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# CLEARING UP THE PAST, BUILDING FOR THE FUTURE

ANNUAL REPORT 2021

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.

AF Gruppen aims to be 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. Ambitious goals have been set for the strategy period up to 2024, and the objective is to reach revenues of NOK 40 billion and have 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**  
**27,868**

EQUITY RATIO

**27.3%**

EBIT

**NOK MILLION**  
**1,609**

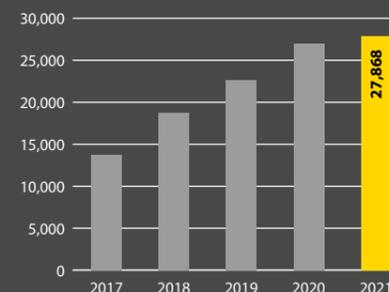
LTI-1 RATE

**1.1**

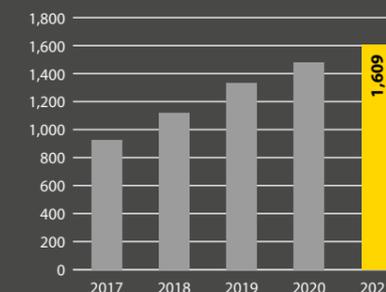
OPERATING MARGIN

**5.8%**

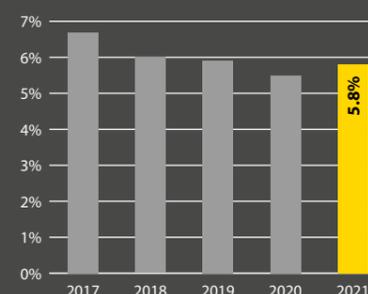
REVENUES (NOK MILLION)



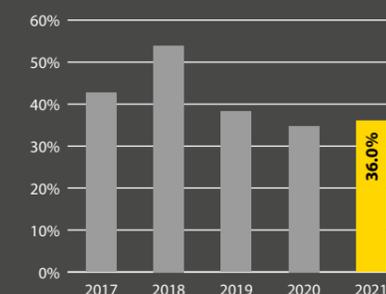
EARNINGS BEFORE INTEREST AND TAXES (NOK MILLION)



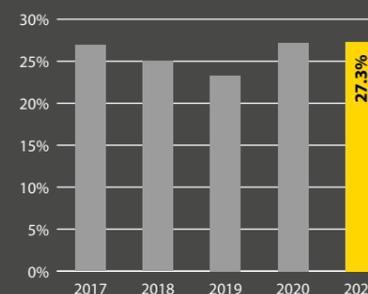
OPERATING MARGIN



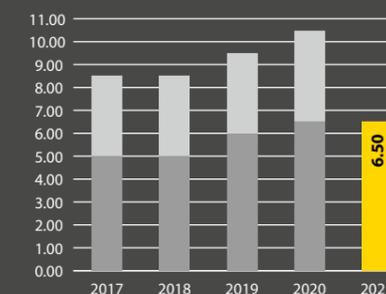
RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)



EQUITY RATIO

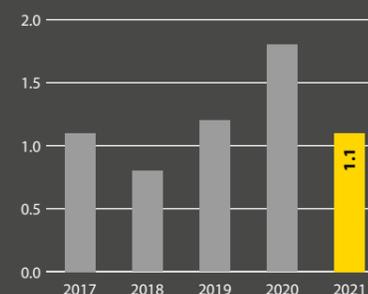


DIVIDEND PER SHARE (NOK)

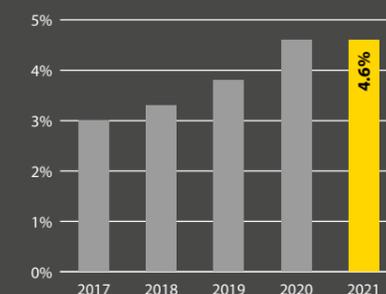


\* Dividend to be distributed in the first half of 2022 is proposed, not approved.

LTI-1 RATE



ABSENCE DUE TO ILLNESS



**FINANCIAL RATIOS**

YEAR	2021	2020	2019	2018	2017
<b>REVENUES (NOK MILLION)</b>					
Operating and other revenue	27,868	27,025	22,612	18,767	13,704
Order backlog	38,646	30,617	28,200	21,541	19,773
<b>EARNINGS (NOK MILLION)</b>					
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2,176	2,053	1,882	1,303	1,092
Depreciation and write-downs	-567	-573	-547	-184	-169
Earnings before interest and tax (EBIT)	1,609	1,480	1,335	1,119	924
Earnings before tax (EBT)	1,580	1,447	1,317	1,136	935
Earnings after tax	1,229	1,158	1,027	921	754
<b>PROFITABILITY</b>					
EBITDA-margin	7.8%	7.6%	8.3%	6.9%	8.0%
Operating margin	5.8%	5.5%	5.9%	6.0%	6.7%
Profit margin	5.7%	5.4%	5.8%	6.1%	6.8%
Return on equity	36.1%	36.6%	43.7%	45.4%	35.8%
Return on average capital employed (ROaCE)	36.0%	34.8%	38.2%	53.9%	42.7%
Economic Value Added (NOK Million)	839	788	735	725	552
Cash flow from operations (NOK million)	1,415	1,189	1,508	841	1,354
<b>BALANCE SHEET (NOK MILLION)</b>					
Total assets	13,108	12,862	12,854	8,486	7,724
Shareholders' equity	3,572	3,494	2,999	2,124	2,078
Capital employed	4,571	4,621	4,183	2,223	2,198
Average capital employed	4,491	4,313	3,603	2,133	2,230
Equity ratio	27.3%	27.2%	23.3%	25.0%	26.9%
Gross interest-bearing liabilities	999	1,127	1,184	99	120
Net interest-bearing receivables (debt)	29	90	-163	894	1,210
<b>THE SHARE</b>					
Shareprice	193,60	175,60	176,00	132,00	133,50
No. of shares	106,804,500	105,998,497	103,065,277	99,009,179	97,961,000
Market value (NOK million)	20,677	18,613	18,139	13,069	13,078
Earnings per share (NOK)	9.60	9.29	8.51	7.88	6.43
Diluted earnings per share (NOK)	9.57	9.27	8.46	7.88	6.43
Dividend per share first half of the year (NOK) <sup>1)</sup>	6.50	6.50	6.00	5.00	5.00
Dividend per share second half of the year (NOK)	-	4.00	3.50	3.50	3.50
<sup>1)</sup> Dividend to be distributed in the first half of 2022 is proposed, not approved.					
<b>PERSONNEL</b>					
Number of salaried employees	2,580	2,602	2,638	1,797	1,564
Number of skilled employees	2,833	2,908	2,898	2,423	2,204
Total number of employees	5,413	5,510	5,536	4,220	3,768
LTI-1 rate	1.1	1.8	1.2	0.8	1.1
Absence due to illness	4.6%	4.6%	3.8%	3.3%	3.0%
<b>EXTERNAL ENVIRONMENT</b>					
Carbon footprint	1.6	1.8	2.3	4.5	4.5
Source separation rate – building	88%	88%	84%	88%	82%
Source separation rate – renovation	90%	87%	90%	87%	85%
Source separation rate – demolition	96%	96%	95%	97%	95%
Total amount source separation in tonnes	294,776	400,995	339,221	496,586	306,780

For definitions of key figures, see the description of alternative performance measures on page 208 and the definitions on page 210.

**PRESERVING WORLD HERITAGE**

AF is building a new Viking Age Museum that will preserve our fragile cultural heritage. Pages 10 and 22



**NORWAY'S LARGEST CLEAN-UP JOB**

Over 100 years of mining is now history and the area will be given back to nature. Page 32



**THE FOUNDATION SPECIALIST**

Solid foundations form the basis for renewable wind power. Page 58



**THE CIRCULAR ECONOMY IN PRACTICE**

Gigantic structures are dismantled and turned into new raw materials. Page 90



**ON THE RIGHT TRACK**

Early involvement and good interaction with the client resulted in the highest environmental certification, BREEAM Outstanding. Page 104



**TUNNELS ON THREE LEVELS**

19 kilometres of tunnels in one of Sweden's largest infrastructure projects. Page 122



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## COLLECTIVE PRIDE AND POWER

CEO Amund Tøftum describes 2021 as a year in which work on safety and profitability produced results. Hard work combined with strong values and culture resulted in a solid collective boost.

In what are still demanding times, AFs employees have worked hard to deliver results. In 2021 we increased revenues, improved profitability and at the same time almost halved the number of serious incidents in our projects. At AF, we believe that safety is a prerequisite for profitable growth. We find that AF Gruppen's strong HSE culture is emphasised when large contracts are awarded. At AF everyone has equal worth. Both own employees and employees of our subcontractors are therefore included in our safety statistics.

AF's strategy maintains the ambition of profitability and growth. The target for 2024 is revenues of NOK 40 billion and an operating margin of 7%. Four initiatives are prioritised: disciplines and management, customers and suppliers, climate and environment as well as innovation. We are well on our way to operationalising the initiatives as well as concretising plans and contributions from the business units, so that together we are equipped to achieve the objectives of the strategy.

The construction industry is in rapid development and has taken great strides in terms of innovation and technological development in recent years. Demanding and professional customers help us to develop, and with solid competence and good cooperation with suppliers, we are able to take on larger and more complex projects.

AF has a sustainable vision: Clearing up the past and building for the future. Climate and

environmentally friendly projects are becoming increasingly in demand and valuable for our customers, and good climate and environmental work is important to our committed employees and for society. One basic principle at AF is that projects that are sustainable for the climate and environment also need to be financially sustainable. The services AF provides within all business areas can make a significant contribution to the green transformation. AF's strategic goal in climate and the environment is that we will halve greenhouse gas emissions and unsorted waste and contaminated masses sent to incineration and landfill relative to revenue per service type by 2030.

Good cooperation and a sense of community make us stronger and better. This is about clear communication and clarification of expectations, so that together we can deliver profitable and socially beneficial projects that several generations will benefit from. We will do this with integrity and a crystal clear goal of behaving properly and contributing to a serious and safe business life. At AF Gruppen, we will ensure diversity and equal development opportunities for all.

The efforts our employees have made together with colleagues, customers and partners give us good reason to be proud. AF has a strong and value-creating culture which means that we will continue to have the best conditions for profitable growth in the future.

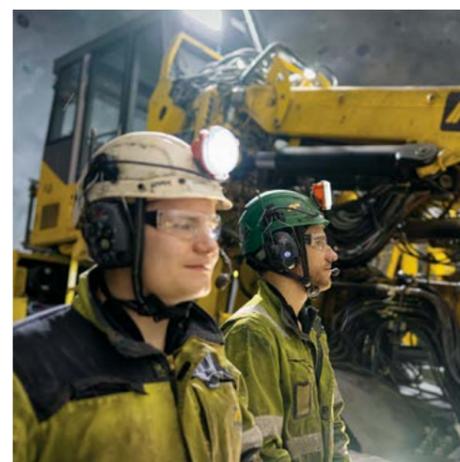


## HIGHLIGHTS FROM 2021

Driven by strong performances in many projects, revenues in 2021 reached a record high and profitability was good. Here are some of the strong performances and events that characterised the year.

### AN IMPRESSIVE YEAR FOR KANONADEN

Kanonaden Entreprenad is AF Gruppen's Swedish civil engineering contractor. The business is largely related to the groundwork and construction of logistics parks and energy supply infrastructure such as wind power plants, district heating facilities and high-voltage masts. With its headquarters in Nässjö, Kanonaden has its geographical centre of activities in southern Sweden and in Mälardalen. With expertise and commitment as well as reliable and efficient project execution, Kanonaden has many repeat customers. Since AF Gruppen acquired 70 per cent of the shares in Kanonaden Entreprenad in 2018, growth has been outstanding. In 2021, the business unit had a revenue of SEK 2,236 million, which represents a revenue growth of 33.4 per cent compared with the previous year. Add to that the strong margins and 2021 can rightly be called an impressive year.



### OVER A BILLION WORTH OF TUNNELING WORK AT BERGTUNNAR LOVÖ

West of Stockholm, the Swedish Transport Administration is carrying out one of Sweden's largest infrastructure projects. The E4 Förbifart Stockholm will be 21 km long and an important link between the capital's northern and southern areas. In order to protect important environmental and natural resources the road will mainly consist of tunnels. With broad experience and expertise in tunnel construction and major transport contracts, AF Anlegg was awarded the main contract FSE305 Bergtunnlar Lovö. The project, which started in the summer of 2020, involves blasting about 16 km of tunnels and building road installations in the 7 km main tunnel with two lanes and 6 km of ramp tunnels. A total of 2 million cubic metres of rock will be blasted. In 2021, AF Anlegg's tunnellers have produced over SEK 1,000 million of the total contract amount of SEK 3,400 million.

### CONSTRUCTION CITY' LARGEST CONSTRUCTION PROJECT

In 2021, AF Gruppen entered into a contract with Construction City Holding AS to build Construction City, an industry cluster that will bring together the construction, civil engineering and real estate industry in Norway. Both AF Gruppen and OBOS will have their head offices in the building, which will accommodate a total of around 4,500 workplaces. The project will be certified in accordance with BREEAM-NOR Excellent and the building will have a gross area of 78,000 square meters, in addition to a two-level basement with a gross area of 25,000 square meters. The implementation phase started in the second half of 2021 and will continue until 2025. The project will be carried out as a turn key contract with interaction through a working partnership between AF Bygg Oslo and Betonmast Oslo. With a contract value of NOK 2,676 million excluding VAT, the construction project initiated at Ulven in Oslo is AF Gruppen's largest of all time.



### SALE OF CELCIUSGATAN COMPLETED

The project at Norra Älvstranden in central Gothenburg is a joint property development project between AF Gruppen and Aspelin & Ramm. Previously, the venerable brick building in Celciusgatan 10 was the Gothenburg office of Eriksberg Mekaniske Verksted. The Donner-gymnasiet free school is the new tenant for the 4,000 square meter building. AF Bygg Göteborg has renovated the building and adapted the premises for students and staff for the start of school in January 2022. In December 2021, the sale of the property was completed, resulting in a profit of SEK 59 million.

# GOALS AND RESULTS

## PROFITABILITY

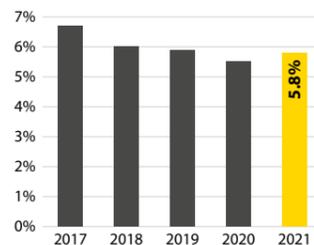
### GOALS

AF shall have an operating margin greater than 5%. The goal for the strategy period towards 2024 is to achieve a return on capital employed greater than 20% and increase the operating margin to 7%.

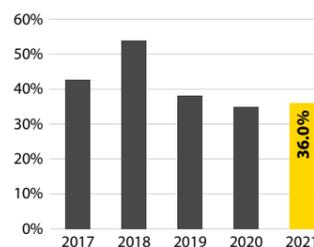
### RESULT 2021

In 2021, AF had an operating margin of 5.8% and a return on capital employed of 36.0%.

#### OPERATING MARGIN



#### RETURN ON AVERAGE CAPITAL EMPLOYED



## FINANCIAL STRENGTH

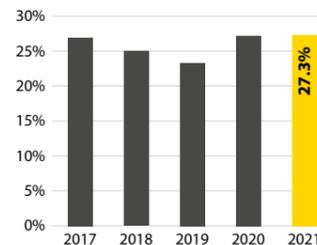
### GOALS

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.

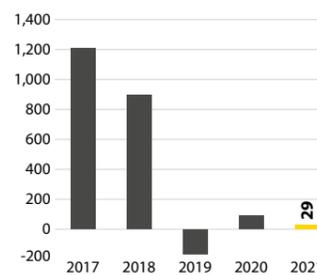
### RESULT 2021

AF's equity ratio was 27.3% at the end of 2021. The Group had net interest-bearing receivables of NOK 29 million. Available liquidity at year-end, including credit and loan facilities from Handelsbanken and DNB, totalled NOK 3,636 million.

#### EQUITY RATIO



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



## DIVIDEND

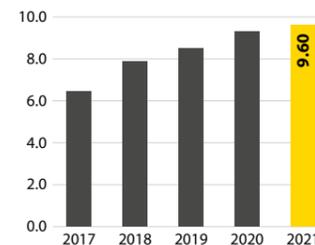
### GOALS

AF's dividend policy is to provide shareholders with a competitive dividend yield. Dividends are paid semi-annually, and shall be stable and preferably rise in line with earning performance. The intention is to over time distribute a minimum of 50% of the profit per share for the year as a dividend per share.

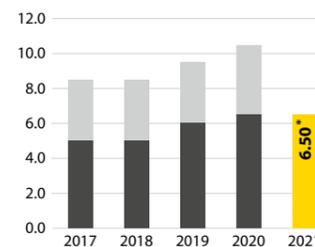
### RESULT 2021

In 2021, AF paid a total dividend of NOK 10.50 per share for the 2020 financial year. Earnings per share was NOK 9.29 in 2020. Earnings per share was NOK 9.60 in 2021. For the 2021 financial year, payment of a dividend of NOK 6.50 per share is proposed for the 1st half of 2022. The dividend for payment in the 2nd half of 2022 will be announced when the results for the 3rd quarter of 2022 are presented.

#### EARNINGS PER SHARE (NOK)



#### DIVIDEND PER SHARE (NOK)



\* Dividend to be distributed in the first half of 2022 is proposed, not approved.

## HEALTH AND SAFETY

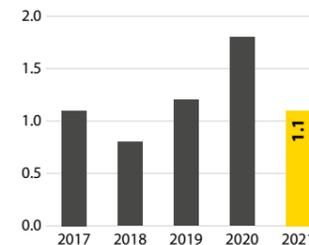
### GOALS

AF's goal within health is to have zero work-related absences. The goal within safety is to have zero serious personal injuries and zero absence injuries, i.e. a LTI-1 value of zero. The working environment shall be safe for everyone, and therefore we also include figures for those employed by our subcontractors in our injury statistics.

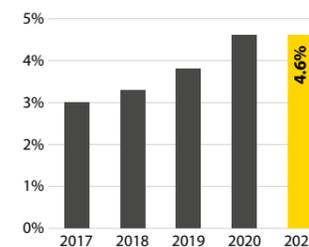
### RESULT 2021

AF achieved an LTI-1 rate of 1.1 and absence due to illness of 4.6 per cent. This year's development in LTI-1 value was a step in the right direction towards our zero vision, and on par with the best safety results in the civil engineering and construction industry.

#### LTI-1 RATE



#### ABSENCE DUE TO ILLNESS



## CLIMATE AND ENVIRONMENT

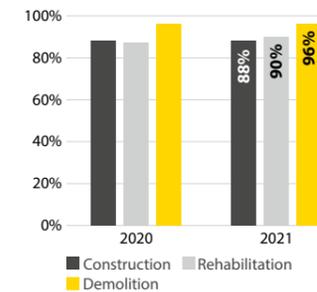
### GOALS

AF shall sort at least 80 per cent of the waste from our projects. By 2030, AF shall halve unsorted waste that go to incineration or landfill, and halve greenhouse gas emissions. Both goals are per type of service relative to revenues.

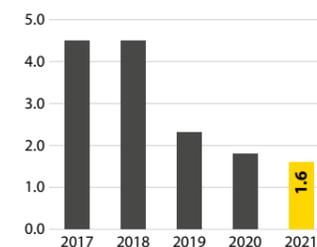
### RESULT 2021

In 2021, the source separation rate for our activities was 88 per cent for construction, 90 per cent for renovation and 96 per cent for demolition, all of which were above our source separation target. Our climate footprint for 2021 was 1.6.

#### SOURCE SEPARATION



#### CARBON FOOTPRINT





## TOGETHER WE PRESERVE WORLD HERITAGE

The Viking ships are the very symbol of the Viking Age and part of Norway's foremost historical cultural relics. In collaboration with Statsbygg and the University of Oslo, AF will build the new Viking Age Museum at Bygdøy, which will conserve the ships and preserve our fragile world heritage. In the process, AF is collaborating with a broad professional environment to find good solutions that will protect the ships during the construction and relocation process, and which will satisfy strict requirements for the environment and indoor climate. When the museum facility is ready in 2026, it will be three times as large as today's museum, the Viking Ship Museum.

# 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 Off-shore.



## 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, bridges, port facilities, airports, tunnels, foundation work, renovation and construction of concrete structures, power and energy plants, 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 construction 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 a construction contractor with 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 possesses specialist expertise in project development and collaborative contracts. Betonmast also has a property portfolio in Norway.



## 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 per cent of the materials are recycled.



## SWEDEN

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



## OFFSHORE

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.

Revenues NOK million	<b>6,002</b>	<b>8,865</b>	<b>7,170</b>	<b>35</b>	<b>1,152</b>	<b>4,325</b>	<b>848</b>
Earnings before tax NOK million	<b>515</b>	<b>447</b>	<b>171</b>	<b>75</b>	<b>109</b>	<b>262</b>	<b>83</b>
Employees	<b>1,406</b>	<b>1,551</b>	<b>943</b>	<b>25</b>	<b>254</b>	<b>839</b>	<b>214</b>

# OUR HISTORY




**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. AF targets civil engineering projects. A high level of integrity, thoroughness, hard work and an entrepreneurial spirit resulted in positive earnings for the company in its first year of operation.



**PROFITABILITY AND GROWTH**

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



**NEW MARKETS**

New acquisitions give AF access to a larger part of the value chain in the civil engineering and construction industry, and AF gains a foothold in Sweden. Entry into the demolition market in the year 2000 started a new growth adventure for AF through the Energy and Environment business area as well as the Offshore business area.



**LEADING CONTRACTOR**

AF grows through acquisitions in and outside of Norway. There is also high organic growth, especially in civil engineering and construction. Major acquisitions in the Swedish engineering and construction market lay the foundation for the Sweden business area. The decade is rounded off with the acquisition of Betonmast – AF Gruppen's largest acquisition to date.



**ABILITY TO SUCCEED**

AF Gruppen consists of more than a hundred companies. The breadth of our expertise that us to take on the most challenging projects. Growth ambitions continue without compromising safety and ethics. AF creates value for employees, customers and owners, and aim to be the Nordic region's most profitable contractor. Can you imagine?



**VALUE-BASED CULTURE**

Our core values are the bedrock of our business and their roots go back to the establishment of AF Gruppen in 1985.



**SAFETY CULTURE AND HSE**

Experiences of the offshore industry's safety culture led to the early establishment of HSE systems in our own operations.



**RISK MANAGEMENT AND ENTREPRENEURIAL SPIRIT**

AF has a systematic approach to risk management, and we shall actively assume risk that we can influence. Seizing opportunities that provide profitability is part of our culture.



**GROWTH WITH COMMON VALUES**

AF is growing with ever more new companies in the portfolio, and the development demonstrate good integration into AF's safety culture and core values.



**THE BEST PEOPLE**

Our competitiveness comes from our employees. The project "The best people" is established to support our units in the work to increase the proportion of women and diversity. In AF, everyone is of equal value, and everyone should be given equal opportunities.

	1980	1990	2000	2010	2020	Figures for 2021
Revenue (NOK million)	175	1,426	5,828	27,025	27,868	
Share price as of 31.12 (NOK)	-	5.00	40.00	175.60	193.60	
Employees as of 31.12.	150	860	1,933	5,510	5,413	

# VISION AND VALUES

## OUR CORE VALUES



AF Gruppen is a value-based company and our core values have roots back to the establishment of AF Gruppen in 1985. The core values are the very bedrock of our business and characterize everything we do, and do not do.



### 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, and allow for employees to see and seize opportunities. 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.



### Persistence in achieving profitable growth

AF shall create value through profitable revenue growth. The ability and capacity to operate a growing organisation 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

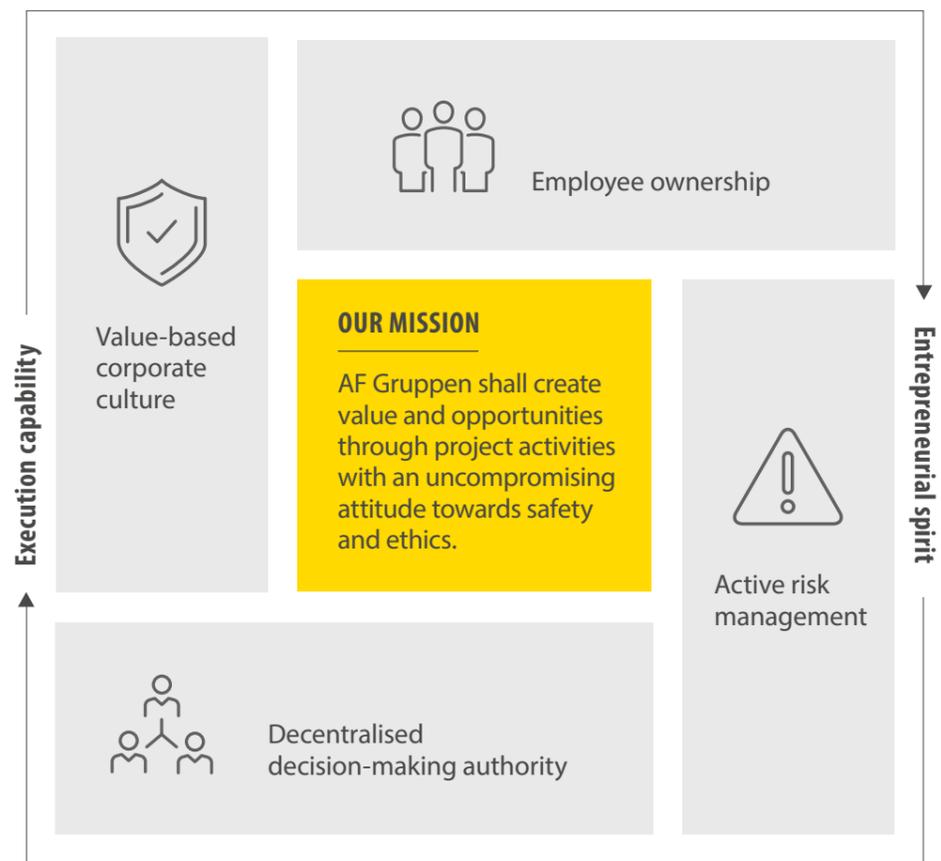
We shall have perseverance to ensure thorough preparations, clear decisions, complete execution and reliable documentation. Risk willingness is dependent on flexible employees who can make an extra effort when the situation requires an effort be made.



### 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



## Value creation for our stakeholders

- |  |   |   |  |
|--|---|---|--|
| <p><b>EMPLOYEES</b></p> <ul style="list-style-type: none"> <li>• A safe workplace for our employees and subcontractors.</li> <li>• A good working environment for our employees as well as opportunities for competence development and co-ownership.</li> </ul> | <p><b>CUSTOMERS</b></p> <ul style="list-style-type: none"> <li>• High quality projects prepared in collaboration with customers and suppliers.</li> </ul> | <p><b>OWNERS</b></p> <ul style="list-style-type: none"> <li>• Good returns for investors through dividends and share price appreciation.</li> </ul> | <p><b>SOCIETY</b></p> <ul style="list-style-type: none"> <li>• Contribution to society's climate battle through the reduction of waste and greenhouse gases that arise as a result of our activities.</li> <li>• Delivery of sustainable services and products required by society.</li> </ul> |
|--|---|---|--|

# SUCCESS FACTORS

Success factors are a key part of the business model. This is the essence of what characterises us as an organisation and the conditions that have to be in place for us to succeed. Our common denominator for goal achievement is our dedicated and capable employees.



## Value-based corporate culture

### PEOPLE CREATE VALUE

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 recipe for 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 develops and is refined throughout the entire organisation at any given time, from the CEO to the project organisations. Presence and interaction between the various business units are essential to the creation of a common understanding of who we are. Corporate culture is also an important selection criterion when acquiring new companies, as we see it as crucial to how well we succeed together that the corporate culture of the companies we acquire is consistent with our own.



## Employee ownership

### EMPLOYEES PARTICIPATE IN JOINT VALUE CREATION

Employee ownership is part of the AF culture, and we search actively for businesses where the employees would like to participate on the ownership side in connection with acquisition processes. When AF Gruppen was established in 1985, one of the aims was for the employees to be given an opportunity to become co-owners. The idea was that as many employees as possible should be able to take part in the increase in value resulting from the joint creation of value and the development of the company. The same philosophy still applies. The offer of employee ownership through share and option programmes contributes to making AF an attractive place to work. The purpose of the programmes is to motivate employees to have a greater, long-term commitment to the business. Employees own shares in AF Gruppen ASA valued at more than NOK 2 billion. In addition to this, there is the value of the non-controlling shares in subsidiaries that are partly owned by employees. Read more about the share and option programme for employees on page 103.



## Decentralised decision-making authority

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

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



## Active risk management

### WE SHALL ACTIVELY ASSUME RISK THAT WE CAN INFLUENCE

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 page 20.

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

Risk management is a key 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.

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.

Targeted efforts have been made to adapt risk management to the various business units. The Risk 2.0 project gradually implemented in AF's business units during the 2019–2020 period. The project was an important contribution to strengthening decision support by making risk information more readily available through a common digital platform.

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

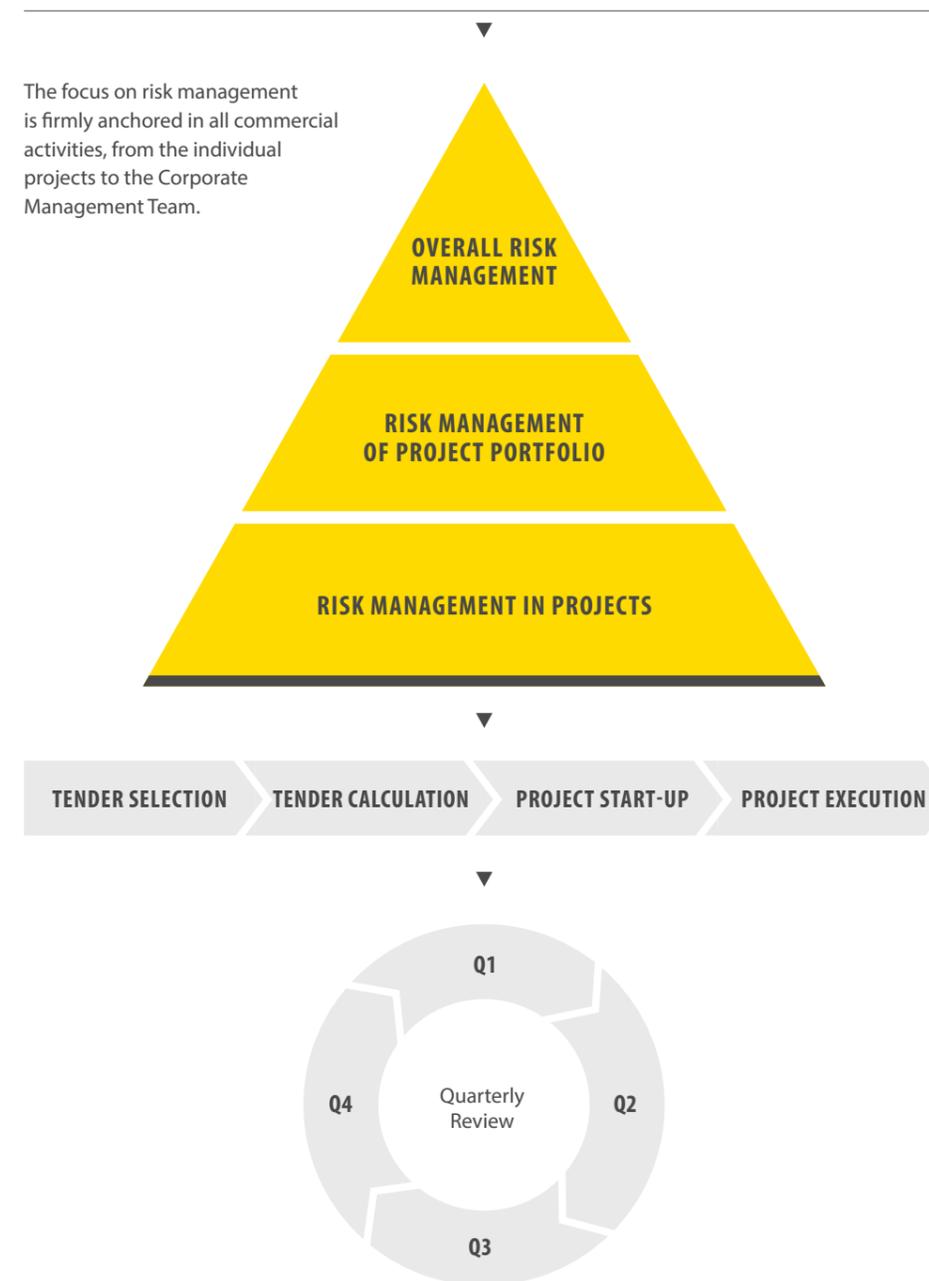
for 5–10 predefined risk groups. This may, for example, include risk related to our capacity, our experience with the customer, contractual terms and conditions, climate and the environment and the extent to which the project is in accordance with our strategy and expertise. The aim is not to eliminate risk, but to identify, manage and price risk correctly. 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.

#### RISK HIERARCHY

The focus on risk management is firmly anchored in all commercial activities, from the individual projects 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 completion of the projects.

# CLIMATE RISK – IMPACT ON AF

For many years, AF has carried out a lot of good climate and environmental work. In the new Group strategy from 2020, climate and environmental work became more coordinated and targeted after a thorough risk assessment of the opportunities and threats represented by climate change.

In 2021, we have used the TCFD framework to convey our understanding and management of climate risk in a format familiar to our stakeholders. Climate risk in this context is how climate change affects AF, not how AF affects the climate. The Task Force on Climate Related Financial Disclosures (TCFD) is a framework for climate risk reporting established in 2015 by the G20 countries through the international organization The Financial Stability Board (FSB). The purpose of its creation was to prepare a consistent reporting standard for climate-related financial risk for use by business, banks and investors.

### CLIMATE RISK ASSESSMENT

The Corporate Management Team, with support from the Board, has identified, evaluated and ranked 22 climate risk factors related to physical, transitional and liability risk. Physical risk is risk from climate and weather-related events such as heatwaves, droughts, floods, storms, etc. Such events can potentially lead to major financial losses and reduce the value of assets. Transition risk is risk that follows from the transition to a low-carbon society. Changes in policy, technology and societal perceptions can, for

example, lead to increased carbon prices or a decline in demand for goods and services with a clear negative climate impact. Liability risk entails claims for compensation related to decisions or a lack of such that can be linked to climate policy or climate change. Using AF Gruppen's risk management methodology, this has resulted in a prioritised top 10 list of the risk factors that we consider to have the biggest range of outcomes in a positive or negative direction. The impact of risk factors in the short, medium and long term has been assessed on the basis of different climate scenarios.

### MANAGEMENT OF CLIMATE RISK

Seven of the top ten climate risks identified by AF are associated with transitional risk. AF has implemented several measures to manage this. Among other things, specific goals have been set for emission reductions and waste reduction in the projects, and we are working on innovation, expansion and development of the service spectrum so that we can deliver services that can prevent further climate change. Read more about this on pages 38–47. AF's methodology and processes for identifying,

assessing and managing climate risk are incorporated into other risk management processes at three levels:

1. Strategic risk – The Board's and Corporate Management Team's follow-up of Group strategy. Read more about the strategy on page 26.
2. Financial risk – AF's established framework for commercial risk management at the Group, portfolio and project level. Read more about risk management on page 20.
3. HSE risk – AF's established framework for negative exposure to health, safety and the environment. Read more about this on pages 42–45.

### IN SUMMARY

Climate change and climate risk will largely affect entire value chains and economies within AF Gruppen's markets, and all of our stakeholders. The biggest impact for AF is that it will create changes in our customers' and end users' needs for products and services. The risk assessment shows that the transition risk associated with the green shift is both AF Gruppen's greatest opportunity and threat depending on our ability to adapt.

## TOP 10 LIST / CLIMATE RELATED OPPORTUNITIES AND THREATS

RANGE OF OUTCOMES Threat High Low Opportunity High	RISK FACTOR	EXPLANATION OF RISK ASSESSMENT Reason why the assessment is significant as an opportunity or threat.	TIME PERSPECTIVE A darker colour indicates the period of time when the risk factor has the most impact.		
			1–3 years	3–10 years	>10 years
← Influence on AF →					
	O1 Employer attractiveness	AF's entrepreneurial spirit and influence on current societal challenges will attract talent.			
	O2 New business opportunities	The industry will work on solutions to more climate goals. Our capital structure and culture make us adaptable.			
	O3 Innovation and technology	Strong focus on operations, operational risk management and high quality cost-benefit assessments.			
	O4 Increased CO <sub>2</sub> taxes	Fewer realisable projects slow investment and increase competition.			
	O5 Customer's climate requirements	AF understands and meets customer needs with solutions that create competitive advantage and mutual value creation.			
	F1 Changed requirements for new buildings and civil engineering	AF understands and meets new regulations and functional requirements.			
	O6 Access to capital	AF's strategy and profile for climate and environment attracts capital for our investments and activities.			
	O7 Demand for climate and environmental services	AF's range of services meets market demand and is continuously evolving in step with developments.			
	F2 Disruptions in supply chains	Increased costs for dealing with delivery challenges, market uncertainty and price fluctuations.			
	A1 Transfer of responsibility	Warranty liability with a large scope and long time horizons in a market with an ever-increasing pace of change.			

### IDENTIFIED CLIMATE IMPERATIVES

#### Physical risk (acute and chronic)

- F1 Changed requirements for new buildings and civil engineering
- F2 Disruptions in supply chains
- F3 Increased adjustments
- F4 Increased accident risk
- F5 Value changes in land stock
- F6 Operation disruption

#### Transition risk

- O1 Employer attractiveness
- O2 New business opportunities
- O3 Innovation and technology
- O4 Increased CO<sub>2</sub> taxes
- O5 The customer's climate requirements
- O6 Access to capital
- O7 Demand for climate and environmental services
- O8 Reputational risk
- O9 Access to qualified manpower
- O10 Disruption
- O11 Machinery and facilities that are unable to comply with new regulations
- O12 Grant and support schemes

#### Liability risk

- A Transfer of responsibility
- A2 Warranty liability
- A3 Lawsuits and disputes
- A4 Changed insurance terms

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**HISTORICAL DETAILS IN A NEW ENVIRONMENT.**

In the new museum, the Viking ships and the rest of the Viking Age collections will be presented in a safer and more public-friendly manner. The new Viking Age Museum is intended to ensure that future generations have access to cultural-historical knowledge and understanding of the Viking Age.

# STRATEGY TOWARDS 2024

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

The journey towards 2024 shall be safe, environmentally friendly, innovative and not least profitable. AF will be the Nordic region's most profitable contractor while continuing to be inquisitive and challenging the status quo. 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



# 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 optimal 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.

## OUR STRATEGIC INITIATIVES

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



# 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 will attract, develop and retain the industry's best management and technical expertise.

Skilled employees are the main contributors to AF Gruppen's goal achievement. There is a battle for qualified resources, projects are getting larger and more complex, and the transition to a green and sustainable world requires the best of the best.

AF aims to be the industry's preferred employer. To strengthen access to the best people, we will work with educational institutions, ensure diversity and have good processes to identify the causes of increased turnover.

We will create an inclusive, safe and good working environment with a strong culture and a high level of satisfaction. AF has zero tolerance of discrimination, and will ensure that all employees have equal opportunities. We will work to ensure that the construction industry is an attractive career choice for everyone.

Skills development is supported through on-the-job training and in the AF Academy. AF will have the foremost academic environments in strategically important subjects and offer the best leadership development in the market for managers at all levels. This creates a resilient organisation and good management capacity.

- Position in Universum's scale (target: top 5)
- Percentage of women at AF (target: 20 per cent)
- ESS score (target: > 5)
- Percentage of apprentices (target: > 7 per cent)
- Percentage of skilled workers with a certificate of completed apprenticeship (target: > 60 per cent)



### SUPER APPRENTICES ON E39

Early involvement and clear responsibility create good learning and strong sense of ownership.

The project management team on E39 Kristiansand øst – Mandal vest experienced this for themselves when they gave machine operator apprentices responsibility for their own area on the large civil engineering project in Southern Norway. The task was to establish the landfill for the Trysfjord Bridge, which included both receiving and laying out blasted rock, compacting material and soil cladding of slopes.

The work was carried out with a quality on par with a good skilled worker, and all apprentices passed the qualifying examination with top grades. The development of young talent is an important contribution to the fact that AF, and the industry in general, also has access to qualified personnel in the future.



## Climate and environment

We will reduce our footprint and lead the way in creating socially beneficial business opportunities.

Our industry impacts the climate and the environment and there is an ever-increasing demand from both society, customers and employees for our projects to have a clear environmental profile.

We depend on innovative solutions for the world to achieve the UN's climate goals. AF will be an ambassador for profitable climate and environmental savings and will actively look for business opportunities and develop new socially beneficial services. For example, AF's environmental centres clean and recycle materials that would previously have ended up in landfill sites, so that they can be reused in other economic activities.

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 this expertise to find good environmentally friendly solutions and encourage customers to choose these.

We see that the measures that have the greatest effect in our own operations are within greenhouse gas emissions and waste volumes. The goal is for AF to halve greenhouse gas emissions and unsorted waste that go to incineration or landfill by 2030. Both goals are per type of service relative to revenues.

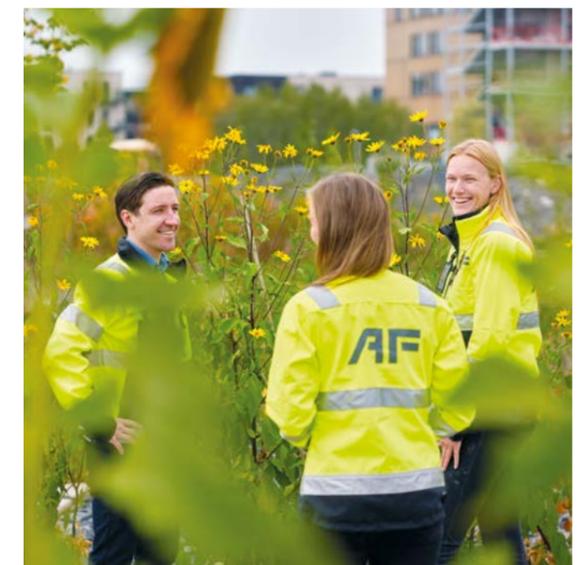
### ENVIRONMENTAL SOLUTIONS IN STORØYKILEN

At Fornebu, AF Bygg Oslo is in the process of constructing the first block of the Storøykilen housing project for the client, OBOS.

The project comprises a total of six blocks with around 400 homes, and OBOS aims for the homes to be certified as BREEAM-NOR Very Good.

Two unique environmental aspects that are emphasised in the project are the preservation of the local biology and the reduction of gypsum waste. The former has resulted in the pilot project Spiren, where an interdisciplinary team consisting of biologists, architects and representatives from AF work together to establish a local natural landscape that provides increased biological diversity in the housing project.

The latter involves reducing waste from gypsum by choosing lighter gypsum boards that have been cut to height, as well as ensuring dry storage of any cuttings to ensure that this can actually be recycled.





## Customers and suppliers

We shall be the preferred partner.

Projects are becoming bigger and more complex. In particular, stricter customer requirements within seriousness and environmental topics are expected to affect the market in the future.

If we are to succeed, AF must be the preferred partner. We will build long-term relationships based on trust, performance and loyalty with the customers and suppliers who have the greatest potential for mutual value creation. AF sets requirements for those we work with and shall have partners who do not compromise on safety and ethics.

We will initiate early involvement and be proactive in finding the best solutions for our customers. AF shall have good market and customer understanding and have the cutting-edge expertise needed to solve specific customer challenges. We will be predictable and practice transparent communication with those with whom we work.

We measure customer and supplier satisfaction on a scale from 1–6, with the goal of being over 5 on both. We will refine our cooperation and communication skills by using learning points from the surveys to improve.

- Customer satisfaction 2021: 5.1
- Supplier satisfaction 2021: 4.9

### HOLEN SCHOOL, THE NEW SCHOOL TEMPLATE

In January 2021, LAB Entreprenør handed over the new Holen school in Laksevåg to Bergen municipality.

The project which encompasses the new construction and renovation of the primary and secondary school and sports hall, has been important for the municipality. The school was built according to a revised school use plan that forms the framework for the design of new schools in Bergen. The contract was awarded after a price and design competition and construction started in 2019 following thorough project development together with the municipality. Challenging land conditions with a limited area, a height difference of 15 metres between the buildings and requirements for a fossil-free construction site required a close and solution-oriented dialogue between contractor and client. The school is a nearly zero energy building (NZEB) with energy supplements from geothermal energy and solar cells, and is certified as BREEAM-NOR Excellent.



## Innovation

We will be the Nordic region's most inquisitive contractor.

Technological advances, green transition and complex projects require an innovative and dynamic organisation. By being future-oriented and solution-oriented, we will increase our attractiveness among current and future employees and customers.

AF will continue to be characterised by its strong entrepreneurial spirit. Innovative changes can include both digitalisation and industrialisation of existing activities as well as investment in new businesses.

This entails the increased use of digital tools and improvement of associated work processes, as well as the streamlining of our project operations through better utilisation of data.

AF will explore new or improved business models and constantly evaluate new value-creating start-ups. Ownership in early stage companies shall be both profitable and also strengthen our reputation as a challenger and innovator.

- Return on investment in the early phase (target: > 15 per cent)
- New profitable business outside the core business.
- Introduce at least two digital tools that provide operational results each year.



### NORWAY'S GREENEST CONCRETE

Concrete is the world's most widely used material, accounting for 5–7 per cent of global greenhouse gas emissions.

Two essential input factors are sand and stone, and in step with global growth, these non-renewable resources have begun to be in short supply.

AF Gruppen and Betong Øst have joined forces to make concrete a more sustainable product, and an important part of the solution has been to use aggregates from AF's environmental centres that are produced from recycled excavated materials. Surplus materials from civil engineering and construction projects are often driven straight to landfill sites never to be reused again. Rimol Environmental Centre has developed unique technology to remove the harmful substances from the excavated materials, and thus helps to reduce the extraction of natural resources, reduce greenhouse gas emissions and prevent polluted bulk material from ending up in landfill sites.

The concrete of the future is now being transported from Betong Øst for the first projects in Norway, and the process for the environmental declaration EPD (Environmental Product Declaration) is underway.



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## NORWAY'S LARGEST CLEAN-UP JOB

In 2017, the Norwegian Parliament decided to discontinue mining operations in Svea and Lunckefjell, and in 2021 AF was commissioned to remove buildings and infrastructure after more than 100 years of mining history. In close collaboration with the client Store Norske, the Governor of Svalbard and specialists in nature management, AF has demolished, decontaminated and facilitate the recycling of more than 2,000 tonnes of wood, 700 tonnes of steel and large quantities of concrete. The demolition work has included the removal of roads, barracks buildings, workshop halls, the harbour and an airfield.

## CORPORATE SOCIAL RESPONSIBILITY

36 CORPORATE SOCIAL RESPONSIBILITY IN AF

38 CLIMATE AND ENVIRONMENT

48 SOCIAL CONDITIONS

54 GOVERNANCE

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### TRACKS IN A VULNERABLE LANDSCAPE.

Environmental measures for Svea and Lunckefjell aim to remove all traces of human activity and return the area back to nature.

# CORPORATE SOCIAL RESPONSIBILITY IN AF

AF shall be a responsible player that amplifies positive and minimises negative impacts on the environment, people and society in project operations. We will also deliver products and services that contribute to reduced consumption of energy and other scarce resources.

The UN has defined 17 Sustainable Development Goals that specify the global societal challenges that we must solve together, and these goals represent a working plan to eradicate poverty, combat inequality and stop climate change by 2030. Corporate social responsibility means taking responsibility for the organisation's impact on people, society and the environment and contributing to positive social development through the sustainable creation of value.

### WHAT IS AF'S CORPORATE SOCIAL RESPONSIBILITY?

AF has a special responsibility when it comes to societal challenges that can be linked to our business activities. First and foremost, we will implement our projects in a sustainable manner by ensuring that all business operations comply with the Code of Conduct, laws and regulations and we will also minimise negative impacts on the climate and environment. Our employees shall have a safe and good working environment where diversity is valued and harassment is not tolerated. Furthermore, we also have a corporate social responsibility to develop and offer services that are needed by our customers and society, and we will be a driving force to ensure that projects that are sustainable when it comes to the climate, environment and social conditions can also be financially sustainable.

We will elaborate on what we consider our corporate social responsibility to be within the three focus areas of Climate and Environment, Social Conditions and Corporate Governance.

### AF'S OPERATING PRINCIPLES

Endorsed by the Board of Directors, the executive management team of AF Gruppen has established a business model (see p. 12) and

overall principles for governance and management that constitute the framework for all activities across all areas and levels of the organisation. The operating principles are set out in the following documents, the first two of which are available at [www.afgruppen.com/about-af/vision-and-values/](http://www.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

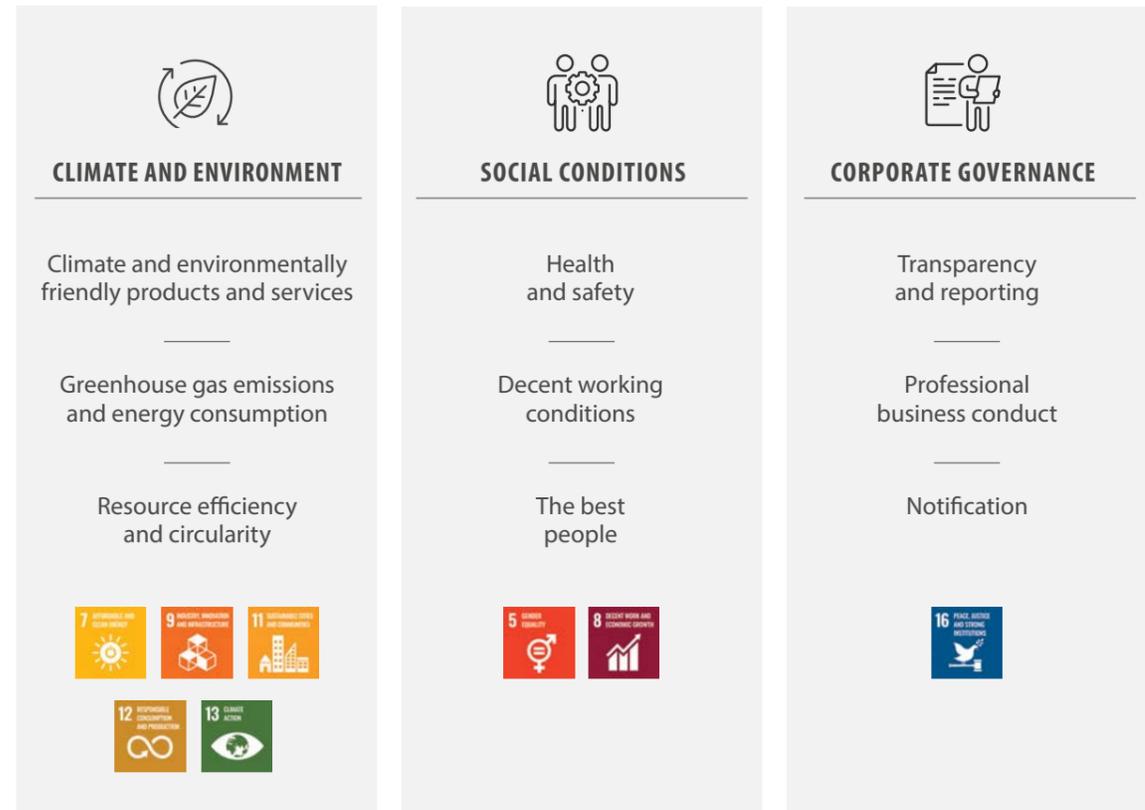
The Code of Conduct applies to all employees and other individuals representing AF Gruppen. All AF Gruppen employees receive an introduction to the Code of Conduct as part of the new employee training and receive a copy of the code as an appendix to the employment contract. Compliance with the Code of 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 are also required to comply with our values and requirements relating to conduct and need to accept the AF supplier declaration (see: [www.afgruppen.com/supply-to-af/](http://www.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

## CORPORATE SOCIAL RESPONSIBILITY IN AF



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.

### Roles and responsibilities

The Board of Directors has the ultimate responsibility for corporate social responsibility at AF. CEO Amund Tøftum has operational responsibility for corporate social responsibility and this follows the line management, whereby each executive vice president is responsible for their respective business areas. It is a requirement that business units and projects be organised with sufficient expertise in health, safety and the 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.

### Internal and external reporting of health, safety and the environment

Internally, figures relating to safety for employees and subcontractors (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. Targets and incidents relating to corporate social responsibility are reported externally every quarter in connection with interim reporting and on an annual basis in the annual report.

# CLIMATE AND ENVIRONMENT

Climate change and environmental impact are among 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.

The construction, civil engineering and property sector's impact on the climate and environment must be assessed via both direct and indirect greenhouse gas emissions and material consumption. Construction accounts for 40 per cent of the energy used in society and 40 per cent of material resources. 19 per cent of all traffic in Oslo can be attributed to construction and civil engineering traffic. 50 per cent of emissions in the life cycle of a building occur in connection with the production and transport of construction materials. Overall, the sector accounts for around 16 per cent of total greenhouse gas emissions in Norway. The corresponding estimate for Sweden is that the construction and civil engineering industry accounts for around 20 per cent of total CO<sub>2</sub> emissions. The industry can therefore greatly influence and contribute to solutions to limit climate change.

## AF GRUPPEN'S CLIMATE AND ENVIRONMENT STRATEGY

AF has been working on climate and environment improvements for a number of years, but, since 2021, the entire group is focusing on more coordinated and targeted climate and environment efforts in line with the Group strategy. The green transition entails both risk and opportunities for AF. Good environmental solutions will attract employees, investors and new projects, while a lack of willingness or ability to innovate and adapt will hinder competitiveness.

The Board of Directors has the ultimate responsibility for ensuring that climate and environmental threats and opportunities are managed satisfactorily. The Board of Directors' supervision of climate-related matters has been described in Corporate Governance on p. 98. The Corporate Management Team has the operational responsibility for climate risk management in day-to-day operations and for the follow-up of the Group's strategy.

Endorsed by the Board of Directors, the Corporate Management Team conducted a climate

risk analysis in 2021 in line with the TCFD framework in order to identify the most significant climate risks affecting AF Gruppen, see p. 22. We have also completed our first CDP report, a process that has helped raise awareness and resulted in specific measures being introduced in the organisation. AF has also started reporting in line with the EU taxonomy, see p. 46.

In order to achieve our long-term ambitions for the climate and environment, we have adopted three prioritised focus areas within climate and environment:

- Climate and environmentally friendly products and services
- Greenhouse gas emissions and energy consumption
- Resource efficiency and circularity

## Main strategic objectives

**50%**

AF will halve greenhouse gas emissions for each service type relative to revenue by 2030.

**50%**

AF will halve the amount of unsorted waste sent for incineration and landfill for each service type relative to revenue by 2030.

We aim to be climate-neutral by 2050.

CDP is an independent not-for-profit organisation working to promote climate reporting within the focus areas of climate, water and forestry. AF has reported on climate and received a score of B in 2021.



## CLEAN AND AFFORDABLE ENERGY

The UN has a goal of ensuring public access to reliable and modern energy services at affordable prices.

## CLIMATE AND ENVIRONMENTALLY-FRIENDLY PRODUCTS AND SERVICES

AF's vision is to clear up the past and build for the future. This means that we need to

- offer energy solutions that reduce the need for energy
- remove and purify materials and land that are harmful to the environment and ensure that materials remain in circulation
- have the expertise and knowledge required to offer innovative solutions in projects

One basic principle at AF is that projects that are sustainable for the climate and environment also need to be financially sustainable. AF delivers many services that are necessary for society to achieve the target of limiting the temperature increase to 1.5°C and that are also profitable for our investors. In total, AF has a revenue of NOK 2,000 million linked to climate and environmentally friendly service deliveries in the business areas of Energy and Environment and Offshore, with an associated profit margin of 9.3 per cent. These services are described in further detail in the following sections.

## Energy efficiency

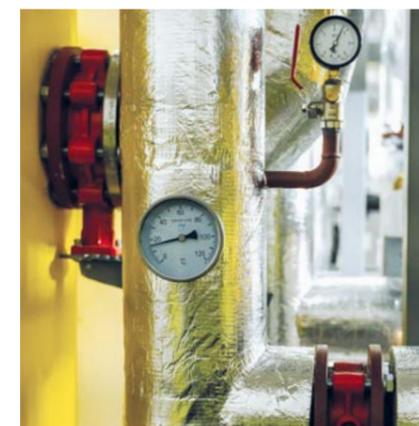
There is high demand for energy in what is an increasingly electrified world. Energy consumption leads to emissions from fossil sources, interventions in nature through the development of renewable energy and high costs for users. Energy efficiency measures are essential when it comes to reducing the overall need for energy.

AF Energi delivers energy-efficient solutions for buildings, 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. Increased energy efficiency can, in most cases, lead to an energy saving of 20–50 per cent and, with the current electricity prices, this investment can be repaid to the customer in a few years. AF's deliveries guarantee lower energy consumption on the part of customers.

AF AeronMollier contributes to reducing greenhouse gas emissions through electrification and improving energy efficiency in the marine sector. In 2021, the company, which is a market leader in its field, delivered several different types of ventilation and cooling systems for energy optimisation of operations on board ferries, cruise ships and other types of commercial vessels. These deliveries are supplied to shipyards worldwide and include remote management of the system for monitoring and control from Norway. The unit has also entered into agreements within offshore wind and anticipates that this will account for a larger proportion of the portfolio going forward.

## Damkvartalet Energy Plant

Damkvartalet, which boasts 174 apartments, is currently being constructed at Myrvoll near Kolbotn outside of Oslo. Below the building, AF Energi has established an energy plant that will cover the hot water and heating needs of the whole building. Solutions like this lower the energy bills of residents, while also being better for the environment than e.g. electric radiators in each apartment. The energy plant is prefabricated, which means a very short construction period and operational benefits can be achieved by optimising the plant in advance so that it consumes minimal energy. Geothermal heating is converted to energy at Myrvoll. Other heating sources that can be used for energy plants include solar energy and sewage.



<sup>1</sup> Figures taken from Grønn Byggallianse.



**RESPONSIBLE CONSUMPTION AND PRODUCTION**

The UN has a goal of achieving sustainable management and effective consumption of natural resources by 2030.

**Purification and reuse of materials**

AF's environmental centres, Rimol, Jølsen and Nes, purify masses that would otherwise have been sent to landfill for reuse. In 2021, 344,437 (528,758) tonnes of mass were recovered. Mass reuse leads to reductions in CO<sub>2</sub> emissions compared to conventional aggregate production, as well as additional environmental benefits in the form of fewer interventions in nature. In total, the centres have a recovery rate of approximately 80 per cent. Going forward, AF envisages establishing more environmental centres in both Norway and Sweden.

The steel industry accounts for about 7 per cent of the world's total CO<sub>2</sub> emissions. Recycled steel involves 70 per cent less CO<sub>2</sub> emissions than ore-based production, which corresponds to

a reduction in emissions of 1 kg of CO<sub>2</sub> for each kilogram of steel that is recycled.

AF Environmental Base Vats is purpose-built for handling offshore installations and other marine structures. Here, ships and offshore installations are demolished and separated for recycling by AF Offshore Decom. The port has been approved in accordance with the ISPS regulations. In 2021, 40,990 (19,153) tonnes of steel were removed and sorted at AF Environmental Base Vats. At AF Decom, 14,806 (29,380) tonnes of metal were removed and sorted for recycling.

CO<sub>2</sub> savings from the environmental centres and AF's demolition activities correspond to<sup>2</sup>:

- 146.8 per cent of AF Gruppen's climate emissions (see p. 43)
- 7.6 per cent of the CO<sub>2</sub> emissions in the City of Oslo in 2020.
- 417,534,000 kilometres in a passenger car (petrol)
- 284,040 sqm of sea ice saved in the Arctic
- The lifecycle emissions of 1,033,500 smartphones
- 3,445,000,000 km by electric train for one passenger

CO<sub>2</sub> SAVINGS RELATED TO DEMOLITION, SORTING, PURIFICATION AND RECYCLING IN 2021

	2021	2020
Recycled contaminated mass and aggregate mass from AF's environmental centres (tonnes)	344,437	528,758
Emission savings in tonnes of CO <sub>2</sub> compared to conventional aggregate production <sup>1</sup>	26,884	32,266
Demolition and sorting of metal for recycling from AF Decom and AF Offshore Decom (tonnes)	55,796	38,533
Emission savings in tonnes of CO <sub>2</sub> compared to conventionally mined metal <sup>2</sup>	55,796	38,533
<b>Emission savings in tonnes of CO<sub>2</sub> compared to conventional production</b>	<b>82,680</b>	<b>70,799</b>

<sup>1</sup> The recycling of contaminated mass and materials leads to less CO<sub>2</sub> emissions compared to conventional extraction and production of aggregate mass.

<sup>2</sup> Recycled steel has 70 per cent less CO<sub>2</sub> emissions than ore-based production, which implies a reduction of 1 kg of CO<sub>2</sub> for each kilogram of steel recycled.

**Recycling grit from Nedre Romerike and Oslo North**

In 2021, Nes Environmental Centre purified and sold more than 3,000 tonnes of grit. After each winter season, grit is usually sent to landfill because these masses contain some environmentally harmful substances. The short service life leads to further interventions in nature every year in order to extract more grit. Both Nedre Romerike and Oslo North have sent used grit to Nes. Here, the grit is processed to remove harmful materials using a unique technology and around 80 per cent of the materials can be brought back into use. Recycled grit leads to cleaner air and environmental benefits for local residents. There are no other similar methods of recycling currently available.



<sup>2</sup> Data for the calculation of the last four comparison figures retrieved from the non-profit organisation Fremtiden i våre hender's website.



**INDUSTRY, INNOVATION AND INFRASTRUCTURE**

The UN goal involves constructing solid infrastructure and promoting inclusive and sustainable industrialisation and innovation.



**SUSTAINABLE CITIES AND COMMUNITIES**

The UN goal is to make cities and local communities inclusive, safe, resilient and sustainable.

**Expertise and innovative solutions**

AF's civil engineering activities deliver projects associated with railways, 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. AF Anlegg also possesses expertise when it comes to CEEQUAL, a tool used to promote sustainability and quality in civil engineering projects associated with infrastructure.

The Consolvo business unit at AF can significantly extend the service life of structures such as bridges using cathodic protection. By installing an anode, for example in the form of electrically conductive paint, on the concrete surface, it is possible to stop the corrosion of iron by adding a weak electric voltage between the anode and the iron (cathode). Consolvo's business concept helps limit emissions to the environment,

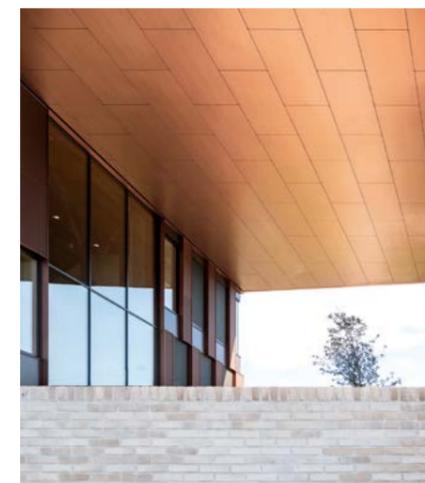
limit energy consumption, waste production and the depletion of natural resources by renovating rather than demolishing and building new. One example of this is the Måløy bridge that Consolvo worked on in 2018, a project that has extended the service life of the bridge by 30–40 years. The Norwegian construction industry has outstanding expertise when it comes to BREEAM, an environmental certification for buildings that classifies how climate and environmentally friendly a building is, during both construction and use. AF is experiencing an increased demand for BREEAM-certified buildings, and we are constantly working to ensure we have sufficient specialist expertise.

Construction products account for more than 80 per cent of greenhouse gas emissions from the construction and civil engineering industry. The input factors in our projects are therefore important when it comes to reducing emissions. AF works to develop outstanding climate and environmental expertise, allowing us to present alternative material choices to clients or propose other solutions that lead to savings in projects. This ensures that clients can make well informed choices in relation to materials. AF has, among other things, constructed nursing homes, industrial buildings and student accommodation from solid wood, a material that can help store carbon and is more environmentally friendly than conventional materials.

Renovation accounts for a significant share of AF's construction activities. Significant environmental benefits can be achieved by renovating rather than building new. The same goes for the reuse of parts of the shell of the building in a project. Early involvement of the contractor is an advantage, and this is now a trend we can see in the market.

**Knowledge and experience enabled us to obtain environmental certification**

To succeed in our environmental efforts, everyone involved needs to possess knowledge of potential climate-friendly measures. This is why Strøm Gundersen has trained all employees involved in construction projects on BREEAM and the environment. The Portalen project in Drammen was an collaboration contract that involved ongoing dialogue with the client, Union Eiendomsutvikling. Portalen was not originally planned as a BREEAM project, but Strøm Gundersen still suggested buying reinforcements and low-carbon concrete to reduce greenhouse gas emissions. This, together with the climate accounts, environmental declarations on materials that had already been obtained and Strøm Gundersen's environmental procedures, meant that the building could still be certified.





## CLIMATE ACTION

The UN goal involves taking immediate action to combat climate change and the consequences thereof.

## GREENHOUSE GAS EMISSIONS AND ENERGY CONSUMPTION

AF has set a target of halving greenhouse gas emissions for each service type relative to revenue by 2030. We measure by service type so that we can implement actual changes to operations and realise environmental savings rather than achieving the target by changing the service mix from e.g. civil engineering to construction. The service types we measure on in this context are civil engineering, construction and demolition services. Other activities include energy efficiency services, environmental centres, real estate and joint services. The base year for the halving will be clarified in 2022.

Each year, AF reports climate accounts based on the Greenhouse Gas Protocol (GHG). Here, direct and indirect greenhouse gas emissions are measured in tonnes of CO<sub>2</sub> equivalents from our own activities. In recent years, we have prioritised the quality assurance of figures and the completeness of the climate accounts. The purpose is to achieve a representative picture of the emissions arising from AF's activities. We can only make cuts if we measure and report on greenhouse gas emissions and amass knowledge of how emissions arise.

In 2021, AF had a carbon footprint of 1.6 (1.8) and total emissions of 45,570 (48,528) tonnes of CO<sub>2</sub> equivalents, which corresponds to a reduction of 2,958 tonnes of CO<sub>2</sub> equivalents compared to 2020. In AF's climate accounts, the use of diesel in construction equipment is the largest direct source of emissions.

There is a great difference in greenhouse gas emissions relative to revenue in civil engineering and demolition activities compared

to construction activities. Civil engineering activities and, to some extent, demolition activities require heavy construction machinery in order to manage the large amounts of masses and structures in projects. However, in our construction projects, the use of heavy construction machinery is limited to ground-work and project logistics. For this reason, it is important to AF to focus on greenhouse gas emissions and savings for each service type and not to reduce civil engineering and demolition activities in relation to construction.

### How can AF reduce greenhouse gas emissions from projects?

There are several possible measures that can help reduce direct greenhouse gas emissions in AF projects. In large civil engineering projects, comprehensive planning of road sections, for example, can help significantly reduce material extraction and associated relocation. Many choices are locked in during the design phase. But with the increased use of collaboration contracts, in which contractors can contribute to the design phase, we can to a greater extent influence reduction of emissions during the production phase.

The use of autonomous machines that prevent idling and optimise the execution of work also constitutes a potential future source of savings. In 2020, AF Anlegg conducted an innovation project together with Nye Veier, SINTEF and the suppliers Semcon and Hamm, in which an autonomous roller was tested and found to provide potential savings of 35 per cent on fuel and 20 per cent fewer hours of operation.

Other fuel sources, such as hydrogen and biodiesel, may also reduce emissions. Electrical machinery on sites is another potential source of savings. One example of this is the Furuset Hageby project, which is being run as a fossil-free construction site. Another example is AF Håndverk's Briskeby Fire Station project. This was a fossil-free construction site and to fulfil the requirements, AF's machinery department developed an electrified roller.

### EMISSIONS BY SERVICE TYPE<sup>1</sup> 2021

Emissions (tonnes CO <sub>2</sub> e) <sup>2</sup>	Civil engineering services	Construction services	Demolition services	Other activities
Direct emissions	26,253	4,523	3,421	1,216
Indirect emissions, energy consumption	226	993	23	28
Other indirect emissions	2,448	4,829	1,399	213
<b>Greenhouse gas emissions (tonnes of CO<sub>2</sub>e)</b>	<b>28,926</b>	<b>10,345</b>	<b>4,842</b>	<b>1,456</b>
Revenue (NOK millions)	8,256	17,327	1,354	931
Carbon footprint by service type	3.5	0.6	3.6	1.6

<sup>1</sup> Service types is defined in the same way as in the segment note, see note 4 in the consolidated annual accounts.

<sup>2</sup> Greenhouse gas emissions with global warming potential equivalent to CO<sub>2</sub>.

### CLIMATE ACCOUNTS 2021

Category	Energy equivalent (MWh) <sup>1</sup>	2021	2020
		Emissions (tonnes CO <sub>2</sub> e) <sup>2</sup>	Emissions (tonnes CO <sub>2</sub> e) <sup>2</sup>
Petrol	1,737	417	241
Diesel	145,134	33,358	39,517
Biodiesel	9,560	42	47
Propane	6,021	1,402	171
Other <sup>3</sup>	712	192	137
<b>Direct emissions</b>	<b>163,163</b>	<b>35,412</b>	<b>40,113</b>
District cooling and heating	1,455	77	117
Electricity	53,988	1,193	1,818
<b>Indirect emissions, energy consumption</b>	<b>55,443</b>	<b>1,270</b>	<b>1,935</b>
Business travel and mileage		3,978	1,732
Waste and other		4,911	4,748
<b>Other indirect emissions</b>		<b>8,888</b>	<b>6,481</b>
<b>Greenhouse gas emissions (tonnes of CO<sub>2</sub>e)</b>		<b>45,570</b>	<b>48,528</b>
Revenue (NOK million)		27,868	27,025
Carbon footprint (tonnes of CO <sub>2</sub> e per NOK million revenue)		1.6	1.8

<sup>1</sup> Energy equivalents are calculated for the core operations (direct and indirect emissions) in order to illustrate the annual energy intensity of AF Gruppen's activities.

<sup>2</sup> Greenhouse gas emissions with global warming potential equivalent to CO<sub>2</sub>.

<sup>3</sup> Other includes Acetylene (kg), Biogon (kg), etc.

### Cooperation benefits the environment

In March 2020, AF entered into a contract with Nye Veier related to the collaboration phase for the new E6 Roterud-Storhove in the Municipality of Lillehammer. AF is developing and managing the project, together with Norconsult and Nye Veier. Such an integrated collaboration phase provides the opportunity to optimise, simplify and improve solutions by bringing together the expertise of the contractor, client and consultant before the construction commences.

One notable success was the simplification of the bridge structure across Lågen. During the collaboration phase, a caisson bridge of around 540 metres with significantly simpler foundations that could be pushed across the nature reserve on site was suggested. This could replace the imposing former cantilever bridge of more than 900 metres that was used as the basis for the original bridge concept in the municipal zoning plan. This simplification would entail several positive impacts on the climate and environment by reducing the footprint in nature, as well as the estimated carbon footprint of the bridge construction being significantly reduced from 30,000 tonnes CO<sub>2</sub>e to 10,000 tonnes CO<sub>2</sub>e. These savings, totalling 20,000 tonnes CO<sub>2</sub>e, are the equivalent of all of the annual construction activities conducted by the Municipality of Lillehammer (2019 figures). This has also been a good solution for safeguarding birdlife, marine life and biodiversity in a nature reserve area.





**RESPONSIBLE CONSUMPTION AND PRODUCTION**

The UN has a goal of significantly reducing waste through prevention, reduction, material recovery and reuse.

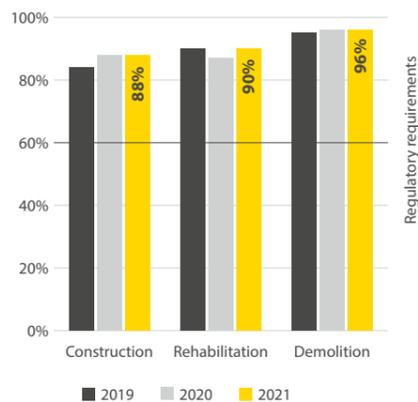
**RESOURCE EFFICIENCY AND CIRCULARITY**

Based on volume, construction, civil engineering and demolition projects constitute the largest source of waste in the EU. According to Statistics Norway, construction and civil engineering activities account for 26 per cent of all waste in Norway and, if we include waste from the supply chain, as well as industrial activities and transport, this share increases to 40 per cent.

The EU's target is for a minimum of 70 per cent of construction and demolition waste to be reused or recycled.

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.

**SOURCE SEPARATION RATE**



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.

**How can AF reduce the amount of waste sent for energy recovery and landfill?**

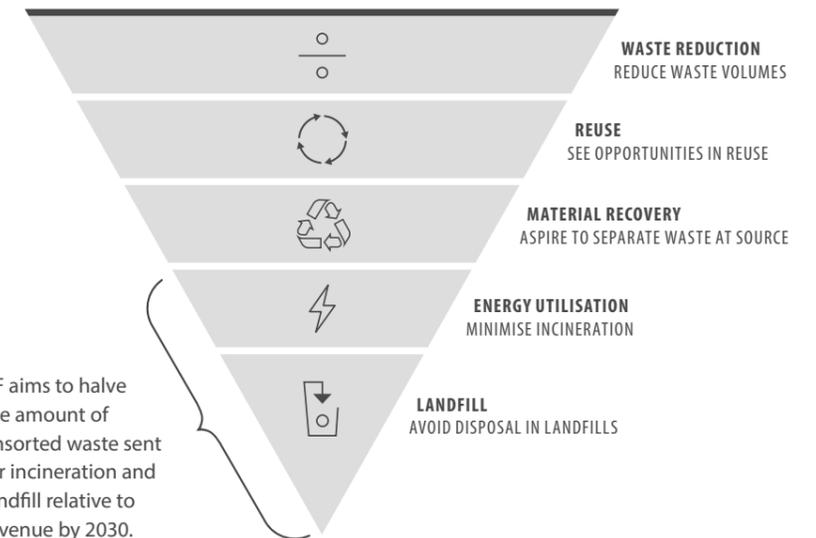
In the AF strategy, we have resolved to halve the amount of unsorted waste sent for incineration and landfill relative to revenue per service type. Source separation is something we have worked on and measured in our projects for several years and we are now raising the bar even higher. To achieve our goal, we will reduce the amount of waste produced at construction sites (at the top of the hierarchy) and prioritise the work on fractions that are typically sent for incineration or to landfill. Each business unit has drawn up specific action plans to reduce non-recyclable waste. The base year for the halving will be clarified in 2022.

In Norway, a very large proportion of the waste that occurs in construction and civil engineering projects is sorted at source. Nevertheless, the more than three million tonnes of waste still fill many containers. One source of waste can be that too much material is ordered and cannot be returned. As well as saving the environment, it also makes financial sense not to waste resources. One example of a measure that could help reduce waste is the use of sealed containers to store plaster, as dry plaster materials can be recycled.

Another measure that can help reduce waste involves entering into agreements with our suppliers. At AF, we have, for example, entered into an agreement with Glava concerning the delivery of Glava construction insulation to AF's partners in construction products. The agreement includes a return agreement under which AF is encouraged to return Glava insulation cut-offs so that the returns can subsequently be used in new products. In this way, worthless waste becomes a resource that can be used in new products. This agreement is a good example of what can be achieved through excellent partnerships with suppliers.

**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.



**50%**

AF aims to halve the amount of unsorted waste sent for incineration and landfill relative to revenue by 2030.

**Reduction in plaster waste at Storøykilen**

Plaster accounts for a large amount of the waste produced at a construction site. Reducing plaster waste can lead to significant environmental benefits. At Fornebu, in the Storøykilen project, AF used ErgoLite plaster, which is 25 per cent lighter than ordinary plasterboard. This yields significant ergonomic benefits for builders, while also contributing to less waste by weight. The use of sealed or covered containers for plaster has also been trialled to avoid transporting wet and heavy plaster. Dry plaster can be used for material recovery, but this is not the case for wet plaster. This therefore constitutes a specific and important contribution to avoiding landfilling a resource that can be reused. The use of pre-cut and customised plasterboard and cuts for structural reveals and in other places where a whole board is not required also helps prevent unnecessary waste.



## EU TAXONOMY

In 2020, the EU presented the European Green Deal, which is a growth strategy to make Europe the first climate-neutral region in the world by 2050. One aspect of the European Green Deal is the “EU Taxonomy”, a classification system that defines what is considered a sustainable activity. The purpose is to increase investment in sustainable solutions and manage financial risks caused by climate change. It will also be a way in which to prevent greenwashing by ensuring a common system for what can be referred to as sustainable or green.

For an activity to be considered taxonomy-aligned or “green” under the EU Taxonomy, the activity must contribute significantly to at least one of the six defined EU environment targets, not cause significant harm to any of the other environment targets and fulfil the minimum requirements relating to social rights. AF Gruppen considers the Group to fulfil the minimum criteria for social rights, including by adhering to the UN Guiding Principles on Business and Human Rights and the OECD Guiding for Multinational Enterprises. As of 31 December 2021, the EU has defined sustainable activities with associated criteria for significant contributions and non-significant harm for climate targets 1 and 2. Proposals have been made for sustainable activities and associated criteria for environment targets 3–6.

According to the EU Taxonomy, financial reports published after 1 January 2022 must specify the share of operating revenue, operating expenditure (OpEx) and capital expenditure (CapEx) that is taxonomy-eligible, i.e. the share of the company’s activities covered by the EU Taxonomy at the time. An activity is considered taxonomy-eligible if it is included in the list of activities that the EU has defined as potentially sustainable. For reports published after 1 January 2023, information must also be included on which activities are taxonomy-aligned, i.e. it will also be necessary to consider whether the activities contribute significantly to the climate targets and do not cause significant harm to other environment targets. Since the final list of activities is only available for climate targets 1 and 2, only these activities need to be reported in the 2021 annual report. From next year, it will also be necessary to report on the last four environment targets. AF has chosen to include revenue for the currently proposed activities for environment target 4 in this year’s reporting.

The EU’s goal is to reduce greenhouse gas emissions by 55 per cent from the 1990 level by 2030 and to be climate-neutral by 2050. The EU Taxonomy will develop over the coming years by more activities being added and the criteria for taxonomy eligibility being tightened as Europe approaches 2030 and 2050.

The sectors that have so far been prioritised in the taxonomy are sectors and activities for which the EU has found that there is high potential to contribute to reducing emissions and negative environmental impacts. These sectors include property, construction and civil engineering. The fact that an activity is not currently considered taxonomy-eligible does not mean that the activity is harmful to the environment or that it is not sustainable.

## TAXONOMY-ELIGIBLE OPERATING REVENUES AT AF GRUPPEN

AF Gruppen has significant taxonomy-eligible revenue within climate targets 1 and 2. The unit level that is assessed in relation to activities in the taxonomy is projects. Activities that are not taxonomy-eligible include work that is considered pure maintenance rather than the renovation of buildings, the sale of concrete elements and other projects that are not covered by the activity specifications in the EU Taxonomy. In 2021, AF had a total taxonomy-eligible revenue of NOK 23,846 million on activities associated with climate targets 1 and 2. This corresponds to 85.6 per cent of revenue.

For climate target 4, activities relating to the demolition of buildings, etc., have been proposed. Provided that the activities are adopted

### THE EU CLIMATE AND ENVIRONMENT TARGETS

1. Climate change mitigation
2. Climate change adaptations
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Preventing and combatting-pollution
6. Protection and restoration of biodiversity and ecosystems

## EU TAXONOMY 2021 - OPERATING REVENUE

Financial activity	Climate target 1 Stop climate change	Climate target 2 Climate adaptation	Total revenue (NOK millions)	Environment target 4 <sup>1</sup> Circular economy	Total revenue (NOK millions)
Construction of new buildings	13,565	1,295	14,860	-	14,860
Renovation of buildings	2,320	228	2,547	-	2,547
Construction and modernisation of motorways, roads, streets, etc.	-	3,475	3,475	-	3,475
Construction and maintenance of infrastructure for rail transport	665	-	665	-	665
Construction and maintenance of infrastructure for personal mobility	190	-	190	-	190
Construction of wind power plants	423	-	423	-	423
Construction and renovation of hydropower plants	66	-	66	-	66
Construction, expansion and modernisation of water supply systems	183	-	183	-	183
Construction and expansion of centralised sewage systems	61	-	61	-	61
Construction and modernisation of ports	-	166	166	-	166
Construction and renovation of district heating and cooling systems	887	-	887	-	887
Construction and operation of energy centres	27	-	27	-	27
Energy optimisation and associated consultancy services	49	-	49	-	49
Installation and maintenance of energy efficiency equipment	26	-	26	-	26
Cleaning and recovery of non-hazardous waste	187	-	187	-	187
Civil engineering work associated with climate change adaptation	-	34	34	-	34
Demolition and recovery of buildings and other structures	-	-	-	748	748
Demolition of complex installations for material recovery	-	-	-	576	576
<b>Total taxonomy-eligible activities</b>	<b>18,648</b>	<b>5,198</b>	<b>23,846</b>	<b>1,324</b>	<b>25,170</b>
Total non-taxonomy eligible activities			4,022		2,698
<b>Total</b>			<b>27,868</b>		<b>27,868</b>
<b>Share of taxonomy-eligible activities</b>	<b>66.9%</b>	<b>18.7%</b>	<b>85.6%</b>	<b>4.8%</b>	<b>90.3%</b>

<sup>1</sup>Revenue from activities proposed for environment target 4 at the time of reporting

in line with the proposals, AF has a further NOK 1,324 million in revenue that is taxonomy-eligible, which results in a total share of taxonomy-eligible activities of 90.3 per cent.

## TAXONOMY-ELIGIBLE OPERATING EXPENDITURE AT AF GRUPPEN

The purpose of the operating expenditure and capital expenditure KPIs is to identify the investments that contribute to green activities and transition in a company. Operating expenditure that may be taxonomy-eligible is linked to the maintenance and repair of property, installations and equipment that is considered essential for implementing taxonomy-covered activities. In the context of the taxonomy, operating expenditure is not the same as operating expenditure under IFRS. The total taxonomy-eligible operating expenditure amounts to NOK 500 million or 90.6 per cent of all taxonomy-eligible operating expenditures in 2021. Taxonomy-eligible operating expenditure consists of costs associated with repairs,

maintenance and operation of the machinery fleet, short-term leasing agreements that are not recognised in the balance sheet and repairs, maintenance and cleaning of property that is recognised in the balance sheet and essential to performing taxonomy-eligible activities.

## TAXONOMY-ELIGIBLE CAPITAL EXPENDITURE AT AF GRUPPEN

Capital expenditure refers to the purchase of assets, products and services that are included in the financial position and are essential to performing a taxonomy-eligible activity. For AF Gruppen, this largely involves investments in owned and leased machinery and equipment. Total taxonomy-eligible capital expenditure in 2021 was NOK 391 million or 78 per cent of total capital expenditure. In 2021, total capital expenditure consisted of access to fixed assets, rights of use and property, plant and equipment. Goodwill is not included in capital expenditure, as it is not defined as an intangible asset under IAS 38.

# SOCIAL CONDITIONS

Everyone who works for AF 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.

AF is part of the project industry and there are inherent risks associated with working conditions that we take seriously and always consider:

- There are significant forces at play and high levels of exposure in terms of health and this constitutes a risk to AF's employees and our partners' employees.
- The industry is male-dominated and there is a risk of conscious and unconscious discrimination based on gender.
- Strong competition and relatively low margins may lead to employees feeling pressured to work more than is safe and desirable.
- The industry experiences general challenges in relation to work-related crime, such as undeclared work and a lack of basic labour rights.

AF has implemented provisions to safeguard the health, safety and rights of employees in the employment relationship. The regulations apply to our own employees, subcontractors and suppliers in all our projects.



## RESPONSIBLE CONSUMPTION AND PRODUCTION

The UN goal includes protecting labour rights and promoting a safe, secure and inclusive working environment for all employees.

## HEALTH AND SAFETY – EVERYONE SHALL GET HOME SAFELY

At AF, we create value and opportunities through project activities with an uncompromising attitude to safety and ethics. We undertake systematic HSE work to ensure that we provide safe and health-promoting working conditions. Our fundamental goal is to avoid all types of injuries, illness and ailments resulting from the working environment and we focus on avoiding accidents that lead to serious injuries and health exposure that may result in long-term or permanent disability.

AF expects its subcontractors to adopt the same HSE standards as we do at AF. The basic

thinking behind our HSE efforts is that all adverse events and incidents have an underlying cause and can therefore be avoided.

### Risk management

Risk management is a central aspect of preventive HSE work. AF identifies, communicates and manages HSE risks that could lead to occupational accidents and damage to health. At AF, we reduce risk to acceptable levels via a system of barrier controls, including both physical and organisational barriers.

### Learning and improvement

Adverse events and matters relating to HSE are highlighted to ensure learning and further development. Particularly serious incidents are followed up specifically through investigation processes involving all levels of the organisation. The basic purpose of our investigations is to identify opportunities for improvement and measures to prevent similar situations from occurring again and we actively use these experiences in our systematic risk management. There is a strong will to continuously improve and, in 2021, nearly 41,445 (43,136) incidents and other matters were reported. These are all registered and managed using the non-conformity system Synergi Life or equivalent systems.

### Measuring performance

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 serious injuries and lost-time injuries per million

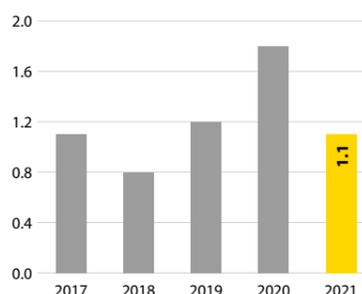
man-hours and includes our own employees, subcontractors and suppliers who are injured in our projects. The injury rate has shown a positive trend over the years, from an LTI-1 value of 20 for Norwegian operations in the early 1990s to an LTI-1 value of 1.1 (1.8) in 2021. This rate represents 22 (39) LTI-1 injuries in 2021. The year was characterised by a decline in the number of serious injuries and we saw that the gap between the injury rate for our own employees and subcontractors decreased. Subcontractors have previously been significantly overrepresented in the injury statistics.

Absence due to illness is an indicator of health work and our rate was 4.6 per cent (4.6 per cent) in 2021. AF's absence due to illness is still considered moderate for the construction and civil engineering industry, but at AF we believe that the absence due to illness rate is too high. This is because we know that some of the absence due to illness is work-related and could therefore be influenced. Our long-term systematic work aims to achieve a "healthy sickness picture", without any absence resulting from conditions at work. We anticipate a absence due to illness of less than 3 per cent when this target has been met. Even though the COVID-19 pandemic has contributed to elevated absence due to illness, we know that work-related absence remains a relevant and important topic that we need to systematically focus on.

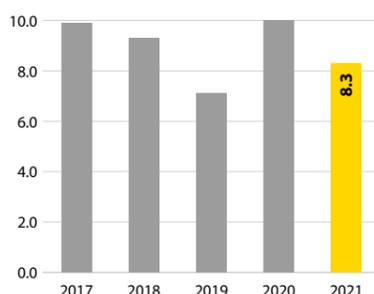
### Health-related work

Health-related work is a natural part of our HSE efforts in the same way as safety work. The statutory occupational health services with which AF is affiliated make significant contributions to preventive health work and the internal occupational health service at AF acts as a strong, professional and positive advisor on matters relating to preventive health work. Risk management when it comes to health requires both expertise and knowledge of the exposures employees face at work. In order to assist with relevant measures to prevent health-related issues, AF has developed health cards for the 15 most relevant exposures and these are available in several languages. AF has also developed and uses a proprietary programme for analysing health risk. This was incorporated into Clara in 2021, AF's overall HSE risk management system.

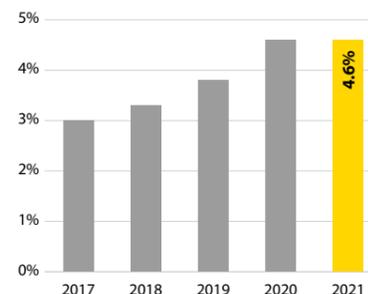
LTI-1 RATE



LTI-2 RATE



ABSENCE DUE TO ILLNESS



### Emergency preparedness

AF must be prepared to manage emergency situations at all levels of the organisation. The overall emergency preparedness plan at AF sets out the framework for the emergency organisation and plans for companies within the entire AF family. We need to be prepared for a wide range of challenging situations, such as serious occupational accidents, pandemics, cyberattacks, terrorism, etc. In the event of challenging emergency situations, AF will mobilise a central crisis team that will manage the overall emergency preparedness efforts and support management at the affected unit and project.

### Development projects

The Group strategy towards 2024 continues with the goal of AF Gruppen having LTI-1 = 0 and 0 serious injuries and work-related absence. Despite a low LTI-1 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:

- Safetalk – Safety talks ahead of or during work situations, between skilled workers, in order to identify and influence risk and strengthen safety awareness among workers.

- AF Message Portal – communication tool that allows AF officials to send safety-related messages to predefined groups and in which any message is automatically translated into the recipient's specified native language.
- Clara – Online tool for managing HSE risk associated with the activities in a project. Experiences from previous incidents are available in Clara, among other things, and communication and follow-up relating to barriers are reinforced.
- Testing of equipment worn close to the body for measuring and warning of issues including noise, air values/gas and vibrations. The goal is to be able to help our skilled workers to reduce and avoid unwanted exposure to situations that can damage health.
- Digital courses – Customised and user-friendly course portal (Motimate) that enables easy access to courses, transfer of experiences and safety guidance via a universal platform that anyone working on AF projects can benefit from.



### Helmet straps for improved protection

At AF, we consider safety work to be a continuous analysis and action process to prevent adverse incidents from being repeated. By examining head injuries at AF over the last 20 years, we have found that in cases where helmets were used as a barrier, the helmets fell off in more than half of cases. In nearly all of these cases, a chin strap/climbing helmet would have reduced the impact of the incident. This study has resulted in AF now recommending making it mandatory or strongly encouraging all employees to use climbing helmets with chin straps at all units and AF Gruppen subsidiaries and several units have already made this mandatory.



### RESPONSIBLE CONSUMPTION AND PRODUCTION

The UN goal includes protecting labour rights and promoting a safe, secure and inclusive working environment for all employees.

### DECENT WORKING CONDITIONS – WORKING ENVIRONMENT AND LABOUR 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 experiences 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 Code of Conduct. AF Gruppen's Supplier Declaration 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, for example and a proprietary prequalification module to assess possible suppliers.

When subcontractors are approved and given access to a project, they are followed up 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:

- Verification 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 of subcontractors and suppliers to ensure compliance with AF Gruppen's requirements for proper systems relating 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 ensure that employees have the 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 employees, 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), which was last conducted in 2021, 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, 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 2021, in which AF Gruppen was ranked as the 14th most attractive employer in the country by engineering students. In the Universum Professional Survey 2021 for working people, AF came 10th, up from 11th place in 2020. 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.



## GENDER EQUALITY

The UN goals involves ensuring that women have complete and genuine access to participate and equal opportunities for leading positions at all levels where decisions are made.

### THE BEST PEOPLE – RECRUITMENT, TRAINING AND DEVELOPMENT 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, in which the winners receive one year of accommodation paid for. Students are followed up individually by AF mentors and can access professional learning and inspiration from the foremost experts in the industry. At AF, we are also challenged by the curious students who will help shape the future.

Developing the knowledge and expertise of our employees is the most profitable investment we make. Practical training through participation in projects is the most important tool for promoting professional development and AF's decentralised decision-making structure provides early opportunities for talented employees to assume responsibility. AF also offers formal education through the AF Academy and external further education. The breadth of AF's centres of expertise provides a good foundation for professional development and career opportunities throughout the Group. 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 to remove prejudices and promote positive attitudes to the construction and civil engineering industry. AF has a strategic goal towards 2024 of achieving an apprenticeship proportion exceeding 7 per cent and for more than 60 per cent of our skilled workers to hold a certificate of completed apprenticeship.

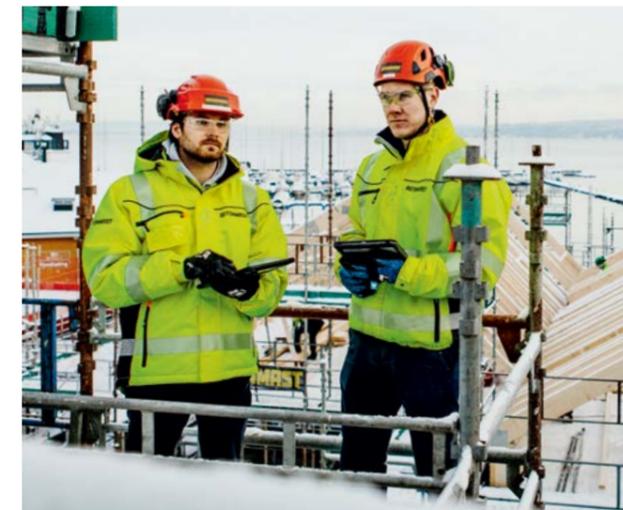
### Equality

It is a central principle at AF and part of the Code of Conduct that recruitment, employment, training, pay, promotion, sanctioning 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 strategic 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 a change of attitudes relating 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 2021, the proportion of women in AF was 9.7 per cent (9.8 per cent), with 18.8 per cent (18.9 per cent) of salaried employees and 1.4 per cent (1.6 per cent) of skilled workers. At the end of 2021, AF had one woman and seven men in the Corporate Management Team. The Board of Directors comprises four women and six men.



### The Dream Team

Betonmast Asker og Bærum focus on increased diversity and youthful strength to create "the Dream Team". The project team for Vollen Marina has been created in such a way that experienced employees help elevate those with less experience and younger employees challenge older employees when it comes to established truths and methodologies. Together with effective digital project management and ready-made construction elements, the diversity work has yielded results and the project looks set to be ready for handover 3–4 months ahead of schedule.

### At AF, everyone has equal worth

AF wants to be the place where the best people have room to fulfil their dreams. Ensuring that people are happy at work is therefore one of the most important things we can do. We will have an inclusive and safe working environment with zero tolerance for discrimination, as well as a culture in which violations have consequences. AF has been working on the diversity project "The best people" since 2018 and, as part of the project, the "Equal value" campaign was launched in 2021. This campaign, which was translated into several languages, was well received and has been well-received by the various projects.

## Her er alle like mye verdt



Her har vi nulltoleranse for trakassering, mobbing og ufn oppførsel.

At this workplace we have zero tolerance for harassment, bullying and rude behaviour.



Sexisme, rasisme og homofobi hører ikke hjemme på denne arbeidsplassen.

Unacceptable discrimination, including sexism, racism and homophobia, has no place here.

Opplever du eller observerer du situasjoner som ikke er bra, si fra selv, eller meld fra til leder, verneombud eller personalansvarlig.

If you experience or observe inappropriate behaviour – please speak up or report it to your manager, HSE-representative or HR-manager.

afgruppen.no/varsling  
afgruppen.com/notification



# CORPORATE GOVERNANCE AND BUSINESS CONDUCT

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 are 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 Declaration. 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.

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. See p. 20 for further details of risk management in projects.

## TRANSPARENCY AND REPORTING

AF Gruppen must be transparent and trustworthy. Laws and regulations constitute framework conditions that AF needs to adhere to and our reporting will be complete and in accordance with relevant legislation. Furthermore, AF has an objective for all investors and stakeholders to have access to the same financial information about the Group at all times and we encourage open dialogue with stakeholders.



## PEACE, JUSTICE AND STRONG INSTITUTIONS

The UN goal involves significantly reducing corruption and bribery in all forms and developing effective, responsible and transparent institutions at all levels.

## PROFESSIONAL BUSINESS CONDUCT

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.

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 separate policy relating to sensitive financial information and

keeps ongoing monitoring transactions in AF stock performed by company employees and related parties. Abuse of price-sensitive information will result in police charges and a dismissal.

## 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 delivers management training covering topics such as purchasing, HSE and HR management. The management courses at AF include "dilemma training" and other attitude-forming tasks to ensure that AF's guidelines are practised uniformly. AF has also developed and delivers a course on the prevention of work-related crime. Furthermore, all subcontractors are required to attend a mandatory HSE course before starting work in an AF project.

## Cooperating with others

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 dedicated manager working on this topic. These regularly communicate via AF's networking organisation on work-related crime, A-krim.

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 matters relating to HSE legislation
- Personnel Forum for safeguarding employee rights
- A-krim Forum for the work to combat work-related crime.
- Purchasing Forum for questions related to business ethics

All of AF's business units have management systems, many of which 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. Internal audits of all business units are carried out to ensure adequate compliance.

## NOTIFICATION OF MISCONDUCT

Notification (whistleblowing) involves reporting misconduct in the company, including the violation of laws and central policies. All permanent employees and contracted employees have the right to submit notifications. AF has established procedures relating to notification and the management of misconduct in order to ensure a predictable and prudent approach under which the whistleblower is protected against retaliation resulting from the notification. Notification can be made either openly or anonymously and both notification and the identity of the whistleblower shall be subject to confidentiality. Notification can be made to the line manager, to a more senior manager, via e-mail to the whistleblowing committee (varsling@afgruppen.no) or using the notification form available at [www.afgruppen.com/notification](http://www.afgruppen.com/notification). When the case permits, the whistleblower shall be informed of how AF is handling the matter and its outcome.

## THE AF WHISTLEBLOWING COMMITTEE CONSISTS OF

- Olav Aune, Director of HSE (Committee Chairman)
- Sif Løvdal, HR Manager
- Christian Berg, Chief Employee Representative/Chief Safety Representative
- Sigrunn Wangen Lid, HR Manager
- Christoffer Fjellheim, Director of Procurement and Legal
- Espen Jahr, Head of the Occupational Health Service

## FN 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 companies doing their utmost to operate their businesses in accordance with the ten principles:

PRINCIPLES	Relevance to AF	Action
		
<b>HUMAN RIGHTS</b>		
<b>1</b> Businesses should support and respect the protection of internationally recognised human rights and	AF Gruppen complies with all current laws and respects internationally recognised human rights, regardless of where we operate.	AF has laid down its attitudes and principles concerning human rights in fundamental documents: the Code of Conduct, corporate policy and Purpose, Goals and Values.
<b>2</b> 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 parties that we suspect may practice unethical conduct. <i>See also principle 4.</i>
  		
<b>WORKING CONDITIONS</b>		
<b>3</b> 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. <i>Read more on p. 48 (Social Conditions).</i>
<b>4</b> ensure that all forms of forced labour are abolished,	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 Code of Conduct, 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 2021, AF blocked specific parties who did not comply with AF's ethical guidelines relating to working conditions. The conditions were identified before the suppliers in question were contracted by AF. <i>Les mer på s. 48 (Sosiale forhold).</i>
<b>5</b> 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. <i>Read more on p. 48 (Social Conditions).</i>
<b>6</b> Ensure that discrimination in employment is abolished	AF shall have a working environment in which there is no prejudice, discrimination, verbal abuse or persecution. AF's principles relating to discrimination are laid down in the Code of Conduct.	All employees are required to sign the Code of Conduct in connection with recruitment and the code will be reviewed during initial training. The strategy towards 2024 includes specific goals to increase the percentage of women at AF, from 10 per cent at the end of 2021 to 20 per cent. The Corporate Management Team and the entire organisation are working actively to make AF an attractive employer for everyone. <i>Read more on p. 48 (Social Conditions).</i>

PRINCIPLES	Relevance to AF	Action
    		
<b>ENVIRONMENT</b>		
<b>7</b> 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 2021. <i>Read more on p. 20 (Risk management).</i>
<b>8</b> undertake initiatives to promote greater environmental responsibility and	By focusing on the environment, energy and recycling, we will safely remove and eliminate materials, ground and energy solutions that are harmful to the environment. Our services and solutions will enable our customers to assume greater environmental responsibility.	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 developed several business areas that can contribute to a circular economy. <i>Read more on p. 38 (Climate and environment).</i>
<b>9</b> encourage the development and spread 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 expertise.	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.
		
<b>ANTI-CORRUPTION</b>		
<b>10</b> 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 the principles that are laid down in our Code of Conduct, which includes anti-corruption principles. No instances of corruption, including blackmail and bribery, were identified in 2021.
<p>One approval requirement for the engagement of subcontractors and suppliers is compliance with applicable laws and regulations relating to historical corruption, including compliance with the tax laws. <i>Read more on p. 54 (Corporate governance).</i></p>		

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## THE FOUNDATION SPECIALIST

Kanonaden Entreprenad has gained extensive expertise in civil engineering work for wind farms over many years. The company is literally building the foundation for sustainable energy in Sweden, and the latest addition is the Åby-Alebo wind farm. A total of 36 wind turbines will produce 500 GWh a year – equivalent to the energy consumption of 100,000 households – and robust foundations are fundamental for the 200-meter high wind turbines to withstand strong weather and wind. At the wind farm, Kanonaden has built access roads and power grids in close collaboration with the turbine and grid supplier, so that the components have been put in place without greater encroachment on nature than necessary.



# BUSINESS AREAS

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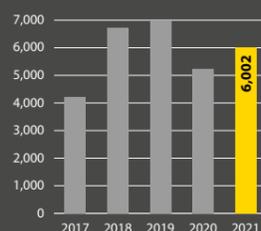
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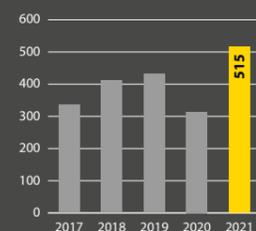
**HARNESSING THE WIND.** A wind farm generates energy equivalent to energy needed to build it in 6 to 9 months, and represents a significant contribution to Sweden's path towards CO<sub>2</sub> neutrality by 2045. Kanonaden has built wind farms with a total of just over 300 wind turbines in the last ten years. It is expected that wind power capacity will double in the next ten years, and Kanonaden is well positioned to take part in this development.

# CIVIL ENGINEERING

REVENUES NOK MILL.



OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

- Norway

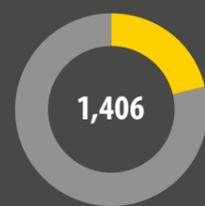


KEY FIGURES

NOK million	2021	2020*	2019*	2018*	2017*
Revenue	6,002	5,218	6,999	6,739	4,217
Operating profit (EBIT)	515	314	432	412	335
Earnings before tax (EBT)	510	292	429	429	354
Operating margin	8.6%	6.0%	6.2%	6.1%	7.9%
Profit margin	8.5%	5.6%	6.1%	6.4%	8.4%
Order backlog	6,878	7,319	6,355	8,452	6,288

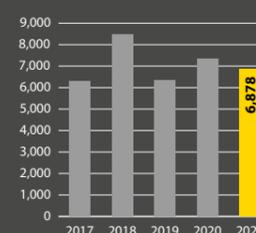
\* Eiqon and Consolvo have been transferred from the Construction business area to the Civil Engineering business area with effect from 1 January 2021. Comparative figures have been restated

EMPLOYEES



AF Gruppen 5,413

ORDER BACKLOG NOK MILL.



CIVIL ENGINEERING CONSIST OF

- AF Anlegg
- JR Anlegg
- Målselv Maskin & Transport
- Eiqon
- Consolvo

## STRONG RESULTS

The Civil Engineering business area reported revenue growth and excellent results in 2021.

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

The Civil Engineering business area in Norway consists of four business units: AF Anlegg, Målselv Maskin & Transport, Eiqon and Consolvo.

### YEAR 2021 IN BRIEF

The Civil Engineering business area reported revenues of NOK 6,002 million (5,218 million) in 2021. Profit before tax was NOK 510 million (292 million). The profit margin ended at 8.5 per cent, compared with 5.6 per cent in 2020.

AF Anlegg increased its level of activity in 2021 from 2020, and has two major ongoing projects: E39 Kristiansand vest – Mandal øst and Bergtunnlar Lovö close to Stockholm. Both projects have had high production, but profitability for E39 Kristiansand vest – Mandal øst, has been affected by a high cost overrun in the final phase. Consistently good operations in the other projects contributed to the unit delivering an excellent result in 2021.

AF Anlegg reported two new contracts to Oslo Børs in 2021 with a total value of NOK 595 million excluding VAT. In addition, the scope of existing contracts increased significantly. After the end of the year, AF Gruppen entered into a contract with Oslo municipality to build drinking water tunnels in Oslo, in a partnership with the Italian company, Ghella. The contract value is approximately NOK 8,750 million excluding VAT, of which AF's share is

NOK 5,250 million excluding VAT. The contract is the largest contract AF Gruppen has ever signed. The contract is not included in the order backlog as of 31 December 2021.

Målselv Maskin & Transport reported another year with a high level of activity and very good results. Eiqon improved its results significantly in 2021, although the level activity was somewhat lower and the results weaker than expected. Consolvo delivered growth in both revenue and results in 2021 and reported a good result for the year.

At year end, the Civil Engineering business area had an order backlog of NOK 6,878 million (7,319 million).

### SUSTAINABILITY

Civil Engineering builds socially beneficial infrastructure such as road systems, treatment facilities and hydropower plants, and carries out renovation projects of bridges and concrete structures. To carry out these projects, the business is dependent on large construction machinery. This means a highly negative climate footprint. The main driver of CO<sub>2</sub> emissions is the transport of excavated mass. The projects therefore strive to reuse as much of the masses as possible within the project. Electrical alternatives for machinery 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.

Early involvement in collaboration projects can contribute to better and more cost-effective solutions that

reduce the CO<sub>2</sub> footprint in the projects. The collaboration phase for the new E6 Roterud – Storhove is a good example of this, where AF, together with Nye Veier and Norconsult, have prepared a simplified bridge construction over the Lågen river which will reduce the CO<sub>2</sub> footprint of the bridge construction by 20,000 tonnes of CO<sub>2</sub> equivalents.

CEEQUAL is a certification tool used to promote sustainability and quality in construction projects. Civil Engineering builds competence within CEEQUAL in order to obtain CEEQUAL certification on existing and future projects.

### 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 civil engineering investments. In the national budget for 2022, the Government appropriated NOK 85 billion for transport, an increase of 3.1 per cent from 2021, when the extra funds due to Covid-19 are excluded.

Prognosesenteret expects civil engineering investments of NOK 103.5 billion in 2022, which indicates strong growth of 14 per cent from 2021. Civil engineering investments are expected to flatten out at a high level in 2023 and 2024. Road construction accounts for most of the projected growth in 2022, and will account for 42 per cent of total civil engineering investments. Prognosesenteret also expects growth in road construction in 2023 and 2024. The forecasts provide a good basis for further growth for AF's civil engineering operations. However, high commodity prices, the risk of supply problems due to the war in Ukraine and geopolitical unrest pose a short-term uncertainty.

## SELECTED PROJECTS

### E39 KRISTIANSAND VEST – MANDAL ØST

With a 19 km four-lane motorway, the new section between Kristiansand and Mandal is an important contribution in reducing driving time from Kristiansand to Stavanger to less than two hours. The project from Nye Veier includes some 45 structures, and will remedy the weaknesses of the current road so that the section has better traffic safety, increased capacity and better accessibility during winter. AF Anlegg is constructing Southern Norway's longest tunnel at 4 km, four major bridges, three level crossings and several culverts and bridges to ensure accessibility for both humans and animals along the route.

BUSINESS UNIT: AF ANLEGG

CLIENT: NYE VEIER

COMPLETION: NOVEMBER 2022

CONTRACT VALUE: NOK 4,700 MILLION EXCL. VAT



### THE EMBASSY

The iconic building in Henrik Ibsen Street 48 that previously housed the U.S. Embassy is being renovated and will reopen with office space, a restaurant and other public-facing activities at the end of 2022. The property developer, Fredensborg, is aiming to make the building accessible to the people of Oslo, and they gave the task of renovating the modernist facade to Consolvo. In order for the result to be as similar to the original protected facade as possible, the work requires in-depth professional knowledge and specially produced cement with larvikite aggregates.

BUSINESS UNIT: CONSOLVO

CLIENT: FREDENSBORG

COMPLETION: DECEMBER 2022

CONTRACT VALUE: NOK 15 MILLION EXCL. VAT



### BERGTUNNLAR LOVÖ

West of Stockholm, the Swedish Transport Administration is carrying out one of Sweden's largest infrastructure projects. The E4 Förbifart Stockholm will be 21 km long and an important link between the capital's northern and southern areas. In order to protect important environmental and natural resources the road will mainly consist of tunnels. With broad experience and expertise in tunnel construction and major transport contracts, AF Anlegg was awarded the main contract FSE305 Bergtunnlar Lovö. The project, which started in the summer of 2020, involves blasting the approximately 16 km of tunnels and building road installations in the 7 km main tunnel with two lanes and 6 km of ramp tunnels.

BUSINESS UNIT: AF ANLEGG

CLIENT: SWEDISH TRANSPORT ADMINISTRATION

COMPLETION: MARCH 2026

CONTRACT VALUE: SEK 3,400 MILLION EXCL. VAT



### THUNE EUREKA

In Drammensveien 126 at Skøyen, AF Bygg Oslo has the turn key contract for the construction of Thune Eureka, an 11,000 square meter commercial building for Fram Eiendom. A key element in the building's interior is white concrete in the shafts that house the lift and stairwell. Eiqon has been responsible for the concrete work in close collaboration with both the contractor AF Bygg Oslo and concrete supplier Unicon. The work has required extensive preparations to ensure the impeccable finish of the white concrete.

BUSINESS UNIT: EIQON

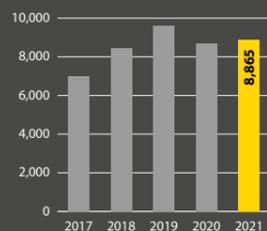
CLIENT: AF BYGG OSLO

COMPLETION: NOVEMBER 2021

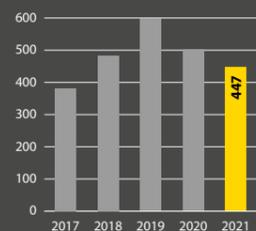
CONTRACT VALUE: NOK 15 MILLION EXCL. VAT

# CONSTRUCTION

REVENUES NOK MILL.



OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

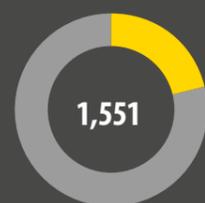


KEY FIGURES

NOK million	2021	2020*	2019*	2018*	2017*
Revenue	8,865	8,684	9,622	8,467	6,988
Operating profit (EBIT)	447	502	598	483	381
Earnings before tax (EBT)	450	513	614	508	395
Operating margin	5.0%	5.8%	6.2%	5.7%	5.5%
Profit margin	5.1%	5.9%	6.4%	6.0%	5.7%
Order backlog	13,549	9,674	9,115	9,082	9,631

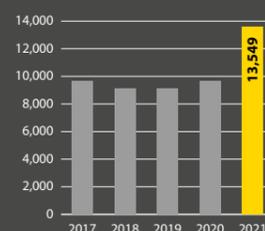
\* Eiqon and Consolvo have been transferred from the Construction business area to the Civil Engineering business area with effect from 1 January 2021. Comparative figures have been restated.

EMPLOYEES



AF Gruppen 5,413

ORDER BACKLOG NOK MILL.



CONSTRUCTION CONSIST OF

- AF Bygg Oslo
- AF Bygg Østfold
- AF Byggfornyelse
- Strøm Gundersen
- Strøm Gundersen Vestfold
- Haga & Berg
- AF Håndverk
- LAB Entreprenør
- Åsane Byggmesterforretning
- Fundamentering (FAS)
- Helgesen Tekniske Bygg (HTB)

## REVENUE GROWTH AND SOLID ORDER BACKLOG

Construction delivered revenue growth and a satisfactory result in 2021. 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. Construction encompasses the Norwegian business except for Betonmast, and is mainly located in Eastern Norway and the Bergen region.

Construction consists of 11 units: AF Bygg Oslo (including AF Nybygg), AF Byggfornyelse, AF Bygg Østfold, Strøm Gundersen, Strøm Gundersen Vestfold, Haga & Berg, AF Håndverk, LAB Entreprenør, Fundamentering AS, Åsane Byggmesterforretning and HTB.

### YEAR 2021 IN BRIEF

Building reported revenues of NOK 8,865 million (8,684 million) and earnings before tax of NOK 450 million (513 million) in 2021. This gives a profit margin of 5.1 per cent, compared with 5.9 per cent in 2020.

The units generally maintained good performance, and Construction delivered revenue growth and satisfactory profitability in 2021 despite high material prices and extensive infection control measures. AF Bygg Oslo, AF Byggfornyelse, Haga & Berg and Strøm Gundersen excelled with excellent profitability, while performance in the other units varied. The biggest challenges were in the portfolio of AF Nybygg, which was moved to AF Bygg Oslo from the third quarter. LAB Entreprenør, HTB and Strøm Gundersen Vestfold delivered results below expectations in 2021, but Strøm Gundersen Vestfold improved its results significantly from 2020.

19 new contracts were announced to Oslo Børs in 2021, with a total

value of NOK 7,649 million excluding VAT. The biggest contract was the agreement for the construction of Construction City, a business cluster that will bring together the construction, civil engineering and real estate industry in Oslo. The project is carried out in a working partnership between AF Bygg Oslo and Betonmast Oslo. The contract value is NOK 2,676 million excluding VAT, of which AF Bygg Oslo's share is NOK 1,784 million excluding VAT.

The total order backlog for Construction was NOK 13,549 million (9,674 million) at the end of 2021.

### SUSTAINABILITY

The Construction units constructs socially beneficial buildings such as schools, hospitals, swimming pools and cultural buildings. Renovation projects are also carried out and old buildings are transformed into modern and energy efficient buildings. The units prioritise efficient logistics and reduction of material waste, in addition to helping customers make environmentally friendly choices.

Briskeby Fire Station is an example of a project with a strong environmental profile. The main building is completely renovated to become a state-of-the-art fire station with a better indoor climate, lower energy consumption and access to renewable energy from solar panels on the roof. Building elements are reused and all efforts are made to create an emission-free construction site.

AF Gruppen's construction units have broad experience in constructing buildings using solid wood and buildings classified according to BREEAM-NOR certification, which is Europe's leading environmental certification tool for buildings.

### MARKET OUTLOOK

In 2021, the building market in Norway had a total production value of NOK 374 billion (NOK 349 billion in 2020). For 2022, Prognosesenteret expects a reduction in the production value for the whole country of 1.3 per cent due to a reduction in new residential buildings, while an increase of 0.6 per cent is expected in 2023. However, the construction market in Oslo is expected to grow by 3.2 per cent in 2022 and 8.5 per cent in 2023, driven by growth in all construction segments.

Price developments for steel and wood products represent a significant element of uncertainty for our building operations going forward. According to Statistics Norway's construction cost index for "Housing in total", prices in December 2021 were 13.2 per cent higher compared to the same period in 2020, of which labour costs had increased by 4.5 per cent and materials by 26.3 per cent. The war in Ukraine and increased geopolitical unrest are putting further pressure on commodity prices and increasing the risk of supply problems. Price developments particularly affect units that have entered into fixed-price agreements, while units that have entered into agreements with ongoing wage and price increase mechanisms are less affected.

The Government's proposal for tightening the rules on hiring from staffing agencies also constitutes an element of uncertainty. The proposals for new hiring rules have a deadline for comments of 19 April 2022, with possible entry into force from 1 July 2022. Even though a high level of activity is expected for AF's construction operations in Norway in the future, the consequences of geopolitical unrest, possible regulatory changes and high raw material prices will contribute to increased uncertainty in the short term.

## SELECTED PROJECTS

### KOLBOTN SCHOOL

Kolbotn school in Nordre Follo has been renovated and expanded. The new school is now designed for 784 students in seven grades with four classes for each grade. In total, the project comprises approximately 11,500 square meters spread over six buildings. Two of the buildings are new and include, among other things, a multi-purpose hall that has been blasted into the mountainside. Of the renovated buildings, the oldest is from 1922 and has protected status for its facades and roofs. In addition, extensive outdoor work has been carried out, including an artificial turf pitch and a running track.

BUSINESS UNIT: AF BYGG ØSTFOLD  
 CLIENT: NORDRE FOLLO MUNICIPALITY  
 COMPLETION: OCTOBER 2021  
 CONTRACT VALUE: NOK 283 MILLION EXCL. VAT.



### BRISKEBY FIRE STATION

The listed Briskeby fire station at Frogner in Oslo has responsibility for several of the most important buildings in the capital, including the Palace. The project, which has been completed while the station was operating as normal, includes total renovation both inside and out. To ensure a better indoor climate and energy economy, all technical installations have been replaced and solar cells have been established on the roof. The work was carried out in accordance with antiquarian principles where reuse and high quality craftsmanship are key elements in the renovation process.

BUSINESS UNIT: THORENDAL  
 CLIENT: OMSORGSBYGG OSLO KF  
 COMPLETION: MARCH 2022  
 CONTRACT VALUE: NOK 85 MILLION EXCL. VAT.

### BERGEN COUNTY ADMINISTRATION BUILDING

The contract for the construction of the Bergen County Administration Building was won after a price and design competition in close collaboration with architects and consultants. A key element in the building is the county council hall, which has been raised and in design terms hangs between two towers. The glass facade connects the audience with the democratic processes in the hall. The carpentry work on the exposed laminated timber beams in this part of the building and other areas will be carried out by Åsane Byggmesterforretning. The building shall be built in accordance with the passive house standard and the BREEAM-NOR Excellent environmental certification.

BUSINESS UNIT: LAB ENTREPRENØR  
 CLIENT: HORDALAND COUNTY MUNICIPALITY  
 COMPLETION: 1ST QUARTER 2023  
 CONTRACT VALUE: NOK 737 MILLION EXCL. VAT.

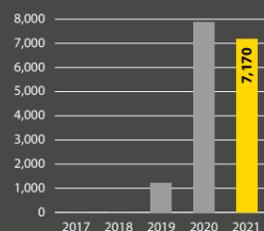
### KARVESVINGEN 7

At Hasle in Oslo, AF has developed a building of 21,000 square meters, where a spacious foyer connects a new Nordic Choice Hotel property with modern studio and office premises for NENT Group. The building also serves the local community with a large gym, bar and restaurant. AF has worked closely with the client and tenants to develop good solutions for acoustics, ventilation, daylight, material use and room design. The building has energy labelling class A and has received the BREEAM-NOR Very Good environmental certification.

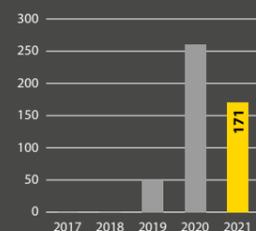
BUSINESS UNIT: AF BYGG OSLO  
 CLIENT: HASLE LINJE NÆRING (HÖEGH EIENDOM AND AF EIENDOM)  
 COMPLETION: AUGUST 2021  
 CONTRACT VALUE: NOK 490 MILLION EXCL. VAT.

# BETONMAST

## REVENUES NOK MILL.



## OPERATING PROFIT NOK MILL.



## GEOGRAPHIC PRESENCE

- Norway
- Sweden

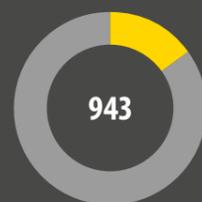


## KEY FIGURES

NOK million	2021	2020	2019*	2018	2017
Revenue	7,170	7,862	1,226	-	-
Operating profit (EBIT)	171	261	49	-	-
Earnings before tax (EBT)	149	252	46	-	-
Operating margin	2.4%	3.3%	4.0%	-	-
Profit margin	2.1%	3.2%	3.8%	-	-
Order backlog	11,400	7,274	7,293	-	-

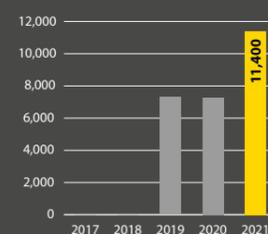
\* The figures reflect the period after 31 October 2019, when Betonmast became a part of AF Gruppen

## EMPLOYEES



AF Gruppen 5,413

## ORDER BACKLOG NOK MILL.



## BETONMAST CONSIST OF

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

# WEAK PROFITABILITY

In 2021, Betonmast significantly improved safety. Overall, Betonmast reported weak profitability, but several units delivered solid results.

Betonmast is a construction contractor with 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 also has a property portfolio in Norway.

Betonmast has 11 business units in Norway and 5 business units in Sweden. Betonmast Norway consists of: Betonmast Oslo, Betonmast Romerike, Betonmast Buskerud-Vestfold, Betonmast Boligbygg, Betonmast Asker og Bærum, Betonmast Røsand, Betonmast Telemark, Betonmast Østfold, Betonmast Innlandet, Betonmast Trøndelag and Betonmast Eiendom. Betonmast Sweden consists of: Betonmast Göteborg, Betonmast Mälardalen, Betonmast Malmö, Betonmast Stockholm and Betonmast Anläggning.

## YEAR 2021 IN BRIEF

Betonmast reported revenues of NOK 7,170 million (7,862) and earnings before tax of NOK 149 million (252) for 2021. The profit margin ended at 2.1 per cent (3.2 per cent).

Overall, Betonmast delivered weak profitability in 2021, but there was great variation in the results of the various units. Among the Norwegian units, Betonmast Oslo, Betonmast Romerike and Betonmast Østfold excelled with solid results, while Betonmast Boligbygg and Betonmast Telemark in particular delivered weak results. Significant downward adjustments were made in the project portfolio of Betonmast Boligbygg as a result of significantly higher cost in the projects. After the end of the

year, an agreement was entered into with an investor group for the sale of Betonmast Telemark, a unit with a revenue of about NOK 300 million in 2021. The transaction was completed in February 2022.

The Swedish part of the business delivered somewhat lower revenue in 2021 than the year before and weak profitability due to varying project results in the units. Betonmast Göteborg acquired AF Bygg Göteborg in the second quarter of 2021 to strengthen its competitiveness in the region. After the end of the year, Betonmast AS entered into an agreement with AF Gruppen for the sale of 100% of the shares in Betonmast Sverige AB, which owns all the operating companies of Betonmast in Sweden. Betonmast Sverige had sales of NOK 1,976 million in 2021 and will be included in the Sweden business area from 2022 onwards. The transaction was completed in February 2022.

At the beginning of 2022, Betonmast Eiendom had three housing projects with a total of 352 units in production.

Betonmast has entered into a number of contracts during the year, and 27 new contracts were announced to Oslo Børs with a total value of NOK 7,548 million excluding VAT distributed between the units in Norway and in Sweden. Betonmast Oslo has entered into the biggest contract in 2021, which is for the construction of Construction City. The contract has a total value of NOK 2,676 million excluding VAT, of which Betonmast Oslo's share amounts to NOK 892 million.

As of 31 December 2021, the order backlog for Betonmast was NOK 11,400 million (7,274 million), of

which Betonmast Sweden accounted for NOK 4,346 million (1,558 million).

## SUSTAINABILITY

Improving safety was a high priority in 2021, and it paid off. The LTI-1 value was significantly reduced from 2.7 in 2020 to 1.0 in 2021.

Betonmast constructs socially beneficial buildings such as schools, student housing and fire stations, and assists customers in making environmentally friendly material choices and choosing sustainable solutions. 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/m<sup>2</sup> 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 into account environmental aspects from early project development to operation after delivery.

Betonmast has built up a good level of environmental expertise over many years working on environmental projects. In 2021, Betonmast Buskerud-Vestfold completed Spor X, a 40-metre high office building in Drammen. The entire supporting structure above ground level is made of solid and laminated timber. The building will be classified as BREEAM-NOR Outstanding, the highest of five levels for environmental certification in Norway.

## SELECTED PROJECTS

### SPORX DRAMMEN

Close to Drammen train station, Betonmast has built the 40-metre high office building SporX, Norway's third tallest solid wood building. The building is a total of 6,500 square meters spread over 10 floors, and the entire supporting structure above ground level is made of locally-produced solid and laminated timber from Åmot in Modum. The solid load-bearing capacity of the wood means that neither steel nor concrete is used in anything other than the foundation. In collaboration with the client, high environmental ambitions were set early on, including the goal of achieving BREEAM-NOR Outstanding certification. VDC methodology and digital twin technology were used to support good decisions and the interaction between the parties in the project.

BUSINESS UNIT: BETONMAST BUSKERUD-VESTFOLD

CLIENT: VESTAKSEN EIENDOM

COMPLETION: DECEMBER 2021

CONTRACT VALUE: NOK 200 MILLION EXCL. VAT



### CARE HOMES IN GRANINGE

In Stockholm's archipelago and with Ekoberget's nature reserve as the nearest neighbour, Betonmast Mälardalen has built 42 apartments divided between six buildings. The apartments will function as care homes operated by the nursing and care company, Silver Life. The facade consists of pine wood chipboard which over time will turn grey in colour and follow the colour palette of the surrounding forest. The project also includes an underground garage and 32 parking spaces adjacent to the building. The total building area is approximately 4,100 square meters.

BUSINESS UNIT: BETONMAST MÄLARDALEN

CLIENT: BACKSTAD GRANINGE

COMPLETION: OCTOBER 2021

CONTRACT VALUE: NOK 93 MILLION EXCL. VAT

### DEG8

Dronning Eufemias gate 8 (DEG8) was built in 2007 and was the first building in the Barcode business area in Oslo. Betonmast has renovated the building with the main objectives of significantly reducing energy consumption, improving the indoor climate and transforming the building into a flexible multi-user office building. The reuse of materials and sustainable energy sources has been a priority in the renovation process. In order to ensure safety and efficient construction for a building located in the middle of the city centre, digital construction site logistics were used. The renovation was completed in the spring of 2021 and the goal is to achieve BREEAM In-Use Excellent certification.

BUSINESS UNIT: BETONMAST OSLO

CLIENT: BRAATHEN EIENDOM

COMPLETION: APRIL 2021

CONTRACT VALUE: NOK 300 MILLION EXCL. VAT

### LILLEHAMMER FIRE STATION

The new fire station in Lillehammer houses both the fire and chimney-sweeping service, and serves as the main fire station for the regions of Lillehammer, Gausdal and Øyer. The building was constructed as a collaborative contract, and is a total of 4,850 square meters including a training tower for smoke diving. Internally, emphasis has been placed on good solutions to avoid harmful exposure to hazardous substances. The physical working environment is arranged with a shower between clean and unclean zones, and there are good facilities for washing and cleaning of materials after assignments.

BUSINESS UNIT: BETONMAST INNLANDET

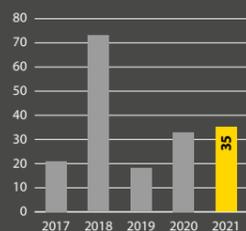
CLIENT: LILLEHAMMER MUNICIPALITY

COMPLETION: DECEMBER 2021

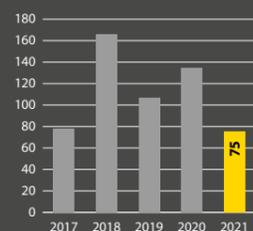
CONTRACT VALUE: NOK 138 MILLION EXCL. VAT

# PROPERTY

REVENUES NOK MILL.



OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

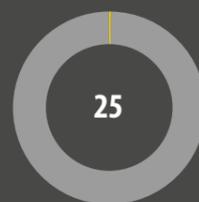


KEY FIGURES

NOK million	2021	2020	2019	2018	2017
Revenue	35	33	18	73	21
Operating profit (EBIT)	75	135	107	166	78
Earnings before tax (EBT)	76	132	100	157	64
Operating margin	-	-	-	-	-
Profit margin	-	-	-	-	-
Order backlog	-	-	-	-	-

Property projects are mainly organized in partly owned companies which are recognized according to the equity method. Real estate therefore has low revenue and no order backlog.

EMPLOYEES



AF Gruppen 5,413

PROPERTY CONSIST OF

- AF Eiendom
- LAB Eiendom

## GOOD SALES AND HIGH ACTIVITY

The Property business area reported a high level of activity and good sales in new projects in 2021.

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.

The real estate business area in Norway consists of two business units: AF Eiendom and LAB Eiendom.

### YEAR 2021 IN BRIEF

Property reported profit before tax of NOK 76 million (132 million) in 2021. The sale of the ATEA building in 2020 made a strong contribution to last year's result. Of the housing projects, the most significant profit contributions for AF Eiendom came from Lillo Gård in Oslo and Bo på Billingstad in Asker.

Home sales in 2021 have been good with 550 (433) homes sold. AF's share was 256 (160). The projects Bekkestua Have, Skårersletta MIDT and Fyrstikkbakken were the biggest contributors to the number of units sold in 2021.

A total of 359 (465) homes were handed over in 2021, of which AF's share was 140 (168). A total of 127 homes at Lilleby Triangel, 124 homes at Skiparviken and 108 homes at Bo at Billingstad were handed over.

At the end of 2021, Property had ownership interests in residential property projects with a total of 280 (145) units available for sale, of which AF's share was 129 (58). 145 units were related to projects in production and 129 units to projects in the sales phase. Projects in the sales phase include Rolvsrud Idrettspark (53) and Skårersletta MIDT (76). There were a total of 6 (1) unsold completed apartments, of which AF's share was 3 (1).

At the start of 2022, AF's property business had seven residential property projects with a total of 848 apartments in the production phase. AF's share was 379. The sales ratio for these projects was 83 per cent.

### AF Eiendom:

- Bo på Billingstad in Asker (78 units under production, 77 sold)
- Lilleby Triangel in Trondheim (125 units in production, 123 sold)
- Brøter Terrasse at Lillestrøm (78 units in production, 65 sold)
- Fyrstikkbakken in Oslo (159 units in production, 120 sold)
- Skårersletta MIDT in Lørenskog (121 units in production, 82 sold)
- Bekkestua Have in Bærum (232 units in production, 190 sold)

### LAB Eiendom:

- Kråkehaugen in Bergen (55 units in production, 46 sold)

At year end, AF had a development portfolio in Norway estimated at 1,715 (2,133) housing units. AF's share of this was 821 (1,048). In addition, AF has ownership interests in 51,856 (137,380) square meters of commercial property under development, of which AF's share is 25,749 (39,996) square meters. The majority of the portfolio is located in Greater Oslo and Bergen.

After the end of the year, an agreement was reached for the sale of K4 hotel and office, with expected completion in the middle of Q2 2022. K4 hotel and office is 21,056 square meters and is owned by Hasle Linje Næring, where AF has an ownership share of 49.5 per cent.

### SUSTAINABILITY

In addition to developing traditional residential and commercial projects, Property invests in renovation

projects where the goal is to reuse and refine old buildings into modern and energy efficient buildings. Baneveien 16 and Fred Olsens gate are examples of such projects.

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, Property has developed Fyrstikkbakken 14 together with Birk & Co. The project is built in Norwegian solid wood and constructed according to the BREEAM-NOR Very Good standard. The project's environmental profile is also attractive to the end customer. The project has sold very well and at the end of the year had a sales ratio of 75 per cent.

### MARKET OUTLOOK

Figures from Eiendom Norge as of December 2021 show that price developments in Norway slowed at the end of the year and that the housing market appears to be following a more normal cyclical trend. At the end of the 4th quarter, house prices were 5.2 per cent higher than a year ago. The annual nominal change was 2.2 per cent in Oslo and 6.6 per cent in Bergen. House prices have risen so far in 2022, and were 6.3 per cent higher in February than a year ago. At the interest rate meeting in March 2022, Norges Bank decided to raise the key rate from 0.50 per cent to 0.75 per cent. The forecast from Norges Bank indicates that the key policy rate will increase to around 2.5 per cent by the end of 2023.

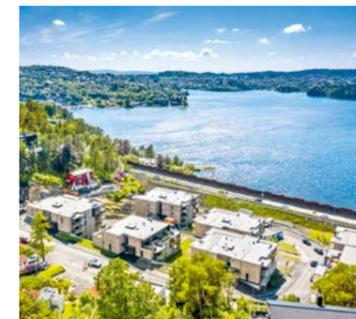
Significant increases in construction costs put great pressure on the projects' profitability and the number of new project starts has been reduced.

## SELECTED PROJECTS

### BEKKESTUA HAVE

A small new district consisting of 231 apartments will be developed close by the centre of Bekkestua. Existing residential and commercial buildings will be demolished and replaced by apartment buildings with varied architecture and housing composition. Premises will be established for retail and dining with entrance directly from street level. In the centre of the area, the over 100-year-old villa in Kleivveien 5 will be preserved as a cultural heritage site surrounded by a large park area open to the public.

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



### SKIPARVIKEN

In Skiparviken, 127 new apartments over 10 separate buildings have been constructed. The site has views of and direct access to the Nordås Lake, and the Nestun town centre is just 1 kilometre away. This provides close proximity to the light rail system, shops, fitness centres and other services. The apartments are built with high technical and aesthetic qualities as the site is close to historic Troidhaugen. A noise barrier has also been established in front of the buildings to reduce traffic noise from the nearby motorway. The project was carried out in two phases with handover in the second quarter of 2021.

BUSINESS UNIT: LAB EIENDOM  
 CONTRACTOR: LAB ENTREPRENØR  
 COMPLETION: 2021  
 OWNERSHIP STAKE: 50%



### ROLVSRUD ARENA

The Rolvsrud Arena residential project is centrally located in Lørenskog, close to schools, shopping centres and only a 20-minute journey to Oslo. A total of 289 new apartments are planned, and the first sales stage was launched in September 2021. This is an urban development project that combines housing with a city floor and a large sports and activity area. Emphasis has been placed on freedom of choice for homebuyers who are given the opportunity to choose a floor plan when purchasing. In addition, there is a clear environmental ambition with a goal of BREEAM Very Good certification for the residential buildings.

BUSINESS UNIT: AF EIENDOM  
 CONTRACTOR: NOT DETERMINED  
 COMPLETION: 2023-2025  
 OWNERSHIP STAKE: 33%



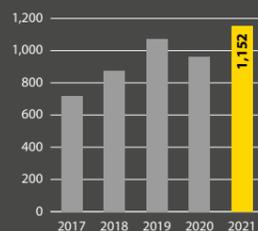
### HASLE TRE

The Hasle Tre project is a solid wood commercial building of 2,800 square meters spread over four floors and a basement. The children's rights organisation, Redd Barna, has signed a 15-year lease and in their search for new premises, sustainable solutions were a central selection criteria. The building will be an exemplary circular building by using wood elements that can be dismantled so that the materials can be reused. Parts of the facade will be clad with greenery adapted to the Nordic climate and a roof garden is planned. The project will be carried out as a fossil-free construction site, and the ambition is to achieve the BREEAM Excellent certification.

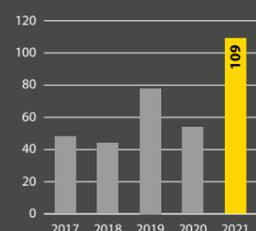
BUSINESS UNIT: AF EIENDOM  
 CONTRACTOR: SELTOR AS  
 COMPLETION: 2022  
 OWNERSHIP STAKE: 50%

# ENERGY AND ENVIRONMENT

REVENUES NOK MILL.



OPERATING PROFIT NOK MILL.



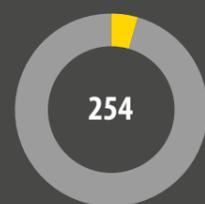
GEOGRAPHIC PRESENCE/ARELSE



KEY FIGURES

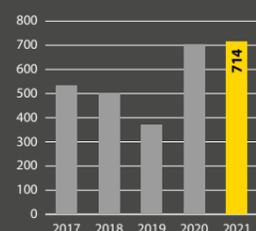
NOK million	2021	2020	2019	2018	2017
Revenue	1,152	962	1,072	875	718
Operating profit (EBIT)	109	54	78	44	48
Earnings before tax (EBT)	107	52	75	41	49
Operating margin	9.4%	5.6%	7.3%	5.0%	6.7%
Profit margin	9.3%	5.5%	7.0%	4.7%	6.9%
Order backlog	714	703	371	501	534

EMPLOYEES



AF Gruppen 5,413

ORDER BACKLOG NOK MILL.



ENERGY AND ENVIRONMENT CONSIST OF

- AF Energi
- Enaktiva
- AF Energija Baltic
- AF Decom
- Rimol Miljøpark
- Jølsen Miljøpark
- Nes Miljøpark

## INCREASED ACTIVITY AND EXCELLENT RESULTS

Energy and Environment reported revenue growth and achieved a significant improvement in profits in 2021. AF sees more opportunities for growth going forward, and the order backlog is solid.

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 and over 80 per cent of material is reused.

The Energy and Environment business area comprises the following business units: AF Energi (formerly AF Energi og Miljøteknikk) and AF Decom.

### YEAR 2021 IN BRIEF

Energy and Environment reported revenues of NOK 1,152 million (962 million) and earnings before tax of NOK 107 million (52 million) in 2021. This corresponds to a profit margin of 9.3 per cent (5.5 per cent).

AF Decom had significant revenue growth in demolition and recycling in 2021 and delivered an excellent result for the year. The environmental centres also achieved strong revenue growth and improved profitability further from 2020.

AF Energi also significantly improved profitability in 2021, delivering a good result for the year. At the end of the year, South-Eastern Norway Regional Health Authority awarded AF Energi the contract to build heating and cooling facilities for the new hospital in Drammen. The contract has an estimated value of NOK 200 million, excluding VAT.

At the end of the year, Energy and Environment had an order backlog of NOK 714 million (703 million).

### SUSTAINABILITY

Energy and Environment provides energy-saving, environmentally friendly and profitable services,

including the construction of energy centres, environmental clean-up, demolition and recycling services, as well as the recycling of polluted material.

The purpose of AF's energy business is to reduce customers' energy consumption through alternative and renewable solutions for new and existing buildings. Energy efficiency can in most cases provide an energy saving of 20–50 per cent, and investments will be repaid to the customer in a few years with current electricity prices. AF's deliveries guarantee lower energy consumption for the customer and reduce climate emissions for society.

At Myrvoll outside Oslo, AF Energi has built the energy centre for the housing project Damkvartalet. The energy centre extracts thermal heat from energy wells under the apartment site and is both good for the environment and results in lower energy costs for residents.

The foundation for AF's environmental business is that to a large extent waste can be reused and be a valuable resource in a circular economy. AF Decom has 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 (96 per cent) in 2021. AF Decom facilitated the recycling of 14,806 tonnes of metal in 2021. The steel industry accounts for about 7 per cent of the world's CO<sub>2</sub> emissions. Reused steel has approximately 70 per cent less CO<sub>2</sub> emissions than ore-based production. This corresponds to a reduction in emissions of 1 kg CO<sub>2</sub> for every kilo of reused steel, which means that AF Decom's operations have contributed to reducing alternative CO<sub>2</sub> emissions by 14,806 tonnes.

Contaminated materials that are traditionally disposed of are sorted, decontaminated and recycled at AF's environmental centres. The environmental parks 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 344,437 (528,758) tonnes of materials in 2021, and the recycling rate realised for contaminated materials was 79 per cent. AF Decom has the ambition of establishing more environmental centres.

### MARKET OUTLOOK

Demand for energy and environmentally-related services is growing. The activities of the business area are closely related to the construction market, and the level of new building starts will affect the market for demolition and recycling services. Cleaned material from the environmental centres is finding an increasing number of areas of application, such as an additive to spray concrete and as gritting sand during the winter season.

Norwegian authorities have set ambitious targets for reducing energy use up to 2030, and high electricity prices make investments in energy-efficient measures very attractive. Enova has found that there is a major maintenance backlog for public buildings and major conservation opportunities related to the renovation of buildings. Furthermore, the delivery of heating and cooling for commercial buildings is another interesting market. Prognosesenteret expects that the area of non-residential building starts will fall by 7 per cent in 2022, but in Oslo a sharp increase of 70 per cent is expected. Overall, we expect a healthy market for AF's energy and environment business.



## SELECTED PROJECTS

### SVEA AND LUNCKEFJELL ENVIRONMENTAL PROJECT

More than 100 years of mining history are currently being removed at Svea, and the area will undergo the largest natural restoration project ever undertaken in Norway. When the project is completed, only three protected buildings and artefacts from before the Second World War will remain. The rest will be removed, including barrack buildings, workshop halls, the harbour, the airfield and all roads. Through contract 2B, AF Decom has removed 2,000 tonnes of wood, 400 tonnes of combustible waste, 7,000–8,000 tonnes of steel and large quantities of concrete and this will be sent for recycling when the ice opens.

BUSINESS UNIT: AF DECOM  
 CLIENT: STORE NORSE  
 COMPLETION: DECEMBER 2021  
 CONTRACT VALUE: NOK 70 MILLION EXCL. VAT.



### ULVEN ENERGY PLANT

At Ulven, Fortum and DigiPlex have collaborated on a project that converts waste heat from the DigiPlex computer centre into district heating. The Energy centre is the first of its kind, and it was built by AF Energi with AF Decom and JR Anlegg as subcontractors for groundwork and setup of element buildings. When the energy plant is in full operation, it will supply district heating corresponding to the energy requirements of approximately 5,000 apartments, and at the same time cooling will be supplied to the data centre.

BUSINESS UNIT: AF ENERGY  
 CLIENT: FORTUM OSLO VARME  
 COMPLETION: DECEMBER 2021  
 CONTRACT VALUE: NOK 34 MILLION EXCL. VAT.



### DAMKVARTALET ENERGY PLANT

Housing developer JM is building 172 new apartments at Damkvartalet near Myrvoll station, and JM's internal climate requirement is that all new buildings will have a 25 per cent lower need for purchased energy than is the authorities' requirement under TEK 17. AF Energi has had the task of building an energy centre that delivers hot tap water and heating in the form of radiators and preheating ventilation air for the housing project. The centre draws energy for heating from 11 energy wells that have been drilled about 350 metres into the ground under the underground car park.

BUSINESS UNIT: AF ENERGY  
 CLIENT: MYRVOLL ENERGI  
 COMPLETION: MARCH 2022  
 CONTRACT VALUE: NOK 7 MILLION EXCL. VAT.



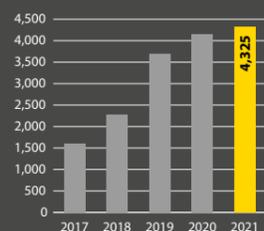
### HAVØYGAVLEN WIND FARM

Havøygavlen in Finnmark is the world's northernmost wind farm and 15 wind turbines have been in operation here since 2003. Nine new and larger turbines will now replace the old ones, and power production per year is expected to increase by about 50 per cent from the current level of approximately 90 GWh to approximately 135 GWh. AF Decom has been tasked with dismantling the old wind turbines, and 90 per cent of the material has been facilitated for recycling. During the demolition work, AF Decom used of a 750-tonne mobile crane and a self-designed saw bench in order to cut the tower parts into smaller sections for further transportation.

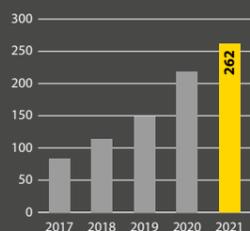
BUSINESS UNIT: AF DECOM  
 CLIENT: ARCTIC WIND  
 COMPLETION: JULY 2021  
 CONTRACT VALUE: NOK 21 MILLION EXCL. VAT.

# SWEDEN

## REVENUES NOK MILL.



## OPERATING PROFIT NOK MILL.



## GEOGRAPHIC PRESENCE

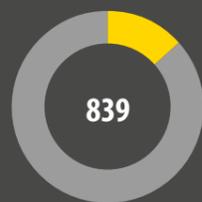
■ Sweden



## KEY FIGURES

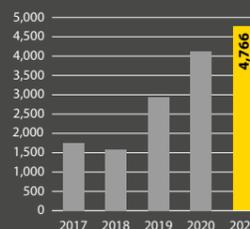
NOK million	2021	2020	2019	2018	2017
Revenue	4,325	4,138	3,683	2,270	1,611
Operating profit (EBIT)	262	219	149	114	83
Earnings before tax (EBT)	257	212	146	113	82
Operating margin	6.1%	5.3%	4.0%	5.0%	5.2%
Profit margin	6.0%	5.1%	4.0%	5.0%	5.1%
Order backlog	4,766	4,120	2,946	1,578	1,760

## EMPLOYEES



AF Gruppen 5,413

## ORDER BACKLOG NOK MILL.



## SWEDEN CONSIST OF

- Kanonaden
- AF Prefab i Mälardalen
- AF Bygg Syd
- AF Projektutveckling
- AF Härnösand Byggreturer
- HMB

# REVENUE GROWTH AND GOOD RESULTS

Revenue growth in Sweden continued in 2021, and was mainly driven by high activity in Kanonaden. Sweden delivered a good result and improved its profit margin from 2020.

AF's Swedish operations in civil engineering, construction, property and demolition are brought together in the Sweden business area, with the exception of 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 six business units: Kanonaden, AF Prefab in Mälardalen (formerly Pålplintar), AF Bygg Syd, AF Projektutveckling, AF Härnösand Byggreturer and HMB.

## YEAR 2021 IN BRIEF

Sweden reported revenues of NOK 4,325 million (4 138 million) and earnings before tax of NOK 257 million (212 million) in 2021. This gives a profit margin of 6.0 per cent, compared with 5.1 per cent in 2020.

In the Swedish civil engineering market, Kanonaden reported a solid revenue growth of 30 per cent in 2021. High production and good performance in several large projects contributed to Kanonaden delivering a very good result. AF Prefab in Mälardalen reported weak results in 2021.

Total revenue in 2021 for the construction units HMB and AF Bygg Syd was on a par with 2020. HMB delivered a good result as a result of good performance, while AF Bygg Syd reported weak profitability reflecting varying project results. AF Bygg Göteborg was sold to Betonmast in 2021 and was reported as part of Betonmast as of the second quarter. For the demolition business, the level of activity increased in 2021 from the previous year, and AF Härnösand Byggreturer continues to deliver solid profitability.

AF Projektutveckling, AF's real estate business in Sweden, completed

the sale of the completed school project Donnergymnasiet in 2021. The gains from the sale significantly affected the result for 2021. At the end of 2021 the unit had two housing projects with a total of 115 homes in production.

As of 31 December 2021, Sweden's order backlog was NOK 4,765 million (4,120 million).

After the end of the year, AF Gruppen entered into an agreement with Betonmast AS on the sale of 100 per cent of the shares in Betonmast Sverige AB, which owns all the operating companies of Betonmast in Sweden. AF Gruppen will bring together all Swedish businesses in the Swedish business area to ensure a strong foundation for profitable growth.

## SUSTAINABILITY

The Swedish business area builds socially beneficial buildings and facilities such as schools, housing for the elderly, treatment plants and wind farms. Material use and transport of material are important drivers of CO<sub>2</sub> emissions, and AF works with the client to find environmentally friendly solutions.

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 2021, the Sweden business area achieved a source separation rate of 65 per cent for construction, 62 per cent for rehabilitation and 97 per cent for demolition.

AF Gruppen Sverige joined the "Roadmap 2045" in 2021, which is the construction sector's contribution to Sweden's goal of fossil freedom by 2045. In 2021, AF Gruppen Sverige

began mapping its climate impact in order to create good goals and action plans. In order to strengthen competence, HSE courses now include topics on environment and sustainability, with a focus on climate impact and how the projects will conduct environmental work in practice.

## MARKET OUTLOOK

The economic recovery after the pandemic is still ongoing, and the prospects for economic growth are positive for the construction and civil engineering market. Byggföretagen has not made a forecast for 2022 due to the uncertainty surrounding cement production in Sweden. Cementa, which accounts for about 75 per cent of the cement used in Sweden, was granted temporary permission in November last year to continue lime mining for cement production until the end of 2022. Price developments for steel and wood products also create challenges for AF's Swedish business. The war in Ukraine and increased geopolitical uncertainty are putting further pressure on commodity prices and increasing the risk of supply problems.

The housing market in Sweden was also marked by price increases and increased sales volumes in 2021. Svensk Mäklarstatistik reported 7 per cent growth for apartments and 13 per cent for houses for 2021. In February 2022, the Riksbank decided to maintain a zero interest rate, and has stated that it expects to keep the base rate at zero until the end of the forecast period to 2024. In summary, the market outlook in Sweden appears to be good even though high commodity prices, the war in Ukraine and geopolitical unrest increase uncertainty in the short term.



## SELECTED PROJECTS

### SERGELGATAN

Sergelgatan in Stockholm runs from Hötorget to Sergels torg, and when it was inaugurated in 1959, it was Sweden's first proper pedestrian street – car-free and full of shops from the start. The property company Vasakronan has decided to renovate and renew both offices and shops at street level in Sergelgatan, and will invest a total of SEK 5,000 million in the area. In the autumn of 2020, AF Härnösand Byggreturer started manual and mechanical demolition, as well as decontamination in the area. The work is expected to be completed in 2022.

BUSINESS UNIT: AF HÄRNÖSAND BYGGRETURER  
 CLIENT: VASAKRONAN  
 COMPLETION: 2022  
 CONTRACT VALUE: SEK 50 MILLION EXCL. VAT.



### LOGISTICS TERMINAL IN ESKILSTUNA

Coop is constructing one of Sweden's largest food logistics terminals in Eskilstuna Logistics Park. The site has an area equivalent to 51 football pitches and the fully automated facility has a built-up area of 77,400 square meters, three high-rise warehouses and railway tracks all the way onto the site. Kanonaden's subsidiary, Bergbolaget, carried out the groundwork for the new terminal. The work included blasting 280,000 cubic metres of rock and the rock material has been used further in the project.

BUSINESS UNIT: KANONADEN  
 CLIENT: TOMMY ALLSTRÖMS BYGGPRODUKTION  
 COMPLETION: FEBRUARY 2022  
 CONTRACT VALUE: SEK 142 MILLION EXCL. VAT.



### PROPERTY DEVELOPMENT IN CELCIUSGATAN

AF Projektutveckling and Aspelin & Ramm have jointly developed the property Celciusgatan 10 in Gothenburg. The venerable brick building was formerly the office of Eriksberg Mekaniske Verksted, and has now been renovated and completed for the Donnergymnasiet free school, which is the new tenant. AF Bygg Göteborg carried out the work of renovating and adapting the building area totalling 4,000 square meters for pupils and staff for the start of the school year in January 2022. The sale of the property was completed in December 2021.

BUSINESS UNIT: AF PROSJEKTUTVEKLING  
 CONTRACTOR: AF BYGG GOTHENBURG  
 COMPLETION: 2021  
 OWNERSHIP STAKE: 50%



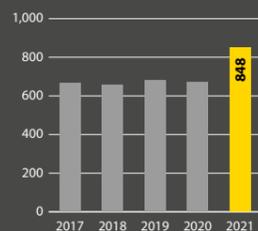
### STADSGÅRDEN IN HALMSTAD

In the central Västra Förstaden district of Halmstad, the new quarter Brf Stadsgården is being constructed, which will consist of 103 new homes. AF Bygg Syd has the turnkey contract for the project, which has been developed in a partnership between AF Projektutveckling and Wood & Hill. In the project's surrounding area, approximately 450 homes, schools and offices will be established within a few years, and it will be walking distance to restaurants, shops, recreational areas and beautiful beaches. Brf Stadsgården is almost sold out and the first occupation is expected in the second quarter of 2022.

BUSINESS UNIT: AF BYGG SYD  
 CLIENT: WOOD & HILL AND AF PROSJEKTUTVEKLING  
 COMPLETION: 2022  
 CONTRACT VALUE: SEK 170 MILLION EXCL. VAT.

# OFFSHORE

REVENUES NOK MILL.



OPERATING PROFIT NOK MILL.



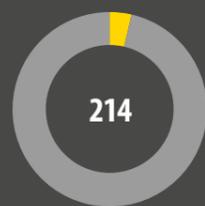
GEOGRAPHIC PRESENCE



KEY FIGURES

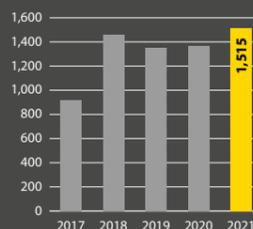
NOK million	2021	2020	2019	2018	2017
Revenue	848	672	679	655	664
Operating profit (EBIT)	83	-25	-83	-21	59
Earnings before tax (EBT)	78	-40	-94	-27	49
Operating margin	9.8%	-3.7%	-12.2%	-3.2%	8.8%
Profit margin	9.2%	-5.9%	-13.9%	-4.1%	7.4%
Order backlog	1,515	1,365	1,351	1,456	916

EMPLOYEES



AF Gruppen 5,413

ORDER BACKLOG NOK MILL.



OFFSHORE CONSIST OF

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

## HIGH LEVEL OF ACTIVITY AND EXCELLENT PROFITABILITY

Despite challenging market conditions, high production at Vats and successful offshore campaigns have resulted in revenue growth and solid profitability for Offshore in 2021.

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 Offshore Decom and AF AeronMollier.

### YEAR 2021 IN BRIEF

The Offshore business area reported revenues of NOK 848 million (672 million) for 2021. Profit before tax was NOK 78 million (-40 million). This gives a profit margin of 9.2 per cent, compared with -5.9 per cent in 2020.

AF Offshore Decom increased revenue and significantly improved profitability in 2021 compared to the previous year. The good result in 2021 is mainly due to high production and good performance at AF Miljøbase Vats, as well as the successful execution of several offshore campaigns. Fairfield Decom was discontinued in the 3rd quarter of 2021 and the write-down had a negative effect on results of NOK 11 million. Furthermore, preparatory work has also been underway for the coming offshore campaigns and demolition at the environmental centre in 2022. A high level of demolition activity is also expected at Vats in 2022.

AF AeronMollier reported lower revenue in 2021 than in the previous year, but maintained a positive result. The decline in revenue was mainly explained by postponements of several projects due to Covid-19, and the lower level of activity contributed to weaker profitability. Despite

challenging market conditions, there has been a good level of activity in service projects on installations on the Norwegian continental shelf.

At year end, the Offshore business area had an order backlog of NOK 1,515 million (1,365 million).

### SUSTAINABILITY

AF's offshore business delivers socially beneficial and environmentally friendly services in a safe and profitable manner. 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<sub>2</sub> emissions than ore-based production, which corresponds to an emission reduction of 1 kg CO<sub>2</sub> per kilo of recycled steel. AF Offshore Decom demolished and facilitated the recycling of approximately 40,990 (19,153) tonnes of steel in 2021, corresponding to a reduction of alternative CO<sub>2</sub> emissions of 40,990 (19,153) tonnes.

AF AeronMollier's business contributes to reducing greenhouse gas emissions through electrification and improving energy efficiency in the marine sector. In 2021 the unit has supplied several different types of ventilation and cooling systems for energy optimisation of the operation of ferries, cruise ships and other commercial vessels. Several of the deliveries include proprietary automation systems with monitoring and remote control from the shore,

which reduces the need to send service engineers to the ships.

### MARKET OUTLOOK

According to the British industry organisation Oil & Gas UK, a high volume for the demolition and removal of decommissioned oil installations is expected going forward. It is expected that more than 1,000,000 tonnes of top deck must be removed in the North Sea during the period from 2020 to 2029. This applies to the British, Danish and Dutch sectors. The market for the removal of offshore installations has been characterised by delays and strong competition, but the current decommissioning rate of platforms means that it will take operators approximately 100 years to recycle today's installations. An increase in pace will lead to increased demand for this type of service. 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 in the future.

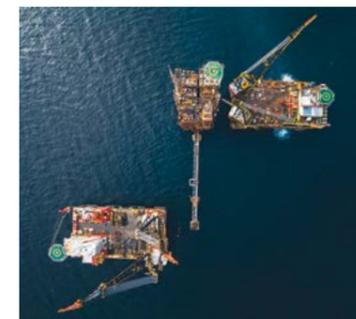
For AF's offshore climate control business (HVAC), as well as maintenance and modifications, market conditions remain challenging. However, electrification of the marine sector and installations on the Norwegian shelf provides new market opportunities. The Government's climate plan proposes that the CO<sub>2</sub> tax be adjusted upwards from NOK 766/tonnes in 2022 to NOK 2,000/tonnes in 2030, which can help accelerate the pace of electrification. Increased investment in offshore wind also provides new market opportunities for AF's business.

## SELECTED PROJECTS

### ENERGY-EFFICIENT CHARGING OF ELECTRIC FERRIES

One of the nation's largest ferry and speedboat shipping companies, Norled, has started the conversion from fossil fuels to sustainable power sources for its vessels. Rapid charging battery packs are used for electrified ferries, but this creates significant heat. AF AeronMollier has supplied energy packs for battery chargers to several of Norled's electrified ferries, utilising the Aeron Energy Recovery System (AERS) that optimises energy consumption. Traditionally, heat development is reduced from rapid charging using a cooling machine, but AF AeronMollier has provided a technical solution that, using seawater, allows the battery chargers to be cooled down with a fraction of the energy consumption.

BUSINESS UNIT: AF AERONMOLLIER  
 CLIENT: NORLED  
 COMPLETION: ONGOING



### BRAE BRAVO

After producing more than 500 million barrels of oil equivalent (BOE) since 1988, decommissioning of the Brae Bravo platform commenced in the spring of 2021. The contract is a consortium consisting of AF Offshore Decom and Heerema Marine Contractors, and involves two of the world's largest crane vessels, Thialf and Sleipnir. The offshore campaigns are to be conducted in the period 2021–2022, and in 2021 the platform's top deck and jacket were removed and transported to AF's environmental centre at Vats for further dismantling and source separation.

BUSINESS UNIT: AF OFFSHORE DECOM  
 CLIENT: TAQA  
 COMPLETION: 2021



### EKOFISK, CAT 3

Since 2017, AF Offshore Decom has worked as a subcontractor for Heerema Marine Contractors removing and recycling four platforms associated with the Ekofisk Field for the end Customer ConocoPhillips. The project has included engineering, preparatory works, removal and source separation of the platforms, and in 2021 the last installation was received at AF's environmental base at Vats. In total, around 36,000 tonnes of steel have been cut up, cleaned and sorted at source, which equates to a reduction of 36,000 tonnes of CO<sub>2</sub> equivalent.

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



### SUNRISE WIND

The Sunrise Wind offshore wind farm is being constructed along the coast to Long Island. When the wind farm is completed, it will supply close to 600,000 households in New York with renewable energy. Aker Solutions will construct the converter station (HVDC) that collects energy from 94 wind turbines and sends this energy via a high-voltage distribution network to the onshore reception station. AF AeronMollier has participated in concept development and will provide the ventilation and cooling equipment necessary to keep the converter station in continuous operation and ensure reliable supply to New York's power grid.

BUSINESS UNIT: AF AERONMOLLIER  
 CLIENT: AKER SOLUTIONS  
 COMPLETION: 2024



## RECYCLING OF GIANTS

AF Environmental Base Vats is a purpose-built, land-based facility for the receipt and source separation of decommissioned offshore installations. Several months of planning lie behind each and every receipt of material, and when the giant structures arrive at the base, safety and protection of the local environment are top priority. Receiving, dismantling and source separation of the Brae Bravo platform has been a key project at the environmental base in 2021. Together with Heerema Marine Contractors, AF has had the task of removing the Brae Bravo platform from the North Sea, and with the help of two of the world's largest crane vessels, Thialf and Sleipnir, a total of 36,000 tonnes has been lifted onto the base.

**CIRCULAR ECONOMY IN PRACTICE.** Steel separated at source from the platforms is delivered from the base for further processing and is transformed into new raw materials such as rebar. By reusing the steel, we take care of our valuable resources and at the same time spare the environment significantly compared with traditional ore-based production.

## SHAREHOLDER INFORMATION

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- [96 BOARD OF DIRECTORS](#)
- [98 CORPORATE GOVERNANCE](#)
- [100 THE SHARE](#)

## CORPORATE MANAGEMENT TEAM



**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 in 2020. Tøftum 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. He owns 120,365 shares and 20,833 options in AF Gruppen ASA as of 31 December 2021.



**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 149,912 shares and 23,110 options in AF Gruppen ASA as of 31 December 2021.



**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 19,749 shares and 20,488 options in AF Gruppen ASA as of 31 December 2021.



**EIRIK WRAAL**

(1979)  
Executive Vice President

Eirik Wraal is responsible for the Energy & Environment business area, the rehabilitation portfolio in 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 33,559 shares and 20,660 options in AF Gruppen ASA as of 31 December 2021.



**TORMOD SOLBERG**

(1971)  
Executive Vice President

Tormod Solberg joined AF in 2006, and is responsible for the new build portfolio in the Construction business area. He joined the Corporate Management Team from the position as CFO of AF Bygg Oslo, and has previously been Director of Quality and Risk, where he was central to the establishment of AF Gruppen's risk management model. Solberg has a background as project manager in ABB and as a consultant at PwC. He has an advanced economics degree (siviløkonom) from the Norwegian School of Economics (NHH). He owns 44,865 shares and 14,513 options in AF Gruppen ASA as of 31 December 2021.



**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 171,183 shares and 20,833 options in AF Gruppen ASA as of 31 December 2021.



**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 1,295 shares and 20,488 options in AF Gruppen ASA as of 31 December 2021.

## BOARD OF DIRECTORS



**PÅL EGIL RØNN**

(1968)

**Board Chairman**

Pål Egil Rønn was the CEO of AF Gruppen from 2007 to 2015. Since starting work in 1999, he held various leadership positions at AF. His other board positions include Bouvet 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. 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 Entreprenør 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



**SALOUME DJOUDAT**

(1977)

**Board Member**

Saloume Djoudat has been a partner in Bull & Co Advokatfirma AS since 2013, having previously been a legal consultant at Uno-X Energi AS. At Bull & Co, she works primarily on corporate law including M&A, risk management and contract negotiations, and is also a board member of Atea ASA. She is a lawyer and graduate of the Faculty of Law at the University of Oslo.



**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 values-based company with a strong culture. AF Gruppen's values, together with the principles for risk management make up the cornerstones of corporate governance.

## KEY EVENTS IN 2021

In 2021, efforts to follow up the operationalisation of the strategy that will apply up to 2024 became an important item for the Board. 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. For the first time, goals related to climate and the environment were also set: by 2030, AF Gruppen will halve relative greenhouse gas emissions and halve unsorted waste and contaminated masses that go to combustion or landfill as a share of revenue per service type. Four initiatives will be prioritised to achieve these goals: disciplines and management, customers and suppliers, climate and environment as well as innovation.

This year, the Board of Directors took part in AF Gruppen's analysis of climate risk in accordance with the TCFD framework, which is a framework for climate risk reporting established by the G20 countries. AF has identified, evaluated and ranked 22 climate risk factors related to physical, transitional and liability risk. Using AF Gruppen's risk management methodology, this has resulted in a prioritised top 10 list of the risk factors that are considered to have the biggest range of outcomes in a positive or negative direction.

The Board of Directors has also considered strategic growth opportunities involving partnerships for AF Offshore Decom in 2021.

## 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 14 October 2021, cf. [www.nues.no](http://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 as well as 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 so indicate. In 2021, the Board of Directors considered 10 tenders before the tenders were submitted.

## BOARD OF DIRECTORS

Members	Number of shares <sup>1)</sup>	Attendance record
Pål Egil Rønn (Chairman)	207,225	12/12
Arne Baumann <sup>2)</sup>	17,183,709	11/11
Kristian Holth	15,716,856	12/12
Hege Bømark	-	12/12
Saloume Djoudat	-	8/8
Kjetel Digre <sup>2)</sup>	-	11/11
Kristina Alvendal	-	12/12
Kenneth Svendsen	104,130	12/12
Hilde W. Flaen	27,337	12/12
Arne Sveen	-	12/12

<sup>1)</sup> Number of shares owned as of 31 December 2021 includes shares that belong to the immediate family and companies in which the individual has a controlling influence.

<sup>2)</sup> Baumann and Digre have been incapacitated in two respective cases, which have been discussed in a separate board meeting in 2021.

### BOARD'S AUDIT COMMITTEE

Kristian Holth (Chairman)  
Hege Bømark  
Kjetel Digre

### BOARD'S COMPENSATION COMMITTEE

Pål Egil Rønn (Chairman)  
Saloume Djoudat  
Arne Baumann  
Kristina Alvendal

### NOMINATION COMMITTEE

Roar Engeland (Chairman)  
Marianne E. Johnsen  
Roy G. Holth  
Erik T. Veiby

### EXTERNAL AUDITOR

PricewaterhouseCoopers AS



The complete statement of corporate governance is available at [www.afgruppen.com](http://www.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 is stipulated in the Articles of Association. The need for an independent chairperson has not been considered necessary either based on the items that are reviewed at the General Meeting and a limited degree of disagreement among the shareholders.

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

### Section 7. Nomination Committee

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

### Section 12. Remuneration of executive personnel

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

# THE SHARE

Over time, AF Gruppen should provide its shareholders with a competitive return. The AF share performed well in 2021. Including the dividend of NOK 10.50, the AF share produced a total return of 16.2 per cent.

The AF share price was NOK 193.60 at the end of the last trading day of 2021. In 2020, the share price was NOK 175.60 at year end. Adjusted for a dividend of NOK 10.50 per share, this gives a total return of 16.2 per cent for 2021. The Oslo Børs Benchmark Index (OSEBX) showed a return of 23.4 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 66.6 per cent, including dividends. This corresponds to an average annual return of 10.7 per cent. In comparison, the Oslo Børs Benchmark Index rose 75.7 per cent over the last five years, which corresponds to an average annual return of 11.9 per cent. AF Gruppen's goal is to create value for shareholders by providing a rate of return that is competitive relative to comparable investment alternatives. This return will

consist of a combination of dividends and share price appreciation.

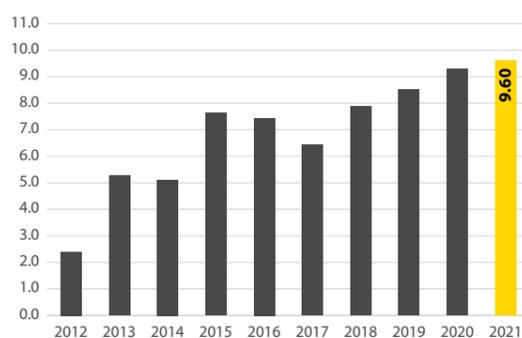
## DIVIDEND

A total of NOK 10.50 per share was paid in 2021 for the 2020 financial year. The company paid a dividend for the first half of the year of NOK 6.50 per share in May 2021, and a dividend for the second half of the year of NOK 4.00 per share was distributed in November 2021. For the 2021 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 of 13 May 2022.

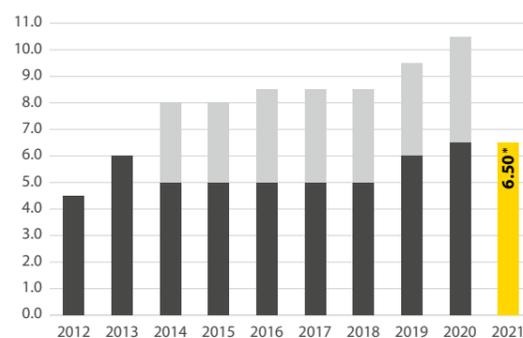
Dividends are paid out up to twice a year if the company's earnings are able to justify such. Distribution will preferably take place after the Annual General Meeting in May and after presentation of the quarterly results for the 3rd quarter.

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

EARNINGS PER SHARE (NOK)



DIVIDEND PER SHARE (NOK)



\* Proposed, not approved dividend for first half of 2022.

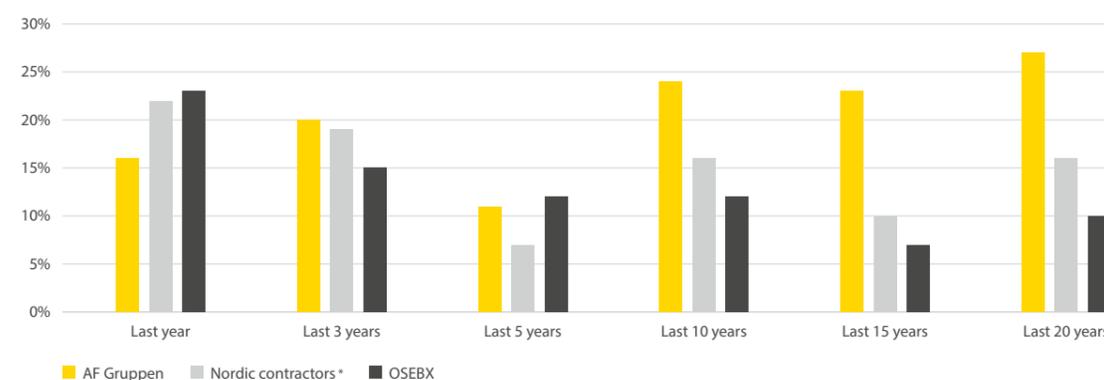
## KEY FIGURES FOR THE SHARE

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Market capitalisation	20,677	18,613	18,139	13,069	13,078	14,463	12,929	7,009	5,578	4,578
Number of shares traded (1,000)	6,481	8,292	6,537	4,360	8,137	6,690	10,370	7,102	2,559	2,568
Total number of shares as at 31/12 (Mill.)	106.80	106.00	103.07	99.01	97.96	93.61	92.68	88.72	82.33	81.38
Number of shareholders as at 31/12	5,938	4,520	3,582	3,303	3,158	2,737	2,575	1,815	1,494	1,407
Share prices as per 31/12	193.60	175.60	176.00	132.00	133.50	154.50	139.50	79.00	67.75	56.25
– High	207.00	183.00	185.00	142.00	162.00	164.50	139.50	82.00	72.00	59.25
– Low	164.60	128.50	135.50	118.50	122.00	120.00	77.25	66.50	54.75	41.50
Earnings per share (NOK)	9.60	9.29	8.51	7.88	6.43	7.44	7.64	5.11	5.26	2.40
Diluted earnings per share (NOK)	9.57	9.27	8.46	7.88	6.43	7.29	7.50	5.09	5.11	2.37
Dividends per share (NOK)	6.50 <sup>1</sup>	10.50	9.50	8.50	8.50	8.50	8.00	8.00	6.00	4.50
Distribution ratio <sup>2)</sup>	67.7%	70.0%	111.6%	107.9%	132.2%	114.2%	104.7%	156.6%	114.1%	187.5%
Direct return	6.0%	5.4%	6.4%	6.4%	5.5%	5.7%	10.1%	8.9%	8.0%	10.2%
Share's total return	16.2%	5.6%	40.3%	5.6%	-8.3%	15.0%	89.2%	25.5%	28.4%	38.1%
Return on equity (ROE)	36.1%	36.6%	43.7%	45.4%	35.8%	43.3%	43.8%	34.3%	38.4%	19.0%
Share price / earnings per share (P/E)	20.2	18.9	20.7	16.8	20.8	20.8	18.3	15.5	12.9	23.4
Share price / equity per share (P/B)	5.8	5.3	6.1	6.2	6.3	7.4	7.1	4.7	4.2	3.8
Return on average capital employed (ROaCE)	0.4	0.3	0.4	0.5	0.4	0.5	0.5	0.4	0.5	0.2
Enterprise value / EBIT (EV/EBIT)	12.8	12.5	13.7	10.9	12.8	13.4	12.2	11.2	8.5	13.5
Enterprise value / Capital employed (EV/CE)	4.5	4.0	4.4	5.5	5.4	6.7	6.4	3.9	3.4	3.3

<sup>1)</sup> Proposed, not approved dividend for first half of 2022.

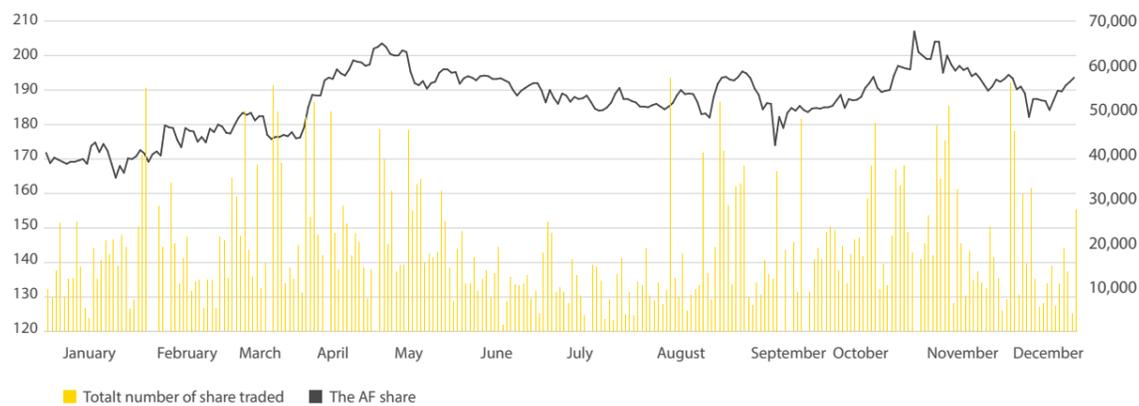
<sup>2)</sup> For 2021, the distribution ratio only include dividends for distribution in the first half of 2022.

ANNUAL TOTAL RETURN AS AT 31 DECEMBER 2021



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

## SHARE DEVELOPMENT AND TURNOVER FOR 2021



## SHARE CAPITAL AND SHAREHOLDER COMPOSITION

At the end of 2021, the share capital totalled NOK 5,340,225, divided into 106,804,500 shares, each with a nominal value of NOK 0.05. The share capital increased by NOK 40,300 and 806,003 shares in 2021 in connection with an employee share issue. The issue was made in connection with a share programme for employees in November.

The number of shareholders also rose in 2021, and during the year AF Gruppen gained over 1,400 new shareholders. As of 31.12.2021, the company had a total of 5,938 (4,529) owners. Around 1,500 of these are employees of AF, and together they own approximately 10.8 per cent (12.2 per cent) of the shares. The ten largest shareholders own 65.4 per cent of the shares, and OBOS is the largest shareholder. OBOS has a total ownership interest of 16.1 per cent (16.2 per cent). 95.3 per cent (94.9 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 0.4 percentage points from 15.6 per cent to 16.0 per cent. The largest decrease was Folketrygdfondet, which reduced its ownership stake by 0.7 percentage points from 9.3 per cent to 8.7 per cent in 2021.

At the end of the year, AF Gruppen did not own any shares. 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, options programme, bonus programme and acquisitions.

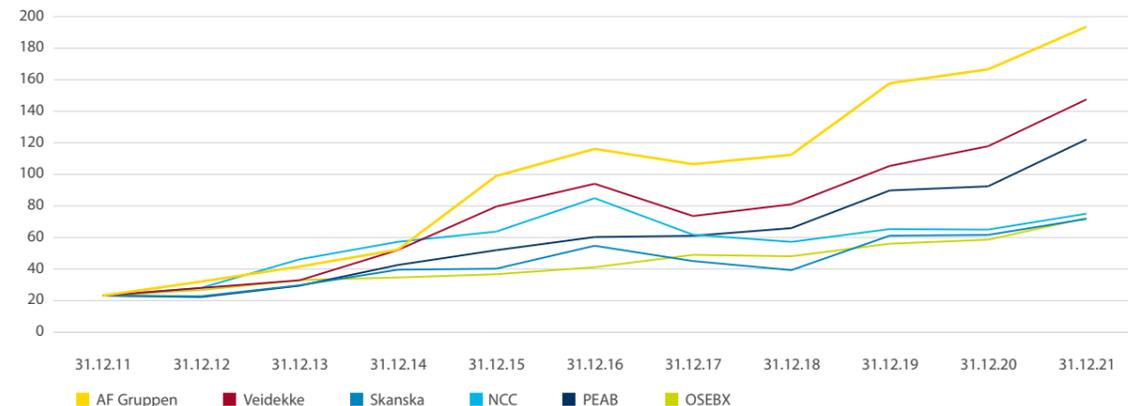
## LIQUIDITY

The share's liquidity is low, but has improved somewhat in the last five years. The turnover rate has been between 5 and 8 per cent during this period. In 2021, liquidity

Shareholders	Number of shares 31/12/2021	% of total 31/12/2021
OBOS BBL	17,183,709	16.1%
ØMF Holding AS	17,127,342	16.0%
Constructio AS	14,695,347	13.8%
Folketrygdfondet	9,246,879	8.7%
LJM AS	2,515,217	2.4%
Artel Kapital AS	2,508,267	2.3%
VITO Kongsvinger AS	1,911,676	1.8%
Arne Skogheim AS	1,753,870	1.6%
Staaavi, Bjørn	1,627,000	1.5%
Janiko AS	1,300,186	1.2%
Moger Invest AS	1,242,609	1.2%
Flygind AS	1,021,509	1.0%
State Street Bank and Trust Comp	766,404	0.7%
Landkreditt Utbytte	750,000	0.7%
Stenshagen Invest AS	739,977	0.7%
Skandinaviska Enskilda Banken AB	653,490	0.6%
Verdipapirfondet KLP Aksjenorge IN	589,832	0.6%
Eriksson, Erik Håkon	560,000	0.5%
Regom Invest AS	451,394	0.4%
Verdipapirfondet Holberg Norge	450,000	0.4%
<b>Total 20 largest</b>	<b>77,094,708</b>	<b>72.2%</b>
Total other	29,709,792	27.8%
Own shares	-	0.0%
<b>Total other shares</b>	<b>106,804,500</b>	<b>100.0%</b>

Number of shares	Number of owners	Per cent
1-100	2,260	0.07%
101-500	1,207	0.29%
501-1,000	521	0.37%
1,001-5,000	1,113	2.53%
5,001-10,000	327	2.21%
10,001-100,000	430	11.08%
100,001-1,000,000	68	15.91%
> 1,000,000	12	67.54%
	<b>5,938</b>	<b>100.00%</b>

## SHARE 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 2011 =23.17. Local currency, total return.

decreased somewhat compared to last year, and the turnover rate for the year was 6.1 per cent compared to 7.9 per cent in 2020.

In 2021, a total of 6,480,868 (8,292,083) 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 25,718 (32,905) shares. Of the 6.48 million shares that were traded on the stock exchange in 2021, AF Gruppen itself accounted for 146,876 (468,712) shares, corresponding to 2.3 per cent (5.7 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 Group's annual share programme. Employees are allowed to buy shares at a discount of 20 per cent on the current market price. In addition, AF also has an option programme that is offered to all employees.

Through the share programme in 2021, 999 employees subscribed for a total of 1,000,000 shares at a price of NOK 147.10 per share (after the 20 per cent discount). In connection with the sale, the Board used its authority and issued 806,003 new shares. The remaining 193,997 shares were transferred from the holding of treasury shares.

AF Gruppen has had an option programme for all employees in the Group since 2008, and in May 2020 a new option programme was adopted by the General Meeting. The option programme entails annual allotment for the years 2020, 2021 and 2022 and exercise of the options in March 2023. The maximum number of options that can be granted is NOK 4,000,000 with an option premium of NOK 1.00 per option. The purchase price for the shares is 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 one

## Analyst coverage table

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

be employed by the Group on 1 March 2023. AF Gruppen issued 3,850,000 options to 1,584 employees in 2020, and 150,000 options to 184 employees in 2021. Adjusted for employees who have left the company during the year, the total number of outstanding options was 3,730,619 as of 31 December 2021.

## INVESTOR RELATIONS

AF Gruppen's objective is for all investors and stakeholders to have access to the same financial information on the group at any given time. 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 AF'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's (afgruppen.com/investor). AF Gruppen also has ongoing contact with investors and analysts, and there is an overview of analysts who follow the AF share on its website.

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

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## ON THE RIGHT TRACK

Along the train line and the river bank in Drammen, Betonmast has built SporX, a 10-storey office building where the entire supporting structure above ground level is made of locally produced solid and laminated timber from Åmot in Modum. The building meets the requirements of energy class A and is well on its way to the top level in environmental certification, BREEAM Outstanding. The ambitions for the building's environmental profile were initially high, but were further raised through Betonmast's early involvement in the project and solution-oriented interaction with the client. Extensive use of digital solutions has also contributed to reducing the number of construction errors and ensured an efficient and profitable construction process.

**A NATURAL WORK ENVIRONMENT.** The solid wood in SporX has not been hidden behind plaster walls, but helps to provide an indoor climate with less noise and cleaner air. In addition, solid wood stores moisture and has a significantly lower climate footprint compared to conventional materials such as concrete and steel.

## BOARD OF DIRECTORS' REPORT

108 BOARD OF DIRECTORS' REPORT

121 CONTRACTS ANNOUNCED ON OSLO BØRS

## BOARD OF DIRECTORS' REPORT 2021

AF Gruppen delivered solid results for 2021. Revenues increased to NOK 27,868 million, and the profit margin for the year was 5.7 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

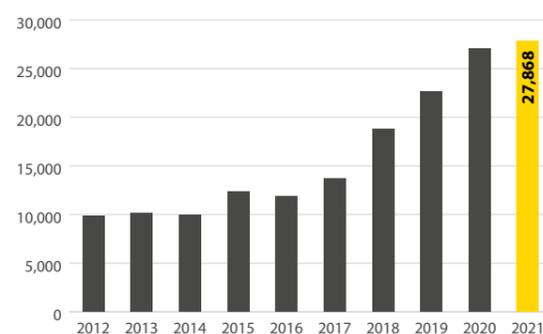
The financial statements of AF Gruppen have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements for the parent company, AF Gruppen ASA, have been prepared in accordance with simplified IFRS. The Board of Directors is of the opinion that the annual financial statements provide an accurate and fair view of the financial results for 2021 and financial position as at 31 December 2021. 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 98 of the annual report and is presented in its entirety on [afgruppen.com](http://afgruppen.com) website. The treatment of corporate social responsibility is discussed on page 36 of the annual report.

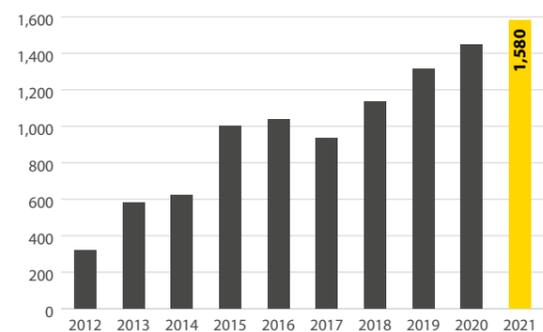
### PROFIT FOR THE YEAR

AF Gruppen reported operating and other revenues of NOK 27,868 million (27,025 million) for 2021. Earnings before tax were NOK 1,580 million (1,447 million) and the earnings after tax were NOK 1,229 million (1,158 million).

#### REVENUES (NOK MILLION)



#### EARNINGS BEFORE TAX (NOK MILLION)



Earnings before interest and tax were NOK 1,609 million (1,480 million), which corresponds to an operating margin of 5.8 (5.5) per cent. This is above the operating margin requirement of 5 per cent.

In 2021, the Covid-19 outbreak with associated restrictions has also created challenges and affected all projects, both directly and indirectly. However, most projects have managed to maintain good performance. There has been a substantial

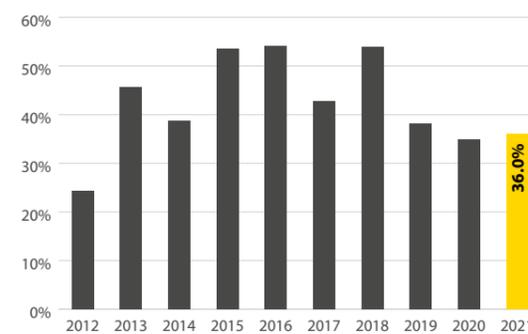
rise in prices for steel and wood products in the market during the year. Higher market prices affect all our projects, and construction projects have been particularly affected.

AF Anlegg saw a high level of activity in 2021, and 15 per cent higher revenues than in 2020. The year was characterised by high production in the major projects of E39 Kristiansand vest - Mandal øst and Bergtunnlar Lovö in Stockholm. Civil Engineering had several projects in the final phase in 2021, and together these contributed to very good results for the year. Construction delivered satisfactory profitability in 2021, even though performance within the portfolio of units was varied. From January 2021, Property has been divided into two operating units, AF Eiendom and LAB Eiendom, to ensure increased local foundation in Greater Oslo and the Bergen region respectively. Energy and Environment continued to deliver very solid results in demolition, recycling and energy activities. Sweden delivered revenue growth compared to 2020 and very strong results in 2021. Offshore experienced solid revenue growth from 2020 to 2021 and has turned last year's negative result into strong profitability in 2021.

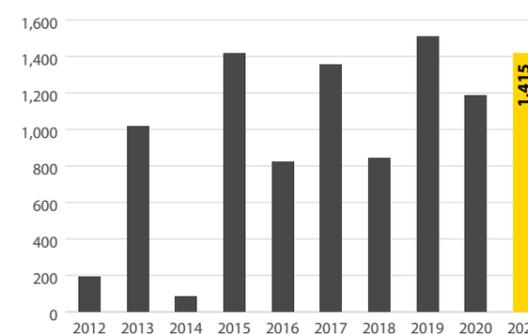
### BALANCE SHEET AND LIQUIDITY

The return on equity was 36.1 (36.6) per cent for 2021. The return on average capital employed was 36.0 (34.8) per cent.

#### RETURN ON CAPITAL EMPLOYED



#### CASH FLOW FROM OPERATIONS (NOK MILLION)



Total assets were NOK 13,108 million (12,862 million) as at 31 December 2021. At year end, the Group had net interest-bearing receivables of NOK 29 million (90 million) and cash

and cash equivalents of NOK 680 million (708 million). Shareholders' equity at the end of the year was NOK 3,572 million (3,494 million), which corresponds to an equity ratio of 27.3 (27.2) per cent.

Net operating cash flow was NOK 1,415 million (1,189 million) in 2021. Cash flow before capital transactions and financing was NOK 1,589 million (1,301 million). A dividend of NOK 1,116 million (1,001 million) was paid to the shareholders of AF Gruppen ASA in 2021.

### THE SHARE

Earnings per share were NOK 9.60 (9.29) in 2021. Diluted earnings per share were NOK 9.57 (9.27).

The Board proposes that an ordinary dividend of NOK 694 million for the first half of the year be distributed for the 2021 financial year. This corresponds to a dividend per share of NOK 6.50 (6.50) 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 4.00 (3.50) per share in the 4th quarter of 2021. The combined dividend per share distributed in 2021 was thus NOK 10.50 (9.50). The share price was NOK 193.60 (176.60) at year end. This yielded a return to shareholders, including dividends for 2021, of 16.2 (5.6) per cent.

### DISTRIBUTION OF COMPREHENSIVE INCOME FOR THE YEAR

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

Transferred to (from) other reserves	NOK 338 million
Provision for dividend	NOK 694 million
<b>Total allocations</b>	<b>NOK 1,032 million</b>

### BUSINESS AREAS 2021

#### CIVIL ENGINEERING

##### Description of the business

The Civil Engineering business area in Norway consists of four business units: AF Anlegg, Målselv Maskin & Transport, Consolvo and Eiqon.

AF Anlegg carries out traditional civil engineering projects throughout Norway in the fields of transport, infrastructure, port facilities, onshore facilities for the oil and gas industry, renovation and construction of concrete structures, as well as projects in the fields of power and energy. AF Anlegg is also carrying out a transport contract in Stockholm.

In 2021, the Civil Engineering business area reported revenues of NOK 6,002 million (5,218 million). Earnings before tax were NOK 510 million (292 million). The profit margin ended at 8.5 per cent, compared with 5.6 per cent in 2020.

NOK million	2021	2020	2019
Revenue	6,002	5,218	6,999
Operating profit (EBIT)	515	314	432
Earnings before tax (EBT)	510	292	429
Operating margin	8.6%	6.0%	6.2%
Profit margin	8.5%	5.6%	6.1%
Order backlog	6,878	7,319	6,355

AF Anlegg had several major projects in the final phase in 2021, and together with operational performance that was good in general, this produced very good results for the year. Målselv Maskin & Transport had another good year in 2021 with a high level of activity and good results. Consolvo delivered good results in 2021, while Eiqon bucked the trend from losses in 2020 to margins close to requirements in 2021.

### New contracts

AF Anlegg has signed a contract with Sporveien to upgrade the subway line from Bryn station to Hellerud station in Oslo. The value of the contract is estimated at NOK 360 million excl. VAT. Within hydropower, AF Anlegg has entered into a contract with Statkraft to rehabilitate the Nesjø dam in Tydal municipality. The contract value is about NOK 235 million excl. VAT. AF Anlegg has not signed any major contracts during the year. The interaction phase of the E6 Roterud-Storhove is still ongoing with Nye Veier. The zoning plan has been submitted for the second time consultation, and it is expected to be clarified during 2022. Nevertheless, the increased scope of existing contracts and contracting of large and small projects increased scope of existing contracts and contracting of small and medium-sized contracts resulted in a satisfactory order intake for the Civil Engineering business area in 2021. After the end of the year, AF Anlegg entered into a contract with the City of Oslo to build drinking water tunnels in Oslo, in a working partnership with Italian company Ghella. The total value of the contract is approximately NOK 8,750 million excl. VAT for the working partnership, where AF Gruppen's share is 60 per cent. This is not included in the order backlog as of 31 December 2021.

In 2021, Civil Engineering had an order intake of NOK 5,561 million (6,182 million) and an order backlog of NOK 6,878 million (7,319 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 civil engineering investments. In the national budget for 2022, the Government appropriated NOK 85 billion for transport, an increase of 3.1 per cent from 2021, when the extra funds due to Covid-19 are excluded.

Prognosesenteret expects civil engineering investments of NOK 103.5 billion in 2022, which indicates strong growth of 14 per cent from 2021. Civil engineering investments are expected to flatten out at a high level in 2023 and 2024. Road construction accounts for most the projected growth in 2022 and will account for 42 per cent of total civil engineering investments. Prognosesenteret also expects growth in road construction in 2023 and 2024. The forecasts provide a good basis for further growth for AF's civil engineering operations.

However, high commodity prices, the risk of supply problems due to the war in Ukraine and geopolitical unrest pose a short-term uncertainty.

## 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 11 units and their associated subsidiaries: AF Bygg Oslo (including the AF Nybygg portfolio), AF Byggfornyelse, AF Bygg Østfold, Strøm Gundersen, Strøm Gundersen Vestfold, AF Håndverk, Haga & Berg, 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	2021	2020	2019
Revenue	8,865	8 684	9,622
Operating profit (EBIT)	447	502	598
Earnings before tax (EBT)	450	513	614
Operating margin	5.0%	5.8%	6.2%
Profit margin	5.1%	5.9%	6.4%
Order backlog	13,549	9,674	9,115

Construction reported revenues of NOK 8,865 million (8,684million) and earnings before tax of NOK 450 million (513 million) in 2021. This gives a profit margin of 5.1 per cent, compared with 5.9 per cent in 2020. Revenues for Construction in 2021 are on a par with 2020. Construction delivered satisfactory profitability in 2021, but performance within the portfolio of units was varied. AF Bygg Oslo, AF Byggfornyelse, Haga & Berg og Strøm Gundersen are distinguished by very good results in 2021. In the AF Nybygg portfolio, downward adjustment of the project estimates has also been made in 2021, and the unit was therefore transferred to AF Bygg Oslo in 2021. LAB Entreprenør, HTB and Strøm Gundersen Vestfold delivered results below expectations in 2021. Sharply rising prices for raw materials such as steel and wood projects have had a negative impact on the units that have agreed fixed prices in 2021. Price developments still represent uncertainty. Units that have agreed a pay and price inflation mechanism in their projects are partially compensated for price fluctuations.

### New contracts

The construction industry has entered into contracts for construction across the service spectrum from residential and commercial buildings to public buildings. AF Bygg Oslo will together with Betonmast Oslo build Construction City, a business cluster that will bring together the construction, civil engineering and real estate industry in Norway at Ulven in

Oslo. The contract value is NOK 2,676 million excl. VAT, of which AF Bygg Oslo's share is NOK 1,784 million excl. VAT. Statsbygg has proposed AF Gruppen for the construction of the new Viking Age Museum at Bygdøy in Oslo. The interaction phase started in April 2021 and will continue for 12 months. AF Byggfornyelse has also entered into a contract with Kultur- og idrettsbygg Oslo KF for the construction of the new Tøyenbadet. The contract value is NOK 520 million excl. VAT. In Bergen, LAB Entreprenør has signed a contract with Selvaag Bolig for the construction of Sandsli 360. 199 apartments will be built high above Håvardstunvatnet in three construction phases. The project is a turnkey contract valued at NOK 404 million excl. VAT. AF Bygg Østfold has signed a turnkey contract for Helse Sør-Øst RHF. The contract "2304 Tett hus sentralbygg" related to the new hospital in Drammen, is valued at NOK 285 million excl. VAT.

Several large and small contracts were also signed in 2021 within renovation. Haga & Berg will renovate a commercial building at Kjøllberggata 31 at Tøyen in Oslo that will house the technology and logistics company Oda. The contract signed with SEFF Holding AS has a value of NOK 136 million excl. VAT. AF Byggfornyelse has been awarded another renovation contract at Blindern for the University of Oslo. This time it is the students and staff at the Faculty of Social Sciences who will benefit from a better and more functional working environment when the eight upper floors of Eilert Sund's house B are upgraded. The collaboration contract has an estimated value of NOK 106 million excl. VAT.

In 2021, Construction had an order intake of NOK 12,739 million (9,244 million) and an order backlog at the end of the year of NOK 13,549 million (9,674 million).

### Market outlook

In 2021, the construction market in Norway had a total production value of NOK 374 billion, which was an increase of 2.0 per cent from 2020. For 2022, Prognosesenteret expects a reduction in the production value for the whole country of 1.3 per cent due to a reduction in new residential buildings, while an increase of 0.6 per cent is expected in 2023. However, the construction market in Oslo is expected to grow by 3.2 per cent in 2022 and 8.5 per cent in 2023, driven by growth in all construction segments.

Price developments for steel and wood products represent a significant element of uncertainty for our construction operations going forward. According to Statistics Norway's construction cost index for "Housing in total", prices in December 2021 were 13.2 per cent higher compared to the same period in 2020, of which labour costs had increased by 4.5 per cent and materials by 26.3 per cent. The war in Ukraine and increased geopolitical unrest are putting further pressure on commodity prices and increasing the risk of supply problems. Price developments particularly affect units that have entered into fixed-price agreements, while units that have entered into agreements with ongoing wage and price increase mechanisms are less affected.

The Government's proposal for tightening the rules on hiring from staffing agencies also constitutes an element of uncertainty. The proposals for new hiring rules have a

deadline for comments of 19 April 2022, with possible entry into force from 1 July 2022. Even though a high level of activity is expected for AF's construction operations in Norway in the future, the consequences of geopolitical unrest, possible regulatory changes and high raw material prices will contribute to increased uncertainty 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 Asker og Bærum, 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	2021	2020	2019
Revenue	7,170	7,862	1,226
Operating profit (EBIT)	171	261	49
Earnings before tax (EBT)	149	252	46
Operating margin	2.4%	3.3%	4.0%
Profit margin	2.1%	3.2%	3.8%
Order backlog	11,400	7,274	7,293

Betonmast reported revenues of NOK 7,170 million (7,862 million) and earnings before tax of NOK 149 million (252 million) in 2021. This gives a profit margin of 2.1 (3.2) per cent.

Overall, Betonmast delivered weak profitability in 2021, but there was great variation in the results of the various units. Among the Norwegian units, Betonmast Oslo, Betonmast Romerike and Betonmast Østfold excelled with solid results, while Betonmast Boligbygg and Betonmast Telemark delivered weak results. Significant downward adjustments were made in the project portfolio of Betonmast Boligbygg as a result of significantly higher cost increases than calculated in the projects. After the end of the year, an agreement was entered into with an investor group for the sale of Betonmast Telemark, a unit with a revenue of about NOK 300 million in 2021. The transaction was completed in February 2022.

The Swedish part of the business delivered somewhat lower revenue in 2021 than the year before and weak profitability due to varying project results in the units. After the end of the year, Betonmast AS entered into an agreement with AF Gruppen for the sale of 100 per cent of the shares in Betonmast Sverige AB, which owns all the operating companies of Betonmast in Sweden. Betonmast Sverige had

sales of NOK 1,976 million in 2021 and will be included in the Sweden business area from 2022 onwards. The transaction was completed in February 2022.

At the beginning of 2021, Betonmast Eiendom has three housing projects with a total of 352 units in production

#### New contracts

Betonmast has signed a number of new contracts during the year, including contracts for several school buildings.

Betonmast Østfold has entered into an agreement with Ås municipality for the construction of Åsgård school in Ås municipality. This is a turnkey contract with an expected value of approximately NOK 330 million excl. VAT. Betonmast Asker og Bærum has entered into a contract with Oslobygg KF for the construction of Hovseter school in Oslo. This is a turnkey contract with a value of approximately NOK 350 million excl. VAT. Betonmast Røsand will construct Averøy school in Nordmøre. The project will be carried out as a collaborative contract, and the value of the construction contract is expected to be approximately NOK 150 million excl. VAT.

Betonmast Oslo has signed a contract with Entra ASA for the complete renovation of Tollgaarden at Schweigaards gate 15 in Oslo. The turnkey contract that will bring new life to this landmark building has a value of NOK 485 million excl. VAT.

In Sweden, Betonmast Mälardalen has signed a turnkey contract with Aberdeen Standard Investments and Ailon Group for the construction of the Anholt Quarter. The project includes the new construction of a total of 182 rental apartments with a parking basement and kindergarten in central Kista, north of Stockholm and the contract value is approximately SEK 390 million excl. VAT. This is one of several housing projects Betonmast has contracted in Sweden in 2021. Betonmast Gothenburg has entered into a contract with Volvo for the construction of parking garages and office space at Hisingen in Gothenburg. This is a turnkey contract and has an estimated value of SEK 350 million excl. VAT.

At the end of the year, Betonmast had an order backlog of NOK 11,400million (NOK 7,274).

#### 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	2021	2020	2019
Revenue	35	33	18
Operating profit (EBIT)	75	135	107
Earnings before tax (EBT)	76	132	100
Return on capital employed	9.5%	15.1%	11.7%
<b>NUMBER OF UNITS <sup>1)</sup></b>			
Housing units under construction	379	265	244
Signed sales contracts on housing	256	160	130
Completed unsold housing units in	3	1	11
Industrial area m2 under construction	1,384	10,423	19,009
<b>LAND AND DEVELOPMENT RIGHTS <sup>1)</sup></b>			
Estimated housing units	841	1 048	916
Industrial area m2 under development	25,749	39,996	25,764

<sup>1)</sup> AF's share of housing units and area m2

Property reported earnings before tax of NOK 76 million (132 million) in the 2021. The sale of the ATEA building at Hasle in Oslo in 2020 made a strong contribution to the result for 2020. In 2021, a minor transaction was completed on the commercial real estate side when AF Eiendom's share of Construction City Eiendom was sold to OBOS in the third quarter. Of the housing projects, the most significant profit contributions for AF Eiendom came from Lillo Gård in Oslo and Bo på Billingstad in Asker. A total of 359 (465) apartments were handed over in 2021, and AF's share was 140 (168). Of a total of 359 apartments handed over during the year, 127 residential units were handed over in the Lilleby Triangel project, 124 in Skiparviken and 108 at Bo på Billingstad.

At the end of 2021, Property had ownership interests in residential property projects with a total of 280 (145) units available for sale. AF's share was 129 (58) residential units. Of these, 145 units were related to projects in production and 129 units to projects in the sales phase. Projects in the sales phase include Rolvsrud Idrettspark (53) and Skårersletta MIDT (76). There were a total of 6 (1) unsold completed apartments, of which AF's share was 3 (1).

At the start of 2022, AF's property business had 7 (5) residential property projects with a total of 848 (701) apartments in the production phase, and AF's share was 379 (265). The share of sales contracts signed for apartments in these projects is 83 per cent.

The projects that are in production at the end of the year are Bo på Billingstad in Asker, Lilleby Triangel in Trondheim, Brøter Terrasse in Lillestrøm, Fyrstikkbakken in Oslo, Skårersletta Midt i Lørenskog, Bekkestua Have in Bærum and Kråkehaugen in Bergen.

At the end of the year, the business area had sites and development rights under development that will yield 1,715 (2,133) residential units, of which AF's share was 821 (1,048) 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 houses Quality Hotel Hasle Linie and Nent, has an area of 21,056 sqm GFA and was completed at the end of 2020. After the end of the year, an agreement was reached for the sale of K4, and the transaction will be completed in the middle of Q2 2022.

At the end of the year, Property also has an ownership stake in commercial property under construction with a gross floor area of 51,856 (137,380) square metres. AF's share of this was a gross floor area of 25,749 (39,996) square metres.

#### Market outlook

Figures from Eiendom Norge as of December 2021 show that price developments in Norway slowed at the end of the year and that the housing market appears to be following a more normal cyclical trend. At the end of the 4th quarter, house prices were 5.2 per cent higher than a year ago. The annual nominal change was 2.2 per cent in Oslo and 6.6 per cent in Bergen. House prices have risen so far in 2022 and were 6.3 per cent higher in February than a year ago. At the interest rate meeting in March 2022, Norges Bank decided to raise the key rate from 0.50 per cent to 0.75 per cent. Norges Bank's forecast indicates that the key rate will increase to around 2.5 per cent by the end of 2023.

Significant increases in construction costs put great pressure on the projects' profitability and the number of new project starts has been reduced.

#### 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	2021	2020	2019
Revenue	1,152	962	1,072
Operating profit (EBIT)	109	54	78
Earnings before tax (EBT)	107	52	75
Operating margin	9.4%	5.6%	7.3%
Profit margin	9.3%	5.5%	7.0%
Order backlog	714	703	371

The Energy and Environment business area reported revenues of NOK 1,152 million (962 million) in 2021. Earnings before tax were NOK 107 million (52 million). This gives a profit margin of 9.3 per cent (5.5 per cent). AF Decom had significant revenue growth in demolition and recycling in 2021 and delivered an excellent result for the year. The environmental centres also achieved strong revenue growth and improved profitability further from 2020. AF Energi also significantly improved profitability in 2021, delivering a good result for the year.

#### New contracts

Energy and Environment's project portfolio consists of many small and medium-sized projects with contract values ranging from NOK 0.5 million to 10 million, as well as an increasing

number of larger contracts. An example of the latter is the contract AF Energi signed in 2021 with Helse Sør-Øst RHF to supply heating and cooling systems for the project for the new hospital in Drammen. The contract has an estimated value of around NOK 200 million excl. VAT. Phase 2B of the "Miljøtiltak Svea og Lunckefjell" has been the most significant of the major demolition contracts signed by AF Decom during the year. The contract with Store Norske Spitsbergen Grubekompani AS concerned demolition and cleaning up after mining activity on Svalbard, and the contract value was NOK 46 million excl. VAT.

In 2021, Energy and Environment had an order intake of NOK 1,162 million (1,294 million) and an order backlog at the end of the year of NOK 714 million (703 million).

#### Market outlook

Demand for energy and environmentally-related services is growing. The activities of the business area are closely related to the construction market, and the level of new building starts will affect the market for demolition and recycling services. Cleaned material from the environmental centres is finding an increasing number of areas of application, such as an additive to spray concrete and as gritting sand during the winter season.

Norwegian authorities have set ambitious targets for reducing energy use up to 2030, and high electricity prices make investments in energy-efficient measures very attractive. Enova has found that there is a major maintenance backlog for public buildings and major conservation opportunities related to the renovation of buildings. Furthermore, the delivery of heating and cooling for commercial buildings is another interesting market. Prognosesenteret expects that the area of non-residential building starts will fall by 7 per cent in 2022, but in Oslo a sharp increase of 70 per cent is expected. 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, AF Prefab in Mälardalen, AF Bygg Syd, AF Projektutveckling, AF Härnösand Byggreturer and HMB.

NOK million	2021	2020	2019
Revenue	4,325	4,138	3,683
Operating profit (EBIT)	262	219	149
Earnings before tax (EBT)	257	212	146
Operating margin	6.1%	5.3%	4.0%
Profit margin	6.0%	5.1%	4.0%
Order backlog	4,766	4,120	2,946

In 2021, the Sweden business area reported revenues of

NOK 4,325 million (4,138 million). Earnings before tax were NOK 257 million (212 million). This gives a profit margin of 6.0 (5.1) per cent.

Revenue growth in Sweden continued in 2021 was mainly driven by high activity in Kanonaden. The unit performed well and delivered a very good result. AF Prefab in Mälardalen reported weak results in 2021. Total revenue in 2021 for the construction units HMB and AF Bygg Syd was on a par with 2020. HMB delivered a good result as a result of good performance, while AF Bygg Syd reported weak profitability reflecting varying project results. For the demolition business, the level of activity increased in 2021 from the previous year, and AF Härnösand Byggreturer continues to deliver solid profitability.

AF Projektutveckling, AF's real estate business in Sweden, completed the sale of the completed school project Donnergymnasiet in 2021. The gains from the sale significantly affected the result for 2021. At the end of 2021 the unit had two housing projects with a total of 115 homes in production.

In 2021, Sweden had an order intake of NOK 4,971 million (5,312 million) and an order backlog at the end of the year of NOK 4,766 million (4,120 million).

#### New contracts

In 2021, Kanonaden entered into a contract for the construction work for the Karskrub wind farm in Uppvidinge municipality in southern Sweden. The work includes the construction of roads and foundations as well as the laying of the wind farm's internal power grid. The contract has a value of approximately SEK 170 million excl. VAT, and is the third project Kanonaden is carrying out on behalf of OX2. During the year, Kanonaden has entered into several contracts related to logistics parks. For example, Kanonaden Entreprenad will carry out the site preparation and civil engineering work for a new centralised warehouse facility in Bålsta outside of Stockholm. The assignment is being performed for Logicenters and the contract has an estimated value in the order of SEK 120-140 million excl. VAT.

During the year, HMB entered into contracts for the construction of a number of residential property projects. They will build apartments for OBOS in Sollentuna outside Stockholm. The project is a turnkey contract with a value of SEK 270 million excl. VAT. HMB has also entered into an agreement with Wallenstam on the construction of homes in the south of Uppsala. The contract amount is approximately SEK 200 million excl. VAT and will be carried out as a turnkey contract. AF Bygg Syd has entered into an agreement with Vänersborg Kretslopp & Vatten to extend and modernise Holmängens wastewater treatment plant in Vänersborg municipality. The contract is a turnkey contract valued at SEK 152 million, excl. VAT.

#### Market outlook

The economic recovery after the pandemic is still ongoing, and the prospects for economic growth are positive for the construction and civil engineering market. Byggföretagen has not made a forecast for 2022 due to the uncertainty

surrounding cement production in Sweden. Cements, which accounts for about 75 per cent of the cement used in Sweden, was granted temporary permission in November last year to continue lime mining for cement production until the end of 2022. Price developments for steel and wood products also create challenges for AF's Swedish business. The war in Ukraine and increased geopolitical uncertainty are putting further pressure on commodity prices and increasing the risk of supply problems.

The housing market in Sweden was also marked by price increases and increased sales volumes in 2021. Svensk Mäklarstatistik reported 7 per cent growth for apartments and 13 per cent for detached houses for 2021. In February 2022, the Riksbank decided to maintain a zero interest rate, and has stated that it expects to keep the base rate at zero until the end of the forecast period to 2024. In summary, the market outlook in Sweden appears to be good even though high commodity prices, the war in Ukraine and geopolitical unrest increase uncertainty in the short term.

#### 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	2021	2020	2019
Revenue	848	672	679
Operating profit (EBIT)	83	-25	-83
Earnings before tax (EBT)	78	-40	-94
Operating margin	9.8%	-3.7%	-12.2%
Profit margin	9.2%	-5.9%	-13.9%
Order backlog	1,515	1,365	1,351

The Offshore business area reported revenues of NOK 848 million (672 million) for 2021. Earnings before tax were NOK 78 million (-40 million). This gives a profit margin of 9.2 per cent, compared with -5.9 per cent in 2020.

AF Offshore Decom increased revenue and significantly improved profitability in 2021 compared to the previous year. The good result in 2021 is mainly due to high production and good performance at AF Environmental Base Vats, as well as the successful execution of several offshore campaigns. Fairfield Decom was discontinued in the 3rd quarter of 2021 and the write-down had a negative effect on results of NOK 11 million. Furthermore, preparatory work has also been underway for the coming offshore campaigns and demolition at the environmental centre in 2022. A high level of demolition activity is also expected at Vats in 2022. AF AeronMollier reported lower revenue in 2021 than in the previous year but maintained a positive result. The decline in revenue was mainly explained by postponements of several projects due to Covid-19, and the lower level of activity

contributed to weaker profitability. Despite challenging market conditions, there has been a good level of activity in service projects on installations on the Norwegian continental shelf.

#### New contracts

AF Offshore Decom has not signed any significant contracts in 2021, but has had their expected contract revenues adjusted upwards in the existing order backlog as a result of hedging steel sales at higher prices than previously estimated.

AF AeronMollier has had a good order intake for both offshore and marine. Offshore, the unit has entered into the first contract related to offshore wind. AF AeronMollier will, among other things, supply cooling systems to the substations in large-scale, international wind farms. The contracts are designed as letters of intent pending final technical solutions for the customer.

In 2021, Offshore had an order intake of NOK 998 million (686 million) and an order backlog at the end of the year of NOK 1,515 million (1,365 million).

#### Market outlook

According to the British industry organisation Oil & Gas UK, a high volume for the demolition and removal of decommissioned oil installations is expected going forward. It is expected that more than 1,000,000 tonnes of top deck must be removed in the North Sea during the period from 2020 to 2029. This applies to the British, Danish and Dutch sectors. The market for the removal of offshore installations has been characterised by delays and strong competition, but the current decommissioning rate of platforms means that it will take operators approximately 100 years to recycle today's installations. An increase in pace will lead to increased demand for this type of service. 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 in the future.

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<sub>2</sub> tax be adjusted upwards from NOK 766/tonne in 2022 to NOK 2,000/tonne in 2030, which can help accelerate the pace of electrification. Increased investment in offshore wind also provides new market opportunities for AF's business.

## 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 2021. The survey shows that AF's employees are very satisfied, enjoy work and are proud to work for AF. The goal is to be above 5.0 on the MTU scale which ranges from 1-6, where 6 is best. The result for 2021 was 5.2. The results are better than the previous survey in 2019 and significantly better than the industry average. The results showed no significant differences between women and men or across age groups. The overall response rate to the survey was 83 per cent compared with 78 per cent in 2019.

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 2021, 1,018 (1,132) employees participated in courses at the AF Academy. The Covid-19 pandemic and associated restrictions led to fewer courses being taken in 2021. This is despite the fact that many of the AF Group'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 2021, there were 5,413 (5,510) employees in the Group, of which 2,580 (2,602) were salaried and 2,833 (2,908) skilled workers. The parent company, AF Gruppen ASA, had no employees at the end of 2021. In 2021 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, 9.7 per cent (9.8 per cent) were women and 90.3 per cent (90.2 per cent) were men at the end of 2021. The percentage of women among the salaried staff and skilled workers was 18.8 per cent (18.9 per cent) and 1.4 per cent (1.6 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 goal is to increase the proportion of women in AF to 20 per cent. AF has worked with the diversity project 'The best people' since 2018. 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 2021, the "Equal value" campaign was launched. The campaign takes a clear stand against harassment in the construction industry. Posters, videos and other campaign material were highlighted in workers barracks and in other suitable places in the projects. 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. Examples of this are binding collaborations with organisations such as #Equality Check and CORE.

Over the past year, AF has continued its focus on apprentices by working more closely with schools and advisers in rural and urban areas. Work is also 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, was created 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. For further details on this work, see AF Gruppen's special edition "Diversity and Equality" which is published at the same time as the annual report.

#### 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/notification](http://www.afgruppen.com/notification). 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 2021, 999 (950) employees subscribed for a total of 1,000,000 (1,000,000) shares. The purchase price after a 20 per cent discount was NOK 147.10. A total of 806,003 new shares were issued in connection with the sale of shares. 193,997 shares were transferred from the company's treasury shares.

AF Gruppen also has an option programme for all employees. The current option program was approved by the General Meeting 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, and 150,000 options to 184 employees in 2021. As of 31 December 2021, there were 3,730,619 outstanding options, adjusted for options which became void in 2017 due to employees leaving the company.

#### HEALTH AND SAFETY

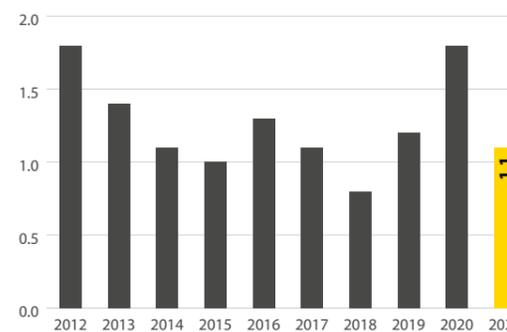
Health and safety work has high priority at AF Gruppen and is an integral part of the management at all levels of the organisation. AF's goal for health and safety is to avoid injuries, diseases and complaints attributed to the working environment. For safety, it is about avoiding work accidents, particularly 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 2021, more than 41,445 (43,036) 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-1 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 Group strategy for the period towards 2024 continues with the goal for AF Gruppen to have LTI-1=0 and 0 work-related absence. The injury frequency rate in the company has shown a positive trend through the years, and AF Gruppen has low LTI-1 rates compared with the industry. However, a high level of growth with many new units led to an increase in the LTI-1 rates in 2019 and 2020. Driven by good HSE work in Betonmast and Sweden, the negative trend was reversed in 2021.

The LTI-1 rate in 2021 was 1.1 (1.8), and the figure represents 22 (39) injuries resulting in absence. Despite the relatively low LTI-1 rate, we are still experiencing serious personal injuries and too many personal injuries in general. Safety has therefore also been high on the Board's agenda in 2021.

#### LTI1-RATE



Efforts to prevent injuries is ongoing and among the latest measures and tools we have introduced, we can highlight Safetalk, Clara, testing of equipment worn close to the body and Motimate:

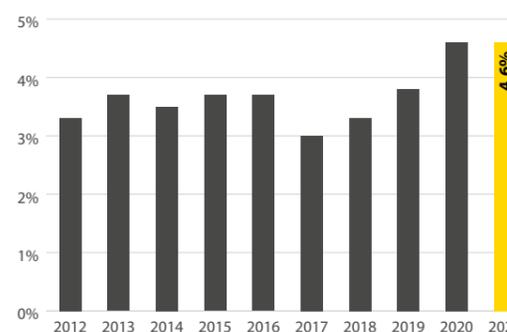
Safetalk entails safety talks between skilled workers ahead of or during work situations, in order to identify and influence risk and strengthen safety awareness.

Clara is an online tool for managing HSE risk associated with the activities in a project. Experiences from previous incidents are, among other things, available in Clara and communication and follow-up relating to barriers is reinforced.

Equipment worn close to the body for measuring and warning of issues including noise, air values/gas and vibrations has been tested. The goal is to be able to help our skilled workers to reduce and avoid unwanted exposure to situations that can damage health.

AF Gruppen also has a customised and user-friendly course portal (Motimate), which provides easy access to courses, transfer of experiences and safety guidance via a universal platform benefiting anyone working on AF projects.

#### ABSENCE DUE TO ILLNESS



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. Absence due to illness in 2021 was 4.6 per cent (4.6 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.

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 greenhouse gas emissions and unsorted waste and contaminated masses sent to incineration or relative to revenue per service type 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 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 2021, AF has identified services that, according to the EU's taxonomy, are classified as "green" activities. The Board of Directors carried out a climate risk analysis in accordance with the TCFD framework, which is a framework for climate risk reporting established by the G20 countries. AF has identified, evaluated and ranked 22 climate risk factors related to physical, transitional and liability risk. Using AF Gruppen's risk management methodology, this has resulted in a prioritised top 10 list of the risk factors that are considered to have the biggest range of outcomes in a positive or negative direction.

### 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 2021, the source separation rate for construction was 88 per cent (88 per cent), for rehabilitation was 90 per cent (87 per cent) and for demolition it was 96 per cent (96 per cent). A total of 294,776 tonnes (400,995 tonnes) was sorted in 2021. 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 344,437 tonnes (528,758 tonnes) of material in 2021.

### 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<sub>2</sub> equivalents. A CO<sub>2</sub> 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 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 bulk material. The projects therefore work to reuse as much bulk material 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 Building business area, AF delivers new buildings with environmental certifications such as BREEAM-NOR and solid wood buildings. The Offshore and Energy and Environment business areas are based on services that solve environmental challenges in the area of demolition and recycling. 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<sub>2</sub> emissions. Reusing steel results in 70 per cent lower CO<sub>2</sub> emissions than ore-based production. This corresponds to a reduction in emissions of 1 kg CO<sub>2</sub> for each kilo of steel recycled. AF Offshore Decom and AF Decom demolished and facilitated the recycling of approximately

55,796 (38,533) tonnes of metal in 2021. In total, this represents a reduction of alternative CO<sub>2</sub> emissions of around 55,796 (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 Vats. The environmental base outside of Haugesund is one of Europe's most modern reception facilities for decommissioned offshore installations. Another example of the development of future-oriented services that solve environmental challenges is the establishment of environmental centres. Using new environmental technology, the environmental centres decontaminate and recycle 80 per cent of the contaminated materials that would have otherwise ended up 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, geopolitical unrest or other political risk. The importance of commercial risk has been highlighted by was in Ukraine and subsequent restrictions as well as 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.

### 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 and Construction business areas 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 2021, AF Gruppen had NOK 25 million (45 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 2021, 74 (76) per cent of the Group's recognised revenues were from activities with NOK as the functional currency and 24 (23) per cent with SEK as the functional currency. The net foreign exchange gain/(loss) was NOK -25 million (1 million) in 2021. The total translation differences were NOK -54 million (80 million) in 2021.

### Commodity price risk

Price developments for raw materials such as steel and wood products constitute a risk in AF Gruppen's construction operations. Price changes can be partially offset by agreeing a pay and price increase mechanism with customers. Such contract terms are not standard but are used by some of the larger building units. 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 7 million (21 million) related to commodity derivatives for steel in AF Environmental Base Vats.

### Interest rate risk

AF Gruppen's financing is based on variable interest rates, and the Group is therefore exposed to interest rate risk. As a rule, AF does not use derivatives to hedge the effective interest rate exposure. AF is also exposed to interest rate risk in construction and property activities, especially for residential construction for own account, in which the general interest rate level will have an impact on the attractiveness 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. The IBOR reform affects agreements that determine the interest rate level according to a benchmark index. NIBOR is used as a reference for pricing in several financial contracts. AF Gruppen considers that the effect of the IBOR reform will not have a significant effect on the consolidated financial statements, and that the risk of financial exposure associated with the IBOR reform is low.

### 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 29 million (90 million) as at 31 December 2021. The available liquidity, including credit facilities, stood at NOK 3,636 million as at 31 December 2021.

AF Gruppen's liquidity is followed up at project level. 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.

### INSURANCE

Insurance has been taken out for the board members and the Managing Director for their potential liability to the company and third parties. The liability insurance has been taken out with Zurich Insurance Plc. and covers AF Gruppen ASA with its subsidiaries. The Board considers the coverage to be reasonable and market wise.

## MARKET OUTLOOK AND STRATEGY

AF Gruppen's revenues and results for 2021 have been in accordance with the Board's expectations. At the end of 2021, the Group had an order backlog of NOK 38,646 million (30,617 million), and the Board considers both the order backlog and earnings from the project portfolio as good.

The level of activity in the Norwegian economy picked up markedly through 2021 in line with increasing vaccination rates and the reopening of society after the Covid-19 pandemic. In its last interest rate decision on 24 March,

Norges Bank announced that the solid activity in the Norwegian economy now indicates more interest rate increases in the future. The war in Ukraine and the associated sanctions on Russia have led to major supply challenges for steel and related, significant price increases. This could affect the progress of the projects and increase project costs. Wage and price inflation clauses in projects will only partially compensate for this increase.

The civil engineering market in Norway is good and less sensitive to cyclical fluctuations, since public sector demand is the greatest driver behind civil engineering investments. Prognosesenteret estimates that civil engineering investments in Norway increased by approx. 5 per cent in 2021. Prognosesenteret expects civil engineering investments of NOK 103.5 billion in 2022, which indicates strong growth of 14 per cent from 2021. The forecasts provide a good basis for further growth for AF's construction activities, even though high raw material prices and risk of delivery problems represent short-term uncertainty.

According to Prognosesenteret, the construction market in Norway grew by 2 per cent in 2021 to a total production value of NOK 374 billion. Prognosesenteret expects a reduction in the production value for the whole country of 1.3 per cent in 2022, but estimates that the construction market in Oslo will grow by 3.2 per cent in 2022 and 8.5 per cent in 2023. Price developments for steel and wood products are a major uncertainty factor for the construction industry, and according to Statistics Norway's construction cost index for "Housing in total", prices in December 2021 were 13.2 per cent higher compared to the same period in 2020. Increased geopolitical unrest are putting further pressure on commodity prices and increasing the risk of supply problems. Furthermore, the Government's proposal for tightening the rules on hiring from staffing agencies constitutes an uncertainty factor for building activity. In Sweden, the economic recovery after the pandemic is still ongoing, and the prospects for economic growth are positive for the construction and civil engineering market. Even with increased uncertainty, good activity is generally expected for AF's construction operations in both Norway and Sweden in the future.

House prices rose 5.2 per cent in Norway in 2021, where housing inflation slowed throughout the year. Although price growth so far in 2022 has been strong, Eiendom Norge expects a more moderate development for the Norwegian housing market going forward. At its interest rate meeting in March 2022, Norges Bank decided to raise the key rate from 0.50 per cent to 0.75 per cent, and the forecast from Norges Bank indicates that the interest rate will increase to around 2.5 per cent by the end of next year. In Sweden, the housing

market in 2021 was characterised by price increases and increased sales volumes, but here too growth slowed during the year. In February 2022, the Swedish Riksbank decided to maintain a zero interest rate, and has stated that it expects to keep the base rate at zero until the second half of 2024. Increased construction costs also constitute an uncertainty factor for the property business, with great pressure on project profitability.

Demand for energy and environmentally-related services is growing. For example, Norwegian authorities have set ambitious targets for reducing energy use up to 2030, and high electricity prices make investments in energy-efficient measures very attractive. The market potential for the offshore business is also considerable. The British industry organisation Oil & Gas UK expects a high volume for the demolition and removal of decommissioned oil installations is expected going forward. It is expected that more than 1,000,000 tonnes of top deck will be removed in the North Sea during the period from 2020 to 2029.

The forecasts for the various markets in which AF Gruppen operates generally provide a good starting point for AF Gruppen's further growth.

The strategy for the period 2021-2024 continues AF Gruppen's ambitions for profitability and growth. The target for 2024 is revenues of 40 billion, a return on capital employed above 20 per cent and an operating margin above 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 shall halve relative greenhouse gas emissions and halve unsorted waste and contaminated masses sent to incineration or landfill as a share of revenue per service type by 2030. Four initiatives will be prioritised to achieve these goals: disciplines and management, customers and suppliers, climate and environment as well as innovation. In 2021, the Board has followed up work on the operationalisation of the initiatives as well as the plans for the business units that have been prepared to specify their contribution to the overall strategy. For AF Gruppen, a good order backlog lays the foundation for a high level of activity in 2021 as well.

AF has a solid corporate culture based on professionalism and high ethical standards as well as employees with a high level of expertise who work hard for the community. Our market position in services that solve society's climate and environmental challenges is strong. Combined with strategic priorities and a strong financial position, this 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 2021

OSLO, 31 MARCH 2022

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

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## CONTRACTS ANNOUNCED ON OSLO BØRS IN 2021<sup>1)</sup>

Business area	Customer	Project	Contract amount excl. VAT	Currency
Civil Engineering	Sporveien	Upgrade metro line from Bryn to Hellerud	360	NOK
Civil Engineering	Statkraft	Rehabilitation of the Nesjø dam	235	NOK
Construction	Construction City Holding AS	Commercial building at Ulven, Oslo	1,784	NOK
Construction	Statsbygg	The Viking Age Museum	874	NOK
Construction	Skårersletta 50 Holding	296 apartments, Lørenskog	714	NOK
Construction	Eiendomsplan og USBL	258 apartments at Løren, Oslo	709	NOK
Construction	Kultur- og idrettsbygg Oslo KF	Construction of the new Tøyenbadet	520	NOK
Construction	Halden kommune	Os School, Halden	493	NOK
Construction	Sandsliåsen Utbygging (Selvaag Bolig)	199 apartments, Bergen	404	NOK
Construction	Fyrstikkbakken 14	163 apartments, Oslo	370	NOK
Construction	Brekkeveien 19 Utvikling	146 apartments, Ås	341	NOK
Construction	Helse Sør-Øst RHF	Entreprise 2304 Tett hus sentralbygg, Drammen hospital	285	NOK
Construction	Fredensborg Bolig	38 apartments in Sannerkvartalet, Oslo	157	NOK
Construction	Nygård Boligutvikling Holding	71 apartments at Kværnerhøyden, Oslo	150	NOK
Construction	Trolldalen 1 BRL	Rehabilitate 900 bathrooms, Moss	138	NOK
Construction	Seff Holding	Rehabilitation of commercial building at Tøyen, Oslo	136	NOK
Construction	Lissos Eiendom AS	Construction of housing and commercial building, Drammen	128	NOK
Construction	Usbl Utbygging AS	48 apartments, Drammen	126	NOK
Betonmast	Construction City Holding AS	Construction of commercial building at Ulven, Oslo	892	NOK
Betonmast	Studentsamskipnaden Trondheim	800 student apartments, Trondheim	650	NOK
Betonmast	Entra	Rehabilitation of commercial building, Oslo	485	NOK
Betonmast	Abrdn Std. Investm. og Ailon Group	182 rental apartments, Stockholm	390	SEK
Betonmast	Abrdn Std. Investm. og Ailon Group	Construction of rental apartments/apartment hotels, Malmö	374	SEK
Betonmast	Volvo	Parking garage and office, Gothenburg	350	SEK
Betonmast	Oslobygg KF	Construction of Hovseter School, Oslo	350	NOK
Betonmast	Ås kommune	Construction of Åsgård School, Ås	330	NOK
Betonmast	Sverigehuset	187 apartments in Stigbergshyllan, Göteborg	316	SEK
Betonmast	Selvaag Bolig ASA og Relog AS	123 apartments at Lade, Trondheim	310	NOK
Betonmast	Rikshem	260 apartments, Malmö	270	SEK
Betonmast	Utstillingsplassen Eiendom AS	Construction of commercial building in Sverdrupgate 47, Hamar	268	NOK
Betonmast	ByggVesta Development AB	222 apartments and student apartments, Stockholm	266	SEK
Betonmast	Trianon	Housing and commercial building, Malmö	266	SEK
Betonmast	HSB Bostad	152 housing association apartments, Stockholm	255	SEK
Betonmast	Ringerike kommune	Construction of Hov School, Hønefoss	225	NOK
Betonmast	Balder	144 apartments, Stockholm	225	SEK
Betonmast	Nordre Follo kommune	Construction of Sofiemyr School	210	NOK
Betonmast	Anthon B Nilsen Eiendom	Rehabilitation of Øvre Vollgate 13, Oslo	200	NOK
Betonmast	Trøndelag Fylkeskommune	Rehabilitation and construction of Trondheim Cathedral School	190	NOK
Betonmast	HSB Södermanland	62 apartments og 24 townhouse apartments, Södertälje	185	SEK
Betonmast	Averøy kommune	Construction of Averøy School	150	NOK
Energy and Environment	Helse Sør-Øst RHF	Heating and cooling system, Drammen Hospital	200	NOK
Sweden	OBOS	115 apartments in Sollentuna, Stockholm	270	SEK
Sweden	Genova Property Group og Redito	133 apartments in Knivsta, south of Uppsala	210	SEK
Sweden	Wallenstam	186 apartments Uppsala, Sweden	200	SEK
Sweden	Klinga Logistikpark AB	Groundwork and foundations for Klinga logistics park	200	SEK
Sweden	OBOS Kärnhem	107 apartments in Brunshög, Lund	180	SEK
Sweden	OX 2 Construction AB	Groundwork and foundations for Wind park in Karskurv	170	SEK
Sweden	SBB	80 senior apartments, Västerås	162	SEK
Sweden	NRT	Groundwork and foundations for two wind parks, Sweden	160	SEK
Sweden	Riksbyggen	121 apartments, Gävle	160	SEK
Sweden	Vänersborg Kretslopp & Vatten	Modernisation of water treatment plant, Vänersborg	152	SEK
Sweden	Familjebostäder	600 apartments, Stockholm	148	SEK
Sweden	Ytterbygg AB	Groundwork for plots at Rollsbo Västerhöjd, Kungälv	143	SEK
Sweden	Logicens	Groundwork and foundations for logistics center, Stockholm	130	SEK
Sweden	OBOS Kärnhem	67 apartments, Eskilstuna	126	SEK

<sup>1)</sup> An additional 11 contracts have been announced to Oslo Børs in 2021 from the business areas Construction (3), Betonmast (5) and Sweden (3). Included in the list are the most significant contracts according to contract amount.



## BUILDING TUNNELS IN THREE LEVELS

When the Swedish Transport Administration had to choose a new contractor for the contract FSE305 Lovö Rock Tunnels, it was AF's core competence in tunnel construction and uncompromising attitude to a safe working environment that played a decisive role. The contract on the island of Lovön is part of E4 Förbifart Stockholm (Stockholm bypass project), one of Sweden's largest infrastructure projects. In total, AF is building 19 kilometres of tunnels on three levels – two tunnels with three lanes in each section, as well as associated supply tunnels. Providing adequate warning when detonating explosives is a significant safety challenge. In collaboration with the client and subcontractors, AF has developed a technical solution for interconnection of fixed and radio-based alarm systems. The solution won the Swedish Transport Administration's working environment award for 2021, and ensures coverage for evacuation alarms throughout the safety area.



**RESPECT FOR ENERGY.** Even at very low speeds, there are enormous forces at play when large construction machines are in use. Respect for the energy we handle and the use of barriers gives us control over risk and prevents accidents.

## FINANCIAL STATEMENT

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## INCOME STATEMENT

Amounts in NOK million	Note	For the financial year		
		2021	2020	2019
Operating revenue	6	27,751	26,944	22,496
Other revenue	6	117	81	115
<b>Total operating and other revenue</b>		<b>27,868</b>	<b>27,025</b>	<b>22,612</b>
Subcontractors		-14,633	-15,041	-11,415
Cost of materials		-4,440	-3,712	-3,668
Payroll costs	7, 32	-5,142	-4,953	-4,205
Depreciation and impairment of property, plant and equipment	14	-206	-193	-193
Amortisation and impairment of right of use assets	15	-360	-377	-300
Amortisation and impairment of intangible assets	13	-1	-3	-54
Other operating expenses	8	-1,677	-1,571	-1,682
<b>Total operating expenses</b>		<b>-26,459</b>	<b>-25,850</b>	<b>-21,517</b>
Net gains/(losses)	9	99	89	40
Profit from associated companies and joint ventures	27, 28	101	216	201
<b>Earnings before interest and tax (EBIT)</b>		<b>1,609</b>	<b>1,480</b>	<b>1,335</b>
Net financial items	19	-29	-33	-18
<b>Earnings before tax (EBT)</b>		<b>1,580</b>	<b>1,447</b>	<b>1,317</b>
Income tax expense	25, 26	-351	-289	-290
<b>Profit for the year</b>		<b>1,229</b>	<b>1,158</b>	<b>1,027</b>
<i>Attributable to:</i>				
Shareholders of the Parent Company		1,019	971	854
Non-controlling interests		210	187	173
<b>Profit for the year</b>		<b>1,229</b>	<b>1,158</b>	<b>1,027</b>
Earnings per share (NOK)	21	9.60	9.29	8.51
Diluted earnings per share (NOK)	21	9.57	9.27	8.46
Dividend per share (NOK) <sup>1)</sup>	21	6.50	10.50	9.50

<sup>1)</sup> Dividend for 2021 has been proposed for payment first half of 2022.

## COMPREHENSIVE INCOME

Amounts in NOK million	Note	2021	2020	2019
Profit for the year		1,229	1,158	1,027
Change in actuarial gains or losses on pensions (gross)	18	-3	-	-2
Change in actuarial gains or losses on pensions (tax)	26	1	-	1
Translation differences for non-controlling interests		-8	14	-3
<b>Other comprehensive income that will not be reclassified to the income statement</b>		<b>-10</b>	<b>14</b>	<b>-4</b>
Change in cash flow hedging (gross)	23	35	-26	5
Change in cash flow hedging (tax)	23, 26	-8	6	-1
Translation differences for majority interests		-46	66	-24
<b>Other comprehensive income that may be reclassified to the income statement</b>		<b>-19</b>	<b>46</b>	<b>-20</b>
<b>Total other comprehensive income (OCI)</b>		<b>-30</b>	<b>60</b>	<b>-24</b>
<b>Total comprehensive income for the year</b>		<b>1,199</b>	<b>1,218</b>	<b>1,003</b>
<i>Attributable to:</i>				
- Shareholders of the Parent Company		997	1,016	832
- Non-controlling interests		202	202	170
<b>Total comprehensive income for the year</b>		<b>1,199</b>	<b>1,218</b>	<b>1,003</b>

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

Amounts in NOK million	Note	2021	2020
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14, 34	1,437	1,493
Right-of-use assets	15	780	887
Intangible assets	13	4,335	4,367
Associated companies and joint ventures	27, 28	639	547
Deferred tax assets	26	7	16
Interest-bearing receivables	20, 22, 24	282	443
Pension plan and other financial assets	18, 23, 24	10	8
<b>Total non-current assets</b>		<b>7,490</b>	<b>7,760</b>
<b>CURRENT ASSETS</b>			
Inventories	11	198	225
Projects for own account	12	51	135
Trade receivables and contract assets	10, 24	4,623	3,968
Interest-bearing receivables	20, 24	65	66
Cash and cash equivalents	20, 24	680	708
<b>Total current assets</b>		<b>5,618</b>	<b>5,101</b>
<b>Total assets</b>		<b>13,108</b>	<b>12,862</b>

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

Amounts in NOK million	Note	2021	2020
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDER'S EQUITE</b>			
Equity attributable to Parent Company shareholders		2,654	2,593
Non-controlling interests	30	918	901
<b>Total equity</b>		<b>3,572</b>	<b>3,494</b>
<b>LONG-TERM LIABILITIES</b>			
Interest-bearing loans and credit facilities	20, 22, 24	90	155
Interest-bearing loans - Lease liability	15, 20, 22, 24	554	633
Pension liabilities	18	6	3
Provisions for liabilities	16	100	92
Deferred tax	26	585	516
Derivatives	22, 23, 24	8	26
<b>Total non-current liabilities</b>		<b>1,343</b>	<b>1,426</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing loans and credit facilities	20, 22, 24	54	8
Interest-bearing loans - Lease liability	15, 20, 22, 24	301	330
Trade payables and current non-interest-bearing liabilities	17, 24	6,956	6,691
Derivatives	22, 23, 24	24	46
Provisions for liabilities	16	625	629
Current tax payable	25	232	236
<b>Total current liabilities</b>		<b>8,193</b>	<b>7,942</b>
<b>Total liabilities</b>		<b>9,536</b>	<b>9,368</b>
<b>Total equity and liabilities</b>		<b>13,108</b>	<b>12,862</b>

OSLO, 31 MARCH 2022

Pål Egil Rønn      Hege Børmark      Saloume Djoudat      Kristian Holth      Arne Baumann      Kjetel Digre  
 Board Chairman

Amund Tøftum      Kenneth Svendsen      Arne Sveen      Hilde Wikesland Flaen      Kristina Alvendal  
 CEO

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## 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
<b>2019</b>										
Equity as at 1 January 2019		5	252	19	-16	-32	1,500	1,727	378	2,105
Profit for the year		-	-	-	-	-	854	854	173	1,027
Other comprehensive income for the year		-	-	-24	-2	4	-	-21	-3	-24
<b>Total comprehensive income for the year</b>		-	-	-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
<b>Equity as at 31 December 2019</b>		<b>5</b>	<b>935</b>	<b>-4</b>	<b>-18</b>	<b>-29</b>	<b>1,302</b>	<b>2,189</b>	<b>809</b>	<b>2,999</b>
<b>2020</b>										
Profit for the year		-	-	-	-	-	971	971	187	1,158
Other comprehensive income for the year		-	-	66	-	-20	-	46	14	60
<b>Total comprehensive income for the year</b>		-	-	<b>66</b>	-	<b>-20</b>	<b>971</b>	<b>1,016</b>	<b>202</b>	<b>1,218</b>
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	16	-	-	-	-	-	40	40	-7	34
Transactions with non-contr. interests		-	-	-	-	-	-92	-92	-1	-93
<b>Equity as at 31 December 2020</b>		<b>5</b>	<b>756</b>	<b>62</b>	<b>-18</b>	<b>-49</b>	<b>1,839</b>	<b>2,593</b>	<b>901</b>	<b>3,494</b>
<b>2021</b>										
Profit for the year		-	-	-	-	-	1,019	1,019	210	1,229
Other comprehensive income for the year		-	-	-46	-2	27	-	-21	-8	-30
<b>Total comprehensive income for the year</b>		-	-	<b>-46</b>	<b>-2</b>	<b>27</b>	<b>1,019</b>	<b>997</b>	<b>202</b>	<b>1,199</b>
Share capital increases	31	-	118	-	-	-	-	118	2	121
Purchase of treasury shares	31	-	-	-	-	-	-27	-27	-	-27
Sale of treasury shares	31	-	-	-	-	-	51	51	-	51
Dividend adopted and paid		-	-427	-	-	-	-689	-1,116	-186	-1,301
Share value-based remuneration	7	-	55	-	-	-	-	55	7	62
Transactions with non-contr. interests		-	-	-	-	-	-18	-18	-8	-26
<b>Equity as at 31 December 2021</b>		<b>5</b>	<b>501</b>	<b>16</b>	<b>-20</b>	<b>-22</b>	<b>2,175</b>	<b>2,654</b>	<b>918</b>	<b>3,572</b>

## CASH FLOW STATEMENT

Amounts in NOK million	Note	2021	2020	2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit before tax		1,580	1,447	1,317
Depreciation and write-downs	13, 14	567	573	547
Change in retirement benefit liabilities	18	-	3	-
Share-based remuneration recognized in equity		62	51	32
Net financial expenses/(income)	19	29	33	18
Net (gains)/losses	9	-99	-89	-40
Profit attributable to associated companies and joint ventures	27, 28	-101	-216	-201
Change in operating capital (excluding acquisitions and foreign currency)				
Change in inventories and projects for own account	11, 12	18	-8	-37
Change in trade receivables and contract assets	10	-672	225	-185
Change in trade payables and other non-interest-bearing liabilities	16	314	-453	234
Income tax paid		-283	-376	-177
<b>Net cash flow from operating activities</b>		<b>1,415</b>	<b>1,189</b>	<b>1,508</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Acquisition of business	5	-	-2	-636
Investments in associated companies and joint ventures		-119	-110	-87
Purchase of property, plant and equipment and intangible assets	13, 14	-207	-219	-324
Proceeds from the sale of business	5	-	1	-
Proceeds from the sale of property companies		57	-	11
Proceeds from sale of property, plant and equipment		113	113	82
Payments for derivatives		-8	-5	-
Dividends and capital received from associated companies and joint ventures		109	340	133
Payments due to change in interest-bearing receivables	20	-10	-85	-150
Proceeds due to change in interest-bearing receivables	20	217	43	100
Interest and other financial income received	19	23	35	33
<b>Net cash flow from investment activities</b>		<b>175</b>	<b>112</b>	<b>-838</b>
<b>Net cash flow before financing activities</b>		<b>1,589</b>	<b>1,301</b>	<b>670</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Issuance of shares		119	410	555
Dividends paid to shareholders in the Parent Company		-1,116	-1,001	-859
Dividends paid to non-controlling interests		-186	-162	-148
Transactions with non-controlling interests		-28	-46	-113
Proceeds from new interest-bearing debt	20	50	37	159
Repayment of interest-bearing debt	20	-393	-336	-324
Net (purchase)/sale of treasury shares	31	24	-10	29
Interest and other financial expenses paid	19	-35	-58	-55
<b>Net cash flow from financing activities</b>		<b>-1,565</b>	<b>-1,166</b>	<b>-758</b>
<b>Net change in cash and cash equivalents</b>		<b>24</b>	<b>135</b>	<b>-88</b>
Cash and cash equivalents as at 1 December	20	708	563	656
Foreign exchange effect on cash and cash equivalents		-52	10	-5
<b>Cash and cash equivalents as at 31 December</b>	<b>20</b>	<b>680</b>	<b>708</b>	<b>563</b>

## 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 31 March 2022.

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 exercises 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 2021, the Group 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 2021 include:

#### Interest rate assessment reform phase 2: Changes to IFRS 4, IFRS 7, IFRS 16, IFRS 9 and IAS 39

The changes provide a temporary exemption to the effects on financial reporting when the interbank offered rate (IBOR) is replaced by an alternative virtually risk-free interest rate (RFR). The change can have a financial effect, but also in terms of accounting related to effective hedging. The changes include the following practical exemptions:

- Contract changes, or changes in cash flows that are directly required by the reform, is treated as changes in a floating interest rate, corresponding to movement in a market interest rate.
- Allow those changes required by the IBOR reform to be updated in the hedge definitions and hedge documentation without terminating the hedging.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as hedging of a risk component.

The changes have not had any effect on the Group's consolidated financial statements. AF Gruppen will use the practical exemptions to the interest rate change reform if this becomes relevant in future periods.

#### Exemption in IFRS 16 Leases - Covid-19

In May 2020, IASB adopted a new practical 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 is that the change in the lease is a direct consequence of the Covid-19 pandemic. The exemption was supposed to last until May 2021, but since the effects of COVID-19 still apply, the period was extended to May 2022. AF Gruppen will not make use of 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 taken effect at the end of 2021. 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 2021 on the basis of the Civil Engineering, Construction, Betonmast, Property, Energy and Environment, Sweden and Offshore business areas. Betonmast was established as a separate business area as of its acquisition on 31 October 2019. The business units Eiqon and Consolvo have been transferred from the business area Construction to the business area Civil Engineering from 1 January 2021. Comparative figures have been restated.

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, Målselv Maskin & Transport, Eiqon and Consolvo.

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, AF Håndverk, 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 Rosand, 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. The business area consists of the business units AF Eiendom and LAB Eiendom.

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. 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, AF Prefab i Mälardalen, 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 6 Operating and other revenue. In addition, the Property business area is engaged in projects for own account related to the development and construction of residential units 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 17.0 per cent (16.0 per cent) of AF Gruppen's total operating revenues. In 2021, revenue of NOK 4,716 million (4,323 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 6.4 per cent (6.2 per cent) of the revenues of AF Gruppen in 2021, and this represents revenue of NOK 1,784 million (1,679 million) related to projects for Nye Veier.

### IMPAIRMENT LOSSES

There have been no write-downs in 2021. In 2020 goodwill was written down by NOK 1 million related to closed business in Civil Engineering.

**NOTE 4 SEGMENT INFORMATION CONT.**

Amounts in NOK million	Civil Engineering	Construction	Betone-mast	Property	Energy and Environment	Sweden	Offshore	Other	Elim.	GAAP adjustment	Total
<b>2021</b>											
<b>INCOME STATEMENT</b>											
External revenue	5,597	8,740	7,166	35	1,047	4,317	847	94	-50	75	27,868
Internal revenue	405	125	4	-	104	7	1	57	-703	-	-
<b>Total revenue</b>	<b>6,002</b>	<b>8,865</b>	<b>7,170</b>	<b>35</b>	<b>1,152</b>	<b>4,325</b>	<b>848</b>	<b>150</b>	<b>-754</b>	<b>75</b>	<b>27,868</b>
Earnings before interest, tax, depreciation and amortisation (EBITDA)	734	532	214	76	170	326	115	32	-16	-7	2,176
Earnings before interest and tax (EBIT)	515	447	171	75	109	262	83	-30	-16	-7	1,609
Earnings before tax (EBT)	510	450	149	76	107	257	78	-21	-19	-7	1,580
<b>KEY FIGURES AND FINANCIAL STATEMENT</b>											
EBITDA margin	12.2%	6.0%	3.0%	-	14.8%	7.5%	13.6%	-	-	-	7.8%
Operating margin	8.6%	5.0%	2.4%	-	9.4%	6.1%	9.8%	-	-	-	5.8%
Profit margin	8.5%	5.1%	2.1%	-	9.3%	6.0%	9.2%	-	-	-	5.7%
Assets as at 31 December	2,229	4,554	3,615	735	706	1,977	988	1,894	-3,505	-85	13,108
Capital employed as at 31 December	727	1,670	1,371	703	308	915	512	1,300	-2,846	-88	4,571
Number of employees as at 31 December	1,406	1,551	943	25	254	839	214	181	-	-	5,413
<b>REMAINING PERFORMANCE OBLIGATIONS (ORDER BACKLOG)</b>											
Order backlog 2022	3,891	8,804	7,066	-	589	2,915	837	-	-235	172	24,040
Order backlog, subsequent years	2,988	4,745	4,334	-	125	1,851	677	-	-113	-	14,607
<b>Total order backlog as at 31 December</b>	<b>6,878</b>	<b>13,549</b>	<b>11,400</b>	<b>-</b>	<b>714</b>	<b>4,766</b>	<b>1,515</b>	<b>-</b>	<b>-348</b>	<b>172</b>	<b>38,646</b>
<b>DISTRIBUTION OF REVENUE BY REVENUE STREAMS</b>											
Revenue from civil engineering contracts	6,002	-	236	-	-	2,336	-	-	-318	-	8,256
Revenue from construction contracts	-	8,859	6,925	-	-	1,845	-	-	-377	75	17,327
Revenue from onshore and offshore demolition activities	-	-	-	-	692	140	581	-	-59	-	1,354
Revenue from other types of contracts	-	6	8	35	459	4	267	150	-	-	931
<b>Total revenue</b>	<b>6,002</b>	<b>8,865</b>	<b>7,170</b>	<b>35</b>	<b>1,152</b>	<b>4,325</b>	<b>848</b>	<b>150</b>	<b>-754</b>	<b>75</b>	<b>27,868</b>
<b>DISTRIBUTION OF REVENUE BY GEOGRAPHY</b>											
Revenue in Norway	4,980	8,865	5,194	35	1,152	-	848	150	-754	119	20,589
Revenue in Sweden	995	-	1,976	-	-	4,325	-	-	-	-44	7,251
Revenue in other countries	27	-	-	-	-	-	-	-	-	-	27
<b>Total revenue</b>	<b>6,002</b>	<b>8,865</b>	<b>7,170</b>	<b>35</b>	<b>1,152</b>	<b>4,325</b>	<b>848</b>	<b>150</b>	<b>-754</b>	<b>75</b>	<b>27,868</b>
<b>CASH FLOW</b>											
Net cash flow from operating activities	593	36	268	-38	144	226	175	11	-	-	1,415
Net cash flow from investing activities	-15	-12	92	212	-25	-37	-6	-25	-	-	184
<b>Net cash flow before financing activities</b>	<b>578</b>	<b>24</b>	<b>360</b>	<b>174</b>	<b>119</b>	<b>189</b>	<b>169</b>	<b>-14</b>	<b>-</b>	<b>-</b>	<b>1,599</b>

**NOTE 4 SEGMENT INFORMATION CONT.**

Amounts in NOK million	Civil Engineering	Construction	Betone-mast	Property	Energy and Environment	Sweden	Offshore	Other	Elim.	GAAP adjustment	Total
<b>2020</b>											
<b>INCOME STATEMENT</b>											
External revenue	4,818	8,507	7,862	33	796	4,121	671	62	49	106	27,025
Internal revenue	399	178	1	-	166	16	1	44	-805	-	-
<b>Total revenue</b>	<b>5,218</b>	<b>8,684</b>	<b>7,862</b>	<b>33</b>	<b>962</b>	<b>4,138</b>	<b>672</b>	<b>106</b>	<b>-756</b>	<b>106</b>	<b>27,025</b>
Earnings before interest, tax, depreciation and amortisation (EBITDA)	543	584	289	136	108	303	7	59	2	21	2,053
Earnings before interest and tax (EBIT)	314	502	261	135	54	219	-25	-3	2	21	1,480
Earnings before tax (EBT)	292	513	252	132	52	212	-40	10	2	21	1,447
<b>KEY FIGURES AND FINANCIAL STATEMENT</b>											
EBITDA margin	10.4%	6.7%	3.7%	-	11.2%	7.3%	1.1%	-	-	-	7.6%
Operating margin	6.0%	5.8%	3.3%	-	5.6%	5.3%	-3.7%	-	-	-	5.5%
Profit margin	5.6%	5.9%	3.2%	-	5.5%	5.1%	-5.9%	-	-	-	5.4%
Assets as at 31 December	2,437	4,332	3,528	894	650	1,766	1,055	1,849	-3,572	-75	12,862
Capital employed as at 31 December	951	1,626	1,369	844	282	880	631	1,069	-2,953	-78	4,621
Number of employees as at 31 December	1,479	1,497	983	26	283	843	220	179	-	-	5,510
<b>REMAINING PERFORMANCE OBLIGATIONS (ORDER BACKLOG)</b>											
Order backlog 2021	4,245	6,125	5,161	-	589	2,810	650	-	-85	247	19,742
Order backlog, subsequent years	3,074	3,549	2,112	-	115	1,310	715	-	-	-	10,876
<b>Total order backlog as at 31 December</b>	<b>7,319</b>	<b>9,674</b>	<b>7,274</b>	<b>-</b>	<b>703</b>	<b>4,120</b>	<b>1,365</b>	<b>-</b>	<b>-85</b>	<b>247</b>	<b>30,617</b>
<b>DISTRIBUTION OF REVENUE BY REVENUE STREAMS</b>											
Revenue from civil engineering contracts	5,218	-	212	-	-	1,867	-	-	-317	-	6,979
Revenue from construction contracts	-	8,680	7,608	-	-	2,152	-	-	-370	106	18,176
Revenue from onshore and offshore demolition activities	-	-	-	-	623	116	344	-	-69	-	1,014
Revenue from other types of contracts	-	4	42	33	339	3	328	106	-	-	856
<b>Total revenue</b>	<b>5,218</b>	<b>8,684</b>	<b>7,862</b>	<b>33</b>	<b>962</b>	<b>4,138</b>	<b>672</b>	<b>106</b>	<b>-756</b>	<b>106</b>	<b>27,025</b>
<b>DISTRIBUTION OF REVENUE BY GEOGRAPHY</b>											
Revenue in Norway	4,998	8,684	5,803	33	962	-	672	106	-756	131	20,634
Revenue in Sweden	162	-	2,059	-	-	4,138	-	-	-	-25	6,334
Revenue in other countries	57	-	-	-	-	-	-	-	-	-	57
<b>Total revenue</b>	<b>6,002</b>	<b>8,684</b>	<b>7,862</b>	<b>33</b>	<b>962</b>	<b>4,138</b>	<b>672</b>	<b>106</b>	<b>-756</b>	<b>106</b>	<b>27,025</b>
<b>CASH FLOW</b>											
Net cash flow from operating activities	234	147	373	-58	119	278	120	-25	-	-	1,189
Net cash flow from investing activities	-91	12	-60	204	-4	7	-25	69	-	-	112
<b>Net cash flow before financing activities</b>	<b>143</b>	<b>159</b>	<b>314</b>	<b>145</b>	<b>115</b>	<b>286</b>	<b>95</b>	<b>44</b>	<b>-</b>	<b>-</b>	<b>1,301</b>

**NOTE 4 SEGMENT INFORMATION CONT.**

Amounts in NOK million	Civil Engineering	Construction	Betonmast	Property	Energy and Environment	Sweden	Offshore	Other	Elim.	GAAP adjustment	Total
<b>2019</b>											
<b>INCOME STATEMENT</b>											
External revenue	6,605	9,597	1,226	18	939	3,681	677	50	-206	25	22,612
Internal revenue	394	25	-	-	133	2	2	35	-592	-	-
<b>Total revenue</b>	<b>6,999</b>	<b>9,622</b>	<b>1,226</b>	<b>18</b>	<b>1,072</b>	<b>3,683</b>	<b>679</b>	<b>85</b>	<b>-797</b>	<b>25</b>	<b>22,612</b>
Earnings before interest, tax, depreciation and amortisation (EBITDA)	647	668	59	108	127	209	-4	39	-16	46	1,882
Earnings before interest and tax (EBIT)	432	598	49	107	78	149	-83	-25	-16	46	1,335
Earnings before tax (EBT)	429	614	46	100	75	146	-94	-29	-16	46	1,317
<b>KEY FIGURES AND FINANCIAL STATEMENT</b>											
EBITDA margin	9.2%	6.9%	4.8%	-	11.8%	5.7%	-0.7%	-	-	-	8.3%
Operating margin	6.2%	6.2%	4.0%	-	7.3%	4.0%	-12.2%	-	-	-	5.9%
Profit margin	6.1%	6.4%	3.8%	-	7.0%	4.0%	-13.9%	-	-	-	5.8%
Assets as at 31 December	2,629	4,732	3,266	840	674	1,617	1,378	2,381	-4,578	-85	12,854
Capital employed as at 31 December	995	1,607	1,160	785	294	683	916	1,143	-3,300	-100	4,183
Number of employees as at 31 December	1,543	1,471	1,006	28	271	798	237	182	-	-	5,536
<b>REMAINING PERFORMANCE OBLIGATIONS (ORDER BACKLOG)</b>											
Order backlog 2020	3,890	5,952	5,778	-	371	2,184	495	-	406	363	19,440
Order backlog, subsequent years	2,464	3,163	1,515	-	-	762	856	-	-	-	8,760
<b>Total order backlog as at 31 December</b>	<b>6,355</b>	<b>9,115</b>	<b>7,293</b>	<b>-</b>	<b>371</b>	<b>2,946</b>	<b>1,351</b>	<b>-</b>	<b>406</b>	<b>363</b>	<b>28,200</b>
<b>DISTRIBUTION OF REVENUE BY REVENUE STREAMS</b>											
Revenue from civil engineering contracts	6,999	-	34	-	-	1,391	-	-	-294	-	8,130
Revenue from construction contracts	-	9,617	1,187	-	-	2,151	-	-	-454	25	12,526
Revenue from onshore and offshore demolition activities	-	-	-	-	623	138	259	-	-49	-	970
Revenue from other types of contracts	-	5	4	18	449	3	421	85	-	-	986
<b>Total revenue</b>	<b>6,999</b>	<b>9,622</b>	<b>1,226</b>	<b>18</b>	<b>1,072</b>	<b>3,683</b>	<b>679</b>	<b>85</b>	<b>-797</b>	<b>25</b>	<b>22,612</b>
<b>DISTRIBUTION OF REVENUE BY GEOGRAPHY</b>											
Revenue in Norway	6,955	9,622	953	18	1,072	-	679	85	-797	25	18,612
Revenue in Sweden	-	-	273	-	-	3,683	-	-	-	-	3,956
Revenue in other countries	44	-	-	-	-	-	-	-	-	-	44
<b>Total revenue</b>	<b>6,002</b>	<b>9,622</b>	<b>1,226</b>	<b>18</b>	<b>1,072</b>	<b>3,683</b>	<b>679</b>	<b>85</b>	<b>-797</b>	<b>25</b>	<b>22,612</b>
<b>CASH FLOW</b>											
Net cash flow from operating activities	537	892	67	-174	171	253	89	-325	-	-	1,508
Net cash flow from investing activities	-83	-22	-419	59	-8	-262	-31	-72	-	-	-838
<b>Net cash flow before financing activities</b>	<b>455</b>	<b>869</b>	<b>-352</b>	<b>-116</b>	<b>163</b>	<b>-9</b>	<b>57</b>	<b>-397</b>	<b>-</b>	<b>-</b>	<b>670</b>

**NOTE 5 ACQUISITION AND SALE OF BUSINESSES****ACQUISITION AND SALE OF BUSINESSES 2021**

The group had no business combinations in 2021.

**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
<b>Net cash consideration</b>	<b>1</b>

**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
<b>Net cash consideration</b>	<b>2</b>

**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	-
<b>Right-of-use assets</b>	<b>15</b>	<b>-5</b>
Amounts in NOK million	Note	Gustavsen og Hansen
Goodwill	13	2
<b>Intangible assets</b>	<b>13</b>	<b>2</b>

**NOTE 6 OPERATING AND OTHER REVENUE**

Amounts in NOK million	Note	2021	2020	2019
Revenue from construction contracts		26,767	25,901	21,874
Revenue from projects for own account	4	5	5	6
Revenue from sale of services		752	862	504
Revenue from sale of goods		228	176	112
<b>Total operating revenue</b>		<b>27,751</b>	<b>26,944</b>	<b>22,496</b>
Rental income		36	35	46
Other income		81	46	70
<b>Total other revenue</b>		<b>117</b>	<b>81</b>	<b>115</b>
<b>Total operating and other revenue</b>	<b>4</b>	<b>27,868</b>	<b>27,025</b>	<b>22,612</b>

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	2021	2020	2019
Share of operating revenue that is recognised over time	27,519	26,762	22,378
Share of operating revenue that is recognised at a particular point in time	232	182	118
<b>Total operating revenue</b>	<b>27,751</b>	<b>26,944</b>	<b>22,496</b>

**DISTRIBUTION OF OPERATING REVENUE BY CUSTOMER TYPE**

Share of operating revenue from public customers	6,316	8,025	8,842
Share of operating revenue from private customers	21,435	18,919	13,654
<b>Total operating revenue</b>	<b>27,751</b>	<b>26,944</b>	<b>22,496</b>

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 – Trade and contract assets. Information on contract obligations is presented in Note 17 – Trade payables and non-interest-bearing liabilities.

**RECOGNISED AS REVENUE UNDER PROJECTS IN PROGRESS**

Amounts in NOK million	2021	2020	2019
Amount that was included in the opening balance of contract obligations	1,010	1,188	960
Amount that relates to perf. obligations which were fully or partially satisfied in prev. periods	77	286	84

**NOTE 7 PAYROLL COSTS**

Amounts in NOK million	Note	2021	2020	2019
Fixed pay		-3,966	-3,863	-3,278
Payroll tax		-711	-635	-556
Retirement benefit costs	18	-212	-201	-151
Share value-based remuneration		-69	-51	-36
Other benefits		-185	-204	-184
<b>Total payroll costs</b>		<b>-5,142</b>	<b>-4,953</b>	<b>-4,205</b>

**RECONCILIATION OF SHARE VALUE-BASED REMUNERATION**

Share-value based remuneration – recognised	69	51	36
– of which share programme discount for shares from own holdings	-7	-10	-4
Deposit option premium for new option programme	-	4	-
<b>Share-value based remuneration through equity</b>	<b>62</b>	<b>46</b>	<b>33</b>

**AVERAGE NUMBER OF FULL-TIME EQUIVALENTS**

Norway	4,404	4,509	4,079
Sweden	1,042	980	784
Germany	13	11	9
Lithuania	11	22	33
China	-	-	2
<b>Total</b>	<b>5,469</b>	<b>5,521</b>	<b>4,905</b>

**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	2021	2020	2019
Number of shares sold from own holdings	193,997	284,774	132,703
Number of shares from new issues	806,003	715,226	544,608
Market price during subscription period (NOK)	183.84	172.28	161.00
Selling price (NOK)	147.10	137.80	128.80

**Accounting impact of sale of shares to employees:**

Payroll costs (discount on sale of shares including payroll tax)	-40	-28	-20
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**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 per cent 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 entails 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 and 150,000 options to 184 employees in 2021. The total number of outstanding options adjusted for employees who have left the company was 3,730,619 as at 31 December 2021. Recognised option costs for 2021 were NOK 31 million (16 million).

**NOTE 7 PAYROLL COSTS CONT.**

OPTIONS	Exercise deadline	Exercise price as at 31 December 2021 (NOK per share)	Number of options
<b>Number of options as at 31 December 2019</b>	<b>1/3/2020</b>		<b>3,151,893</b>
Correction for employees who have left before exercise date			-28,946
<b>Number of options as at 1 March 2020</b>	<b>1/3/2020</b>		<b>3,122,947</b>
Options not exercised			-904,953
Options exercised			-2,217,994
Options subscribed for in 2020	1/3/2023	160.47	3,850,000
Correction for employees who have left in 2020			-43,340
<b>Number of options as at 31 December 2020</b>	<b>1/3/2023</b>		<b>3,806,660</b>
Options subscribed for in 2021	1/3/2023	189.50	150,000
Correction for employees who have left in 2021			-226,041
<b>Number of options as at 31 December 2021</b>	<b>1/3/2023</b>		<b>3,730,619</b>

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

	2021	2020	2019
Expected dividend yield <sup>1)</sup>	2.6%	2.6%	2.8%
Historical volatility	31.3%	26.5%	20.3%
Risk-free interest	0.9%	0.2%	1.3%
Expected life of option (years)	1.8	2.8	0.8
Share/strike price per share at the point of subscription (NOK) <sup>1)</sup>	194.85	169.82	161.00

<sup>1)</sup> The yield calculation excludes dividends beyond 50 per cent 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	2021	2020	2019
<b>OTHER OPERATING EXPENSES</b>				
Rent		-52	-54	-53
Other rental expenses		-510	-485	-527
Insurance		-56	-59	-41
Contracted manpower		-110	-122	-176
Audit fees		-15	-16	-13
Other fees		-137	-144	-159
Bad debts	10	-7	-6	4
Disposal and landfill fees		-105	-119	-127
Marketing and advertising		-24	-23	-26
IT expenses		-169	-145	-115
Sundry other operating expenses		-493	-399	-449
<b>Total other operating expenses</b>		<b>-1,677</b>	<b>-1,571</b>	<b>-1,682</b>

Amounts in NOK 1000

	2021	2020	2019
<b>REMUNERATION OF THE GROUP'S ELECTED AUDITOR</b>			
Statutory auditing	-8,463	-7,080	-5,485
Other assurance engagements	-268	-62	-340
Tax consulting	-78	-130	-126
Other non-audit services	-684	-136	-18
<b>Total</b>	<b>-9,493</b>	<b>-7,409</b>	<b>-5,969</b>

	2021	2020	2019
<b>REMUNERATION OF OTHER AUDITORS</b>			
Statutory auditing	-4,772	-6,281	-5,329
Other services beyond auditing	-865	-2,133	-1,326
<b>Total</b>	<b>-5,637</b>	<b>-8,414</b>	<b>-6,655</b>

	2021	2020	2019
<b>Total auditor's fees</b>	<b>-15,130</b>	<b>-15,823</b>	<b>-12,624</b>

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

**NOTE 9 NET GAINS (LOSSES)**

Amounts in NOK million	2021	2020	2019
Gains (losses) on sale of businesses <sup>1)</sup>	-	15	-
Gains (losses) on sale of shares in property companies <sup>2)</sup>	38	-	7
Gains (losses) of financial assets for available for sale	-1	-	-
Fair value changes in derivatives	3	-2	-10
Net gains (losses) on financial assets to fair value through profit or loss	-2	-	-
Net (gains) losses on the sale of property, plant and equipment	71	72	44
Net foreign exchange gains (losses) related to operations	-9	3	-2
<b>Total net gains/(losses)</b>	<b>99</b>	<b>89</b>	<b>40</b>

<sup>1)</sup> Gains (losses) on sale of business in 2020 is related to the sale of Betonmast Bergen.

<sup>2)</sup> 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. For 2021 there is a gain for the Group of NOK 27 million related to the sale of shares in the associated company Construction City Eiendom AS, to OBOS Eiendom AS.

**NOTE 10 TRADE RECEIVABLES AND CONTRACT ASSETS**

Amounts in NOK million	Note	2021	2020
Invoiced trade receivables		4,230	3 806
Unearned revenue, invoiced on projects in progress		-1 298	-1 304
Provision for losses		-9	-9
<b>Contract receivables</b>	<b>6</b>	<b>2,923</b>	<b>2 493</b>
Earned revenue, not invoiced on projects in progress		789	568
Credit balances with clients <sup>1)</sup>		758	775
<b>Contract assets</b>	<b>6</b>	<b>1,547</b>	<b>1 343</b>
Tax paid in advance		15	11
Value-added tax and other public charges paid in advance		28	21
Prepaid expenses		53	46
Other current non-interest-bearing receivables		56	53
<b>Other non-interest-bearing receivables</b>		<b>153</b>	<b>131</b>
<b>Trade and other non-interest-bearing receivables</b>	<b>24</b>	<b>4,623</b>	<b>3,968</b>

<sup>1)</sup> 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 distribution per day:

Age distribution 2021	Not yet due	1-30	31-60	61-90	91-120	>120	Sum
Invoiced trade receivables	3,111	406	81	112	77	442	4,230
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

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

Provisions for losses on accounts receivable are related to the 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, see Note 8 - Other operating expenses.

**NOTE 11 INVENTORIES**

Amounts in NOK million	2021	2020
Spare parts and project inventories	93	134
Raw materials	50	34
Finished products	55	57
<b>Total inventories</b>	<b>198</b>	<b>225</b>

Inventories mainly consist of spare parts and equipment for use in production. Inventories were not subject to impairment in 2021.

NOK 4 (10) 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	2021	2020
Housing projects in progress	7	88
Completed residential units for sale	1	1
Land for development	43	46
<b>Total projects for own account</b>	<b>51</b>	<b>135</b>

**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 2,291 (2,993) residential units and 58,856 square meters (144,880 square meters) of commercial area. AF's share is 929 (1,357) residential units and 29,048 square meters (54,996 square meters) of commercial area.

COMPLETED RESIDENTIAL UNITS FOR SALE	2021	2020
Number of completed residential units for sale in subsidiaries	1	1
AF's share of completed residential units for sale in associated companies	8	7

**NOTE 13 INTANGIBLE ASSETS**

<i>Amounts in NOK million</i>	Note	Goodwill	Other intangible assets	Total
<b>ACQUISITION COST</b>				
1 January 2020		4,396	61	4,457
Ordinary additions		-	1	1
Additions from the acquisition of business	5	2	-	2
Disposals		-	-	-
Translation difference		62	-	62
<b>31 December 2020</b>		<b>4,459</b>	<b>62</b>	<b>4,521</b>
Ordinary additions		-	6	6
Disposals		-1	-10	-11
Translation difference		-36	-	-36
<b>31 December 2021</b>		<b>4,422</b>	<b>57</b>	<b>4,479</b>
<b>DEPRECIATION AND WRITE-DOWNS</b>				
1 January 2020		-93	-57	-150
Disposals		-	-	-
Depreciation for the year		-	-1	-1
Write-downs for the year		-1	-1	-2
<b>31 December 2020</b>		<b>-94</b>	<b>-59</b>	<b>-154</b>
Disposals		1	10	11
Depreciation for the year		-	-1	-1
Write-downs for the year		-	-	-
<b>31 December 2021</b>		<b>-93</b>	<b>-51</b>	<b>-144</b>
<b>CARRYING AMOUNT</b>				
Acquisition cost		4,459	62	4,521
Depreciation and write-downs		-94	-59	-154
<b>31 December 2020</b>		<b>4,365</b>	<b>2</b>	<b>4,367</b>
Acquisition cost		4,422	57	4,479
Depreciation and write-downs		-93	-51	-144
<b>31 December 2021</b>		<b>4,328</b>	<b>6</b>	<b>4,335</b>
<b>Other intangible assets</b>				
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:

<i>Amounts in NOK million</i>	2021	2020
Consolvo	166	158
Målselv Maskin & Transport	64	64
AF Anlegg	37	37
<b>Total Civil Engineering</b>	<b>266</b>	<b>259</b>
Strøm Gundersen	457	464
LAB Entreprenør	432	432
Haga & Berg	147	147
Åsane Byggmesterforretning	123	123
Helgesen Tekniske Bygg (HTB)	102	102
AF Håndverk	96	96
Fundamentering (FAS)	94	94
AF Bygg Østfold	47	47
<b>Total Construction</b>	<b>1,498</b>	<b>1,506</b>
Betonmast Romerike	462	462
Betonmast Construction Sweden	404	296
Betonmast Oslo	348	348
Betonmast Buskerud-Vestfold	165	165
Betonmast Boligbygg	184	184
Betonmast Østfold	98	98
Betonmast Røsand	94	94
Betonmast Trøndelag	90	90
<b>Total Betonmast</b>	<b>1,844</b>	<b>1,736</b>
AF AeronMollier	127	127
<b>Total Offshore</b>	<b>127</b>	<b>127</b>
AF Energi	54	54
AF Decom	37	37
<b>Total Energy and Environment</b>	<b>91</b>	<b>91</b>
HMB	353	378
Kanonaden Entreprenad	135	145
AF Bygg Göteborg	-	109
AF Härnösand Byggreturer	13	14
<b>Total Sweden</b>	<b>501</b>	<b>646</b>
<b>Book value as at 31 December</b>	<b>4,328</b>	<b>4,365</b>

**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	2021	2020
Growth rate <sup>1)</sup>	2.0%	2.0%
WACC before tax for offshore	11.0%	8.9%
WACC before tax for other	7.5%	6.1%
SWEDEN	2021	2020
Growth rate <sup>1)</sup>	1.5%	1.5%
WACC before tax	5.7%	5.1%

<sup>1)</sup> The growth rate is nominal and assumed to be perpetual.

**IMPAIRMENT TEST OF GOODWILL IN 2021**

Anticipated cash flows for 2022 in the calculation of the recoverable amount are based on the budget for 2022 approved by the management. If next year's budget is not representative and there are available 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, payroll costs and the 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 per cent is anticipated for all the business units in 2022.

The calculated value of the cash-generating units exceeds the recognised value of the assets tested with a relatively good margin at the end of 2021 for most of the units in the test. No write-down of goodwill was done in 2021.

**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 business 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 and still has relatively small margins between the estimated recoverable amount and the assets in the financial position. 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.

BUSINESS 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	250	100	229	211	162
Betonmast Romerike	595	100	536	417	298
LAB Entreprenør	325	100	298	275	210
HMB	339	100	305	238	170
Betonmast Oslo	540	100	483	437	247
AF AeronMollier	108	100	98	76	54

**A) SENSITIVITY ANALYSIS OF DISCOUNT RATE (WACC)**

The table below shows the relationship between the estimated recoverable amount and the recognised 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 of the assets) x 100 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 recoverable amount, the more robust the unit is with respect to a possible write-down. Lab Entreprenør, for example, has an estimated value that is 3.25 times higher than the assets to be justified in the test. 3.25 is then calculated as an index of 325 divided by an index of 100. Even with an increase in the WACC by 300 basis points, LAB Entreprenør will have an estimated value that is 2.1 times higher than what is necessary to justify the assets. If the index for the recoverable amount is less than 100, the recoverable amount is lower than the recognised 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.

**NOTE 13 INTANGIBLE ASSETS CONT.**

BUSINESS 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	321	100	286	258	185
Haga & Berg	564	100	500	454	323
Consolvo	499	100	495	401	288
LAB Entreprenør	380	100	334	298	208
Kanonaden Entreprenad	922	100	809	741	520
AF AeronMollier	148	100	137	128	101

**B) SENSITIVITY ANALYSIS OF CASH FLOWS**

As in the sensitivity analysis under A, the table shows the ratio between the estimated recoverable amount and the recognized value of the assets in the impairment test for AF Gruppen's largest goodwill items. The recognized value of the assets in the impairment test is expressed as index 100. Indexed recoverable amount (recoverable amount / recognized value of the assets) \* 100 represents how much the recoverable amount exceeds the recognized value. In addition, it is shown how the recoverable amount changes when the cash flow in the test is reduced by 10 per cent, 30 per cent and 50 per cent, respectively.

The higher the index for estimated recoverable amount, the more robust the unit is against any write-down. LAB Entreprenør, for example, has a calculated value that is 3.25 times higher than the assets to be defended in the test. 3.25 is then calculated as index 325 divided by index 100. Even with a reduction in cash flow of 50 per cent, LAB Entreprenør will have a calculated cash flow that is 1.62 times higher than what is necessary to defend the assets. If the index for recoverable amount is less than 100, the recoverable amount is lower than the book value of the assets in the impairment test, so that impairment of goodwill is necessary. The table shows, for example, that in the event of a reduction in estimated cash flow by 30 per cent, there is a need for impairment of goodwill allocated to AF AeronMollier.

BUSINESS UNIT	Recoverable amount in test	Book value of assets in test	Recoverable amount if cash flow in test reduced by:		
			10%	30%	50%
Strøm Gundersen	250	100	225	175	125
Betonmast Romerike	595	100	544	504	383
LAB Entreprenør	325	100	292	227	162
HMB	339	100	303	274	198
Betonmast Oslo	922	100	486	378	270
AF AeronMollier	108	100	103	97	81

BUSINESS UNIT	Recoverable amount in test	Book value of assets in test	Recoverable amount if cash flow in test reduced by:		
			10%	30%	50%
Strøm Gundersen	321	100	289	225	160
Haga & Berg	564	100	508	395	282
Consolvo	499	100	449	349	249
LAB Entreprenør	380	100	342	266	190
Kanonaden Entreprenad	922	100	830	645	461
AF AeronMollier	148	100	133	103	74

**NOTE 14** PROPERTY PLANT AND EQUIPMENT

<i>Amounts in NOK million</i>	Buildings and production plants	Machinery and equipment	Total
<b>ACQUISITION COST</b>			
1 January 2020	1,017	1,308	2,325
Ordinary additions	31	189	220
Disposals	-3	-200	-204
Translation differences	12	16	27
<b>31 December 2020</b>	<b>1,057</b>	<b>1,312</b>	<b>2,369</b>
Ordinary additions	6	198	204
Disposals	-9	-122	-131
Translation differences	-8	-9	-18
<b>31 December 2021</b>	<b>1,046</b>	<b>1,379</b>	<b>2,424</b>
<b>DEPRECIATION AND WRITE-DOWNS</b>			
1 January 2020	-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
<b>31 December 2020</b>	<b>-98</b>	<b>-778</b>	<b>-876</b>
Depreciation for the year	-23	-182	-205
Write-downs for the year	-1	-	-1
Accumulated depreciation on disposals for the year	9	80	88
Translation differences	1	5	6
<b>31 December 2021</b>	<b>-112</b>	<b>-875</b>	<b>-987</b>
<b>CARRYING AMOUNT</b>			
Acquisition cost	1,057	1,312	2,369
Depreciation and write-downs	-98	-778	-876
<b>31 December 2020</b>	<b>959</b>	<b>534</b>	<b>1,493</b>
Acquisition cost	1,046	1,379	2,424
Depreciation and write-downs	-112	-875	-987
<b>31 December 2021</b>	<b>934</b>	<b>504</b>	<b>1,437</b>

**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%

**PLEGDED 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 rented are sublet. For a group as a tenant, the amount presented is gross before deductions for rental income.

**RIGHT-OF-USE ASSETS**

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. Barracks 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.

Information on accounting policies for leases is available in Note 38 - Significant accounting policies.

<i>Amounts in NOK million</i>	Leased buildings and production plants	Leased machinery and equipment	Total
<b>ACQUISITION COST</b>			
1 January 2020	483	843	1,326
Additions	65	242	308
Disposals	-29	-195	-224
Disposals from the sale of business	-6	-	-6
Translation differences	2	8	10
<b>31 December 2020</b>	<b>516</b>	<b>898</b>	<b>1,414</b>
Additions	67	224	290
Disposals	-30	-179	-209
Translation differences	-2	-6	-8
<b>31 December 2021</b>	<b>551</b>	<b>936</b>	<b>1,487</b>
<b>DEPRECIATION AND WRITE-DOWNS</b>			
1 January 2020	-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
<b>31 December 2020</b>	<b>-155</b>	<b>-372</b>	<b>-527</b>
Depreciation for the year	-98	-262	-360
Accumulated depreciation on disposals for the year	30	158	188
Translation differences	-	-7	-7
<b>31 December 2021</b>	<b>-224</b>	<b>-483</b>	<b>-707</b>
<b>CARRYING AMOUNT</b>			
Acquisition cost	516	898	1,414
Depreciation and write-downs	-155	-372	-527
<b>31 December 2020</b>	<b>361</b>	<b>525</b>	<b>887</b>
Acquisition cost	551	936	1,487
Depreciation and write-downs	-224	-483	-707
<b>31 December 2021</b>	<b>328</b>	<b>453</b>	<b>780</b>

**NOTE 15 LEASES CONT.****LEASE LIABILITIES**

Undiscounted lease liability and maturity of outgoing cash flows. AF Gruppen is not bound by other lease agreements that have commenced. The leases do not contain restrictions regarding the Group's dividend policy or financing options.

**LEASED BUILDINGS AND PRODUCTION PLANTS**

Amounts in NOK million	Note	2021	2020
Rent due within 1 year		101	102
Rent due within 1–5 years		224	266
Rent due after 5 years		71	76
<b>Undiscounted lease obligation buildings and production plants</b>		<b>396</b>	<b>443</b>
- Of which interest payments		-28	-32
<b>Net present value lease obligation buildings and production plants</b>		<b>367</b>	<b>411</b>

**LEASED MACHINERY AND VEHICLES**

Amounts in NOK million	Note	2021	2020
Rent due within 1 year		214	243
Rent due within 1–5 years		257	296
Rent due after 5 years		31	25
<b>Undiscounted lease obligation machinery and vehicles</b>		<b>502</b>	<b>564</b>
- Of which interest payments		-15	-12
<b>Net present value lease obligation machinery and vehicles</b>		<b>487</b>	<b>552</b>

**TOTAL LEASE LIABILITIES**

Amounts in NOK million	Note	2021	2020
<b>Total undiscounted leased obligations</b>		<b>897</b>	<b>1,007</b>
- Of which interest payments		-43	-45
<b>Total net present value leased obligations</b>	20	<b>855</b>	<b>963</b>

**SUMMARY OF OTHER LEASE INCOME AND COSTS IN THE INCOME STATEMENT**

Amounts in NOK million	Note	2021	2020
Total income from the sublease of right of use assets		3	6
Operating costs related to short-term leases and variable lease payments	8	-562	-539
<b>Total lease cost included in operating costs</b>		<b>-559</b>	<b>-533</b>

**GROUP AS LESSOR**

In 2021, income of NOK 36 million (35 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 Helsefy Atrium. Minimum sublease income in related to Helsefy Atrium is presented the table below.

**AF Gruppen as lessee**

Amounts in NOK million	2021	2020	2019
Sublease rent due within 1 year	5	5	6
Sublease rent due within 1–5 years	10	15	19
Sublease rent due after 5 years	-	-	-
<b>Total</b>	<b>15</b>	<b>19</b>	<b>25</b>

**PLEGDED 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 <sup>1)</sup>	Contingent consideration <sup>2)</sup>	Non-controlling interests' put options <sup>3)</sup>	Other provisions	Total provisions
1 January 2020	308	56	137	246	747
Reversal of earlier provisions	-33	-47	-4	-32	-116
Provisions set aside during the year	130	2	74	-	205
<b>Total included in profit for the year</b>	<b>97</b>	<b>-45</b>	<b>69</b>	<b>-32</b>	<b>89</b>
Translation differences	2	4	9	-	16
<b>Total included in other revenues and expenses</b>	<b>2</b>	<b>4</b>	<b>9</b>	<b>-</b>	<b>16</b>
Additions during the year	-	-	27	-	27
Disposals from sale of business	-2	-	-	-	-2
Used during the year	-77	-	-60	-18	-155
<b>Total other changes</b>	<b>-79</b>	<b>-</b>	<b>-34</b>	<b>-18</b>	<b>-131</b>
<b>31 December 2020</b>	<b>329</b>	<b>15</b>	<b>182</b>	<b>195</b>	<b>721</b>
Reversal of earlier provisions	-36	-2	-9	-18	-63
Provisions set aside during the year	88	1	56	73	217
<b>Total included in profit for the year</b>	<b>52</b>	<b>-1</b>	<b>47</b>	<b>55</b>	<b>154</b>
Translation differences	-3	-	-11	-	-13
<b>Total included in other revenues and expenses</b>	<b>-3</b>	<b>-</b>	<b>-11</b>	<b>-</b>	<b>-13</b>
Additions during the year	-	-	-	-	-
Used during the year	-62	-14	-	-61	-137
<b>Total other changes</b>	<b>-62</b>	<b>-14</b>	<b>-</b>	<b>-61</b>	<b>-137</b>
<b>31 December 2021</b>	<b>317</b>	<b>-</b>	<b>219</b>	<b>190</b>	<b>725</b>

<sup>1)</sup> 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.

<sup>2)</sup> During 2021 provisions for contingent consideration of NOK 14 million linked to the acquisition of Helgesen Tekniske Bygg AS in 2018 were paid out.

<sup>3)</sup> As at 31 December 2021, AF Gruppen has an estimated obligation related to agreements that entitles non-controlling owners to sell shares in subsidiaries to AF Gruppen at given times (put options) of NOK 219 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 2021, NOK 214 million of the estimated liability is classified as a short-term provision since the put options can be exercised in 2022.

**CLASSIFICATION ON THE BALANCE SHEET**

	2021	2020
Non-current liabilities	100	92
Current liabilities	625	629
<b>Total provisions</b>	<b>725</b>	<b>721</b>

**NOTE 17 TRADE PAYABLES AND NON-INTEREST-BEARING LIABILITIES**

Amounts in NOK million	2021	2020
Trade payables	3,353	3,150
Public liabilities	520	476
Prepayments from customers (contract obligations)	959	1,010
Accrued holiday pay, including payroll tax	467	453
Other accrued expenses and other current liabilities	1,657	1,602
<b>Total trade payables and non-interest-bearing liabilities</b>	<b>6,956</b>	<b>6,691</b>

**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 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 2.5 per cent.

**RETIREMENT BENEFIT COSTS**

Amounts in NOK million	2021	2020	2019
Defined-contribution retirement benefits, Norway	-115	-105	-77
Contributions to retirement benefit schemes, abroad	-67	-63	-43
Other retirement benefit expenses	-30	-33	-32
<b>Retirement benefit costs for the year, excluding payroll tax</b>	<b>-212</b>	<b>-201</b>	<b>-151</b>
Payroll tax	-33	-30	-21
<b>Retirement benefit costs for the year, including payroll tax</b>	<b>-244</b>	<b>-231</b>	<b>-172</b>

**RETIREMENT BENEFIT LIABILITIES AND PLAN ASSETS**

The Group incurred costs related to defined benefit pension plans of NOK 0 million (4 million) in 2021. The defined benefit pension plan was abandoned in 2020. The Group had gross retirement benefit liabilities of NOK 6 million (3 million) as at 31 December, and all of it is unfunded. Fair value of the plan assets was NOK 1 million (0 million) as at 31 December. Recognised plan assets in the Group amount to NOK 1 million (0 million) and retirement benefit liabilities amount to NOK 6 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 3 million (0 million). The actual return on plan assets was NOK 0 million (0 million) and the expected premium payment for next year is NOK 1 million (1 million).

**NOTE 19 NET FINANCIAL ITEMS**

Amounts in NOK million	Note	2021	2020	2019
<b>FINANCIAL INCOME</b>				
Interest income from cash and cash equivalents	20	8	5	13
Interest income from associated companies	20	15	18	16
Other interest income	20	-	-	2
Other financial income		-	4	1
<b>Total financial income</b>		<b>23</b>	<b>27</b>	<b>33</b>
<b>FINANCIAL EXPENSES</b>				
Interest expenses on loans and overdraft facilities	20	-9	-6	-20
Interest expenses on leased liabilities	20	-20	-23	-22
Other interest expenses	20	-8	-25	-16
Other financial expenses		-	-3	-1
<b>Total financial expenses</b>		<b>-38</b>	<b>-58</b>	<b>-59</b>
<b>FINANCIAL GAINS (LOSSES) ON CHANGES IN VALUE</b>				
Net foreign exchange gains (losses) related to financing		-15	-2	5
Fair value of interest rate swaps	23	-	-	3
<b>Total financial gains (losses) on changes in value</b>		<b>-15</b>	<b>-2</b>	<b>8</b>
<b>Net financial items</b>		<b>-29</b>	<b>-33</b>	<b>-18</b>

**NOTE 20 NET INTEREST-BEARING RECEIVABLES (DEBT)**

Amounts in NOK million	Note	2021	2020
<b>NET INTEREST-BEARING RECEIVABLES (DEBT)</b>			
Interest-bearing receivables – non-current		282	443
Interest-bearing receivables – current		65	66
Cash and cash equivalents		680	708
– Interest-bearing loans and credit facilities – non-current		-90	-155
– Lease liability – non-current		-554	-633
– Interest-bearing loans and credit facilities – current		-54	-8
– Lease liability – current		-301	-330
<b>Net interest-bearing receivables (debt)</b>	<b>22, 24</b>	<b>29</b>	<b>90</b>

Amounts in NOK million	Note	2021	2020
<b>CASH AND CASH EQUIVALENTS</b>			
Bank deposits		680	708
<b>Cash and cash equivalents</b>	<b>22, 24</b>	<b>680</b>	<b>708</b>

Of which restricted funds		46	43
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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. At the end of 2021, the Group had an unused bank overdraft facility linked to the cash pooling system of NOK 1,956 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. Available liquidity at 31 December 2021, including overdraft facilities with Handelsbanken and DNB, is NOK 3,636 million.

Amounts in NOK million	Note	Interest-bearing loans and credit	Lease liability	2021
<b>CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES:</b>				
1 January 2021		163	963	1 127
<b>Cash flows</b>				
Cash flows - proceeds of interest-bearing debt		50	-	50
Cash flows - repayment interest-bearing debt		-23	-370	-393
Cash flows - paid interest		-15	-20	-35
<b>Other changes</b>				
Sale of property companies		-50	-	-50
Additions of lease liabilities	15	-	290	290
Disposals of lease liabilities		-	-23	-23
Increased liability as a result of calculated interest		15	20	35
Other net changes		4	-5	-2
<b>31 December 2021</b>		<b>144</b>	<b>855</b>	<b>999</b>

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

Amounts in NOK million	Note	Interest-bearing loans and credit	Lease liability	2020
<b>CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES:</b>				
1 January 2020		170	1 014	1 184
<b>Cash flows</b>				
Cash flows - proceeds of interest-bearing debt		37	-	37
Cash flows - repayment interest-bearing debt		-17	-319	-336
Cash flows - interest		-20	-23	-44
<b>Other changes</b>				
Sale of property companies		-27	-	-27
Sale of companies	5	-	-5	-5
Additions of lease liabilities	15	-	308	308
Disposals of lease liabilities		-	-45	-45
Increased liability as a result of calculated interest		20	23	43
Other net changes		-	12	12
<b>31 December 2020</b>		<b>163</b>	<b>963</b>	<b>1,127</b>

Amounts in NOK million	Note	Effective interest rate	2021	2020
<b>INTEREST-BEARING LOANS AND CREDIT FACILITIES</b>				
Overdraft facilities inside of the corporate cash pooling system	22, 24	1.6%	44	-
Mortgage loans	22, 24	2.9%	2	65
Lease liabilities	15, 24, 22	1.9%	855	963
Other loans	22, 24	3.7%	98	99
<b>Total interest-bearing loans and credit facilities</b>			<b>999</b>	<b>1,127</b>

**CLASSIFICATION ON THE BALANCE SHEET**

Current liabilities	22, 24	355	339
Long-term liabilities	22, 24	644	788
<b>Total interest-bearing loans and credit facilities</b>		<b>999</b>	<b>1,127</b>

**MATURITY STRUCTURE:**

Liabilities maturing within 1 year	22, 24	369	355
Liabilities maturing in between 1 and 5 years	22, 24	581	726
Liabilities maturing in more than 5 years	22, 24	104	116
<b>Total future payment</b>		<b>1,054</b>	<b>1,198</b>
- Of which interest payments		-55	-71
<b>Total interest-bearing loans and credit facilities</b>		<b>999</b>	<b>1,127</b>

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 reference group consist of other listed companies in the Nordic countries: Veidekke, Skanska, NCC and PEAB. 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 2021. 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

Amounts in NOK million	2021	2020	2019
Profit for the year attributable to Parent Company shareholders	1,019	971	854

### NUMBER OF SHARES AT 31 DECEMBER

Time-weighted average number of externally owned shares <sup>1)</sup>	106,061,202	104,506,395	100,335,778
Dilutive effect of share value-based remuneration <sup>2)</sup>	405,958	201,172	642,394
Time-weighted average number of externally owned shares after dilution	106,467,160	104,707,567	100,978,172

Earnings per share (NOK)	9.60	9.29	8.51
Diluted earnings per share (NOK)	9.57	9.27	8.46

<sup>1)</sup> Time-weighted average number of shares issued minus treasury shares.

<sup>2)</sup> 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 less estimated future cost of the option program 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 6.50 per share for the 2020 financial year was paid on 25 May 2021. Due to AF Gruppen's strong financial position, an additional amount of NOK 4.00 per share was paid on 23 November 2021. A total of NOK 1,116 million was distributed to shareholders in 2021.

For the 2021 financial year, the Board of Directors proposes a dividend of NOK 6.50 per share to be paid in the first half of 2022. It is expected that the dividend will be paid to the shareholders on 25 May 2022. 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 2021 financial year for distribution in the first half of 2022 is NOK 694 million. The Board of Directors will request authorisation by the General Meeting for the distribution of a dividend in November 2022 as well.

Amounts in NOK	Dividend for the first half of 2022
Total number of shares as at 31 December 2021	106,804,500
Share issue, options	-
Estimated number of treasury shares	-
Estimated number of shares entitled to a dividend	106,804,500
Proposed dividend per share	6.5
Total estimated dividend	694,229,250

## 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 Statens Veivesen, Nye Veier AS and other representatives of the public sector such as municipalities and municipal companies such as Undervisningsbygg (the Municipal Undertaking for Educational Buildings and Property in Oslo). The credit risk for these customers is considered to be minimal. Contracts with private customers usually follow standards where there are requirements for providing security. Contracts with Norwegian private customers usually follow standards where security is required. In accordance with the Norwegian standard for construction and civil engineering contracts, the customer must provide security for 10-17.5 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. There are no corresponding contractual provisions in Sweden, so assessments of the customer's creditworthiness are an important selection criterion before entering into a contract.

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.

See Note 10 – Trade and contract assets for the maximum exposure to credit risk in respect of trade receivables on the balance sheet date according to age.

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.

The IBOR reform affects agreements that determine the interest rate level according to a benchmark index. NIBOR is used as a reference for pricing in a number of financial contracts. AF Gruppen considers that the effect of the IBOR reform will not have a significant effect on the consolidated financial statements, and that the risk of financial exposure associated with the IBOR reform is low. See Note 3 - New and amended accounting standards for more details.

#### 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	2021	2020
Financial assets with a variable interest rate	1,027	1,217
Financial liabilities with a variable interest rate	-999	-1,127
<b>Net financial debt (financial receivables)</b>	<b>29</b>	<b>90</b>

**EFFECT ON PROFIT AFTER TAX**

Effect of a 100 basis point increase in rates on the profit after tax and equity	-	1
Effect of a 100 basis point decrease in interest rates on the profit after tax and equity	-	-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. 74 per cent (76 per cent) of AF Gruppen's estimated revenues were from activities with NOK as the functional currency, 26 per cent (23 per cent) with SEK as the 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) was NOK -25 million (1 million) in 2021. The total translation differences were NOK -54 million (80 million) in 2021.

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 of 31 December 2021, 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 the 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. AF Gruppen hedges 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	2021	2020
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**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	-24	-2
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the profit after tax	24	2

**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).	-24	-49
Effect of a 10 per cent weakening of NOK in relation to all the currencies on other comprehensive income (OCI).	24	49

**EFFECT ON EQUITY**

Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the equity	-47	-51
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the equity	47	51

**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	2021	2020
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**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	-4	-13
Effect of a 10 per cent weakening of NOK in relation to all the currencies on profit after tax	4	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	2021	2020
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**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	-26	-22
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the profit after tax	26	22

**EFFECT ON EQUITY**

Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the equity	-126	-80
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the equity	126	80

**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 of 31.12.21 and as of 31.12.20, 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. See Note 20 – Net interest-bearing receivables (debt) for information on liquidity and available credit facilities.

**NOTE 23 DERIVATIVES**

Amounts in NOK million	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts – held for trading purposes	-	-	-	2
Forward foreign exchange contracts – cash flow hedging	-	8	-	24
<b>Total non-current assets/ liabilities</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>26</b>
Interest rate swap contracts – held for trading purposes	-	-	-	7
Commodity derivatives – held for trading purposes	-	-	-	-
Commodity derivatives – cash flow hedging	-	7	-	21
Forward foreign exchange contracts – held for trading purposes	-	6	-	5
Forward foreign exchange contracts – cash flow hedging	-	11	-	13
<b>Total current assets/ liabilities</b>	<b>-</b>	<b>24</b>	<b>-</b>	<b>46</b>
<b>Total carrying amount</b>	<b>-</b>	<b>32</b>	<b>-</b>	<b>73</b>

**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 taken into account. As at 31 December 2021, AF Gruppen has liabilities related to commodity derivatives in steel related to the demolition activity at AF Environmental Base at Vats.

**CURRENCY EXCHANGE CONTRACTS**

AF Gruppen recognises 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 2021,

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 2021. 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).

**INTEREST RATE SWAPS**

AF Gruppen has no interest rate swaps as at 31 December 2021.

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

Amounts in NOK million	2021	2020	2019
Cash flow hedges (gross)	55	-1	9
Cash flow hedges (tax)	-12	-	-2
<b>Reclassified from other comprehensive income (OCI) to the income statement</b>	<b>43</b>	<b>-1</b>	<b>7</b>
Cash flow hedges (gross)	-21	-25	-4
Cash flow hedges (tax)	5	5	1
<b>Change in value for the year</b>	<b>-16</b>	<b>-19</b>	<b>-3</b>
Cash flow hedges (gross)	35	-26	5
Cash flow hedges (tax)	-8	6	-1
<b>Total revenues and expenses</b>	<b>27</b>	<b>-20</b>	<b>4</b>

**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 2021, AF Gruppen has derivatives related to foreign exchange and commodities. 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

2021	Level 1	Level 2	Level 3	Total
Assets – Derivatives	-	-	-	-
Liabilities – Derivatives	-	-32	-	-32
<b>Total</b>	<b>-</b>	<b>-32</b>	<b>-</b>	<b>-32</b>

Amounts in NOK million

2020	Level 1	Level 2	Level 3	Total
Assets – Derivatives	-	-	-	-
Liabilities – Derivatives	-	-73	-	-73
<b>Total</b>	<b>-</b>	<b>-72</b>	<b>-</b>	<b>-72</b>

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.

Fair value of interest rate swaps is calculated as the present value of the 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 31/12/21	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	282	-	-	282	-	282
Non-current pension plan and other financial assets	18	3	6	-	9	1	10
Current trade receivables and contract assets <sup>1)</sup>	10	2,979	-	-	2,979	1,643	4,623
Current interest-bearing receivables	20	65	-	-	65	-	65
Current derivatives	23	-	-	-	-	-	-
Cash and cash equivalents	20	680	-	-	680	-	680
<b>Total</b>		<b>4,010</b>	<b>6</b>	<b>-</b>	<b>4,016</b>	<b>1,644</b>	<b>5,660</b>

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 <sup>1)</sup>	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
<b>Total</b>		<b>3,770</b>	<b>1</b>	<b>-</b>	<b>3,771</b>	<b>1,421</b>	<b>5,192</b>

<sup>1)</sup> 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**

31/12/21	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	90	-	-	90	-	90
Long-term interest-bearing loans - Lease liability	20, 22, 15	554	-	-	554	-	554
Current interest-bearing loans and credit facilities	20, 22	54	-	-	54	-	54
Short-term interest-bearing loans - Lease liability	20, 22, 15	301	-	-	301	-	301
Current trade payables and non-interest-bearing debt <sup>2)</sup>	16, 22	5,010	-	-	5,010	1,946	6,956
Non-current derivatives	22, 23	-	-	8	8	-	8
Current derivatives	22, 23	-	6	18	24	-	24
<b>Total</b>		<b>6,009</b>	<b>6</b>	<b>26</b>	<b>6,041</b>	<b>1,946</b>	<b>7,987</b>

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 <sup>2)</sup>	16, 22	4,753	-	-	4,753	1,939	6,691
Non-current derivatives	22, 23	-	2	24	26	-	26
Current derivatives	22, 23	-	12	34	46	-	46
<b>Total</b>		<b>5,880</b>	<b>15</b>	<b>58</b>	<b>5,952</b>	<b>1,939</b>	<b>7,891</b>

<sup>2)</sup> 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	2021	2020	2019
Current tax payable for the year	-269	-238	-394
Adjustment for previous years	-16	8	-31
<b>Total tax payable</b>	<b>-285</b>	<b>-230</b>	<b>-425</b>

**CHANGE IN DEFERRED TAX RELATED TO:**

Change in temporary differences	-81	-51	121
Change in tax rate	1	-	-
Changed valuation of temporary differences	-3	-3	-2
Adjustment for previous years	18	-5	16
<b>Tax change in deferred tax</b>	<b>-66</b>	<b>-59</b>	<b>135</b>

<b>Total income tax expense</b>	<b>-351</b>	<b>-289</b>	<b>-290</b>
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**RECONCILIATION OF TAX PAYABLE IN THE INCOME STATEMENT AGAINST TAX PAYABLE ON THE BALANCE SHEET**

Current tax payable for the year	269	238	394
Tax payable linked to previous years	28	11	12
Impact related to the acquisition/(sale) of business	-	-	-
Tax paid in advance	-64	-33	-36
Impact related to limited partnerships that are recognised in accordance with the equity method	-	19	-
Currency translation differences	-1	2	2
<b>Total tax payable on the balance sheet</b>	<b>232</b>	<b>236</b>	<b>372</b>

**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	1,580	1,447	1,317
Expected income tax at Norwegian nominal rate	-348	-318	-290
Tax effects of:			
– Divergent foreign tax rates	4	3	4
– Non-deductible expenses	-43	-28	-30
– Profit attributable to associated companies	31	49	29
– Non-taxable revenues	9	7	8
– Change in tax rate	1	-	-
– Change in valuation of deferred tax assets	-6	-3	-2
– Excessive/insufficient provisions in previous years	2	3	-9
<b>Total tax expense recognised in income statement</b>	<b>-351</b>	<b>-289</b>	<b>-290</b>
Effective tax rate	22.2%	20.0%	22.0%

**NOTE 26 DEFERRED TAX / DEFERRED TAX ASSETS****CHANGE IN RECOGNISED NET DEFERRED TAX**

Amounts in NOK million	2021	2020
Book value as at 1 January	500	427
Recognised in the period	66	59
Recognised in OCI	7	-6
Impact related to the acquisition/(sale) of business	-1	-1
Impact related to limited partnerships that are recognised in accordance with the equity method	5	23
Currency translation differences	1	-2
<b>Book value as at 31 December</b>	<b>578</b>	<b>500</b>

**CLASSIFICATION ON THE BALANCE SHEET**

Deferred tax assets	-7	-16
Deferred tax	585	516
<b>Net deferred tax on the balance sheet</b>	<b>578</b>	<b>500</b>

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

2021	1/1/21	Recognised in the period	Recognised in OCI	Acquisition/sale of businesses	Currency translation/other	31/12/21
<b>DEFERRED TAX</b>						
Property, plant and equipment	40	-6	-	-	-	34
Projects in progress <sup>1)</sup>	702	66	-	-1	-	766
Other assets	33	-4	-	-	-	30
Accruals reserve	16	-4	-	-	-	11
<b>Total deferred taxes</b>	<b>790</b>	<b>53</b>	<b>-</b>	<b>-1</b>	<b>-</b>	<b>841</b>

Of which netted against deferred tax assets

<b>Deferred tax assets recognised on balance sheet</b>	<b>585</b>
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2021	1/1/21	Recognised in the period	Recognised in OCI	Acquisition/sale of businesses	Currency translation/other	31/12/21
<b>DEFERRED TAX ASSETS</b>						
Property, plant and equipment	-18	9	-	-	-	-10
Other assets	-39	2	7	-	5	-25
Provisions	-200	16	-	-	-	-184
Recognised tax value of tax loss carryforward <sup>2)</sup>	-34	-13	-	-	-9	-56
<b>Total deferred tax assets</b>	<b>-291</b>	<b>13</b>	<b>7</b>	<b>-</b>	<b>-4</b>	<b>-274</b>

Of which netted against deferred tax

Of which off-balance-sheet deferred tax assets

<b>Deferred tax assets recognised on the balance sheet</b>	<b>-7</b>
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**NOTE 26 DEFERRED TAX / DEFERRED TAX ASSETS CONT.**

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

DEFERRED TAX ASSETS	1/1/20	Recognised in the period	Recognised in OCI	Acquisition/ sale of businesses	Currency translation	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 <sup>2)</sup>	-57	24	-	-	-2	-34
<b>Total deferred tax assets</b>	<b>-250</b>	<b>-34</b>	<b>-6</b>	<b>-</b>	<b>-2</b>	<b>-291</b>
Of which netted against deferred tax						274
Of which off-balance-sheet deferred tax assets						1
<b>Deferred tax assets recognised on the balance sheet</b>						<b>-16</b>

<sup>1)</sup> 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.

<sup>2)</sup> 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 262 million (NOK 161 million).

**NOTE 27 ASSOCIATED COMPANIES****INVESTMENTS IN ASSOCIATED COMPANIES**

Amounts in NOK million	2021	2020	2019
Book value of investment as at 1 January	363	375	258
Additions	-	8	-
Additions due to sell-off of subsidiaries	-	-	78
Disposals	-24	-	-
Share of profit for the year	35	164	103
Equity transactions, incl. dividends	-99	-185	-64
Currency translation differences	-2	1	-
<b>Total investments in associated companies as at 31 December</b>	<b>274</b>	<b>363</b>	<b>375</b>

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 material 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 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 publicly 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.****2021****SPECIFICATION OF THE AMOUNTS IN THE ACCOUNTS:**

<i>Amounts in NOK million</i>	Essential companies	Other companies	Total
Amounts recognised in the balance sheet	139	135	274
Amounts recognised in the income statement	26	9	35

Below is a summary of the financial information for the Group's material associated companies. The figures in the summary of financial information are 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 – MATERIAL ASSOCIATED COMPANIES**

<i>Amounts in NOK million</i>	Hasle Linje Næring DA	Bergerveien 24 AS and IS	Total
Project name	Hasle Linje Næring	Bo på Billingstad	
Project area	Oslo	Asker	
Registered office	Oslo	Oslo	
Ownership interest	49.5%	33.3%	
Current assets	49	364	413
Non-current assets	1,159	8	1,167
<b>Total assets</b>	<b>1,208</b>	<b>373</b>	<b>1,581</b>
Current liabilities	44	93	137
Non-current liabilities	934	208	1,142
<b>Total liabilities</b>	<b>978</b>	<b>301</b>	<b>1,279</b>
Shareholders' equity	230	72	302
<b>Total equity and liabilities</b>	<b>1,208</b>	<b>373</b>	<b>1,581</b>
Operating revenue	12	543	555
Earnings after tax / comprehensive income	-13	70	57

**RECONCILIATION OF BOOK VALUE**

Group's share of the equity	114	24	139
Other items	3	-3	-
<b>Book value of the investment</b>	<b>117</b>	<b>21</b>	<b>139</b>

**RECONCILIATION OF SHARE OF COMPREHENSIVE INCOME FROM ESSENTIAL COMPANIES**

Group's share of comprehensive income	-6	23	17
Recognised excess/lower value	3	-	3
Other items	6	-	6
<b>Recognised share of comprehensive income</b>	<b>3</b>	<b>23</b>	<b>26</b>

**COMPREHENSIVE INCOME, ALL ASSOCIATED COMPANIES**

	Total essential companies	Total other companies	Total
Earnings after tax / comprehensive income	57	23	80
Group's share of comprehensive income	26	9	35

Two immaterial associated companies were wound up in 2021. The Group's recognized share of comprehensive income includes NOK 0,5 million from discontinued businesses. NOK 82 million was received in dividends from associated companies in 2021.

**NOTE 27 ASSOCIATED COMPANIES CONT.****2020****SPECIFICATION OF THE AMOUNTS IN THE ACCOUNTS:**

<i>Amounts in NOK million</i>	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 material associated companies. The figures in the summary of financial information are 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 – MATERIAL ASSOCIATED COMPANIES**

<i>Amounts in NOK million</i>	Lillo Gård AS and KS	Ladejarlen Utvikling AS	Hasle Linje Næring DA	Bergerveien 24 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
<b>Total assets</b>	<b>165</b>	<b>471</b>	<b>1,048</b>	<b>857</b>	<b>2,541</b>
Current liabilities	77	280	30	347	734
Non-current liabilities	-	120	775	484	1,379
<b>Total liabilities</b>	<b>77</b>	<b>399</b>	<b>805</b>	<b>831</b>	<b>2,112</b>
Shareholders' equity	88	72	243	26	429
<b>Total equity and liabilities</b>	<b>165</b>	<b>471</b>	<b>1,048</b>	<b>857</b>	<b>2,541</b>
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 equity	22	24	120	9	175
Other items	-3	-4	-6	-	-13
<b>Book value of the investment</b>	<b>19</b>	<b>20</b>	<b>114</b>	<b>9</b>	<b>162</b>

**RECONCILIATION OF SHARE OF COMPREHENSIVE INCOME FROM ESSENTIAL COMPANIES**

Group's share of comprehensive income	81	18	95	-	194
Other items	-17	-4	-6	-	-27
<b>Recognised share of comprehensive income</b>	<b>64</b>	<b>14</b>	<b>89</b>	<b>-</b>	<b>167</b>

**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 28 JOINT VENTURES****INVESTMENTS IN JOINT VENTURES AMOUNTS IN NOK MILLION**

<i>Amounts in NOK million</i>	2021	2020	2019
Book value of investment as at 1 January	184	172	102
Additions	99	18	30
Additions due to sell-off of subsidiaries	-	-	24
Disposals	-	-1	-
Share of profit for the year	66	52	98
Tax on distributions from limited and internal partnerships	-	-	-
Equity transactions, incl. dividends	18	-58	-82
Currency translation differences	-1	-	-
<b>Total investments in joint ventures as at 31 December</b>	<b>366</b>	<b>184</b>	<b>172</b>

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. Normally AF Gruppen does not own more than a 50 per cent in the development companies. In addition, the Group has interests in a few joint ventures with other activities, but they are not defined as material 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 publicly 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.****2021****SPECIFICATION OF THE AMOUNTS IN THE ACCOUNTS:**

<i>Amounts in NOK million</i>	Essential businesses	Other businesses	Total
Amounts recognised in the balance sheet	76	289	366
Amounts recognised in the income statement	92	-25	66

Below is a summary of the financial information for the Group's material 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 – MATERIAL JOINT VENTURES**

<i>Amounts in NOK million</i>	Skiparviken AS	Celsiusgatan Fastigheter AB	Total
Project name	Skiparviken Panorama	Celsiusgatan	
Project area	Bergen	Donnergymnasiet i Göteborg	
Registered office	Asker	Göteborg	
Ownership interest	50%	50%	
Current assets	53	193	246
Non-current assets	-	-	-
<b>Total assets</b>	<b>53</b>	<b>193</b>	<b>246</b>
Current liabilities	21	72	93
Non-current liabilities	-	-	-
<b>Total liabilities</b>	<b>21</b>	<b>72</b>	<b>93</b>
Shareholders' equity	32	121	153
<b>Total equity and liabilities</b>	<b>53</b>	<b>193</b>	<b>246</b>
Operating revenue	430	142	572
Earnings after tax / comprehensive income	56	126	182

**RECONCILIATION OF BOOK VALUE**

Group's share of the investment	16	61	77
Other items	-4	4	-1
<b>Book value of the investment</b>	<b>12</b>	<b>64</b>	<b>76</b>

**RECONCILIATION OF SHARE OF COMPREHENSIVE INCOME FROM ESSENTIAL JOINT VENTURES**

Group's share of comprehensive income	28	63	91
Other items	4	-4	1
<b>Recognised share of comprehensive income</b>	<b>32</b>	<b>60</b>	<b>92</b>

**COMPREHENSIVE INCOME OF ALL JOINT VENTURES**

	Essential businesses	Other businesses	Total
Earnings after tax / comprehensive income	182	-51	131
Group's share of comprehensive income	92	-25	66

In 2021 the joint venture Fairfield Decom Ltd. was wound up. The comprehensive income presented contains NOK -58 million from the discontinued business, the Group's recognized share of the comprehensive income is NOK -29 million. The remaining comprehensive income is from continuing businesses. NOK 10 million was received in dividends from joint ventures in 2021.

**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 material 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 – MATERIAL JOINT VENTURES**

Amounts in NOK million	Skiparviken AS	Kilen Utbygging 2 AS	Total
Project name	Skiparviken Panorama	Kilen Brygge	
Project area	Bergen	Sandefjord	
Registered office	Asker	Oslo	
Ownership interest	50%	50%	
Current assets	513	-	513
Non-current assets	-	-	-
<b>Total assets</b>	<b>513</b>	<b>-</b>	<b>513</b>
Current liabilities	460	-	460
Non-current liabilities	53	-	53
<b>Total liabilities</b>	<b>513</b>	<b>-</b>	<b>513</b>
Shareholders' equity	-	-	-
<b>Total equity and liabilities</b>	<b>513</b>	<b>-</b>	<b>513</b>
Operating revenue	-	661	661
Earnings after tax / comprehensive income	-	51	51

**RECONCILIATION OF BOOK VALUE**

Group's share of the equity	-	-	-
<b>Book value of the investment</b>	<b>-</b>	<b>-</b>	<b>-</b>

**RECONCILIATION OF SHARE OF COMPREHENSIVE INCOME FROM ESSENTIAL JOINT VENTURES**

Group's share of comprehensive income	-	25	25
<b>Recognised share of comprehensive income</b>	<b>-</b>	<b>25</b>	<b>25</b>

**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

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. The recognised comprehensive income is from continuing businesses. NOK 100 million was received in dividends from joint ventures in 2020.

**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 Location	Country	Financial ownership		Ownership share	Business area
				31/12/20	31/12/21	31/12/21	
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
Eiqon AS	01/02/16	Asker	Norway	47.68%	47.76%	100.00%	Civil Engineering
Eiqon Baltic UAB	03/11/11	Vilnius	Lithuania	47.68%	47.76%	100.00%	Civil Engineering
Consolvo Services AS	22/06/18	Tranby	Norway	93.91%	92.41%	100.00%	Civil Engineering
Consolvo AS	03/11/11	Tranby	Norway	93.91%	92.41%	100.00%	Civil Engineering
Corroteam AS	03/11/11	Mjøndalen	Norway	49.21%	92.41%	100.00%	Civil Engineering
Consolvo Eiendom AS	03/11/11	Tranby	Norway	93.91%	92.41%	100.00%	Civil Engineering
Vannmeisling AS	06/12/16	Tranby	Norway	73.25%	72.08%	78.00%	Civil Engineering
Protector AS	03/11/11	Tranby	Norway	93.91%	92.41%	100.00%	Civil Engineering
Protector CPE AB	03/11/11	Göteborg	Sweden	79.82%	78.55%	85.00%	Civil Engineering
Protector KKS GmbH	03/11/11	Remseck	Germany	78.88%	77.62%	84.00%	Civil Engineering
Protector Services GmbH	03/11/11	Remseck	Germany	78.88%	77.62%	100.00%	Civil Engineering
Fjerby AS	16/09/14	Fjerdingsby	Norway	80.86%	79.57%	100.00%	Civil Engineering
Rakon AS	26/09/18	Stavanger	Norway	51.65%	64.69%	70.00%	Civil Engineering
AF Anläggning AB	26/03/20	Stockholm	Sweden	100.00%	100.00%	100.00%	Civil Engineering
Helgesen Tekniske Bygg AS (HTB)	30/10/18	Osterøy	Norway	50.68%	50.68%	70.00%	Construction
LAB Entreprenør AS	11/03/15	Bergen	Norway	72.40%	72.40%	100.00%	Construction
Fundamentering AS	11/03/15	Tiller	Norway	50.68%	50.68%	70.00%	Construction
Åsane Byggmesterforretning AS	11/03/15	Bergen	Norway	50.68%	50.68%	70.00%	Construction
Toppemyr AS	11/03/15	Bergen	Norway	72.40%	72.40%	100.00%	Construction
Nordstraumen Utbyggingselskap AS	11/03/15	Bergen	Norway	43.44%	43.44%	60.00%	Construction
Hardangerfjord Eiendom AS	09/03/17	Bergen	Norway	72.40%	72.40%	100.00%	Construction
Strøm Gundersen AS	03/11/11	Mjøndalen	Norway	100.00%	100.00%	100.00%	Construction
Strøm Gundersen Vestfold AS	01/10/16	Mjøndalen	Norway	70.30%	70.30%	70.30%	Construction
Construction City Bygg AS	01/02/21	Oslo	Norway	-	100.00%	100.00%	Construction
Oslo Brannsikring AS	27/09/17	Oslo	Norway	55.24%	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	60.68%	63.02%	81.00%	Construction
Oslo Stillasutleie AS	03/11/11	Oslo	Norway	60.06%	60.06%	91.00%	Construction
Oslo Prosjektbygg AS	01/03/13	Oslo	Norway	51.81%	58.41%	88.50%	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	39.60%	39.60%	60.00%	Construction
Keyfree AS	01/03/21	Oslo	Norway	-	66.00%	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	63.36%	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	64.57%	64.94%	100.00%	Betonmast
Fishfarming Innovation AS	31/10/19	Averøy	Norway	58.18%	35.72%	55.00%	Betonmast
BMB Horisont AS	31/10/19	Oslo	Norway	64.57%	64.94%	100.00%	Betonmast
Betonmast Boligbygg AS	31/10/19	Oslo	Norway	64.57%	64.94%	100.00%	Betonmast
Betonmast Østfold AS	31/10/19	Grålum	Norway	64.57%	64.94%	100.00%	Betonmast

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

**NOTE 29** SUBSIDIARIES CONT.

Name of company	Acquisition date	Office address Location	Country	Financial ownership		Ownership share	Business area
				31/12/20	31/12/21	31/12/21	
Betonmast Trøndelag	31/10/19	Trondheim	Norway	64.57%	64.94%	100.00%	Betonmast
Betonmast Buskerud-Vestfold AS	31/10/19	Oslo	Norway	64.57%	64.94%	100.00%	Betonmast
Betonmast Røsand AS	31/10/19	Averøy	Norway	64.57%	64.94%	100.00%	Betonmast
Betonmast Innlandet AS	31/10/19	Gjøvik	Norway	64.57%	64.94%	100.00%	Betonmast
Betonmast Asker og Bærum AS	31/10/19	Hønefoss	Norway	64.57%	64.94%	100.00%	Betonmast
Betonmast Oslo AS	31/10/19	Oslo	Norway	64.57%	64.94%	100.00%	Betonmast
Betonmast Romerike AS	31/10/19	Lillestrøm	Norway	64.57%	64.94%	100.00%	Betonmast
Betonmast Telemark AS	31/10/19	Skien	Norway	64.57%	64.94%	100.00%	Betonmast
Betonmast Sverige AB	31/10/19	Göteborg	Sweden	64.57%	64.94%	100.00%	Betonmast
Betonmast Göteborg AB	31/10/19	Göteborg	Sweden	64.57%	64.94%	100.00%	Betonmast
Betonmast Mälardalen AB	31/10/19	Södertälje	Sweden	58.18%	58.51%	90.10%	Betonmast
Betonmast Stockholm AB	31/10/19	Stockholm	Sweden	55.53%	55.85%	86.00%	Betonmast
Betonmast Malmö AB	31/10/19	Malmö	Sweden	57.41%	57.73%	88.90%	Betonmast
Betonmast Anläggning AB	31/10/19	Göteborg	Sweden	51.66%	51.95%	80.00%	Betonmast
Betonmast Eiendom AS	31/10/19	Oslo	Norway	64.57%	64.94%	100.00%	Betonmast
Fjellstrand Omsorgsboliger AS	31/10/19	Oslo	Norway	39.71%	39.94%	61.50%	Betonmast
Betonmast Røsand Tomter AS	31/10/19	Oslo	Norway	64.57%	64.94%	100.00%	Betonmast
Røsand Eiendom AS	31/10/19	Averøy	Norway	64.57%	64.94%	100.00%	Betonmast
Røsand Industriområde AS	31/10/19	Averøy	Norway	64.57%	64.94%	100.00%	Betonmast
Kosterbaden Fritid AB	31/10/19	Göteborg	Sweden	64.57%	64.94%	100.00%	Betonmast
AF Bygg Göteborg AB	01/07/01	Göteborg	Sweden	100.00%	64.94%	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	72.40%	72.40%	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	100.00%	100.00%	100.00%	Energy and Envir.
AF Energi 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	Ålandsbro	Sweden	100.00%	100.00%	100.00%	Sweden
AF Bygg Syd AB	30/06/07	Halmstad	Sweden	75.90%	76.77%	76.77%	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%	70.26%	70.26%	Sweden
Bergbolaget i Götaland AB	09/02/17	Nässjö	Sweden	70.00%	70.26%	100.00%	Sweden
Kanonaden Mälardalen AB	30/06/17	Stockholm	Sweden	38.50%	38.71%	55.10%	Sweden
Kanonaden Täkt och Förvaltning AB	09/02/17	Nässjö	Sweden	70.00%	70.26%	100.00%	Sweden
Skaftviken AB	09/02/17	Nässjö	Sweden	70.00%	70.26%	100.00%	Sweden
HMB Construction AB	02/01/19	Falun	Sweden	67.51%	68.03%	95.72%	Sweden
HMB Construction Örebro AB	12/11/20	Falun	Sweden	34.43%	34.69%	51.00%	Sweden
SWE Maskinrenting AB	02/01/19	Falun	Sweden	67.51%	68.03%	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
Aermade AS	29/01/21	Eigersund	Norway	-	51.00%	51.00%	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 2019	-	129	249	378
Share of comprehensive income	14	45	111	170
Share of adopted and paid dividends in 2019	-4	-47	-98	-148
Share-based payment	-	-	1	1
Addition of minority interests from acquisition of business	353	-	40	393
Addition of minority interests from restructuring	-	-	79	79
Transactions with non-controlling interests	2	1	-66	-63
<b>Non-controlling interests as at 31 December 2019</b>	<b>365</b>	<b>128</b>	<b>317</b>	<b>809</b>

Share of comprehensive income	81	40	80	202
Share of adopted and paid dividends in 2020	-22	-50	-90	-162
Capital increase	52	-	2	55
Share-based payment	2	1	1	5
Non-controlling interests put options	-	-	-7	-7
Transactions with non-controlling interests	-2	-	1	-1
<b>Non-controlling interests as at 31 December 2020</b>	<b>476</b>	<b>119</b>	<b>306</b>	<b>901</b>

Share of comprehensive income	39	40	122	202
Share of adopted and paid dividends in 2021	-33	-51	-101	-186
Capital increase	-	-	2	2
Share-based payment	4	1	2	7
Transactions with non-controlling interests	-10	-	2	-8
<b>Non-controlling interests as at 31 December 2021</b>	<b>476</b>	<b>109</b>	<b>333</b>	<b>918</b>

The table below shows a summary of the financial information for sub-groups with significant non-controlling interests.

Amounts in NOK million	Betonmast Holding			LAB		
	2021	2020	2019	2021	2020	2019
Profit for the year	111	201	35	103	100	108
Total comprehensive income for the year	108	203	35	103	100	108
Non-current assets	2,023	2,049	1,983	465	436	478
Current assets	2,597	2,598	2,424	1,026	885	704
<b>Total assets</b>	<b>4,620</b>	<b>4,647</b>	<b>4,406</b>	<b>1,491</b>	<b>1,321</b>	<b>1,182</b>
Equity attributable to shareholders	1,274	1,280	1,066	133	135	214
Non-controlling interests	30	21	18	73	54	84
Long-term liabilities	1,198	1,392	1,191	158	79	145
Current liabilities	2,118	1,954	2,131	1,127	1,052	739
<b>Total equity and liabilities</b>	<b>4,620</b>	<b>4,647</b>	<b>4,406</b>	<b>1,491</b>	<b>1,321</b>	<b>1,182</b>

Non-contr. Interests ownership in the parent company	35.1%	35.3%	32.6%	27.6%	27.6%	30.0%
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<sup>1)</sup> 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	106,804,500	0.05	5,340,225

SHAREHOLDER	Stake	No. of shares
OBOS BBL	16.09%	17,183,709
ØMF Holding AS	16.04%	17,127,342
Constructio AS	13.76%	14,695,347
Folketrygdfondet	8.66%	9,246,879
LJM AS	2.35%	2,515,217
Artel Kapital AS	2.35%	2,508,267
Vito Kongsvinger AS	1.79%	1,911,676
Arne Skogheim AS	1.64%	1,753,870
Staaivi, Bjørn	1.52%	1,627,000
Janiko AS	1.22%	1,300,186
<b>Ten largest shareholders</b>	<b>65.42%</b>	<b>69,869,493</b>
Total other shareholders	34.58%	36,935,007
<b>Total number of shares</b>	<b>100.00%</b>	<b>106,804,500</b>

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 2021.

**MOVEMENT IN NUMBER OF SHARES DURING THE YEAR**

Total number of shares as at 1 January 2021	105,998,497
New issues related to the acquisition of companies	-
New issue to employees related to the share purchase programme	806 003
<b>Total number of shares as at 31 December 2021</b>	<b>106,804,500</b>

**SHARES AND OPTIONS OWNED BY THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES AS AT 31 DECEMBER 2021**

Board of Directors		Options	Treasury shares	Shares owned by related parties
Pål Egil Rønn	elected by shareholders, Board Chairman	-	207,225	-
Arne Baumann <sup>1)</sup>	elected by shareholders	-	-	17,183,709
Kristian Holth <sup>2)</sup>	elected by shareholders	-	-	15,716,856
Hege Bømark	elected by shareholders	-	-	-
Saloume Djoudat	elected by shareholders	-	-	-
Kjetel Rokseth Digre	elected by shareholders	-	-	-
Kristina Alvendal	elected by shareholders	-	-	-
Kenneth Svendsen	elected by employees	10,500	104,130	-
Hilde W. Flaen	elected by employees	3,915	27,337	-
Arne Sveen	elected by employees	-	-	-
<b>Sum</b>		<b>14,415</b>	<b>338,692</b>	<b>32,900,565</b>

<sup>1)</sup> Represents OBOS BBL, which owns 17,183,709 shares.

<sup>2)</sup> Represents Constructio AS and Flygind AS, which own 14,695,347 and 1,021,509 shares, respectively.

**NOTE 31 SHARE CAPITAL AND SHAREHOLDER INFORMATION CONT.**

Corporate Management Team		Options	Shares
Amund Tøftum	CEO	20,833	120,365
Sverre Hærem	Executive Vice President/CFO	23,110	149,912
Bård Frydenlund	Executive Vice President	20,833	171,183
Eirik Wraal	Executive Vice President	20,660	33,559
Ida Aall Gram	Executive Vice President	20,488	19,749
Geir Flåta	Executive Vice President	20,488	1,295
Tormod Solberg	Executive Vice President	14,513	44,865
<b>Total</b>		<b>140,925</b>	<b>540,928</b>

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 13 May 2022. 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 2021, a total of 3,730,619 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 2020 or 2021.

Share transactions	2021	2020
Number of shares acquired	146,876	468,712
Average acquisition cost per share (NOK)	184.8	154.9
<b>Total acquisition cost (NOK million)</b>	<b>27</b>	<b>73</b>
Number of shares sold to employees	281,876	357,008
Average selling price per share (NOK)	181.8	174.2
<b>Total sales consideration (NOK million)</b>	<b>51</b>	<b>62</b>
Number of treasury shares as at 31 December	-	135,000
Nominal value of treasury shares at NOK 0.05 each	-	6,750

## 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 average market price the week after the publishing date for the 4th quarter. 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.

#### 2021

Corporate Management Team (NOK 1000)	Fixed pay	Bonus	Retirement benefits	Share-based compensation	Other benefits	Total
Amund Tøftum, CEO <sup>1)</sup>	3,757	5,071	75	157	38	9,097
Sverre Hærem, Executive Vice President/CFO	2,123	4,218	80	105	50	6,576
Bård Frydenlund, Executive Vice President	1,804	3,869	82	130	53	5,939
Eirik Wraal, Executive Vice President	1,803	3,400	80	27	39	5,349
Ida Aall Gram, Executive Vice President	1,743	3,571	73	83	33	5,503
Geir Flåta, Executive Vice President	1,805	3,659	81	-	71	5,615
Tormod Solberg, Executive Vice President <sup>2)</sup>	1,575	858	80	52	31	2,596
<b>Total remuneration to the Corporate Management Team</b>	<b>14,610</b>	<b>24,646</b>	<b>550</b>	<b>554</b>	<b>315</b>	<b>40,676</b>

<sup>1)</sup> Amund Tøftum was Executive Vice President until 21 August 2020. He has been CEO since 24 August 2020. Bonuses paid in 2021 apply to both the period as Executive Vice President and CEO in 2020.

<sup>2)</sup> Tormod Solberg has been Executive Vice President since 21 September 2020. Bonuses paid in 2021 apply to the period as Executive Vice President in 2020.

For 2021, bonuses to the Corporate Management Team totalling NOK 32 million were recognised. Bonuses for the 2021 financial year will be paid in 2022 and 2023 (holiday pay on bonuses).

#### 2020

Corporate Management Team (NOK 1000)	Fixed pay	Bonus	Retirement benefits	Share-based compensation	Other benefits	Total
Morten Grongstad, former CEO <sup>1)</sup>	2,562	7,367	52	296	12	10,289
Amund Tøftum, CEO <sup>2)</sup>	1,315	-	27	30	14	1,385
Amund Tøftum, Executive Vice President <sup>2)</sup>	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 <sup>3)</sup>	434	-	21	-	8	463
Arild Moe, Executive Vice President <sup>4)</sup>	1,568	3,601	64	173	26	5,433
<b>Total remuneration to the Corporate Management Team</b>	<b>16,058</b>	<b>31,457</b>	<b>622</b>	<b>1,099</b>	<b>275</b>	<b>49,511</b>

<sup>1)</sup> Morten Grongstad was CEO up until 21 August 2020.

<sup>2)</sup> Amund Tøftum was Executive Vice President up until 21 August 2020. He has been CEO since 24 August 2020.

<sup>3)</sup> Tormod Solberg has been Executive Vice President since 21 September 2020.

<sup>4)</sup> Arild Moe was Executive Vice President up until 18 September 2020.

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

### BONUS FOR THE PURCHASE OF SHARES TO SENIOR EXECUTIVES

Number of shares/price	2021	2020
Number of bonus shares sold from own holdings	30,235	40,926
Number of bonus shares from new issues	-	-
Market price at the time of the agreement (NOK)	177.24	181.50
Selling price (NOK)	141.79	145.20
Accounting consequences of bonus shares (NOK 1000):		
Indirect payroll costs (discount excl. payroll tax)	-1,072	-1,486

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 1,000)	2021	2020
Pål Egil Rønn, Board Chairman <sup>1)</sup>	600	570
Kristian Holth, board member	375	355
Borghild Lunde, board member	375	355
Hege Bømark, board member	390	370
Arne Baumann, board member	375	355
Kjetel Digre, board member	375	355
Kristina Alvendal, board member	375	355
Hilde Wikesland Flaen, employee-elected board member	265	250
Arne Sveen, employee-elected board member	265	250
Kenneth Svendsen, employee-elected board member	265	250
<b>Total director's fee</b>	<b>3,660</b>	<b>3,465</b>

Directors' fees are partly paid in the year after they are earned, i.e. the directors' fees that are paid in 2021 refer to 2020/2021.

<sup>1)</sup> In addition to the Board Chairman's remuneration of NOK 600,000 (NOK 570,000) that was paid in 2021, 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 2021 and NOK 250,000 in 2020.

### GUIDELINES FOR 2021

The Board will submit a statement to the General Meeting in accordance with section 6-16a of the Norwegian Public Limited Companies Act. A report on remuneration to senior executives has been prepared 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, tenth 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 of 1 July, based on an individual assessment. Senior executives receive payments in kind and participate in the Group's retirement benefit schemes on the same terms as other employees as described in the Group's Personnel Guide. There are no termination payment schemes.

Bonuses for senior executives are based on the EVA (Economic Value Added) model. EVA is a method of calculating and analysing value creation in the Group and in economic units below group level. Bonuses based on the EVA model are linked to the Group's value creation during the financial year. Performance requirements must be met for bonus payments. 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 and 2021 will be NOK 169.82 and NOK 194.85 per share respectively, adjusted for dividends paid that exceed 50 per cent of the earnings per share for the period June 2021 until exercise in 2023. A total of 3 850,000 options were subscribed for in June 2020 and 150 000 in June 2021. The total number of outstanding options, adjusted for employees who have left company, was 3 730 619 as of 31 December 2021.

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 2021 has been in accordance with the statement submitted to the General Meeting in 2021.

**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.

**TRANSACTIONS WITH RELATED PARTIES**

Amounts in NOK million	2021	2020	2019
<b>CONTRACT TOTAL</b>			
Associated companies and joint ventures	1,725	2,903	4,170
<b>Total</b>	<b>1,725</b>	<b>2,903</b>	<b>4,170</b>
<b>TRADING VOLUME</b>			
Associated companies and joint ventures	685	1,108	1,371
<b>Total</b>	<b>685</b>	<b>1,108</b>	<b>1,371</b>
<b>PURCHASE OF GOODS AND SERVICES</b>			
Associated companies and joint ventures	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NON-INTEREST-BEARING RECEIVABLES AS AT 31 DECEMBER</b>			
Associated companies and joint ventures	38	30	83
<b>Total</b>	<b>38</b>	<b>30</b>	<b>83</b>
<b>INTEREST-BEARING RECEIVABLES AS AT 31 DECEMBER</b>			
Associated companies and joint ventures	340	506	299
<b>Total</b>	<b>340</b>	<b>506</b>	<b>299</b>

Members of the Board of Directors and the management of the Group and their related parties control 31.7 per cent (31.8 per cent) 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 – Pledged assets and guarantees.

**NOTE 34 PLEDGED ASSETS AND GUARANTEES****PLEDGED ASSETS**

Amounts in NOK million	Note	2021	2020
Mortgage loans	20	2	65
Financial lease liabilities	15	487	552
<b>Book value of liabilities secured by pledges, etc.</b>		<b>489</b>	<b>617</b>
<b>BOOK VALUE OF SECURED ASSETS</b>			
Buildings and production facilities		21	24
Machinery, fixtures and fittings		58	61
Trade and non-interest-bearing receivables		166	306
Other pledged assets		4	10
Leased machinery and equipment	15	453	525
<b>Total book value of pledged assets</b>		<b>703</b>	<b>926</b>

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	2021	2020
Guarantees issued to clients <sup>1)</sup>	5,215	5,971
Guarantees issued to associated companies and joint ventures <sup>2)</sup>	357	234
<b>Sum</b>	<b>5,572</b>	<b>6,205</b>

<sup>1)</sup> 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.

<sup>2)</sup> 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 2021, committed, unpaid partnership capital totalled NOK 38 (38) 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. In spite of this, some cases are resolved through arbitration or in 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.

At the end of 2021, AF Gruppen was involved in the following significant legal disputes:

AF Bygg Østfold and Vestby Næringspark Joh AS are in dispute over the final settlement for the coffee processing plant in Vestby. Main proceedings in the District Court are scheduled for January and February 2023.

Eiqon has filed a lawsuit against Holtefjell Eiendom AS regarding the subsidiary Skansen Næringspark AS. The case has not been scheduled and applies to final settlement for the construction of commercial property.

AF Bygg Syd has filed a lawsuit against Älmhults municipality in connection with final settlement for the Älmhults waterworks project. Älmhult's municipality has filed a counter-lawsuit. This case has not been scheduled.

### THE FOLLOWING CASES MENTIONED IN 2020 HAVE BEEN CONCLUDED IN 2021

At the end of 2020, AF Anlegg had filed a lawsuit against the Norwegian Public Roads Administration for final settlement for the Rv13 Ryfast E03 project. A settlement agreement was reached in 2021.

## NOTE 36 EVENTS AFTER THE BALANCE SHEET DATE

The war in Ukraine and the associated sanctions on Russia have led to major supply challenges for steel and related, significant price increases. This could affect the progress of the projects and increase project costs. Wage and price inflation clauses in projects will only partially compensate for this increase.

No events have taken place since the end of the year that are of significance to 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 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 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)	
		2021	2020
Revenue from production contracts and the performance of services	6	27,519	26,762
Current receivables and current liabilities	10, 17	Contractual asset: 1,547 Contractual receivable: 2,923 Contractual obligation: 959	1,343 2,493 1,010
Provisions	16	725	721

### 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)	
		2021	2020
Intangible assets	5, 13	4,328	4,365

## 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.

#### 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

## NOTE 38 SIGNIFICANT ACCOUNTING POLICIES CONT.

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.

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.

## NOTE 38 SIGNIFICANT ACCOUNTING POLICIES CONT.

### 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

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

## NOTE 38 SIGNIFICANT ACCOUNTING POLICIES CONT.

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 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

In order to determine whether an agreement is a lease agreement or contains a lease element, the substance of the agreement is assessed. If the agreement is used by a special property or group of underlying assets and the right to control the use of the underlying asset for a period of time in exchange for a consideration, agreements are treated as a lease agreement in accordance with IFRS16. AF Gruppen has significant rent of construction machinery and a number of office space, but also rent related to production facilities and car rental.

Each individual rental component in the contract is recognized as a lease separately from non-lease components in the contract. At the time of implementation of a lease, a lease obligation and a corresponding right of use asset are recognised for all leases. AF Gruppen has chosen not to capitalise leases with a short duration (lease period of 12 months or less). For these leases, the lease payments are recognised as other operating expenses in the income statement when they occur. This includes cancellable short-term leases, such as barracks leases. Service items in lease contracts that are defined as "non-lease components" are separated and recognised in profit or loss as operating costs separately from the leased component. In the note, leases are classified as Right-of-use assets and lease obligations and are part of financial leases for the group. The effects of leases in the consolidated financial statements are presented in a separate note.

#### Lease liabilities

The lease obligation is classified as an interest-bearing liability in the consolidated financial statements. Lease liabilities at the time of implementation are calculated as the present value of future lease payments, and, if applicable, residual values at the end of a least contract.

**NOTE 38** SIGNIFICANT ACCOUNTING POLICIES CONT.

The lease period is 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. For a call option, the lease obligation will include an exercise price for a call option. For most leases in AF Gruppen, there is no call option after the end of the lease.

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.

**Right-of-use assets**

Right-of-use assets are measured at historical cost, less accumulated depreciation on a straight-line basis during the term of the lease, and impairment losses, adjusted for any new measurements of the lease liability.

The Group applies IAS 36 Impairment to assets to determine whether the right-of-use asset has been impaired and to recognise any impairment losses established.

**Financial instruments****Financial assets**

Financial assets are classified in the following categories: fair value with value changes through profit or loss, fair value with value changes through other comprehensive income (OCI) and amortised cost. The measurement category is determined by the initial recognition of the asset. For financial assets, a distinction is made between debt instruments and equity instruments. The classification of financial assets is determined based on the contractual conditions for the financial assets and which business model is used for management of the portfolio to which the assets belong.

**Financial assets that are debt instruments**

Debt instruments with contractual cash flows that are exclusively payment of interest and principal on given dates and are held in a business model for the purpose of receiving contractual cash flows, shall in principle be measured at amortised cost. Corresponding instruments, for which the purpose is to both receive contractual cash flows and cash flows from sales, shall in principle be measured at fair value with value changes through other comprehensive income (OCI) but with interest income, foreign exchange effects and any write-downs recognised in the ordinary income statement. Value changes recognised through OCI shall be reclassified to the income statement upon sale or other disposal of the assets. Other debt instruments shall be measured at fair value with changes in value through profit or loss.

**Derivatives**

Financial derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative. All derivatives are measured at fair value, normally with changes in value through profit or loss. The change in the fair value of forward foreign exchange contracts and commodity derivatives is recognised in the operating profit, but the change in the fair value of interest rate swaps is recognised in the income statement under financial items. The change in the value of derivatives that are designated as hedging instruments and satisfy the documentation requirements in IFRS 9 are recognised in accordance with the principles of hedge accounting. For cash flow hedging, changes in the fair value of derivatives are recognised in other comprehensive income (OCI). The entries are reversed and recognised as income or an expense during the period the hedged transaction is recognised in the income statement. Interest rate derivatives and forward currency and commodity contracts

that mature within 12 months are presented as short-term derivatives, and contracts that mature in more than 12 months are classified as long-term derivatives.

**Investments in equity instruments**

Investments in equity instruments are measured at fair value in the balance sheet. Changes in value are recognised as a result in the ordinary income statement, but an equity instrument that is not held for trading purposes and is not contingent consideration after a business transfer, can be earmarked as measured at fair value with changes in value through other comprehensive income (OCI). Ordinary dividends are recognised in the income statement. Accumulated changes in value are not reclassified to profit or loss on disposal.

**Financial liabilities**

Financial liabilities, such as interest-bearing debt are measured at amortised cost, with the exception of financial liabilities that are measured at fair value through profit or loss due to the fact that they are held for trading purposes, and financial liabilities that are earmarked for measurement at fair value through profit or loss.

**Receivables**

Short-term and long-term receivables are assessed at their amortised cost by means of the effective interest rate method. Due to the short term to maturity for trade receivables and other receivables, the receivables will in practice be recognised at their nominal value less expected losses.

**Segment reporting**

The operating segments are reported in the same manner as the internal reporting to the Company's highest decision-maker. The Group's highest decision-maker is defined as the Corporate Management Team. They are responsible for the allocation of resources to and the assessment of earnings in the operating segments.

**Inventories**

Inventories are recognised on the balance sheet at cost or net selling price, whichever is the lower. Inventories mainly consist of spare parts, equipment, and materials for use in production. Cost is recognised using the FIFO method and includes expenses incurred in acquiring the goods and the cost of bringing them to their present state and location.

**Projects for own account**

Inventories of projects for own account are classified as current assets on the balance sheet. Projects for own account include inventories of sites for development.

**Shareholders' equity****Treasury shares**

When treasury shares are bought back, the purchase price, including costs that can be directed attributable as a deduction from equity, is recognised. Treasury shares are presented as a reduction in equity.

**Translation differences**

Translation differences arise in connection with exchange differences in the consolidation of foreign units. Units with a functional currency other than NOK are consolidated step by step. This means that translation differences are identified at various levels in accordance with the corporate structure and reclassified to the income statement upon disposal of a subsidiary when the directly overlying parent company has another functional currency.

**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.

**NOTE 38** SIGNIFICANT ACCOUNTING POLICIES CONT.**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 encompassed by the defined-benefit plan. The pension premiums are recognised as an expense when they are incurred. The Group has no liabilities beyond this.

**Share-based compensation**

AF Gruppen offers employees discounted shares with a lock-in period of one year, either from the sale of treasury shares or by a private offering. The sale of shares is recognised in accordance with the requirements for share-based remuneration. Discounts on the sale of treasury shares to employees are recognised as expenses at fair value on the allotment date. The value of the discounts is calculated using an option pricing model that takes the vesting period into account.

AF Gruppen also offers share options to employees: through a three-year option programme. Options are measured at fair value at the time of allotment. The calculated value of the estimated share of the options that are expected to be redeemed is recognised as a payroll cost, and the cross entry is made under other paid-in equity. The cost is distributed over the period until the employee acquires an unconditional right to redeem the options. The estimated number of options that are expected to be redeemed is reassessed on every balance sheet date. Any changes reduce the future cost by a corresponding adjustment of the equity.

Payroll tax on the wage benefits relating to outstanding options are recognised in the income statement using a best estimate for the liability.

Each option gives entitlement to purchase one share at a predetermined price. The Company does not have an agreed right to settle the value of the options issued in cash.

**Provisions**

A provision is recognised when the Group has an obligation (legal or self-imposed) as a consequence of an earlier event and it is probable (more

probable than not) that an economic settlement will be made as a consequence of this obligation that can be measured reliably. If the impact is significant, the provisions are calculated by discounting the estimated future cash flows by a discount rate before tax that reflects the market's pricing of the current value of money and, where relevant, risks specifically linked to the liability.

Restructuring provisions are included when the Group has approved a detailed and formal restructuring plan, and the restructuring has either started or been announced.

Provisions for guarantees are recognised when the underlying projects and services are sold. Provisions are based on historical information on guarantees and a weighting of possible outcomes against the probability of their occurrence. Provisions for loss-making contracts are recognised when the Group's expected revenue from a contract is less than the unavoidable costs incurred in order to fulfil the obligations under the contract.

In connection with the completion of business combinations, sales options may be agreed on for all or parts of the sellers' remaining interests in the acquired company. The sales price of the shares at the time of the redemption of the shares is in such cases dependent on the acquired company's future performance. The estimated fair value of the sales options issued will be discounted and recognised on the balance sheet as a liability at the time of the business combination with a cross entry in the equity of the majority interests. Subsequent changes in the fair value of the liability are recognised through profit or loss. Changes in the liability as a consequence of the options not being redeemed is recognised directly through equity.

**Borrowing expenses**

Loan expenses are recognised on the balance sheet to the extent that they are directly attributable to the production of an asset that it takes a substantial amount of time to prepare for use or sale. AF Gruppen recognises loan expenses that accrue during the production of projects for own account (residential units) and plant and equipment for own use on the balance sheet. Recognition on the balance sheet ceases upon completion of the assets.

**Cash and cash equivalents**

Cash and cash equivalents are the Group's bank deposits, and they include liquid and restricted funds. Bank overdrafts are included in loans under current liabilities on the balance sheet.

**Cash flow statement**

The cash flow statement explains the change in cash and cash equivalents for the period. The definition of cash and cash equivalents in the cash flow statement corresponds to the definition in the balance sheet. The cash flow statement has been prepared in accordance with the indirect method and shows cash flows from operating, investing and financing activities.

**Contingent liabilities and assets**

Contingent liabilities are not recognised in the financial statements. Significant contingent liabilities are disclosed with the exception of contingent liabilities with a low probability. Contingent assets are not recognised in the annual financial statements, but disclosed if it is probable that the benefit will pass to the Group.

**Events after the balance sheet date**

New information concerning the Company's financial position on the balance sheet date that is received after the balance sheet date is considered in the financial statements. Events after the balance sheet date that do not affect the Group's financial position on the balance sheet date, but will affect its financial position in the future, are disclosed if they are significant.

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## INCOME STATEMENT

Amounts in NOK million	Note	2021	2020
Intragroup contributions and dividends received	6	1,016	615
<b>Total operating and other revenue</b>		<b>1,016</b>	<b>615</b>
Other operating expenses	2, 3	-28	-22
<b>Earnings before interest and tax (EBIT)</b>		<b>988</b>	<b>594</b>
Net financial items	4	49	31
<b>Earnings before tax (EBT)</b>		<b>1,038</b>	<b>625</b>
Income tax expense	5	-6	-2
<b>Profit for the year</b>		<b>1,032</b>	<b>622</b>
<b>TOTAL COMPREHENSIVE INCOME</b>			
Amounts in NOK million		2021	2020
Profit for the year		1,032	622
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>1,032</b>	<b>622</b>

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

Amounts in NOK million	Note	2021	2020
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	6	2,252	2,252
<b>Total non-current assets</b>		<b>2,252</b>	<b>2,252</b>
<b>CURRENT ASSETS</b>			
Other non-interest-bearing receivables from group companies	7	988	608
Other non-interest-bearing receivables		6	-
<b>Total current assets</b>		<b>994</b>	<b>608</b>
<b>Total assets</b>		<b>3,245</b>	<b>2,860</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8,9	5	5
Premium	9	237	546
Other paid-in equity	9	54	53
<b>Total paid-in capital</b>		<b>296</b>	<b>605</b>
Other equity	9	529	167
<b>Total retained earnings</b>		<b>529</b>	<b>167</b>
<b>Total equity</b>		<b>824</b>	<b>771</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing debt to group companies	7	1,677	1,372
Taxes and public charges payable	7	-	19
Tax payable	5	6	2
Other debt to group companies	7	41	5
Proposed dividend	9	694	689
Other short-term debt and provisions		3	3
<b>Total current liabilities</b>		<b>2,421</b>	<b>2,089</b>
<b>Total equity and liabilities</b>		<b>3,245</b>	<b>2,860</b>

OSLO, 31 MARCH 2022

Pål Egil Rønn      Hege Bømark      Saloume Djoudat      Kristian Holth      Arne Baumann      Kjetel Digre  
 Board Chairman

Amund Tøftum      Kenneth Svendsen      Arne Sveen      Hilde Wikesland Flaen      Kristina Alvendal  
 CEO

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

## CASH FLOW STATEMENT

Amounts in NOK million	Note	2021	2020
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before tax		1,038	625
Paid taxes	5	-2	-
Gain/ loss sale of shares	6	-	-10
Revenues from group contributions and dividends		-1,016	-606
Change in trade receivables and payables		-	-1
Change in balances with group companies		347	412
Change in accruals		-25	-105
<b>Net cash flow from operating activities</b>		<b>342</b>	<b>314</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
Dividends received and group contributions		631	574
Paid group contributions		-	-330
Paid receivables from group companies		-	27
Proceeds from realisation of shares		-	13
<b>Net cash flow from investment activities</b>		<b>631</b>	<b>284</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from capital increases	9	119	410
Proceeds option premiums for the option program	9	-	4
Proceeds from the sale of treasury shares	9	51	62
Purchase of treasury shares	9	-27	-73
Payment of dividends	9	-1,116	-1,001
<b>Net cash from financing activities</b>		<b>-973</b>	<b>-598</b>
Net change in cash and cash equivalents during the year		-	-
Cash and cash equivalents as at 1 January		-	-
<b>Cash and cash equivalents as at 31 December</b>		<b>-</b>	<b>-</b>

**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, Helsefyr 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 31 March 2022.

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**

<i>Amounts in NOK thousand</i>	2021	2020
<b>REMUNERATION OF THE CEO</b>		
<b>Amund Tøftum</b>		
Fixed pay	3,757	1,315
Bonus	5,071	-
Retirement benefits	75	27
Other benefits	195	44
<b>Morten Grongstad</b>		
Fixed pay	-	2,562
Bonus	-	7,367
Retirement benefits	-	52
Other benefits	-	308
<b>Total</b>	<b>9,097</b>	<b>11,674</b>

Amund Tøftum took over as CEO on 24 August 2020. He was earlier Executive Vice President. Fixed pay for Morten Grongstad includes payment of remaining holiday pay.

Directores' fees	3,660	3,465
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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 Payroll costs and Note 32 Remuneration of the board and senior executives in the consolidated financial statements for further information.

**NOTE 3 OTHER OPERATING EXPENSES**

<i>Amounts in NOK million</i>	2021	2020
Audit fees	-1	-1
Ownership costs	-17	-13
Other operating expenses	-10	-8
<b>Total other operating expenses</b>	<b>-28</b>	<b>-22</b>

<i>Amounts in NOK thousand</i>	2021	2020
<b>REMUNERATION TO THE AUDITOR</b>		
Statutory audit fees	-569	-442
Other assurance engagements	-	-192
Tax advisory	-	-20
Other services beyond auditing	-20	-
<b>Total audit fees</b>	<b>-588</b>	<b>-654</b>

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

Fees for the share issues is included in equity premium and was a total of NOK 25 (15) thousand.

**NOTE 4 NET FINANCIAL ITEMS**

<i>Amounts in NOK million</i>	2021	2020
<b>FINANCIAL INCOME</b>		
Interest income from group companies	49	31
Other interest income	-	-
<b>Total financial income</b>	<b>49</b>	<b>31</b>
<b>FINANCIAL EXPENSES</b>		
Other interest expenses	-	-
<b>Total financial expenses</b>	<b>-</b>	<b>-</b>
<b>Net financial items</b>	<b>49</b>	<b>31</b>

**NOTE 5 INCOME TAX EXPENSE AND DEFERRED TAX/TAX ASSET**

Amounts in NOK million	2021	2020
<b>INCOME TAX EXPENSE IN THE INCOME STATEMENT</b>		
Current tax payable for the year	-6	-2
<b>Total tax payable</b>	<b>-6</b>	<b>-2</b>
Change in deferred tax / tax assets	-	-
Change in deferred tax liabilities/assets due to change in tax rate	-	-
<b>Tax change in deferred tax</b>	<b>-</b>	<b>-</b>
<b>Total income tax expense</b>	<b>-6</b>	<b>-2</b>
<b>RECONCILIATION OF THE INCOME TAX EXPENSE FOR THE YEAR</b>		
Profit before tax	1,038	625
<b>Expected income tax based on the nominal tax rate</b>	<b>-228</b>	<b>-138</b>
Tax effects of:		
– Change in tax rate	-1	2
– Recognised dividends and group contributions without tax	223	133
<b>Total tax expense recognised in income statement</b>	<b>-6</b>	<b>-2</b>
<b>TAX PAYABLE ON THE BALANCE SHEET IS CALCULATED AS FOLLOWS:</b>		
Tax on group contributions received	-6	-2
<b>Tax payable on the balance sheet</b>	<b>-6</b>	<b>-2</b>
<b>TEMPORARY DIFFERENCES INCLUDED IN THE DEFERRED TAX ASSETS/LIABILITIES</b>		
Tax loss carryforward	-	-
<b>Basis for deferred tax (deferred tax assets) on the balance sheet</b>	<b>-</b>	<b>-</b>
Deferred tax (deferred tax assets) in the financial statements	-	-

**NOTE 6 INVESTMENTS IN SUBSIDIARIES**

Name of company	Date acquired	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	15/01/09	Oslo	100.0%	100.0%
Betonmast Holding AS	28/10/19	Oslo	64.6%	64.6%

AF Offshore Energy AS was discontinued in 2020. With a gain of NOK 9.8 million.

**NOTE 7 INTERCOMPANY BALANCES WITH GROUP COMPANIES**

Amounts in NOK million	2021	2020
<b>RECEIVABLES FROM GROUP COMPANIES</b>		
Group contributions and dividends received	970	585
Joint VAT registration	18	23
<b>Total receivables from group companies</b>	<b>988</b>	<b>608</b>
<b>DEBT TO GROUP COMPANIES</b>		
Ownership costs	17	-
Corporate cash pooling system debt	1,677	1,372
Joint VAT registration	24	5
<b>Total debt to group companies</b>	<b>1,718</b>	<b>1,376</b>

The company is part of a group cash pool arranged by DNB for AF Gruppen ASA and its subsidiaries, where AF Gruppen Norge AS is the top account owner. Participating companies are jointly and severally liable for granted overdraft facilities. As of 31. December 2021, the company has a drawdown of NOK 1,676,861 thousand in the cash pool. The group had a positive net balance in the cash pool at the end of the year.

**NOTE 8 SHARE CAPITAL AND SHAREHOLDER INFORMATION**

Amounts in NOK million	Number of	Nominal value	Book
A-shares	106,804,500	0.05	5,340,225
<b>SHAREHOLDER</b>			
		Stake	No. of shares
OBOS BBL		16.09%	17,183,709
ØMF Holding AS		16.04%	17,127,342
Constructio AS		13.76%	14,695,347
Folketrygdfondet		8.66%	9,246,879
LJM AS		2.35%	2,515,217
Artel Kapital AS		2.35%	2,508,267
Vito Kongsvinger AS		1.79%	1,911,676
Arne Skogheim AS		1.64%	1,753,870
Staavi, Bjørn		1.52%	1,627,000
Janiko AS		1.22%	1,300,186
<b>Ten largest shareholders</b>		<b>65.42%</b>	<b>69,869,493</b>
Total other shareholders		34.58%	36,935,007
<b>Total number of shares</b>		<b>100.00%</b>	<b>106,804,500</b>

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 2021.

Board of Directors		Options	Treasury shares	Shares owned by related parties
Pål Egil Rønn	elected by shareholders, Board Chairman	-	207,225	-
Arne Baumann <sup>1)</sup>	elected by shareholders	-	-	17,183,709
Kristian Holth <sup>2)</sup>	elected by shareholders	-	-	15,716,856
Hege Bømark	elected by shareholders	-	-	-
Saloume Djoudat	elected by shareholders	-	-	-
Kjetel Rokseth Digre	elected by shareholders	-	-	-
Kristina Alvendal	elected by shareholders	-	-	-
Kenneth Svendsen	elected by employees	10,500	104,130	-
Hilde W. Flaen	elected by employees	3,915	27,337	-
Arne Sveen	elected by employees	-	-	-
<b>Sum</b>		<b>14,415</b>	<b>338,692</b>	<b>32,900,565</b>

<sup>1)</sup> Represents OBOS BBL, which owns 17,183,709 shares.

<sup>2)</sup> Represents Constructio AS and Flygind AS, which own 14,695,347 and 1,021,509 shares, respectively.

**NOTE 8 SHARE CAPITAL AND SHAREHOLDER INFORMATION CONT.**

Corporate Management Team		No. of options	No. of shares
Amund Tøftum	CEO	20,833	120,365
Sverre Hærem	Executive Vice President/CFO	23,110	149,912
Bård Frydenlund	Executive Vice President	20,833	171,183
Eirik Wraal	Executive Vice President	20,660	33,559
Ida Aall Gram	Executive Vice President	20,488	19,749
Geir Flåta	Executive Vice President	20,488	1,295
Tormod Solberg	Executive Vice President	14,513	44,865
<b>Sum</b>		<b>140,925</b>	<b>540,928</b>

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 13 May 2022.

**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**

On 15 May 2020, the General Meeting approved a new option program for all employees in AF Gruppen ASA with subsidiaries, with the right to subscribe for a total of 4,000,000 options in the years 2020-2022 and redemption in 2023. As of 31 December 2021, there are outstanding 3,730,619 options in this scheme.

**NOTE 9 EQUITY**

<i>Amounts in NOK million</i>	Share capital	Treasury shares	Premium	Other paid-in equity	Other equity	Total
Equity as at 31 December 2019	5	-	135	48	615	803
Capital increase	-	-	410	-	-	410
Purchase of treasury shares	-	-	-	-	-73	-73
Sale of treasury shares	-	-	-	-	62	62
Not executed options for option program 2017-2020	-	-	-	1	-	1
Paid in option premium on option program 2020-2023	-	-	-	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
<b>Equity 31 December 2020</b>	<b>5</b>	<b>-</b>	<b>546</b>	<b>53</b>	<b>167</b>	<b>771</b>
Capital increase	-	-	119	-	-	119
Purchase of treasury shares	-	-	-	-	-27	-27
Sale of treasury shares	-	-	-	-	51	51
Total comprehensive income for the year	-	-	-	-	1,032	1,032
Ordinary dividend	-	-	-427	-	-	-427
Proposed dividend for 2021	-	-	-	-	-694	-694
<b>Equity 31 December 2021</b>	<b>5</b>	<b>-</b>	<b>237</b>	<b>54</b>	<b>529</b>	<b>824</b>

As at 31 December 2021, the Company had none (13 500) 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 10 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 surety bonds. Historically there have been no losses associated with such guarantees in AF Gruppen.

<i>Amounts in NOK million</i>	2021		2020	
	Limit	Drawn	Limit	Drawn
Guarantees issued to clients	8,472	5,215	7,316	5,971
Guarantees for tax withholdings etc.	249	249	251	251
Leasing limits	1,290	946	1,382	991
Bank credit and loan facilities	3,000	-	3,000	-
<b>Total</b>	<b>13,011</b>	<b>6,410</b>	<b>11,949</b>	<b>7,213</b>

**RESPONSIBILITY STATEMENT FROM MEMBERS OF THE BOARD AND CEO**

With regard to the annual accounts for 2021 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 fair 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, 31 MARCH 2022

Pål Egil Rønn <i>Board Chairman</i>	Hege Bømark	Saloume Djoudat	Kristian Holth	Arne Baumann	Kjetel Digre
Amund Tøftum <i>CEO</i>	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 2021, the income statement 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 2021, the income statement, 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 comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and 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, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in

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T: 02316, org. no.: 987 009 713 MVA, www.pwc.no  
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



## Independent Auditor's Report - AF Gruppen ASA

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

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

We have been the auditor of the Company for 5 years from the election by the general meeting of the shareholders on 12 May 2017 for the accounting year 2017.

#### 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. We do not provide a separate opinion on these matters. Similar to last year, the *recognition of income from construction contracts* continues to be a key audit matter in this year's audit. The *impairment assessment of goodwill*, which was a key audit matter in last year's audit, does not have the same characteristics and risks this year, and is therefore not considered to be a key audit matter in this year's audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Recognition of income from construction contracts</i></p> <p>Revenue from construction contracts amounts to MNOK 26.767 in 2021 (note 6). For calculation of income from construction contracts, the percentage of completion method based on expected contract revenue and degree of contract completion is used. The construction contracts may be complex, executed over a long period of time and involve significant uncertainty. The estimation of total revenues and costs involves the use of judgement, including impact of expected profit, degree of contract completion, variable consideration and effects of potential disputes.</p> <p>Accounting for contract revenue is a key audit matter as the company has a large number of construction contracts and managements' use of judgement can significantly impact a number of accounts in the financial statements, such as revenue, costs, accounts receivables, provisions and deferred tax.</p> <p>More information on the Company's accounting for construction contracts,</p>	<p>We have 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 and consistently applied.</p> <p>The Group has established a risk framework to ensure a qualitative and consistent processing of risk and estimates in the projects. Internal controls are established to ensure compliance with the framework. The controls are primarily directed at ensuring appropriate assessments of total expected costs and degree of completion, and total expected revenues, including variable consideration and revenue that is uncertain due to disputes. The controls are established in several levels of the organisation and include, amongst other things, reviews of the project portfolio in periodical meetings. We reviewed relevant documentation that support the quality of discussions and control questions asked in the meetings and assessed that the process has worked effectively.</p>

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## Independent Auditor's Report - AF Gruppen ASA



how the percentage of completion is calculated, and management's application of judgement is given in note 37 and 38.

Furthermore, we tested the control directed at ensuring that hours and costs are allocated to the appropriate project, which forms the basis for assessing correct degree of completion and project margin. Our testing of the control did not identify significant deviations.

Determination of final forecast and degree of contract completion involves the use of judgement. In order to evaluate the use of judgement in the estimates, we have amongst other interviewed and challenged business unit management and Group management about the assumptions used in the estimates. Furthermore, we have reviewed that significant assessments and assumptions used in the project forecasts are supported by relevant documentation, such as signed customer contracts and change orders and other relevant documentation. For projects with significant disputes, we have obtained confirmations directly from the Company's external legal counsel. We also analysed the consistency of management's exercise of judgment. We determined that management's use of judgement was reasonable and consistent with underlying documentation.

We checked that the disclosures in the key notes are in accordance with underlying information about the projects, and satisfies the appropriate IFRS requirements.

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#### Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

(3)

## Independent Auditor's Report - AF Gruppen ASA



Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

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#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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.

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#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in

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## Independent Auditor's Report - AF Gruppen ASA



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

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

### Report on Other Legal and Regulatory Requirements

#### Report on compliance with Regulation on European Single Electronic Format (ESEF)

##### Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name «afg-2021-12-31.zip» have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

##### Management's Responsibilities

Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

(5)

## Independent Auditor's Report - AF Gruppen ASA



##### Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: <https://revisorforeningen.no/revisjonsberetninger>

Oslo, 31 March 2022

**PricewaterhouseCoopers AS**

Thomas Whyte Gaardsø  
State Authorised Public Accountant

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

(6)

## 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.

The table below reconciles alternative performance measures with line items in the reported financial figures in accordance with IFRS.

Amounts in NOK million	31/12/21	31/12/20
<b>GROSS INTEREST-BEARING DEBT/NET INTEREST BEARING DEBT</b>		
Interest-bearing loans and credit facilities - long-term	90	155
Interest-bearing loans lease liability - long-term	554	633
Interest-bearing loans and credit facilities - short-term	54	8
Interest-bearing loans lease liability - short-term	301	330
<b>Gross interest-bearing debt</b>	<b>999</b>	<b>1,127</b>
Less:		
Interest-bearing receivables - long-term	-282	-443
Interest-bearing receivables - short-term	-65	-66
Cash and cash equivalents	-680	-708
<b>Net interest-bearing debt (receivables)</b>	<b>-29</b>	<b>-90</b>
<b>CAPITAL EMPLOYED</b>		
Shareholders' equity	3,572	3,494
Gross interest-bearing debt	999	1,127
<b>Capital employed</b>	<b>4,571</b>	<b>4,621</b>
<b>AVERAGE CAPITAL EMPLOYED</b>		
Capital employed as at 1st quarter	4,673	4,277
Capital employed as at 2nd quarter	4,231	4,057
Capital employed as at 3rd quarter	4,489	4,297
Capital employed as at 4th quarter	4,571	4,621
<b>Average capital employed</b>	<b>4,491</b>	<b>4,313</b>

**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.

Beløp i MNOK	31/12/21	31/12/20
<b>RETURN ON CAPITAL EMPLOYED</b>		
Profit before tax	1,580	1,447
Interest expenses	38	55
<b>Earnings before tax and interest expenses</b>	<b>1,617</b>	<b>1,502</b>
Divided by:		
Average capital employed	4,491	4,313
<b>Return on capital employed</b>	<b>36.0%</b>	<b>34.8%</b>
<b>ECONOMIC VALUE ADDED (EVA)</b>		
Return on capital employed	36.0%	34.8%
Less		
Cost of capital before taxes	12.0%	12.0%
<b>Extra return before taxes</b>	<b>24.0%</b>	<b>22.8%</b>
Multiplied by:		
1 minus effective tax rate	77.8%	80.0%
<b>Extra return after tax</b>	<b>18.7%</b>	<b>18.3%</b>
Multiplied by:		
Average capital employed	4,491	4,313
<b>Economic Value Added (EVA)</b>	<b>839</b>	<b>788</b>
<b>EQUITY RATIO</b>		
Shareholders' equity	3,572	3,494
Divided by:		
Total equity and liabilities	13,108	12,862
<b>Equity ratio</b>	<b>27.3%</b>	<b>27.2%</b>
<b>AVERAGE SHAREHOLDERS' EQUITY</b>		
Shareholders' equity as at 1st quarter	3,553	3,045
Shareholders' equity as at 2nd quarter	3,117	2,919
Shareholders' equity as at 3rd quarter	3,378	3,195
Shareholders' equity as at 4th quarter	3,572	3,494
<b>Average shareholders' equity</b>	<b>3,405</b>	<b>3,163</b>
<b>RETURN ON EQUITY</b>		
Income statement	1,229	1,158
Divided by:		
Average shareholders' equity	3,405	3,163
<b>Return on equity</b>	<b>36.1%</b>	<b>36.6%</b>

# 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

## OTHER DEFINITIONS

### BRA

Abbreviations for available area. Available area is the gross area minus the area occupied by external walls. Indicated in m<sup>2</sup> or sqm.

### BREEAM

BRE Environmental 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

Number 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<sub>2</sub> equivalents (CO<sub>2</sub>e) per NOK million in turnover.

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