AF GRUPPEN

ABILITY TO SUCCEED

ANNUAL REPORT 2020

AF Gruppen is a leading contracting and industrial group that was formed by an entrepreneurial spirit and the ability to succeed. We provide services in the areas of Civil Engineering, Construction, Energy, Environment, Property and Offshore, primarily in Norway and Sweden. AF creates value for its employees, customers and owners, and we contribute at the same time to solving important social challenges. In brief, we clear the past and build for the future.

2020 marked the end of a strategy period with major growth ambitions. The revenue target of NOK 20,000 million within 2020 was already achieved in 2019, and the collection of companies in the AF Group has become ever larger.

AF Gruppen aims to the Nordic region's most profitable contractor by preserving and strengthening the foundation of AF Gruppen: a value-based corporate culture and an uncompromising attitude to health, safety and ethics. New ambitious goals have been set for the next strategy period up to 2024. Our objective to reach a revenue of NOK 40,000 million and achieve an operating margin of 7 per cent. To get there, we will continue to attract and develop the best people, maintain pressure on innovation and digitalisation, and develop new services.

REVENUES

NOK MILLION 27,025

EBIT

NOK MILLION 1,480

OPERATING MARGIN

5.5%

EQUITY RATIO

27.2%

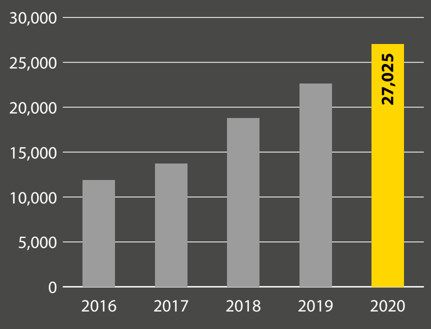
LTI-1 RATE

1.8

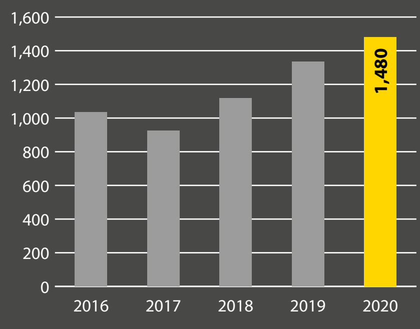
FRONT PAGE: FROM THE RESIDENTIAL PROJECT, VANNKUNSTEN, IN BISPEKVIKA. PHOTO: HANS FREDRIK ASBJØRNSEN

KEY FIGURES →

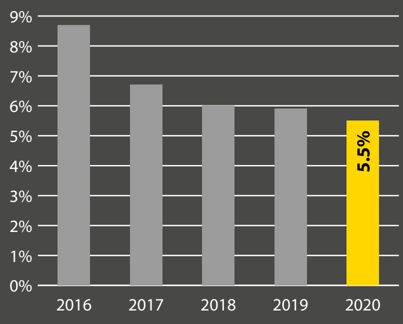
REVENUES (NOK MILLION)



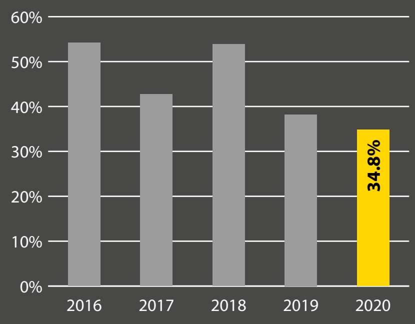
EARNINGS BEFORE INTEREST AND TAXES (NOK MILLION)



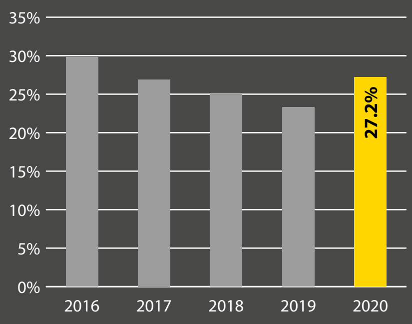
OPERATING MARGIN



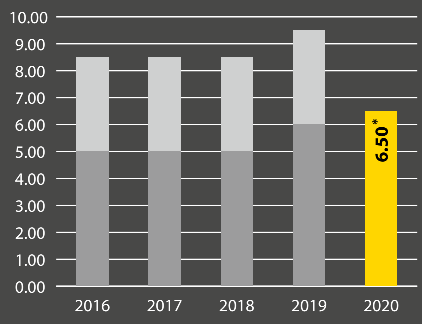
RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)



EQUITY RATIO

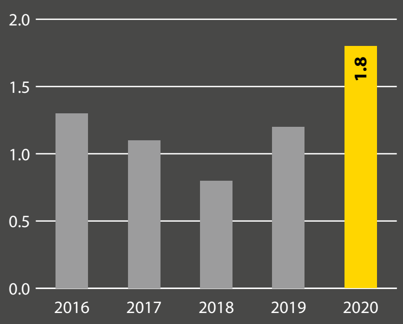


DIVIDEND PER SHARE (NOK)

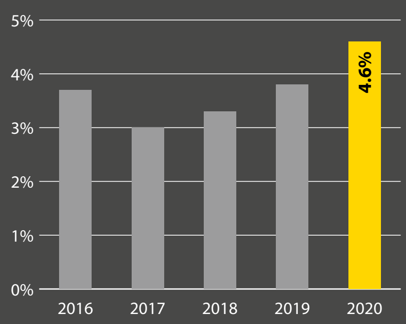


** Dividend to be distributed in the first half of 2021 is proposed, not approved*

LTI-1 RATE



ABSENCE DUE TO ILLNESS



FINANCIAL RATIOS

YEAR	2020	2019	2018	2017	2016
REVENUES (NOK MILLION)					
Operating and other revenue	**27,025**	22,612	18,767	13,704	11,876
Order backlog	**30,617**	28,200	21,541	19,773	15,332
EARNINGS (NOK MILLION)					
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**2,053**	1,882	1,303	1,092	1,212
Depreciation and write-downs	**-573**	-547	-184	-169	-177
Earnings before interest and tax (EBIT)	**1,480**	1,335	1,119	924	1,034
Earnings before tax (EBT)	**1,447**	1,317	1,136	935	1,040
Earnings after tax	**1,158**	1,027	921	754	787
PROFITABILITY					
EBITDA-margin	**7.6%**	8.3%	6.9%	8.0%	10.2%
Operating margin	**5.5%**	5.9%	6.0%	6.7%	8.7%
Profit margin	**5.4%**	5.8%	6.1%	6.8%	8.8%
Return on equity	**36.6%**	43.7%	45.4%	35.8%	43.3%
Return on invested capital (ROIC)	**34.8%**	38.2%	53.9%	42.7%	54.2%
Economic Value Added (NOK Million)	**788**	735	725	552	624
Cash flow from operations (NOK million)	**1,189**	1,508	841	1,354	822
BALANCE SHEET (NOK MILLION)					
Total assets	**12,862**	12,854	8,486	7,724	6,549
Shareholders' equity	**3,494**	2,999	2,124	2,078	1,950
Invested capital	**4,621**	4,183	2,223	2,198	2,063
Average invested capital	**4,313**	3,603	2,133	2,230	1,954
Equity ratio	**27.2%**	23.3%	25.0%	26.9%	29.8%
Gross interest-bearing liabilities	**1,127**	1,184	99	120	113
Net interest-bearing debt (receivables)	**90**	-163	894	1,210	606
THE SHARE					
Market value at 31/12 (NOK)	**175.60**	176.00	132.00	133.50	154.50
No. of shares	**105,998,497**	103,065,277	99,009,179	97,961,000	93,610,000
Market value (NOK million)	**18,613**	18,139	13,069	13,078	14,463
Earnings per share (NOK)	**9.29**	8.51	7.88	6.43	7.44
Diluted earnings per share (NOK)	**9.27**	8.46	7.88	6.43	7.29
Dividend per share first half of the year (NOK) [1]	**6.50**	6.00	5.00	5.00	5.00
Dividend per share second half of the year (NOK)	-	3.50	3.50	3.50	3.50

[1] Dividend to be distributed in the first half of 2021 is proposed, not approved.

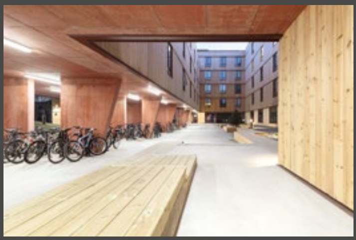
PERSONNEL					
Number of salaried employees	**2,602**	2,638	1,797	1,564	1,322
Number of skilled employees	**2,908**	2,898	2,423	2,204	1,727
Total number of employees	**5,510**	5,536	4,220	3,768	3,049
LTI-1 rate	**1.8**	1.2	0.8	1.1	1.3
Absence due to illness	**4.6%**	3.8%	3.3%	3.0%	3.7%
EXTERNAL ENVIRONMENT					
Carbon footprint	**1.8**	2.3	4.5	4.5	3.1
Source separation rate – building	**91%**	87%	89%	83%	85%
Source separation rate – renovation	**89%**	93%	87%	85%	79%
Source separation rate – demolition	**96%**	95%	97%	95%	97%
Total amount source separation in tonnes	**402,535**	360,368	512,401	324,370	507,198

For definitions of key figures, see the description of alternative performance measures on page 204 and the definitions on page 206.

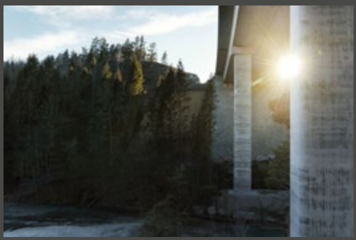
CONTENT

INNOVATIVE ENERGY SOLUTIONS AND RECYCLING
Vannkunsten and Dronninglunden in Bispevika were built with minimal residual waste and are heated by a seawater-based heat pump. Page 8

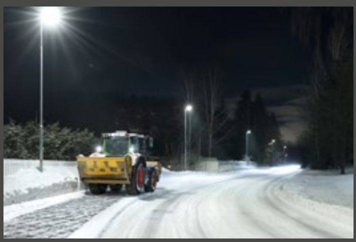
QUALITY STUDENT ACCOMMODATION
The new student accommodation at Campus Bø in Vestfold and Telemark creates a good framework for an important phase of life, with a healthy indoor climate and energy-efficient solutions. Page 28



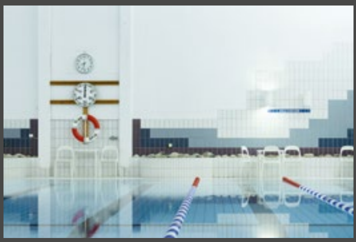
PROTECTING DRINKING WATER WITH A SLIDING BRIDGE
The incremental launch method is both an efficient and environmentally friendly way to build a bridge, and protects the drinking water of 50,000 people in Kristiansand. Page 50



REUSING GRITTING SAND
Slippery winter pavements and roads in Bærum are being strewn with recycled gritting sand from Nes environmental park for the first time. Page 82



THE KINDER EGG OF SAVING ENERGY
Energy-saving measures improve the municipal economy, are good for the environment and provide residents with services that create well-being. Page 96



DOUBLING TREATMENT CAPACITY
The capacity of the Bekkelaget treatment plant has been doubled. This means both that Oslo can continue to grow and that the environment in the Oslo Fjord can be improved. Page 114

THE NORDIC REGION'S MOST PROFITABLE CONTRACTOR

AF delivers excellent results in an unprecedented 2020. CEO Amund Tøftum highlights good project performance, adaptability and impressive effort as drivers. AF has a solid bedrock and the best conditions for reaching new ambitious goals.

We cannot sum up the past year without mentioning the external conditions that have impacted us. The Covid-19 pandemic and associated infection control measures increased the need for flexibility and practical solutions. We are lucky to have skilled people and project organisations that have been able to adapt and mobilize for the extra effort required. The year has also demonstrated the willingness and execution capability inherent in the AF culture. A number of good performances in our projects ensured a strong end to the year and a very good result for 2020.

At AF, we do not just measure financial performance. We also value the safety of everyone who works at, and for, AF. Safety is essential when working in our projects, and continuous safety work is the basis for everything we do. Nevertheless, we see sometimes there are flaws, and that the consequences of mistakes are serious. Regrettably there were two cases in 2020 with fatal outcomes. These incidents affect and stay with us, and are a strong reminder of the energies we surround ourselves with. We must learn from our mistakes and implement measures that can prevent similar accidents from happening again. With an increase in serious injuries and fatal incidents, as well as historically high sickness absence for AF, it is vital that the entire organisation works to improve the situation.

The year 2020 marked the end of a highly ambitious strategy period that began in 2016. The verdict is ready, and we can celebrate new members of the AF family and growth that exceeded our goal. When we now set out a new path for the next four years, we are just as ambitious. We will be the Nordic region's most profitable contractor, and the goal is to have a revenue of 40 billion and a 7% operating margin by 2024. The goal of zero serious injuries and work-related absence is a prerequisite for profitable growth in AF. These ambitions will be fulfilled through thoroughness and hard work, as well as heightened efforts and stricter compliance in safety work.

With the new strategy, climate and the environment is one of four corporate initiatives. We want to reduce the relative carbon footprint from AF Gruppen's operations. The goal, relative to our revenue, is to halve greenhouse gas emissions and the amount of waste that cannot be recycled for each business area by 2030. This is a natural part of our corporate social responsibility. Sustainability is also profitable and offers new and exciting business opportunities. We will continue to seek out these opportunities. I believe that we are equipped and well positioned for the change of pace to come, because we are curious by nature and have a culture that is founded on entrepreneurial spirit and willingness to innovate.

In the coming years, we will also maintain pressure on innovation and digitalisation, as well as continue the prioritisation of cooperation with customers and suppliers. Last but not least, we will continue to invest in and develop our people. These initiatives, together with the ability to safeguard both diversity and a common culture are important drivers for maintaining our competitiveness.

The past year had many highlights. We delivered historically strong results for 2020 and we have completed and added many good projects. Our own digitalisation and innovation projects have helped us make a further leap in streamlining the business. Our work on diversity, including through the Diversitas network and #HunSpanderer, has contributed to a sharper focus and change of attitudes related to unconscious discrimination. We have shown that we care about each other and kept up progress despite days and months that have been far from normal. We will continue to take good care of each other, both those who work at and for AF. This is part of our corporate social responsibility.

Being able to lead AF is a privilege I have embarked upon with great humility and gratitude. I am inspired and impressed by the drive and will to perform inherent in the organisation on a daily basis. It gives me faith that we will reach our ambitious goals by 2024.

BUSINESS STRUCTURE

AF is a project-based contracting and industrial group with seven operational business areas: Civil Engineering, Construction, 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.

CONSTRUCTION

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. Construction encompasses the Norwegian business and is mainly located in Eastern Norway and the Bergen region.

BETONMAST

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 also has a property portfolio in Norway.

Revenues NOK million	4,157	9,459	7,862
Earnings before tax NOK million	331	486	261
Employees	1,479	1,497	983

PROPERTY

AF develops, designs and carries out residential and commercial projects in Norway, and activities takes place in geographical areas where AF has its own production capacity. AF works closely with other players in the industry, and the development projects are mainly organised as associated companies and joint ventures.

ENERGY AND ENVIRONMENT

AF offers 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% of the materials are recycled.

SWEDEN

AF's Swedish operations in civil engineering, construction, property development 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.

OFFSHORE

AF has varied activities aimed at maritime sector and 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, where up to 98% of the materials from demolished platforms and installations are delivered for recycling.

33	962	4,138	672
135	54	219	-25
26	283	843	220

NO RESIDUAL WASTE

In Bispevika, AF has collaborated with Norsk Gjenvinning to carry out two large housing projects without any residual waste. Practical systems for sorting waste have been established, and both employees and subcontractors have been trained to raise competence and awareness related to waste sorting. The high level of ambition has resulted in 97.3 per cent of the construction waste in the project being sorted for recycling – well above the government requirement of 60 per cent. The buildings are also architectural gems, incorporating slate facades from AF's own quarry in Oppdal.

OUR VALUES ARE THE BEDROCK

The two AF founders Moger and Aftreth have described the start-up as “madness”. With thoroughness, hard work and a persistence in achieving profitable growth, they laid the foundation for unparalleled successful growth on Oslo Børs. Now, 35 years later, the same values still constitute the bedrock of the company.

1980’s

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

1990’s

PROFITABILITY AND GROWTH

Our core values quickly contributed to results and larger contracts and gave AF the muscle to look towards the construction 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.

2000’s

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 construction 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 and environment and Offshore.

2010’s

LEADING CONTRACTOR

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

VISION AND VALUES

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.

OUR VISION
Clearing up the past, building for the future.

PERSISTENCE IN ACHIEVING PROFITABLE GROWTH
AF shall create value through profitable revenue growth. The ability and capacity to operate a growing organisa-tion must be constantly developed. We shall invest in new business areas where we can achieve competitive advantages and keep a commercial mindset in all our business.

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.

BUSINESS MODEL

Creates value for:

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.

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.

SOCIETY
AF shall run a socially responsible business. 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

EMPLOYEES PARTICIPATE IN JOINT VALUE CREATION

Employee ownership is part of the AF culture, and in connection with acquisition processes we search actively for businesses were the employees would like to participate on the ownership side. 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. 134.

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% 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. 26

SEAWATER AND ENERGY. The apartments AF has built in Bispevika are supplied with heat via an ENOVA-supported solution. The water is heated and cooled down through a seawater-based heat pump. When consumption is greatest, extra energy is supplied from district heating.

HIGHLIGHTS FROM 2020

With solid core values, adaptability and a strong team spirit, we have resolved the challenges that confronted AF in 2020. Driven by strong performances in many projects, revenues reached a record high and profitability was good. We have also used the year to set new ambitious goals for the future. Here are some of the strong performances and events that characterised the year.

ONE OF EUROPE'S SMARTEST BUILDINGS

At Hasle in Oslo, AF Gruppen has been both developer and contractor for what is described as one of Europe's smartest office buildings. The Atea building, which houses some of the country's leading IT companies, was completed in February 2020. It maintains a high environmental standard and aims to be certified BREAAM-NOR Excellent in addition to its class A (passive house) energy rating. The building ensures that technology and modern solutions supports the environment, operating costs and user friendliness. From their own smartphone, the users of the building can, among other things, control the selection of office desk, access, lift calling, lighting and the reservation of meeting rooms. At the same time, the building analyses and uses collected data to adapt and adjust light, climate and energy use. The solutions and computer architecture in the building are so unique that there are barely any similar projects in Europe. AF, together with development partner Höegh Eiendom, sold the Atea building to Clarkson Platou Real Estate in the autumn of 2020.

NEW GROUP STRATEGY TOWARDS 2024

In 2020, AF has both completed the previous strategy period and prepared the plan for the next four years. AF will maintain and strengthen its position as the Nordic region's most profitable contractor. The financial targets for 2024 are revenues of NOK 40 billion and an operating margin of 7 per cent. The goal of zero serious injuries and work-related absence remains unchanged, and the strategy also includes goals for climate and the environment: AF aims to halve relative greenhouse gas emissions and halve waste volumes that cannot be reused or recycled by 2030. Four initiatives will be prioritised to achieve these goals: disciplines and management, customers and suppliers, climate and the environment as well as innovation. Today, AF Gruppen consists of more than a hundred companies, and in order to succeed in solving tomorrow's challenges, we will utilise and strengthen the combined power of diversity and unique skills.

GOOD INFECTION CONTROL KEPT THE WHEELS RUNNING

When Covid-19 broke out in March 2020, an AF corona council was immediately established which worked closely with the management. The council provided guidelines for systematic infection control management and uniform and clear communication between management, business units and projects. The projects contributed with adaptability and action where the practical measures were implemented, so that the infection control was adapted to project-specific needs and local conditions. An example is the project E39 Kristiansand vest – Mandal east, where more than 600 people work, most of them in shifts. As in other projects, the employees showed a high degree of flexibility and made great efforts to carry out operations as best they could. The overall team effort at AF Gruppen contributed to as many people as possible staying healthy and enabled us to continue our societal duty without significant delays.

TREATMENT FACILITY FOR THE FUTURE

Oslo is the third fastest growing city in Europe and the strain on the infrastructure for wastewater treatment has steadily increased. If the capacity of the treatment plants is insufficient, untreated wastewater could end up in the Oslo Fjord in the event of extreme precipitation and lack of surface water management. Bekkelaget treatment plant handles wastewater from around 40 per cent of Oslo's population. After three years of plant operation, AF completed the work of expanding the facility in 2020, as well as adapting it to new environmental requirements. Wastewater capacity was increased from 270,000 to 500,000 people, which corresponds to the estimated number of users in 2040. Oslo Municipality conducts continuous water tests of inlets and outlets, and the water quality in the Bunnefjord has improved significantly after the new treatment plant was put into use.

GOALS AND RESULTS

PROFITABILITY

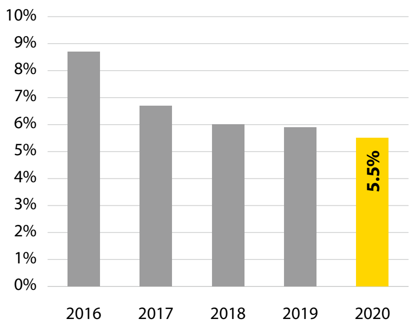
GOALS

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 return on invested capital greater than 20% and an operating margin greater than 5%.

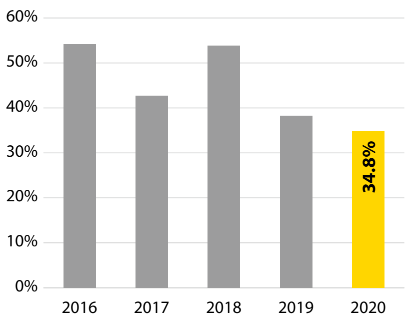
RESULT 2020

AF achieved better earnings than comparable companies, with an operating margin of 5.5% in 2020. The return on invested capital was 34.8%. The results were on par with the best companies in the reference group defined as Skanska, Veidekke, NCC and PEAB.

OPERATING MARGIN



RETURN ON AVERAGE CAPITAL EMPLOYED



FINANCIAL STRENGTH

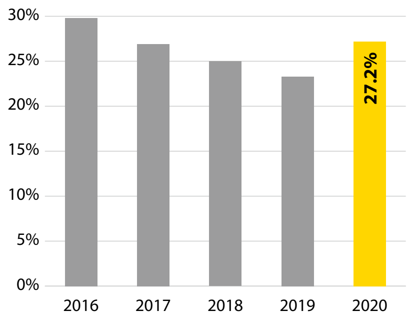
GOALS

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.

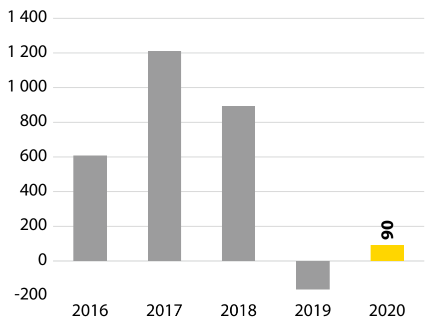
RESULT 2020

AF's equity ratio was 27.2% at the end of 2020. The Group had net interest-bearing receivables of NOK 90 million. Unused credit and loan facilities at year-end totalled NOK 3,000 million.

EQUITY RATIO



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



DIVIDEND

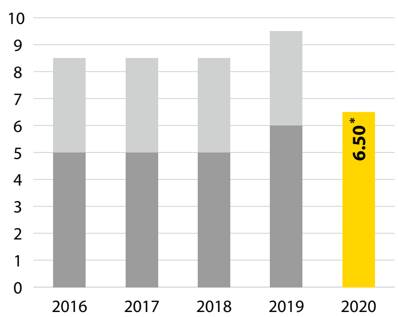
GOALS

AF's dividend policy is to provide shareholders with a competitive dividend yield. 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 per share as a dividend per share.

RESULT 2020

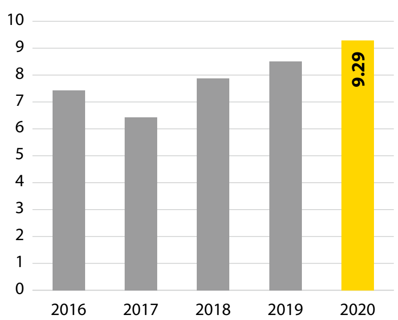
In 2020, AF paid a total dividend of NOK 9.50 per share for the 2019 financial year. Earnings per share was NOK 8.51 in 2019. Earnings per share was NOK 9.29 in 2020. For the 2020 financial year, payment of a dividend of NOK 6.50 per share is proposed for the 1st half of 2021. The dividend for payment in the 2nd half of 2021 will be announced when the results for the 3rd quarter of 2021 are presented.

DIVIDEND PER SHARE (NOK)



* *Dividend to be distributed in the first half of 2021 is proposed, not approved.*

EARNINGS PER SHARE (NOK)



HEALTH AND SAFETY

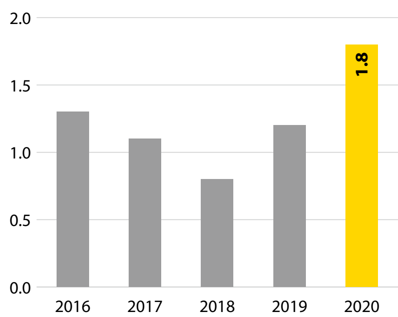
GOALS

AF's goal is to perform all our operations without injuries, with an LTI rate of zero and zero absence due to work-related illness. AF's partners are subject to the same requirements as AF itself, and AF includes them in its reported target for lost-time injuries.

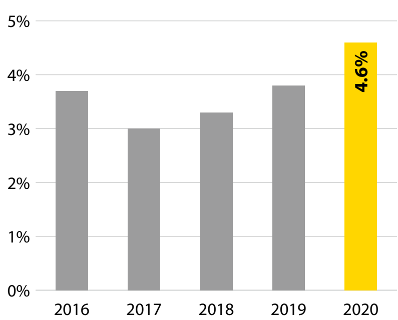
RESULT 2020

AF achieved an LTI rate of 1.8 and absence due to illness of 4.7%. This is on par with the best safety results in the contractor industry.

LTI-1 RATE



ABSENCE DUE TO ILLNESS



SMASHED THE GROWTH TARGET FROM THE PREVIOUS STRATEGY PERIOD

AF Gruppen's four-year group strategy for the period 2017–2020 was ambitious and growth-oriented. The target of NOK 20 billion in revenues was already reached in 2019 and was thoroughly exceeded when we passed NOK 27 billion in revenues for 2020. The operating margin in 2020 was 5.5 per cent.

The goal was clear when AF began a new strategy period in 2017. Revenues were to reach NOK 20 billion within 2020, with a requirement for an operating margin of at least 5.0 per cent. The AF family was to be expanded with up to 2,000 new employees, and we were to increase our market share in the growing cities in Norway and Sweden. During the strategy period, we have worked on initiatives that support organisational and structural growth, good customer and supplier relations, innovation as well as increased management capacity and competence.

The results show that since 2016, revenues have grown from just under NOK 12 billion to NOK 27 billion in 2020, and the number of employees in AF has increased by almost 2,500. This strong growth is explained by both acquisitions and significant organic growth in both Norway and Sweden.

For the past four years, we at AF have worked actively on innovation and challenged the way we work on a daily basis. More and more of our work processes have been automated or complemented by new technology, and new business areas have emerged. We have also focused on further developing our employees and raising awareness of the value of diversity at AF.

Revenues 2016

NOK MILLION 12

Revenues 2020

NOK MILLION 27

Organic growth 17–20

40.6%

Structural growth 17–20

59.4%

ORGANIC GROWTH

- AF Anlegg has increased revenues by around NOK 1 billion from 2016 and revenues in 2020 was just over NOK 4 billion. When Nye Veier took over responsibility for specific highways in 2016, the civil engineering market changed significantly with larger contracts, turnkey contracts and closer cooperation with the customer. AF Anlegg has entered into two major road contracts with Nye Veier and is in the cooperation phase of the Roterud-Storhove project.

- Construction has had organic growth of almost NOK 3 billion since 2016. In percentage terms, growth is evenly distributed between the Bergen region, led by LAB Entreprenør, and Greater Oslo.

- Betonmast has had organic growth of just over NOK 1 billion after the acquisition in 2019.

- In Sweden, AF has achieved around SEK 1.5 billion in organic growth since 2016, of which SEK 0.5 billion is related to the construction business and NOK 1 billion is growth in the civil engineering business in Kanonaden.

- Following the establishment of Nes Miljøpark, revenues for the environmental centres, which recycle contaminated material, have increased from around NOK 50 million in 2016 to NOK 110 million in 2020. This corresponds to an increase from 317,730 tonnes to 528,758 tonnes.

STRUCTURAL GROWTH

- 2017 – The acquisition of Kanonaden Entreprenad gave AF a position in the growing Swedish construction market. Kanonaden reported revenues of around SEK 700 million in 2016 and has since grown significantly.

- 2018 – The acquisition of Helgesen Tekniske Bygg (HTB) added up to NOK 400 million in revenues and supplemented the range of construction services in Western Norway.

- 2019 – The acquisition of HMB expanded the scope for the Swedish construction business and gave AF a solid position in the Stockholm region. HMB added revenues of around SEK 1,200 million.

- 2019 – The acquisition of Betonmast, with revenues of around NOK 6,700 million, gave AF a significant boost in revenues and strengthened both the Norwegian and Swedish construction business areas.

Strategy towards 2024

SAFE AND PROFITABLE GROWTH

AF Gruppen now consists of more than a hundred companies. It is the strength of diversity and breadth of competence that allows AF to undertake the most demanding missions. A shared set of values and an uncompromising attitude to safety and ethics give us a unique competitive advantage.

AF Gruppen has enjoyed solid growth for many years. When AF sets the course for further profitable growth in the coming strategy period, we will continue to be curious and challenge the status quo. The journey towards 2024 shall be safe, environmentally friendly, innovative and not least profitable. AF shall be the Nordic region's most profitable contractor. At AF, we are constantly looking for new technology and improvements that will increase productivity and have less of an impact on health and the environment. We succeed best when the projects are profitable for all parties: for our customers, the climate, society, owners and for the employees.

STRATEGIC GOALS

NOK 40

Revenue target

0 Work-related absence and serious injuries

7%
Operating margin

20%
Return on invested capital

... halve relative greenhouse gas emissions and waste volumes that cannot be reused or recycled by 2030.

MARKET TRENDS

In the 2024 strategy, we have assessed external drivers and trends in the market that we believe are important to address in the way we think and work going forward.

URBANISATION

- Population growth is highest in the most central parts of Norway and Sweden.
- Growth in the Norwegian and Swedish construction and civil engineering markets is concentrated in the areas with the highest population density.

TECHNOLOGICAL ADVANCES

- New technology is becoming increasingly accessible.
- Digitalisation and industrialisation in the markets in which we operate provides new business opportunities.
- Competence requirements are constantly changing.

GREEN TRANSITION

- Society's climate and environmental focus provides new business opportunities.
- Emission requirements are becoming increasingly stringent.
- Government and customer requirements can radically change framework conditions and create new business opportunities.

MARKET FLUCTUATIONS

- There will be greater fluctuations in political priorities in the future.
- Uncertainty and delays will affect the markets.
- We expect increased investment in public buildings, especially in health and social care.
- Increased infrastructure investment is expected.

COMPLEXITY OF PROJECTS AND CUSTOMER REQUIREMENTS

- The proportion of large and complex projects will increase and this tightens requirements for the right organisation, management and technical expertise.
- Customer requirements will be further tightened, particularly regarding seriousness and environmental focus.

BATTLE FOR QUALIFIED RESOURCES

- The construction industry needs to develop its competitiveness in order to attract resources.
- There will be a fierce battle for the best people in the markets we operate in.

Strategy towards 2024

STRATEGIC INITIATIVES

AF Gruppen will increase competitiveness and promote profitable growth through four strategic initiatives that will be operationalised in each individual business unit.

Disciplines and management

We aim to be the industry's most attractive employer for both women and men, where everyone shall have equal opportunities and thrive at work. AF wants to be the place where the best people have room to fulfil their dreams. We will continue to attract and develop the most talented people and ensure that everyone has the same opportunities. We think that greater diversity is good for both well-being and the working environment, but above all it is profitable. Because when we are able to harness the power of diversity, we gain more perspectives and make wiser decisions.

AF offers countless career paths. Career development is built up through on-the-job training and developing skills in the AF Academy. We aim to have the market's best leadership development for leaders at all levels. In order to maintain management capacity, AF also works systematically with succession planning and evaluation of our managers and management groups.

Our partnership with educational institutions aimed at attracting skilled engineers and workers will continue. The same applies to our work to ensure that AF and our industry is an attractive career choice for both women and men with an inclusive, safe and good working environment with zero tolerance for discrimination.

Climate and environment

AF aims to reduce its footprint and we have set a goal of halving relative greenhouse gas emissions and halve waste volumes that cannot be reused or recycled by 2030. We will continue to clear the past and build for the future, and it will be more important than ever to do so in an environmentally friendly manner. Our industry impacts the environment, and it is our responsibility to ensure that this impact is as small as possible. AF has extensive experience from projects that set comprehensive environmental requirements and has an in-depth understanding of how processes, material choices and operating solutions impact the environment. We will use our expertise to reduce waste and greenhouse gas emissions in projects and encourage clients to choose good environmental solutions.

We will also be an advocate for the fact that climate and environmental savings can be profitable. Innovation and a focus on the environment go hand in hand. We have no choice but to be innovative and find better solutions. AF's eco-parks are examples of solutions where materials that previously would have ended up in landfill sites can now be recovered and live on. We will continue to acquire and attract relevant climate and environmental expertise and develop new, in-demand climate and environmental services.

Customers and suppliers

We can always be better. We will refine our cooperation and communication skills and use learning points from clients and suppliers to improve. We want to be the preferred partner and build long-term partnerships based on trust, performance and loyalty.

The best partners, those who do not compromise when safety and ethics are put to the test, are the ones with which AF wants to work. We make demands of those we work with, and we will ensure that both grow in the process. We succeed best when the projects are profitable for all of the parties involved.

We will seek early involvement so we can find the best solutions and identify future client needs. AF will have the best understanding of the market and clients, be solution-oriented and be the best in the market at solving clients' acute problems. We will be predictable and practice transparent communication with those with whom we work.

Innovation

We will be the Nordic region's most inquisitive contractor. AF is known for its inquisitiveness and for being a driving force behind a better, more future-oriented industry. We respond to good ideas from all parts of the business. Everything can be improved. We will continue to work on digitalisation and better utilisation of data, and we are constantly on the lookout for new business opportunities.

Part of the work on innovation involves looking far ahead, analysing and categorising future perspectives, exploring possibilities and initiating pilot projects to find the future way of working.

We shall identify productivity improvements, development good solutions in-house, and continue to invest in environments, expertise or technology that can provide major benefits for AF's project industry. AF's position and reputation as a challenger and innovator shall be strengthened.

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.

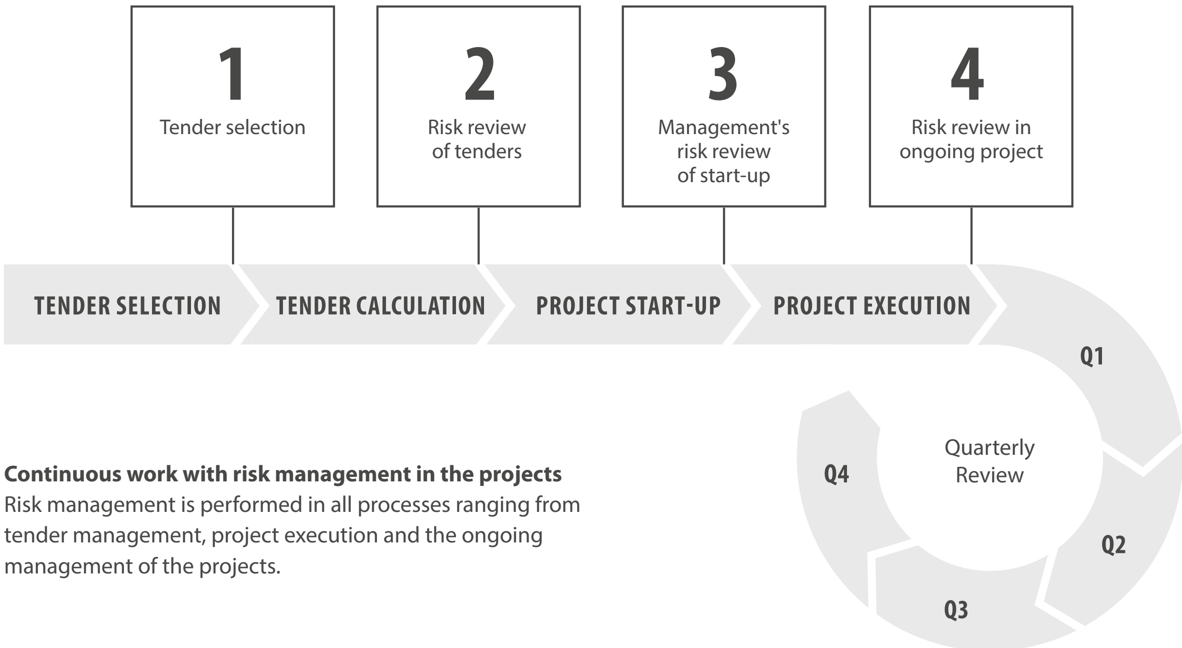
The business unit's management group aggregates the project analyses. A risk analysis of the project portfolio is conducted quarterly, with a quantitative assessment of the range of outcomes for each project, and representatives for the Corporate Management Team participate in this analysis. This analysis 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 2020

The scope of the risk reviews has been stable over recent years, and in 2020, around 180 risk reviews were conducted prior to submitting important tenders and 84 quarterly risk reviews of the project portfolios in the business units were conducted.

Risk hierarchy
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.


28

ENVIRONMENTALLY FRIENDLY STUDENT ACCOMMODATION

At the start of the academic year in August 2020, the Student Welfare Organisation of Southeast Norway was able to offer its students 282 new housing units. The new housing units on Campus Bø were built by Betonmast Telemark in solid wood with the passive house standard. A focus on climate and the environment has been central to the project from the cooperation phase until the building was ready for use. This has manifested itself in environmental measures such as geothermal wells for the supply of energy, the reuse of material from the neighbouring site and minimisation of waste from the construction process.

QUALITY STUDENT ACCOMMODATION. At Campus Bø in Vestfold and Telemark, students can enjoy wood that breathes, a stable indoor climate and a good study environment.

CORPORATE SOCIAL RESPONSIBILITY

SOCIAL RESPONSIBILITY IN AF

AF shall be a responsible player that amplifies positive impact in its project operations and minimises negative effects on the environment, people and society. We will also provide services that contribute to reduced consumption of energy and other scarce resources, and services that are otherwise useful to the customer and society.

WHAT IS AF'S SOCIAL RESPONSIBILITY?

AF has a special responsibility where society's challenges can be related to our business. The UN's Sustainable Development Goals describe the world's challenges and needs. Our social responsibility is twofold, and is linked to the UN's Sustainable Development Goals as follows:

Be a responsible player

First and foremost, we shall manage our own projects in a sustainable way. All our business operations shall follow ethical guidelines, legislation and regulations, and we shall minimise the negative impact on climate and the environment by reducing consumption of non-renewable resources and minimising waste that cannot be recycled. Our employees shall have a safe and good working environment where diversity is valued and harassment is not tolerated. This is the foundation of all our activities.

Further development of the service spectrum

AF will continue to develop and offer services that customers and society require. We will carry out civil engineering and construction projects with environmental certifications and energy-efficient solutions, and contribute to buildings and other infrastructure being constructed and modernised to use less energy and withstand climate change. In AF Gruppen's energy business, efficient energy use, local alternative energy production and monitoring of energy solutions are the actual business concept. In our environmental activities, we will continue to clear the past and clean contaminated materials that can then re-enter the cycle as clean sand, gravel and stone. As a challenger and innovator, we are also constantly looking for new business opportunities where we can use our expertise to solve challenges faced by the customer and society.

AF'S OPERATING PRINCIPLES

With the support of the Board, AF Gruppen's corporate management team has established a business model and general principles for corporate governance. The business model is described on page 12 of the annual report. Together with the business model, the principles constitute the framework for business activities within all areas and at all levels of the organisation. The operating principles are set out in the following documents, where the first two are available at https://afgruppen.com/about-af/vision-and-values/:

- Code of Conduct
- Purpose – Goals – Values
- Group policy and authority matrix

Code of Conduct and Purpose – Goals – Values

The Code of Conduct applies to all employees and other persons representing AF Gruppen. All employees in AF are presented with the Code of Conduct at a course for new recruits, and receive this as an appendix to their employment agreement. Compliance with the Code of Conduct is expected. Several of AF's subsidiaries have prepared their own codes of conduct that reflect the principles in the Group's Code of Conduct.

Suppliers and subcontractors in our projects must also commit to following our values and requirements for conduct by accepting AF's supplier declaration (see: afgruppen.com/supply-to-af). Reference is made to "Purpose – Goals – Values" and the "Code of Conduct", as well as the principles in the UN Global Compact. An important part of our procurement work is ensuring that our suppliers impose the same requirements toward ethics, quality, safety and the external environment as we do.

Group policy and authority matrix

AF's Group policy defines principles, roles and responsibilities, purposes and requirements in the following areas: HSE, customers and suppliers, quality and improvement, risk management, personnel and organisation, communication, financial management and finance, procurement, IT and internal cooperation. The authority matrix is a key document in AF Gruppen's internal control and covers responsibilities in the Group. The Group policy applies to all business units and wholly owned companies in AF Gruppen and serves as a benchmark for part-owned subsidiaries. The authority matrix applies to all units in AF Gruppen.

Roles and responsibility

CEO Amund Tøftum has operational responsibility for corporate social responsibility and this follows his line management, whereby each executive vice president is responsible for his/her respective business area. It is a requirement that business units and projects are organised with sufficient competence within health, safety and environment (HSE). Mapping and analysis of risk in connection with HSE shall be carried out and documented in all projects – both at the start and during implementation.

Executive Vice President Eirik Wraal has specialist responsibility for corporate social responsibility. Olav Aune is director of HSE, and is responsible for supporting line management in HSE work, as well as being responsible for HSE and the HSE system in the Group. As of 1 February 2021, Anastasia Wraa was employed as Group Manager Environment, and will further develop AF's commitment to climate and environment.

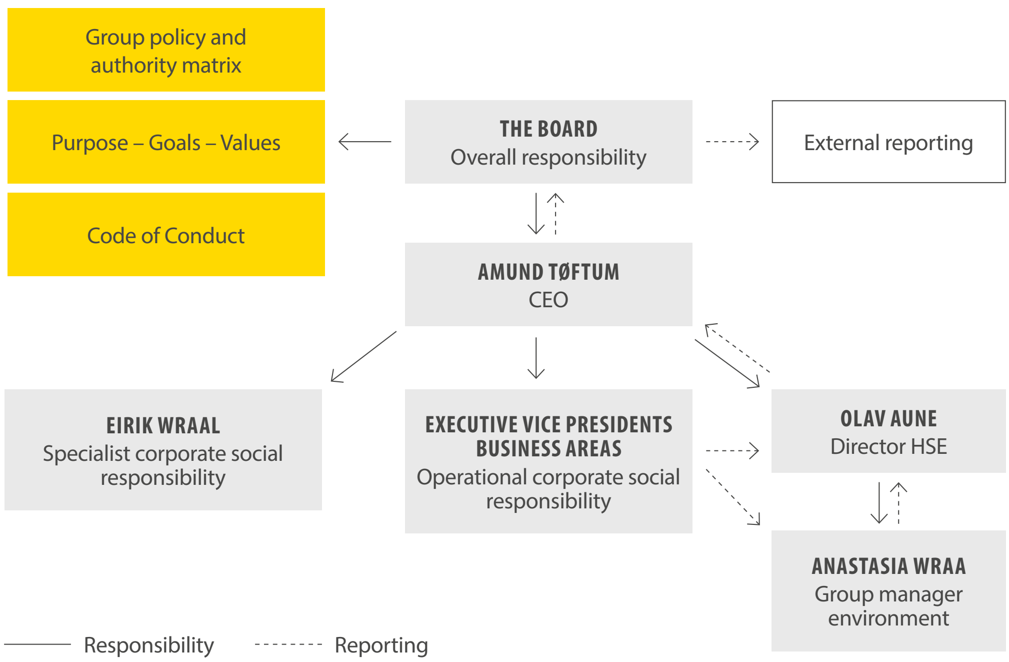
Interdisciplinary forum for cooperation

AF has an interdisciplinary forum for topics on climate and environment that meets 1–3 times a year and discusses the direction of AF's environmental efforts. Plans are underway to increase the meeting frequency of the environmental forum and to arrange several climate and environment-related seminars in 2021. There is also an HSE forum consisting of HSE managers from each business unit in AF. The forums help to maintain policy tools, provide a common understanding of key issues within HSE, create a good informal cooperation and contribute to our development.

Internal and external reporting of health, safety and the environment

Internally, figures related to safety (LTI-1) are reported on an ongoing basis, while figures on the environment and health (source separation and absence due to illness) are reported monthly. Climate accounts for the whole AF Gruppen are compiled and reported annually in accordance with the Greenhouse Gas Protocol standard. In addition, a project has been started to develop a digital platform that can contribute to dynamic follow-up at the unit and project level. AF has also started mapping what constitutes green revenue according to the EU's taxonomy for sustainable finance, to enable future reporting.

RESPONSIBILITY AND REPORTING OF CORPORATE SOCIAL RESPONSIBILITY IN AF



CLIMATE AND ENVIRONMENT

Climate change is one of the greatest societal challenges of our time. AF aims to reduce the footprint of its own operations and be a leader in developing and delivering services that reduce the use of energy and other scarce resources for our customers and society.

The construction sector accounts for around 40 per cent of global energy consumption and about 30 per cent of global greenhouse gas emissions. Statistics Norway estimates that direct greenhouse gas emissions from construction in Norway total 2 million tonnes of CO_2. In Sweden, it is estimated that the construction and civil engineering industry accounts for around 20 per cent of total CO_2 emissions. In addition, the construction sector contributes to indirect emissions through building materials, transport and land use, which are emissions that are mainly attributed to other sectors in the climate accounts. We can also influence the use of materials and the choice of solutions so that renewable energy solutions are used and lifetime emissions are reduced. The industry can therefore greatly influence and contribute to solutions to limit negative climate change.

AF's vision is clearing up the past and building for the future. This means that we must remove, clean or eliminate materials, land and energy solutions that are harmful to the environment, and that we must offer services that society needs to meet current and future energy and environmental challenges.

CLIMATE AND ENVIRONMENT AS A BUSINESS OPPORTUNITY

The green shift poses both a risk and an opportunity for AF: good environmental solutions will attract employees, owners and new contracts, while a lack of willingness to innovate will impair our ability succeed in the market. Climate and environment have thus become a central part of AF's strategic work towards 2024 as one of four Group initiatives.

Risks and opportunities associated with the green shift

In 2020, AF Gruppen carried out a climate risk analysis. The analysis covers physical, regulatory, technological, market and reputational risks and similar opportunities related to climate change. The analysis and associated preparatory work have also helped to raise awareness of how we work with climate and environment across the Group. The conclusion is that the overall climate risk for AF Gruppen is considered low. There is a risk that higher temperatures and more extreme weather will lead to greater unpredictability and an increased risk of accidents, especially within the civil engineering business.

At the same time, climate change and regulatory changes will lead to increased demand for AF Gruppen's services, such as infrastructure projects, environmental centers, energy plants, energy-efficient buildings and the recycling of offshore installations. However, we see that a negative reputation poses a risk to AF in the short term. As climate and the environment become increasingly important to our stakeholders, at AF we must be equally clear about the responsibility we want to take.

Employees: There is an increasing expectation among our employees that AF will take a clearer position in the green shift. In addition, it is an important prerequisite for AF to succeed in attracting and retaining the best people, both now and in the future.

Customers: Public and private customers demand environmentally friendly solutions and adequate reporting. Those who perform well in environmental terms can gain a competitive advantage, as the public sector places ever stricter requirements on climate and environment in its tenders. We also see that private customers have become more ambitious in their climate requirements.

Owners: The EU's taxonomy is part of the EU's action plan for sustainable finance. It is a classification system that will help determine how climate and environmentally friendly an investment is based on specific screening criteria. A growing number of investors want to invest in companies that contribute to the green shift, and AF must clearly communicate how we can contribute to the transition in order to remain an attractive investment object.

Society: Society needs new solutions to climate and environmental challenges to prevent the average temperature from rising more than the Paris Agreement's target of a maximum increase of 2° C. The most important challenges have been clarified by the UN through the sustainable development goals. By offering existing and new services that customers and society need to achieve their goals, AF has an excellent opportunity to gain market share in both new and existing markets.

HOW AF WORKS WITH CLIMATE AND THE ENVIRONMENT

The business units in AF Gruppen have been working on climate and environmental improvements for many years, but from 2021 AF Gruppen will focus on more coordinated and targeted climate and environmental work by including a number of qualitative and quantitative goals in the new Group strategy towards 2024. The areas where AF Gruppen has set specific quantitative targets are greenhouse gas emissions and resource efficiency.

GREENHOUSE GAS EMISSIONS AND ENERGY CONSUMPTION

AF's impact on the climate is measured continuously in terms of the amount of greenhouse gas emissions, i.e. tonnes of CO_2 equivalents. We submit annual climate accounts (see page 39), which summarise direct emissions from our projects within civil engineering, construction and demolition on land and offshore. In 2020, AF had a carbon footprint of 1.8 (2.3) and total emissions of 48,528 tonnes of CO_2 equivalents, which represented a reduction of 2,810 tonnes of CO_2 equivalents compared with 2019. In AF's climate accounts, the use of diesel in civil engineering equipment is the largest direct source of CO_2 emissions. The decline in the carbon footprint, which is defined as tonnes of CO_2 equivalents per NOK million in revenues, is related to a decline in the Civil Engineering business area and high growth in other activities that have lower greenhouse gas emissions. Lower civil engineering activity than the year before, with the resulting lower consumption of diesel and fewer flights, is also the main reason why absolute consumption decreased. The climate accounts also include a separate section with the savings AF Gruppen's demolition and recycling activities represent for society's greenhouse gas emissions. Reusing steel results in 70 per cent lower CO_2 emissions than ore-based production. This corresponds to a reduction in emissions of 1 kg CO_2 for each kilo of steel recycled. AF Decom demolished and facilitated the recycling of approximately 19,380 (9,982) tonnes of metal in 2020.
AF Offshore Decom demolished and facilitated the recycling of approximately 19,153 (14,782) tonnes of steel in 2020. In total, this represents a reduction of alternative CO_2 emissions of around 38,533 tonnes. AF's environmental centres have recycled a total of 528,758 (317,730) tonnes of material in 2020. This corresponds to a reduction of alternative CO_2 emissions of 32,266 (13,195) tonnes. (See the climate accounts on page 39).

Reduction of greenhouse gas emissions

In the Group strategy, AF has set a goal of halving relative greenhouse gas emissions by 2030. The goal will be quantified per business area so that we implement actual changes in operations and achieve real environmental savings instead of achieving the goal by changing the service mix from, for example, civil engineering to construction. Goals shall also be set and followed up per unit for anchoring close to the daily operations where the environmental impact takes place.

FROM AF'S GROUP POLICY
All impact on the external environment shall be kept to a minimum.

CLIMATE AND ENVIRONMENT CONT.

Part of the work to be done in the future is to further develop reporting and follow-up of greenhouse gas emissions at project and unit level so that we can prioritise the right measures to reduce emissions as quickly as possible.

Potential measures we are looking at to reduce our direct greenhouse gas emissions:

- Comprehensive planning of road paths to reduce mass excavation and associated transportation
- Use of autonomous machines that prevent idling and optimise work performance
- Other sources of fuel, such as hydrogen and biodiesel
- Electric machinery at construction sites (climate-neutral construction and civil engineering projects)

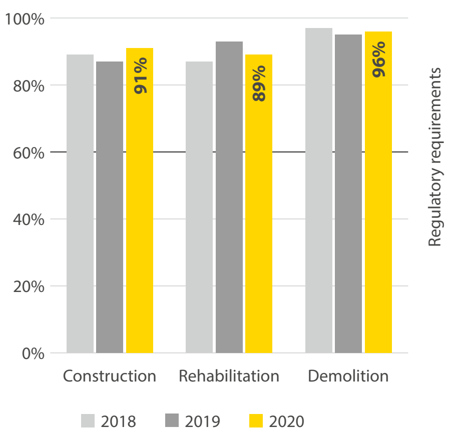
RESOURCE EFFICIENCY AND CIRCULARITY

Building materials account for over 80 per cent of greenhouse gas emissions from the construction and civil engineering industry, and based on volume, construction and demolition projects are the largest source of waste in the EU. The EU's goal is for a minimum of 70 per cent of construction and demolition waste to be reused or recycled, and the industry can contribute to the storage of carbon in building materials, for example by using more timber. In other words, input factors in our projects could be a positive contribution to battle climate changes.

The European Commission has launched an action plan for the circular economy based on the reuse and recycling of materials, so that as few resources as possible are lost. Central to the action plan is a framework directive that ranks measures to reduce waste volumes. The waste hierarchy illustrates the desire to treat waste as close to the top of the hierarchy as possible, and to avoid unnecessary disposal of waste in landfills.

In AF 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 goal at AF is to sort 80 per cent of waste, well above the current government requirement of 60 per cent. AF's environmental centres recycled a total of 528,758 (317,730) tonnes of material in 2020. This corresponds to a recycling rate of 86 per cent, well above the target of 80 per cent.

SOURCE SEPARATION RATE



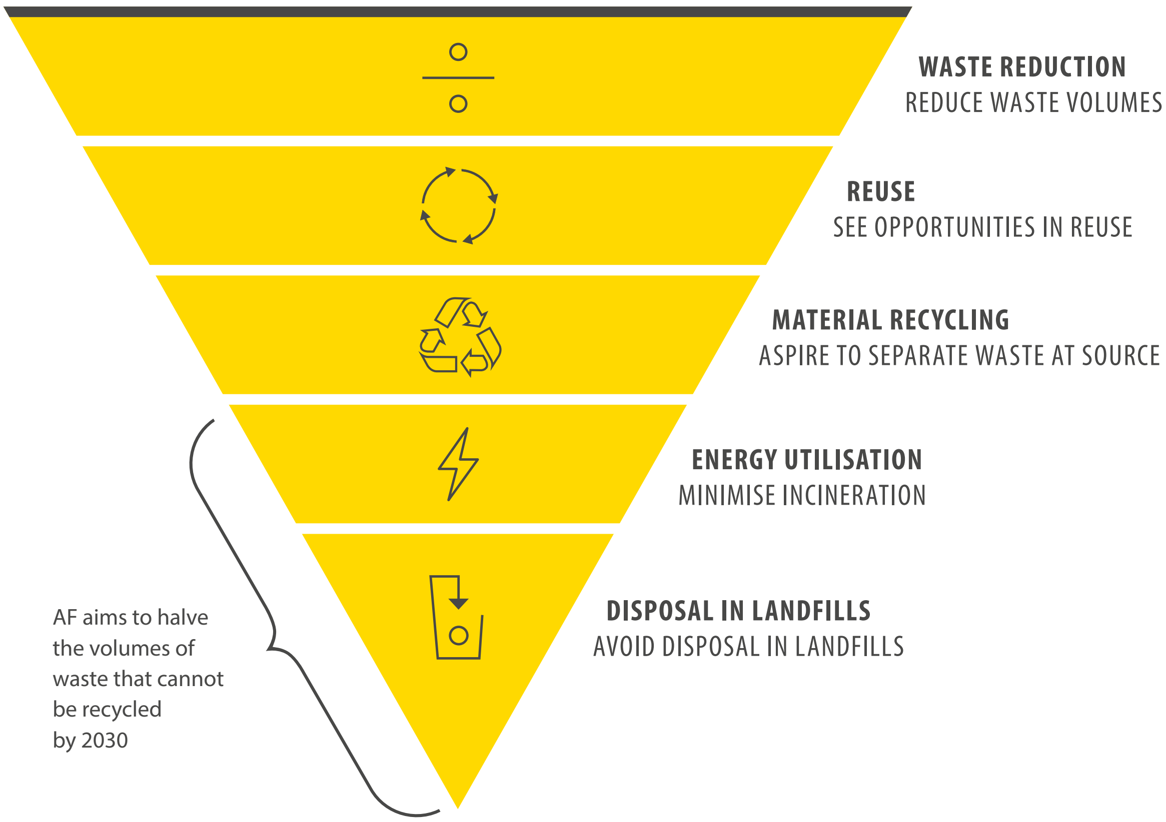
Reduction of waste volumes that cannot be reused or recycled

In AF's strategy, we have decided to halve the amount of waste that cannot be recycled. We have worked on and measured source separation in the projects over several years, and now we are raising the bar even higher. To achieve our goal, we will reduce the amount of waste produced at the construction site (at the top of the pyramid), and prioritise the fractions that are typically sent for incineration or to landfill. Each unit shall prepare specific action plans to reduce non-recyclable waste.

CLIMATE AND ENVIRONMENTALLY FRIENDLY PRODUCTS AND SERVICES

AF has started mapping what constitutes green revenue according to the EU's taxonomy

The waste hierarchy
The waste hierarchy illustrates the desire to treat waste as close to the top of the hierarchy as possible, and to avoid unnecessary disposal of waste in landfills.



CLIMATE AND ENVIRONMENT CONT.

for sustainable finance. The final definition of what is considered green revenues will be available in the second quarter of 2021 and will set the basis for future reporting. An early survey based on the EU's preparatory work shows that AF has several services that contribute positively to the green shift and thus can be reported as green revenues.

Civil Engineering delivers projects related to railways and tramways and infrastructure for water treatment plants, hydropower and wind power. Several of the projects, for example in foundation work and landslide protection, contribute to society's climate adaptation to deal with the increasing degree of extreme weather.

BREEAM is an environmental certification for buildings that classifies how climate and environment friendly a building is in both construction and use. AF is experiencing an increased demand for BREEAM certified buildings and we are constantly working to ensure sufficient and good competence in BREEAM.

AF Energi og Miljøteknikk delivers energy-efficient solutions, energy plants, local energy production and follow-up of energy solutions through monitoring, operational optimisation and service contracts. The measures must be profitable for the customer in financial terms, but also for the environment. The solutions will utilise local energy, such as surplus heat, which would otherwise be lost.

AF's environmental centres (Rimol, Jølsen and Nes) clean materials for reuse, which would otherwise go to landfill. Recycled gritting sand on slippery winter roads is a good example of the use of these materials and new business opportunities in the circular economy. Going forward, AF envisages establishing more environmental centres in both Norway and Sweden.

AF Environmental Base Vats is purpose-built for handling offshore installations and other marine structures. At Miljøbase Vats, ships and offshore installations are demolished and separated at source for recycling. The port is approved in accordance with ISPS regulations.

AF AeronMollier contributes to reducing greenhouse gas emissions through electrification and improving energy efficiency in the marine sector. In 2020, the unit supplied systems and equipment for the electrification of 33 ferries, which corresponds to around half of the Norwegian market.

COMPETENCE AND CERTIFICATION

Several of AF's business units, both in construction and civil engineering, have employed and further trained resources with environmental expertise to work on optimising the environmental impact of projects. The goal is for the footprint of project activities to be as small as possible. Knowledge of the climate and environmental impact of each individual business unit shall be decentralised. With effect from 2021, the Group has a climate and environment function which will facilitate good reporting, as well as increase knowledge about climate and environment in AF.

The management system for environmental work at AF follows the principles of the environmental standard ISO 14001. AF conducts various activities in different geographical areas and certification takes place at a decentralised level. The following companies are certified: AF Byggfornyelse, AF Decom, AF Offshore Decom, AF Anlegg, Kanonaden Entreprenad AB, AF Bygg Göteborg, Betonmast AS, Consolvo AS and Strøm Gundersen AS.

Several business units are also certified under the Environmental Lighthouse scheme. This applies to AF Nybygg, AF Bygg Oslo, AF Eiendom, LAB Entreprenør AS, Åsane Byggmesterforretning AS and Haga & Berg Entreprenør AS.

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. AF is also a member of the Norwegian Green Building Council, a non-profit member association for increased sustainability in the industry.

CLIMATE ACCOUNTS

Af Gruppen's climate accounts consist of two main components: the first is energy consumption and associated emissions, and the second is recycled materials and metals, and emission savings compared to corresponding conventional production.

ENERGY CONSUMPTION AND EMISSIONS

			2020	2019
Category	**Consumption**	**Energy equi.(MWh) [1)]**	**Emissions (tonnes CO_2e) [2)]**	**Emissions (tonnes CO_2e) [2)]**
Petrol (l)	104,460	1,001	241	517
Diesel oil (l)	14,872,072	157,895	39,517	42,419
Biodiesel (l)	287,612	2,806	47	18
Propane (kg)	58,140	796	171	123
Fuel oil (l)	-	-	-	85
CO_2 (kg)	117,900	-	118	21
Acetylene (kg)	1,025	-	4	3
Oxygen (m3)	36,897	-	-	-
Biogon (kg)	15,764	-	16	-
HFC134a refrigerant (kg)	-	-	-	34
Total direct emissions		**162,498**	**40,113**	**43,220**
District cooling (kWh)	17,774	18	-	-
District heating (kWh)	1,565,598	1,566	117	113
Power (kWh)	48,453,201	48,453	1,818	1,893
Total indirect emissions from own activities		**50,037**	**1,935**	**2,006**
Air travel (passenger km)	na		1,391	2,753
Car travel (km)	2,615,576		339	355
Business travels	na		2	3
Large goods vehicle 7.5-17t (km)	16,000		-	10
Waste (tonnes)	14,421		4,748	2,991
Total indirect emissions from others			**6,481**	**6,112**
CO_2e emissions (tonnes CO_2e)			**48,528**	**51,271**
Carbon footprint (tonnes CO_2e per NOK 1 million revenue)			1.8	2.3

[1)] *Energy equivalents are calculated for the core operations (direct and indirect emissions) to illustrate the annual energy intensity of AF Gruppen's activities.*

[2)] *Greenhouse gas emissions with warming potential equivalent to CO_2*

CO_2 SAVINGS BY SORTING AND RECYCLING

	2020	2019
Recycled contaminated mass from AF Environmental centres (tonnes)	528,758	317,730
Emission savings of CO_2 per/year compared to conventional aggregate production (tonnes CO_2) [3]	-32,266	-13,195
Demolished and sorted metal for recycling from AF Decom and AF Offshore Decom (tonnes)	38,533	24,764
Emission savings of CO2 per/year compared to conventionally sourced metal (tonnes CO_2) [4]	-38,533	-24,764
Emissions savings CO2 per/year compared to conventional production	**-70,799**	**-37,959**

[3)] *The recycling of contaminated mass and materials produces less CO_2 emissions compared to conventional extraction and production of aggregate.*

[4)] *Recycled steel has 70 per cent less CO_2 emissions than ore-based production, which implies a reduction of 1 kg of CO_2 for each kilo of steel recycled.*

SOCIAL CONDITIONS

Everyone who works on AF projects shall have a safe and secure workplace. We shall have a good and equal working environment, and we shall safeguard the rights of our employees in accordance with applicable legislation and international human rights.

The construction and civil engineering industry has some inherent risks associated with working conditions that we must take into account:

- There is a lot of energy in play. The sources of danger and the risk associated with these must be identified and adequate preventive barriers must be established to ensure the safety and health of both our own employees and those of subcontractors.
- It is a male-dominated industry with a risk of conscious and unconscious gender discrimination.
- Strong competition creates pressure on margins, and can lead to pressure on employees to work beyond what is justifiable and desirable.
- The industry has a general challenge with work-related crime – for example through undeclared work and when basic employee rights are lacking.

AF has provisions to ensure employees' physical health and safety, as well as rights in the employment relationship. The regulations apply to our own employees, subcontractors and suppliers in all our projects.

A SAFE WORKPLACE

AF has an uncompromising attitude towards health and safety. The goal is to avoid injuries, illness and ailments due to the working environment, and in particular to avoid work accidents that result in serious injuries and sickness absence. AF imposes the same strict safety requirements on its subcontractors as on its own organisation.

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.

REPORTING

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 manhours, 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 1.8 (1.2) in 2020. This rate represents 39 (22) H1 injuries in 2020. Two of the accidents in 2020 had a fatal outcome. In February, a tinsmith died after a fall at a construction site in Alversund in Nordhordaland. He was

FROM AF'S GROUP POLICY

- AF shall only make use of suppliers who are willing to comply with our ethical guidelines.

employed by a subcontractor to Helgesen Tekniske Bygg (HTB). In July, an employee of a subcontractor to Pålplintar died in a crushing accident when moving a concrete element in Nykvarn in Sweden. The accidents have been investigated and measures and barriers have been implemented to prevent similar accidents from happening again. The increase in the LTI-1 rate in 2020 is mainly driven by incidents in Betonmast and Sweden.

Management system and tools for learning and improvement

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 or similar systems in order to find the underlying causes and measures for improvement. There is a strong willingness for continuous improvement, and in 2020 almost 43,136 (36,762) incidents and circumstances (RUH) were reported.

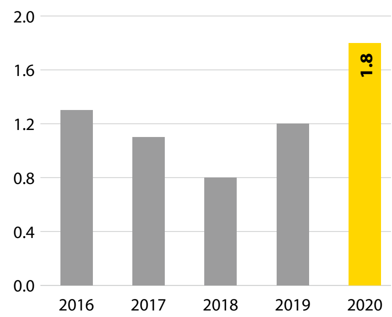
Emergency preparedness and investigation

AF is always prepared for serious accidents, and has an emergency preparedness system in place in each project and overall at group level. This shall ensure good handling and follow-up, as well as reduction of the adverse effects. The most serious incidents are followed up by subsequent investigations in which the Corporate Management Team participates. Investigation is a high priority at AF. The purpose of the investigation is to identify improvement opportunities and measures that will prevent similar conditions from reoccurring.

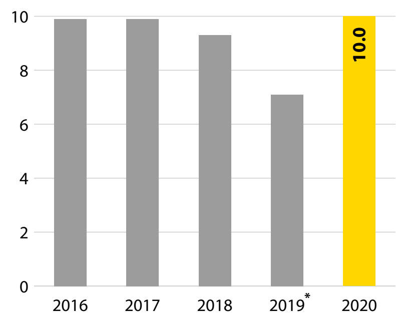
Strategic work and digitalisation

The Group strategy towards 2024 continues with the goal for AF Gruppen to have LTI-1 = 0 and 0 work-related absence. Despite a low LT1 value in relation to comparable companies, AF Gruppen still experiences too many personal injuries. Work to prevent injuries is ongoing, and among the latest measures and tools we have introduced, we can highlight:

LTI-1 RATE

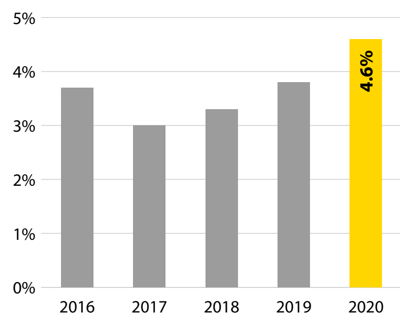


LTI -2 RATE



* 2019 numbers is excl. Betonmast

ABSENCE DUE TO ILLNESS



SOCIAL CONDITIONS CONT.

- Mandatory use of gloves and safety goggles for everyone working in the project.
- Safetalks and personal safety involvement (PSI) in advance of work situations to strengthen the risk and safety awareness of skilled workers.
- AF Message Portal – communication tool that allows employees to send safety-related messages to predefined groups, and where any message is automatically translated into the recipient's specified native language.
- CLARA – web-based tool for risk management that will ensure that important and critical risk issues reach the sharp end of our projects – the skilled worker.
- Testing of body equipment that measures and warn when hazardous levels of e.g. noise, air values/gas and vibrations are present. The purpose is to enable our skilled workers to reduce and avoid unwanted exposure to situations that can have negative health impact.

HEALTH

AF works continuously to ensure that all employees experience job satisfaction and well-being. Absence due to illness is an indicator of health work, and our rate was 4.6 (3.8) per cent in 2020. AF's absence due to illness is considered low in the construction and civil engineering industry. Some of the absence is work-related, and the systematic long-term work to achieve the goal of a "healthy situation" has top priority. The goal is to have zero work-related absence.

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.

WORKING ENVIRONMENT, EMPLOYEE DEVELOPMENT AND EMPLOYEES' RIGHTS

AF's policy regarding human rights, working conditions and employee development is set out in the Code of Conduct and Purpose – Goals – Values.

Human rights and measures against work-related crime

The construction industry has some general challenges related to human rights, especially related to working conditions. It is important that major players such as AF take responsibility for ensuring that the entire value chain follow ethical guidelines and basic human rights. AF is committed to complying with the human rights principles of the UN Global Compact, and has strong systems in place to prevent our projects from committing work-related crime and violations of workers' rights.

The procurement of goods and services accounts for around 65 per cent of our revenues. AF is responsible for the entire contract pyramid for our projects, and suppliers must commit to following our ethical guidelines. AF Gruppen's Supplier Statement is a mandatory contract appendix to procurement agreements. AF Gruppen has zero tolerance for behaviour that violates the provisions of the supplier's statement. We work both proactively and reactively to ensure compliance with this policy, and allow only two levels of subcontractors to ensure acceptable transparency. Proactively, AF uses StartBANK, and a proprietary prequalification module to assess possible 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. The most important verifications we carry out are:

- Control of pay 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.
- 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 are conducted of subcontractors and suppliers to ensure that they have good systems with respect to 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.

Employment conditions
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. In line with the UN's Global Compact, AF facilitates the conditions for craftsmen and production workers to join a union, and over 90 per cent are therefore unionised. Laws, regulations and collective agreements are framework conditions that AF Gruppen adheres to, and this applies to both salaries and

working time provisions for our employees. Negotiations on salaries are carried out with the trade unions, and are laid down in AF's Code of Conduct.

Satisfaction and attractiveness
The Employee Satisfaction Survey (ESS) that was last conducted in 2019 shows that our employees are very satisfied with their own work and with AF as their employer. AF achieved 5.2 on a scale from 1–6, where 6 is the best, and has as a strategic goal towards 2024 to be above ESS > 5. 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 within the areas of satisfaction, collaboration and management, and each business unit draws up an action plan based on the survey.
AF is an attractive employer, and this is reflected by the Universum Student Survey 2020, in which AF Gruppen was ranked as the 13th most attractive employer among engineering students. In the Universum Professional Survey 2020 for working people, AF came 11th, up from 15th place in 2019. AF wants to attract the best talent both among experienced workers and new graduates, and has a strategic goal towards 2024 to be among the top five in Universum's awards.

The best people – recruitment, development and training of employees
AF will increase strategic cooperation with educational institutions to strengthen access to skilled resources. One measure that has been implemented in the last two years is the "AF collective" competition where the winners are

Percentage of women at AF

9.8%

offered a year in shared housing free of charge. This is of mutual benefit where the students get the opportunity to learn from and be inspired by the industry's foremost professionals, and where AF can be challenged by curious students who will help shape the future.

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.

Over the past year, AF has intensified its focus on apprentices by motivating more people to choose vocational subjects through the information campaign "Dreams can become reality" which has been shown across social media. We have worked more closely with schools and counsellors in rural and urban areas (Digitalt Rådgivertreff in autumn 2020) to remove prejudices among parents related to the construction industry. AF has a strategic goal towards 2024 of a proportion of apprentices > 7 per cent and that more than 60 per cent of our skilled employees holding a certificate of completed apprenticeship.

Equality

It is a central principle at AF and part of the Code of Conduct that recruitment, employment, training, pay, promotion, punishment and other working conditions shall be handled without regard to friendship, ethnicity, skin colour, religion, nationality, gender, sexual orientation, age or disability.
The recruitment share by gender shall reflect the recruitment basis, and the relative share of promotions shall be equal for women and men. AF has a long-term goal of increasing the proportion of women among salaried employees to 40 per cent, and the total proportion of women to 20 per cent.

AF's work on diversity, including through the Diversitas network and #HunSpanderer, has contributed to a sharper focus and change of attitudes related to unconscious discrimination. Among other things, gatherings have been arranged for many senior employees where unconscious discrimination and any personal experiences have been discussed.

In 2020, the proportion of women in AF was 9.8 (9.4) per cent, with 18.9 (19.4) per cent of salaried staff and 1.6 (1.4) per cent of skilled workers. At the end of 2020, AF has one woman and six men in the Corporate Management Team. The Board of Directors comprises four women and six men. AF's long-term strategic goal is to increase the proportion of women among salaried employees to 40 per cent and the total proportion of women to 20 per cent.

FROM AF'S GROUP POLICY

- AF shall facilitate employee and career development and internal mobility as well as emphasise gender balance when recruiting. Employees shall be able to thrive and perform throughout life's phases.

GOVERNANCE

AF's credibility and competitiveness are based on trust, and we must therefore have an uncompromising attitude to ethics and make clear demands on everyone we work with.

Internal control and compliance with Group policy are anchored in the Board of Directors, and is exercised through the Corporate Management Team to our projects and employees. 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 observe the Code of Conduct through AF's Supplier Statement. When assessing candidates for acquisition, decisive importance is placed on whether the company's corporate culture and core values are in accordance with those of AF.

TRAINING

Employees at AF are introduced 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's guidelines are practised uniformly. AF also arranges a self-developed course in the prevention of work-related crime at least twice a year. Furthermore, all subcontractors must complete a mandatory HSE course before starting an AF project.

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 business model and ethical framework conditions. Internal audits of all business units are carried out to ensure adequate compliance.

INTERNAL CONTROL AND RISK MANAGEMENT

AF has comprehensive systems in place for internal control and risk management. The systems are reviewed annually by both the auditor and the Board's Audit Committee. For all major tenders, a risk review must be carried out with a representative from the Corporate Management Team before the binding offer is submitted. If the tender value exceeds NOK 100 million, the offer must be approved by the Corporate Management Team, and if it exceeds NOK 600 million, the offer must be approved by the Board of Directors.

In the execution phase of the projects, the units themselves are responsible for ongoing follow-up of risk, and for larger projects, quarterly risk reviews shall be carried out together with representatives from the Corporate Management Team.

BRIBERY AND CORRUPTION

AF has zero tolerance for price collusion, corruption and bribery. This means that employees shall not give or receive gifts and other benefits that might be designed to create doubt about the integrity of AF Gruppen and compliance with current regulations. Our Code of Conduct also forbids the Company's employees to discuss, propose or enter into agreements with competitors that may affect the competitive situation.

In accordance with AF's corporate policy and authority matrix, 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.

ECONOMIC CRIME

AF Gruppen has zero tolerance for economic or financial crime, and strict requirements have been introduced 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 the authority matrix. Payments must also be approved by two persons. Furthermore, AF shall handle tax and duties in a responsible manner in accordance with applicable laws and regulations.

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.

NOTIFICATION OF CENSURABLE CONDITIONS

AF has procedures and routines related to the notification of censurable conditions, including the violation of laws and ethical guidelines. Both our own employees, contracted personnel and external parties are entitled notify, and the whistleblower shall be protected from retaliation. The notification can be open or anonymous, and both the notification and identity of the whistleblower will be handled confidentially. Notification can be made to an immediate superior in the line organisation, to a manager 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.

The principles for handling whistleblowing cases in AF are that all inquiries must be taken seriously and dealt with immediately. Anonymous whistleblowing must be taken just as seriously and must be dealt with. All whistleblowing cases are confidential, and the whistleblowing system must be able to be used without fear of consequences, reprisals or retaliation for whistleblowing. The whistleblower must also receive feedback within a reasonable time about the situation that has been notified (unless the notice was submitted anonymously).

AF'S WHISTLEBLOWING COMMITTEE COMPRISES

- Olav Aune, Director of HSE and Quality (Committee Chairman)
- Hilde Slørdahl Conradi, company doctor
- Arne Sveen, chief employee representative/chief safety representative
- Sigrunn Wangen, Human Resources Manager
- Christoffer Fjellheim, Director of Procurement and Legal

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:

HUMAN RIGHTS

PRINCIPLES	Relevance to AF	Action
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-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

PRINCIPLES	Relevance to AF	Action
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. 40 (Social conditions).*
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 2020, 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. 40 (Social conditions).*
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. No actual instances of child labour have been uncovered, suspected or identified in any of our projects or at any of our suppliers. Read more on p. 40 (Social conditions).
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 2024 includes specific goals to increase the percentage of women at AF, from 10 per cent as of year end 2020 to 20 per cent. The Corporate Management Team and the entire organisation are working actively to make AF an attractive employer for everyone. *Read more on p. 40 (Social conditions).*

PRINCIPLES		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 2020. *Read more on p. 26 (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. 34 (Environment and climate).*
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. 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. 34 (Environment and climate).*
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 2020. 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. 46 (Governance).*

SLIDING BRIDGE PROTECTS DRINKING WATER

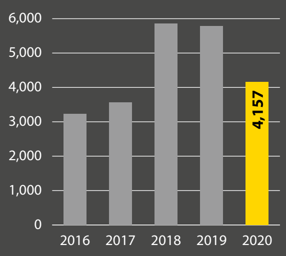
Along the new E39 from Kristiansand to Mandal, AF and Kruse Smith are building the new Rossevann bridge without any concrete work being carried out over water. Using the incremental launch method, the bridge is built from one side and pushed outwards. An assembly line consisting of both a bridge and reinforcement plant is both an efficient and environmentally friendly way of constructing a bridge. The method, which so far is little used in Norway, protects the drinking water of 50,000 people in Kristiansand.

AS CLEAN AS EVER. Chemical substances and alkaline concrete do not reach the Rossevann drinking water outside Kristiansand.

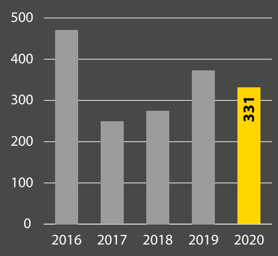
BUSINESS AREAS

CIVIL ENGINEERING

REVENUES NOK MILL.

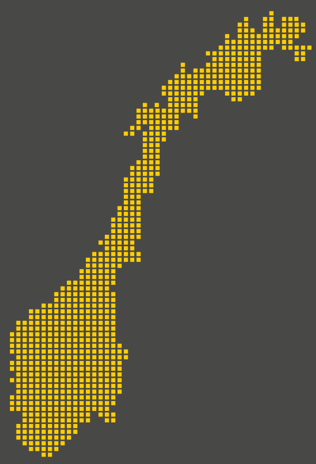


OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

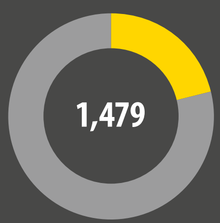
- Norway



KEY FIGURES

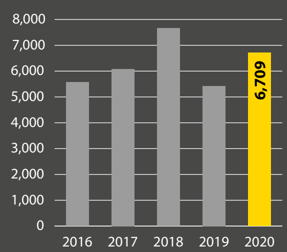
NOK million	2020	2019	2018
Revenue	4,157	5,787	5,861
Operating profit (EBIT)	331	373	275
Earnings before tax (EBT)	315	376	293
Operating margin	8.0%	6.5%	4.7%
Profit margin	7.6%	6.5%	5.0%
Order backlog	6,709	5,424	7,664

EMPLOYEES



AF Gruppen 5,510

ORDER BACKLOG NOK MILL.



CIVIL ENGINEERING CONSIST OF

- AF Anlegg
  JR Anlegg
- Målselv Maskin & Transport

STRONG RESULTS

The Civil Engineering business area maintained a good level of activity and several projects in the closing phase contributed to a strong result in 2020.

AF is one of Norway's largest companies in the civil engineering market, and the customers are both public and private actors. The 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 2020 IN BRIEF

The Civil Engineering business area reported revenues of NOK 4,157 million (5,787 million) in 2020. Earnings before tax were NOK 315 million (376 million). The profit margin ended at 7.6 per cent, compared with 6.5 per cent in 2019.

AF Anlegg had a good level of activity in 2020, but lower than in 2019. The year was marked by high production on the major project E39 Kristiansand vest – Mandal øst for Nye Veier. This is a large and challenging project with a high level of activity, and the project will be completed on schedule. The unit delivered very good results for the year, with several projects in the final phase that contributed overall to the strong results. The Covid-19 outbreak with associated restrictions has created challenges and affected all projects. However, most projects have managed to maintain good progress.

AF Anlegg signed one major contract during the year, the E4 Bergtunnlar Lovö project for Trafikverket. Production started at the end of Q3 2020. The contract has an estimated value of NOK 3,400 million excl. VAT. The interaction phase of the E6 Roterud–Storhove project has begun, and there is a good relationship with the client. 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 of 31 December 2020.

Målselv Maskin & Transport had a good year in 2020, with a high level of activity and very good results for 2020.

At year end, the Civil Engineering business area had an order backlog of NOK 6,709 million (5,424 million).

SUSTAINABILITY

Civil Engineering builds socially useful infrastructure such as road systems and hydropower plants. To carry out these projects, the business is dependent on large construction machinery. This means that Civil Engineering has a highly negative climate footprint. Specific measures are continuously being developed to reduce CO_2 emissions. The main driver of emissions is the transport of excavated mass. The projects therefore strive to reuse as much of the masses as possible within the project in order to reduce the need for transport over longer distances. Electrical alternatives for machinery and equipment are used where appropriate, and several projects use biodiesel as a fuel source. Civil Engineering has a very modern stock of machinery, and all machines are equipped with a digital chip to measure diesel consumption, efficiency and idling. This contributes to more energy-efficient and cost-effective machinery usage. The information also contributes to a shift towards machines that pollute less because the machinery with the highest emissions is replaced.

MARKET OUTLOOK

The civil engineering market in Norway is good and less sensitive to cyclical fluctuations since public sector demand is the greatest driver behind investments. In the 2021 State Budget, NOK 80 billion has been allocated to transport, which is an increase of 7.9 per cent over the final budget for 2020.

Prognosesenteret reports that the level of activity in civil engineering in 2020 seems to have only been affected by Covid-19 and the infection control measures to a small extent, and expects this also to be the case in 2021. Their forecasts assume that the direct impact on the level of activity in the construction market will remain low. However, the development in 2020 was weaker than estimated with total investment of NOK 86 billion, which indicates a decline of 1.3 per cent from 2019, primarily due to a decline in road investment. For the forecast period from 2021 to 2023, total growth of 40 per cent is expected in civil engineering investments. Growth is primarily expected to come from road projects, but also railway and tramline systems. In 2021, Prognosesenteret expects NOK 104 billion of civil engineering investments, of which 39 per cent will come from road construction, while 15 per cent will come from railway and tramline systems.

Overall, the forecasts for the civil engineering market provide a good foundation for further growth of AF's civil engineering activities, even with the uncertainty related to consequences of Covid-19 in the short term.

SELECTED PROJECTS

E39 KRISTIANSAND ØST – MANDAL VEST

One of Nye Veier's highest priority road sections is a motorway with a 110 km/h speed limit, and includes as many as 45 structures, including Southern Norway's longest tunnel of 4 km and the 537 m long Trysfjord bridge. The development will improve traffic safety, increase capacity, take traffic away from landslide-prone areas and connect the region more strongly. So far the project has tested the use of autonomous machines to reduce greenhouse gas emissions, time and costs, and has won an award for digital innovation in collaboration with Norconsult.

BUSINESS UNIT: AF ANLEGG
CLIENT: NYE VEIER
COMPLETION: NOVEMBER 2022
CONTRACT VALUE: NOK 4,700 MILLION EXCL. VAT.

VESLE KJELA POWER PLANT

Vesle Kjela hydropower plant is built into the mountains just south of Kjelavatnet on Haukelifjell, and has an installed power output of 8.5 MW. AF has been responsible for all civil engineering and construction work on the project, including the blasting of a 2.2 km long tunnel, the power station, concrete works and a 1.5 km long access road from the E 134. Existing infrastructure has largely been used, which resulted in modest encroachments on the terrain and environment. The project demonstrates how the amount of renewable energy can be increased by better utilising the water in areas that have already been developed.

BUSINESS UNIT: AF ANLEGG
CLIENT: STATKRAFT ENERGI AS
COMPLETION: DECEMBER 2020
CONTRACT VALUE: NOK 145 MILLION EXCL. VAT.

E6 SOKNEDAL

AF has built a new two/three-lane road on the 6.7 km long stretch between Vindåsliene and Korporalsbrua. The work has included a new bridge over Sokna and a new 3.6 km long tunnel. The new E6 is approximately 1 km shorter compared to the previous route and is located outside Soknedal centre. Soknedal has its own exit from the E6 at a two-level intersection, and a pedestrian and bicycle path has been built on the former E6. This has resulted in better accessibility, traffic safety and environmental conditions in Soknedal.

BUSINESS UNIT: AF ANLEGG
CLIENT: NORWEGIAN PUBLIC ROADS ADMINISTRATION
COMPLETION: DECEMBER 2020
CONTRACT VALUE: NOK 993 MILLION EXCL. VAT.

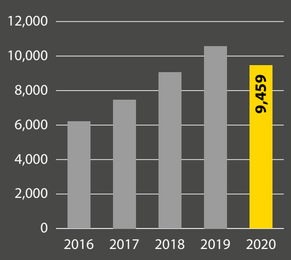
STORMOEN LANDFILL

Målselv Maskin & Transport has excavated a new disposal site at Perpetuum's landfill at Stormoen in Troms and Finnmark county. A total of 412,000 cubic meters of excavated mass has been moved and the landfill is covered with several layers of membrane and canvas, and with excavated mass between some of the layers to protect surrounding soil. Drainage pipes have been established at the bottom which are connected to a pumping system and a dam that handles the run-off from the material and shields the local environment.

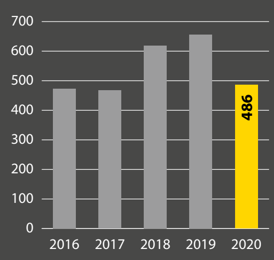
BUSINESS UNIT: MÅLSELV MASKIN & TRANSPORT
CLIENT: PERPETUUM CIRCULI AS
COMPLETION: OCTOBER 2020
CONTRACT VALUE: NOK 23 MILLION EXCL. VAT.

CONSTRUCTION

REVENUES NOK MILL.

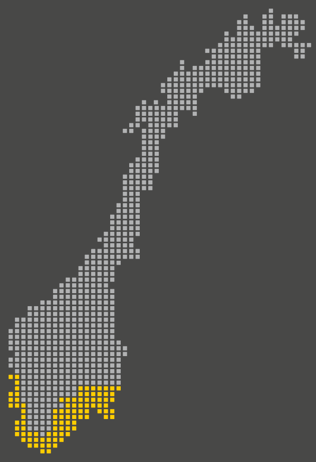


OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

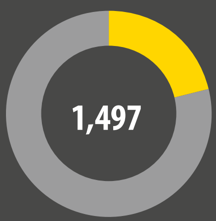
- Norway



KEY FIGURES

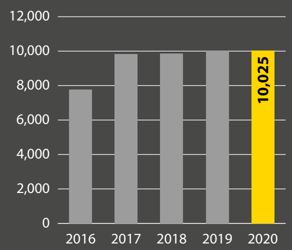
NOK million	2020	2019	2018
Revenue	9,459	10,581	9,055
Operating profit (EBIT)	486	656	619
Earnings before tax (EBT)	491	667	645
Operating margin	5.1%	6.2%	6.8%
Profit margin	5.2%	6.3%	7.1%
Order backlog	10,025	10,045	9,871

EMPLOYEES



AF Gruppen 5,510

ORDER BACKLOG NOK MILL.



CONSTRUCTION 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
- Fundamentering (FAS)
- Helgesen Tekniske Bygg (HTB)
- EIQON

GOOD RESULTS AND SOLID ORDER BACKLOG

Construction delivered a good result in 2020 despite lower revenue than in 2019. The Construction 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 construction and renovation. AF cooperates closely with customers to find efficient and innovative solutions adapted to their needs. Constructionen compasses the Norwegian construction business except for Betonmast, and is mainly located in Eastern Norway and the Bergen region. Betonmast reports as its own business area.

Construction 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 2020 IN BRIEF

Construction reported revenues of NOK 9,459 million (10,581 million) and earnings before tax of NOK 491 million (667 million) in 2020. This gives a profit margin of 5.2 per cent, compared with 6.3 per cent in 2019.

Turnover for Construction fell compared with 2019. Covid-19 has led to increased competition for public construction projects and project postponements, especially in housing construction. The virus outbreak and the infection control measures that were introduced have created challenges in several projects. Nevertheless, the units have maintained good performance in most projects. Overall, Construction delivered good profitability in 2020, but performance varied within the portfolio of units. AF Bygg Oslo, Haga & Berg and Åsane Byggmesterforretning excelled with excellent profitability. AF Bygg Østfold delivered a good result in 2020 after a weak 2019. Eiqon and Strøm Gundersen Vestfold delivered weak results in 2020, and measures have been implemented in both units to improve the situation.

The total order book for Construction stood at NOK 10,025 million (10,045 million) at the end of the 2020.

SUSTAINABILITY

AF Gruppen's construction units have expertise and broad experience in constructing buildings in solid wood and buildings classified to BREEAM certification. BREEAM-NOR is Norway's only method for environmental classification of buildings. In order to achieve classification, sustainable thinking must be incorporated in all stages of the construction process, which requires close collaboration with the client. In order to carry out projects with strict environmental requirements in a cost-effective manner, expertise must be constantly refined. AF Bygg Oslo has, among other things, set a goal for all project managers to be trained to qualify for BREEAM AP (Accredited Professional) during 2021.

In the Furuset Hageby and Fyrstikkbakken 14 projects, AF Bygg Oslo and AF Nybygg are contractors in their respective FutureBuilt projects. FutureBuilt's goal is to produce reference projects that reduce greenhouse gas emissions by 50 per cent in the areas of transport, energy use and material use. Fyrstikkbakken 14 is FutureBuilt's first commercial housing project in solid wood.

MARKET OUTLOOK

The Construction market in Norway remained at a high level in 2020 with a total production value of NOK 349 billion, a decrease of 0.4 per cent from the previous year. The largest decline was in new residential buildings. Prognosesenteret expects a 1.7 per cent increase in production value in 2021, before a decline in the market of 1.0 per cent in 2022 and a further 1.2 per cent in 2023. New residential buildings and the ROT market are expected to drive growth in 2021. During the forecast period up to 2023, the largest growth is estimated for the construction market in Oslo.

Start permits for 30,038 new residential units were registered in 2020. This represents a decline of 4.9 per cent from the previous year. For 2021, 2022 and 2023, Prognosesenteret estimates that start permits will be for 31,000, 27,000 and 26,000 residential units respectively. For Oslo, housing starts in 2021 are expected to amount to 3,400 residential units, an increase of some 21.9 per cent from 2020. Prognosesenteret also expects growth in the number of commenced residential units in Viken and Vestland in 2021.

Even though a high level of activity is expected for AF's building operations in Norway in the future, the consequences of Covid-19 will contribute to increased uncertainty for the building market in the short term.


5. etasje
CARL DEICHMAN-SAMLINGEN

SELECTED PROJECTS

DEICHMAN BJØRVIKA

Deichman Bjørvika is a unique library spread over six floors, including a basement, and has the ambition of being the most environmentally friendly cultural building in Norway. The library has a passive house standard and houses 19,600 square meters of literature, reading and study spaces, stages, a cinema and workshops for young and old. AF has been responsible for interior design and interior work. Strict requirements for fire safety and acoustics have been resolved in close cooperation with the customer and architect, including a specially developed ceiling module that characterises the interior design.

BUSINESS UNIT: AF BYGGFORNYELSE
CLIENT: KULTUR OG IDRETTSBYGG OSLO KF
COMPLETION: JUNE 2020
CONTRACT VALUE: NOK 172 MILLION EXCL. VAT.

RØAKOLLEN

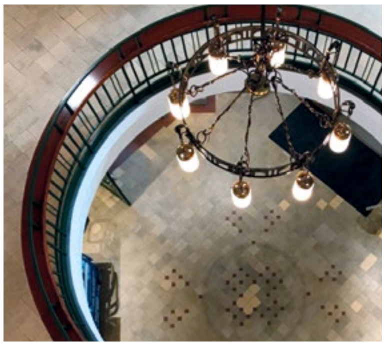
AF has built 213 apartments in two construction stages at Røakollen, which has the protected Mærradalen as its closest neighbour. With effective cooperation from the Agency for Urban Environment in Oslo municipality, AF has ensured the least possible impact on nature by, among other things, taking into account the root zones of trees near the project. Outdoors, AF Decom has contributed to the removal of an old commercial building, and JR Anlegg has carried out mass relocation and expansion of the local pedestrian and bicycle paths. AF has an option to build a further 168 apartments in construction phase 3.

BUSINESS UNIT: AF BYGG OSLO
CLIENT: OBOS NYE HJEM
COMPLETION: JUNE 2020
CONTRACT VALUE: NOK 508 MILLION EXCL. VAT.

SCANDIC HELSFYR HOTELL

Scandic Helsfyr Hotell is the chain's largest hotel in Norway, and AF Bygg Oslo has, in collaboration with other business units in AF, worked on the significant renovation and expansion of the property. The hotel has 197 new rooms and 252 rooms have been renovated. A new entrance, a new intermediate building and an underground car park have been constructed. Facilities such as the restaurant area and conference area have also been expanded and modernised. The new wing is set to achieve the BREEAM Very Good classification and the rehabilitated premises BREAAM In-Use.

BUSINESS UNIT: AF BYGG OSLO
CLIENT: EIENDOMSSPAR/STOREBRAND EIENDOMSFOND
COMPLETION: NOVEMBER 2020
CONTRACT VALUE: NOK 234 MILLION EXCL. VAT.



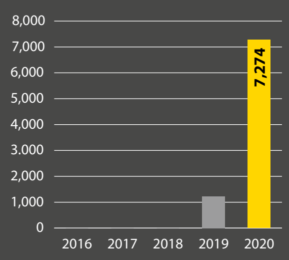
BRØGGER'S HUS BY THE BOTANICAL GARDEN

Brøgger's house from 1917 has Norway's most extensive geological natural history collections. Haga & Berg has carried out a complete rehabilitation of the building according to the methodology from BREEAM In-Use. An important success factor has been to integrate modern building functions and technical systems in the building with protected building components and fixtures. The work has included replacement of ventilation and pipes, upgrading of surfaces and levelling of floors to increase accessibility. The university is now working on the exhibition program and Brøgger's hus is expected to reopen to the public in the spring of 2022.

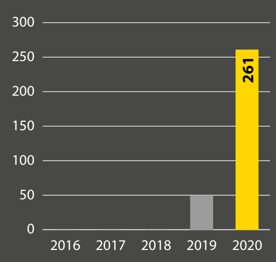
BUSINESS UNIT: HAGA & BERG ENTREPRENØR
CLIENT: UNIVERSITY OF OSLO
COMPLETION: DECEMBER 2020
CONTRACT VALUE: NOK 111 MILLION EXCL. VAT.

BETONMAST

REVENUES NOK MILL.

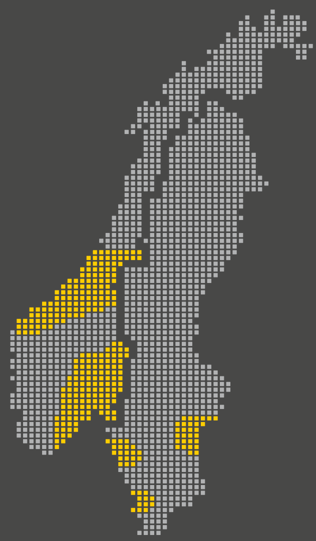


OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

- Norway
- Sweden

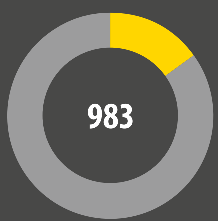


KEY FIGURES

NOK million	2020	2019*	2018
Revenue	7,862	1,226	-
Operating profit (EBIT)	261	49	-
Earnings before tax (EBT)	252	46	-
Operating margin	3.3%	4.0%	-
Profit margin	3.2%	3.8%	-
Order backlog	7,274	7,293	-

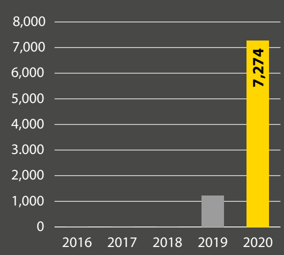
* The figures reflect the period after 31 October 2019, when Betonmast became a part of AF Gruppen

EMPLOYEES



AF Gruppen 5,510

ORDER BACKLOG NOK MILL.



BETONMAST CONSIST OF

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

RESULT AS EXPECTED

Betonmast delivered a result for the year which, as expected, was weaker than the profitability of other businesses in AF Gruppen.

Betonmast is one of Norway's largest construction 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 key contributor in construction for the public sector, and has specialist expertise in project development and collaborative contracts.

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

YEAR 2020 IN BRIEF

Betonmast reported revenues of NOK 7,862 million (1,226 million) and earnings before tax of NOK 252 million (46 million) for 2020. The profit margin ended at 3.2 per cent. Betonmast became part of AF Gruppen on 31 October 2019 and the comparative figures only include the period after the acquisition date.

The result is in line with our expectations with a margin lower than the requirement in AF Gruppen. There is great variation in performance between the Norwegian units. Betonmast Oslo and Betonmast Romerike distinguished themselves with strong results, while Betonmast Boligbygg, Telemark, Ringerike and Innlandet reported weak earnings. Organisational changes have been made in several units, and Betonmast Bergen was sold to Backe Bergen in the summer of 2020.

There was a high activity level in the Swedish business units. Betonmast Malmö delivered good results, while other units delivered stable profitability. After the end of the year, it was decided that Betonmast Göteborg will buy AF Bygg Göteborg. The purpose is to strengthen the presence in the region through a larger company. The transaction will be completed in April 2021.

At the beginning of 2021, Betonmast Eiendom has two housing projects in production.

Betonmast signed a number of contracts during the year, a total of 27 new contracts were announced to the stock exchange. The contracts are distributed among the units both in Norway and in Sweden. Betonmast Romerike has entered into the largest contract this year for the construction of Fjellhamar school in Lørenskog. The construction project includes the building of a new primary school, in addition to the construction of a sports building with multi-purpose halls and a swimming pool. The project is a turnkey contract in partnership and is valued at approximately NOK 1,200 million excluding VAT.

As of 31 December 2020, Betonmast's order backlog was NOK 7,274 million (7,293 million).

SUSTAINABILITY

Betonmast has set ambitious goals to contribute to the development of a sustainable society. The goal is to cut greenhouse gas emissions from its own construction activities by 65 per cent by 2030. The use of resources will be reduced, and in addition to AF Gruppen's goal of a source separation rate of 80 per cent, a target for waste volume in kg/m² BTA has been set for various types of buildings. Furthermore, the use of hazardous substances is to be eliminated and local ecology promoted. By 2030, Betonmast will only have projects with a clear environmental ambition. Betonmast has introduced the "green line" model which describes how Betonmast as a developer and contractor will take care of the environment from early project development to operation after delivery.

SELECTED PROJECTS

VOLDA CAMPUS ARENA

Volda's new sports arena has become a landmark building of 11,200 square meters. The building is energy class A and uses, among other things, geothermal heat from 15 wells drilled at a depth of 260 metres in combination with water-borne heat. In addition, sedum roofs have been used which insulate against both heat and cold, and contribute to efficient surface water management. The sports arena is equipped with international dimensions for handball and volleyball, grandstand facilities, a climbing hall and parking facilities, as well as a side building with changing rooms, fitness rooms and office and meeting room facilities.

BUSINESS UNIT: BETONMAST RØSAND AS
CLIENT: VOLDA CAMPUS ARENA AS
COMPLETION: DECEMBER 2020
CONTRACT VALUE: NOK 229 MILLION EXCL. VAT

NEW HOLMLIA CENTRE

Construction of the new Holmlia Centre began in May 2019, and will be a combination of a shopping centre and office building with a gross area of 23,000 square meters. Parts of the current centre will be retained while new squares, meeting places and a bicycle path will be built. The project will be carried out with a fossil-free construction site and aims to be certified according to BREEAM Very Good with ambitious environmental goals such as 90 per cent recycling, and only 25 kg/sqm of waste in total. The project process has been characterised by early involvement and good interaction with the client.

BUSINESS UNIT: BETONMAST OSLO
CLIENT: OBOS EIENDOM
COMPLETION: AUTUMN 2021
CONTRACT VALUE: NOK 366 MILLION EXCL. VAT

STUVERIET GOTHENBURG

The development of the Stuveriet project began in the spring of 2020, and will be a new office and meeting place in the centre of Gothenburg. The property will be certified in accordance with LEED Platinum, which is the system's highest sustainability certification. The building will consist of 16 floors with a facade of recycled aluminium, and with solar panels and sedum plants on the roof. Two more floors will be built on top of Stena Fastigheter's existing office building in the neighbouring building, and the total area will be around 10,000 square meters.

BUSINESS UNIT: BETONMAST GOTHENBURG
CLIENT: STENA FASTIGHETER
COMPLETION: SPRING 2022
CONTRACT VALUE: SEK 190 MILLION EXCL. VAT

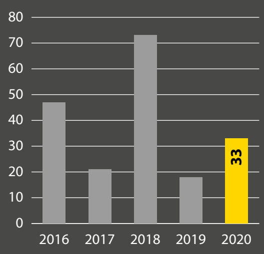
CAMPUS BØ

Campus Bø is the village's largest housing project and consists of 282 new student accommodation over a total of approx. 10,000 square meters. The building has a strong environmental profile with, among other things, a solid wood construction and heating from two geowells. This helps to meet the criteria for the passive house standard. The project also achieved a recycling rate of 86 per cent and waste volume of 21.8 kg/sqm.

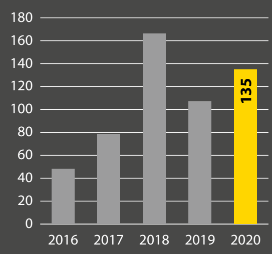
BUSINESS UNIT: BETONMAST TELEMARK AS
CLIENT: STUDENTSAMSKIPNADEN I SØRØST-NORGE
COMPLETION: AUGUST 2020
CONTRACT VALUE: NOK 187 MILLION EXCL. VAT

PROPERTY

REVENUES NOK MILL.

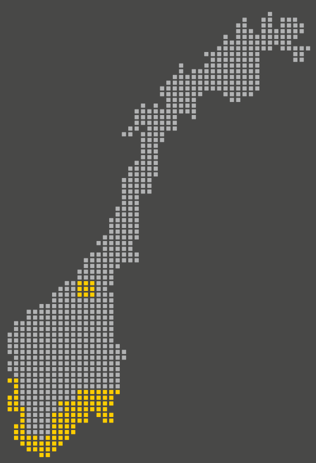


OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

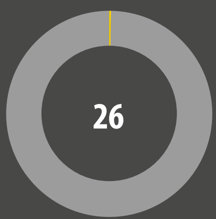
- Norway



KEY FIGURES

NOK million	2020	2019	2018
Revenue	33	18	73
Operating profit (EBIT)	135	107	166
Earnings before tax (EBT)	132	100	157
Operating margin	-	-	-
Profit margin	-	-	-
Order backlog	-	-	-

EMPLOYEES



AF Gruppen 5,510

PROPERTY CONSIST OF

- AF Eiendom
- LAB Eiendom

GOOD SALES AND GOOD RESULTS

Eiendomsvirksomheten hadde i 2020 et høyt aktivitetsnivå og gode resultater

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 2020 IN BRIEF

Property reported earnings before tax of NOK 132 million (100 million) in 2020. The sale of the ATEA building, which is a commercial property at Hasle in Oslo, contributed greatly to the result for the year. Of the housing projects, the most significant profit contributions came from Lillo Gård in Oslo and Bo på Billingstad in Asker.

Residential sales in 2020 were very good with 433 (363) apartments sold, and AF's share was 160 (130) apartments. The residential property market in Greater Oslo, where Property has most of its activities, has seen strong demand and price growth in 2020. The Covid-19 outbreak with associated restrictions caused a dramatic slowdown in the housing market in March and April 2020 before sales picked up sharply. Lilleby Triangel, Bo på Billingstad and Brøter Terrasse were the projects with the most units sold in 2020.

A total of 465 (477) apartments were handed over in 2020, and AF's share was 168 (159) apartments. Of the total of 465 apartments handed over during the year, 159 apartments were handed over at Lillo Gård, 146 at Lilleby Triangel, 134 at Kilen Brygge and 26 at Krydderhagen.

At the end of 2020, Property had ownership interests in residential property projects with a total of 145 (235) apartments available for sale. AF's share was 58 (88) apartments. 134 apartments are related to projects in production and 10 in the Fyrstikkbakken project, which is in the sales phase. There is also a total of 1 (32) completed unsold apartment, of which AF's share was 1 (11) apartment.

At the start of 2021, AF's property business had five residential property projects with a total of 701 apartments in the production phase, and AF's share was 265 apartments. The share of apartments sold in these projects was 81 per cent.

- Bo på Billingstad in Asker (186 units under production)
- Lilleby Triangel in Trondheim (253 units under production)
- Skiparviken in Bergen (129 units under production)
- Brøter Terrasse at Lillestrøm (78 units in production)
- Kråkehaugen in Bergen (55 units in production)

At the end of the year, AF had a development portfolio in Norway that was estimated to yield 2,133 (1,865) residential units. AF's share of this was 1,048 (916) 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 K4 hotel and offices of 21,056 square meters GFA were under construction at the end of 2020.

SUSTAINABILITY

Property's goal is for greenhouse gas emissions to be halved by 2030, and for all new projects to be environmentally certified according to the BREEAM-NOR Very Good standard or better. In this way, they will contribute to a sustainable living environment. As an example, AF Eiendom, together with Birk & Co, is developing Fyrstikkbakken 14, which is FutureBuilt's first commercial housing project. FutureBuilt's goal is to produce reference projects that reduce greenhouse gas emissions by 50 per cent in the areas of transport, energy use and material use. The project will be built in Norwegian solid wood and built according to the BREEAM-NOR Very Good standard. To reduce the carbon footprint of property development, they have also invested in renovation projects. Fred Olsens gate 3B, which was purchased and will be developed together with Møller Eiendom and Odin Utvikling in 2020, is an example of this.

MARKET OUTLOOK

Figures from Property Norway for the 4th quarter of 2020 show growth in housing prices in Norway. At the end of the 4th quarter, residential property prices were 8.7 per cent higher nationally than one year ago. Oslo had the strongest price performance in 2020, with an increase of 12.0 per cent, but Bergen also had high growth of 8.5 per cent. Eiendom Norge points out that it is important that higher house prices are followed by more residential construction in areas where there is a supply-side deficit. At the interest rate meeting in March 2021, Norges Bank decided to keep the key rate unchanged at 0 per cent. According to Norges Bank's assessment of the outlook and the risk situation, the key policy rate will most likely be raised during the second half of 2021.

SELECTED PROJECTS

KRÅKEHAUGEN

The Kråkehaugen project is located in Bergen in a well-established residential area between the Paradis and Fantoft neighbourhoods, walking distance from the tram stop, shops and services. When completed, it will consist of 55 apartments split across four buildings. The facades will be built in Superwood, which is a durable and sustainable wood cladding. Together with elements of plate cladding and natural stone, the facades will provide the buildings with a warm and exclusive feel.

BUSINESS UNIT: LAB EIENDOM
CONTRACTOR: LAB ENTREPRENØR
COMPLETION: 2023
OWNERSHIP STAKE: 50%

LILLO GÅRD

At Storo in Oslo, AF has been involved in developing a completely new micro-district consisting of 415 apartments, a kindergarten and a local shopping center. In the project, emphasis has been placed on good floor plans, high material quality and an inviting outdoor area. All roofs are covered with sedum which prevents surface water during heavy rainfall and provides a good habitat for insects and birds. In addition to the new homes, a square has been built around the old Lillo farm, which has been preserved. The square creates a natural gathering point for both the project's residents and the rest of the neighbourhood.

BUSINESS UNIT: AF EIENDOM
CONTRACTOR: AF BYGG OSLO
COMPLETION: NOVEMBER 2020
OWNERSHIP STAKE: 25%

LILLEBY TRIANGEL

At Lade in Trondheim, a total of 400 apartments will be built in the triangle between Jarleveien and Ladeveien. Residents will begin to move in to the 275 apartments from the first construction phase as early as the first quarter of 2021, and the project has been well received by customers. Among the feedback, customers highlight a user-friendly solution for additional interior choices, proximity to the city centre, services and public transport, and attractive facades.

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

FYRSTIKKBAKKEN 14

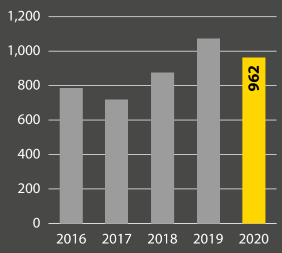
Fyrstikkbakken 14 at Bryn in Oslo is the first commercial FutureBuilt housing project in solid wood. The goal is to halve greenhouse gas emissions from the construction process and achieve an energy consumption that is close to zero when the residents move into the apartments. A total of 163 apartments will be built across four buildings, in addition to a number of communal facilities. The project has a fully digital showroom centre and allows the customer to adapt the floor plan to their needs through a digital floor planning tool in the purchase process.

BUSINESS UNIT: AF EIENDOM
CONTRACTOR: AF NYBYGG
COMPLETION: 2023
OWNERSHIP STAKE: 50%

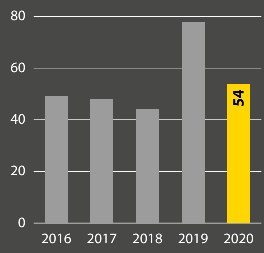
BUSINESS AREAS

ENERGY AND ENVIRONMENT

REVENUES NOK MILL.

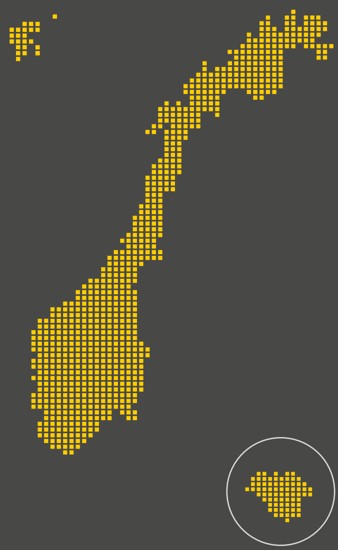


OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

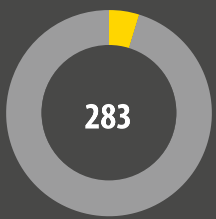
- Norway
- Lithuania



KEY FIGURES

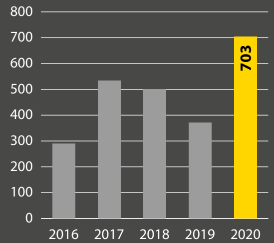
NOK million	2020	2019	2018
Revenue	962	1,072	875
Operating profit (EBIT)	54	78	44
Earnings before tax (EBT)	52	75	41
Operating margin	5.6%	7.3%	5.0%
Profit margin	5.5%	7.0%	4.7%
Order backlog	703	371	501

EMPLOYEES



AF Gruppen 5,510

ORDER BACKLOG NOK MILL.



ENERGY AND ENVIRONMENT CONSIST OF

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

GOOD RESULTS AND SOLID ORDER BACKLOG

Energy and Environment had a slightly lower level of activity in 2020 compared to 2019, but maintained good profitability. AF sees more opportunities for growth going forward, and the order backlog is at a record high.

The Energy and Environment area consists of two business units, AF Energi & Miljøteknikk and AF Decom. AF Energi & Miljøteknikk provides smart, energy-efficient solutions for buildings and industry. The unit also designs and supplies energy plants that are favourable in a long-term ownership perspective. AF Decom is a leading player in environmental clean-up, demolition and recycling. In addition, AF Decom has developed several environmental parks, which sort, decontaminate and recycle materials that would have otherwise ended up at a disposal site.

YEAR 2020 IN BRIEF

The Energy and Environment business area reported revenues of NOK 962 million (1,072 million) in 2020. Earnings before tax were NOK 52 million (75 million). This gives a profit margin of 5.5 (7.0) per cent.

AF Decom continues to deliver solid results in both demolition and recycling despite a lower level of activity than in 2019. The level of activity in the environmental centres has been high in 2020, and profitability has further improved from 2019. AF Energi & Miljøteknikk increased revenues in 2020 compared to 2019, but delivered results below expectations. Despite varying profitability in the project portfolios, AF Energi & Miljøteknikk has handed over a number of good, high-quality projects to satisfied customers.

At the end of the year, the Energy and Environment business area had an order backlog of NOK 703 million (371 million).

SUSTAINABILITY

The purpose of AF's energy operations is to reduce customers' energy consumption by offering alternative and renewable solutions for both new and existing buildings and industry. Increased energy efficiency can provide an energy saving of 20–50 per cent with an investment pay-back time of 4–7 years for the customer. AF's deliveries guarantee lower energy consumption for the customer and reduce climate emissions for society. For example, AF Energi & Miljøteknikk contributed to Senter Syd at Mortensrud reducing energy consumption by 37.5 per cent in just one year. In Asker, AF Energi & Miljøteknikk, together with Slemmestad Brygge and Vea, will build and operate the new energy supply for the coastal town of Slemmestad. The energy project has developed a new circular solution which, through heat exchange using treated wastewater, will supply heating and cooling to all buildings, as well as street heating for snowmelt.

AF Gruppen's environmental business aims to be a leading player in environmental clean-up, demolition and recycling. The foundation for the environmental business is that waste can be reused, and thus be a valuable resource in a growing circular economy. AF Decom has set a goal of separating 95 per cent of the amount of waste from demolition operations at source and achieved a source separation rate of 96 per cent in 2020. In the same year, AF Decom has refined and facilitated the recycling of approximately 19,380 tonnes of metal. The steel industry accounts for approx. 7 per cent of the world's total CO_2 emissions, and reused steel has approx. 70 per cent less CO_2 emissions than ore-based production. This corresponds to a reduction in emissions of 1 kg CO_2 for every kilo of steel that is recycled, which means that AF Decom's operations have contributed to reducing alternative CO_2 emissions by 19,380 tonnes. Contaminated materials that are traditionally disposed of are sorted, decontaminated and recycled at AF's environmental centres. The environmental centres have a goal that 80 per cent of the materials will be reused in local markets after they have been recycled. AF's environmental centres recovered a total of 528,758 (317,730) tonnes of materials in 2020, and the recycling rate realised for contaminated materials was 86 per cent.

MARKET OUTLOOK

AF Gruppen's level of activity is closely connected to the general level of activity in the construction market. Lower housing starts will affect the market for demolition and recycling services. Covid-19 contributes to increased uncertainty for the demand for such services in the short term. However, 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 demand for heating and cooling for commercial buildings is closely related to the number of new commercial building starts. Prognosesenteret expects the total floor area of commercial building starts in 2021 to be on par with 2020. The largest growth of commercial building starts during the forecast period is expected for Oslo. Overall, we expect a healthy market for AF's activities in Energy and Environment.


CAT
AF Decom

SELECTED PROJECTS

BERGEN COUNTY ADMINISTRATION BUILDING

Vestland fylkeskommune is to renovate its premises and AF Decom was commissioned to demolish the existing 11-storey building from 1972. The first step in the process has been to remove all technical installations, insulation and other fixtures. With only concrete and reinforcement steel left, demolition robots tore down the upper floors before more conventional demolition machines dismantled the remaining floors. A total of 20,000 tonnes of concrete has been demolished and processed. The concrete will be reused as filler on LAB's projects at Skiparviken and Haukeland.

BUSINESS UNIT: AF DECOM
CLIENT: LAB ENTREPRENØR / VESTLANDET FYLKESKOMMUNE
COMPLETION: DECEMBER 2020
CONTRACT VALUE: NOK 38 MILLION EXCL. VAT.

STATNETT, LYSE – TONSTAD

AF Decom will remove 209 old high-voltage masts distributed over a length of nearly 80 km between Lysebotn and Tonstad, and then between Tonstad and Solholm in Agder. Demolition started in November 2020 and will last for one year. In total, up to 1,880 tonnes of steel masts, 835 tonnes of concrete foundations and 770 tonnes of pipeline will be removed, recycled and stored in a depot.

BUSINESS UNIT: AF DECOM
CLIENT: STATNETT
COMPLETION: NOVEMBER 2021
CONTRACT VALUE: NOK 80 MILLION EXCL. VAT.

KONGENS GATE 12

In the Canica Eiendom building in Kongens gate 12, AF Energi & Miljøteknikk has carried out a number of upgrades to the building's HVAC installations. Among other things, a new ventilation unit has been supplied, a new ice water circuit with a cooling machine has been established, a new technical shaft has been established from the roof to the basement for air supply and removal, and a complete SD system has been installed in the building to control the technical installations. Trial operation of the systems will take place until June 2021.

BUSINESS UNIT: AF ENERGI & MILJØTEKNIKK
CLIENT: CANICA EIENDOM
COMPLETION: JUNE 2020
CONTRACT VALUE: NOK 6,3 MILLION EXCL. VAT.

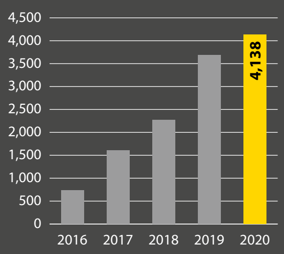
UNSØ

The project involves internal technical work on the extension of Non-Schengen East (UNSØ), which will be an extension of the original international terminal at Oslo Airport Gardermoen. The project started in March 2020 and is a main contract that includes electrical, pipe and ventilation disciplines. The work includes the construction of air treatment units with associated ventilation systems, heating and cooling systems, sprinkler control centre, sanitary facilities and electrotechnical facilities.

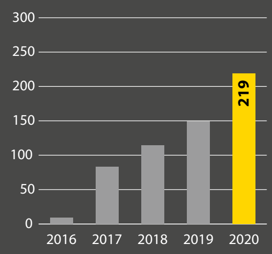
BUSINESS UNIT: AF ENERGI & MILJØTEKNIKK
CLIENT: AVINOR
COMPLETION: 2022
CONTRACT VALUE: NOK 200 MILLION EXCL. VAT.

SWEDEN

REVENUES NOK MILL.



OPERATING PROFIT NOK MILL.



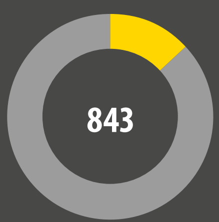
GEOGRAPHIC PRESENCE

- Sweden

KEY FIGURES

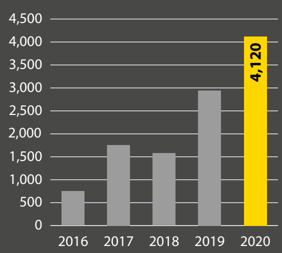
NOK million	2020	2019	2018
Revenue	4,138	3,683	2,270
Operating profit (EBIT)	219	149	114
Earnings before tax (EBT)	212	146	113
Operating margin	5.3%	4.0%	5.0%
Profit margin	5.1%	4.0%	5.0%
Order backlog	4,120	2,946	1,578

EMPLOYEES



AF Gruppen 5,510

ORDER BACKLOG NOK MILL.



SWEDEN CONSIST OF

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

HIGHER LEVEL OF ACTIVITY AND GOOD RESULTS

Sweden reported significantly higher revenues in 2020 as a result of strong growth in Kanonaden. Sweden delivered good results overall, even though the level of profitability varies between the business units.

Sweden includes AF Gruppen's Swedish operations in civil engineering, construction, property and demolition, excluding Betonmast Sverige which reports under the Betonmast business area. The geographic area of operation encompasses Gothenburg and Southern Sweden, as well as Stockholm and Mälardalen.

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

YEAR 2020 IN BRIEF

Sweden reported revenues of NOK 4,138 million (3,683 million) and earnings before tax of NOK 212 million (146 million) in 2020. This gives a profit margin of 5.1 per cent, compared with 4.0 per cent in 2019.

In the Swedish construction market, Kanonaden saw strong revenue growth and the unit delivered a very good result. Pålplintar delivered a slightly positive result for the year. The level of activity has been reduced as a result of the closure of the foundation business.

The Swedish demolition business, AF Härnösand Byggreturer, continues to deliver strong margins even though the level of activity has been reduced. There is variation in performance among the Swedish construction units. HMB delivered increased revenues, but somewhat weaker profitability than last year. AF Bygg Syd achieved strong profitability despite a somewhat lower level of activity. AF Bygg Göteborg had a reduced level of activity, and after the end of the year it was decided that AF Bygg Göteborg will be bought by Betonmast Göteborg to create a larger and stronger player in the region.

AF Projektutveckling, AF's property business in Sweden, had two residential property projects and one school project in the production phase, as well as several in the development phase in 2020. The unit has a building site inventory (apartments under development) that is estimated at 363 (368) apartments. AF's share of this was 169 (233) apartments.

At the end of 2019, the Sweden business area had an order backlog of NOK 4,120 million (2,946 million).

SUSTAINABILITY

AF aims to halve greenhouse gas emissions and halve waste volumes that cannot be reused or recycled by 2030. Sweden wants to minimise waste produced on construction sites and has a goal of separating at least 80 per cent at source. In 2020, the Sweden business area achieved a source separation rate of 96 per cent.

AF Gruppen Sverige intends to join the "Roadmap 2045", which is the construction sector's contribution to Sweden's goal of fossil freedom by 2045. This entails a commitment to map the company's climate impact during 2021–2022 and produce well-developed goals and action plans.

MARKET OUTLOOK

The spread of Covid-19 has affected the Swedish economy, and there is still uncertainty as to how hard the construction and civil engineering markets in Sweden will be affected. In February 2021, Riksbanken decided to maintain a zero interest rate, and Byggföretagen expects the interest rate to remain at this level for the rest of 2021.

Despite the Covid-19 pandemic, 2020 was marked by price increases and increased sales volumes. Svensk Mäklarstatistik reports 7 per cent growth for apartments and 13 per cent for detached houses from 2019 to 2020. In metropolitan areas, prices of apartments increased between 3 per cent and 9 per cent, and the Malmö region showed the strongest price growth.

In October, Byggföretagen expected a 1 per cent decline in construction and civil engineering investments in Sweden in 2020 and an unchanged investment volume in 2021. This follows several years of high growth. For 2021, a 4 per cent fall in residential building production is expected, while growth in building renovation is expected to be 2 per cent. Construction investments are expected to grow by 5 per cent in 2021, with increased public investment in infrastructure making a positive contribution. This indicates that we will also have good opportunities for AF's operations in Sweden in the future, even though competition is tough. However, the consequences of Covid-19 will continue to contribute to a greater degree of uncertainty in Sweden in the near future.

SELECTED PROJECTS

GLASBRUKET

In August 2020, construction began on the Glasbruket housing cooperative flats in the Majorna district of Gothenburg. A total of 136 apartments ranging from 35–173 square meter will be built in an industrial style with large windows in a classic brick facade. This is a turnkey contract for AF, and the project will be certified in accordance with Silver 3.0 standard under the Swedish environmental building certification system Miljöbyggnad.

BUSINESS UNIT: AF BYGG GOTHENBURG
CLIENT: FASTIGHETS AB BALDER
COMPLETION: 2023
CONTRACT VALUE: SEK 200 MILLION EXCL. VAT.

VINDPARK ÅBY-ALEBO

Vindpark Åby-Alebo in Mönsterås municipality will be the largest wind farm in southern Sweden. It will consist of a total of 36 wind turbines expected to generate approximately 500 GWh of renewable electricity annually. This is the equivalent of enough electricity to run 100,000 houses. Kanonaden is tasked with designing and building roads, casting foundations and establishing the power grid for the wind farm.

BUSINESS UNIT: KANONADEN ENTREPRENAD
CLIENT: STENA RENEWABLE
COMPLETION: 2022
CONTRACT VALUE: SEK 213 MILLION EXCL. VAT.

TALLBOHOV ELECTRIC VILLAGE

HMB Construction will build four high-rise buildings with 180 apartments in the first of two phases in Tallbohov Electric Village. The housing project is included in a research project to develop sustainable and innovative residential buildings with government support. The apartments will be virtually energy self-sufficient and will use artificial intelligence to choose the energy source that has the lowest carbon emissions at the time – solar energy, geothermal energy, district heating or electricity from the grid.

BUSINESS UNIT: HMB CONSTRUCTION
CLIENT: TORNET BOSTADSPRODUKTION
COMPLETION: 2023
CONTRACT VALUE: SEK 237 MILLION EXCL. VAT.

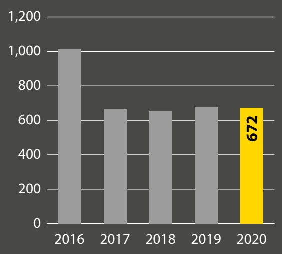
SJÖLUNDA SEWAGE TREATMENT PLANT

Over the past four years, AF Bygg Syd has built a new sewage plant, and designed and installed a new mechanical purification and sand treatment plant The plant is one of the largest treatment facilities in Sweden and cleans wastewater from approximately 300,000 inhabitants. The new treatment plant creates a better water environment and ensures wastewater treatment that copes better with climate change, stricter environmental requirements and a growing population.

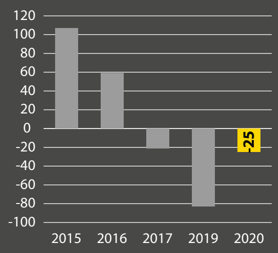
BUSINESS UNIT: AF BYGG SYD
CLIENT: VA SYD
COMPLETION: MAY 2020
CONTRACT VALUE: SEK 200 MILLION EXCL. VAT.

OFFSHORE

REVENUES NOK MILL.

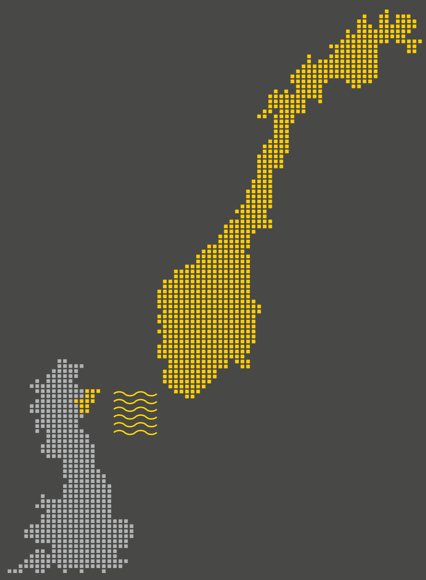


OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

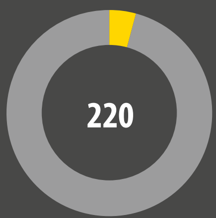
- Norwegian and British continetal shelf
- Norway
- UK



KEY FIGURES

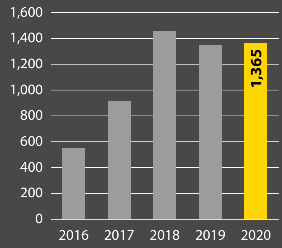
NOK million	2020	2019	2018
Revenue	672	679	655
Operating profit (EBIT)	-25	-83	-21
Earnings before tax (EBT)	-40	-94	-27
Operating margin	-3.7%	-12.2%	-3.2%
Profit margin	-5.9%	-13.9%	-4.1%
Order backlog	1,365	1,351	1,456

EMPLOYEES



AF Gruppen 5,510

ORDER BACKLOG NOK MILL.



OFFSHORE CONSIST OF

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

STABLE LEVEL OF ACTIVITY AND WEAK PROFITABILITY

Challenging market conditions, the impact of Covid-19, as well as a standstill in production at Vats for much of the first half of the year, affected profitability for Offshore in 2020.

AF has varied activities aimed at the maritime business and the oil and gas sector. 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 2020 IN BRIEF

The Offshore business area reported revenues of NOK 672 million (679 million) for 2020. Earnings before tax were NOK -40 million (-94 million). This gives a profit margin of -5.9 per cent, compared with -13.9 per cent in 2019.

AF Offshore Decom increased its revenues in 2020 from the previous year, but delivered a negative result. The unit's revenues and profitability largely depend on the timing of offshore campaigns, as well as the level of activity at the Miljøbase Vats. The unit had only minor offshore campaigns in 2020 and mainly prepared for upcoming offshore campaigns in 2021 and 2022. A standstill in production at Vats in the first quarter and limited activity at the base in the second quarter impacted profitability in the first half of the year. There was a high level of activity at Vats and good profitability for our demolition business in the second half of the year. A high level of demolition activity is expected at Vats in 2021.

AF AeronMollier had lower revenues in 2020 than in 2019, but delivered positive results for 2020. The fall in revenues reflects, among other things, challenging market conditions with vulnerable projects and a reduced level of activity for offshore technicians as a result of Covid-19 and associated infection control measures.

At year end, the Offshore business area had an order backlog of NOK 1,365 million (1,351 million).

SUSTAINABILITY

AF Offshore Decom's business concept is based on solving a significant societal challenge by removing and recycling decommissioned oil platforms. The unit aims to recycle as much of the materials from the decommissioned offshore platforms as possible. In recent years, the unit has achieved a source separation rate of 94 per cent for the structures for recycling, where the main component is metal. Reusing steel results in 70 per cent less CO_2 emissions than ore-based production, which corresponds to an emission reduction of 1 kg CO_2 per kilo of recycled steel. AF Offshore Decom demolished and facilitated the recycling of approximately 22,000 tonnes of steel in 2020, corresponding to a reduction of alternative CO_2 emissions of 22,000 tonnes.

AF AeronMollier's business contributes to reducing greenhouse gas emissions through electrification and improving energy efficiency in the marine sector. In 2020, the unit supplied systems and equipment for electrification of 33 ferries, which corresponds to around half of the Norwegian market. Electrification of ferries means that the ferries are mainly charged with electricity from the grid through ordinary grid production, thus resulting in a significant reduction in greenhouse gas emissions compared to the use of fossil fuels.

MARKET OUTLOOK

The market for the removal of offshore installations has been marked by delays and strong competition. However, latest estimates from the British industry organisation Oil & Gas UK show expectations of a high volume for the demolition and removal of decommissioned oil installations going forward. It is expected that more than 900,000 tonnes of top deck must be removed in the North Sea during the period from 2020 to 2029. This applies to the British, Norwegian, Danish and Dutch sectors. The recycling of steel from decommissioned oil platforms represents a significant contribution to reducing greenhouse gas emissions compared with ordinary steel production. This could make a positive contribution to the demand for this type of service.

For AF's offshore climate control business (HVAC), as well as maintenance and modifications, market conditions remain challenging. However, electrification of the marine sector and installations on the Norwegian shelf provides new market opportunities. The Government's climate plan proposes that the CO_2 tax be adjusted upwards from NOK 590/tonnes today to NOK 2,000/tonnes in 2030, which can help accelerate the pace of electrification. The oil price fluctuated significantly in 2020, and despite the oil price now being back at its opening level in 2020, Covid-19 is still contributing to uncertainty in the oil industry, which in turn may affect AF's operations in the future.

SELECTED PROJECTS

CURLEW FPSO

AF Environmental Base Vats will dismantle and recycle the production vessel Curlew FPSO (Floating Production, Storage and Offloading). The contract awarded in the international competition includes engineering, preparations, dismantling and recycling. Curlew is a 235 meter long vessel manufactured in 1983, and has been in operation in the British sector of the North Sea. A total of 25,000 tonnes of steel will be cut up, cleaned and separated at source. The project is due for completion in 2024.

BUSINESS UNIT: AF OFFSHORE DECOM
CLIENT: SHELL UK LTD
COMPLETION: 2024

BRENT A

The 44-year-old Brent A platform is one of four platforms that operated on the Brent field northeast of Scotland in the British sector of the North Sea. At over 10,000 tonnes, the Brent A jacket is one of the largest of its kind, and the largest structure that has been lifted onto the quay of AF Environmental Base Vats in one horizontal lift. At the base, the jacket must be cleaned of marine fouling and loose parts must be removed before the construction is further divided into smaller parts. The work of source separation and preparing Brent A for recycling will continue into 2021.

BUSINESS UNIT: AF OFFSHORE DECOM
CLIENT: SHELL UK LTD.
COMPLETION: 2021

JOTUN B

The Jotun B platform has been extracting oil on the Norwegian shelf in the central North Sea since 1999, and was removed from the Balder field by Heerema in 2020. AF Environmental Base Vats received the 8,200-tonne jacket in the summer of 2020, which was then the largest of its kind received at the base. The structure has been divided into several stages for source separation and recycling. Recycled steel is used for rebar, among other things, and the work of recycling the structure will continue in 2021.

BUSINESS UNIT: AF OFFSHORE DECOM
CLIENT: HEEREMA MARINE CONTRACTORS
COMPLETION: 2021

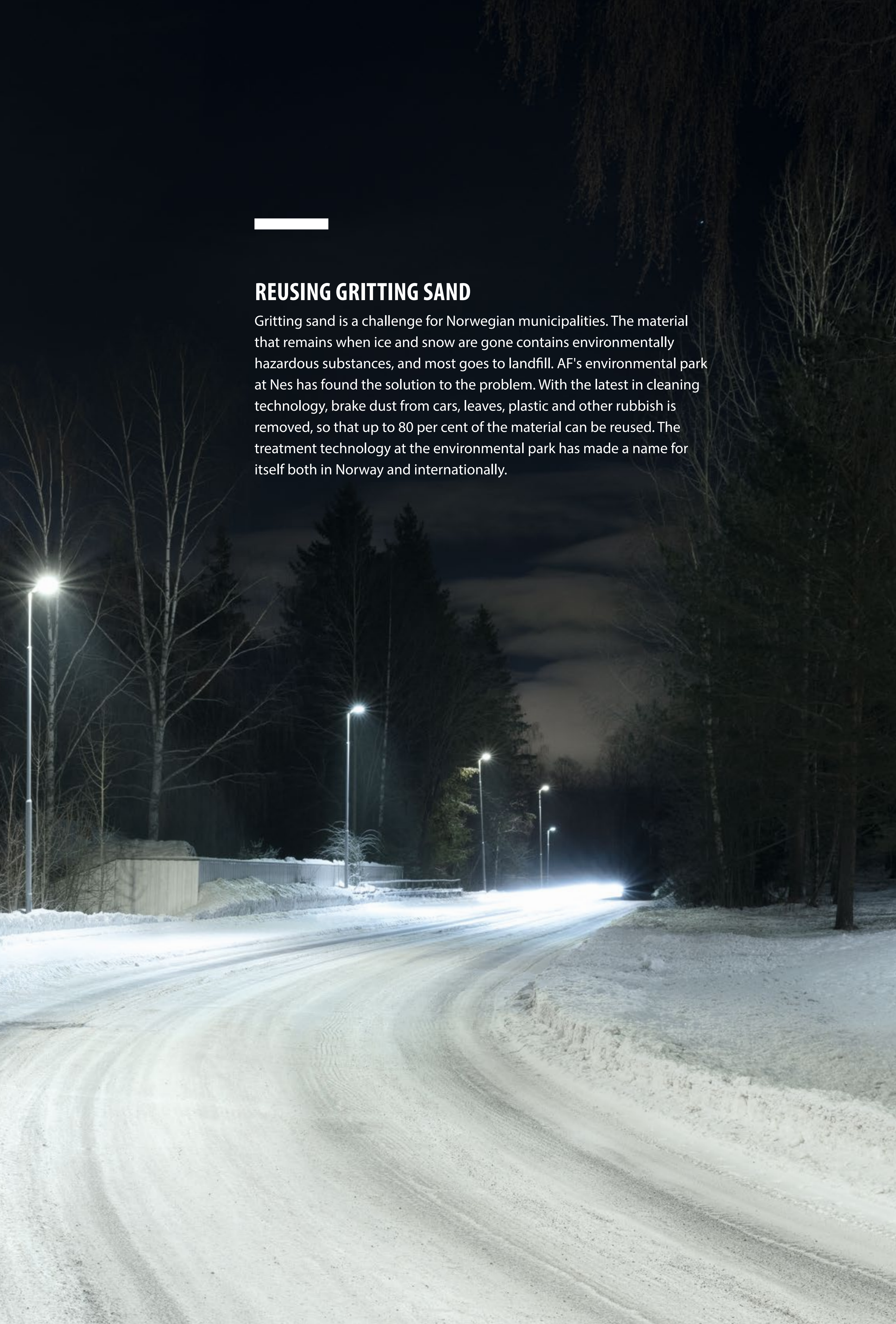
ULSTEIN

The ships National Geographic Endurance and National Geographic Resolution are built by Ulstein Verft according to X-Bow design for the customer Lindblad Expeditions, and will be able to operate in a polar environment all year round. AF AeronMollier is responsible for the engineering and delivery of complete ventilation and air conditioning systems (HVAC), and provisions for the ships. The delivery includes, among other things, Aeron Connect which makes it possible to monitor and remotely control the HVAC system from shore. Endurance was delivered in the spring of 2020, while Resolution is expected to be completed in the autumn of 2021.

BUSINESS UNIT: AF AERONMOLLIER
CLIENT: ULSTEIN VERFT
COMPLETION: 2021

REUSING GRITTING SAND

Gritting sand is a challenge for Norwegian municipalities. The material that remains when ice and snow are gone contains environmentally hazardous substances, and most goes to landfill. AF's environmental park at Nes has found the solution to the problem. With the latest in cleaning technology, brake dust from cars, leaves, plastic and other rubbish is removed, so that up to 80 per cent of the material can be reused. The treatment technology at the environmental park has made a name for itself both in Norway and internationally.



ENVIRONMENTAL BENEFIT FOR RESIDENTS. Slippery winter pavements and roads in Bærum were strewn with recycled gritting sand for the first time.

SHAREHOLDER INFORMATION

CORPORATE MANAGEMENT TEAM

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 142,464 shares and 23,110 options in AF Gruppen ASA as at 31 December 2020.

AMUND TØFTUM

(1978)
CEO

Amund Tøftum joined AF in 2005 and was executive vice president for Construction, Betonmast and Offshore before becoming CEO of AF Gruppen from 24 August 2020. He has also been project director at AF Offshore Decom and has experience from business development and various operational roles at AF. Tøftum has an advanced engineering degree (sivilingeniør) from the Norwegian University of Science and Technology (NTNU). He owns 109,925 shares and 20,833 options in AF Gruppen ASA as at 31 December 2020.

IDA AALL GRAM

(1977)
Executive Vice President

Ida Aall Gram is responsible for the Property business area, as well as HR and Communication. 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 14,022 shares and 20,488 options in AF Gruppen ASA as at 31 December 2020.

EIRIK WRAAL

(1979)
Executive Vice President

Eirik Wraal is responsible for the Energy & Environment business area, parts of the Construction business area and corporate social responsibility at AF Gruppen. He was previously head of AF Decom and has been with AF since 2004. 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 31,943 shares and 20,660 options in AF Gruppen ASA as at 31 December 2020.

TORMOD SOLBERG

(1971)
Executive Vice President

Tormod Solberg joined the Corporate Management Team on 1 October 2020, and is responsible for the Construction business area. He has held various leadership roles at AF Gruppen since 2006, and came from the position of CFO of AF Bygg Oslo. As Director of Quality and Risk, he was instrumental in establishing AF Gruppen's risk management model. Solberg has a background as project manager in ABB and as a consultant at PwC. He owns 41,554 shares and 8,913 options in AF Gruppen ASA as at 31 December 2020.

BÅRD FRYDENLUND

(1968)
Executive Vice President

Bård Frydenlund is responsible for the Sweden and Betonmast business areas. He was previously director of Personnel and Organisation and has held various roles in human resources and finance since 2000. Bård Frydenlund has a degree in economics (diplomøkonom) and Master of Management from BI Norwegian Business School. He owns 162,703 shares and 20,833 options in AF Gruppen ASA as at 31 December 2020.

GEIR FLÅTA

(1978)
Executive Vice President

Geir Flåta is responsible for the Civil Engineering and Offshore business areas. He was previously Director for AF Nybygg and has broad project and managerial experience from construction 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 1,092 shares and 20,488 options in AF Gruppen ASA as at 31 December 2020.

BOARD OF DIRECTORS

PÅL EGIL RØNN

(1968)
Board Chairman

Pål Egil Rønn was the CEO of AF Gruppen from 2007 to 2015. Since starting at AF in 1999, he held various leadership positions. His other board positions include Bouvet AS, Eidsiva Energi AS, Sparebank 1 Gudbrandsdalen 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, and OBOS-banken AS. She has an advanced economics degree (siviløkonom) from the Norwegian School of Economics (NHH).

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. He 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, BRG Entrepenør AS and Grunn-Service 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

Arne 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 fourteen years, with responsibility for the Collective Agreement for Construction Trades. Previously, he worked as a crane operator/site preparation worker for AF Bygg Oslo.

BORGHILD LUNDE

(1965)
Board Member

Borghild Lunde is Executive Vice President of Aibel with responsibility for Business Development and Purchasing Management. She has previously held a number of leadership positions at ABB, including as Director of Oil, Gas and Chemicals. Lunde is also Board Chairman at Tonito. She holds advanced engineering degree (sivilingeniør) in Engineering Cybernetics 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

Kjetel Digre is CEO of Aker Solutions. He was previously Senior Vice President Operations at Aker BP, where he worked on digitalisation of the Norwegian continental shelf. 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 2020

In 2020, work on a new strategy that will apply until 2024 was an important item for the Board of Directors. The strategy continues the ambition of profitability and growth and the goal for 2024 is a revenue of 40 billion and an operating margin of 7 per cent. Four initiatives will be prioritised to achieve these goals: disciplines and management, customers and suppliers, climate and environment as well as innovation.

The Covid-19 pandemic with associated infection control measures also impacted the work of the Board of Directors. The Board of Directors followed developments closely and assessed emergency preparedness in AF Gruppen and the need for measures on an ongoing basis. Different scenarios for the effects on the business were analysed, such as the extent of shutting down society and restrictions on employee mobility.

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 criteria, 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 indicate so. In 2020, the Board of Directors considered 12 tenders before the tenders were submitted.

BOARD OF DIRECTORS

Members	Number of shares [1]	Attendance record
Pål Egil Rønn (Chairman)	207,225	16
Arne Baumann	17,183,709	16/16
Kristian Holth	15,616,856	16/16
Hege Bømark	-	16/16
Borghild Lunde	26,048	15/16
Kjetel Digre	-	16/16
Kristina Alvendal	-	16/16
Kenneth Svendsen	102,514	16/16
Hilde W. Flaen	27,337	16/16
Arne Sveen	-	14/16

[1] *Number of shares owned as at 31 December 2020 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 Digre

BOARD'S COMPENSATION 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.com

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	Two deviations, see the text below
7	Nomination Committee	One deviation, 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 Committee 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

After a year of major stock market fluctuations, the AF share ended at the same price level as at the end of 2019. Including the dividend of NOK 9.50, this yielded a total return of 5.6 per cent in 2020.

The AF share price was NOK 175.60 at the end of the last trading day of 2020. In 2019, the share price was NOK 176.00 at year end. Adjusted for a dividend of NOK 9.50 per share, this gives a total return of 5.6 per cent for 2020. The Oslo Børs Benchmark Index (OSEBX) showed a return of -4.6 per cent for the same period.

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 industrials index.

AF Gruppen has provided good returns over time to its shareholders. Over the last five years, the AF share has yielded a return of 68.3 per cent, including dividends. This corresponds to an average annual return of 11.0 per cent. In comparison, the Oslo Børs Benchmark Index rose 59.6 per cent over the last five years, which corresponds to an average annual return of 9.8 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

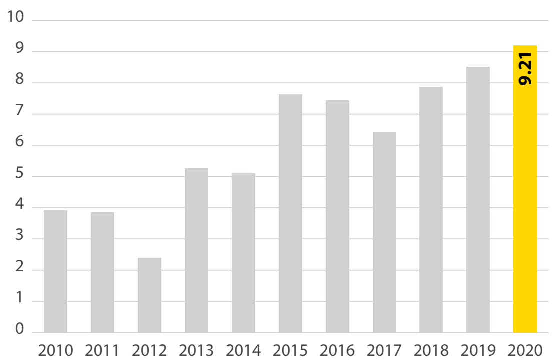
A total of NOK 9.50 per share was paid in 2020 for the 2019 financial year. The company paid a dividend for the first half of the year of NOK 6.00 per share in May 2020, and a dividend for the second half of the year of NOK 3.50 per share was distributed in November 2020.

For the 2020 financial year, the Board proposes payment of a dividend of NOK 6.5 per share for the first half of 2021 to the General Meeting. The dividend will be distributed on 25 May to the shareholders of record as at 11 May 2021.

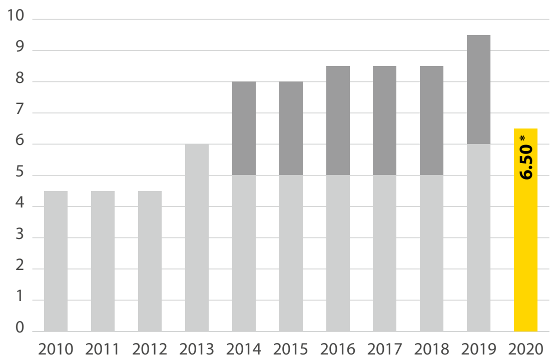
Dividends are paid out up to twice a year if the company's earnings are able to justify such. Distribution will preferably take place after the Annual General Meeting in May and after presentation of the quarterly results for the 3rd quarter.

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 per share for the year as a dividend per share.

EARNINGS PER SHARE (NOK)



DIVIDEND PER SHARE (NOK)



** Proposed, not approved dividend for first half of 2021.*

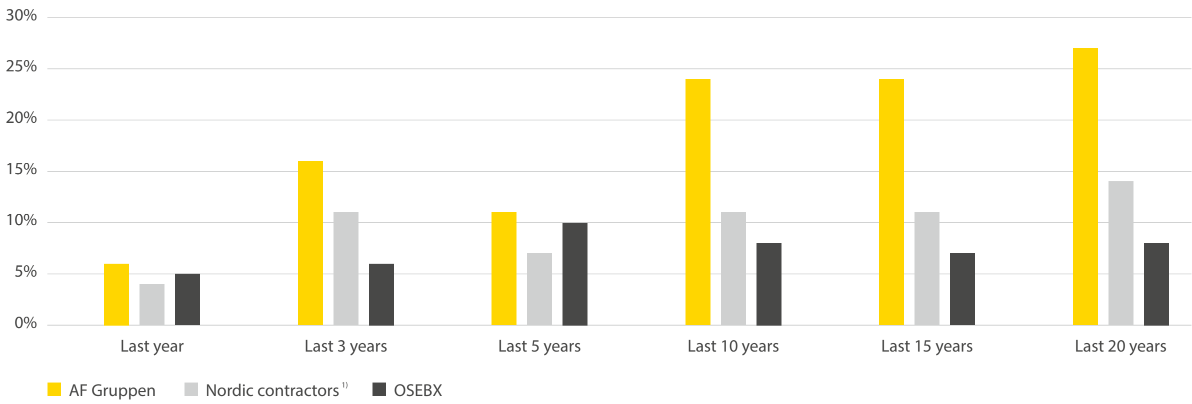
SHAREHOLDER INFORMATION

KEY FIGURES FOR THE SHARE

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Key figures for the share	18,613	18,139	13,069	13,078	14,463	12,929	7,009	5,578	4,578	3,556
Number of shares traded (1,000)	8,292	6,537	4,360	8,137	6,690	10,370	7,102	2,559	2,568	2,095
Total number of shares as at 31/12 (Mill.)	106.00	103.07	99.01	97.96	93.61	92.68	88.72	82.33	81.38	80.81
Number of shareholders as at 31/12	4,520	3,582	3,303	3,158	2,737	2,575	1,815	1,494	1,407	1,254
Share prices as at 31/12	175.60	176.00	132.00	133.50	154.50	139.50	79.00	67.75	56.25	44.00
– High	183.00	185.00	142.00	162.00	164.50	139.50	82.00	72.00	59.25	53.00
– Low	128.50	135.50	118.50	122.00	120.00	77.25	66.50	54.75	41.50	38.60
Earnings per share (NOK)	9.29	8.51	7.88	6.43	7.44	7.64	5.11	5.26	2.40	3.83
Diluted earnings per share (NOK)	9.27	8.46	7.88	6.43	7.29	7.50	5.09	5.11	2.37	3.83
Dividends per share (NOK)	6.50[1]	9.50	8.50	8.50	8.50	8.00	8.00	6.00	4.50	4.50
Distribution ratio[2]	70.0%	111.6%	107.9%	132.2%	114.2%	104.7%	156.6%	114.1%	187.5%	117.5%
Direct return	5.4%	6.4%	6.4%	5.5%	5.7%	10.1%	8.9%	8.0%	10.2%	11.3%
Share's total return	5.6%	40.3%	5.6%	-8.3%	15.0%	89.2%	25.5%	28.4%	38.1%	21.3%
Return on equity (ROE)	36.6%	43.7%	45.4%	35.8%	43.3%	43.8%	34.3%	38.4%	19.0%	28.5%
Share price /earnings per share (P/E)	18.9	20.7	16.8	20.8	20.8	18.3	15.5	12.9	23.4	11.5
Share price / equity per share (P/B)	5.3	6.1	6.2	6.3	7.4	7.1	4.7	4.2	3.8	2.7
Return on average capital employed (ROaCE)	0.3	0.4	0.5	0.4	0.5	0.5	0.4	0.5	0.2	0.4
Enterprise value / EBIT (EV/EBIT)	12.5	13.7	10.9	12.8	13.4	12.2	11.2	8.5	13.5	8.0
Enterprise value /Invested capital (EV/CE)	4.0	4.4	5.5	5.4	6.7	6.4	3.9	3.4	3.3	2.1

1) Proposed, not approved dividend for first half of 2021.
2) For 2020, the distribution ratio only include dividends for distribution in the first half of 2021.

ANNUAL TOTAL RETURN AS AT 31 DECEMBER 2020



** Unweighted average of competing nordic contractors (local currency).*

GRAPH FOR THE AF SHARE FOR 2020

SHARE CAPITAL AND SHAREHOLDER COMPOSITION

At the end of 2020, the share capital totalled NOK 5,299,924.85, divided into 105,998,497 shares, each with a nominal value of NOK 0.05. The share capital increased by NOK 146,661 and 2,933,220 shares in 2020 in connection with two employee share issues. The issues were made in connection with the redemption of the option programme from 2017–19 of 2,217,994 shares and for the share programme for employees in November of 715,226 shares.

During 2020, AF Gruppen gained over 900 new shareholders, and at the end of the year the company had a total of 4,529 (3,582) owners. Around 1,400 of these are employees of AF, and together they own approximately 12.2 (12.1) per cent of the shares. The ten largest shareholders own 65.9 per cent of the shares, and OBOS is the largest shareholder. OBOS has a total ownership interest of 16.2 (16.5) per cent. 94.9 (93.5) per cent of the shares are owned by Norwegian shareholders.

There have been no significant changes in ownership among the ten largest shareholders during the year. The largest increase was ØMF Holding, whose ownership stake increased 0.5 percentage points from 15.1 per cent to 15.6 per cent. VITO Kongsvinger reduced its ownership stake by 0.5 percentage points from 2.3 per cent to 1.8 per cent in 2020.

AF Gruppen has been authorised by the General Meeting to buy up to 10 per cent of the shares outstanding. 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, option programme, bonus programme and acquisitions. At the end of the year, AF Gruppen owns 135,000 shares.

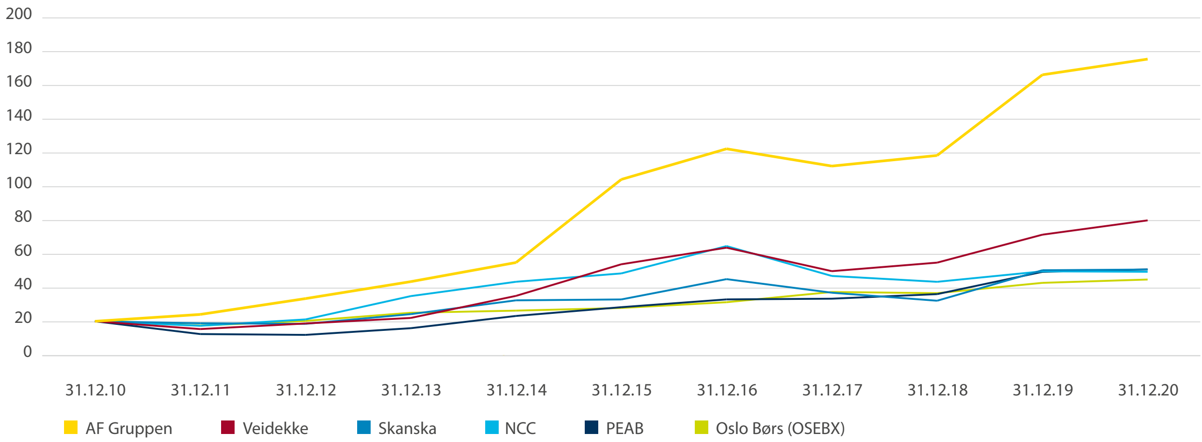
LIQUIDITY

The share's liquidity is low, but has improved somewhat in recent years. Over the last five years, the turnover rate

Shareholders	Number of shares 31/12/2020	% of total 31/12/2020
OBOS BBL	17,183,709	16.2%
ØMF HOLDING AS	16,527,342	15.6%
CONSTRUCTIO AS	14,595,347	13.8%
FOLKETRYGDFONDET	9,879,650	9.3%
LJM AS	2,515,217	2.4%
ARTEL KAPITAL AS	2,508,267	2.4%
VITO KONGSVINGER AS	1,911,676	1.8%
ARNE SKOGHEIM AS	1,753,870	1.7%
Staavi, Bjørn	1,627,000	1.5%
Skandinaviska Enskilda Banken AB	1,329,107	1.3%
JANIKO AS	1,290,186	1.2%
MOGER INVEST AS	1,242,609	1.2%
FLYGIND AS	1,021,509	1.0%
VERDIPAPIRFONDET KLP AKSJENORGE IN	747,682	0.7%
STENSHAGEN INVEST AS	609,977	0.6%
Eriksson, Erik Håkon	560,000	0.5%
Landkreditt Utbytte	550,000	0.5%
State Street Bank and Trust Comp	495,687	0.5%
Nordea Bank Abp	457,578	0.4%
REGOM INVEST AS	451,394	0.4%
Total 20 largest	**77,257,807**	**72.9%**
Total other	28,605,690	27.0%
Own shares	135,000	0.1%
Total other shares	**105,998,497**	**100.0%**

Number of shares	Number of owners	Per cent
1–100	1,420	0.05%
101–500	874	0.22%
501–1,000	419	0.31%
1,001–5,000	967	2.18%
5,001–10,000	356	2.43%
10,001–100,000	405	10.78%
100,001–1,000,000	66	14.80%
> 1,000,000	13	69.23%
	4,520	**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 2010 =20.36. Local currency, total return.

has ranged from 5 to 8 per cent. In 2020, the rate was 7.9 per cent. In 2020, a total of 8,292,083 (6,536,917) shares were traded on the stock exchange. The AF share was traded on 252 out of 252 possible trading days, and the average turnover for each trading day was 32,905 (26,253) shares. Of the 8.29 million shares that were traded on the stock exchange in 2020, AF Gruppen itself accounted for 468,712 (37,936) shares, corresponding to 5.7 (0.6) 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 the opportunity to buy shares through the annual 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 2020, 950 employees subscribed for a total of 1,000,000 shares at a price of NOK 137.80 per share (after the 20 per cent discount). In connection with the sale, the Board used its authority and issued 715,226 new shares. The remaining 284,774 shares were transferred from the holding of treasury shares.

Since 2008, AF Gruppen has also had an option programme for all employees in the Group, and in February 2020 2,217,994 options were redeemed by 913 employees. The General Meeting adopted a new option programme for the next three years in May 2020. The maximum number of options that may be allocated is 4,000,000 with an option premium of NOK 1 per option, and the programme entails annual allotments in 2020–22 and an exercise date in March 2023. The purchase price for the shares will be based on the average market price during the week before the three respective subscription periods. In order to exercise the options, it is a condition that must one be employed by the Group on 1 March 2023. AF Gruppen issued 3,850,000 options to 1,584 employees in 2020. The total number of outstanding options, adjusted for employees who have left the company during the year, was 3,806,660 as at 31 December 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
Pareto	+47 24 13 21 39

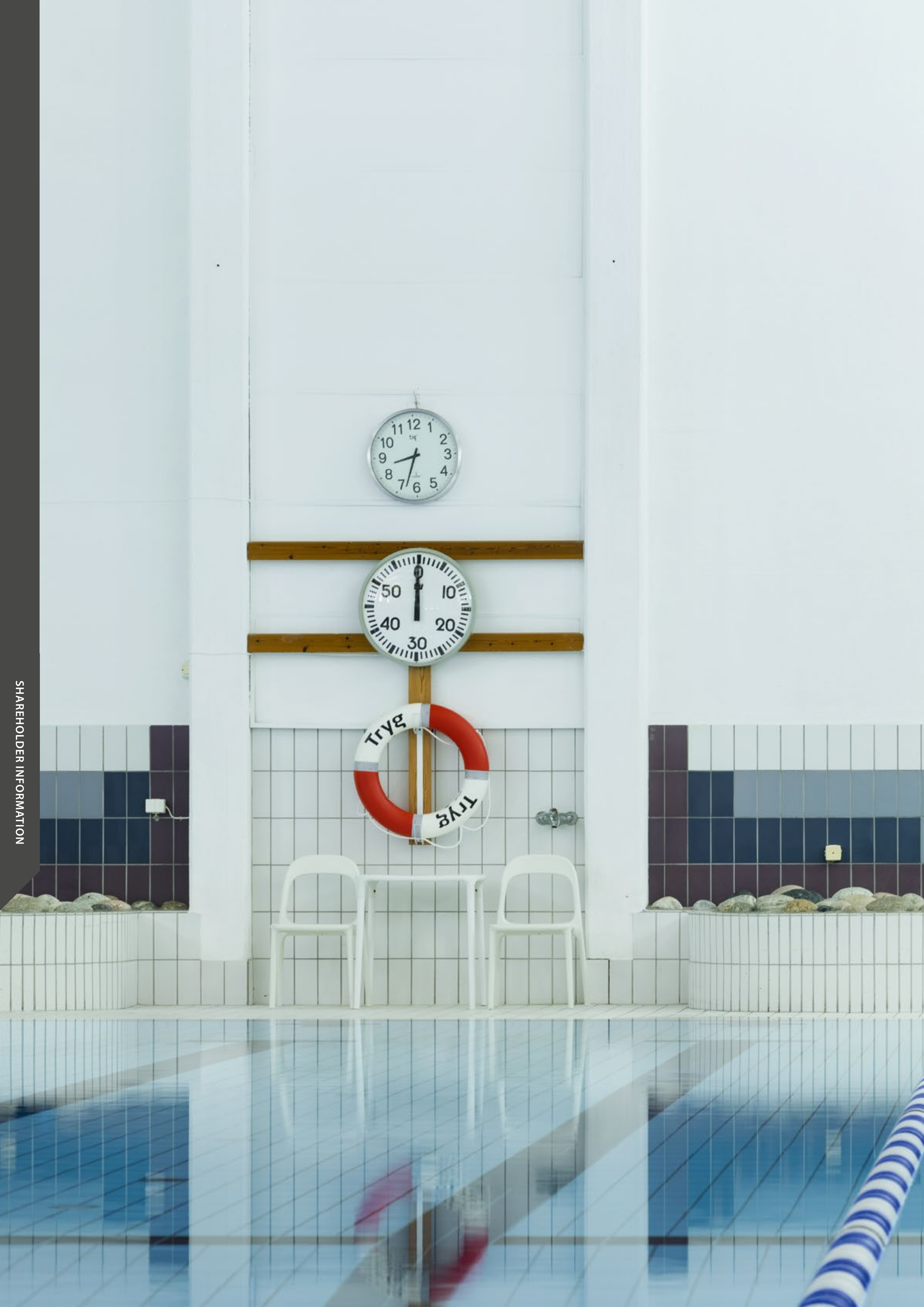
INVESTOR RELATIONS

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.


Tryg
Tryg

THE KINDER EGG OF SAVING ENERGY

Sports facilities require a lot of energy and can be a burden on the municipal economy. Among 140 energy efficiency measures in 21 buildings in Modum municipality, AF Energi & Miljøteknikk has upgraded Furumoen swimming pool with the latest in ventilation systems. A separate pool unit, incorporating dehumidification, recovers the heat from the humid pool air and uses it to heat fresh air that is to enter the hall. This provides energy savings that are good for the economy, residents and the climate.

THE JOY OF TRAINING IN THE SWIMMING POOL
Energy saving measures improve municipal finances and enable the swimming pool to be kept open every day – to the great joy of young, eager swimmers.

BOARD OF DIRECTORS' REPORT

BOARD OF DIRECTORS' REPORT 2020

AF Gruppen delivered solid results for 2020. Revenues increased to NOK 27,025 million, and the profit margin for the year was 5.4 per cent. The breadth and overall power of the organisation has never been greater, and the Board of Directors is of the opinion that AF is well positioned to achieve the goals set for the upcoming strategy period.

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, Construction, Betonmast, Property, Energy and Environment, Sweden and Offshore. The head office is in Oslo.

AF GRUPPEN'S VISION
Clearing up 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.

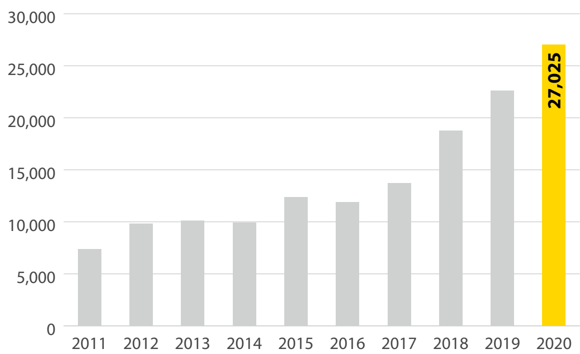
EXPLANATION OF THE FINANCIAL STATEMENTS

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 view of the financial results for 2020 and financial position as at 31 December 2020. 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.

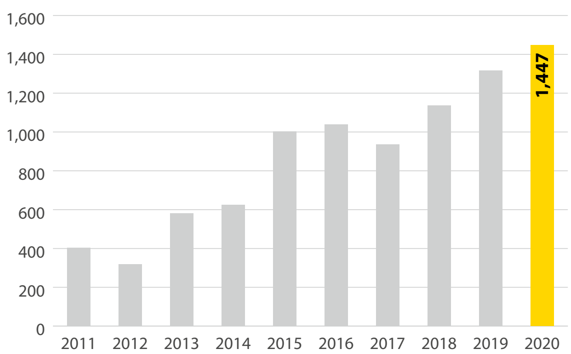
The Board's Corporate Governance Statement is an integral part of the Board of Directors' report. The statement is summed up on page 90 of the annual report and is presented in its entirety on afgruppen.com website. The treatment of corporate social responsibility is discussed on page 30 of the annual report.

PROFIT FOR THE YEAR
AF Gruppen reported operating and other revenues of NOK 27,025 million (22,612 million) for 2020. Earnings before tax were NOK 1,447 million (1,317 million) and the earnings after tax were NOK 1,158 million (1,027 million).

REVENUES (NOK MILLION)



EARNINGS BEFORE TAX (NOK MILLION)



Earnings before interest and tax were NOK 1,480 million (1,335 million), which corresponds to an operating margin of

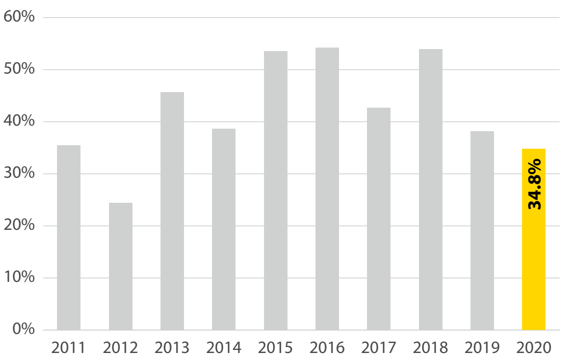
5.5 (5.9) per cent. This is above the operating margin requirement of 5 per cent.

The Covid-19 outbreak with associated restrictions has created challenges and affected all projects. However, most projects have managed to maintain good performance. AF Anlegg had a good level of activity in 2020, but lower than in 2019. The year was marked by high production on the major project E39 Kristiansand west Mandal east of Nye Veier. Civil Engineering had several projects in the final phase in 2020, and together these contributed to very good results for the year. Construction delivered good profitability in 2020, but performance varied within the portfolio of units. As we expected, the result for Betonmast was lower than the requirement in AF Gruppen, and there is great variation in performance between the Norwegian units. For Property, the sale of the ATEA building, which is a commercial property at Hasle in Oslo, contributed greatly to the result for the year. Energy and Environment continue to deliver solid results in both demolition and recycling, but the energy business delivered results below expectation. The results for Offshore were weak.

BALANCE SHEET AND LIQUIDITY

The return on equity was 36.6 (43.7) per cent for 2020. The return was affected by the purchase of Betonmast in October 2019. The return on average capital employed was 34.8 (38.2) per cent.

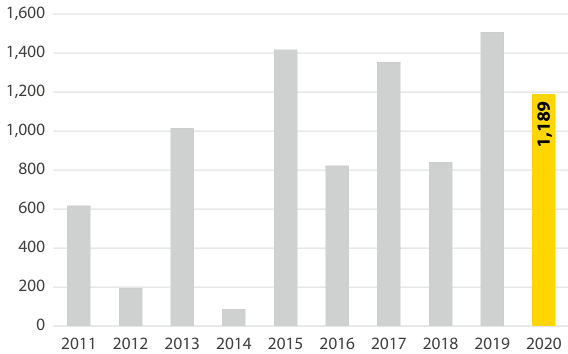
RETURN ON CAPITAL EMPLOYED



Total assets were NOK 12,862 million (12,854 million) as at 31 December 2020. At year end, the Group had net interest-bearing receivables of NOK 90 million (-163 million) and cash and cash equivalents of NOK 708 million (563 million). Shareholders' equity at the end of the year was NOK 3,494 million (2,999 million), which corresponds to an equity ratio of 27.2 (23.3) per cent.

Net operating cash flow was NOK 1,189 million (1,508 million) in 2020. Cash flow before capital transactions and financing was NOK 1,301 million (670 million). A dividend of NOK 1,001 million (859 million) was paid to the shareholders of AF Gruppen ASA in 2020.

CASH FLOW FROM OPERATIONS (NOK MILLION)



THE SHARE

Earnings per share were NOK 9.29 (8.51) in 2020. Diluted earnings per share were NOK 9.27 (8.46).

The Board proposes that an ordinary dividend of NOK 689 million for the first half of the year be distributed for the 2020 financial year. This corresponds to a dividend per share of NOK 6.50 (6.00) 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 2020. The combined dividend per share distributed in 2020 was thus NOK 9.50 (8.50).

The share price was NOK 175.60 (176.00) at year end. This yielded a return to shareholders, including dividends for 2020, of 5.6 (40.0) per cent.

DISTRIBUTION OF COMPREHENSIVE INCOME FOR THE YEAR

Comprehensive income for the year for the parent company AF Gruppen ASA was NOK 622 million and the following distribution is proposed:

Transferred to (from) other reserves	NOK -67 million
Provision for dividend	NOK 689 million
Total allocations	**NOK 622 million**

BUSINESS AREAS 2020

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 power 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	2020	2019	2018
Revenue	4,157	5,787	5,861
Operating profit (EBIT)	331	373	275
Earnings before tax (EBT)	315	376	293
Operating margin	8.0%	6.5%	4.7%
Profit margin	7.6%	6.5%	5.0%
Order backlog	6,709	5,424	7,664

In 2020, the Civil Engineering business area reported revenues of NOK 4,157 million (5,787 million). Earnings before tax were NOK 315 million (376 million). The profit margin ended at 7.6 per cent, compared with 6.5 per cent in 2019.

AF Anlegg had a good level of activity in 2020, but lower than in 2019. The year was marked by high production on the major project E39 Kristiansand vest Mandal øst of Nye Veier. This is a large and challenging project with a high level of activity, and the project will be completed on schedule. Civil Engineering had several projects in the final phase in 2020, and together these contributed to very good results for the year. The Covid-19 outbreak with associated restrictions has created challenges and affected all projects. However, most projects have managed to maintain good performance.

Målselv Maskin & Transport had a good year in 2020 with a high level of activity and good results.

New contracts

AF Anlegg signed one major contract during the year, the E4 Lovö rock tunnels project for Trafikverket. Production started at the end of Q3 2020. The contract has an estimated value of NOK 3,400 million, excluding VAT. The interaction phase of the E6 Roterud Storhove project has begun, and there is a good relationship with the client. 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 of 31 December 2020.

In 2020, Civil Engineering had an order intake of NOK 5,441 million (3,547 million) and an order backlog of NOK 6,709 million (5,424 million) at the end of the year.

Market outlook

The civil engineering market in Norway is good and less sensitive to cyclical fluctuations since public sector demand is the greatest driver behind investments in civil engineering in Norway. In the 2021 State Budget, NOK 80 billion has been allocated to transport, which is an increase of 7.9 per cent over the final budget for 2020.

Prognosesenteret reports that the level of activity in civil engineering in 2020 seems to have only been affected by Covid-19 and the infection control measures to a small extent, and expects this also to be the case in 2021. Their forecasts assume that the direct impact on the level of activity in the construction market will remain low. However, the development in 2020 was weaker than estimated with total construction investment of NOK 86 billion, which indicates a decrease of 1.3 per cent from 2019, primarily due to a decline in road investment. For the forecast period from 2021 to 2023, total growth of 40 per cent is expected in civil engineering investments. Growth is primarily expected to come from road projects, but also railway and tramline systems. In 2021, Prognosesenteret expects NOK 104 billion of construction investments, of which 39 per cent will come from road construction, while 15 per cent will come from railway and tramline systems.

Taken together, the forecasts for the civil engineering market provide a good foundation for further growth of AF's civil engineering activities, even with the uncertainty about the consequences of Covid-19 in the short term.

CONSTRUCTION

Description of the business

Construction is AF Gruppen's largest business area and has a wide range of services throughout the value chain from the early stages of planning to construction. In addition to being a major player in residential, commercial and public buildings, Construction has a leading position in renovation in Norway (ROT - renovation, alterations and extensions). Construction encompasses the Norwegian business except for Betonmast and is mainly located in Eastern Norway and the Bergen region.

The Construction 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, Fundamentering (FAS) and Helgesen Tekniske Bygg (HTB). All the contractor units have strong local roots and a broad range of services.

NOK million	2020	2019	2018
Revenue	9,459	10,581	9,055
Operating profit (EBIT)	486	656	619
Earnings before tax (EBT)	491	667	645
Operating margin	5.1%	6.2%	6.8%
Profit margin	5.2%	6.3%	7.1%
Order backlog	10,025	10,045	9,871

Construction reported revenues of NOK 9,459 million (10,581million) and earnings before tax of NOK 491 million (667 million) in 2020. This gives a profit margin of 5.2 per cent, compared with 6.3 per cent in 2019.

Construction revenues fell compared to 2019. Covid-19 has led to increased competition for public construction projects and project postponements, especially in housing construction. The virus outbreak and the infection control measures that were introduced have created challenges in several projects. Nevertheless, the units have maintained good performance in most projects. Overall, Construction delivered good profitability in 2020, but performance varied within the portfolio of units. AF Bygg Oslo, Haga & Berg and Åsane Byggmesterforretning excelled with excellent profitability. AF Bygg Østfold delivered a good result in 2020 after a weak 2019. Eiqon and Strøm Gundersen Vestfold delivered weak results in 2020, and measures have been implemented in both units to improve the situation.

New contracts

The Construction business area has entered into contracts for construction across the service spectrum from residential and commercial buildings to public buildings. AF Bygg Oslo has entered into a contract with Bane NOR Eiendom for the development of Støren Verksted. The railway infrastructure project includes the construction of a new workshop, washing area and associated administration building at Støren. The contract is a design and build contract valued at NOK 217 million, excluding VAT. Both the Civil Engineering and Construction business areas have entered into contracts with the South-Eastern Norway Regional Health Authority in 2020 in connection with a new hospital in Drammen. AF Bygg Østfold has entered into a contract comprising structural and pile works for the central building west and the service square. The contract has an estimated value of NOK 347 million, excluding VAT. At Heggedal Torg in Asker, Strøm Gundersen has entered into a contract with Tandberg Eiendom for the construction of a further residential and commercial building with a value of NOK 170 million, excluding VAT.

Significant contracts have also been awarded within renovation in 2020. LAB Entreprenør entered into a contract with Bergen Municipality for the renovation and remodelling of the former teacher training college at Landås in Bergen. Following complete remodelling and renovation, the building will become Bergen's centre for inclusion. The centre shall promote inclusion and dignity and offer a wide range of cultural and sports activities. The contract is valued at NOK 415 million, excluding VAT.

In 2020, Construction had an order intake of NOK 9,439 million (10,756 million) and an order backlog at the end of the year of NOK 10,025 million (10,045 million).

Market outlook

The construction market in Norway remained at a high level in 2020 with a total production value of NOK 349 billion, a decrease of 0.4 per cent from the previous year. The largest decline was in new residential buildings. Prognosesenteret expects a 1.7 per cent increase in production value in 2021, before a decline in the market of 1.0 per cent in 2022 and a further 1.2 per cent in 2023. New residential buildings and the ROT market are expected to drive growth in 2021. During the forecast period up to 2023, the largest growth is estimated for the construction market in Oslo.

Start permits for 30,038 new residential units were registered in 2020. This represents a decline of 4.9 per cent from the previous year. For 2021, 2022 and 2023, Prognosesenteret estimates that start permits will be for 31,000, 27,000 and 26,000 residential units respectively. For Oslo, housing starts in 2021 are expected to amount to 3,400 residential units, an increase of some 21.9 per cent from 2020. Prognosesenteret also expects growth in the number of commenced residential units in Viken and Vestland in 2021.

Even though a high level of activity is expected for AF's construction operations in Norway in the future, the consequences of Covid-19 will contribute to increased uncertainty for the construction market in the short term.

BETONMAST

Description of the business

Betonmast is one of Norway's largest construction 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 construction for the public sector, and has specialist expertise in project development and collaborative contracts.

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

NOK million	2020	2019	2018
Revenue	7,862	1,226	-
Operating profit (EBIT)	261	49	-
Earnings before tax (EBT)	252	46	-
Operating margin	3.3%	4.0 %	-
Profit margin	3.2%	3.8 %	-
Order backlog	7,274	7,293	-

Betonmast reported revenues of NOK 7,862 million (1,226 million) and earnings before tax of NOK 252 million (46 million) in 2020. This gives a profit margin of 3.2 (3.8) per cent. Betonmast became part of AF Gruppen on 31 October 2019 and the comparative figures only include the period after the acquisition date.

The result is in line with our expectations with a margin lower than the requirement in AF Gruppen. There is great variation in performance between the Norwegian units. Betonmast Oslo and Betonmast Romerike distinguished themselves with strong results, while Betonmast Boligbygg, Telemark and Ringerike and Innlandet reported weak earnings. Organisational changes have been made in several units. Betonmast Bergen was sold to Backe Bergen in the summer of 2020. There is a good level of activity in the Swedish part of the business. Betonmast Malmö delivered good results, while other units delivered stable profitability. After the end of the year, a decision was made that Betonmast Göteborg will buy AF Bygg Göteborg. The purpose is to strengthen the presence in the region through a larger company. It is expected that the transaction will be completed in April 2021.
At the beginning of 2021, Betonmast Eiendom has two housing projects in production

New contracts

Betonmast has entered into a number of new contracts during the year, of which 27 contracts are of such a size that they were announced to the stock exchange. The contracts are distributed between the units both in Norway and in Sweden. Betonmast Romerike has entered into the largest contract this year for the construction of Fjellhamar school in Lørenskog. The construction project includes the building of a new primary school and a sports building with multi-purpose halls and a swimming pool. The project is a turnkey contract in partnership and has a value of approximately NOK 1,200 million, excluding VAT. Betonmast Boligbygg has entered into two new significant contracts with Selvaag Bolig. At Landåsjordene in Asker, 187 apartments will be built in three construction stages. Construction stage 1 is underway, while the start-up for construction phases 2 and 3 is contingent on sales. The contract has a total value of approximately NOK 630 million, excluding VAT. In the Skårerbyen project at Skårersletta in Lørenskog, Betonmast will build a further 241 apartments. The contract applies to building stages 3 and 4 and is a turnkey contract with a value of NOK 515 million, excluding VAT.

At the end of the year, Betonmast had an order backlog of NOK 7,274million (NOK 7,293).

Market outlook

Betonmast operates in the same markets as AF Gruppen's other Norwegian and Swedish construction operations. See the discussion of the market performance under Construction 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	**2020**	**2019**	**2018**
Revenue	33	18	73
Operating profit (EBIT)	135	107	166
Earnings before tax (EBT)	132	100	157
Return on capital employed	15.1%	11.7%	19.8%
NUMBER OF UNITS [1)]			
Housing units under construction	265	244	338
Housing units sold during the year	160	130	100
Completed unsold housing units in	1	11	-
Industrial area m2 under construction			
LAND AND DEVELOPMENT RIGHTS [1)]			
Estimated housing units	1,048	916	871
Industrial area m2 under development	39,996	25,764	26,264

[1)] AF´s share of housing units and area m2

Property reported earnings before tax of NOK 132 million (100 million) in the 2020.

The sale of the ATEA building, which is a commercial property at Hasle in Oslo, contributed greatly to the result for the year. Of the housing projects, the most significant profit contributions for Property came from Lillo Gård in Oslo and Bo in Billingstad in Asker.

A total of 465 (477) apartments were handed over in 2020, and AF's share was 168 (159). Of the total of 465 apartments handed over during the year, 159 apartments were handed over at Lillo Gård, 146 at Lilleby Triangel, 134 at Kilen Brygge and 26 at Krydderhagen.

At the end of 2020, Property had ownership interests in residential property projects with a total of 145 (235) units available for sale. AF's share was 58 (88) residential units. Of these, there was a total of 1 (32) unsold completed apartments, of which AF's share was 1 (11).

At the start of 2021, AF's property business had five residential property projects with a total of 701 apartments in the production phase, and AF's share was 265. The share of apartments sold in these projects was 81 per cent.

The projects that are in production at the end of the year are Bo at Billingstad in Asker, Lilleby Triangel in Trondheim, Skiparviken in Bergen, Brøter Terrasse in Lørenskog and Kråkehaugen in Bergen.

At the end of the year, AF had sites and development rights under development that will yield 2,133 (1 865) residential units, of which AF's share was 1,048 (916) residential units.

Property is a partner in the Hasle Linje Næring project in Oslo (AF's stake is 49.5 per cent). The commercial building K4, which will house Quality Hotel Hasle Linie and Nent, has an area of 21,056 sqm GFA and was under construction at the end of 2020.

At the end of the year, AF also has an ownership stake in commercial property under construction with a gross floor area of 137,380 (52,183) square metres. AF's share of this was a gross floor area of 39,996 (25,764) square metres.

Market outlook

Figures from Property Norway for the 4th quarter of 2020 show growth in housing prices in Norway. At the end of the 4th quarter, residential property prices were 8.7 per cent higher nationally than one year ago. Oslo had the strongest price performance in 2020, with an increase of 12.0 per cent, but Bergen also had high growth of 8.5 per cent. Property Norway points out that it is important that higher house prices are followed by more residential construction in areas where there is a supply-side deficit. In March, Norges Bank kept the interest rate unchanged at 0 per cent. As far as Norges Bank assesses the outlook and the risk situation, the key rate will most likely be raised during the second half of the year.

ENERGY AND ENVIRONMENT

Description of the business

The Energy and Environment area consists of two business units, AF Energi & Miljøteknikk and AF Decom with associated subsidiaries. AF Energi & Miljøteknikk provides smart, energy-efficient solutions for buildings and industry. The unit also designs and supplies energy plants that are favourable in a long-term ownership perspective. AF Decom is a leading player in environmental clean-up, demolition and recycling. In addition, AF Decom has developed several environmental parks, which sort, decontaminate and recycle contaminated materials that would have otherwise ended up at a disposal site.

NOK million	2020	2019	2018
Revenue	962	1,072	875
Operating profit (EBIT)	54	78	44
Earnings before tax (EBT)	52	75	41
Operating margin	5.6%	7.3%	5.0%
Profit margin	5.5%	7.0%	4.7%
Order backlog	703	371	501

The Energy and Environment business area reported revenues of NOK 962 million (1,072 million) in 2020. Earnings before tax were NOK 52 million (75 million). This gives a profit margin of 5.5 per cent (7.0 per cent). AF Decom continues to deliver solid results in both demolition and recycling despite a lower level of activity than in 2019. The level of activity in the environmental centres has been high in 2020, and profitability has further improved from 2019. AF Energi and Miljøteknikk increased revenues in 2020 compared to 2019, but delivered results below expectations. Despite varying profitability in the project portfolios, AF Energi & Miljøteknikk has handed over a number of good, high-quality projects to satisfied customers.

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 Oslo Airport, where AF Energi & Miljøteknikk entered into an agreement with Avinor in 2020. The project involves interior technical works on Expansion Non-Schengen East (UNSØ) and includes electrical power, piping and ventilation. The contract is a general contract valued at approximately NOK 200 million, excluding VAT.

AF Decom was awarded another contract for the South-Eastern Norway Regional Health Authority at the Norwegian Radium Hospital in 2020. The new assignment for the New Clinic and Proton Building project includes a rig and operating contract from the structural shell to completion of the building which will be ready in 2023. The contract includes operation of cranes, temporary roads, sites, asphalting, maintenance of fences and environmental measures. The assignment will be carried out as a client-managed contract, and has an estimated value of NOK 117 million, excluding VAT.

In 2020, Energy and Environment had an order intake of NOK 1,294 million (942 million) and an order backlog at the end of the year of NOK 703 million (371 million).

Market outlook

AF Gruppen's level of activity is closely connected to the general level of activity in the construction and civil engineering markets. Lower housing starts will affect the market for demolition and recycling services. Covid-19 contributes to increased uncertainty for the demand for such services in the short term. However, 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. Furthermore, the delivery of heating and cooling for commercial buildings is another interesting market. The demand is closely related to the number of new commercial building starts. Prognosesenteret expects the total floor area of commercial building starts in 2021 to be on par with 2020. The largest growth in the total floor area of commercial building starts during the forecast period is expected for Oslo. Overall, we expect a healthy market for AF's energy and environment business.

SWEDEN

Description of the business

Sweden includes AF Gruppen's Swedish operations in civil engineering, construction, property and demolition, excluding Betonmast Sverige which is part of the Betonmast business area. The geographic area of operation encompasses Gothenburg and Southern Sweden, as well as Stockholm and Mälardalen. 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	2020	2019	2018
Revenue	4,138	3,683	2,270
Operating profit (EBIT)	219	149	114
Earnings before tax (EBT)	212	146	113
Operating margin	5.3%	4.0%	5.0%
Profit margin	5.1%	4.0%	5.0%
Order backlog	4,120	2,946	1,578

In 2020, the Sweden business area reported revenues of NOK 4,138 million (3,683 million). Earnings before tax were NOK 212 million (146 million). This gives a profit margin of 5.1 (4.0) per cent.

In the Swedish civil engineering market, Kanonaden saw strong revenue growth and the unit delivered a very good result. Pålplintar delivered a slightly positive result for the year. The level of activity has been reduced as a result of the closure of the foundation business. The Swedish demolition business, AF Härnösand Byggreturer, continues to deliver strong margins even though the level of activity has been reduced. There is variation in performance between among the Swedish construction units. HMB delivered increased revenues, but somewhat weaker profitability than last year. AF Bygg Syd achieved strong profitability despite a somewhat lower level of activity. AF Bygg Göteborg had a reduced level of activity, and after the end of the year it was decided that AF

Bygg Göteborg will be bought by Betonmast Göteborg to create a larger and stronger player in the region.

AF Projektutveckling, AF's property business in Sweden, had two residential property projects and one school project in the production phase, as well as several in the development phase in 2020. The unit has a building site inventory (residential units under development) that is estimated at 363 (368) residential units. AF's share of this was 169 (233) residential units.

In 2020, Sweden had an order intake of NOK 5,312 million (5,051 million) and an order backlog at the end of the year of NOK 4,120 million (2,946 million).

New contracts

Kanonaden entered into a contract with Stena Renewable AB in 2020 to plan and build roads, foundations and power grids for Vindpark Åby-Alebo, the largest wind farm in southern Sweden. The value of the contract is SEK 213 million, excluding VAT. Within civil engineering, Kanonaden has been awarded new logistics assignment in Eskilstuna, where the client is Tommy Allström Byggproduktion AB. The contract is valued at SEK 142 million, excluding VAT.

During the year, the Swedish construction units have entered into contracts for the construction of a number of residential property projects. For example, both AF Bygg Göteborg and HMB entered into contracts for the construction of residential units for Riksbyggen. In Gothenburg, 143 new residential units will be built in the Backa district. The contract is valued at approximately SEK 200 million, excluding VAT. HMB will build 120 rental apartments for Riksbyggen in Västerås. This collaborative contract amount is valued at SEK 124 million, excluding VAT.

Market outlook

The spread of Covid-19 has affected the Swedish economy, and there is still uncertainty as to how hard the construction and civil engineering markets in Sweden will be affected. In February 2021, Riksbank decided to maintain a zero interest rate, and Byggföretagen expects the interest rate to remain at this level for the rest of 2021.

Despite the Covid-19 pandemic, 2020 was marked by price increases and increased sales volumes. Svensk Mäklarstatistik reports 7 per cent growth for apartments and 13 per cent for detached houses from 2019 to 2020. In metropolitan areas, prices of apartments increased between 3 per cent and 9 per cent, and the Malmö region showed the strongest price growth.

In October, the Swedish Construction Federation expected a 1 per cent decline in construction and civil engineering investments in Sweden in 2020 and an unchanged investment volume in 2021. This follows several years of high growth. For 2021, a 4 per cent fall in residential building production is expected, while growth in building renovation is expected to be 2 per cent. Civil engineering investments are expected to grow by 5 per cent in 2021, with increased public investment in infrastructure making a positive contribution. This indicates that we will also have good opportunities for AF's operations in Sweden in the future, even though competition is tough. However, the consequences of Covid-19 will continue to contribute to a greater degree of uncertainty in Sweden in the near future.

OFFSHORE

Description of the business

AF has varied activities aimed at the maritime business and the oil and gas sector. 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. Offshore also has activities at AF Miljøbase Vats.

NOK million	**2020**	**2019**	**2018**
Revenue	672	679	655
Operating profit (EBIT)	-25	-83	-21
Earnings before tax (EBT)	-40	-94	-27
Operating margin	-3.7%	-12.2%	-3.2%
Profit margin	-5.9%	-13.9%	-4.1%
Order backlog	1,365	1,351	1,456

The Offshore business area reported revenues of NOK 672 million (679 million) for 2020. Earnings before tax were NOK -40 million (-94 million). This gives a profit margin of -5.9 per cent, compared with -13.9 per cent in 2019.

AF Offshore Decom increased its revenues in 2020 from the previous year, but delivered a negative result. The unit's revenues and profitability largely depend on the level of activity at the Environmental Base at Vats and the timing of offshore campaigns. The unit had only any major offshore campaigns in 2020 and mainly prepared for upcoming offshore campaigns in 2021 and 2022. A standstill in production at Vats in the first quarter and part of the second quarter impacted profitability in the first half of the year. There was a high level of activity at Vats and good profitability for our demolition business in the second half of the year. A high level of demolition activity is expected at Vats in 2021. AF AeronMollier had lower revenues in 2020 than in 2019, but delivered positive results for 2020. The decline in revenues reflects, among other things, challenging market conditions with vulnerable projects and a reduced level of activity for offshore technicians as a result of Covid-19 and accompanying infection control measures.

New contracts

AF Gruppen has been awarded a contract by Shell UK Ltd. The contract is for the dismantling and recycling of the Curlew FPSO unit, which has been operational in the North Sea. The project is due for completion in 2024. This is the first floating oil platform that AF Offshore Decom will dismantle and demolish. Stricter legislation in the EU could result in a new market segment for the demolition of FPSOs at Vats.

In 2020, Offshore had an order intake of NOK 686 million (574 million) and an order backlog at the end of the year of NOK 1,365 million (1,351 million).

Market outlook
The market for the removal of offshore installations has been marked by delays and strong competition. However, latest estimates from the British industry organisation Oil & Gas UK show expectations of a high volume for the demolition and removal of decommissioned oil installations going forward. It is expected that more than 900,000 tonnes of top deck must be removed in the North Sea during the period from 2020 to 2029. This applies to the British, Norwegian, Danish and Dutch sectors. The recycling of steel from decommissioned oil platforms represents a significant contribution to reducing greenhouse gas emissions compared with ordinary steel production. This could make a positive contribution to the demand for this type of service.

For AF's offshore climate control business (HVAC), as well as maintenance and modifications, market conditions remain challenging. However, electrification of the marine sector and installations on the Norwegian shelf provides new market opportunities. The Government's climate plan proposes that the CO2 tax be adjusted upwards from NOK 590/tonne today to NOK 2 000/tonne in 2030, which can help accelerate the pace of electrification. The oil price fluctuated significantly in 2020, and despite the oil price now being back at its opening level in 2020, Covid-19 is still contributing to uncertainty in the oil industry, which in turn may affect AF's operations in the future.

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 good 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.

Satisfaction and motivation to go to work in AF Gruppen is high. This is supported by the results from the latest employee satisfaction survey that was conducted in 2019. The survey shows that AF's employees are very satisfied, enjoy work 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.

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 2020, 1,132 (1,365) employees participated in courses at the AF Academy. Where appropriate, AF Gruppen's courses are available on digital learning platforms. More than 80 per cent of the current managers have been recruited internally. AF is experiencing good and increasing access to qualified employees, and our employees are good ambassadors for the recruitment of new personnel.

At the end of 2020, there were 5,510 (5,536) employees in the Group, of which 2,602 (2,638) were salaried and 2,908 (2,898) were skilled workers. The parent company, AF Gruppen ASA, had no employees at the end of 2020.

In 2020 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.

DIVERSITY AND INCLUSION
Of the employees, 9.8 (9.4) per cent were women and 90.2 (90.6) per cent were men at the end of 2020. The percentage of women among the salaried staff and skilled workers was 18.9 (19.4) per cent and 1.6 (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. In the initiative, the breadth of employees from different parts of the business is represented, in addition to representatives from the Corporate Management Team. The goal is to make AF a better workplace for all the employees and several measures have been implemented within recruitment, job adaptation and awareness campaigns. In addition to internal measures, AF also focuses on industry collaboration through the Diversitas network, which AF helped establish, and through dialogue with research communities and independent players.

Over the past year, AF has continued its focus on apprentices by working more closely with schools and advisers in rural and urban areas. Among other things, AF participated in the Digitalt Rådgivertreff in the autumn of 2020. At the same time, work is being undertaken to motivate more people to choose vocational subjects through information campaigns across social media. An example of this is the "Dreams can come true" film campaign. The film was prepared in collaboration with the Norwegian biathlon team. AF wants to take a larger role in society by inspiring more young people to choose vocational fields of study, by removing parents' prejudices related to the construction industry.

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. Systematic measurements and verifications are carried out internally, and in dialogue with external research environments.

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.

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.

The new activity and reporting obligations that came into force on 1 January 2020 support AF's current commitment to diversity and inclusion. AF Gruppen's gender equality report for 2020 is available at www.afgruppen.no/likestillingsredegjørelse.

WHISTLEBLOWING

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

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 2020, 950 (544) employees subscribed for a total of 1,000,000 (677,311) shares. The purchase price after a 20 per cent discount was NOK 137.80. A total of 715,226 new shares were issued in connection with the sale of shares. 284,774 shares were transferred from the company's treasury shares.

AF Gruppen also has an option programme for all employees. The programme adopted by the General Meeting in 2017 was exercised in May 2020. A total of 2,217,994 options were exercised for 913 employees.

The General Meeting adopted a new option programme for all the employees of AF Gruppen in May 2020. The maximum number of options that can be awarded is 4,000,000 over three years with annual allocation in the years 2020-22. The options can be exercised in March 2023. AF Gruppen issued 3,850,000 options to 1,584 employees in 2020. As of 31 December 2020, the total was 3,806,660 adjusted for employees who have left the company.

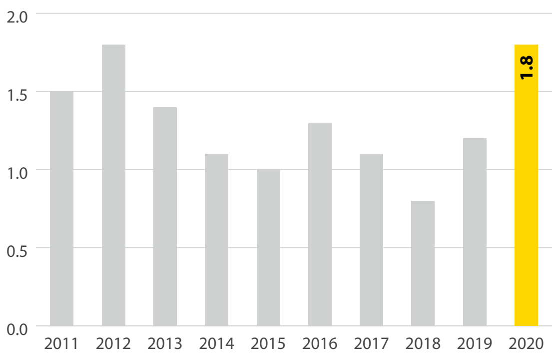
HEALTH AND SAFETY

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 or similar systems 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 2020, more than 43,036 (36,762) incidents and circumstances were reported (RUI).

The most important measurable parameter for safety work at AF is the LTI-1 rate. At AF the LTI rate is defined as the number of injuries resulting in absence and serious personal injuries per million man-hours. Injuries resulting in absence and serious personal injuries at subcontractors are included in the calculation. The injury frequency rate in the company has shown a positive trend through the years. AF Gruppen still has low LTI rates compared to the industry, but a high level of growth with many new units has resulted in an increase in the LTI rate for the year.

LTI1-RATE

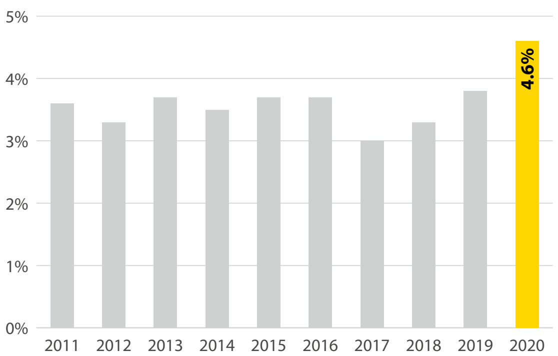


The LTI rate in 2020 was 1.8 (1.2), and the figure represents 39 (22) injuries resulting in absence. Two of the accidents in 2020 had a fatal outcome. In February, a tinsmith died after a fall at a construction site in Alversund in Nordhordaland. He was employed by a subcontractor to Helgesen Tekniske Bygg (HTB). In July, an employee of a subcontractor to Pålplintar died in a crushing accident when moving a concrete element in Nykvarn in Sweden. The accidents have been investigated and measures and barriers have been implemented to prevent similar accidents from happening again. The increase in the LTI rate in 2020 is mainly driven by incidents in Betonmast and Sweden.

Despite the relatively 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 2020, and the Board has continued to work, for example, on the safety boost that was adopted in 2018. The definition of the LTI rate was expanded and a common objective was established for H2<5. Incidents with a high loss potential were expanded from one to two categories, with the strictest category receiving more thorough follow-up than before. AF Gruppen introduced the mandatory use of gloves and safety goggles for everyone working in the project. Safetalk was introduced to strengthen risk and safety awareness in the 1st line, and risk management at the "sharp end" of operations was strengthened by introducing methodology related to Personal Security Involvement (PSI). A project was also established to strengthen the digital transfer of experience at AF. This will also take place in 2021.

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 2020 was 4.6 (3.8) per cent and is considered low compared with the construction 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.

ABSENCE DUE TO ILLNESS



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.

CLIMATE AND 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 environmental work starts at the project and business unit level. Climate and environmental aspects are identified and ranked, and form, together with laws, regulations and specific contractual requirements, the basis for the environmental goals of the projects and units.

All business units at AF are measured based on specific parameters related to their climate and environmental impact: Source separation rate and greenhouse gas emissions. The measurement parameters are figures that can be influenced good management and the implementation of environmental work in day-to-day operations. The Board of Directors has set new climate and environmental goals for AF Gruppen for the 2021-2024 strategy period. The goal is for AF to halve relative greenhouse gas emissions and halve waste volumes that cannot be reused or recycled by 2030.

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. AF Gruppen is a control member of Green Dot, an international scheme that is to help ensure the financing of return schemes for used packaging.

In 2020, AF has started mapping its services according to the EU's taxonomy that classifies "green" activity. A climate risk analysis has also been carried out to ensure a good understanding of climate-related risks and opportunities.

Source separation and recycling

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 2020, the source separation rate for construction was 91 (87) per cent, for renovation it was 89 (93) per cent and for demolition it was 96 (95) per cent. A total of 402,535 (360,368) tonnes was sorted in 2020. 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 528,758 (317,730) tonnes of material in 2020.

Greenhouse gas 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. AF builds socially useful infrastructure such as roads, railways, water supply and sewage as well as wind and hydropower plants. To carry out these projects, the business is dependent on large construction machinery. This means that in some parts of its business, AF has a highly negative climate footprint. Specific measures are continuously being developed to reduce greenhouse gas emissions. The main driver of emissions is the transport of excavated masses. The projects therefore work to reuse as much masses as possible within the project in order to reduce the need for transport over longer distances. Electrical alternatives for machinery and equipment are used where appropriate, and several projects use biodiesel as a fuel source. AF has a very modern stock of machinery, and all machines are equipped with a digital chip to measure diesel consumption, efficiency and idling. This contributes to more energy-efficient and cost-effective machinery usage. The information also contributes to a shift towards machines that pollute less because the machinery with the highest emissions is replaced.

Services that solve climate and environmental challenges
AF has a commercial approach to the increasing environmental challenges and scarcity of resources in society. In the Construction 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. All our demolition activities, both onshore and offshore, are based on a circular economy, where over 95 per cent of all material from demolition is sorted for recycling. Metals, especially steel, are one of the main components of that which is recycled. The steel industry accounts for about 7 per cent of the world's total CO_2 emissions. Reusing steel results in 70 per cent lower CO_2 emissions than ore-based production. This corresponds to a reduction in emissions of 1 kg CO_2 for each kilo of steel recycled. AF Offshore Decom and AF Decom demolished and facilitated the recycling of approximately 38,533 tonnes of metal in 2020. In total, this represents a reduction of alternative CO_2 emissions by around 38,533 tonnes. 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 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 at a disposal site. AF's energy operations reduce customers' energy consumption by offering alternative and renewable solutions for both new and existing buildings and industry. Increased energy efficiency can in most cases provide an energy saving of 20-50 per cent and the investments will be repaid to the customer after 4-7 years.

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. Further measures from the authorities may significantly affect the framework conditions for our operations. 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 2020.

FINANCIAL RISK
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, Construction, 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 and USD, respectively, the effects of the forward exchange contracts are recognised in accordance with the rules for cash flow hedging. At the end of 2020, AF Gruppen had NOK 45 million (50 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 2020, 76 (82) per cent of the Group's recognised revenues were from activities with NOK as the functional currency and 23 (18) per cent with SEK as the functional currency. The net foreign exchange gain/(loss) was NOK 1 million (4 million) in 2020. The total translation differences were NOK 80 million (-26 million) in 2020.

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. At year-end, AF Gruppen had a liability of NOK 21 million (3 million) related to commodity derivatives for steel associated with the demolition business in AF Miljøbase Vats.

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 construction 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 a financing agreement with Handelsbanken and DNB with a value of NOK 3 000 million. The framework consists of a rolling 1-year multi-currency overdraft facility with DNB of NOK 2 000 million and a revolving credit facility with Handelsbanken of NOK 1 000 million with a duration of 3+1+1 years. These facilities were unused at the end of the year. AF had net interest-bearing receivables of NOK 90 million (-163 million) as at 31 December 2020. The available liquidity, including credit facilities, stood at NOK 3,708 million as at 31 December 2020.

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 2020 have been in accordance with the Board's expectations. At the end of 2020, the Group had an order backlog of NOK 30,617 million (28,200 million), and the Board considers both the order backlog and earnings from the project portfolio are considered good.

The Covid-19 pandemic and the fall in oil prices at the beginning of 2020 has already had a major impact on the Norwegian and international economies. The civil engineering industry is also affected by the pandemic and the restrictions introduced. Although the Covid-19 pandemic has so far affected the level of activity in civil engineering and construction to a lesser extent than many other industries, there is still a high level of uncertainty about how the markets we are part of will be affected in the time ahead. The strict restrictions imposed by the authorities at the beginning of the year, which include border closures, will affect the market situation in 2021. AF Gruppen is working proactively with the authorities to ensure that the restrictions have the least impact possible on the projects and operations.

Prognosesenteret reports that the level of activity in civil engineering in 2020 seems to have only been affected by Covid-19 and the infection control measures to a small extent, and expects this also to be the case in 2021. Their forecasts assume that the direct impact on the level of activity in the civil engineering market will remain low. However, the development in 2020 was weaker than estimated with total civil engineering investment of NOK 86 billion, which indicates a decline of 1.3 per cent from 2019, primarily due to a fall in road investment. For the forecast period from 2021 to 2023, total growth of 40 per cent is expected in civil engineering investments. Growth is primarily expected to come from road projects, but also railway and tramline systems. In 2021, Prognosesenteret expects NOK 104 billion of civil engineering investments, of which 39 per cent will come from road building, while 15 per cent will come from railway and tramline systems. Taken together, the forecasts for the civil engineering market provide a good foundation for further growth of AF's civil engineering activities, even with the uncertainty about the consequences of Covid-19 in the short term.

Prognosesenteret expects a 1.7 per cent increase in production value in 2021, before a decline in the market of 1.0 per cent in 2022 and a further 1.2 per cent in 2023. New residential buildings and the ROT market are expected to drive growth in 2021. During the forecast period up to 2023, the largest growth is estimated for the construction market in Oslo. Start permits for 30,038 new residential units were registered in 2020. This represents a decline of 4.9 per cent from the previous year. For 2021, 2022 and 2023, Prognosesenteret estimates that start permits will be for 31,000, 27,000 and 26,000 residential units respectively. For

Oslo, housing starts in 2021 are expected to amount to 3,400 residential units, an increase of some 21.9 per cent from 2020. Prognosesenteret also expects growth in the number of commenced residential units in Viken and Vestland in 2021. Even though a high level of activity is expected for AF's construction operations in Norway in the future, the consequences of Covid-19 will contribute to increased uncertainty for the construction market in the short term.

There is still uncertainty as to how hard the construction and civil engineering markets in Sweden will be affected by the Covid-19 pandemic. In February 2021, Riksbank decided to maintain a zero interest rate, and Byggföretagen expects the interest rate to remain at this level for the rest of 2021. Despite Covid-19, 2020 was marked by price increases and increased sales volumes. Svensk Mäklarstatistik reports 7 per cent growth for apartments and 13 per cent for detached houses from 2019 to 2020. In October, the Swedish Construction Federation expected a 1 per cent decline in construction and civil engineering investments in Sweden in 2020 and an unchanged investment volume in 2021. This follows several years of high growth. For 2021, a 4 per cent decline in residential building production is expected, while growth in building renovation is expected to be 2 per cent. Construction investments are expected to grow by 5 per cent in 2021, with increased public investment in infrastructure making a positive contribution. This indicates that we will also have good opportunities for AF's operations in Sweden in the future, even though competition is tough. However, the consequences of Covid-19 will continue to contribute to a greater degree of uncertainty in Sweden in the near future. In 2020, AF completed the 2017-2020 strategy period. 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. This revenue target was already reached in 2019, and AF Gruppen has more than doubled revenues during the strategy period. In addition to organic growth, a large part of the growth is related to acquired businesses: The acquisition of HMB Holding AB (HMB) in January 2019 expanded the geographic area of operation of the Swedish construction business and gave AF a solid position in the Stockholm region. The acquisition of Betonmast in October 2019 strengthened both the Norwegian and Swedish construction operations. In 2018, AF and LAB supplemented its construction services in Western Norway with the acquisition of Helgesen Tekniske Bygg (HTB). With the acquisition of Kanonaden Entreprenad in 2017, AF gained a share in a growing Swedish civil engineering market. In the period after the acquisition, Kanonaden has had strong organic growth and doubled revenues.

In 2020, work on a new strategy for the 2021-2024 period was an important item for the Board of Directors. The strategy continues the ambition of profitability and growth and the goal for 2024 is a revenue of 40 billion and an operating margin of 7 per cent. The goal of zero serious injuries and work-related absence remains unchanged, and the strategy also includes goals for climate and the environment: The goal is for AF to halve relative greenhouse gas emissions and halve waste volumes that cannot be reused or recycled by 2030. Four initiatives will be prioritised to achieve these goals: disciplines and management, customers and suppliers, climate and the environment as well as innovation

For AF Gruppen, a good order backlog lays the foundation for a high level of activity in 2021 as well. The Covid-19 pandemic with associated infection control measures impacted both the business and the work of the Board of Directors in 2020. The Board of Directors follows developments closely and assesses emergency preparedness in AF Gruppen and the need for measures to ensure adequate liquidity and responsible operations on an ongoing basis.

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 2020.

OSLO, 25 MARCH 2021

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

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

CONTRACTS ANNOUNCED ON OSLO BØRS IN 2020 [1)]

Business Area	Customer	Project	Contract amount excl. VAT	Currency
Civil Engineering	The Swedish Transport Administration	Road and tunnel construction on E4 Forbifart (Stockholm)	3,400	SEK
Civil Engineering	Helse Sør-Øst	Basement construction at the new Drammen hospital	300	NOK
Civil Engineering	Entreprenørservice AS	Wind park construction in Odalen	100	NOK
Civil Engineering	Helse Sør-Øst	Access road to the new Drammen hospital	120	NOK
Construction	Bærum kommunale pensjonskasse	Reconstruction of the Municipality building in Sandvika	800	NOK
Construction	Omsorgsbygg Oslo KF	Construction of the Furuset Hageby nursing home (Oslo)	484	NOK
Construction	Clemenskvartalet Holding AS	Construction of the Clemens quarter in Bispevika South (Oslo)	420	NOK
Construction	Bergen municipality	Rehabilitation of Bergen Inclusion Center	415	NOK
Construction	Helse Sør-Øst	Structural construction and piling, new Drammen hospital	347	NOK
Construction	Storøykilen Utvikling	Construction of apartments in Storøykilen at Fornebu (Bærum)	337	NOK
Construction	Thune Eureka (Fram Eiendom)	Construction of office building at Skøyen (Oslo)	285	NOK
Construction	Hotell Østre AS (Avinor)	Extension of the Gardermoen Park Inn Hotel	250	NOK
Construction	Entra	Construction of office building in Bergen	233	NOK
Construction	Bane NOR Eiendom	Construction of train workshop at Støren (Trøndelag)	217	NOK
Construction	Kråkehaugen	Construction of 55 apartments in Bergen	185	NOK
Construction	Tandberg Eiendom	Residential and commercial building construction in Asker	170	NOK
Construction	Værste AS	Commercial and office building construction in Fredrikstad	163	NOK
Construction	Lier Eiendomsselskap KF	Construction of a new extension for a nursing home in Lier	135	NOK
Construction	Haraldsplass Diakonal Stiftelse	Interior work on a new hospital building (Bergen)	129	NOK
Construction	Studentsamskipnaden i Østfold	Construction of 213 new student apartments in Halden	126	NOK
Construction	Storgata 3–5 AS	Construction of the new Dokkenkvartalet in Sandefjord	119	NOK
Betonmast	Lørenskog municipality	Construction of a new Fjellhamar school at Lørenskog	1,200	NOK
Betonmast	Fredensborg Bolig	Construction of 423 apartments at Lørenskog	900	NOK
Betonmast	Selvaag Bolig	Construction of 187 apartments in Asker	630	NOK
Betonmast	Selvaag Bolig	Construction of 241 apartments in Lørenskog	515	NOK
Betonmast	Avantor	Construction of office building in Nydalen (Oslo)	400	NOK
Betonmast	Ailon Partners AB	Construction of 355 student apartments in Kista (Stockholm)	300	SEK
Betonmast	Volvo Real Estate	Construction of workshop, office and parking in Gothenburg	250	SEK
Betonmast	Scandinavian Property Group (SPG)	Construction of 256 apartments in Strømstad	239	SEK
Betonmast	Conceptor Bolig	Construction of 87 apartments in Hamar	228	NOK
Betonmast	Porsgrunn Bolig	Construction of apartments at Frednes Brygge in Porsgrunn	210	NOK
Betonmast	Vestaksen Eiendom	Office building construction in Drammen	200	NOK
Betonmast	Malmö kommunala bostadsbolag	Construction of 142 apartments in Malmö	198	SEK
Betonmast	Stena Fastigheter	Office building construction in Gothenburg	190	SEK
Betonmast	Klosterøya Vest	Construction of 69 apartments on Klosterøya (Skien)	190	NOK
Betonmast	Midtbyen Pale	Residential and commercial building construction in Brumunddal	176	NOK
Betonmast	Västerstaden AB	Construction of 97 apartments Gothenburg	174	SEK
Betonmast	Realinvest	Office building construction in Tronheim	150	NOK
Betonmast	Boligbygg Oslo KF	Internal building rehabilitation at Ryen (Oslo)	147	NOK
Betonmast	Brabo	Construction of 109 apartments in Upplands Väsby	145	SEK
Betonmast	Per Kroghs vei 1 KS	Rehabilitation of logistics and office building in Oslo	143	NOK
Energy and Environment	Avinor	Internal technical work, extension of Non-Schengen East (UNSØ)	200	NOK
Energy and Environment	Helse Sør-Øst	Rig and operating contractor at Radiumhospitalet (Oslo)	117	NOK
Sweden	Familjebostäder	Construction of 112 apartments in Drevvikshöjden (Farsta)	275	SEk
Sweden	Fastighets AB Tornet	Construction of 180 apartments in Tallbohov (Järfälla)	237	SEK
Sweden	AB Familjebostäder	Construction of 87 apartments in Drevvikshöjden (Farsta)	218	SEK
Sweden	Stena Renewable AB	Road construction, foundations and power grid, Åby-Alebo wind farm	213	SEK
Sweden	Fastighets AB Balder	Construction of 139 apartments at Glasbruket (Gothenburg)	200	SEK
Sweden	Riksbyggen	Construction of 142 apartments in Backa (Gothenburg)	200	SEK
Sweden	AF Projektutveckling	Construction of 63 apartments in Stadsgården (Halmstad)	170	SEk
Sweden	ÖBO, ÖrebroBostäder	Construction of 75 apartments in Örebro	168	SEK
Sweden	Tornet Bostadsproduktion	Construction of 132 apartments in Tallbohov (Stockholm)	164	SEK
Sweden	Tommy Allström Byggproduktion	Construction of a logistics center in Eskilstuna	142	SEK
Sweden	Riksbyggen	Construction of 120 apartments west of Stockholm	124	SEK
Offshore	Shell UK Ltd.	Dismantling and recycling of Curlew FPSO production vessel	315	NOK

[1)] Betonmast has announced an additional seven contracts in 2020. Included in the list are the most valuable contracts in terms of contract amount.

DOUBLING TREATMENT CAPACITY

Bekkelaget treatment plant receives 40 per cent of Oslo municipality's wastewater, but has only been scaled for 270 000 people. In order to meet stricter environmental requirements and an ever-increasing number of inhabitants, capacity had to be doubled. With AF Anlegg's expertise in rock and underground projects, blasting, concrete and steel work has been carried out to expand existing facilities. The treatment plant has been expanded by 200–300 metres southwards along the E18, and was put into operation in 2020.

WATER QUALITY IN THE FJORD. Oslo is one of Europe's fastest growing cities. The expansion of Bekkelaget treatment plant has been important to ensure good water quality in the Oslo Fjord, which benefits both the inhabitants above and below the water surface.

FINANCIAL STATEMENT

CONSOLIDATED ANNUAL ACCOUNTS

INCOME STATEMENT

		For the financial year		
Amounts in NOK million	**Note**	**2020**	**2019**	**2018**
Operating revenue	6	26,944	22,496	18,674
Other revenue	6	81	115	93
Total operating and other revenue		**27,025**	**22,612**	**18,767**
Subcontractors		-15,041	-11,415	-9,771
Cost of materials		-3,712	-3,668	-2,843
Payroll costs	7, 32	-4,953	-4,205	-3,473
Depreciation and impairment of property, plant and equipment	14	-193	-193	-163
Amortisation and impairment of right of use assets	15	-377	-300	-19
Amortisation and impairment of intangible assets	13	-3	-54	-2
Other operating expenses	8	-1,571	-1,682	-1,567
Total operating expenses		**-25,850**	**-21,517**	**-17,838**
Net gains/(losses)	9	89	40	59
Profit from associated companies and joint ventures	27, 28	216	201	130
Earnings before interest and tax (EBIT)		**1,480**	**1,335**	**1,119**
Net financial items	19	-33	-18	18
Earnings before tax (EBT)		**1,447**	**1,317**	**1,136**
Income tax expense	25, 26	-289	-290	-215
Profit for the year		**1,158**	**1,027**	**921**
Attributable to:				
Shareholders of the Parent Company		971	854	772
Non-controlling interests		187	173	149
Profit for the year		**1,158**	**1,027**	**921**
Earnings per share (NOK)	21	9.29	8.51	7.88
Diluted earnings per share (NOK)	21	9.27	8.46	7.88
Dividend per share (NOK) [1)]	21	6.50	9.50	8.50

[1)] *Dividend for 2020 has been proposed for payment first half of 2021.*

COMPREHENSIVE INCOME

Amounts in NOK million	**Note**	**2020**	**2019**	**2018**
Profit for the year		1,158	1,027	921
Change in actuarial gains or losses on pensions (gross)	18	-	-2	-2
Change in actuarial gains or losses on pensions (tax)	26	-	1	-
Translation differences for non-controlling interests		14	-3	-
Other comprehensive income that will not be reclassified to the income statement		**14**	**-4**	**-2**
Change in cash flow hedging (gross)	23	-26	5	-22
Change in cash flow hedging (tax)	23, 26	6	-1	5
Translation differences for majority interests		66	-24	-13
Other comprehensive income that may be reclassified to the income statement		**46**	**-20**	**-30**
Total other comprehensive income (OCI)		**60**	**-24**	**-32**
Total comprehensive income for the year		**1,218**	**1,003**	**890**
Attributable to:				
- Shareholders of the Parent Company		1,016	832	741
- Non-controlling interests		202	170	149
Total comprehensive income for the year		**1,218**	**1,003**	**890**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

Amounts in NOK million	Note	2020	2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14, 34	1,493	1,490
Right-of-use assets	15	887	991
Intangible assets	13	4,367	4,306
Associated companies and joint ventures	27, 28	547	547
Deferred tax assets	26	16	13
Interest-bearing receivables	20, 22, 24	443	358
Pension plan and other financial assets	18, 23, 24	8	12
Total non-current assets		**7,760**	**7,718**
CURRENT ASSETS			
Inventories	11	225	190
Projects for own account	12	135	157
Trade and other non-interest-bearing receivables	10, 24	3,968	4,127
Interest-bearing receivables	20, 24	66	100
Derivatives	22, 23, 24	-	-
Cash and cash equivalents	20, 24	708	563
Total current assets		**5,101**	**5,136**
Total assets		**12,862**	**12,854**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

Amounts in NOK million	Note	2020	2019
EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITE			
Equity attributable to Parent Company shareholders		2,593	2,189
Non-controlling interests	30	901	809
Total equity		**3,494**	**2,999**
LONG-TERM LIABILITIES			
Interest-bearing loans and credit facilities	20, 22, 24	155	166
Interest-bearing loans - Lease liability	15, 20, 22, 24	633	704
Pension liabilities	18	3	3
Provisions for liabilities	16	92	63
Deferred tax	26	516	440
Derivatives	22, 23, 24	26	47
Total non-current liabilities		**1,426**	**1,423**
CURRENT LIABILITIES			
Interest-bearing loans and credit facilities	20, 22, 24	8	4
Interest-bearing loans - Lease liability	15, 20, 22, 24	330	310
Trade payables and current non-interest-bearing liabilities	17, 24	6,691	7,048
Derivatives	22, 23, 24	46	14
Provisions for liabilities	16	629	684
Current tax payable	25	236	372
Total current liabilities		**7,942**	**8,432**
Total liabilities		**9,368**	**9,855**
Total equity and liabilities		**12,862**	**12,854**

OSLO, 25 MARCH 2021

Pål Egil Rønn
Board Chairman

Hege Bømark

Borghild Lunde

Kristian Holth

Arne Baumann

Kjetel Digre

Amund Tøftum
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**		
2018										
Equity as at 1 January 2018		5	478	32	-15	-15	1,209	1,693	384	2,078
Profit for the year		-	-	-	-	-	772	772	149	921
Other comprehensive income 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		-	-	-	-	-	-	-	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										
Effekt av IFRS 16 Leieavtaler		-	-	-	-	-	-19	-19	-	-19
Egenkapital 1. januar 2019		**5**	**252**	**19**	**-16**	**-32**	**1500**	**1727**	**378**	**2105**
Profit for the year		-	-	-	-	-	854	854	173	1,027
Other comprehensive income for the year		-	-	-24	-1	-17	-	-21	-3	-24
Total comprehensive income for the year		**-**	**-**	**-24**	**-2**	**4**	**854**	**832**	**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**	**2,189**	**809**	**2,999**
2020										
Profit for the year		-	-	-	-	-	971	971	187	1,158
Other comprehensive income for the year		-	-	66	-	-20	-	46	14	60
Total comprehensive income for the year		**-**	**-**	**66**	**-**	**-20**	**971**	**1,016**	**202**	**1,218**
Share capital increases	31	-	410	-	-	-	-	410	55	465
Purchase of treasury shares	31	-	-	-	-	-	-73	-73	-	-73
Sale of treasury shares	31	-	-	-	-	-	62	62	-	62
Dividend adopted and paid		-	-631	-	-	-	-371	-1,001	-162	-1,163
Share value-based remuneration	7	-	41	-	-	-	-	41	5	46
Non-controlling interests put options		-	-	-	-	-	40	40	-7	34
Addition from acquisition	5	-	-	-	-	-	-	-	-	-
Addition from restructuring		-	-	-	-	-	-	-	-	-
Transactions with non-contr. interests		-	-	-	-	-	-92	-92	-1	-93
Equity as at 31 December 2020		**5**	**756**	**62**	**-18**	**-49**	**1,839**	**2,593**	**901**	**3,494**

CASH FLOW STATEMENT

Amounts in NOK million	Note	2020	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax		1,447	1,317	1,136
Depreciation and write-downs	13, 14	573	547	184
Change in retirement benefit liabilities	18	3	-	-
Accounting cost of share-based remuneration		51	32	29
Net financial expenses/(income)	19	33	18	-18
Net (gains)/losses	9	-89	-40	-59
Profit attributable to associated companies and joint ventures	27, 28	-216	-201	-130
Change in operating capital (excluding acquisitions and foreign currency)				
Change in inventories and projects for own account	11, 12	-8	-37	119
Change in trade and other non-interest-bearing receivables	10	225	-185	-1,004
Change in trade payables and other non-interest-bearing liabilities	16	-453	234	707
Income tax paid		-376	-177	-123
Net cash flow from operating activities		**1,189**	**1,508**	**841**
CASH FLOW FROM INVESTMENT ACTIVITIES				
Acquisition of business	5	-2	-636	-158
Investments in associated companies and joint ventures		-110	-87	-24
Purchase of property, plant and equipment and intangible assets	13, 14	-219	-324	-324
Proceeds from the sale of business	5	1	-	-
Proceeds from the sale of property companies		-	11	7
Proceeds from sale of property, plant and equipment		113	82	77
Payments for derivatives		-5	-	9
Dividends and capital received from associated companies and joint ventures		340	133	154
Payments due to change in interest-bearing receivables	20	-85	-150	-54
Proceeds due to change in interest-bearing receivables	20	43	100	35
Interest and other financial income received	19	35	33	23
Net cash flow from investment activities		**112**	**-838**	**-255**
Net cash flow before financing activities		**1,301**	**670**	**586**
CASH FLOW FROM FINANCING ACTIVITIES				
Issuance of shares		410	555	87
Dividends paid to shareholders in the Parent Company		-1,001	-859	-836
Dividends paid to non-controlling interests		-162	-148	-126
Transactions with non-controlling interests		-46	-113	-108
Proceeds from new interest-bearing debt	20	37	159	9
Repayment of interest-bearing debt	20	-336	-324	-33
Net (purchase)/sale of treasury shares	31	-10	29	-10
Interest and other financial expenses paid	19	-58	-55	-13
Net cash flow from financing activities		**-1,166**	**-758**	**-1,030**
Net change in cash and cash equivalents		**135**	**-88**	**-444**
Cash and cash equivalents as at 1 December	20	563	656	1,098
Foreign exchange effect on cash and cash equivalents		10	-5	1
Cash and cash equivalents as at 31 December	**20**	**708**	**563**	**655**

NOTE 1 GENERAL INFORMATION

AF Gruppen ASA is a public limited company registered in Norway and listed on the Oslo Stock Exchange (OB Match). 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 25 March 2021.

AF Gruppen is one of Norway's leading contracting and industrial groups with operations in the areas of Civil Engineering, Construction, Property, Energy, Environment 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 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, the exceptions 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 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 assessments, estimates and assumptions.

NOTE 3 NEW AND AMENDED ACCOUNTING STANDARDS

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

In 2020, AF Gruppen has not implemented new or amended accounting standards or interpretations that have a significant impact on the Group's financial standing or results.

Changes and interpretations made by the IASB in 2020 include:

Conceptual framework for financial reporting

The revised conceptual framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These changes had no effect on the consolidated financial statements.

Amendments to IFRS 3: Definition of a business

The amendment to IFRS 3 business combinations clarifies the requirements for being considered a business. These clarifications had no effect on the consolidated financial statements.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of changes which applies to hedging relationships directly affected by the interest rate benchmark reform. These changes have no effect on the consolidated financial statements, as AF does not have interest rate derivatives that are recognised in accordance with the rules for hedging.

Amendments to IAS 1 and IAS 8 Definition of material

The purpose of the amendment is to clarify the definition of 'material', not to change the underlying concept of materiality in the IFRS standards. The definition of material reads as follows after the change: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity». These changes had no impact on the Group's consolidated financial statements and are not expected to have any future impact.

Exemption in IFRS 16 Leases - Covid-19

In May, the IASB adopted a new exemption in IFRS 16 Leases. The principle in IFRS 16 is, as stated, that in the event of changes in the lease, a decision must be made as to whether that change meets the definition of a lease modification. The IASB has now decided to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification according to IFRS 16. One of the preconditions for using the exception rule will be that the change in the lease is a direct consequence of the Covid-19 pandemic. AF Gruppen will not apply this exemption.

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 2020. 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 operational structure and the division 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). AF Gruppen is operationally divided partly by business and partly by geography. Hereafter and otherwise in the annual report the operating segments are referred to as business areas.

BUSINESS AREAS

AF Gruppen is a project-based contracting and industrial group. The Corporate Management Team managed the business operations in 2020 on the basis of the Civil Engineering, Construction, 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 Construction business area performs traditional construction activities in the Norwegian market with a solid local base. The business includes the development, engineering and construction of commercial, residential and public buildings, as well as rehabilitation projects. Construction 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 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 construction, civil engineering, property and environmental activities in Sweden. The business area consists of the following business units: Kanonaden Entreprenad, Pålplintar, AF Bygg Göteborg, 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 construction, modification and maintenance work related to HVAC, cranes, modules and rig services. 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 included 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.

CONTRACT TYPES

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 Acquisition and sale of businesses. In addition, the Property business area is engaged in projects for own account related to the development and construction of residential units and commercial property for sale. Projects for own account are self-financed and as a rule, are organised in associated companies and joint ventures.

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 Construction 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 16.0 per cent (24.4 per cent) of AF Gruppen's total operating revenues. In 2020, revenue of NOK 4,323 million (5,487 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 6.2 per cent (8.4 per cent) of the revenues of AF Gruppen in 2020, and this represents revenue of NOK 1,679 million (1,900 million) related to projects for Nye Veier.

IMPAIRMENT LOSSES

In 2020, goodwill was written down by NOK 1 million related to closed business in Construction. 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	Constr-uction	Beton-mast	Property	Energy and Environ-ment	Sweden	Offshore	Other	Elim.	GAAP adjust-ment	Total
2020											
INCOME STATEMENT											
External revenue	4,077	9,248	7,862	33	796	4,121	671	62	49	106	27,025
Internal revenue	80	211	1	-	166	16	1	44	-519	-	-
Total revenue	**4,157**	**9,459**	**7,862**	**33**	**962**	**4,138**	**672**	**106**	**-470**	**106**	**27,025**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	523	603	289	136	108	303	7	59	2	21	2,053
Earnings before interest and tax (EBIT)	331	486	261	135	54	219	-25	-3	2	21	1,480
Earnings before tax (EBT)	315	491	252	132	52	212	-40	10	2	21	1,447
KEY FIGURES AND FINANCIAL STATEMENT											
EBITDA margin	12.6 %	6.4 %	3.7 %	-	11.2 %	7.3 %	1.1 %	-	-	-	7.6 %
Operating margin	8.0 %	5.1 %	3.3 %	-	5.6 %	5.3 %	-3.7%	-	-	-	5.5 %
Profit margin	7.6 %	5.2 %	3.2 %	-	5.5 %	5.1 %	-5.9%	-	-	-	5.4 %
Assets as at 31 December	1,778	4,755	3,528	894	650	1,766	1,055	1,849	-3,337	-75	12,862
Capital employed as at 31 December	501	1,923	1,369	844	282	880	631	1,069	-2,800	-78	4,621
Number of employees as at 31 December	1,479	1,497	983	26	283	843	220	179	-	-	5,510
REMAINING PERFORMANCE OBLIGATIONS (ORDER BACKLOG)											
Order backlog 2021	3,679	6,540	5,161	-	589	2,810	650	-	66	247	19,742
Order backlog, subsequent years	3,031	3,485	2,112	-	115	1,310	715	-	108	-	10,876
Total order backlog as at 31 December	**6,709**	**10,025**	**7,274**	**-**	**703**	**4,120**	**1,365**	**-**	**173**	**247**	**30,617**
DISTRIBUTION OF REVENUE BY REVENUE STREAMS											
Revenue from civil engineering contracts	4,157	722	212	-	-	1,867	-	-	-	-	6,957
Revenue from construction contracts	-	8,732	7,608	-	-	2,152	-	-	-470	106	18,129
Revenue from onshore and offshore demolition activities	-	-	-	-	623	116	344	-	-	-	1,083
Revenue from other types of contracts	-	4	42	33	339	3	328	106	-	-	856
Total revenue	**4,157**	**9,459**	**7,862**	**33**	**962**	**4,138**	**672**	**106**	**-470**	**106**	**27,025**
DISTRIBUTION OF REVENUE BY GEOGRAPHY											
Revenue in Norway	3,995	9,401	5,803	33	962	-	672	106	-470	131	20,633
Revenue in Sweden	162	-	2,059	-	-	4,138	-	-	-	-25	6,334
Revenue in other countries	-	58	-	-	-	-	-	-	-	-	58
Total revenue	**4,157**	**9,459**	**7,862**	**33**	**962**	**4,138**	**672**	**106**	**-470**	**106**	**27,025**
CASH FLOW											
Net cash flow from operating activities	241	141	373	-58	119	278	120	-25	-	-	1,189
Net cash flow from investing activities	-36	-44	-60	204	-4	7	-25	69	-	-	112
Net cash flow before financing activities	**205**	**97**	**314**	**145**	**115**	**286**	**95**	**44**	**-**	**-**	**1,301**

NOTE 4 SEGMENT INFORMATION CONT.

Amounts in NOK million	Civil Engine-ering	Constr-uction	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	-3,299	-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 construction 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	**4,157**	**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	Constr-uction	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 construction 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	**4,157**	**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 5 ACQUISITION AND SALE OF BUSINESSES

ACQUISITION AND SALE OF BUSINESSES 2020

Sale of Betonmast Bergen AS

In July 2020, the sale of Betonmast Bergen AS to Backe Gruppen was completed. The sale resulted in a gain of MNOK 15 which is recognized in net gains. Betonmast Bergen had a turnover of MNOK 134 for the first six months of 2020 when it was included in AF Gruppen.

Amounts in NOK million	Betonmast Bergen
Gross cash consideration	16
Cash and cash equivalents	-15
Net cash consideration	**1**

Acquisition of Gustavsen og Hansen Murerfirma AS

In October 2020, AF Gruppen completed the acquisition of Gustavsen og Hansen Murerfirma AS, which is part of the Construction business area.

Amounts in NOK million	Gustavsen og Hansen Murerfirma AS
Gross cash consideration	2
Cash and cash equivalents	-1
Net cash consideration	**2**

RECONCILIATION OF ADDITIONS AND DISPOSALS FROM ACQUISITION AND SALE OF BUSINESSES 2020

Amounts in NOK million	Note	Betonmast Bergen
Leased buildings and production facilities	15	-5
Leased machines and operating equipment	15	-
Right-of-use assets	**15**	**-5**

Amounts in NOK million	Note	Gustavsen og Hansen
Goodwill	13	2
Intangible assets	**13**	**2**

NOTE 5 ACQUISITION AND SALE OF BUSINESSES CONT.

ACQUISITION OF BUSINESSES 2019

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 Eiendom 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 construction 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 consideration 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 generated 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 final. 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 construction 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 generated 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. The allocation is final. At the time of acquisition 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 BUSINESSES 2019

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**

NOTE 6 OPERATING AND OTHER REVENUE

Amounts in NOK million	Note	2020	2019	2018
Revenue from construction contracts		25,901	21,874	18,324
Revenue from projects for own account		5	6	56
Revenue from sale of services		862	504	148
Revenue from sale of goods		176	112	147
Total operating revenue		**26,944**	**22,496**	**18,674**
Rental income		35	46	38
Other income		46	70	55
Total other revenue		**81**	**115**	**93**
Total operating and other revenue	4	**27,025**	**22,612**	**18,767**

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	2020	2019	2018
Share of operating revenue that is recognised over time	26,762	22,378	18,472
Share of operating revenue that is recognised at a particular point in time	182	118	202
Total operating revenue	**26,944**	**22,496**	**18,674**

DISTRIBUTION OF OPERATING REVENUE BY CUSTOMER TYPE

Share of operating revenue from public customers	8,025	8,842	7,293
Share of operating revenue from private customers	18,919	13,654	11,381
Total operating revenue	**26,944**	**22,496**	**18,674**

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	2020	2019
Amount that was included in the opening balance of contract obligations	1,188	960
Amount that relates to perf. obligations which were fully or partially satisfied in prev. periods	286	84

NOTE 7 PAYROLL COSTS

Amounts in NOK million	Note	2020	2019	2018
Fixed pay		-3,863	-3,278	-2,741
Payroll tax		-635	-556	-436
Retirement benefit costs	18	-201	-151	-111
Share value-based remuneration		-51	-36	-34
Other benefits		-204	-184	-150
Total payroll costs		**-4,953**	**-4,205**	**-3,473**

RECONCILIATION OF SHARE VALUE-BASED REMUNERATION

	2020	2019	2018
Share-value based remuneration recognised	51	36	34
of which share programme discount for shares from own holdings	-10	-4	-4
Deposit option premium for new option programme	4	-	-
Share-value based remuneration through equity	**46**	**33**	**30**

AVERAGE NUMBER OF FULL-TIME EQUIVALENTS

	2020	2019	2018
Norway	4,509	4,079	3,588
Sweden	980	784	469
Germany	11	9	6
Lithuania	22	33	23
China	-	2	8
Total	**5,521**	**4,905**	**4,093**

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	2020	2019	2018
Number of shares sold from own holdings	284,774	132,703	141,544
Number of shares from new issues	715,226	544,608	858,456
Market price during subscription period (NOK)	172.28	161.00	127.00
Selling price (NOK)	137.80	128.80	101.60
Accounting impact of sale of shares to employees:			
Payroll costs (discount on sale of shares including payroll tax)	-28	-20	-21

OPTION PROGRAMME 2017-2020

The General Meeting adopted an option programme for all the employees of AF Gruppen in May 2017. The maximum number of options that could be allocated was 3,500,000 over three years, and the programme entailed annual allotments for the years 2017-19 and exercise of the options in March 2020. The subscription price for the shares was 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 was reduced by the portion of the dividend paid that exceeds 50% of the earnings per share for the previous year. The option premium was 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. The total number of outstanding options adjusted for employees who have left the company was 3,151,893 as at 31 December 2019. 2,217,994 options were exercised in March 2020 and a share issue related to the exercise of options was completed in the beginning of April 2020. Number of options related to this programme after exercise was 0.

OPTION PROGRAMME 2020-2023

The General Meeting adopted an option programme for all the employees of AF Gruppen in May 2020. The maximum number of options that can be allocated is 4,000,000 over three years, and the programme entailes annual allotments for the years 2020-22 and exercise of the options in March 2020. The subscription price for the shares will be 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 2023 in order to exercise the options. AF Gruppen issued 3,850,000 options to 1,584 employees in 2020. The total number of outstanding options adjusted for employees who have left the company was 3,806,660 as at 31 December 2020. Recognised option costs for 2019 were NOK 16 million (16 million).

NOTE 7 PAYROLL COSTS CONT.

OPTIONS	Exercise deadline	Exercise price as at 31 December 2020 (NOK per share)	Number of options
Number of options as at 31 December 2019	1/3/2020		**3,151,893**
Correction for employees who have left before exercise date			-28,946
Number of options as at 1 March 2020	1/3/2020		**3,122,947**
Options not exercised			-904,953
Options exercised			-2,217,994
Options subscribed for in 2020	1/3/2023	169.82	3,850,000
Correction for employees who have left in 2020			-43,340
Number of options as at 31 December 2020	1/3/2023		**3,806,660**

AF Gruppen has used the Black-Scholes options pricing model to value the options. The following assumptions were used in the model:	2020	2019	2018
Expected dividend yield [1)]	2.6 %	2.8 %	2.8 %
Historical volatility	26.5 %	20.3 %	19.5 %
Risk-free interest	0.2 %	1.3 %	1.8 %
Expected life of option (years)	2.8	0.8	1.5
Share/strike price per share at the point of subscribtion (NOK) [1)]	169.82	161.00	146.90

[1)] *The yield calculation excludes dividends beyond 50% of the previous year's earnings per share. This is because dividends beyond this level will reduce the strike price.*

NOTE 8 OTHER OPERATING EXPENSES

Amounts in NOK million	Note	2020	2019	2018
OTHER OPERATING EXPENSES				
Rent		-54	-53	-116
Other rental expenses		-485	-527	-615
Insurance		-59	-41	-35
Contracted manpower		-122	-176	-163
Audit fees		-16	-13	-10
Other fees		-144	-159	-96
Bad debts	10	-6	4	-7
Disposal and landfill fees		-119	-127	-97
Marketing and advertising		-23	-26	-19
IT expenses		-145	-115	-81
Sundry other operating expenses		-399	-449	-328
Total other operating expenses		**-1,571**	**-1,682**	**-1,567**

Amounts in NOK 1000	2020	2019	2018
REMUNERATION OF THE GROUP'S ELECTED AUDITOR			
Statutory auditing	-7,080	-5,485	-4,533
Other assurance engagements	-62	-340	-157
Tax consulting	-130	-126	-64
Other non-audit services	-136	-18	-300
Total	**-7,409**	**-5,969**	**-5,054**
REMUNERATION OF OTHER AUDITORS			
Statutory auditing	-6,281	-5,329	-3,481
Other services beyond auditing	-2,133	-1,326	-1,151
Total	**-8,414**	**-6,655**	**-4,632**
Total auditor's fees	**-15,823**	**-12,624**	**-9,686**

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

NOTE 9 NET GAINS (LOSSES)

Amounts in NOK million	2020	2019	2018
Gains (losses) on sale of businesses [1]	15	-	-
Gains (losses) on sale of shares in property companies [2]	-	7	13
Fair value changes in derivatives	-2	-10	6
Net (gains) losses on the sale of property, plant and equipment	72	44	41
Net foreign exchange gains (losses) related to operations	3	-2	-1
Total net gains/(losses)	**89**	**40**	**59**

[1] Gains (losses) on sale of business in 2020 is related to the sale of Betonmast Bergen.

[2] 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.

FINANCIAL STATEMENT

NOTE 10 TRADE AND NON-INTEREST-BEARING RECEIVABLES

Amounts in NOK million	Note	2020	2019
Invoiced trade receivables		3,806	4,307
Unearned revenue, invoiced on projects in progress		-1,304	-1,596
Provision for losses		-9	-2
Contract receivables	**6**	**2,493**	**2,709**
Earned revenue, not invoiced on projects in progress		568	386
Credit balances with clients [1]		775	840
Contract assets	**6**	**1,343**	**1,226**
Tax paid in advance		11	9
Value-added tax and other public charges paid in advance		21	46
Prepaid expenses		46	62
Other current non-interest-bearing receivables		53	74
Other non-interest-bearing receivables		**131**	**192**
Trade and other non-interest-bearing receivables	**24**	**3,968**	**4,127**

[1] As security for AF 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 2020	Not yet due	1-30	31-60	61-90	91-120	>120	Sum
Invoiced trade receivables	2,610	245	101	20	17	812	3,806

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

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. Individual projects with disputed final settlements, such as Ryfast E03, make up a large proportion of claims more than over 120 days overdue. See note 35 - Contingencies for further information on Ryfast E03.

Provisions for losses on accounts receivable are related to the customers' 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	2020	2019
Spare parts and project inventories	134	100
Raw materials	34	23
Finished products	57	66
Total inventories	**225**	**190**

Inventories mainly consist of spare parts and equipment for use in production. Inventories were not subject to impairment in 2020.

NOK 10 (52) 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	2020	2019
Housing projects in progress	88	39
Completed residential units for sale	1	36
Land for development	46	82
Total projects for own account	**135**	**157**

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 2,993 (2,360) residential units and 144,880 m^2 (58,955 m^2) of commercial area. AF's share is 1,357 (1,123) residential units and 54,996 m^2 (30,915 m^2) of commercial area.

COMPLETED RESIDENTIAL UNITS FOR SALE	2020	2019
Number of completed residential units for sale in subsidiaries	1	10
AF's share of completed residential units for sale in associated companies	7	11

NOTE 13 INTANGIBLE ASSETS

Anmounts in NOK million	Note	Goodwill	Other intangible assets	Total
ACQUISITION COST				
1 January 2019		2,324	60	2,384
Ordinary additions		-	-	-
Additions from the acquisition of business	5	2,088	-	2,088
Disposals		-	-	-
Translation difference		-16	-	-16
31 December 2019		**4,396**	**61**	**4,457**
Ordinary additions		-	1	1
Additions from the acquisition of business	5	2	-	2
Disposals		-	-	-
Translation difference		62	-	62
31 December 2020		**4,459**	**62**	**4,521**
DEPRECIATION AND WRITE-DOWNS				
1 January 2019		-40	-56	-96
Disposals		-	-	-
Depreciation for the year		-	-1	-1
Write-downs for the year		-53	-	-53
31 December 2019		**-93**	**-57**	**-150**
Disposals		-	-	-
Depreciation for the year		-	-1	-1
Write-downs for the year		-1	-1	-2
31 December 2020		**-94**	**-59**	**-154**
CARRYING AMOUNT				
Acquisition cost		4,396	61	4,457
Depreciation and write-downs		-93	-57	-150
31 December 2019		**4,303**	**3**	**4,306**
Acquisition cost		4,459	62	4,521
Depreciation and write-downs		-94	-59	-154
31 December 2020		**4,365**	**2**	**4,367**

	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	**2020**	**2019**
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	96	94
Eiqon	-	1
LAB Entreprenør	432	432
Åsane Byggmesterforretning	123	123
Helgesen Tekniske Bygg (HTB)	102	102
Fundamentering (FAS)	94	94
AF Bygg Østfold	47	47
Total Construction	**1,664**	**1,663**
Betonmast Oslo	348	348
Betonmast Romerike	462	462
Betonmast Østfold	98	98
Betonmast Buskerud-Vestfold	165	165
Betonmast Boligbygg	184	184
Betonmast Trøndelag	90	90
Betonmast Røsand	94	94
Betonmast Construction Sweden	296	296
Total Betonmast	**1,736**	**1,736**
AF AeronMollier	127	127
Total Offshore	**127**	**127**
AF Energi & Miljøteknikk	54	54
AF Decom	37	37
Total Energy and Environment	**91**	**91**
HMB	378	342
Kanonaden Entreprenad	145	131
AF Bygg Göteborg	109	99
AF Härnösand Byggreturer	14	13
Total Sweden	**646**	**584**
Book value as at 31 December	**4,365**	**4,303**

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	2020	2019
Growth rate [1]	2.0 %	2.0 %
WACC before tax for offshore	8.9 %	9.7 %
WACC before tax for other	6.1 %	5.4 %

SWEDEN	2020	2019
Growth rate [1]	1.5 %	1.5 %
WACC before tax	5.1 %	3.5 %

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

IMPAIRMENT TEST OF GOODWILL IN 2020
Anticipated cash flows for 2020 in the calculation of the recoverable amount are based on the budget for 2020 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 3.0-3.5 per cent is anticipated for all the business units in 2021.

The calculated value of the individual cash-generating units exceeds the recognised value in the financial position with a relatively good margin at the end of 2020 for most of the units in the test. In 2020, NOK 1 million was written down in Eiqon, which is related to discontinued operations.

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. AF AeronMollier is also included in the overview as it has goodwill that was partially written down in 2019. Based on the current information, the management of AF Gruppen is of the opinion that reasonable changes in key assumptions which form the basis for calculation of the recoverable amount will not entail any need for a write-down in any of the units.

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 recognised value of the assets in the impairment test is expressed as an index of 100. The indexed recoverable amount ((recoverable amount-recognised value in the financial position)-1) represents how much the recoverable amount exceeds the recognised 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, 1.0 and 3.0 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, LAB Entreprenør will for example have an estimated value that is 188 per cent higher than what is necessary to justify the assets. 188 per cent is then calculated as an index of 288 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 3.0 percentage point increase in the WACC will approach the level where it becomes necessary to recognise an impairment loss for the goodwill allocated to AF AeronMollier.

2020	Values indexed against book value of assets in test				
			Recoverable amount if WACC is increased by:		
UNIT	Recoverable amount in test	Book value of assets in test	50 bp	100 bp	300 bp
Strøm Gundersen	321	100	286	258	185
Betonmast Romerike	564	100	500	454	323
LAB Entreprenør	499	100	495	401	288
HMB	380	100	334	298	208
Betonmast Oslo	922	100	809	741	520
AF AeronMollier	148	100	137	128	101

NOTE 13 INTANGIBLE ASSETS CONT.

2019 — Values indexed against book value of assets in test

UNIT	Recoverable amount in test	Book value of assets in test	Recoverable amount if WACC is increased by: 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

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. AF AeronMollier is also included in the overview as it has goodwill that was partially written down in 2019. 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. Indexed cash flows are also shown, and indicate how the relationship to the "break even" cash flow changes if the cash flow in the test is reduced by 10, 30 and 50 per cent, respectively. 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 will for example have an estimated cash flow that is 149 per cent higher than what is necessary to justify the assets. 149 per cent is then calculated as an index of 249 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 50 per cent reduction in estimated cash flow will necessitate the recognition of an impairment loss for the goodwill allocated to AF AeronMollier.

2020 — Cash flow indexed against "break even" cash flow

UNIT	Estimated cash flow in test	"Break even" cash flow	Cash flow in test redused by: 10%	30%	50%
Strøm Gundersen	321	100	289	225	160
Betonmast Romerike	564	100	508	395	282
LAB Entreprenør	499	100	449	349	249
HMB	380	100	342	266	190
Betonmast Oslo	922	100	830	645	461
AF AeronMollier	148	100	133	103	74

2019 — Cash flow indexed against "break even" cash flow

UNIT	Estimated cash flow in test	"Break even" cash flow	Cash flow in test redused by: 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

NOTE 14 PROPERTY PLANT AND EQUIPMENT

Amounts in NOK million	Note	Buildings and production plants	Machinery and equipment	Total
ACQUISITION COST				
1 January 2019		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**
Ordinary additions		31	189	220
Disposals		-3	-200	-204
Translation differences		12	16	27
31 December 2020		**1,057**	**1,312**	**2,369**
DEPRECIATION AND WRITE-DOWNS				
1 January 2019		-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**
Depreciation for the year		-25	-167	-192
Write-downs for the year		-1	-	-1
Accumulated depreciation on disposals for the year		-	164	164
Translation differences		-3	-9	-12
31 December 2020		**-98**	**-778**	**-876**
CARRYING AMOUNT			-	-
Acquisition cost		1,017	1,308	2,325
Depreciation and write-downs		-69	-766	-835
31 December 2019		**949**	**541**	**1,490**
Acquisition cost		1,057	1,312	2,369
Depreciation and write-downs		-98	-778	-876
31 December 2020		**959**	**534**	**1,493**

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 %

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 operations. The company chooses to lease certain capital assets instead of purchasing them, since this provides 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.

RIGHT-OF-USE ASSETS

Amounts in NOK million	Note	Leased buildings and production plants	Leased machinery and equipment	Total
ACQUISITION COST				
1 January 2019		-	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**
Ordinary additions		65	242	308
Disposals		-29	-195	-224
Disposals from the sale of business		-6	-	-6
Translation differences		2	8	10
31 December 2020		**516**	**898**	**1,414**
DEPRECIATION AND WRITE-DOWNS				
1 January 2019		-	-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**
Depreciation for the year		-97	-281	-377
Accumulated depreciation on disposals for the year		20	158	179
Accumulated depreciation on disposals for the year sold business		1	-	1
Translation differences		2	4	5
31 December 2020		**-155**	**-372**	**-527**
CARRYING AMOUNT				
Acquisition cost		483	843	1,326
Depreciation and write-downs		-81	-254	-335
31 December 2019		**403**	**588**	**991**
Acquisition cost		516	898	1,414
Depreciation and write-downs		-155	-372	-527
31 December 2020		**361**	**525**	**887**

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, 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 up to 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	2020	2019
Rent due within 1 year		102	101
Rent due within 1 5 years		266	304
Rent due after 5 years		76	89
Undiscounted lease obligation buildings and production plants		**443**	**495**
- Of which interest payments		-32	-38
Net present value lease obligation buildings and production plants		**411**	**456**

LEASED MACHINERY AND VEHICLES

Amounts in NOK million	Note	2020	2019
Rent due within 1 year		243	236
Rent due within 1 5 years		296	329
Rent due after 5 years		25	10
Undiscounted lease obligation machinery and vehicles		**564**	**575**
- Of which interest payments		-12	-17
Net present value lease obligation machinery and vehicles		**552**	**558**

TOTAL LEASE LIABILIITIES

Amounts in NOK million	Note		
Total undiscounted leased obligations		**1,007**	**1,069**
- Of which interest payments		-45	-55
Total net present value leased obligations	**20**	**963**	**1,014**

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	2020	2019
Total income from the sublease of right of use assets		6	11
Operating costs related to short-term leases and variable lease payments	8	-539	-581
Total lease cost included in operating costs		**-533**	**-570**

GROUP AS LESSOR
In 2020, income of NOK 35 million (46 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	2020	2019	2018
Sublease rent due within 1 year	5	6	5
Sublease rent due within 1 5 years	15	19	7
Sublease rent due after 5 years	-	-	-
Total	**19**	**25**	**12**

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 2019	200	14	130	29	373
Reversal of earlier provisions	-21	-	-	-1	-23
Provisions set aside during the year	136	42	10	75	263
Total included in profit for the year	**115**	**42**	**10**	**73**	**241**
Translation differences	-1	-	-3	-2	-5
Total included in other revenues and expenses	**-1**	**-**	**-3**	**-2**	**-5**
Additions during the year	-	-	-	-	-
Additions from purchase of business	53	-	-	150	203
Used during the year	-59	-	-	-5	-64
Total other changes	**-7**	**-**	**-**	**145**	**138**
31 December 2019	**308**	**56**	**137**	**246**	**747**
Reversal of earlier provisions	-33	-47	-4	-32	-116
Provisions set aside during the year	130	2	74	-	205
Total included in profit for the year	**97**	**-45**	**69**	**-32**	**89**
Translation differences	2	4	9	-	16
Total included in other revenues and expenses	**2**	**4**	**9**	**-**	**16**
Additions during the year	-	-	27	-	27
Disposals from sale of business	-2	-	-	-	-2
Used during the year	-77	-	-60	-18	-155
Total other changes	**-79**	**-**	**-34**	**-18**	**-131**
31 December 2020	**329**	**15**	**182**	**195**	**721**

[1] Provisions for warranty work represent the management's best estimate of the warranty liability for ordinary construction 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 of NOK 15 Million is linked to the acquisition of Helgesen Tekniske Bygg AS in 2018. During 2020 provisions for contingent consideration of NOK 42 Million related to the acquisition of HMB in 2019 were reversed.

[3] As at 31 December 2020, AF Gruppen has an estimated obligation related to agreements that entitle non-controlling owners to sell shares in subsidiaries to AF Gruppen at given times (put options) of NOK 182 million. The value is not predetermined but is calculated on the redemption date as the enterprise value adjusted for liabilities. The enterprise value is calculated as the average operating profit for the previous three years multiplied by an agreed multiple. The calculated equity 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. 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 2020, NOK 163 million of the estimated liability is classified as a short-term provision since the put options can be exercised from 2021.

CLASSIFICATION ON THE BALANCE SHEET	**2020**	**2019**
Non-current liabilities	92	63
Current liabilities	629	684
Total provisions	**721**	**747**

NOTE 17 TRADE PAYABLES AND NON-INTEREST-BEARING LIABILITIES

Amounts in NOK million	2020	2019
Trade payables	3,150	3,455
Public liabilities	476	661
Prepayments from customers (contract obligations)	1,010	1,188
Accrued holiday pay, including payroll tax	453	439
Other accrued expenses and other current liabilities	1,602	1,305
Total trade payables and non-interest-bearing liabilities	**6,691**	**7,048**

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 had a collective pension plan for employees in Norway born in or before 1951, who were hired before 2003. The plan only covered retirement pensions. The plan aimed to pay benefits of 60 per cent of the pay level up to 12G at the time of retirement. This benefit level required a 30-year qualification period. The retirement age was 67, and there was a 15-year payment period. Parts of the retirement benefit payments were covered by the Norwegian National Insurance Scheme and the payments expected from this scheme. The rest was funded through accumulated reserves in insurance companies. At the end of 2020, the defined benefit pension plan was abandoned. There are 5 (5) pensioners covered by the unsecured pension plan.

CONTRACTUAL EARLY RETIREMENT (AFP)

The Group has a defined-benefit multi-company plan for contractual early retirement (AFP), a tariff-based pension scheme for employees in the private sector. 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 for AFP is paid based on a percentage of the total payments to employees between 1 and 7.1 times the National Insurance basic amount (G). The Group pays a premium for employees until the year they reach 61 years. The premium is now 2.4 per cent

RETIREMENT BENEFIT COSTS

Amounts in NOK million	2020	2019	2018
Defined-contribution retirement benefits, Norway	-105	-77	-58
Contributions to retirement benefit schemes, abroad	-63	-43	-26
Other retirement benefit expenses	-33	-32	-25
Retirement benefit costs for the year, excluding payroll tax	**-201**	**-151**	**-111**
Payroll tax	-39	-21	-18
Retirement benefit costs for the year, including payroll tax	**-240**	**-172**	**-129**

RETIREMENT BENEFIT LIABILITIES AND PLAN ASSETS

The Group incurred costs related to defined benefit pension plans of NOK 4 million (1 million) in 2020. The defined benefit pension plan was abandoned in 2020. The Group had gross retirement benefit liabilities of NOK 3 million (67 million) as at 31 December. Of these liabilities, NOK 0 million (64 million) is funded and NOK 3 million (3 million) is unfunded. Fair value of the plan assets was NOK 0 million (64 million) as at 31 December. Recognised plan assets in the Group amount to NOK 0 million (3 million) and retirement benefit liabilities amount to NOK 3 million (3 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 0 million (2 million). The actual return on plan assets was NOK 0 million (2 million) and the expected premium payment for next year is NOK 1 million (5 million).

NOTE 19 NET FINANCIAL ITEMS

Amounts in NOK million	Note	2020	2019	2018
FINANCIAL INCOME				
Interest income from cash and cash equivalents	20	5	13	3
Interest income from associated companies	20	18	16	13
Other interest income	20	-	2	7
Other financial income		4	1	-
Total financial income		**27**	**33**	**23**
FINANCIAL EXPENSES				
Interest expenses on loans and overdraft facilities	20	-6	-20	-3
Interest expenses on leased liabilities	20	-23	-22	-1
Other interest expenses	20	-25	-16	-10
Other financial expenses		-3	-1	-
Total financial expenses		**-58**	**-59**	**-14**
FINANCIAL GAINS (LOSSES) ON CHANGES IN VALUE				
Net foreign exchange gains (losses) related to financing		-2	5	1
Fair value of interest rate swaps	23	-	3	8
Total financial gains (losses) on changes in value		**-2**	**8**	**9**
Net financial items		**-33**	**-18**	**18**

FINANCIAL STATEMENT

NOTE 20 NET INTEREST-BEARING RECEIVABLES (DEBT)

Amounts in NOK million	Note	2020	2019
NET INTEREST-BEARING RECEIVABLES (DEBT)			
Interest-bearing receivables non-current		443	358
Interest-bearing receivables current		66	100
Cash and cash equivalents		708	563
Interest-bearing loans and credit facilities non-current		-155	-166
Lease liability non-current		-633	-704
Interest-bearing loans and credit facilities current		-8	-4
Lease liability current		-330	-310
Net interest-bearing receivables (debt)	**22, 24**	**90**	**-163**

Amounts in NOK million	Note	2020	2019
CASH AND CASH EQUIVALENTS			
Bank deposits		708	563
Cash and cash equivalents	**22, 24**	**708**	**563**
Of which restricted funds		43	49

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

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 (2,000 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 of 31 December 2020.

Amounts in NOK million	Note	Interest-bearing loans and credit	Lease liability	2020
CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES:				
1 January 2020		170	1,014	1,184
Cash flows				
Cash flows - proceeds of interest-bearing debt		37	-	37
Cash flows - repayment interest-bearing debt		-17	-319	-336
Cash flows - paid interest		-20	-23	-44
Other changes				
Sale of property companies		-27	-	-27
Sale of companies	5	-	-5	-5
Additions of lease liabilities		-	308	308
Disposals of lease liabilities		-	-45	-45
Increased liability as a result of calculated interest		20	23	44
Other net changes		-	12	12
31 December 2020		**163**	**963**	**1,127**

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	15	-	888	888
Cash flows				
Cash flows - proceeds of interest-bearing debt		159	-	159
Cash flows - repayment interest-bearing debt		-28	-296	-324
Cash flows - interest		-20	-22	-42
Other changes				
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 December 2019		**170**	**1,014**	**1,184**

Amounts in NOK million	Note	Effective interest rate	2020	2019
INTEREST-BEARING LOANS AND CREDIT FACILITIES				
Overdraft facilities outside of the corporate cash pooling system	22, 24	n/a	-	-
Mortgage loans	22, 24	3.1 %	65	65
Lease liabilities	15, 24, 22	4.7 %	963	1,014
Other loans	22, 24	3.8 %	99	105
Total interest-bearing loans and credit facilities			**1,127**	**1,184**
CLASSIFICATION ON THE BALANCE SHEET				
Current liabilities	22, 24		339	314
Long-term liabilities	22, 24		788	870
Total interest-bearing loans and credit facilities			**1,127**	**1,184**
MATURITY STRUCTURE:				
Liabilities maturing within 1 year	22, 24		355	333
Liabilities maturing in between 1 and 5 years	22, 24		726	816
Liabilities maturing in more than 5 years	22, 24		116	112
Total future payment			**1,198**	**1,261**
- Of which interest payments			-71	-77
Total interest-bearing loans and credit facilities			**1,127**	**1,184**

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 2020. 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	2020	2019	2018
Årets resultat tilordnet aksjonærene i morselskapet	971	854	772
ANTALL AKSJER PER 31. DESEMBER			
Tidsveiet gjennomsnittlig antall eksternt eide aksjer[1)]	104,506,395	100,335,778	97,968,772
Utvanningseffekt av aksjeverdibasert avlønning[2)]	201,172	642,394	-
Tidsveiet gjennomsnittlig antall eksternt eide aksjer etter utvanning	104,707,567	100,978,172	97,968,772
Resultat per aksje (NOK)	**9.29**	**8.51**	**7.88**
Utvannet resultat per aksje (NOK)	**9.27**	**8.46**	**7.88**

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.

DIVIDEND PER SHARE

A dividend of NOK 6.00 per share for the 2019 financial year was paid on 27 May 2020. Due to AF Gruppen's strong financial position, an additional amount of NOK 3.50 per share was paid on 24 November 2020. A total of NOK 1,001 million was distributed to shareholders in 2020.

For the 2020 financial year, the Board of Directors proposes a dividend of NOK 6.50 per share to be paid in the first half of 2021. It is expected that the dividend will be paid to the shareholders on 25 May 2021. 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 2020 financial year for distribution in the first half of 2021 is NOK 689 million. The Board of Directors will request authorisation by the General Meeting for the distribution of a dividend in November 2021 as well.

Amounts in NOK	**Dividend for the first half of 2020**
Total number of shares as at 31 December 2020	105,998,497
Share issue, options	-
Estimated number of treasury shares	-
Estimated number of shares entitled to a dividend	105,998,497
Proposed dividend per share	6.5
Total estimated dividend	688,990,231

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 fixed 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 institutes 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 (debt) for further information. AF is also exposed to interest rate risk for construction 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	2020	2019
Financial assets with a variable interest rate	1,217	1,021
Financial liabilities with a variable interest rate	-1,127	-1,184
Net financial debt (financial receivables)	**90**	**-163**
EFFECT ON PROFIT AFTER TAX		
Effect of a 100 basis point increase in rates on the profit after tax and equity	1	-1
Effect of a 100 basis point decrease in interest rates on the profit after tax and equity	-1	1

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 76 per cent (82 per cent) of its recognised revenues in enterprises with NOK as their functional currency, 23 per cent (18 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 2020 was NOK 1 million (4 million). The total translation differences in 2020 were NOK 80 million (-26 million).

The Group has a low exchange rate risk related to revenue from the Civil Engineering, Construction, 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 2020, 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	2020	2019
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	-2	8
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the profit after tax	2	-8
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).	-49	-45
Effect of a 10 per cent weakening of NOK in relation to all the currencies on other comprehensive income (OCI).	49	45
EFFECT ON EQUITY		
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the equity	-51	-37
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the equity	51	37

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	2020	2019
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	-13	-
Effect of a 10 per cent weakening of NOK in relation to all the currencies on profit after tax	13	-

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	2020	2019
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	-22	-13
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the profit after tax	22	13
EFFECT ON EQUITY		
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the equity	-80	-61
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the equity	80	61

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 2019 and 31 December 2020, AF Gruppen has 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 handling liquidity risk is to have sufficient cash and cash equivalents and financing facilities 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. Management receives daily updates on liquidity via a liquidity dashboard, and each month the Corporate Management Team reviews the liquidity of the projects. Annual liquidity budgets are prepared and updated as needed. As a result of the Covid-19 pandemic and increased uncertainty, liquidity was closely monitored throughout 2020. Scenarios for developments with associated effects on liquidity were analysed and reviewed by both the Corporate Management Team and Board of Directors. See Note 20 Net interest-bearing receivables (debt) for information on liquidity and available credit facilities.

NOTE 23 DERIVATIVES

Amounts in NOK million	2020 Assets	2020 Liabilities	2019 Assets	2019 Liabilities
Interest rate swap contracts held for trading purposes	-	-	-	4
Forward foreign exchange contracts held for trading purposes	-	2	-	5
Forward foreign exchange contracts cash flow hedging	-	24	-	38
Total non-current assets/ liabilities	**-**	**26**	**-**	**47**
Interest rate swap contracts held for trading purposes	-	7	-	4
Commodity derivatives held for trading purposes	-	-	-	3
Commodity derivatives cash flow hedges	-	21	-	-
Forward foreign exchange contracts held for trading purposes	-	5	-	4
Forward foreign exchange contracts cash flow hedging	-	13	-	3
Total current assets/ liabilities	**-**	**46**	**-**	**14**
Total carrying amount	**-**	**73**	**-**	**61**

INTEREST RATE SWAPS
AF Gruppen has an interest rate swap linked to the financing of the AF Environmental Base at Vats that expires in 2021.

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 2020, AF Gruppen has one liability related to commodity derivatives in steel related to the demolition activity at AF Environmental Base at Vats.

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 2020, 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 2020. 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	2020	2019	2018
Cash flow hedges (gross)	-1	9	19
Cash flow hedges (tax)	-	-2	-4
Reclassified from other comprehensive income (OCI) to the income	**-1**	**7**	**15**
Cash flow hedges (gross)	25	-4	-42
Cash flow hedges (tax)	5	1	9
Change in value for the year	**30**	**-3**	**-33**
Cash flow hedges (gross)	-26	5	-22
Cash flow hedges (tax)	6	-1	5
Total revenues and expenses	**-20**	**4**	**-17**

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 2020, 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 13. 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

2020		Level 1	Level 2	Level 3	Total
Assets	Derivatives	-	-	-	-
Liabilities	Derivatives	-	-73	-	-73
Total		**-**	**-72**	**-**	**-72**

Amounts in NOK million

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

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 IFRS 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 *31/12/20*	Note	Financial assets 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	443	-	-	443	-	443
Non-current pension plan and other financial assets	18	7	1	-	8	-	8
Current trade receivables and contract assets [1]	10	2,546	-	-	2,546	1,421	3,968
Current interest-bearing receivables	20	66	-	-	66	-	66
Current derivatives	23	-	-	-	-	-	-
Cash and cash equivalents	20	708	-	-	708	-	708
Total		**3,770**	**1**	**-**	**3,771**	**1,421**	**5,192**

Amounts in NOK million *31/12/19*	Note	Financial assets 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 receivables and contract assets [1]	10	2,783	-	-	2,783	1,343	4,127
Current interest-bearing receivables	20	100	-	-	100	-	100
Current derivatives	23	-	-	-	-	-	-
Cash and cash equivalents	20	563	-	-	563	-	563
Total		**3,808**	**5**	**-**	**3,813**	**1,347**	**5,159**

[1] Trade receivables and contract assets classified as loans and receivables do not include contract assets and prepaid expenses.

NOTE 24 FINANCIAL INSTRUMENTS: CATEGORY TABLE CONT.

FINANCIAL LIABILITIES BY CATEGORY

31/12/20	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	155	-	-	155	-	155
Long-term interest-bearing loans - Lease liability	20, 22, 15	633	-	-	633	-	633
Current interest-bearing loans and credit facilities	20, 22	8	-	-	8	-	8
Short-term interest-bearing loans - Lease liability	20, 22, 15	330	-	-	330	-	330
Current trade payables and non-interest-bearing debt [2)]	16, 22	4,753	-	-	4,753	1,939	6,691
Non-current derivatives	22, 23	-	2	24	26	-	26
Current derivatives	22, 23	-	33	13	46	-	46
Total		**5,880**	**36**	**37**	**5,952**	**1,939**	**7,891**

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	20, 22, 15	704	-	-	704	-	704
Current interest-bearing loans and credit facilities	20, 22	4	-	-	4	-	4
Short-term interest-bearing loans - Lease liability	20, 22, 15	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**

[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	2020	2019	2018
Current tax payable for the year	-238	-394	-129
Adjustment for previous years	8	-31	5
Total tax payable	**-230**	**-425**	**-125**
CHANGE IN DEFERRED TAX RELATED TO:			
Change in temporary differences	-51	121	-108
Change in tax rate	-	-	18
Changed valuation of temporary differences	-3	-2	-1
Adjustment for previous years	-5	16	-
Tax change in deferred tax	**-59**	**135**	**-91**
Total income tax expense	**-289**	**-290**	**-215**
RECONCILIATION OF TAX PAYABLE IN THE INCOME STATEMENT AGAINST TAX PAYABLE ON THE BALANCE SHEET			
Current tax payable for the year	238	394	129
Tax payable linked to previous years	11	12	2
Impact related to the acquisition/(sale) of business	-	-	2
Tax paid in advance	-33	-36	-12
Impact related to limited partnerships that are recognised in accordance with the equity method	19	-	15
Currency translation differences	2	2	2
Total tax payable on the balance sheet	**236**	**372**	**138**
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	1,447	1,317	1,136
Expected income tax at Norwegian nominal rate	-318	-290	-261
Tax effects of:			
Divergent foreign tax rates	3	4	9
Non-deductible expenses	-28	-30	-21
Profit attributable to associated companies	49	29	30
Non-taxable revenues	7	8	10
Change in tax rate	-	-	18
Change in valuation of deferred tax assets	-3	-2	-1
Excessive/insufficient provisions in previous years	3	-9	1
Total tax expense recognised in income statement	**-289**	**-290**	**-215**
Effective tax rate	20.0 %	22.0 %	18.9 %

NOTE 26 DEFERRED TAX / DEFERRED TAX ASSETS

CHANGE IN RECOGNISED NET DEFERRED TAX

Amounts in NOK million	2020	2019
Book value as at 1 January	427	399
Recognised in the period	59	-135
Recognised in OCI	-6	-1
Impact related to the acquisition/(sale) of business	-1	160
Impact related to limited partnerships that are recognised in accordance with the equity method	23	9
Effect of IFRS 16 - leasing	-	-5
Currency translation differences	-2	1
Book value as at 31 December	**500**	**427**

CLASSIFICATION ON THE BALANCE SHEET

Deferred tax assets	-16	-13
Deferred tax	516	440
Net deferred tax on the balance sheet	**500**	**427**

CHANGE IN DEFERRED TAX ASSETS AND DEFERRED TAX (WITHOUT NETTING WITHIN THE SAME TAX REGIME)

2020 DEFERRED TAX	1/1/20	Recognised in the period	Recognised in OCI	Acquisition/ sale of businesses	Currency translation/ other	31/12/20
Property, plant and equipment	31	9	-	-	-	40
Intangible assets	-	-	-	-	-	-
Projects in progress [1]	603	99	-	-	-	702
Other assets	19	-12	-	-1	27	33
Retirement benefits	1	-1	-	-	-	-
Accruals reserve	17	-2	-	-	-	16
Total deferred taxes	**671**	**93**	**-**	**-1**	**27**	**790**
Of which netted against deferred tax assets						-274
Deferred tax assets recognised on balance sheet						**516**

DEFERRED TAX ASSETS	1/1/20	Recognised in the period	Recognised in OCI	Acquisition/ sale of businesses	Currency translation/ other	31/12/20
Property, plant and equipment	-17	-1	-	-	-	-18
Other assets	-47	14	-6	-	-	-39
Provisions	-129	-71	-	-	-	-200
Recognised tax value of tax loss carryforward [2]	-57	24	-	-	-2	-34
Total deferred tax assets	**-250**	**-33**	**-6**	**-**	**-2**	**-291**
Of which netted against deferred tax						274
Of which off-balance-sheet deferred tax assets						1
Deferred tax assets recognised on the balance sheet						**-16**

FINANCIAL STATEMENT

NOTE 26 DEFERRED TAX / DEFERRED TAX ASSETS CONT.

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	-8	-	18	-	17
Total deferred taxes	**586**	**-125**	**-**	**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**

[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 161 million (NOK 218 million).

NOTE 27 ASSOCIATED COMPANIES

INVESTMENTS IN ASSOCIATED COMPANIES

Amounts in NOK million	2020	2019	2018
Book value of investment as at 1 January	375	258	288
Additions	8	-	-
Additions due to sell-off of subsidiaries	-	78	-
Disposals	-	-	-
Share of profit for the year	164	103	68
Tax on distributions from limited and internal partnerships	19	-	-
Equity transactions, incl. dividends	-204	-64	-97
Currency translation differences	1	-	-
Total investments in associated companies as at 31 December	**363**	**375**	**258**

AF Gruppen carries out residential and commercial construction 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.

2020

SPECIFICATION OF THE AMOUNTS IN THE ACCOUNTS:

Amounts in NOK million	Essential companies	Other companies	Total
Amounts recognised in the balance sheet	162	201	363
Amounts recognised in the income statement	167	-3	164

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	Ladejarlen Utvikling AS	Hasle Linje Næring DA	Bergerveien AS and IS	Total
Project name	Lillo Gård	Lilleby Triangel	Hasle Linje Næring	Bo på Billingstad	
Project area	Oslo	Trondheim	Oslo	Asker	
Registered office	Oslo	Kristiansund	Oslo	Oslo	
Ownership interest	25.0 %	33.3 %	49.5 %	33.3 %	
Current assets	164	471	31	816	1,482
Non-current assets	1	-	1,017	42	1,060
Total assets	**165**	**471**	**1,048**	**857**	**2,541**
Current liabilities	77	280	30	347	734
Non-current liabilities	-	120	775	484	1,379
Total liabilities	**77**	**399**	**805**	**831**	**2,112**
Shareholders' equity	88	72	243	26	429
Total equity and liabilities	**165**	**471**	**1,048**	**857**	**2,541**
Operating revenue	1,004	468	17	-	1,489
Earnings after tax / comprehensive income	325	54	192	-	571
RECONCILIATION OF BOOK VALUE					
Group's share of the investment	22	24	120	9	175
Tax from limited and internal partnerships	-3	-	-	-	-3
Other items	-	-4	-6	-	-10
Book value of the investment	**19**	**20**	**114**	**9**	**162**
RECONCILIATION OF SHARE OF COMPREHENSIVE INCOME FROM ESSENTIAL COMPANIES					
Group's share of comprehensive income	81	18	95	-	194
Tax from limited and internal partnerships	-17	-	-	-	-17
Other items	-	-4	-6	-	-10
Recognised share of comprehensive income	**64**	**14**	**89**	**-**	**167**

COMPREHENSIVE INCOME, ALL ASSOCIATED COMPANIES	Total essential companies	Total other companies	Total
Earnings after tax / comprehensive income	571	-8	563
Group's share of comprehensive income	167	-3	164

The result presented is the comprehensive income from continuing businesses. During 2020 no associated companies have been wound up. NOK 169 million was received in dividends from associated companies in 2020.

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
Project name	Lillo Gård	Thurmann-skogen	Lilleby Triangel	Hasle Linje Næring	Bo på Billingstad	
Project area	Oslo	Lørenskog	Trondheim	Oslo	Asker	
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 were wound up in 2019. NOK 93 million was received in dividends from associated companies in 2019.

NOTE 28 JOINT VENTURES

INVESTMENTS IN JOINT VENTURES AMOUNTS IN NOK MILLION

Amounts in NOK million	2020	2019	2018
Book value of investment as at 1 January	172	102	75
Additions	18	30	30
Additions due to sell-off of subsidiaries	-	24	6
Disposals	-1	-	-2
Share of profit for the year	52	98	62
Tax on distributions from limited and internal partnerships	-	6	15
Equity transactions, incl. dividends	-58	-88	-84
Total investments in joint ventures as at 31 December	**184**	**172**	**102**

AF Gruppen carries out residential and commercial construction 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.

2020

SPECIFICATION OF THE AMOUNTS IN THE ACCOUNTS:

Amounts in NOK million	Essential businesses	Other businesses	Total
Amounts recognised in the balance sheet	-	184	184
Amounts recognised in the income statement	25	27	52

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 [1]	Total
Project name	Skiparviken Panorama	Kilen Brygge	
Project area	Bergen	Sandefjord	
Registered office	Asker	Oslo	
Ownership interest	50.0 %	50.0 %	
Current assets	513	-	513
Non-current assets	-	-	-
Total assets	**513**	**-**	**513**
Current liabilities	460	-	460
Non-current liabilities	53	-	53
Total liabilities	**513**	**-**	**513**
Shareholders' equity	-	-	-
Total equity and liabilities	**513**	**-**	**513**
Operating revenue	-	661	661
Earnings after tax / comprehensive income	-	51	51

RECONCILIATION OF BOOK VALUE

Group's share of the investment	-	-	-
Book value of the investment	**-**	**-**	**-**

RECONCILIATION OF SHARE OF COMPREHENSIVE INCOME FROM ESSENTIAL JOINT VENTURES

Group's share of comprehensive income	-	25	25
Recognised share of comprehensive income	**-**	**25**	**25**

COMPREHENSIVE INCOME OF ALL JOINT VENTURES	Essential businesses	Other businesses	Total
Earnings after tax / comprehensive income	51	54	105
Group's share of comprehensive income	25	27	52

[1] Kilen Utbygging 2 was sold to partner in December 2020. The sale was exercised after the project had been handed over and dividends had been received.

No joint venture was wound up in 2020. NOK 100 million was received in dividends from joint ventures in 2020.

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
Project name	Skiparviken Panorama	Kilen Brygge	Krydderhagen	
Project area	Bergen	Sandefjord	Oslo	
Registered office	Asker	Oslo	Oslo	
Ownership interest	50%	50%	50%	
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
Recognised excess/lower value	-	-	-	-
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.

FINANCIAL STATEMENT

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
				31.12.19	31.12.20	31.12.20	
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
AF Anläggning AB	26/03/20	Stockholm	Sweden	0.00%	100.00%	100.00%	Civil Engineering
Helgesen Tekniske Bygg AS (HTB)	30/10/18	Osterøy	Norway	49.00%	50.68%	70.00%	Construction
LAB Entreprenør AS	11/03/15	Bergen	Norway	70.00%	72.40%	100.00%	Construction
Fundamentering AS	11/03/15	Tiller	Norway	54.95%	50.68%	70.00%	Construction
Åsane Byggmesterforretning AS	11/03/15	Bergen	Norway	49.00%	50.68%	70.00%	Construction
Toppemyr AS	11/03/15	Bergen	Norway	70.00%	72.40%	100.00%	Construction
Nordstraumen Utbyggingsselskap AS	11/03/15	Bergen	Norway	42.00%	43.44%	60.00%	Construction
Hardangerfjord Eiendom AS	09/03/17	Bergen	Norway	70.00%	72.40%	100.00%	Construction
Strøm Gundersen AS	03/11/11	Mjøndalen	Norway	97.18%	100.00%	100.00%	Construction
Strøm Gundersen Vestfold AS	01/10/16	Mjøndalen	Norway	51.99%	70.30%	70.30%	Construction
Corroteam AS	03/11/11	Mjøndalen	Norway	36.39%	49.21%	70.00%	Construction
Oslo Brannsikring AS	27/09/17	Oslo	Norway	39.68%	55.24%	71.00%	Construction
Haga & Berg Entreprenør AS	03/11/11	Oslo	Norway	77.80%	77.80%	100.00%	Construction
Haga & Berg Service AS	19/02/14	Oslo	Norway	59.91%	60.68%	78.00%	Construction
Rakon AS	26/09/18	Stavanger	Norway	49.65%	51.65%	55.00%	Construction
Consolvo Services AS	22/06/18	Tranby	Norway	90.28%	93.91%	100.00%	Construction
Consolvo AS	03/11/11	Tranby	Norway	90.28%	93.91%	100.00%	Construction
Consolvo Support AS	03/11/11	Tranby	Norway	54.17%	56.35%	60.00%	Construction
Consolvo Eiendom AS	03/11/11	Tranby	Norway	90.28%	93.91%	100.00%	Construction
Vannmeisling AS	06/12/16	Tranby	Norway	70.42%	73.25%	78.00%	Construction
Eiqon Anlegg AS	03/11/11	Asker	Norway	48.00%	48.00%	80.00%	Construction
Eiqon Baltic UAB	03/11/11	Vilnius	Lithuania	45.95%	47.68%	100.00%	Construction
Eiqon AS	01/02/16	Asker	Norway	48.71%	47.68%	100.00%	Construction
Protector AS	03/11/11	Tranby	Norway	90.28%	93.91%	100.00%	Construction
Protector CPE AB	03/11/11	Göteborg	Sweden	76.74%	79.82%	85.00%	Construction
Protector KKS GmbH	03/11/11	Remseck	Germany	75.83%	78.88%	84.00%	Construction
Protector Services GmbH	03/11/11	Remseck	Germany	75.83%	78.88%	100.00%	Construction
Fjerby AS	16/09/14	Fjerdingby	Norway	77.73%	80.86%	100.00%	Construction
Oslo Stillasutleie AS	03/11/11	Oslo	Norway	60.06%	60.06%	91.00%	Construction
Oslo Prosjektbygg AS	01/03/13	Oslo	Norway	52.80%	51.81%	78.50%	Construction
Oslo Technical Service AS	19/06/18	Oslo	Norway	66.00%	66.00%	100.00%	Construction
Lasse Holst AS	09/03/16	Gressvik	Norway	23.56%	39.60%	60.00%	Construction
Gustavsen og Hansen Murerfirma AS	10/11/20	Gressvik	Norway	0.00%	39.60%	100.00%	Construction
Storo Blikkenslagerverksted AS	03/11/11	Oslo	Norway	46.20%	46.20%	100.00%	Construction
Oslo Papp og Membranservice AS	09/05/12	Oslo	Norway	46.20%	46.20%	100.00%	Construction
VD Vindu og Dør Montasje AS	06/03/15	Skotterud	Norway	46.20%	46.20%	70.00%	Construction
Thorendahl AS	03/11/11	Oslo	Norway	50.16%	50.16%	100.00%	Construction
Fagbetong AS	03/11/11	Oslo	Norway	50.16%	50.16%	100.00%	Construction
Kirkestuen AS	12/01/16	Oslo	Norway	53.79%	53.79%	100.00%	Construction
TKD AS	05/01/16	Oslo	Norway	66.00%	66.00%	100.00%	Construction
TKC Prosjekt AS	25/04/18	Oslo	Norway	33.66%	63.36%	96.00%	Construction
Mivent AS	03/07/19	Oslo	Norway	66.00%	66.00%	100.00%	Construction
Betonmast AS	31/10/19	Oslo	Norway	67.40%	64.57%	100.00%	Betonmast
Fishfarming Innovation AS	31/10/19	Averøy	Norway	60.66%	58.18%	90.10%	Betonmast
BMB Horisont AS	31/10/19	Oslo	Norway	67.40%	64.57%	100.00%	Betonmast
Betonmast Boligbygg AS	31/10/19	Oslo	Norway	67.40%	64.57%	100.00%	Betonmast

1) AF Gruppen Norge AS encompasses the Civil Engineering, Construction and Property business areas

NOTE 29 SUBSIDIARIES CONT.

Name of company	Acquisition date	Office address Place	Country	Financial ownership		Direct stake	Business area
				31.12.19	31.12.20	31.12.20	
Betonmast Østfold AS	31/10/19	Grålum	Norway	67.40%	64.57%	100.00%	Betonmast
Betonmast Trøndelag	31/10/19	Trondheim	Norway	67.40%	64.57%	100.00%	Betonmast
Betonmast Buskerud-Vestfold AS	31/10/19	Oslo	Norway	67.40%	64.57%	100.00%	Betonmast
Betonmast Røsand AS	31/10/19	Averøy	Norway	67.40%	64.57%	100.00%	Betonmast
Betonmast Innlandet AS	31/10/19	Gjøvik	Norway	67.40%	64.57%	100.00%	Betonmast
Betonmast Ringerike AS	31/10/19	Hønefoss	Norway	67.40%	64.57%	100.00%	Betonmast
Betonmast Oslo AS	31/10/19	Oslo	Norway	67.40%	64.57%	100.00%	Betonmast
Betonmast Romerike AS	31/10/19	Lillestrøm	Norway	67.40%	64.57%	100.00%	Betonmast
Betonmast Telemark AS	31/10/19	Skien	Norway	67.40%	64.57%	100.00%	Betonmast
Betonmast Sverige AB	31/10/19	Göteborg	Sweden	67.40%	64.57%	100.00%	Betonmast
Betonmast Göteborg AB	31/10/19	Göteborg	Sweden	67.40%	64.57%	100.00%	Betonmast
Betonmast Mälardalen AB	31/10/19	Södertälje	Sweden	60.73%	58.18%	90.10%	Betonmast
Betonmast Stockholm AB	31/10/19	Stockholm	Sweden	57.96%	55.53%	86.00%	Betonmast
Betonmast Malmö AB	31/10/19	Malmö	Sweden	59.92%	57.41%	88.90%	Betonmast
Betonmast Anläggning AB	31/10/19	Göteborg	Sweden	53.92%	51.66%	80.00%	Betonmast
Betonmast Eiendom AS	31/10/19	Oslo	Norway	67.40%	64.57%	100.00%	Betonmast
Fjellstrand Omsorgsboliger AS	31/10/19	Oslo	Norway	41.45%	39.71%	61.50%	Betonmast
Betonmast Røsand Tomter AS	31/10/19	Oslo	Norway	67.40%	64.57%	100.00%	Betonmast
Røsand Eiendom AS	31/10/19	Averøy	Norway	67.40%	64.57%	100.00%	Betonmast
Røsand Industriområde AS	31/10/19	Averøy	Norway	67.40%	64.57%	100.00%	Betonmast
Kosterbaden Fritid AB	31/10/19	Göteborg	Sweden	67.40%	64.57%	100.00%	Betonmast
Kilen Brygge AS	15/03/05	Sandefjord	Norway	100.00%	100.00%	100.00%	Property
Skiparviken Panorama AS	11/03/15	Bergen	Norway	70.00%	72.40%	100.00%	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%	100.00%	Property
Solgården Utvikling AS	02/01/19	Oslo	Norway	100.00%	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.
Ulven Energi AS	15/09/20	Oslo	Norway	0.00%	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
AF Projektutveckling AB	19/10/04	Göteborg	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%	67.51%	94.99%	Sweden
HMB Construction Örebro AB	12/11/20	Falun	Sweden	0.00%	34.43%	51.00%	Sweden
SWE Maskinrenting AB	02/01/19	Falun	Sweden	68.28%	67.51%	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 2018	-	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
Non-controlling interests put options	-	-	79	79
Transactions with non-controlling interests	2	1	-66	-63
Non-controlling interests as at 31 December 2019	**365**	**128**	**317**	**809**
Share of comprehensive income	81	40	80	202
Share of adopted and paid dividends in 2020	-22	-50	-90	-162
Share-based payment	2	1	1	5
Addition of minority interests from acquisition of business	-	-	40	-
Non-controlling interests put options	-	-	-7	-7
Transactions with non-controlling interests	-2	-	1	-1
Non-controlling interests as at 31 December 2020	**476**	**119**	**346**	**901**

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	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Profit for the year	201	35	-	100	108	123
Total comprehensive income for the year	203	35	-	100	108	123
Non-current assets	2,049	1,983	-	436	478	421
Current assets	2,598	2,424	-	885	704	685
Total assets	**4,647**	**4,406**	**-**	**1,321**	**1,182**	**1,106**
Equity attributable to shareholders	1,280	1,066	-	135	214	226
Non-controlling interests	21	18	-	54	84	83
Long-term liabilities	1,392	1,191	-	79	145	83
Current liabilities	1,954	2,131	-	1,052	739	713
Total equity and liabilities	**4,647**	**4,406**	**-**	**1,321**	**1,182**	**1,106**
Non-contr. Interests ownership in the parent company	35.3 %	32.6 %	-	27.6 %	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	105,998,497	0.05	5,299,925

SHAREHOLDER	Stake	No. of shares
OBOS BBL	16.21%	17,183,709
ØMF Holding AS	15.59%	16,527,342
Constructio AS	13.77%	14,595,347
Folketrygdfondet	9.32%	9,879,650
LJM AS	2.37%	2,515,217
Artel Kapital AS	2.37%	2,508,267
Vito Kongsvinger AS	1.80%	1,911,676
Arne Skogheim AS	1.65%	1,753,870
Staavi, Bjørn	1.53%	1,627,000
Skandinaviska Enskilda Banken AB	1.25%	1,329,107
Ten largest shareholders	**65.88%**	**69,831,185**
Total other shareholders	34.12%	36,167,312
Total number of shares	**100.00%**	**105,998,497**

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 2020.

MOVEMENT IN NUMBER OF SHARES DURING THE YEAR

Total number of shares as at 1 January 2020	103,065,277
New issues related to the acquisition of companies	-
New issue to employees related to the share purchase programme	2,933,220
Total number of shares as at 31 December 2020	**105,998,497**

SHARES AND OPTIONS OWNED BY THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES AS AT 31 DECEMBER 2020

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	-	-	17,183,709
Kristian Holth [2)]	elected by shareholders	-	-	15,616,856
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	10,500	102,514	-
Hilde W. Flaen	elected by employees	3,915	27,337	-
Arne Sveen	elected by employees	-	-	-
Sum		**14,415**	**337,076**	**32,826,613**

[1)] *Represents OBOS BBL, which owns 17,183,709 shares.*
[2)] *Represents Constructio AS and Flygind AS, which own 14,595,347 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
Amund Tøftum [1]	CEO	20,833	109,925
Sverre Hærem	Executive Vice President/CFO	23,110	142,464
Bård Frydenlund	Executive Vice President	20,833	162,703
Eirik Wraal	Executive Vice President	20,660	31,943
Ida Aall Gram	Executive Vice President	20,488	14,022
Geir Flåta	Executive Vice President	20,488	1,092
Tormod Solberg [2]	Executive Vice President	8,913	41,554
Total		**135,325**	**503,703**

[1] *Amund Tøftum was Executive Vice President up until 21 August 2020. He has been CEO since 24 August 2020.*
[2] *Tormod Solberg has been Executive Vice President since 21 September 2020.*

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 11 May 2021. An option programme for all employees of AF Gruppen ASA and subsidiaries was adopted at the Annual General Meeting held on 15 May 2020, with entitlement to subscribe for a total of 4,000,000 options during the years 2020, 2021 and 2022, with redemption in 2023. As at 31 December 2020, a total of 3,806,660 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 2019 or 2020.

Share transactions	2020	2019
Number of shares acquired	468,712	37,936
Average acquisition cost per share (NOK)	154.9	171.1
Total acquisition cost (NOK million)	**73**	**6**
Number of shares sold to employees	357,008	234,640
Average selling price per share (NOK)	174.2	150.2
Total sales consideration (NOK million)	**62**	**35**
Number of treasury shares as at 31 December	135,000	23,296
Nominal value of treasury shares at NOK 0.05 each	6,750	1,165

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.

2020

Corporate Management Team (NOK 1000)	Fixed pay	Bonus	Retirement benefits	Share-based compensation	Other benefits	Total
Morten Grongstad, former CEO [1]	2,562	7,367	52	296	12	10,289
Amund Tøftum, CEO [2]	1,315	-	27	30	14	1,385
Amund Tøftum, Executive Vice President [2]	1,158	3,604	48	145	25	4,979
Sverre Hærem, Executive Vice President/CFO	2,102	4,112	84	193	41	6,532
Bård Frydenlund, Executive Vice President	1,739	3,609	88	173	41	5,650
Eirik Wraal, Executive Vice President	1,733	3,302	83	27	25	5,170
Ida Aall Gram, Executive Vice President	1,699	2,833	72	62	35	4,700
Geir Flåta, Executive Vice President	1,748	3,029	84	-	49	4,910
Tormod Solberg, Executive Vice President [3]	434	-	21	-	8	463
Arild Moe, Executive Vice President [4]	1,568	3,601	64	173	26	5,433
Total remuneration to the Corporate Management Team	**16,058**	**31,457**	**622**	**1,099**	**275**	**49,511**

[1] Morten Grongstad was CEO up until 21 August 2020.
[2] Amund Tøftum was Executive Vice President up until 21 August 2020. He has been CEO since 24 August 2020.
[3] Tormod Solberg has been Executive Vice President since 21 September 2020.
[4] Arild Moe was Executive Vice President up until 18 September 2020.

For 2020, bonuses to the Corporate Management Team totalling NOK 33 million were recognised. Bonuses for the 2020 financial year will be paid in 2021 and 2022 (holiday pay on bonuses).

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 included remaining holiday pay.
[3] Henning Olsen was Executive Vice President up until 28 February 2019. Remuneration for 2019 included remaining holiday pay.

NOTE 32 REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES CONT.

BONUS FOR THE PURCHASE OF SHARES

Number of shares/price	2020	2019
Number of bonus shares sold from own holdings	72,234	87,297
Number of bonus shares from new issues	-	-
Market price at the time of the agreement (NOK)	181.50	132.00
Selling price (NOK)	145.20	105.60
Accounting consequences of bonus shares (NOK 1000):		
Indirect payroll costs (discount including payroll tax)	-2,858	-3,387

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)	2020	2019
Pål Egil Rønn, Board Chairman [1]	570	570
Kristian Holth, board member	355	355
Borghild Lunde, board member	355	355
Hege Bømark, board member	370	370
Arne Baumann, board member	355	355
Kjetel Digre, board member [2]	355	-
Kristina Alvendal, board member [2]	355	-
Hilde Wikesland Flaen, employee-elected board member	250	250
Arne Sveen, employee-elected board member	250	250
Kenneth Svendsen, employee-elected board member	250	250
Gunnar Bøyum, alternate member [3]	-	355
Total director's fee	**3,465**	**3,110**

Directors' fees are partly paid in the year after they are earned, i.e. the directors' fees that are paid in 2020 refer to 2019/2018.

[1] In addition to the Board Chairman's remuneration of NOK 570,000 (NOK 570,000) that was paid in 2020, AF Gruppen has an agreement with the Department of Civil and Environmental Engineering at NTNU stipulating that AF Gruppen is to cover the costs related 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 2020 and NOK 250,000 in 2019.
[2] Kjetel Digre and Kristina Alvendal have been board members as of 15 May 2019.
[3] Gunnar Bøyum was alternate member up until 15 May 2020.

GUIDELINES FOR 2020

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 analyzing 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. This is, however, not 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 15 May 2020. The maximum number of options that may be allocated is 4,000,000, and the programme entails annual allotments for the years 2020-22 and exercise of the options in March 2023. The employees pay an option premium of NOK 1.00 per option. The exercise price in 2023 for the options subscribed for in 2020 will be NOK 170.82 per share. A total of 3,850,000 options were subscribed for in June 2020. The total number of outstanding options, adjusted for employees who have left company, was 3,806,660 as at 31 December 2020.

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 2020 has been in accordance with the statement submitted to the General Meeting in 2020.

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.
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.

TRANSACTIONS WITH RELATED PARTIES

Amounts in NOK million	**2020**	**2019**	**2018**
CONTRACT TOTAL			
Associated companies and joint ventures	2,903	4,170	4,505
Total	**2,903**	**4,170**	**4,505**
TRADING VOLUME			
Associated companies and joint ventures	1,108	1,371	1,180
Total	**1,108**	**1,371**	**1,180**
PURCHASE OF GOODS AND SERVICES			
Associated companies and joint ventures	-	-	-
Total	**-**	**-**	**-**
NON-INTEREST-BEARING RECEIVABLES AS AT 31 DECEMBER			
Associated companies and joint ventures	30	83	103
Total	**30**	**83**	**103**
INTEREST-BEARING RECEIVABLES AS AT 31 DECEMBER			
Associated companies and joint ventures	325	299	200
Total	**325**	**299**	**200**

Members of the Board of Directors and the management of the Group and their related parties control 31.8 per cent (32.8) 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 senior executives and the Board of Directors 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	2020	2019
Mortgage loans	20	65	65
Financial lease liabilities	15	552	588
Book value of liabilities secured by pledges, etc.		**617**	**653**
BOOK VALUE OF SECURED ASSETS			
Buildings and production facilities		24	22
Machinery, fixtures and fittings		61	103
Trade and non-interest-bearing receivables		306	297
Other pledged assets		10	52
Leased machinery and equipment	15	525	588
Total book value of pledged assets		**926**	**1,062**

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	2020	2019
Guarantees issued to clients [1)]	5,971	5,206
Guarantees issued to associated companies and joint ventures [2)]	234	320
Sum	**6,205**	**5,526**

[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 2020, committed, unpaid partnership capital totalled NOK 38 (40) million.

NOTE 35 CONTINGENCIES

The performance of construction 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. However, 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. In such disputes, the outcome is usually not binary as both parties have claims or counterclaims. Ongoing assessments are made of revenue recognition and provisions related to disputed claims in the projects.

AF Anlegg has filed suit against the Norwegian Public Roads Administration concerning final settlement for the project Rv13 Ryfast E03. The case is expected to be scheduled for the first half of 2021.

THE FOLLOWING CASES MENTIONED IN 2019 HAVE BEEN CONCLUDED IN 2020:
At the end of 2019, AF Gruppen was not involved in any significant lawsuits.

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.

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)		
			2020	2019
Revenue from production contracts and the performance of services	6		26,762	22,378
Current receivables and current liabilities	10, 17	Contractual asset:	1,343	1,226
		Contractual receivable:	2,493	2,709
		Contractual obligation:	1,010	1,188
Provisions	16		721	747

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)	
		2020	2019
Intangible assets	5, 13	4,365	4,303

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 is achieved 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.

NOTE 38 SIGNIFICANT ACCOUNTING POLICIES CONT.

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.

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 construction 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 construction 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.

NOTE 38 SIGNIFICANT ACCOUNTING POLICIES CONT.

Provisions are made for identified and expected warranty work. Warranty work in AF Gruppen's production 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.

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 shareholders' 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 construction, 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, invoiced" 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 "earned, not yet invoiced" and "credit balances". "Earned 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

NOTE 38 SIGNIFICANT ACCOUNTING POLICIES CONT.

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 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

NOTE 38 SIGNIFICANT ACCOUNTING POLICIES CONT.

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.

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

NOTE 38 SIGNIFICANT ACCOUNTING POLICIES CONT.

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.

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.

NOTE 38 SIGNIFICANT ACCOUNTING POLICIES CONT.

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.

ANNUAL ACCOUNTS

INCOME STATEMENT

Amounts in NOK million	Note	2020	2019
Intragroup contributions and dividends received		615	547
Total operating and other revenue		**615**	**547**
Other operating expenses	3	-22	-20
Earnings before interest and tax (EBIT)		**594**	**527**
Net financial items	4	31	8
Earnings before tax (EBT)		**625**	**535**
Income tax expense	5	-2	-1
Profit for the year		**622**	**533**

TOTAL COMPREHENSIVE INCOME

Amounts in NOK million	2020	2019
Profit for the year	622	533
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**622**	**533**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

Amounts in NOK million	Note	2020	2019
ASSETS			
NON-CURRENT ASSETS			
Deferred tax assets	5	-	-
Investments in subsidiaries	6	2,252	2,260
Total non-current assets		**2,252**	**2,260**
CURRENT ASSETS			
Other non-interest-bearing receivables from group companies	7	608	707
Other non-interest-bearing receivables		-	-
Total current assets		**608**	**708**
Total assets		**2,860**	**2,968**
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	9, 10	5	5
Treasury shares	10	-	-
Premium	10	546	135
Other paid-in equity	10	53	48
Total paid-in capital		**605**	**188**
Other equity	10	167	615
Total retained earnings		**167**	**615**
Total equity		**771**	**803**
CURRENT LIABILITIES			
Option premium paid	8	-	4
Interest-bearing debt to group companies	7	1,372	1,063
Taxes and public charges payable		19	128
Tax payable	5	2	-
Other debt to group companies	7	5	334
Proposed dividend	10	689	632
Other short-term debt and provisions		3	4
Total current liabilities		**2,089**	**2,165**
Total equity and liabilities		**2,860**	**2,968**

OSLO, 25 MARCH 2021

Pål Egil Rønn
Board Chairman

Hege Bømark

Borghild Lunde

Kristian Holth

Arne Baumann

Kjetel Digre

Amund Tøftum
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	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		625	535
Gain/ loss sale of shares		-10	-
Revenues from group contributions and dividends		-606	-547
Change in trade receivables and payables		-1	133
Change in balances with group companies		412	-353
Change in accruals		-105	127
Net cash flow from operating activities		**314**	**-106**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Payments for acquisition of subsidiaries	6	-	-699
Dividends received and group contributions		574	984
Paid group contributions		-330	-
Paid receivables from group companies		27	-
Proceeds from realization of shares		13	-
Net cash flow from investment activities		**284**	**284**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from capital increases	10	410	652
Innbetaling av opsjonspremie for opsjonsprogram [1)]		4	-
Proceeds from the sale of treasury shares	10	62	35
Purchase of treasury shares	10	-73	-6
Payment of dividends	10	-1,001	-859
Net cash from financing activities		**-598**	**-178**
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		**-**	**-**

[1)] The payment of option premiums for the option programme was presented as debt in the 2019 financial statements, see mention in principle note. The cashflow effect was NOK 334 thousand in 2019.

NOTE 1 ACCOUNTING POLICIES

GENERAL
AF Gruppen ASA is a public limited company registered in Norway. The Company's head office is located at Innspurten 15, 0603 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 25 March 2021.

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	**2020**	**2019**
REMUNERATION OF THE CEO		
Amund Tøftum		
Fixed pay	1,315	-
Retirement benefits	27	-
Other benefits	44	-
Morten Grongstad		
Fixed pay	2,562	3,891
Bonus	7,367	6,233
Retirement benefits	52	74
Other benefits	308	238
Total	**11,674**	**10,435**

Amund Tøftum took over as CEO on 24 August 2020. He was earlier Executive Vice President.

Directores' fees	3,465	3,110

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	2020	2019
Audit fees	-1	-1
Ownership costs	-13	-11
Other operating expenses	-8	-8
Total other operating expenses	**-22**	**-20**

Amounts in NOK thousand	2020	2019
REMUNERATION TO THE AUDITOR		
Statutory audit fees	-442	-802
Other assurance engagements	-192	-304
Tax advisory	-20	-3
Other services beyond auditing	-	-
Total audit fees	**-654**	**-1,109**

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

Audit fees that apply to the issues related to the acquisition of Betonmast in 2020 is included in equity premium. The amount in 2020 was NOK 15 thousand and NOK 211 thousand in 2019.

NOTE 4 NET FINANCIAL ITEMS

Amounts in NOK million	2020	2019
FINANCIAL INCOME		
Interest income from group companies	31	8
Other interest income	-	-
Total financial income	**31**	**8**
FINANCIAL EXPENSES		
Other interest expenses	-	-
Total financial expenses	**-**	**-**
Net financial items	**31**	**8**

NOTE 5 INCOME TAX EXPENSE AND DEFERRED TAX/TAX ASSET

Amounts in NOK million	2020	2019
INCOME TAX EXPENSE IN THE INCOME STATEMENT		
Current tax payable for the year	-2	-
Total tax payable	**-2**	**-**
Change in deferred tax / tax assets	-	-1
Change in deferred tax liabilities/assets due to change in tax rate	-	-
Tax change in deferred tax	**-**	**-1**
Total income tax expense	**-2**	**-1**
RECONCILIATION OF THE INCOME TAX EXPENSE FOR THE YEAR		
Profit before tax	625	535
Expected income tax based on the nominal tax rate	**-138**	**-118**
Tax effects of:		
Change in tax rate	2	-
Recognised dividends and group contributions without tax	133	117
Total tax expense recognised in income statement	**-2**	**-1**
TAX PAYABLE ON THE BALANCE SHEET IS CALCULATED AS FOLLOWS:		
Tax on group contributions received	2	-
Tax payable on the balance sheet	**2**	**-**
TEMPORARY DIFFERENCES INCLUDED IN THE DEFERRED TAX ASSETS/LIABILITIES		
Tax loss carryforward	-	-
Basis for deferred tax (deferred tax assets) on the balance sheet	**-**	**-**
Deferred tax (deferred tax assets) in the financial statements	-	-

NOTE 6 INVESTMENTS IN SUBSIDIARIES

Name of company	Date aquired	Business address	Ownership interest	Voting share
AF Gruppen Norge AS	05/09/85	Oslo	100.0 %	100.0 %
AF Gruppen Holding AS	25/09/17	Oslo	100.0 %	100.0 %
AF Offshore AS	02/04/09	Oslo	100.0 %	100.0 %
AF Energi og Miljø AS [1]	15/01/09	Oslo	100.0 %	100.0 %
Betonmast Holding AS [2]	28/10/19	Oslo	64.6 %	64.6 %

[1] AF Energi AS was merged with AF Miljø AS in 2019.

[2] The company is a holding company for the ownership in Betonmast purchased in October 2019. See note 5 in the Group accounts.

AF Offshore Energy AS was discontinued in 2020. This resulted in a gain of NOK 9,8 million.

NOTE 7 INTERCOMPANY BALANCES WITH GROUP COMPANIES

Amounts in NOK million	2020	2019
RECEIVABLES FROM GROUP COMPANIES		
Group contributions and dividends received	585	547
Joint VAT registration	23	133
Other non-interest-bearing receivables	-	27
Total receivables from group companies	**608**	**707**

Amounts in NOK million	2020	2019
DEBT TO GROUP COMPANIES		
Group contributions	-	330
Corporate cash pooling system debt	1,372	1,063
Joint VAT registration	5	5
Total debt to group companies	**1,376**	**1,398**

The company is part of a group cash pool with AF Gruppen Norge AS. The companies that are part of the group cash pool are jointly liable. Deposits and withdrawals in the group account scheme are classified as intercompany balances in the accounts. The group had a net deposit in the group cash pool as at 31 January 2020.

NOTE 8 LONG-TERM LIABILITY

Amounts in NOK million	2020	2019
OTHER NON-INTEREST BEARING LIABILITY		
Option premium paid	-	4
Total long- and short-term liability	**-**	**4**

The 2019 amount applies to the option programme for AF Gruppen's employees, which was redeemed in 2020. From 2020 the option programme is classified as paid-in equity and is specified in Note 10 Equity. 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	105,998,497	0.05	5,299,925

Ownership structure	Number	Voting share/stake
SHAREHOLDERS		
OBOS BBL	17,183,709	16.21%
ØMF Holding AS	16,527,342	15.59%
Constructio AS	14,595,347	13.77%
Folketrygdfondet	9,879,650	9.32%
LJM AS	2,515,217	2.37%
Artel Kapital AS	2,508,267	2.37%
VITO Kongsvinger AS	1,911,676	1.80%
Arne Skogheim AS	1,753,870	1.65%
Staavi, Bjørn	1,627,000	1.53%
Skandinaviska Enskilda Banken AB	1,329,107	1.25%
Ten largest shareholders	**69,831,185**	**65.88%**
Total other shareholders	36,167,312	34.12%
Total number of shares	**105,998,497**	**100.00%**

The shares are not subject to any voting restrictions and are freely negotiable. Each share represents one vote. All the shar es issued are fully paid-up as at 31 December 2020.

Shares and options owned by the Board of Directors and senior executives as at 31 December 2020		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	10,500	102,514
Hilde W. Flaen	Elected by employees	3,915	27,337
Arne Sveen	Elected by employees	-	-
Sum		**14,415**	**337,076**

[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.

FINANCIAL STATEMENT

NOTE 9 SHARE CAPITAL AND SHAREHOLDER INFORMATION CONT.

Corporate Management Team		No. of options	No. of shares
Amund Tøftum	CEO	20,833	109,925
Sverre Hærem	Executive Vice President/CFO	23,110	142,464
Tormod Solberg	Executive Vice President	8,913	41,554
Bård Frydenlund	Executive Vice President	20,833	162,703
Ida Aall Gram	Executive Vice President	20,488	14,022
Eirik Wraal	Executive Vice President	20,660	31,943
Geir Flåta	Executive Vice President	20,488	1,092
Sum		**135,325**	**503,703**

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 11 May 2021.

OPTION PROGRAMME 2017-2020

The General Meeting adopted an option programme for all the employees of AF Gruppen in May 2017. The maximum number of options that could be allocated was 3,500,000 over three years. The total number of outstanding options was 3,151,893 as at 31 December 2019. 2,217,994 options were exercised in March 2020 and a share issue related to the exercise of options was completed in the beginning of April 2020. Number of options related to this programme after exercise was 0.

OPTION PROGRAMME 2020-2023

The General Meeting adopted an option programme for all the employees of AF Gruppen in May 2020. The maximum number of options that can be allocated is 4,000,000 over three years. AF Gruppen issued 3,850,000 options to 1,584 employees in 2020. The total number of outstanding options adjusted for employees who have left the company was 3,806,660 as at 31 December 2020.

NOTE 10 EQUITY

Amounts in NOK million	Share capital	Trasury shares	Premium	Other paid-in equity	Other equity	Total
Equity as at 31 December 2018	5	-	116	48	413	582
Capital increase	-	-	652	-		653
Purchase of treasury shares	-	-	-	-	-6	-6
Sale of treasury shares	-	-	-	-	35	35
Issue costs recognised 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**
Capital increase	-	-	410	-	-	410
Purchase of treasury shares	-	-	-	-	-73	-73
Sale of treasury shares	-	-	-	-	62	62
Tax effect of issue costs recognised in equity	-	-	-	1		1
Not executed options for option program 2017-2020	-	-	-	4		4
Total comprehensive income for the year	-	-	-	-	622	622
Ordinary dividend	-	-	-	-	-371	-371
More distributed in dividends than allocated	-	-	1	-	-	1
Proposed dividend for 2020	-	-	-	-	-689	-689
Equity 31 December 2020	**5**	**-**	**546**	**53**	**167**	**771**

As at 31 December 2020, the Company had 13,500 (23,296) treasury shares with a nominal value of NOK 0.05. Treasury shares have been acquired to sell 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.

	2020		2019	
Amounts in NOK million	Limit	Drawn	Limit	Drawn
Guarantees issued to clients	7,316	5,971	7,300	4,370
Guarantees for tax withholdings etc.	251	251	267	203
Leasing limits	1,382	991	1,233	881
Bank credit and loan facilities	3,000	-	3,000	-
Total	**11,949**	**7,213**	**11,800**	**5,454**

RESPONSIBILITY STATEMENT FROM MEMBERS OF THE BOARD AND CEO

With regard to the annual accounts for 2020 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, 25 MARCH 2021

Pål Egil Rønn
Board Chairman

Hege Bømark

Borghild Lunde

Kristian Holth

Arne Baumann

Kjetel Digre

Amund Tøftum
CEO

Kenneth Svendsen

Arne Sveen

Hilde Wikesland Flaen

Kristina Alvendal

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

AUDITORS REPORT

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 2020, the income statement, 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 2020, 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 2020, 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 2020, 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

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Independent Auditor's Report - AF Gruppen ASA

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accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements 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. The areas "Recognition of income from construction contracts" and "Impairment assessment 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 2020.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of income from construction contracts Revenue from construction contracts amounts MNOK 25.901 in 2020 (note 6). For calculation of income from construction contracts, the percentage of completion method based on expected contract revenue and stage of contract completion is used. The assessment of total estimated contract costs, including impact of any disputes and guarantee work, along with revenue and the stage of contract completion is updated on a regular basis, and partly made on judgement. Accounting for contract revenue is a key audit matter for several reasons. The company has many construction contracts, the construction contracts can have long lives 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 38 and 39.	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 revenues, 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 reviewed relevant documentation that support the discussions and control questions asked in the meetings and assess that the process has worked effectively. Furthermore, we tested the control directed at ensuring that only hours and costs that pertain to a project were allocated to that project. Our testing of the 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

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unit management and Group management about the assumptions in the estimates. In order to review the profit recognized in the projects, we tested whether recognized revenue was in accordance with actual production. We also analysed management's consistency in exercise of judgment. We assessed managements use of judgement to be reasonable.

We tested the reconciliation of the project system to the general ledger and tested that contract assets and cost of materials are recognised when accrued. Contract revenue was tested for validity by reviewing that details in a sample of contracts were followed up. Our substantive procedures revealed no significant deviations.

We checked that disclosures in the key notes are in accordance with the project information, and appropriately satisfied IFRS requirements.

Impairment assessment of goodwill

Goodwill amounts to MNOK 4.365 in the consolidated balance sheet at December 31, 2020. Of this, MNOK 127 is related to the cash generating unit AeronMollier. The Company has in 2020 improved the financial results after several years with challenging market conditions. No impairment is recognised in 2020. 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. Management's valuation model was based on discounted cash flows and we investigated whether it contained the elements IFRS requires, and whether the model made mathematical calculations correctly.

We challenged management's use of assumptions regarding forecasts of future revenues, 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 grounded in historical results and in line with the budgets.

We compared the discount rate to empirical data and expectations of future interest rates, relevant risk premium and debt ratio. We found the applied 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 was accurately booked.

Other information

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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 a true and fair view 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 true and fair view 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

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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 a true and fair view.
- 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

Independent Auditor's Report - AF Gruppen ASA

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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, 25 March 2021
PricewaterhouseCoopers AS

Thomas Whyte Gaardsø
State Authorised Public Accountant

(This document is signed electronically)

Note: This translation from Norwegian has been prepared for information purposes only.

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

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.
EBITDA margin - 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 debt sum total of long-term interest-bearing loans and credits and short-term interest-bearing loans and credits.
Net interest-bearing debt (receivables) gross interest-bearing debt 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 debt.
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	31/12/20	31/12/19
GROSS INTEREST-BEARING DEBT/NET INTEREST BEARING DEBT		
Interest-bearing loans and credit facilities - long-term	155	166
Interest-bearing loans lease liability - long-term	633	704
Interest-bearing loans and credit facilities - short-term	8	4
Interest-bearing loans lease liability - short-term	330	310
Gross interest-bearing debt	**1,127**	**1,184**
Less:		
Interest-bearing receivables - long-term	-443	-358
Interest-bearing receivables - short-term	-66	-100
Cash and cash equivalents	-708	-563
Net interest-bearing debt (receivables)	**-90**	**163**
CAPITAL EMPLOYED		
Shareholders' equity	3,494	2,999
Gross interest-bearing debt	1,127	1,184
Capital employed	**4,621**	**4,183**
AVERAGE CAPITAL EMPLOYED		
Capital employed as at 1st quarter	4,277	3,320
Capital employed as at 2nd quarter	4,057	3,426
Capital employed as at 3rd quarter	4,297	3,482
Capital employed as at 4th quarter	4,621	4,183
Average capital employed	**4,313**	**3,603**

Beløp i MNOK	31/12/20	31/12/19
RETURN ON CAPITAL EMPLOYED		
Profit before tax	1,447	1,317
Interest expenses	55	58
Earnings before tax and interest expenses	**1,502**	**1,375**
Divided by:		
Average capital employed	4,313	3,603
Return on capital employed	**34.8 %**	**38.2 %**
ECONOMIC VALUE ADDED (EVA)		
Return on capital employed	34.8 %	38.2 %
Less		
Cost of capital before taxes	12.0 %	12.0 %
Extra return before taxes	**22.8 %**	**26.2 %**
Multiplied by:		
1 minus effective tax rate	80.0 %	78.0 %
Extra return after tax	**18.3 %**	**20.4 %**
Multiplied by:		
Average capital employed	4,313	3,603
Economic Value Added (EVA)	**788**	**735**
EQUITY RATIO		
Shareholders' equity	3,494	2,999
Divided by:		
Total equity and liabilities	12,862	12,854
Eqity ratio	**27.2 %**	**23.3 %**
AVERAGE SHAREHOLDERS' EQUITY		
Shareholders' equity as at 1st quarter	3,045	2,312
Shareholders' equity as at 2nd quarter	2,919	1,856
Shareholders' equity as at 3rd quarter	3,195	2,232
Shareholders' equity as at 4th quarter	3,494	2,999
Average shareholders' equity	**3,163**	**2,350**
RETURN ON EQUITY		
Income statement	1,158	1,027
Divided by:		
Average shareholders' equity	3,163	2,350
Return on equity	**36.6 %**	**43.7 %**

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

NORWAY
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AF Byggfornyelse
AF Bygg Oslo
AF Nybygg
AF Eiendom
AF Decom AS
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AF Energi & Miljøteknikk AS
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