	400	10.90%
100,001–1,000,000	61	13.56%
> 1,000,000	13	70.76%
	3,582	**100.00%**

GRAPH FOR THE PRICE PERFORMANCE FOR THE LAST 10 YEARS COMPARED WITH COMPETING CONTRACTORS AND THE OSLO STOCK EXCHANGE



Oslo Stock Exchange and competing contractors rebased, 31 December 2018 =8,85
Local currency, total return

6.5 per cent. In 2019, a total of 6,536,917 (4,360,432) shares were traded on the stock exchange. The AF share was traded on 249 out of 249 possible trading days, and the average turnover for each trading day was 26,253 (17,512) shares. Of the 6.54 million shares that were traded on the stock exchange in 2019, AF Gruppen itself accounted for 23,034 (273,623) shares, corresponding to 0.4 (6.3) per cent of the total turnover. These are shares the company bought on the stock exchange for use in the share and bonus programmes for employees.

SHARE AND OPTION PROGRAMME

Employees of AF Gruppen have an opportunity to buy shares through the share programme at a discount of 20 per cent on the current market price. In addition, the company has an option programme that is offered to all employees.

Through the share programme in 2019, 544 employees subscribed for a total of 677,311 shares at a price of NOK 128.8 per share (after the 20 per cent discount). After authorisation by the General Meeting, the Board of Directors issued 544,608 new shares. The remaining shares were transferred from the holding of treasury shares.

AF Gruppen has had an option programme for all employees in the Group since 2008, and in May 2017 a new option programme was adopted by the General Meeting. The maximum number of options that could be allotted was 3,500,000, with an option premium of NOK 1 per option, and the programme entails annual allotments in 2017–19 and an exercise date in March 2020. The purchase price for the shares was based on the average market price for the week prior to the respective subscription periods, adjusted for dividends during the period up to redemption in excess of 50 per cent of the earnings per share. In order to exercise the options, it was a condition that one was employed by the Group on 1 March 2020.

AF Gruppen issued 3,325,000 options to 1,537 employees in 2017, 175,000 options to 134 employees in 2018 and 220,959 options to 185 employees. The total number of outstanding options, adjusted for employees who have left the company, was 3,151,893 as at 31 December 2019. Of these options, approximately 2,200,000 options were redeemed in March 2020. It is expected that the new issue related to the option programme will be carried out in April 2020.

Analyst coverage table	Telephone
ABG Sundal Collier	+47 22 01 60 98
Carnegie	+47 22 00 93 54
DNB Markets	+47 24 16 92 09
KeplerCheuvreux	+46 8 723 51 75

INVESTOR RELATIONS

Our goal is that all investors and other stakeholders shall have access to the same financial information on the company at all times. We assign high priority to contact with the stock market and desire an open dialogue with the market players.

The information provided by AF Gruppen shall ensure a valuation of the share that is as correct as possible. Information that may affect the price of the shares will be disclosed through stock exchange announcements to Oslo Børs and on the company's website.

We hold public presentations of our quarterly and annual results, and the presentations are transmitted directly by webcast. Webcasts are available on the websites of both Oslo Børs and AF (afgruppen.no/investor). In addition, the company maintains ongoing contact with investors and analysts. The company's website provides a list of the analysts that follow the AF share.

The company follows Oslo Børs' recommendation for reporting IR information. Sverre Hærem, Executive Vice President/CFO, is responsible for investor relations.

LAB
Tale Kleveland Spiten
LAB

FEARLESS AND HUMBLE IN THE MANAGER ROLE

Tale was a newly qualified engineer when she knocked on LAB's door and asked about job opportunities. LAB responded with great challenges and a good support system. She is now managing the Skjoldnes apartment project outside of Bergen. Tale feels that she receives good support from the client and mentors at LAB who want her to succeed.
A management development programme at AF ensures that young and talented employees with an ability and willingness to manage are given an opportunity for further development. Tale tackles her role as a manager with a fearless attitude and great humility:

"The support system has really made be feel secure. The threshold for asking for advice is low at LAB. Colleagues who have worked in the industry for a lifetime are happy to share their expertise."

BOARD OF DIRECTORS' REPORT

94 BOARD OF DIRECTORS' REPORT

Apartment project
Skjoldnes outside of Bergen.

BOARD OF DIRECTORS' REPORT 2019

AF Gruppen delivered solid results for 2019. Revenues increased 20.5 per cent to NOK 22,612 million, and the profit margin for the year was 5.8 per cent. With a robust organisation and strong financial position, the Board of Directors is of the opinion that AF is well-positioned to maintain its level of activity in the coming year.

OPERATIONS

AF Gruppen is one of Norway's largest contracting and industrial groups and is listed on Oslo Børs under the ticker symbol AFG. Ever since the company was established in 1985, the AF organisation has relied on its own execution capabilities and expertise to solve complex tasks. The entrepreneurial spirit of AF is distinguished by a willingness to think differently and to seek better, more future-oriented ways of creating value.

AF Gruppen has seven business areas: Civil Engineering, Building, Betonmast, Property, Energy and the Environment, Sweden and Offshore. The head office is in Oslo.

AF GRUPPEN'S VISION

Clearing away the past and building for the future.

MISSION

AF Gruppen shall create value and opportunities through project activities with an uncompromising attitude towards safety and ethics.

EXPLANATION OF THE FINANCIAL STATEMENTS

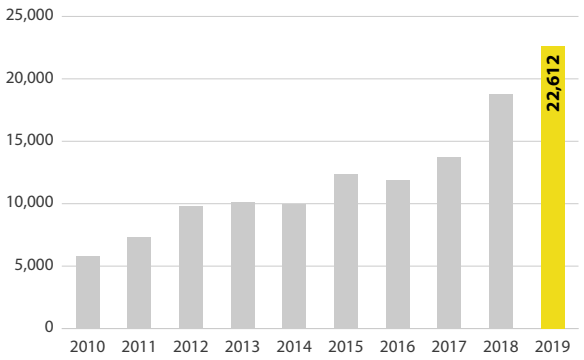
The financial statements of AF Gruppen have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements for the parent company, AF Gruppen ASA, have been prepared in accordance with simplified IFRS. The Board of Directors is of the opinion that the annual financial statements provide an accurate and fair picture of the financial results for 2019 and financial position as at 31 December 2019. In accordance with the requirements in the Norwegian accounting legislation, the Board of Directors confirms that the prerequisites have been met for preparation of the accounts under the assumption that the company will continue as a going concern and that the accounts have been prepared under this assumption. After the end of the year, the coronavirus pandemic, and the associated government actions have led to a dramatic change in the framework conditions for our business activities. The Board and management will at all times consider the measures necessary to ensure the sound operation of AF Gruppen.

The Board's Corporate Governance Statement is an integral part of the Board of Directors' report. The statement is summed up on page 84 of the annual report and is presented in its entirety on afgruppen.no website. The treatment of sustainable entrepreneurship and social responsibility is discussed on page 30 of the annual report.

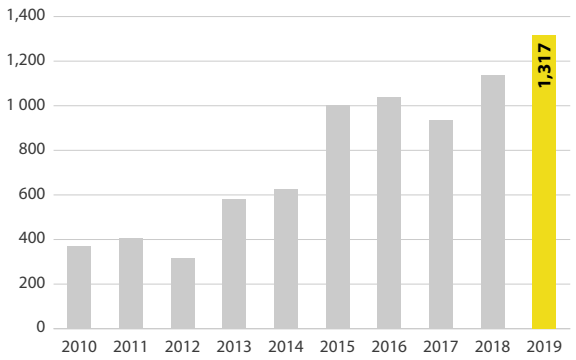
PROFIT FOR THE YEAR

AF Gruppen reported operating and other revenues of NOK 22,612 million (18,767 million) for 2019.

REVENUES (NOK MILLION)



EARNINGS BEFORE TAX (NOK MILLION)



BOARD OF DIRECTORS' REPORT

Earnings before tax were NOK 1,317 million (1,136 million) and the earnings after tax were NOK 1,027 million (921 million).

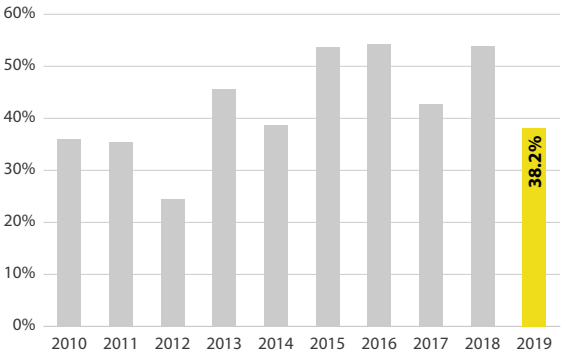
Earnings before interest and tax were NOK 1,335 million (1,119 million), which corresponds to an operating margin of 5.9 per cent (6.0 per cent). This is well above the long-term operating margin requirement of 5 per cent.

Civil Engineering reported revenues on par with the previous year and good results in 2019. The greatest activity was in two projects for Nye veier: E18 Tvedestrand Arendal, which was opened for traffic in the summer of 2019, and E39 Kristiansand vest Mandal øst, which started production at the beginning of the year. Building reported high growth in revenues and good results. Property has a high level of activity and numerous projects under construction. On 31 October AF completed the largest acquisition in the history of AF Gruppen. Together with the management of Betonmast, AF acquired the building group Betonmast. Betonmast was established as a separate business area and reported results as expected during AF Gruppen's ownership perica. Environment and Energy reported significant growth and achieved very good results. As a result of the acquisition of HMB on 2 January, Sweden delivered good growth for the year, while the results were somewhat below expectations. The results for Offshore were weak.

BALANCE SHEET AND LIQUIDITY

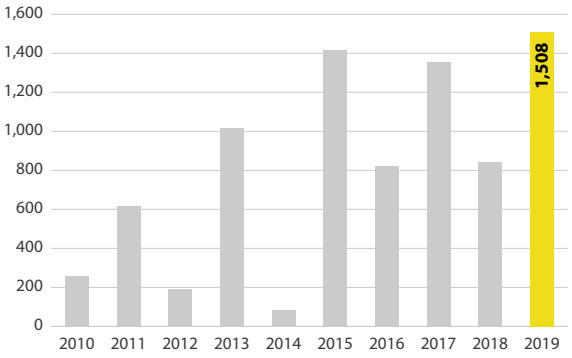
The return on equity was 43.7 (45.4) per cent for 2019. The return on average capital employed was 38.2 (53.9) per cent.

RETURN ON CAPITAL EMPLOYED



Total assets were NOK 12,854 million (8,486 million) as at 31 December 2019. At year end, the Group had net interest-bearing liabilities of NOK 163 million (-894 million) and cash and cash equivalents of NOK 563 million (656 million). The increase in net interest-bearing liabilities is mainly attributed to the recognition of lease liabilities in accordance with IFRS 16 Leases on the balance sheet, which were implemented as of 1 January 2019. Shareholders' equity at the end of the year was NOK 2,999 million (2,124 million), which corresponds to an equity ratio of 23.3 (25.0) per cent.

CASH FLOW FROM OPERATIONS (NOK MILLION)



Net operating cash flow was NOK 1,508 million (841 million) in 2019. Cash flow before capital transactions and financing was NOK 670 million (586 million). A dividend of NOK 859 million (836 million) was paid to the shareholders of AF Gruppen ASA in 2019.

THE SHARE

Earnings per share were NOK 8.51 (7.88) in 2019. Diluted earnings per share were NOK 8.46 (7.88).

The Board proposes that an ordinary dividend of NOK 632 million for the first half of the year be distributed for the 2019 financial year. This corresponds to a dividend per share of NOK 6.00 (5.00) for the first half of the year. The Board will propose to the General Meeting that it be authorised to adopt the dividend for the second half of the year as well.

In accordance with AF's dividend policy, semi-annual dividends will be distributed, provided the company's earnings and financial position so allows. AF distributed a dividend of NOK 3.50 (3.50) per share in the 4th quarter of 2019. The combined dividend per share distributed in 2019 was thus NOK 8.50 (8.50).

The share price was NOK 176.0 (132.0) at year end. This yielded a return to shareholders, including dividends for 2019, of 40.0 (5.6) per cent.

DISTRIBUTION OF COMPREHENSIVE INCOME FOR THE YEAR

Comprehensive income for the year for the parent company AF Gruppen ASA was NOK 533 million and the following distribution is proposed:

Transferred to (from) other reserves	NOK -99 million
Provision for dividend	NOK 632 million
Total allocations	**NOK 533 million**

BUSINESS AREAS 2019

CIVIL ENGINEERING

Description of the business

The Civil Engineering business area in Norway consists of two business units: AF Anlegg and Målselv Maskin & Transport.

AF Anlegg carries out traditional civil engineering projects throughout Norway in the fields of transport, infrastructure, port facilities and in the oil and gas industry, as well as projects in the fields of hydropower and energy. Målselv Maskin & Transport is the largest machinery contractor in Troms and carries out projects in the areas of technical municipal facilities, road construction, earthmoving, and site preparation and concrete work, among others.

NOK million	**2019**	**2018**	**2017**
Revenue	5,787	5,861	3,569
Operating profit (EBIT)	373	275	249
Earnings before tax (EBT)	376	293	269
Operating margin	6.5%	4.7%	7.0%
Profit margin	6.5%	5.0%	7.5%
Order backlog	5,424	7,664	6,082

In 2019, the Civil Engineering business area reported revenues of NOK 5,787 million (5,861 million). Earnings before tax were NOK 376 million (293 million). The profit margin ended at 6.5 per cent, compared with 5.0 per cent in 2018.

AF Anlegg maintained a high level of activity in 2019. The year was marked by high production in two major projects for Nye Veier: E18 Tvedestrand Arendal, which was completed in 2019, and E39 Kristiansand vest Mandal øst, which completed its full year of operations. The latter project is a large and challenging project with a high level of activity that is on schedule. Throughout the year, AF Anlegg also had several road, railway, water and sewerage and power projects. The unit delivered strong results for the 2019, with an industry-leading profit margin. Several projects in the final phase have contributed overall to the strong results.

Målselv Maskin & Transport had a very good 2019 with a high level of activity and good results.

New contracts

AF Anlegg signed several major contracts during the year. AF Gruppen was appointed by Statsbygg as the contractor for the Integrated Energy Supply contract for the new Government Building Complex in Oslo. The contract work started in the fourth quarter of 2019 and is scheduled for completion in December 2023. The contract is an integrated contract with an estimated value of NOK 550 million, excl. VAT. After the end of the year, Nye Veier chose AF Gruppen for the concretisation phase for the regulation, planning and construction of the new E6 Roterud Storhove. A contract for this project will have a value of NOK 3 750 million, excluding VAT. This project is not included in the order backlog as at 31 December 2019.

In 2019, Civil Engineering had an order intake of NOK 3,547 million (7,443 million) and an order backlog of NOK 5,424 million (7,664 million) at the end of the year.

Market outlook

The civil engineering market in Norway is good and not very sensitive to cyclical fluctuations, as public sector demand is the strongest driver behind investments in civil engineering in Norway. In the proposal for the 2020 State Budget, NOK 75.4 billion has been allocated to transport, which is an increase of NOK 3.3 per cent over the final budget for 2019. NOK 69.3 billion will be used to follow up the National Transport Plan 2018-2029, NOK 44.6 billion of which is earmarked for roads.

Prognosesenteret expects civil engineering investments to amount to around NOK 100 billion in 2020. This corresponds to a 12 per cent increase in civil engineering investments for 2020, compared with 2019. For the period from 2020 to 2022, total growth of up to 30 per cent is expected in civil engineering investments. Almost half of the civil engineering investments during the period up to 2022 are expected to come from road construction, while the strongest growth is expected in railway and tramline systems. Prognosesenteret expects that the measures taken by the authorities to reduce the spread of the coronavirus will have a significant impact on civil engineering production. Several ongoing civil engineering projects may be delayed, and projects that have not yet started may be postponed. There is a great deal of uncertainty, but Prognosesenteret has nevertheless chosen to build forecasts based on the assumption that the coronavirus measures will be phased out well before the end of the year. Investment estimates for transport and road projects are expected to remain high, as well as the planned start-up of many major civil engineering projects. This provides a good foundation for further growth in AF's civil engineering activities, even though the consequences of the coronavirus contribute to uncertainty in the short term.

BUILDING

Description of the business

Building is AF's largest business area. Building spans the entire value chain from the early planning stage to the construction, renovation and completion of buildings. In addition to being one of the largest actors in the area of residential, commercial and public buildings, AF Gruppen has a leading position in renovation, remodelling and extension services in Norway.

The Building business area is divided into 14 units and their associated subsidiaries: AF Bygg Oslo, AF Byggfornyelse, AF Nybygg, AF Bygg Østfold, Strøm Gundersen, Strøm Gundersen Vestfold, AF Håndverk, Consolvo, Haga & Berg, EIQON, LAB Entreprenør, Åsane Byggmesterforretning, FAS and HTB. All the contractor units have strong local roots and a broad range of services.

NOK million	**2019**	**2018**	**2017**
Revenue	10,581	9,055	7,474
Operating profit (EBIT)	656	619	467
Earnings before tax (EBT)	667	645	481
Operating margin	6.2%	6.8%	6.3%
Profit margin	6.3%	7.1%	6.4%
Order backlog	10,045	9,871	9,837

Building reported revenues of NOK 10,581 million (9,055million) and earnings before tax of NOK 667 million (645 million) in 2019. This gives a profit margin of 6.3 per cent, compared with 7.1 per cent in 2018.

The building business reported a high level of activity and revenue growth in 2019 and delivered good results. Of the growth of 16.9 per cent, 11.2 per cent was organic. The building businesses AF Bygg Oslo, AF Nybygg, Strøm Gundersen and Haga & Berg, together with the rehabilitation business AF Håndverk, all reported strong results for 2019. In the Bergen region, all units reported good results for the year. There are large variations in the profitability of the project portfolios of AF Bygg Østfold, AF Byggfornyelse and Eiqon, and the units delivered results below expectations for the year.

New contracts

LAB Entreprenør won the largest of the contracted projects this year in a design and price competition for the construction of a new county building in Bergen. The new county building will house public functions and workplaces for approximately 600 employees in the new Vestland County Administration. In addition, there will be 600 office workplaces for hire and some smaller commercial areas. The contract will be a collaborative turnkey contract and is valued at around NOK 737 million, excl. VAT.

At Hasle in Oslo, AF Bygg Oslo will build another building in connection with AF's property business. In February, an agreement was signed with Hasle Linje 2 AS to build a new 21,000 square meter GFA Nordic Choice Hotel and office building. The building will be carried out as a turnkey contract and is valued at NOK 490 million, excl. VAT. Significant contracts have also been awarded in the rehabilitation portfolio in 2019. Haga & Berg Entreprenør AS has signed a contract with the University of Oslo for the rehabilitation of Brøggers Hus, which houses the Geological Museum in the Botanical Gardens in Oslo. An important success factor in the project is to integrate modern building functions and technical systems with protected building components and fixtures in a good way. The contract has been signed after a previous collaborative phase and is valued at NOK 111 million, excl. VAT.

In 2019, Building had an order intake of NOK 10,756 million (9,089 million) and an order backlog at the end of the year of NOK 10,045 million (9,871 million).

Market outlook

The building market in Norway reported a record-high level in 2019, with a total production value of NOK 338 billion.

Prognosesenteret expects a decline of 12.4 per cent in the building market in 2020, and then growth of 3.7 per cent in 2021 and 3.3 per cent in 2022. The greatest decline in 2020 is expected in new residential buildings and new commercial building production, even though the decline will also be felt in the renovation, remodelling and extension market.
A decline in the building market is expected in all the counties in 2020, but the greatest decline measured by production value is expected in Viken, Oslo and Western Norway. The rapid spread of the coronavirus and large parts of the Norwegian economy and society shutting down means there is a high level of uncertainty in the forecast. The forecasts from Prognosesenteret do not expect that the contractors will manage to maintain normal progress in their production in the short term. Prognosesenteret believes that it will mainly be the first half of 2020 that will be impacted the hardest and that production will start to pick up in the second half of 2020. It is nevertheless expected that building demand initiated by the public sector will increase to reduce the negative impact on the industry.

The strong growth in starts in 2016-17 has resulted in increased completion rates for new residential buildings from the autumn of 2018 and into 2019. Start permits for 31,643 new residential units were registered in 2019, which was unchanged from the level for the previous year. Prognosesenteret now expects that the number of registered start permits will decline by 24 per cent in 2020 to 24,000 residential units. Already in 2021, 8 per cent growth is expected to 26,000 new residential units, and in 2022, the forecasts show 12 per cent growth to 29,000 new start permits. This means that Prognosesenteret is expecting an average decline of 20 per cent for the years 2020-2022, compared with the last three-year period 2017-2019, and the forecast clearly shows that the strongest decline will be for new apartments. For Oslo, it is expected that the number of new residential unit starts in 2020 will end up at practically the same level as the previous year, around 2,500 residential units, which was the lowest level in many years. A higher level of starts is expected in Oslo over the next two years.

The coronavirus, stock market decline and oil price fall will have a negative impact on the Norwegian economy in both the short and medium term. In March, Norges Bank lowered the key rate to 0.25 per cent. Never before has the key rate been so low. In addition, the central bank has issued F loans to the banks and decided to reduce the banks' capital requirements. Even though a high level of activity is expected for AF's future building operations in Norway, the consequences of the coronavirus will contribute to a greater degree of uncertainty for the building market in the short term.

BETONMAST

Description of the business

The acquisition of Betonmast was completed on 31 October 2019. At year end, AF Gruppen owned 67.4 per cent of the shares and the other shares were owned by executive personnel. Betonmast is one of Norway's largest building contractors and has operations in the largest markets in Norway and Sweden. The project portfolio comprises everything from major residential projects to commercial and public buildings. Betonmast is a major player in building for the public sector, and possesses specialist expertise in project development and collaborative contracts.

Betonmast consists of 16 business units in Norway and Sweden: Betonmast Boligbygg, Betonmast Oslo, Betonmast Bergen, Betonmast Trøndelag, Betonmast Romerike, Betonmast Røsand, Betonmast Telemark, Betonmast Østfold, Betonmast Innlandet, Betonmast Buskerud-Vestfold, Betonmast Göteborg, Betonmast Mälardalen, Betonmast Malmö, Betonmast Stockholm, Betonmast Anlägging and Betonmast Eiendom.

NOK million	2019	2018	2017
Revenue	1,226	-	-
Operating profit (EBIT)	49	-	-
Earnings before tax (EBT)	46	-	-
Operating margin	4.0%	-	-
Profit margin	3.8%	-	-
Order backlog	7,293	-	-

Betonmast reported revenues of NOK 1,226 million for the last two months of 2019 and delivered earnings before tax of NOK 46 million. This gave a profit margin of 3.8 per cent.

The results after the acquisition date are in accordance with the expectations. Betonmast Oslo and Betonmast Romerike excelled with strong results, while Betonmast Bergen, Betonmast Boligbygg, Betonmast Telemark and Betonmast Ringerike reported weak results. Organisational changes have been made in several units.

The corporate management team at Betonmast has been strengthened after the end of the year with three new members to get even closer to the operations and support the Group's main goals. Active efforts are ongoing to determine how Betonmast and AF Gruppen best shall exploit each others' expertise and insight to increase value creation.

New contracts

Betonmast signed a number of agreements in the last two months of the year. Betonmast Bergen signed, for example, a general contract with Bane Nor Eiendom to build a workshop for the new Flirt trains. The contract is valued at approximately NOK 145 million, excl. VAT. Betonmast Østfold entered into a contract with Askim Municipality to renovate the former hospital in Askim into a modern health building. The contract is an integrated project contract valued at NOK 198 million, excl. VAT. Betonmast Romerike signed a contract with AXER Eiendom AS to build Fagerborgkvartalet. The contract, which is a turnkey contract and is for the construction of 145 apartments, is valued at NOK 360 million, excl. VAT. In partnership with Asplan Viak, Betonmast Røsand signed a contract to build a new cultural centre and swimming pool for Aukra municipality. The project will now enter a collaborative phase. The expected contract value upon completion of the collaboration is approximately NOK 186 million, excl. VAT.

At the end of the year, Betonmast had an order backlog of NOK 7,293million.

Market outlook

Betonmast operates in the same markets as AF Gruppen's other Norwegian and Swedish building operations. See the discussion of the market performance under Building and Sweden.

PROPERTY

Description of the business

The Property business area develops residential units and commercial buildings in Norway. The activities take place primarily in geographic areas where AF has its own production capacity. The development projects are organised in associated companies and joint ventures, with ownership stakes ranging between 25 and 50 per cent, which are recognised in accordance with the equity method of accounting. The earnings that are consolidated in AF correspond to the earnings after tax multiplied by the ownership interest, and they are included in the operating profit.

NOK million	2019	2018	2017
Revenue	18	73	21
Operating profit (EBIT)	107	166	78
Earnings before tax (EBT)	100	157	64
Return on capital employed	11.7%	19.8%	8.7%
NUMBER OF HOUSING UNITS [1)]			
Under construction	244	338	264
Sold during the year	130	100	111
Completed unsold units in inventory	11	-	4
LAND AND DEVELOPMENT RIGHTS [1)]			
Housing units	916	871	831
Industrial area m2	25,764	26,264	45,273

[1)] AF´s share of housing units, land and developement rights

Property reported earnings before tax of NOK 100 million (157 million) in the 2019.

In addition to a good year for residential sales, the sale of commercial property at Hasle in Oslo made a strong contribution to the results in 2018. In 2019, another major commercial project at Hasle was launched, Quality Hotel HasleLinje. Residential sales in 2019 were good with 363 (284) apartments sold, and AF's share was 130 (100).

The residential market in Greater Oslo, where Property has most of its activities, has been marked by cautious optimism among the residential buyers in 2019. Property achieved good results for 2019. The largest contributors to this were the residential property projects Krydderhagen and Lillo Gård, which are located at Hasle and at Nydalen in Oslo. The unit has also received significant profit contributions from Nye Kilen Brygge in Sandefjord and Lilleby Triangel in Trondheim.

A total of 477 (297) apartments were handed over in 2019, and AF's share was 159 (131). Of the total of 477 apartments handed over during the year, 254 apartments were handed over at Lillo Gård, 86 at Thurmannskogen and 137 at Krydderhagen.

At the end of 2019, Property had ownership interests in residential property projects with a total of 235 (260) units available for sale. AF's share was 88 (103) residential units. Of these, there was a total of 32 (1) unsold completed apartment, of which AF's share was 11 (0).
At the start of 2020, AF's property business had five residential property projects with a total of 634 apartments in the production phase, and AF's share was 244. The share of apartments sold in these projects was 84 per cent.

The projects that are in production at the end of the year are Lillo Gård in Nydalen, Bo at Billingstad in Asker, Lilleby Triangel in Trondheim, Skiparviken in Bergen and Nye Kilen Brygge in Sandefjord.

At the end of the year, AF had sites and development rights under development that will yield 1,865 (1,831)

residential units, of which AF's share was 916 (871) residential units.

Property is a partner in the Hasle Linje Næring project in Oslo (AF's stake is 49.5 per cent). The project has a total commercial area of 74,484 square meters GFA, of which 38,401 square meters GFA were under construction at the end of 2019. This is the Atea Building at Hasle in Oslo and K4 (hotel and offices) at Hasle in Oslo.

Market outlook

Figures from Eiendom Norge for the 4th quarter and 2019 show that the moderate price growth in the Norwegian residential market will continue. At the end of the fourth quarter, residential property prices nationally were 2.6 per cent higher than a year ago. The strongest performance in 2019 was Oslo, with an increase of 5.5 per cent. A moderate price performance, high level of activity and smaller regional differences have been characteristic of the market over the past two years. The coronavirus, stock market decline and oil price fall will have a negative impact on the Norwegian economy. Property Norway expects the level of activity in the residential market will decline as a result of this. It is too early to tell how the residential property prices will perform in 2020. In March, Norges Bank lowered the key rate to 0.25 per cent, and it also decided to reduce the banks' capital requirements. This can help counteract the negative impact on the residential market attributed to increased unemployment and generally greater economic uncertainty.

ENERGY AND ENVIRONMENT

Description of the business

The Energy and Environment business areas merged to form the Energy and Environment business area as of 1 January 2019. The business area consists of two business units, AF Energi & Miljøteknikk and AF Decom. The business area also has activity in the Nes, Rimol and Jølsen environmental centres, as well as Boligenergi AS, which is owned together with OBOS, and AF Energija Baltic. Energija shall primarily be a supplier to the Norwegian Energy business.

The range of energy services includes thorough energy analyses that result in a system design and the implementation of measures to conserve the consumption of energy. AF designs, installs and monitors local heating plants for commercial buildings and industry, in addition to supplying heating and cooling plants for residential and commercial buildings. In addition, services related to the operational monitoring of energy plants, energy services and energy monitoring are provided. Boligenergi offers total energy conservation and renewable energy solutions for housing cooperatives and condominiums.

In the environment area, AF Gruppen provides traditional demolition services and the subsequent receiving, treating and recycling of materials. We have solid expertise in areas such as environmental clean-up, demolition, constructive blasting and recycling. AF's demolition activities are characterised by a high level of safety and protection of the external environment.

NOK million	**2019**	**2018**	**2017**
Revenue	1,072	875	718
Operating profit (EBIT)	78	44	48
Earnings before tax (EBT)	75	41	49
Operating margin	7.3%	5.0%	6.7%
Profit margin	7.0%	4.7%	6.9%
Order backlog	371	501	534

The Energy and Environment business area reported revenues of NOK 1,072 million (875 million) in 2019. This represents growth of 22.5 per cent. Earnings before tax were NOK 75 million (41 million). This gives a profit margin of 7.0 per cent (4.7 per cent). AF Energi & Miljøteknikk has increased its level of activity in 2019 and can now report good results for the year. Boligenergi also reported strong margins for 2019, while the operations in the Baltic region delivered results below expectations. AF Energi & Miljøteknikk has also chosen now to focus in particular on the electrical trades, an area where opportunities for further growth are envisioned.

AF Decom's level of activity has also increased in 2019 compared with the previous year. The unit delivered strong results for both demolition and recycling at AF's environmental centres. In demolition there are a number of projects that contribute to good profitability. The unit was granted an operating license for the Nes Environmental Centre in June. AF Gruppen is looking at the possibility of establishing more recycling centres in the time ahead.

New contracts

Energy and Environment's project portfolio consists of many small and medium-sized projects with contract values ranging from NOK 0.5 to 10 million, as well as an increasing number of larger contracts. An example of the latter is the Life Sciences Building, where AF Energi & Miljøteknikk is in the collaborative phase of the piping work. Statsbygg is the client and the total contract value of the collaborative and execution phases is approximately NOK 300 million.
AF Decom's largest contract in 2019 was entered into with the South-Eastern Norway Regional Health Authority for the demolition and environmental clean-up of several old buildings at the Radium Hospital. The demolition work started in May 2019 and will make room for the new clinic building and proton centre, both of which are scheduled for completion in 2023. The contract is valued at NOK 25 million, excl. VAT. In June, a contract was signed with the Norwegian Public Roads Administration for modification of the old bridge Nydalsbrua at a value of NOK 21 million, excl. VAT.
In 2019, Energy and Environment had an order intake of NOK 942 million (842 million) and an order backlog at the end of the year of NOK 371 million (501 million).

Market outlook

AF Gruppen's level of demolition activity is closely connected to the general level of activity in the building and civil engineering markets. The consequences of the coronavirus could thus also contribute to a greater degree of uncertainty for the demand for such services. The authorities in Norway have defined ambitious energy goals related to a reduction in

the consumption of energy towards the year 2030. Enova has found that there is a major maintenance backlog for public buildings and major conservation opportunities in connection with the rehabilitation of buildings. The delivery of heating and cooling to commercial buildings is another interesting market. The demand here is connected to commercial building starts. Prognosesenteret expects a decline of 16 per cent in the total floor area of commercial building starts in 2020. For 2021 and 2022, the forecast shows growth of 7 per cent and 6 per cent, respectively. For the publicly-funded submarkets, the negative consequences of the coronavirus will likely be significantly less than for private commercial buildings. The floor area of commercial building starts is high compared with the average for the past decade. A good market overall is expected for AF's Energy and Environment activities, even though the near future is marked by uncertainty.

SWEDEN

Description of the business

To support further growth in Sweden, the Swedish units will be organised in a separate business area as of 2018. The Sweden business area encompasses activities related to civil engineering, building, property and the environment in Sweden. The business area consists of the business units Kanonaden Entreprenad, Pålplintar, AF Bygg Gothenburg, AF Bygg Syd, AF Projektutveckling, AF Härnösand Byggreturer and HMB.

NOK million	2019	2018	2017
Revenue	3,683	2,270	1,611
Operating profit (EBIT)	149	114	83
Earnings before tax (EBT)	146	113	82
Operating margin	4.0%	5.0%	5.2%
Profit margin	4.0%	5.0%	5.1%
Order backlog	2,946	1,578	1,760

In 2019, the Sweden business area reported revenues of NOK 3,683 million (2,270 million). Earnings before tax were NOK 146 million (113 million). This gives a profit margin of 4.0 (5.0) per cent.

As a result of the acquisition of HMB, the level of activity for the operations in Sweden increased in 2019 compared with 2018. Sweden delivered good results overall, even though the level of profitability varies between the business units. In the Swedish operations, the building units and demolition operations reported good results for the year. The level of activity in both AF Bygg Göteborg and AF Bygg Syd was on par with the previous year in 2019. HMB reported revenues of NOK 1.3 billion in 2019 and delivered a good profit margin for the year. AF Härnösand Byggreturer reported a somewhat lower level of activity in 2019 compared with the previous year but continues to deliver strong margins.

In the Swedish civil engineering market, Kanonaden reported a somewhat higher level of activity in 2019 compared with the previous year. The unit delivered good results. Pålplintar reported an increased level of activity in 2019 but delivered negative results. Pålplintar has decided to discontinue the foundation business and continue the concrete business. Discontinuation of this business had a negative impact on profit of NOK 25 million in 2019.

AF's Swedish property business in Sweden had no projects in the production phase in 2019 but has a building site inventory (residential units under construction) that is estimated to yield 368 (485) residential units. AF's share of this was 233 (343) residential units.

In 2019, Sweden had an order intake of NOK 5,051 million (2,087 million) and an order backlog at the end of the year of NOK 2,946 million (1,578 million).

Acquisitions

On 2 January 2019, AF Gruppen Sweden completed the acquisition of 70 per cent of the shares in HMB Holding (HMB). HMB builds commercial buildings, residential buildings and public buildings and covers geographically Stockholm/Mälardalen, as well as Dalarna, Västmanland, Uppland and Gästrikland. During the period from 2015 to 2018, HMB reported average revenues of NOK 1,120 million and an operating margin of 6.1 per cent.

New contracts

In the summer of 2019, HMB Construction AB entered into an agreement with Wallenstam to build 161 rental apartments in the Flanören quarter in Uppsala. The contract is valued at SEK 176 million.

In the 4th quarter, Kanonaden Entreprenad signed an agreement with Dagab for site preparation and civil engineering work for a highly automated logistics centre in Bålsta, northwest of Stockholm. The contract is valued at approximately NOK 300 million, excl. VAT. HMB Construction AB signed an agreement with Borlänge Municipality and Hemsö Fastighets AB to build the new Paradise School, which includes daycare, a primary school and a sports hall. The contract is valued at approximately SEK 191 million, excl. VAT.

Market outlook

In 2019, residential property prices for apartments and detached houses increased 5 per cent in Sweden compared with 2018. In the metropolitan areas, prices rose between 4 per cent and 7 per cent in 2019, and the Malmö region showed the highest growth for both apartments and detached houses. In February 2020, the Swedish central bank, Riksbanken, decided to maintain the interest rate at zero. The coronavirus has spread after this, and the Swedish economy will also be impacted negatively. Riksbanken is monitoring the situation closely and has implemented a number of measures since the last interest rate meeting, in order to supply liquidity so that Swedish companies will, for example, still have access to credit. This is taking place at the same time as the Swedish Government is launching crisis packages to help the business sector by easing the layoff regulations and deferring the payment of payroll and value-added taxes, among other things. There is a great deal of uncertainty about how greatly the building and civil engineering markets in Sweden will be impacted by the

coronavirus. Before the spread of the virus was known, the Swedish Construction Federation expected a decline of 2 per cent in the building and civil engineering investments in Sweden in 2020. This was after several years of high growth. The largest fall is expected in residential building production. In the new building sector, a decline of 10 per cent is expected in 2020. Civil engineering investments are expected to grow by 4 per cent in 2020. In 2020, this growth will be driven primarily by increased investments in new road projects, as well as railway investments. This indicates that AF's operations in Sweden will see a somewhat hesitant market and stiff competition, where the consequences of the coronavirus will also contribute to a greater degree of uncertainty in the future.

OFFSHORE

Description of the business

AF has varied activities aimed at the oil and gas industry. Our services range from new construction and modification of climate control systems (HVAC) for the offshore and marine markets, to the removal and recycling of offshore installations. Offshore consists of the business units AF AeronMollier and AF Offshore Decom. Offshore also has activities at AF Miljøbase Vats.

NOK million	2019	2018	2017
Revenue	679	655	664
Operating profit (EBIT)	-83	-21	59
Earnings before tax (EBT)	-94	-27	49
Operating margin	-12.2%	-3.2%	8.8%
Profit margin	-13.9%	-4.1%	7.4%
Order backlog	1,351	1,456	916

The Offshore business area reported revenues of NOK 679 million (655 million) for 2019. Earnings before tax were NOK -94 million (-27 million). This gives a profit margin of -13.9 per cent, compared with -4.1 per cent in 2018. The results for 2019 include impairment of goodwill related to AF AeronMollier in the amount of NOK 50 million. The unit reported a positive result in 2019 but has for a long time delivered lower results than required to justify the carrying amount.

AF Offshore Decom reported a low level of activity in 2019 and delivered negative results. The unit's revenues and profitability largely depend on the timing of offshore campaigns, as well as the level of activity at the Environmental Base at Vats. The unit did not have any major offshore campaigns in 2019 but prepared for upcoming offshore campaigns and demolition at Vats. An effort is being made to win more projects, but the market for the removal of offshore installations is marked by strong competition. AF Offshore Decom has several platform structures at Vats, but lower than expected production for the year impacted profitability. A large portion of the order reserve is related to demolition at Vats in 2021 and beyond.

The unit has recently assembled a new management team and several strategic initiatives are underway to maintain and improve the unit's competitiveness in the future. In 2019, AF Gruppen has taken a strategic position in the offshore market. AF Offshore Decom has established the company Fairfield Decom in partnership with Heerema Marine Contractors (HMC) and Decom Energy. The new business combines Decom Energy's knowledge and experience with AF and HMC's expertise in offshore removal and recycling. The goal is to create a unique player that can offer comprehensive solutions for late-life operations and removal and recycling jobs on the British continental shelf. Fairfield Decom is headquartered in Aberdeen.

AF AeronMollier reported significant revenue growth in 2019 and positive results for the year, both in the marine and offshore sectors. In the marine sector, the unit can report a number of deliveries in the marine electrification sector, while large deliveries were made to Johan Sverdrup and Johan Castberg in the offshore sector.

New contracts

AF Offshore Decom as a subcontractor to Heerema Marine Contractors (HMC) entered into an agreement with ConocoPhillips Skandinavia AS in 2017 for the removal and recycling of platforms linked to the Ekofisk field in the North Sea. In December 2019, ConocoPhillips called off an option that encompasses engineering, preparatory work, removal and recycling (EPRD) for an additional platform in the Ekofisk field with a total weight of approximately 14,000 tonnes. The platform will be removed and recycled during the period 2022-2024.

In 2019, Offshore had an order intake of NOK 574 million (1,195 million) and an order backlog at the end of the year of NOK 1,351 million (1,456 million).

Market outlook

The market for the removal of offshore installations is marked by strong competition and few demolition projects to be carried out in the short term. Estimates from the British industry organisation Oil & Gas UK show, however, that an increased volume for the demolition and removal of end of life oil installations is expected going forward. In the 2019 to 2028 period it is expected that more than 1,200,000 tonnes of top deck must be removed in the North Sea. This concerns the British, Norwegian, Danish and Dutch sectors.

For AF's offshore activities within climate control (HVAC), as well as maintenance and modifications, the market conditions are still challenging, but growth is expected within some cruise and passenger vessel segments. Electrification of the marine sector also affords interesting opportunities.
Oil prices have fallen significantly in 2020. Saudi Arabia and Russia disagree on limiting oil production, which is thus increasing despite of low demand due to the coronavirus outbreak. Lower oil prices will in isolation contribute to reduced profitability and a lower willingness to invest among the oil companies. Such uncertainty in the oil industry may in particular impact AF's HVAC activities, as well as maintenance and modification.

BOARD OF DIRECTORS' REPORT

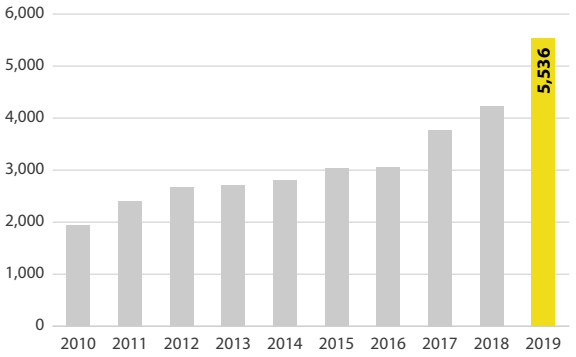
ORGANISATION, HEALTH, SAFETY AND THE ENVIRONMENT

PERSONNEL AND ORGANISATION

AF Gruppen is working continuously to build a uniform corporate culture. Motivated employees and a solid organisation are an important foundation for creating value. At AF we prioritise building organisations with a robust composition of technical expertise and management at all levels. The resources are organised close to production, with project teams where the managers have a major influential force.

AF invests a lot of time and resources in the development of employees through training in various positions in production and through development in the AF Academy. In 2019, 1,365 (1,522) employees participated in courses at the AF Academy. More than 80 per cent of the current managers have been recruited internally. AF is experiencing an increasing and satisfactory influx of qualified employees, and our employees are good ambassadors for the recruitment of new personnel.

NUMBER OF EMPLOYEES



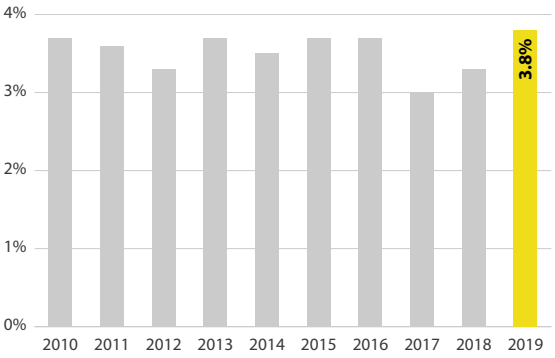
At the end of 2019, there were 5,536 (4,220) employees in the Group, of which 2,638 (1,797) were salaried and 2,898 (2,423) were skilled workers. The parent company, AF Gruppen ASA, had no employees at the end of 2019.

Of the employees, 9.4 (8.7) per cent were women and 90.6 (91.3) per cent were men at the end of 2019. The percentage of women among the salaried staff and skilled workers was 19.4 (18.5) per cent and 1.4 (1.4) per cent, respectively. The contractor industry has traditionally been dominated by men, but AF would like to change this. AF aims to be a company to which talented individuals apply, whether they are women or men. "The best people" initiative started in 2018, and in this connection a goal was set to increase the percentage of women at AF to 20 per cent. To make AF a better workplace for all the employees, several measures have been implemented with regard to recruitment, job adaptation and awareness campaigns.

Last year, AF intensified its focus on apprentices by motivating more students to choose vocational programmes through the campaigns "Norway's Nicest Craftsman" and "We Build Small Houses". In the Autumn of 2019, AF's first apprentice gathering with 53 apprentices from across all the units was held.

In 2019, sickness absence at AF was 3.8 (3.3) per cent. The low sickness absence rate indicates that the level of satisfaction and motivation to go to work is high. This is supported by the results of the last Employee Satisfaction Survey (ESS), which was conducted in 2019 and showed that AF's employees are very happy, have a high degree of job satisfaction and are proud to work for AF. The results are on par with the previous survey in 2017 and significantly better than the industry average.

ABSENCE DUE TO ILLNESS



In 2019 the Group Council, which is made up of employee representatives, senior safety representatives and management representatives, continued work on improving cooperation between all parts of the organisation.

AF Gruppen seeks to be a workplace where there is no discrimination on grounds of ethnicity, gender, belief or sexual orientation. This applies, for example, to matters relating to pay, promotion, recruitment and general career development. AF Gruppen has written objectives and rules to promote a good working environment with equality and without discrimination or harassment. The goals and rules are laid down in the company's Code of Conduct. When they are recruited, all employees in AF Gruppen must sign off that they have received the Code of Conduct and that they undertake to comply with it. The object of the Code of Conduct is, in line with the Discrimination Act, to promote equality, ensure equal opportunities and rights, and prevent discrimination on the grounds of ethnicity, nationality, heritage, skin colour, language, religion or beliefs. The subsidiaries have their own ethical guidelines that are identical to or in accordance with AF Gruppen's Code of Conduct.

Procedures and routines related to the notification of censurable conditions at AF Gruppen have been prepared, including the violation of laws and ethical guidelines, and an electronic whistleblowing portal has been established at www.afgruppen.no/varsling.

The whistleblowing system applies both internally and externally, and a special whistleblowing committee has been established to follow this up.

BOARD OF DIRECTORS' REPORT

All common facilities in AF's offices are designed so that they can be used by all employees, including those with disabilities. Individual adaptation of the workplace is done to the extent possible, based on the nature of the work.

EMPLOYEE OWNERSHIP

AF Gruppen would like all employees to participate in joint value creation by becoming shareholders in the company. Therefore, AF has a share programme for employees whereby the employees are given an opportunity to buy shares at a discount of 20 per cent on the current market price. In 2019, 544 (534) employees subscribed for a total of 677,311 (1,000,000) shares. The purchase price after a 20 per cent discount was NOK 128.80. A total of 544,608 new shares were issued in connection with the sale of shares. The remaining shares were transferred from the company's treasury shares.

AF Gruppen also has an option programme for all employees. The programme was adopted by the General Meeting in 2017, and the options can be subscribed during the period from 2017 to 2020. As at 31 December 2019, there were 3,151,893 outstanding options linked to the programme. The redemption of approximately 2,200,000 options was sought on the redemption date in March 2020. It is expected that the share issue in connection with the redemption will be carried out in April 2020.

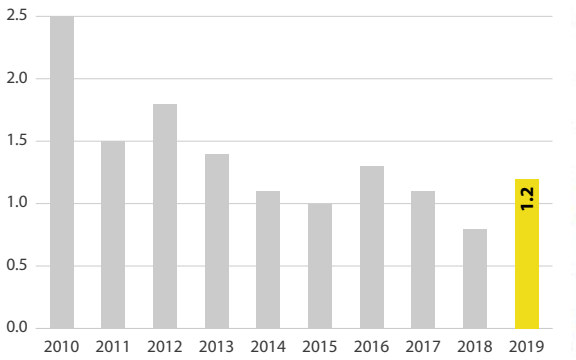
HEALTH AND SAFETY

Health and safety work has high priority at AF Gruppen and is an integral part of the management at all levels of the organisation. AF's goal for health and safety is to avoid injuries, diseases and complaints attributed to the working environment. For safety, it is about avoiding work accidents, particularly accidents that result in serious personal injury and absence. For health work, it is about avoiding exposure to health hazards in everyday work life, related, for example, to ergonomic conditions, chemicals, noise, dust, pressure, harassment, etc.

AF has a structured and uniform system for health and safety work, and AF's employees receive thorough training in both the basic principles and the systems. A key element is the fact that all undesired incidents and circumstances are registered and dealt with in the non-conformance system Synergi Life in order to find the underlying causes and measures for improvement. There is a strong willingness for continuous improvement, and the frequency of reporting is increasing. In 2019, more than 36,762 (36,674) incidents and circumstances were reported (RUI).

The most important measurable parameter for safety work at AF is the LTI rate. The LTI rate at AF is defined as the number of lost time injuries per million man-hours, and personal injuries at subcontractors are included in the calculation. The injury frequency rate in the company has shown a positive trend through the years, from an LTI rate of around 20 in the early 90s, to an LTI rate of 1.2 (0.8) for 2019. The rate for 2019 represents 22 lost time injuries.

LTI-1 RATE



In spite of the low LTI rate, we are still experiencing serious personal injuries and too many personal injuries in general. Safety has, therefore, been high on the Board's agenda in 2019, and the Board has continued to work, for example, on the safety boost that was adopted in 2018. This safety boost consists of a total of six corporate measures: The definition of LTI-1 has been expanded so that it also applies to serious personal injury without absence, a corporate goal has been established for the safety parameter LTI-2 (LTI-2<5), incidents with a high loss potential have been expanded from one to two categories and the strictest category will receive extraordinary attention, mandatory use of safety gloves and safety glasses for everyone has been introduced, learning from our own incidents has been strengthened through digitalised opportunities, and risk management in the "leading edge" of our operations has been strengthened through introducing methodology related to "Personal Safety Involvement (PSI)".

For health work, the goal is that no one should become ill from working at AF, and we work to ensure that all employees experience job satisfaction and well-being. Absence due to illness is an indicator for health work, and the goal is to avoid work-related absence due to illness. Sickness absence in 2019 was 3.8 (3.3) per cent and is considered low compared with the building and civil engineering industry in general. AF knows on the other hand that some of the absence due to illness is work-related and continues therefore to work systematically and with a long-term perspective to achieve the goal of a "healthy situation" without any work-related absence due to illnesses.

AF has an internal corporate health service that assists with preventive health work. They monitor employee health through regular health check-ups, and assist the absence due to illness committees that have been established in the business units to ensure that everyone with absence due to illness is followed up well.

To ensure that there is knowledge of what employees can be exposed to while working and what measures can prevent health injuries, AF has health cards for the 15 most relevant types of exposure available in several languages. In addition, AF has developed and implemented a Health Risk programme, that enables us to better identify and influence health risks.

BOARD OF DIRECTORS' REPORT

EXTERNAL ENVIRONMENT

All employees of AF shall have a fundamental understanding and acceptance of the idea that the impact on the environment must be minimised. AF's continuous environmental work starts at the project and business unit level. Environmental aspects are identified and ranked, and form, together with laws, regulations and specific contractual requirements, the basis for the goals of the projects and units for the external environment.

All business units at AF are measured based on specific parameters related to their environmental impact: Source Separation Rate and Greenhouse Gas Emissions. The measurement parameters clarify AF's environmental profile and are figures that can be influenced through our environmental work.

In Norway, the government requirement for source separation is a minimum of 60 per cent. The source separation rate indicates how much of the waste from operations is separated for the purpose of facilitating recycling. In 2019, the source separation rate for building was 87 (89) per cent, for renovation it was 93 (87) per cent and for demolition it was 95 (97) per cent. A total of 360,368 tonnes (512,401 tonnes) was sorted in 2019. These results are considered very good, and they are well above the government requirement.

AF's Rimol, Jølsen and Nes environmental centres recycle contaminated materials that would have otherwise gone to landfill. The environmental centres recycled a total of 317,730 tonnes (219,005 tonnes) of material in 2019. AF has invested in a new environmental centre at Nes, which was granted an operating license in June 2019. The Nes Environmental Centre has the capacity to handle 300,000 tonnes of contaminated material per year.

AF's impact on climate is measured continuously in the form of the volume of greenhouse gas emissions in tonnes of CO_2 equivalents. A CO_2 equivalent is a unit that is used for comparison of the effects of various greenhouse gases on the climate. AF's climate accounts show that the consumption of diesel by construction machinery accounts for the greatest share of AF's greenhouse gas emissions. Among other things, we work to reduce emissions by replacing machines on an ongoing basis, so that we have a modern fleet of machinery with lower emissions at any given time.

AF is at all times prepared to minimise damage to and losses in the external environment if an accident or incident with a pollution potential were to take place. Any incidents will be subsequently analysed in order to establish preventive barriers for future projects.

AF's management system for environmental work follows the principles in the environmental standard ISO 14001. In 2016, the Group became a control member of Green Dot, an international scheme that is to help ensure the financing of return schemes for used packaging.

AF has chosen a commercial approach to the increasing environmental challenges and scarcity of resources in society. In the Building business area, AF delivers new buildings with environmental certifications such as BREEAM-NOR and solid wood buildings. The Offshore and Energy and Environment business areas are based on services that solve environmental challenges in the area of demolition and recycling, as well as energy optimisation. The need for the removal of offshore installations was decisive for the establishment of AF's offshore demolition operations and the AF Environmental Base at Vats. The environmental base outside of Haugesund is one of Europe's most modern reception facilities for decommissioned offshore installations. Another example of the development of future-oriented services that solve environmental challenges is the establishment of environmental centres. Using new environmental technology, the environmental centres decontaminate and recycle 80 per cent of the contaminated materials that would have otherwise ended up directly at a disposal site.

RISK, MARKET OUTLOOK AND STRATEGY

RISK MANAGEMENT AND FINANCIAL RISK

AF Gruppen is exposed to risk of both an operational and financial nature. Risk reflects uncertainty or variable results. Operational risk encompasses commercial risk, operational risk and reputation risk. Commercial risk arises as a result of external circumstances. These circumstances may, for example, be related to how competitors act, regulatory changes or other political risk. The importance of commercial risk has been highlighted by the COVID-19 pandemic and the authorities' measures in this connection. AF Gruppen's Board and management are continuously assessing the situation and implementing any measures that are necessary to ensure adequate liquidity and responsible operations.

AF Gruppen wants to assume operational risk that the business units can influence and control. AF gives high priority to risk management and has good standardised and action-oriented risk management processes. This results in consistent management of risk at all levels of the organisation. Continuous efforts are made to further develop the processes and adapt them to ensure that risk management is as effective as possible. AF seeks to limit exposure to risk that cannot be influenced, including financial risk. A risk review will already be conducted for all projects before a tender is submitted. Analysis of risk during the tendering phase enables the correct pricing and management of risk in the project. The same projects conduct detailed risk reviews every quarter. In addition, a total of approximately 200 risk reviews of the business units, in which the Corporate Management Team also participated, were conducted in 2019.

Financial risk encompasses market risk (including risk related to commodity prices, interest rates and foreign exchange), credit risk and liquidity risk.

Market risk

Market risk includes foreign exchange risk, commodity price risk and interest rate risk.

Foreign exchange risk

The Group has a low exchange rate risk related to revenue from the Civil Engineering, Building, Betonmast, Property, Energy and Environment and Sweden business areas, since all

revenues are primarily in the functional currency. Portions of the revenues in the Offshore business area are in EUR and USD. These are hedged naturally in some cases, since the costs are in the same currency as the revenues, or they are hedged by means of forward currency contracts. For two offshore contracts with revenue denominated in EUR USD, respectively, the effects of the forward exchange contracts are recognised in accordance with the rules for cash flow hedging. At the end of 2019, AF Gruppen had NOK 50 million (38 million) in net recognised liabilities related to forward exchange contracts.

AF Gruppen makes most purchases in the functional currency. The Group bears a risk related to purchases in foreign currency, either directly through purchases from foreign suppliers, or indirectly from Norwegian suppliers who import goods from abroad. The Group protects itself by entering into all major purchase agreements in NOK. Major individual purchases in foreign currency that are not encompassed by purchase agreements in NOK are hedged by forward contracts.

In 2019, 82 (88) per cent of the Group's recognised revenues were from activities with NOK as the functional currency and 18 (12) per cent with SEK as the functional currency. The net foreign exchange gain/(loss) was NOK 4 million (0 million) in 2019. The total translation differences were NOK -26 million (-13 million) in 2019.

Commodity price risk

The demolition activities in Offshore are exposed to price risk from the sale of scrap steel recycled from steel structures in the North Sea. A continuous assessment is made of whether the price of steel should be hedged, based both on exposure and on the efficiency of the market for forward contracts.

Interest rate risk

AF Gruppen's financing is based on variable interest rates, and the Group is therefore exposed to interest rate risk. The Group has a fixed interest rate agreement, but as a rule does not use derivatives to hedge the effective interest rate exposure. AF is also exposed to interest rate risk for building and property activities, especially for residential building for own account, in which the general interest rate level will have an impact on the saleability of completed residential units and consequently the Group's tied-up capital. The Group reduces this risk by requiring advance sales of residential units and deposits from home buyers.

Credit risk

Credit risk is the risk that AF Gruppen's contracting parties will inflict financial losses on the company by not fulfilling their obligations. AF has credit risk in relation to customers, suppliers and partners. The Group has established guidelines to safeguard against credit risk in cash and cash equivalents, loans and receivables. Historically, the Group has had negligible credit losses. Verification by StartBank, the use of credit rating tools and use of parent company and bank guarantees contribute to reducing the risk. AF has corresponding guarantee obligations to their partners.

Liquidity risk

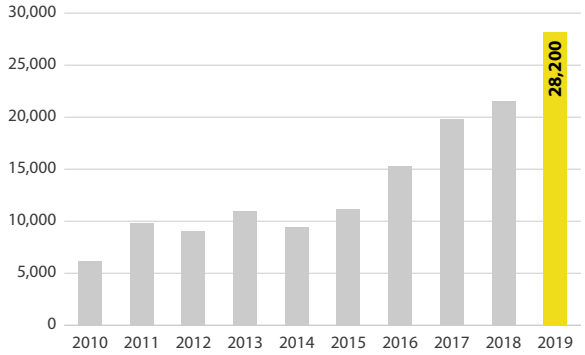
Liquidity risk is the risk of not being able to meet financial obligations when they fall due. Based on the Group's strong financial position at the end of the year, the liquidity risk is considered low. In 2019, AF Gruppen signed new three-year financing facility agreements with a credit limit of NOK 3,000 million with Handelsbanken and DNB. The facilities replace the previous facilities in the amount of NOK 1,880 million. The new facilities consist of a revolving one-year multi-currency overdraft facility with DNB in the amount of NOK 2,000 million and a revolving credit facility of NOK 1,000 with Handelsbanken with a duration of 3 + 1 + 1 year. These facilities were unused at the end of the year. AF had net interest-bearing liabilities of NOK 163 million (-894 million) as at 31 December 2019. The increase in net interest-bearing liabilities is mainly attributed to the recognition of lease liabilities in accordance with IFRS 16 Leases on the balance sheet, which were implemented as of 1 January 2019. The available liquidity, including credit facilities, stood at NOK 3,563 million as at 31 December 2019.

The Group's liquidity is monitored through the follow-up of cash flows in the projects. Discrepancies between expected and actual cash flows are reviewed monthly in conjunction with risk reviews of the projects. In addition, daily liquidity is monitored through the Group's central treasury function.

MARKET OUTLOOK AND STRATEGY

AF Gruppen's revenues and results for 2019 have been in accordance with the Board's expectations. At the end of 2019, the Group had an order backlog of NOK 28,200 million (21,541 million), and both the order backlog and earnings from the project portfolio are considered good.

ORDER BACKLOG (NOK MILLION)



The coronavirus, stock market decline and oil price fall will have negative consequences for the Norwegian economy going forward. It is expected that this will also impact the building and civil engineering markets in Norway. Following a record high level for the building market in 2019, a decline of 12.4 per cent is expected in 2020, before growth is expected again in 2021 and 2022. For the civil engineering market, the overall outlook is good, even though it is expected that the measures implemented by the authorities to reduce the spread of the coronavirus will also have a

BOARD OF DIRECTORS' REPORT

significant impact on civil engineering production in the short term. Prognosesenteret estimates 12 per cent growth in civil engineering investments for 2020, compared with 2019, but the rapid spread of the coronavirus and large parts of the Norwegian economy and society shutting down mean that there is a great deal of uncertainty in the forecasts.
The Norwegian Government is launching crisis packages to help Norwegian industry. In March, Norges Bank lowered the key rate to 0.25 per cent, and the key rate has never been lower. Time will tell if the lower interest rate and the reduced capital requirements from the banks will also contribute to counteracting the negative impact on the residential market that may arise due to the expectation of increased unemployment and generally higher economic uncertainty in the future. Further information on the market outlook for the various business areas has been presented earlier in this annual report.

The coronavirus will also have a negative impact on the Swedish economy. In February, the Swedish central bank, Riksbanken, decided to maintain the interest rate at zero. Riksbanken is monitoring the situation closely and has subsequently implemented a number of measures in order to supply liquidity so that Swedish companies will, for example, still have access to credit. This is taking place at the same time as the Swedish Government is launching crisis packages to help the business sector. There is a great deal of uncertainty about how greatly the building and civil engineering markets in Sweden will be impacted by the coronavirus. Before the spread of the virus was known, the Swedish Construction Federation expected a decline of 2 per cent in the building and civil engineering investments in Sweden in 2020. This was after several years of high growth. The greatest decline is expected in residential production, while civil engineering investments are expected to grow by 4 per cent in 2020. This growth will be driven by increased investments in new projects related to roads and wind power, in addition to railways.

In 2016, AF prepared a new corporate strategy for 2017-2020 with ambitions of strong, profitable growth. The four main initiatives in the strategy have marked the work of the Board and AF in 2019: organic and structural growth, customer and partner relations, creativity and innovation, and management capacity and technical expertise.

The goal of this strategy was for AF Gruppen to have annual revenues of NOK 20 billion by 2020 and to achieve a clear position in several large cities, such as Oslo, Bergen, Gothenburg and Stockholm. The revenue goal was achieved already in 2019. The acquisition of HMB Holding AB (HMB) in January 2019 expanded the geographic area of operation of the Swedish building business and gave AF a solid position in the Stockholm region. The acquisition of Betonmast on 31 October 2019 strengthened both the Norwegian and Swedish building operations.

For AF Gruppen, a record-high order backlog lays the foundation for a high level of activity in 2019 as well. After the end of the year, the coronavirus pandemic and the associated government actions have led to a dramatic change in the framework conditions for our business activities. AF Gruppen's Board and management will at all times consider the measures necessary to ensure the sound operation of the company.

AF has a solid corporate culture based on professionalism and high ethical standards, and motivated employees with a high level of expertise. This, combined with strategic priorities and a strong financial position, means that AF is well-equipped to meet the challenges and take advantage of the opportunities that the market will provide in the future.

The Board thanks the employees for their significant contributions to the good results of 2019.

OSLO, 19 APRIL 2020

Pål Egil Rønn *Board Chairman*	**Hege Bømark**	**Borghild Lunde**	**Kristian Holth**	**Arne Baumann**	**Kjetel Digre**
Morten Grongstad *CEO*	**Kenneth Svendsen**	**Arne Sveen**	**Hilde Wikesland Flaen**	**Kristina Alvendal**	

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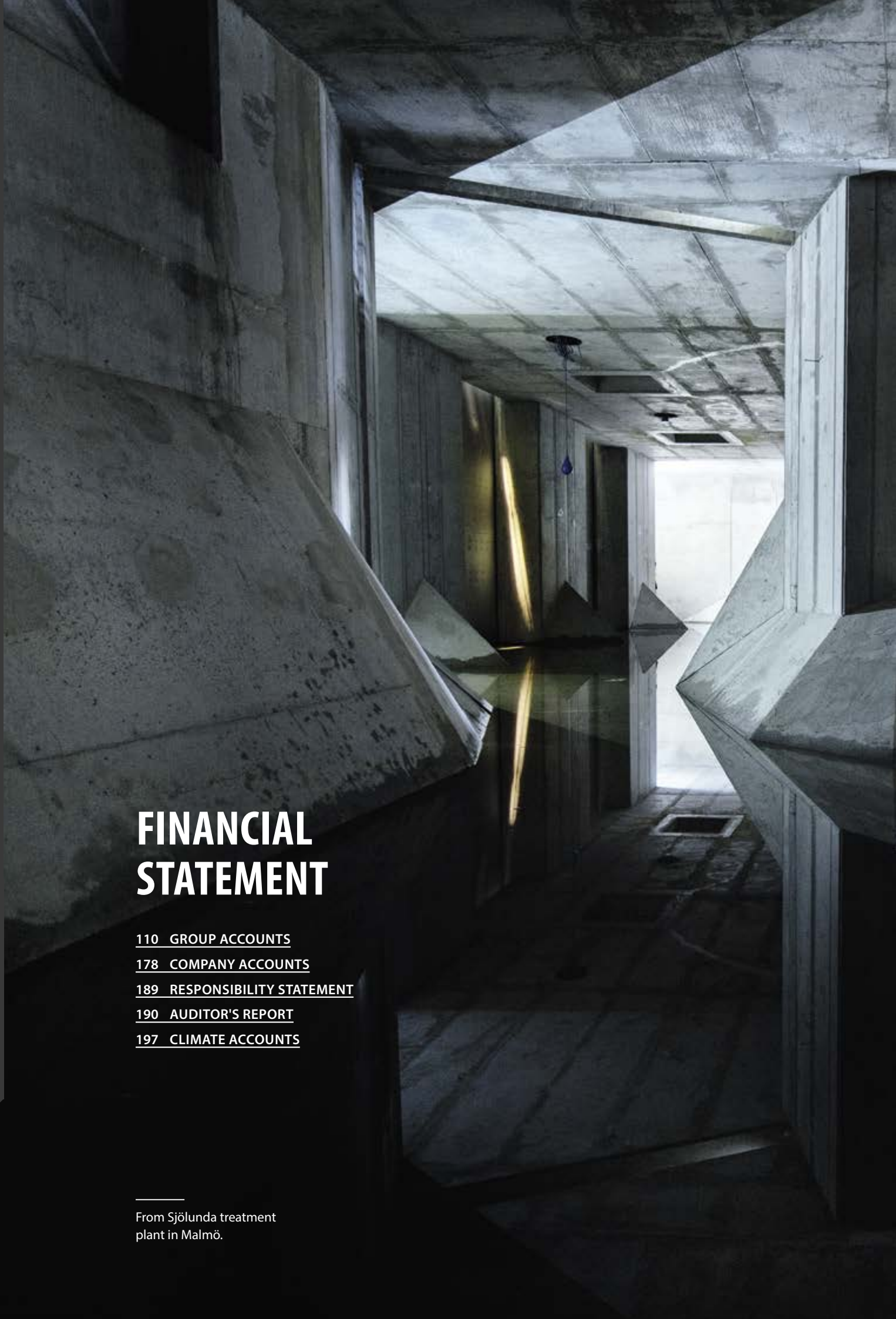

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From Sjölunda treatment plant in Malmö.

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INCOME STATEMENT

		For the financial year		
Amounts in NOK million	**Note**	**2019**	**2018**	**2017**
Operating revenue	6	22,496	18,674	13,642
Other revenue	6	115	93	61
Total operating and other revenue		**22,612**	**18,767**	**13,704**
Subcontractors		-11,415	-9,771	-6,233
Cost of materials		-3,668	-2,843	-2,277
Payroll costs	7, 32	-4,205	-3,473	-2,961
Depreciation and impairment of property, plant and equipment	14	-193	-163	-144
Amortisation and impairment of right of use assets	15	-300	-19	-23
Amortisation and impairment of intangible assets	13	-54	-2	-2
Other operating expenses	8	-1,682	-1,567	-1,256
Total operating expenses		**-21,517**	**-17,838**	**-12,896**
Net gains/(losses)	9	40	59	25
Profit from associated companies and joint ventures	27, 28	201	130	91
Earnings before interest and tax (EBIT)		**1,335**	**1,119**	**924**
Net financial items	19	-18	18	12
Earnings before tax (EBT)		**1,317**	**1,136**	**935**
Income tax expense	25, 26	-290	-215	-181
Profit for the year		**1,027**	**921**	**754**
Attributable to:				
Shareholders in the Parent Company		854	772	621
Non-controlling interests		173	149	133
Profit for the year		**1,027**	**921**	**754**
Earnings per share (NOK)	21	8.51	7.88	6.43
Diluted earnings per share (NOK)	21	8.46	7.88	6.43
Dividend per share (NOK) [1)]	21	6.00	8.50	8.50

[1)] Dividend for 2019 has been proposed for first half of the year.

COMPREHENSIVE INCOME

Amounts in NOK million	**Note**	**2019**	**2018**	**2017**
Profit for the year		1,027	921	754
Change in actuarial gains or losses on pensions (gross)	18	-2	-2	2
Change in actuarial gains or losses on pensions (tax)	26	1	-	-
Translation differences for non-controlling interests		-3	-	2
Income and expenses that will not be reclassified to the income statement		**-4**	**-2**	**3**
Change in cash flow hedging (gross)	23	5	-22	48
Change in cash flow hedging (tax)	23, 26	-1	5	-10
Translation differences for majority interests		-24	-13	26
Income and expenses that may be reclassified to the income statement		**-20**	**-30**	**64**
Total other revenues and expenses		**-24**	**-32**	**67**
Total comprehensive income for the year		**1,003**	**890**	**821**
Attributable to:				
- Shareholders in the Parent Company		832	741	686
- Non-controlling interests		170	149	135
Total comprehensive income for the year		**1,003**	**890**	**821**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

Amounts in NOK million	Note	2019	2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14, 34	1,490	1,281
Right-of-use assets	15	991	75
Intangible assets	13	4,306	2,288
Associated companies and joint ventures	27, 28	547	361
Deferred tax assets	26	13	19
Interest-bearing receivables	20, 22, 24	358	305
Pension plan and other financial assets	18, 23, 24	12	8
Total non-current assets		**7,718**	**4,337**
CURRENT ASSETS			
Inventories	11	190	184
Projects for own account	12	157	38
Trade and other non-interest-bearing receivables	10, 24	4,127	3,238
Interest-bearing receivables	20, 24	100	32
Derivatives	22, 23, 24	-	1
Cash and cash equivalents	20, 24	563	656
Total current assets		**5,136**	**4,149**
Total assets		**12,854**	**8,486**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

Amounts in NOK million	Note	2019	2018
EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITE			
Equity attributable to Parent Company shareholders		2,189	1,746
Non-controlling interests	30	809	378
Total equity		**2,999**	**2,124**
LONG-TERM LIABILITIES			
Interest-bearing loans and credit facilities	20, 22, 24	166	29
Interest-bearing loans - Lease liability	15, 20, 22, 24	704	62
Pension liabilities	18	3	1
Provisions for liabilities	16	63	150
Deferred tax	26	440	418
Derivatives	22, 23, 24	47	43
Total non-current liabilities		**1,423**	**704**
CURRENT LIABILITIES			
Interest-bearing loans and credit facilities	20, 22, 24	4	3
Interest-bearing loans - Lease liability	15, 20, 22, 24	310	5
Trade payables and current non-interest-bearing liabilities	17, 24	7,048	5,281
Derivatives	22 , 23, 24	14	10
Provisions for liabilities	16	684	223
Current tax payable	25	372	138
Total current liabilities		**8,432**	**5,659**
Total liabilities		**9,855**	**6,363**
Total equity and liabilities		**12,854**	**8,486**

OSLO, 19 APRIL 2020

Pål Egil Rønn *Board Chairman*	**Hege Bømark**	**Borghild Lunde**	**Kristian Holth**	**Arne Baumann**	**Kjetel Digre**
Morten Grongstad *CEO*	**Kenneth Svendsen**	**Arne Sveen**	**Hilde Wikesland Flaen**	**Kristina Alvendal**	

The document is signed electronically and therefore has no hand-written signatures.

STATEMENT OF CHANGES IN EQUITY

Amount in NOK million		Equity attributable to Parent Company shareholders							Non-control. interests	Total equity
	Note	Share capital	Other paid-in equity	Translation differences	Actuarial pension gains/ (losses)	Cash flow hedging	Retained earnings	Total		
2017										
Equity as at 1 January 2017		5	218	6	-16	-53	1,519	1,680	270	1,950
Profit for the year		-	-	-	-	-	621	621	133	754
Other revenues and exp. for the year		-	-	26	1	38	-	65	2	67
Total comprehensive income for the year		**-**	**-**	**26**	**1**	**38**	**621**	**686**	**135**	**821**
Share capital increases	31	-	371	-	-	-	-	371	-	371
Purchase of treasury shares	31	-	-	-	-	-	-55	-55	-	-55
Sale of treasury shares	31	-	-	-	-	-	45	45	-	45
Dividend adopted and paid		-	-121	-	-	-	-707	-829	-77	-906
Share value-based remuneration	7	-	9	-	-	-	-	9	1	10
Non-controlling interests put options	16	-	-	-	-	-	-191	-191	-1	-192
Addition of non-controlling interests		-	-	-	-	-	-	-	49	49
Transactions with non-contr. interests		-	-	-	-	-	-24	-24	7	-17
Equity as at 31 December 2017		**5**	**478**	**32**	**-15**	**-15**	**1,209**	**1,693**	**384**	**2,078**
2018										
Profit for the year		-	-	-	-	-	772	772	149	921
Other revenues and exp. for the year		-	-	-13	-1	-17	-	-31	-	-32
Total comprehensive income for the year		**-**	**-**	**-13**	**-1**	**-17**	**772**	**741**	**149**	**890**
Share capital increases	31	-	111	-	-	-	-	111	-	111
Purchase of treasury shares	31	-	-	-	-	-	-35	-35	-	-35
Sale of treasury shares	31	-	-	-	-	-	26	26	-	26
Dividend adopted and paid		-	-367	-	-	-	-469	-836	-128	-964
Share value-based remuneration	7	-	29	-	-	-	-	29	1	30
Non-controlling interests put options	16	-	-	-	-	-	28	28	-54	-26
Addition of non-controlling interests	5	-	-	-	-	-	-	-	30	30
Transactions with non-contr. interests		-	-	-	-	-	-12	-12	-4	-16
Equity as at 31 December 2018		**5**	**252**	**19**	**-16**	**-32**	**1,519**	**1,746**	**378**	**2,124**
2019										
Profit for the year		-	-	-	-	-	854	854	173	1,027
Other revenues and exp. for the year		-	-	-24	-2	4	-	-21	-3	-24
Total comprehensive income for the year		**-**	**-**	**-24**	**-2**	**4**	**854**	**833**	**170**	**1,003**
Share capital increases	31	-	651	-	-	-	-	651	-	651
Purchase of treasury shares	31	-	-	-	-	-	-6	-6	-	-6
Sale of treasury shares	31	-	-	-	-	-	35	35	-	35
Dividend adopted and paid		-	-	-	-	-	-859	-859	-148	-1,007
Share value-based remuneration	7	-	32	-	-	-	-	32	1	33
Addition from acquisition	5	-	-	-	-	-	-	-	393	393
Addition from restructuring		-	-	-	-	-	-	-	79	79
Transactions with non-contr. interests		-	-	-	-	-	-222	-222	-63	-285
Equity as at 31 December 2019		**5**	**935**	**-4**	**-18**	**-29**	**1,302**	**2,190**	**809**	**2,999**

CASH FLOW STATEMENT

Amounts in NOK million	Note	2019	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax		1,317	1,136	935
Depreciation and write-downs	13, 14	547	184	169
Accounting cost of share-based remuneration		32	29	9
Net financial expenses/(income)	19	18	-18	-12
Net (gains)/losses	9	-40	-59	-25
Profit attributable to associated companies and joint ventures	27, 28	-201	-130	-91
Change in operating capital (excluding acquisitions and foreign currency)				
Change in inventories and projects for own account	11, 12	-37	119	-155
Change in trade and other non-interest-bearing receivables	10	-185	-1,004	-17
Change in trade payables and other non-interest-bearing liabilities	16	234	707	947
Income tax paid		-177	-123	-407
Net cash flow from operating activities		**1,508**	**841**	**1,354**
CASH FLOW FROM INVESTMENT ACTIVITIES				
Acquisition of business	5	-636	-158	-103
Investments in associated companies and joint ventures		-87	-24	-12
Purchase of property, plant and equipment and intangible assets	13, 14	-324	-324	-250
Proceeds from the sale of property companies		11	7	-
Proceeds from sale of property, plant and equipment		82	77	44
Payments for derivatives		-	9	-6
Transactions with non-controlling interests		-	-	28
Dividends and capital received from associated companies and joint ventures		133	154	136
Payments due to change in interest-bearing receivables	20	-150	-54	-27
Proceeds due to change in interest-bearing receivables	20	100	35	45
Interest and other financial income received	19	33	23	27
Net cash flow from investment activities		**-838**	**-255**	**-118**
Net cash flow before financing activities		**670**	**586**	**1,235**
CASH FLOW FROM FINANCING ACTIVITIES				
Issuance of shares		555	87	322
Dividends paid to shareholders in the Parent Company		-859	-836	-829
Dividends paid to non-controlling interests		-148	-126	-77
Transactions with non-controlling interests		-113	-108	-
Proceeds from new interest-bearing debt	20	159	9	22
Repayment of interest-bearing debt	20	-324	-33	-21
Net (purchase)/sale of treasury shares	31	29	-10	-10
Interest and other financial expenses paid	19	-55	-13	-13
Net cash flow from financing activities		**-758**	**-1,030**	**-604**
Net change in cash and cash equivalents		**-88**	**-444**	**632**
Cash and cash equivalents as at 1 December	20	656	1,098	469
Foreign exchange effect on cash and cash equivalents		-5	1	-2
Cash and cash equivalents as at 31 December	**20**	**563**	**656**	**1,098**

NOTE 1 GENERAL INFORMATION

AF Gruppen ASA is a public limited company registered in Norway and listed on the Oslo Stock Exchange (OSE Watch). The Company's head office is located at Innspurten 15, 0603 Oslo, Norway.

The annual financial statements were adopted by the Board of Directors on 19 April 2020.

AF Gruppen is one of Norway's leading contracting and industrial groups with operations in the areas of Civil Engineering, Environment, Building, Property, Energy and Offshore, primarily in Norway and Sweden. The Group's activities are described in greater detail in Note 4 Segment information.

As a result of rounding off, the numbers or percentages in the consolidated financial statements will not always add up to the total.

NOTE 2 BASIS OF PREPARATION FOR ANNUAL FINANCIAL STATEMENTS

The consolidated financial statements of the AF Gruppen have been prepared in accordance with the International Financial Reporting Standards (IFRS), which have been adopted by the EU, as well as Norwegian disclosure requirements that follow from the Norwegian Accounting Act.

The Group's significant accounting policies are described in Note 38 Significant accounting policies. The accounting policies applied in the consolidated financial statements are consistent with the policies applied in the previous accounting periods, with the exception of new and amended accounting standards. Significant amendments to accounting standards and the effect of these amendments are presented in Note 3.

The consolidated accounts have been prepared on the basis of uniform accounting principles for equivalent transactions and events under otherwise equivalent circumstances.

The consolidated financial statements are based on the historical cost accounting convention, with the exception of the following items in the accounts:

- financial instruments at fair value through profit or loss
- financial instruments at fair value through other comprehensive income (OCI)
- contingent consideration for the acquisition of business

The preparation of financial statements in accordance with IFRS requires the use of estimates. In addition, the application of the AF Gruppen's accounting policies requires that the management exercise judgement. Areas with a high degree of discretionary assessments or a high level of complexity, or areas where assumptions and estimates are essential to the accounts, are described in Note 37 - Significant accounting estimates.

NOTE 3 NEW AND AMENDED ACCOUNTING STANDARDS

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT HAVE BEEN IMPLEMENTED BY THE GROUP

As of 1 January 2019, the Group has adopted a new accounting standard for leases, IFRS 16 Leases.

IFRS 16 Leases

AF Gruppen has implemented IFRS 16 Leases as of 1 January 2019 with the modified retrospective application. This means that the cumulative effect of the transition has been recognised through other reserves and that the comparison figures have not been restated.

The new standard replaced IAS 17 Leases. In IFRS 16 the distinction made between operating and financial leases is eliminated, and practically all leases are to be recognised on the balance sheet of the lessee. An exception has only been made for leases with a duration of less than 12 months. It is optional for the lessee to make use of these exceptions. AF Gruppen has chosen not to recognise leases of a short duration on the balance sheet. These leases will still be accounted for in the same manner as before. Service delivery in contracts that are defined as non-lease components are separated out and recognised as operating expenses separately from the lease component.

The present value of the future lease liability shall be recognised as an interest-bearing loan and the value of the lease (right of use) shall be recognised as a non-current asset. The balance sheet total is increased upon transition to the new standard, and the most important key figures, such as the equity ratio and net interest-bearing liabilities, will change accordingly.

The liability has been calculated with a discount rate corresponding to the marginal borrowing rate for the relevant company that has a contract, for each class of underlying asset, and adjusted for the agreement's remaining lease term. The weighted average borrowing rate used for discounting the lease liability as at 1 January 2019 was 2.3 per cent p.a.

The right of use recognised on the balance sheet will be amortised over the agreed term of the lease, and interest on the lease liability will be recognised as an interest expense. These income statement items will replace rental costs, which were recognised under other operating expenses in accordance with IAS 17. This entails that the Company's operating profit and EBITDA has increased in relation to the former standard. The cost recognition will be more degressive because the interest element will be higher at the start of the term of the lease.

Both instalments and interest on lease liabilities recognised on the balance sheet are classified as financing activities in the cash flow statement.

AF Gruppen has many operating leases that were recognised on the balance sheet upon the implementation of IFRS 16, primarily related to the leasing of office space, construction equipment and means of transport. In contracts with options, an assessment has been made of whether the options will be exercised for each individual contract.

At the time of implementation, the lease liability for all the contracts are calculated based on the discounted future cash flows. The associated right of use has been set equivalent to the lease liability for all the contracts with the exception of one tenancy agreement. For this contract, the right of use was calculated from the start date for the contract, with subsequent depreciation. The difference between the calculated lease liability and right of use for this contract was recognised in equity at the time of implementation.

As at 1 January 2019, the present value of future lease liabilities of NOK 888 million, a right of use of NOK 863 million, deferred tax assets of NOK 5 million and a negative equity effect after tax of NOK 19 million was recognised in the consolidated financial statements.

Reconciliation of operating lease liabilities as at 31 December 2018 against the opening balance sheet as at 1 January 2019.

Amounts in NOK million	
Minimum lease payments as operating leases as at 31 December 2018	1,013
Short-term leases exempted from recognition	-51
Effect of discounting	-74
Recognised lease liability as at 1 January 2019	**888**
Financial lease liabilities as at 31 December 2018	67
Total lease liability from leases as at 1 January 2019	**955**

Effect of the implementation of IFRS 16 on the opening balance sheet as at 1 January 2019

Amounts in NOK million	31/12/18	IFRS-16 effect	1/1/19
Right-of-use assets	75	863	938
Total assets	**8,486**	**863**	**9,349**
Total equity	2,124	-19	2,105
Interest-bearing debt - Lease liability (non-current)	62	651	713
Deferred tax	418	-5	412
Interest-bearing - Lease liability (current)	5	237	242
Total equity and liabilities	**8,486**	**863**	**9,349**
Equity ratio	25.0 %	na	22.5 %
Gross interest-bearing debt	99	888	987

In 2019 the implementation of the standard has resulted in a positive effect on the EBITDA and operating profit of NOK 296 million and NOK 16 million, respectively. Profit before tax and profit after tax were negatively impacted by NOK 5 million and NOK 4 million, respectively, by the introduction of IFRS 16. As at 31 December 2019, the total balance sheet has increased by NOK 910 million. Interest-bearing liabilities increased by NOK 941 million and equity declined by NOK 24 million.

Effect of IFRS 16 on earnings as at 31 December 2019

Amounts in NOK million	2019 excl. IFRS 16	IFRS-16 effect	2019
Operating expenses excl. depr. and impairment	-1,978	296	-1,682
EBITDA	**1,586**	**296**	**1,882**
Depr. and impairment of right-of-use assets	-21	-280	-300
Earnings before financial items and tax (EBIT)	**1,319**	**16**	**1,335**
Net financial items	4	-21	-18
Earnings before tax (EBT)	**1,322**	**-5**	**1,317**
Income tax expense	-291	1	-290
Profit for the year	**1,031**	**-4**	**1,027**

NOTE 3 NEW AND AMENDED ACCOUNTING STANDARDS CONT.

Effect of IFRS 16 on the balance sheet as at 31 December 2019

Amounts in NOK million	2019 excl. IFRS 16	IFRS-16 effect	2019
Right-of-use assets	81	910	991
Total assets	**11,944**	**910**	**12,854**
Total equity	3,023	-24	2,999
Interest-bearing debt - Lease liability (non-current)	63	642	704
Deferred tax	446	-7	440
Interest-bearing debt- Lease liability (current)	11	299	310
Total equity and liabilities	**11,944**	**910**	**12,854**
Equity ratio	25.3 %	na	23.3 %
Gross interest-bearing debt	243	941	1,184

See Notes 15 Leases and 38 Significant accounting principles for more information on AF Gruppen's leases. See also Note 20 Net interest-bearing receivables (debt) for an overview of all cashflow effects of IFRS 16.

No other new or amended accounting standards or interpretations that have had a significant impact on the Group's financial standing or results have been implemented in 2019.

NEW FUTURE STANDARDS, AMENDMENTS AND INTERPRETATIONS

The IASB has adopted new standards and interpretations, in addition to amendments to existing standards and interpretations that have not yet entered into force at the end of 2019. New and amended standards and interpretations have been assessed as not having any impact on the consolidated financial statements of AF Gruppen.

NOTE 4 SEGMENT INFORMATION

The operating segments as they are presented in the annual report correspond to the reporting by which the Corporate Management Team manages when they evaluate performance and profitability at a strategic level. The segment results used for management by the Corporate Management Team are the earnings before interest and tax (EBIT) and earnings before tax (EBT).

BUSINESS AREAS

AF Gruppen is a project-based contracting and industrial group. The Corporate Management Team managed the business operations in 2018 on the basis of the Civil Engineering, Building, Betonmast, Property, Energy and Environment, Sweden and Offshore business areas. Energy and Environment were merged and established as a separate business area as of 1 January 2019. The comparison figures have been restated to reflect the current structure. Betonmast was established as a separate business area as of its acquisition on 31 October 2019.

Civil Engineering carries out large complex civil engineering projects and niche projects in the following areas: roads and railways, port facilities, airports, tunnels, foundation work and power and energy, as well as onshore facilities for oil and gas. AF is a turnkey supplier of civil engineering services in Norway. The business area consists of the business units AF Anlegg and Målselv Maskin & Transport.

The Building business area performs traditional building activities in the Norwegian market with a solid local base. The business includes the development, engineering and building of commercial, residential and public buildings, as well as rehabilitation projects. Building has a strong market position in the central Eastern Norway and Bergen regions. The business area consists of the following business units: AF Bygg Oslo, AF Byggfornyelse, AF Nybygg, AF Bygg Østfold, Strøm Gundersen, Strøm Gundersen Vestfold, Haga & Berg, Consolvo, AF Håndverk, Eiqon, LAB Entreprenør, Åsane Byggmesterforretning, Fundamentering (FAS) and Helgesen Tekniske Bygg (HTB).

Betonmast is one of Norway's largest building contractors. The company's project portfolio includes everything from large residential property projects to commercial and public buildings. Betonmast has special expertise in project development and integrated contracts. Betonmast is also engaged in property development and is located in Norway and Sweden. The business area consists of the following business units: Betonmast Boligbygg, Betonmast Oslo, Betonmast Bergen, Betonmast Trøndelag, Betonmast Romerike, Betonmast Røsand, Betonmast Telemark, Betonmast Østfold, Betonmast Innlandet, Betonmast Buskerud-Vestfold, Betonmast Göteborg, Betonmast Mälardalen, Betonmast Malmö, Betonmast Stockholm, Betonmast Anläggning and Betonmast Eiendom.

Property develops residential units and commercial buildings in Norway. The activities take place in geographic areas where AF has its own production capacity. AF cooperates closely with other players in the industry, and the development projects are mainly organised as part-owned companies that are recognised in accordance with the equity method of accounting. The profit that is recognised in Property corresponds to the earnings after tax multiplied by the ownership interest.

Energy and Environment offers smart and energy-efficient solutions for buildings and industry and is a leading player in environmental clean-up, demolition and recycling. Contaminated materials are sorted, decontaminated and recycled at AF's environmental centres Rimol, Jølsen and Nes. Over 80 per cent of the materials are recycled. Energy services for onshore activities are performed in the business unit AF Energi & Miljøteknikk. The environmental operations are carried out by the business unit AF Decom and the Rimol, Jølsen and Nes environmental centres.

The Sweden business area encompasses activities related to building, civil engineering, property and environmental activities in Sweden. The business area consists of the following business units: Kanonaden Entreprenad, Pålplintar, AF Bygg Gothenburg, AF Bygg Syd, AF Projektutveckling, AF Härnösand Byggreturer and HMB. The geographical centre of the activities is in the area from Gothenburg to Halmstad, as well as Stockholm and Mälardalen.

Offshore encompasses AF's services connected to the removal, demolition and recycling of offshore installations. Offshore also includes new building, modification and maintenance work related to HVAC, cranes, modules and rig services.
In addition, services related to the maintenance and modification of onshore facilities for the oil and gas industry are provided. The business area consists of the business units: AF AeronMollier and AF Offshore Decom. Offshore also has activities at AF Miljøbase Vats.

Activities that are not allocated to the business areas are presented as Other and involve primarily activities in the Parent Company and some general services. AF Gruppen's corporate cash pooling system is allocated in Other.

Transactions between segments in the Group are carried out based on market terms and in accordance with the arm's length principle. Transactions and balances between the various segments, in addition to elements of internal profit, are presented in the eliminations column in the segment note.

TYPES OF SERVICES

AF Gruppen's revenues are primarily from production contracts of varying sizes and durations. The client, who may be in the public or private sector, is responsible for the financing. AF Gruppen also provides a small percentage of services that are billed by the hour, cf. Note 5 Operating and other revenue. In addition, the Property business area is engaged in projects for own account related to the development and construction of residential units for sale. Projects for own account are self-financed.

ACCOUNTING POLICIES

The segment information is presented in accordance with the Group's accounting policies based on IFRS, with the exception of the principles for revenue recognition for the sale of residential property. This policy exception applies to the Building and Property segments and Sweden. Revenue from projects for own account in these segments are recognised as the product of the degree of completion, the percentage sold and the expected contribution margin. This means, for example, that a project that is 50 per cent complete, 50 per cent of which is sold, will be recognised with a contribution margin of 25 per cent of the total expected contribution margin. Projects for own account are recognised in the consolidated financial statements in accordance with the principles in IFRS 15 Revenue from Contracts with Customers. In accordance with IFRS 15 all of the revenue and the associated costs are recognised at a single point in time, normally on delivery. The effect of the deviant application of principles on the consolidated accounts is illustrated in a separate table in the segment information.

IMPORTANT CUSTOMERS

The public sector in Norway, represented by the Norwegian Public Roads Administration, municipalities and Undervisningsbygg (the Municipal Undertaking for Educational Buildings and Property in Oslo), among others, are responsible for 24.4 per cent of AF Gruppen's total operating revenues. In 2019, revenue of NOK 5,487 million (4,815 million) was recognised in connection with contracts entered into with the public sector In Norway. We have defined the public sector as exclusive of wholly government owned limited companies, such as Nye Veier AS. Nye Veier accounted for 8.4 per cent of the revenues of AF Gruppen in 2019, and this represents revenue of NOK 1,900 million (1,602 million) related to projects for Nye Veier.

IMPAIRMENT LOSSES

In 2019, goodwill was written down by NOK 50 million in Offshore and NOK 3 million in Sweden. No impairment losses were recognised in 2018.

NOTE 4 SEGMENT INFORMATION CONT.

Amounts in NOK million	Civil Engine-ering	Buil-ding	Beton-mast	Property	Energy and Environ-ment	Sweden	Offshore	Other	Elim.	GAAP adjust-ment	Total
2019											
INCOME STATEMENT											
External revenue	5,689	10,514	1,226	18	939	3,681	677	50	-206	25	22,612
Internal revenue	98	67	-	-	133	2	2	35	-338	-	-
Total revenue	**5,787**	**10,581**	**1,226**	**18**	**1,072**	**3,683**	**679**	**85**	**-544**	**25**	**22,612**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	557	758	59	108	127	209	-4	39	-16	46	1,882
Earnings before interest and tax (EBIT)	373	656	49	107	78	149	-83	-25	-16	46	1,335
Earnings before tax (EBT)	376	667	46	100	75	146	-94	-29	-16	46	1,317
KEY FIGURES AND FINANCIAL STATEMENT											
EBITDA margin	9.6 %	7.2 %	4.8 %	-	11.8 %	5.7 %	-0.7%	-	-	-	8.3 %
Operating margin	6.5 %	6.2 %	4.0 %	-	7.3 %	4.0 %	-12.2%	-	-	-	5.9 %
Profit margin	6.5 %	6.3 %	3.8 %	-	7.0 %	4.0 %	-13.9%	-	-	-	5.8 %
Assets as at 31 December	1,976	5,151	3,266	840	674	1,617	1,378	2,381	-4,344	-85	12,854
Capital employed as at 31 December	594	2,007	1,160	785	294	683	916	1,143	-3,300	-100	4,183
Number of employees as at 31 December	986	2,028	1,006	28	271	798	237	182	-	-	5,536
REMAINING PERFORMANCE OBLIGATIONS (ORDER BACKLOG)											
Order backlog 2020	3,143	6,699	5,778	-	371	2,184	495	-	406	363	19,440
Order backlog, subsequent years	2,281	3,346	1,515	-	-	762	856	-	-	-	8,760
Total order backlog as at 31 December	**5,424**	**10,045**	**7,293**	**-**	**371**	**2,946**	**1,351**	**-**	**406**	**363**	**28,200**
DISTRIBUTION OF REVENUE BY REVENUE STREAMS											
Revenue from civil engineering contracts	5,787	751	34	-	-	1,391	-	-	-	-	7,963
Revenue from building contracts	-	9,825	1,187	-	-	2,151	-	-	-544	25	12,645
Revenue from onshore and offshore demolition activities	-	-	-	-	623	138	259	-	-	-	1,019
Revenue from other types of contracts	-	5	4	18	449	3	421	85	-	-	986
Total revenue	**5,787**	**10,581**	**1,226**	**18**	**1,072**	**3,683**	**679**	**85**	**-544**	**25**	**22,612**
DISTRIBUTION OF REVENUE BY GEOGRAPHY											
Revenue in Norway	5,787	10,537	953	18	1,072	-	679	85	-544	25	18,612
Revenue in Sweden	-	-	273	-	-	3,683	-	-	-	-	3,956
Revenue in other countries	-	44	-	-	-	-	-	-	-	-	44
Total revenue	**5,787**	**10,581**	**1,226**	**18**	**1,072**	**3,683**	**679**	**85**	**-544**	**25**	**22,612**
CASH FLOW											
Net cash flow from operating activities	447	982	67	-174	171	253	89	-325	-	-	1,508
Net cash flow from investing activities	-12	-93	-419	59	-8	-262	-31	-72	-	-	-838
Net cash flow before financing activities	**435**	**889**	**-352**	**-116**	**163**	**-9**	**57**	**-397**	**-**	**-**	**670**

NOTE 4 SEGMENT INFORMATION CONT.

Amounts in NOK million	Civil Engine-ering	Buil-ding	Beton-mast	Property	Energy and Environ-ment	Sweden	Offshore	Other	Elim.	GAAP adjust-ment	Total
2018											
INCOME STATEMENT											
External revenue	5,821	8,945	-	73	815	2,268	652	17	69	107	18,767
Internal revenue	40	110	-	-	60	2	3	27	-242	-	-
Total revenue	**5,861**	**9,055**	**-**	**73**	**875**	**2,270**	**655**	**44**	**-173**	**107**	**18,767**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	340	666	-	169	61	131	-6	-28	11	-42	1,303
Earnings before interest and tax (EBIT)	275	619	-	166	44	114	-21	-48	11	-42	1,119
Earnings before tax (EBT)	293	645	-	157	41	113	-27	-54	11	-42	1,136
KEY FIGURES AND FINANCIAL STATEMENT											
EBITDA margin	5.8 %	7.4 %	-	-	7.0 %	5.8 %	-0.9%	-	-	-	6.9 %
Operating margin	4.7 %	6.8 %	-	-	5.0 %	5.0 %	-3.2%	-	-	-	6.0 %
Profit margin	5.0 %	7.1 %	-	-	4.7 %	5.0 %	-4.1%	-	-	-	6.1 %
Assets as at 31 December	2,014	5,128	-	885	490	1,332	1,332	2,873	-5,420	-147	8,486
Capital employed as at 31 December	316	2,126	-	837	247	592	900	1,986	-4,639	-144	2,223
Number of employees as at 31 December	1,192	1,924	-	23	237	468	213	163	-	-	4,220
REMAINING PERFORMANCE OBLIGATIONS (ORDER BACKLOG)											
Order backlog 2019	3,877	7,424	-	-	458	1,354	415	-	-	198	13,727
Order backlog, subsequent years	3,787	2,446	-	-	43	224	1,041	-	94	180	7,815
Total order backlog as at 31 December	**7,664**	**9,871**	**-**	**-**	**501**	**1,578**	**1,456**	**-**	**94**	**378**	**21,541**
DISTRIBUTION OF REVENUE BY REVENUE STREAMS											
Revenue from civil engineering contracts	5,852	320	-	-	-	1,264	62	-	-	-	7,498
Revenue from building contracts	-	8,735	-	-	-	835	-	-	-173	107	9,504
Revenue from onshore and offshore demolition activities	-	-	-	-	526	157	355	-	-	-	1,037
Revenue from other types of contracts	9	-	-	73	350	14	239	44	-	-	728
Total revenue	**5,861**	**9,055**	**-**	**73**	**875**	**2,270**	**655**	**44**	**-173**	**107**	**18,767**
DISTRIBUTION OF REVENUE BY GEOGRAPHY											
Revenue in Norway	5,861	9,030	-	73	875	-	655	44	-173	107	16,472
Revenue in Sweden	-	-	-	-	-	2,270	-	-	-	-	2,270
Revenue in other countries	-	25	-	-	-	-	-	-	-	-	25
Total revenue	**5,787**	**9,055**	**-**	**73**	**875**	**2,270**	**655**	**44**	**-173**	**107**	**18,767**
CASH FLOW											
Net cash flow from operating activities	-74	747	-	-67	32	232	-5	-77	54	-	841
Net cash flow from investing activities	-90	-298	-	214	-51	-44	8	60	-54	-	-255
Net cash flow before financing activities	**-164**	**448**	**-**	**147**	**-20**	**188**	**4**	**-17**	**-**	**-**	**586**

NOTE 4 SEGMENT INFORMATION CONT.

Amounts in NOK million	Civil Engine-ering	Buil-ding	Beton-mast	Property	Energy and Environ-ment	Sweden	Offshore	Other	Elim.	GAAP adjust-ment	Total
2017											
INCOME STATEMENT											
External revenue	3,511	7,455	-	21	640	1,611	665	34	-47	-187	13,704
Internal revenue	59	19	-	-	78	-	-1	23	-177	-	-
Total revenue	**3,569**	**7,474**	**-**	**21**	**718**	**1,611**	**664**	**57**	**-223**	**-187**	**13,704**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	306	512	-	78	65	102	74	-18	-8	-19	1,092
Earnings before interest and tax (EBIT)	249	467	-	78	48	83	59	-33	-8	-19	924
Earnings before tax (EBT)	269	481	-	64	49	82	49	-32	-8	-19	935
KEY FIGURES AND FINANCIAL STATEMENT											
EBITDA margin	8.6 %	6.8 %	-	-	9.1 %	6.4 %	11.2 %	-	-	-	8.0 %
Operating margin	7.0 %	6.3 %	-	-	6.7 %	5.2 %	8.8 %	-	-	-	6.7 %
Profit margin	7.5 %	6.4 %	-	-	6.9 %	5.1 %	7.4 %	-	-	-	6.8 %
Assets as at 31 December	1,736	4,567	-	755	446	1,249	1,262	2,050	-4,233	-109	7,724
Capital employed as at 31 December	289	1,939	-	739	186	746	1,003	1,266	-3,865	-104	2,198
Number of employees as at 31 December	1,077	1,660	-	24	204	445	226	132	-	-	3,768
REMAINING PERFORMANCE OBLIGATIONS (ORDER BACKLOG)											
Order backlog 2018	3,711	7,096	-	-	449	1,294	445	-	157	291	13,444
Order backlog, subsequent years	2,371	2,741	-	-	85	466	471	-	-	195	6,329
Total order backlog as at 31 December	**6,082**	**9,837**	**-**	**-**	**534**	**1,760**	**916**	**-**	**157**	**486**	**19,773**
DISTRIBUTION OF REVENUE BY REVENUE STREAMS											
Revenue from civil engineering contracts	3,559	351	-	-	-	917	41	-	-	-	4,868
Revenue from building contracts	-	7,123	-	-	-	546	-	-	-223	-187	7,259
Revenue from onshore and offshore demolition activities	-	-	-	-	438	127	360	-	-	-	925
Revenue from other types of contracts	10	-	-	21	280	21	262	57	-	-	652
Total revenue	**3,569**	**7,474**	**-**	**21**	**718**	**1,611**	**664**	**57**	**-223**	**-187**	**13,704**
DISTRIBUTION OF REVENUE BY GEOGRAPHY											
Revenue in Norway	3,569	7,444	-	21	718	-	460	57	-223	-83	11,963
Revenue in Sweden	-	-	-	-	-	1,611	-	-	-	-105	1,506
Revenue in other countries	-	30	-	-	-	-	204	-	-	-	234
Total revenue	**5,787**	**7,474**	**-**	**21**	**718**	**1,611**	**664**	**57**	**-223**	**-187**	**13,704**
CASH FLOW											
Net cash flow from operating activities	676	744	-	-145	2	20	88	-31	-	-	1,354
Net cash flow from investing activities	-90	-89	-	154	-9	-101	-	18	-	-	-118
Net cash flow before financing activities	**586**	**655**	**-**	**9**	**-7**	**-81**	**88**	**-14**	**-**	**-**	**1,235**

NOTE 5 ACQUISITION AND SALE OF BUSINESSES

Acquisition of Betonmast AS

On 31 October 2019, AF Gruppen and the management of Betonmast completed the purchase of Betonmast AS. The acquisition, which was completed through the newly established Betonmast Holding AS, was first announced to the Oslo Stock Exchange on 19 August 2019. AF Gruppen owns 67.4 per cent of the shares in Betonmast Holding, and the management and former shareholders of Betonmast own 32.6 per cent. The Betonmast Group has about 1,000 employees and consists of a total of 16 companies distributed between the segments Betonmast Norway, Betonmast Benelux and Betonmast Sweden. The Betonmast Group's project portfolio includes everything from large residential projects to commercial buildings and public buildings. The transaction is the largest in the history of AF Gruppen and will strengthen AF Gruppen's position in the Norwegian and Swedish building markets.

During the period from 2017 to 2019, the Betonmast Group reported average revenues of NOK 5,979 million and an operating margin of 3.1 per cent. The total consideration for 100 per cent of the shares in the Betonmast Group was NOK 2,075 million. This is equivalent to NOK 140.50 per share.

AF Gruppen's share of the payment was financed by a cash contribution of NOK 1,337 million and a private placement of NOK 400 million. The private placement was issued on 28 October 2019 and was directed at AF Gruppen's four largest shareholders: OBOS BBL, ØMF Holding AS, Constructio AS and Folketrygdfondet. The management and former shareholders of Betonmast funded their part of the purchase by providing NOK 338 million in equity to Betonmast Holding.

The acquisition analysis is based on reported unaudited income statement and balance sheet figures for Betonmast as at 31 October 2019. Allocation of the purchase price was prepared using the acquisition method as defined in IFRS 3 'Business Combinations'. The purchase price was set at the assumed fair value of the identified assets and liabilities of the Betonmast group. Beyond what is allocated to goodwill, no significant excess (or shortfall in value has been identified.

Amounts in NOK million	**Betonmast**
Cash consideration financed by the issue of shares	400
Cash consideration financed by loans	1,337
Non-controlling ownership interests in Betonmast Holding AS are valued at fair value	338
Gross consideration for 100 per cent of the shares in Betonmast AS	**2,075**
Property, plant and equipment	65
Right-of-use assets	53
Goodwill	82
Investments in joint ventures and associated companies	125
Other non-current asset investments	18
Current interest-bearing receivables	23
Cash and cash equivalents	1,322
Current non-interest-bearing receivables	547
Inventories and projects for own account	62
Current interest-bearing receivables	14
Non-controlling ownership interests	-16
Deferred and payable tax	-148
Current interest-bearing liabilities	-19
Non-current interest-bearing liabilities	-53
Current non-interest-bearing liabilities	-1,453
Provisions	-203
Total equity in Betonmast AS as at 31 October 2019	**421**
of which recognised goodwill in Betonmast	-82
Total identified assets and liabilities in Betonmast AS as at 31 October 2019	**339**
Goodwill	**1,736**
Cash consideration for 67.4 per cent of the shares in Betonmast AS contributed as equity in Betonmast Holding AS	699
Cash consideration for the shares in Betonmast AS granted as a loan from AF to Betonmast Holding AS (100%)	1,038
Cash and cash equivalents in Betonmast AS as at 31 October 2019 (100%)	-1,322
Net consideration to cash flow statement	**415**

The acquisition is estimated to generate goodwill of NOK 1,736 million, which is linked to the geographical market position and the organisation's ability to operate profitably. None of the goodwill will be tax deductible. The allocation is not final. The final acquisition analysis must be completed within 12 months after the transaction has been completed in accordance with IFRS 3.

At the time of acquisition non-controlling interests in Betonmast Holding amount to NOK 338 million and are calculated at fair value. Total addition to non-controlling interests from the acquisition of Betonmast amounts to NOK 353 million.

NOTE 5 ACQUISITION AND SALE OF BUSINESSES CONT.

Acquisition of HMB Holding AB (HMB)

AF Gruppen Sverige AB, a subsidiary of AF Gruppen, completed the agreement to acquire 70 per cent of the shares in HMB Holding AB on 2 January 2019. The remaining 30 per cent of the shares will still be owned by key persons in the company. The sellers of the shares in HMB Holding AB are 13 employees of HMB through their respective investment companies. All sellers will continue both as employees of HMB and as owners of HMB Holding AB.

HMB is a successful contracting company, established in 1994 with roots in Dalarna in Sweden. HMB builds commercial buildings, residential buildings and public buildings with all the forms of contract that are used on the market. HMB has operations in Stockholm/Mälardalen and in Dalarna, Västmanland, Uppland and Gästrikland. All owners are active in the company. HMB will become a subsidiary of AF Gruppen Sverige AB, where AF Gruppen's Swedish operations are organised.

The acquisition will strengthen AF Gruppen's position in the Swedish building and civil engineering market and is an important step in AF Gruppen's ambition to grow in Sweden. During the period from 2015 to 2018, HMB reported average revenues of NOK 1,120 million and an operating margin of 6.1 per cent.

On a 100 per cent basis, the agreed enterprise value for HMB was SEK 600 million and the estimated value of the shares was SEK 614 million. Settlement for the shares AF acquired consisted of 736,911 shares in AF Gruppen ASA at a price of NOK 130.50 per share, which corresponds to SEK 99 million, and SEK 286 million in cash. In addition, contingent consideration of an estimated SEK 44 million has been agreed. This will be settled in 2021.

In addition to the transaction described above, AF Gruppen Sverige AB has also acquired 3.4 per cent of the shares in HMB Construction AB, a 92.1 per cent owned subsidiary of HMB Holding AB. The sellers of the shares in HMB Construction AB are 69 employees of HMB Construction AB, and they will all continue as owners and employees after the transaction.

An allocation of the purchase price based on the estimated opening balance sheet of HMB as at 2 January 2019 is presented in the table. Allocation of the purchase price was prepared using the acquisition method as regulated in IFRS 3. The purchase price has been allocated at the fair value of the assets and liabilities of HMB. The allocation is final.

Amounts in SEK million	**HMB**
Cash consideration	286
Share consideration	99
Present value of the expected contingent consideration	44
Consideration for 70% of the shares in HMB Holding AB	**430**
Non-controlling interests in HMB Holding AB (30% of the assets and liabilities)	36
Gross consideration for HMB Holding AB	**465**
Cash consideration of 3.4% of the shares in HMB Construction AB	20
Other non-controlling interests in HMB Construction AB (4.6% of the assets and liabilities)	6
Gross consideration	**491**
Property, plant and equipment	64
Right-of-use assets	6
Non-current asset investments	6
Cash and cash equivalents	79
Current non-interest-bearing receivables	208
Current interest-bearing receivables	29
Deferred and payable tax	-23
Non-current interest-bearing liabilities	-17
Current non-interest-bearing liabilities	-222
Net identifiable assets and liabilities	**129**
Goodwill	**362**
Cash consideration for 70% of the shares in HMB Holding AB	286
Cash consideration of 3.4% of the shares in HMB Construction AB	20
Cash and cash equivalents in HMB (100%)	-79
Net consideration to cash flow statement	**228**

The acquisition will result in goodwill of SEK 362 million equivalent to NOK 351 million, which is linked to the geographical market position and the organisation's ability to operate profitably. None of the goodwill will be tax deductible.

At the time of acquisition, the non-controlling interests represented SEK 42 million equivalent to NOK 40 million and have been calculated as the non-controlling owners' share of the net fair value of identifiable assets and liabilities at the acquisition date. Goodwill is only recognised for the portion of the shares that AF acquired.

NOTE 5 ACQUISITION AND SALE OF BUSINESSES CONT.

RECONCILIATION OF NET CASH CONSIDERATION IN THE CASH FLOW

Amounts in NOK million	Betonmast	HMB	Total
Gross cash consideration	1,737	297	2,034
Cash and cash equivalents	-1,322	-76	-1,398
Net cash consideration	**415**	**221**	**636**

RECONCILIATION OF ADDITIONS FROM THE ACQUISITION OF BUSINESS

Amounts in NOK million	Note	Betonmast	HMB	Total
Non-controlling interests		**353**	**40**	**393**
Goodwill	13	1,736	351	2,088
Intangible assets	**13**	**1,736**	**351**	**2,088**
Buildings and production facilities	14	61	52	113
Machinery, fixtures and fittings	14	4	9	14
Property, plant and equipment	**14**	**65**	**62**	**127**
Leased buildings and production facilities	15	46	-	46
Leased machines and operating equipment	15	7	6	13
Right-of-use assets	**15**	**53**	**6**	**58**
Current interest-bearing debt	20	53	-	53
Non-current interest-bearing debt	20	19	16	35
Interest-bearing debt	**20**	**72**	**16**	**88**

BUSINESS COMBINATIONS IN 2018

AF Gruppen completed a business combination with Helgesen Tekniske Bygg AS (HTB) in 2018. A small business combination with Rakon AS, which is part of the Building business area, was also completed.

Acquisition of Helgesen Tekniske Bygg AS (HTB)

LAB AS, a subsidiary of AF Gruppen, carried out an agreement to acquire 70% of the shares in Helgesen Tekniske Bygg AS (HTB) on 30 October 2018. HTB is a well-run company with an excellent track record since being established as a company in 1987. The company's business concept is to guide projects from the concept phase to a finished building, and the company works closely with the customers in the project development phase. The main focus is on industrial and warehouse buildings, shopping centres and office buildings. During the period from 2015 to 2018, HTB reported average revenues of NOK 343 million and an operating margin of 6.6%. The company has around 50 employees, and the head office is located at Valestrandsfossen outside of Bergen. LAB and AF complete their product line in Western Norway through the acquisition of HTB. Structural growth in Western Norway through building further on LAB's strong position is in accordance with AF's strategy. On a 100% basis, the agreed enterprise value for HTB AS was NOK 140 million and the estimated value of the shares was NOK 214 million. Settlement for the shares AF acquired consisted of payment in 189,723 shares in AF Gruppen ASA at a price of NOK 126.50 per share, which corresponds to NOK 24 million and NOK 112 million in cash. In addition, contingent consideration of an estimated NOK 24 million has been agreed, which will be settled in 2020.

The company will be organised as a subsidiary of LAB AS, in which AF Gruppen has been the principal shareholder since the 1st quarter of 2015.

An allocation of the purchase price based on the estimated opening balance sheet of HTB as at 1 November 2018 is presented in the table. Allocation of the purchase price was prepared using the acquisition method as regulated in IFRS 3. The purchase price has been allocated at the fair value of the assets and liabilities of HTB. The allocation is final.

NOTE 5 ACQUISITION AND SALE OF BUSINESSES CONT.

Amounts in NOK million	HTB
Cash consideration	112
Share issue	24
Contingent consideration	14
Consideration for 70% of the shares	**149**
Non-controlling interests (30% of the assets and liabilities)	20
Gross consideration	**170**
Interest-bearing non-current receivables	15
Tangible fixed assets and intangible assets	10
Cash and cash equivalents	115
Current non-interest-bearing receivables	56
Deferred and payable tax	-8
Current interest-bearing liabilities	-3
Current non-interest-bearing liabilities	-119
Net identifiable assets and liabilities	**67**
Goodwill	**102**
Cash consideration for 70% of the shares	112
Cash and cash equivalents in HTB (100%)	-115
Net consideration to cash flow statement	**-3**

The acquisition will result in goodwill of NOK 102 million, which is linked to the geographical market position and the organisation's ability to operate profitably. None of the goodwill will be tax deductible.

At the time acquisition, the non-controlling interests represented NOK 20 million and have been calculated as the non-controlling owners' share of the net fair value of identifiable assets and liabilities on the date of the acquisition. Goodwill is only recognised for the portion of the shares that AF acquired.

RECONCILIATION OF PAYMENT FOR ACQUISITION OF THE BUSINESS IN THE CASH FLOW

Amounts in NOK million	Contingent consideration [1]	HTB	Rakon	Total
Gross cash consideration	153	112	14	278
Cash and cash equivalents	-	-115	-5	-120
Net cash consideration	**153**	**-3**	**9**	**158**

[1] In 2018 AF Gruppen settled the contingent consideration for the acquisition of LAB (NOK 140 million) and Målselv Maskin & Transport (NOK 13 million) in 2015.

RECONCILIATION OF ADDITIONS FROM THE ACQUISITION OF BUSINESS

Amounts in NOK million	Note	HTB	Rakon	Total
Goodwill	13	102	10	112
Intangible assets	**13**	**102**	**10**	**112**
Buildings and production facilities	14	5	1	6
Machinery, fixtures and fittings	14	4	1	5
Property, plant and equipment	**14**	**9**	**2**	**11**

NOTE 6 OPERATING AND OTHER REVENUE

Amounts in NOK million	Note	2019	2018	2017
Revenue from construction contracts		21,874	18,324	13,475
Revenue from projects for own account		6	56	-
Revenue from sale of services		504	148	64
Revenue from sale of goods		112	147	103
Total operating revenue		**22,496**	**18,674**	**13,642**
Rental income		46	38	33
Other income		70	55	28
Total other revenue		**115**	**93**	**61**
Total operating and other revenue	**4**	**22,612**	**18,767**	**13,704**

Operating revenue includes all the revenue from contracts with customer.

DISTRIBUTION OF OPERATING REVENUE IN ACCORDANCE WITH THE REVENUE RECOGNITION PRINCIPLE

Amounts in NOK million	2019	2018	2017
Share of operating revenue that is recognised over time	22,378	18,472	13,539
Share of operating revenue that is recognised at a particular point in time	118	202	103
Total operating revenue	**22,496**	**18,674**	**13,642**

DISTRIBUTION OF OPERATING REVENUE BY CUSTOMER TYPE

Share of operating revenue from public customers	8,842	7,293	4,188
Share of operating revenue from private customers	13,654	11,381	9,454
Total operating revenue	**22,496**	**18,674**	**13,642**

Disaggregated operating revenue distributed by business area (market) and geography is presented in Note 4 Segment information.
Information on the transaction price for fully or partially unsatisfied performance obligations is included in Note 4 Segment information under information on the order backlog.

Information on the contract receivables and contract assets is presented in Note 10. Information on contract obligations is presented in Note 17.

RECOGNISED AS REVENUE UNDER PROJECTS IN PROGRESS

Amounts in NOK million	2019	2018
Amount that was included in the opening balance of contract obligations	960	884
Amount that relates to perf. obligations which were fully or partially satisfied in prev. periods	84	94

NOTE 7 PAYROLL COSTS

Amounts in NOK million	Note	2019	2018	2017
Fixed pay		-3,278	-2,741	-2,325
Payroll tax		-556	-436	-383
Retirement benefit costs	18	-151	-111	-99
Share value-based remuneration		-36	-34	-16
Other benefits		-184	-150	-137
Total payroll costs		**-4,205**	**-3,473**	**-2,961**

RECONCILIATION OF SHARE VALUE-BASED REMUNERATION

Share-value based remuneration recognised	36	34	16
of which share programme discount for shares from own holdings	-4	-4	-6
Share-value based remuneration through equity	**33**	**30**	**10**

AVERAGE NUMBER OF FULL-TIME EQUIVALENTS

Norway	4,079	3,588	3,217
Sweden	784	469	411
Germany	9	6	5
Lithuania	33	23	2
China	2	8	9
Total	**4,905**	**4,093**	**3,643**

SALE OF SHARES TO EMPLOYEES

In recent years, AF Gruppen has given all its employees the opportunity to buy shares at a 20 per cent discount. The discount is calculated in relation to the average market price during the subscription period. The lock-in period for the shares is one year.

NUMBER OF SHARES / PRICE	2019	2018	2017
Number of shares sold from own holdings	132,703	141,544	221,112
Number of shares from new issues	544,608	858,456	778,888
Market price during subscription period (NOK)	161.00	127.00	144.70
Selling price (NOK)	128.80	101.60	115.80
Accounting impact of sale of shares to employees:			
Payroll costs (discount on sale of shares including payroll tax)	-20	-21	-9

OPTION PROGRAMME

The General Meeting adopted a new option programme for all the employees of AF Gruppen in May 2017. The maximum number of options that may be allocated is 3,500,000 over three years, and the programme entails annual allotments for the years 2017-19 and exercise of the options in 2020. The subscription price for the shares is based on the average market price during the last week before the three respective subscription periods, no lower, however, than the price from the first subscription period. The subscription price will be reduced by the portion of the dividend paid that exceeds 50% of the earnings per share for the previous year. The option premium is NOK 1.00 per option. Option holders must be employed by AF Gruppen, or one of its subsidiaries as at 1 March 2020 in order to exercise the options. AF Gruppen issued 220,959 options to 185 employees in 2019. The total number of outstanding options adjusted for employees who have left the company was 3,151,893 as at 31 December 2019. Approximately 2,200,000 options were exercised in March 2020 and a share issue related to the exercise of options was completed in the beginning of April. Recognised option costs for 2019 were NOK 16 million (12 million).

NOTE 7 PAYROLL COSTS CONT.

ALLOTMENT YEAR	Exercise deadline	Exercise price as at 31 December 2019 (NOK per share)	Number of options
Options subscribed for in June 2017	1/3/2020	138.90	3,325,000
Correction for employees who have left in 2017			-60,857
Number of options as at 31 December 2017			**3,228,218**
Options subscribed for in June 2018	1/3/2020	138.90	175,000
Correction for employees who have left in 2018			-210,925
Number of options as at 31 December 2018			**3,228,218**
Options subscribed for in 2019	1/3/2020	156.50	220,959
Correction for employees who have left in 2019			-297,284
Number of options as at 31 December 2019			**3,151,893**

AF Gruppen has used the Black-Scholes options pricing model to value the options.
The following assumptions were used in the model:

	2019	2018	2017
Expected dividend yield	2.8 %	2.8 %	2.9 %
Historical volatility	20.3 %	19.5 %	18.3 %
Risk-free interest	1.3 %	1.8 %	1.5 %
Expected life of option (years)	0.8	1.5	2.8
Share price (NOK) [1)]	161.00	146.90	153.21

[1)] The strike price does not take into account dividends beyond 50% of the previous year's earnings per share in the yield calculation. This is because dividends beyond this level will reduce the strike price.

NOTE 8 OTHER OPERATING EXPENSES

Amounts in NOK million	Note	2019	2018	2017
OTHER OPERATING EXPENSES				
Rent		-53	-116	-118
Other rental expenses		-527	-615	-461
Insurance		-41	-35	-32
Contracted manpower		-176	-163	-93
Audit fees		-13	-10	-7
Other fees		-159	-96	-97
Bad debts	10	4	-7	-1
Disposal and landfill fees		-127	-97	-88
Marketing and advertising		-26	-19	-21
IT expenses		-115	-81	-70
Sundry other operating expenses		-449	-328	-268
Total other operating expenses		**-1,682**	**-1,567**	**-1,256**

Amounts in NOK 1000	2019	2018	2017
REMUNERATION OF THE GROUP'S ELECTED AUDITOR			
Statutory auditing	-5,485	-4,533	-2,950
Other assurance engagements	-340	-157	-136
Tax consulting	-126	-64	-32
Other non-audit services	-18	-300	-209
Total	**-5,969**	**-5,054**	**-3,327**
REMUNERATION OF OTHER AUDITORS			
Statutory auditing	-5,329	-3,481	-2,778
Other services beyond auditing	-1,326	-1,151	-597
Total	**-6,655**	**-4,632**	**-3,376**
Total auditor's fees	**-12,624**	**-9,686**	**-6,703**

Remuneration of the auditor is exclusive of value-added tax.

AF Gruppen elected PricewaterhouseCoopers AS (PwC) as the new auditor in 2017. Amounts paid to the elected auditor for 2019 and 2018 are payments to PwC. The remuneration in 2017 refers in part to auditing for the 2016 financial year, which was paid to Ernst & Young AS (EY), and in part payment on account for the 2017 financial year, which has been paid to PwC.

NOTE 9 NET GAINS/(LOSSES)

Amounts in NOK million	2019	2018	2017
Gains/(losses) on sale of businesses	-	-	-
Gains/(losses) on sale of shares in property companies [1)]	7	13	7
Fair value changes in derivatives	-10	6	-3
Net (gains)/losses on the sale of property, plant and equipment	44	41	23
Net foreign exchange gains/(losses) related to operations	-2	-1	-2
Total net gains/(losses)	**40**	**59**	**25**

[1)] Gains/(losses) on the sale of shares in property companies include both the sale of shares in associated companies and joint ventures, and the sale of shares in subsidiaries that engage in property activities. In an early development phase, the ownership interest in the property companies is often greater than when the construction starts. In the production phase, most of the projects are organised as associated companies, cf. Note 27 – Investments in associated companies and Note 28 – Investments in joint ventures.

NOTE 10 TRADE AND NON-INTEREST-BEARING RECEIVABLES

Amounts in NOK million	Note	2019	2018
Invoiced trade receivables		4,307	2,910
Unearned revenue, invoiced on projects in progress		-1,596	-945
Provision for losses		-2	-1
Contract receivables	6	**2,709**	**1,963**
Earned revenue, not invoiced on projects in progress		386	79
Credit balances with clients [1]		840	1,036
Contract assets	6	**1,226**	**1,115**
Tax paid in advance		9	4
Value-added tax and other public charges paid in advance		46	16
Prepaid expenses		62	51
Other current non-interest-bearing receivables		74	90
Other non-interest-bearing receivables		**192**	**160**
Trade and other non-interest-bearing receivables	24	**4,127**	**3,238**

[1] *As security for 4F Gruppen's contractual obligations during the contract's performance period, including liability for delayed completion, up to 10 per cent of the contract sum is retained. The retained amount is referred to as "credit balances with clients" and is regulated in contract standards such as NS 8405. When the final settlement is paid, the credit balance is released.*

MAXIMUM EXPOSURE TO CREDIT RISK
Maximum exposure to credit risk in respect of trade receivables on the balance sheet date according to age:

Age distribution 2019	Not yet due	1-30	31-60	61-90	91-120	>120	Sum
Invoiced trade receivables	2,334	712	117	139	45	959	4,307

Age distribution 2018	Not yet due	1-30	31-60	61-90	91-120	>120	Sum
Invoiced trade receivables	2,027	438	98	18	17	312	2,910

A relatively large proportion of trade receivables are more than 120 days overdue. This is attributed to the complexity of the final settlement for the projects. The final settlement will normally encompass work related to items that are not specified in the contract, and the parties must agree on the price and quantity of this work. The final settlement negotiations normally take several months and, in the case of complex contracts, can take a year or more. Estimate changes in the final settlement are recognised as a correction of project revenues.

Provisions for losses on accounts receivable are related to the customer's ability to pay and are accounted for under other operating expenses. Other risk related to trade receivables and contract assets is considered in the assessment of the projects. Revenue for trade receivables and contract assets from projects is only recognised if the management has assessed that it is highly probable that there will be no reversal of the accumulated revenue. There have been no significant actual losses on recognised receivables or contract assets in recent years.

NOTE 11 INVENTORIES

Amounts in NOK million	2019	2018
Spare parts and project inventories	100	101
Raw materials	23	32
Finished products	66	52
Total inventories	**190**	**184**

Inventories mainly consist of spare parts and equipment for use in production. Inventories were not subject to impairment in 2019.

NOK 52 (23) million of the inventories has been pledged as security for liabilities, cf. Note 34 – Pledged assets and guarantees.

NOTE 12 PROJECTS FOR OWN ACCOUNT

Development projects in AF Gruppen are generally organised through setting up joint development companies with partners. Most of these companies are organised as associated companies or joint ventures, cf. Note 27 – Associated companies and Note 28 – Joint ventures. What is presented on the balance sheet as projects for own account, which are specified in the table below, are only the projects that are developed in subsidiaries.

Amounts in NOK million	2019	2018
Housing projects in progress	39	-
Completed residential units for sale	36	-
Land for development	82	38
Total projects for own account	**157**	**38**

There is no capitalised interest recognised in the balance sheet for projects for own account.

LAND FOR DEVELOPMENT

Land for development is defined as sites and development rights for which no decision on development has yet been taken. Combined with the sites and development rights in associated companies, they can be used to build 2,360 (2,316) residential units and 58,955 m^2 (og 53,683) of commercial area. AF's share is 1,123 (1,214) residential units and 30,915 m^2 (26,264) of commercial area.

COMPLETED RESIDENTIAL UNITS FOR SALE	2019	2018
Number of completed residential units for sale in subsidiaries	-	-
AF's share of completed residential units for sale in associated companies	11	-

NOTE 13 INTANGIBLE ASSETS

Anmounts in NOK million	Note	Goodwill	Other intangible assets	Total
ACQUISITION COST				
1 January 2018		2,237	60	2,297
Ordinary additions		-	-	-
Additions from the acquisition of business	4	112	-	112
Disposals		-15	-	-15
Translation difference		-10		-10
31 December 2018		**2,324**	**60**	**2,384**
Ordinary additions		-	-	-
Additions from the acquisition of business	4	2,088	-	2,088
Disposals		-	-	-
Translation difference		-16	-	-16
31 December 2019		**4,396**	**61**	**4,457**
DEPRECIATION AND WRITE-DOWNS				
1 January 2018		-55	-54	-109
Disposals		15	-	15
Depreciation for the year		-	-2	-2
Write-downs for the year		-	-	-
31 December 2018		**-40**	**-56**	**-96**
Disposals		-	-	-
Depreciation for the year		-	-1	-1
Write-downs for the year		-53	-	-53
31 December 2019		**-93**	**-57**	**-150**
CARRYING AMOUNT				
Acquisition cost		2,324	60	2,384
Depreciation and write-downs		-40	-56	-96
31 December 2018		**2,284**	**5**	**2,288**
Acquisition cost		4,396	61	4,457
Depreciation and write-downs		-93	-57	-150
31 December 2019		**4,303**	**3**	**4,306**

	Other intangible assets
Economic life	3-22 years
Depreciation schedule	Straight-line

NOTE 13 INTANGIBLE ASSETS CONT.

ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS

Goodwill is allocated to the Group's cash-generating units that are expected to draw synergies from business combinations. Goodwill is mainly allocated to business units. The allocation is shown in the summary below:

Anmounts in NOK million	2019	2018
Målselv Maskin & Transport	64	64
AF Anlegg	37	37
Total Civil Engineering	**101**	**101**
Strøm Gundersen	464	464
Haga & Berg	147	147
Consolvo	158	158
AF Håndverk	94	94
Eiqon	432	432
LAB Entreprenør	432	432
Åsane Byggmesterforretning	123	123
Helgesen Tekniske Bygg (HTB)	102	102
Fundamentering (FAS)	94	94
AF Bygg Østfold	47	47
Total Building	**1,663**	**1,662**
Betonmast	1,736	-
Total Betonmast	**1,736**	**-**
AF AeronMollier	127	177
Total Offshore	**127**	**177**
AF Energi & Miljøteknikk	54	54
AF Decom	37	37
Total Energy and Environment	**91**	**91**
HMB	342	-
Kanonaden Entreprenad	131	134
AF Bygg Göteborg	99	101
AF Härnösand Byggreturer	13	13
Pålplintar	-	3
Total Sweden	**584**	**252**
Book value as at 31 December	**4,303**	**2,284**

IMPAIRMENT TESTS FOR GOODWILL

The Group performs annual tests to assess whether the value of goodwill and intangible assets has been impaired. In the impairment test the book value is measured against the recoverable amount from the cash-generating unit to which the asset is allocated. The recoverable amount from cash-generating units is determined by calculation of the utility value. The utility value is calculated on the basis of discounting the anticipated future cash flows before tax with a relevant discount rate (WACC) before tax that takes the term and risk into account. Different discount rates have been used for Norwegian and Swedish operations as a result of the differences in the risk-free interest rates. A different required rate of return has also been used for Offshore and other contracting operations to reflect the differences in market risk.

NOTE 13 INTANGIBLE ASSETS CONT.

The principal assumptions used in the calculation of the recoverable amounts:

NORWAY	2019	2018
Growth rate [1]	2.0 %	2.0 %
WACC before tax for offshore	9.7 %	10.7 %
WACC before tax for other	5.4 %	8.9 %

SWEDEN	2019	2018
Growth rate [1]	1.5 %	2.0 %
WACC before tax	3.5 %	7.1 %

[1] The growth rate is nominal and assumed to be perpetual.

Anticipated cash flows for 2019 in the calculation of the recoverable amount are based on the budget for 2019 approved by the management. If next year's budget is not representative, and there are budgets approved by the management for several years, the budgets for up to three years will be used. Budgets and business plans are based on assumptions regarding, for example, the demand, cost of materials, cost of labour and the overall competitive situation in the markets in which AF Gruppen operates. The assumptions made are based on management's experience as well as external sources. Wage inflation of 3.5 per cent is anticipated for all the business units in 2019.

IMPAIRMENT TEST OF GOODWILL IN 2019

The calculated value of the individual cash-generating units exceeds the book value with a relatively good margin at the end of 2019 for most of the units in the test. The exception is the business unit AF AeronMollier, in which the goodwill was written down by NOK 50 million to the calculated recoverable amount in 2019. The unit reported a positive result in 2019 but has for a long time delivered weaker results than what is required to justify the carrying amount. After the write-down, the goodwill related to AF AeronMollier amounts to NOK 127 million. AF AeronMollier is part of the Offshore business area. Goodwill of NOK 3 million related to the business unit Påplintar in Sweden has also been written down since it has been decided to discontinue parts of the business. After the write-down, there is no goodwill related to Pålplintar. Påplintar is part of the Sweden business area.

SENSITIVITY ANALYSIS FOR KEY ASSUMPTIONS

Sensitivity analyses have been carried out for all the goodwill items related to the discount rate (WACC) and cash flows. The sensitivity analyses for the units with the largest goodwill items are presented in the section below. The calculated value of the individual cash-generating units exceeds the book value with a relatively good margin at the end of 2018 for most of the units in the test. The exception is AF AeronMollier, in which the goodwill was written down MNOK 40 to the calculated recoverable amount in 2016. The circumstances of the unit have not changed significantly in recent years, and the calculated value is also approximately the same as the recoverable amount in 2018. Based on the current information, the management of AF Gruppen is of the opinion that reasonable changes in key assumptions that form the basis for calculation of the recoverable amount will not entail any need for a write-down in units with the exception of AF AeronMollier.

A) SENSITIVITY ANALYSIS OF DISCOUNT RATE (WACC)

The table below shows the relationship between the estimated recoverable amount and the book value of the assets in the impairment test of AF Gruppen's largest goodwill items. The book value of the assets in the impairment test is expressed as an index of 100. The indexed recoverable amount ((recoverable amount-book value)-1) represents how much the recoverable amount exceeds the book value. In addition, it shows how the recoverable amount changes if the discount rate (WACC) changes by respectively 50, 100 and 300 basis points (i.e. . 0.5, 1 and 3 percentage points). All other factors are held constant in the calculation.

The higher the index for the estimated cash flow, the more robust the unit is with respect to a possible write-down. Even with an increase in the WACC by 300 basis points, Kanonaden Entreprenad Transport will for example have an estimated value that is 101 per cent higher than what is necessary to justify the assets. 101 per cent is then calculated as an index of 201 divided by an index of 100 minus 1. If the index for the recoverable amount is less than 100, this indicates that the recoverable amount is lower than the carrying amount of the assets in the impairment test, making a write-down of goodwill necessary. For example, the table shows that a 1 percentage point increase in the WACC will make it necessary to recognise an impairment loss for the goodwill allocated to AF AeronMollier.

2019			Indexed values		
			Recoverable amount if WACC is increased by:		
UNIT	Recoverable amount	Book value of assets	50 bp	100 bp	300 bp
Strøm Gundersen	343	100	299	264	181
Haga & Berg	450	100	391	346	237
Consolvo	477	100	415	367	252
LAB Entreprenør	546	100	679	601	412
Kanonaden Entreprenad	749	100	601	502	302
AF AeronMollier	100	100	92	86	69

NOTE 13 INTANGIBLE ASSETS CONT.

2018			Indexed values	Recoverable amount if WACC is increased by:	
UNIT	Recoverable amount	Book value of assets	50 bp	100 bp	300 bp
Strøm Gundersen	232	100	216	202	161
Haga & Berg	171	100	159	149	119
Consolvo	213	100	198	186	148
LAB Entreprenør	309	100	411	385	307
Kanonaden Entreprenad	319	100	290	266	201
AF AeronMollier	100	100	95	89	73

B) SENSITIVITY ANALYSIS OF CASH FLOWS

The table below shows the relationship between normalised cash flows assumed in the calculation of the recoverable amount and the estimated "break even" cash flow in the impairment test of AF Gruppen's largest goodwill items. The cash flow providing the "break even" in the impairment test, that is the cash flow that provides a recoverable amount equal to book value of assets, is expressed as an index of 100. In addition, it shows how recoverable amounts change if the cash flow is reduced respectively by 10, 30 and 50 per cent. The higher the index for the estimated cash flow, the more robust the unit is with respect to a possible write-down. Even with a reduction in cash flow by 50 per cent, LAB Entreprenør Transport will for example have an estimated value that is 21 per cent higher than what is necessary to justify the assets. 21 per cent is then calculated as an index of 121 divided by an index of 100 minus 1. If the index of estimated cash flows is less than 100, this indicates that the recoverable amount is lower than the carrying amount of the assets in the impairment test, making a write-down of goodwill necessary. For example, the table shows that a 10 per cent reduction in estimated cash flow will necessitate the recognition of an impairment loss for the goodwill allocated to AF AeronMollier.

2019			Indexed values	Recoverable amount if cash flow is increased by:	
UNIT	Estimated cash flow	"Break even" cash flow	10 %	30 %	50 %
Strøm Gundersen	341	100	307	239	170
Haga & Berg	467	100	420	327	234
Consolvo	675	100	608	473	338
LAB Entreprenør	526	100	468	364	260
Kanonaden Entreprenad	634	100	571	444	317
AF AeronMollier	100	100	92	72	51

2018			Indexed values	Recoverable amount if cash flow is increased by:	
UNIT	Estimated cash flow	"Break even" cash flow	10 %	30 %	50 %
Strøm Gundersen	232	100	209	162	116
Haga & Berg	171	100	154	120	85
Consolvo	314	100	282	220	157
LAB Entreprenør	278	100	250	155	135
Kanonaden Entreprenad	266	100	239	186	133
AF AeronMollier	100	100	90	70	50

NOTE 14 PROPERTY PLANT AND EQUIPMENT

Amounts in NOK million	Note	Buildings and production plants	Machinery and equipment	Total
ACQUISITION COST				
1 January 2018		772	999	1,771
Ordinary additions		208	111	319
Additions from the acquisition of business	5	6	5	11
Reclassification between groups		-3	3	-
Disposals		-1	-94	-94
Translation differences		-1	-3	-4
31 December 2018		**982**	**1,021**	**2,003**
Ordinary additions		73	250	323
Additions from the acquisition of business	5	113	14	127
Reclassification between groups		-141	141	-
Disposals		-8	-114	-123
Translation differences		-1	-3	-5
31 December 2019		**1,017**	**1,308**	**2,325**
DEPRECIATION AND WRITE-DOWNS				
1 January 2018		-39	-580	-620
Depreciation for the year		-84	-76	-160
Write-downs for the year		-2	-1	-3
Reclassification between groups		3	-3	-
Accumulated depreciation on disposals for the year		-	60	60
Translation differences		-	1	1
31 December 2018		**-122**	**-599**	**-722**
Depreciation for the year		-14	-169	-183
Write-downs for the year		-5	-4	-10
Reclassification between groups		73	-73	-
Accumulated depreciation on disposals for the year		1	77	78
Translation differences		-	2	1
31 December 2019		**-69**	**-766**	**-835**
CARRYING AMOUNT			-	-
Acquisition cost		982	1,021	2,003
Depreciation and write-downs		-122	-599	-722
31 December 2018		**859**	**422**	**1,281**
Acquisition cost		1,017	1,308	2,325
Depreciation and write-downs		-69	-766	-835
31 December 2019		**949**	**541**	**1,490**

DEPRECIATION RATES

Non-current assets are depreciated over the expected economic life of the asset. Production machinery is normally depreciated degressively, while a linear method is used for other depreciable assets.

Machinery and equipment	10-33 %
Buildings and production facilities	2-5 %

The financial leases are included in the property, plant and equipment category Machinery and Equipment.

PLEDGED ASSETS

Information on collateralised property, plant and equipment is given in Note 34 Pledged assets and guarantees.

NOTE 15 LEASES

GROUP AS LESSEE

AF Gruppen has several different lease liabilities related to the operations. The company chooses to lease certain capital assets instead of purchasing them, since this provides greater flexibility and ensures that the company has the best possible utilisation of capital assets.

Some of the assets that are leased are subleased. The figures are shown net of deductions for sublease income in the note.

AF Gruppen has decided to implement IFRS 16 with the modified retrospective method. This means that the cumulative effect of the transition to a new standard has been recognised through other reserves and that the comparison figures have not been restated. AF Gruppen is exercising the option not to recognise leases with a remaining term of less than 12 months at the time of implementation on the balance sheet.

At the time of implementation, the lease liability for all the contracts will be calculated based on the discounted future cash flows as of 1 January 2019. The associated right of use is set at the corresponding lease liability for all the agreements, with the exception of one lease for Helsfyr Atrium. For the agreement for Helsfyr Atrium, the right of use asset has been calculated from the agreement's original start date less the accumulated depreciation. The difference between the calculated lease liability and the right of use is NOK 25 million before tax and is recognised in equity at the time of implementation.

The weighted average borrowing rate used for discounting the lease liability in 2019 was 2.3 per cent p.a.

See note 3 for more information on the implementation of IFRS 16.

RIGHT-OF-USE ASSETS

Amounts in NOK million	Note	Leased buildings and production plants	Leased machinery and equipment	Total
ACQUISITION COST				
1 January 2018		-	126	126
Ordinary additions		-	5	5
31 December 2018		**-**	**131**	**131**
Initial recognition of right-of-use assets with IFRS 16		407	456	863
Ordinary additions		36	270	306
Additions from the acquisition of business	5	46	13	58
Disposals		-6	-28	-34
31 December 2019		**483**	**843**	**1,326**
DEPRECIATION AND WRITE-DOWNS				
1 January 2018		-	-37	-37
Depreciation for the year		-	-19	-19
Accumulated depreciation on disposals for the year		-	-1	-1
31 December 2018		**-**	**-56**	**-56**
Depreciation for the year		-83	-217	-300
Accumulated depreciation on disposals for the year		3	23	26
Translation differences		-1	-3	-4
31 December 2019		**-81**	**-254**	**-335**
CARRYING AMOUNT				
Acquisition cost		-	131	131
Depreciation and write-downs		-	-56	-56
31 December 2018		**-**	**75**	**75**
Acquisition cost		483	843	1,326
Depreciation and write-downs		-81	-254	-335
31 December 2019		**403**	**588**	**991**

The term of the lease is the agreed term for each lease. Certain agreements have a clause allowing termination for a fee. For lease agreements in the Group, it has been assessed with reasonable certainty that the leases will not be terminated before they expire, but this is assessed for each individual lease agreement. There are no purchase options in most of the lease agreements, but this may be relevant with respect to certain agreements. AF Gruppen assesses whether to return or purchase each underlying asset at the end of the term of the lease when relevant. The terms of the leases vary, the longest agreements are entered into for a period of 10-15 years, while most of them have a term of 3-5 years. In exceptional cases, agreements are entered into without any time limit, but with a notice period of three months.

AF Gruppen has entered into group-wide agreements with several leasing companies, in which construction machinery, building machinery, lifts, scaffolding, huts and vehicles, as well as other equipment, are leased. The leases are generally entered into for a term of 3-5 years. Huts are the exception here and may be leased for a term of 8 years. Leased capital assets are depreciated on a straight-line basis over the term of the lease.

NOTE 15 LEASES CONT.

LEASE LIABILITIES
Undiscounted lease liability and maturity of outgoing cash flows.

LEASED BUILDINGS AND PRODUCTION PLANTS

Amounts in NOK million	Note	2019	2018
Rent due within 1 year		101	-
Rent due within 1 5 years		304	-
Rent due after 5 years		89	-
Undiscounted lease obligation buildings and production plants		**495**	**-**

LEASED MACHINERY AND VEHICLES

Amounts in NOK million	Note	2019	2018
Rent due within 1 year		236	5
Rent due within 1 5 years		329	61
Rent due after 5 years		10	9
Undiscounted lease obligation machinery and vehicles		**575**	**75**
Total undiscounted leased obligations	**20**	**1,069**	**75**

AF Gruppen is not bound by other agreements that have commenced.

The leases do not contain restrictions regarding the Group's dividend policy or financing options.

SUMMARY OF OTHER LEASE INCOME AND COSTS IN THE INCOME STATEMENT

Amounts in NOK million	Note	2019
Total income from the sublease of right of use assets		11
Operating costs related to short-term leases and variable lease payments	8	-581
Total leiekostnad inkludert i operasjonelle kostnader		**-570**

GROUP AS LESSOR
In 2019, income of NOK 46 MNOK million (36 million) has been recognised in the Group's consolidated income statement for operating leases. The lease income consists of the rental of offices and short-term rental of capital equipment, in which the rental of offices is related to the subleasing of office leases at Helsfyr Atrium and amounts to a minimum of the sublease income in the table below.

AF Gruppen as lessee

Amounts in NOK million	2019	2018	2017
Sublease rent due within 1 year	6	5	5
Sublease rent due within 1 5 years	19	7	12
Sublease rent due after 5 years	-	-	-
Total	**25**	**12**	**17**

PLEDGED ASSETS
Information on collateralised property, plant and equipment is given in Note 34 Pledged assets and guarantees.

NOTE 16 PROVISIONS FOR LIABILITIES

Amounts in NOK million	Warranty work [1]	Contingent consideration [2]	Non-controlling interests' put options [3]	Other provisions	Total provisions
1 January 2018	168	154	192	28	542
Reversal of earlier provisions	-17	-	-	-4	-21
Provisions set aside during the year	81	14	8	10	113
Used during the year	-32	-154	-69	-4	-260
31 December 2018	**200**	**14**	**130**	**29**	**373**
Reversal of earlier provisions	-21	-	-	-1	-23
Provisions set aside during the year	136	42	7	73	258
Additions from purchase of business [4]	53	-	-	150	203
Used during the year	-59	-	-	-5	-64
31 December 2019	**308**	**56**	**137**	**246**	**747**

[1] Provision for warranty work represent the management's best estimate of the warranty liability for ordinary building and civil engineering projects and warranty liability under the Housing Construction Act. The warranty period is normally 3 – 5 years.

[2] Provisions for contingent consideration is linked to contingent consideration elements in connection with the acquisition of HMB in 2019 (NOK 42 million). The remainder is related to Helgesen Tekniske Bygg AS, which is was acquired in 2018.

[3] AF Gruppen has an estimated obligation of NOK 137 million related to agreements that entitle non-controlling interest owners to sell shares to AF at given times (put options). The value has not been determinated but is calculated at the time of the transaction at the average operating profit for the previous three years multiplied by an agreed multiple and adjusted for liabilities. This value has been discounted by a risk-free interest rate. Valuations are based on the management's best estimates of future earnings and net interest-bearing liabilities, as well as the time of the redemption in some cases. The value that is calculated is considered equivalent to the fair value and is at level 2 in the valuation hierarchy in accordance with IFRS 13. The contra entry for the liability is the equity of the majority interests, cf. Statement of Changes in Equity. In 2019, NOK 137 million has been reclassified from long-term to short-term provisions since the put options can be exercised from 2020.

[4] Additions from the acquisition of businesses is related to provisions in Betonmast at the time of the acquisition.

CLASSIFICATION ON THE BALANCE SHEET	**2019**	**2018**
Non-current liabilities	63	150
Current liabilities	684	223
Total provisions	**747**	**373**

NOTE 17 TRADE PAYABLES AND NON-INTEREST-BEARING LIABILITIES

Amounts in NOK million	**2019**	**2018**
Trade payables	3,455	2,382
Public liabilities	661	508
Prepayments from customers (contract obligations)	1,188	960
Accrued holiday pay, including payroll tax	439	311
Other accrued expenses and other current liabilities	1,305	1,120
Total trade payables and non-interest-bearing liabilities	**7,048**	**5,281**

NOTE 18 RETIREMENT BENEFITS

The Norwegian companies in the Group are obligated to have an occupational pension plan in accordance with the Act relating to Mandatory Occupational Pensions. The Group's pension plans satisfy the statutory requirements.

DEFINED CONTRIBUTION PENSION PLAN

A defined contribution pension plan for all employees born in or after 1952, or employed in or after 2003, has been established for the Group's employees in Norway. From 1 July 2016 to 31 August 2019, the contributions were 4.25 per cent of pay > 1G < 7.1 G and 13 per cent of pay > 7.1G < 12 G. From 1 September 2019, the contributions have been 4.75 per cent of pay > 1G < 7.1 G and 13.5 per cent of pay > 7.1 G < 12 G, where G is the National Insurance base amount. Employees contribute a co-payment of 2 per cent of their salary basis, up to a maximum of half of the contribution. Contributions to defined-contribution plans are recognised in the income statement in the year to which they apply.

All employees in the Swedish group companies are members of defined-contribution plans. The plans encompass retirement pensions, sickness pensions and family pensions. Some of the pension costs are included in the social mark-up on payroll costs. In addition, the employees have their own contractual plans that vary according to what contract they are under. The plans are recognised in the accounts as defined-contribution plans. The premiums are paid on an ongoing basis throughout the year to various insurance companies, and they are calculated as part of the employees' pay

DEFINED BENEFIT PENSION PLAN

The Group has a collective pension plan for employees in Norway born in or before 1951, who were hired before 2003. The plan only covers retirement pensions. The plan aims to pay benefits of 60 per cent of the pay level up to 12G at the time of retirement. This benefit level requires a 30-year qualification period. The retirement age is 67, and there is a 15-year payment period. Parts of the retirement benefit payments are covered by the Norwegian National Insurance Scheme and the payments expected from this scheme. The rest is funded through accumulated reserves in insurance companies. At the end of 2019, there were 8 (10) active members in the plan and 87 (88) pensioners.

CONTRACTUAL EARLY RETIREMENT (AFP)

The Group has a defined-benefit multi-company plan for contractual early retirement (AFP), which is financed by premiums set at 1 per cent of the employee's pay. At present there is no reliable measurement or allocation of the liabilities and funds in the plan. For accounting purposes, this plan is therefore treated as a defined-contribution pension plan in which the premium payments are recognised as costs on an ongoing basis, and no provisions are set aside in the accounts. The premium is fixed at 2.4 per cent of the total payments to employees between 1 and 7 times the National Insurance basic amount (G). There is no accumulation of funds in the plan, and it is expected that the premium level will increase in the coming years.

RETIREMENT BENEFIT COSTS

Amounts in NOK million	2019	2018	2017
Defined-contribution retirement benefits, Norway	-77	-58	-56
Contributions to retirement benefit schemes, abroad	-43	-26	-17
Other retirement benefit expenses	-32	-25	-25
Retirement benefit costs for the year, excluding payroll tax	**-151**	**-111**	**-99**
Payroll tax	-21	-18	-14
Retirement benefit costs for the year, including payroll tax	**-172**	**-129**	**-114**

RETIREMENT BENEFIT LIABILITIES AND PLAN ASSETS

The Group incurred costs related to defined benefit pension plans of NOK 1 million (1 million) in 2019. The Group had gross retirement benefit liabilities of NOK 63 million (63 million) as at 31 December. Of these liabilities, NOK 64 million (62 million) is funded and NOK 3 million (1 million) is unfunded. Fair value of the plan assets was NOK 64 million (67 million) as at 31 December. Recognised plan assets in the Group amount to NOK 3 million (5 million) and retirement benefit liabilities amount to NOK 3 million (1 million). Actuarial gains recognised in the retirement benefit liabilities amount to NOK 0 million (0 million) and actuarial losses in the assets amount to NOK 2 million (1 million). The actual return on plan assets was NOK 2 million (2 million) and the expected premium payment for next year is NOK 5 million (5 million). The retirement benefit costs for the year are based on financial assumptions at the start of the year, while the balance sheet status is based on financial assumptions at the end of the year.

NOTE 19 NET FINANCIAL ITEMS

Amounts in NOK million	Note	2019	2018	2017
FINANCIAL INCOME				
Interest income from cash and cash equivalents		13	3	2
Interest income from associated companies		16	13	8
Interest income from customers		3	7	15
Other interest income	20	-1	-	-
Other financial income		1	-	1
Total financial income		**33**	**23**	**27**
FINANCIAL EXPENSES				
Interest expenses on loans and overdraft facilities	20	-20	-3	-1
Other interest expenses	20	-38	-11	-16
Other financial expenses		-1	-	-1
Total financial expenses		**-59**	**-14**	**-18**
FINANCIAL GAINS (LOSSES) ON CHANGES IN VALUE				
Net foreign exchange gains (losses) related to financing		5	1	-2
Fair value of interest rate swaps	23	3	8	5
Total financial gains (losses) on changes in value		**8**	**9**	**3**
Net financial items		**-18**	**18**	**12**

NOTE 20 NET INTEREST-BEARING RECEIVABLES (DEBT)

Amounts in NOK million	Note	2019	2018
NET INTEREST-BEARING RECEIVABLES (DEBT)			
Interest-bearing receivables non-current		358	305
Interest-bearing receivables current		100	32
Cash and cash equivalents		563	656
Interest-bearing loans and credit facilities non-current		-166	-29
Lease liability non-current		-704	-62
Interest-bearing loans and credit facilities current		-4	-3
Lease liability current		-310	-5
Net interest-bearing receivables (debt)	**22, 24**	**-163**	**894**

Amounts in NOK million	Note	2019	2018
CASH AND CASH EQUIVALENTS			
Bank deposits		563	656
Cash and cash equivalents	**22, 24**	**563**	**656**
Of which restricted funds		49	23

Restricted funds consist primarily of deposits related to the settlement of withholding tax.

The increase in net interest-bearing debt from 2018 to 2019 is mainly due to the recognition of lease liabilities in accordance with IFRS 16 Leases that was implemented from 1 January 2019.

DRAWING RIGHTS

AF Gruppen has a revolving one-year multi-currency cash pooling system with DNB with a credit limit of NOK 2,000 million. The facility was established in 2019 and replaces the previous overdraft facilities with Danske Bank and DNB in the amount of NOK 1,280 million. At the end of 2019, the Group had an unused bank overdraft facility linked to the cash pooling system of NOK 2,000 million (1,280 million). In addition, the Group has a revolving credit facility with Handelsbanken of NOK 1,000 million. This was established in 2019 and has a term of 3+1+1 years. The Group had unused credit lines for bank loans, including overdraft facilities, of NOK 3,000 million (1,880 million) as at 31 December 2019.

NOTE 20 NET INTEREST-BEARING RECEIVABLES (DEBT) CONT.

Amounts in NOK million	Note	Interest-bearing loans and credit	Lease liability	2019
CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES:				
1 January 2019		32	67	99
IFRS 16 implementation	3	-	888	888
Cash flows - proceeds (repayment) of interest-bearing debt		130	-296	-166
Cash flows - interest		-20	-22	-42
Sale of property companies		-21	-	-21
Additions/disposals of lease liabilities		-	296	296
Addition from acquisition of business	5	30	58	88
Increased liability as a result of calculated interest		20	22	42
Other net changes		-1	1	-
31 Desember 2019		**170**	**1,014**	**1,184**

Amounts in NOK million	Note	Effective interest rate	2018	2017
INTEREST-BEARING LOANS AND CREDIT FACILITIES				
Overdraft facilities outside of the corporate cash pooling system	22, 24	n/a	-	3
Mortgage loans	22, 24	4.0 %	65	9
Financial lease liabilities	22, 24	5.6 %	1,014	67
Other loans	22, 24	4.8 %	105	21
Total interest-bearing loans and credit facilities			**1,184**	**99**
CLASSIFICATION ON THE BALANCE SHEET				
Current liabilities	22, 24		314	8
Long-term liabilities	22, 24		870	91
Total interest-bearing loans and credit facilities			**1,184**	**99**
MATURITY STRUCTURE:				
Liabilities maturing within 1 year	22, 24		333	8
Liabilities maturing in between 1 and 5 years	22, 24		816	88
Liabilities maturing in more than 5 years	22, 24		112	12
Total future payment			**1,261**	**108**
- Of which interest payments			-77	-9
Total interest-bearing loans and credit facilities			**1,184**	**99**

Interest-bearing loans and credit facilities are measured on an ongoing basis at amortised cost. Fair value is calculated by discounting future cash flows and is classified at level 2 in the fair value hierarchy, cf. Note 24 Financial instruments category table. Fair value coincides essentially with the book value.

NOTE 21 EARNINGS AND DIVIDEND PER SHARE

CAPITAL MANAGEMENT

The aim of the Group's capital management is to ensure a predictable financial framework for the operations and give the shareholders a return that is better than that of comparable companies. The capital structure is managed on a running basis based on key figures and assessments of the economic conditions under which the business is conducted, as well as the short and medium term outlook. AF Gruppen's goal is to have an equity ratio of at least 20 per cent and net interest-bearing liabilities, exclusive the effect of IFRS 16 Leases, less than 2*EBITDA. There have been no changes to the Group's capital management guidelines in 2019. AF Gruppen's dividend policy is to pay a dividend semi-annually and that the dividend shall represent 50 per cent or more of the profit for the year attributable to the majority interests. If the Group's financial position and capital structure so indicates, the dividend can be increased. In its dividend proposal the Board of Directors will also take into account future financial and strategic transactions.

EARNINGS PER SHARE

Beløp i MNOK	2019	2018	2017
Årets resultat tilordnet aksjonærene i morselskapet	854	772	621
ANTALL AKSJER PER 31. DESEMBER			
Tidsveiet gjennomsnittlig antall eksternt eide aksjer[1)]	100,335,778	97,968,772	96,493,500
Utvanningseffekt av aksjeverdibasert avlønning[2)]	642,394	-	-
Tidsveiet gjennomsnittlig antall eksternt eide aksjer etter utvanning	100,978,172	97,968,772	96,493,500
Resultat per aksje (NOK)	**8.51**	**7.88**	**6.43**
Utvannet resultat per aksje (NOK)	**8.46**	**7.88**	**6.43**

[1)] *Time-weighted average number of shares issued minus treasury shares.*
[2)] *AF Gruppen's share value-based remuneration scheme (options), cf. Note 7 Payroll costs, entails that externally owned shares may be diluted as a result of the redemption of options. To take into account the future increase in the number of externally owned shares, the diluted earnings per share is calculated in addition to the earnings per share. The dilutive effect is calculated by dividing the value of the options as at the date of the balance sheet by the market price of the AF share at the same point in time. The value of the options is calculated by multiplying the number of options by the difference between the market price of the AF share on the date of the balance sheet and the average redemption price. As at 31 December 2018, the market price was lower than the exercise price. Thus there was no dilutive effect for 2018 and 2017.*

DIVIDEND PER SHARE

A dividend of NOK 5.00 per share for the 2018 financial year was paid on 27 May 2019. Due to AF Gruppen's strong financial position an additional amount of NOK 3.50 per share was paid on 20 December 2019. A total of NOK 859 million was distributed to shareholders in 2018.

For the 2019 financial year, the Board of Directors proposes a dividend of NOK 6.00 per share for the first half of 2020. It is expected that the dividend will be paid to the shareholders on 27 May 2019. The dividend must be approved by the General Meeting, and there is no provision for the liability on the balance sheet. No dividend is paid for shares owned by AF Gruppen ASA. The total estimated dividend for the 2019 financial year for distribution in the first half of 2020 is NOK 635 million. The Board of Directors will request authorisation by the General Meeting for the distribution of a dividend in November 2020 as well.

Amounts in NOK	Dividend for the first half of 2020
Total number of shares as at 31 December 2019	103,065,277
Share issue, options	2,200,000
Estimated number of treasury shares	-
Estimated number of shares entitled to a dividend	105,265,277
Proposed dividend per share	6
Total estimated dividend	631,591,662

NOTE 22 FINANCIAL RISK MANAGEMENT

The Group is exposed to various types of financial risk, credit risk, market risk and liquidity risk through its activities.

The overall goal of risk management in the Group is to minimise any risk that AF Gruppen cannot influence. Unpredictable changes in the capital markets are an example of this.

The Board has overall responsibility for establishing and supervising the Group's risk management framework. Risk management principles have been established in order to identify and analyse the risk to which the Group is exposed, set limits for acceptable risk and relevant controls, monitor risk, and comply with the limits. Risk management principles and systems are reviewed regularly to reflect changes in activities and the market conditions. Through training, standards and procedures for risk management, the Group aims to develop a disciplined and constructive environment of control, in which every employee understands his or her roles and duties.

A) CREDIT RISK
Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument does not manage to fulfil his contractual obligations. Credit risk is usually a consequence of the Group's trade receivables. There is also credit risk related to cash and cash equivalents and financial derivatives. The management has established guidelines to ensure that the granting of credit and exposure to credit risk are monitored continuously.

TRADE AND OTHER RECEIVABLES
The Group's exposure to credit risk related to trade and other receivables is principally affected by individual circumstances relating to a particular customer. Other circumstances, such as the demographics, geographical factors, etc. have little effect on the credit risk.

Trade and other receivables on the balance sheet are presented net of provisions for anticipated losses. Provision is made for losses when it is expected that a credit risk will result in a loss. If a credit risk is identified on the contract date, the company will ask for a bank guarantee as security for payment in accordance with the contract.

The Group's largest customers are the Norwegian Public Roads Administration, Nye Veier AS, municipalities and oil companies on the Norwegian and British continental shelves. These customers are either government agencies or they have high international credit rankings, and the management believes that the credit risk these customers represent is minimal. In accordance with the Norwegian standard for building and construction contracts, the customer must provide security for 10 to 17.5 per cent of the contract price for fulfilment of his contractual obligations. The contractor is not obligated to start work on a contract before he receives security from the customer.

The remaining credit risk of the Group is spread over a large number of contract partners and home buyers. Home buyers always pay a deposit of at least 10 per cent of the purchase price when entering into a purchase contract. The Company has a vendor's lien charge on sold residential units. The credit risk is spread over a large number of home buyers and is considered low. Maximum exposure to credit risk in respect of trade receivables on the balance sheet date according to age, see Note 10 Trade and other non-interest-bearing receivables:

A relatively large proportion of trade receivables are more than 120 days overdue. This is linked to the complexity of the final account for the projects. The final account lists all the work performed under the contract against the contract prices. In addition, the actual work performed will normally include items that are not described in the contract, and the parties have to reach an agreement on how to calculate the price and quantity of such items. This work usually takes several months and, in the case of complex contracts, can take up to a year. Impairment due to unwillingness or inability to pay is rare. Changes in the value of receivables are primarily due to changes in project revenue estimates and are entered as an adjustment of the project revenue.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents comprise restricted and non-restricted bank deposits. The credit risk linked to bank deposits is limited, as the counterparties are banks with a high credit ranking that is assessed and published by international credit rating bureaus such as Moody's and Standard & Poors. The strict creditworthiness requirements mean that counterparties are expected to fulfil their obligations. Any investments in money market funds are only made in liquid securities and only with counterparties with good creditworthiness.

DERIVATIVES
The credit risk linked to transactions with financial derivatives is considered limited as the counterparties are banks with a high credit ranking.

CREDIT EXPOSURE TO FINANCIAL ASSETS
Maximum credit exposure to financial assets corresponds to the book value.

B) MARKET RISK

I) INTEREST RATE RISK
AF Gruppen's financing is based on variable interest rates, and the Group is therefore exposed to interest rate risk. The Group has a fixed interest rate agreement, but as a rule does not use fixed interest rate agreements to hedge the effective interest rate exposure. See the description in Note 20 Net interest-bearing receivables for further information. AF is also exposed to interest rate risk for building and property activities, especially for residential building for own account, in which the general interest rate level will have an impact on the saleability of completed residential units and consequently the Group's tied-up capital. The Group reduces this risk by requiring advance sales of residential units and deposits from home buyers. See the description in Note 12 Projects for own account for further information.

Sensitivity to interest rate changes
The Group is exposed to an interest rate risk with respect to assets and liabilities with a variable interest rate. The table illustrates the effect of a change in the interest rate by 100 basis points on the profit after tax. The analysis assumes that other variables remain constant..

NOTE 22 FINANCIAL RISK MANAGEMENT CONT.

Amounts in NOK million	2019	2018
Financial assets with a variable interest rate	1,021	993
Financial liabilities with a variable interest rate	-1,184	-99
Net financial debt (financial receivables)	**-163**	**894**

EFFECT ON PROFIT AFTER TAX

Effect of a 100 basis point increase in rates on the profit after tax and equity	1	-7
Effect of a 100 basis point decrease in interest rates on the profit after tax and equity	-1	7

II) CURRENCY RISK

AF Gruppen has operations in a number of countries and is exposed to exchange rate risk in a number of currencies, particularly the SEK, EUR and USD. The Group has 88 per cent (89 per cent) of its recognised revenues in enterprises with NOK as their functional currency, 12 per cent (11 per cent) with SEK as their functional currency and 0 per cent (0 per cent) with another functional currency.

An exchange rate risk arises from future commercial transactions, in the translation of recognised assets and liabilities and net investments in foreign operations to NOK. The net foreign exchange gain/(loss) in 2018 was NOK 0 million (-4 million). The total translation differences in 2018 were NOK -13 million (28 million).

The Group has a low exchange rate risk related to revenue from the Civil Engineering, Building, Betonmast, Property, Energy and Environment and Sweden business areas, since all revenues are primarily in the functional currency. Portions of the revenues in the Offshore business area are in EUR and USD. These are hedged naturally in some cases, since the costs are in the same currency as the revenues, or they are hedged by means of forward currency contracts. As at 31 December 2018, the effects of two forward exchange contracts, one with income in USD and one with income in EUR, are recognised in accordance with the cash flow hedging rules, cf. Note 23 Derivatives and Note 24 Financial instruments category table.

AF Gruppen makes most of their purchases in their respective functional currencies. The Group bears a risk related to purchases in foreign currency, either directly through purchases from foreign suppliers, or indirectly from Norwegian suppliers who import goods from abroad. The Group protects itself by entering into all major purchase agreements in NOK. Major individual purchases in foreign currency that are not encompassed by purchase agreements in NOK are hedged by forward contracts.

SENSITIVITY CURRENCY DERIVATIVES

Amounts in NOK million	2019	2018
EFFECT ON PROFIT AFTER TAX		
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the profit after tax	8	16
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the profit after tax	-8	-16
EFFECT ON OTHER COMPREHENSIVE INCOME (OCI)		
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on other comprehensive income (OCI).	-45	-51
Effect of a 10 per cent weakening of NOK in relation to all the currencies on other comprehensive income (OCI).	45	51
EFFECT ON EQUITY		
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the equity	-37	-35
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the equity	37	35

SENSITIVITY ASSOCIATED WITH THE TRANSLATION OF RECEIVABLES AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES TO NOK

AF Gruppen has deposits and liabilities in EUR, GBP, USD and SEK. Net bank deposits and receivables in foreign currencies other than the functional currency are exposed to an exchange rate risk and result in a foreign exchange gain or loss in the event of exchange rate fluctuations. The table illustrates the effect of a change in all the exchange rates by 10 per cent on the profit after tax. The analysis assumes that other variables remain constant.

Amounts in NOK million	2019	2018
EFFECT ON EARNINGS AFTER TAX AND EQUITY		
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on profit after tax	-	-2
Effect of a 10 per cent weakening of NOK in relation to all the currencies on profit after tax	-	2

SENSITIVITY ASSOCIATED WITH TRANSLATION OF INCOME STATEMENT AND BALANCE SHEET IN FOREIGN CURRENCIES TO NOK

The profit after tax for foreign companies is translated to NOK based on the average monthly rate during the financial year and balance sheet items are translated at the rate in effect on the date of the balance sheet. The table shows how the profit after tax and equity will be affected by a fluctuation of 10 per cent in all the exchange rates. The analysis assumes that other variables remain constant.

NOTE 22 FINANCIAL RISK MANAGEMENT CONT.

Amounts in NOK million	2019	2018
EFFECT ON PROFIT AFTER TAX		
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the profit after tax	-13	-9
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the profit after tax	13	9
EFFECT ON EQUITY		
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the equity	-61	-70
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the equity	61	70

III) OTHER PRICE RISKS
The demolition activities in Offshore are exposed to price risk from the sale of scrap steel recycled from steel structures in the North Sea. A continuous assessment is made of whether the price of steel should be hedged, based both on exposure and on the efficiency of the market for forward contracts. As at 31 December 2018, AF Gruppen has not assets nor liabilities related to commodity derivatives for steel. See Note 23 Derivatives for further information.

C) LIQUIDITY RISK
Liquidity risk is the risk that AF Gruppen will not be able to service its financial obligations when they are due. The Group's strategy for managing liquidity risk is to have sufficient cash and cash equivalents at all times in order to fulfil its financial obligations when due without risking unacceptable losses or damaging its reputation. Most of the companies in AF Gruppen are linked to a corporate cash pooling system. Surplus liquidity in the corporate cash pooling system beyond what constitutes the necessary working capital is managed by the company's finance function. Portions of the surplus liquidity are placed in the money market. The management monitors cash and cash equivalents on a weekly basis, and each month the Corporate Management Team reviews the liquidity of the projects. See Note 20 Net interest-bearing receivables (debt) for information on liquidity and available credit facilities.

NOTE 23 DERIVATIVES

	2019		2018	
Amounts in NOK million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate swap contracts held for trading purposes	-	4	-	9
Forward foreign exchange contracts held for trading purposes	-	5	1	5
Forward foreign exchange contracts cash flow hedging	-	38	-	29
Total non-current assets/ liabilities	**-**	**47**	**2**	**43**
Interest rate swap contracts held for trading purposes	-	4	-	4
Commodity derivatives held for trading purposes	-	3	-	3
Forward foreign exchange contracts held for trading purposes	-	4	-	4
Forward foreign exchange contracts cash flow hedging	-	3	-	3
Total current assets/ liabilities	**-**	**14**	**1**	**10**
Total carrying amount	**-**	**61**	**3**	**53**

INTEREST RATE SWAPS
AF Gruppen has an interest rate swap linked to the financing of the AF Environmental Base at Vats.

COMMODITY DERIVATIVES
To hedge against undesired fluctuations in the price of commodities that AF uses or sorts for recycling, such as steel, commodity derivatives are entered into in certain cases. In the assessment, the exposure and how efficient the market for forward contracts is are taken into account. As at 31 December 2019, AF Gruppen has one liability related to commodity derivatives.

CURRENCY EXCHANGE CONTRACTS
AF Gruppen recognise changes in the value of foreign exchange derivatives related to large contracts denominated in foreign currencies in accordance with the rules for cash flow hedging. As at 31 December 2019, this applies to one contract with income in USD and one with income in EUR. The hedged expected transactions in these contracts total are very probable and are expected to take place on various dates up until 2024. See Note 22 for a table of the maturity structure. Gains or losses recognised in the hedging reserve will be recognised in the income statement in the same accounting periods that the hedged transactions affect the profit or loss. There was no ineffectiveness associated with the Group's cash flow hedging in 2019. For other forward foreign exchange contracts, the changes in value are recognised in the income statement on an ongoing basis, cf. Note 9 Net gains/(losses).

THE TABLE BELOW SHOWS HOW CASH FLOW HEDGING IS RECLASSIFIED FROM OTHER COMPREHENSIVE INCOME TO THE INCOME STATEMENT

Amounts in NOK million	**2019**	**2018**	**2017**
Cash flow hedges (gross)	9	19	47
Cash flow hedges (tax)	-2	-4	-10
Reclassified from other comprehensive income (OCI) to the income	**7**	**15**	**37**
Cash flow hedges (gross)	-4	-42	1
Cash flow hedges (tax)	1	9	-
Change in value for the year	**-3**	**-33**	**1**
Cash flow hedges (gross)	5	-22	48
Cash flow hedges (tax)	-1	5	-10
Total revenues and expenses	**4**	**-17**	**38**

NOTE 23 DERIVATIVES CONT.

FINANCIAL ASSETS AND LIABILITIES ARE MEASURED AT FAIR VALUE IN ACCORDANCE WITH THE VALUATION HIERARCHY

AF Gruppen measures all derivatives and financial investments at fair value. As at 31 December 2019, AF Gruppen has derivatives related to foreign exchange, commodities and interest rates. Currency derivatives are used to make revenues or commodity costs in foreign currencies predictable.

Fair value hierarchy

The table below illustrates the financial instruments at fair value in accordance with the valuation hierarchy in IFRS 7. The various levels are defined as follows:

Level 1 Quoted price in an active market for an asset or liability.
Level 2 Valuation derived directly or indirectly from a quoted price within level 1.
Level 3 Valuation based on inputs not obtained from observable markets.

FINANCIAL ASSETS AND LIABILITIES ARE MEASURED AT FAIR VALUE IN ACCORDANCE WITH THE VALUATION HIERARCHY

Amounts in NOK million

2019	Level 1	Level 2	Level 3	Total
Assets Derivatives	-	-	-	-
Liabilities Derivatives	-	-61	-	-61
Total	**-**	**-60**	**-**	**-60**

Amounts in NOK million

2018	Level 1	Level 2	Level 3	Total
Assets Derivatives	-	3	-	3
Liabilities Derivatives	-	-53	-	-53
Total	**-**	**-49**	**-**	**-49**

Fair value of interest rate swaps is calculated as the present value of the future cash flow based on the observable yield curve.

Fair value of forward contracts in a foreign currency is calculated as the present value of the difference between the agreed forward price and the forward price for the currency on the date of the balance sheet multiplied by the contract volume in a foreign currency. Fair value of interest rate swaps is calculated as the present value of the estimated future cash flow based on the observable yield curve.

NOTE 24 FINANCIAL INSTRUMENTS: CATEGORY TABLE

The table below shows AF Gruppen's financial instrument classes and the associated book value in accordance with IAS 9 Financial Instruments. All financial instruments are measured at fair value, or approximately at fair value, with the exception of long-term financial liabilities. See Note 20 Net interest-bearing receivables (debt) for information on the fair value of long-term financial liabilities.

FINANCIAL ASSETS BY CATEGORY

Amounts in NOK million 31/12/19	Note	Loans and receivables at amortised cost	Derivatives at fair value through profit or loss	Derivatives at fair value through OCI	Total	Non-financial assets	Total carrying amount
Non-current interest-bearing receivables	20	358	-	-	358	-	358
Non-current pension plan and other financial assets	18	3	5	-	9	3	12
Current trade and other non-interest-bearing receivables [1]	10	4,009	-	-	4,009	117	4,127
Current interest-bearing receivables	20	100	-	-	100	-	100
Current derivatives	23	-	-	-	-	-	-
Cash and cash equivalents	20	563	-	-	563	-	563
Total		**5,033**	**5**	**-**	**5,039**	**121**	**5,159**

Amounts in NOK million 31/12/18	Note	Loans and receivables at amortised cost	Derivatives at fair value through profit or loss	Derivatives at fair value through OCI	Total	Non-financial assets	Total carrying amount
Non-current interest-bearing receivables	20	305	-	-	305	-	305
Non-current pension plan and other financial assets	18	1	2	-	3	5	8
Current trade and other non-interest-bearing receivables [1]	10	3,168	-	-	3,168	70	3,238
Current interest-bearing receivables	20	32	-	-	32	-	32
Current derivatives	23	-	1	-	1	-	1
Cash and cash equivalents	20	656	-	-	656	-	656
Total		**4,162**	**3**	**-**	**4,165**	**75**	**4,240**

[1] Trade and non-interest-bearing receivables classified as loans and receivables do not include prepaid expenses.

NOTE 24 FINANCIAL INSTRUMENTS: CATEGORY TABLE CONT.

FINANCIAL LIABILITIES BY CATEGORY

31/12/19	Note	Liabilities at amortised cost	Derivatives at fair value through profit or loss	Derivatives at fair value through OCI	Total	Non-financial liabilities	Total carrying amount
Non-current interest-bearing loans and credit facilities	20, 22	166	-	-	166	-	166
Long-term interest-bearing loans - Lease liability		704	-	-	704	-	704
Current interest-bearing loans and credit facilities	20, 22	4	-	-	4	-	4
Short-term interest-bearing loans - Lease liability		310	-	-	310	-	310
Current trade payables and non-interest-bearing debt [2)]	16, 22	4,759	-	-	4,759	2,288	7,048
Non-current derivatives	22, 23	-	9	38	47	-	47
Current derivatives	22, 23	-	11	3	14	-	14
Total		**5,944**	**20**	**41**	**6,004**	**2,288**	**8,293**

31/12/18	Note	Liabilities at amortised cost	Derivatives at fair value through profit or loss	Derivatives at fair value through OCI	Total	Non-financial liabilities	Total carrying amount
Non-current interest-bearing loans and credit facilities	20, 22	29	-	-	29	-	29
Long-term interest-bearing loans - Lease liability		62	-	-	62	-	62
Current interest-bearing loans and credit facilities	20, 22	3	-	-	3	-	3
Short-term interest-bearing loans - Lease liability		5	-	-	5	-	5
Current trade payables and non-interest-bearing debt [2)]	16, 22	3,502	-	-	3,502	1,779	5,281
Non-current derivatives	22, 23	-	14	29	43	-	43
Current derivatives	22, 23	-	7	3	10	-	10
Total		**3,601**	**21**	**32**	**3,653**	**1,779**	**5,432**

[2)] Trade payables and non-interest-bearing liabilities classified as financial liabilities at amortised cost consist of ordinary trade payables and other current liabilities. Financial liabilities do not include prepayments from customers and statutory obligations such as unpaid value-added tax, retirement benefits and other personnel-related costs.

NOTE 25 INCOME TAX EXPENSE

Amounts in NOK million	2019	2018	2017
Current tax payable for the year	-394	-129	-133
Adjustment for previous years	-31	5	-
Total tax payable	**-425**	**-125**	**-134**
CHANGE IN DEFERRED TAX RELATED TO:			
Change in temporary differences	121	-108	-62
Change in tax rate	-	18	15
Changed valuation of temporary differences	-2	-1	-
Adjustment for previous years	16	-	-
Tax change in deferred tax	**135**	**-91**	**-47**
Total income tax expense	**-290**	**-215**	**-181**
RECONCILIATION OF TAX PAYABLE IN THE INCOME STATEMENT AGAINST TAX PAYABLE ON THE BALANCE SHEET			
Current tax payable for the year	394	129	133
Tax payable linked to previous years	12	2	-
Impact related to the acquisition/(sale) of business	-	2	1
Tax paid in advance	-36	-12	-9
Impact related to limited partnerships that are recognised in accordance with the equity method	-	15	-
Tax payable from other comprehensive income	-	-	-
Currency translation differences	2	2	1
Total tax payable on the balance sheet	**372**	**138**	**126**
RECONCILIATION OF INCOME TAX EXPENSE CALCULATED AT THE NORWEGIAN TAX RATE AND THE INCOME TAX EXPENSE AS PRESENTED IN THE INCOME STATEMENT			
Profit before tax	1,317	1,136	935
Expected income tax at Norwegian nominal rate	-290	-261	-224
Tax effects of:			
Divergent foreign tax rates	4	9	1
Non-deductible expenses	-30	-21	-16
Profit attributable to associated companies	29	30	41
Non-taxable revenues	8	10	4
Change in tax rate	-	18	15
Change in valuation of deferred tax assets	-2	-1	-
Excessive/insufficient provisions in previous years	-9	1	-
Total tax expense recognised in income statement	**-290**	**-215**	**-181**
Effective tax rate			

NOTE 26 DEFERRED TAX / DEFERRED TAX ASSETS

CHANGE IN RECOGNISED NET DEFERRED TAX

Amounts in NOK million	2019	2018
Book value as at 1 January	399	301
Recognised in the period	-135	91
Recognised in OCI	-1	-6
Impact related to the acquisition/(sale) of business	160	4
Impact related to limited partnerships that are recognised in accordance with the equity method	9	9
Effect of IFRS 16 - leasing	-5	-
Currency translation differences	1	1
Book value as at 31 December	**427**	**399**

CLASSIFICATION ON THE BALANCE SHEET

Deferred tax assets	-13	-19
Deferred tax	440	418
Net deferred tax on the balance sheet	**427**	**399**

CHANGE IN DEFERRED TAX ASSETS AND DEFERRED TAX (WITHOUT NETTING WITHIN THE SAME TAX REGIME)

2019 DEFERRED TAX	1/1/19	Recognised in the period	Recognised in OCI	Acquisition/ sale of businesses	Currency translation	31/12/19
Property, plant and equipment	24	5	-	2	-	31
Intangible assets	-	-	-	-	-	-
Projects in progress [1]	525	-112	-	190	-	603
Other assets	28	-10	-	1	-	19
Retirement benefits	1	-	-	-	-	1
Accruals reserve	8	-9	-	18	-	17
Total deferred taxes	**587**	**-126**	**-**	**210**	**-**	**671**
Of which netted against deferred tax assets						-231
Deferred tax assets recognised on balance sheet						**440**

DEFERRED TAX ASSETS	1/1/19	Recognised in the period	Recognised in OCI	Acquisition/ sale of businesses	Currency translation	31/12/19
Property, plant and equipment	-6	-5	-	-6	-	-17
Other assets	-27	-18	-1	-1	-	-47
Provisions	-62	-28	-	-38	-	-129
Recognised tax value of tax loss carryforward [2]	-96	43	-	-5	1	-57
Total deferred tax assets	**-191**	**-9**	**-1**	**-50**	**1**	**-250**
Of which netted against deferred tax						231
Of which off-balance-sheet deferred tax assets						6
Deferred tax assets recognised on the balance sheet						**-13**

NOTE 26 DEFERRED TAX / DEFERRED TAX ASSETS CONT.

2018 DEFERRED TAX	1/1/18	Recognised in the period	Recognised in OCI	Acquisition/ sale of businesses	Currency translation	31/12/18
Property, plant and equipment	21	3	-	-	-	24
Intangible assets	1	-1	-	-	-	-
Projects in progress [1]	452	64	-	10	-	525
Other assets	17	11	-	-	-	28
Retirement benefits	1	-	-	-	-	1
Accruals reserve	12	-4	-	-	-	8
Total deferred taxes	**504**	**73**	**-**	**10**	**-**	**587**
Of which netted against deferred tax assets						-169
Deferred tax assets recognised on balance sheet						**418**

DEFERRED TAX ASSETS	1/1/18	Recognised in the period	Recognised in OCI	Acquisition/ sale of businesses	Currency translation	31/12/18
Property, plant and equipment	-8	2	-	-	-	-6
Other assets	-23	1	-6	-	-	-27
Provisions	-61	-1	-	-	-	-62
Recognised tax value of tax loss carryforward [2]	-114	22	-	-5	1	-96
Total deferred tax assets	**-206**	**25**	**-6**	**-5**	**1**	**-191**
Of which netted against deferred tax						169
Of which off-balance-sheet deferred tax assets						4
Deferred tax assets recognised on the balance sheet						**-19**

[1] Projects in progress have a major impact on the calculation of deferred tax and the current tax payable. Projects in progress are valued at the direct production cost, and revenue is not recognised for tax purposes until delivery.

[2] The deferred tax assets related to tax loss carryforwards are recognised on the balance sheet when it is probable that the Group can apply this against future taxable income. The tax loss carryforward recognised on the balance sheet is not time limited and totals NOK 218 million (NOK 379 million in 2018).

NOTE 27 ASSOCIATED COMPANIES

INVESTMENTS IN ASSOCIATED COMPANIES

Amounts in NOK million	2019	2018	2017
Book value of investment as at 1 January	258	288	266
Additions	-	-	6
Additions due to sell-off of subsidiaries	78	-	-
Disposals	-	-	-
Share of profit for the year	103	68	59
Tax on distributions from limited and internal partnerships	-	-	8
Equity transactions, incl. dividends	-64	-97	-51
Currency translation differences	-	-	1
Total investments in associated companies as at 31 December	**375**	**258**	**288**

AF Gruppen carries out residential and commercial building projects in cooperation with professional co-investors. This is done to provide complementary competence in the projects and diversify risk. AF Gruppen does not normally own more than a 50 per cent interest in the development companies. In addition, the Group has a few associated companies with other activities, but they are not defined as essential to the Group.

The owners have regulated cooperation, pre-emptive rights, buyout rights, etc., as well as the requirement of a majority for certain decisions, in the partnership agreement. In all of the important ongoing projects, there is loan financing, for which there are agreements that contain provisions stipulating that the development company cannot pay dividends or repay loans from the owners before any bank loans have been redeemed.

All the associated companies in which AF has an ownership stake have been assessed with respect to actual control. It was concluded that AF does not have control over these investments, and the companies have been incorporated into the consolidated financial statements in accordance with the equity method of accounting.

There are no public quoted prices for any of the associated companies.

In the note, the associated companies are grouped according to their materiality to the Group. The assessment of the company's materiality is based on an overall assessment of the activity, financial results and book value. Since the profit from residential property projects is not recognised in the consolidated financial statements until the apartments have been handed over, the greatest importance is attached to the activity in the assessment, since the carrying amount is strongly influenced by the handover.

NOTE 27 ASSOCIATED COMPANIES CONT.

2019

SPECIFICATION OF THE AMOUNTS IN THE ACCOUNTS:

Amounts in NOK million	Essential companies	Other companies	Total
Amounts recognised in the balance sheet	233	143	375
Amounts recognised in the income statement	104	-1	103

Below is a summary of the financial information for the Group's essential associated companies. The figures in the summary of financial information is presented on a 100 per cent basis. The unaudited draft accounts are used as the basis if the companies' annual financial statements have not been approved when the Group's financial statements are presented.

SUMMARY OF FINANCIAL INFORMATION – ESSENTIAL ASSOCIATED COMPANIES

Amounts in NOK million	Lillo Gård AS and KS	Nordlivn. AS and KS	Ladejarlen Utvikling AS	Hasle Linje Næring DA	Bergerveien AS and IS	Total
Registered office	Oslo	Oslo	Kristiansund	Oslo	Oslo	
Ownership interest	22.5 %	33.3 %	33.3 %	49.5 %	33.3 %	
Current assets	783	26	577	28	251	1,665
Non-current assets	5	1	-	1,320	42	1,368
Total assets	**789**	**28**	**577**	**1,348**	**293**	**3,034**
Current liabilities	241	10	317	46	108	722
Non-current liabilities	423	-	242	969	100	1,734
Total liabilities	**664**	**10**	**559**	**1,015**	**208**	**2,456**
Shareholders' equity	125	18	18	333	85	579
Total equity and liabilities	**789**	**28**	**577**	**1,348**	**293**	**3,034**
Operating revenue	1,657	376	58	1	-	2,092
Earnings after tax / comprehensive income	363	64	13	-4	-	436

RECONCILIATION OF BOOK VALUE

Group's share of the investment	28	5	6	165	28	233
Book value of the investment	**28**	**5**	**6**	**165**	**28**	**233**

RECONCILIATION OF SHARE OF COMPREHENSIVE INCOME FROM ESSENTIAL COMPANIES

Group's share of comprehensive income	91	21	5	-2	-	115
Tax from limited and internal partnerships	-19	-2	-	-	-	-21
Recognised excess/lower value	-	-	-	10	-	10
Recognised share of comprehensive income	**72**	**19**	**5**	**8**	**-**	**104**

COMPREHENSIVE INCOME, ALL ASSOCIATED COMPANIES	Total essential companies	Total other companies	Total
Earnings after tax / comprehensive income	436	-2	434
Group's share of comprehensive income	104	-1	103

The result presented is the comprehensive income from continuing businesses. Sandakerveien 99B AS and KS have been wound up in 2019. NOK 93 million was received in dividends from associated companies in 2019.

NOTE 27 ASSOCIATED COMPANIES CONT.

2018

SPECIFICATION OF THE AMOUNTS IN THE ACCOUNTS:

Amounts in NOK million	Essential companies	Other companies	Total
Amounts recognised in the balance sheet	185	73	258
Amounts recognised in the income statement	62	6	68

Below is a summary of the financial information for the Group's essential associated companies. The figures in the summary of financial information is presented on a 100 per cent basis. The unaudited draft accounts are used as the basis if the companies' annual financial statements have not been approved when the Group's financial statements are presented.

SUMMARY OF FINANCIAL INFORMATION – ESSENTIAL ASSOCIATED COMPANIES

Amounts in NOK million	Lillo Gård AS and KS	Nordlivn. AS and KS	Ladejarlen Utvikling AS	Hasle Linje Næring DA	Total
Registered office	Oslo	Oslo	Kristiansund	Oslo	
Ownership interest	22.5 %	33.3 %	33.3 %	49.5 %	
Current assets	1,531	310	306	811	2,958
Non-current assets	160	2	1	11	174
Total assets	**1,691**	**312**	**307**	**821**	**3,132**
Current liabilities	323	274	49	67	714
Non-current liabilities	1,284	2	254	438	1,978
Total liabilities	**1,607**	**276**	**304**	**505**	**2,692**
Shareholders' equity	83	36	4	317	440
Total equity and liabilities	**1,691**	**312**	**307**	**821**	**3,132**
Operating revenue	-	355	-	6	361
Earnings after tax / comprehensive income	-	31	-	120	151

RECONCILIATION OF BOOK VALUE

Group's share of the investment	18	11	1	157	188
Tax from limited and internal partnerships	-	-2	-	-	-2
Book value of the investment	**18**	**9**	**1**	**157**	**185**

RECONCILIATION OF SHARE OF COMPREHENSIVE INCOME FROM ESSENTIAL COMPANIES

Group's share of comprehensive income	-	10	-	59	69
Tax from limited and internal partnerships	-	-2	-	-	-2
Recognised excess/lower value	-	-	-	-4	-4
Gains	-	-1	-	-	-1
Recognised share of comprehensive income	**-**	**7**	**-**	**55**	**62**

COMPREHENSIVE INCOME, ALL ASSOCIATED COMPANIES	Total essential companies	Total other companies	Total
Earnings after tax / comprehensive income	150	13	163
Group's share of comprehensive income	62	6	68

The result presented is the comprehensive income from continuing businesses. No associated companies were wound up in 2018. NOK 80 million was received in dividends from associated companies in 2018.

NOTE 28 JOINT VENTURES

INVESTMENTS IN JOINT VENTURES AMOUNTS IN NOK MILLION

Amounts in NOK million	2019	2018	2017
Book value of investment as at 1 January	102	75	123
Additions	30	30	-
Additions due to sell-off of subsidiaries	24	6	-
Disposals	-	-2	-
Share of profit for the year	98	62	32
Tax on distributions from limited and internal partnerships	6	15	11
Equity transactions, incl. dividends	-88	-84	-91
Total investments in joint ventures as at 31 December	**172**	**102**	**75**

AF Gruppen carries out residential and commercial building projects in cooperation with professional co-investors. This is done to provide complementary competence in the projects and diversify risk. AF Gruppen does not normally own more than a 50 per cent interest in the development companies. In addition, the Group has interests in a few joint ventures with other activities, but they are not defined as essential to the Group.

The owners have regulated cooperation, pre-emptive rights, buyout rights, etc., as well as the requirement of a majority for certain decisions, in partnership agreements. In all of the important ongoing projects, there is loan financing, for which there are agreements that contain provisions stipulating that the development company cannot pay dividends or repay loans from the owners before any bank loans have been redeemed.

All the joint ventures in which AF has an ownership stake have been assessed with respect to actual control. It was concluded that AF does not have control over these investments, and the companies have been incorporated into the consolidated financial statements in accordance with the equity method of accounting.

There are no public quoted prices for any of the joint ventures.

In the note, the joint ventures are grouped according to their importance to the Group. The assessment of the company's materiality is based on an overall assessment of the activity, financial results and book value. Since the profit from residential property projects is not recognised in the consolidated financial statements until the apartments have been handed over, the greatest importance is attached to the activity in the assessment, since the carrying amount is strongly influenced by the handover.

NOTE 28 JOINT VENTURES CONT.

2019

SPECIFICATION OF THE AMOUNTS IN THE ACCOUNTS:

Amounts in NOK million	Essential businesses	Other businesses	Total
Amounts recognised in the balance sheet	19	153	172
Amounts recognised in the income statement	80	18	98

Below is a summary of the financial information for the Group's essential joint ventures. The figures in the summary of financial information is presented on a 100 per cent basis. The unaudited draft accounts are used as the basis if the companies' annual financial statements have not been approved when the Group's financial statements are presented.

SUMMARY OF FINANCIAL INFORMATION – ESSENTIAL JOINT VENTURES

Amounts in NOK million	Skiparviken AS	Kilen Utbygging 2 AS	Haslemann AS and IS	Total
Registered office	Asker	Oslo	Oslo	
Ownership interest	50.0 %	50.0 %	50.0 %	
Current assets	334	477	104	915
Non-current assets	-	-	-	-
Total assets	**334**	**477**	**104**	**915**
Current liabilities	285	54	70	409
Non-current liabilities	49	407	12	469
Total liabilities	**334**	**462**	**83**	**878**
Shareholders' equity	-	15	21	36
Total equity and liabilities	**334**	**477**	**104**	**914**
Operating revenue	-	-	849	849
Earnings after tax / comprehensive income	-	9	188	197

RECONCILIATION OF BOOK VALUE

Group's share of the investment	-	8	10	18
Recognised excess/lower value	-	6	-	6
Gains	-	-5	-	-5
Book value of the investment	**-**	**9**	**10**	**19**

RECONCILIATION OF SHARE OF COMPREHENSIVE INCOME FROM ESSENTIAL JOINT VENTURES

Group's share of comprehensive income	-	5	94	99
Interests in limited partnerships or partnerships	-	-	-14	-14
Gains	-	-5	-	-5
Recognised share of comprehensive income	**-**	**-**	**80**	**80**

COMPREHENSIVE INCOME OF ALL JOINT VENTURES	Essential businesses	Other businesses	Total
Earnings after tax / comprehensive income	197	35	232
Group's share of comprehensive income	80	18	98

A non-essential joint venture was wound up in 2019. The comprehensive income presented contains NOK 10.9 thousand from the discontinued business. The remaining comprehensive income is from continuing businesses. NOK 95 million was received in dividends from joint ventures in 2019.

NOTE 28 JOINT VENTURES CONT.

2018

SPECIFICATION OF THE AMOUNTS IN THE ACCOUNTS:

Amounts in NOK million	Essential businesses	Other businesses	Total
Amounts recognised in the balance sheet	21	82	102
Amounts recognised in the income statement	49	13	62

Below is a summary of the financial information for the Group's essential joint ventures. The figures in the summary of financial information is presented on a 100 per cent basis. The unaudited draft accounts are used as the basis if the companies' annual financial statements have not been approved when the Group's financial statements are presented.

SUMMARY OF FINANCIAL INFORMATION – ESSENTIAL JOINT VENTURES

Amounts in NOK million	Skiparviken AS	Kilen Utbygging 2 AS	Haslemann AS and IS	Total
Registered office	Asker	Oslo	Oslo	
Ownership interest	50%	50%	50%	
Current assets	169	144	613	926
Non-current assets	-	-	-	-
Total assets	**169**	**144**	**613**	**926**
Current liabilities	168	24	599	791
Non-current liabilities	1	114	7	122
Total liabilities	**169**	**138**	**606**	**913**
Shareholders' equity	-	6	7	13
Total equity and liabilities	**169**	**144**	**613**	**926**
Operating revenue	-	-	853	853
Earnings after tax / comprehensive income	-	4	114	118

RECONCILIATION OF BOOK VALUE

Group's share of the investment	-	3	4	7
Tax from limited and internal partnerships	-	-	8	8
Gains	-	6	-	6
Book value of the investment	**-**	**9**	**11**	**21**

RECONCILIATION OF SHARE OF COMPREHENSIVE INCOME FROM ESSENTIAL JOINT VENTURES

Group's share of comprehensive income	-	2	57	59
Interests in limited partnerships or partnerships	-	-	-7	-7
Gains	-	-2	-	-2
Recognised share of comprehensive income	**-**	**-**	**49**	**49**

COMPREHENSIVE INCOME OF ALL JOINT VENTURES	Essential businesses	Other businesses	Total
Earnings after tax / comprehensive income	117	8	125
Group's share of comprehensive income	49	13	62

A non-essential joint venture was wound up in 2018. The comprehensive income presented contains NOK 107,000 from the discontinued business. The remaining comprehensive income is from continuing businesses. NOK 74 million was received in dividends from joint ventures in 2018.

NOTE 29 SUBSIDIARIES

The list below includes subsidiaries that are owned directly and indirectly. The direct stake column states the parent company's ownership stake in the subsidiary in question. Financial ownership is equivalent to the indirect ownership share in cases where there are non-controlling interests in several levels. It is a subsidiary's result multiplied by the financial ownership share that accrues to AF Gruppen's shareholders. Pure holding companies and companies without any activity have been omitted. The voting rights in all the subsidiaries follow the shares.

Name of company	Acquisition date	Office address Place	Country	Financial ownership		Direct stake	Business area
				31.12.18	31.12.19	31.12.19	
AF Gruppen Norge AS	05/09/85	Oslo	Norway	100.00%	100.00%	100.00%	[1]
JR Anlegg AS	01/10/10	Jessheim	Norway	100.00%	100.00%	100.00%	Civil Engineering
Palmer Gotheim Skiferbrudd AS	01/01/07	Oppdal	Norway	100.00%	100.00%	100.00%	Civil Engineering
Målselv Maskin og Transport AS	04/03/15	Karlstad	Norway	70.00%	70.00%	70.00%	Civil Engineering
Helgesen Tekniske Bygg AS (HTB)	30/10/18	Osterøy	Norway	49.00%	49.00%	70.00%	Building
LAB Entreprenør AS	11/03/15	Bergen	Norway	70.00%	70.00%	100.00%	Building
Fundamentering AS	11/03/15	Bergen	Norway	54.95%	54.95%	78.50%	Building
Åsane Byggmesterforretning AS	11/03/15	Bergen	Norway	49.00%	49.00%	70.00%	Building
Toppemyr AS	11/03/15	Bergen	Norway	70.00%	70.00%	100.00%	Building
Hardangerfjord Eiendom AS	09/03/17	Bergen	Norway	70.00%	70.00%	100.00%	Building
Strøm Gundersen AS	03/11/11	Mjøndalen	Norway	97.18%	97.18%	100.00%	Building
Strøm Gundersen Vestfold AS	01/10/16	Mjøndalen	Norway	51.99%	51.99%	53.50%	Building
Corroteam AS	03/11/11	Mjøndalen	Norway	36.39%	36.39%	70.00%	Building
Oslo Brannsikring AS	27/09/17	Oslo	Norway	49.03%	39.68%	51.00%	Building
Haga & Berg Entreprenør AS	03/11/11	Oslo	Norway	96.13%	77.80%	100.00%	Building
Haga & Berg Service AS	19/02/14	Oslo	Norway	77.39%	59.91%	77.00%	Building
Rakon AS	26/09/18	Trondheim	Norway	49.65%	49.65%	55.00%	Building
Consolvo Services AS	22/06/18	Tranby	Norway	90.28%	90.28%	100.00%	Building
Consolvo AS	03/11/11	Tranby	Norway	90.28%	90.28%	100.00%	Building
Consolvo Support AS	03/11/11	Tranby	Norway	54.17%	54.17%	60.00%	Building
Consolvo Eiendom AS	03/11/11	Tranby	Norway	90.28%	90.28%	100.00%	Building
Vannmeisling AS	06/12/16	Tranby	Norway	70.42%	70.42%	78.00%	Building
Eiqon Anlegg AS	03/11/11	Asker	Norway	60.00%	48.00%	80.00%	Building
Eiqon Baltic UAB	03/11/11	Vilnius	Lithuania	48.71%	45.95%	100.00%	Building
Eiqon Nybygg og Fasade AS	03/12/15	Asker	Norway	54.06%	45.95%	100.00%	Building
Eiqon Betongbygg AS	01/02/16	Asker	Norway	48.00%	48.71%	100.00%	Building
Protector AS	03/11/11	Tranby	Norway	90.28%	90.28%	100.00%	Building
Protector CPE AB	03/11/11	Göteborg	Sweden	76.74%	76.74%	85.00%	Building
Protector KKS GmbH	03/11/11	Remseck	Germany	75.83%	75.83%	84.00%	Building
Fjerby AS	16/09/14	Fjerdingby	Norway	77.73%	77.73%	100.00%	Building
Oslo Stillasutleie AS	03/11/11	Oslo	Norway	82.15%	60.06%	91.00%	Building
Oslo Prosjektbygg AS	01/03/13	Oslo	Norway	63.19%	52.80%	80.00%	Building
SOL-Energi AS	01/12/14	Oslo	Norway	46.04%	33.66%	51.00%	Building
Sollie Prosjekt AS	05/01/16	Gressvik	Norway	33.92%	33.66%	51.00%	Building
Oslo Technical Service AS	19/06/18	Oslo	Norway	66.50%	66.00%	100.00%	Building
Lasse Holst AS	09/03/16	Gressvik	Norway	23.74%	23.56%	70.00%	Building
Storo Blikkenslagerverksted AS	03/11/11	Oslo	Norway	46.55%	46.20%	70.00%	Building
Oslo Papp og Membranservice AS	09/05/12	Oslo	Norway	46.55%	46.20%	100.00%	Building
VD Vindu og Dør Montasje AS	06/03/15	Skotterud	Norway	46.55%	46.20%	70.00%	Building
Thorendahl AS	03/11/11	Oslo	Norway	60.07%	50.16%	100.00%	Building
Fagbetong AS	03/11/11	Oslo	Norway	60.07%	50.16%	100.00%	Building
Kirkestuen AS	12/01/16	Oslo	Norway	33.92%	53.79%	100.00%	Building
TKD AS	05/01/16	Oslo	Norway	51.35%	66.00%	100.00%	Building
TKC Prosjekt AS	25/04/18	Oslo	Norway	33.92%	33.66%	51.00%	Building
Betonmast AS	31/10/19	Oslo	Norway	-	67.40%	100.00%	Betonmast
Fishfarming Innovation AS	31/10/19	Averøy	Norway	-	60.66%	90.00%	Betonmast
BMB Horisont AS	31/10/19	Oslo	Norway	-	67.40%	100.00%	Betonmast
Betonmast Boligbygg AS	31/10/19	Oslo	Norway	-	67.40%	100.00%	Betonmast

[1] *AF Gruppen Norge AS encompasses the Civil Engineering, Building and Property business areas*

NOTE 29 SUBSIDIARIES CONT.

Name of company	Acquisition date	Office address Place	Country	Financial ownership		Direct stake	Business area
				31.12.18	31.12.19	31.12.19	
Betonmast Bergen AS	31/10/19	Bergen	Norway	-	67.40%	100.00%	Betonmast
Betonmast Østfold AS	31/10/19	Grålum	Norway	-	67.40%	100.00%	Betonmast
Betonmast Trøndelag	31/10/19	Trondheim	Norway	-	67.40%	100.00%	Betonmast
Betonmast Buskerud-Vestfold AS	31/10/19	Oslo	Norway	-	67.40%	100.00%	Betonmast
Betonmast Røsand AS	31/10/19	Averøy	Norway	-	67.40%	100.00%	Betonmast
Betonmast Innlandet AS	31/10/19	Gjøvik	Norway	-	67.40%	100.00%	Betonmast
Betonmast Ringerike AS	31/10/19	Hønefoss	Norway	-	67.40%	100.00%	Betonmast
Betonmast Oslo AS	31/10/19	Oslo	Norway	-	67.40%	100.00%	Betonmast
Betonmast Romerike AS	31/10/19	Lillestrøm	Norway	-	67.40%	100.00%	Betonmast
Betonmast Telemark AS	31/10/19	Skien	Norway	-	67.40%	100.00%	Betonmast
Betonmast Sverige AB	31/10/19	Göteborg	Sweden	-	67.40%	100.00%	Betonmast
Betonmast Göteborg AB	31/10/19	Göteborg	Sweden	-	67.40%	100.00%	Betonmast
Betonmast Mälardalen AB	31/10/19	Södertälje	Sweden	-	60.73%	90.10%	Betonmast
Betonmast Stockholm AB	31/10/19	Stockholm	Sweden	-	67.40%	100.00%	Betonmast
Betonmast Malmö AB	31/10/19	Malmö	Sweden	-	59.92%	88.90%	Betonmast
Betonmast Anläggning AB	31/10/19	Göteborg	Sweden	-	67.40%	100.00%	Betonmast
Betonmast Eiendom AS	31/10/19	Oslo	Norway	-	67.40%	100.00%	Betonmast
Fjellstrand Omsorgsboliger AS	31/10/19	Oslo	Norway	-	41.45%	61.50%	Betonmast
Betonmast Røsand Tomter AS	31/10/19	Oslo	Norway	-	67.40%	100.00%	Betonmast
Røsand Eiendom AS	31/10/19	Averøy	Norway	-	67.40%	100.00%	Betonmast
Røsand Industriområde AS	31/10/19	Averøy	Norway	-	67.40%	100.00%	Betonmast
Kosterbaden Fritid AB	31/10/19	Göteborg	Sweden	-	67.40%	100.00%	Betonmast
Kilen Brygge AS	15/03/05	Sandefjord	Norway	100.00%	100.00%	100.00%	Property
Vestre Nordgardsleitet 18 AS	11/03/15	Bergen	Norway	24.94%	24.94%	50.90%	Property
Djupedalen Utviklingsselskap AS	15/02/16	Bergen	Norway	49.00%	49.00%	100.00%	Property
Nordstraumen Utbyggingsselskap AS	11/03/15	Bergen	Norway	42.00%	42.00%	60.00%	Property
Gotaas Utvikling AS	26/11/18	Oslo	Norway	100.00%	100.00%	100.00%	Property
Gotaasalleen 3 AS	01/02/19	Oslo	Norway	-	100.00%	100.00%	Property
Solgården Utvikling AS	02/01/19	Oslo	Norway	-	100.00%	100.00%	Property
AF Decom AS	01/01/09	Oslo	Norway	100.00%	100.00%	100.00%	Energy and Envir.
Jølsen Miljøpark AS	01/11/13	Skedsmokorset	Norway	100.00%	100.00%	100.00%	Energy and Envir.
Rimol Miljøpark AS	11/12/14	Tiller	Norway	50.00%	50.00%	50.00%	Energy and Envir.
Nes Miljøpark AS	09/06/17	Nes	Norway	51.00%	51.00%	51.00%	Energy and Envir.
Enaktiva AS	08/01/18	Oslo	Norway	100.00%	100.00%	100.00%	Energy and Envir.
AF Energi & Miljøteknikk AS	31/05/06	Asker	Norway	100.00%	100.00%	100.00%	Energy and Envir.
AF Energija Baltic UAB	04/07/17	Vilnius	Lithuania	95.00%	95.00%	95.00%	Energy and Envir.
Pålplintar i Sverige AB	14/01/00	Södertälje	Sweden	100.00%	100.00%	100.00%	Sweden
AF Härnösand Byggreturer AB	01/07/13	Stockholm	Sweden	100.00%	100.00%	100.00%	Sweden
AF Bygg Syd AB	30/06/07	Halmstad	Sweden	75.90%	75.90%	75.90%	Sweden
AF Bygg Göteborg AB	01/07/01	Göteborg	Sweden	100.00%	100.00%	100.00%	Sweden
Fastigheter i Strandängen AB	14/05/08	Göteborg	Sweden	100.00%	100.00%	100.00%	Sweden
Skummeslövsgården AB	01/02/07	Hällands län	Sweden	100.00%	100.00%	100.00%	Sweden
Kanonaden Entreprenad AB	09/02/17	Nässjö	Sweden	70.00%	70.00%	70.00%	Sweden
Bergbolaget i Götaland AB	09/02/17	Nässjö	Sweden	70.00%	70.00%	100.00%	Sweden
Kanonaden Mälardalen AB	30/06/17	Stockholm	Sweden	38.50%	38.50%	55.00%	Sweden
Kanonaden Täkt och Förvaltning AB	09/02/17	Nässjö	Sweden	70.00%	70.00%	100.00%	Sweden
Skaftviken AB	09/02/17	Nässjö	Sweden	70.00%	70.00%	100.00%	Sweden
HMB Construction AB	02/01/19	Falun	Sweden	-	68.28%	96.09%	Sweden
SWE Maskinrenting AB	02/01/19	Falun	Sweden	-	68.28%	100.00%	Sweden
AF Miljøbase Vats AS	09/09/14	Oslo	Norway	100.00%	100.00%	100.00%	Offshore
AF Offshore Decom AS	01/01/09	Oslo	Norway	100.00%	100.00%	100.00%	Offshore
AF Offshore Decom UK Ltd.	24/05/10	London	England	100.00%	100.00%	100.00%	Offshore
AF AeronMollier AS	01/07/08	Flekkefjord	Norway	100.00%	100.00%	100.00%	Offshore

NOTE 30 SIGNIFICANT NON-CONTROLLING INTERESTS

The table below shows AF Gruppen's comprehensive income and equity attributable to non-controlling interests allocated to sub-groups with significant non-controlling interests.

Amounts in NOK million	Betonmast Holding	LAB	Other	Total
Non-controlling interests as at 1 January 2017	-	114	157	270
Share of comprehensive income	-	49	86	135
Share of adopted and paid dividends in 2017	-	-48	-29	-77
Share-based payment	-	-	1	1
Addition of minority interests from acquisition of business	-	-	49	49
Non-controlling interests put options	-	-	-1	-1
Transactions with non-controlling interests	-	-3	10	7
Non-controlling interests as at 31 December 2017	**-**	**110**	**274**	**384**
Share of comprehensive income	-	43	106	149
Share of adopted and paid dividends in 2018	-	-43	-85	-128
Share-based payment	-	-	1	1
Addition of minority interests from acquisition of business	-	20	10	30
Non-controlling interests put options	-	-	-54	-54
Transactions with non-controlling interests	-	-2	-2	-4
Non-controlling interests as at 31 December 2018	**-**	**129**	**249**	**378**
Share of comprehensive income	14	45	111	170
Share of adopted and paid dividends in 2019	-4	-47	-98	-148
Share-based payment	-	-	1	1
Addition of minority interests from acquisition of business	353	-	40	393
Addition of minority interests from restructuring	-	-	79	79
Transactions with non-controlling interests	2	1	-66	-63
Non-controlling interests as at 31 December 2019	**365**	**128**	**317**	**809**

The table below shows a summary of the financial information for sub-groups with significant non-controlling interests.

	Betonmast Holding			LAB		
Amounts in NOK million	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**
Profit for the year [1]	35	-	-	108	123	132
Non-current assets	1,983	-	-	478	421	209
Current assets	2,424	-	-	704	685	702
Total assets	**4,406**	**-**	**-**	**1,182**	**1,106**	**911**
Equity attributable to shareholders	1,066	-	-	214	226	228
Non-controlling interests	18	-	-	84	83	66
Long-term liabilities	148	-	-	145	83	85
Current liabilities	3,175	-	-	739	713	532
Total equity and liabilities	**4,406**	**-**	**-**	**1,182**	**1,106**	**911**
Non-contr. Interests ownership in the parent company	32.6 %	-	-	30.0 %	30.0 %	30.0 %

[1] Betonmast was bought 31 October 2019 and this result is for the subsequent period.

There are no contingent liabilities or pledges made regarding capital transfers in connection with any of the subsidiaries.

NOTE 31 SHARE CAPITAL AND SHAREHOLDER INFORMATION

THE SHARE CAPITAL CONSISTS OF

Amounts in NOK million	Number of	Nominal value	Book
A-shares	103,065,277	0.05	5,153,264

SHAREHOLDER	Stake	No. of shares
OBOS BBL	16.55%	17,053,686
ØMF Holding AS	15.13%	15,598,182
Constructio AS	14.04%	14,470,022
Folketrygdfondet	9.30%	9,588,821
LJM AS	2.44%	2,515,217
ARTEL II AS	2.43%	2,508,267
Landsforsäkringar Fastighetsfond	2.30%	2,367,125
Vito Kongsvinger AS	1.85%	1,911,676
Arne Skogheim AS	1.70%	1,753,870
Staavi, Bjørn	1.58%	1,627,000
Ten largest shareholders	**67.33%**	**69,393,866**
Total other shareholders	32.67%	33,671,411
Total number of shares	**100.00%**	**103,065,277**

The shares are not subject to any voting restrictions and are freely negotiable. Each share represents one vote.

All the shares issued are fully paid-up as at 31 December 2019.

MOVEMENT IN NUMBER OF SHARES DURING THE YEAR

Total number of shares as at 1 January 2019	99,009,179
New issues related to the acquisition of companies	3,511,490
New issue to employees related to the share purchase programme	544,608
Total number of shares as at 31 December 2019	**103,065,277**

SHARES AND OPTIONS OWNED BY THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES AS AT 31 DECEMBER 2019

Board of Directors		Options	Treasury shares	Shares owned by related parties
Pål Egil Rønn	elected by shareholders, Board Chairman	-	207,225	-
Arne Baumann [1]	elected by shareholders	-	-	17,053,686
Kristian Holth [2]	elected by shareholders	-	-	15,491,531
Hege Bømark	elected by shareholders	-	-	-
Borghild Lunde [3]	elected by shareholders	-	-	26,048
Kjetel Rokseth Digre	elected by shareholders	-	-	-
Kristina Alvendal	elected by shareholders	-	-	-
Kenneth Svendsen	elected by employees	10,339	90,370	-
Hilde W. Flaen	elected by employees	1,810	25,527	-
Arne Sveen	elected by employees	-	-	-
Sum		**12,149**	**323,122**	**32,571,265**

[1] Represents OBOS BBL, which owns 17,053,686 shares.
[2] Represents Constructio AS and Flygind AS, which own 14,470,022 and 1,021,509 shares, respectively.
[3] Close associate of Tonito AS, which owns 26,048 shares.

NOTE 31 SHARE CAPITAL AND SHAREHOLDER INFORMATION CONT.

Corporate Management Team		Options	Shares
Morten Grongstad	CEO	35,922	231,193
Sverre Hærem	Executive Vice President/CFO	24,918	128,557
Arild Moe	Executive Vice President	24,152	263,668
Bård Frydenlund	Executive Vice President	21,970	140,611
Amund Tøftum	Executive Vice President	21,970	82,761
Ida Aall Gram	Executive Vice President	12,723	3,094
Eirik Wraal	Executive Vice President	21,970	30,138
Geir Flåta	Executive Vice President	17,720	200
Total		**181,345**	**880,222**

The Board has the authority to acquire up to 10 per cent of the share capital. This authority is valid until the Annual General Meeting, which is scheduled for 15 May 2020. An option programme for all employees of AF Gruppen ASA and subsidiaries was adopted at the Annual General Meeting held on 12 May 2017, with entitlement to subscribe for a total of 3,500,000 options during the years 2017, 2018 and 2019, with redemption in 2020. As at 31 December 2019, a total of 3,151,893 options have been allotted in this programme.

TREASURY SHARES

Treasury shares have been acquired with a view to sales to employees. Shares have not been bought from related parties in 2018 or 2019.

Share transactions	2019	2018
Number of shares acquired	37,936	273,623
Average acquisition cost per share (NOK)	171.1	129.7
Total acquisition cost (NOK million)	**6**	**35**
Number of shares sold to employees	234,640	198,724
Average selling price per share (NOK)	150.2	128.9
Total sales consideration (NOK million)	**35**	**26**
Number of treasury shares as at 31 December	23,296	220,000
Nominal value of treasury shares at NOK 0.05 each	1,165	11,000

NOTE 32 REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

REMUNERATION OF SENIOR EXECUTIVES

The salaries of senior executives are made up of a fixed salary and a bonus based on the EVA (Economic Value Added) model. AF Gruppen uses EVA as a management and control tool. Incentive systems based on the EVA model have been introduced for executives in large parts of the Group. EVA is an indicator for the creation of value, and the aim of the analysis is to ensure that every part of AF works to increase the creation of value. Senior executives may invest 25 per cent of their net bonus after tax in shares in AF Gruppen ASA. The shares are sold at a 20 per cent discount based on the prevailing market price at the end of the year. The lock-in period for the shares is one year.

The CEO's salary is set at a Board Meeting every year. The Board of Directors establishes guidelines for the remuneration of executive personnel in consultation with the CEO. There are no agreements with the Corporate Management Team or Chairman of the Board regarding severance pay or early retirement if their employment is terminated or modified. The Corporate Management Team participates in the general retirement benefit scheme for AF Gruppen's employees as described in Note 18 Retirement benefits. No loans nor guarantees have been granted to the Board of Directors or Corporate Management Team.

2019

Corporate Management Team (NOK 1000)	Fixed pay	Bonus	Retirement benefits	Share-based compensation	Other benefits	Total
Morten Grongstad, CEO	3,891	6,233	74	218	20	10,435
Sverre Hærem, Executive Vice President/CFO	2,044	3,520	79	81	39	5,764
Bård Frydenlund, Executive Vice President	1,714	3,016	83	127	42	4,984
Eirik Wraal, Executive Vice President	1,670	2,759	78	40	23	4,571
Amund Tøftum, Executive Vice President	1,721	2,640	74	154	34	4,623
Arild Moe, Executive Vice President	1,930	3,012	81	169	37	5,229
Ida Aall Gram, Executive Vice President [1]	1,356	-	57	24	29	1,466
Geir Flåta, Executive Vice President [1]	1,356	-	66	1	48	1,471
Andreas Jul Røsjø, Executive Vice President [2]	826	2,990	12	-	5	3,833
Henning Olsen, Executive Vice President [3]	1,122	3,345	15	140	14	4,636
Total remuneration to the Corporate Management Team	**17,630**	**27,516**	**620**	**954**	**292**	**47,012**

[1] Ida Aall Gram and Geir Flåta have been Executive Vice Presidents since 1 March 2019.
[2] Andreas Jul Rødsjø was Executive Vice President up until 28 February 2019. Remuneration for 2019 includes remaining holiday pay.
[3] Henning Olsen was Executive Vice President up until 30 April 2019. Remuneration for 2019 includes remaining holiday pay.

For 2019, bonuses to the Corporate Management Team totalling NOK 32 million were recognised. Bonuses for the 2019 financial year will be paid in 2020 and 2021 (holiday pay on bonuses).

2018

Corporate Management Team (NOK 1000)	Fixed pay	Bonus	Retirement benefits	Share-based compensation	Other benefits	Total
Morten Grongstad, CEO	3,859	4,502	67	255	35	8,717
Sverre Hærem, Executive Vice President/CFO	2,033	2,787	72	57	40	4,988
Bård Frydenlund, Executive Vice President	1,644	2,317	75	159	42	4,238
Eirik Wraal, Executive Vice President	1,620	2,145	71	154	27	4,017
Amund Tøftum, Executive Vice President	1,644	2,099	66	152	32	3,993
Arild Moe, Executive Vice President	1,899	2,596	70	57	33	4,654
Andreas Jul Røsjø, Executive Vice President	1,620	1,937	71	84	32	3,744
Henning Olsen, Executive Vice President	1,670	2,730	68	182	31	4,680
Total remuneration to the Corporate Management Team	**15,987**	**21,114**	**561**	**1,098**	**271**	**39,031**

For 2018, bonuses to the Corporate Management Team totalling NOK 34 million were recognised. Bonuses for the 2018 financial year will be paid in 2019 and 2020 (holiday pay on bonuses).

BONUS FOR THE PURCHASE OF SHARES

Number of shares/price	2019	2018
Number of bonus shares sold from own holdings	87,297	57,180
Number of bonus shares from new issues	-	-
Market price at the time of the agreement (NOK)	132.00	133.50
Selling price (NOK)	105.60	106.80
Accounting consequences of bonus shares (NOK 1000):		
Indirect payroll costs (discount including payroll tax)	-3,387	-1,685

NOTE 32 REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES CONT.

Shares owned by senior executives and subscribed options are described in Note 31 – Share capital and shareholder information.

DIRECTORS' FEES

Director's fee (in NOK 1000)	2019	2018
Pål Egil Rønn, Board Chairman [1]	570	490
Kristian Holth, board member	355	285
Borghild Lunde, board member	355	285
Hege Bømark, board member	370	300
Arne Baumann, board member [2]	355	-
Daniel Kjørberg Siraj, Deputy Board Chairman [3]	-	300
Hilde Wikesland Flaen, employee-elected board member [2]	250	-
Arne Sveen, employee-elected board member	250	195
Kenneth Svendsen, employee-elected board member	250	195
Gunnar Bøyum, alternate member	355	285
Pål Gjerp, employee-elected alternate member	-	195
Total director's fee	**3,110**	**2,530**

Directors' fees are paid in the year after they are earned, i.e. the directors' fees that are paid in 2019 refer to 2017/2018.

[1] In addition to the Board Chairman's remuneration of NOK 550,000 (NOK 490,000) that was paid in 2019, AF Gruppen has an agreement with the Department of Civil and Environmental Engineering at NTNU stipulating that AF Gruppen is to cover the costs relate to Pål Egil Rønn's employment as an adjunct professor at NTNU. The agreement concerns 15 per cent of a full-time position that is covered by NOK 250,000 per year, in addition to consulting hours beyond the fixed position for up to NOK 150,000 per year. The agreement will remain in effect for five years from August 2017. Costs of NOK 250,000 incurred in connection to this agreement in 2019 and NOK 250,000 in 2018.
[2] Arne Baumann and Hilde Wikesland Flaen have been board members as of 9 May 2018.
[3] Daniel Kjørberg Siraj was the Deputy Board Chairman up until 9 May 2018.

GUIDELINES FOR 2019

The Board will submit a statement to the General Meeting in accordance with section 6-16a of the Norwegian Public Limited Companies Act. The content of this statement is explained below in accordance with Section 7 31b, seventh paragraph of the Norwegian Accounting Act:

Guidelines regarding fixed pay and other remuneration for senior executives have been established. The Board of Directors establishes guidelines for the remuneration of executive personnel in consultation with the CEO. The CEO's fixed pay is set by the Board. Base pay is fixed in line with the market rates. Base pay is adjusted annually as at 1 July, based on an individual assessment. Senior executives receive payments in kind and participate in the Group's retirement benefit schemes on the same terms as other employees as described in the Group's Personnel Guide. There are no termination payment schemes.

Bonuses for senior executives are based on the EVA (Economic Value Added) model. EVA is a method of calculating and analysing value creation in the Group and in economic units below group level. Bonuses based on the EVA model are linked to the Group's value creation during the financial year. If the performance requirements are met, the bonus payment should represent 5-8 months' pay. There is, however, set the absolute maximum limit. Of the total bonus earned, 25 per cent can be used to buy shares at a 20 per cent discount and the remainder is paid in cash.

Shares can be sold to senior executives, subject to the approval of the Board of Directors at a 20 per cent discount on the prevailing market price. Shares are offered to senior executives in the same way as to other employees.

The General Meeting adopted an option programme for all the employees of AF Gruppen on 12 May 2017. The maximum number of options that may be allocated is 3 500 000, and the programme entails annual allotments for the years 2017-19 and exercise of the options in March 2020. The employees pay an option premium of NOK 1.00 per option. The exercise price in 2020 for the options subscribed for in 2017 and 2018 will be NOK 138.90 per share, and for options subscribed for in 2019 the exercise price will be NOK 156.00. A total of 3,325,000 options were subscribed for in June 2017, 175,000 in June 2018 and 220,959 in June 2019. The total number of outstanding options, adjusted for employees who have left company, was 3,151,893 as at 31 December 2019.

The option scheme has been established by the Board, and it is to provide an incentive for all the employees in the Group. The purpose of the scheme is to encourage long-term commitment and greater involvement in the Group's activities. It is believed that the Group's future objectives will best be achieved if the interests of the Group and its employees coincide.

The remuneration of senior executives in 2019 has been in accordance with the statement submitted to the General Meeting in 2019.

NOTE 33 RELATED PARTIES

The Group's related parties consist of shareholders of AF Gruppen ASA members of the Board of Directors and Corporate Management Team, as well as associated companies and joint ventures, cf. Note 27 Associated companies and Note 28 Investments in joint ventures. AF Gruppen carries out residential and commercial building projects in cooperation with professional co-investors. This is done to provide complementary competence in the projects and diversify risk. AF Gruppen does not normally own more than a 50 per cent interest in the development companies. In addition, the Group has a few associated companies with other activities.

TRANSACTIONS WITH RELATED PARTIES

Amounts in NOK million	2019	2018	2017
CONTRACT TOTAL			
Associated companies and joint ventures	4,170	4,505	4,175
Total	**4,170**	**4,505**	**4,175**
TRADING VOLUME			
Associated companies and joint ventures	1,371	1,180	1,040
Total	**1,371**	**1,180**	**1,040**
PURCHASE OF GOODS AND SERVICES			
Associated companies and joint ventures	-	-	-
Total	**-**	**-**	**-**
NON-INTEREST-BEARING RECEIVABLES AS AT 31 DECEMBER			
Associated companies and joint ventures	83	103	97
Total	**83**	**103**	**97**
INTEREST-BEARING RECEIVABLES AS AT 31 DECEMBER			
Associated companies and joint ventures	299	200	161
Total	**299**	**200**	**161**

Members of the Board of Directors and the management of the Group and their related parties control 32.8 per cent (34.4) of the shares in AF Gruppen ASA at the end of the year. For information on remuneration of the Board of Directors and management, see Note 32 Remuneration of senior executives and the Board of Directors. There are no agreements or transactions with related parties beyond this.

Guarantees issued to associated companies and joint ventures are disclosed in Note 34.

NOTE 34 PLEDGED ASSETS AND GUARANTEES

PLEDGED ASSETS

Amounts in NOK million	Note	2019	2018
Book value of liabilities secured by pledges, etc. [1]	20	653	76

BOOK VALUE OF SECURED ASSETS		
Buildings and production facilities	22	17
Machinery, fixtures and fittings	103	118
Trade and non-interest-bearing receivables	297	384
Other pledged assets	52	23
Total book value of pledged assets	**475**	**541**

[1] *MNOK 588 (67)* million of the liabilities related to leasing liabilities have machinery as collateral, *cf. Note 20 Net interest-bearing liabilities.*

A negative letter of charge has been provided for trade receivables and inventories related to the Group's financial framework.

Through participation in general partnerships, the Group could be held liable for the inability of other participants to fulfil their obligations. Joint and several liability cannot be enforced until the company in question is unable to fulfil its obligations.

GUARANTEES

Amounts in NOK million	2019	2018
Guarantees issued to clients [1]	5,206	4,314
Guarantees issued to associated companies and joint ventures [2]	320	289
Sum	**5,526**	**4,603**

[1] In connection with construction contracts entered into, the subsidiaries in AF Gruppen are subject to the usual contracting obligations and the associated guarantees. In this connection, AF Gruppen ASA has furnished guarantees to subsidiaries in the form of absolute guarantees to financial institutions. In addition, AF Gruppen ASA and AF Gruppen Norge AS have issued parent company guarantees, which primarily concern guarantees of this type. The guarantees issued to clients are related to contractual obligations and are primarily issued as tender guarantees, delivery guarantees and payment guarantees.

[2] AF Gruppen Norge AS has in some cases issued guarantees as security for loans etc. in favour of development companies. This can typically be in connection with the fact that the development company has received financing from a bank and the owners have chosen to provide a guarantee for parts of such financing, based on a specific assessment. This concerns partial guarantees, in which AF Gruppen only guarantees for a portion of the amount corresponding to its ownership interest in the project in question. The guarantee cannot be enforced unless the development company is not able to fulfil its obligations.

In addition, as a part-owner in limited partnerships, AF Gruppen has undertaken to contribute partnership capital. As at 31 December 2019, committed, unpaid partnership capital totalled NOK 40 (70) million.

NOTE 35 CONTINGENCIES

The performance of building and civil engineering assignments occasionally leads to disputes between the contractor and client regarding how to understand the underlying contract. AF Gruppen prefers to resolve such disputes through negotiation outside the courts. In spite of this, some cases are resolved through arbitration or the courts. Disputed claims against customers and claims against AF from subcontractors are assessed on an ongoing basis to ensure that the financial account reporting is as correct as possible. Provisions and revenue recognitions for uncertainty related to contingent outcomes are made in the projects.

At the end of 2019, AF Gruppen was not involved in any significant lawsuits.

THE FOLLOWING CASES MENTIONED IN 2018 HAVE BEEN CONCLUDED IN 2019:
AF Anlegg has filed suit against the Norwegian State represented by the Ministry of Transport and Communications concerning the final settlement for the construction of the Dregebø-Grytås and Birkeland-Sande sections of the new E39 in the Municipality of Gaular. AF Gruppen was unsuccessful in the case before the District Court in the spring of 2019 and has chosen not to appeal. The outcome had no significant impact on the profit for 2019.

NOTE 36 EVENTS AFTER THE BALANCE SHEET DATE

No events have taken place after the balance sheet date that would have a significant effect on the consolidated financial statements.

After the end of the year the Coronavirus pandemic, together with related measures from the authorities, have led to a significant change in the framework conditions for the business. The Board and management will at all times consider the measures necessary to ensure the proper operation of the AF Group.

NOTE 37 SIGNIFICANT ACCOUNTING ASSESSMENTS, ESTIMATES AND ASSUMPTIONS

In the preparation of the annual financial statements, the management has used estimates and assumptions that have affected the valuation of assets and liabilities, recognition of revenues and expenses, and information on potential liabilities for accounting purposes. The estimates and underlying assumptions are assessed continuously based on historical experience and other factors, including expectations of future events that are assessed to be reasonable under the current circumstances. The estimates used in the accounts are based on uniform policies.

Changes in accounting estimates are recognised in the period in which they occur. If the changes also apply to future periods, the effect of the changes will be distributed between the present and future periods.

PRODUCTION CONTRACTS RECOGNISED OVER TIME

AF Gruppen's activities consist primarily of carrying out projects with revenue recognition over time. Revenue recognition over time is based on estimates and assessments made based on the management's best estimate. For detailed information on the revenue recognition principles, see Note 38 Significant accounting policies under the section on revenue recognition principles.

The estimates with the greatest impact on revenue recognition are linked to an assessment of the final prognosis, progress, variable compensation, and any disputes or disagreements with clients, etc. The scope and complexity of the assessments entail that the actual contribution margins at the end of projects may deviate from the assessments made at year end. Revenue is recognised to the extent that the management assesses that it is highly unlikely that a reversal of the accumulated revenue will take place.

The contribution ratio of the projects is assessed for each accounting period in accordance with a conservative best estimate based on the management's judgement and experience. The Group's policy is to take a lower share of the expected profit early in the project when the level of uncertainty is the highest, and a correspondingly greater share of the expected profit towards the end of the project. The purpose of this is to avoid the reversal of profit recognised earlier. The assessment of the contribution ratio will affect the recognition of revenue and costs for the period.

The progress is assessed based on the input or output method, depending on the contracts. The progress is an estimate, and it will affect the accrual of revenue and costs for projects that are recognised over time.

Variable compensation is an estimate that is included in the expected transaction price, and it is common in production contracts. The Group's policy is to recognise variable compensation in the transaction price in accordance with a conservative best estimate when it is reasonably certain that it will not be reversed. The assessment of the variable compensation affects the assessment of the progress in cases where there is an output-based progress measurement and estimated contribution ratio in the projects.

Disputes and disagreements with the other contracting party are recognised in accordance with a conservative best estimate in the consolidated financial statements.

The estimates and assumptions related to recognition will affect identified contractual receivables in the projects, i.e. the amount to which the Group believes that it has an unconditional right due to the goods or services delivered. Contractual receivables are calculated as invoiced trade receivables less provisions for losses and invoiced revenue not yet considered to be earned. The assessment of progress and the assessment of the outcome of disputes and disagreements will be of the greatest importance to the contractual receivables.

As a consequence of the estimates concerning revenue recognition, the projects will have, in addition to a possible contractual receivable, outstanding contractual assets or liabilities with the customer, depending on whether performance of the service or payment has taken place first. The estimates that will have the greatest consequences for the size of the asset or liability will be the assessment of the progress and contribution ratio for the projects.

Lines in the accounts with significant estimates related to projects	Note reference		Recognised value of project-related items (NOK million) 2019	2018
Revenue from production contracts and the performance of services	6		22,378	18,472
Current receivables and current liabilities	10, 17	Contractual asset:	1,226	1,115
		Contractual receivable:	2,709	1,963
		Contractual obligation:	1,188	960
Provisions	15		747	373

GOODWILL

There exists uncertainty regarding the assessment of goodwill, since the value of the assets is based on earning principles from the allocation of the purchase value, cf. Note 4 Acquisition and sale of businesses. Goodwill is not amortised but is tested at least once a year for possible impairment. Concerning the tests performed and the assumptions for these, reference is made to Note 13 Intangible assets.

Lines in the accounts with significant estimates related to goodwill	Note reference	Recognised value of goodwill (NOK million) 2019	2018
Intangible assets	4, 13	4,303	2,284

NOTE 38 SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION POLICIES

Subsidiaries

The consolidated financial statements encompass the financial statements of AF Gruppen ASA (the parent company) and the associated subsidiaries. Subsidiaries are any entities in which the Group has a controlling influence. A controlling influence over an entity arises when the Group is exposed to a variable return from the unit and is able to influence this return through its power over the entity. Normally a controlling influence is achieved when the Group owns more than 50 per cent of the shares in the company. Subsidiaries are consolidated from the day control arises until such control may cease to exist.

Figures reported by the subsidiaries are restated if necessary to achieve compliance with the Group's accounting policies.

Business combinations

Business combinations are recognised in accordance with the acquisition method of accounting. The consideration provided is measured at the fair value of the assets transferred, liabilities assumed and equity instruments issued. Any contingent consideration elements are included in the consideration at fair value on the acquisition date. Contingent consideration that is not settled in equity instruments is a liability that is measured at fair value with value changes through profit or loss.

Expenses related to acquisitions are recognised as they are incurred.

When companies are acquired, a concrete assessment is made to establish whether the acquisition really concerns the business itself or assets. For the acquisition of assets, the entire purchase price, including any liabilities acquired, will be allocated to the acquired assets on a pro rata basis in relation to the fair value. This means that no provision is made for deferred tax for such acquisitions.

For the acquisition of a business, the identifiable assets and liabilities, including the identified excess values, are recognised on the balance sheet at fair value on the acquisition date. If the sum of the consideration exceeds the fair value of the net identified assets and liabilities in the acquired company on the acquisition date, the difference will be recognised on the balance sheet as goodwill. Goodwill is allocated to the cash-generating units or groups of cash-generating units. Goodwill is not amortised, but is tested at least once a year for impairment. The fair value of goodwill is assessed more often than once a year if there are events or changes in circumstances that indicate a possible impairment in value.

If the fair value of the net assets in a business combination exceed the consideration (negative goodwill) the difference will be immediately recognised as income on the acquisition date.

Provision is made for deferred tax on the difference between fair value and book value for all assets and liabilities in a business combination with the exception of goodwill.

Business combinations by step-by-step acquisitions

For step-by-step acquisitions, the earlier equity interest in the acquired company should be remeasured at fair value on the acquisition date when AF Gruppen acquired a controlling influence over the company. Any gains or losses are recognised in the income statement. The gain or loss is calculated as the difference between the fair value of the earlier asset on the acquisition date and the carrying amount adjusted for the cumulative amount recognised in the consolidated equity through other comprehensive income that is to be reclassified to profit or loss on disposal.

Change in ownership interests with loss of control

When the Group no longer has a controlling influence, any remaining equity interest is measured at fair value with the recognition of gains/losses through profit or loss. In subsequent accounting, the fair value at the time of the loss of control constitutes the acquisition cost, either as an investment in an associate, joint venture or financial asset. Amounts previously recorded in the statement of other comprehensive income related to this company are treated as if the Group had disposed of the underlying assets or liabilities. This may entail that amounts previously recognised in the statement of other comprehensive income are reclassified to the income statement.

Minority interest and change in ownership interests without a change in control

Minority interests include the non-controlling owners' share of the carrying amount of subsidiaries, including the share of identified excess value on the acquisition date. No minority interest is calculated on the basis of goodwill. The minority interest may be negative if the share of assets and liabilities is negative.

Transactions with minority interests in subsidiaries are treated as equity capital transactions. For the purchase of shares from minority interests, the difference between any consideration paid and the shares' proportionate share of the carrying amount of the net assets in the subsidiary is recognised in the equity of the parent company's owners. Gains or losses from sales to minority owners are recognised correspondingly in equity.

Joint arrangements and associated companies

Joint arrangements are arrangements whereby two or more parties have joint control of the arrangement through a contractual agreement. Joint arrangements are classified as joint operations or joint ventures. In a joint operation, the parties have joint control rights to the assets and are responsible for the liabilities in the arrangement. In a joint venture, the parties have joint control rights to the net assets in the joint arrangement.

A key element in the assessment of whether a joint arrangement is a joint operation or a joint venture is whether the arrangement has been organised as a separate entity. If there is no separate entity, then the arrangement is classified as a joint operation. Otherwise, the legal status, terms and conditions in the contractual agreement and other factors and circumstances are assessed to determine whether the arrangement is a joint venture or joint operation. AF Gruppen's joint arrangements are assessed to be joint ventures.

Associated companies are business units in which the Group has a significant, but not a controlling influence over the financial and operational management. Normally this occurs when there is an ownership stake ranging from 20 to 50 per cent.

Joint ventures and associated companies are recognised at the acquisition cost on the acquisition date. In addition, the units are incorporated in accordance with the equity method of accounting. The carrying amounts include any excess value and goodwill identified on the acquisition date, less subsequent depreciation, amortisation and impairment losses.

The Group's share of the profit or loss in joint ventures and associated companies is recognised in the income statement and added to the carrying amount of the investments. This applies from the date significant influence or joint control arises until such influence ceases. When the Group's share of losses exceeds the investment in a joint venture or associated company, the Group's book value is reduced to zero. Further losses are not recognised unless the Group is obligated to cover the loss.

Elimination of transactions and balances with group companies

Intercompany transactions and accounts, including internal profit and unrealised gains and losses, are eliminated. Unrealised gains linked to transactions with associated companies and joint ventures are eliminated in proportion to the Group's stake in the company/business. Unrealised losses are also eliminated, but only if there are no indications of impairment of assets sold internally.

Foreign currency translation

Functional currency and presentation currencies

The consolidated financial statements are presented in Norwegian kroner (NOK), which is both the Parent Company's functional currency and the Group's presentation currency.

NOTE 38 SIGNIFICANT ACCOUNTING POLICIES CONT.

Group companies
The income statement and balance sheet for group companies with a functional currency different than the presentation currency are translated as follows:

- Balance sheet items are translated at the rate prevailing on the balance sheet date.
- Income statement items are translated at the transaction exchange rate. The average monthly rates are used as an approximation of the transaction date exchange rates.
- Translation differences are recognised under other comprehensive income.

For the loss of control, significant influence or joint control, the accumulated translation differences related to the investment attributable to the controlling interests are recognised in the income statement. For the partial disposal of subsidiaries (not loss of control) the proportionate share of the accumulated translation differences are classified as minority interests.

Goodwill and excess value from the acquisition of a foreign unit will be treated as assets and liabilities in the acquired unit and translated at the rate prevailing on the balance sheet date.

REVENUE RECOGNITION PRINCIPLES
Revenue is recognised based on a pattern that reflects the transfer of goods or services to customers. Sales revenue is presented less value-added tax and discounts.

Production contracts
A significant portion of AF Gruppen's business activities consists of construction and civil engineering projects. The projects are carried out on behalf of public and private clients based on contracts. The characteristic feature of such contracts is that they are client financed. Production contracts consist primarily of contracts with a single delivery obligation. Combinations of contracts may exist, for which an assessment has been made that they represent a common delivery obligation.

Production contracts are recognised as transferred to the customer over time, and project revenues are recognised in step with the degree of completion and the estimated transaction price for the delivery obligations.

The progression of the delivery obligation, the percentage of completion, is calculated as the production carried out in relation to the production agreed on. Assessments of the percentage of completion based on both input and output are used, depending on what is appropriate for the individual revenue streams. The method for calculating the degree of completion is consistently used for the same type of contracts. An input-based calculation of the degree of completion is calculated on the basis of incurred costs in proportion to the estimated total costs in the delivery obligation. This percentage of completion method is used for on- and offshore demolition projects as well as civil engineering and building projects in Sweden. An output-based calculation of the degree of completion is calculated on the basis of completed production, i.e. on completed invoiceable deliveries in proportion to the agreed production in the delivery obligation. This percentage of completion method is used for civil engineering and building projects in Norway. Regardless of the method for calculation of the completion rate, an overall assessment is made of the reasonableness of the completion rate against known factors to ensure that this would not be significantly different had another method been used. The methods that are used are considered to provide the best estimate for completion of the projects based on the observable factors that are available to the project at the time of reporting.

The transaction price used for the delivery obligations is calculated using a best estimate based on the contractual conditions and judgement. The transaction price includes both fixed and variable elements. Variable compensation is included in the expected transaction price using a best estimate, when it is highly probable that this will not entail a significant reversal of recognised cumulative operating revenue. It is considered highly probable that cumulative operating revenue will not be reversed when the revenue is regarded as being legally enforceable. Variable compensation also includes non-cash compensation. If financing elements are identified in the contracts, these will be taken into account in the expected transaction price.

In the early stages of a project, a smaller than the proportionate share of the expected profit is recognised, since the remaining risk in the project is assessed as high. In the final stages of the project, a larger share of the expected profit is recognised, since the project results can be estimated with a greater degree of certainty at this point in time and there is a narrower range of outcomes in the projects. Such risk adjustment of the expected contribution ratio is particularly relevant in civil engineering projects and other large projects that take place over several years. Risk adjustment can arise as a result of a downward adjustment of the percentage of completion (costs incurred divided by the total costs will be lower due to the fact that the total costs include future potential costs that may arise due to risk), or as a downward adjustment of the estimated transaction price due to a reduction in the variable compensation estimates. Which method is used is dependent on whether the future risk lies on the revenue or cost side.

When the outcome of the project cannot be estimated reliably, only revenue equivalent to the incurred project costs will be recognised. If a loss-making project is identified, the contract will be valued in accordance with IAS 37, and a provision for losses will be made in the current period corresponding to the best estimate of the unavoidable expenses that will be incurred to settle the contractual obligation. Unavoidable expenses include costs that are directly related to the project, as well as indirect costs that are allocated to the project.

The recognition of revenue from disputed claims, claims for additional work, change orders, incentive bonuses, etc., starts when it has been recognised that AF Gruppen's rights to the consideration are legally enforceable. In most cases, additional work and change orders are not separate delivery obligations. Thus, there are generally recognised with a cumulative catch-up effect. Changes that are regarded as a separate delivery obligation are recognised in accordance with the prospective method.

Provisions are made for identified and expected warranty work. Warranty work in AF Gruppen's project on contracts is not a separate delivery obligation.

Tender costs are included in the completion rate for the delivery obligations if it has been assessed that the work that has been performed will contribute to fulfilling the delivery obligation. Inefficiency costs, i.e. costs that were not taken into account in the pricing of the delivery obligation, are recognised when they arise and are not included in the completion rate for the delivery obligation. Materials are not included in the project's percentage of completion until the materials have been installed and regarded as having been handed over to the customer.

Projects for own account
Projects for own account largely involve the development and construction of apartment buildings for sale. An apartment building consists of many units, and the majority of the units are sold before a project starts. Each apartment is regarded as a separate delivery obligation.

Apartments are sold to individual customers, and the revenue is recognised when the apartment is handed over. The expenses in projects for own account are capitalised on an ongoing basis in the balance sheet as projects for own account under current assets until they are recognised in the income statement. The associated prepayments from customers is recognised as current liabilities.

Provisions are made for identified and expected warranty work. Warranty work in AF Gruppen's projects for own account is not a separate delivery obligation.

NOTE 38 SIGNIFICANT ACCOUNTING POLICIES CONT.

Demolition work
Demolition work encompasses the demolition of buildings, oil platforms and other installations. Demolition work is often defined as a delivery obligation for each contract. The expected compensation is recognised over time, since the customer receives and consumes the benefits of the enterprise's performances gradually as the delivery obligation is fulfilled. Progress in contracts of this type are measured based on an input-based method. This is considered a good estimate of the transfer of the service to the customer, since the input factors in the projects are measurable, and accrue evenly in relation to the handover of the delivery obligation.

The transaction price is assessed in the same manner as for production contracts. Demolition contracts often include non-cash compensation in the form of AF assuming ownership and responsibility for the processing of the demolished structures. The value of non-cash compensation is assessed using a best estimate, and it is included in the expected transaction price.

Sale of plant and equipment and other goods
Gains/losses on the disposal of plant and equipment are recognised in the income statement when delivery has been made. Revenue from the sale of goods is also recognised correspondingly when the goods have been handed over to the customer.

Financial income
Interest is recognised as income in accordance with the effective interest method.

Dividends are recognised as revenue when the shareholder's right to receive a dividend has been established by the General Meeting.

Order backlog
The remaining transaction price for uncompleted delivery obligations is defined as the order backlog. Information on the order backlog is stated in the segment note, broken down by the order backlog for the following year and the order backlog for subsequent years.

OTHER ACCOUNTING POLICIES

Classification of receivables and liabilities
Contractual assets, contractual receivables and contractual obligations related to building, civil engineering and demolition activities are classified under current assets and current liabilities in the balance sheet.

A contractual receivable represents AF Gruppen's unconditional right to compensation from a customer. Compensation is unconditional if payment is only dependent on time before it takes place. A contractual receivable will be the sum of the trade receivables (invoiced amount) and the "unearned interest" amount that reduces the trade receivables. This amount represents AF's assessment of our unconditional right to compensation for goods and services that have been performed on behalf of the customer.

A contractual asset represents AF Gruppen's unconditional right to compensation from a customer. Contractual assets will consist of "service not yet invoiced" and "credit balances". "Service revenue, not yet invoiced" represents the estimated production carried out on behalf of a customer beyond what has been invoiced or paid, and will become an unconditional right to payment (a contractual receivable) upon the fulfilment of milestones in accordance with the agreed payment plan. The "credit balances" in accordance with Norwegian Standard contracts represent security for the client during the construction period, and they are a percentage of the ongoing invoices that is retained until the project has been handed over and the final invoice issued.

A contractual obligation is an obligation to transfer goods or services to a customer when the compensation has already been received. "Prepayments from customers" represent such compensation received. This is a contractual obligation and is presented as current liabilities on the balance sheet.

A contractual asset or contractual obligation to the same customer will be presented on a net basis, unless there are circumstances that do not permit offsetting.

Any difference between the costs incurred in the project and the invoices received is recognised against other current liabilities unless it concerns the purchase of goods that are recognised as inventory.

Projects for own account (including land for development) are recognised as current assets.

Other receivables and liabilities that mature in more than one year are classified as non-current assets and non-current liabilities. The first year's instalment on long-term debt will be classified under current liabilities.

Provisions for warranties on projects are classified as current liabilities, even if a large portion of the provisions are expected to mature in more than one year.

Translation of transactions and balance sheet items in foreign currencies
Transactions in foreign currencies are translated to the functional currency based on the current rate on the transaction date.

Foreign exchange gains and losses related to trade receivables, trade payables and other balance sheet items related to operations, are presented under net gains and losses in the income statement and specified otherwise in the notes.

Foreign exchange gains or losses related to loans, cash and cash equivalents are presented under net financial items in the income statement and specified otherwise in the notes.

Income tax
Income tax consists of tax payable and changes in deferred tax. Tax is recognised in the income statement unless it is related to items that have been recognised under other comprehensive income or directly through equity. In these cases, the tax is also recognised under other comprehensive income or directly through equity.

It is the legislation that has been adopted, or essentially adopted, by the tax authorities in the countries where the Group's subsidiaries or associated companies operate that applies to the calculation of the tax payable and deferred tax.

Deferred tax is recognised for the temporary differences between the financial and tax values of assets and liabilities. One exception is the temporary differences that arise on initial recognition of an asset or liability in a transaction other than a business combination. These are not recognised on the balance sheet

Deferred tax assets are recognised on the balance sheet if it is probable that future taxable income will offset the tax-reducing temporary differences.

Deferred tax assets and deferred tax are offset if there is income tax imposed by the same tax authority and there is a legally enforceable right to offset these. It is a prerequisite for offsetting between different taxable enterprises that the Group has the opportunity and intent to settle the liabilities and assets on a net basis.

Uncertain tax liabilities, or disputed tax positions, will be recognised using a best estimate. The last judgment handed down or assessment decision is regarded as the best estimate.

Property, plant and equipment
Property, plant and equipment are measured at cost minus accumulated depreciation and impairment losses. When assets are sold or retired, the book value is deducted and any loss or gain recognised in the income

NOTE 38 SIGNIFICANT ACCOUNTING POLICIES CONT.

statement. The acquisition cost includes all expenses that are directly attributable to the purchase or production of the asset. In the case of plant and equipment manufactured in house, a proportion of other attributable costs and loan expenses are also included in the acquisition cost.

Property, plant and equipment are recognised on the balance sheet if it is probable that the expected future financial benefits attributable to the asset will pass to the company and the asset's acquisition cost can be measured reliably. Subsequent expenses for remodelling or the replacement of parts will be recognised on the balance sheet if corresponding criteria have been satisfied. The remaining value recognised on the balance sheet relating to replaced parts is recognised in the income statement. Costs for service, repair and maintenance are recognised on a current basis.

Every significant component of property, plant and equipment is depreciated over its estimated useful life. Production-related machinery is mainly depreciated using the reducing balance method, while other property, plant and equipment are depreciated on a straight-line basis.

Leased plant and equipment that are not expected to be acquired at the end of the term of the lease will be depreciated over the shorter of the term of the lease or the useful life. Leased plant and equipment that are expected to be acquired at the end of the term of the lease will be depreciated over the expected life.

The depreciation period and deprecation method are evaluated annually, and the retirement value is estimated at year end. Changes are recognised as a change of estimate.

Intangible assets

Goodwill

Goodwill is recognised on the balance sheet at the acquisition cost less write-downs. Goodwill is not amortised, but is tested at least once a year for impairment. Any write-down of goodwill will not be reversed even if the grounds for the impairment no longer exist.

Goodwill is allocated to the cash-generating units or groups of cash-generating units that are acquired or are expected to gain synergies from the acquisition.

Patents and licences

Amounts paid for patents and licences are recognised on the balance sheet and amortised on a straight-line basis over their expected useful life. Their expected useful life for patents and licences varies from 5 to 10 years.

Software

Expenses related to the purchase of new software are recognised on the balance sheet as intangible assets if these expenses are not part of the acquisition cost for hardware. Software is normally amortised on a straight-line basis over 3 years. Expenses incurred to maintain or keep up the future benefit of software are recognised as an expense unless the changes to the software increase the future economic benefit of the software.

Contractual customer relationships

Contractual customer relationships that are acquired separately are recognised on the balance sheet at fair value on the acquisition date. Contractual customer relationships that are acquired in business combinations are recognised on the balance sheet at fair value on the acquisition date. Contractual customer relationships have a limited useful life and are recognised at the acquisition cost less the accumulated amortisation. Amortisation is carried out on a straight-line basis over the expected life of the customer relationship.

Quarrying rights

Quarrying rights are recognised on the balance sheet at fair value (cost) on the acquisition date. Quarrying rights acquired in business combinations are recognised on the balance sheet at fair value on the acquisition date. The quarrying rights (which have a limited useful life) are recognised at the acquisition cost less the accumulated amortisation. Amortisation is carried out on a straight-line basis over the expected life of the quarrying rights.

Impairment in the value of non-financial assets

Intangible assets with an indefinite useful life and goodwill are not amortised, but tested for impairment annually. Property, plant and equipment and intangible assets that are amortised are assessed for impairment in value when there are indicators that the future earnings cannot justify the book value of the asset.

The difference between the book value and recoverable amount is recognised in the income statement as an impairment loss. The recoverable amount is the higher of the fair value less selling costs or the utility value. When impairment is assessed, the intangible assets are grouped together at the lowest level it is possible to identify independent cash flows (cash-generating units).

The possibility of reversing previous impairment losses on property, plant and equipment and intangible assets that are amortised is evaluated on each reporting date.

Leasing

AF Gruppen has implemented IFRS 16 using the modified retrospective method. The effect of changes to the accounting policies and the effect of the initial use are described in Note 3 changes to the accounting policies.

To determine whether an agreement is a lease, or contains a lease component, the substance of the agreement is assessed on the earlier of the date of the agreement or the date when the parties commit themselves to the main terms of the agreement. If fulfilment of the agreement requires the use of a specific asset or group of assets and transfers the right to control the use of the underlying asset for a period of time in exchange for consideration, the agreement will be treated as a lease agreement.

Each individual lease component in the contract will be recognised as a lease separate from any non-lease components in the contract. When a lease is implemented, a lease liability and a corresponding right-of-use asset is recognised for all leases, with the exception of short-term leases (lease term of 12 months or less) and assets of low value. For these leases, the lease |payments are recognised as other operating expenses in the income statement as they are incurred.

Lease liabilities

Lease liabilities at the time of implementation are calculated as the present value of future lease payments. The term of the lease represents the non-terminable term of the lease, in addition to periods covered by an option, either to extend or terminate the lease if it is reasonably certain that the Group will exercise this option. The lease payments included in the measurement of the lease liability consist of:

- Fixed lease payments, less any receivables in the form of lease incentives
- Variable lease payments that are dependent on an index or interest rate, initially measured using the index or interest rate at the time of implementation
- Amounts expected to be paid to the Group in accordance with the residual value guarantees
- Exercise price of a call option, if it is reasonably certain that the Group will exercise this option
- Payment of a fine to terminate the lease, if the term of the lease reflects that the Group will exercise an option to terminate the lease

Variable lease payments are not included in the lease liability. Instead, variable lease costs are recognised in the income statement.

NOTE 38 SIGNIFICANT ACCOUNTING POLICIES CONT.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest rate on the lease liability, reducing the carrying amount to reflect the lease payments made and re-measuring the carrying amount to reflect any revaluations or changes to the lease, or to reflect adjustments in the lease payments as a result of adjustments in the indices or rates.

The liability has been calculated with a discount rate corresponding to the marginal borrowing rate for the relevant company that has a contract, for each class of underlying asset, and adjusted for the agreement's remaining lease term.

Current lease liabilities are lease liabilities that fall due within one year from the balance sheet date. Non-current lease liabilities are liabilities that fall due for payment later than one year from the balance sheet date.

Right-of-use assets
Right-of-use assets are measured at historical cost, less accumulated depreciation and impairment losses, adjusted for any new measurements of the lease liability. Historical cost for right-of-use assets include:

- Amount from the initial measurement of the lease liability
- All lease payments at or before the implementation date, less any lease incentives received
- All directly incurred expenses for entering into the agreement
- An estimate of the expenses incurred by the lessee for dismantling and removing the underlying asset, restoring the site where the unit is located, or restoring the underlying asset to the condition required by the terms of the lease, unless these expenses are incurred during the production of the goods.

The right of use is depreciated on a straight-line basis over the term of the agreement.

The Group applies IAS 36 Impairment to assets to determine whether the right-of-use asset has been impaired and to account for any impairment losses established.

Financial instruments
Financial assets
Financial assets are classified in the following categories: fair value with value changes through profit or loss,
fair value with value changes through other comprehensive income (OCI) and amortised cost. The measurement category is determined by the initial recognition of the asset. For financial assets, a distinction is made between debt instruments and equity instruments. The classification of financial assets is determined based on the contractual conditions for the financial assets and which business model is used for management of the portfolio to which the assets belong.

Financial assets that are debt instruments
Debt instruments with contractual cash flows that are exclusively payment of interest and principal on given dates and are held in a business model for the purpose of receiving contractual cash flows, shall in principle be measured at amortised cost. Corresponding instruments, for which the purpose is to both receive contractual cash flows and cash flows from sales, shall in principle be measured at fair value with value changes through other comprehensive income (OCI) but with interest income, foreign exchange effects and any write-downs recognised in the ordinary income statement. Value changes recognised through OCI shall be reclassified to the income statement upon sale or other disposal of the assets. Other debt instruments shall be measured at fair value with changes in value through profit or loss.

Derivatives
Financial derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative. All derivatives are measured at fair value, normally with changes in value through profit or loss. The change in the fair value of forward foreign exchange contracts and commodity derivatives is recognised in the operating profit, but the change in the fair value of interest rate swaps is recognised in the income statement under financial items. The change in the value of derivatives that are designated as hedging instruments and satisfy the documentation requirements in IFRS 9 are recognised in accordance with the principles of hedge accounting. For cash flow hedging, changes in the fair value of derivatives are recognised in other comprehensive income (OCI). The entries are reversed and recognised as income or an expense during the period the hedged transaction is recognised in the income statement. Interest rate derivatives and forward currency and commodity contracts that mature within 12 months are presented as short-term derivatives, and contracts that mature in more than 12 months are classified as long-term derivatives.

Investments in equity instruments
Investments in equity instruments are measured at fair value in the balance sheet. Changes in value are recognised as a result in the ordinary income statement, but an equity instrument that is not held for trading purposes and is not contingent consideration after a business transfer, can be earmarked as measured at fair value with changes in value through other comprehensive income (OCI). Ordinary dividends are recognised in the income statement. Accumulated changes in value are not reclassified to profit or loss on disposal.

Financial liabilities
Financial liabilities, such as interest-bearing debt are measured at amortised cost, with the exception of financial liabilities that are measured at fair value through profit or loss due to the fact that they are held for trading purposes, and financial liabilities that are earmarked for measurement at fair value through profit or loss.

Receivables
Short-term and long-term receivables are assessed at their amortised cost by means of the effective interest rate method. Due to the short term to maturity for trade receivables and other receivables, the receivables will in practice be recognised at their nominal value less expected losses.

Segment reporting
The operating segments are reported in the same manner as the internal reporting to the Company's highest decision-maker. The Group's highest decision-maker is defined as the Corporate Management Team. They are responsible for the allocation of resources to and the assessment of earnings in the operating segments.

Inventories
Inventories are recognised on the balance sheet at cost or net selling price, whichever is the lower. Inventories mainly consist of spare parts, equipment, and materials for use in production. Cost is recognised using the FIFO method and includes expenses incurred in acquiring the goods and the cost of bringing them to their present state and location.

Projects for own account
Inventories of projects for own account are classified as current assets on the balance sheet. Projects for own account include inventories of sites for development.

Shareholders' equity
Treasury shares
When treasury shares are bought back, the purchase price, including costs that can be directed attributable as a deduction from equity, is recognised. Treasury shares are presented as a reduction in equity.

Translation differences
Translation differences arise in connection with exchange differences in the consolidation of foreign units. Units with a functional currency other than NOK are consolidated step by step. This means that translation differences are identified at various levels in accordance with the corporate structure and reclassified to the income statement upon disposal of a subsidiary when the directly overlying parent company has another functional currency.

NOTE 38 SIGNIFICANT ACCOUNTING POLICIES CONT.

Dividend
Dividends are recognised as a liability when they are adopted by the General Meeting. This means that proposed dividends that are not yet adopted are included in equity.

Employee benefits
Defined-benefit plans
The Group has defined-benefit plans in the Norwegian companies for employees born in or before 1951 who joined the Group prior to 1 January 2003. The pension plans are funded through accumulated reserves in insurance companies. The net liability is calculated on the basis of the present value of future retirement benefits that the employees have earned on the balance sheet date less the fair value of plan assets. The plan's benefit formula is used as allocation method. Actuarial gains and losses are recognised under other comprehensive income during the period in which they arise.

AF has a defined-benefit multi-company scheme for the early retirement (AFP) scheme, which is financed by premiums set at 1 per cent of the employee's salary. At present there is no reliable measurement or allocation of the liabilities and funds in the scheme. In the accounts this scheme is therefore treated as a defined contribution pension scheme in which the premium payments are recognised as costs on an ongoing basis, and no provisions are set aside in the accounts. The premium is fixed at 2.4 per cent of the total payments between 1 and 7.1 times the National Insurance basic amount (G) to the company's employees. There is no accumulation of funds in the scheme, and it is expected that the premium level will increase in the coming years.

Employees in the Swedish subsidiaries are members of a defined-contribution pension plan. The same applies to employees in Norway who are not members of defined benefit pension plans. The net retirement benefit expense for the period is included under payroll costs.

Defined-contribution pension plans
The Group has a defined-contribution pension plan for all the employees in Norway that are not encompasses by the defined-benefit plan. The pension premiums are recognised as an expense when they are incurred. The Group has no liabilities beyond this.

Share-based compensation
AF Gruppen offers employees discounted shares with a lock-in period of one year, either from the sale of treasury shares or by a private offering. The sale of shares is recognised in accordance with the requirements for share-based remuneration.

Discounts on the sale of treasury shares to employees are recognised as expenses at fair value on the allotment date. The value of the discounts is calculated using an option pricing model that takes the vesting period into account.

AF Gruppen also offers share options to employees: through a three-year option programme. Options are measured at fair value at the time of allotment. The calculated value of the estimated share of the options that are expected to be redeemed is recognised as a payroll cost, and the cross entry is made under other paid-in equity. The cost is distributed over the period until the employee acquires an unconditional right to redeem the options. The estimated number of options that are expected to be redeemed is reassessed on every balance sheet date. Any changes reduce the future cost by a corresponding adjustment of the equity.

Payroll tax on the wage benefits relating to outstanding options are recognised in the income statement using a best estimate for the liability.

Each option gives entitlement to purchase one share at a predetermined price. The Company does not have an agreed right to settle the value of the options issued in cash.

Provisions
A provision is recognised when the Group has an obligation (legal or self-imposed) as a consequence of an earlier event and it is probable (more probable than not) that an economic settlement will be made as a consequence of this obligation that can be measured reliably. If the impact is significant, the provisions are calculated by discounting the estimated future cash flows by a discount rate before tax that reflects the market's pricing of the current value of money and, where relevant, risks specifically linked to the liability.

Restructuring provisions are included when the Group has approved a detailed and formal restructuring plan, and the restructuring has either started or been announced.

Provisions for guarantees are recognised when the underlying projects and services are sold. Provisions are based on historical information on guarantees and a weighting of possible outcomes against the probability of their occurrence.

Provisions for loss-making contracts are recognised when the Group's expected revenue from a contract is less than the unavoidable costs incurred in order to fulfil the obligations under the contract.

In connection with the completion of business combinations, sales options may be agreed on for all or parts of the sellers' remaining interests in the acquired company. The sales price of the shares at the time of the redemption of the shares is in such cases dependent on the acquired company's future performance. The estimated fair value of the sales options issued will be discounted and recognised on the balance sheet as a liability at the time of the business combination with a cross entry in the equity of the majority interests. Subsequent changes in the fair value of the liability are recognised through profit or loss. Changes in the liability as a consequence of the options not being redeemed is recognised directly through equity.

Borrowing expenses
Loan expenses are recognised on the balance sheet to the extent that they are directly attributable to the production of an asset that it takes a substantial amount of time to prepare for use or sale. AF Gruppen recognises loan expenses that accrue during the production of projects for own account (residential units) and plant and equipment for own use on the balance sheet. Recognition on the balance sheet ceases upon completion of the assets.

Cash and cash equivalents
Cash and cash equivalents are the Group's bank deposits, and they include liquid and restricted funds. Bank overdrafts are included in loans under current liabilities on the balance sheet.

Cash flow statement
The cash flow statement explains the change in cash and cash equivalents for the period. The definition of cash and cash equivalents in the cash flow statement corresponds to the definition in the balance sheet. The cash flow statement has been prepared in accordance with the indirect method and shows cash flows from operating, investing and financing activities.

Contingent liabilities and assets
Contingent liabilities are not recognised in the financial statements. Significant contingent liabilities are disclosed with the exception of contingent liabilities with a low probability. Contingent assets are not recognised in the annual financial statements, but disclosed if it is probable that the benefit will pass to the Group.

Events after the balance sheet date
New information concerning the Company's financial position on the balance sheet date that is received after the balance sheet date is considered in the financial statements. Events after the balance sheet date that do not affect the Group's financial position on the balance sheet date, but will affect its financial position in the future, are disclosed if they are significant.

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INCOME STATEMENT

Amounts in NOK million	Note	2019	2018
Intragroup contributions and dividends received		547	984
Total operating and other revenue		**547**	**984**
Other operating expenses	3	-20	-18
Earnings before interest and tax (EBIT)		**527**	**965**
Net financial items	4	8	4
Earnings before tax (EBT)		**535**	**969**
Income tax expense	5	-1	-1
Profit for the year		**533**	**968**

TOTAL COMPREHENSIVE INCOME

Amounts in NOK million	2019	2018
Profit for the year	533	968
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**533**	**968**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

Amounts in NOK million	Note	2019	2018
ASSETS			
NON-CURRENT ASSETS			
Deferred tax assets	5	-	1
Investments in subsidiaries	6	2,260	1,231
Total non-current assets		**2,260**	**1,232**
CURRENT ASSETS			
Other non-interest-bearing receivables from group companies	7	707	1,009
Other non-interest-bearing receivables		-	131
Total current assets		**708**	**1,141**
Total assets		**2,968**	**2,373**
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	9, 10	5	5
Treasury shares	10	-	-
Premium	10	135	116
Other paid-in equity	10	48	48
Total paid-in capital		**188**	**169**
Other equity	10	615	413
Total retained earnings		**615**	**413**
Total equity		**803**	**582**
LONG-TERM LIABILITIES			
Option premium paid	8	-	3
Sum langsiktig gjeld		**-**	**3**
CURRENT LIABILITIES			
Option premium paid	8	4	-
Interest-bearing debt to group companies	7	1,063	1,154
Taxes and public charges payable		128	-
Other debt to group companies	7	335	133
Proposed dividend	10	632	498
Other short-term debt and provisions		4	2
Total current liabilities		**2,165**	**1,787**
Total equity and liabilities		**2,968**	**2,373**

OSLO, 19 APRIL 2020

Pål Egil Rønn *Board Chairman*	**Hege Bømark**	**Borghild Lunde**	**Kristian Holth**	**Arne Baumann**	**Kjetel Digre**
Morten Grongstad *CEO*	**Kenneth Svendsen**	**Arne Sveen**	**Hilde Wikesland Flaen**	**Kristina Alvendal**	

The document is signed electronically and therefore has no hand-written signatures.

CASH FLOW STATEMENT

Amounts in NOK million	Note	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		535	969
Revenues from group contributions and dividends		-547	-984
Change in trade receivables and payables		133	-131
Change in balances with group companies		-353	467
Change in accruals		127	-68
Net cash flow from operating activities		**-106**	**254**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Payments for acquisition of subsidiaries	6	-699	-
Dividends received and group contributions	7	984	481
Net cash flow from investment activities		**284**	**480**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from capital increases	10	652	129
Proceeds from the sale of treasury shares	10	35	8
Purchase of treasury shares	10	-6	-35
Payment of dividends	10	-859	-836
Net cash from financing activities		**-178**	**-734**
Net change in cash and cash equivalents during the year		-	-
Cash and cash equivalents as at 1 January		-	-
Cash and cash equivalents as at 31 December		**-**	**-**

NOTE 1 ACCOUNTING POLICIES

GENERAL
AF Gruppen ASA is a public limited company registered in Norway. The Company's head office is located at Pilestredet 15, 0363 Oslo, Norway. AF Gruppen ASA is a holding company without any activities other than investing in other companies.

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the simplified IFRS provisions for company accounts laid down in Section 3-9, fifth paragraph of special regulations pursuant to the Norwegian Accounting Act. (Regulations relating to the application of international accounting standards, Chapter 4, laid down by the Ministry of Finance on 21 January 2008).

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The consolidated financial statements are available at the registered business office of AF Gruppen ASA, Helsfyr Atrium, Oslo.

For information on related parties, sale/acquisition of business areas, earnings per share and events after the balance sheet date, reference is made to the relevant notes in the consolidated financial statements.

The financial statements for the Parent Company, AF Gruppen ASA, were approved for publication by the Board of Directors on 19 April 2020.

The accounting policies described for the Group are consistent with those used for the Parent Company financial statements. Reference is made to Note 38 in the consolidated financial statements for a detailed description of the accounting policies applied.

Accounting policies that are only relevant to the Parent Company or deviate from the consolidated financial statements are as follows:

SHARES IN SUBSIDIARIES
Subsidiaries are valued in accordance with the cost method in the company's accounts. Investments are valued at historical cost unless a write-down of the shares has been necessary. Shares in subsidiaries are tested for impairment when there are factors indicating that such a test shall be made. If the recoverable amount is lower than the carrying amount, the shares will be written down to the recoverable amount. Write-downs are reversed when the basis for the write-downs no longer exists.

DIVIDENDS AND GROUP CONTRIBUTIONS
Entities that are required to keep accounts and prepare company accounts in accordance with the regulations pursuant to Section 3.9 of the Norwegian Accounting Act may, regardless of other provisions in these regulations, recognise dividends and group contributions in accordance with the provisions of the Norwegian Accounting Act. AF Gruppen ASA has chosen to make use of this exception. This means that dividends and group contributions received and paid by the parent company will be recognised the year prior to when the receipt or payment is adopted. The same applies to any tax effect of such transactions.

NOTE 2 REMUNERATION OF THE CEO AND BOARD OF DIRECTORS

Amounts in NOK thousand	2019	2018
REMUNERATION OF THE CEO		
Fixed pay	3,891	3,859
Bonus	6,233	4,502
Retirement benefits	74	67
Share-based compensation	218	255
Other benefits	20	35
Total	**10,435**	**8,717**
Directores' fees	3,280	2,530

AF Gruppen ASA has no employees and is not required, therefore, to have a pension scheme. The CEO is employed formally by the subsidiary AF Gruppen Norge AS.

Complete information on the pay and remuneration of the CEO, Board of Directors and senior executives is provided in the consolidated financial statements, and reference is made to Note 7 and Note 32 in the consolidated financial statements for further information.

NOTE 3 OTHER OPERATING EXPENSES

Amounts in NOK million	2019	2018
Audit fees	-1	-1
Ownership costs	-11	-12
Other operating expenses	-8	-5
Total other operating expenses	**-20**	**-18**

Amounts in NOK thousand	2019	2018
REMUNERATION TO THE AUDITOR		
Statutory audit fees	-802	-419
Other assurance engagements	-304	-36
Tax advisory	-3	-
Other services beyond auditing	-	-286
Total audit fees	**-1,109**	**-740**

Remuneration of the auditor is exclusive of value-added tax.

NOTE 4 NET FINANCIAL ITEMS

Amounts in NOK million	2019	2018
FINANCIAL INCOME		
Interest income from group companies	8	4
Other interest income	-	-
Total financial income	**8**	**4**
FINANCIAL EXPENSES		
Other interest expenses	-	-
Total financial expenses	**-**	**-**
Net financial items	**8**	**4**

NOTE 5 INCOME TAX EXPENSE AND DEFERRED TAX/TAX ASSET

Amounts in NOK million	2019	2018
INCOME TAX EXPENSE IN THE INCOME STATEMENT		
Current tax payable for the year	-	-
Total tax payable	**-**	**-**
Change in deferred tax / tax assets	-1	-1
Change in deferred tax liabilities/assets due to change in tax rate	-	-
Tax change in deferred tax	**-1**	**-1**
Total income tax expense	**-1**	**-1**
RECONCILIATION OF THE INCOME TAX EXPENSE FOR THE YEAR		
Profit before tax	535	969
Expected income tax based on the nominal tax rate	**-118**	**-223**
Tax effects of:		
Change in tax rate	-	-
Recognised dividends and group contributions without tax	117	222
Total tax expense recognised in income statement	**-1**	**-1**
TAX PAYABLE ON THE BALANCE SHEET IS CALCULATED AS FOLLOWS:		
Tax on group contributions received	-	-
Tax payable on the balance sheet	**-**	**-**
TEMPORARY DIFFERENCES INCLUDED IN THE DEFERRED TAX ASSETS/LIABILITIES		
Tax loss carryforward	-	-5
Basis for deferred tax (deferred tax assets) on the balance sheet	**-**	**-5**
Deferred tax (deferred tax assets) in the financial statements	-	-1

NOTE 6 INVESTMENTS IN SUBSIDIARIES

Name of company	Date aquired	Business address	Ownership interest	Voting share
AF Gruppen Norge AS	05/09/85	Oslo	100.00%	100.00%
AF Gruppen Holding AS	25/09/17	Oslo	100.00%	100.00%
AF Offshore AS	02/04/09	Oslo	100.00%	100.00%
AF MIljø AS [3]	15/01/09	Oslo	100.00%	100.00%
AF Offshore Energy AS [1]	02/07/18	Oslo	100.00%	100.00%
Betonmast Holding AS [2]	28/10/19	Oslo	67.40%	67.40%

[1] The company was established in 2018 and was the acquiring company in a merger of the petroleum activities in AF Gruppen Norge AS.

[2] The company is a holding company for the ownership in Betonmast purchased in October 2019. See note 5 in the Group accounts.

[3] AF Energi AS was merged with AF Miljø AS in 2019. After year end AF Miljø AS changed name to AF Energi og Miljø AS.

NOTE 7 INTERCOMPANY BALANCES WITH GROUP COMPANIES

Amounts in NOK million	2019	2018
RECEIVABLES FROM GROUP COMPANIES		
Group contributions and dividends received	547	984
Joint VAT registration	133	2
Other non-interest-bearing receivables	27	24
Total receivables from group companies	**707**	**1,009**

Amounts in NOK million	2019	2018
DEBT TO GROUP COMPANIES		
Group contributions	330	-
Corporate cash pooling system debt	1,063	1,154
Joint VAT registration	5	133
Total debt to group companies	**1,398**	**1,287**

NOTE 8 LONG-TERM LIABILITY

Amounts in NOK million	2019	2018
OTHER NON-INTEREST BEARING LIABILITY		
Option premium paid	4	3
Total long- and short-term liability	**4**	**3**

The amount applies to the option programme for AF Gruppen's employees, which can be redeemed in 2020. For further information on the option programme, see Note 7 Payroll expenses in the consolidated financial accounts.

NOTE 9 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital consists of	Number	Nominal value	Book value
A-shares	103,065,277	0.05	5,153,264

Ownership structure	Number	Voting share/stake
SHAREHOLDERS WITH A STAKE >1 %		
OBOS BBL	17,053,686	16.55%
ØMF Holding AS	15,598,182	15.13%
Constructio AS	14,470,022	14.04%
Folketrygdfondet	9,588,821	9.30%
LMJ AS	2,515,217	2.44%
ARTEL AS	2,508,267	2.43%
Landsforsäkringar Fastighetsfond	2,367,125	2.30%
VITO Kongsvinger AS	1,911,676	1.85%
Arne Skogheim AS	1,753,870	1.70%
Staavi, Bjørn	1,627,000	1.58%
Moger Invest AS	1,292,609	1.25%
Janiko AS	1,217,186	1.18%
Ten largest shareholders	**71,903,661**	**66.63%**
Total other shareholders	31,161,616	30.23%
Total number of shares	**103,065,277**	**100.00%**

The shares are not subject to any voting restrictions and are freely negotiable. Each share represents one vote. All t he shares issued are fully paid-up as at 31 December 2019.

Shares and options owned by the Board of Directors and senior executives as at 31 December 2019		No. of options	No. of shares
BOARD OF DIRECTORS			
Pål Egil Rønn	Elected by shareholders (Chairman of the Board)	-	207,225
Arne Baumann [1]	Elected by shareholders	-	-
Kristian Holth [2]	Elected by shareholders	-	-
Kristina Alvendal	Elected by shareholders	-	-
Hege Bømark	Elected by shareholders	-	-
Borghild Lunde [3]	Elected by shareholders	-	-
Kjetel Digre	Elected by employees	-	-
Kenneth Svendsen	Elected by employees	10,339	90,370
Hilde W. Flaen	Elected by employees	1,810	25,527
Arne Sveen	Elected by employees	-	-
Sum		**12,149**	**323,122**

[1] Represents OBOS BBL, which owns 17,053,686 shares.
[2] Represents Constructio AS and Flygind AS, which own 14,470,022 and 1,021,509 shares, respectively.
[3] Close associate of Tonito AS, which owns 26,048 shares.

NOTE 9 SHARE CAPITAL AND SHAREHOLDER INFORMATION CONT.

Corporate Management Team		No. of options	No. of shares
Morten Grongstad	CEO	35,922	231,193
Sverre Hærem	Executive Vice President/CFO	24,918	128,557
Arild Moe	Executive Vice President	24,152	263,668
Bård Frydenlund	Executive Vice President	21,970	140,611
Amund Tøftum	Executive Vice President	21,970	82,761
Ida Aall Gram	Executive Vice President	12,723	3,094
Eirik Wraal	Executive Vice President	21,970	30,138
Geir Flåta	Executive Vice President	17,720	200
Sum		**181,345**	**880,222**

The Board has the authority to acquire up to 10 per cent of the share capital. This authority is valid until the Annual General Meeting, which is scheduled for 15 May 2020. A new option programme for all employees of AF Gruppen ASA and subsidiaries was adopted at the Annual General Meeting held on 12 May 2017, which entails entitlement to subscribing for a total of 3 500 000 options during the years 2017, 2018 and 2019, with redemption in 2020. As at 31 December 2019, a total of 3,151,893 options have been allotted in this program. Around 2,200,000 options were exercised in March 2020 and share issue in connection with the option exercise are expected to be completed in early April.

NOTE 10 EQUITY

Amounts in NOK million	Share capital	Trasury shares	Premium	Other paid-in equity	Other equity	Total
Equity as at 31 December 2017	5	-	4	48	299	356
Capital increase	-	-	111	-	18	129
Purchase of treasury shares	-	-	-	-	-35	-35
Sale of treasury shares	-	-	-	-	8	8
Total comprehensive income for the year	-	-	-	-	968	968
Ordinary dividend	-	-	-	-	-347	-347
More distributed in dividends than allocated	-	-	1	-	-	1
Proposed dividend for 2018	-	-	-	-	-498	-498
Equity 31 December 2018	**5**	**-**	**116**	**48**	**413**	**582**
Capital increase	-	-	652	-	-	652
Purchase of treasury shares	-	-	-	-	-6	-6
Sale of treasury shares	-	-	-	-	35	35
Issue costs recognized as equity	-	-	-2	-	-	-2
Total comprehensive income for the year	-	-	-	-	533	533
Ordinary dividend	-	-	-	-	-361	-361
Proposed dividend for 2019	-	-	-632	-	-	-632
Equity 31 December 2019	**5**	**-**	**135**	**48**	**615**	**803**

As at 31 December 2019, the Company had 23,296 (220,000) treasury shares with a nominal value of NOK 0.05. Treasury shares have been acquired with a view to sales to employees and as partial payment for business acquisitions.

NOTE 11 GUARANTEES

In connection with construction contracts entered into, the subsidiaries are subject to the usual contracting obligations and the associated guarantees. In this connection, AF Gruppen ASA has furnished guarantees to subsidiaries in the form of absolute guarantees to financial institutions. AF Gruppen ASA has further guaranteed for bank credit lines and tax deductions for subsidiaries in the form absolute guarantees.

	2019		2018	
Amounts in NOK million	Limit	Drawn	Limit	Drawn
Guarantees issued to clients	7,300	4,370	5,600	4,314
Guarantees for tax withholdings etc.	267	203	191	191
Leasing limits	1,233	881	1,128	921
Bank credit and loan facilities	3,000	-	1,924	-
Total	**11,800**	**5,454**	**8,843**	**5,426**

RESPONSIBILITY STATEMENT FROM MEMBERS OF THE BOARD AND CEO

With regard to the annual accounts for 2019 for AF Gruppen ASA, we confirm to the best of our knowledge that:

- The consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU, and the additional disclosure requirements that follow from the Norwegian Accounting Act.
- The financial statements for the Parent Company, AF Gruppen ASA, have been presented in accordance with IFRS and the simplified IFRS provisions for company accounts laid down in section 3.9, fifth paragraph of the regulations pursuant to the Norwegian Accounting Act.
- The amounts and disclosures in the accounts provide a true and fair view of the Company's and the Group's assets, liabilities, financial standing and results as a whole.
- The amounts and disclosures in the annual report provide a true and fail view of performance, earnings and the position of the Company and Group, along with a description of the most important risk and uncertainty factors AF Gruppen faces.

OSLO, 19 APRIL 2020

Pål Egil Rønn *Board Chairman*	**Hege Bømark**	**Borghild Lunde**	**Kristian Holth**	**Arne Baumann**	**Kjetel Digre**
Morten Grongstad *CEO*	**Kenneth Svendsen**	**Arne Sveen**	**Hilde Wikesland Flaen**	**Kristina Alvendal**	

The document is signed electronically and therefore has no hand-written signatures.

AUDITORS REPORT

pwc

To the General Meeting of AF Gruppen ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AF Gruppen ASA, which comprise:

- The financial statements of the parent company AF Gruppen ASA (the Company), which comprise the statement of financial position as at 31 December 2019, the income statement, total comprehensive income and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of AF Gruppen ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2019, the income statement, comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, 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.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

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 of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Group's activities have largely remained unchanged compared to last year. In 2019 the Group acquired Betonmast and we have focused on allocation of values in the following Purchase price allocation (PPA). The areas "Recognition of income from construction contracts" and "Impairment of goodwill" has basically the same risk and characteristics as last year, and hence it has been areas of focus also in the audit of 2019.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of income from construction contracts	
Revenue from construction contracts amounts MNOK 21.874 in 2019 (note 6). For calculation of income from construction contracts, the percentage of completion method based on expected contract costs and stage of contract completion, is used. The assessment of total estimated contract costs, including impact of any disputes and guarantee work, and revenue and the stage of contract completion is updated on a regular basis. Accounting for contract revenue is a key audit matter due to several reasons. The company has a large number of construction contracts, the construction contracts can be long lasting and the calculation of percentage of completion can be complex and characterized by judgement. Further, managements' use of judgement in these calculations affect many accounts in the financial statements, such as revenue, costs, accounts receivables, accounts payable, provisions and deferred tax. More information on the Company's accounting for construction contracts, how the percentage of completion is calculated and management's application of judgement is given in note 37 and 38.	We reviewed a sample of construction contracts and compared the accounting to the company's accounting principles. We compared the company's accounting principles for accounting of revenue to IFRS 15. We found the accounting of contracts to be in accordance with contract terms, and that the applied accounting principles was in accordance with relevant requirements in IFRS 15. To ensure a qualitative and consistent processing of risk and estimates in the projects, the Group has established a risk framework. Controls have been established to ensure compliance with the framework. The controls are primarily directed at ensuring appropriate assessments of total expected costs, that the estimate takes into consideration the impact of any disputes and guarantee work, controls directed at invoicing of sales, and calculation of stage of contract completion. The controls are established in several levels of the organisation, and include periodical reviews of the project portfolio in meetings. We revised relevant documentation that support the discussions in the meetings and other controls that were executed, and that they worked efficiently. Furthermore, we tested the control directed at ensuring that only hours and costs that pertain to a project were allocated to the project. Our testing of this control did not reveal significant deviations. Determination of final forecast and stage of contract completion involves use of judgement. In order to challenge the judgements in these estimates, we have amongst other interviewed and challenged business unit management and Group management about the

	assumptions in the estimates. In order to review the profit recognized in the projects, we tested whether accrued costs and recognized income was accrued in accordance with actual production. We also analysed management's consistency in exercise of judgment. We assessed managements use of judgements to be reasonable. We tested the reconciliation of the project system to the general ledger and that accounting for work in progress and cost of materials were based on calculated contract completion. Contract revenue was tested for validity by reviewing a sample of contracts. Our substantive procedures revealed no material deviations. We checked that disclosures in the key notes are in accordance with the project information, and appropriately satisfied IFRS requirements.
Impairment of goodwill Goodwill related to the cash generating unit AeronMollier was MNOK 127 as of 31 December 2019, after an impairment expense of MNOK 50 in 2019. Challenging market conditions over time has led to lower results than expected. The impairment assessment of goodwill is a key audit matter because of the amounts involved and the significance of estimates. The valuation of goodwill is described in note 13 to the financial statement.	We reviewed the company's impairment assessment of goodwill. The impairment assessment comprises a judgement of cash generating unit (CGU) and key assumptions made by management. We assessed the model to be a valuation model based on discounted cash flows containing the elements IFRS requires, and whether the model made mathematical calculations correctly. We challenged management's use of assumptions regarding forecasts of future profits, operating expenses and reinvestments, by comparing these to the company's historical results and approved budgets by the Board of Directors. We found that the assumptions were connected to historical results and in line with the budgets. We compared the discount rate to empirical data and expectations of future interest rates, relevant risk mark-up and debt ratio. We found the used discount rate to be reasonable. We read note 13, and found that the information regarding the valuation model, the assumptions and the discount rate was sufficient and adequate. Finally, we checked that the impairment expense was appropriately booked.

Betonmast – Valuation and allocation in the Purchase Price Allocation (PPA)

We refer to note 5 (Acquisition and sale of businesses) and note 38 (Significant accounting policies) where management describe the accounting of the acquisition.

The Group acquired a controlling interest of 67,4% in Betonmast AS for MNOK 2.074. Management and former owners of Betonmast still own the remaining interest in the acquired company. The acquisition led to a significant increase in assets and liabilities in the Group, including an increase in goodwill of MNOK 1.736.

Assessment of allocation of the purchase price in the Purchase price allocation (PPA) is a key audit matter in the audit for several reasons. I addition to the large amounts involved, the valuation of acquired assets and liabilities could be complex and subject to judgement. Error in calculations or application of judgement could affect several accounts in the financial statements, including the margin on ongoing construction contracts, fixed assets, leasing obligations, trademark, liabilities and goodwill.

We obtained the Group's Purchase price allocation (PPA) and reviewed it together with management to understand the background and purpose behind the transaction. We evaluated the PPA and the valuation of the separate assets and liabilities against the requirements in IFRS. To verify the elements in the PPA we have among others conducted the following procedures:

- obtained and red the Purchase agreement and checked that correct purchase price is used in the PPA,
- obtained the consolidated financial statements for Betonmast on the day of the acquisition and checked consistency with values in the PPA,
- obtained and red the Information Memorandum (IM) and prospectus prepared in connection with the transaction and other relevant information from the Group to ensure consistency with assumptions and information in the PPA,
- mathematically checked the PPA and recalculated relevant elements.

In meeting with management we have challenged the valuation and identification of assets and liabilities by:

- discussing the results of the Group's comparison of accounting principles in Betonmast and AF Gruppen. We challenged management specifically on the assessment of projects, including projects in associated companies,
- obtained and red relevant documentation on project portfolio and leasing obligations to evaluate the Group's assessments and assumptions of significant accounts,
- obtained and red the Due Dilligence report prepared in relation to the acquisition to form a view on the value of the acquired assets and liabilities and to look for indications of assets and liabilities that should have been included,
- discussing the results from our communication with Betonmast's auditor with management.

The results of our procedures validate that management has identified relevant assets and liabilities and applied reasonable assumptions in the valuation.

Goodwill is the difference between the purchase price and the fair value of acquired assets and liabilities. Goodwill is related to geographic market positions and the ability for profitable business operations.

We checked that the accounting was in compliance with the PPA and finally we reviewed the note disclosures on the acquisition and found them to be sufficient and consistent.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation 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 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We 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 or 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 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.
- 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 Board of Directors 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 Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 19 April 2020
PricewaterhouseCoopers AS

Rita Granlund
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

The document is signed electronically and therefore has no hand-written signature.

CLIMATE ACCOUNTS

ENERGY AND CLIMATE ACCOUNTS 2019

			2019	2018
Category	**Consumption**	**Energy equi.(MWh) [1)]**	**Emissions (tonnes CO_2e) [2)]**	**Emissions (tonnes CO_2e) [2)]**
Petrol (l)	223,961	2,151	517	41
Diesel oil (l)	15,831,561	168,234	42,419	37,120
Biodiesel (l)	552,137	5,544	18	-
Propane (kg)	41,777	572	123	70
Fuel oil (l)	32,037	324	85	-
CO_2 (kg)	21,150	-	21	-
Acetylene (kg)	978	-	3	-
HFC134a refrigerant (kg)	24	-	34	-
Total direct emissions		**176,825**	**43,220**	**37,231**
District cooling (kWh)	17,774	18	-	-
District heating (kWh)	2,158,400	2,158	113	6
Power (kWh)	52,404,000	52,404	1,826	927
Total indirect emissions from own activities		**54,580**	**1,939**	**933**
Air travel (passenger km)	na		2,753	2,858
Car travel (km)	2,615,576		355	143
Business travels	na		3	-
Large goods vehicle 7.5-17t (km)	16,000		10	-
Waste (tonnes)	14,421		2,991	1,610
Total indirect emissions from others			**6,112**	**4,611**
CO_2e emissions (tonnes CO_2e)			51,271	42,775
Carbon footprint (tonnes CO_2e per NOK 1 million revenue)			2.3	4.5

[1)] Energy equivalents are calculated for the core operations (direct and indirect emissions) in order to illustrate the annual energy intensity of AF Gruppen's activities.

[2)] Greenhouse gas emissions with warming potential equivalent to CO_2

ALTERNATIVE PERFORMANCE MEASURES

AF Gruppen presents alternative performance measures as a supplement to performance targets that are regulated by IFRS. The alternative performance measures are presented to provide better insight into and understanding of the operations, financial standing and foundation for development going forward. AF Gruppen uses alternative performance measures that are commonly used in the industry and among analysts and investors.

RETURN ON CAPITAL EMPLOYED (ROACE):
This performance target provides useful information to both AF's management and Board of Directors, as well as to investors concerning the results that have been achieved during the period under analysis. AF uses the performance target to measure the return on capital employed, regardless of whether the financing is through equity capital or debt. Use of the performance target should not be considered an alternative to performance targets calculated in accordance with IFRS, but as a supplement.

The alternative performance measures are defined as follows:
EBITDA earnings before i) taxes, ii) net financial items, iii) depreciation and amortisation.

Operating profit (EBIT) earnings before i) taxes, ii) net financial items. n - EBITDA divided by operating revenue and other revenues.
Operating margin operating profit (EBIT) divided by operating revenue and other revenues.

Profit margin earnings before tax divided by operating revenue and other revenues.

Gross interest-bearing liabilities sum total of long-term interest-bearing loans and credits and short-term interest-bearing loans and credits.

Net interest-bearing liabilities (receivables) gross interest-bearing liabilities less i) long-term interest-bearing receivables, ii) short-term interest-bearing receivables and iii) cash and cash equivalents.
Capital employed sum total of shareholders' equity and gross interest-bearing liabilities.

Average capital employed average capital employed in the last four quarters.

Return on capital employed (ROaCE) earnings before tax and interest expenses divided by the average capital employed.

Economic Value Added (EVA) return on capital employed, less cost of capital before taxes, multiplied by i) 1 minus the effective tax rate, ii) average capital employed.

Equity ratio shareholders' equity divided by total equity and liabilities. Average shareholders' equity average shareholders' equity in the last four years.

Return on equity – earnings divided by average shareholders' equity.
Order intake Estimated value of contracts, contract changes and orders that have been agreed upon during the reporting period.

Order backlog Remaining estimated value of contracts, contract changes and orders that have been agreed upon, but have not been earned by the reporting date.

The table below reconciles alternative performance measures with line items in the reported financial figures in accordance with IFRS.

Amounts in NOK million	**31/12/19**	**31/12/18**
GROSS INTEREST-BEARING LIABILITIES/NET INTEREST BEARING LIABILITIES		
Interest-bearing loans and credit facilities - long-term	166	29
	704	62
Interest-bearing loans and credit facilities - short-term	4	3
	310	5
Gross interest bearing liabilities	**1,184**	**99**
Less:		
Interest-bearing receivables - long-term	358	305
Interest-bearing receivables - short-term	100	32
Cash and cash equivalents	563	656
Net interest-bearing liabilities (receivables)	**163**	**-894**
INVESTED CAPITAL		
Shareholders' equity	2,999	2,124
Gross interest-bearing liabilities	1,184	99
Invester capital	**4,183**	**2,223**
AVERAGE INVESTED CAPITAL		
Capital employed as at 1st quarter	3,320	2,240
Capital employed as at 2st quarter	3,426	1,908
Capital employed as at 3st quarter	3,482	2,162
Capital employed as at 4st quarter	4,183	2,223
Average invested capital	**3,603**	**2,133**

Beløp i MNOK	31/12/19	31/12/18
RETURN ON INVESTED CAPITAL		
Profit before tax	1,317	1,136
Interest expenses	58	14
Earnings before tax and interest expenses	**1,375**	**1,150**
Divided by:		
Average invested capital	3,603	2,133
Return on invested capital	**38.2 %**	**53.9 %**
ECONOMIC VALUE ADDED (EVA)		
Return on invested capital	38.2 %	53.9 %
Less		
Cost of capital before taxes	12.0 %	12.0 %
Extra return before taxes	**26.2 %**	**41.9 %**
Multiplied by:		
1 minus effective tax rate	78.0 %	81.1 %
Extra return after tax	**20.4 %**	**34.0 %**
Multiplied by:		
Average invested capital	3,603	2,133
Economic Value Added (EVA)	**735**	**725**
EQUITY RATIO		
Shareholders' equity	2,999	2,124
Divided by:		
Total equity and liabilities	12,854	8,486
Eqity ratio	**23.3 %**	**25.0 %**
AVERAGE SHAREHOLDERS' EQUITY		
Shareholders' equity as at 1st quarter	2,312	2,127
Shareholders' equity as at 2st quarter	1,856	1,803
Shareholders' equity as at 3st quarter	2,232	2,056
Shareholders' equity as at 4st quarter	2,999	2,124
Average shareholders' equity	**2,350**	**2,027**
RETURN ON EQUITY		
Income statement	1,027	921
Divided by:		
Average shareholders' equity	2,350	2,027
Return on equity	**43.7 %**	**45.4 %**

DEFINITIONS

DEFINITIONS FINANCIAL RATIOS

Earnings per share
Earnings after tax / average number of shares outstanding

P/E
Share price / earnings per share

P/B
Share price / book value per share

EV / EBIT
(Market value less net interest bearing receivable) / earnings before interest and tax

For other definitions of financial ratios, see alternative performance targets on page 168.

OTHER DEFINITIONS

BRA
Abbreviations for available area. Available area is the gross area minus the area occupied by external walls. Indicated in m^2 or sqm.

BREEAM
BRE Environmantal Assessment Method. Developed in the UK by BRE (Building Research Establishment). Europe's leading environmental classification tool.

Own Account
When AF buys land, develops projects and then sells units for its own account.

EPC
Energy performance contract.

EPCIC
Engineering, Procurement, Construction, Installation & Commissioning.

LTI-1 rate
Numer of lost time injuries per million man-hours. AF Gruppen includes all subcontractors when calculating the LTI-1 value.

LTI-2 rate
Number of lost time injuries + number of injuries requiring medical treatment + number of injuries resulting in alternative work per million man-hours. AF Gruppen includes all subcontractors when calculating the LTI-2 value.

HVAC
Heating, Ventilation, Air conditioning and Cooling systems.

Source separation rate
Separate rate for demolition waste that can be recycled.

Carbon footprint
Emissions of greenhouse gases in tons of CO_2 equivalents (CO_2e) per NOK million in turnover.

ADDRESSES

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