ENTREPRENEURIAL SKILL AND CAPABILITY

ANNUAL REPORT 2022

AF Gruppen is a leading contracting and industrial group forged from an entrepreneurial spirit and an ability to execute. We provide civil engineering, environmental, construction, property, energy and offshore services, primarily in Norway and Sweden. AF creates value for its employees, customers and owners, while helping to resolve important social challenges. In short, we clear the past and build for the future.

AF Gruppen aims to be the Nordic region's most profitable contractor by preserving and reinforcing AF's foundations: a value-based corporate culture and an uncompromising attitude towards safety and ethics. Ambitious goals have been set for the strategy period up to 2024, and the objective is to achieve revenue of NOK 40 billion and an operating margin of 7%. To achieve this, we will continue to develop the professional and management skills of our employees. We will make use of our curiosity and ability to execute to develop and deliver services that meet the needs of customers and resolve social challenges.

REVENUES

NOK MILLION 31,205

EBIT

NOK MILLION 1,409

OPERATING MARGIN

4.5%

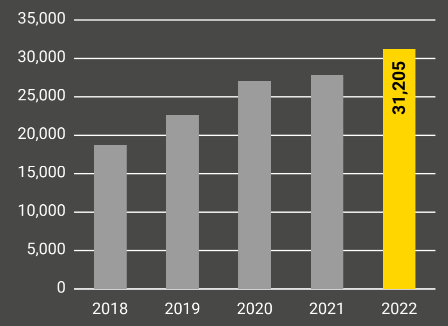
EQUITY RATIO

24.2%

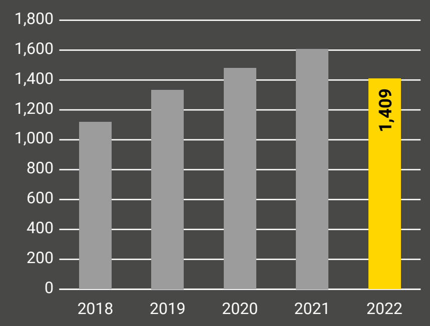
LTI-1 RATE

1.1

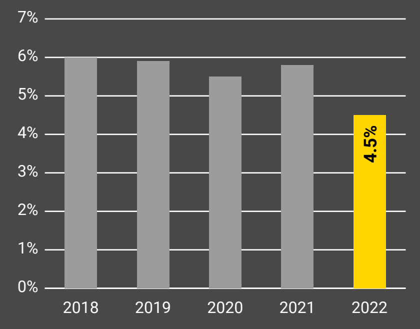
REVENUES (NOK MILLION)



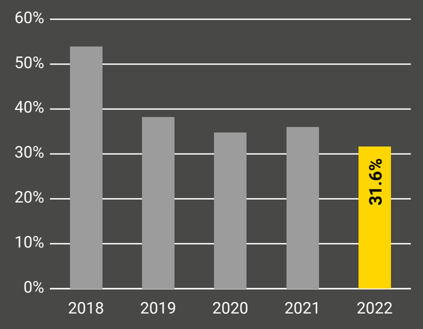
EARNINGS BEFORE INTEREST AND TAXES (NOK MILLION)



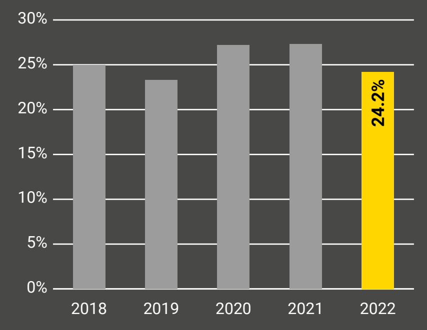
OPERATING MARGIN



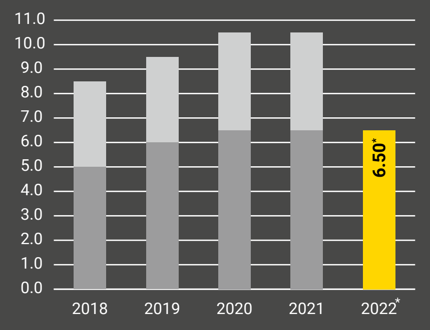
RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)



EQUITY RATIO

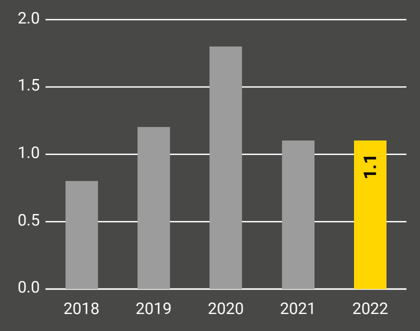


DIVIDEND PER SHARE (NOK)

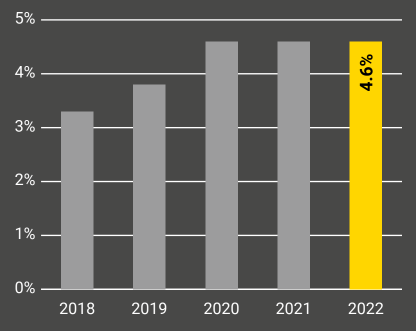


* Dividend to be distributed in the first half of 2023 is proposed, not approved.

LTI-1 RATE



ABSENCE DUE TO ILLNESS



FRONT PAGE: THE UNIQUE STAIRCASE IN GULLHAUG TORG 5. COVER PHOTO: HANS FREDRIK ASBJØRNSEN

KEY FIGURES →

FINANCIAL RATIOS

YEAR	2022	2021	2020	2019	2018
REVENUES (NOK MILLION)					
Operating and other revenue	31,205	27,868	27,025	22,612	18,767
Order backlog	39,765	38,646	30,617	28,200	21,541
Order intake	32,324	35,897	29,442	29,271	20,535
EARNINGS (NOK MILLION)					
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,937	2,176	2,053	1,882	1,303
Depreciation and write-downs	-528	-567	-573	-547	-184
Earnings before interest and tax (EBIT)	1,409	1,609	1,480	1,335	1,119
Earnings before tax (EBT)	1,400	1,580	1,447	1,317	1,136
Earnings after tax	1,151	1,229	1,158	1,027	921
PROFITABILITY					
EBITDA-margin	6.2%	7.8%	7.6%	8.3%	6.9%
Operating margin	4.5%	5.8%	5.5%	5.9%	6.0%
Profit margin	4.5%	5.7%	5.4%	5.8%	6.1%
Return on equity	34.0%	36.1%	36.6%	43.7%	45.4%
Return on average capital employed (ROaCE)	31.6%	36.0%	34.8%	38.2%	53.9%
Economic Value Added (NOK Million)	736	839	788	735	725
Cash flow from operations (NOK million)	1,460	1,415	1,189	1,508	841
BALANCE SHEET (NOK MILLION)					
Total assets	14,457	13,108	12,862	12,854	8,486
Shareholders' equity	3,494	3,572	3,494	2,999	2,124
Capital employed	4,900	4,571	4,621	4,183	2,223
Average capital employed	4,561	4,491	4,313	3,603	2,133
Equity ratio	24.2%	27.3%	27.2%	23.3%	25.0%
Gross interest-bearing liabilities	1,406	999	1,127	1,184	99
Net interest-bearing receivables (debt)	-329	29	90	-163	894
THE SHARE					
Shareprice	143.80	193.60	175.60	176.00	132.00
No. of shares	107,702,000	106,804,500	105,998,497	103,065,277	99,009,179
Market value (NOK million)	15,488	20,677	18,613	18,139	13,069
Earnings per share (NOK)	8.96	9.60	9.29	8.51	7.88
Diluted earnings per share (NOK)	8.96	9.57	9.27	8.46	7.88
Dividend per share first half of the year (NOK) 1)	6.50	6.50	6.50	6.00	5.00
Dividend per share second half of the year (NOK)	-	4.00	4.00	3.50	3.50

[1] Dividend to be distributed in the first half of 2023 is proposed, not approved.

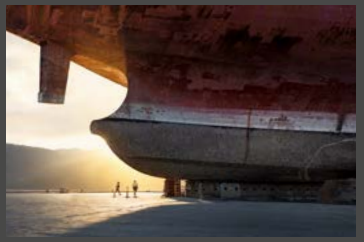
	2022	2021	2020	2019	2018
PERSONNEL					
Number of salaried employees	2,555	2,580	2,602	2,638	1,797
Number of skilled employees	3,420	2,833	2,908	2,898	2,423
Total number of employees	5,975	5,413	5,510	5,536	4,220
LTI-1 rate	1.1	1.1	1.8	1.2	0.8
Absence due to illness	4.6%	4.6%	4.6%	3.8%	3.3%
EXTERNAL ENVIRONMENT					
Carbon footprint	1.3	1.6	1.8	2.3	4.5
Source separation rate – building	86%	88%	88%	84%	88%
Source separation rate – renovation	89%	90%	87%	90%	87%
Source separation rate – demolition	95%	96%	96%	95%	97%
Total amount source separation in tonnes	278,172	294,776	400,995	339,221	496,586

For definitions of key figures, see the description of alternative performance measures on page 226 and the definitions on page 228.

BATTERY POWERED BLOCKS OF FLATS
Solar and geothermal energy in pilot buildings in Sweden.
Pages 10 and 24

HIGH-TECH GLASS
Innovative façade solution that admits light and regulates at Gullhaug Torg.
Page 32

GIANT SHIP SENT FOR RECOVERY
A 235-metre production vessel is hoisted onto the quayside for environmentally-friendly recovery at Vats.
Page 60



A NEW STAGE FOR ART
Airy exhibition premises in the new National Museum.
Page 92

EUROPEAN HIGHWAY FOR NORWEGIAN GAS
Core competence from tunnelling is being used to ensure gas supplies from Norway.
Page 114

TRANSFORMATION ON BRAKERØYA
AF collaboration from foundations to the roof in the project New hospital in Drammen.
Page 134

CONTENT

ENTREPRENEURIAL SKILL AND CAPABILITY

CEO Amund Tøftum highlights the strong performances in several areas in 2022. He strongly believes that our people, active risk management, a shared corporate culture and values provide a solid foundation on which we can continue to take new steps.

At AF we live from and for our projects. We shall deliver profitable projects that create value for society, our customers and our employees. There were many strong performances in 2022. Profitability was very good in the business areas Civil Engineering, Offshore, and Energy and Environment. Active risk management and a value-based corporate culture are part of the bedrock for performance in our business model. It is the people at AF who create the value, and therefore they must be given responsibility and take part in the common value creation. In 2022, inflation and delivery challenges due to the war in Ukraine made operating a project-based business even more demanding. In our experience, our best teams maneuver projects well even when things are tough, although the differences in performance have been too large. Overall, we are not satisfied with the profitability for the year.

Safety is fundamental for profitable growth. Everyone should get home safely from work every day, and everything we do is based on systematic safety work. Nevertheless, it is clear that compliance can sometimes slip and that the consequences of mistakes are serious. Regrettably, there was one case in 2022 that resulted in a fatality. That incident affected and left its mark on us and is a stark reminder of the forces with which we surround ourselves.

Safety and profitability take a central place in the strategy for the period up to 2024. We will work on four initiatives in order to achieve our goals and strengthen our competitiveness. We will attract, develop and retain the market's best management and professional expertise and build organizations that both thrive and perform as a team. In the area of climate and environment, we will both reduce our footprint and make use of our knowledge to create new useful services for society. For customers and suppliers, AF shall be a preferred cooperation partner and be known for its strong entrepreneurial spirit and willingness to innovate.

The four strategic initiatives are closely related. At AF, we work closely with client, suppliers and subcontractors to ensure progress and good solutions for projects. Curiosity, expertise and execution capacity are all required to resolve climate and environmental challenges. The fact that we were awarded the Construction Industry's Climate Award and the Klimasnuprisen for 2022 is clear evidence that the organization has operationalized the initiatives.

AF entered into contracts for several major, complex and socially useful projects in 2022. We build new and rehabilitate to preserve what has already been built. To execute these projects, we need to challenge established truths by seeking out new, innovative solutions and improving our working methods. We will continue to look for risks that we can influence, in order to achieve profitability, develop further and take steps into new markets. With the best people on our team, we are well-equipped to follow our vision of clearing up the past and building for the future.

HIGHLIGHTS FROM 2022

Contracts were signed for several large, complex projects with a high social benefit in 2022. At the same time, important projects were completed. Below are some of the year's milestones, presented by quarter.

Q1 / SOLD HOTEL IN HASLE

AF Eiendom and Höegh Eiendom sold the hotel and office building Karvesvingen 7 in Hasle Linje, Oslo. The 21,056 sqm GFA building was constructed by AF Gruppen and is environmentally certified BREEAM-NOR Very Good. In addition to a 208-room hotel, the building houses a radio and TV studio, offices and a large fitness centre. The project was developed in close collaboration with the tenants in order to find good solutions for acoustics, ventilation, daylight, material use and room design. With strict requirements regarding reverberation in the radio and TV studio, and with freight trains passing right outside the building, the project developed good solutions for preventing stray noise throughout the building. Nordic Choice Hotels, Nordic Entertainment Group and Sterk Helse & Trening moved in when the building opened in 2021.

Q2 / CLEARANCE WORK IN THE NORTH SEA

After 37 years of production in the North Sea, the Dunlin Alpha platform was to be removed and recycled. AF Offshore Decom carried out the lifting and transport work together with Heerema Marine Contractors. The project included an unprecedented lifting operation in which a 12,000-tonne structure was removed in a single lift. After 2 years of detailed engineering work and preparations, AF Offshore Decom mobilized a crew of 290 people for the lifting operation. The ship Sleipnir was responsible for lifting and transporting the platform to AF Environmental Base Vats, where more than 95 per cent of the 19,000-tonne structure will be prepared for recycling.

Q3 / SUSTAINABLE CLASSROOMS

Betonmast Røsand won the Klimasnuprisen 2022 for the building Kårvåg primary school in Averøy, Møre og Romsdal. In addition to classrooms, the school has its own premises for a culture school and a sports hall, as well as a large outdoor area with many different local community facilities. The project focused heavily on sustainability, use of wood and energy-efficient solutions, and halved construction site waste compared with the norm for school buildings. The school was built on a natural plot with rocky outcrops, heather and marsh, and the goal was to preserve as much of the natural area around the school as possible. The jury for the Klimasnuprisen declares that Betonmast Røsand sets high environmental requirements for its projects and is helping to raise the standard in the industry.

Q4 / A MEMORABLE DAY IN SOUTHERN NORWAY

"Today, Agder is shrinking," the chairman of the county council, Arne Thomassen said, when the new E39 Kristiansand vest–Mandal øst highway opened on 9 December 2022. Since breaking ground in October 2018, 19 km of four-lane motorway have been built. The project also includes three large flyovers, four longer bridges and five double tunnels. More than 4,000 people have worked 3.2 million hours on the site tunnelling, blasting, mass removal, concrete work, installing guardrail, paving, electricity, and a whole lot more. Some 40 apprentices took part in the civil engineering work and all of them passed their trade exam or apprenticeship exam.

GOALS AND RESULTS

PROFITABILITY

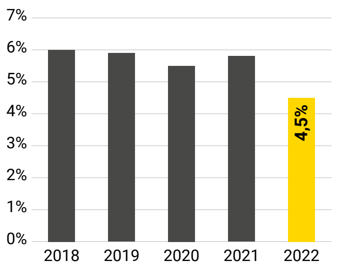
GOAL

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%.

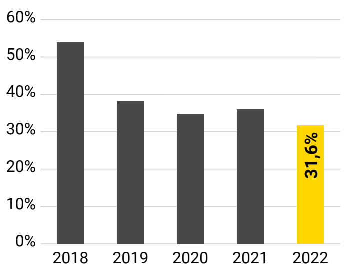
RESULTS 2022

In 2022, AF had an operating margin of 4.5% and a return on capital employed of 31.6%.

OPERATING MARGIN



RETURN ON AVERAGE CAPITAL EMPLOYED



FINANCIAL STRENGTH

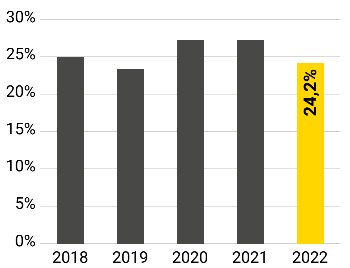
GOAL

AF's goals 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.

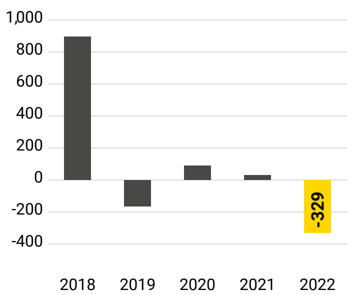
RESULTS 2022

AF's equity ratio was 24.2% at the end of 2022. The Group had net interest-bearing liabilities of NOK 329 million. Available liquidity at year end, including credit and loan facilities from Handelsbanken and DNB, totalled NOK 3,344 million.

EQUITY RATIO



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



DIVIDEND

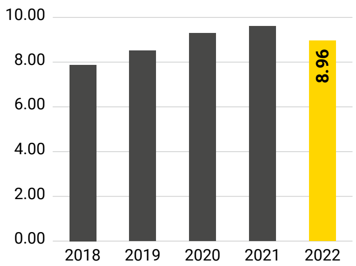
GOAL

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 earnings 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.

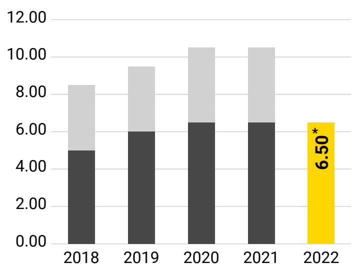
RESULTS 2022

In 2022, AF paid a total dividend of NOK 10.50 per share for the 2021 financial year. Earnings per share was NOK 9.60 in 2021. Earnings per share was NOK 8.96 in 2022. For the 2022 financial year, payment of a dividend of NOK 6.50 per share is proposed for the 1st half of 2023. The dividend for payment in the 2nd half of 2023 will be announced when the results for the 3rd quarter of 2023 are presented.

EARNINGS PER SHARE (NOK)



DIVIDEND PER SHARE (NOK)



** The dividend for payment in the first half-year 2023 has been proposed, but not approved*

HEALTH AND SAFETY

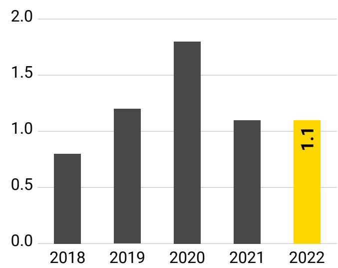
GOAL

AF's goal within health is to have zero work-related absence. The goal within safety is to have zero serious personal injuries and zero absences injuries, i.e. an 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.

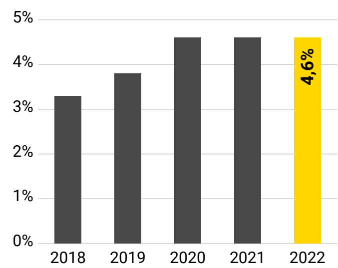
RESULTS 2022

AF achieved an LTI-1 rate of 1.1 and an absence due to illness rate of 4.6%. The LTI-1 rate represents the most serious injuries, and significant potential for reducing the injury statistics further still remains.

LTI-1 RATE



ABSENCE DUE TO ILLNESS



CLIMATE AND ENVIRONMENT

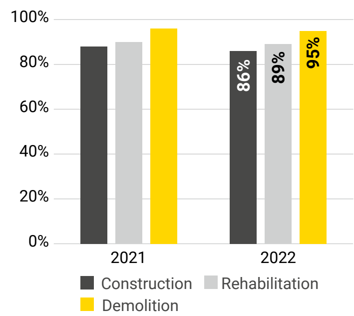
GOAL

AF shall sort at least 80% 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.

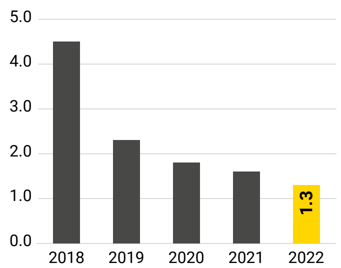
RESULTS 2022

In 2022, the source separation rate for construction was 86%, for rehabilitation it was 89% and for demolition it was 95%. Our carbon footprint for 2022 was 1.3.

SOURCE SEPARATION



CARBON FOOTPRINT



ELECTRIC VILLAGE – BATTERY POWERED BLOCKS OF FLATS

The ambition behind the Tallbohov Electric Village pilot project was to incorporate as many climate-smart solutions as possible into the blocks of flats. Solar energy, geothermal heating and district heating are all used as energy sources. Battery packs in the blocks are charged by surplus energy from the solar panels and used when there is a need to draw a lot of power. Artificial intelligence ensures the smart utilisation of energy. A dedicated app provides residents with guidance on transport, source separating waste and food shopping. The app also includes a social platform in which residents can interact and suggest activities.

ABOUT AF GRUPPEN

BUSINESS STRUCTURE

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

CIVIL ENGINEERING

AF is one of Norway's largest actors in the civil engineering market, and the customers include both public and private actors. Its project portfolio includes roads, railways, 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. 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.

	Civil Engineering	Construction	Betonmast	Property	Energy and Environment	Sweden	Offshore
Revenues NOK million	5,919	11,090	5,145	30	1,062	7,445	1,238
Earnings before tax NOK million	445	322	166	75	84	130	164
Employees	1,812	1,720	635	24	309	1,058	236

ABOUT AF GRUPPEN

OUR HISTORY

1980

ENTREPRENEURIAL SPIRIT

The year is 1985. Per Aftreth and Leif Jørgen Moger found 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 result in positive earnings for the company in its first year of operation.

1990

PROFITABILITY AND GROWTH

Our core values quickly contribute to results and larger contracts, and give AF the muscles to look towards the building and property market. In 1997, AF merges with the contractor Ragnar Evensen AS and lays the foundation for the Property business area through acquisitions. AF is listed on Oslo Børs that same autumn.

2000

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. The entry into the demolition market in the year 2000 starts a new growth adventure for AF through the Energy and Environment business area as well as the Offshore business area.

2010

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.

2020

ABILITY TO SUCCEED

AF Gruppen consists of more than a hundred companies. Our composite expertise enables us to execute 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.

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 lead 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

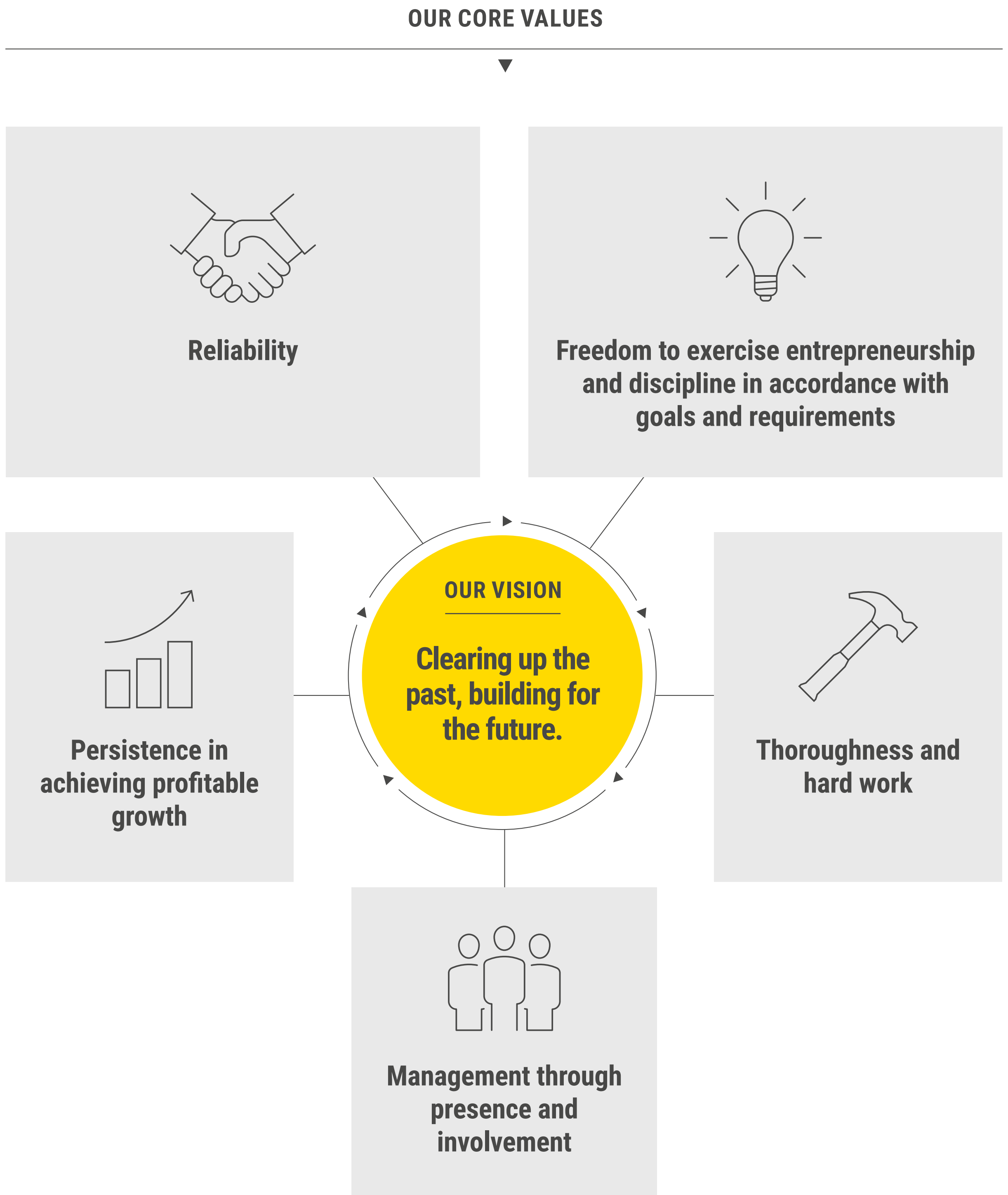
AF is growing and constantly adding new companies to its portfolio. Culture and values are important selection criteria in acquisition processes.

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.

					Figures for 2022
Revenue (NOK million)	175	1,426	5,828	27,025	31,205
Share price as of 31.12 (NOK)	-	5,00	40.00	175.60	143.80
Employees as of 31.12.	150	860	1,933	5,510	5,975

VISION AND 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 organization'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 decentralized 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 organization 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.

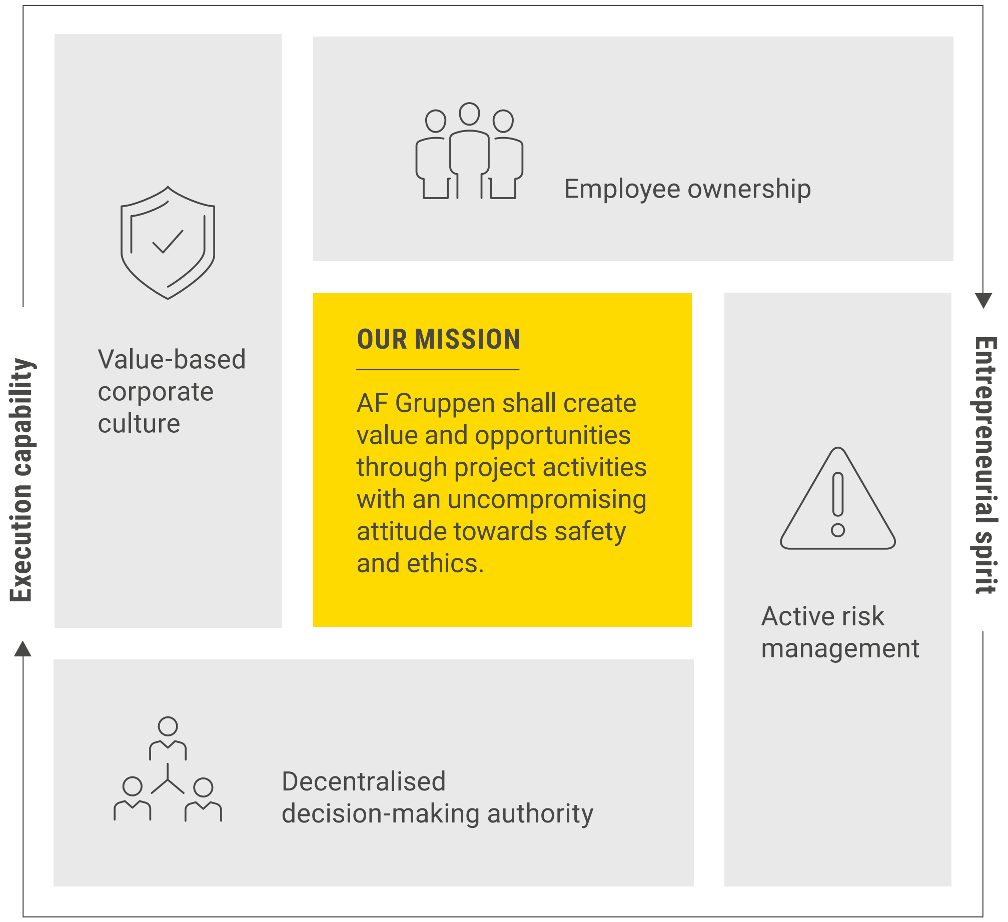
Thoroughness and hard work

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

EMPLOYEES

- A safe workplace for our employees and subcontractors.
- A good working environment for our employees as well as opportunities for competence development and co-ownership.

CUSTOMERS

- High quality projects prepared in collaboration with customers and suppliers.

OWNERS

- Good returns for investors through dividends and share price appreciation.

SOCIETY

- Contribution to society's climate battle through the reduction of waste and greenhouse gases that arise as a result of our activities.
- Delivery of sustainable services and products required by society.

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 TAKE PART 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 113.

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. Decision support has been strengthened 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.

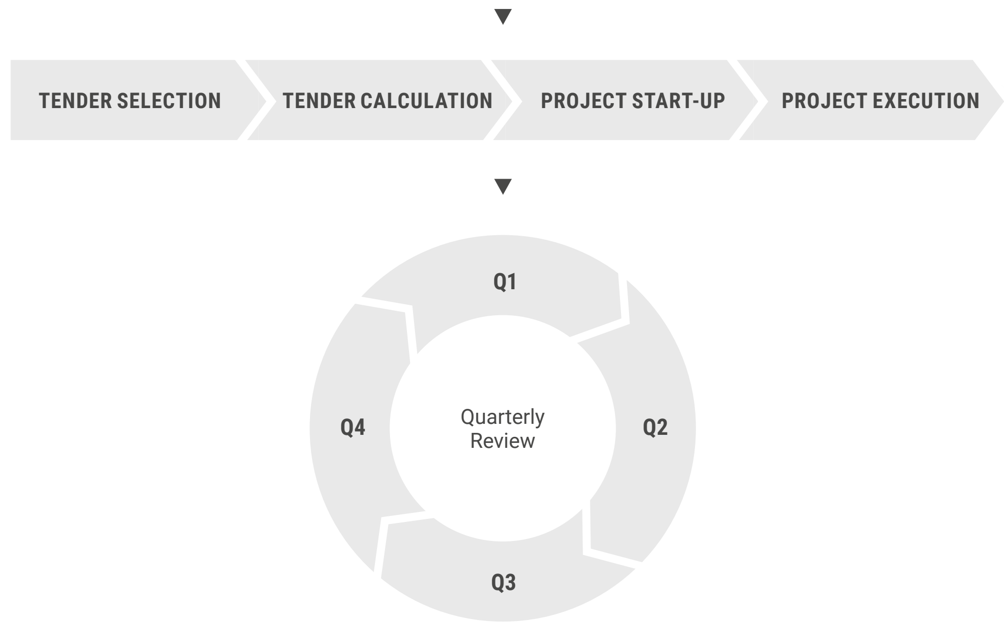
During the execution phase, risk reviews are carried out for large projects every quarter, with broad participation from the project organisation. The project management is responsible for defining specific and measurable measures for handling threats and exploiting opportunities in the project.

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 23 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

Eight 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. 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 48.

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

RISK FACTOR	RISK TYPE	RANGE OF OUTCOMES Threat High – Low – Opportunity High ← Influence on AF →	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
Employer attractiveness	Transition risk		AF's entrepreneurial spirit and influence on current societal challenges will attract talent.	
New business opportunities	Transition risk		The industry will work on solutions to achieve more climate goals. Our capital structure and culture make us adaptable.	
Innovation and technology	Transition risk		Strong focus on operations, operational risk management and high-quality cost-benefit assessments.	
Customers' climate requirements	Transition risk		AF understands and meets customer needs with solutions that create competitive advantages and mutual value creation.	
Demand for climate and environmental services	Transition risk		AF's range of services meets market demand and is continuously evolving in step with developments.	
Shortage of energy and resources	Transition risk		Increased value chain costs due to having to deal with delivery challenges, market uncertainty and price fluctuations.	
Access to capital	Transition risk		AF's climate and environment strategy and profile attract capital for our investments and activities.	
Increased CO_2 taxes	Transition risk		Fewer realisable projects slow investment and increase competition.	
Increased accident risk	Physical risk		More frequent extreme weather events could result in greater unpredictability and more unwanted incidents on building sites.	
Changed requirements for new buildings and civil engineering	Physical risk		AF understands and complies with new regulations and functional requirements.	

> Those who move here contribute to a greener society just by living here. The trees and nature surrounding the homes add that something extra to the living environment.
>
> **KAJSA GULLBRANDSSON, ASSISTANT PROJECT MANAGER**

Tallbohov Electric Village on the outskirts of Stockholm consists of four blocks housing a total of 180 flats. The original pine forest surrounding the homes has been preserved. The forest and parks, with their pleasant paths, have become a natural environment used by the residents, school classes and kindergartens.

ABOUT AF GRUPPEN

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

7% Operating margin	**NOK 40** Billion in revenues	**20%** Return on capital employed
0 Serious injuries	**50%** Reduction of greenhouse gas emissions per type of service relative to revenues by 2030	**50%** Reduction of waste volumes that to incineration or landfill per type of service relative to revenues by 2030

MARKET TRENDS

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

Urbanisation

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

Technological advances

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

Green transition

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

Market fluctuations

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

Complexity of projects and customer requirements

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

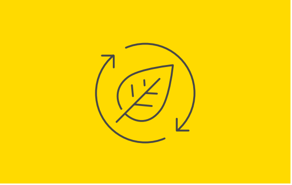
Battle for qualified resources

- 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

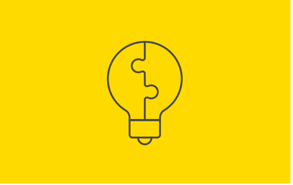
AF Gruppen will increase competitiveness and profitable growth through four strategic initiatives that will be operationalised in each individual business unit.

Disciplines and management



Climate and environment

Customers and suppliers



Innovation

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)

CONCRETE SPECIALISTS

Stenseth & RS is a concrete specialist and has its own concrete technologist who mixes the best concrete for the customer.

Stenseth & RS became a new subsidiary of AF Gruppen in 2022. Over 30 years in the industry, the company has built up unique experience and expertise within concrete. It is one of the leading actors in the market and is involved in, for example, developing technology and execution through various partnership projects, internally in AF and in national development programmes. Stenseth & RS are specialists in developing good floors for industry and business. New load, wear and tear and smoothness requirements due to the increased use of, for example, robots in warehouses/production facilities, require special expertise. The company has its own concrete technologist who optimises the concrete's properties to adjust deliveries to meet the customers' wishes and requirements.

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.

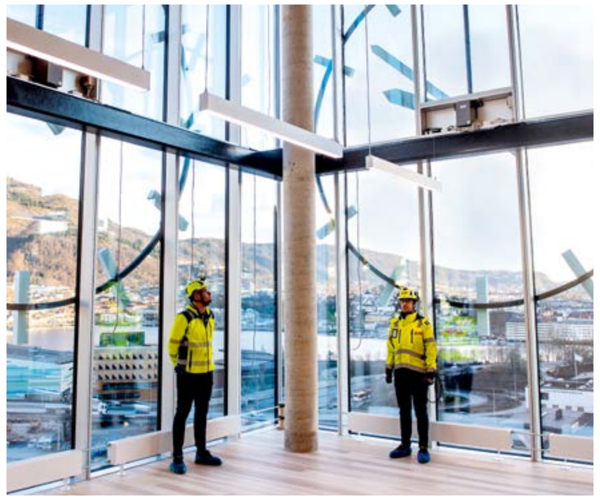
AF has extensive experience from projects that set comprehensive environmental requirements and has an in-depth understanding of how processes, material choices and operating solutions impact the environment. We will use this expertise to find good environmentally friendly solutions and encourage customers 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.

VESTLANDSHUSET – BERGEN'S NEW LANDMARK

On 8 March 2023, Bergen's new county administration building, named Vestlandshuset, was officially opened.

When the client, Vestland County Municipality , announced a price and design competitive tender for a new county administration building , it set strict environmental and sustainability requirements. LAB Entreprenør, with its cutting-edge expertise in environmental buildings, won the competition and signed a turnkey contract involving cooperation. The requirement for a 20 per cent reduction in greenhouse gas emissions relative to comparable reference buildings was the subject of much discussion in the cooperation phase when it came to choosing materials and space utilisation. The building is certified BREEAM Excellent. The environmental measures that can be highlighted include the reuse of old concrete from the demolition phase, the design of the building's facade reducing the need for cooling in the summer and heating in the winter, the district heating connection, and the solar panels installed on the roof. The building's climate functions, including ventilation, are controlled by real-time data from sensors that register, for example, presence and temperatures.



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 seek early involvement in order to arrive at the best solutions and identify future customer needs. AF shall have the best possible understanding of the market and customers, to be solution-oriented and to be the best in the market at solving urgent customer problems.

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.

The results from the latest survey from 2021 show the following:

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

OLD SCHOOL WITH A NEW PURPOSE

Bergen Inclusion Centre, an architectural and human rights pilot project.

The old teacher training college in Landås is being converted into an inclusion centre for the whole of Bergen, with extensive shared use with sports areas and the local community. This is an architectural and human rights pilot project under the banner of the international "Building Dignity" programme. Behind the project are the Rafto Foundation and three international human rights organisations and research institutes. In 2018, Bergen decided that the city would become Norway's first human rights city. To achieve this ambition, it has to meet strict requirements regarding the project, construction workers' rights, materials, transport and construction. LAB Entreprenør holds the contract for the pilot project, which involves the full rehabilitation and remodelling of the existing buildings. Everything that can will be reused, repaired or used for other purposes. The project will be executed as a passive house and satisfy technical standards that approach zero emissions.

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

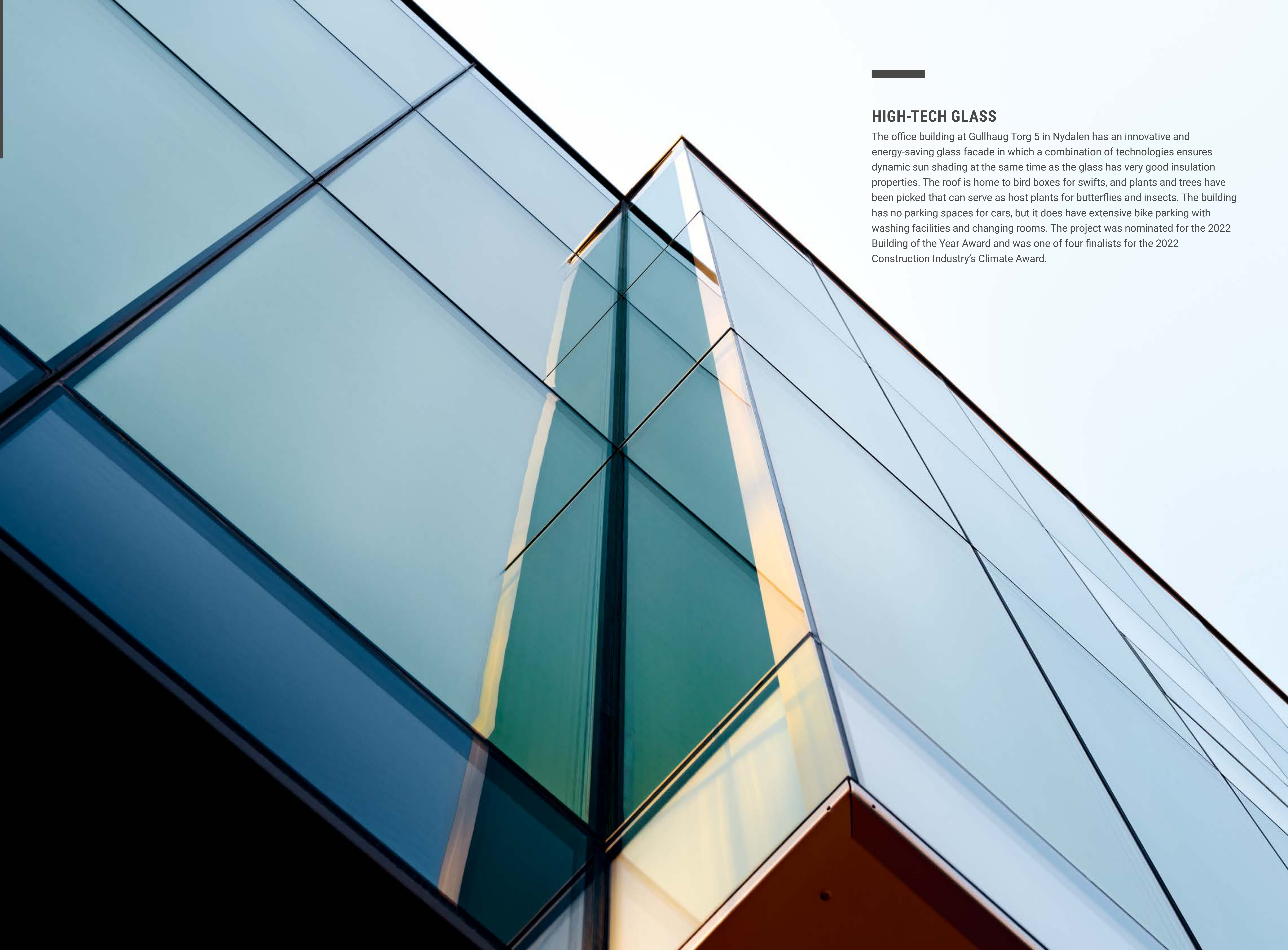
FULLY-EQUIPPED DRONE CONDUCTS MAINTENANCE INSPECTIONS

Inspections at height are expensive, dangerous and time-consuming. Using drones to do the job provides benefits in a number of areas.

Kirkestuen is one of Norway's largest actors within the refurbishment and maintenance of commercial buildings and blocks of flats in Oslo. They were the first actor in the sector to start conducting inspections using drones. Unlike inspections conducted using cranes where several streets must be closed, a drone inspection requires little space, is significantly cheaper and takes much less time. Using drones also has a positive HSE effect since it can reduce the amount of work done at height. Given the no-fly zone above Oslo city centre, drone inspections require careful planning. Every time Kirkestuen plans a drone flight it must apply to the Civil Aviation Authority of Norway. The authority then checks with the police, the municipality, customs and the King's Guard to find out if the flight conflicts with other planned events.

HIGH-TECH GLASS

The office building at Gullhaug Torg 5 in Nydalen has an innovative and energy-saving glass facade in which a combination of technologies ensures dynamic sun shading at the same time as the glass has very good insulation properties. The roof is home to bird boxes for swifts, and plants and trees have been picked that can serve as host plants for butterflies and insects. The building has no parking spaces for cars, but it does have extensive bike parking with washing facilities and changing rooms. The project was nominated for the 2022 Building of the Year Award and was one of four finalists for the 2022 Construction Industry's Climate Award.



ABOUT AF GRUPPEN

"The staircase is an element of the project that we are proud of and which give identity the building. The craftsmen have done a fantastic job."

BREDE SKOGLUND, SITE MANAGER

The ornate staircase with its mirror facades winds upwards from the ground to the fifth floor. The staircase is an eye-catching feature of the building's atrium and is designed to encourage people to move and meet. The staircase will thus be a social arena and an important aspect of the building's identity.

CORPORATE SOCIAL RESPONSIBILITY

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 resolve together, and these goals represent a working plan for eradicate poverty, combate inequality and stop climate change by the end of 2030. Corporate social responsibility (CSR) means taking responsibility for the organisation's impact on people, society and the environment and contributing to positive social development through sustainable creation of value.

WHAT ARE AF'S CORPORATE SOCIAL RESPONSIBILITIES?

AF has a special responsibility when it comes to societal challenges that can linked to our business activities. First and foremost, we want to implement our projects in a sustainable manner by ensuring that all business operations comply with our Code of Conduct and the law and regulations, and we also want to minimise adverse impacts on the climate and environment. Our employees shall have good, safe working environments 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 want to be a driving force behind ensuring that projects that are sustainable when it comes to the climate, environment and social conditions are also financially sustainable.

We want to elaborate on what we consider our corporate social responsibilities 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 in AF has established a business model (see page 12) and overall principles for corporate governance that constitute the framework for business conduct within all areas and at all levels of the organisation. The operating principles are enshrined in the following documents, the first two of which are available on www.afgruppen.com/about-af/visjon-and-values/:

- Code of Conduct
- Purpose – Goals –Values
- Authority matrix

Code of Conduct and Purpose – Goals – Values

The Code of Conduct applies to all employees and other people representing AF Gruppen. All AF employees receive a presentation on the Code of Conduct as part of their onboarding, and it is appended as part of their 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.

Purpose – Goals – Values provides a brief overview of who we are at AF, what we stand for and what we want to achieve. It covers a range of topics, including principles, goals and requirements within the following areas: finance, employees, customers, suppliers, HSE, climate and environment, quality and improvement.

Suppliers and subcontractors in our projects must also commit to complying with our values and requirements for conduct by accepting AF's Code of Conduct for Suppliers (see: afgruppen.no/leverandor). Reference is made to, for example, 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 involves ensuring that our suppliers impose the same requirements for ethics, quality, safety and the external environment as AF Gruppen. The Transparency Act came into force on 1 July 2022, and has influenced our efforts to identify and report potential procurement risks and follow-up suppliers and subcontractors throughout the Group. AF Gruppen prioritises the work on ensuring fundamental human rights and decent working conditions on our building sites. The Transparency Act is based on fundamental human rights related to economic, social and political rights at work, and is based on the OECD's guidelines (see page 51).

CORPORATE SOCIAL RESPONSIBILITY IN AF

CLIMATE AND ENVIRONMENT	SOCIAL CONDITIONS	CORPORATE GOVERNANCE
Climate and environmentally friendly products and services	Health and safety	Transparency and reporting
Greenhouse gas emissions and energy consumption	Decent working conditions	Professional business conduct
Resource efficiency and circularity	The best people	Notification
SDG 7, 9, 11, 12, 13	SDG 5, 8	SDG 16

Authority matrix

The authority matrix is a key document in AF Gruppen's internal control and covers responsibilities in the Group. The authority matrix applies to all units in AF Gruppen. This corporate policy applies to all business units and wholly owned companies in AF Gruppen and provides guidelines for part-owned subsidiaries.

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 EVP 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. A climate report for the whole AF Gruppen is compiled and published annually in accordance with the Greenhouse Gas Protocol standard. Targets and incidents related to corporate social responsibility are reported externally every quarter in connection with quarterly 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 wants to reduce the footprint from 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 and 40 per cent of material resources consumed in society. 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_2 emissions. The industry can therefore greatly influence and contribute to solutions to limit climate change.

AF GRUPPEN'S CLIMATE AND ENVIRONMENTAL STRATEGY

The corporate strategy from 2020 includes climate and the environment as one of our primary initiatives. The green transition poses both a risk and an opportunity 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 is described in Corporate Governance on page 100. The Corporate Management Team has the operational responsibility for climate-related 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 evaluated and updated the climate risk analysis in 2022 in line with the TCFD framework in order to identify the most significant climate risks affecting AF Gruppen, see page 22. We have also carried out CDP reporting for the second year in a row. For the 2022 financial year, AF Gruppen is voluntarily reporting its Taxonomy-eligible activities, including information about the proportion of operating revenue that is Taxonomy-eligible, see page 46.

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

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

Main strategic objectives

50%	50%
AF will halve greenhouse gas emissions for each service type relative to revenue by 2030.	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 2022.

CDP DISCLOSER 2021 ▸ B

[1)] Figures taken from Grønn Byggallianse. https://byggalliansen.no/kunnskapssenter/publikasjoner/infopakkeklimakjempen/#1610543721156-39143120-001d

7 AFFORDABLE AND CLEAN ENERGY

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

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 and expand and renew sources of renewable 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 construction, civil engineering and property 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 several types of services that are required if society is to achieve its goal of limiting the rise in temperatures to 1.5°C, which is profitable for our investors. In the Energy and Environment and Offshore business areas, for example, AF achieved revenue of NOK 2,300 million and a very good profit margin on climate and environmentally friendly service deliveries in 2022.

Energy efficiency and expanding renewables

High electricity prices and the fear of power shortages have illustrated how important improving energy efficiency and expanding renewables are if the world is to achieve its climate objectives. Energy efficiency measures are essential when it comes to reducing the overall need for energy and expanding renewables is critical in securing future energy supplies.

AF Energi delivers energy-efficient solutions and local energy production and follows up 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. In most case, energy efficiency measures can result in energy savings of 20–50 per cent and given current electricity prices, the customer could recoup this investment in just a few years.

AF Aeron contributes to reducing greenhouse gas emissions through electrification and improving energy efficiency in the marine sector. The company, which is a market leader in its field, delivers 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 systems that means that the system can be monitored and operated from Norway. The company is also working on offshore wind projects.

Kanonaden in Sweden has been involved in developing wind farms for several years, which contribute to green energy supplies. Kanonaden constructs access roads and power grids in close collaboration with the turbine and grid supplier, so that the components are installed without unnecessary interventions in nature.

Zero emission battery-driven ferries for Norled

Aeron recently successfully handed over HVAC systems for two ferries built by Sembcorp Marine for Norled. The ferries have battery-hybrid propulsion systems and can carry 80 private cars and 295 passengers. The HVAC system is based on the Aeron Energy Recovery System (AERS), a proprietary heat pump system that first utilises all of the available energy on board. It then uses energy from the sea before, finally, one or more heat pumps are started to supply sufficient hot and cold water. This is an energy-efficient solution that is ideal for hybrid and battery-driven vessels.

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 materials for reuse that would otherwise be sent to landfill. In 2022, 315,269 (344,437) tonnes of materials were recovered. Reusing materials leads to reductions in CO_2 emissions compared to conventional aggregate production, as well as additional environmental benefits in the form of fewer interventions in nature. The centres' overall recovery rate is approximately 80 per cent. Going forward, AF envisages establishing more environmental centres in both Norway and Sweden.

The steel industry accounts for somewhere between 5–8 per cent of the world's total CO_2 emissions. Reusing steel results in 70 per cent less CO_2 emissions than ore-based production, which corresponds to a reduction in emissions of 1 kg of CO_2 for each kg 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 dismantled and broken up for recovery by AF Offshore Decom. The port is approved in accordance with ISPS regulations. In 2022, 36,911 (40,990) tonnes of steel were recovered and sorted at AF Environmental Base Vats. At AF Decom, 17,629 (14,806) tonnes of metal were recovered and sorted for recycling.

The CO_2 savings from the environmental centres and AF's demolition activities correspond to[2]:

- 233.4 per cent of AF Gruppen's Scope 1 and Scope 2 greenhouse gas emissions (see page 43)
- 7.5 per cent of the City of Oslo's CO_2 emissions in 2021.
- Approximately 33,000 private cars in one year
- 3,466,716 kg of beef
- The lifecycle emissions of 945,468 from smartphones
- 354,550,500 km of flying for one passenger

CO_2 SAVINGS RELATED TO DEMOLITION, SORTING, PURIFICATION AND RECYCLING IN 2022

	2022	2021
Recycled contaminated mass and aggregate from AF Environmental centres (tonnes)	315 269	344 437
Emission savings of tonnes of CO_2 compared to conventional aggregate production[1]	24 249	26 884
Demolished and sorted metal for recycling from AF Decom and AF Offshore Decom (tonnes)	54 540	55 796
Emission savings in tonnes of CO_2 compared to conventionally sourced metal [2]	54 540	55 796
Emissions savings in tonnes CO_2 compared to conventional production	78 789	82 680

1) The recycling of contaminated mass and materials produces less CO_2 emissions compared to conventional extraction and production of aggregate.

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

The concrete of the future from the raw materials of the past

Concrete is one of the products where the construction and civil engineering industry has the most potential to reduce its CO_2 footprint. Concrete consists of around 70 per cent aggregate. About half of this aggregate is sand, a raw material that is becoming scarce. Betong Øst and AF Gruppen have worked together to develop a concrete in which recovered materials from Rimol Miljøpark can replace sand in the aggregate. This results in a massive cut in the use of natural resources, and lets us reintroduce into the product cycle problem materials that would otherwise end up in landfill sites. The concrete produced by Betong Øst and AF Gruppen has the same properties as ordinary concrete produced using natural or machine sand. In 2022, AF Gruppen and Betong Øst won the Construction Industry's Climate Award for circular and environmentally friendly concrete. In 2022, Nes Miljøpark and Betong Øst also started delivering environmentally friendly concrete in Eastern Norway.

2) The numerical basis for calculations of the last four comparative figures is taken from Framtiden i våre hender website

CORP. SOCIAL RESPONSIBILITY

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 related to railways and tramways, as well as 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 infrastructure projects, including roads, tunnels, railways, ports, bridges, wind farms, etc.

AF Gruppen's Norwegian construction teams in the Building and Betonmast business areas have good expertise in BREEAM. BREEAM is an environmental certification for buildings that classifies how climate and environment friendly a building is during both construction and use. AF is seeing greater demand for BREEAM certified buildings and we are constantly working to ensure sufficient and good competence in this.

Rehabilitation also accounts for a significant share of AF's activities. Rehabilitating buildings and other structures often involves reusing materials that normally generate large emissions and this can, therefore, result in major environmental benefits. Innovative solutions like, for example, Consolvo's use of cathodic protection in rebar in existing bridges, which helps to extend the lifetime of structures. Rehabilitation rather the building new limits emissions to the environment, energy consumption, waste production and the depletion of natural resources.

A large part of AF's climate and environmental work involves developing good climate and environmental expertise. This is vital when it comes to being able to deliver environmentally friendly construction, building and property projects in line with the customer's wishes and needs. Having a high level of expertise allows AF to see opportunities and in some cases propose other solutions in the project that can result in savings. Examples of solutions can include reusing parts of a building's body instead of building completely new, input that reduces the amount of materials that has to be moved, or using another material that is less environmentally harmful. Early contractor involvement, and close cooperation both prior to and during development, provides the greatest potential for environmentally friendly civil engineering and building projects.

Specialist expertise in rehabilitation

Gimsøystraumen Bridge in Lofoten is being rehabilitated, which includes the installation of cathodic protection. By adding an anode, for example in the form of electrically conductive paint on the concrete's surface, it is possible to stop the corrosion of iron by introducing a weak electric voltage between the anode and iron (cathode). The bridge is the only road link between Vestvågøy and Vågan, and such rehabilitation will increase the useful lifetime of the bridge by 30–40 years. In addition to much lower costs, one is sparing the environment almost the same amount of greenhouse gas emissions that the traditional construction of a new bridge would involve. Consolvo thereby helps limit emissions to the environment, limit energy consumption, waste production and the depletion of natural resources by refurbishing rather than demolishing and building new.

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

GREENHOUSE GAS EMISSIONS AND ENERGY CONSUMPTION

AF's goal is to halve relative greenhouse gas emissions by the end of 2030. The goal is quantified per 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 activities. Services that are not included in these categories are energy efficiency services, environmental centres, property activities and general services. The reference year for the halving of Scope 1 and Scope 2 emissions is 2020.

Each year, AF publishes its climate report based on the Greenhouse Gas Protocol (GHG). Here, greenhouse gas emissions are measured in tonnes of CO_2 equivalents (tCO_2e) within Scope 1, Scope 2 and some Scope 3 elements. The purpose is to obtain a representative picture of the emissions arising from AF's activities. Measuring and reporting greenhouse gas emissions, as well as increasing knowledge about how emissions occur, provides us with a good basis for reducing emissions.

There are large differences in greenhouse gas emissions relative to revenue in the various types of services. Both civil engineering and demolition activities require heavy construction machinery in order to manage the large amounts of materials and structures in projects. The use of heavy construction machinery is limited in our construction projects to groundwork and project logistics. It is, therefore, important for AF to analyse and reduce greenhouse gas emissions within each type of service and not reduce activity in civil engineering and demolition in relation to construction. In 2022, AF had a carbon footprint of 1.1 (1.3) for Scopes 1 and 2, equivalent to total emissions of 33,759 (36,682) tCO_2e. Including Scope 3, the carbon footprint was 1.3 (1.6) which is equivalent to total emissions of 40,544 (44,502) tCO_2e. In AF's climate report, the use of diesel in construction equipment is the largest direct source of emissions. The activity that involves the most use of construction machines is moving materials. The decrease in AF's carbon footprint from the reference year 2020 is largely due to the quantity of materials being transported in road projects for civil engineering services being higher in 2020 than in 2022.

How can AF reduce greenhouse gas emissions from projects?

There are several possible measures that can help reduce greenhouse gas emissions in AF's projects. In large civil engineering projects, comprehensively planning road sections to significantly reduce the extraction of materials and their associated transport can result in large and significant reductions. Lots of savings can be made in the design phase, and developments in the market, with the increased use of collaborative contracts in which contractors have the opportunity to contribute to the design phase, constitute positives when it comes to reducing emissions in the production phase.

AF Gruppen's machines have been monitored for a long time in order to collect data on operating patterns and are now increasingly having autostop functions installed to prevent engine idling. Using electric machines and machines that run on hydrogen, renewable diesel and biodiesel will reduce emissions. Using electric loaders, dump trucks and wheel loaders is now being tested to a greater extent on building sites, and AF Gruppen is also investing in mobile charging stations. More and more building sites are being operated as fossil-free building sites.
In addition to fossil-free construction operations reducing greenhouse gas emissions, a transition to electric or hydrogen-driven solutions will reduce local emissions. This will also result in a better physical working environment on building sites.

EMISSIONS BY SERVICE TYPE [1] 2022

	Civil engineering services			Construction services			Demolition services		
Emissions (tonnes CO_2e) [2]	2022	2021	2020	2022	2021	2020	2022	2021	2020
Scope 1: Direct emissions	23,092	26,253	34,236	2,769	4,523	2,735	5,900	3,421	4,338
Scope 2: Indirect emissions energy consumptions	272	226	861	781	993	839	97	23	153
CO_2e emissions (tonnes CO_2e)	**23,364**	**26,479**	**35,097**	**3,550**	**5,516**	**3,575**	**5,998**	**3,444**	**4,491**
Carbon footprint (scope 1 and 2)	2.7	3.0	4.6	0.2	0.3	0.2	3.9	2.5	4.4
Change from base year (2020)	-42%	-33%		-10%	64%		-12%	-43%	

[1] Servicetype defined according to segment note, see note 4 in the Groups consolidated financial statements.
[2] Greenhouse gas emissions with warming potential equivalent to CO_2.

CLIMATE ACCOUNTS 2022

	Energy equi.(MWh) [1]	Emissions (tonnes CO_2e) [2]		Base year
Category	2022	2022	2021	2020
Petrol (l)	2,332	563	417	257
Diesel oil (l)	132,011	31,301	33,358	42,065
Biodiesel (l)	8,010	93	42	50
Propane (kg)	2,240	522	1,402	182
Other	23	80	192	146
Scope 1: Direct emissions	**144,615**	**32,559**	**35,412**	**42,699**
District cooling and heating (kWh)	3,904	121	77	140
Power (kWh)	47,609	1,096	1,193	2,180
Scope 2: Indirect emissions from own activities (locationbased)	**51,512**	**1,217**	**1,270**	**2,320**
Scope 2: Indirect emissions energyconsumption (markedbased)[3]		11,339	14,737	
Greenhouse gas emissions (tonn CO_2e)		**33,777**	**36,682**	**45,019**
Carbon footprint [4] scope 1 and 2		1.1	1.3	1.6
Business travels and car travel (km)		3,394	3,978	
Waste		4,480	3,842	
Scope 3: Other indirect emissions		**7,874**	**7,820**	
Greenhouse gas emissions (tonn CO_2e)		**41,651**	**44,502**	
Carbon footprint [4] scope 1, 2 and 3		1.3	1.6	

[1] Energy equivalents illustrate the annual energy intensity of AF Gruppen's activities within scope 1 and 2.
[2] Greenhouse gas emissions with warming potential equivalent to CO_2.
[3] AF Gruppen use productionbased method to calculate scope 2-emissions, and use markedbased scope 2-emissions for information.
[4] Carbon footprint is calculated as tonnes CO_2e per NOK million revenues.

Tunnelling with reduced energy consumption

AF Gruppen has, through cooperation with the Italian company Ghella, signed a contract to construct a new water distribution network for the City of Oslo that is large enough to supply all of the city's 700,000 inhabitants with clean drinkingwater. In total, approximately 11 km of tunnels will be built using a tunnel boring machine (TBM), and 7 km of tunnel by conventional drilling and blasting. The TBM that will be used is electric, and the materials from the TBM will be transported away using an electric conveyor belt. All other transport in the tunnel involves electric locomotives. The project sets strict requirements for machines and vehicles, which must be electric or run on palm oil-free biofuel. The project also aims to ensure as much reuse of materials as possible and the shortest possible transport route for materials.

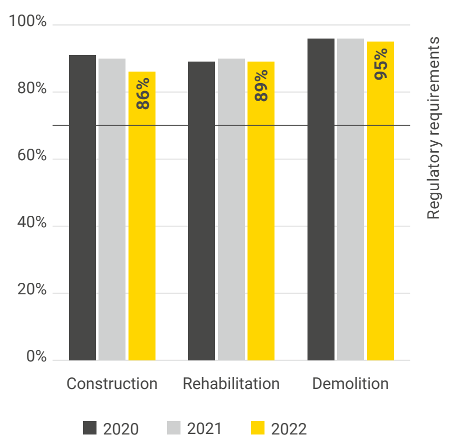
RESPONSIBLE CONSUMPTION AND PRODUCTION
The UN has a goal of significantly reducing waste through prevention, reduction, material recovery and reuse.

RESOURCE EFFICIENCY AND CIRCULARITY

Construction products account for over 80 per cent of greenhouse gas emissions from the construction and civil engineering industry, and based on volume, construction and demolition projects are the largest source of waste in the EU. 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 industry can contribute to the storage of carbon in construction products, for example by using more timber and by reusing a larger proportion of existing buildings to avoid unnecessary new building. In other words, input factors in our projects will be able to contribute to the fight against climate change

SOURCE SEPARATION RATE



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.

AF plans projects such that as little waste as possible is created, and so that the waste can be source separated for recovery to the greatest possible extent. To facilitate recovery, 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 recovery. AF's goal is to source separate 80 per cent of waste, well above the current government requirement of 70 per cent.

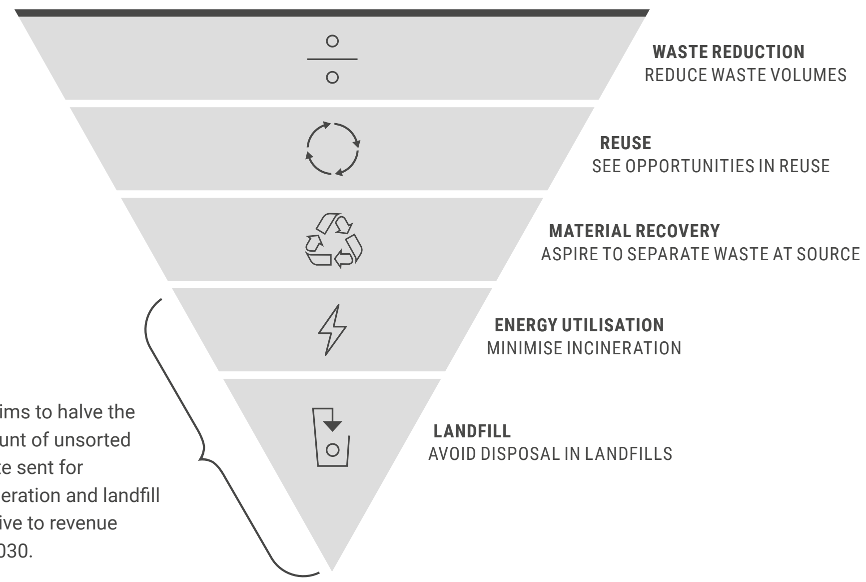
How can AF reduce the amount of waste sent for energy recovery and landfill? In AF's strategy, we have resolved to halve the amount of waste sent for energy recovery and landfill relative to revenue per service type. We have worked on and measured source separation in the projects over several years, and now we are raising the bar even higher. To achieve our goal, we will reduce the amount of waste produced on the building site (at the top of the pyramid), and prioritise work on the fractions that are typically sent for incineration or to landfill. Each business unit has drawn up specific action plans to reduce non-recoverable waste.

In Norway, a very large proportion of the waste that occurs in construction and civil engineering projects is source separated on site. Nevertheless, the more than three million tonnes of waste still means a lot of containers. One source of the waste is, for example, surplus materials that cannot be returned.

The increased use of standardised products and less use of customisation is an example that will make reuse much simpler. Today, for example, there is no standard length for hollow core slabs, a product that would otherwise be very suitable for reuse. Other examples are agreements regarding take-back schemes with suppliers and markets for sales of reused construction products.

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.

Waste reduction at Kårvåg primary school

Betonmast Røsand has constructed Kårvåg primary school. During the design, planning and implementation phases, solutions were chosen and measures implemented that resulted in a halving of the waste from the building site compared with what is usual. Agreements were signed on take-back with suppliers, tiling changes were made to reduce off-cuts and building material production was optimised. The quantity of waste was reduced to 18 kg per m², while 40 kg of waste per m² is normal for school buildings. Betonmast Røsand won the Klimasnuprisen for 2022 for building Kårvåg primary school. The award was given as recognition of the special commitment to, and results of, the work on the climate friendly transition in Møre og Romsdal, and in order to contribute actively to arriving at, or raising awareness about, solutions to climate challenges without this having provided material adverse impacts on other SDGs.

EU TAXONOMY

The EU Taxonomy for sustainable activities is a classification system that defines what a sustainable activity is. The purpose is to increase investments in sustainable solutions and greenwashing by having a common system for what can be called sustainable. The Taxonomy came into force in the EU in January 2022, and non-financial corporations in the EU became subject to reporting requirements as of the 2022 financial year. The Sustainable Finance Act that enacts the EU Taxonomy Regulation ((EU) 2020/852) into Norwegian law entered into force on 1 January 2023. This entails a reporting obligation for the 2023 financial year for AF Gruppen. For the 2022 financial year, AF Gruppen is voluntarily reporting the proportion of operating revenue, operating expenses (OpEx) and capital expenditure (CapEx) that are Taxonomy-eligible ('Taxonomy-eligible'). For the financial year 2023 AF Gruppen will also report on the proportion of activities that are Taxonomy-aligned ('Taxonomy-aligned').

An activity is Taxonomy-eligible if it is included in the list of activities that the EU has defined as potentially sustainable. An activity is Taxonomy-aligned if it makes a significant contribution to at least one of the EU's six defined climate and environmental objectives, does not cause significant harm to the other environmental objectives, and it satisfies the minimum conditions for social and governance conditions.

As of 31 December 2022, the EU has defined sustainable activities and associated criteria for climate objectives 1 and 2. Proposals have been made for sustainable activities and associated criteria for environmental objectives 3–6. 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. AF's activities are classified by looking at AF's projects in relation to the Taxonomy's economic activities and associated definitions. The NACE codes the Taxonomy has assigned to activities are used as guidance when classifying activities. 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 civil engineering, construction and property. We expect building demolition and oil platforms will also be subject to the Taxonomy when climate objective 4, transition to a circular economy, is finally adopted.

Implementation of the EU Taxonomy has raised several issues, especially in relation to how Norwegian actors should apply to Taxonomy criteria that for reasons do not apply in Norway. Uncertainties remain that should be clarified to ensure comparable Taxonomy reporting between enterprises. The criteria set for many of the activities must be taken account of by both developers and contractors as early as in the design phase. AF can contribute our expertise to find good, environmentally friendly solutions through early involvement, and wants to deliver services that enable our customers to assume more environmental responsibility.

OPERATING REVENUE IN AF GRUPPEN THAT IS TAXONOMY-ELIGIBLE

The table on the following page shows AF Gruppen's Taxonomy-eligible activities and associated operating revenue. For 2022, 82.6 per cent of AF Gruppen's revenue was Taxonomy-eligible within climate objectives 1 and 2. The erection of new buildings was the largest Taxonomy-eligible activity in

AF Gruppen in 2022. At the moment, few new buildings meet the requirements to be considered Taxonomy-aligned. The construction companies in AF Gruppen have over many years built up good expertise within BREEAM certification, which is Europe's leading environmental certification tool for buildings. The requirements for new buildings in the EU Taxonomy were implemented in the new BREEAM manual in February 2022, and more buildings are expected to satisfy the Taxonomy criteria in the future.

EU CLIMATE AND ENVIRONMENTAL OBJECTIVES

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 2022

Financial activity	Kode	Climate target 1 Stop climate change	Climate target 2 Climate adaptation	Total revenue (NOK millions)
Construction of wind power plants	4.3	470	-	470
Construction and renovation of hydropower plants	4.5	89	-	89
Construction and renovation of district heating and cooling systems	4.15	402	-	402
Production of heat/cool from different sources [1]	-	38	-	38
Construction, expansion and modernisation of water supply systems	5.1	197	283	480
Construction and expansion of centralised sewage systems	5.3	114	29	143
Renewal of waste water collection and treatment	5.4	35	-	35
Cleaning and recovery of non-hazardous waste	5.9	100	-	100
Construction and maintenance of infrastructure for personal mobility	6.13	164	-	164
Construction and maintenance of infrastructure for rail transport	6.14	240	-	240
Infrastructure enabling low-carbon road transport and public transport	6.15	313	-	313
Construction and modernisation of motorways, roads, streets, etc.	6.18	-	2,907	2,907
Construction and modernisation of ports	6.19	-	281	281
Construction of new buildings	7.1	16,689	781	17,470
Renovation of buildings	7.2	2,347	123	2,470
Installation and maintenance of energy efficiency equipment	7.3	121	-	121
Installation, maintenance and repair of renewable energy technologies	7.6	26	-	26
Professional services related to energy performance of buildings	9.3	38	-	38
Total taxonomy-eligible activities		**21,383**	**4,404**	**25,787**
Total non-taxonomy eligible activities				5,418
Total				**31,205**
Share of taxonomy-eligible activities				**82.6 %**

[1] Include revenues from taxonomy codes 4.11, 4.16, 4.22, 4.24 and 4.25

OPERATING EXPENSES BASED ON THE EU TAXONOMY IN AF GRUPPEN

Operating expenses that satisfy the Taxonomy's definition are linked to the maintenance and repair of property, installations and equipment that is considered essential for implementing Taxonomy-eligible activities. Total operating expenses in AF Gruppen that satisfy the Taxonomy's definition of operating expenses amounted to NOK 601 million for the reporting year 2022. For AF Gruppen, these are costs related to short-term leases that are not capitalised on the balance sheet and costs linked to the repair, maintenance and cleaning of capitalised fixed assets.

CAPITAL EXPENDITURE BASED ON THE EU TAXONOMY IN AF GRUPPEN

Capital expenditure refers to the purchase of assets, products and services that are included in the statement of financial position and that are essential for performing a Taxonomy-eligible activity. For AF Gruppen, this largely involves investments in owned and leased machinery and equipment. Total capital expenditure that satisfies the Taxonomy's definition of capital expenditure amounted to NOK 621 million in 2022. For AF Gruppen, these were additions to fixed assets and rights of use in 2022. 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 should have a safe and secure workplace. We shall have a good and equal working environment and we shall safeguard the rights of our employees in accordance with applicable legislation and international human rights.

The project industry of which AF is a part has inherent risks due to the 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.
- Construction, civil engineering and industry are traditionally male-dominated sectors where there is a risk of conscious and unconscious gender discrimination.
- Strong competition and relatively low margins may lead to employees feeling pressured to work more than is safe and desirable.
- In some disciplines that we depend on in our projects, there are general challenges in relation to work-related crime and a lack of basic labour rights. Examples here could be undeclared work and foreign workers being tricked into slave-like working conditions.

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 healthy working conditions. Our fundamental goal is to avoid all types of injuries, illness and complaints resulting from work, and we focus in particular on avoiding occupational 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 we have 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. AF has also developed a web-based programme for the overall management of HSE risk, Clara.

Learning and improving

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 2022, nearly 50,112 (41,445) 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 and subcontractors who are injured in our projects. The injury rate has shown a positive trend throughout the years, from an LTI-1 rate of 20 for the Norwegian operations in the early 1990s, to an LTI-1 rate of 1.1 (1.1) in 2022. This This rate represents 24 (22) LTI-1 injuries in 2022. The year was marked by several serious injuries, and one person lost their life as a result of an accident at work. That incident affected the entire organisation and will do so for a long time.

Absence due to illness

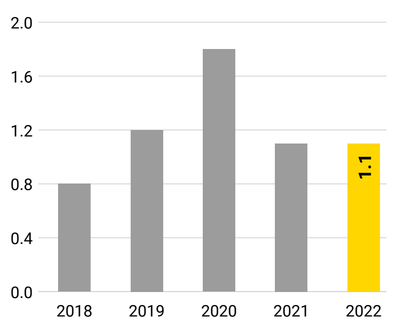
Absence due to illness is an indicator of healthy work and our rate was 4.6 per cent (4.6 per cent) in 2022. AF's absence due to illness is considered lower than average for the construction and civil engineering industry, although at AF we believe that the absence due to illness rate is too high. This is because we know that some of the absence due to illness is work-related and can therefore be influenced. Our long-term systematic work aims to achieve a 'healthy sickness picture', without any absences resulting from conditions at work. We anticipate a absence due to illness of less than 3 per cent once this goal has been achieved. Work-related absence due to illness is a relevant and important topic to which we are taking a systematic approach.

Health-related work

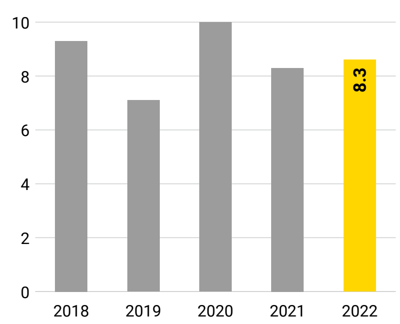
Health-related work is a natural part of our HSE efforts in the same way as safety work. The statutory occupational health services with which AF is affiliated make significant contributions to preventive health work and the internal occupational health service at AF acts as a strong, professional and positive adviser 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. 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. Clara, AF Gruppen's HSE risk programme, includes a specific module for analysing health risks, and this is currently used in many AF projects.

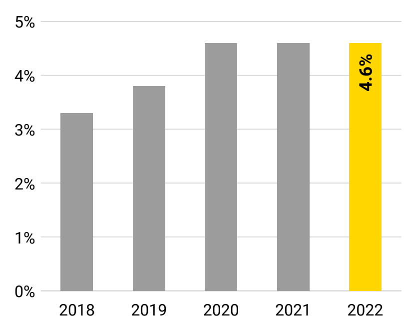
LTI-1 RATE



LTI -2 RATE



ABSENCE DUE TO ILLNESS



Contingency planning

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:

- 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. The system is constantly being refined and has during the year been adapted for managing the risk associated with HSE.
- 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.
- AF has invested in Minuendo via Construct Venture. Minuendo develops advanced hearing protection.

Clara – Digital sharing of competence

AF Gruppen has developed its own digital solution for digital risk management for HSE and quality. Clara is a web-based tool for managing HSE risk among the activities in a project, including sharing experiences from past incidents, and reinforced communication and follow-up of barriers. AF has a lot of experience and expertise in HSE work, and has focused on finding a good solution for sharing experiences across companies in the organisation. Clara is a tool for sharing experiences, risk management and analysis, all the way through the organisation.

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 human rights and working conditions policy is set out in the Code of Conduct and Purpose – Goals – Values.

Human rights and measures to combat work-related crime

The construction and civil engineering industry faces some general challenges related to human rights, especially in relation to labour rights. It is important that major actors such as AF take responsibility for ensuring that the entire value chain follow ethical guidelines and basic human rights.

AF has, since 2009, committed to complying with the human rights principles in the UN Global Compact and has comprehensive systems in place to prevent our projects being the scene of work-related crime and breaches of labour rights. We will only do business with customers and suppliers that share our fundamental and uncompromising attitude towards safety and business conduct. This is also set out in AF Gruppen's Code of Conduct.

AF requires the entire value chain to comply with fundamental human rights and decent working conditions. AF Gruppen is subject to the Transparency Act and reports on due diligence and consequences for the Group in the annual report. Information requests related to AF Gruppen's work on the Transparency Act and due diligence can be sent to: firmapost@afgruppen.no. Emails should contain 'Transparency Act' in their subject field.

Work on promoting fundamental human rights and decent working conditions

The procurement of goods and services amounts to around 70 per cent of our total revenue. AF Gruppen's procurements generally consist of services performed by Norwegian and Swedish subcontractors, and AF generally purchases the materials, tools and machines it uses from suppliers based in Norway and Sweden. AF Gruppen requires all subsuppliers and subcontractors to comply with all applicable laws and regulations. Suppliers to AF Gruppen's projects must commit to complying with our Code of Conduct for Suppliers for the entire contract pyramid. AF Gruppen's Code of Conduct for Suppliers is a mandatory contract appendix to procurement agreements and we have zero tolerance for conduct that breaches the provisions of the Code of Conduct for Suppliers, and breaches of it will result in the supplier being excluded. In practice, this means that the supplier is flagged and excluded from AF's projects. AF has organisational responsibility for the entire contract pyramid.

Control procedures have been established in order to uncover illicit dealings, money laundering and corruption. The control routines include ongoing internal reporting and monitoring purchases of goods from high-risk countries, purchases of high-risk products and any purchases from blocked suppliers, in addition to annual checks and surveys. Internal reporting is performed on an ongoing basis in connection with the periodic reporting at a project and portfolio level. Suspected non-conformities must be reported to the Director of Procurement and Legal. The requirements of the Transparency Act are embedded in governing documents, through the clear division of roles and responsibilities at different organisational levels, and integrated into day-to-day operations through courses, procedures, procurement routines, contract templates, reporting, duties of care, inspections in projects and whistleblowing procedures.

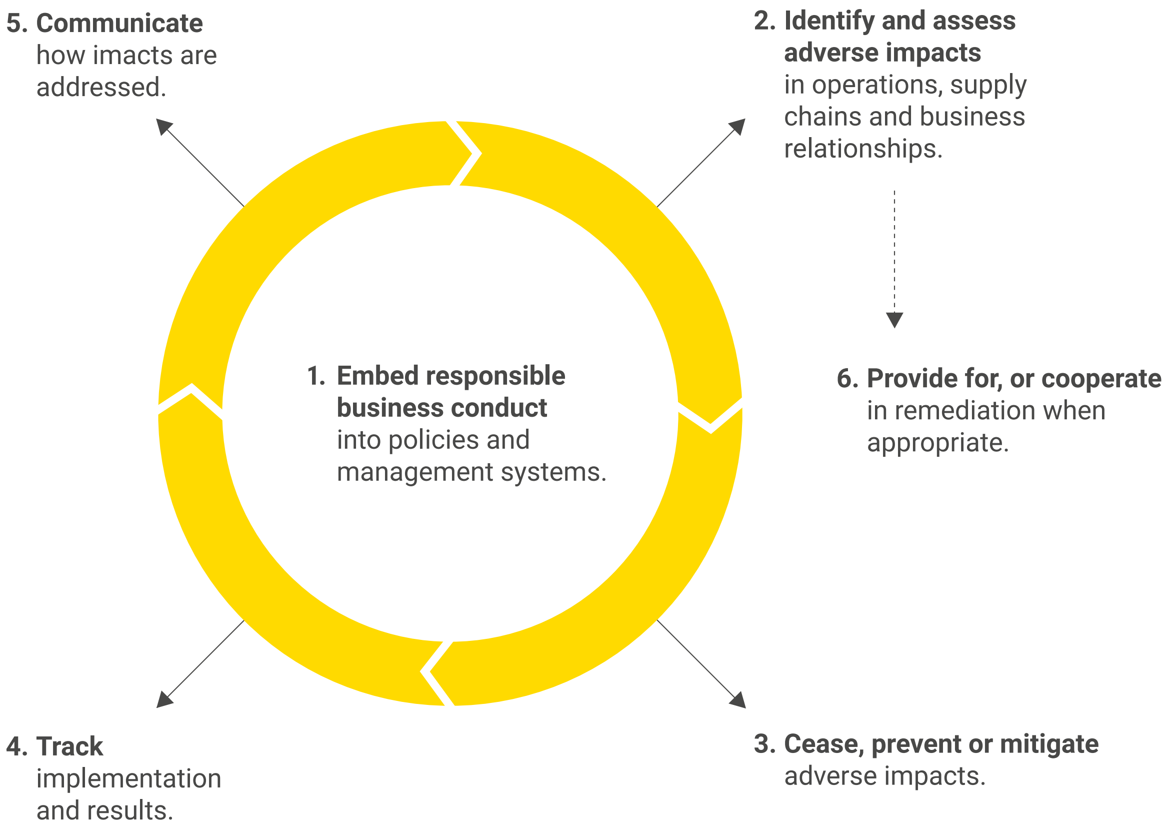
AF works both proactively and reactively to ensure compliance with our strict policy and allows only two levels of subcontractors to ensure acceptable transparency. Proactively, AF uses StartBANK, for example and a proprietary prequalification module to assess possible suppliers. When subcontractors 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:

- Checks 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 in the projects.
- Internal audits are conducted at all levels of the organisation.
- Safety inspections are conducted weekly for all projects to ensure compliance with working environment regulations.
- Audits are conducted of subcontractors and suppliers to ensure that they have good systems for working conditions and ethics.

If work-related crime is detected among our subcontractors, this will be classified as a red flag and will be investigated.

Material risks and impacts of conducted due diligence
AF Gruppen's greatest inherent risk with respect to breaches of human rights and decent working conditions is considered to be potential incidents on our building sites.

DUE DILIGENCE PROCESS AND SUPPORTING MEASURES



AF has a big opportunity to exercise control and influence on building sites and has implemented a number of measures designed to ensure that everyone who works on our projects receives the wages and treatment to which they are entitled. In 2022, AF Gruppen investigated a serious incident on a building site with the result that the subcontractor's contract with AF was terminated. It was discovered that the subcontractors' employees were not being paid their statutory wages. The situation was dealt with immediately by AF paying the wages the employees were due and the affected employees being offered jobs in AF Gruppen.

When procuring physical factor inputs for production, primarily various construction materials, we comply with internationally recognised overviews of what are regarded as high-risk products and countries with an elevated risk of production that breaches fundamental human rights and decent working conditions. In total, 0.17 per cent of AF Gruppen's purchases in 2022 were from countries defined by the International Trade Union Confederation (ITUC) as high-risk countries (score of 4 or 5 on their scale). More than half of this amount was spent on leasing a vessel from a Hong Kong based company for a heavy lift offshore. The relevant company was carefully checked in advance in order to satisfy AF's requirements. The next largest payment was to a Chinese enterprise that AF has known for years. Other purchases from high-risk countries involved two purchases of low-value standard components from China. Besides this, AF has for years, via a well-established and solid Norwegian company, purchased tunnel bolts type-approved by Bane NOR and the Norwegian Public Roads Administration that are manufactured in China.

In line with existing procedures when using due diligence checklists, four possible concerns were reported via the Group's internal reporting system in 2022. None of the four reported purchases were of such severity that they immediately resulted in further investigations. If AF is assessing a future relationship with the relevant suppliers of these goods, they will be followed up through closer dialogue and possible local audits. No purchases of products classified as high-risk products were registered from any high-risk countries. Nor were any purchases from sanctioned actors discovered in 2022.

Measures designed to limit significant risk
Corrective measures in the event of any significant findings will be to stop, prevent or reduce adverse impacts and/or harm. Specific measures will depend on the specific case and AF's ability to exert influence in relation to the relevant incident. AF wants as many potential cases as possible to be reported internally in order to raise awareness of this type of risk. To underscore that this must become a stronger part of our culture, we will strengthen our internal training for all salaried employees through an internal training programme.

In the coming year, AF will continue to have a close dialogue with suppliers, subcontractors and industry colleagues in order to map further opportunities for strengthening our due diligence in relation to fundamental human rights and to further contribute to ensuring decent working conditions in our value chains.

Employment conditions
AF has an employee representative and safety system that ensures that the employees have an opportunity to influence their working conditions. There is a special Works Council and Working Environment Committee with representatives from the Corporate Management Team, the employees and senior employee representatives. The guidelines ensure that employees are represented by salaried employees, skilled workers and both genders on the Board of Directors.

In line with the UN's Global Compact, AF facilitates craftsmen and production workers joining a union, and more than 90 per cent are therefore union members. Laws, regulations and collective wage agreements are framework conditions that AF Gruppen adheres to, and this applies to both salaries and working time provisions for our employees. Pay negotiations are carried out with trade unions and this is stipulated in AF's Code of Conduct.

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.

WELL-BEING AND THE WORKING ENVIRONMENT

People are the most important resource at AF. We want an inclusive and safe working environment with zero tolerance for discrimination.

Upskilling

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 across the Group. AF's goal is to develop managers through internal training, and around 80 per cent of current managers were recruited internally.

Apprentices

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's strategic goal in the period up to 2024 is to achieve 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 and diversity

It is a central principle at AF and part of the Code of Conduct that recruitment, employment, training, pay, promotion, punishment and other working conditions shall be handled without regard to friendship, ethnicity, skin colour, religion, nationality, gender, sexual orientation, age or disability.

AF's goal is to ensure that the recruitment proportion by gender reflects the recruitment pool and the relative share of promotions should be equal for men and women. 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 an increased focus on and change of attitudes related to unconscious discrimination.

In 2022, the proportion of women in AF was 9.0 per cent (9.7 per cent), with 18.7 per cent (18.8 per cent) of salaried employees and 1.4 per cent (1.4 per cent) of skilled workers. The decrease in the proportion of women was a result of the strategic focus on technical skills, of which the acquisition of concrete contractor Stenseth & RS in 2022 was a part. At the end of 2022, AF had one woman and six men in the Corporate Management Team. The Board of Directors comprises four women and six men.

Employees satisfaction

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 1–6, where 6 is the best, and has as a strategic goal towards 2024 to be above ESS > 5. The survey shows that the on-the-job development opportunities are the most important driver of job satisfaction 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.

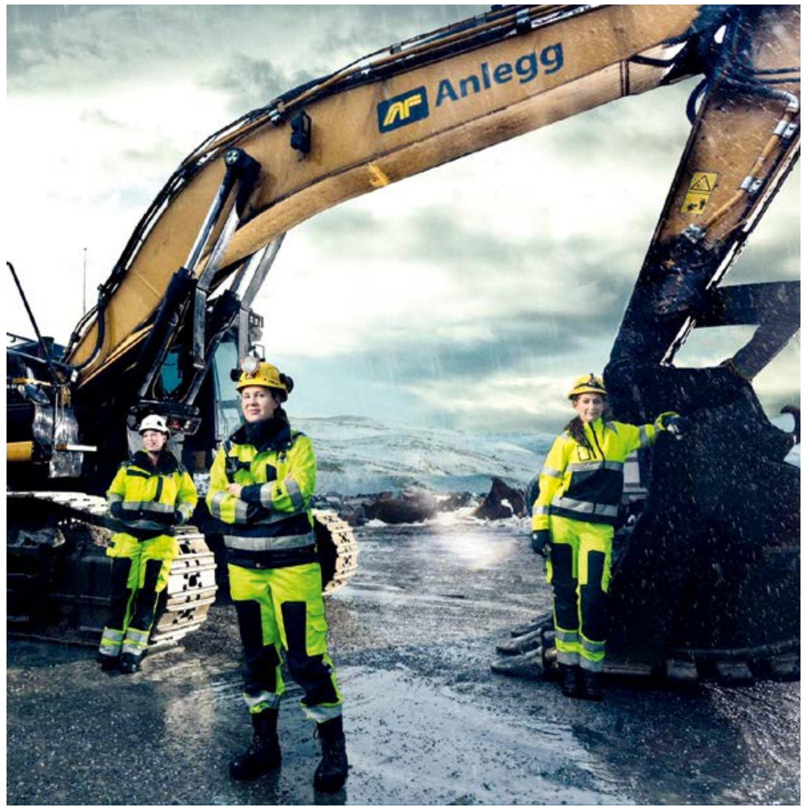
Recruitment

AF wants to increase strategic cooperation with educational institutions to strengthen access to talented future employees. One important measure that has been implemented in the last 4 years is the 'AF Collective' competition, in which the winners' student accommodation is sponsored for 1 year. Students are also followed up individually by AF mentors and have the opportunity to access professional learning and inspiration through close contact with the organisation. At AF, we are also challenged by inquisitive students who will help shape the future of the industry.

Recruitment toolbox

AF Gruppen actively works to attract people who represent broader diversity to the industry. This creates value and provides the company with more varied expertise and perspectives. Measures used in recruitment to AF include:

- Structured recruitment process with the use of aptitude tests, having both genders present at interviews, and training of managers in unconscious discrimination.
- Pictures of employees of both genders in job advertisements and other profiling material.
- Quarterly measurement of hirings by gender and level.
- Clear communication related to diversity and inclusion in our university college/ university tours, as well as in our apprenticeship initiative.



Apprentice and supervisor

Apprentices in AF Gruppen have a unique opportunity to develop their expertise in complex and interesting projects. Skilled workers form the backbone of AF Gruppen's operations and AF depends on being able to recruit good apprentices and ensure that they are properly followed up. Many of the apprentices are offered permanent employment with AF upon passing their exams. Karoline Eiléen Bøhler Fredriksen is an apprentice machinist at JR Anlegg, where she receives guidance from, among others, Jo Kristian Krogvold, who is the supervisor. AF performs a variety of operations and apprentices are given relevant challenges such that they are well-equipped to pass their apprenticeship exam or trade exam.

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 corporate policy are anchored in the Board of Directors, and is exercised through the Corporate Management Team to our projects and employees. Our employees represent AF Gruppen in all business contexts and it is essential that they identify with AF's Code of Conduct. Suppliers and subcontractors also have to comply with the Code of Conduct through AF's Code of Conduct for Suppliers. When assessing candidates for acquisition, decisive weight is attached to whether the company's corporate culture and core values align 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, it 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 must be carried out together with representatives from the Corporate Management Team. See page 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. The chapter on corporate social responsibility in AF was drawn up in line with the requirements in the 'Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act) of 2022.

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.

ECONOMIC CRIME

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 principles and authority matrix, all contracts must 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 must manage its tax affairs in a responsible manner in accordance with applicable laws and regulations.

AF Gruppen has a special policy related to price-sensitive information and maintains ongoing control of transactions with shares in AF carried out by the Company's employees and their related parties. Abuse of price-sensitive information will result in police charges and 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 must complete a mandatory HSE course before starting an AF project.

Cooperation with others

AF has introduced organisational and structural measures to ensure that AF only collaborates with professional actors. The corporate staff has a dedicated resource with work-related crime as their specialty, and each business unit has its own professionalism officer. 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 questions related 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 conduct.

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

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 reports. AF has established procedures for whistleblowing and managing misconduct in order to ensure a predictable and prudent approach under which the whistleblower is protected against retaliation resulting from the report. Reports can be submitted either openly or anonymously and both the report and the identity of the whistleblower are subject to confidentiality. Reports can be submitted to a line manager, to a more senior manager, via email to the whistleblowing committee (varsling@afgruppen.no) or using the reporting form available at www.afgruppen.com/notification. To the extent permitted by the case, the whistleblower will 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)
- Thomas Gyran, occupational health doctor
- Sif Løvdal, HR Manager
- Christian Berg, Chief Employee Representative/Chief Safety Representative
- Sigrunn Wangen Lid, HR Manager
- Christoffer Fjellheim, Director of Procurement and Legal
- Tinis Wensing, HR Manager (Sweden)

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:

HUMAN RIGHTS

	PRINCIPLES	Relevance to AF	Action
1	**Businesses should support and respect the protection of internationally recognised human rights and**	AF Gruppen complies with all current laws and respects internationally recognised human rights, regardless of where we operate.	AF has laid down its attitudes and principles concerning human rights in fundamental documents: the Code of Conduct, corporate policy and Purpose, Goals and Values.
2	**make sure that they are not complicit in human rights abuses**	AF does not deal with companies that contribute in any way to human rights violations.	All subcontractors and suppliers must undergo prequalification. AF follows up suppliers on an ongoing basis, and excludes actors who we suspect may practice unethical conduct. See also principle 4. Risk transactions are reported on an ongoing basis and followed up in order to deal with potential adverse impacts on human rights and decent working conditions. *Read more on page 48 (Social Conditions).*

WORKING CONDITIONS

	PRINCIPLES	Relevance to AF	Action
3	**Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,**	AF facilitates the organisation of employees and the right to collective bargaining is recognised and respected.	More than 90 per cent of the skilled workers in units wholly owned by AF are unionised. AF participates in collective bargaining for all employees and at all levels where this is relevant. AF also has a well-functioning employee representative organisation. *Read more on p. 48 (Social Conditions).*
4	**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 2022, 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. *Read more on p. 48 (Social Conditions).*
5	**the effective abolition of child labour and**	AF does not make use of child labour in its projects and we must not make use of companies (particularly transnational companies) that have product and service chains in which the economic exploitation of children may occur.	AF examines the employment contracts of all the employees of subcontractors and employment agencies as a result of the Seriousness Initiative. No actual instances of child labour have been uncovered, suspected or identified in any of our projects or at any of our suppliers. *Read more on p. 48 (Social Conditions).*
6	**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 long-term target is to increase the proportion of women at AF to 20 per cent. The Corporate Management Team and the entire organisation are working actively to make AF an attractive employer for everyone. *Read more on page 48 (Social Conditions).*

ENVIRONMENT

	PRINCIPLES	Relevance to AF	Action
7	**Businesses should support a precautionary approach to environmental challenges**	AF works continuously to reduce its impact on our environment. Every one of AF Gruppen's companies and business units has its own goals for the external environment. AF shall also comply with the main principles of the ISO 14001 environmental standard.	AF requires that a risk analysis shall be conducted prior to the start-up of any project. Environmental risk is an element in this analysis. *Read more on page 20 (Risk management).*
8	**undertake initiatives to promote greater environmental responsibility and**	By focusing on the environment, energy and recycling, we will safely remove and eliminate materials, 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. *Read more on p. 38 (Climate and environment).*
9	**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. For offshore activities, AF Environmental Base Vats has been established as an approved and certified reception facility for recyclable materials. *Read more on p. 38 (Climate and environment).*

ANTI-CORRUPTION

	PRINCIPLES	Relevance to AF	Action
10	**Businesses should work against corruption in all its forms, including extortion and bribery**	AF aims to be trustworthy. The Company has an uncompromising attitude towards safety and ethics. AF's Code of Conduct describes our attitude towards corruption, price collusion and bribery.	It is expected that all employees comply with 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 2022. 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. *Read more on page 56 (Corporate governance).*

GIANT SHIP SENT FOR RECOVERY

A 235-metre long production vessel (FPSO) originally weighing 25,000 tonnes is in the process of being dismantled, cleaned and recycled at AF Environmental Base Vats. This is the first time a production vessel has been recovered in Norway. The vessel was used for oil and gas production in the Curlew field in the UK sector of the North Sea. The project includes engineering, preparations, removal and disposal (EPRD). More than 95 per cent of the vessel will be recovered, and the steel will be reused in building projects in Norway.

CORP. SOCIAL RESPONSIBILITY

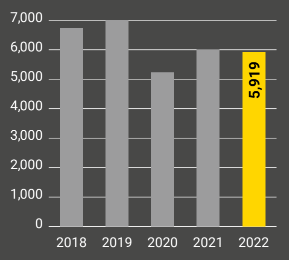
> During breaking up processes, we focus on safety, recovery and reliability. This makes me proud and confident that we are doing a good job.
>
> **MAGNAR MIDTUN, OPERATOR**

Breaking up a 25,000-tonne vessel requires extensive planning and cutting edge expertise in many areas. AF Environmental Base Vats in Rogaland are specialists in clearing up after the golden age in the North Sea. Recovering materials helps to reduce the need for new raw materials and is one component of the circular economy.

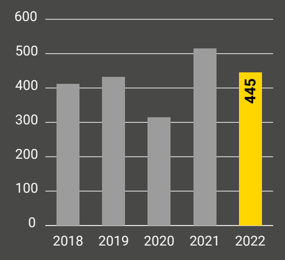
BUSINESS AREAS

CIVIL ENGINEERING

REVENUES NOK MILL.

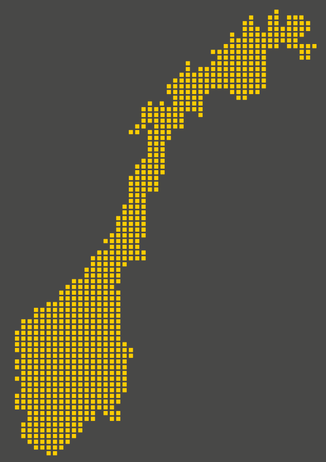


OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

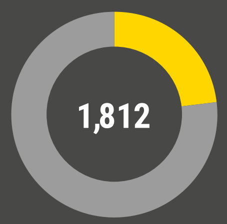
- Norway



KEY FIGURES

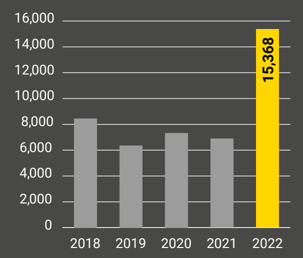
NOK million	2022	2021	2020	2019	2018
Revenue	5,919	6,002	5,218	6,999	6,739
Operating profit (EBIT)	445	515	314	432	412
Earnings before tax (EBT)	440	510	292	429	429
Operating margin	7.5%	8.6%	6.0%	6.2%	6.1%
Profit margin	7.4%	8.5%	5.6%	6.1%	6.4%
Order backlog	15,368	6,878	7,319	6,355	8,452

EMPLOYEES



AF Gruppen 5,975

ORDER BACKLOG NOK MILL.



CIVIL ENGINEERING CONSIST OF

- AF Anlegg
  JR anlegg
- Målselv Maskin & Transport
- Eiqon
- Consolvo
- Stenseth & RS

BUSINESS AREAS

VERY GOOD RESULTS AND RECORD ORDER BACKLOG

The Civil Engineering business are reported excellent results in 2022. Several large contracts were signed during the year and will contribute to a continued high level of activity going forward.

AF is one of Norway's largest actors in the civil engineering market, with both public and private customers. Its project portfolio includes roads, railways, bridges, port facilities, airports, tunnels, foundation work, refurbishment 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 five business units: AF Anlegg, Målselv Maskin & Transport, Stenseth & RS, Eiqon and Consolvo. Stenseth & RS became part of AF Gruppen in March 2022, when AF Gruppen acquired 80 per cent of the shares in the company. Stenseth & RS is a concrete contractor offering various concrete services within the construction and civil engineering sector.

YEAR 2022 IN BRIEF

The Civil Engineering business are reported revenues of NOK 5,919 million (NOK 6,002 million). Profit before tax was NOK 440 million (NOK 510 million). The profit margin ended at 7.4 per cent, compared with 8.5 per cent in 2021.

AF Anlegg delivered a very good result in 2022. The largest ongoing projects are E6 Clean water tunnel (Rentvannstunnel) in Oslo and Bergtunnlar Lovö in Stockholm. The major project E39 Kristiansand West – Mandal East was handed over in November. The profitability of this project was impacted by a high cost mark-up in its final phase. Good operations in the other projects in the portfolio contributed to AF Anlegg delivering an excellent result in 2022.

Målselv Maskin & Transport delivered yet another year with very good results. Stenseth & RS delivered a good result in its first year as part of AF Gruppen. Consolvo had a good result for the year, while Eiqon delivered a result that was below expectations.

Civil Engineering announced eight new contracts in 2022, and had an order intake of NOK 14,409 million. As part of a joint operation with Italian Ghella, AF Gruppen signed a contract with the City of Oslo for the construction of clean water tunnels in Oslo. 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 AF Gruppen has ever signed. In addition, AF Gruppen was also nominated for two more major contracts: construction of a new water treatment plant in Huseby for the City of Oslo with an estimated value of around NOK 3,000 million excluding VAT, and construction of a cable tunnel between Sogn and Ulven for Statnett with a value of approximately NOK 1,800 million excluding VAT.

At year end, the Civil Engineering business area had an order backlog of NOK 15,368 million (6,878 million).

SUSTAINABILITY

Civil Engineering builds socially beneficial infrastructure such as road systems, treatment facilities and hydropower plants, and carries out rehabilitation projects of bridges and concrete structures.

The business area depends on large construction machinery to carry out these projects. This entails a large negative carbon footprint. The main driver of CO_2 emissions is the transport of excavated materials. The projects therefore strive to reuse as much of the materials 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 fleet of machinery, and all of the 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.

E6 Clean Water Tunnel in Oslo is a project that supports AF Gruppen's climate and environmental ambitions. The project is intended to reinforce the security of supply of clean drinking water to the city of Oslo, and is using machines and vehicles powered by electricity and palm oil-free biofuel. Climate friendly concrete and the shortest possible transport routes for materials are also being used to further reduce the carbon footprint.

MARKET OUTLOOK

The civil engineering market in Norway is good and has traditionally been less sensitive to cyclical fluctuations, since public sector demand is the greatest driver for civil engineering investments. In the national budget for 2023, the Government appropriated NOK 82,8 billion for transport. This entails an actual reduction of NOK 0.8 billion in relation to the final budget for 2022.

Prognosesenteret estimates that the market for civil engineering activities amounted to NOK 137.4 billion in 2022, of which investments in civil engineering projects amounted to NOK 87.3 billion and operations and maintenance amounted to NOK 50.1 billion. Prognosesenteret expects the total civil engineering market to grow by 1.7 per cent in 2023, 1.9 per cent in 2024 and 4.8 per cent in 2025.

BUSINESS AREAS

SELECTED PROJECTS

CLEAN WATER TUNNELS

Below Oslo, the construction of a new water supply and distribution network is in progress. AF Anlegg owns a 60 per cent share of the joint operation and is executing one of the contracts on the project. The work include construction of approximately 18 km of tunnel, of which 11 km will be excavated using a tunnel boring machine and 7 km will be excavated using drilling and blasting. In addition, four large underground halls, two clean water reservoirs, a pumping station and a ventilation station will be constructed. The contract value of NOK 8.75 billion in total makes this the largest contract AF Gruppen has ever signed.

BUSINESS UNIT: AF ANLEGG
CLIENT: CITY OF OSLO
COMPLETION: JANUARY 2028
CONTRACT VALUE: NOK 8,750 MILLION EXCL. VAT

SKANSEN AND NIDELV BRIDGES

The Skansen and Nidelv railway bridges in the centre of Trondheim have been rehabilitated on behalf of Bane NOR KF. The bridges can be opened for boat traffic. The project included replacement, surface treatment and reinforcing steel, as well as access solutions, concrete rehabilitation and technical works on bridges and tracks. Skansen Bridge is a bascule bridge, and is the only one of its kind in Norway. The bridge was protected as a cultural monument by the Norwegian Directorate for Cultural Heritage in 2006.

BUSINESS UNIT: CONSOLVO
CLIENT: BANE NOR KF
COMPLETION: JULY 2022
CONTRACT VALUE:
NOK 45 MILLION EXCL. VAT

NEW INDUSTRIAL AREA IN KVANDALEN

A new industrial area intended for energy-intensive green industry is being established in Bjerkvik in Troms. Nordkraft has together with Aker Horizon signed a contract with Målselv Maskin & Transport for preparation of this industrial site in Kvanndal. The project involves building infrastructure, access roads and developing plot areas. The necessary infrastructure, such as water and drainage and electrical, as well as the power supply to a newly-established substation in the new industrial area, must also be established.

BUSINESS UNIT:
MÅLSELV MASKIN & TRANSPORT
CLIENT: NORDKRAFT PROJECT
COMPLETION: AUTUMN 2023
CONTRACT VALUE:
NOK 162 MILLION EXCL. VAT

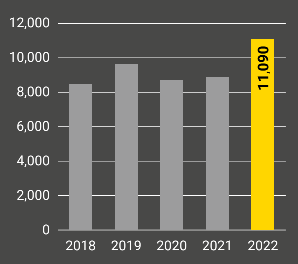
THE GOVERNMENT QUARTER

The new Government Quarter is one of the largest Norwegian construction projects ever. Stenseth & RS are executing two contracts in connection with the first construction phase: structural shell for D Block and basement for A Block. The new Government Quarter will have a high environmental standard, which will be adapted to the individual and the contractors and subcontractors involved are subject to the Security Act, which requires the workers involved getting security clearance.

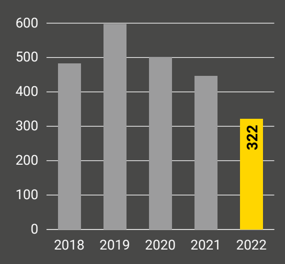
BUSINESS UNIT: STENSETH & RS
CLIENT: HENT AS
COMPLETION: 2023
(THE GOVERNMENT QUARTER 2030)
CONTRACT VALUE: NOK 107 MILLION EXCL. VAT AND NOK 163 MILLION EXCL. VAT

CONSTRUCTION

REVENUES NOK MILL.

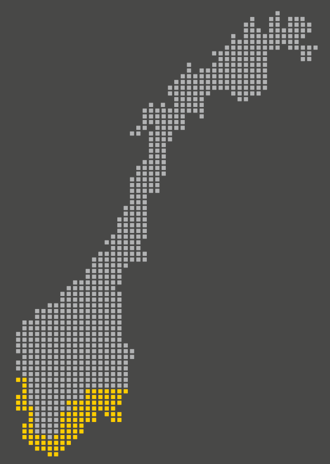


OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

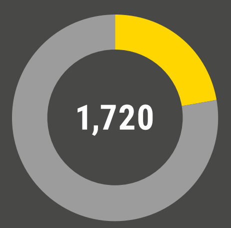
- Norway



KEY FIGURES

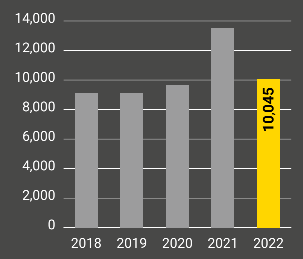
NOK million	2022	2021	2020	2019	2018
Revenue	11,090	8,865	8,684	9,622	8,467
Operating profit (EBIT)	322	447	502	598	483
Earnings before tax (EBT)	318	450	513	614	508
Operating margin	2.9%	5.0%	5.8%	6.2%	5.7%
Profit margin	2.9%	5.1%	5.9%	6.4%	6.0%
Order backlog	10,045	13,549	9,674	9,115	9,082

EMPLOYEES



AF Gruppen 5,975

ORDER BACKLOG NOK MILL.



CONSTRUCTION CONSIST OF

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

SOLID REVENUE GROWTH BUT WEAK PROFITABILITY

Construction reported revenue growth but delivered a weak result in 2022.Varying project performance and high material and energy prices negatively affected profitability for the year.

AF provides contractor services for residential, public and commercial buildings. Our services range from planning to construction and refurbishment. AF cooperates closely with customers to find efficient and innovative solutions adapted to their needs. Construction includes the Norwegian business except for Betonmast and is mainly located in Eastern Norway and the Bergen region.

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

YEAR 2022 IN BRIEF

Construction reported revenues of NOK 11,090 million (NOK 8,865 million) in 2022 and a profit before tax of NOK 318 million (NOK 450 million). This gives a profit margin of 2.9 per cent, compared with 5.1 per cent in 2021.

The units delivered high revenue growth, however, inconsistent project performance contributed to an overall weak result. Higher energy and raw material prices, as well as delivery challenges, also had an negative impact on profitability. The greatest challenges were linked to the portfolio of the now closed business AF Nybygg, where a number of provisions for losses were made during the year. AF Byggfornyelse, AF Bygg Østfold, Strøm Gundersen, AF Håndverk, LAB, HTB and Fundamentering also delivered results that were below expectations in 2022. Despite challenging market conditions, AF Bygg Oslo, Haga & Berg, Strøm Gundersen Vestfold and Åsane Byggmesterforretning did very well with very good profitability.

In 2022, 11 new contracts were announced to Oslo Børs and an order intake of NOK 7,586 million. The largest contract was the contract with Rolvsrud Idrettspark Holding AS to build 300 apartments in Lørenskog outside Oslo. The project is worth NOK 810 million, excluding VAT.

Construction's total order backlog stood at NOK 10,045 million at the end of 2022 (NOK 13,549 million).

SUSTAINABILITY

The construction units construct socially beneficial buildings such as schools, hospitals, swimming pools and cultural buildings. Rehabilitation projects are also carried out in which old buildings are transformed into modern, energy efficient buildings. The units prioritise efficient logistics and reducing material waste, in addition to helping customers make environmentally friendly material and design choices.

The municipal building in Sandvika is an example of a project with a strong environmental profile. The old office building has been replaced by a modern, energy and space efficient building, which is environmentally certified BREEAM-NOR Outstanding. The highest possible level of certification.

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

The construction market in Norway had a total production value of NOK 402.7 billion in 2022 according to Prognosesenteret. This represents a reduction of 1.6 per cent from 2021 measured using fixed prices. As a result of increases in interest rate hikes and high building costs, Prognosesenteret anticipates a reduction in production value of 1.0 per cent for the country as a whole in 2023. A marginal change of 0.1 per cent is expected in 2024, before an increase of 5.4 per cent is expected in 2025. The construction market in Oslo and the former Hordaland county is, however, expected to grow throughout the entire forecast period 2023–2025.

Price developments in input factors and supply challenges resulting from geopolitical unrest caused significant uncertainty for construction activities in 2022, and this will remain the case in 2023. According to Statistics Norway's building cost index for 'Residential buildings', prices were 6.3 per cent higher in 2022 compared to 2021, of which labour increased by 2.7 per cent and materials by 9.2 per cent. Even though the price level for key raw materials such as wood and steel fell towards the end of 2022, global supply challenges, payroll and price increases will also be sources of uncertainty going forward. Payroll and price increase clauses in projects will only partially compensate for the price increases.

The government's tightening of the contracting rules also constitutes a challenge for construction units. New contracting rules came into effect on 1 April 2023 and will result in extensive organisational changes for many companies.

SELECTED PROJECTS

NEW CHILDREN AND YOUTH HOSPITAL IN HAUKELAND

Phase 2 of the new children and youth hospital at Haukeland University Hospital in Bergen will be completed in 2023. The project is referred to as BUS2 and comprises 50,000 sqm spread over 2,168 rooms. The new hospital building represents the largest construction project in Haukeland since the central block was completed in 1983. The project consists of ground works, building the structural shell and structural completion, all internal structural work, as well as a Clean, Dry Building, outdoor works and waste management for all the contracts in the project. Good collaboration and efficiency have been achieved thanks to the use of common digital tools, such as BIM (building information modelling). In 2021, the glass blocks were named one of the world's best digital construction projects by the organisation buildingSMART.

BUSINESS UNIT: LAB ENTREPRENØR
CLIENT: BERGEN HEALTH TRUST
COMPLETE: JUNE 2022
CONTRACT VALUE: NOK 781 MILLION EXCL. VAT

MUNICIPAL BUILDING IN SANDVIKA

As part of remodeling the municipal building in Sandvika, most of the building was demolished, the foundations were reinforced with new steel core piles and the basement floor was recast. The new municipal building in Sandvika with 37,000 sqm of floor space has two large atriums with glass ceilings and footbridges that connect different parts of the building together. The project was run as a fossil-free building site and the building is environmentally certified BREEAM-NOR Outstanding.

BUSINESS UNIT: STRØM GUNDERSEN ENTREPRENØR
CLIENT: BÆRUM KOMMUNALE PENSJONSKASSE
COMPLETION: 2023
CONTRACT VALUE: NOK 960 MILLION EXCL. VAT

DRAMMENSVEIEN 126

At the gateway to Skøyen, there is now a modern new nine-storey office building at Drammensveien 126. The building consists of two main sections in light brick, a tower and an internal glass section that connects the sections. The shafts that house the lifts and stairwells were cast in white concrete that was left untreated after the formwork was removed. The white concrete structure is a key element of the finished interior of the building. The building has an energy rating of A and is environmentally classified BREEAM-NOR Very good.

BUSINESS UNIT: AF BYGG OSLO CLIENT: THUNE EUREKA (FRAM EIENDOM)
COMPLETION: DECEMBER 2022
CONTRACT VALUE: NOK 285 MILLION EXCL. VAT

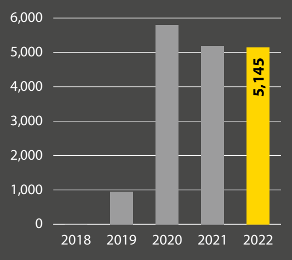
NEW HEAD OFFICE FOR ODA IN TØYEN

In May 2023, the technology and logistics company Oda, which delivers groceries to private individuals and companies in Eastern Norway, will move into the fully rehabilitated office building at Kjølberggata 31. The project is a turnkey contract that involves reconstruction of the office building following completed removal works. The roof space is being converted into a roof terrace and sedum roof, and the works encompass a total of 6,700 sqm, including the roof terrace. The project's ambition is to achieve the second highest classification: BREEAM-NOR Excellent.

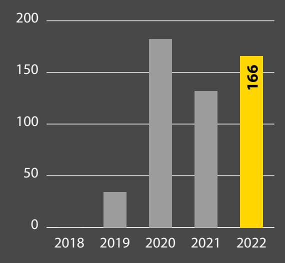
BUSINESS UNIT: HAGA & BERG ENTREPRENØR
CLIENT: SEFF HOLDING
COMPLETION: Q1 2023
CONTRACT VALUE: NOK 136 MILLION EXCL. VAT

BETONMAST

REVENUES NOK MILL.

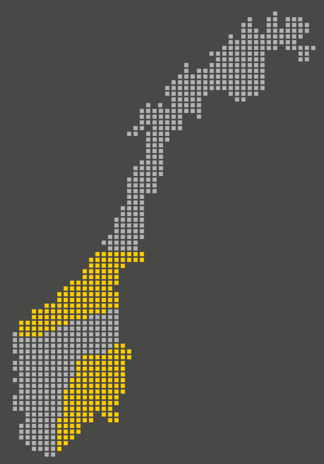


OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

- Norway

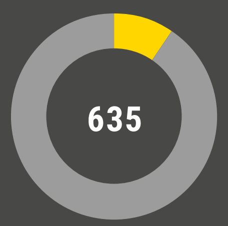


KEY FIGURES

NOK million	2022	2021*	2020*	2019*	2018
Revenue	5,145	5,196	5,808	954	-
Operating profit (EBIT)	166	132	182	34	-
Earnings before tax (EBT)	174	111	173	32	-
Operating margin	3.2%	2.5%	3.1%	3.6%	-
Profit margin	3.4%	2.1%	3.0%	3.3%	-
Order backlog	4,415	7,054	5,715	5,700	-

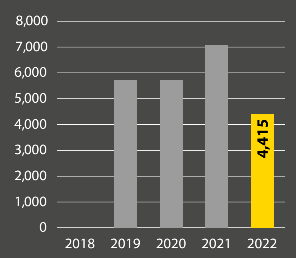
* The swedish Betonmast conpanies was transferred from the Betonmast business area to the Sweden business area with effect from 1 January 2022. Comparative figures have been restated. Betonmast became part of AF Gruppen on 31 October 2019.

EMPLOYEES



AF Gruppen 5,975

ORDER BACKLOG NOK MILL.



BETONMAST CONSIST OF

- Betonmast Boligbygg
- Betonmast Oslo
- Betonmast Trøndelag
- Betonmast Romerike
- Betonmast Røsand
- Betonmast Østfold
- Betonmast Innlandet
- Betonmast Buskerud-Vestfold
- Betonmast Asker og Bærum
- Betonmast Eiendom

IMPROVED RESULT

Overall, Betonmast delivered a weak, but improved result for the year. The units' performances varied greatly.

Betonmast is a construction contractor with operations in the largest markets in Norway. The project portfolio comprises everything from major residential projects to commercial and public buildings. Betonmast is a major actor in construction for the public sector and has extensive experience of project development and collaborative contracts. Betonmast also has a property portfolio in Norway.

Betonmast consists of 10 business units: Betonmast Oslo, Betonmast Romerike, Betonmast Buskerud-Vestfold, Betonmast Boligbygg, Betonmast Asker og Bærum, Betonmast Røsand, Betonmast Østfold, Betonmast Innlandet, Betonmast Trøndelag and Betonmast Eiendom.

YEAR 2022 IN BRIEF

In 2022, Betonmast reported revenues of NOK 5,145 million (NOK 5,196 million) and earnings before tax of NOK 174 million (NOK 111 million). The profit margin ended at 3.4 per cent (2.1 per cent). In 2022, Betonmast Sverige became part of the Swedish business area, and the comparative figures have been restated.

Betonmast's overall profitability was unsatisfactory, although there was considerable variation in the various units' performance. Several units delivered good results compared with previous years. Betonmast Østfold distinguished itself with a very good result for the year. Betonmast Oslo, Betonmast Romerike, Betonmast Buskerud-Vestfold, Betonmast Trøndelag, Betonmast Røsand and Betonmast Asker og Bærum also delivered good results. Betonmast Boligbygg and Betonmast Innlandet delivered weak results, mainly due to significantly higher cost mark-ups than estimated in the projects.

At the start of 2023, Betonmast Eiendom had three property projects with a total of 306 units in production.

Betonmast won several major contracts in 2022. A total of seven new contracts were announced to Oslo Børs, and Betonmast had an order intake of NOK 2,506 million. Betonmast Røsand was awarded the largest of these, with the construction of Campus Kristiansund in Kristiansund. The project will be carried out as a turnkey contract and is valued ataround NOK 582 million, excluding VAT.

Betonmast's order backlog was NOK 4,415 as of 31 December 2022, (NOK 7,054 million).

SUSTAINABILITY

Betonmast constructs socially beneficial buildings such as schools, student housing and sports halls, and assists customers in making environmentally friendly material choices and choosing sustainable solutions.

Both delivered projects and signed contracts in 2022 reflected Betonmast's environmental expertise and how they work with the development of a sustainable society. Together with Betong Øst and Rimol Miljøpark, Betonmast received the Construction Industry's Climate Award for 2022 for its circular and environmentally friendly concrete that is produced with recovered excavated materials. The award is presented by

Entreprenørforeningen – Bygg og Anlegg (EBA) and is meant to contribute to promoting solutions and challenging the industry. Campus Kristiansund, which was awarded to Betonmast Røsand in 2022, will be a future-oriented environmental building with cross laminated timber as the main supporting structure. The project will be environmentally certified in accordance with BREEAM-NOR Excellent.

The Gardermoen project, which was awarded to Betonmast Romerike in 2022, includes the construction of a new car dealership facility for Volkswagen, Volkswagen Commercial Vehicles, Audi and ŠKODA across a total area of 12,000 sqm. The plans for this dealership facility is to build it to meet the requirements of energy rating A, and it will be certified in accordance with the EU Taxonomy for sustainable buildings and BREEAM-NOR Very Good. Construction of the building will be delivered through the use of three load bearing structures.

MARKET OUTLOOK

Betonmast operates in the same markets as AF Gruppen's other Norwegian construction operations. See the information of the market performance under Construction and Property.

SELECTED PROJECTS

MEGLERGÅRDEN AND VILLA P

In 2022, Betonmast completed the apartment projects Meglergården and Villa P in the centre of Bekkestua, involving a total of 80 apartments and one 2,600-sqm grocery shop. The buildings have different architectural expressions and are of a high standard. The project also entailed a major renewal of the infrastructure in Bekkestua, with complicated ground work, a new technical culvert, meeting places and squares – all while traffic, the public and nearby construction sites were coordinated.

BUSINESS UNIT: BETONMAST ASKER OG BÆRUM
CLIENT: STOR-OSLO EIENDOM, ON BEHALF OF MEGLERGÅRDEN INVEST AS
COMPLETION: 2022
CONTRACT VALUE: NOK 333 MILLION EXCL. VAT

MAGASINPARKEN

Magasinparken lies in the centre of Ski. It is a former military garrison that has been developed into an attractive residential area. Here, Betonmast has built five distinctive blocks, containing 188 apartments and parking facilities, that were designed by four different architects. Between the buildings, good communal areas have been developed with, for example, playgrounds and cultural and park facilities. The project was handed over around 6 months early, despite a demanding and complicated building project involving a number of special adjustments.

BUSINESS UNIT: BETONMAST BOLIGBYGG
CLIENT: SOLON EIENDOM
COMPLETION: 2022
CONTRACT VALUE:
NOK 528 MILLION EXCL. VAT

REPPETOPPEN

Reppetoppen is a project that lies to the east of the centre of Trondheim with a view over large parts of the Trondheim Fjord. Betonmast has been the contractor for all construction phases and, in January 2022, construction started on the sixth and final phase of construction. In total, there will be around 250 residential units made up of a mixture of apartments and terraced houses. The final construction phase involves 55 apartments in two buildings with a common parking basement.

BUSINESS UNIT: BETONMAST TRØNDELAG AS
CLIENT: GODHAVN UTBYGGING AS
COMPLETION: 2023
CONTRACT VALUE: NOK 93 MILLION EXCL. VAT

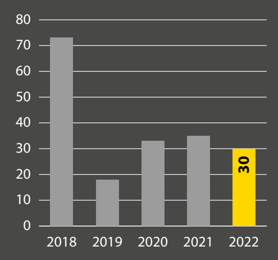
FJELLHAMAR SCHOOL

Norway's largest primary school will accommodate around 1,200 pupils. The project includes a new school building, as well as a sports building with two multi-purpose halls and a swimming pool designed for use in teaching, for the local community and for high level competitions. Great outdoor areas are beneficial both for pupils at the schools and those who live in the local community. In a period when delivery problems and higher raw material prices were challenging, the collaboration and execution expertise were essential with respect to good progress in a large and complex collaborative project.

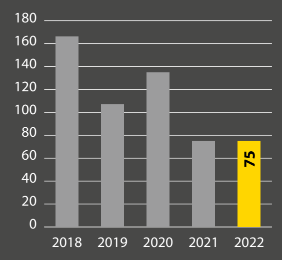
BUSINESS UNIT: BETONMAST ROMERIKE
CLIENT: LØRENSKOG MUNICIPALITY
COMPLETION: DECEMBER 2022
CONTRACT VALUE: NOK 1,200 MILLION
EXCL. VAT

PROPERTY

REVENUES NOK MILL.

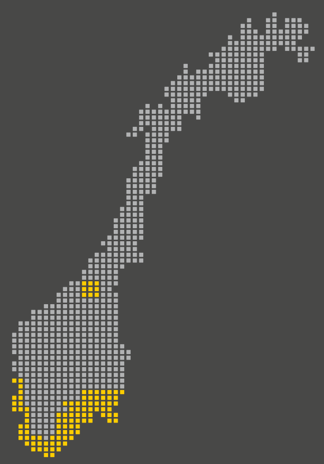


OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

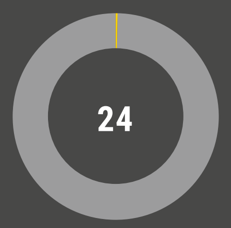
- Norway



KEY FIGURES

NOK million	2022	2021	2020	2019	2018
Revenue	30	35	33	18	73
Operating profit (EBIT)	75	75	135	107	166
Earnings before tax (EBT)	82	76	132	100	157
Operating margin	-	-	-	-	-
Profit margin	-	-	-	-	-
Order backlog	-	-	-	-	-

EMPLOYEES



AF Gruppen 5,975

PROPERTY CONSIST OF

- AF Eiendom
- LAB Eiendom

GAINS FROM BUSINESS AND LOW HOUSING SALES

Reduced demand and a shift in the market sentiment in the latter half of 2022 contributed to low housing sales. The sale of the K4 hotel and office building in Hasle, Oslo, made a strong contribution to the profit.

AF develops, designs and carries out residential and commercial projects in Norway, and activities take 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 2022 IN BRIEF

Property reported earnings before tax of NOK 82 million (NOK 76 million) in 2022. The gain from the sale of the K4 hotel and office building in Hasle, Oslo, made a strong contribution to the profit. Of the housing projects, it was AF Eiendom's Bekkestua Have project in Bærum that made the largest profit contribution in 2022.

Interest rate hikes and economic instability, especially in the latter half of 2022, contributed to low home sales with 216 (550) homes sold. AF's proportion was 89 (256). The projects that saw the highest sales in 2022 were Skårersletta MIDT, Bekkestua Have and Rolvsrud Arena.

A total of 281 (359) homes were handed over in 2022, of which AF's share was 96 (140). A total of 125 homes were handed in Lilleby Triangel, 78 homes in Bo på Billingstad, and 73 homes in Brøter Terrasse.

At the end of 2022, Property had ownership interests in residential property projects with a total of 259 (280) units available for sale, of which AF's share was 112 (129). 225 units were linked to projects in production and 28 units to projects in the sales phase (Rolvsrud Arena). There were a total of 6 (6) unsold completed apartments, of which AF's share was 2 (3).

At the start of 2023, AF's property business area had seven residential property projects with a total of 940 apartments in the production phase. AF's share was 438. The sales ratio for these projects was 76 per cent.

- Fyrstikkbakken in Oslo (159 units in production, of which 135 sales contracts have been signed)
- Skårersletta MIDT in Lørenskog (295 units in production, of which 173 sales contracts have been signed)
- Bekkestua Have in Bærum (232 units in production, of which 223 sales contracts have been signed)
- Rolvsrud Arena in Lørenskog (194 units in production, of which 128 sales contracts have been signed)
- Kråkehaugen in Bergen (55 units in production, of which 52 sales contracts have been signed)
- Skiparviklia 3D in Bergen (4 units in production, of which 3 sales contracts have been signed)
- Baneveien 16 in Bergen (1 unit in production, 1 sales contract has been signed)

At year end, AF had a development portfolio estimated at 1,580 (1,715) residential units. AF's share of this was 788 (821). AF also has ownership stakes in commercial property under development with a total GFA of 62,256 (51,856) sqm, of which AF's share is GFA of 30,949 (25,749) sqm. The majority of our portfolio is located in Greater Oslo and Bergen.

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. Sandbrogaten in Bergen is one example of such a project.

Property's goal is for greenhouse gas emissions to be halved by 2030, and for all new projects to be environmentally certified according to BREEAM-NOR Very Good or better. In this way, they will contribute to sustainable living environments.

For example, AF Eiendom has developed Hasle Tre in Oslo together with Höegh Eiendom. Besides using wood, the building can be disassembled meaning that the materials can be reused. The building is also certified BREEAM-NOR Excellent.

MARKET OUTLOOK

House prices rose by 1.5 per cent in 2022, according to figures from Eiendom Norge. So far this year, prices have risen by a further 5.8 per cent, although the nominal 12-month change is virtually unchanged.

Higher interest rates are expected to lead to more moderate price developments in the housing market.

In addition to higher interest rates, higher construction costs are also putting pressure on the profitability of property projects. According to Prognosesenteret, the number of new project launches for the country overall is expected to fall in 2023, before increasing again in 2024 and 2025. In Oslo and Hordaland, the number of new project launches is, however, expected to increase throughout the entire forecast period.

SELECTED PROJECTS

BRØTER TERASSE

Brøter Terrasse lies in the middle of Lillestrøm, although it still enjoys a secluded location. The project consists of one tall narrow building and one large angular building, with a shared parking basement, storage rooms and technical rooms. The buildings encircle an inner courtyard. In total, there are 78 apartments of varying sizes. The apartments have a roof terrace, balcony or outdoor area on the ground floor.

BUSINESS UNIT: AF EIENDOM
ENTREPRENØR: Ø. M. FJELD
COMPLETION: 2022
OWNERSHIP STAKE: 35%

BEKKESTUA HAVE

A small new district consisting of 231 apartments will be developed near the centre of Bekkestua. Existing residential and commercial buildings will be demolished and replaced by blocks of apartments 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
ENTREPRENØR: CONSTO
COMPLETION: 2023
OWNERSHIP STAKE: 50%

BANEVEIEN

Baneveien 16 in Bergen is in the process of being transformed into a building with apartments and commercial activities. The building had been abandoned and empty for 12 years before the rehabilitation project started. Commercial premises are being constructed on the ground and first floors, offices on the second to the seventh floors, and residential units on the eighth floor. It is centrally located, just down from Den Nationale Scene towards Nøstet and the Hurtigruten quay. The project includes a new facade attached to the exterior of the existing facade to ensure that the building is as energy efficient as possible. The building will be BREEAM-NOR certified as Very Good.

BUSINESS UNIT: LAB EIENDOM
ENTREPRENØR: LAB ENTREPRENØR
COMPLETION: 2025
OWNERSHIP STAKE: 50%

HASLE TRE

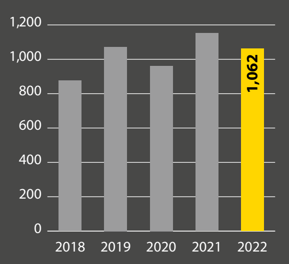
The Hasle Tre project is a solid wood commercial building of 2,800 sqm spread over four floors and a basement. The children's rights organisation, Redd Barna, has signed a 15-year lease and in their search for new premises, sustainable solutions were a central selection criterion. Hasle Tre won the Wooden Building of the Year Award in 2022 and is Norway's first wooden commercial building that can be disassembled and reused. This makes Hasle Tre a role model for circular buildings. Hasle Tre is certified BREEAM-NOR Excellent.

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

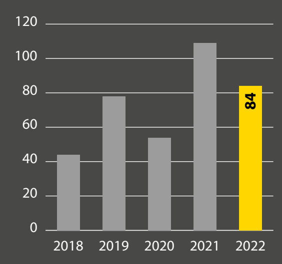
BUSINESS AREAS

ENERGY AND ENVIRONMENT

REVENUES NOK MILL.

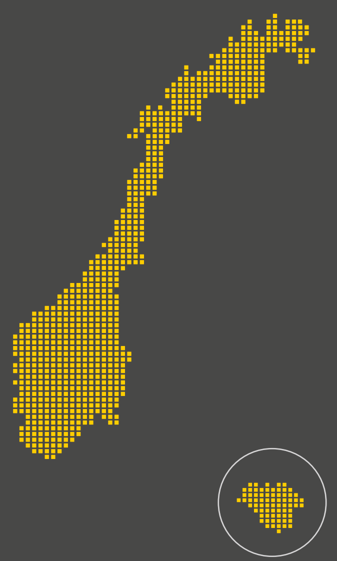


OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

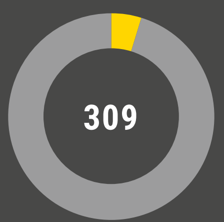
- Norway
- Lithuania



KEY FIGURES

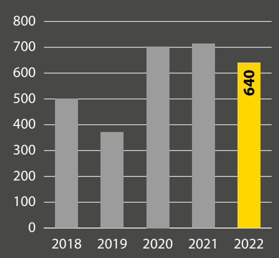
NOK million	2022	2021	2020	2019	2018
Revenue	1,062	1,152	962	1,072	875
Operating profit (EBIT)	84	109	54	78	44
Earnings before tax (EBT)	82	107	52	75	41
Operating margin	7.9%	9.4%	5.6%	7.3%	5.0%
Profit margin	7.7%	9.3%	5.5%	7.0%	4.7%
Order backlog	640	714	703	371	501

EMPLOYEES



AF Gruppen 5,975

ORDER BACKLOG NOK MILL.



ENERGY AND ENVIRONMENT CONSIST OF

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

VERY GOOD PROFITABILITY

Energy and Environment had a slightly lower level of activity in 2022 compared to 2021 but delivered very good profitability.

AF offers energy-efficient solutions for buildings and industry and is a leading player in environmental clean-up, demolition and recovery. 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 and AF Decom.

YEAR 2022 IN BRIEF

In 2022, Energy and Environment reported revenues of NOK 1,062 million (NOK 1,152 million) and earnings before tax of NOK 82 million (NOK 107 million). This corresponds to a profit margin of 7.7 per cent (9.3 per cent).

AF Decom delivered solid results in both demolition and recovery despite a somewhat less activity compared with 2021. The environmental centres saw slightly less activity than in 2021 but delivered very good profitability for the year.

AF Energi significantly improved profitability in 2022, delivering a very good result for the year. Through Enaktiva, the unit has developed a model for co-ownership of energy plants that they design, construct and operate themselves. The objective is both to ensure good reference facilities with low risk for the developer and value development through active ownership of the facilities. Among other things, the model was the basis for the establishment of Hovinbyen Energy Hub, the main purpose of which is to deliver cooling to the Økern/Ulven area. The facility is under construction as part of the Construction City complex. During the quarter, Hovinbyen Energi Hub, in which Enaktiva had a 49 per cent stake, was sold to OBOS. AF Energi realised a profit of NOK 7 million from the sale.

At the end of the year, Energy and Environment had an order backlog of NOK 640 million (NOK 714 million).

SUSTAINABILITY

Energy and Environment provides energy-saving, environmentally friendly and profitable services, including the construction of energy plants, environmental clean-up, demolition and recycling services, as well as the recycling of polluted material.

Since the end of the year, AF Gruppen has completed the acquisition of 60 per cent of the shares in Mepex Consult. Mepex is a leading consultancy firm with 26 employees who are specialists within circular economy, waste and recovery.

The purpose of AF's energy business is to reduce customers' energy consumption through alternative and renewable solutions for new and existing buildings. AF's deliveries guarantee lower energy consumption for the customer and reduce greenhouse gas emissions for society.

AF Energi has signed a contract with Møller Eiendom to improve the energy efficiency of Møller Bil's premises. The goal is to cut greenhouse gas emissions and make the premises' more energy efficient.

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 achieved a source separation rate of 94 per cent (96 per cent) in 2022. AF Decom facilitated the recovery of 17,629 tonnes of metal in 2022.

The steel industry accounts for somewhere between 5–8 per cent of global CO_2 emissions. Reused steel has approximately 70 per cent less CO_2 emissions than ore-based production. This corresponds to a reduction in emissions of 1 kg CO_2 for every kg of reused steel, which means that AF Decom's operations have contributed to reducing alternative CO_2 emissions by 17,629 tonnes.

Contaminated materials that are traditionally disposed of are sorted, decontaminated and recycled at AF's environmental centres. The goal of the environmental centres is to ensure that 80 per cent of the materials will be reused in local markets after they have been recycled. AF's environmental centres have recycled a total of 315,269 (344,437) tonnes of materials in 2022 and achieved a recovery rate for polluted materials of 80 per cent in 2022.

MARKET OUTLOOK

Demand for energy and environmentally-related services is growing. The Norwegian authorities have set ambitious targets to reduce energy consumption in the period up to 2030. These targets include reducing energy consumption in existing buildings by 10 TWh and improving energy intensity by 30 per cent by 2030. High electricity prices also make it highly attractive to invest in energy efficiency initiatives.

A high climate focus and a new Norwegian climate target of reducing greenhouse gas emissions by at least 55 per cent by 2030 are also contributing to growing demand for environmental services.

The business area's activities within demolition and recycling services are closely linked to the construction and civil engineering market and investment levels in the markets will affect demand.

SELECTED PROJECTS

KJØLBERGGATA 9

In Kjølberggata 9 in Oslo, AF Energi has been responsible for the refurbishment of a five-storey block of apartments. The building has previously been both a workshop hall and a fire station. The rehabilitation of this building from the 1860s involved renovating the facade, new windows, a new heating system and a new electrical system. The apartments were also refurbished with new bathrooms and kitchens. The measures contributes to reducing the building's energy consumption by around 20 per cent.

BUSINESS UNIT: AF ENERGI
CLIENT: BOLIGBYGG OSLO KF
COMPLETION: 2022
CONTRACT VALUE: NOK 27 MILLION EXCL. VAT

DEMOLITION OF TRETTEN BRIDGE

The 10-year-old Tretten Bridge, which carried County Road 254 over the Gudbrandsdalslågen river and the E6 motorway, collapsed on 15 August 2022. A private car and a truck were on the bridge when it collapsed, but no one was injured. AF Decom was awarded the complicated task of demolishing the rest of the bridge. The workers' safety and the river's ecosystem were properly protected. First, the two vehicles were removed. Next the bridge structure was dismantled and lifted ashore, source separated and then transported to an approved destination for recycling.

BUSINESS UNIT: AF DECOM
CLIENT: HAFJELL MASKIN
COMPLETION: 2022
CONTRACT VALUE:
NOK 6.2 MILLION EXCL. VAT

THE NORWEGIAN RADIUM HOSPITAL

The Norwegian Radium Hospital is a specialist cancer hospital in Oslo where a new clinic building and the country's first proton centre are being built. AF Energi is supplying the energy plant and cooling systems for the new buildings. A new clinic building and proton building will be built on the same site as the current Norwegian Radium Hospital. This sets strict requirements for execution, the order of operations and logistics. Among other things, much will be prefabricated and 92 per cent of executed welds in the energy plants will be delivered prefabricated to the building site.

BUSINESS UNIT: AF ENERGI
CLIENT: SOUTH-EASTERN NORWAY REGIONAL HEALTH AUTHORITY
COMPLETION: 2024
CONTRACT VALUE: NOK 86 MILLION EXCL. VAT

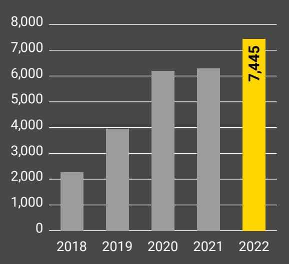
VESTLIA RESORT

AF Energi is carrying out several energy efficiency measures at the ski and spa resort Vestlia Resort in Geilo. The main part of the measures consists of new ventilation units, heat pumps and optimised heating systems that will reduce the resort's electricity consumption. The work will also include designing a new restaurant ventilation system.

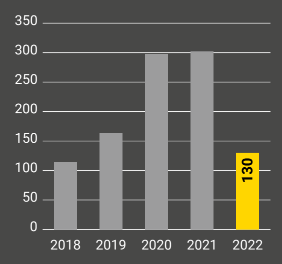
BUSINESS UNIT: AF ENERGI
CLIENT: VESTLIA RESORT
COMPLETION: 2023
CONTRACT VALUE:
NOK 12 MILLION EXCL. VAT

SWEDEN

REVENUES NOK MILL.



OPERATING PROFIT NOK MILL.



GEOGRAPHIC PRESENCE

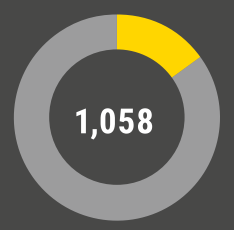
- Sweden

KEY FIGURES

NOK million	2022	2021*	2020*	2019*	2018
Revenue	7,445	6,300	6,197	3,956	2,270
Operating profit (EBIT)	130	302	298	164	114
Earnings before tax (EBT)	127	295	291	161	113
Operating margin	1.7%	4.8%	4.8%	4.1%	5.0%
Profit margin	1.7%	4.7%	4.7%	4.1%	5.0%
Order backlog	7,638	9,112	5,678	4,539	1,578

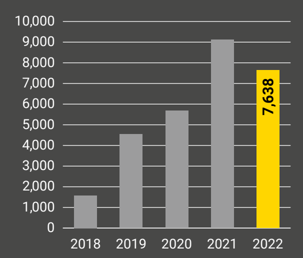
* The swedish Betonmast conpanies was transferred from the Betonmast business area to the Sweden business area with effect from 1 January 2022. Comparative figures have been restated. Betonmast became part of AF Gruppen on 31 October 2019.

EMPLOYEES



AF Gruppen 5,975

ORDER BACKLOG NOK MILL.



SWEDEN CONSIST OF

- Kanonaden
- AF Prefab i Mälardalen
- AF Bygg Syd
- AF Projektutveckling
- AF Härnösand Byggreturer
- HMB
- AF Bygg Väst
- AF Bygg Öst
- AF Öresund
- AF Bygg Stockholm
- AF Anläggning Väst

WEAK RESULT

Sweden revenue growth continued in 2022, although with highly variable performances, overall profitability was weak.

AF's Swedish operations in civil engineering, construction, property and demolition are combined in the Sweden business area. During the year, AF Gruppen signed an agreement with Betonmast AS to purchase 100 per cent of the shares in Betonmast Sverige AB, which owns all the operating companies of Betonmast in Sweden. AF Gruppen has thus gathered all of the Swedish business units into the Swedish business area to ensure a strong foundation for profitable growth. The geographic area of operation encompasses Stockholm and Mälardalen, Southern Sweden and Gothenburg.

The business area now consists of 11 business units: Kanonaden, AF Prefab i Mälardalen, AF Bygg Syd, AF Projektutveckling, AF Härnösand Byggreturer, HMB, AF Bygg Väst (formerly Betonmast Göteborg), AF Bygg Öst (formerly Betonmast Mälardalen), AF Öresund (formerly Betonmast Malmö), AF Bygg Stockholm (formerly Betonmast Stockholm) and AF Anläggning Väst (formerly Betonmast Anläggning).

YEAR 2022 IN BRIEF

Sweden reported revenues of NOK 7,445 million (NOK 6,300 million) in 2022 and a profit before tax of NOK 127 million (NOK 295 million). This gives a profit margin of 1.7 per cent, compared with 4.7 per cent in 2021.

The business area delivered revenue growth of 18 per cent compared with 2021, albeit with great variation in unit performance and results. The poor profitability was mainly attributable to the business units that were previously part of Betonmast Sverige. Large downward estimate adjustments for some projects contributed to weak results in these units. The estimate adjustments mainly related to increased costs, both as a result of increased material prices and own performance.

AF Härnosand Byggreturer continued to deliver very good results in 2022. Kanonaden, AF Bygg Syd and HMB also delivered good results for the year. While AF Prefab in Mälardalen saw solid revenue growth and significantly boosted its profitability compared with the year before, it still delivered a result below expectations.

AF Projektutveckling, AF's property company in Sweden, had one housing project at the end of 2022, with a total of 83 units in production. The unit has a building site inventory (residential units under development) that is estimated at 990 residential units. AF's share of this is 495 residential units.

At year end, the Sweden business area had an order backlog of NOK 7,638 million (NOK 9,112 million).

SUSTAINABILITY

The Sweden 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_2 emissions, and AF collaborates with the client to find environmentally friendly solutions. In 2022, the Sweden business area achieved a source separation rate of 70 per cent for construction, 86 per cent for rehabilitation and 93 per cent for demolition.

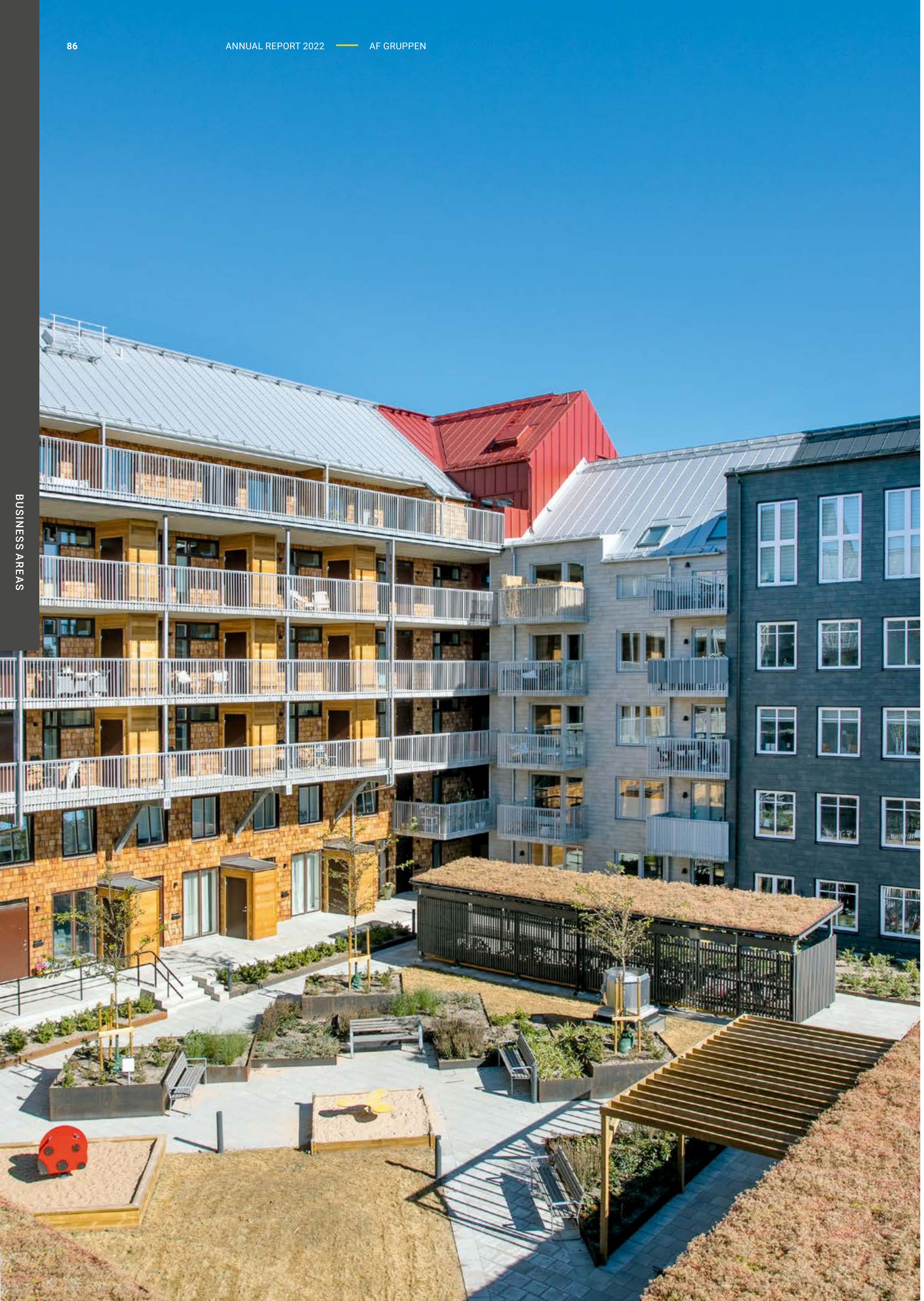
Kanonaden is also carrying out construction work for a large wind farm in southern Dalarna for SR Energy, which is expected to supply renewable energy equivalent to the annual consumption of household electricity for 54,000 homes. HMB Drevvikshøjden is another example of a sustainable project. The project consists of a total of 600 apartments, several kindergartens and commercial premises. It is designed to ensure low energy consumption from sources such as solar panels, geothermal heat and district heating.

MARKET OUTLOOK

Byggföretagen has estimated that construction investments in Sweden ('homes' and 'commercial premises') amounted to SEK 491.5 billion in 2022. This represents an increase of 3.3 per cent from 2021. In 2023, Byggföretagen expects a decline of 16.7 per cent to SEK 409.5 billion, primarily driven by lower investments in the 'homes' segment.

Byggföretagen estimates civil engineering investments to have been SEK 114.8 billion for 2022, which is on a par with the level in 2021. For 2023, a slight reduction in civil engineering investments of 1.0 per cent is expected, with an estimate of SEK 113.7 billion.

The housing market in Sweden was characterised by falling house prices in 2022. Svensk Mäklarstatistik reported a price fall of 9 per cent for apartments and 10 per cent for detached houses in 2022. In February 2023, the Swedish central bank decided to raise its policy rate by 0.5 percentage points to 3.0 per cent, as a result of high inflation. In December 2022, the uncertainty surrounding Swedish cement production was clarified when Cementa AB was granted an exemption to continue production for another four years.



SELECTED PROJECTS

STADSGÅRDEN I HALMSTAD

The Stadsgården residential project is located in the new central district of Västra Förstaden in Halmstad, within walking distance of restaurants, shops, nature and the sea. Stadsgården consists of 100 architect-designed apartments and three two-storey terraced houses. The district of Västra Förstaden in Halmstad will grow to around 450 new homes over a 5-year period.

BUSINESS UNIT: AF BYGG SYD
CLIENT: AF PROJECKTUTVECKLING/WOOD & HILL
COMPLETION: 2022
CONTRACT VALUE: SEK 174 MILLION EXCL. VAT

KARSKRUV WIND FARM

Kanonaden is building roads and foundations for a new wind farm in Åsedå in Uppvidinge Municipality, southern Sweden. In addition, Kanonaden lays the wind farm's internal electricity network. The project consists of 20 turbines that will generate renewable electricity equivalent to the average annual consumption of 60,000 households. In recent years, Kanonaden has executed a number of wind farm construction projects, and this will be the third project Kanonaden has executed for OX2.

BUSINESS UNIT: KANONADEN
CLIENT: OX2
COMPLETION: 2023
CONTRACT VALUE:
SEK 170 MILLION EXCL. VAT

STUVERIET, GOTHENBURG

Stena Fastigheter's new office building, Stuveriet in Gothenburg consists of more than 9,500 sqm GFA. In addition, two storeys are being added to Stena Fastigheter's existing office building right next door. Besides office premises, Stuveriet offers a bar, restaurant and a roof terrace on the 12th floor with views over the Port of Gothenburg. The building's façade is clad in recovered aluminium with a blue hue that changes with the light.

BUSINESS UNIT: AF BYGG VÄST
CLIENT: STENA FASTIGHETER
COMPLETION: 2022
CONTRACT VALUE:
SEK 190 MILLION EXCL. VAT

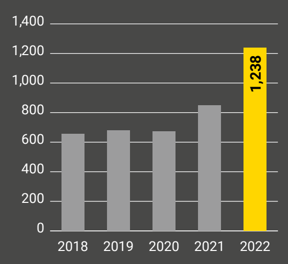
HOLMÄNGEN'S LEGACY

Holmängen's wastewater treatment plant in Vänersborg Municipality, purifies approximately 14,000 cubic metres of water per day.The project involves expanding and modernising the plant in order to serve a growing population in Västra Götaland. This includes constructing new pools and buildings, as well as the remodelling, refurbishment and modernisation of the existing plant. AF Bygg Syd, which has wide-ranging experience in construction and ground works, machines, electrical and HVAC installations, as well as engineering and construction works, is one of Sweden's leading specialists in the construction of water and sewerage facilities.

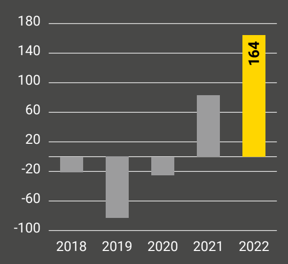
BUSINESS UNIT: AF BYGG SYD
CLIENT: VÄNERSBORG KRETSLOPP & VATTEN
COMPLETION: 2023
CONTRACT VALUE: SEK 152 MILLION EXCL. VAT

OFFSHORE

REVENUES NOK MILL.



OPERATING PROFIT NOK MILL.



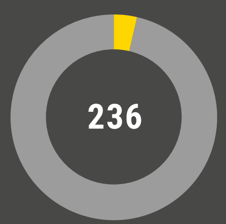
GEOGRAPHIC PRESENCE

- Norwegian and British continetal shelf
- Norway
- UK

KEY FIGURES

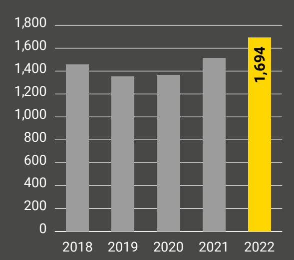
NOK million	2022	2021	2020	2019	2018
Revenue	1,238	848	672	679	655
Operating profit (EBIT)	164	83	-25	-83	-21
Earnings before tax (EBT)	160	78	-40	-94	-27
Operating margin	13.2%	9.8%	-3.7%	-12.2%	-3.2%
Profit margin	12.9%	9.2%	-5.9%	-13.9%	-4.1%
Order backlog	1,694	1,515	1,365	1,351	1,456

EMPLOYEES



AF Gruppen 5,975

ORDER BACKLOG NOK MILL.



OFFSHORE CONSIST OF

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

BUSINESS AREAS

GROWTH AND VERY GOOD PROFITABILITY

The year 2022 was a very good year for AF's offshore activities. Offshore has in many of their projects shown its power and expertise in solving complex challenges through a number of contracts.

AF has varied activities aimed at maritime operations 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 recovery 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 Aeron.

YEAR 2022 IN BRIEF

Offshore reported revenues of NOK 1,238 million (NOK 848 million) for 2022. Profit before tax amounted to NOK 160 million (NOK 78 million). This gives a profit margin of 12.9 per cent, compared with 9.2 per cent in 2021.

AF Offshore Decom delivered very good results in 2022, driven by both revenue growth and a better profit margin than in the year before. The good results reflect a high level of production and good operations at AF Environmental Base Vats, as well as successful offshore campaigns.

The offshore campaigns related to the Dunlin Alpha platform, as well as the recovery of the Curlew production vessel and the Dunlin Alpha and Brae platforms at the environmental base, contributed strongly to the good result.

In 2022, AF Offshore Decom was awarded a contract for the removal and recovery of platforms in the Dutch sector of the North Sea. The contract comprises engineering, preparations, removal, transport, recovery and final disposal of 10 platforms with a combined weight of 17 000 tonnes. The platforms will be transported to AF Environmental Base Vats for recovery.

Aeron increased its revenue but delivered a result that was below expectations in 2022.

At year end, the Offshore business area had an order backlog of NOK 1,694 million (NOK 1,515 million).

SUSTAINABILITY

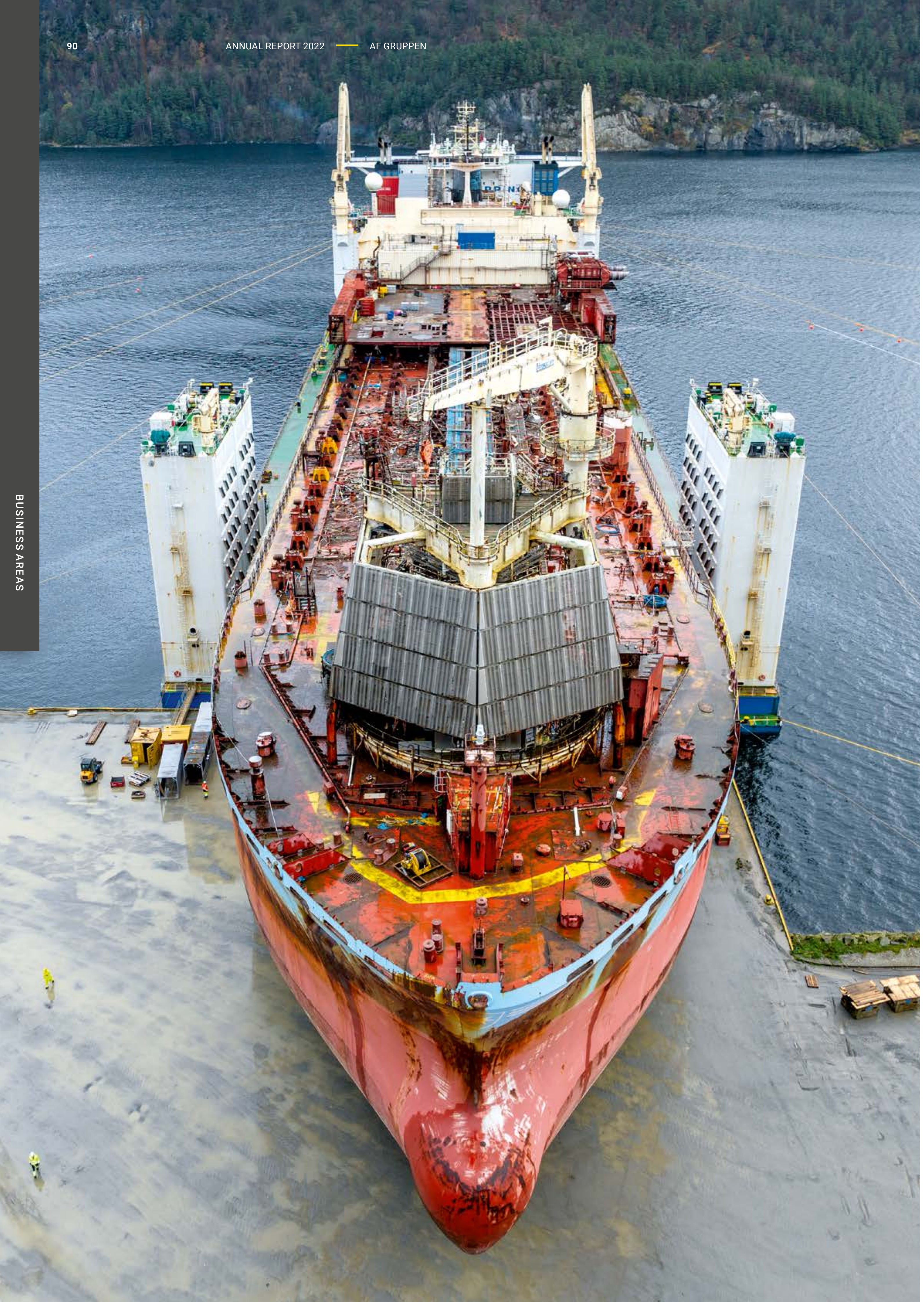
AF's offshore business delivers socially beneficial and environmentally friendly services in a safe and profitable manner. AF Offshore Decom's business concept is based on solving a significant societal challenge by removing and recovering decommissioned oil platforms, and its goal is to recover as much of the materials as possible. In recent years, the unit has achieved a source separation rate of more than 99 per cent, where metal is the main component. Reusing steel results in 70 per cent less CO_2 emissions than ore-based production, which corresponds to an emission reduction of 1 kg CO_2 per kilo of recycled steel. AF Offshore Decom demolished and facilitated the recovery of approximately 36,911 (40,990) tonnes of steel in 2022, with a corresponding reduction of alternative CO_2 emissions of 36,911 (40,990) tonnes.

Aeron's activities help cut greenhouse gas emissions through electrification and improving energy efficiency in the marine sector. In 2022, deliveries includes different types of ventilation and cooling systems for energy optimisation of the operation of ferries, cruise ships and other vessels. HVAC systems are one of the main consumers of energy on a modern vessel. AF offers energy-efficient HVAC systems that reduce costs and make a positive contribution to the environment.

MARKET OUTLOOK

During the 2022–2031 period, the UK trade association Offshore Energies UK anticipates that two million tonnes of oil and gas installations will be removed from the North Sea. The market for removing offshore installations has long been characterised by delays. At the same time, it is now expected that several large portfolios of oil platforms will be decommissioned over the next decade and AF Offshore Decom has submitted several major bids that have yet to be decided upon. First generation FSPOs (Floating Production Storage and Offshore) are approaching their time for recovery and, with the dismantling and recycling of the Curlew production vessel, AF Offshore Decom demonstrates its expertise and capabilities in this area. A faster pace of investments in offshore wind has resulted in greater demand for both large crane vessels and shipyards for assembling and installing the next generation of offshore wind farms in Europe. The market for removing oil and gas installations will therefore be characterised by competition with the offshore wind industry because of capacity restrictions.

The transition towards a low-emission society is providing market opportunities for AF's operations within climate control, and the increasing CO_2 tax could help accelerate the pace of electrification. Greater investment in offshore wind is also providing new market opportunities. The offshore wind farms Sunrise Wind in New York and East Anglia Windfarm in the UK, where Aeron will deliver ventilation and cooling equipment, are examples of this.

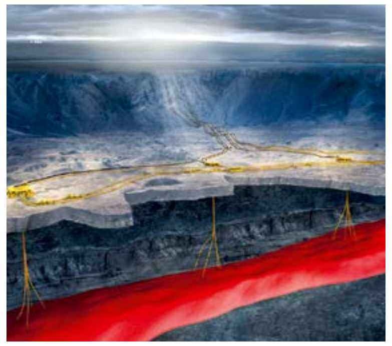


SELECTED PROJECTS

CURLEW FPSO

AF Environmental Base Vats is where the 235-metre long production vessel Curlew, which has previously been used to produce oil and gas (FPSO), will be dismantled and recycled. The production vessel originally weighed 25,000 tonnes, and it is, in addition to being the largest recycling project of its kind, the first time a production vessel has been recovered in Norway. The method used to bring the vessel ashore ('float over – float in') has never been used on such a scale before anywhere in the world. AF Environmental Base Vats is one of the few facilities that meet the requirements for recovering this type of structure, and is on the EU's list of approved facilities.

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



ORMEN LANGE PHASE 3

The Ormen Lange field is a gas field in the Norwegian Sea located about 120 km northwest of Kristiansund. Ormen Lange phase 3 is a subsea compression project that, with the aid of two rich gas compressors on the seabed, will increase extraction from the Ormen Lange field from 75 to 85 per cent. The gas is transported to Nyhamna where Aeron delivers ventilation and cooling equipment to the onshore facility.

BUSINESS UNIT: AERON
CLIENT: AKER SOLUTIONS
COMPLETION: 2023

DUNLIN ALPHA

AF Offshore Decom is responsible for engineering, removal and recovery of the Dunlin Alpha platform's topside in the UK sector of the North Sea. The platform, which has a total weight of around 20,000 tonnes, was removed from the field in two offshore campaigns. A crew of around 290 people worked in shifts to execute the operation, and more than 95 per cent of the platform will be recycled and reused at AF Environmental Base Vats.

BUSINESS UNIT: AF OFFSHORE DECOM
CLIENT: FAIRFIELD ENERGY
COMPLETION: 2023

EAST ANGLIA THREE

East Anglia Three is part of the East Anglia offshore wind farm off the coast of Suffolk in the UK. The converter station, supplied by Aker Solutions in collaboration with Siemens, collects energy from up to 100 turbines and transmits the power to an onshore receiving station. Aeron participated in the concept development and will provide the ventilation and cooling equipment necessary to keep the converter station in continuous operation, in addition to ensuring reliable supplies for the electricity grid.

BUSINESS UNIT: AERON
CLIENT: AKER SOLUTIONS
COMPLETION: 2026

A NEW STAGE FOR ART

The Light Hall at the top of the new National Museum has become a unique exhibition space and a landmark in Oslo. Entering an exhibition allows the audience to encounter art on different terms. The picture shows Laure Provost's exhibition 'Above Front Tears Oui Float'. AF Gruppen had three major contracts during construction of the National Museum. Low-carbon concrete and recovered steel have been used to reduce the building's carbon footprint. The goal was to cut greenhouse gas emissions by 50 per cent compared to a reference building. © Laure Provoust / BONO 2023

BUSINESS AREAS

SHAREHOLDER INFORMATION

”

Participating in the construction of this spectacular building has been really enjoyable. The Light Hall has become an installation in the city scene, and not just for those who visit the museum.

ANNA ULFSDOTTER MESTAD,
PROJECT ENGINEER AF BYGGFORNYELSE

The facade of the Light Hall at the top of the building is translucent and lets in daylight through millimetre-thin marble. The exhibition space covers 2,400 sqm. The Light Hall and the art it contains will be experienced differently in different seasons and weather conditions, and at different times of day. © Laure Provoust / BONO 2023

CORPORATE MANAGEMENT TEAM

AMUND TØFTUM

(1978)
CEO

Amund Tøftum joined AF in 2005 and was EVP for Building, Betonmast and Offshore before becoming CEO of AF Gruppen in 2020. Tøftum has also been the project director at AF Offshore Decom and has experience from business development and various operational roles at AF. Tøftum is a Civil Engineer from the Norwegian University of Science and Technology (NTNU). As of 31 December 2022, he owned 126,044 shares and 20,833 options in AF Gruppen ASA.

ANNY ØEN

(1974)
CFO

Anny Øen is new to the Corporate Management Team and has for the past 13 years worked as AF Gruppen's Group Accounting Director. She has a background as the group accounting manager and controller at Reitangruppen, CFO at Rema 1000 and trainee at PwC. Øen holds a Master of Science in Business with a Master in Accounting and Auditing from the Norwegian School of Economics (NHH). As of 31 December 2022, she owned 26,299 shares and 10 445 options in AF Gruppen ASA.

EIRIK WRAAL

(1979)
EVP

Eirik Wraal is responsible for the Energy and Environment business area, parts of the building business, and for corporate social responsibility in AF Gruppen. He was previously head of AF Decom and has worked at AF since 2004. Wraal has also held various operational roles within AF's environmental business and is a Civil Engineer from the Norwegian University of Science and Technology (NTNU). As of 31 December 2022, he owned 38,679 shares and 20,660 options in AF Gruppen ASA.

LARS MYHRE HJELMESET

(1979)
EVP

Lars Myhre Hjelmeset is new to the Corporate Management Team and is responsible for the Offshore business area. He was previously head of AF Offshore Decom and has experience as a business developer in the corporate staff and CFO of AF Offshore Decom. He has been with AF Gruppen since 2003. He holds a Master of Science in Business from BI Norwegian Business School and has completed the AFA programme at the Norwegian School of Economics (NHH). As of 31 December 2022, he owned 35,600 shares and 13,962 options in AF Gruppen ASA.

TORMOD SOLBERG

(1971)
EVP

Tormod Solberg joined AF in 2006 and is responsible for the Construction business area. He joined the Corporate Management Team from the position of CFO at AF Bygg Oslo, and has previously been Director of Quality and Risk, where he played a key role in establishing AF Gruppen's risk management model. Solberg has a background as project manager in ABB and as a consultant at PwC, and he graduated from the Norwegian School of Economics (NHH) with a Master of Science in Business. As of 31 December 2022, he owned 49,853 shares and 14,513 options in AF Gruppen ASA.

BÅRD FRYDENLUND

(1968)
EVP

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. As of 31 December 2022, he owned 179,385 shares and 20,833 options in AF Gruppen ASA.

GEIR FLÅTA

(1978)
EVP

Geir Flåta is responsible for the Civil Engineering and Property business areas. He has previously held various management roles in projects and at a business unit level, and has broad management experience from building and civil engineering operations in AF. Flåta has an MBA from the Norwegian School of Economics (NHH) and is a Civil Engineer from the Norwegian University of Science and Technology (NTNU). As of 31 December 2022, he owned 1,591 shares and 20,488 options in AF Gruppen ASA.

SHAREHOLDER INFORMATION

BOARD OF DIRECTORS

PÅL EGIL RØNN

(1968)
Chair of the Board

Pål Egil Rønn was the CEO of AF Gruppen from 2007 to 2015. Since he started in 1999, he held various leadership positions at AF. His other board positions include Bouvet ASA, Sparebank 1 Gudbrandsdalen and Øster Hus Gruppen AS. He is a Civil Engineer with a 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 holds a Master of Science in Business and Economics from the Norwegian School of Economics (NHH).

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, operations supervisor, site manager and contract manager at AF Anlegg. She is a Civil Engineer in construction engineering and architecture from UMB.

ERIK VEIBY

(1963)
Board Member

Erik Veiby is the working chair of Nordic Concrete Group and general manager of Kongsvinger Betong. He has previously been general manager of Betong Øst and held different positions in Kongsvinger Betongindustri. He has broad board experience from companies where he also has ownership interests.

KRISTIAN HOLTH

(1984)
Board Member

Kristian Holth has a background as the CFO at KB Gruppen AS and Contiga AS. He also has experience from McKinsey & Company. Other board positions include Gunnar Holth Grusforretning AS, BRG Entrepenør AS and Grunn-Service AS. He is a Civil Engineer in industrial economics from the Norwegian University of Science and Technology (NTNU).

ESPEN JAHR

(1972)
Board Member

Espen Jahr is an employee representative on the Board of Directors and the HSE Manager at AF Decom. He played a part in establishing AF Gruppen's internal occupational health service and has managed this service for 14 years. Jahr has experience as HSE manager on projects. He has previously been an occupational health nurse at Institutt for Bedriftshelsetjeneste AS/Bedriftshelse Norge. Jahr holds a Master in Health/Management.

ARNE SVEEN

(1970)
Board Member

Arne Sveen is an employee representative on the Board of Directors. He has worked for AF since 1999, for the last 14 years as the main union representative and chief health and safety officer with responsibility for the general agreement for construction disciplines. He previously 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, and has 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. Djoudat is also a board member of Atea ASA. She graduated as a lawyer from the University of Oslo.

ARNE BAUMANN

(1962)
Board Member

Arne Baumann is Director of Special Projects at OBOS. He has worked for OBOS since 2002 and has broad experience from residential development and the development and management of commercial buildings. He has a Master of Science in Business (siviløkonom) from the BI Norwegian Business School and holds an MBA from the University of Wisconsin-Madison.

HILDE KRISTIN HERUD

(1973)
Board Member

Hilde Kristin Herud is the General Manager at Tremco CPG (Construction Product Group) in Norway. She was the former CEO and commercial director at Norgips and has held leading positions in the advertising and publishing industries, and has been the deputy head of the Confederation of Norwegian Enterprise, Construction Product Industry. Herud holds a Master of Arts (MA), and has completed the Executive Board Programme at INSEAD.

CORPORATE GOVERNANCE

AF Gruppen is a value-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 2022

The work on operationalising the corporate strategy for the period up to 2024 was a key board agenda item in 2022 as well. The strategy continues the ambitions of profitability and growth, and above all else that we will work safely. The goals for 2024 are to have zero work-related absences and serious personal injuries, revenue of NOK 40 billion and an operating margin of 7 per cent. AF Gruppen aims to cut its greenhouse gas emissions by at least 50 per cent by the end of 2030, and reduce the amount of waste sent for incineration and landfill by at least 50 per cent. Both goals are relative to revenue per service type. During the year, the Board have assessed the status of these goals and priorities going forward. In accordance with the strategy, the Board and the Corporate Management Team assessed several potential acquisitions and partnerships in 2022. On 25 March 2022, AF Gruppen completed the acquisition of 80 per cent of the shares of Stenseth & RS Holding AS. The war in Ukraine and the reverberations of the Covid-19 pandemic have resulted in inflation, an energy crisis and supply challenges. The increases in prices for raw materials and energy are impacting both AF and the markets in which we operate. The Board monitored developments throughout 2022 and the management's risk assessments and measures for adapting AF Gruppen's operations to the new global landscape, with the threats and opportunities it presents.

WORK OF THE BOARD OF DIRECTORS

The Board of Directors has the ultimate responsibility for managing AF Gruppen on behalf of the owners, including ongoing supervision of the Group's management and activities. The Board of Directors participates in the development of strategies, plans, budgets and guidelines for operations and will ensure that AF has an organisation capable of implementing strategies and will also ensure that business activities are conducted in accordance with the guidelines and adopted strategy. An open and solid management structure gives trust and lays the foundation so that AF Gruppen can achieve its goals and ensure long-term value creation for investors, employees, customers and society at large.

The Board's areas of responsibility and administrative procedures are stipulated in specific instructions for

BOARD OF DIRECTORS

Members	Number of shares [1]	Elected by	Attendance record
Pål Egil Rønn (Chairman)	207,225	The General Meeting	11/11
Arne Baumann	17,459,483	The General Meeting	11/11
Kristian Holth	16,309,521	The General Meeting	11/11
Hege Bømark	-	The General Meeting	11/11
Saloume Djoudat	-	The General Meeting	11/11
Kjetel Rokseth Digre [3]	-	The General Meeting	4/6
Hilde Kristin Herud [2]	3,075	The General Meeting	5/5
Kristina Alvendal [3]	-	The General Meeting	6/6
Eirik TømmeraasVeiby [2]	2,224,240	The General Meeting	5/5
Kenneth Svendsen [3]	-	Employees	6/6
Espen Jahr [2]	5,057	Employees	5/5
Hilde W. Flaen	29,016	Employees	11/11
Arne Sveen	-	Employees	11/11
Total	**36,237,617**		

[1] *Number of shares owned as of 31 December 2022 include shares that belong to the immediate family and companies in which the individual has a controlling influence.*
[2] *Jahr, Herud and Veiby was elected to the Board of Directors in May 2022.*
[3] *Digre, Alvendal and Svendsen stepped out of the Board of Directors in May 2022.*

STYRETBOARD'S AUDIT COMMITTEE

Kristian Holth (Chaiman)
Hege Bømark
Hilde Kristin Herud

BOARD'S COMPENSATION COMMITTEE

Pål Egil Rønn (Chaiman)
Saloume Djoudat
Arne Baumann
Eirik Tømmeraas Veiby

NOMINATION COMMITTEE

Roar Engeland (Chaiman)
Marianne E. Johnsen
Roy G. Holth
Tor Øivind Fjeld jr.

EXTERNAL AUDITOR

PricewaterhouseCoopers AS

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 based on the matters that are to be considered at the General Meeting and limited 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 Chair of the Board, chair of the Audit Committee and chair of the Remuneration Committee are present. Other board members will attend as required.

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

Section 12. Remuneration of executive personnel
AF Gruppen has one deviation from the Code of Practice for this section. There is no upper limit 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 get a share of the value creation without limitation.

the Board, and its work is organised into two board committees: The Qualification and Remuneration Committee and the Audit Committee. An annual plan has been established for the Board's work. In addition to the regular agenda items, the Board of Directors considers all potential acquisitions in excess of NOK 50 million, site investments in excess of NOK 100 million and contract tenders with a contract value in excess of NOK 600 million. In 2022, the Board of Directors considered 12 tenders before the tenders were submitted.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

Good corporate governance is the responsibility of the Board of Directors. The Board of Directors reviews AF Gruppen's principles and code of practice for corporate management. Continuous efforts are made to improve and adapt both the overall management tasks and the supervision of company management to ensure compliance with laws and rules, and to ensure that management systems are adapted to the operations and the current risk picture. A statement has been prepared in accordance with the Norwegian Code of Practice of 14 October 2021, cf. www.nues.no. In the following, it is explained how the 15 sections in the Code of Practice are followed up within AF Gruppen.

There are no significant deviations between the Code of Practice and how AF Gruppen complies with the code. Two deviations under Section 6 on general meetings, one deviation under Section 7 on the nomination committee and one deviation under Section 12 on the remuneration of executive personnel have been justified and disclosed.

Deviation from the Code of Practice: None.

2. OPERATIONS

The Articles of Association state that the object of the Group is to engage in contracting and industrial activities, as well as any activities related thereto. This also includes participation in other undertakings. AF Gruppen has project-based operations in the business areas of Civil Engineering, Construction, Betonmast, Property, Energy & Environment, Sweden and Offshore. The business is built on a sustainable vision: Clearing up the past, building for the future. The head office is in Oslo, and in 2022, 72 per cent and 28 per cent of revenue came from the units in Norway and Sweden, respectively, which are AF Gruppen's two main geographical markets.

AF Gruppen is a values-based company with a firmly anchored set of core values:

- Reliable
- Freedom to practise entrepreneurship and discipline in relation to goals and requirements
- Thoroughness and hard work
- Persistence in achieving profitable growth
- Management through presence and involvement

All our employees are expected to identify and comply with our core values. With the support of the Board of Directors, a code of conduct is communicated to all our employees and used actively in day-to-day operations. The publications Purpose – Goals – Values and the Code of Conduct are available on www.afgruppen.com. All companies in the Group have ethical guidelines that are consistent with AF Gruppen's values and Code of Conduct.

Strategies, objectives and risk profile

The Board of Directors follows a four-year cycle for its strategy work. In 2020, a new strategy was developed for the 2021–2024 period. The strategy is based on the Board's and management's assessment of the company's risk profile, and continues its ambitions from the past on safety, profitability and growth. The goal for 2024 is revenue of NOK 40 billion, an operating margin of 7 per cent, a 20 per cent return on invested capital and zero work-related absences and serious personal injuries. For the first time, goals related to climate and the environment were also set. By the end of 2030, AF Gruppen wants to halve greenhouse gas emissions, and halve non-source separated waste and polluted materials that go to incineration or landfill. Both goals are relative to revenue per service type. Four initiatives will be prioritised to achieve these goals: disciplines and management, customers and suppliers, climate and environment and innovation. The strategy is described in more detail in the annual report on page 26.

The Board reviews annually whether the goals and guidelines ensuing from the strategies are adequate, operationally effective and easy to understand for employees and other stakeholders.

The value creation by AF Gruppen should be both safe and sustainable. Everyone who works for AF should return home safely, and the organisation must have the least possible adverse impact on society, climate and the environment. The source separation rate and carbon footprint have been chosen as AF Gruppen's common measurement parameters for the external environment. AF Gruppen also delivers products and services that have positive impacts in relation to both the climate and the environment. Offering expertise and the capacity to contribute to solving societal challenges are important parts of AF Gruppen's social mission. AF Gruppen's guidelines for corporate social responsibility cover climate and the environment, social conditions, due diligence pursuant to the Transparency Act and corporate governance, and are described in more detail on page 36 in the annual report and atwww.afgruppen.com.

Deviation from the Code of Practice: None.

3. SHARE CAPITAL AND DIVIDENDS

The financing of AF Gruppen shall be robust in relation to market-related and operational fluctuations and support our dividend and growth strategy. AF has financing facilities with DNB and Handelsbanken totalling NOK 3,000 million. The Group had a solid capital structure as of 31 December 2022 with net interest-bearing liabilities of NOK 329 million (NOK -29 million), equity of NOK 3,494 million (NOK 3,572 million) and an equity ratio of 24.2 per cent (27.3 per cent). Net interest-bearing liabilities include lease liabilities of NOK 898 million (NOK 855 million), of which NOK 693 million (NOK 665 million) is recognised in accordance with IFRS 16 Leases. Loan covenants related to AF Gruppen's financing facilities are measured exclusive of the effect of capitalised leases recognised according to IFRS 16. As of 31 December 2022, the IFRS 16 adjusted equity ratio was 25.4 per cent (28.7 per cent). This is in accordance with the Group's goal of having an equity ratio, exclusive the effects of IFRS 16, of at least 20 per cent, and is, in the opinion of the Board, adapted to AF Gruppen's goals, strategy and risk profile.

Dividend

AF Gruppen's dividend policy is to pay a dividend of at least 50 per cent of the profit for the year. Distribution will take place up to twice yearly, normally after the Annual General Meeting and after presentation of the quarterly report for the third quarter. The dividend that was distributed in the autumn of 2022 was adopted by the Board of Directors in accordance with the time and purpose limited authorisation by the General Meeting.

Share capital increases

The Board's authorisation to increase the share capital is limited to defined purposes and limited in time until the next General Meeting. Each purpose for which authorisation is granted will be considered as a separate item by the General Meeting. Such authorisation was used when AF acquired Stenseth & RS Holding AS in March 2022 and in connection with AF Gruppen's employee share programme in autumn 2022.

Acquisition of treasury shares

AF Gruppen has authorisation from the General Meeting to buy and sell treasury shares. This authorisation is justified by the need to obtain the necessary number of shares to carry out the sale of shares to employees in connection with AF Gruppen's bonus and share programme. This authorisation is valid until the next Annual General Meeting.

Deviation from the Code of Practice: None.

4. EQUAL TREATMENT OF SHAREHOLDERS

AF Gruppen ASA has one class of shares, and all the shares give entitlement to the same rights. The Group's principle is that all shareholders must be treated equally. AF Gruppen complies Oslo Børs's rules regarding inside information and trading restrictions.

Capital increase

In the event of a capital increase, existing shareholders are to be given priority, unless special circumstances dictate that this can be waived. Such deviation would then be justified in the resolution to increase the capital. The General Meeting has authorised to make an exception to the preferential rights in connection with AF Gruppen's share and option programme in order to stimulate increased share ownership among the employees. The Board of Directors has adopted that invitation to a repair issue of shares shall be considered for major business acquisitions with consideration in shares, so that the existing shareholders can maintain their ownership stake in AF Gruppen ASA after the acquisition.

Treasury share transactions

All treasury share purchases and sales shall be made at the market price and traded on Oslo Børs. This authorisation from the General Meeting provides one exception for the use of market prices for the sale of shares to employees. In connection with AF Gruppen's share purchase and bonus programme, treasury shares are sold at a discount of 20 per cent.

Deviation from the Code of Practice: None.

5. SHARES AND NEGOTIABILITY

The shares of AF Gruppen ASA are listed on Oslo Børs, and there are no restrictions on their negotiability in accordance with the Articles of Association. Nor are there any restrictions on the access to own or vote shares in AF Gruppen ASA.

Deviation from the Code of Practice: None.

6. GENERAL MEETINGS

The shareholders exercise the highest authority in AF Gruppen through the General Meeting.

Participation in the General Meeting

The Board Chair, CEO, CFO, Nomination Committee Chair and auditor shall be present at the General Meetings. Other board members and members of the Corporate Management Team shall attend as required or if they represent shareholder interests.

The Board of Directors shall make provisions so that as many shareholders as possible can exercise their rights by participating in the General Meeting. Shareholders who do not have an opportunity to attend in person may attend by proxy. The registration and proxy forms shall be attached to the notice of the General Meeting.

Shareholders must notify the Group that they will attend no later than two days prior to the General Meeting. Shareholders who do not register by the deadline, may be allowed to participate nevertheless unless there are space or other special considerations preventing their participation.

Conduct of the General Meeting

The Board shall ensure that the General Meeting is an effective forum for shareholders and the Board.

SHAREHOLDER INFORMATION

Notice of a General Meeting, and the associated agenda papers, will be sent in the mail at least 21 days in advance to all the shareholders to the address registered in the shareholder register of the Norwegian Central Securities Depository. The aim is to ensure that the agenda papers contain adequate detailed information so that the shareholders can make a decision on the matters that are to be considered.

Case documents shall be sent as attachments to the notice and made available at the same time to shareholders on the Group's website. The annual report will only be distributed on paper on request due to environmental considerations.

All notices and minutes from the General Meeting will be disclosed to the stock exchange.

The election of new members to the Board and Nomination Committee will be arranged so that the General Meeting can vote on each candidate. Board members elected by the employees are exempt. The General Meeting is chaired by the Chairman of the Board.

Deviation from the Code of Practice:
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 Chairman of the Board in stipulated in the Articles of Association. The need for an independent chairperson has not been considered necessary based on the matters that are to be considered at the General Meeting and limited 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 chair of the board, chair of the Audit Committee and chair of the Qualification and Remuneration Committee are present. Other board members will attend as required.

7. NOMINATION COMMITTEE

The General Meeting elects a Nomination Committee consisting of three to four members, each elected for a term of one year. The Nomination Committee scheme is pursuant to the Articles of Association. The General Meeting determines the remuneration of the Committee.

The duties of the Nomination Committee are as follows:

- Nominate candidates for shareholder-elected board members and alternates, as well as Nomination Committee members
- Propose the remuneration of board members to the General Meeting
- Comment on and, if necessary, make proposals to the General Meeting regarding the Board's size, composition and work methods
- Assess the work of the Board of Directors and prepare an annual report for the General Meeting

The Nomination Committee has contact with shareholders and conducts individual discussions with board members and the CEO in the work to propose candidates for the board.

Composition and independence of the Nomination Committee

Importance is attached to the Nomination Committee having a composition that reflects the interests of the shareholders as a whole. No senior executive, board member or outgoing board member sits on the Nomination Committee. Members of the Nomination Committee as at 30 March 2023 were Roar Engeland (chair), Marianne E. Johnsen, Roy G. Holth and Tor Øivind Fjeld.

Of these Nomination Committee members, only one of the members is independent of the Board of Directors. Roar Engeland is chair of the board of OBOS, and based on this position also has a close business association with board member Kristian Holth. Roy G. Holth has a close business and family association with board member Kristian Holth, as well as a close business association with Chair of the Board Pål Egil Rønn and board member Erik T. Veiby. Tor Øivind Fjeld jr. also has a close business association with board members Kristian Holth and Erik T. Veiby.

Deviation from the Code of Practice: 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.

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS – COMPOSITION AND INDEPENDENCE

Corporate Assembly

The parent company, AF Gruppen ASA, is a holding company without employees and is therefore not subject to the provisions of the Limited Liabilities Company Act that require a Corporate Assembly. The employees and the Group's largest operating company, AF Gruppen Norge AS, have entered into an agreement stating that AF Gruppen Norge AS is not required to have a Corporate Assembly. The employees, however, are represented on the boards of both AF Gruppen Norge AS and AF Gruppen ASA.

Composition of the Board of Directors

As of 30 March 2023, AF Gruppen ASA had 10 permanent board members. Three of the board members have been elected by the employees. AF Gruppen complies with the requirements of the Public Limited Liability Companies Act regarding the gender composition of the Board. Of the seven board members elected by the General Meeting, four are men and three are women. Of the three employee-elected board members, two are men and one is a woman. The board members have varied backgrounds with respect to education and work experience, and the composition of the Board of Directors is intended to protect the interests of the community of shareholders and meet the company's need for expertise and capacity. Information regarding the board members' age, education and professional experience is published on www.afgruppen.no.

Shareholder-elected board members are elected for 1 year at a time. Employee-elected board members are elected for 2 years at a time. The chair of the board is elected by the general meeting.

Independence of the Board of Directors

The Board aims to act as a collegiate body in exercising its duties. The Board of Directors annually assesses its independence, and the following factors are relevant to this assessment:

- Five of the seven board members elected by the general meeting are independent of the company's principal shareholders. Board member Arne Baumann represents OBOS BBL, which owned 16.2 per cent of the shares in AF Gruppen as of 30 March 2023.
- Board member Kristian Holth is the CEO and has significant ownership interests in Constructio AS, which owned 14.2 per cent of the shares in AF Gruppen ASA as of 30 March 2023.
- None of the board members elected by the general meeting are involved in the day-to-day management of the company or have cross-relations with senior executives.
- One of the seven board members elected by the general meeting represents a company with a significant customer relationship to AF Gruppen. This applies to board member Arne Baumann, who represents OBOS BBL, which is both a customer and a business partner of AF Gruppen.
- Four of the seven board members elected by the general meeting are not independent of the Nomination Committee. Board Member Kristian Holth has a close business association and family relationship with one of the members of the Nomination Committee, Roy G. Holth. Kristian Holth also has a close business association with Tor Øivind Fjeld jr. Arne Baumann has a close business association with the Nominating Committee Chairman Roar Engeland. Pål Egil Rønn has a close business association with Roy G. Holth and Erik T. Veiby. Erik T. Veiby has a close business association with Roy G. Holth and Tor Øivind Fjeld jr.

The Board has assessed its independence and finds that it is satisfactory. AF has processes for ongoing control of what other duties the board members have. When new board members are nominated, the Nomination Committee also assesses their independence.

Each individual board member has a duty to report any impartiality or conflict of interest issue. The Board of Directors also has a collective responsibility to assess on an ongoing basis whether there are circumstances that objectively speaking are likely to weaken public confidence in the board member's impartiality or may give rise to conflicts of interest.

Board members are encouraged to hold shares in AF Gruppen. Information on the shareholdings of the board members is disclosed in the annual accounts (Note 32 – Share capital and shareholder information).

Deviation from the Code of Practice: None.

9. WORK OF THE BOARD OF DIRECTORS

The Board of Directors has the ultimate responsibility for managing AF Gruppen on behalf of the owners, including ongoing supervision of the Group's management and activities, as well as ensuring that systems have been put in place for internal control and risk management. The Board of Directors participates in the development of strategies, plans, budgets and guidelines for operations and will ensure that AF has an organisation capable of implementing strategies and will also ensure that business activities are conducted in accordance with the guidelines and adopted strategy. AF Gruppen is a values-based company and has published the documents "Purpose, goals and values" and "Code of Conduct" as governing documents for e.g. core values and ethical guidelines.

The Board of Directors recruits the CEO, sets the CEO's remuneration and stipulates the CEO's work instructions. The Board of Directors also adopts the Group's authority matrix.

In addition to the regular items, the Board of Directors considers all potential acquisitions of companies valued at over MNOK 50, site investments where our share is over MNOK 100 and contract tenders with a contract sum in excess of MNOK 600. The tenders are considered, inter alia, 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.

The Board of Directors continuously assesses the need to use committees. As of 30 March 2023, the Board of Directors had two committees: The Audit Committee and the Qualification and Compensation Committee. The committees' work is advisory and entails preparing matters for consideration by the Board of Directors and the committees have been mandated for defined duties. The mandates, members and activities of the committees are described in further detail below.

Rules of procedure for the Board of Directors

Provisions relating to the board's areas of responsibility and administrative procedures are specified in separate rules of procedure. The Board of Directors works according to an annual plan with established topics and items for the board meetings.

The rules of procedure for the Board of Directors are reviewed annually or more often as required.

Chairman of the Board of Directors

The Board Chairman is responsible for ensuring that

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the work of the Board of Directors is conducted in an efficient and appropriate manner in accordance with applicable legislation, articles of association and adopted instructions. Board business is prepared by the CEO and management in consultation with Board Chairman.

In matters of a significant nature, in which the Board Chairman is, or has been, actively involved, a substitute chairman will be appointed. There have been no such matters in 2022.

Meeting structure

Eight board meetings are normally held during the year. Extraordinary board meetings are held, if required, to deal with business that cannot wait until the next ordinary board meeting.

The Board of Directors 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, the core values, guidelines for ethics and social responsibility, organisational structure and corporate governance principles are reviewed. The Board of Directors evaluates the company's management and organisational structure annually.

A total of eleven board meetings were held in 2022.

Audit Committee

The Audit Committee prepares matters for and acts as an advisory body to the Board of Directors in matters relating to statutory audits, the sustainability reporting process and the financial reporting process, including monitoring of internal control and risk management systems.

The following tasks are included in the Audit Committee's mandate:

- Preparing the Board's quality assurance of quarterly and annual financial reports, including the ESEF annual report. This includes assessing:
  - valuation items and events of significance
  - the significance of climate risk
  - impairment tests and assessments related to goodwill and other assets
- Manage management plan and summary of risk management and internal control over financial reporting. This includes assessing:
  - asset management and liquidity management
- Prepare the board's quality assurance of sustainability reporting.
- Prepare and recommend the election of an external auditor.
- Maintain ongoing contact with the company's elected auditor about the audit of the annual accounts, including in particular monitoring audit performance in the light of issues raised by Finanstilsynet (the Financial Supervisory Authority of Norway).
- Assess and monitor the auditor's independence, including approving additional services and following up the amount of the auditor's fee for additional services.
- Manage the auditor's plan for audit performance, including the auditor's quantitative materiality assessments.
- Process summaries from the auditor and ensure that the auditor's recommendations are followed up by management.
- Consider the additional report from the auditor when preparing the annual accounts.

The Audit Committee prepares an annual report that is presented to the General Meeting.

The Committee consists of three board members elected by the general meeting: Kristian Holth (Chairman), Hege Bømark and Hilde Kristin Herud. All members satisfy the independence requirements of the Norwegian Public Limited Liability Companies Act.

The Committee meets as needed, but at least five times each year. The CFO and auditor attend all the meetings. The Committee held six meetings in 2022.

Qualification and Compensation Committee

The Qualification and Compensation Committee prepares matters for and acts as an advisory body to the Board of Directors on matters relating to salary and other remuneration to senior executives, as well as all share-based remuneration based on shareholdings in AF Gruppen ASA. The Committee shall prepare proposals for the guidelines on salaries and other remuneration of senior executives in order to motivate and contribute towards long-term value creation. The Committee shall also draw up proposals for salaries and other remuneration of the CEO and will monitor AF Gruppen's overall work on expertise and management development.

The Qualification and Compensation Committee annually prepares a report on salaries and other remuneration of senior executives. The report is presented at the general meeting for an advisory vote. The guidelines for salaries and other remuneration shall also be considered and approved by the general meeting in the event of any significant changes and at least every four years.

The Committee consists of four board members elected by the general meeting: Pål Egil Rønn (chairman), Arne Baumann, Saloume Djoudat and Eirik Veiby.

The Committee held three meetings in 2022.

Financial reporting

The board receives interim reports on the Group's economic and financial status. The Company's management team presents and reports on the interim accounts and annual accounts. The company follows the deadlines from Oslo Børs for interim reporting.

Board of Directors' self-evaluation

The Board of Directors conducts an annual evaluation of its work and methods, which provides a basis for changes and measures. In addition, the expertise of the Board of Directors is evaluated. The evaluation by the Board of Directors is reported to the Nomination Committee. The Board of Directors also performs a corresponding evaluation of the CEO.

Instructions for the CEO

The Board of Directors has prepared an authority matrix that describes and clarifies what authority the CEO and management have and what matters have to be dealt with by the Board. The Board of Directors is continuously informed about the Group's financial position, activities and asset management.

As part of the accounting treatment, the CEO and CFO submit a declaration to the auditor stating that the annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) and that all the information is consistent with the company's actual situation and that no material information has been omitted from the financial statements.

Agreements with associated parties

In order to safeguard the reputation of the company, AF Gruppen is committed to transparency and caution in connection with agreements under which there may be circumstances that could be perceived as an improper engagement or close association between the company and an associated party. This is stated in AF Gruppen's Code of Conduct. Board members do not participate in the consideration of board matters involving parties related to the board member.

All transactions with related parties shall be entered into in accordance with the arm's length principle and the board instructions state that the Board of Directors must assess the need for an independent valuation in such matters. Each individual board member has a duty to alert about any impartiality or conflict of interest issue.

The Board of Directors also has a collective responsibility to assess on an ongoing basis whether there are circumstances that objectively speaking are likely to weaken public confidence in the board member's impartiality or may give rise to conflicts of interest.

Deviation from the Code of Practice: None.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors is responsible for ensuring that AF Gruppen has sound internal control and appropriate systems for risk management. Good systematic risk management is a strategic tool that improves competitiveness and increases the value creation. Internal control will contribute to ensuring efficient operations and proper management of significant risks in order to achieve the business objectives of the Group.

The Board of Directors receives a quarterly report on the management's assessment of the most significant risk factors affecting AF Gruppen and how they are being managed. The Board of Directors conducts an annual review of the Group's risk areas and internal control systems.

The Board of Directors also participates in AF Gruppen's assessment and updating of climate risk. The assessment of how climate-related threats and opportunities may affect AF Gruppen's activities and financial position in the short, medium and long term follows the Group's methodology for other types of risk. Follow-up of implemented measures is reported to the Board of Directors in connection with other reporting.

Risk management

Risk management is good management in practice. AF Gruppen has uniform systems for risk management and a culture in which everyone has an active attitude to risk. AF Gruppen seeks risk that can be influenced and looks for both opportunities and threats when risk is analysed.

Strategic risk is identified and managed by the Corporate Management Team with support from the Board. Operational risk is managed in the projects with support from the Group's strategy, objectives and systems. There is a dedicated unit within the corporate staff team that assists business units and projects in identifying and systematising risk. Risk analyses are carried out in all tendering processes, for projects in progress and for the evaluation of uncertainty in all project-based activities. Having an overview of risk factors during the tendering phase increases the possibility of reducing the overall risk and pricing the bid correctly. This also forms the basis for further analysis, follow-up and control of risk throughout the project's life cycle. Measures have been implemented on a continuous basis to reduce negative risks and take advantage of positive risks.

All project risks are assessed in connection with quarterly reports. Each business unit undertakes an overall risk review of the entire project portfolio. A broadly composed group analyses the projects and arrives at a prioritised list of uncertainties. The Group consists of representatives from the Corporate Management Team, management of the business unit and a facilitator from AF Gruppen's own risk unit. The risk is quantified and recognised in the financial reporting for each business unit throughout the year. The quarterly risk review concludes with a summary by the Corporate Management Team and the most important parts of the presentation are presented to the Board.

Risk management at AF Gruppen is described in greater detail on page 20 of the financial statement.

Internal control

Internal control is a continuous process that is performed in all parts of the organisation. AF Gruppen's internal control is designed to provide reasonable assurance of:

- Targeted, cost-effective operations
- Reliable external financial reporting
- Compliance with the current laws and regulations

The financial internal control is based on an organisational distinction between execution, control

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and assurance. AF Gruppen has extensive written job descriptions at all levels of the organisation.

The heads of the business units, together with the financial managers, are responsible for ongoing financial and operational reporting to the Group. A controller function has been established at the group level and the main task of this function is to control and verify reporting from the business units. Deviations are reported directly to the Corporate Management Team. Financial reporting from business units is reviewed by the Corporate Management Team at a separate meeting in conjunction with each interim reporting period.

Notification of censurable conditions

Procedures have been established for the notification of censurable conditions in AF, including violation of laws and the Code of Conduct and an electronic whistleblowing portal has been created at www.afgruppen.no/varsling. The whistleblowing system applies both internally and externally and a special whistleblowing committee has been established to monitor this.

Deviation from the Code of Practice: None.

11. REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration of board members is adopted annually by the General Meeting based on a recommendation from the Nomination Committee. The remuneration of the Board of Directors shall reflect the Board's responsibility, expertise and time spent and the complexity of the operations.

The remuneration of Directors is not performance related.

Options are not issued to shareholder-elected board members. The employee-elected board members also do not have other salary benefits in addition to the fees paid, such as occupational pensions or options, associated with their role as board members.

The Board of Directors must approve any remuneration other than directors' fees and Compensation Committee fees paid by the Group to board members. Note 33 to the consolidated financial statements shows the remuneration of board members and executive personnel in the Group.

Deviation from the Code of Practice: None.

12. SALARY AND OTHER REMUNERATION OF SENIOR EXECUTIVES

The Qualification and Compensation Committee sets out the guidelines for remuneration of senior executives in consultation with the Board of Directors. The guidelines are clear and understandable and have been prepared to contribute towards converging long-term interests between shareholders and senior executives. An annual report on salaries and other remuneration of senior executives is prepared. The guidelines and report are presented to the general meeting and are available at www.afgruppen.no.

The CEO's salary is set annually by the Board. The Board of Directors establishes guidelines for the remuneration of executive personnel in consultation with the CEO.

Reward system

The reward system for executive personnel consists of a base salary, bonus and the possibility of share-based pay and pension. AF Gruppen does not have any severance pay schemes. The reward system essentially makes provisions so that as many employees as possible at all levels of the organisation can own shares. By having a lock-in period on share purchases and an option programme that spans multiple years, employees are motivated to adopt a long-term perspective on ownership and employment. Bonuses to executive personnel are based on the EVA model. The essence of this model is the measurement of results achieved against the required rate of return on invested capital. This corresponds well with the interests of the shareholders. The reward system is described in further detail in Note 7 – Payroll costs and Note 33 – Benefits to senior executives in the consolidated accounts, as well as the report on remuneration of senior executives.

Deviation from the Code of Practice:
AF Gruppen has one deviation from the Code of Practice for this section. There is no upper limitfor 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 get a share of the value creation without limitation.

13. INFORMATION AND COMMUNICATION

The Board of Directors has established guidelines for AF Gruppen's reporting of financial and other information. The guidelines are based on transparency and the principle of equal treatment of shareholders. Relevant, aggregated and updated information generates interest and trust and is a prerequisite for liquidity in the share.

Financial information

The Board of Directors will ensure that the interim accounts and annual accounts from AF Gruppen provide a fair and complete overview of the Group's financial and business position, as well as whether the company's operational and strategic objectives have been met.

AF Gruppen's quarterly report presentations are open to all interested parties and are broadcast live over the Internet. The financial calendar and financial information are published on the Oslo Stock Exchange website and on the AF Gruppen website.

Investor Relations

AF Gruppen aims to publish significant information of importance to the shareholders' and equity market's assessment of the Group, its operations and results, without undue delay. Publication through the websites of Oslo Børs and AF Gruppen ensure that everyone has equal access to the information. The CEO and CFO are responsible for shareholder communication. During the period prior to the presentation of results extra caution is exercised to ensure information symmetry in the market. AF Gruppen follows the Oslo Stock Exchange's recommendation of 1 March 2021 for reporting IR information.

Deviation from the Code of Practice: None.

14. COMPANY TAKEOVER

The Board of Directors has adopted guidelines for how the board and management shall act in the event of a potential takeover offer. The guidelines shall ensure equal treatment of the shareholders and potential offers shall be facilitated as a rule.

Equal treatment and transparency

In conversations with the bidder and in other actions, the Board of Directors and management shall seek to safeguard the common interests of AF Gruppen and the shareholders as a whole. The Board of Directors and the Corporate Management Team both have an independent responsibility for ensuring that all shareholders in the company are treated equally and that business operations are not unduly interrupted. The Board of Directors has a special responsibility for ensuring that the shareholders have the information and time required so that they can form an opinion on an offer.

Evaluation of offers

If a takeover offer is made, the Board of Directors will obtain a valuation and prepare a recommendation to the shareholders for whether they should accept the offer or not. Both the financial advisor and any other advisors involved in evaluating an offer that has been made or announced shall be independent. The Board of Directors shall not attempt to prevent or place obstacles in the way of submitting an offer that may be in the interests of the shareholders and it shall not use any authorisation to increase the share capital to prevent an offer.

Deviation from the Code of Practice: None.

15. AUDITOR

Election of an auditor

The Group's auditor is elected by the General Meeting. The Board's Audit Committee is consulted when an auditor is to be elected and the Audit Committee's statement will be attached to the recommendation to the General Meeting. To ensure the auditor's independence and competitive auditor fees, the Audit Committee has decided that auditing should be put out to tender every 5–7 years. PwC (PricewaterhouseCoopers AS) has been AF Gruppen's auditor since 2017. This will be conducted through a tendering process for auditing services in 2023.

Board's relationship to the auditor

The auditor's primary duty is to perform the auditing mandated by law and professional standards with the accuracy, competence and integrity prescribed by law and professional standards. Separate instructions have been adopted for the Board's relationship to the auditor, including policies for the company's use of the auditor for services other than auditing. The required independence of the auditor indicates that AF Gruppen should minimise its use of the elected external auditor for services other than statutory financial auditing and assurance engagements. If there is a lack of capacity or expertise within the organisation, the auditor can also be used for tax consulting and audit-related tasks, such as technical assistance with tax returns and the annual financial statements. See Note 8 – Other operating expenses in the consolidated annual financial statements for further information on the auditor fees.

The auditor shall meet with the Board of Directors at least once a year without the management being present. The auditor shall provide annual confirmation to the Board of Directors that the established independence requirements are met and shall summarise the results of the statutory audit. The auditor attends the meeting of the Board of Directors at which the annual financial statements are adopted, and in general meetings.

The auditor attends the meetings of the Audit Committee. The auditor shall annually present the main elements of the plan for the audit of the company and the auditor's review of the Group's internal control systems, including the weaknesses identified and suggested improvements. The auditor also reviews any material changes to AF Gruppen's accounting policies, evaluations of significant accounting estimates and any matters where there may have been disagreement between the auditor and the management.

The Board of Directors will brief the General Meeting on the auditor's fees broken down into auditing and other services.

Meetings with the auditor in 2022

Managing partner Thomas Whyte Gaardsø from AF Gruppen's auditor PwC attended one board meeting in 2022. The auditor also participated in the 2022 general meeting. The auditor attended all meetings held by the Audit Committee in 2022.

Deviation from the Code of Practice: None.

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THE SHARE

Following several years of gains, AF shares fell in 2022, as did several other contracting stocks. AF shares achieved a negative return of 20.3 per cent including dividends in 2022, while the benchmark index in the Oslo Stock Exchange fell by 1 per cent.

At the end of the last trading day of the year in 2022, the shares were priced at NOK 143.80. In 2021, the share price was NOK 193.60 at year end. Adjusted for a dividend of NOK 10.50 per share, this gives a total negative return of 20.3 per cent for 2022. The benchmark index in the Oslo Stock Exchange (OSEBX) experienced a negative return of 1.0 per cent during the same period. With 107,702,000 (106,804,500) shares outstanding, this gives AF a market value of NOK 15,488 million (NOK 20,667 million).

HISTORY

AF Gruppen was established in 1985 and was listed on 8 September 1997. Shares in AF Gruppen are listed in the Oslo Stock Exchange and are traded under the ticker 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.

Over time, AF Gruppen will provide shareholders with competitive returns in relation to comparable investment options. This return will be a combination of dividends and share price appreciation. Over the last five years, the AF share has yielded a return of 44.2 per cent, including dividends. This corresponds to an average annual return of 7.6 per cent. In comparison, the Oslo Børs Benchmark Index rose 46.0 per cent over the last five years, which corresponds to an average annual return of 7.9 per cent. Since AF shares were listed in 1997, the shares have yielded an average annual return of 20 per cent compared to the Oslo Stock Exchange benchmark index, which yielded a return of 8 per cent during the same period.

DIVIDEND

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

The Board of Directors proposes a dividend of NOK 6.50 for the 2022 financial year, for distribution during the first half of 2023. The dividend will be distributed on 25 May to the shareholders of record as of 16 May 2023. Provided that the underlying performance is satisfactory, AF Gruppen assumes that dividends will be stable and, preferably, rise the future. The intention over time is to distribute a minimum of 50 per cent of the profit for the year as a dividend. The Board of Directors evaluates the company's liquidity and possible strategic transactions before proposing a dividend to the General Meeting.

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.

SHARE CAPITAL AND SHAREHOLDER COMPOSITION

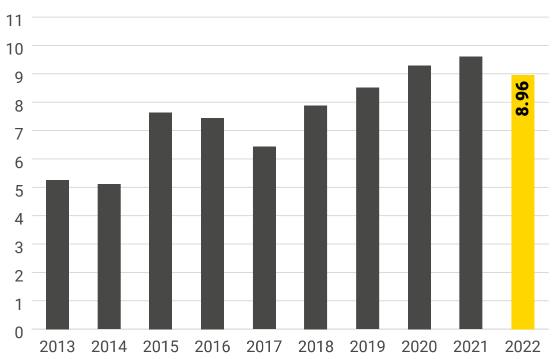
The share capital at the end of 2022 was 5,385,100 (5,340,225) divided between 107,702,000 (106,804,500) shares with a nominal value of NOK 0.05. In 2022, share capital increased by NOK 44,875 and 897,500 shares in connection with two share issues. The share issues

KEY FIGURES FOR THE SHARE

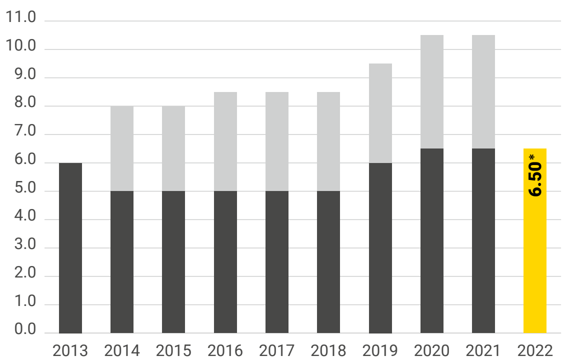
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Market capitalisation (MNOK)	15,488	20,677	18,613	18,139	13,069	13,078	14,463	12,929	7,009	5,578
Number of shares traded (1,000)	7,891	6,481	8,292	6,537	4,360	8,137	6,690	10,370	7,102	2,559
Total number of shares as at 31/12 (Mill.)	107.70	106.80	106.00	103.07	99.01	97.96	93.61	92.68	88.72	82.33
Number of shareholders as at 31/12	6,610	5,938	4,520	3,582	3,303	3,158	2,737	2,575	1,815	1,494
Share prices as per 31/12	143.80	193.60	175.60	176.00	132.00	133.50	154.50	139.50	79.00	67.75
– High	206.00	207.00	183.00	185.00	142.00	162.00	164.50	139.50	82.00	72.00
– Low	136.00	164.60	128.50	135.50	118.50	122.00	120.00	77.25	66.50	54.75
Earnings per share (NOK)	8.96	9.60	9.29	8.51	7.88	6.43	7.44	7.64	5.11	5.26
Diluted earnings per share (NOK)	8.96	9.57	9.27	8.46	7.88	6.43	7.29	7.50	5.09	5.11
Dividends per share (NOK)	6.5 1)	10.50	10.50	9.50	8.50	8.50	8.50	8.00	8.00	6.00
Distribution ratio2)	72.5%	109.4%	113.0%	111.6%	107.9%	132.2%	114.2%	104.7%	156.6%	114.1%
Direct return	5.4%	6.0%	5.4%	6.4%	6.4%	5.5%	5.7%	10.1%	8.9%	8.0%
Share's total return	-20.3%	16.2%	5.6%	40.3%	5.6%	-8.3%	15.0%	89.2%	25.5%	28.4%
Return on equity (ROE)	34.0%	36.1%	36.6%	43.7%	45.4%	35.8%	43.3%	43.8%	34.3%	38.4%
Share price /earnings per share (P/E)	16.0	20.2	18.9	20.7	16.8	20.8	20.8	18.3	15.5	12.9
Share price / equity per share (P/B)	4.4	5.8	5.3	6.1	6.2	6.3	7.4	7.1	4.7	4.2
Return on average capital employed (ROaCE)	31,6%	36,2%	34,8%	38,2%	53,9%	42,7%	54,2%	53,6%	38,7%	45,7%
Enterprice value / EBIT (EV/EBIT)	11.2	12.8	12.5	13.7	10.9	12.8	13.4	12.2	11.2	8,5
Enterprice value/Capital employed (EV/CE)	3.2	4.5	4.0	4.4	5.5	5.4	6.7	6.4	3.9	3.4

1) *Proposed, not approved dividend for first half of 2023.*
2) *For 2022, the distribution ratio only include dividends for distribution in the first half of 2023.*

EARNINGS PER SHARE (NOK)

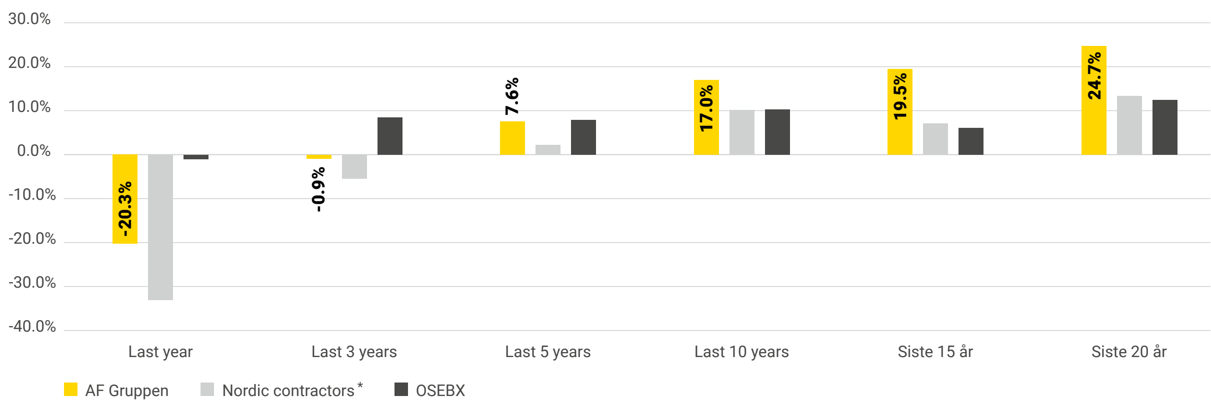


DIVIDEND PER SHARE (NOK)



** Proposed, not approved dividend for first half of 2023.*

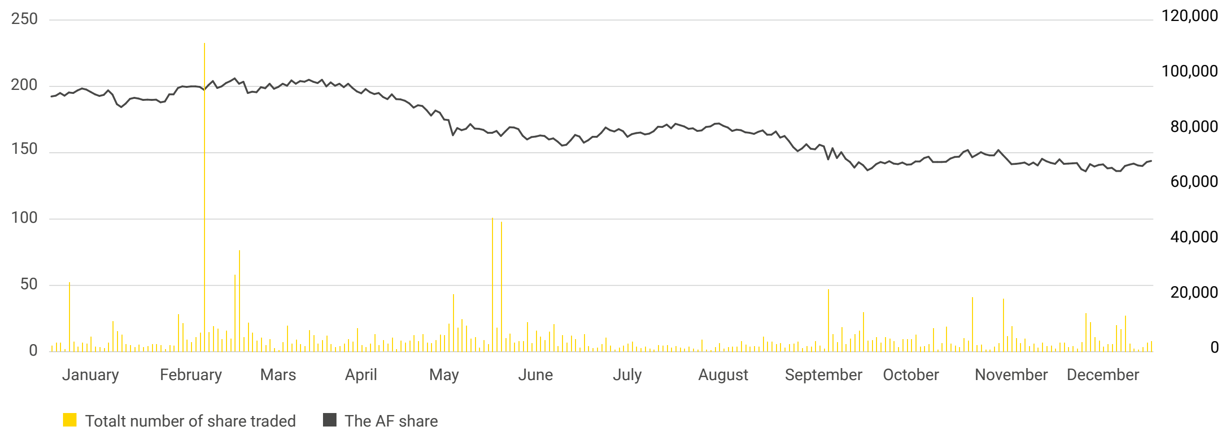
ANNUAL TOTAL RETURN AS AT 31 DECEMBER 2022



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

SHAREHOLDER INFORMATION

SHARE DEVELOPMENT AND TURNOVER FOR 2022



were carried out in connection with the acquisition of the company Stenseth & RS in spring 2022 and the share programme for employees in autumn 2022.

AF Gruppen gained 672 (1,400) new shareholders during the year, of which approximately 200 are employees of the company who have elected to become shareholders through AF's annual share programme. In total, AF Gruppen had 6,610 (5,938) owners at the end of the year and approximately 1,500 of these are company employees. AF employees own a total of approximately 10.6 per cent (10.8) of shares in the company. Even with the record-high number of AF shareholders in 2022, employee ownership has declined in recent years. Part of the reason for this is that employees with extensive length of service at AF have retired after accruing large shareholdings in the company over time. The proportion of Norwegian shareholders in the company totals 96.2 per cent (95.3).

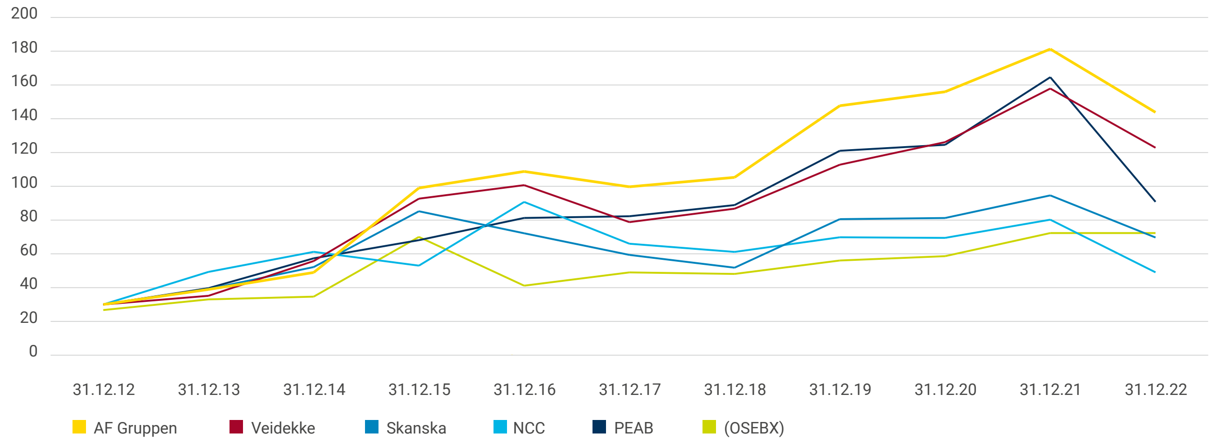
ØMF Holding became the largest shareholder in AF during the year, after increasing its ownership stake in the company from 16.0 per cent to 16.6 per cent, which also constitutes the largest increase among the ten largest shareholders. OBOS BBL (16.2 per cent) and Constructio AS (14.2 per cent) are the second and third largest shareholders in the company, increasing their holdings by 0.1 and 0.4 percentage points during the year. AF's fourth largest shareholder, Folketrygdfondet, with 7.8 per cent of shares, had the greatest decline among the ten largest shareholders, reducing its holdings by 0.9 percentage points. Together, the ten largest shareholders own 65.2 per cent (65.4 per cent) of the shares.

AF Gruppen did not own any treasury shares at the end of the year. 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.

Shareholders	Number of shares 31/12/2022	% of total 31/12/2022
ØMF Holding AS	17,842,233	16.6%
OBOS BBL	17,459,483	16.2%
Constructio AS	15,288,012	14.2%
Folketrygdfondet	8,387,757	7.8%
LJM AS	2,515,217	2.3%
Artel Kapital AS	2,508,267	2.3%
VITO Kongsvinger AS	1,911,676	1.8%
Arne Skogheim AS	1,753,870	1.6%
Janiko AS	1,350,186	1.3%
Moger Invest AS	1,242,609	1.2%
Flygind AS	1,021,509	0.9%
Verdipapirfondet Holberg Norge	820,000	0.8%
Stenshagen Invest AS	739,977	0.7%
Landkreditt Utbytte	710,000	0.7%
Staavi, Bjørn	627,000	0.6%
Skandinaviska Enskilda Banken AB	560,000	0.5%
Verdipapirfondet KLP Aksjenorge IN	534,832	0.5%
Staavi, Tom Ragnar Prestegård	511,550	0.5%
Staavi, Bjørn Vegar Prestegård	500,900	0.5%
Regom Invest AS	452,000	0.4%
Total 20 largest	76,737,078	71.2%
Total other	30,964,922	28.8%
Own shares	-	0.0%
Total other shares	107,702,000	100.0%

Number of shares	Number of owners	Per cent
1–100	2,516	0.08%
101–500	1,385	0.34%
501–1,000	570	0.40%
1,001–5,000	1,222	2.74%
5,001–10,000	372	2.39%
10,001–100,000	468	11.79%
100,001–1,000,000	66	16.08%
> 1,000,000	11	66.18%
	6,610	100.00%

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



Price development, Oslo Stock Exchange and competing contractors rebased to AF's price of 30.02 as of 31 December 2012. Local currency, total return.

SHARE AND OPTION PROGRAMME

AF Gruppen employees have the opportunity to buy shares through the company's annual share programme, as well as an option programme available to all employees of the Group.

Through the share programme, employees can buy shares at a discounted price of 20 per cent below market price. In 2022, a total of 920 employees subscribed to 1,000,000 shares at a price of NOK 121.80 per share (after a 20 per cent discount). In connection with the sale, the Board of Directors used its authority and issued 694,374 new shares. The remaining 305,626 shares were transferred from the holding of treasury shares.

Since 2008, AF Gruppen has operated with its own option programme for all employees and, in May 2020, the general meeting adopted an option programme with an annual award in 2020, 2021 and 2022 for exercise 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 share price during the week before the three respective subscription periods. In order to exercise the options, it is a condition that one be employed by the Group on 1 March 2023. AF Gruppen issued 3,850,000 options to 1,584 employees in 2020, 150,000 options to 184 employees in 2021 and 151,669 options to 142 employees in 2022. Adjusted for employees who left during the year, there was a total of 3,505,712 options outstanding as of 31 December 2022.

LIQUIDITY

Liquidity in the shares is low and the trading rate was 4.9 per cent in 2022. The trading rate has varied between 4.4 per cent and 8.0 per cent over the last five years.

A total of 5.3 million (6.5 million) shares were traded on the stock exchange in 2022. The shares were traded on 253 of a possible 253 trading days, resulting in an average trading rate of 20,845 (25,718) shares per trading day. Of the 5.3 million shares that were traded on the stock exchange, AF Gruppen itself accounted for 355,872 (146,876) shares, corresponding to 6.7 per cent (2.3 per cent) of the total turnover.

These are shares that the company has purchased via the stock exchange for use in share programmes and bonus schemes for employees.

INVESTOR RELATIONS

AF Gruppen's objective is for all investors and stakeholders to have access to the same financial information on the company 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. If there is information that can influence the pricing of the share, the information will be published via stock exchange announcements on the Oslo Stock Exchange and the company's website.

We hold public presentations of our quarterly and annual results and the presentations are transmitted directly by webcast. Webcasts are available on the websites of both Oslo Børs and AF (afgruppen.no/investor). The company 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. AF Gruppen's CFO, Anny Øen, is responsible for investor relations.

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

EUROPEAN HIGHWAY FOR NORWEGIAN GAS

Major work is being undertaken beneath the seabed to secure Europe's energy supply. Gas from the North Sea is transported to the mainland and on to the continent via a subsea network of pipelines. A new tunnel is being constructed at Kalstø, outside Haugesund, as part of the landing facility for the Statpipe pipelines. The new tunnel runs beneath the seabed. Working on critical infrastructure such as this provides AF Anlegg with the opportunity to combine its core expertise in tunnels with experience from onshore facilities for the oil and gas sector.

SHAREHOLDER INFORMATION

> Parts of the tunnel are very steep. In addition, weaknesses in the rock and detonation at sea have also made this a very interesting project.
>
> **OLAV FALKGJERDET, SITE MANAGER**

Below the surface at the end of the tunnel, the North Sea is only four metres away. Blasting in rock under such conditions requires precision and thorough preparation. Rock bracing and shotcrete are used to secure the structure and prevent stones from falling onto the pipelines.

BOARD OF DIRECTORS' REPORT

BOARD OF DIRECTORS' REPORT 2022

AF Gruppen delivered sound growth in 2022. Revenues increased to NOK 31,205 million, and the profit margin for the year was 4.5 per cent. With a strong financial position and a robust organisation, the Board of Directors believes that AF is well positioned to meet the challenges and opportunities in the market going forward.

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 collective 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.

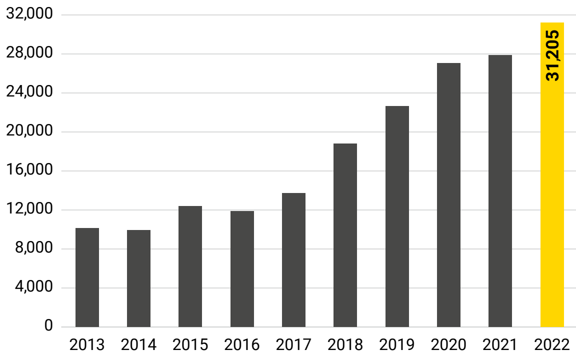
AF GRUPPEN'S VISION
Clearing up the past, building for the future.

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

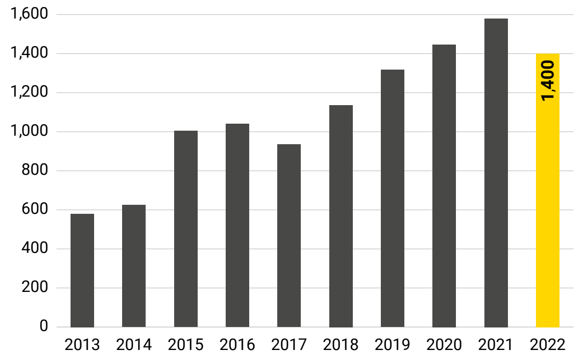
EXPLANATION OF THE FINANCIAL STATEMENTS
The financial statements of AF Gruppen have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements for the parent company, AF Gruppen ASA, have been prepared in accordance with simplified IFRS. The Board of Directors is of the opinion that the annual financial statements provide an accurate and fair picture of the financial results for 2022 and financial position as at 31 December 2022. 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.

PROFIT FOR THE YEAR
AF Gruppen reported operating and other revenues of NOK 31,205 million (27,868 million) for 2022. Earnings before tax were NOK 1,400 million (1,580 million) and the earnings after tax were NOK 1,151 million (1,229 million).

REVENUES (NOK MILLION)



EARNINGS (NOK MILLION)



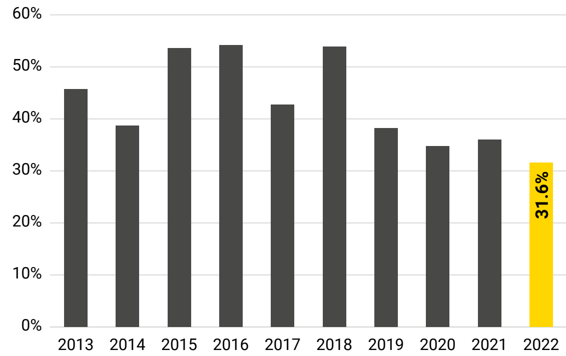
Earnings before interest and tax were NOK 1,409 million (1,609 million), which corresponds to an operating margin of 4.5 (5.8) per cent. This is below the operating margin requirement of 5 per cent.

The world economy has changed significantly the last couple of years, and there has been a significant uncertainty in the macro environment. War in Europe and the aftermath of the pandemic have led to inflation, energy crisis and delivery challenges. However, most projects have managed to maintain good performance. During the year, there have been significant price increases for several commodities, but this has stabilised slightly towards the end of the year. Higher market prices affect all our projects and construction projects have been particularly affected.

Civil engineering experienced high levels of activity in 2022, with revenues at the same level as in 2021. The year was characterised by high levels of production in several major projects, amongst which the E39 Kristiansand vest – Mandal øst was handed over in November. Several projects in their final phase in 2022 helped contribute to very good results for Civil Engineering in 2022. In Construction, there was great variation in the performance of the units and, overall, the business area achieved results below expectations in 2022. Betonmast had a positive development towards the end of the year, but achieved results below expectations overall. Betonmast Sweden was transferred from the Betonmast business area to the Sweden business area with effect from 2022 and the comparative figures have been restated accordingly. In Property, the sale of the hotel and office building Karvesvingen 7 in Hasle was completed in Q2. A shift in sentiment in the market in the second half of 2022 resulted in significantly lower residential property sales towards the end of the year. Energy and Environment continued to deliver very solid results in demolition, recycling and energy activities. Sweden achieved revenue growth of 18 per cent compared to 2021. Despite the fact that some units have achieved very good results, the overall results for the business area was weak. This is due to significant downward adjustments in the profit expectations for some projects in the portfolio of the former Betonmast Sweden. Offshore has achieved revenue growth of 46 per cent from 2021 to 2022 and achieved very good profitability in 2022.

BALANCE SHEET AND LIQUIDITY
The return on equity was 34.0 (36.1) per cent for 2022. In recent years, the return was affected by the purchase of Betonmast in October 2019. The return on average capital employed was 31.6 (36.0) per cent.

RETURN ON CAPITAL EMPLOYED

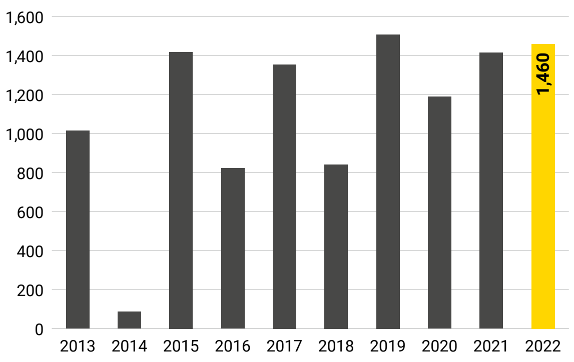


Total assets were NOK 14,457 million (13,108 million) as at 31 December 2022. At year end, the Group had net interest-bearing liabilities of NOK 329 million (-29 million) and cash and cash equivalents of NOK 765 million (680 million). Shareholders' equity at the end of the year was NOK 3,494 million (3,572 million), which gives an equity ratio of 24.2 (27.3) per cent.

Net operating cash flow was NOK 1,460 million (1,415 million) in 2022. Cash flow before capital transactions and financing was NOK 1,527 million (1,589 million). A dividend of NOK 1,125 million (1,116 million) was paid to the shareholders of AF Gruppen ASA in 2022.

BOARD OF DIRECTORS' REPORT

CASH FLOW FROM OPERATIONS (NOK MILLION)



THE SHARE

Earnings per share were NOK 8.96 (9.60) in 2022. Diluted earnings per share were NOK 8.96 (9.57).

The Board proposes that an ordinary dividend of NOK 700 million for the first half of the year be distributed for the 2022 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 (4.00) per share in the 4th quarter of 2022. The combined dividend per share distributed in 2022 was thus NOK 10.50 (10.50).

The share price was NOK 143.80 (193.60) at year end. This yielded a return to shareholders, including dividends for 2022, of -20.3 (16.2) per cent.

DISTRIBUTION OF COMPREHENSIVE INCOME FOR THE YEAR

Comprehensive income for the year for the parent company AF Gruppen ASA was NOK 1,512 million and the following distribution is proposed:

Transferred to (from) other reserves	NOK 812 million
Provision for dividend	NOK 700 million
Total allocations	NOK 1,512 million

BUSINESS AREAS 2022

CIVIL ENGINEERING

Description of the business

The Civil Engineering business area in Norway consists of five business units and associated subsidiaries: AF Anlegg, Målselv Maskin & Transport, Consolvo, Eiqon and Stenseth & RS. Stenseth & RS became part of AF Gruppen in March 2022, when AF Gruppen acquired 80 per cent of the shares in the company. Stenseth & RS is a concrete contractor offering various concrete services within the construction and civil engineering sector.

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

NOK million	2022	2021	2020
Revenue	5,919	6,002	5,218
Operating profit (EBIT)	445	515	314
Earnings before tax (EBT)	440	510	292
Operating margin	7.5 %	8.6 %	6.0 %
Profit margin	7.4 %	8.5 %	5.6 %
Order backlog	15,368	6,878	7,319

In 2022, the Civil Engineering business area reported revenues of NOK 5,919 million (6,002 million). Earnings before tax were NOK 440 million (510 million). The profit margin ended at 7.4 per cent, compared with 8.5 per cent in 2021.

For AF Anlegg, the year was characterised by high production in the major projects: E39 Kristiansand vest – Mandal Øst for Nye Veier, Bergtunnlar Lovö in Stockholm for the Swedish Transport Administration and E6 Rentvannstunnel in Oslo for the City of Oslo. A high increase in costs towards the end of the E39 Kristiansand vest- Mandal øst project negatively affected profitability. AF Anlegg had several major projects in the final phase in 2022 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 2022 with a high level of activity and very good results. Work on a new industrial area in Kvanndalen near Bjerkvik in Troms started during the summer of 2022 and the project will run until autumn 2023.

Consolvo and Stenseth & RS delivered good results in 2022. Among other things, Consolvo renovated the Skansen and Nidelv railway bridges in Trondheim in 2022. Stenseth & RS, which became part of AF in March 2022, was awarded a new concrete contract in the New Government Quarter project in 2022. Eiqon carries out concrete work on behalf of AF units and other customers, including at Tøyenbadet for AF Byggfornyelse. In 2022, Eiqon delivered margins below the Group's requirements.

New contracts

In 2022, AF Anlegg entered into AF Gruppen's largest contract ever: The E6 Rentvannstunnel for the City of Oslo. The contract will be executed as a joint venture with the Italian company Ghella and has an estimated total contract value of NOK 8,750 million excluding VAT, of which AF's share is NOK 5,250 million. AF Anlegg was also awarded the contract for the construction of a new water treatment plant at Huseby in Oslo as part of the new clean water supply to Oslo. The contract is a collaborative contract with an estimated value of NOK 3,000 million excluding VAT.

Statnett awarded AF Anlegg with the contract for a new cable tunnel between Sogn and Ulven in Oslo, with an estimated contract value of NOK 1,800 million excluding VAT. AF Anlegg also entered into two contracts with Equinor in 2022, one for the landing facility for the Statpipe pipelines, with an estimated contract value of NOK 300 million excluding VAT, and a renewed maintenance contract for civil engineering works at Melkøya, with an estimated contract value of NOK 250 million excluding VAT.The collaboration phase of the E6 Roterud-Storhove is still ongoing with Nye Veier.

In 2022, Civil Engineering had an order intake of NOK 14,409 million (5,561 million) and an order backlog of NOK 15,368 million (6,878 million) at the end of the year.

Market outlook

The civil engineering market in Norway is good and has traditionally been less sensitive to cyclical fluctuations, since public sector demand is the greatest driver behind civil engineering investments. The Norwegian government has set aside NOK 82.8 billion for transport in the 2023 national budget. This entails a reduction of NOK 0.8 billion in relation to the final budget for 2022.

Prognosesenteret estimates that the market for civil engineering activities amounted to NOK 137.4 billion in 2022, of which investments in civil engineering projects amounted to NOK 87.3 billion and operations and maintenance amounted to NOK 50.1 billion. Measured in fixed prices, the civil engineering market therefore fell by a total of 2.2 per cent and investments in civil engineering fell by 2.5 per cent from 2021. The reduction is largely attributed to strong price growth. In comparison, the civil engineering market has experienced an average annual growth of 2.2 per cent in the last ten years. Despite the decline in total civil engineering investments, investments in the road development segment increased by 7.9 per cent in 2022.

Even though the estimates have been revised downwards from earlier forecasts, Prognosesenteret expects the overall civil engineering market will grow each year during the 2023-2025 forecast period. While growth will mainly come from operations and maintenance in 2023, investments in civil engineering projects are expected to drive growth in 2024 and 2025. Investments in civil engineering projects are expected to fall by 1.0 per cent in 2023, before increasing by 2.0 per cent and 7.5 per cent respectively in 2024 and 2025. However, investments in the road development segment are expected to grow for the duration of the forecast period.

Cost growth and supply challenges constitute a risk for civil engineering activities in the short term and may lead to downscaling and postponement of projects. Price pressures are also intensifying the competitive situation in the market. Nevertheless, AF's civil engineering activities are well positioned in the market, as highlighted by the record-high order backlog for Civil Engineering at the end of the year. Overall, the forecasts for the civil engineering market indicate a good basis for further growth in AF's civil engineering activities.

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 the construction of residential, commercial and public buildings, Construction has a leading position in rehabilitation and renovation in Norway (ROT - renovation, alterations and extensions). Construction encompasses the Norwegian entities except for Betonmast and is mainly located in Eastern Norway and the Bergen region.

The Construction business area consists 11 units and their associated subsidiaries: AF Bygg Oslo, 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	2022	2021	2020
Revenue	11,090	8,865	8,684
Operating profit (EBIT)	322	447	502
Earnings before tax (EBT)	318	450	513
Operating margin	2.9 %	5.0 %	5.8 %
Profit margin	2.9 %	5.1 %	5.9 %
Order backlog	10,045	13,549	9,674

Construction reported revenues of NOK 11,090 million (8,865 million) and earnings before tax of NOK 318 million (450 million) in 2022. This gives a profit margin of 2.9 per cent, compared with 5.1 per cent in 2021.

In 2022, revenues for Construction increased by 25 per cent from 2021. Performance within the portfolio of units varies and Construction delivered weak profitability in 2022

BOARD OF DIRECTORS' REPORT

overall. Haga & Berg and Åsane Byggmesterforretning delicered very good performance in 2022. The AF Nybygg portfolio, which was transferred to AF Bygg Oslo in 2021, was subject to significant downward revisions in project estimates in 2022. AF Byggfornyelse, AF Bygg Østfold, AF Håndverk, LAB Entreprenør, HTB, Fundamentering and Strøm Gundersen delivered results below expectations in 2022. High material and energy prices negatively impacted the units in 2022. Even though prices of e.g. timber have experienced a downward trend, price developments in materials continue to represent a source of uncertainty. Units that have agreed a pay and price inflation mechanism in their projects are partially compensated for price fluctuations.

New contracts

The construction companies have entered into construction contracts across the entire service range from residential and commercial buildings to government buildings. AF Bygg Oslo will develop 300 apartments at Lørenskog outside Oslo as part of the Rolvsrud Arena project. The project is a turnkey contract with an estimated contract value of NOK 810 million excluding VAT. AF Bygg Oslo will also develop several homes for OBOS at Fornebu and have been awarded the contract for Q2 and Q3 of Storøykilen. The projects will be executed as turnkey contracts. The contracts have a combined value of NOK 374 million excluding VAT. Following the collaboration phase with Statsbygg, AF Byggfornyelse has entered into a contract concerning the groundwork for the new Viking Age Museum at Bygdøy. The contract value is approximately NOK 500 million excluding VAT. LAB Entreprenør has entered into a contract with Bonava for the development of homes at Merino Park in Bergen. The project consists of 178 apartments with associated parking facilities and commercial premises. The contract has a value of NOK 381 million excluding VAT and will be executed as a turnkey contract. AF Bygg Østfold has been recommended by FREVAR KF as the turnkey contractor with collaboration for phase 1 of the new treatment facility in the Municipality of Fredrikstad. The project will be implemented in two phases. The combined contract value for phase 1 and phase 2 is expected to be in excess of NOK 1.1 billion.

Several large and small renovation contracts were also signed in 2022. LAB Entreprenør has entered into an agreement with Baneveien 16 concerning the renovation of Baneveien 16 in Bergen. The contract includes a new façade attached to the exterior of the existing building fabric to ensure that the building is as energy efficient as possible. The contract has an estimated value of NOK 190 million excluding VAT.

In 2022, Construction had an order intake of NOK 7,586 million (12,739 million) and an order backlog at the end of the year of NOK 10,045 million (13,549 million).

Market outlook

The construction market in Norway had a total production value of NOK 402.7 billion in 2022 according to Prognosesenteret. This represents a reduction of 1.6 per cent from 2021 measured using fixed prices. As a result of interest rate increases and high construction costs, Prognosesenteret anticipates a reduction in the production value of 1.0 per cent for Norway as a whole in 2023. A marginal change of 0.1 per cent is expected in 2024, before an increase of 5.4 per cent is expected to occur in 2025. The construction market in Oslo and the former Hordaland county is, however, expected to grow throughout the entire 2023-2025 forecast period.

Price developments in input factors and supply challenges resulting from geopolitical unrest caused significant uncertainty for construction activities in 2022 and this will also be the case in 2023. According to Statistics Norway's construction cost index for "Housing in total", prices were 6.3 per cent higher in 2022 compared to 2021, of which labour increased by 2.7 per cent and materials by 9.2 per cent. Even though the price level for key raw materials such as wood and steel fell towards the end of 2022, global supply challenges, payroll and price increases will also be sources of uncertainty going forward. Payroll and price increase clauses in projects will only partially compensate for the price increases.

The government's new rules regarding hiring of personnel also constitutes a challenge for construction units. New contracting rules came into effect on 1 April 2023 and will result in extensive organisational changes for many companies. In addition, the construction units will also, to a greater degree than before, need to ensure financial stability in the value chain, as bankruptcy risk on the part of subcontractors could potentially negatively affect construction projects.

In the face of challenging market conditions and strong competition, AF's construction companies still have a solid position in the market with a significant order backlog, a strong presence in central regions and a project portfolio spanning various segments in both newbuilds and renovation.

BETONMAST

Description of the business

Betonmast is one of Norway's largest construction contractors and has operations in the largest markets in Norway. 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 extensive experience of project development and collaborative contracts. Betonmast Sweden was transferred from the Betonmast business area to the Sweden business area with effect from 1 January 2022 and the comparative figures have been restated accordingly. Betonmast Telemark was sold to an investor group in February 2022.

Betonmast consists of ten business units: Betonmast Oslo, Betonmast Romerike, Betonmast Buskerud-Vestfold, Betonmast Boligbygg, Betonmast Asker og Bærum, Betonmast Røsand, Betonmast Østfold, Betonmast Innlandet, Betonmast Trøndelag and Betonmast Eiendom.

NOK million	2022	2021	2020
Revenue	5,145	5,196	5,808
Operating profit (EBIT)	166	132	182
Earnings before tax (EBT)	174	111	173
Operating margin	3.2 %	2.5 %	3.1 %
Profit margin	3.4 %	2.1 %	3.0 %
Order backlog	4,415	7,054	5,715

Betonmast reported revenues of NOK 5,145 million (5,196 million) and earnings before tax of NOK 174 million (111 million) in 2022. This gives a profit margin of 3.4 (2.1) per cent.

In 2022, Betonmast improved its margin compared to 2021, but results overall fell below expectations. Most units reported profitability above AF Gruppen's margin requirements and Betonmast Østfold in particular achieved very good results. Betonmast Boligbygg and Betonmast Innlandet reported weak results.

At the beginning of 2023, Betonmast Eiendom has three housing projects with a total of 306 units in production.

New contracts

Betonmast entered into a number of new constracts during the year. Betonmast Røsand was awarded a contract with Devoldholmen Utvikling concerning the construction of Campus Kristiansund. The campus will become a joint venue for higher education, research and innovation at Nordmøre. The value of the turnkey contract is NOK 582 million excluding VAT.

Betonmast Innlandet will develop 74 apartments at Toten for Sulland Eiendom and Nordbo Mjøsa. The contract has a total value of NOK 240 million excluding VAT.

Betonmast Romerike will construct a car facility at Oslo Airport City at Gardermoen for Møller Eiendom and Stokke Industri. The project includes a new car dealership for Volkswagen, Volkswagen Nyttekjøretøy, Audi and Skoda. The contract is a turnkey contract with a value of NOK 220 million excluding VAT.

Betonmast Buskerud-Vestfold has entered into an agreement with Selmer Eiendom concerning the construction of a car dealership and workshop in Drammen. The contract has been designed as a turnkey contract, with an estimated value of NOK 139 million excluding VAT.

In 2022, Betonmast had an order intake of NOK 2,506 (6,535) million and an order backlog of NOK 4,415 (7,054) million at the end of the year.

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 business area has two business units: AF Eiendom and LAB Eiendom, with local roots in Greater Oslo and the Bergen region. 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 included in the operating profit.

NOK million	2022	2021	2020
Revenue	30	35	33
Operating profit (EBIT)	75	75	135
Earnings before tax (EBT)	82	76	132
Return on capital employed	13.8 %	9.5 %	15.1 %
NUMBER OF UNITS [1)]			
Housing units under construction	438	379	265
Signed sales contracts on housing	89	256	160
Completed unsold housing units in	2	3	1
Industrial area m2 under construction	-	1,384	10,423
LAND AND DEVELOPMENT RIGHTS [1)]			
Estimated housing units	788	841	1,048
Industrial area m2 under development	30,949	25,749	39,996

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

Property reported earnings before tax of NOK 82 million (76 million) in the 2022. The sale of the hotel and office building Karvesvingen 7 in Hasle in Oslo contributed strongly to the result for 2022. AF Eiendom's project Bekkestua Have in Bærum provided the largest profit contribution of the housing projects in 2022.

A total of 281 (359) apartments were handed over in 2022 and AF's share was 96 (140). Of a total of 281 apartments handed over in the year, 125 residential units were handed over in the Lilleby Triangel project, 78 in Bo på Billingstad, 73 in Kvartal 39 and five in Skiparviken.

At the end of 2022, Property had ownership interests in residential property projects with a total of 259 (280) units available for sale. AF's share was 112 (129) residential units. Of these, 225 units were related to projects in production and 28 units to projects in the sales phase. Projects in the sales phase include Rolvsrud Arena (28). There were a total of 6 (6) unsold completed apartments, of

BOARD OF DIRECTORS' REPORT

which AF's share was 2 (3).

At the start of 2023, AF's property business had 7 (7) residential property projects with a total of 940 (848) apartments in the production phase and AF's share was 438 (379). The share of sales contracts signed for apartments in these projects is 76 per cent.

The projects in production at the turn of the year were Rolvsrud Arena in Lørenskog, Skiparviklia in Bergen, Baneveien in Bergen, Fyrstikkbakken in Oslo, Skårersletta Midt in 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 1,580 (1,715) residential units, of which AF's share was 788 (841) residential units.

At year end, Eiendom had ownership interests in 62,256 (51,856) GFA sqm of commercial property under development. AF's share of this was a gross floor area of 30,949 (25,749) sqm.

Market outlook

Housing prices rose by 1.5 per cent in 2022, according to figures from Eiendom Norge. Prices for the country as a whole have increased by 5.8 per cent in the year so far, but the nominal 12-month change is virtually unchanged.

Higher interest rates are expected to lead to more moderate price developments in the housing market. In March 2023, the Central Bank of Norway decided to raise the base rate by 0.25 percentage points to 3.0 per cent. The base rate forecast has been revised up since the last monetary policy report and indicates a base rate increasing to around 3.5 per cent by the summer of 2023.

In addition to higher interest rates, higher construction costs are also putting pressure on the profitability of property projects. According to Prognosesenteret, the number of new project launches for the country overall is expected to fall in 2023, before increasing again in 2024 and 2025. In Oslo and the former Hordaland county, the number of new project launches is, however, expected to increase throughout the entire forecast period.

ENERGY AND ENVIRONMENT

Description of the business

The Energy and Environment business area consists of two business units, AF Energi and AF Decom with associated subsidiaries. AF Energi offers 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 centres, which sort, decontaminate and recycle contaminated materials that would have otherwise ended up at a disposal site.

NOK million	2022	2021	2020
Revenue	1,062	1,152	962
Operating profit (EBIT)	84	109	54
Earnings before tax (EBT)	82	107	52
Operating margin	7.9 %	9.4 %	5.6 %
Profit margin	7.7 %	9.3 %	5.5 %
Order backlog	640	714	703

The Energy and Environment business area reported revenues of NOK 1,062 million (1,152 million) in 2022. Earnings before tax were NOK 82 million (107 million). This gives a profit margin of 7.7 per cent (9.3 per cent). AF Decom had somewhat lower activity levels than in 2021, but reported very good results for the year. The environmental centres achieved varying results, but Rimol Environmental Centre in particular delivered very good results. AF Energi also significantly improved profitability in 2022, delivering a very good result for the year. In March 2022, AF Energi started working on the heating and cooling systems for the new hospital in Drammen on behalf of the South-Eastern Norway Regional Health Authority.

Since the end of 2022, AF Gruppen has acquired 60 per cent of shares in Mepex Consult. Mepex is a leading consultancy firm with 26 employees who are specialists within circular economy, waste and recycling. As a result AF Gruppen can increase its contribution towards the green transition.

New contracts

The Energy and Environment portfolio consists of many small and medium-sized projects, as well as an increasing number of larger contracts. AF Energi has experienced growing demand for its energy efficiency services, even though no major contracts were entered into in 2022. The contract for the new heating and cooling system for the new hospital in Drammen for the South-Eastern Norway Regional Health Authority, which has a value of NOK 200 million excluding VAT, was entered into at the end of 2021. AF Energi secured the contract for pipework at the Life Sciences Building in Oslo. The contract is a turnkey contract with collaboration and will have a value exceeding NOK 300 million excluding VAT when the contract is entered into. The demand for demolition and recycling services depends on the pace of investment in the construction and civil engineering market.

In 2022, Energy and Environment had an order intake of NOK 987 million (1,162 million) and an order backlog at the end of the year of NOK 640 million (714 million).

Market outlook

Demand for energy and environmental-related services is growing. The Norwegian authorities have set ambitious targets to reduce energy consumption towards 2030. These targets include reducing energy consumption in existing buildings by 10 TWh and improving energy intensity by 30 per cent by 2030. High electricity prices also make it highly attractive to invest in energy efficiency initiatives.

A high climate focus and a new Norwegian climate target of reducing emissions by at least 55 per cent by 2030 are also contributing to growing demand for environmental services.

The business area's activities within demolition and recycling services are closely linked to the construction and civil engineering market and investment levels in the markets will affect demand.

SWEDEN

Description of the business

AF's Swedish operations in respect of civil engineering, building, property and demolition are combined in the Sweden business area. The geographic area of operation encompasses Gothenburg and Southern Sweden, as well as Stockholm and Mälardalen. From and including 2022, Betonmast Sweden has been moved from the Betonmast business area to the Sweden business area and comparative figures have been restated. The companies that were previously part of Betonmast Sweden changed their name to AF in October 2022. This applies to the units AF Bygg Väst, AF Bygg Öst, AF Öresund, AF Bygg Stockholm and AF Anläggning Väst. Other units within the business area are: Kanonaden, AF Prefab in Mälardalen, AF Bygg Syd, AF Projektutveckling, AF Härnösand Byggreturer and HMB.

NOK million	2022	2021	2020
Revenue	7,445	6,300	6,197
Operating profit (EBIT)	130	302	298
Earnings before tax (EBT)	127	295	291
Operating margin	1.7 %	4.8 %	4.8 %
Profit margin	1.7 %	4.7 %	4.7 %
Order backlog	7,638	9,112	5,678

In 2022, the Sweden business area reported revenues of NOK 7,445 million (6,300 million). Earnings before tax were NOK 127 million (295 million). This gives a profit margin of 1.7 (4.7) per cent.

Revenue growth in Sweden continued in 2022 and was mainly driven by high activity in Kanonaden and HMB. HMB, Kanonaden and AF Bygg Syd reported very good results due to good operations, while AF Bygg Väst and AF Bygg Öst, AF Öresund, AF Bygg Stockholm and AF Anläggning Väst reported weak profitability. The weak results reflect varying project results that were affected by increased material prices and the companies' own performance. AF Prefab in Mälardalen turned the trend from losses in 2021 to profit in 2022. For the demolition activity, activities remained at the same level as the previous year and AF Härnösand Byggreturer continues to report solid profitability.

AF Projektutveckling, AF's property company in Sweden, had one housing project at the end of 2022, with a total of 83 units in production.

In 2022, Sweden had an order intake of NOK 5,970 million (9,734 million) and an order backlog at the end of the year of NOK 7,638 million (9,112 million).

New contracts

In 2022, Kanonaden Entreprenad Mälardalen entered into several contracts concerning wind power. The company will carry out the construction work for three nearby wind farms in Dalarna, where a total of 16 wind turbines will be erected for Eolus. The contract has a value of SEK 160 million excluding VAT. Kanonaden will also carry out construction work on behalf of SR Energy, also in Dalarna, where the project comprises 15 wind turbines with a contract value of SEK 160 million excluding VAT. Both contracts will be executed as turnkey contracts. Kanonaden has also been tasked with designing and executing the construction and installation work for two power plants for Svenska Kraftnät. This contract will be executed through a consortium with Hitachi Energi and Kanonaden's share of the contract has a value of SEK 170 million excluding VAT.

AF Bygg Stockholm has entered into an agreement with Skandia Fastigheter to develop an office block in Solna, outside of Stockholm. The contract is a turnkey contract with a value of SEK 345 million excluding VAT.

During the year, HMB has entered into agreements concerning the construction of a number of residential projects, several of which have a clear sustainable profile. In Örebro, the company will develop 182 apartments and a childcare facility for Tornet Bostadsproduktion, with a contract value of SEK 280 million excluding VAT. The project will be executed as a turnkey contract. In Knivsta to the north of Stockholm, HMB will develop 151 homes for Genova and Redito. The homes will feature energy-efficient heating using ground source heating and district heating and solar panels will contribute to sustainable electricity production. The project will be executed as a turnkey contract and has a contract value of SEK 270 million excluding VAT.

Market outlook

Byggföretagen has estimated that construction investments in Sweden ("Homes" and "Commercial premises") amounted to SEK 491.5 billion in 2022. This represents an increase of 3.3 per cent from 2021. In 2023, Byggföretagen expects a decline of 16.7 per cent to SEK 409.5 billion, primarily driven by lower investments in the "Homes" segment.

Byggföretagen estimates civil engineering investments to have been SEK 114.8 billion for 2022, which is similar to the 2021 level. For 2023, a small reduction in civil engineering investments of 1.0 per cent is expected, with an estimate of SEK 113.7 billion.

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The housing market in Sweden was characterised by declining housing prices in 2022. Svensk Mäklarstatistik reported a price reduction of 9 per cent for apartments and 10 per cent for single-unit dwellings. In February 2023, the Swedish National Bank decided to increase the base rate by 0.5 percentage points to 3.0 per cent as a result of high inflation. The Swedish National Bank's interest rate path has resulted in expectations of further interest rate increases this spring.

Inflation, higher interest rates and supply challenges are also creating uncertainty for AF's Swedish operations. However, in December 2022, the uncertainty surrounding Swedish cement production was clarified when Cementa AB was granted an exemption to continue production for another four years.

In 2022, AF Gruppen decided to consolidate all Swedish companies under the Sweden business area to increase competitiveness in the Swedish market and ensure a strong foundation for profitable growth.

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 modern facility for demolition and final disposal in Vats.

Offshore consists of the business units AF Offshore Decom and Aeron. Offshore also has activities at AF Environmental Base at Vats.

NOK million	2022	2021	2020
Revenue	1,238	848	672
Operating profit (EBIT)	164	83	-25
Earnings before tax (EBT)	160	78	-40
Operating margin	13.2 %	9.8 %	-3.7 %
Profit margin	12.9 %	9.2 %	-5.9 %
Order backlog	1,694	1,515	1,365

The Offshore business area reported revenues of NOK 1,238 million (848 million) for 2022. Earnings before tax were NOK 160 million (78 million). This gives a profit margin of 12.9 per cent, compared with 9.2 per cent in 2021.

AF Offshore Decom increased revenue by 49 per cent and significantly improved profitability in 2022 compared to the previous year. The positive performance was largely linked to high production and strong operations at AF Environmental Base at Vats, as well as the successful completion of several offshore campaigns. Preparatory works for upcoming offshore campaigns and demolition at the environmental base in 2023 have also taken place. A high level of demolition activities are also expected at Vats in 2023. Aeron also experienced high revenue growth in 2022 compared to the previous year and maintained positive results. The increase in revenue was generally due to higher activity within the company's service areas.

New contracts

In 2022, AF Offshore Decom was awarded a contract by TotalEnergies EP Nederland for the removal and recycling of platforms in the Dutch sector of the North Sea. The contract comprises project engineering, preparatory works, removal, transport, recycling and final disposal of ten platforms and the work will continue until the end of 2025.

Aeron has experienced a positive influx of orders in both the offshore and marine sectors. In offshore, the investment in offshore wind has resulted in two major contracts. Aeron will deliver, among other things, air conditioning and cooling systems to two projects located off the coast of New York and the UK, respectively. For activities within the marine sector, the company has entered into a contract for the delivery of a new type of energy-efficient system to three large Ro-Pax ferries that will be constructed on behalf of Polish Ferries at a shipyard in Poland.

In 2022, Offshore had an order intake of NOK 1,417 million (998 million) and an order backlog at the end of the year of NOK 1,694 million (1,515 million).

Market outlook

During the 2022-2031 period, the British industry organisation Offshore Energies UK anticipates that two million tonnes of oil and gas installations will be removed from the North Sea. The market for the removal of offshore installations has, for a long time, been characterised by postponements. At the same time, it is now expected that several large portfolios of oil platforms will be demolished over the next decade and AF Offshore Decom has submitted several major bids that have yet to be decided upon. First-generation production vessels (FPSOs: Floating Production Storage and Offshore) are approaching the time for recycling and, through the recycling of the Curlew production vessel, AF Offshore Decom has the opportunity to demonstrate its expertise and capabilities in the area.

As a result of an increased pace of investments in the offshore wind industry, there is now growing demand for both large crane vessels and shipyards to assemble and install the next generation of offshore wind farms in Europe. The market for the removal of oil and gas installations will therefore be characterised by competition with the offshore wind industry, due to capacity restrictions. The extent to which this will affect the demolition and removal of decommissioned oil and gas installations depends on the pace of decommissioning.

The recycling of steel from decommissioned oil platforms represents a significant contribution to reducing greenhouse gas emissions compared with ordinary steel

production. Increased taxes on the production of steel will also increase companies' incentives to use recycled steel. This could contribute to a positive increase in the pace of decommissioning.

The green transition and shift towards a low-emission society is providing market opportunities for AF's operations within climate control (HVAC) in the offshore and marine markets and the ever-increasing carbon allowance price could help accelerate the pace of electrification. Increased investments in offshore wind are also providing new market possibilities for Aeron. The offshore wind farms Sunrise Wind in New York and East Anglia Windfarm in the UK, for which Aeron will supply ventilation and cooling equipment, are good examples.

CORPORATE SOCIAL RESPONSIBILITY

AF Gruppen has a special responsibility when it comes to societal challenges that can be linked to our business activities. Our projects shall comply with the Code of Conduct, laws and regulations and minimise negative impact on the climate and environment. We will be a driving force in ensuring that projects that are sustainable when it comes to the climate, environment and social conditions are also financially sustainable. The Board of Directors has the ultimate responsibility for corporate social responsibility at AF and the topic is high on its agenda. The Board of Directors' reports on corporate social responsibility and corporate governance constitute integral parts of the Board of Directors' report. The corporate social responsibility report can be found from page 36 onwards in the annual report and includes a section on the Norwegian Transparency Act. The report on corporate governance has been included in full from page 100 of the annual report.

PERSONNEL AND ORGANISATION

AF Gruppen is working continuously to build a uniform corporate culture. Motivated employees and a strong 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.

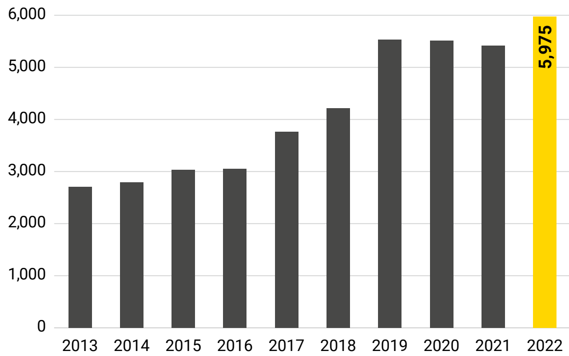
Employee satisfaction and motivation to go to work in AF Gruppen is high. This is supported by the results from the latest employee satisfaction survey that was conducted in 2021. The survey shows that AF's employees are very satisfied, enjoy work and are proud to work for AF. The goal is to be above 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, length of service or across age groups. The overall response rate to the survey was 83 per cent compared with 78 per cent in 2019.

AF invests large amounts of time and resources in developing employees through training for various roles in production and development through the AF Academy. In 2022, 1,450 (1,018) employees participated in courses at the AF Academy, which is a considerable increase from 2021, which was characterised by the COVID-19 pandemic and associated restrictions. AF Gruppen's digital training is accessed by AF employees, as well as by employees of AF Gruppen's partners and subcontractors. 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 2022, the Group had 5,975 (5,413) employees, of which 2,555 (2,580) were salaried and 3,420 (2,833) were skilled workers The parent company, AF Gruppen ASA, had no employees at the end of 2022.

In 2022 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.

NUMBER OF EMPLOYEES



DIVERSITY AND INCLUSION

Of the employees, 9.0 per cent (9.7 per cent) were women and 91 per cent (90.3 per cent) were men at the end of 2022. The percentage of women among salaried employees and skilled workers was 18.7 per cent (18.8 per cent) and 1.4 per cent (1.4 per cent), respectively. The decrease in the total percentage of women is largely linked to the focus on specialist expertise and the fact that the percentage of skilled workers at AF has increased. Nevertheless, it provides a clear indication of the importance of continuing to focus on initiatives that make the industry attractive to all. AF Gruppen's strategic goals established for equal treatment state that the gender balance in recruitment will reflect the recruitment pool, that the relative proportion of promotions will be equal for women and men and that both women and men should report high levels of job satisfaction. The construction industry has traditionally been dominated by men, but AF would like to change this. The long-term target is to increase the proportion of women at AF to 20 per cent. AF has worked with the diversity project 'The best people' since 2018. This initiative brings together representatives from a large range of AF's activities, including representatives from the Corporate Management Team. Several initiatives were conducted during the year within recruitment, adaptation of work 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 office premises 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. The content of the Code of Conduct was revised and updated in 2022. 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.

For further details on this work, see AF Gruppen's special edition "Diversity and Equality" which is published at the same time as the financial statement.

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.no/varsling. The whistleblowing system applies both internally and externally and a special whistleblowing committee has been established to follow this up.

EMPLOYEE OWNERSHIP

AF Gruppen would like all employees to participate in joint value creation by becoming shareholders in the company. Therefore, AF has a share programme for employees whereby the employees are given an opportunity to buy shares at a discount of 20 per cent on the current market price. In 2022, 920 (999) employees subscribed for a total of 1,000,000 (1,000,000) shares. The purchase price after a 20 per cent discount was NOK 121.80. A total of 694,374 new shares were issued in connection with the sale of shares. 305,626 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 redeemed in March 2023. AF Gruppen issued 3,850,000 options to 1,584 employees in 2020, 150,000 options to 184 employees in 2021 and 151,669 options to 142 employees in 2022. As of 31 December 2022, there were 3,505,712 options outstanding, adjusted for options which became void due to employees leaving the company. At the time of redemption in March 2023, four employees redeemed a total of 1,361 options.

HEALTH AND SAFETY

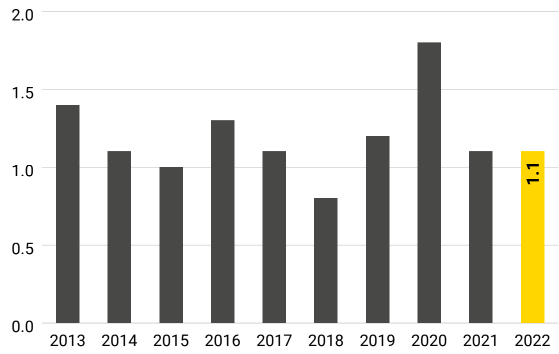
Health and safety work has high priority at AF Gruppen and is an integral part of the management at all levels of the organisation. AF's goal for health and safety is to avoid injuries, diseases and complaints attributed to work. For safety, it is about avoiding work accidents, particularly accidents 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 2022, more than 50,112 (41,455) incidents and circumstances were reported (RUH).

The most important measurable parameter for safety work at AF is the LTI-1 rate. At AF the LTI rate is defined as the number of injuries resulting in absence and serious personal injuries per million man-hours. Injuries resulting in absence and serious personal injuries at subcontractors are included in the calculation. The 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 rates compared with the industry. In 2022, AF experienced one fatality resulting from an occupational accident. This reminds us of the importance of proper HSE work, supervisors being present and compliance with risk-mitigating tools.

LTI1-RATE



The LTI-1 rate in 2022 was 1.1 (1.1), and the figure represents 24 (22) injuries resulting in absence.

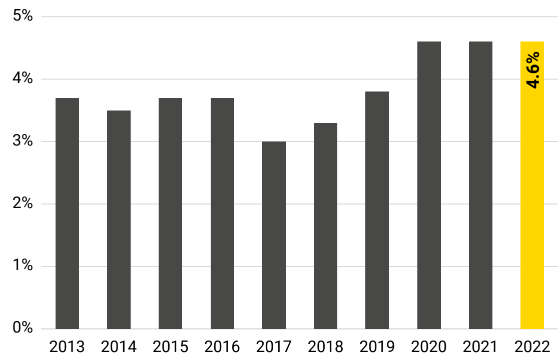
Safety remains a high priority on the Board of Directors' agenda. Continuous efforts to prevent injuries are ongoing. One of the most important initiatives is AF's self-developed system Clara. Clara is an online tool for managing HSE risk associated with the activities in a project. Experiences from previous incidents are, among other things, available in Clara and communication and follow-up relating to barriers is reinforced. In addition to identifying safety risks, Clara is now also an excellent tool for carrying out risk analyses relating to health, the external environment and quality.

Safetalk is a simple conversation tool that facilitates safety discussions between skilled workers before or during work situations in order to identify and influence risk, as well as raising safety awareness among skilled workers. The use of Safetalk at AF is experiencing positive growth.

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 the Group's projects.

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. Sick leave is an indicator for health work and the goal is to avoid work-related absence due to illness. In 2022, the sick leave was 4.6 per cent (4.6 per cent), which is lower than the industry average for construction and civil engineering. AF knows on the other hand that some of the absence due to sick leave 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 sick leave.

ABSENCE DUE TO ILLNESS



AF has an Occupational 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 transfer of 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. Health risks can also be reviewed and analysed using Clara.

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. For the 2021-2024 strategy period, AF has established new climate and environmental targets for its business operations. The goal is for AF to at least halve greenhouse gas emissions and unsorted waste and contaminated masses sent to incineration or relative to revenue per service type by 2030. The reference year for the halving of Scope 1 and Scope 2 greenhouse gas emissions is 2020. AF will also be climate-neutral by 2050.

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

AF's management system for environmental work follows the principles in the environmental standard ISO 14001. AF Gruppen is a member of Norsirk, a nationwide manufacturer liability company that collects, environmentally remediates and recycles waste on behalf of its customers.

In 2022, AF continued its work to identify services covered under the EU Taxonomy. An evaluation of the climate risk analysis has also been carried out in accordance with the TCFD framework, which is a framework for climate risk reporting developed by the G20 member states. AF has identified, evaluated and ranked 23 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 climate risk analysis is presented on page 22 of the financial statement.

Source separation and recycling

In Norway, the government requirement for source separation is a minimum of 70 per cent. The source separation rate indicates how much of the waste from operations is separated for the purpose of facilitating recycling. In 2022, the source separation rate for construction was 86 per cent (88 per cent), for rehabilitation it was 89 per cent (90 per cent) and for demolition it was 95 per cent (96 per cent). A total of 278,172 tonnes (294,776 tonnes) was separated at source in 2022. 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 315,269 tonnes (344,437 tonnes) of material in 2022.

Greenhouse gas emissions

AF's impact on climate is measured continuously in the form of the volume of greenhouse gas emissions in tonnes of CO2 equivalents. A CO2 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 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. Within Construction, AF delivers newbuilds 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 somewhere between 5 and 8 per cent of the world's total CO_2 emissions. Reusing steel results in 70 per cent lower CO_2 emissions than ore-based production. This corresponds to a reduction in emissions of 1 kg CO_2 for each kilo of steel recycled. AF Offshore Decom and AF Decom demolished and facilitated the recycling of approximately 54,540 (55,796) tonnes of metal in 2022. In total, this represents a reduction of alternative CO2 emissions of around 54,540 (55,796) tonnes. The need for the removal of offshore installations was decisive for the establishment of AF's offshore demolition operations and AF Environmental Base at Vats. The environmental base outside of Haugesund is one of Europe's most modern reception facilities for decommissioned offshore installations. Another example of the development of future-oriented services that solve environmental challenges is the establishment of environmental centres. Using new environmental technology, the environmental centres decontaminate and recycle 80 per cent of the contaminated materials that would have otherwise ended up 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 significance of business risk has been emphasised through the effects of the war in Ukraine and the COVID-19 pandemic. 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. The analysis of risk during the tendering phase allows for 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 business area are in EUR and USD. These are hedged naturally in some cases, since the costs are in the same currency as the revenues, or they are hedged by means of forward currency contracts. For three 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 2022, AF Gruppen had NOK 19 million (25 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 2022, 72 per cent (74 per cent) of the Group's recognised revenues were from activities in NOK as the functional currency and 28 per cent (24 per cent) with SEK as the functional currency. The net foreign exchange gain (-loss) was NOK 7 million (-25 million) in 2022. The total translation differences were NOK -41 million (-54 million) in 2022.

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 construction 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 the efficiency of the market for forward contracts. At year-end, AF Gruppen had a liability of NOK 4

(7) million related to commodity derivatives for steel in AF Environmental Base at 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 general rule, the Group does not use derivatives to hedge 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 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.

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. The IBOR reform has not had any significant impact on the consolidated accounts and the risk of financial exposure in connection with the IBOR reform is considered to be 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 facilities consist of a revolving one-year multi-currency overdraft facility with DNB in the amount of NOK 2,000 million and a revolving credit facility of NOK 1,000 million with Handelsbanken with a duration of 3 + 1 + 1 year. At year end, AF Gruppen withdrew NOK 157 million from its facility with DNB. AF had net interest-bearing liabilities of NOK 329 million (-29 million) as at 31 December 2022. The available liquidity, including credit facilities, stood at NOK 3,344 million as at 31 December 2022. The Group's liquidity is monitored through the follow-up of cash flows in the projects. Discrepancies between expected and actual cash flows are reviewed monthly in conjunction with risk reviews of the projects. In addition, daily liquidity is monitored through the Group's central treasury function.

CLIMATE RISK

Today, climate change represents one of the greatest societal challenges of our time. Climate change leads, among other things, to the temperature on the planet rising, ice melting and there being more extreme weather and natural disasters. Society's measures to limit the carbon footprint of the future will affect AF Gruppen's activities and will change the way in which we operate. AF's risk management will be influenced financially, operationally and strategically. 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. AF Gruppen works systematically to identify climate risk and associated possibilities and threats through its work on climate risk analyses in accordance with the TCFD recommendations. The ultimate responsibility for following up on the Group's work on climate risk rests with the Board of Directors.

The Group strategy from 2020 includes climate and the environment as one of our primary initiatives. In the corporate social responsibility statement on page 38, we present the Group's work related to the climate and environment.

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 of Directors considers the coverage to be at market conditions.

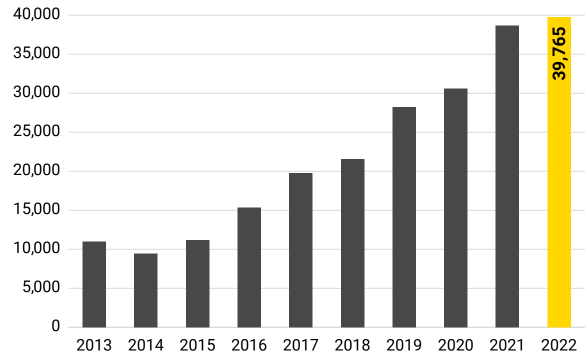
MARKET OUTLOOK AND STRATEGY

High inflation, the energy crisis and disruptions to supply chains led to a shift in the Norwegian and international economies in 2022. Throughout the year, significant interest increases were introduced over short periods of time in an attempt to slow down inflation. Forecasts from the Central Bank of Norway, the Swedish National Bank and several other central banks indicate that interest rates will continue to rise in 2023. In addition to tightened monetary policies from the Central Bank, the Norwegian government also presented a tighter fiscal policy together with the 2023 national budget. The national budget contained several aspects that could affect AF Gruppen's operations, both with regards to activity levels and the company's direct costs. Lower predictability in public sector investments and indications of reduced public sector development and budget allocations for road and railway development are all creating added uncertainty during a time of challenging framework conditions.

Nevertheless, we believe that the long-term prospects for the markets in which AF Gruppen operates are good overall. The civil engineering market is strong and has historically been less sensitive to cyclical fluctuations, as public demand remains the strongest driver for investment in civil engineering projects. For construction and property, interest rate increases and high construction costs may curb growth in the short term, but activity levels nevertheless look set to be good in the longer term, especially in central regions. We are seeing significantly increased demand in the Energy and Environment business area. 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. We also see significant market potential for the Offshore business area, in which several major portfolios of oil platforms are set to be demolished over the coming decade.

The direction of AF Gruppen's strategy for the 2021-2024 period has been maintained, even though the global situation has significantly changed market conditions since the start of the strategy period in 2021. A common set of values and an uncompromising attitude to safety and ethics provide the company with a unique competitive advantage in solving the challenges of the future. AF Gruppen aims to be the Nordic region's most profitable contractor. The financial targets set for 2024 include revenues of NOK 40 billion, an operating margin of 7 per cent and a return on capital employed of 20 per cent. Within health and safety, the target is zero serious personal injuries and work-related absence. Clear targets have also been set in relation to climate and the environment: As a minimum, AF will halve its relative greenhouse gas emissions and halve the volumes of waste sent for incineration and landfill as a percentage of turnover per service type by 2030. AF will be climate neutral by 2050. The work on the strategy is operationalised through four main strategic initiatives: technical skills and leadership, climate and environment, customers and suppliers and innovation. Through knowledge, capability and close collaboration with partners, AF will develop and deliver services that fulfil the customer's needs and solve challenges in society.

ORDER BACKLOG (NOK MILLION)



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. Clear strategic priorities and a strong financial position mean that AF is well equipped to meet the challenges and exploit the possibilities in the market going forward. With a solid order backlog totalling NOK 39,765 (38,646) million, including a record-high contribution from civil engineering operations, we also anticipate high activity levels for AF Gruppen in 2023.

The Board thanks the employees for their significant contributions to the good results of 2022.

OSLO, 30 MARCH 2023

Pål Egil Rønn
Board Chairman

Hege Bømark

Saloume Djoudat

Kristian Holth

Arne Baumann

Hilde Kristin Herud

Amund Tøftum
CEO

Espen Jahr

Hilde Wikesland Flaen

Arne Sveen

Erik Tømmeraas Veiby

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

CONTRACTS ANNOUNCED ON OSLO BØRS IN 2022

Business area	Customer	Project	Contract amount in millions excl. VAT	Currency
Civil Engineering	City of Oslo	New tunnel for clean water supply in Oslo	5,250[1]	NOK
Civil Engineering	City of Oslo, v/ Vann- og avløpsetaten	New treatment plant at Huseby in Oslo	3,000	NOK
Civil Engineering	Avinor	New airport in Mo i Rana	3,300[2]	NOK
Civil Engineering	Statnett	Cable tunnel in Oslo	1,800	NOK
Civil Engineering	Equinor	New landfall tunnel for the Statpipe pipelines on Karmøy	300	NOK
Civil Engineering	Equinor	Civil works for Hammerfest LNG at Melkøya	250	NOK
Civil Engineering	Hent	Building of the bacement in A-blokken, Regjeringskvartalet	163	NOK
Civil Engineering	Nordkraft Prosjekt	New industrial area in Kvandalen	162	NOK
Construction	Frevar KF	New water treatment plant Fredrikstad Municipality	1,100[2]	NOK
Construction	Rolvsrud Idrettspark Holding	300 apartments, Lørenskog	810	NOK
Construction	Bonava	178 apartments and a commercial property Merinoparken, Bergen	381	NOK
Construction	Storøykilen Utvikling	64 Apartments (block 2) of Storøykilen residential, Fornebu in Bærum.	274	NOK
Construction	Baneveien 16	Renovation of the building at 16 Baneveien in the city of Bergen	190	NOK
Construction	Vik Municipality	Contractor for the rebuilding and rehabilitation of Vik Health and Care Center	181	NOK
Construction	Helse Sør-Øst RHF	Indoor construction, Drammen sykehus	158	NOK
Construction	Moods Eiendom	27 apartments Fjeldvig in Sandefjord	133	NOK
Construction	Bremnes Fryseri	Construction of a new office and refrigerated warehouse, Bømlo	120	NOK
Construction	PNC Norge	Foundation work on the new city bridge in Drammen	112	NOK
Construction	OBOS	Storøykilen block 3	100	NOK
Betonmast	Devoldholmen Utvikling	Build Campus Kristiansund, Kristiansund	582	NOK
Betonmast	Sulland Eiendom AS og Nordbo Mjøsa	Construction of a car facility adjacent to Oslo Airport City in Gardermoen	240	NOK
Betonmast	Møller Eiendom og Stokke Industri	Construction of a four-storey office building, Sandefjord	220	NOK
Betonmast	Moss kommune	Mossehallen	200[2]	NOK
Betonmast	Selmer Eiendom	Car shop in Drammen	139	NOK
Betonmast	Agnes Utvikling og Larvik Boligbyggelag	Sjøparken in Stavern	136	NOK
Betonmast	Søeberg Gate 3	Project SG3, Office building, Sandefjord	110	NOK
Sweden	Skandia Fastigheter	New office building in Solna, Stockholm	345	SEK
Sweden	Tornet Bostadsproduktion	Tamarinden, 182 apartments and kindergarden, Örebro	280	SEK
Sweden	Genova og Redito	Block 3. Knivsta	270	SEK
Sweden	Hemsö	New Rytterborgs school	230	SEK
Sweden	Svenska kraftnät	Construction and installation work STATCOM - facility	170	SEK
Sweden	Eolus	Construction work for three wind farms in Dalarna	160	SEK
Sweden	SR Energy	Wind farm Älgkullen	160	SEK
Sweden	OBOS	Elverkshuset, 60 appartments, Nacka	123	SEK
Offshore	TotalEnergies EP Nederland	L7	Not disclosed	

[1] Joint venture with Ghella, contract for AF is 60% of MNOK 8 750.
[2] Collaborative contract where the final contract amount is determined in interaction with customer. Only contracted agreements is included in the order book. Contract amouint shows an estimated value of the entire project.

BOARD OF DIRECTORS' REPORT

TRANSFORMATION ON BRAKERØYA

A new hospital is about to be built at Brakerøya in Drammen. AF Gruppen has been involved in the project from the very start, with environmental remediation and demolition of the older industrial buildings on the site. Since then, AF has completed several contracts, including in connection with foundations, basement construction and access roads, as well as the shell construction and airtight building works for several of the buildings. AF will also be responsible for interior works in the building housing the wards. The hospital will be ready for use in 2025 and will replace the current Drammen Hospital and Blakstad Hospital.

BOARD OF DIRECTORS' REPORT

> I recently qualified and left school last summer. I have learned a lot very quickly by being thrown into a major project.
>
> **KRISTIAN ØREN SKIBSTAD, ENERGY ENGINEER**

AF Energi will ensure heating and cooling for the central building. This includes the wards, treatment facilities, service facilities and outpatient clinics, totalling around 90,000 square metres. Many of the installations are prefabricated at AF's production facility in Lithuania. The result is high quality and improved HSE during the construction phase.

FINANCIAL STATEMENT

CONSOLIDATED ANNUAL ACCOUNTS

INCOME STATEMENT

		For the financial year		
Amounts in NOK million	**Note**	**2022**	**2021**	**2020**
Operating revenue	6	30,970	27,751	26,944
Other revenue	6	235	117	81
Total operating and other revenue		**31,205**	**27,868**	**27,025**
Subcontractors		-16,554	-14,633	-15,041
Cost of materials		-5,346	-4,440	-3,712
Payroll costs	7, 33	-5,487	-5,142	-4,953
Depreciation and impairment of property, plant and equipment	14	-209	-206	-193
Amortisation and impairment of right of use assets	15	-317	-360	-377
Amortisation and impairment of intangible assets	13	-2	-1	-3
Other operating expenses	8	-2,072	-1,677	-1,571
Total operating expenses		**-29,986**	**-26,459**	**-25,850**
Net gains/(losses)	9	56	99	89
Profit from associated companies and joint ventures	27, 28	134	101	216
Earnings before interest and tax (EBIT)		**1,409**	**1,609**	**1,480**
Net financial items	19	-10	-29	-33
Earnings before tax (EBT)		**1,400**	**1,580**	**1,447**
Income tax expense	25, 26	-248	-351	-289
Profit for the year		**1,151**	**1,229**	**1,158**
Attributable to:				
Shareholders of the Parent Company		958	1,019	971
Non-controlling interests		193	210	187
Profit for the year		**1,151**	**1,229**	**1,158**
Earnings per share (NOK)	21	8.96	9.60	9.29
Diluted earnings per share (NOK)	21	8.96	9.57	9.27
Dividend per share (NOK) 1)	21	6.50	10.50	10.50

1) *Dividend for 2022 has been proposed for payment first half of 2023.*

COMPREHENSIVE INCOME

Amounts in NOK million	**Note**	**2022**	**2021**	**2020**
Profit for the year		1,151	1,229	1,158
Change in actuarial gains or losses on pensions (gross)	18	2	-3	-
Change in actuarial gains or losses on pensions (tax)	26	-	1	-
Translation differences for non-controlling interests		-6	-8	14
Other comprehensive income that will not be reclassified to the income statement		**-5**	**-10**	**14**
Change in cash flow hedging (gross)	23	5	35	-26
Change in cash flow hedging (tax)	23, 26	-1	-8	6
Translation differences for majority interests		-35	-46	66
Other comprehensive income that may be reclassified to the income statement		**-31**	**-19**	**46**
Total other comprehensive income (OCI)		**-36**	**-30**	**60**
Total comprehensive income for the year		**1,116**	**1,199**	**1,218**
Attributable to:				
- Shareholders of the Parent Company		929	997	1,016
- Non-controlling interests		187	202	202
Total comprehensive income for the year		**1,116**	**1,199**	**1,218**

FINANCIAL STATEMENT

FINANCIAL STATEMENT

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

Amounts in NOK million	Note	2022	2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14, 35	1,462	1,437
Right-of-use assets	15	859	780
Intangible assets	13	4,461	4,335
Associated companies and joint ventures	27, 28	490	639
Deferred tax assets	26	76	7
Interest-bearing receivables	20, 22, 24	268	282
Pension plan and other financial assets	18, 23, 24	13	10
Total non-current assets		**7,630**	**7,490**
CURRENT ASSETS			
Inventories	11	301	198
Projects for own account	12	158	51
Trade and other non-interest-bearing receivables	10, 24	5,557	4,623
Interest-bearing receivables	20, 24	44	65
Cash and cash equivalents	20, 24	765	680
Total current assets		**6,827**	**5,618**
Total assets		**14,457**	**13,108**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

Amounts in NOK million	Note	2022	2021
EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Equity attributable to Parent Company shareholders		2,575	2,654
Non-controlling interests	30	918	918
Total equity		**3,494**	**3,572**
LONG-TERM LIABILITIES			
Interest-bearing loans and credit facilities	20, 22, 24	75	90
Interest-bearing loans - Lease liability	15, 20, 22, 24	607	554
Pension liabilities	18	3	6
Provisions for liabilities	16	117	100
Deferred tax	26	445	585
Derivatives	22, 23, 24	2	8
Total non-current liabilities		**1,250**	**1,343**
CURRENT LIABILITIES			
Interest-bearing loans and credit facilities	20, 22, 24	433	54
Interest-bearing loans - Lease liability	15, 20, 22, 24	290	301
Trade payables and current non-interest-bearing liabilities	17, 24	7,969	6,956
Derivatives	22, 23, 24	20	24
Provisions for liabilities	16	585	625
Current tax payable	25	416	232
Total current liabilities		**9,713**	**8,193**
Total liabilities		**10,963**	**9,536**
Total equity and liabilities		**14,457**	**13,108**

OSLO, 30 MARCH 2023

Pål Egil Rønn
Board Chairman

Hege Bømark

Saloume Djoudat

Kristian Holth

Arne Baumann

Hilde Kristin Herud

Amund Tøftum
CEO

Espen Jahr

Hilde Wikesland Flaen

Arne Sveen

Erik Tømmeraas Veiby

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

FINANCIAL STATEMENT

STATEMENT OF CHANGES IN EQUITY

Amount in NOK million	Note	Share capital	Other paid-in equity	Translation differences	Actuarial pension gains/ (losses)	Cash flow hedging	Retained earnings	Total	Non-control. interests	Total equity
		Equity attributable to Parent Company shareholders								
2020										
Equity as at 1 January 2020		5	935	-4	-18	-29	1,302	2,189	809	2,999
Profit for the year		-	-	-	-	-	971	971	187	1,158
Other comprehensive income for the year		-	-	66	-	-20	-	46	14	60
Total comprehensive income for the year		-	-	66	-	-20	971	1,016	202	1,218
Share capital increases	32	-	410	-	-	-	-	410	55	465
Purchase of treasury shares	32	-	-	-	-	-	-73	-73	-	-73
Sale of treasury shares	32	-	-	-	-	-	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
Equity as at 31 December 2020		5	756	62	-18	-49	1,839	2,593	901	3,494
2021										
Profit for the year		-	-	-	-	-	1,019	1,019	210	1,229
Other comprehensive income for the year		-	-	-46	-2	27	-	-21	-8	-30
Total comprehensive income for the year		-	-	-46	-2	27	1,019	997	202	1,199
Share capital increases	32	-	118	-	-	-	-	118	2	121
Purchase of treasury shares	32	-	-	-	-	-	-27	-27	-	-27
Sale of treasury shares	32	-	-	-	-	-	51	51	-	51
Dividend adopted and paid		-	-427	-	-	-	-689	-1,116	-186	-1,302
Share value-based remuneration	7	-	55	-	-	-	-	55	7	62
Transactions with non-contr. interests		-	-	-	-	-	-18	-18	-8	-26
Equity as at 31 December 2021		5	501	16	-20	-22	2,175	2,654	918	3,572
2022										
Profit for the year		-	-	-	-	-	958	958	193	1,151
Other comprehensive income for the year		-	-	-35	2	4	-	-29	-6	-36
Total comprehensive income for the year		-	-	-35	2	4	958	929	187	1,116
Share capital increases	32	-	125	-	-	-	-	125	-	125
Purchase of treasury shares	32	-	-	-	-	-	-66	-66	-	-66
Sale of treasury shares	32	-	-	-	-	-	57	57	-	57
Dividend adopted and paid		-	-	-	-	-	-1,125	-1,125	-240	-1,365
Share value-based remuneration	7	-	51	-	-	-	-	51	4	55
Non-controlling interests put options		-	-	-	-	-	41	41	-5	36
Addition from acquisition	5	-	-	-	-	-	-	-	14	14
Transactions with non-contr. interests		-	-	-	-	-	-89	-89	39	-50
Equity as at 31 December 2022		5	677	-19	-19	-18	1,950	2,575	918	3,494

CASH FLOW STATEMENT

Amounts in NOK million	Note	2022	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax		1,400	1,580	1,447
Depreciation and write-downs	13, 14	528	567	573
Change in retirement benefit liabilities	18	-	-	3
Share-based remuneration recognized in equity		55	62	51
Net financial expenses/(income)	19	10	29	33
Net (gains)/losses	9	-56	-99	-89
Profit attributable to associated companies and joint ventures	27, 28	-134	-101	-216
Change in operating capital (excluding acquisitions and foreign currency)				
Change in inventories and projects for own account	11, 12	-169	18	-8
Change in trade and other non-interest-bearing receivables	10	-886	-672	225
Change in trade payables and other non-interest-bearing liabilities	17	1,013	314	-453
Income tax paid		-299	-283	-376
Net cash flow from operating activities		**1,460**	**1,415**	**1,189**
CASH FLOW FROM INVESTMENT ACTIVITIES				
Acquisition of business	5	-70	-	-2
Investments in property companies		-70	-119	-110
Purchase of property, plant and equipment and intangible assets	13, 14	-291	-207	-219
Proceeds from the sale of business	5	-	-	1
Proceeds from the sale of property companies		11	57	-
Proceeds from sale of property, plant and equipment		118	113	113
Payments for derivatives		1	-8	-5
Dividends and capital received from associated companies and joint ventures		329	109	340
Payments due to change in interest-bearing receivables	20	-16	-10	-85
Proceeds due to change in interest-bearing receivables	20	32	217	43
Interest and other financial income received	19	23	23	35
Net cash flow from investment activities		**67**	**175**	**112**
Net cash flow before financing activities		**1,527**	**1,589**	**1,301**
CASH FLOW FROM FINANCING ACTIVITIES				
Issuance of shares		85	119	410
Dividends paid to shareholders in the Parent Company		-1,125	-1,116	-1,001
Dividends paid to non-controlling interests		-240	-186	-162
Transactions with non-controlling interests		-135	-28	-46
Proceeds from new interest-bearing debt	20	381	50	37
Repayment of interest-bearing debt	20	-352	-393	-336
Net (purchase)/sale of treasury shares	32	-9	24	-10
Interest and other financial expenses paid	19	-41	-35	-58
Net cash flow from financing activities		**-1,437**	**-1,565**	**-1,166**
Net change in cash and cash equivalents		**90**	**24**	**135**
Cash and cash equivalents as at 1 December	20	680	708	563
Foreign exchange effect on cash and cash equivalents		-4	-52	10
Cash and cash equivalents as at 31 December	20	**765**	**680**	**708**

FINANCIAL STATEMENT

NOTE 1 GENERAL INFORMATION

AF Gruppen ASA is a public limited company registered in Norway and listed on the Oslo Stock Exchange. 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 30 March 2023.

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.
In the preparation of the annual financial statements, the management has determined what is material information. Information is considered material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users make based on the annual financial statements. Whether information is considered material depend on the magnitude and nature of information that is omitted or misstated, considering the specific circumstances.

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 40 – Significant accounting policies. The accounting policies applied in the consolidated financial statements are consistent with the policies applied in the previous accounting periods, the exceptions are presented in Note 3.

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

The consolidated financial statements are based on the historical cost accounting convention, with the exception of the following items in the accounts:
- financial instruments at fair value through profit or loss
- financial instruments at fair value through other comprehensive income (OCI)
- contingent consideration for the acquisition of business

The preparation of financial statements in accordance with IFRS requires the use of estimates. In addition, the application of AF Gruppen's accounting policies requires that the management exercise judgement. Areas with a high degree of discretionary assessments or a high level of complexity, or areas where assumptions and estimates are essential to the accounts, are described in Note 39 - 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 2022, 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.

Relevant amended accounting standards and interpretations issued by The International Accounting Standards Board (IASB) with effect for 2022:

Amendments to IFRS 3 – Updating a Reference to the Conceptual Framework

The International Accounting Standard Board has issued amendments to IFRS 3 to replace an outdated reference in IFRS 3 (reference to the 1989 Framework) with a reference to the current version of the Conceptual Framework (the 2018 Conceptual Framework), without significantly changing its requirements.

The amendments require that for transactions and other events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies the criteria in IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to determine whether a present obligation exists at the acquisition date. The amendment is made to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 and IFRIC 21, if incurred separately. The amendments also clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments had no impact on AF Gruppen's consolidated financial statements.

Amendments to IAS 16 – Proceeds before Intended Use

The amendments prohibit a company from deducting from the cost of property, plant and equipment any proceeds from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such proceeds and related cost in profit or loss.

The amendments had no impact on AF Gruppen's consolidated financial statements.

Amendments to IFRS 1 – First-time adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that uses the exemption in IFRS 1.D16 (a) to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent date of transition to IFRS. This election is also available to an associate or joint venture that uses the exemption in IFRS 1.D16 (a).

The amendments had no impact on AF Gruppen's consolidated financial statements.

Amendments to IFRS 9

The amendment clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. In determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. No similar amendment has been proposed for IAS 39.

The amendments had no impact on AF Gruppen's consolidated financial statements.

NEW FUTURE STANDARDS, AMENDMENTS, AND INTERPRETATIONS
The IASB has issued amendments to existing standards and interpretations that have not yet taken effect at the end of 2022. Amended standards and interpretations are not expected to have any material impact on the consolidated financial statements of AF Gruppen.

FINANCIAL STATEMENT

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 2022 on the basis of the Civil Engineering, Construction, Betonmast, Property, Energy and Environment, Sweden and Offshore business areas. The business units Eiqon and Consolvo have been transferred from the business area Construction to the business area Civil Engineering from 01/01/21. The business units Betonmast Göteborg, Betonmast Mälardalen, Betonmast Malmö, Betonmast Stockholm and Betonmast Anläggning have been transferred from the business area Betonmast to the business area Sweden from 01/01/22, and the units have changed their name to AF. 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, Consolvo and Stenseth & RS.

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 Bygg Østfold, Strøm Gundersen, Strøm Gundersen Vestfold, Haga & Berg, AF Håndverk, LAB Entreprenør, Åsane Byggmester-forretning, 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, mainly located in Norway. The business area consists of the following business units: Betonmast Boligbygg, Betonmast Oslo, Betonmast Trøndelag, Betonmast Romerike, Betonmast Røsand, Betonmast Østfold, Betonmast Innlandet, Betonmast Buskerud-Vestfold, Betonmast Asker og Bærum 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, HMB, AF Bygg Väst, AF Bygg Öst, AF Öresund, AF Bygg Stockholm and AF Anläggning Väst. The geographical centre of the activities is from Gothenburg to Halmstad, and 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: Aeron and AF Offshore Decom. Offshore also has activities at AF Environmental Base Vats. Activities that are not allocated to the business areas are presented as Other and primarily involve 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 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. These projects are self-financed and are usually 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 business areas Construction, Property 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 shown in a separate table in the segment information (GAAP-adjustment).

MAJOR CUSTOMERS

The public sector in Norway, represented by Nye Veier, municipalities and the South-Eastern Norway Regional Health Authority, among others, are responsible for 23.2 per cent (17.0 per cent) of AF Gruppen's total operating revenues. In 2022, revenue of NOK 7,199 million (4,716 million) was recognised in connection with contracts entered into with the public sector In Norway. We have defined the public sector as inclusive of wholly government owned limited companies, such as Nye Veier AS. Nye Veier accounted for 2.8 per cent (6.4 per cent) of the revenues of AF Gruppen in 2022, and this represents revenue of NOK 863 million (1,784 million). Trafikverket in Sweden is another major customer in 2022 which accounted for 4.5 per cent of the revenues of AF Gruppen. This represents revenue of NOK 1,391 million.

IMPAIRMENT LOSSES

There have been no write-downs in 2022 or 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 Engine-ering	Constr-uction	Beton-mast	Pro-perty	Energy & Envi-ronment	Swe-den	Off-shore	Other	Elim.	GAAP adj.	Total
2022											
INCOME STATEMENT											
External revenue	5,370	10,992	5,142	30	988	7,438	1,236	59	152	-203	31,205
Internal revenue	549	98	2	-	74	7	1	48	-779	-	-
Total revenue	5,919	11,090	5,145	30	1,062	7,445	1,238	107	-627	-203	31,205
Earnings before interest, tax, depreciation and amortisation (EBITDA)	636	410	190	75	150	193	194	40	33	15	1,937
Earnings before interest and tax (EBIT)	445	322	166	75	84	130	164	-24	33	15	1,409
Earnings before tax (EBT)	440	318	174	82	82	127	160	-31	33	15	1,400
KEY FIGURES AND FINANCIAL STATEMENT											
EBITDA margin	10.7 %	3.7 %	3.7 %	-	14.2 %	2.6 %	15.7 %	-	-	-	6.2 %
Operating margin	7.5 %	2.9 %	3.2 %	-	7.9 %	1.7 %	13.2 %	-	-	-	4.5 %
Profit margin	7.4 %	2.9 %	3.4 %	-	7.7 %	1.7 %	12.9 %	-	-	-	4.5 %
Assets as at 31 December	3,546	4,887	3,257	660	733	2,712	1,003	2,175	-4,448	-67	14,457
Capital employed as at 31 December	1,228	1,770	1,417	654	358	1,142	460	1,564	-3,619	-73	4,900
Number of employees as at 31 December	1,812	1,720	635	24	309	1,058	236	181	-	-	5,975
REMAINING PERFORMANCE OBLIGATIONS (ORDER BACKLOG)											
Order backlog 2023	4,856	6,903	3,261	-	610	5,448	1,053	-	-241	-49	21,840
Order backlog, subsequent years	10,512	3,142	1,155	-	30	2,189	641	-	-169	424	17,925
Total order backlog as at 31 December	15,368	10,045	4,415	-	640	7,638	1,694	-	-410	375	39,765
DISTRIBUTION OF REVENUE BY REVENUE STREAMS											
Revenue from civil engineering contracts	5,919	570	-	-	-	2,861	-	-	-558	-	8,792
Revenue from construction contracts	-	10,510	5,137	-	-	4,461	-	-	81	-203	19,985
Revenue from on- and offshore demolition activities	-	-	-	-	620	116	869	-	-71	-	1,534
Revenue from other types of contracts	-	9	8	30	442	7	369	107	-78	-	894
Total revenue	5,919	11,090	5,145	30	1,062	7,445	1,238	107	-627	-203	31,205
DISTRIBUTION OF REVENUE BY GEOGRAPHY											
Revenue in Norway	4,571	11,090	5,145	30	1,062	-	1,238	107	-627	-251	22,365
Revenue in Sweden	1,315	-	-	-	-	7,445	-	-	-	48	8,807
Revenue in other countries	33	-	-	-	-	-	-	-	-	-	33
Total revenue	5,919	11,090	5,145	30	1,062	7,445	1,238	107	-627	-203	31,205
CASH FLOW											
Net cash flow from operating activities	1,040	253	-134	-9	112	67	157	-27	-	-	1,460
Net cash flow from investing activities	-101	-21	631	184	-16	95	-23	-681	-	-	67
Net cash flow before financing activities	939	231	497	175	96	162	134	-708	-	-	1,527

FINANCIAL STATEMENT

NOTE 4 SEGMENT INFORMATION CONT.

Amounts in NOK million	Civil Engine-ering	Constr-uction	Beton-mast	Pro-perty	Energy & Envi-ronment	Swe-den	Off-shore	Other	Elim.	GAAP adj.	Total
2021											
INCOME STATEMENT											
External revenue	5,597	8,740	5,194	35	1,047	6,289	847	94	-50	75	27,868
Internal revenue	405	125	3	-	104	11	1	57	-706	-	-
Total revenue	6,002	8,865	5,196	35	1,152	6,300	848	150	-756	75	27,868
Earnings before interest, tax, depreciation and amortisation (EBITDA)	734	532	168	76	170	372	115	32	-16	-7	2,176
Earnings before interest and tax (EBIT)	515	447	132	75	109	302	83	-30	-16	-7	1,609
Earnings before tax (EBT)	510	450	111	76	107	295	78	-21	-19	-7	1,580
KEY FIGURES AND FINANCIAL STATEMENT											
EBITDA margin	12.2 %	6.0 %	3.2 %	-	14.8 %	5.9 %	13.6 %	-	-	-	7.8 %
Operating margin	8.6 %	5.0 %	2.5 %	-	9.4 %	4.8 %	9.8 %	-	-	-	5.8 %
Profit margin	8.5 %	5.1 %	2.1 %	-	9.3 %	4.7 %	9.2 %	-	-	-	5.7 %
Assets as at 31 December	2,229	4,554	2,817	735	706	2,776	988	1,894	-3,505	-85	13,108
Capital employed as at 31 December	727	1,670	1,278	703	308	1,008	512	1,300	-2,846	-88	4,571
Number of employees as at 31 December	1,406	1,551	772	25	254	1,010	214	181	-	-	5,413
REMAINING PERFORMANCE OBLIGATIONS (ORDER BACKLOG)											
Order backlog 2022	3,891	8,804	4,372	-	589	5,609	837	-	-235	172	24,040
Order backlog, subsequent years	2,988	4,745	2,682	-	125	3,503	677	-	-113	-	14,607
Total order backlog as at 31 December	6,878	13,549	7,054	-	714	9,112	1,515	-	-348	172	38,646
DISTRIBUTION OF REVENUE BY REVENUE STREAMS											
Revenue from civil engineering contracts	6,002	521	-	-	-	2,572	-	-	-410	-	8,685
Revenue from construction contracts	-	8,338	5,188	-	-	3,584	-	-	-189	75	16,996
Revenue from on- and offshore demolition activities	-	-	-	-	692	140	581	-	-59	-	1,354
Revenue from other types of contracts	-	6	8	35	459	4	267	150	-98	-	832
Total revenue	6,002	8,865	5,196	35	1,152	6,300	848	150	-756	75	27,868
DISTRIBUTION OF REVENUE BY GEOGRAPHY											
Revenue in Norway	4,980	8,865	5,196	35	1,152	-	848	150	-756	119	20,589
Revenue in Sweden	995	-	-	-	-	6,300	-	-	-	-44	7,251
Revenue in other countries	27	-	-	-	-	-	-	-	-	-	27
Total revenue	6,002	8,865	5,196	35	1,152	6,300	848	150	-756	75	27,868
CASH FLOW											
Net cash flow from operating activities	593	36	276	-38	144	218	175	11	-	-	1,415
Net cash flow from investing activities	-15	-12	89	212	-25	-37	-6	-31	-	-	175
Net cash flow before financing activities	578	24	365	174	119	181	169	-21	-	-	1,589

NOTE 4 SEGMENT INFORMATION CONT.

Amounts in NOK million	Civil Engine-ering	Constr-uction	Beton-mast	Pro-perty	Energy & Envi-ronment	Swe-den	Off-shore	Other	Elim.	GAAP adj.	Total
2020											
INCOME STATEMENT											
External revenue	4,818	8,507	5,808	33	796	6,175	671	62	49	106	27,025
Internal revenue	399	178	-	-	166	22	1	44	-811	-	-
Total revenue	5,218	8,684	5,808	33	962	6,197	672	106	-761	106	27,025
Earnings before interest, tax, depreciation and amortisation (EBITDA)	543	584	205	136	108	387	7	59	2	21	2,053
Earnings before interest and tax (EBIT)	314	502	182	135	54	298	-25	-3	2	21	1,480
Earnings before tax (EBT)	292	513	173	132	52	291	-40	10	2	21	1,447
KEY FIGURES AND FINANCIAL STATEMENT											
EBITDA margin	10.4 %	6.7 %	3.5 %	-	11.2 %	6.2 %	1.1 %	-	-	-	7.6 %
Operating margin	6.0 %	5.8 %	3.1 %	-	5.6 %	4.8 %	-3.7%	-	-	-	5.5 %
Profit margin	5.6 %	5.9 %	3.0 %	-	5.5 %	4.7 %	-5.9%	-	-	-	5.4 %
Assets as at 31 December	2,437	4,332	2,762	894	650	2,531	1,055	1,849	-3,572	-75	12,862
Capital employed as at 31 December	951	1,626	1,244	844	282	1,005	631	1,069	-2,953	-78	4,621
Number of employees as at 31 December	1,479	1,497	842	26	283	984	220	179	-	-	5,510
REMAINING PERFORMANCE OBLIGATIONS (ORDER BACKLOG)											
Order backlog 2021	4,245	6,125	4,056	-	589	3,916	650	-	-85	247	19,742
Order backlog, subsequent years	3,074	3,549	1,660	-	115	1,762	715	-	-	-	10,876
Total order backlog as at 31 December	7,319	9,674	5,715	-	703	5,678	1,365	-	-85	247	30,617
DISTRIBUTION OF REVENUE BY REVENUE STREAMS											
Revenue from civil engineering contracts	5,218	369	-	-	-	2,078	-	-	-447	-	7,217
Revenue from construction contracts	-	8,311	5,766	-	-	4,000	-	-	-123	106	18,060
Revenue from on- and offshore demolition activities	-	-	-	-	623	116	344	-	-69	-	1,014
Revenue from other types of contracts	-	4	42	33	339	3	328	106	-122	-	734
Total revenue	5,218	8,684	5,808	33	962	6,197	672	106	-761	106	27,025
DISTRIBUTION OF REVENUE BY GEOGRAPHY											
Revenue in Norway	4,998	8,684	5,808	33	962	-	672	106	-761	131	20,634
Revenue in Sweden	162	-	-	-	-	6,197	-	-	-	-25	6,334
Revenue in other countries	57	-	-	-	-	-	-	-	-	-	57
Total revenue	5,218	8,684	5,808	33	962	6,197	672	106	-761	106	27,025
CASH FLOW											
Net cash flow from operating activities	234	147	243	-58	119	408	120	-25	-	-	1,189
Net cash flow from investing activities	-91	12	-60	204	-4	7	-25	69	-	-	112
Net cash flow before financing activities	143	159	183	145	115	416	95	44	-	-	1,301

FINANCIAL STATEMENT

NOTE 5 ACQUISITION AND SALE OF BUSINESSES

ACQUISITION AND SALE OF BUSINESSES 2022

Acquisition of Stenseth & RS Holding AS

AF Gruppen entered into an agreement on 25 March 2022 to purchase 80 per cent of the shares in Stenseth & RS Holding AS. Stenseth & RS is a well-run concrete contractor with an excellent track record. The company has a total of 300 employees and comprises the operating companies Stenseth & RS Entreprenør AS, Stenseth & RS Anlegg AS and Stenseth & RS Ressurs AS. The head office is in Åros, and the company's primary geographical area of operation is central Eastern Norway. The company supplies a range of concrete works in the building and construction sector, such as formwork, reinforcement and other types of concrete works. Additionally, the company is a market leader in the casting and surface treatment of floors. Over the last three years, Stenseth & RS has reported average revenues of NOK 495 million and an operating margin of 7.2%. The agreed enterprise value for 100% of Stenseth & RS Holding AS is NOK 220 million on a debt-free basis. Settlement comprised shares in AF Gruppen ASA corresponding to NOK 40 million and NOK 154 million in cash. In addition, contingent consideration of an estimated NOK 16 million has been agreed, which will be settled in 2025. The company will be part of the Civil Engineering business area.

Amounts in NOK million	**Stenseth & RS**
Cash consideration	154
Share consideration	40
Present value of the expected contingent consideration	16
Consideration for 80% of the shares in Stenseth & RS Holding AS	**210**
Non-controlling interests in Stenseth & RS Holding AS (20% of the assets and liabilities)	14
Gross consideration for HMB Holding AB	**224**
Property, plant and equipment	15
Cash and cash equivalents	83
Current non-interest-bearing receivables	136
Deferred and payable tax	-18
Non-current interest-bearing liabilities	-4
Current non-interest-bearing liabilities	-143
Net identifiable assets and liabilities	**70**
Goodwill	**154**
Cash consideration for 80% of the shares in Stenseth & RS Holding AS	154
– Cash and cash equivalents in Stenseth & RS (100%)	-83
Net consideration to cash flow statement	**70**

Acquisition after the balance sheet date

In January 2023, AF Gruppen acquired 60 per cent of the shares in Mepex Consult AS. Mepex is a consulting company with specialist expertise in waste and recycling. Mepex will be part of the Energy and Environment business area.

Sale of Betonmast Telemark AS

In February 2022, the sale of Betonmast Telemark AS was completed. The sale did not result in a gain or loss. Betonmast Telemark had a turnover of NOK 46 million for the first two months of 2022 when it was included in AF Gruppen. The company was part of the business area Betonmast.

Sale of Palmer Gotheim Skiferbrudd AS

In September 2022, the sale of Palmer Gotheim Skiferbrudd AS was completed. The sale did not result in a gain or loss. Palmer Gotheim Skiferbrudd had a turnover of NOK 4 million for the first nine months of 2022 when it was included in AF Gruppen. The company was part of the business area Civil Engineering.

RECONCILIATION OF ADDITIONS FROM ACQUISITION OF BUSINESSES 2022

Amounts in NOK million	**Note**	**Stenseth & RS**
Non-controlling interests		**14**
Goodwill	13	154
Intangible assets	**13**	**154**
Machinery, fixtures and fittings	14	8
Leased machines and operating equipment	15	6
Property, plant and equipment and right-of-use assets	**15**	**15**
Non-current interest-bearing debt	20	4
Interest-bearing debt	**20**	**4**

ACQUISITION AND SALE OF BUSINESSES 2021

The group had no business combinations in 2021.

NOTE 6 OPERATING AND OTHER REVENUE

Amounts in NOK million	**Note**	**2022**	**2021**	**2020**
Revenue from construction contracts		29,708	26,767	25,901
Revenue from projects for own account		8	4	5
Revenue from sale of services		1,023	752	862
Revenue from sale of goods		231	228	176
Total operating revenue		**30,970**	**27,751**	**26,944**
Rental income		68	36	35
Other income		167	81	46
Total other revenue		**235**	**117**	**81**
Total operating and other revenue	4	**31,205**	**27,868**	**27,025**

Operating revenue includes all revenue from contracts with customers that are accounted for according to IFRS 15.

DISTRIBUTION OF OPERATING REVENUE IN ACCORDANCE WITH THE REVENUE RECOGNITION PRINCIPLE

Amounts in NOK million	2022	2021	2020
Share of operating revenue that is recognised over time	30,731	27,519	26,762
Share of operating revenue that is recognised at a particular point in time	239	232	182
Total operating revenue	**30,970**	**27,751**	**26,944**

DISTRIBUTION OF OPERATING REVENUE BY CUSTOMER TYPE

Share of operating revenue from public customers[1]	9,121	6,316	8,025
Share of operating revenue from private customers	21,849	21,435	18,919
Total operating revenue	**30,970**	**27,751**	**26,944**

[1] Public customers are defined as the state and municipal administration as well as 100% publicly owned limited companies.

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	**2022**	**2021**	**2020**
Amount that was included in the opening balance of contract obligations	959	1,010	1,188
Amount that relates to perf. obligations which were fully or partially satisfied in prev. periods	167	77	286

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NOTE 7 PAYROLL COSTS

Amounts in NOK million	Note	2022	2021	2020
Fixed pay		-4,224	-3,966	-3,863
Payroll tax		-727	-711	-635
Retirement benefit costs	18	-225	-212	-201
Share value-based remuneration		-62	-69	-51
Other benefits		-250	-185	-204
Total payroll costs		**-5,487**	**-5,142**	**-4,953**

RECONCILIATION OF SHARE VALUE-BASED REMUNERATION

Share-value based remuneration – recognised	62	69	51
– of which share programme discount for shares from own holdings	-7	-7	-10
Deposit option premium for new option programme	-	-	4
Share-value based remuneration through equity	**55**	**62**	**46**

AVERAGE NUMBER OF FULL-TIME EQUIVALENTS

Norway	4,722	4,404	4,509
Sweden	1,068	1,042	980
Germany	15	13	11
Lithuania	15	11	22
Great Britain	1	-	-
Total	**5,821**	**5,469**	**5,521**

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	2022	2021	2020
Number of shares sold from own holdings	305,626	193,997	284,774
Number of shares from new issues	694,374	806,003	715,226
Market price during subscription period (NOK)	152.28	183.84	172.28
Selling price (NOK)	121.80	147.10	137.80

Accounting impact of sale of shares to employees:			
Payroll costs (discount on sale of shares including payroll tax)	-30	-40	-28

OPTION PROGRAMME 2017-2020

The General Meeting adopted an option programme for all the employees of AF Gruppen in May 2017. The maximum number of options that could be allocated was 3,500,000 over three years, and the programme entailed annual allotments for the years 2017-19 and exercise of the options in March 2020. The subscription price for the shares was based on the average market price during the last week before the three respective subscription periods, no lower, however, than the price from the first subscription period. The subscription price was reduced by the portion of the dividend paid that exceeds 50% of the earnings per share for the previous year. The option premium was NOK 1.00 per option. Option holders must be employed by AF Gruppen, or one of its subsidiaries as at 1 March 2020 in order to exercise the options. The total number of outstanding options adjusted for employees who have left the company was 3,151,893 as at 1 January 2020. 2,217,994 options were exercised in March 2020 and a share issue related to the exercise of options was completed in the beginning of April 2020. Number of options related to this programme after exercise was 0.

OPTION PROGRAMME 2020-2023

The General Meeting adopted an option programme for all the employees of AF Gruppen in May 2020. The maximum number of options that can be allocated is 4,000,000 over three years, and the programme entailes annual allotments for the years 2020-22 and exercise of the options in March 2020. The subscription price for the shares will be based on the average market price during the last week before the three respective subscription periods, no lower, however, than the price from the first subscription period. The subscription price will be reduced by the portion of the dividend paid that exceeds 50% of the earnings per share for the previous year. The option premium is NOK 1.00 per option. Option holders must be employed by AF Gruppen, or one of its subsidiaries as at 1 March 2023 in order to exercise the options. AF Gruppen issued 3,850,000 options to 1,584 employees in 2020, 150,000 options to 184 employees in 2021 and 151,669 options to 142 emplyees in 2022. The total number of outstanding options adjusted for employees who have left the company was 3,505,712 as at 31 December 2022. Market price for the AF share was at the time of exercise 1 March 2023 less than the strike prices. 1 361 options were exercised. Remaining options lapsed. Recognised option costs for 2022 were NOK 32 million (31 million).

NOTE 7 PAYROLL COSTS CONT.

OPTIONS	Exercise deadline	Exercise price as at 31 December 2022 (NOK per share)	Number of options
Number of options as at 31 December 2020	**1/3/2020**		**3,151,893**
Correction for employees who have left before exercise date			-28,946
Number of options as at 1 March 2020	**1/3/2020**		**3,122,947**
Options not exercised			-904,953
Options exercised			-2,217,994
Options subscribed for in 2020	1/3/2023	154.77	3,850,000
Correction for employees who have left in 2020			-43,340
Number of options as at 31 December 2020	**1/3/2023**		**3,806,660**
Options subscribed for in 2021	1/3/2023	183.80	150,000
Correction for employees who have left in 2021			-226,041
Number of options as at 31 December 2021	**1/3/2023**		**3,730,619**
Options subscribed for in 2022	1/3/2023	165.82	151,669
Correction for employees who have left in 2022			-376,576
Number of options as at 31 December 2022	**1/3/2023**		**3,505,712**

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

	2022	2021	2020
Expected dividend yield [1)]	2.6 %	2.6 %	2.6 %
Historical volatility	25.2 %	31.3 %	26.5 %
Risk-free interest rate	2.1 %	0.9 %	0.2 %
Expected duration of option (years)	0.8	1.8	2.8
Strike price per share at the time of subscribtion (NOK) [1)]	169.82	193.85	169.82

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

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NOTE 8 OTHER OPERATING EXPENSES

Amounts in NOK million	Note	2022	2021	2020
OTHER OPERATING EXPENSES				
Rent		-79	-52	-54
Other rental expenses		-567	-510	-485
Insurance		-71	-56	-59
Contracted manpower		-311	-110	-122
Audit fees		-14	-15	-16
Other fees		-155	-137	-144
Bad debts	10	-27	-7	-6
Disposal and landfill fees		-110	-105	-119
Marketing and advertising		-29	-24	-23
IT expenses		-170	-169	-145
Sundry other operating expenses		-537	-493	-399
Total other operating expenses		**-2,072**	**-1,677**	**-1,571**

Amounts in NOK 1000	2022	2021	2020
REMUNERATION OF THE GROUP'S ELECTED AUDITOR			
Statutory auditing	-7,741	-8,463	-7,080
Other assurance engagements	-202	-268	-62
Tax consulting	-283	-78	-130
Other non-audit services	-29	-684	-136
Total	**-8,253**	**-9,493**	**-7,409**
REMUNERATION OF OTHER AUDITORS			
Statutory auditing	-5,297	-4,772	-6,281
Other services	-864	-865	-2,133
Total	**-6,161**	**-5,637**	**-8,414**
Total auditor's fees	**-14,415**	**-15,130**	**-15,823**

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

NOTE 9 NET GAINS (LOSSES)

Amounts in NOK million	2022	2021	2020
Gains (losses) on sale of businesses [1]	-	-	15
Gains (losses) on sale of shares in property companies [2]	11	38	-
Gains (losses) of financial assets for available for sale	-	-1	-
Fair value changes in derivatives	3	3	-2
Net gains (losses) on financial assets to fair value through profit or loss	-1	-2	-
Net (gains) losses on the sale of property, plant and equipment	50	71	72
Net foreign exchange gains (losses) related to operations	-7	-9	3
Total net gains/(losses)	**56**	**99**	**89**

[1] Gains (losses) on sale of business in 2020 is related to the sale of Betonmast Bergen.
[2] Gains (losses) on the sale of shares in property companies include both the sale of shares in associated companies and joint ventures, and the sale of shares in subsidiaries that engage in property activities. 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	2022	2021
Invoiced trade receivables		4,466	4,230
Unearned revenue, invoiced on projects in progress		-1,111	-1,298
Provision for losses		-15	-9
Contract receivables	6	**3,340**	**2,923**
Earned revenue, not invoiced on projects in progress		1,047	789
Credit balances with clients [1]		974	758
Contract assets	6	**2,021**	**1,547**
Tax paid in advance		34	15
Value-added tax and other public charges paid in advance		39	28
Prepaid expenses		109	53
Other current non-interest-bearing receivables		13	56
Other non-interest-bearing receivables		**196**	**153**
Trade and other non-interest-bearing receivables	24	**5,557**	**4,623**

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

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

Age distribution 2022	**Not yet due**	**1-30**	**31-60**	**61-90**	**91-120**	**>120**	**Sum**
Invoiced trade receivables	3,135	640	70	110	57	453	4,466

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

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.

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NOTE 11 INVENTORIES

Amounts in NOK million	2022	2021
Spare parts and project inventories	171	93
Raw materials	65	50
Finished products	66	55
Total inventories	**301**	**198**

Inventories mainly consist of spare parts and equipment for use in production. Inventories were not subject to impairment in 2022.

NOK 6 (4) million of the inventories has been pledged as security for liabilities, cf. Note 35 – 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	2022	2021
Housing projects in progress	43	7
Completed residential units for sale	1	1
Land for development	115	43
Total projects for own account	**158**	**51**

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 2,932 (2,291) residential units and 74,156 m2 (58,856 m2) of commercial area. AF's share is 1,380 (929) residential units and 36,299 m2 (29,048 m2) of commercial area.

COMPLETED RESIDENTIAL UNITS FOR SALE	2022	2021
Number of completed residential units for sale in subsidiaries	14	1
AF's share of completed residential units for sale in associated companies	12	8

NOTE 13 INTANGIBLE ASSETS

Anmounts in NOK million	Note	Goodwill	Other intangible assets	Total
ACQUISITION COST				
1 January 2021		4,459	62	4,521
Ordinary additions		-	6	6
Disposals		-1	-10	-11
Translation difference		-36	-	-36
31 December 2021		**4,422**	**57**	**4,479**
Ordinary additions		-	1	1
Additions from the acquisition of business	5	154	-	154
Disposals		-	-3	-3
Translation difference		-27	-	-27
31 December 2022		**4,549**	**56**	**4,604**
DEPRECIATION AND WRITE-DOWNS				
1 January 2021		-94	-59	-154
Disposals		1	10	11
Depreciation for the year		-	-1	-1
Write-downs for the year		-	-	-
31 December 2021		**-93**	**-51**	**-144**
Disposals		-	3	3
Depreciation for the year		-	-2	-2
Write-downs for the year		-	-	-
31 December 2022		**-93**	**-50**	**-143**
CARRYING AMOUNT				
Acquisition cost		4,422	57	4,479
Depreciation and write-downs		-93	-51	-144
31 December 2021		**4,328**	**6**	**4,335**
Acquisition cost		4,549	56	4,604
Depreciation and write-downs		-93	-50	-143
31 December 2022		**4,455**	**6**	**4,461**

	Other intangible assets
Economic life	2-5 years
Depreciation schedule	Straight-line

FINANCIAL STATEMENT

NOTE 13 INTANGIBLE ASSETS CONT.

ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS

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

Anmounts in NOK million	2022	2021
Consolvo	166	166
Målselv Maskin & Transport	64	64
AF Anlegg	37	37
Stenseth & RS	154	-
Total Civil Engineering	**420**	**266**
Strøm Gundersen	457	457
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
Total Construction	**1,498**	**1,498**
Betonmast Romerike	462	462
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
Total Betonmast	**1,440**	**1,440**
Aeron	127	127
Total Offshore	**127**	**127**
AF Energi		
AF Decom	37	37
Total Energy and Environment	**91**	**91**
HMB	342	353
Kanonaden Entreprenad	131	135
AF Bygg Öst[1]	91	94
AF Öresund[1]	36	37
AF Anläggning Väst[1]	18	19
AF Bygg Väst[1]	247	254
AF Härnösand Byggreturer	13	13
Total Sweden	**878**	**905**
Book value as at 31 December	**4,455**	**4,328**

[1] *The companies were part of the business segment Betonmast in 2021. Comparative figures have been restated.*

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 value in use. The value in use 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	2022	2021
Growth rate [1]	2.0 %	2.0 %
WACC before tax for offshore	10.3 %	11.0 %
WACC before tax for other	8.3 %	7.5 %

SWEDEN	2022	2021
Growth rate [1]	1.5 %	1.5 %
WACC before tax	6.5 %	5.7 %

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

IMPAIRMENT TEST OF GOODWILL IN 2022

Anticipated cash flows for 2023 in the calculation of the recoverable amount are based on the budget for 2023 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 4.0 per cent is anticipated for all the business units in 2023.

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 2022 for most of the units in the test. No write-down of goodwill was done in 2022.

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. Aeron 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. The amount of goodwill not shown in the tables below related to sensitivity analysis is NOK 2 287 million (2 093 million).

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. HMB, for example, has an estimated value that is 3.75 times higher than the assets to be justified in the test. 3.75 is then calculated as an index of 375 divided by an index of 100. Even with an increase in the WACC by 300 basis points, HMB will have an estimated value that is 2.35 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 1.0 percentage point increase in the WACC will approach the level where it becomes necessary to recognise an impairment loss for the goodwill allocated to Aeron.

2022			Values indexed against book value of assets in test		
			Recoverable amount if WACC is increased by:		
BUSINESS UNIT	Recoverable amount in test	Book value of assets in test	50 bp	100 bp	300 bp
Strøm Gundersen	148	100	137	127	100
Betonmast Romerike	192	100	170	166	122
LAB Entreprenør	170	100	158	147	115
HMB	375	100	341	313	235
Betonmast Oslo	366	100	327	316	236
Aeron	106	100	100	95	78

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NOTE 13 INTANGIBLE ASSETS CONT.

2021 — Values indexed against book value of assets in test

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 Bygg Sverige	540	100	483	437	247
Aeron	108	100	98	76	54

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. HMB for example, has a calculated value that is 3.75 times higher than the assets to be defended in the test. 3.75 is then calculated as index 375 divided by index 100. Even with a reduction in cash flow of 50%, HMB will have a calculated cash flow that is 1.88 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 10 per cent, there is a need for impairment of goodwill allocated to Aeron.

2022 — Values indexed against book value of assets in test

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	148	100	133	103	74
Betonmast Romerike	192	100	173	135	96
LAB Entreprenør	170	100	153	119	85
HMB	375	100	338	263	188
Betonmast Oslo	366	100	329	256	183
Aeron	106	100	96	74	53

2021 — Values indexed against book value of assets in test

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 Bygg Sverige	540	100	486	378	270
Aeron	108	100	103	97	81

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK million		Buildings and production plants	Machinery and equipment	Total
ACQUISITION COST				
1 January 2021		1,057	1,312	2,369
Ordinary additions		6	198	204
Disposals		-9	-122	-131
Translation differences		-8	-9	-18
31 December 2021		**1,046**	**1,379**	**2,424**
Ordinary additions		12	278	290
Additions from the acquisition of business	5	-	8	8
Disposals		-40	-92	-133
Translation differences		-4	-4	-8
31 December 2022		**1,013**	**1,569**	**2,582**
DEPRECIATION AND WRITE-DOWNS				
1 January 2021		-98	-778	-876
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
31 December 2021		**-112**	**-875**	**-987**
Depreciation for the year		-22	-183	-205
Write-downs for the year		-3	-1	-4
Accumulated depreciation on disposals for the year		14	60	74
Translation differences		-	3	3
31 December 2022		**-123**	**-996**	**-1,119**
CARRYING AMOUNT			-	-
Acquisition cost		1,046	1,379	2,424
Depreciation and write-downs		-112	-875	-987
31 December 2021		**934**	**504**	**1,437**
Acquisition cost		1,013	1,569	2,582
Depreciation and write-downs		-123	-996	-1,119
31 December 2022		**890**	**572**	**1,462**

DEPRECIATION RATES

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

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

PLEDGED ASSETS

Information on collateralised property, plant and equipment is given in Note 35– Pledged assets and guarantees.

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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.

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.

Information on accounting policies for leases is available in Note 40 - Significant accounting policies.

RIGHT-OF-USE ASSETS

Amounts in NOK million		Leased buildings and production plants	Leased machinery and equipment	Total
ACQUISITION COST				
1 January 2021		516	898	1,414
Additions		67	224	290
Disposals		-30	-179	-209
Translation differences		-2	-6	-8
31 December 2021		**551**	**936**	**1,487**
Additions		42	373	415
Additions from the acquisition of business	5	-	6	6
Disposals		-36	-329	-365
Translation differences		-1	-6	-6
31 December 2022		**557**	**980**	**1,537**
DEPRECIATION AND WRITE-DOWNS				
1 January 2021		-155	-372	-527
Depreciation for the year		-98	-262	-360
Accumulated depreciation on disposals for the year		30	158	188
Translation differences		-	-7	-7
31 December 2021		**-224**	**-483**	**-707**
Depreciation for the year		-90	-227	-317
Accumulated depreciation on disposals for the year		36	315	351
Translation differences		-	-4	-4
31 December 2022		**-278**	**-399**	**-677**
CARRYING AMOUNT				
Acquisition cost		551	936	1,487
Depreciation and write-downs		-224	-483	-707
31 December 2021		**328**	**453**	**780**
Acquisition cost		557	980	1,537
Depreciation and write-downs		-278	-399	-677
31 December 2022		**279**	**581**	**859**

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	2022	2021
Rent due within 1 year		100	101
Rent due within 1–5 years		180	224
Rent due after 5 years		57	71
Undiscounted lease obligation buildings and production plants		**337**	**396**
- Of which interest payments		-24	-28
Net present value lease obligation buildings and production plants		**313**	**367**

LEASED MACHINERY AND VEHICLES

Amounts in NOK million	Note	2022	2021
Rent due within 1 year		211	214
Rent due within 1–5 years		374	257
Rent due after 5 years		38	31
Undiscounted lease obligation machinery and vehicles		**623**	**502**
- Of which interest payments		-38	-15
Net present value lease obligation machinery and vehicles		**585**	**487**

TOTAL LEASE LIABIITIES

Amounts in NOK million	Note		
Total undiscounted leased obligations		**960**	**897**
- Of which interest payments		-62	-43
Total net present value leased obligations	20	**898**	**855**

The right-of-use asset at AF's head office Helsfyr Atrium is NOK 86 million and the lease obligation is NOK 80 million as of 2022. AF Gruppen has entered into a 10-year lease agreement for a new head office at Construction City, with estimated completion in 2025. The agreement also includes two options to extend the lease with 5 years per option. The lease obligation for the new head office is recognized in the accounts at the time the office space is made available to the tenant.

SUMMARY OF OTHER LEASE INCOME AND COSTS IN THE INCOME STATEMENT

Amounts in NOK million	Note	2022	2021
Total income from the sublease of right of use assets		3	3
Operating costs related to short-term leases and variable lease payments	8	-646	-562
Total		**-643**	**-559**

GROUP AS LESSOR

In 2022, income of NOK 68 million (36 million) has been recognised in the Group's consolidated income statement for operating leases. The lease income consists of the rental of offices and short-term rental of capital equipment, in which the rental of offices is related to the subleasing of office leases at Helsfyr Atrium. Minimum sublease income in related to Helsfyr Atrium is presented the table below.

AF Gruppen as lessee

Amounts in NOK million	2022	2021	2020
Sublease rent due within 1 year	5	5	5
Sublease rent due within 1–5 years	5	10	15
Sublease rent due after 5 years	-	-	-
Total	**10**	**15**	**19**

PLEDGED ASSETS

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

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NOTE 16 PROVISIONS FOR LIABILITIES

Amounts in NOK million	Warranty work [1]	Contingent consideration [2]	Non-controlling interests' put options [3]	Other provisions	Total provisions
1 January 2021	329	15	182	195	721
Reversal of earlier provisions	-36	-2	-9	-18	-63
Provisions set aside during the year	88	1	56	73	217
Total included in profit for the year	**52**	**-1**	**47**	**55**	**154**
Translation differences	-3	-	-11	-	-13
Total included in other revenues and expenses	**-3**	**-**	**-11**	**-**	**-13**
Additions during the year	-	-	-	-	-
Used during the year	-62	-14	-	-61	-137
Total other changes	**-62**	**-14**	**-**	**-61**	**-137**
31 December 2021	**317**	**-**	**219**	**190**	**725**
Reversal of earlier provisions	-22	-	-17	-31	-70
Provisions set aside during the year	171	16	8	91	285
Total included in profit for the year	**149**	**16**	**-10**	**59**	**215**
Translation differences	-1	-	-6	1	-7
Total included in other revenues and expenses	**-1**	**-**	**-6**	**1**	**-7**
Additions during the year	-	-	22	-	22
Additions from purchase of business	2	-	-	-	2
Disposals from sale of business	-2	-	-	-10	-11
Used during the year	-80	-	-132	-30	-243
Total other changes	**-80**	**-**	**-111**	**-40**	**-231**
31 December 2022	**384**	**16**	**92**	**210**	**702**

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

[2] During 2022 provisions for contingent consideration of NOK 16 million linked to the acquisition of Stenseth & RS was allocated. In 2021 provisions for contingent consideration of NOK 14 million linked to the acquisition Helgesen Tekniske Bygg AS in 2018 were paid out.

[3] As at 31 December 2022, AF Gruppen has an estimated obligation related to agreements that entitle non-controlling owners to sell shares in subsidiaries to AF Gruppen at given times (put options) of NOK 92 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 2022, NOK 68 million of the estimated liability is classified as a short-term provision since the put options can be exercised in 2023.

CLASSIFICATION ON THE BALANCE SHEET	2022	2021
Non-current liabilities	117	100
Current liabilities	585	625
Total provisions	**702**	**725**

NOTE 17 TRADE PAYABLES AND NON-INTEREST-BEARING LIABILITIES

Amounts in NOK million	2022	2021
Trade payables	4,172	3,353
Public liabilities	523	520
Prepayments from customers (contract obligations)	1,546	959
Accrued holiday pay, including payroll tax	510	467
Other accrued expenses and other current liabilities	1,219	1,657
Total trade payables and non-interest-bearing liabilities	**7,969**	**6,956**

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. From 1 January 2022, the contributions have been 5 per cent of pay up to 7.1 G and 13.5 per cent of pay > 7.1 G < 12 G. 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. 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 4 (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 2.6 per cent.

RETIREMENT BENEFIT COSTS

Amounts in NOK million	2022	2021	2020
Defined contribution retirement benefits, Norway	-119	-115	-105
Contributions to retirement benefit schemes, abroad	-61	-67	-63
Other retirement benefit expenses	-45	-30	-33
Retirement benefit costs for the year, excluding payroll tax	**-225**	**-212**	**-201**
Payroll tax	-32	-33	-30
Retirement benefit costs for the year, including payroll tax	**-257**	**-244**	**-231**

RETIREMENT BENEFIT LIABILITIES AND PLAN ASSETS

The defined benefit pension plan was abandoned in 2020. The Group had gross retirement benefit liabilities of NOK 3 million (6 million) as at 31 December, and all of it is unfunded. Recognised plan assets in the Group amount to NOK 0 million (1 million). Actuarial losses in the assets amount to NOK 2 million (3 million).

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NOTE 19 NET FINANCIAL ITEMS

Amounts in NOK million	Note	2022	2021	2020
FINANCIAL INCOME				
Interest income from cash and cash equivalents	20	6	8	5
Interest income from associated companies	20	13	15	18
Other interest income	20	1	-	-
Other financial income		2	-	4
Total financial income		**23**	**23**	**27**
FINANCIAL EXPENSES				
Interest expenses on loans and overdraft facilities	20	-13	-9	-6
Interest expenses on leased liabilities	20	-22	-20	-23
Other interest expenses	20	-8	-8	-25
Other financial expenses		-3	-	-3
Total financial expenses		**-46**	**-38**	**-58**
FINANCIAL GAINS (LOSSES) ON CHANGES IN VALUE				
Net foreign exchange gains (losses) related to financing		14	-15	-2
Total financial gains (losses) on changes in value		**14**	**-15**	**-2**
Net financial items		-10	-29	-33

NOTE 20 NET INTEREST-BEARING RECEIVABLES (DEBT)

Amounts in NOK million	Note	2022	2021
NET INTEREST-BEARING RECEIVABLES (DEBT)			
Interest-bearing receivables – non-current		268	282
Interest-bearing receivables – current		44	65
Cash and cash equivalents		765	680
– Interest-bearing loans and credit facilities – non-current		-75	-90
– Lease liability – non-current		-607	-554
– Interest-bearing loans and credit facilities – current		-433	-54
– Lease liability – current		-290	-301
Net interest-bearing receivables (debt)	22, 24	**-329**	**29**

Amounts in NOK million	Note	2022	2021
CASH AND CASH EQUIVALENTS			
Bank deposits		765	680
Cash and cash equivalents	22, 24	**765**	**680**
Of which restricted funds		57	46

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 2022, the Group had an unused bank overdraft facility linked to the cash pooling system of NOK 1,843 million (1,956 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 2022, including overdraft facilities with Handelsbanken and DNB, is NOK 3,344 million.

Amounts in NOK million	Note	Interest-bearing loans and credit	Lease liability	2022
CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES:				
1 January 2022		144	855	999
Cash flows				
Cash flows - proceeds of interest-bearing debt		381	-	381
Cash flows - repayment interest-bearing debt		-17	-335	-352
Cash flows - paid interest		-19	-22	-41
Other changes				
Additions of lease liabilities	15	-	415	415
Disposals of lease liabilities		-	-36	-36
Addition from acquisition of business	5	-	4	4
Increased liability as a result of calculated interest		19	22	41
Other net changes		-	-5	-5
31 December 2022		**508**	**898**	**1,406**

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

Amounts in NOK million	Note	Interest-bearing loans and credit	Lease liability	2021
CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES:				
1 January 2021		163	963	1,127
Cash flows				
Cash flows - proceeds of interest-bearing debt		50	-	50
Cash flows - repayment interest-bearing debt		-23	-370	-393
Cash flows - interest		-15	-20	-35
Other changes				
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
31 December 2021		**144**	**855**	**999**

Amounts in NOK million	Note	Effective interest rate	2022	2021
INTEREST-BEARING LOANS AND CREDIT FACILITIES				
Overdraft facilities inside of the corporate cash pooling system	22, 24	3.8 %	421	44
Mortgage loans	22, 24	4.3 %	1	2
Lease liabilities	15, 24, 22	2.7 %	898	855
Other loans	22, 24	5.0 %	86	98
Total interest-bearing loans and credit facilities			**1,406**	**999**
CLASSIFICATION ON THE BALANCE SHEET				
Current liabilities	22, 24		723	355
Long-term liabilities	22, 24		683	644
Total interest-bearing loans and credit facilities			**1,406**	**999**
MATURITY STRUCTURE:				
Liabilities maturing within 1 year	22, 24		746	369
Liabilities maturing in between 1 and 5 years	22, 24		638	581
Liabilities maturing in more than 5 years	22, 24		96	104
Total future payment			**1,480**	**1,054**
- Of which interest payments			-73	-55
Total interest-bearing loans and credit facilities			**1,406**	**999**

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 2022. AF Gruppen's dividend policy is to pay a dividend semi-annually and that the dividend shall represent 50 per cent or more of the profit for the year attributable to the majority interests. If the Group's financial position and capital structure so indicates, the dividend can be increased. In its dividend proposal the Board of Directors will also take into account future financial and strategic transactions.

EARNINGS PER SHARE

Beløp i MNOK	2022	2021	2020
Årets resultat tilordnet aksjonærene i morselskapet	958	1,019	971
ANTALL AKSJER PER 31. DESEMBER			
Tidsveiet gjennomsnittlig antall eksternt eide aksjer[1)]	106,906,990	106,061,202	104,506,395
Utvanningseffekt av aksjeverdibasert avlønning[2)]	-	405,958	201,172
Tidsveiet gjennomsnittlig antall eksternt eide aksjer etter utvanning	106,906,990	106,467,160	104,707,567
Resultat per aksje (NOK)	**8.96**	**9.60**	**9.29**
Utvannet resultat per aksje (NOK)	**8.96**	**9.57**	**9.27**

[1)] Time-weighted average number of shares issued minus treasury shares.
[2)] AF Gruppen's share value-based remuneration scheme (options), cf. Note 7 – Payroll costs, entails that externally owned shares may be diluted as a result of the redemption of options. To take into account the future increase in the number of externally owned shares, the diluted earnings per share is calculated in addition to the earnings per share. The dilutive effect is calculated by dividing the value of the options as at the date of the balance sheet 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 2021 financial year was paid on 25 May 2022. Due to AF Gruppen's strong financial position, an additional amount of NOK 4.00 per share was paid on 23 November 2022. A total of NOK 1,125 million was distributed to shareholders in 2022.

For the 2022 financial year, the Board of Directors proposes a dividend of NOK 6.50 per share to be paid in the first half of 2023. It is expected that the dividend will be paid to the shareholders on 25 May 2023. 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 2022 financial year for distribution in the first half of 2023 is NOK 700 million. The Board of Directors will request authorisation by the General Meeting for the distribution of a dividend in November 2023 as well.

Amounts in NOK	Dividend for the first half of 2023
Total number of shares as at 31 December 2022	107,702,000
Share issue, options	-
Estimated number of treasury shares	-47,000
Estimated number of shares entitled to a dividend	107,655,000
Proposed dividend per share	6.5
Total estimated dividend	699,757,500

FINANCIAL STATEMENT

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 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	2022	2021
Financial assets with a variable interest rate	1,077	1,027
Financial liabilities with a variable interest rate	-1,406	-999
Net financial debt (financial receivables)	-329	29
EFFECT ON PROFIT AFTER TAX		
Effect of a 100 basis point increase in rates on the profit after tax and equity	-3	-
Effect of a 100 basis point decrease in interest rates on the profit after tax and equity	3	-

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. 72 per cent (74 per cent) of AF Gruppen's estimated revenues were from activities with NOK as the functional currency, 28 per cent (26 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 7 million (-25 million) in 2022. The total translation differences were NOK -41 million (-54 million) in 2022.

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 2022, 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	2022	2021
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	-5	-24
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the profit after tax	5	24
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).	43	24
Effect of a 10 per cent weakening of NOK in relation to all the currencies on other comprehensive income (OCI).	-43	-24
EFFECT ON EQUITY		
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the equity	38	-
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the equity	-38	-

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	2022	2021
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	5	-4
Effect of a 10 per cent weakening of NOK in relation to all the currencies on profit after tax	-5	4

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.

FINANCIAL STATEMENT

NOTE 22 FINANCIAL RISK MANAGEMENT CONT.

Amounts in NOK million	2022	2021
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	-16	-26
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the profit after tax	16	26
EFFECT ON EQUITY		
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the equity	-119	-126
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the equity	119	126

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 31.12.22 and as of 31.12.21, 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

	2022		2021	
Amounts in NOK million	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts – held for trading purposes	-	-	-	-
Forward foreign exchange contracts – cash flow hedging	-	2	-	8
Total non-current assets/ liabilities	**-**	**2**	**-**	**8**
Commodity derivatives – held for trading purposes	-	-	-	-
Commodity derivatives – cash flow hedging	-	4	-	7
Forward foreign exchange contracts – held for trading purposes	-	-	-	6
Forward foreign exchange contracts – cash flow hedging	-	17	-	11
Total current assets/ liabilities	**-**	**20**	**-**	**24**
Total carrying amount	**-**	**22**	**-**	**32**

COMMODITY DERIVATIVES

To hedge against undesired fluctuations in the price of commodities that AF uses or sorts for recycling, such as steel, commodity derivatives are entered into in certain cases. In the assessment, the exposure and how efficient the market for forward contracts is are taken into account. As at 31 December 2022, 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 recognise changes in the value of foreign exchange derivatives related to large contracts denominated in foreign currencies in accordance with the rules for cash flow hedging. As at 31 December 2022, 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 2022. 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 2022.

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

Amounts in NOK million	2022	2021	2020
Cash flow hedges (gross)	44	55	-1
Cash flow hedges (tax)	-10	-12	-
Reclassified from other comprehensive income (OCI) to the income statement	**34**	**43**	**-1**
Cash flow hedges (gross)	-38	-21	-25
Cash flow hedges (tax)	8	5	5
Change in value for the year	**-30**	**-16**	**-19**
Cash flow hedges (gross)	5	35	-26
Cash flow hedges (tax)	-1	-8	6
Total revenues and expenses	**4**	**27**	**-20**

FINANCIAL STATEMENT

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 2022, 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

2022	Level 1	Level 2	Level 3	Total
Assets – Derivatives	-	-	-	-
Liabilities – Derivatives	-	-22	-	-22
Total	**-**	**-22**	**-**	**-22**

Amounts in NOK million

2021	Level 1	Level 2	Level 3	Total
Assets – Derivatives	-	-	-	-
Liabilities – Derivatives	-	-32	-	-32
Total	**-**	**-32**	**-**	**-32**

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 *31/12/22*	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	268	-	-	268	-	268
Non-current pension plan and other financial assets	18	4	9	-	13	-	13
Current trade receivables and contract assets [1]	10	3,353	-	-	3,353	2,204	5,557
Current interest-bearing receivables	20	44	-	-	44	-	44
Current derivatives	23	-	-	-	-	-	-
Cash and cash equivalents	20	765	-	-	765	-	765
Total		**4,434**	**9**	**-**	**4,444**	**2,204**	**6,648**

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 [1]	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
Total		**4,010**	**6**	**-**	**4,016**	**1,644**	**5,660**

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

FINANCIAL STATEMENT

NOTE 24 FINANCIAL INSTRUMENTS: CATEGORY TABLE CONT.

FINANCIAL LIABILITIES BY CATEGORY

31/12/22	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	75	-	-	75	-	75
Long-term interest-bearing loans - Lease liability	20, 22, 15	607	-	-	607	-	607
Current interest-bearing loans and credit facilities	20, 22	433	-	-	433	-	433
Short-term interest-bearing loans - Lease liability	20, 22, 15	290	-	-	290	-	290
Current trade payables and non-interest-bearing debt [2)]	16, 22	5,391	-	-	5,391	2,578	7,969
Non-current derivatives	22, 23	-		2	2	-	2
Current derivatives	22, 23	-		20	20	-	20
Total		**6,797**		**22**	**6,819**	**2,578**	**9,397**

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 [2)]	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
Total		**6,009**	**6**	**26**	**6,041**	**1,946**	**7,987**

[2)] Trade payables and non-interest-bearing liabilities classified as financial liabilities at amortised cost consist of ordinary trade payables and other current liabilities. Financial liabilities do not include prepayments from customers and statutory obligations such as unpaid value-added tax, retirement benefits and other personnel-related costs.

NOTE 25 INCOME TAX EXPENSE

Amounts in NOK million	2022	2021	2020
Current tax payable for the year	-466	-269	-238
Adjustment for previous years	-4	-16	8
Tax change in deferred tax	221	-66	-59
Total income tax expense	**-248**	**-351**	**-289**

RECONCILIATION OF TAX PAYABLE IN THE INCOME STATEMENT AGAINST TAX PAYABLE ON THE BALANCE SHEET

Current tax payable for the year	466	269	238
Tax payable linked to previous years	4	28	11
Tax paid in advance	-54	-64	-33
Impact related to limited partnerships recognised in accordance with the equity method	-	-	19
Currency translation differences	-	-1	2
Total tax payable on the balance sheet	**416**	**232**	**236**

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	1,400	1,580	1,447
Expected income tax at Norwegian nominal rate	-308	-348	-318
Tax effects of:			
– Divergent foreign tax rates	3	4	3
– Non-deductible expenses	-28	-43	-28
– Profit attributable to associated companies	35	31	49
– Non-taxable revenues	9	9	7
– Change in tax rate	-	1	-
– Change in valuation of deferred tax assets	5	-6	-3
– Excessive/insufficient provisions in previous years	36	2	3
Total tax expense recognised in income statement	**-248**	**-351**	**-289**

Effective tax rate	17.7 %	22.2 %	20.0 %

NOTE 26 DEFERRED TAX / DEFERRED TAX ASSETS

CHANGE IN RECOGNISED NET DEFERRED TAX

Amounts in NOK million	2022	2021
Book value as at 1 January	578	500
Recognised in the period	-221	66
Recognised in OCI	2	7
Impact related to the acquisition/(sale) of business	-3	-1
Impact related to limited partnerships that are recognised in accordance with the equity method	14	5
Currency translation differences	-	1
Book value as at 31 December	**369**	**578**

CLASSIFICATION ON THE BALANCE SHEET

Deferred tax assets	-76	-7
Deferred tax	445	585
Net deferred tax on the balance sheet	**369**	**578**

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

2022 DEFERRED TAX	1/1/22	Recognised in the period	Recognised in OCI	Acquisition/ sale of businesses	Currency translation/ other	31/12/22
Property, plant and equipment	34	2	-	-1	-	34
Projects in progress [1]	767	-144	-	-4	-	619
Other assets	30	-27	-	-	-	3
Accruals reserve	11	-10	-	-	-	1
Total deferred taxes	**841**	**-179**	**-**	**-5**	**-**	**657**
Of which netted against deferred tax assets						-212
Deferred tax assets recognised on balance sheet						**445**

DEFERRED TAX ASSETS	1/1/22	Recognised in the period	Recognised in OCI	Acquisition/ sale of businesses	Currency translation/ other	31/12/22
Property, plant and equipment	-10	-1	-	-	-	-11
Other assets	-25	-6	2	-	14	-16
Provisions	-184	5	-	2	-	-177
Recognised tax value of tax loss carryforward [2]	-56	-39	-	-	5	-91
Total deferred tax assets	**-274**	**-42**	**2**	**1**	**18**	**-295**
Of which netted against deferred tax						212
Of which off-balance-sheet deferred tax assets						7
Deferred tax assets recognised on the balance sheet						**-76**

[1] Projects in progress have a major impact on the calculation of deferred tax and the current tax payable. Projects in progress are valued at the direct production cost, and revenue is not recognised for tax purposes until delivery.
[2] The deferred tax assets related to tax loss carryforwards are recognised on the balance sheet when it is probable that the Group can apply this against future taxable income. The tax loss carryforward recognised on the balance sheet is not time limited and totals NOK 425 million (262 million).

NOTE 26 DEFERRED TAX / DEFERRED TAX ASSETS CONT.

2021 DEFERRED TAX	1/1/21	Recognised in the period	Recognised in OCI	Acquisition/ sale of businesses	Currency translation	31/12/21
Property, plant and equipment	40	-6	-	-	-	34
Projects in progress [1]	702	66	-	-1	-	767
Other assets	33	-4	-	-	-	30
Accruals reserve	16	-4	-	-	-	11
Total deferred taxes	**790**	**53**	**-**	**-1**	**-**	**841**
Of which netted against deferred tax assets						-256
Deferred tax assets recognised on balance sheet						**585**

DEFERRED TAX ASSETS	1/1/21	Recognised in the period	Recognised in OCI	Acquisition/ sale of businesses	Currency translation	31/12/21
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 [2]	-34	-13	-	-	-9	-56
Total deferred tax assets	**-291**	**13**	**7**	**-**	**-4**	**-274**
Of which netted against deferred tax						256
Of which off-balance-sheet deferred tax assets						11
Deferred tax assets recognised on the balance sheet						**-7**

[1] Projects in progress have a major impact on the calculation of deferred tax and the current tax payable. Projects in progress are valued at the direct production cost, and revenue is not recognised for tax purposes until delivery.
[2] The deferred tax assets related to tax loss carryforwards are recognised on the balance sheet when it is probable that the Group can apply this against future taxable income. The tax loss carryforward recognised on the balance sheet is not time limited and totals NOK 425 million (NOK 262 million).

FINANCIAL STATEMENT

NOTE 27 ASSOCIATED COMPANIES

INVESTMENTS IN ASSOCIATED COMPANIES

Amounts in NOK million	2022	2021	2020
Book value of investment as at 1 January	274	363	375
Additions	-	-	8
Disposals	-2	-24	-
Share of profit for the year	136	35	164
Equity transactions, incl. dividends	-227	-99	-185
Currency translation differences	-1	-2	1
Total investments in associated companies as at 31 December	**180**	**274**	**363**

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 of the important ongoing projects, there is loan financing, for which there are agreements that contain provisions stipulating that the development company cannot pay dividends or repay loans from the owners before any bank loans have been redeemed.

All the associated companies in which AF has an ownership stake have been assessed with respect to actual control. It was concluded that AF does not have control over these investments, and the companies have been incorporated into the consolidated financial statements in accordance with the equity method of accounting.

There are no 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.

2022

SPECIFICATION OF THE AMOUNTS IN THE ACCOUNTS:

Amounts in NOK million	Material companies	Other companies	Total
Amounts recognised in the balance sheet	33	147	180
Amounts recognised in the income statement	107	29	136

Below is a summary of the financial information for the Group's material associated companies. The figures in the summary of financial information is presented on a 100 per cent basis. The unaudited draft accounts are used as the basis if the companies' annual financial statements have not been approved when the Group's financial statements are presented.

SUMMARY OF FINANCIAL INFORMATION – MATERIAL ASSOCIATED COMPANIES

Amounts in NOK million	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	6	39	45
Non-current assets	486	-	486
Total assets	**492**	**39**	**531**
Current liabilities	69	32	101
Non-current liabilities	340	-	340
Total liabilities	**409**	**32**	**441**
Shareholders' equity	83	7	90
Total equity and liabilities	**492**	**39**	**531**
Operating revenue	8	481	489
Earnings after tax / comprehensive income	155	121	276
RECONCILIATION OF BOOK VALUE			
Group's share of the equity	41	3	44
Other items	-10	-1	-11
Book value of the investment	**31**	**2**	**33**
RECONCILIATION OF SHARE OF COMPREHENSIVE INCOME FROM ESSENTIAL COMPANIES			
Group's share of comprehensive income	77	40	117
Other items	-10	-	-10
Recognised share of comprehensive income	**66**	**40**	**107**

COMPREHENSIVE INCOME, ALL ASSOCIATED COMPANIES	Total material companies	Total other companies	Total
Earnings after tax / comprehensive income	276	82	358
Group's share of comprehensive income	107	29	136

Three immaterial associated companies were wound up in 2022. The Group's recognized share of comprehensive income includes NOK 0,2 million from discontinued businesses. NOK 146 million was received in dividends from associated companies in 2022.

FINANCIAL STATEMENT

NOTE 27 ASSOCIATED COMPANIES CONT.

2021

SPECIFICATION OF THE AMOUNTS IN THE ACCOUNTS:

Amounts in NOK million	Material 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 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 ASSOCIATED COMPANIES

Amounts in NOK million	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
Total assets	**1,208**	**373**	**1,581**
Current liabilities	44	93	137
Non-current liabilities	934	208	1,142
Total liabilities	**978**	**301**	**1,279**
Shareholders' equity	230	72	302
Total equity and liabilities	**1,208**	**373**	**1,581**
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	-
Book value of the investment	**117**	**21**	**139**

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
Recognised share of comprehensive income	**3**	**23**	**26**

COMPREHENSIVE INCOME, ALL ASSOCIATED COMPANIES	Total material 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 0,2 million from discontinued businesses. NOK 82 million was received in dividends from associated companies in 2021.

NOTE 28 JOINT VENTURES

INVESTMENTS IN JOINT VENTURES AMOUNTS IN NOK MILLION

Amounts in NOK million	2022	2021	2020
Book value of investment as at 1 January	366	184	172
Additions	7	99	18
Disposals	-	-	-1
Share of profit for the year	-2	66	52
Equity transactions, incl. dividends	-57	18	-58
Currency translation differences	-4	-1	-
Total investments in joint ventures as at 31 December	**310**	**366**	**184**

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.

FINANCIAL STATEMENT

NOTE 28 JOINT VENTURES CONT.

2022

SPECIFICATION OF THE AMOUNTS IN THE ACCOUNTS:

Amounts in NOK million	Material companies	Other companies	Total
Amounts recognised in the balance sheet	32	278	310
Amounts recognised in the income statement	15	-17	-2

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	Vangsvegen 33	Total
Project name	2317 Sentrums-kvartalet	
Project area	Hamar	
Registered office	Oslo	
Ownership interest	50%	
Current assets	234	234
Non-current assets	-	-
Total assets	**234**	**234**
Current liabilities	115	115
Non-current liabilities	55	55
Total liabilities	**170**	**170**
Shareholders' equity	64	64
Total equity and liabilities	**234**	**234**
Operating revenue	248	248
Earnings after tax / comprehensive income	31	31
RECONCILIATION OF BOOK VALUE		
Group's share of the investment	32	32
Book value of the investment	**32**	**32**
RECONCILIATION OF SHARE OF COMPREHENSIVE INCOME FROM ESSENTIAL JOINT VENTURES		
Group's share of comprehensive income	15	15
Recognised share of comprehensive income	**15**	**15**

COMPREHENSIVE INCOME OF ALL JOINT VENTURES	Total material companies	Other companies	Total
Earnings after tax / comprehensive income	31	-34	-4
Group's share of comprehensive income	15	-17	-2

No joint ventures have been wound up during 2022. The comprehensive income is from continued operations. NOK 69 million was received in dividends from joint ventures in 2022.

NOTE 28 JOINT VENTURES CONT.

2021

SPECIFICATION OF THE AMOUNTS IN THE ACCOUNTS:

Amounts in NOK million	Material companies	Other companies	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

Amounts in NOK million	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	-	-	-
Total assets	**53**	**193**	**246**
Current liabilities	21	72	93
Non-current liabilities	-	-	-
Total liabilities	**21**	**72**	**93**
Shareholders' equity	32	121	153
Total equity and liabilities	**53**	**193**	**246**
Operating revenue	430	142	572
Earnings after tax / comprehensive income	56	126	182
RECONCILIATION OF BOOK VALUE			
Group's share of the equity	16	61	77
Other items	-4	4	-1
Book value of the investment	**12**	**64**	**76**
RECONCILIATION OF SHARE OF COMPREHENSIVE INCOME FROM ESSENTIAL JOINT VENTURES			
Group's share of comprehensive income	28	63	91
Other items	4	-4	1
Recognised share of comprehensive income	**32**	**60**	**92**

COMPREHENSIVE INCOME OF ALL JOINT VENTURES	Total material companies	Other companies	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.

FINANCIAL STATEMENT

NOTE 29 SUBSIDIARIES

The list below includes subsidiaries that are owned directly and indirectly. The direct stake column states the parent company's ownership stake in the subsidiary in question. Financial ownership is equivalent to the indirect ownership share in cases where there are non-controlling interests in several levels. It is a subsidiary's result multiplied by the financial ownership share that accrues to AF Gruppen's shareholders. Pure holding companies and companies without any activity have been omitted. The voting rights in all the subsidiaries follow the shares.

Name of company	Acquisition date	Office address Location	Country	Financial ownership		Ownership share	Business area
				31.12.21	31.12.22	31.12.22	
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
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	47.76%	47.76%	100.00%	Civil Engineering
Consolvo Services AS	22/06/18	Tranby	Norway	92.41%	92.40%	100.00%	Civil Engineering
Consolvo AS	03/11/11	Tranby	Norway	92.41%	92.40%	100.00%	Civil Engineering
Corroteam AS	03/11/11	Mjøndalen	Norway	92.41%	92.40%	100.00%	Civil Engineering
Consolvo Eiendom AS	03/11/11	Tranby	Norway	92.41%	92.40%	100.00%	Civil Engineering
Vannmeisling AS	06/12/16	Tranby	Norway	72.08%	72.07%	78.00%	Civil Engineering
Protector AS	03/11/11	Tranby	Norway	92.41%	92.40%	100.00%	Civil Engineering
Protector CPE AB	03/11/11	Göteborg	Sweden	78.55%	78.54%	85.00%	Civil Engineering
Protector KKS GmbH	03/11/11	Remseck	Germany	77.62%	77.61%	84.00%	Civil Engineering
Consolvo GmbH	03/11/11	Remseck	Germany	77.62%	77.61%	100.00%	Civil Engineering
Fjerby AS	16/09/14	Fjerdingby	Norway	79.57%	81.40%	100.00%	Civil Engineering
Rakon AS	26/09/18	Stavanger	Norway	64.69%	64.68%	70.00%	Civil Engineering
AF Anläggning AB	26/03/20	Stockholm	Sweden	100.00%	100.00%	100.00%	Civil Engineering
Stenseth & RS Entreprenør AS	25/03/22	Åros	Norway	-	80.50%	100.00%	Civil Engineering
Stenseth & RS Anlegg AS	25/03/22	Åros	Norway	-	80.50%	100.00%	Civil Engineering
Stenseth & RS Ressurs AS	25/03/22	Åros	Norway	-	80.50%	100.00%	Civil Engineering
Helgesen Tekniske Bygg AS (HTB)	30/10/18	Osterøy	Norway	50.68%	49.24%	70.00%	Construction
LAB Entreprenør AS	11/03/15	Bergen	Norway	72.40%	70.34%	100.00%	Construction
Fundamentering AS	11/03/15	Tiller	Norway	50.68%	49.24%	70.00%	Construction
Åsane Byggmesterforretning AS	11/03/15	Bergen	Norway	50.68%	59.79%	85.00%	Construction
Toppemyr AS	11/03/15	Bergen	Norway	72.40%	70.34%	100.00%	Construction
Nordstraumen Utbyggingsselskap AS	11/03/15	Bergen	Norway	43.44%	42.21%	60.00%	Construction
Hardangerfjord Eiendom AS	09/03/17	Bergen	Norway	72.40%	70.34%	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%	87.10%	87.10%	Construction
Construction City Bygg AS	01/02/21	Oslo	Norway	100.00%	100.00%	100.00%	Construction
Oslo Brannsikring AS	27/09/17	Oslo	Norway	55.24%	59.13%	76.00%	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	63.02%	61.85%	79.50%	Construction
Oslo Stillasutleie AS	03/11/11	Oslo	Norway	60.06%	60.06%	91.00%	Construction
Oslo Prosjektbygg AS	01/03/13	Oslo	Norway	58.41%	61.38%	93.00%	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%	40.41%	61.22%	Construction
Keyfree AS	01/03/21	Oslo	Norway	66.00%	56.79%	86.05%	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%	53.14%	100.00%	Construction
Fagbetong AS	03/11/11	Oslo	Norway	50.16%	53.14%	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
Oslo Overflateteknikk AS	03/11/21	Oslo	Norway	62.24%	62.24%	80.00%	Construction
Betonmast AS	31/10/19	Oslo	Norway	64.94%	65.35%	100.00%	Betonmast
Fishfarming Innovation AS	31/10/19	Averøy	Norway	35.72%	35.94%	55.00%	Betonmast
Betonmast Boligbygg AS	31/10/19	Oslo	Norway	64.94%	65.35%	100.00%	Betonmast

[1] *AF Gruppen Norge AS encompasses the Civil Engineering, Construction and Property business areas*

NOTE 29 SUBSIDIARIES CONT.

Name of company	Acquisition date	Office address Location	Country	Financial ownership		Ownership share	Business area
				31.12.21	31.12.22	31.12.22	
Betonmast Østfold AS	31/10/19	Grålum	Norway	64.94%	65.35%	100.00%	Betonmast
Betonmast Trøndelag	31/10/19	Trondheim	Norway	64.94%	65.35%	100.00%	Betonmast
Betonmast Buskerud-Vestfold AS	31/10/19	Oslo	Norway	64.94%	65.35%	100.00%	Betonmast
Betonmast Røsand AS	31/10/19	Averøy	Norway	64.94%	65.35%	100.00%	Betonmast
Betonmast Innlandet AS	31/10/19	Gjøvik	Norway	64.94%	65.35%	100.00%	Betonmast
Betonmast Asker og Bærum AS	31/10/19	Hønefoss	Norway	64.94%	65.35%	100.00%	Betonmast
Betonmast Oslo AS	31/10/19	Oslo	Norway	64.94%	65.35%	100.00%	Betonmast
Betonmast Romerike AS	31/10/19	Lillestrøm	Norway	64.94%	65.35%	100.00%	Betonmast
Betonmast Eiendom AS	31/10/19	Oslo	Norway	64.94%	65.35%	100.00%	Betonmast
Fjellstrand Omsorgsboliger AS	31/10/19	Oslo	Norway	39.94%	40.19%	61.50%	Betonmast
Røsand Eiendom AS	31/10/19	Averøy	Norway	64.94%	65.35%	100.00%	Betonmast
Kosterbaden Fritid AB	31/10/19	Göteborg	Sweden	64.94%	65.35%	100.00%	Betonmast
Nye Nittedal Sentrum AS	30/08/22	Oslo	Norway	-	65.35%	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%	70.34%	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%	0.00%	0.00%	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.
Betonmast Sverige AB	31/10/19	Göteborg	Sweden	64.94%	100.00%	100.00%	Sweden
AF Bygg Göteborg AB	01/07/01	Göteborg	Sweden	64.94%	100.00%	100.00%	Sweden
AF Bygg Väst AB	31/10/19	Göteborg	Sweden	64.94%	84.86%	100.00%	Sweden
AF Bygg Öst AB	31/10/19	Södertälje	Sweden	58.51%	93.30%	93.30%	Sweden
AF Bygg Stockholm AB	31/10/19	Stockholm	Sweden	55.85%	86.00%	86.00%	Sweden
AF Öresund AB	31/10/19	Malmö	Sweden	57.73%	88.93%	88.93%	Sweden
AF Anläggning Väst AB	31/10/19	Göteborg	Sweden	51.95%	84.00%	84.00%	Sweden
AF Prefab i Mälardalen AB	14/01/00	Södertälje	Sweden	100.00%	100.00%	100.00%	Sweden
AF Härnösand Byggreturer AB	01/07/13	Stockholm	Sweden	100.00%	100.00%	100.00%	Sweden
AF Bygg Syd AB	30/06/07	Halmstad	Sweden	76.77%	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	70.26%	78.98%	78.98%	Sweden
Bergbolaget i Götaland AB	09/02/17	Nässjö	Sweden	70.26%	78.98%	100.00%	Sweden
Kanonaden Mälardalen AB	30/06/17	Stockholm	Sweden	38.71%	43.52%	55.10%	Sweden
Kanonaden Täkt och Förvaltning AB	09/02/17	Nässjö	Sweden	70.26%	78.98%	100.00%	Sweden
Skaftviken AB	09/02/17	Nässjö	Sweden	70.26%	78.98%	100.00%	Sweden
HMB Construction AB	02/01/19	Falun	Sweden	68.03%	68.50%	96.40%	Sweden
HMB Construction Örebro AB	12/11/20	Falun	Sweden	34.69%	34.94%	51.00%	Sweden
SWE Maskinrenting AB	02/01/19	Falun	Sweden	68.03%	68.50%	100.00%	Sweden
Nybron Fastigheter AB	17/01/22	Härnösand	Sweden	-	100.00%	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
Aeron AS	01/07/08	Flekkefjord	Norway	100.00%	100.00%	100.00%	Offshore
Aermade AS	29/01/21	Eigersund	Norway	51.00%	51.00%	51.00%	Offshore
Clara AS	02/05/22	Oslo	Norway	-	100.00%	100.00%	Others

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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 2020	365	128	317	809
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
Non-controlling interests as at 31 December 2020	**476**	**119**	**306**	**901**
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
Non-controlling interests as at 31 December 2021	**476**	**109**	**333**	**918**
Share of comprehensive income	45	33	109	187
Share of adopted and paid dividends in 2022	-81	-38	-121	-240
Share-based payment	2	1	1	4
Addition of non-contr. interests from acquisition of business	-	-	14	14
Non-controlling interests put options	-	-	-5	-5
Transactions with non-controlling interests	42	-13	10	39
Non-controlling interests as at 31 December 2022	**485**	**92**	**341**	**918**

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

	Betonmast Holding			LAB		
Amounts in NOK million	**2022**	**2021**	**2020**	**2022**	**2021**	**2020**
Profit for the year	317	111	201	89	103	100
Total comprehensive income for the year	309	108	203	89	103	100
Non-current assets	1,631	2,023	2,049	465	465	436
Current assets	2,307	2,597	2,598	1,085	1,026	885
Total assets	**3,939**	**4,620**	**4,647**	**1,549**	**1,491**	**1,321**
Equity attributable to shareholders	1,343	1,274	1,280	91	133	135
Non-controlling interests	20	30	21	65	73	54
Long-term liabilities	627	1,198	1,392	159	158	79
Current liabilities	1,949	2,118	1,954	1,235	1,127	1,052
Total equity and liabilities	**3,939**	**4,620**	**4,647**	**1,549**	**1,491**	**1,321**
Non-contr. Interests ownership in the parent company	35.1 %	35.1 %	35.3 %	29.7 %	27.6 %	27.6 %

There are no contingent liabilities or pledges made regarding capital transfers in connection with any of the subsidiaries.

NOTE 31 JOINT OPERATIONS

AF Gruppen has in 2022, in a joint operation with the Italian company Ghella, signed the contract for building the new water distribution tunnels with the City of Oslo. The joint arrangement is organized through JV AF Ghella ANS, a liable company (ANS) founded in 2022, where AF Gruppen owns 60 %. The participants have unlimited liability and unanimity is required for any proposed decisions to be deemed to have been adopted.

JV AF Ghella ANS is classified as a joint operation, and AF Gruppen has the rights to the assets, and obligations for the liabilities, relating to the arrangement. The classification of the investment is done by assessing the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement, the delegation of authority, and other relevant facts and circumstances. AF Gruppen recognizes its share of assets, liabilities, revenues and expenses in the consolidated financial statement. Information about accounting policies for joint operations is disclosed in Note 40 – Significant Account Policies.

The table below shows AF Gruppen's share in the joint operations recognised in the financial position in the consolidated financial statement.

2022

Amounts in NOK million	JV AF GHELLA ANS
Project name	E6 Rentvannstunnel in Oslo
Project area	Oslo
Registered office	Oslo
Business area	Construction
Ownership interest	60%
Current assets	40
Non-current assets	542
Total assets	**581**
Current liabilities	543
Non-current liabilities	33
Total liabilities	**576**
Shareholders' equity	5
Total equity and liabilities	**581**

The group had no joint operations in 2021.

FINANCIAL STATEMENT

NOTE 32 SHARE CAPITAL AND SHAREHOLDER INFORMATION

THE SHARE CAPITAL CONSISTS OF

	Number of shares	Nominal value	Book value
A-shares	107,702,000	0.05	5,385,100

SHAREHOLDER	Number of shares	Stake	Change 2021-2022
ØMF Holding AS	17,842,233	16.57%	658,524
OBOS BBL	17,459,483	16.21%	332,141
Constructio AS	15,288,012	14.19%	592,665
Folketrygdfondet	8,387,757	7.79%	-859,122
LJM AS	2,515,217	2.34%	-
Artel Kapital AS	2,508,267	2.33%	-
Vito Kongsvinger AS	1,911,676	1.77%	-
Arne Skogheim AS	1,753,870	1.63%	-
Janiko AS	1,350,186	1.25%	-276,814
Moger Invest AS	1,242,609	1.15%	-57,577
Ten largest shareholders	**70,259,310**	**65.23%**	**389,817**
Total other shareholders	37,442,690	34.77%	507,683
Total number of shares	**107,702,000**	**100.00%**	**897,500**

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 2022.

MOVEMENT IN NUMBER OF SHARES DURING THE YEAR

Total number of shares as at 1 January 2022	106,804,500
New issues related to the acquisition of companies	203,126
New issue to employees related to the share purchase programme	694,374
Total number of shares as at 31 December 2022	**107,702,000**

SHARES AND OPTIONS OWNED BY THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES AS AT 31 DECEMBER 2022

Board of Directors		Options	Shares	Shares owned by related parties
Pål Egil Rønn	elected by shareholders, Board Chairman	-	207,225	-
Arne Baumann [1)]	elected by shareholders	-	-	17,459,483
Kristian Holth [2)]	elected by shareholders	-	-	16,309,521
Hege Bømark	elected by shareholders	-	-	-
Saloume Djoudat	elected by shareholders	-	-	-
Hilde Kristin Herud [3)]	elected by shareholders	-	-	3,075
Erik Tømmeraas Veiby [4)]	elected by shareholders	-	-	2,224,240
Arne Sveen	elected by employees	-	-	-
Hilde W. Flaen	elected by employees	3,915	29,016	-
Espen Jahr	elected by employees	5,933	5,057	-
Sum		**9,848**	**241,298**	**35,996,319**

[1)] Represents OBOS BBL, which owns 17,459,483 shares.
[2)] Represents Constructio AS and Flygind AS, which own 15,288,012 and 1,021,509 shares, respectively.
[3)] Represents Hilma Invest AS, which owns 3,075 shares.
[4)] Represents Vito Kongsvinger AS and KB Gruppen Kongsvinger AS, which own 1,911,676 and 312,564 shares, respectively.

NOTE 32 SHARE CAPITAL AND SHAREHOLDER INFORMATION CONT.

Corporate Management Team		Options	Shares
Amund Tøftum	CEO	20,833	126,044
Anny Øen	Executive Vice President/CFO	10,445	26,299
Bård Frydenlund	Executive Vice President	20,833	179,385
Eirik Wraal	Executive Vice President	20,660	38,679
Geir Flåta	Executive Vice President	20,488	1,591
Tormod Solberg	Executive Vice President	14,513	49,853
Lars Myhre Hjelmeset	Executive Vice President	13,962	35,600
Total		**121,734**	**457,451**

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 12 May 2023. 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 2022, a total of 3,505,712 options have been allotted in this programme. Market price for the AF share was at the time of exercise 1 March 2023 less than the strike prices. 1 361 options were exercised. Remaining options lapsed.

TREASURY SHARES

Treasury shares have been acquired with a view to sales to employees. Shares have not been bought from related parties in 2021 or 2022.

Share transactions	2022	2021
Number of shares acquired	355,872	146,876
Average acquisition cost per share (NOK)	184.7	184.8
Total acquisition cost (NOK million)	**66**	**27**
Number of shares sold to employees	355,872	281,876
Average selling price per share (NOK)	159.0	181.8
Total sales consideration (NOK million)	**57**	**51**
Number of treasury shares as at 31 December	-	-
Nominal value of treasury shares at NOK 0.05 each	-	-

NOTE 33 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.

2022

Corporate Management Team (NOK 1000)	Fixed pay	Bonus	Retirement benefits	Share-based compensation	Other benefits	Total
Amund Tøftum, CEO	4,049	7,659	84	141	88	12,021
Sverre Hærem, Executive Vice President/CFO [1]	1,461	4,415	85	227	42	6,229
Anny Øen, Executive Vice President/CFO [2]	539	-	30	24	19	612
Bård Frydenlund, Executive Vice President	1,881	3,902	86	203	58	6,130
Eirik Wraal, Executive Vice President	1,874	3,880	85	24	29	5,892
Ida Aall Gram, Executive Vice President [3]	1,353	3,637	54	128	64	5,236
Geir Flåta, Executive Vice President	1,875	4,079	87	4	73	6,119
Tormod Solberg, Executive Vice President	1,662	3,486	85	131	32	5,396
Lars Myhre Hjelmeset, Executive Vice President [4]	600	-	30	24	28	682
Total remuneration to the Corporate Management Team	**15,293**	**31,058**	**626**	**908**	**433**	**48,318**

[1] Sverre Hærem was Executive Vice President/CFO up until 31 August 2022.
[2] Anny Øen has been Executive Vice President/CFO since 1 September 2022.
[3] Ida Aall Gram was Executive Vice President up until 30 September 2022.
[4] Lars Myhre Hjelmeset has been Executive Vice President since 1 September 2022.

For 2022, bonuses to the Corporate Management Team totalling NOK 28 million were recognised. Bonuses for the 2022 financial year will be paid in 2023 and 2024 (holiday pay on bonuses).

2021

Corporate Management Team (NOK 1000)	Fixed pay	Bonus	Retirement benefits	Share-based compensation	Other benefits	Total
Amund Tøftum, CEO [1]	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 [2]	1,575	858	80	52	31	2,596
Total remuneration to the Corporate Management Team	**14,610**	**24,646**	**550**	**554**	**315**	**40,676**

[1] 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.
[2] 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.

NOTE 33 REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES CONT.

BONUS FOR THE PURCHASE OF SHARES TO SENIOR EXECUTIVES

Number of shares/price	2022	2021
Number of bonus shares sold from own holdings	25,442	30,235
Number of bonus shares from new issues	-	-
Market price at the time of the agreement (NOK)	199.84	177.24
Selling price (NOK)	159.87	141.79
Accounting consequences of bonus shares (NOK 1000):		
Indirect payroll costs (discount excl. payroll tax)	-1,017	-1,072

Shares owned by senior executives and subscribed options are described in Note 32 – Share capital and shareholder information.

DIRECTORS' FEES

Director's fee (in NOK 1000)	2022	2021
Pål Egil Rønn, Board Chairman [1]	622	600
Kristian Holth, board member	404	375
Borghild Lunde, board member	-	375
Hege Bømark, board member	389	390
Arne Baumann, board member	389	375
Kjetel Digre, board member	389	375
Kristina Alvendal, board member	389	375
Saloume Djoudat, board member	389	-
Hilde Wikesland Flaen, employee-elected board member	275	265
Arne Sveen, employee-elected board member	275	265
Kenneth Svendsen, employee-elected board member	275	265
Total director's fee	**3,792**	**3,660**

Directors' fees are partly paid in the year after they are earned, i.e. the directors' fees that are paid in 2022 refer to 2021/2022.

[1] In addition to the Board Chairman's remuneration of NOK 622,000 (NOK 600,000) that was paid in 2022, 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 until 1 August 2023. Costs of NOK 250,000 incurred in connection to this agreement in 2022 and NOK 250,000 in 2021.

GUIDELINES FOR 2022

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 6-16b 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, 2021 and 2022 will be NOK 154.77, NOK 183.80 and NOK 165.82 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, 150,000 in June 2021 and 151,669 in June 2022. The total number of outstanding options, adjusted for employees who have left company, was 3 505 712 as of 31 December 2022. Market price for the AF share was at the time of exercise 1 March 2023 less than the strike prices. 1 361 options were exercised. Remaining options lapsed.

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 2022 has been in accordance with the statement submitted to the General Meeting in 2022.

FINANCIAL STATEMENT

NOTE 34 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	2022	2021	2020
CONTRACT TOTAL			
Associated companies and joint ventures	2,904	1,725	2,903
Total	**2,904**	**1,725**	**2,903**
TRADING VOLUME			
Associated companies and joint ventures	985	685	1,108
Total	**985**	**685**	**1,108**
PURCHASE OF GOODS AND SERVICES			
Associated companies and joint ventures	-1	-	-
Total	**-1**	**-**	**-**
NON-INTEREST-BEARING RECEIVABLES AS AT 31 DECEMBER			
Associated companies and joint ventures	116	38	30
Total	**116**	**38**	**30**
INTEREST-BEARING RECEIVABLES AS AT 31 DECEMBER			
Associated companies and joint ventures	288	340	506
Total	**288**	**340**	**506**

Members of the Board of Directors and the management of the Group and their related parties control 34.1 per cent (31.7 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 33 – 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 35.

NOTE 35 PLEDGED ASSETS AND GUARANTEES

PLEDGED ASSETS

Amounts in NOK million	Note	2022	2021
Mortgage loans	20	1	2
Financial lease liabilities	15	585	487
Book value of liabilities secured by pledges, etc.		**586**	**489**
BOOK VALUE OF SECURED ASSETS			
Buildings and production facilities		19	21
Machinery, fixtures and fittings		85	58
Trade and non-interest-bearing receivables		186	166
Other pledged assets		6	4
Leased machinery and equipment	15	581	453
Total book value of pledged assets		**876**	**703**

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	2022	2021
Guarantees issued to clients [1]	4,784	5,215
Guarantees issued to associated companies and joint ventures [2]	397	357
Sum	**5,181**	**5,572**

[1] In connection with construction contracts entered into, the subsidiaries in AF Gruppen are subject to the usual contracting obligations and the associated guarantees. In this connection, AF Gruppen ASA has furnished guarantees to subsidiaries in the form of absolute guarantees to financial institutions. In addition, AF Gruppen ASA and AF Gruppen Norge AS have issued parent company guarantees, which primarily concern guarantees of this type. The guarantees issued to clients are related to contractual obligations and are primarily issued as tender guarantees, delivery guarantees and payment guarantees.

[2] AF Gruppen Norge AS has in some cases issued guarantees as security for loans etc. in favour of development companies. This can typically be in connection with the fact that the development company has received financing from a bank and the owners have chosen to provide a guarantee for parts of such financing, based on a specific assessment. This concerns partial guarantees, in which AF Gruppen only guarantees for a portion of the amount corresponding to its ownership interest in the project in question. The guarantee cannot be enforced unless the development company is not able to fulfil its obligations.

In addition, as a part-owner in limited partnerships, AF Gruppen has undertaken to contribute partnership capital. As at 31 December 2022, committed, unpaid partnership capital totalled NOK 38 (38) million.

FINANCIAL STATEMENT

NOTE 36 CONTINGENCIES

The execution of building and construction assignments occasionally results in this occurring disagreement between contractor and client related to how the underlying contract shall be understood. AF Gruppen emphasizes solving such disputes through negotiations outside the legal system. A few things are decided despite this through arbitration or in the court system. It is done ongoing assessments related to disputed claims against customers and claims from subcontractors against AF to ensure as much correct accounting as possible reporting. 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 2022, AF Gruppen was involved in the following legal disputes of importance:
AF Bygg Østfold and Joh. Johannson Kaffe AS at the subsidiary Vestby Næringspark Joh. AS about the final settlement for the coffee processing plant at Vestby. Main hearings in the district court were conducted in January and February 2023. There is no judgment in the case at the time of delivery of the annual accounts for 2022. Myklabergtoppen housing association has issued a summons against Real Prosjektutvikling AS (builder). AF Bygg Prosjektpartner as general contractor is included recourse action. The case concerns claim for rectification, price reduction and compensation as a result of alleged defects in a residential building that was handed over in 2012. The case is scheduled for the district court in September 2023.

Betonmast Oslo AS has summoned Canica AS at its subsidiary Kongeveien Eiendom AS related to the final settlement of the project The Well Resort at Sofiemyr in Nordre Follo. The matter has not been scheduled.

THE FOLLOWING CASES MENTIONED IN 2021 HAVE BEEN CONCLUDED IN 2022:
At the end of 2021, AF Gruppen was involved in two legal disputes which are terminated by settlement agreement in 2022: AF Bygg Syd had subpoenaed Älmhult municipality related to the final settlement for the project Älmhults Vattenverk. Eiqon had subpoenaed Holtefjell Eiendom AS at the subsidiary Skansen Næringspark AS. The case concerned the final settlement for the construction of commercial property.

NOTE 37 CLIMATE RISK

AF Gruppen has established specific strategic targets for climate and environment in the Group Strategy from 2020:

- AF will reduce its greenhouse gas emissions by at least 50 per cent by 2030.
- AF will reduce its incineration and landfill waste by at least 50 per cent by 2030.
- AF will be climate-neutral by 2050.

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

AF Gruppen updated its climate risk analysis in 2022 in accordance with the TCFD framework and identified 23 climate risks, which are presented on page 22 of the annual report. These risks represent both opportunities and threats in terms of business activities and financial position. These risks have been classified as physical risk, transition risk and liability risk.

Physical risk may arise as a result of climate and weather-related events, such as heatwaves, droughts, floods, storms, etc. Such events may lead to e.g. financial losses due to disruptions to supply chains, delayed operations or changed requirements for newbuilds, civil engineering developments and modernisation of existing building stock. AF seeks to reduce the impact of such risks by striving to enter into predictable agreements with suppliers in relation to price and delivery dates, as well as ensuring that changed functional or energy requirements are reflected in the customer's price. With the broad range of services offered by AF Gruppen, this could also lead to market opportunities within e.g. modernisation of existing buildings, electrification and energy saving.

Transition risks may arise as a result of the transition to a low-carbon society. Changes to policies and technology, increased carbon pricing or requirements concerning reduced energy consumption could lead to changes to the value of assets but could also create business opportunities. AF Gruppen's ability to adapt to the demand for new services in the market will determine whether we can exploit the opportunities represented by transition risks. Impairment tests of goodwill and intangible assets have taken into account the potential financial effects through the underlying budgets. These are based on information about cost components, macroeconomic conditions and price trend developments. The Group has both owned and leased plant and equipment, which are continuously adapted for applicable functional requirements and customers' criteria for e.g. emissions. The rate of replacement will be assessed at the time of entering into purchase or lease contracts and any changed requirements are followed up on an ongoing basis. No significant effects have been identified in connection with the impairment of these types of assets. The long-term financial effects of transition risk are highly uncertain but are not considered to have any significant effect on the Group's assets.

Liability risk may entail increased liability linked to climate-related events being transferred to the contractor, or that complex or untested solutions and construction methods create increased risk of warranty liability or disputes. It could also lead to changed insurance terms through more expensive insurance premiums or non-insurable events and force majeure situations. AF Gruppen wishes to safeguard itself against or avoid risks that we cannot influence. The Group therefore purposefully works to reduce the effect of these types of risks through close dialogue with customers, proper contractual understanding and continuous updates to existing insurance contracts to cover current needs.

In connection with the end of the Group's financial period, relevant climate risks are assessed in relation to potential accounting effects, including:

- review of project portfolios at business unit level every quarter, including quantitative assessment of outcome ranges for each project associated with identified risks
- review of disputes and claims for compensation
- assessment of the service life of property, plant and equipment
- effects of climate-related events or changes to performance in relation to the budget that forms the basis for impairment tests

Group Finance at AF Gruppen works closely with the Corporate Management Team and other internal resources that are responsible for climate and the environment to quality assure that relevant factors are taken into account in the Group's accounts. Climate risk has not been identified as having any significant effect on the 2022 consolidated accounts.

NOTE 38 EVENTS AFTER THE BALANCE SHEET DATE

The global economy has experienced significant changes in recent years. Pandemic and war have brought with them, among other things, inflation, the energy crisis and delivery challenges. As a consequence of this, most countries have experienced abnormal price increases and an interest rate level they have not witnessed many years. Increased market prices affect all our projects, and the construction projects have been affected to a particularly large extent. The start of 2023 has showed tendencies towards a stabilization of the price level of a number of raw materials, but that uncertainty is still linked to how this may affect individual projects progress and cost level. Wage and price increase clause in projects will only partially compensate for this increase. In our units within real estate we have also seen the effect of increased interest rates on a decline in new sales homes in the second half of 2022. The development of sales of new homes is among other related to the level of interest rates and the expectations of potential interest rate increases. There is therefore uncertainty associated with the development of new sales homes in 2023.

No events have taken place since the end of the year that are of significance to the consolidated financial statements.

FINANCIAL STATEMENT

NOTE 39 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 40 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 the 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)	2022	2021
Revenue from production contracts and the performance of services	6		30,731	27,519
Current receivables and current liabilities	10, 17	Contractual asset:	2,021	1,547
		Contractual receivable:	3,340	2,923
		Contractual obligation:	1,546	959
Provisions	16	Warranty work	384	317
		Other provisions	210	190

GOODWILL

Goodwill is not amortised, but is tested at least once a year for impairment. In the impairment test the carrying amount of goodwill and net working capital 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 calculating the value in use. The calculation of value in use requires management to exercise judgment when estimating future cash flow and in the calculation of the discount rate. For a description of tests performed and key assumptions, including sensitivity analysis, 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) 2022	2021
Intangible assets	5, 13	4,455	4,328

NOTE 40 SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION POLICIES

Subsidiaries

The consolidated financial statements includes 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 is achieved and ceases when the Group loses control.

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 exceeds 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 with joint control have rights to the assets and are responsible for the liabilities in the arrangement. In a joint venture, the parties with joint control have 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 has one joint arrangement classified as joint operation, the remaining joint arrangements are assessed to be joint ventures.

Joint operation is organized through a liable company (ANS) where two or more parties signs a contract jointly. A joint operation is characterized by the partners having joint and several liability, and AF Gruppen recognizes its share of assets, liabilities, revenues and expenses in the consolidated financial statement.

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.

FINANCIAL STATEMENT

NOTE 40 SIGNIFICANT ACCOUNTING POLICIES CONT.

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 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 performance obligation. Combinations of contracts may exist, for which an assessment has been made that they represent a single performance 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 performance obligations.

The progression of the performance 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 methods 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 performance 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 performance 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 performance 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.

NOTE 40 SIGNIFICANT ACCOUNTING POLICIES CONT.

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 performance obligations. Thus, there are generally recognised with a cumulative catch-up effect. Changes that are regarded as a separate performance 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 performance obligation.

Tender costs are included in the completion rate for the performance obligations if it has been assessed that the work that has been performed will contribute to fulfilling the performance obligation. Inefficiency costs, i.e. costs that were not taken into account in the pricing of the performance obligation, are recognised when they arise and are not included in the completion rate for the performance obligation. Materials are not included in the project's percentage of completion until the materials have been installed and regarded as having been handed over to the customer.

Projects for own account
Projects for own account largely involve the development and construction of apartment buildings for sale. An apartment building consists of many units, and the majority of the units are sold before a project starts. Each apartment is regarded as a separate performance 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 performance obligation.

Demolition work
Demolition work encompasses the demolition of buildings, oil platforms and other installations. Demolition work is often defined as a performance 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 performance 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 performance 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 performance 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.

NOTE 40 SIGNIFICANT ACCOUNTING POLICIES CONT.

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.

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

NOTE 40 SIGNIFICANT ACCOUNTING POLICIES CONT.

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.

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 recognised 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 lease contract. 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. No material uncertainty exists related to assessments regarding optional periods and the carrying amount of lease contracts recognised in the financial statement.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest rate on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring 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, 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

FINANCIAL STATEMENT

NOTE 40 SIGNIFICANT ACCOUNTING POLICIES CONT.

requirements in IFRS 9 are recognised in accordance with the principles of hedge accounting. For cash flow hedging, changes in the fair value of derivatives are recognised in other comprehensive income (OCI). The entries are reversed and recognised as income or an expense during the period the hedged transaction is recognised in the income statement. Interest rate derivatives and forward currency and commodity contracts that mature within 12 months are presented as short-term derivatives, and contracts that mature in more than 12 months are classified as long-term derivatives.

Investments in equity instruments
Investments in equity instruments are measured at fair value in the balance sheet. Changes in value are recognised as a result in the ordinary income statement, but an equity instrument that is not held for trading purposes and is not contingent consideration after a business transfer, can be earmarked as measured at fair value with changes in value through other comprehensive income (OCI). Ordinary dividends are recognised in the income statement. Accumulated changes in value are not reclassified to profit or loss on disposal.

Financial liabilities
Financial liabilities, such as interest-bearing debt are measured at amortised cost, with the exception of financial liabilities that are measured at fair value through profit or loss due to the fact that they are held for trading purposes, and financial liabilities that are earmarked for measurement at fair value through profit or loss.

Receivables
Short-term and long-term receivables are assessed at their amortised cost by means of the effective interest rate method. Due to the short term to maturity for trade receivables and other receivables, the receivables will in practice be recognised at their nominal value less expected losses.

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.

Shareholders' equity

Treasury shares
When treasury shares are bought back, the purchase price, including costs that can be directed attributable as a deduction from equity, is recognised. Treasury shares are presented as a reduction in equity.

Translation differences
Translation differences arise in connection with exchange differences in the consolidation of foreign units. Units with a functional currency other than NOK are consolidated step by step. This means that translation differences are identified at various levels in accordance with the corporate structure and reclassified to the income statement upon disposal of a subsidiary when the directly overlying parent company has another functional currency.

Dividend
Dividends are recognised as a liability when they are adopted by the General Meeting. This means that proposed dividends that are not yet adopted are included in equity.

Employee benefits

Defined-benefit plans
The Group has defined-benefit plans in the Norwegian companies for employees born in or before 1951 who joined the Group prior to 1 January 2003. The pension plans are funded through accumulated reserves in insurance companies. The net liability is calculated on the basis of the present value of future retirement benefits that the employees have earned on the balance sheet date less the fair value of plan assets. The plan's benefit formula is used as allocation method. Actuarial gains and losses are recognised under other comprehensive income during the period in which they arise.

AF has a defined-benefit multi-company scheme for the early retirement (AFP) scheme, which is financed by premiums set at 1 per cent of the employee's salary. At present there is no reliable measurement or allocation of the liabilities and funds in the scheme. In the accounts this scheme is therefore treated as a defined contribution pension scheme in which the premium payments are recognised as costs on an ongoing basis, and no provisions are set aside in the accounts. The premium is fixed at 2.4 per cent of the total payments between 1 and 7.1 times the National Insurance basic amount (G) to the company's employees. There is no accumulation of funds in the scheme, and it is expected that the premium level will increase in the coming years.

Employees in the Swedish subsidiaries are members of a defined-contribution pension plan. The same applies to employees in Norway who are not members of defined benefit pension plans. The net retirement benefit expense for the period is included under payroll costs.

Defined-contribution pension plans
The Group has a defined-contribution pension plan for all the employees in Norway that are not encompasses by the defined-benefit plan. The pension premiums are recognised as an expense when they are incurred. The Group has no liabilities beyond this.

Share-based compensation
AF Gruppen offers employees discounted shares with a lock-in period of one year, either from the sale of treasury shares or by a private offering. The sale of shares is recognised in accordance with the requirements for share-based remuneration.

Discounts on the sale of treasury shares to employees are recognised as expenses at fair value on the allotment date. The value of the discounts is calculated using an option pricing model that takes the vesting period into account.

AF Gruppen also offers share options to employees: through a three-year option programme. Options are measured at fair value at the time of allotment. The calculated value of the estimated share of the options that are expected to be redeemed is recognised as a payroll cost, and the cross entry is made under other paid-in equity. The cost is distributed over the period until the employee acquires an unconditional right to redeem the options. The estimated number of options that are expected to be redeemed is reassessed on every balance sheet date. Any changes reduce the future cost by a corresponding adjustment of the equity.

Payroll tax on the wage benefits relating to outstanding options are recognised in the income statement using a best estimate for the liability.

NOTE 40 SIGNIFICANT ACCOUNTING POLICIES CONT.

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. Interest paid is classified as financing activities and interest received is classified as investing activities.

Contingent liabilities and assets
Contingent liabilities are not recognised in the financial statements. Significant contingent liabilities are disclosed with the exception of contingent liabilities with a low probability. Contingent assets are not recognised in the annual financial statements, but disclosed if it is probable that the benefit will pass to the Group.

Events after the balance sheet date
New information concerning the Company's financial position on the balance sheet date that is received after the balance sheet date is considered in the financial statements. Events after the balance sheet date that do not affect the Group's financial position on the balance sheet date, but will affect its financial position in the future, are disclosed if they are significant.

ANNUAL ACCOUNTS

INCOME STATEMENT

Amounts in NOK million	Note	2022	2021
Intragroup contributions and dividends received	6	1,516	1,016
Total operating and other revenue		**1,516**	**1,016**
Other operating expenses	2, 3	-27	-28
Earnings before interest and tax (EBIT)		**1,488**	**988**
Net financial items	4	24	49
Earnings before tax (EBT)		**1,512**	**1,038**
Income tax expense	5	-	-6
Profit for the year		**1,512**	**1,032**

TOTAL COMPREHENSIVE INCOME

Amounts in NOK million	2022	2021
Profit for the year	1,512	1,032
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**1,512**	**1,032**

FINANCIAL STATEMENT

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

Amounts in NOK million	Note	2022	2021
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries	6	3,052	2,252
Total non-current assets		**3,052**	**2,252**
CURRENT ASSETS			
Other non-interest-bearing receivables from group companies	7	1,418	988
Other non-interest-bearing receivables		27	6
Total current assets		**1,445**	**994**
Total assets		**4,497**	**3,245**
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	8, 9	5	5
Treasury shares	9	-	-
Premium	9	361	237
Other paid-in equity	9	54	54
Total paid-in capital		**420**	**296**
Other equity	9	900	529
Total retained earnings		**900**	**529**
Total equity		**1,320**	**824**
CURRENT LIABILITIES			
Interest-bearing debt to group companies	7	2,421	1,677
Taxes and public charges payable	7	-	-
Tax payable	5	-	6
Other debt to group companies	7	52	41
Proposed dividend	9	700	694
Other short-term debt and provisions		3	3
Total current liabilities		**3,176**	**2,421**
Total equity and liabilities		**4,497**	**3,245**

OSLO, 30 MARCH 2023

Pål Egil Rønn
Board Chairman

Hege Bømark

Saloume Djoudat

Kristian Holth

Arne Baumann

Hilde Kristin Herud

Amund Tøftum
CEO

Espen Jahr

Hilde Wikesland Flaen

Arne Sveen

Erik Tømmeraas Veiby

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

CASH FLOW STATEMENT

Amounts in NOK million	Note	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		1,512	1,038
Paid taxes	5	-6	-2
Revenues from group contributions and dividends		-1,516	-1,016
Change in balances with group companies		748	347
Change in accruals		-21	-25
Net cash flow from operating activities		**717**	**342**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Dividends received and group contributions		1,092	631
Payments for capital increases in subsidiaries		-800	-
Net cash flow from investment activities		**292**	**631**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from capital increases	9	125	119
Proceeds from the sale of treasury shares	9	57	51
Purchase of treasury shares	9	-66	-27
Payment of dividends	9	-1,125	-1,116
Net cash from financing activities		**-1,010**	**-973**
Net change in cash and cash equivalents during the year		-	-
Cash and cash equivalents as at 1 January		-	-
Cash and cash equivalents as at 31 December		**-**	**-**

FINANCIAL STATEMENT

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 7 February 2022).

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The consolidated financial statements are available at the registered business office of AF Gruppen ASA, Helsfyr Atrium, Oslo.

For information on related parties, sale/acquisition of business areas, earnings per share and events after the balance sheet date, reference is made to the relevant notes in the consolidated financial statements.

The financial statements for the Parent Company, AF Gruppen ASA, were approved for publication by the Board of Directors on 30 March 2023.

The accounting policies described for the Group are consistent with those used for the Parent Company financial statements. Reference is made to Note 40 in the consolidated financial statements for a detailed description of the accounting policies applied.

Accounting policies that are only relevant to the Parent Company or deviate from the consolidated financial statements are as follows:

SHARES IN SUBSIDIARIES
Subsidiaries are valued in accordance with the cost method in the company's accounts. Investments are valued at historical cost unless a write-down of the shares has been necessary. Shares in subsidiaries are tested for impairment when there are factors indicating that such a test shall be made. If the recoverable amount is lower than the carrying amount, the shares will be written down to the recoverable amount. Write-downs are reversed when the basis for the write-downs no longer exists.

DIVIDENDS AND GROUP CONTRIBUTIONS
Entities that are required to keep accounts and prepare company accounts in accordance with the regulations pursuant to Section 3.9 of the Norwegian Accounting Act may, regardless of other provisions in these regulations, recognise dividends and group contributions in accordance with the provisions of the Norwegian Accounting Act. AF Gruppen ASA has chosen to make use of this exception. This means that dividends and group contributions received and paid by the parent company will be recognised the year prior to when the receipt or payment is adopted. The same applies to any tax effect of such transactions.

NOTE 2 REMUNERATION OF THE CEO AND BOARD OF DIRECTORS

Amounts in NOK thousand	**2022**	**2021**
REMUNERATION OF THE CEO		
Amund Tøftum		
Fixed pay	4,049	3,757
Bonus	7,659	5,071
Retirement benefits	84	75
Other benefits	229	195
Total	**12,021**	**9,097**
Directores' fees	3,792	3,660

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 33 Remuneration of the board and senior executives in the consolidated financial statements for further information.

NOTE 3 OTHER OPERATING EXPENSES

Amounts in NOK million	**2022**	**2021**
Audit fees	-1	-1
Ownership costs	-18	-17
Other operating expenses	-9	-10
Total other operating expenses	**-27**	**-28**

Amounts in NOK thousand	**2022**	**2021**
REMUNERATION TO THE AUDITOR		
Statutory audit fees	-856	-569
Other assurance engagements	-115	-
Tax advisory	-	-
Other services beyond auditing	-	-20
Total audit fees	**-971**	**-588**

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 45 (25) thousand.

NOTE 4 NET FINANCIAL ITEMS

Amounts in NOK million	**2022**	**2021**
FINANCIAL INCOME		
Interest income from group companies	24	49
Other interest income	-	-
Total financial income	**24**	**49**
FINANCIAL EXPENSES		
Other interest expenses	-	-
Total financial expenses	**-**	**-**
Net financial items	**24**	**49**

FINANCIAL STATEMENT

NOTE 5 INCOME TAX EXPENSE AND DEFERRED TAX/TAX ASSET

Amounts in NOK million	2022	2021
INCOME TAX EXPENSE IN THE INCOME STATEMENT		
Current tax payable for the year	-	-6
Total tax payable	**-**	**-6**
Change in deferred tax / tax assets	-	-
Change in deferred tax liabilities/assets due to change in tax rate	-	-
Tax change in deferred tax	**-**	**-**
Total income tax expense	**-**	**-6**
RECONCILIATION OF THE INCOME TAX EXPENSE FOR THE YEAR		
Profit before tax	1,512	1,038
Expected income tax based on the nominal tax rate	**-333**	**-228**
Tax effects of:		
– Change in tax rate	-1	-1
– Recognised dividends and group contributions without tax	333	223
Total tax expense recognised in income statement	**-**	**-6**
TAX PAYABLE ON THE BALANCE SHEET IS CALCULATED AS FOLLOWS:		
Tax on group contributions received	-	-6
Tax payable on the balance sheet	**-**	**-6**
TEMPORARY DIFFERENCES INCLUDED IN THE DEFERRED TAX ASSETS/LIABILITIES		
Tax loss carryforward	-	-
Basis for deferred tax (deferred tax assets) on the balance sheet	**-**	**-**
Deferred tax (deferred tax assets) in the financial statements	-	-

NOTE 6 INVESTMENTS IN SUBSIDIARIES

Name of company	Date aquired	Business address	Ownership interest	Voting share
AF Gruppen Norge AS	05/09/85	Oslo	100.0 %	100.0 %
AF Gruppen Holding AS	25/09/17	Oslo	100.0 %	100.0 %
AF Offshore AS	02/04/09	Oslo	100.0 %	100.0 %
AF Energi og Miljø AS	15/01/09	Oslo	100.0 %	100.0 %
Betonmast Holding AS	28/10/19	Oslo	64.2 %	64.2 %

NOTE 7 INTERCOMPANY BALANCES WITH GROUP COMPANIES

Amounts in NOK million	2022	2021
RECEIVABLES FROM GROUP COMPANIES		
Group contributions and dividends received	1,393	970
Joint VAT registration	25	18
Total receivables from group companies	**1,418**	**988**

Amounts in NOK million	2022	2021
DEBT TO GROUP COMPANIES		
Ownership costs	-	17
Corporate cash pooling system debt	2,421	1,677
Joint VAT registration	52	24
Total debt to group companies	**2,473**	**1,718**

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 2022, the company has a drawdown of NOK 2 420 913 thousand in the cash pool. The group had a negative net balance in the cash pool at the end of the year.

FINANCIAL STATEMENT

NOTE 8 SHARE CAPITAL AND SHAREHOLDER INFORMATION

	Number of shares	Nominal value	Book value
A-shares	107,702,000	0.05	5,385,100

SHAREHOLDER	Number of shares	Stake	Change 2021-2022
ØMF Holding AS	17,842,233	16.57%	658,524
OBOS BBL	17,459,483	16.21%	332,141
Constructio AS	15,288,012	14.19%	592,665
Folketrygdfondet	8,387,757	7.79%	-859,122
LJM AS	2,515,217	2.34%	-
Artel Kapital AS	2,508,267	2.33%	-
Vito Kongsvinger AS	1,911,676	1.77%	-
Arne Skogheim AS	1,753,870	1.63%	-
Janiko AS	1,350,186	1.25%	-276,814
Moger Invest AS	1,242,609	1.15%	-57,577
Ten largest shareholders	**70,259,310**	**65.23%**	**389,817**
Total other shareholders	37,442,690	34.77%	507,683
Total number of shares	**107,702,000**	**100.00%**	**897,500**

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 2022.

Board of Directors		Options	Shares	Shares owned by related parties
Pål Egil Rønn	elected by shareholders, Board Chairman	-	207,225	-
Arne Baumann [1]	elected by shareholders	-	-	17,459,483
Kristian Holth [2]	elected by shareholders	-	-	16,309,521
Hege Bømark	elected by shareholders	-	-	-
Saloume Djoudat	elected by shareholders	-	-	-
Hilde Kristin Herud [3]	elected by shareholders	-	-	3,075
Erik Tømmeraas Veiby [4]	elected by shareholders	-	-	2,224,240
Arne Sveen	elected by employees	-	-	-
Hilde W. Flaen	elected by employees	3,915	29,016	-
Espen Jahr	elected by employees	5,933	5,057	-
Sum		**9,848**	**241,298**	**35,996,319**

[1] Represents OBOS BBL, which owns 17,459,483 shares.
[2] Represents Constructio AS and Flygind AS which own 15,288,012 and 1,021,509 shares, respectively.
[3] Represents Hilma Invest AS which owns 3,075 shares.
[4] Represents Vito Kongsvinger AS and KB Gruppen Kongsvinger AS, which own 1,911,676 and 312,564 shares, respectively.

NOTE 8 SHARE CAPITAL AND SHAREHOLDER INFORMATION CONT.

Corporate Management Team		No. of options	No. of shares
Amund Tøftum	CEO	20,833	126,044
Anny Øen	Executive Vice President/CFO	10,445	26,299
Bård Frydenlund	Executive Vice President	20,833	179,385
Eirik Wraal	Executive Vice President	20,660	38,679
Geir Flåta	Executive Vice President	20,488	1,591
Lars Myhre Hjelmeset	Executive Vice President	13,962	35,600
Tormod Solberg	Executive Vice President	14,513	49,853
Sum		**121,734**	**457,451**

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 12 May 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 2022, there are outstanding 3,505,712 options in this scheme. The share price for AF shares on the redemption date of 1 March 2023 was lower than the strike price. 1,361 options were redeemed. The remaining options have lapsed.

FINANCIAL STATEMENT

NOTE 9 EQUITY

Amounts in NOK million	Share capital	Trasury shares	Premium	Other paid-in equity	Other equity	Total
Equity as at 31 December 2020	5	-	546	53	167	771
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
Supplementary dividend	-	-	-427	-	-	-427
Proposed dividend for 2021	-	-	-	-	-694	-694
Equity 31 December 2021	**5**	**-**	**237**	**54**	**529**	**824**
Capital increase	-	-	125	-	-	125
Purchase of treasury shares	-	-	-	-	-66	-66
Sale of treasury shares	-	-	-	-	57	57
Total comprehensive income for the year	-	-	-	-	1,512	1,512
Supplementary dividend	-	-	-	-	-431	-431
Proposed dividend for 2022	-	-	-	-	-700	-700
Equity 31 December 2022	**5**	**-**	**361**	**54**	**900**	**1,320**

As at 31 December 2022, the Company had none (none) 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 absolute guarantees.

	2022		2021	
Amounts in NOK million	Limit	Drawn	Limit	Drawn
Guarantees issued to clients	8,203	4,784	8,472	5,215
Guarantees for tax withholdings etc.	249	249	249	249
Leasing limits	1,272	809	1,290	946
Bank credit and loan facilities	3,000	-	3,000	-
Total	**12,724**	**5,842**	**13,011**	**6,410**

RESPONSIBILITY STATEMENT FROM MEMBERS OF THE BOARD AND CEO

With regard to the annual accounts for 2022 for AF Gruppen ASA, we confirm to the best of our knowledge that:

- The consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU, and the additional disclosure requirements that follow from the Norwegian Accounting Act.
- The financial statements for the Parent Company, AF Gruppen ASA, have been presented in accordance with IFRS and the simplified IFRS provisions for company accounts laid down in section 3.9, fifth paragraph of the regulations pursuant to the Norwegian Accounting Act.
- The amounts and disclosures in the accounts provide a true and fair view of the Company's and the Group's assets, liabilities, financial standing and results as a whole.
- The amounts and disclosures in the annual report provide a true and fail view of performance, earnings and the position of the Company and Group, along with a description of the most important risk and uncertainty factors AF Gruppen faces.

OSLO, 30 MARCH 2023

Pål Egil Rønn
Board Chairman

Hege Bømark

Saloume Djoudat

Kristian Holth

Arne Baumann

Hilde Kristin Herud

Amund Tøftum
CEO

Espen Jahr

Hilde Wikesland Flaen

Arne Sveen

Erik Tømmeraas Veiby

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

FINANCIAL STATEMENT

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 2022, 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 2022, 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 2022, 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, 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 relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We have been the auditor of the Company for 6 years from the election by the general meeting of the shareholders on 12 May 2017 for the accounting year 2017.

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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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have assessed *Recognition of revenue from construction contracts* to be a Key Audit Matter during this year's audit. This is similar to last year's audit, as the Group's activities and risks are largely unchanged.

Key Audit Matters	How our audit addressed the Key Audit Matter
Recognition of revenue from construction contracts	
Revenue from construction contracts amounts to MNOK 29.708 in 2022 (note 6). For calculation of revenue from construction contracts, the percentage of completion method based on expected contract revenue and stage of contract completion is used. The construction contracts may be complex, executed over a long period of time and involve significant uncertainty. Estimation of total revenues and costs involves use of judgement, specifically as it relates to expected profit, stage of contract completion, variable consideration and effects of potential disputes. Recognition of revenue from construction contracts is a key audit matter as the Group has many construction contracts, and management's use of judgement may affect several lines in the financial statements, such as revenue, costs, accounts receivables, provisions and deferred tax. More information on the Group's accounting for construction contracts, how the percentage of completion is calculated, and management's application of judgement is given in note 39 and 40.	We reviewed a sample of construction contracts and assessed the accounting against the Group's accounting principles. We assessed the Group's accounting principles for accounting of revenue against IFRS 15. We found the accounting of contracts to be in accordance with contract terms, and that the accounting principles were in accordance with relevant requirements in IFRS 15 and applied consistently. The Group has established a risk framework to ensure a qualitative and consistent processing of risk and estimates in the projects. Controls have been established to ensure compliance with the framework. The controls are primarily directed at ensuring appropriate assessments of total expected costs and stage 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 periodical reviews of the project portfolio in meetings. We reviewed relevant documentation that supports sufficient quality in the discussions and found that the controls had operated effectively. Furthermore, we tested controls directed at ensuring that hours and costs are allocated to the appropriate project, and consequently that the basis for assessing stage of completion and project margin is correct. We found that the controls had operated effectively. Determination of final forecast and stage of contract completion involve use of judgement. To challenge the judgements in these estimates, we amongst other interviewed and challenged management and other relevant personnel about

FINANCIAL STATEMENT

the assumptions in the estimates. Furthermore, we checked whether management`s assessments and assumptions regarding the expected profit were supported by documentation, such as signed customer contracts, change orders and other relevant documentation. For projects with significant disputes, we obtained confirmations directly from the Group`s external lawyers. We also performed analyses towards the consistency of judgement applied by management. We found management's estimates and application of judgement to be reasonable and consistent with underlying documentation.

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

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 appear 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 statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

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.

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

Opinion

As part of the audit of the financial statements of AF Gruppen ASA, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name «AFG-2022-12-31.zip», have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

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

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

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, 30 March 2023
PricewaterhouseCoopers AS

Thomas Whyte Gaardsø
State Authorised Public Accountant (Norway)
(The original of this document is signed electronically)

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

ALTERNATIVE PERFORMANCE MEASURES

AF Gruppen presents alternative performance measures as a supplement to performance targets that are regulated by IFRS. The alternative performance measures are presented to provide better insight into and understanding of the operations, financial standing and foundation for development going forward. AF Gruppen uses alternative performance measures that are commonly used in the industry and among analysts and investors.

RETURN ON CAPITAL EMPLOYED (ROACE):

This performance target provides useful information to both AF's management and Board of Directors, as well as to investors concerning the results that have been achieved during the period under analysis. AF uses the performance target to measure the return on capital employed, regardless of whether the financing is through equity capital or debt. Use of the performance target should not be considered an alternative to performance targets calculated in accordance with IFRS, but as a supplement.

The alternative performance measures are defined as follows:

EBITDA – earnings before i) taxes, ii) net financial items, iii) depreciation and amortisation.

Operating profit (EBIT) – earnings before i) taxes, ii) net financial items.

EBITDA margin - EBITDA divided by operating revenue and other revenues.

Operating margin – operating profit (EBIT) divided by operating revenue and other revenues.

Profit margin – earnings before tax divided by operating revenue and other revenues.

Gross interest-bearing debt – sum total of long-term interest-bearing loans and credits and short-term interest-bearing loans and credits.

Net interest-bearing debt (receivables) – gross interest-bearing debt less i) long-term interest-bearing receivables, ii) short-term interest-bearing receivables and iii) cash and cash equivalents.

Capital employed – sum total of shareholders' equity and gross interest-bearing debt.

Average capital employed – average capital employed in the last four quarters.

Return on capital employed (ROaCE) – earnings before tax and interest expenses divided by the average capital employed.

Economic Value Added (EVA) – return on capital employed, less required rate of return before taxes, multiplied by i) 1 minus the effective tax rate, ii) average capital employed.

Equity ratio – shareholders' equity divided by total equity and liabilities.

Average shareholders' equity – average shareholders' equity in the last four years.

Return on equity – earnings divided by average shareholders' equity.

Order intake – Estimated value of contracts, contract changes and orders that have been agreed upon during the reporting period.

Order backlog – Remaining estimated value of contracts, contract changes and orders that have been agreed upon, but have not been earned by the reporting date.

The table below reconciles alternative performance measures with line items in the reported financial figures in accordance with IFRS.

Amounts in NOK million	31/12/22	31/12/21
GROSS INTEREST-BEARING DEBT/NET INTEREST BEARING DEBT		
Interest-bearing loans and credit facilities - long-term	75	90
Interest-bearing loans lease liability - long-term	607	554
Interest-bearing loans and credit facilities - short-term	433	54
Interest-bearing loans lease liability - short-term	290	301
Gross interest-bearing debt	**1,406**	**999**
Less:		
Interest-bearing receivables - long-term	-268	-282
Interest-bearing receivables - short-term	-44	-65
Cash and cash equivalents	-765	-680
Net interest-bearing debt (receivables)	**329**	**-29**
CAPITAL EMPLOYED		
Shareholders' equity	3,494	3,572
Gross interest-bearing debt	1,406	999
Capital employed	**4,900**	**4,571**
AVERAGE CAPITAL EMPLOYED		
Capital employed as at 1st quarter	4,593	4,673
Capital employed as at 2nd quarter	4,366	4,231
Capital employed as at 3rd quarter	4,385	4,489
Capital employed as at 4th quarter	4,900	4,571
Average capital employed	**4,561**	**4,491**

Beløp i MNOK	31/12/22	31/12/21
RETURN ON CAPITAL EMPLOYED (ROaCE)		
Profit before tax	1,400	1,580
Interest expenses	43	38
Earnings before tax and interest expenses	**1,442**	**1,617**
Divided by:		
Average capital employed	4,561	4,491
Return on capital employed (ROaCE)	**31.6 %**	**36.0 %**
ECONOMIC VALUE ADDED (EVA)		
Return on capital employed	31.6 %	36.0 %
Less		
Required rate of return before taxes	12.0 %	12.0 %
Extra return before taxes	**19.6 %**	**24.0 %**
Multiplied by:		
1 minus effective tax rate	82.3 %	77.8 %
Extra return after tax	**16.1 %**	**18.7 %**
Multiplied by:		
Average capital employed	4,561	4,491
Economic Value Added (EVA)	**736**	**839**
EQUITY RATIO		
Shareholders' equity	3,494	3,572
Divided by:		
Total equity and liabilities	14,457	13,108
Equity ratio	**24.2 %**	**27.3 %**
AVERAGE SHAREHOLDERS' EQUITY		
Shareholders' equity as at 1st quarter	3,639	3,553
Shareholders' equity as at 2nd quarter	3,126	3,117
Shareholders' equity as at 3rd quarter	3,286	3,378
Shareholders' equity as at 4th quarter	3,494	3,572
Average shareholders' equity	**3,386**	**3,405**
RETURN ON EQUITY		
Income statement	1,151	1,229
Divided by:		
Average shareholders' equity	3,386	3,405
Return on equity	**34.0 %**	**36.1 %**

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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^2 or sqm.

BREEAM
BRE Environmantal Assessment Method. Developed in the UK by BRE (Building Research Establishment). Europe's leading environmental classification tool.

Own Accountt
When AF buys land, develops projects and then sells units for its own account.

LTI-1 rate
Numer of lost time injuries per million man-hours. AF Gruppen includes all subcontractors when calculating the LTI-1 value.

LTI-2 rate
Number of lost time injuries + number of injuries requiring medical treatment + number of injuries resulting in alternative work per million man-hours. AF Gruppen includes all subcontractors when calculating the LTI-2 value.

HVAC
Heating, Ventilation, Air conditioning and Cooling systems.

Source separation rate
Separate rate for demolition waste that can be recycled.

Carbon footprint
Emissions of greenhouse gases in tons of CO_2 equivalents (CO_2e) per NOK million in turnover.

ADDRESSES

NORWAY
AF Gruppen ASA
AF Gruppen Norge AS
AF Anlegg
AF Byggfornyelse
AF Bygg Oslo
AF Nybygg
AF Eiendom
AF Decom AS
AF Offshore Decom AS
AF Energi AS
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