



---

# ENTREPRENEURSHIP AND GROWTH

ANNUAL REPORT 2018

# CONTENT

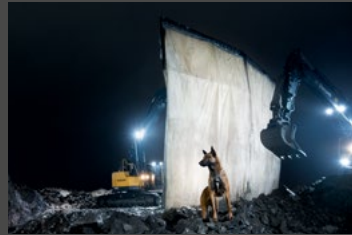
## SELF-MOVING HELPER

A self-moving robot saves us from manual and repetitive tasks in the Tvedestrand–Arendal project.  
Page 6



## FOUR-LEGGED COLLEAGUES

With the help of dogs, we can safely and securely remove undetonated explosives in the ground.  
Page 20



## LOOKING THROUGH WALLS WITH X-RAY VISION

Virtual reality allows us to quickly and simply compare reality with drawings.  
Page 26



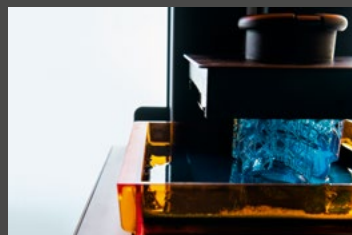
## CUTTING IN WEATHER AND WIND OFFSHORE

A new method for lifting platforms makes removal more efficient and safer.  
Page 74



## PRINTING SPARE PARTS

3D printing may be the future for the production of spare parts and components.  
Page 88



## 03 ABOUT AF GRUPPEN

04 The CEO

08 Highlights

10 Goals and results

12 Business structure

14 Business model

22 Strategy

## 28 SUSTAINABLE ENTREPRENEURSHIP

30 Corporate social responsibility

32 Security

34 Health

36 Environment

38 Ethics

42 Verdiskaping for samfunnet

## 44 BUSINESS AREAS

46 Civil engineering

50 Environment

54 Building

58 Property

62 Energy

66 Sweden

70 Offshore

## 76 SHAREHOLDER INFORMATION

78 Corporate management team

80 Board of Directors

82 Corporate governance

84 The share

## 90 BOARD OF DIRECTOR'S REPORT

92 Board of Director's report

## 104 FINANCIAL STATEMENT

106 Annual accounts Group

107 Income statement

108 Statement of financial position

110 Statement of changes in equity

111 Cash flow statement

112 Notes

174 Annual accounts

175 Income statement

176 Statement of financial position

177 Cash flow statement

178 Notes

185 Responsibility statement

186 Auditor's report

191 Climate accounts

192 Alternative performance measures

194 Definitions

195 Addresses

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

We have set ambitious growth targets towards 2020. Our results from 2018 show that we made good use of the year. While we are growing, we shall also preserve and reinforce what has characterised AF Gruppen since the start: a value-based corporate culture and an uncompromising attitude towards health, safety and ethics.

REVENUES

**NOK MILLION**  
**18,767**

EBIT

**NOK MILLION**  
**1,119**

OPERATING MARGIN

**6.0%**

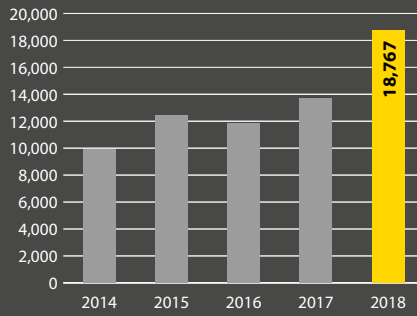
EQUITY RATIO

**25.0%**

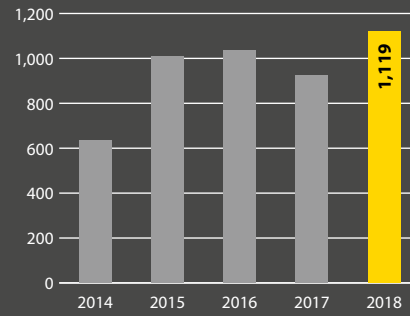
LTI-1 RATE

**0.8**

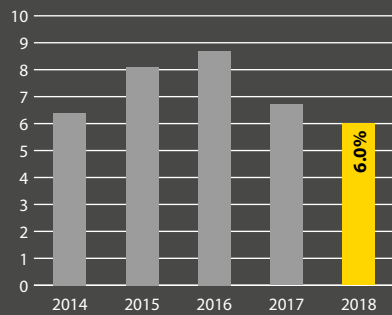
## REVENUES (NOK MILLION)



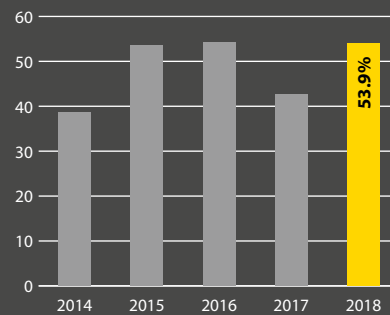
## EARNINGS BEFORE INTEREST AND TAXES (NOK MILLION)



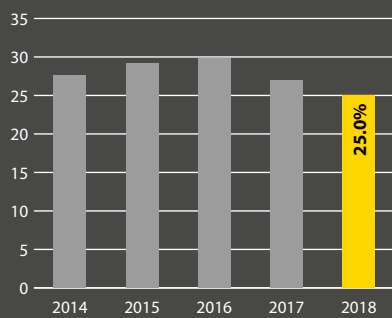
## OPERATING MARGIN



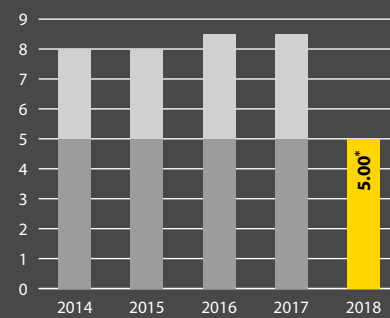
## RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)



## EQUITY RATIO

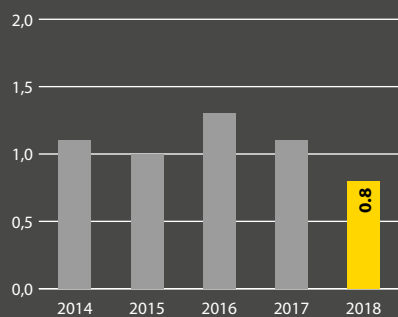


## DIVIDEND PER SHARE (NOK)

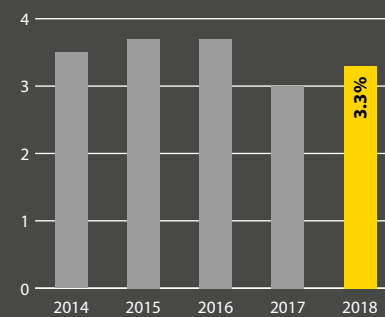


\* Dividend to be distributed in the first half of 2019 is proposed, not approved

## LTI-1 RATE



## ABSENCE DUE TO ILLNESS



## FINANCIAL RATIOS

YEAR	2018	2017	2016	2015	2014
<b>REVENUES (NOK MILLION)</b>					
Operating and other revenue	18 767	13 704	11 876	12 398	9 935
Order backlog	21 541	19 773	15 332	11 183	9 429
<b>EARNINGS (NOK MILLION)</b>					
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1 303	1 092	1 212	1 151	752
Depreciation and write-downs	-184	-169	-177	-142	-117
Earnings before interest and tax (EBIT)	1 119	924	1 034	1 010	635
EBT	1 136	935	1 040	1 004	625
Earnings after tax	921	754	787	778	483
<b>PROFITABILITY</b>					
EBITDA margin	6,9%	8,0%	10,2%	9,3%	7,6%
Operating margin	6,0%	6,7%	8,7%	8,1%	6,4%
Profit margin	6,1%	6,8%	8,8%	8,1%	6,3%
Return on equity	45,4%	35,8%	43,3%	43,8%	34,3%
Return on invested capital (ROIC)	53,9%	42,7%	54,2%	53,6%	38,7%
Economic Value Added (MNOK)	725	552	624	590	320
Cash flow from operations ( NOK million)	841	1 354	822	1 418	86
<b>BALANCE SHEET (NOK MILLION)</b>					
Total assets	8 486	7 724	6 549	6 243	5 428
Shareholders' equity	2 124	2 078	1 950	1 820	1 499
Invested capital	2 223	2 198	2 063	1 925	1 814
Average invested capital	2 133	2 230	1 954	1 942	1 662
Equity ratio	25,0%	26,9%	29,8%	29,1%	27,6%
Gross interest-bearing liabilities	99	120	113	105	315
Net interest-bearing receivables (debt)	894	1 210	606	593	-95
<b>THE SHARE</b>					
Market value at 31/12 (NOK)	132,00	133,50	154,50	139,50	79,00
No. of shares	99 009 179	97 961 000	93 610 000	92 680 000	88 724 904
Market value (NOK million)	13 069	13 078	14 463	12 929	7 009
Earnings per share (NOK)	7,88	6,43	7,44	7,64	5,11
Diluted earnings per share (NOK)	7,88	6,43	7,29	7,50	5,09
Dividend per share first half of the year (NOK) <sup>1)</sup>	5,00	5,00	5,00	5,00	5,00
Dividend per share second half of the year (NOK)	-	3,50	3,50	3,00	3,00
<sup>1)</sup> The dividend to be distributed in the first half of 2019 has been proposed, but not adopted.					
<b>PERSONNEL</b>					
Number of salaried employees	1 797	1 564	1 322	1 378	1 325
Number of skilled employees	2 423	2 204	1 727	1 652	1 472
Total number of employees	4 220	3 768	3 049	3 030	2 797
LTI rate	0,8	1,1	1,3	1,0	1,1
Absence due to illness	3,3%	3,0%	3,7%	3,7%	3,5%
<b>EXTERNAL ENVIRONMENT</b>					
Carbon footprint	4,5	4,5	3,1	3,3	4,9
Source separation rate – building	89%	83%	85%	84%	82%
Source separation rate – renovation	87%	85%	79%	87%	82%
Source separation rate – demolition	97%	95%	97%	96%	96%
Total amount source separated in tonnes	512 401	324 370	507 198	319 225	479 135

For definitions of key figures, see the description of alternative performance targets on page 192 and the definitions on page 194.

# THE BEST PEOPLE

AF has seen high growth and good results in 2018. CEO Morten Grongstad attributes this to our entrepreneurial spirit and the best employees in the industry. Our culture and employees are in other words the most important driver of AF Gruppen's strong competitiveness.

Tomorrow's results are not created from yesterday's medals, but we have every reason to be proud of what we accomplished in 2018. The good performance of many projects yielded the highest revenues and earnings in the history of AF. A record-breaking order backlog shows that our goal of revenues of NOK 20 billion is within reach already in 2019. In 2018, we delivered the lowest LTI rate in the history of AF, but a fatal accident in May was a strong reminder of the energies that surround us. Our responsibility is to learn from our mistakes and implement measures that can prevent similar accidents from occurring in the future.

In my opinion, the building and civil engineering industry is one of the most exciting industries. What we create is concrete and of great benefit to society, and we are in an industry with a high potential for innovation. In order to realise this potential, we need more management capacity and more skilled workers. The industry has a shared responsibility to motivate more students to choose vocational training and join our team. The percentage of women in the industry is also low. Our goal is simple and clear: We want to develop and recruit the best people to our project teams, regardless of their gender. In 2018, we set an ambitious goal to double the percentage of women at AF, and we have implemented measures that will make AF a better workplace for all employees.

One of my best memories from the year that has passed is from Gålå one day in late summer when our future managers presented their own great ideas about their areas of responsibility at AF. All of them pointed out the value of performing as a team and making others perform

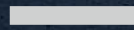
well. The fact that our managers have such values strengthens my optimism for the future. I hazard to claim that there are few companies in our industry that are better equipped than us to meet future restructuring requirements.

When I am out talking about AF, I often use the Indian saying that "the grass rots under those who sit still". We are challenged daily, and we must be energetic and innovative to maintain our competitiveness. Clear core values, risk management and systematic work with health, safety and the environment represent the foundation for our business operations and ability to change. We have placed two tools in our toolbox to facilitate innovation: one of which is the establishment of Construct Venture together with OBOS. Construct Venture invests in start-up companies that develop new technology for our industry. The other tool is the establishment of the corporate unit Innovation & Digital, which supports our innovation and digitalisation efforts in our business units.

Since its establishment 33 years ago, AF has had a culture that challenges the status quo and has the will and ability to find new and better ways to solve tasks. There are several examples of this: In the E18 Tvedestrand - Arendal project, we have challenged ourselves with a really high production level, for a new customer and with a new type of contract. The road will nonetheless open three months earlier than originally scheduled, and we are looking forward to accepting traffic as early as 2 July this year. At the Nes Environmental Centre, we have established Norway's largest plant for the treatment of excavated materials together with our partners. When 80 per cent of the materials can be treated and recycled instead of just being sent to landfill, the environmental considerations go hand in hand with the commercial considerations.

There are a number of corresponding examples from AF Gruppen's extensive project activities. Curiosity, a willingness to change and the ability to change is part of our shared DNA. Restructuring lies in the soul of AF, and we have restructured several times in the history of the company. A recurrent theme in our history and the most important driver of our competitiveness and future growth are our many capable employees, "the best people".





## SELF-MOVING HELPER

A self-moving helper that performs repetitive tasks? Previously, road marking was a whole day's walk on foot for every 10 kilometres. AF was the first to use pre-marker robots in Norway. In the Tvedestrand-Arendal project, they mark the automatic lines on the road and for parking spaces directly from the BIM model with an accuracy of 2 cm with GPS. With optical measuring equipment the accuracy can be increased to 5 mm. Robots like this are performing an increasing number of tasks in our projects.





# HIGHLIGHTS FROM 2018

AF's corporate strategy is to focus on organic and structural growth, customer and partner relations, and creativity and innovation, as well as management capacity and technical expertise. We are proud of the results we achieved in 2018, which included record-high revenues, results and order backlogs. Some achievements deserve to be highlighted.



## HIGH ORGANIC GROWTH

AF Gruppen had in 2018 an organic growth of 36.0%. High production at Tvedestrand - Arendal contributed to an organic growth in Civil Engineering of 64.2% for 2018. The Civil Engineering units did a good job in keeping quality and profitability at a high level through this high growth. Building had a growth in 2018 of 21.2%, of which 19.4% was organic. With a profit margin of 7.1% compared to 6.4% last year, the achievement is impressive; such growth can indeed be called profitable.

## STRUCTURAL GROWTH IN AF'S FOCUS AREAS

In October 2018, AF acquired 70% of the shares in Helgesen Tekniske Bygg AS through the subsidiary LAB AS. The acquisition is in accordance with the strategy of growing in Bergen and surrounding areas. Helgesen Tekniske Bygg AS has 46 employed and reported revenues of NOK 367 million in 2018. In addition, AF acquired 70% of the shares in HMB Holding AB after the turn of the year. The acquisition entails that AF Gruppen will strengthen its presence in Sweden. HMB has 292 employees and reported revenues of SEK 1 259 million in 2018.

## RENEWED TRUST FROM NYE VEIER

AF is proud of the renewed trust from Nye Veier for E39 Kristiansand west – Mandal east. The contract encompasses the construction of a 19 km four-lane motorway and is valued at NOK 4 700 million, excluding VAT, the largest individual contract in the history of AF Gruppen. The project enables us to continue our good cooperation with our customer and partners from the E18 Tvedestrand - Arendal project. The work started in November 2018, and completion is scheduled for October 2022.

## CREATING FUTURE COLLABORATION ARENA AT CONSTRUCTION CITY

OBOS, Betonmast and AF Gruppen took in 2018 the initiative for the establishment of Construction City, a new knowledge park at Ulven. The park will have space for 5 000 workplaces. The three companies will move their head offices there in 2023. Construction City will be the first cluster for the building, civil engineering and property industries, and it will facilitate increased collaboration in the industry. The cluster partners include Multiconsult, Norconsult, DNB, SINTEF and Startuplab, among others.



# FINANCIAL RESULTS

## PROFITABILITY

### GOAL

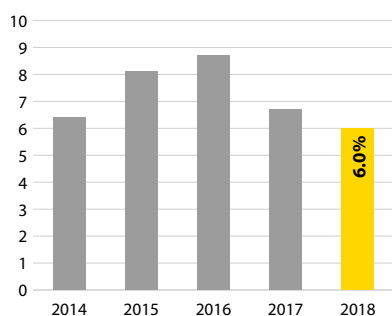
AF's goal is to have a better operating margin and a better return on invested capital than comparable companies.

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

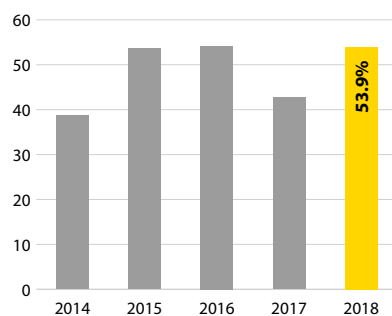
### RESULT FOR 2018

AF achieved an operating margin of 6.0% in 2018. This is a better operating margin than achieved by comparable companies. The return on invested capital was 53.9%.

#### OPERATING MARGIN



#### RETURN ON AVERAGE CAPITAL EMPLOYED



## FINANCIAL STRENGTH

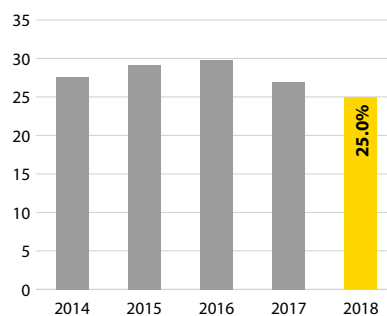
### GOAL

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

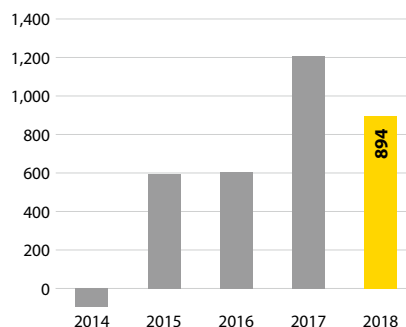
### RESULT FOR 2018

AF's equity ratio was 25.0% at the end of 2018. The Group had net interest-bearing receivables of NOK 894 million, in addition to unutilised credit and loan facilities of NOK 1,880 million.

#### EQUITY RATIO



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



## DIVIDENDS

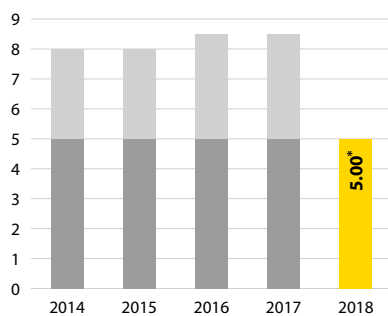
### GOAL

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

### RESULT FOR 2018

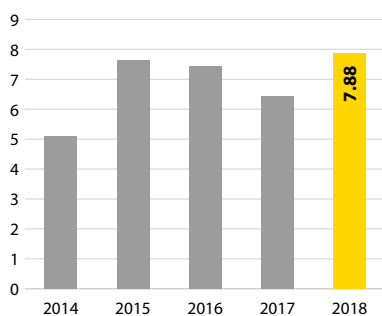
In 2018, AF paid a total dividend of NOK 8.50 per share for the 2017 financial year. Earnings per share was NOK 6.43 in 2017. Earnings per share was NOK 7.88 in 2018. For the 2018 financial year, payment of a dividend of NOK 5.00 per share is proposed for the 1st half of 2019. The dividend for payment in the 2nd half of 2019 will be announced when the results for the 3rd quarter of 2019 are presented.

#### DIVIDEND PER SHARE (NOK)



\* Proposed dividend for distribution in the first half of 2019

#### EARNINGS PER SHARE (NOK)



## HEALTH AND SAFETY

### GOAL

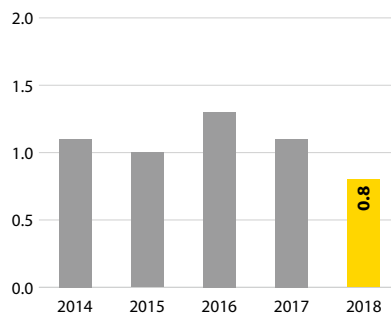
AF's goal is to perform all our operations without injuries, with an LTI rate of zero and absence due to illness of less than 3.0%.

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

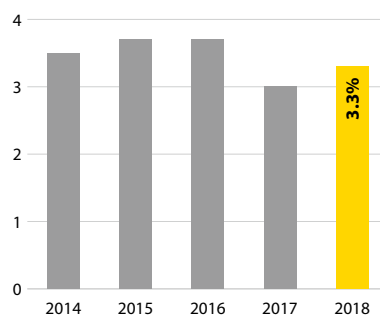
### RESULT FOR 2018

AF achieved an LTI rate of 0.8 and absence due to illness of 3.3%. This is on par with the best safety results in the contractor industry.

#### LTI-1 RATE

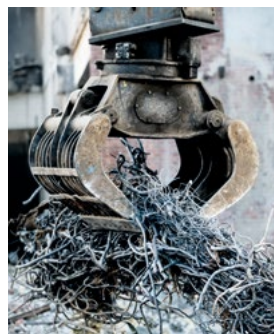


#### ABSENCE DUE TO ILLNESS



# BUSINESS STRUCTURE

AF is a project-based contracting and industrial group with seven operational business areas.



## CONSTRUCTION

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

## ENVIRONMENT

AF is a leading company in environmental clean-up, demolition and recycling. AF recycles more than 95% of the demolition materials in clean-up and demolition projects. At AF's environmental centres contaminated materials are sorted, decontaminated and recycled, and more than 80% of the raw materials are recycled.

## CONSTRUCTION

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

Revenues NOK million	<b>5,861</b>	<b>598</b>	<b>9,055</b>
Earnings before tax NOK million	<b>275</b>	<b>44</b>	<b>619</b>
Employees	<b>1,192</b>	<b>124</b>	<b>1,924</b>



## PROPERTY

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

## ENERGY

AF provides smart, energy-efficient solutions for buildings and industry. Expert industrial knowledge allows AF to offer advisory services and the implementation of measures that entail a reduced environmental impact and major cost savings for the customer.

## SWEDEN

AF provides civil engineering, building, property and environmental services in Sweden. Sweden is a focus area for AF, and these services have therefore been combined in a separate business area from 2018.

## OFFSHORE

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

**74**

**277**

**2,270**

**655**

**166**

**0**

**114**

**-21**

**23**

**113**

**468**

**213**

# CLEARING UP THE PAST, BUILDING FOR THE FUTURE

AF Gruppen is growing rapidly, but the foundation of our operations is unshakable. AF has a strong corporate culture, and our core values are marked by everything we have done, and not done, for more than 30 years. We combine our values with an entrepreneurial spirit and execution capability to create value for our customers, owners, employees and society.

## OUR CORE VALUES

### **RELIABILITY**

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

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

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

### **THOROUGHNESS AND HARD WORK**

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

### **MANAGEMENT THROUGH PRESENCE AND INVOLVEMENT**

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

### **PERSISTENCE IN ACHIEVING PROFITABLE GROWTH**

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



# BUSINESS MODEL



# VALUE-BASED BUSINESS MODEL

AF's business model is based on certain key principles that we consider to be our criteria for success: a good corporate culture, employee ownership, decentralised decision-making authority and active risk management.

## PEOPLE CREATE VALUE

*Our corporate culture is the foundation of AF's success.*

AF's corporate culture has been built up over time by motivated and talented employees. We are proud of our corporate culture, and we believe that it is distinguished by ethical conduct, cooperation and engagement. One of the key ingredients of AF's success is the fact that everyone on the team pulls in the same direction. This is something we must work on every day. We are therefore concerned about founding our corporate culture on core values so that a uniform perception is established for how AF shall emerge both internally and externally. Corporate culture arises and is developed throughout the entire organisation at any given time, from the CEO to the project organisations. Closeness and interaction between the various business units are essential to the creation of a common understanding of who we are.

We are aware of the importance of a corporate culture when acquiring new companies, and it is of decisive importance to our investment decisions that the corporate culture of the companies we acquire is consistent with our own.

## EMPLOYEE OWNERSHIP IS A FACTOR FOR SUCCESS FOR ACQUISITIONS

*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, and employee ownership is now firmly anchored in the AF culture.

The offer of co-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. The share programme gives all employees an opportunity to buy shares at a discount of 20 per cent on the current market price. The option programme has been over a three-year period, and the next exercise date is in 2020.

Employees of AF own shares in AF Gruppen ASA valued at more than NOK 2 billion. In addition to this, there is the value of the shares in subsidiaries that are owned by employed minority shareholders. Read more about the share and option programme for employees on p. 86.

Both in Norway and internationally, there is an increasing interest in ownership models in which employees are invited to participate on the ownership side. It has also become more common for professional investors to seek companies with employees on the list of shareholders when they are making investment decisions. Primarily because these companies tend to yield a higher return, but also because they give investors a sense of security when the investors, management and other employees are all in the same boat.

AF Gruppen wants to maintain the employee ownership culture when new businesses are acquired. Therefore we only want to own 70 per cent of the shares in companies that are acquired, and we want executive personnel and key persons in the acquired companies to participate on the ownership side. In 2018, Helgesen Tekniske Bygg AS in Bergen was acquired in accordance with this model, and immediately following the turn of the year, 70 per cent of the shares in HMB Holding AB in Sweden was also acquired. Several key employees of the two

**At the end of 2018, employees in AF Gruppen owned 14.2% of the shares in the company.**



Both Einar Grimstad and Even Solbraa have utilised AF Gruppen's share programme for employees. Together with Anastasia Wraa, they work at Hasle Linje building the "world's smartest building" for the IT company ATEA. Since the very beginning of AF Gruppen, the owners and management have wanted the employees to be able to take part in the increase in value resulting from the common creation of value and development of the company. The same philosophy still applies, and employee ownership is an important part of the AF culture. AF employees own 14.2 per cent of the company – representing a value of around NOK 2 billion.

companies are still co-owners of their own company and AF Gruppen, and several became owners in connection with the acquisitions.

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

*AF has a decentralised operating model with the authority and responsibility lies where value is created.*

AF's many qualified 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 been developed internally. With motivated and qualified employees, it is natural to delegate decision-making authority down to those who are closest to the problems. Relying on our employees and trusting their qualifications make us dynamic and adaptable, since our employees are allowed to suggest new and better solutions to existing problems. Decision-making authority and autonomy are important in order to be able to challenge the status quo.

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

*Risk management is an important tool that enables AF Gruppen to deliver good results over time.*

AF has a systematic approach to risk management in the projects and the units, during both the tender and the execution phases. The aim is not to eliminate risk, but to identify, manage and price risk correctly.

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

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.

In 2018, an improvement initiative was implemented to better adapt risk management to the various business units. At the same time, the development work has a goal to make risk information more readily available and provide strengthened decision support through a digital platform. The project is called Risk 2.0, and it will be gradually implemented in AF's business units in 2019.

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

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

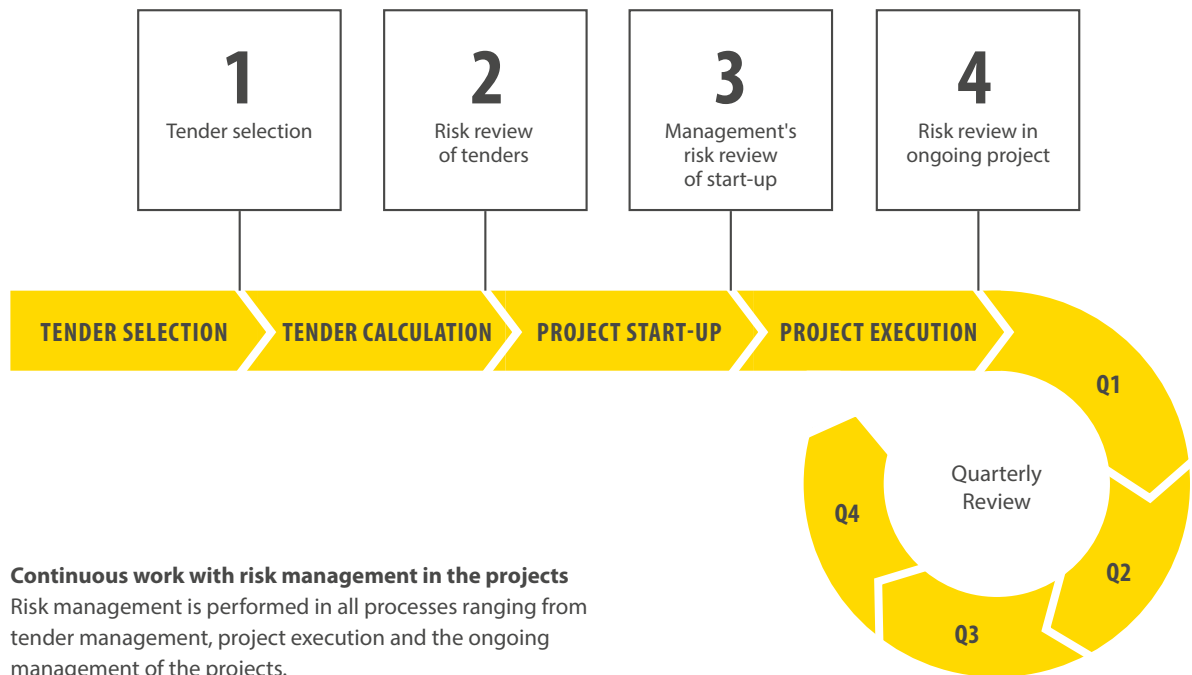
The business unit's management group aggregates the project analyses. A risk analysis of the project portfolio is conducted quarterly, with a quantitative assessment of the range of outcomes for each project, and representatives for the Corporate Management Team participate in this analysis. This analysis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

All the risk reviews at the business unit level are aggregated by the Corporate Management Team, and the main points are presented to the Board of Directors every quarter.

The scope of the risk reviews has been stable over recent years, and in 2018 around 120 risk reviews were conducted prior to submitting important tenders, and 84 quarterly risk reviews of the project portfolios in the business units were conducted.

**Risk pyramid**

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



**Continuous work with risk management in the projects**

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

---

## FOUR-LEGGED COLLEAGUES

A building site free of explosives in the ground? No electronic sensors can measure up to the nose of a dog. AF has used trained dogs to search for civil explosives since 2012. In 2018, two Belgian sheep dogs Mira and Sylvester became our new colleagues. At the coffee processing plant in Vestby, our four-legged colleagues have made sure that undetonated explosives have been tracked down and removed from the ground.





# STRATEGY TOWARDS 2020

In its corporate strategy for 2017–2020, AF Gruppen has set an ambitious goal to achieve revenues of NOK 20 billion before the end of the strategy period. Revenue growth of 36.9% from 2017 to 2018 show that we are on our way to achieving this goal. Growth is fundamental to increasing the creation of value and ensuring that our employees have development opportunities. Regardless of whether this growth is organic or structural, our profitability requirements must be met.

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

## MARKET TRENDS

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

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



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

### MAJOR CITIES IN NORWAY

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

### NATIONWIDE AND MOBILE PROJECT OPERATIONS

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

### MAJOR CITIES IN SWEDEN

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

### OFFSHORE

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

Revenue goal 2020

# 20 MRD

Organic growth

# 60%

Structural growth

# 40%

[Read about the corporate initiatives we have implemented to achieve the strategic goals on the next page.](#)

# HOW WE ARE ESTABLISHING A FOUNDATION FOR GROWTH

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

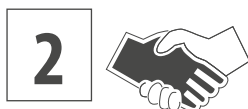
## WE SHALL



### 1 ORGANIC AND STRUCTURAL GROWTH

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

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



### 2 CUSTOMER AND SUPPLIER RELATIONSHIPS

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



### 3 INNOVATION AND CREATIVITY

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



### 4 MANAGEMENT CAPACITY AND TECHNICAL EXPERTISE

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

## WHAT WE HAVE DONE IN 2018

AF had a revenue growth of 36.9 per cent from 2017 to 2018, a growth that has mainly been organic. Especially the business areas Civil Engineering and Building had great growth while still maintaining good results. The record-high order backlog of NOK 21,541 million as at 31 December 2018 provides a good basis for future growth as well.

In October 2018, AF acquired 70 per cent of Helgesen Tekniske Bygg (HTB) in Bergen. The company reported revenues of NOK 367 million for 2018 and had 46 employees as at 31 December 2018.

Towards the end of 2018, an agreement was also entered into to acquire 70 per cent of HMB Holding AB (HMB) in Sweden. The acquisition was completed on 2 January 2019 and will drastically increase AF's presence in Sweden.

Revenues for 2018

(NOK million)

**18,767**

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

Supplier satisfaction

(scale of 1–6)

**5.1**

In 2018, AF has focused on finding the "AF way" for innovation and creativity. A separate unit has been established for innovation and digitalisation in the Group, which will cooperate closely with Construct Venture, IT and other corporate staffs to support efficiency enhancement and the improvement process in our units. In 2018, AF continued its efforts to enhance efficiency through the use of data robots (RPA), carried out a 3D printing pilot and evaluated the opportunities for better utilisation of the data we produce. Several gatherings were arranged for the digital building site and two innovation gatherings at MESH.

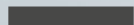
Number of automated processes (RPA)

**34**

AF's internal management courses were developed further to provide more comprehensive skills development for new managers. A working group was appointed to study how we can ensure equal career opportunities for women and men at AF Gruppen. In addition, AF is cooperating with the organisation #ShesGotThis, which addresses unconscious gender stereotypes, and AF has been mentioned in the media on several occasions in connection with this issue. Both consciousness-raising and concrete measures were carried out to increase the percentage of women.

Percentage of women at AF

**8.7%**



## **LOOKING THROUGH WALLS WITH X-RAY VISION**

Imagine being able to look through a wall to check for errors, or whether everything is in accordance with the drawing? Our employees are given “x-ray vision” by means of Virtual Reality (VR). You can point in a direction with your mobile and see where the walls will stand, or where the electrical wiring will be located before it is installed. This solution is being used, for example, for the construction of the residential project Krydderhagen at Hasle in Oslo.



# SUSTAINABLE ENTREPRENEURSHIP

30 CORPORATE SOCIAL RESPONSIBILITY

32 SAFETY

34 HEALTH

36 ENVIRONMENT

38 ETHICS

42 VALUE CREATION



# CORPORATE SOCIAL RESPONSIBILITY THROUGH SUSTAINABLE ENTREPRENEURSHIP

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

## SUSTAINABLE ENTREPRENEURSHIP

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

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

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

## UN SUSTAINABLE DEVELOPMENT GOALS

The 17 sustainable development goals adopted by the United Nations is the world's common global work plan to eradicate poverty, combat inequality and stop climate change by 2030. The sustainable development goals specify the global societal challenges that we must collectively solve. If we are to achieve good results, both the public and private sectors must contribute to good, sustainable solutions.

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

The sustainable development goals that are relevant to AF's business activities are related to equality, decent workplaces and a good working environment for our employees, ethical behaviour and protection of worker rights, as well as combating corruption and work-related crime. In addition, the UN has goals related to the development of infrastructure, responsible consumption and the processing of waste, as well as access to clear energy. The achievement of these goals by society is dependent on companies like AF developing their range of services further and creating new solutions for these challenges.

## FOLLOW-UP OF CORPORATE SOCIAL RESPONSIBILITY AT AF

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

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

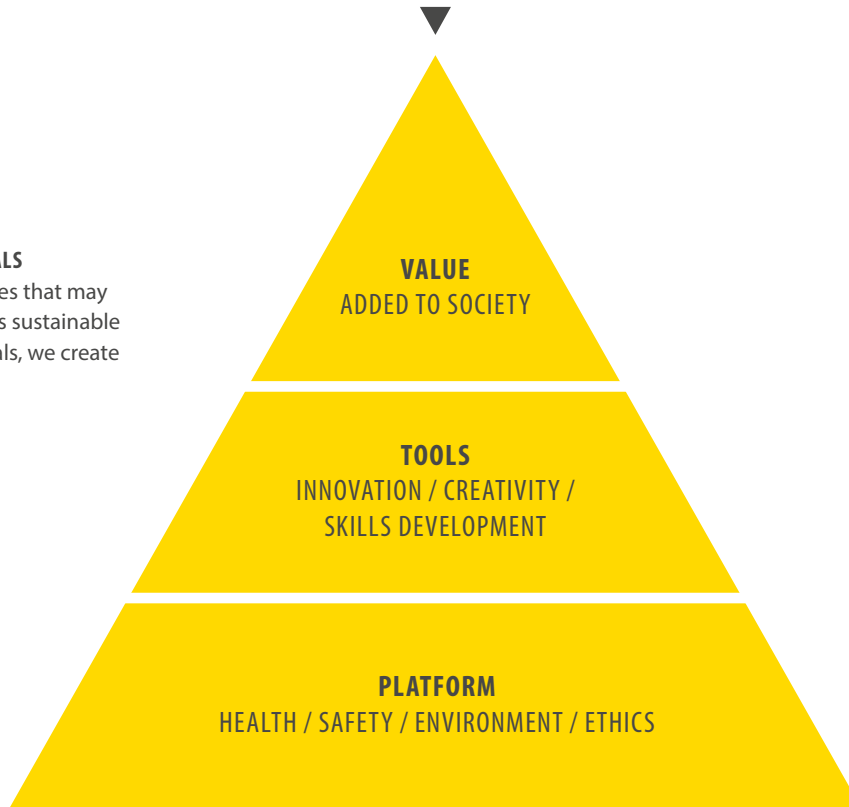
CEO Morten Grongstad is responsible for AF's corporate social responsibility and this follows his line management. Each executive vice president is responsible for his/her respective business areas. Executive Vice President Eirik Wraal has specialist responsibility for corporate social responsibility. The organisation shall ensure that the units comply with the requirements and guidelines adopted in laws, regulations and our own corporate policy and the associated guidelines.

AF Gruppen's management system contains the plans, risk assessments, procedures and other system components that are required to ensure uniform management of the various projects, and that the activities are carried out in accordance with the regulatory framework, the Group's framework conditions and other requirements by stakeholders.



**UN'S SUSTAINABLE DEVELOPMENT GOALS**

By offering services that may help fulfil the UN's sustainable development goals, we create value for society.



**SAFETY (P. 32)**

AF's employees shall have a safe workplace. Everyone should come home just as healthy as when they left for work.

**GOAL:** No one should become ill or get injured from working at AF.

**STATUS:** A low LTI-1 rate of 0.8 shows that we are headed in the right direction. In 2019, we will implement a safety boost that will make everyday life even safer for those who work for our projects.

**HEALTH (P. 34)**

AF shall have a good working environment. Any harmful affects that one can be exposed to at work shall be minimised.

**GOAL:** No one should become ill or get injured from working at AF.

**STATUS:** AF reported low absence due to illness of 3.3 per cent in 2018 and scores well in employee satisfaction surveys. Measures have been implemented to improve the gender balance in the company.

**ENVIRONMENT (P. 36)**

Our project activities impact the external environment, and it is our responsibility to ensure that this impact is minimised.

**GOAL:** AF shall carry our projects in such a manner that the external environment is affected to the least possible extent.

**STATUS:** The source separation rate in our projects is around 90 per cent, which is well above the government requirement of 60 per cent, and AF is now carrying out its first construction project with a fossil-free building site.

**ETHICS (P. 38)**

AF Gruppen has zero tolerance for corruption, work-related crime and other unethical conduct.

**GOAL:** Act ethically correct in everything we do, and only cooperate with professional actors.

**STATUS:** Good systems and routines have been established to ensure ethical operations. AF has not identified any incidents of corruption or work-related crime in our projects in 2018.



# SAFETY IS OUR NUMBER ONE PRIORITY

Our goal is that no one should become ill or get injured from working at AF. We achieve this through an uncompromising attitude towards safety and systematic and focused work on health.

AF has a structured and uniform system for health and safety work. All undesired incidents and circumstances are registered and dealt with in the non-conformance system Synergi Life in order to find the underlying causes and measures for improvement. There is a strong willingness for continuous improvement, and the frequency of reporting is increasing. In 2018, close to 36 700 (24 500) incidents and circumstances were reported (RUI). Growth must not be at the expense of either health or safety. AF stipulates clear requirements for acquired companies, and assistance is offered to strengthen the system and culture related to health and safety work. AF imposes the same strict safety requirements on its subcontractors as on its own organisation.

## A SAFE WORKPLACE

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

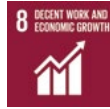
The basic idea behind safety work at AF is that all undesired incidents have a cause, and that they can therefore be avoided. Potential undesired incidents are identified through risk analysis, and preventive barriers are established so that the risk is eliminated or reduced to an acceptable level. If undesired incidents nevertheless occur, they are followed up to find the underlying causes, so that improvement measures can be implemented. AF is always prepared for serious accidents and is organised with an emergency preparedness system for each project, in addition to an overarching

system at the corporate level, the purpose of which is to manage and reduce the harmful effects and ensure good follow-up. The most serious incidents are followed up by subsequent investigations in which the Corporate Management Team participates.

The most important measurable parameter for safety work at AF is the LTI rate. The LTI-1 rate is defined as the number of injuries resulting in absence from AF and our subcontractors per million man-hours. The injury frequency rate has shown a positive trend through the years, from an LTI-1 rate for the Norwegian operations of around 20 in the early 90s, to an LTI-1 rate of 0.8 (1.1) for 2018. This rate represents 12 lost time injuries, one of which was fatal. An employee of a subcontractor was exposed to so much energy that he died from the injuries two days after the accident.

## SAFETY BOOST

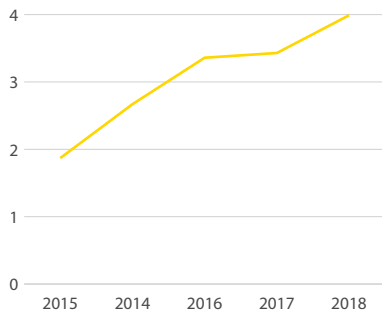
In spite of a historically low LTI rate, we are still seeing too many personal injuries. AF is, therefore, implementing a safety boost in 2019. This safety boost consists of six corporate measures: (1) expansion of the definition of LTI-1 so that it also applies to serious personal injury without absence, (2) establishment of a corporate goal of LTI-2 < 5, (3) expansion from one category to two categories for incidents with a high loss potential and ensure that the strictest category receives thorough follow-up, (4) mandatory use of safety gloves and safety glasses for everyone who is present at the projects, (5) strengthen risk management by introducing "Personal Safety Involvement (PSI)" methods, as well as (6) strengthen learning from incidents through digitalisation.



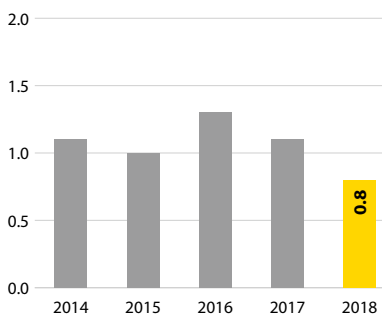
**Decent work and economic growth**

The UN’s goal is that worker rights shall be protected, and that all employees shall have a safe and secure working environment. AF’s goal is that no one should become ill or get injured from working at AF. The health and safety of our employees and subcontractors is our number one priority.

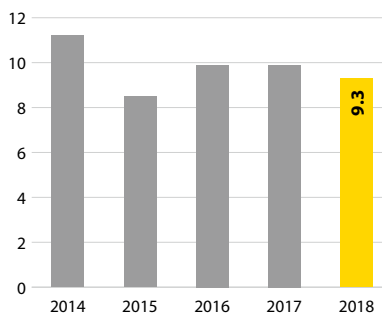
**REPORTED INCIDENTS AND CIRCUMSTANCES (RUI) PER MAN-YEAR**



**LTI-1 RATE**



**ABSENCE DUE TO ILLNESS**



**Safety boost for the correct use of protective equipment**

Cuts and eye injuries are the most frequent types of injuries at AF Gruppen. As much as 33 per cent of all registered LT1-2 injuries can be linked to improper or incorrect use of safety gloves or safety glasses. With the correct use of protective equipment, several injuries could have most likely been avoided. As of 2019, AF is introducing mandatory use of gloves and glasses for everyone who is on the building site.

# HEALTH AND JOB SATISFACTION

AF's goal is to provide our employees with a working environment that contributes to their continued health and happiness, and that they get the opportunities they strive for.

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

## HEALTHY EMPLOYEES

AF works continuously to ensure that all employees experience job satisfaction and well-being. Absence due to illness is an indicator of health work, and in 2018 it was 3.3 (3.0) per cent. AF's absence due to illness is considered low in the building and civil engineering industry. Some of the absence due to illness is work-related, and systematic, long-term work to achieve the goal of a "healthy situation" has, therefore, high priority.

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

To ensure that there is knowledge of what employees can be exposed to while working, and what measures can prevent health injuries, AF has health cards for the 16 most relevant types of exposure available in several languages. In addition, AF has developed and implemented a Health Risk programme, which enables us to better identify and influence health risks.

## EMPLOYEE SATISFACTION

The employee satisfaction survey that was conducted in 2017 shows that our employees are very satisfied with their own work and with AF as their employer. Personal development, job content and the company's goals and values, as well as the terms and conditions, are strong drivers for satisfaction. AF receives over 10,000 job applications annually, and this is a

strong indicator that AF is also regarded as an attractive workplace externally.

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

## THE BEST PEOPLE

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

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



**Equality between the genders and decent work**

The UN want to ensure women full and genuine participation and equal opportunities for leading positions at all levels in important decision-making processes, and to protect worker's rights and ensure all employees a safe and secure working environment. At AF we want to have "the best people", regardless of gender. Both women and men must have equal opportunities to pursue a career at AF. AF has set a goal to increase the percentage of women to 20 per cent. AF's goal is also to secure a good working environment for our employees.

ESS AF Gruppen 2017

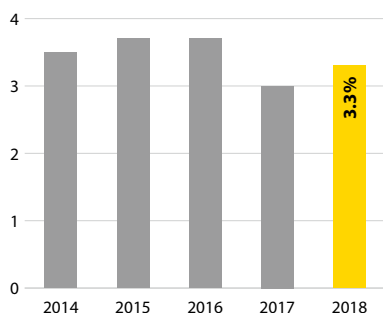
Scale 1-6

5.2

Percentage of women at AF

8.7%

ABSENCE DUE TO ILLNESS



**Unconscious gender discrimination on the agenda**

On 15 March 2018, 160 employees participated when AF sent out invitations to a discussion on unconscious gender discrimination in collaboration with #ShesGotThis. Collaboration with #ShesGotThis is one of several measures AF is working on to get more women to choose AF as their workplace and take on managerial positions in the Group. Discussions on unconscious discrimination have also been held in our projects, including Tvedestrand-Arendal.

# THE ENVIRONMENT – A SHARED RESPONSIBILITY

Our projects shall be carried out in a way that minimises negative effects on the environment.

One of our time's greatest societal challenges is climate change. As a consequence of this, the European Commission has launched a plan of action for a circular economy. A circular economy is based on the reuse and recycling of materials, so that as few resources as possible are lost.

Key to the EU's plan of action is the Framework Directive on Waste, which ranks measures to reduce the volumes of waste, reduce the waste that is produced, reuse resources, recycle materials and use waste for the production of energy before the disposal of any waste that cannot be used.

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

## RESPONSIBLE AND SUSTAINABLE PROJECT EXECUTION

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

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

AF is at all times prepared to minimise damage to and losses in the external environment if an accident or incident with a pollution

potential were to occur. The incident 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 is a control member of Green Dot, an international scheme that is to help ensure the financing of return schemes for used packaging.

Follow-up of the parameters source separation rate, an environmental factor that AF can influence, is an extra driving force in AF's environmental work. The source separation rate shows how much of the waste from AF's business activities that is sorted. The purpose of sorting waste is to facilitate recycling. In 2018, a total of 512,401 (324,270) tonnes of waste from our projects was separated. In addition, our environmental centres have recycled a total of 219,005 (179,163) tonnes of mass in 2018.

## USE OF DIESEL IS THE GREATEST SOURCE OF CO<sub>2</sub> EMISSIONS

AF's impact on climate is measured continuously in the form of the volume of greenhouse gas emissions in tonnes of CO<sub>2</sub> equivalents. A CO<sub>2</sub> equivalent is a unit that is used for comparison of the effects of various greenhouse gases on the climate. Our climate accounts show that the consumption of diesel by construction machinery accounts for the greatest share of AF's greenhouse gas emissions. In 2018, AF saw a 2.5 per cent increase in greenhouse gas emissions. This increase is attributed to increased use of construction machinery in our transport infrastructure projects.

There are many exciting developments in electric construction machinery. They reduce the level of noise and have significantly lower CO<sub>2</sub> emissions. In 2018, AF started using several electric machines in projects, including concrete injection machines. These machines are used, for example, in tunnels, and they result in cleaner air and better working conditions in tunnels, in addition to saving the global environment. AF started its first fossil-free civil engineering project in 2018 at the Grefsen Base.

[See page 191 of the climate accounts](#)



**Responsible consumption and production and stopping climate change**



The UN's goal is to achieve a more environmentally friendly management of all forms of waste throughout their entire life cycle, and to combat climate change and its consequences to limit any harmful effects on human health and the environment by 2030. It is the responsibility of AF to carry out projects in such a way that the environmental impact is minimised.

Total amount of mass recycled in the environmental centres in 2018

(tonnes)

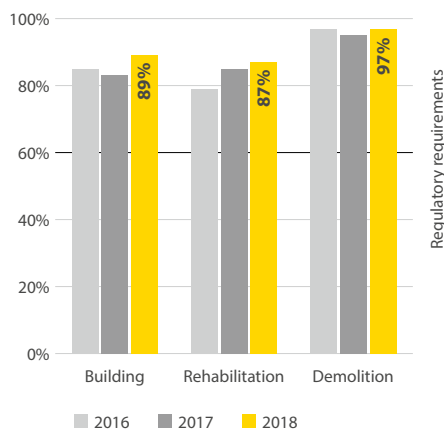
**219,005**

Total amount of mass separated at source in 2018

(tonnes)

**512,401**

SOURCE SEPARATION RATE



**Fossil-free building sites with electric machinery**

At Grefsen in Oslo, AF is renovating a railway workshop and offices for Sporveien. The project is part of Sporveien's "Clean Journey" strategy, which is to contribute to achieving the goal of the City of Oslo to reduce the city's greenhouse gas emissions by 50% by 2020. The building site will be fossil-free. This means that all the construction machinery, vehicles and equipment will be electric, a hybrid and/or run on biofuel. For example, electric vans and lifts, electric building heating and battery-operated vibrators are used. In addition, most of our own employees and key subcontractors will use electric cars, hybrid cars or public transport.

# ETHICS – GOOD BUSINESS PRACTICES IN OUR BACKBONE

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

## CORPORATE CULTURE IS THE KEY

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

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

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

## TRAINING FOR ALL EMPLOYEES

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

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

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

## COMPLIANCE THROUGH THE USE OF MANAGEMENT SYSTEMS

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

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

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

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

## NOTIFICATION OF CENSURABLE CONDITIONS

AF has procedures and routines related to the notification of censurable conditions, including the violation of laws and ethical guidelines. Both our own employees, contracted personnel and external parties are entitled to whistleblow, and the whistleblower shall be protected from retaliation. Whistleblowing can be open or anonymous, and both the whistleblowing and identity of the whistleblower will be handled confidentially. Whistleblowing can be to an immediate superior in the line organisation, to a manager at a higher level, by e-mail to the Whistleblowing Committee, or by sending an electronic form from [www.afgruppen.no/varsling](http://www.afgruppen.no/varsling). An internal whistleblowing committee will follow up any notifications received. For anonymous notifications, the notification will be processed by an external company first.

## MEASURES AGAINST WORK-RELATED CRIME AND SOCIAL DUMPING

The purchasing of goods and services accounts for around 70 per cent of the revenues of AF. AF is responsible for the entire contract

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

- Internal audits are conducted at all levels of the organisation
- Safety rounds are conducted weekly for all projects to ensure compliance with the regulations for the working environment
- Audits of subcontractors and suppliers are conducted to ensure that they have good systems with respect to the working conditions and ethics
- Control of pay and working conditions among suppliers, subcontractors and staffing companies, both by the projects themselves and with the assistance of AF Gruppen's permanently employed WR Crime Adviser.

If "red incidents" are uncovered, i.e. indications or incidents of work-related crime among our subcontractors, this will have consequences. Incidents will be investigated and the agreement with the subcontractor may be terminated. Since the seriousness initiative in 2014, we have uncovered two red incidents in AF projects. AF wishes to reject unprofessional actors, and we hope that unprofessional actors reject us.

#### ZERO TOLERANCE FOR ECONOMIC OR FINANCIAL CRIME

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

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

[See the table on pages 40–41 with answers to the UN Global Compact](#)



#### PEACE AND JUSTICE

The UN's goal is for the world to achieve a significant reduction in all forms of corruption and bribery, and that institutions shall be developed so that they are well-functioning, responsible and transparent at all levels. AF's activities, employees and subcontractors shall be distinguished by good ethical conduct, and we have zero tolerance for corruption and bribery.



#### Access control to prevent social dumping

AF conducts regular inspections to ensure that only authorised personnel have access to the building sites and that they have pay and working conditions that are in accordance with the laws and regulations. We register everyone who is on our building sites, when they are there, how much they work and what pay they receive. This is important in order to prevent social dumping on the building site.

AF has its own "labour inspection authority" that maintains ongoing control of the building sites. Several units have introduced MSREG, a tool that coordinates the systems for manpower registration, documentation and the follow-up of subcontractors in the projects.



## UNITED NATIONS GLOBAL COMPACT

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

### THE TEN PRINCIPLES

### Relevance for AF

### Measures

#### HUMAN RIGHTS

<p><b>1</b> Businesses should support and respect the protection of internationally proclaimed human rights; and</p>	<p>AF Gruppen complies with all applicable laws and respects internationally recognised human rights, irrespective of where we operate.</p>	<p>AF has expressed its attitudes and principles regarding human rights in fundamental documents such as the Code of Conduct, Group Policy and Purpose– Goals– Values.</p>
<p><b>2</b> make sure that they are not complicit in human rights abuses.</p>	<p>AF does not trade with companies that are in any way involved in violations of human rights.</p>	<p>All subcontractors and suppliers must undergo a prequalification process. AF also follows up suppliers on a continual basis and disqualifies operators that we suspect of having unethical practices. <i>See also Principle 4.</i></p>

#### WORKING CONDITIONS

<p><b>3</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p>	<p>AF enables employees to unionise and the right to conduct collective bargaining is recognised and respected.</p>	<p>More than 90% of the skilled workers at wholly-owned AF entities are union members. AF conducts collective bargaining for all employees and at all levels where this is relevant. AF also has a well-functioning employee representative system.</p>
<p><b>4</b> the elimination of all forms of forced and compulsory labour;</p>	<p>AF's employees have pay conditions that are in accordance with national laws and agreements with trade unions. AF only uses suppliers that pledge to abide by our ethical guidelines and comply with statutory requirements, the requirements contained in collective wage agreements, and AF's internal requirements.</p>	<p>AF has procedures for verifying the pay and working conditions of subcontractors and staffing agencies. In 2018, AF disqualified specific operators that do not comply with AF's ethical guidelines for working conditions. The circumstances were uncovered before these suppliers were awarded assignments with AF. <i>Read more on page 38 (Ethics).</i></p>
<p><b>5</b> the effective abolition of child labour; and</p>	<p>AF does not use child labour in its projects and we do not use companies (particularly transnational companies) that have goods and services chains that involve the financial exploitation of children.</p>	<p>employment contracts of employees of subcontractors and staffing agencies as a result of Seriousness Initiative. <i>Read more on page 38 (Ethics).</i></p> <p>We have not identified any suspected or actual cases of child labour in any of our projects or with any of our suppliers.</p>
<p><b>6</b> the elimination of discrimination in respect of employment and occupation.</p>	<p>AF shall have a working environment in which there is no prejudice, discrimination, verbal abuse or persecution. AF's principles concerning discrimination are enshrined in the Code of Conduct.</p>	<p>All new employees are made aware of the Code of Conduct. All employees must sign the Code of Conduct when they are recruited, and participate in an introductory course at which the Code of Conduct is reviewed.</p> <p>A specific goal in the strategy towards 2020 is to increase the percentage of women at AF. It was set a target in 2018 to increase share of women in AF to 20%. <i>Read more on page 34 (Health and Job Satisfaction).</i></p>

## PRINCIPLES

## Relevance for AF

## Measures

## ENVIRONMENT

**7** **Businesses should support a precautionary approach to environmental challenges;**

AF continuously works to limit its impact on the environment. Each company and business unit at AF Gruppen has its goals for the external environment. AF shall also comply with the core principles in the environmental standard ISO 14001.

It is a requirement at AF that all projects must be subject to a risk analysis prior to commencement. Environmental risk is an element in this analysis. Risk analyses are carried out in accordance with the Group policy for 2018. *Read more on page 18 (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 shall make it possible for our customers to take greater environmental responsibility.

AF continually develops its range of services. The source separation rate and carbon footprint are measurement parameters for AF's projects and focus on these targets promotes greater environmental responsibility in the organisation as a whole. *Read more on page 36 (Environment).*

**9** **encourage the development and diffusion of environmentally friendly technologies.**

One of AF's core values is entrepreneurial spirit. Through our environmental expertise, we shall offer services and solutions that meet the environmental challenges of both today and the future.

AF has developed unique technology that makes it possible to treat and reuse contaminated materials. For offshore activities, the Environmental Base at Vats has been established as an approved and certified reception facility for recyclable materials. *Read more on page 42 (Societal Duty).*

## ANTI-CORRUPTION

**10** **Businesses should work against corruption in all its forms, including extortion and bribery.**

AF must be trustworthy. The company has an uncompromising attitude towards safety and ethics. AF's Code of Conduct outlines our attitude towards corruption, price collusion and bribery.

It is expected that all employees comply with principles that are embedded in our Code of Conduct, which includes principle against corruption. No instances of corruption, including extortion and bribery, were identified in 2018.

An approval requirement prior to engaging subcontractors and suppliers is that they have previously complied with applicable laws and rules relating to corruption, including compliance with tax laws. *Read more on page 38 (Ethics).*

# OUR SOCIETAL DUTY – CREATION OF VALUE FOR SOCIETY

AF has chosen a commercial approach to the increasing environmental challenges and scarcity of resources in society. The UN has sustainable development goals related to the development of clean energy, building of solid infrastructure, responsible consumption and the circular management of waste.

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

## **TOOLS FOR CREATING VALUE LIE WITH THE EMPLOYEES**

AF's most important tools for managing sustainable entrepreneurship are the promotion of innovation, creativity and skills development. By innovation, we mean improving the existing processes and services. We want to develop new concepts and services that society needs through innovation. Innovation and creativity is a priority area for AF.

Good specialist expertise is a vital source of innovation and creativity which can, over time, create new standards in our industry. Therefore, our combined expertise is decisive for long-term and sustainable value creation.

## **SOCIETY'S NEEDS GIVE US NEW BUSINESS OPPORTUNITIES**

A number of the services already offered by AF are solutions to specific societal challenges. The Energy & Environment and Offshore business areas are both based on services that provide solutions for environmental challenges.

AF's offshore demolition activities were established based on an increasing need for the safe and environmentally friendly removal of offshore installations. AF's environmental base at Vats outside of Haugesund is one of Europe's most modern reception facilities for the decontamination and recycling of decommissioned

offshore installations. The environmental base processes and prepares a large volume of contaminated material for recycling. Read more about AF Miljøbase Vats on p. 73.

Through our environmental centres, our technology contributes to the treatment, recycling and reuse of scarce resources. We have developed the technology ourselves and can treat and recycle up to 80% of materials that would otherwise have been sent to a disposal site. The EU has defined specific goals related to waste management, and Norway is obligated to meet these goals. AF will therefore continue to develop our environmental centres to meet the demand in Norway. Read more about the newest environmental centre, the Nes Environmental Centre, on p. 53.

AF also offers energy conservation solutions for buildings based on renewable sources of energy. AF's business unit AF Energi & Miljøteknikk works continuously to improve our solutions for customers and has, for example, developed a new business concept that will reduce the risk of environmental investments for our customers, which will in turn make energy-efficient solutions more attractive in the market. Myrvoll Energi AS is an example of this new concept. Read more about this on p. 64.

In the Building and Civil Engineering business areas, there are also many opportunities for developing solutions that will contribute to a more sustainable society. BREEAM expertise, solid wood and renewable energy can be mentioned as examples here, and new forms of contract in which the planning phase is based on interaction with the clients gives AF an opportunity to develop solutions that are comprehensive and sustainable.



### CLEAN ENERGY FOR ALL

The UN aims to significantly increase the share of renewable energy in the world's overall consumption of energy. AF provides energy conservation services and builds energy-friendly buildings.



AF Gruppen is building a new coffee plant for Joh. Johansson Kaffe. In addition to building the actual plant, AF is responsible for the technical installations, solar cell system and outdoor installations. The building will have a strong environmental profile and will be built using solid wood and certified in compliance with Breeam Excellent. Wood is a renewable raw material that binds

CO<sub>2</sub> and requires little energy to produce. It has high strength relative to its weight and provides good insulation and indoor climate. Solar cell panels are integrated into the wood in the façade walls of the coffee processing plant in Vestby. A total of 1 280 panels will be installed with a combined output of 365 kWp, which will be used internally in the building. The estimated annual production is approxi-

mately 218 000 kWh, which corresponds to the power consumption of 12 modern single family homes for a year. The solar cell panels are to function as a "weather skin" that will withstand wind, rain and snowfall. The placement of the panels has been coordinated with the architect to achieve harmony between the aesthetics and technology. The façade will otherwise be made of solid wood.



### INNOVATION AND INFRASTRUCTURE

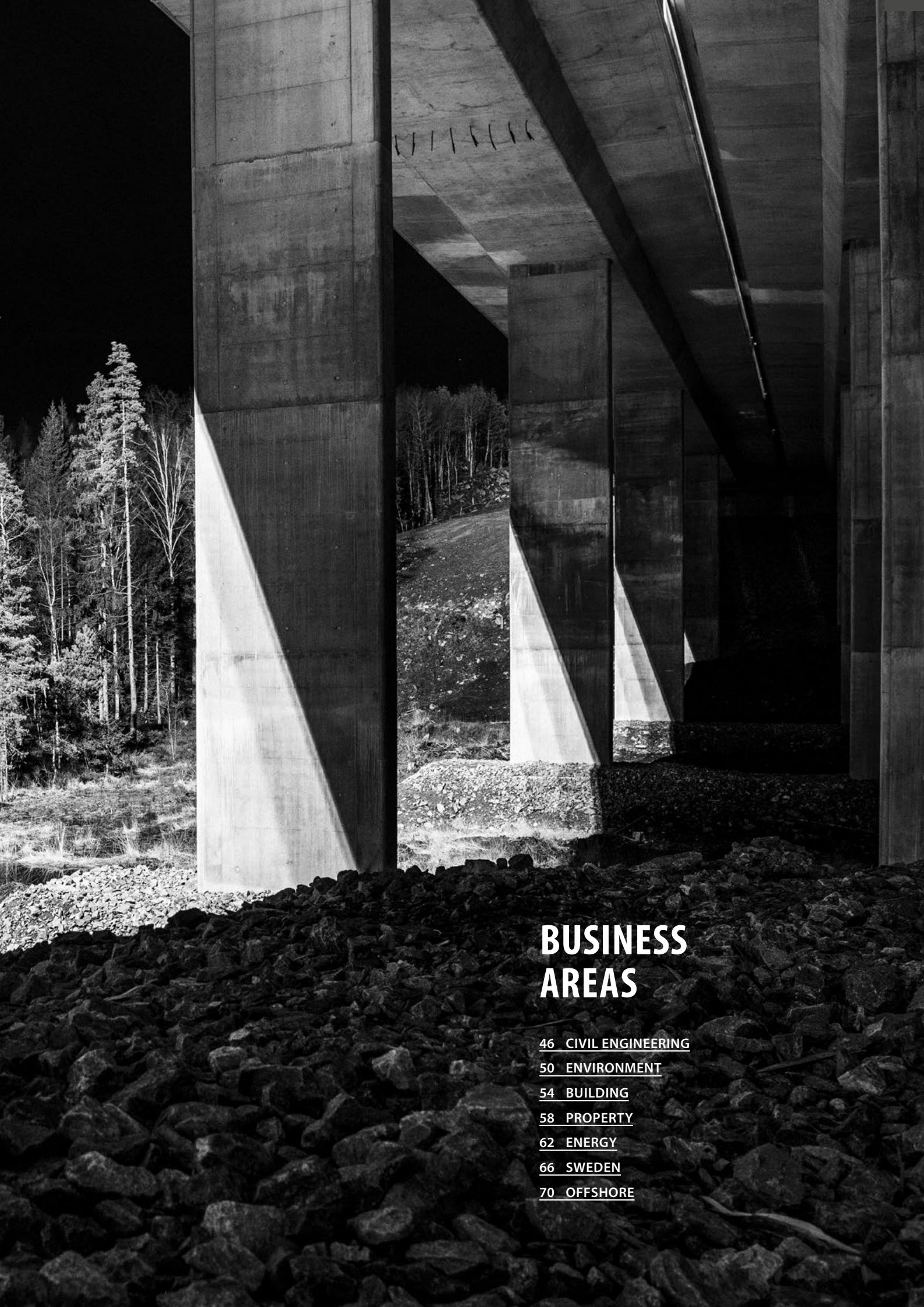
The UN's goal is to build solid infrastructure and restructure the business sector so that it is more sustainable, with more efficient utilisation of resources and increased use of environmentally friendly technology and industrial processes. AF is focusing on innovation and new technology to minimise environmental challenges that follow from the development of infrastructure.



AF Anlegg is building a 18.6 km four-lane motorway between Kristiansand West and Mandal East that will improve the practicability and safety of this section. The new E39 will require the felling of hardwood forest, which is

a red-listed habitat. As a compensatory measure and to preserve the diversity of species and improve the prerequisites for rare forest-related organisms, several "tree cemeteries" will be established along this section. Old,

large, trees from different important tree species will be felled in their entire length and placed back in untouched nature. They will resemble fallen trees and create fertile ground for fungus and a habitat for many insects.



## **BUSINESS AREAS**

46 CIVIL ENGINEERING

50 ENVIRONMENT

54 BUILDING

58 PROPERTY

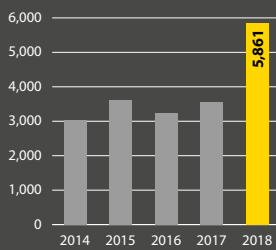
62 ENERGY

66 SWEDEN

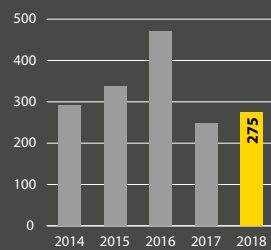
70 OFFSHORE

# CIVIL ENGINEERING

## REVENUES NOK MILL.



## OPERATING PROFIT NOK MILL.



## GEOGRAPHIC PRESENCE

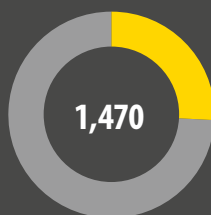
■ Norway



## KEY FIGURES

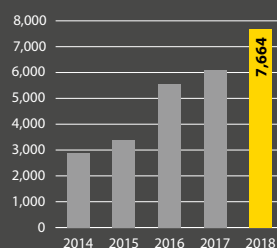
NOK million	2018	2017	2016
Revenue	5,861	3,569	3,237
Operating profit (EBIT)	275	249	471
Earnings before tax (EBT)	293	269	485
Operating margin	4.7%	7.0%	14.6%
Profit margin	5.0%	7.5%	15.0%
Order backlog	7,664	6,082	5,566

## EMPLOYEES



AF Gruppen 4,220

## ORDER BACKLOG NOK MILL.



## CIVIL ENGINEERING CONSIST OF

- AF Anlegg
- JR Anlegg
- Målselv Maskin & Transport

# HIGH LEVEL OF ACTIVITY AND RECORD-BREAKING ORDER BACKLOG

In 2018, the Civil Engineering business area reported a very high level of activity and industry-leading profitability. The year was marked by a high level of activity and good operational performance for E18 Tvedestrand – Arendal, and AF was awarded its largest individual contract ever for E39 Kristiansand west – Mandal east.

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

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

## YEAR 2018 IN BRIEF

In 2018, the Civil Engineering business area reported revenues of NOK 5 861 million (3 569 million). This corresponds to revenue growth of 64.2 per cent compared with 2017. Earnings before tax were NOK 293 million (269 million). The profit margin ended at 5.0 per cent, compared with 7.5 per cent in 2017.

AF Anlegg reported a very high level of activity in 2018. Even with strong growth, the unit delivered good results and an industry-leading profit margin. The year was marked by a high level of activity and good operational performance for the major project E18 Tvedestrand - Arendal. Originally the road was to open in October 2019. The project has progressed well and this section will open to traffic now on 2 July 2019 according to plan. During the year, AF Anlegg entered into several major contracts, and the new E39 Kristiansand west – Mandal east contract valued at

NOK 4 700 million, excluding VAT, is the largest ever individual contract in the history of AF.

Målselv Maskin & Transport had a very good 2018 with a high level of activity and good results.

At year end, the Civil Engineering business area had an order backlog of NOK 7 664 million (6 082 million).

## MARKET OUTLOOK

The civil engineering market in Norway is good and not very sensitive to cyclical fluctuations, since public sector demand is the strongest driver behind investments in civil engineering in Norway. In the 2019 State Budget, the government proposes to allocate NOK 73.1 billion to transport, which is an increase of NOK 5.4 billion (7.9%) over the final budget for 2018. NOK 65.2 billion of this will be used to follow up the National Transport Plan 2018-2029, NOK 37.1 billion of which is for road purposes. This represents an increase of 3.3% compared with 2018. Prognose-senteret expects a high level of activity in the civil engineering market for 2019, with growth in investments of 16.9 per cent. A high level of activity is expected in transport throughout Norway, but it is primarily the major road projects in Western Norway and Central Norway that are driving growth. The higher investment estimate for transport and road projects, as well as the planned start-up of many large civil engineering projects, provide a good foundation for a continued high level of activity in AF's civil engineering business.

## SELECTED PROJECTS



### EIRIKSDAL POWER PLANT AT ERINGSDAL IN HØYANGER

The Eiriksdal Power Plant has a regulating reservoir in the Høyanger mountains. The intake reservoir is Høgsvatn, which is 694 metres above sea. AF will build an approximately 4 km long access tunnel and upgrade a 10.5 km long access road from the Eiriksdal Power Plant to Eringsdal. The tunnel and road system will provide secure access to the planned renovation of the seven dams in Eiringsdalen and Nordalen, as well as the demolition of decommissioned components.

BUSINESS UNIT: AF ANLEGG

CLIENT: STATKRAFT ENERGI

COMPLETION: MARCH 2021

CONTRACT VALUE: NOK 180 MILLION, EXCL. VAT



### BEKKELAGET TREATMENT PLANT

At Norway's second largest treatment plant, Bekkelaget, 40 per cent of Oslo's sewage water is treated. Now, the capacity is being expanded to manage the capital's population growth, and AF has been made responsible for the structural work. The expansion is taking place in connection with the existing plant. The work will be performed inside an underground cavern and consists of in-situ cast concrete and steel structures.

BUSINESS UNIT: AF ANLEGG

CLIENT: CITY OF OSLO (AGENCY FOR WATER AND SEWERAGE WORKS)

COMPLETION: SUMMER OF 2020

CONTRACT VALUE: NOK 450 MILLION, EXCL. VAT



### CIVIL SERVICES AT HAMMERFEST

On Melkøya in Hammerfest, natural gas from Equinor's Snøhvit field is cooled down to liquefied natural gas (LNG). AF has had a framework agreement for maintenance and modification work on the plant since 2012. The contract requires a great deal of interdisciplinary expertise and encompasses both civil engineering and structural work, as well as summer and winter maintenance of the facility.

BUSINESS UNIT: AF ANLEGG

CLIENT: EQUINOR

COMPLETION: MAY 2020

CONTRACT VALUE: APPROXIMATELY NOK 50 MILLION, EXCL. VAT PER YEAR



### E6 SOKNEDAL

The project encompasses the construction of a 6.5 km section of road between Vindåsliene and Korporalsbrua in the Municipality of Midtre-Gauldal. The work includes road construction and tunnel and concrete work. Upon completion of the project, there will be a significant improvement in traffic safety in central Soknedal and on the adjoining roads. The present E6 highway will be retained for local traffic, plus pedestrian and cycle traffic. The new E6 will be approximately one kilometre shorter than it is today.

BUSINESS UNIT: AF ANLEGG

CLIENT: NORWEGIAN PUBLIC ROADS ADMINISTRATION

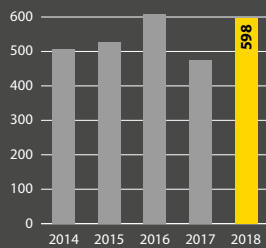
COMPLETION: DECEMBER 2020

CONTRACT VALUE: NOK 993 MILLION, EXCL. VAT

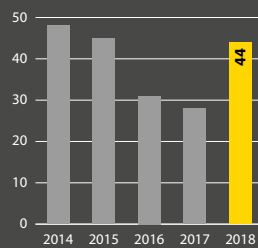


# ENVIRONMENT

## REVENUES NOK MILL.

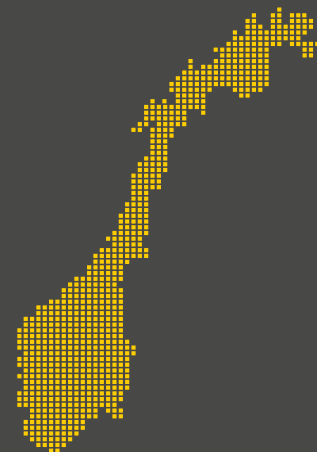


## OPERATING PROFIT NOK MILL.



## GEOGRAPHIC PRESENCE

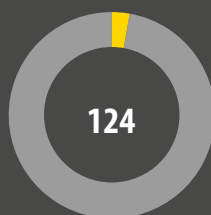
■ Norway



## KEY FIGURES

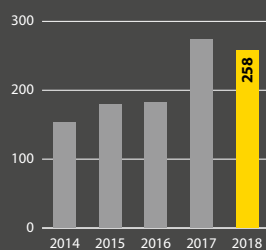
NOK million	2018	2017	2016
Revenue	598	474	608
Operating profit (EBIT)	44	28	31
Earnings before tax (EBT)	43	27	31
Operating margin	7.3%	5.9%	5.1%
Profit margin	7.1%	5.8%	5.1%
Order backlog	258	274	182

## EMPLOYEES



AF Gruppen 4,220

## ORDER BACKLOG NOK MILL.



## ENVIRONMENT CONSIST OF

- AF Decom
- Rimol Miljøpark
- Jølsen Miljøpark
- Nes Miljøpark

# STRONG GROWTH AND GOOD EARNINGS

The Environment business area increased its level of activity and improved its profitability in 2018. The investment in environmental centres is bearing fruit, and a third environmental centre was established at Nes in Akershus during the year.

The Environment business area consists of the unit AF Decom, in addition to the activities at Rimol Miljøpark, Jølsen Miljøpark and Nes Miljøpark. The business concept for the Environment business area is to offer solutions that meet the environmental challenges faced by customers. The Environment business area provides traditional demolition services and the subsequent receiving, treating and recycling of materials. The business area has solid expertise in areas such as environmental clean-up, demolition, constructive blasting and recycling. AF's demolition activities are characterised by a high level of safety and protection of the external environment.

The European Commission's goal for a circular economy is that more than 80 per cent of the materials that are used are to be recycled and remain in circulation by 2030. The aim of the clean-up and demolition projects in AF's demolition activities is to have the highest possible source separation rate to facilitate reuse and recycling. The environmental aspects are therefore an integral part of project planning. The average sorting rate for AF's clean-up and demolition projects is greater than 95 per cent.

For several years, AF has developed methods and technology for the reuse and recycling of contaminated materials. This research has resulted in a special decontamination method inspired by mine operations and gold mining. The solution makes it possible to extract

contaminated particles by means of advanced sorting, water and chemicals. Recycling operations are organised in special environmental centres. The technology contributes to a cleaner environment, since up to 80 per cent of the materials that would have otherwise ended up at traditional disposal sites are reused or recycled.

The Environment and Energy business areas merged into a single business area, Energy & Environment, as of 1 January 2019.

## YEAR 2018 IN BRIEF

The Environment business area reported revenues of NOK 598 million (474 million) and earnings before tax of NOK 43 million (27 million) for 2018. This resulted in a strong profit margin of 7.1 per cent (5.8 per cent).

AF Decom's level of activity and profitability improved compared with the previous year. There are several strong portfolios in the unit with good operational performance in the projects.

The environmental centres increased their overall level of activity in 2018 and reported very good results. Environment has completed a new indoor environmental centre for the treatment of contaminated materials at Nes in Akershus. Establishment of the centre at Nes lays the foundation for continued growth in 2019.

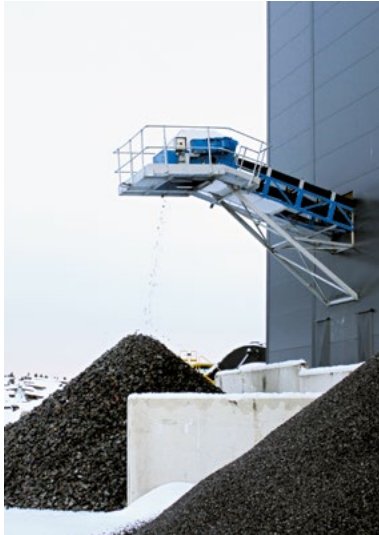
At the end of 2018, the Environment business area had an order backlog of NOK 258 million (274 million).

## MARKET OUTLOOK

The level of demolition activity is closely connected to the general level of activity in the building and civil engineering markets. The positive outlook for the civil engineering market in Norway and a good building market have a positive impact the demand for services in the Environment area.

The market opportunities for the treatment of contaminated materials are huge, since the materials that were previously delivered to disposal sites can now be recycled. AF's decontamination method means that up to 80 per cent of the materials can be decontaminated, processed and reused. The method provides good socio-economic and commercial benefits by reducing the volume of waste, while clean materials can be reused in the form of gravel and stone.

## SELECTED PROJECTS

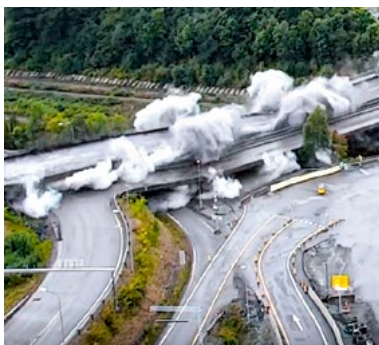


### NES ENVIRONMENTAL CENTRE

AF Gruppen, Esval Environmental Centre and Gunnar Holth Grusforretning have established Eastern Norway's first environmental centre for the recycling of contaminated materials at Nes in Akershus. The goal is to recycle 80% of the materials by means of new environmental technology. Establishment of the new Environmental Centre represents a pioneering restructuring of a disposal site that has been in operation at Esval for more than 40 years. The new facility will contribute to safer waste management and disposal in the area. Materials that piled up at disposal sites earlier are now treated and become new clean raw materials. The City of Oslo spread almost 40 000 tonnes of sand on slippery winter roads last year, for example. Everything ended up at a disposal site, as opposed to major cities such as Stockholm and Trondheim that recycle their sand. The Nes Environmental Centre can solve this problem in a sustainable manner.

BUSINESS UNIT: AF DECOM

IN OPERATION FROM: Q4 2018



### FARRISEIDET LARVIK: E18 BRIDGE AND FV302 BRIDGE

AF removed ten bridges as part of the construction of a new section of road from Farriseidet to Hammerdalen in Larvik. The two largest bridges, the E18 bridge and FV302 bridge were demolished by blasting, while eight bridges were removed by machinery. The contract required a high level of expert knowledge. The main challenges were related to the preservation of structures below the bridges (turbine pipes, railways, rivers), traffic management and the surrounding residential areas.

BUSINESS UNIT: AF DECOM

CLIENT: MARTHINSEN & DUVHOLT

COMPLETION: DECEMBER 2018

CONTRACT VALUE: NOK 14 MILLION, EXCL. VAT



### DEMOLITION OF SILOS AT GÄLLIVARE

At the Aitik copper mine near Gällivare in Sweden, AF has demolished several silos of approximately 100 metres by controlled blasting. The blasting was part of a removal contract that has been in progress since April 2018. Conveyors, warehouses for copper ore storage and concrete culverts have been removed. A total of 4 000 tonnes of iron has been sent for recycling, 40 000 tonnes of concrete have been crushed and sent for recycling and over 200 000 tonnes of earth have been moved.

BUSINESS UNIT: AF DECOM

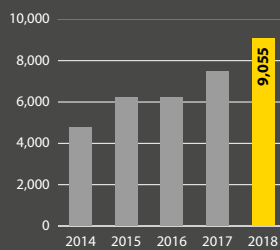
CLIENT: NEW BOLIDEN MINERAL

COMPLETION: DECEMBER 2018

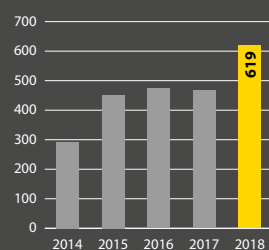
CONTRACT VALUE: NOK 19 MILLION, EXCL. VAT

# BUILDING

## REVENUES NOK MILL.



## OPERATING PROFIT NOK MILL.



## GEOGRAPHIC PRESENCE

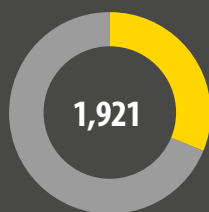
■ Norway



## KEY FIGURES

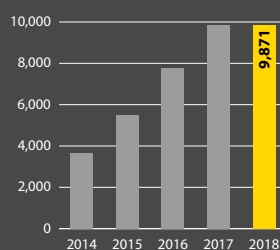
NOK million	2018	2017	2016
Revenue	9,055	7,474	6,207
Operating profit (EBIT)	619	467	473
Earnings before tax (EBT)	645	481	486
Operating margin	6.8%	6.3%	7.6%
Profit margin	7.1%	6.4%	7.8%
Order backlog	9,871	9,837	7,772

## EMPLOYEES



AF Gruppen 4,220

## ORDER BACKLOG NOK MILL.



## BUILDING CONSIST OF

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

with subsidiaries

# SOLID RESULTS

Building reported strong growth and delivered solid results. This is attributed to good results in most of the business units and many projects that are performing well. The business area has shown a high level of competitiveness and won many new projects throughout the year.

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

The Building business area is divided into fourteen business units and their associated subsidiaries: AF Bygg Oslo, AF Byggfornyelse, AF Nybygg, AF Bygg Østfold, Strøm Gundersen, Strøm Gundersen Vestfold, AF Håndverk, Consolvo, Haga & Berg, EIQON, LAB Entreprenør, Åsane Byggmesterforretning, FAS and HTB. All the units have strong local roots and a broad range of services. EIQON was established in the 2nd quarter of 2018 when Consolvo Overflate AS and the associated subsidiaries were spun off from Consolvo and changed their name.

LAB acquired 70 per cent of the shares in Helgesen Tekniske Bygg (HTB) in the 4th quarter of 2018. The acquisition will provide structural growth, and with HTB on the team, AF will have broadened its product line in the Bergen region. The majority of HTB's deliveries are new industrial and warehouse buildings, shopping centres and offices. During the period from 2015 to 2018, HTB reported average revenues of NOK 343 million and an operating margin of 6.6 per cent.

## YEAR 2018 IN BRIEF

The Building business area reported revenues of NOK 9 055 million (7 474 million) and earnings before tax of NOK 645 million (481 million) in 2018. This gives a profit margin of 7.1 per cent, compared with 6.4 per cent in 2017.

The building business reported a high level of activity in 2018 and delivered very good results. This applies in particular to the units AF Bygg Oslo, AF Håndverk and EIQON. Other units reported good results for 2018.

At the end of 2018, the Building business area had an order backlog of NOK 9 871 million (9 837 million).

## MARKET OUTLOOK

Prognosesenteret expects approximately zero growth in the construction market overall for 2019. It is expected that a decline of 8.1 per cent in residential production will be compensated for by significant growth in commercial building production of NOK 5.5 billion (8.8 per cent) and the fact that the renovation, remodelling and extension services market is expected to grow by NOK 2.9 billion (1.8 per cent).

There are relatively significant regional differences in the development of the market in 2019. A decline is expected in the south-eastern parts of the country, and an increase or zero growth in the remainder. A residential production decline 2019 reflects a strong

decline in permissions to commence in 2018, which ensures a stronger decrease in housing at work in 2019.

Overall, a high level of activity is expected. A decrease in start permits will likely be reflected in fewer new projects starting in 2019, but there is still a good outlook for the Norwegian economy, which is currently experiencing a moderate cyclical upswing.

## SELECTED PROJECTS



### SCHWEIGÅRDSGATE 33

A 10-storey office building, eight storeys above ground and two storeys below ground, is being constructed at Schweigaards gate 33. The project will become Bane NOR's head office and consists of two buildings that will be connected by a glass bridge on the sixth floor. The architecture is distinctive and innovative. The project will achieve the BREEAM-NOR environmental classification of "Excellent" and Class A energy rating. A terrace with a beautiful view of Bjørvika will be constructed on the roof.

BUSINESS UNIT: STRØM GUNDERSEN

CLIENT: BANE NOR EIENDOM

COMPLETION: 2018/19

CONTRACT VALUE: NOK 362 MILLION, EXCL. VAT



### LILLO GÅRD

At Lillo Gård in Storo, AF has developed a new residential project and urban square together with several partners. The project has eleven buildings with a total of 415 freehold apartments divided into two areas, "Haugen" and "Lunden". The actual farm is being renovated, and the new square will be turned into a local meeting place with shops and cafés.

BUSINESS UNIT: AF BYGG OSLO

CLIENT: LILLO GÅRD KS (OBOS, ASPELIN RAMM, TROND MOHN, AF EIENDOM AND OTHERS)

COMPLETION: 2020

CONTRACT VALUE: NOK 1 126 MILLION EXCL. VAT



### NURSES' HOMES

AF Håndverk has completed the renovation of 16 buildings worthy of preservation that represent the Eugene Hanssen's Small Homes Foundation on Kirkeveien in Oslo. A total of 5 800 square metres of old brick façades were replastered with historical materials and workmanship. The AF-owned AF Håndverk consists of companies with special expertise in the entire value chain in the renovation market.

BUSINESS UNIT: AF HÅNDVERK

CLIENT: EUGENE HANSSEN'S SMALL HOMES FOUNDATION

COMPLETION: NOVEMBER 2018

CONTRACT VALUE: NOK 20 MILLION EXCL. VAT



### NEW NATIONAL MUSEUM

AF Gruppen has been awarded the Structural Shell, Airtight Building and Interior Work contracts for the New National Museum project. The Interior Work contract encompasses, for example, the surfaces of exterior, interior and folding walls, wood floors, oak parquet, computer floors, grated floors, concrete floors and floor surfaces, ceilings, insulation and fire sealing.

BUSINESS UNIT: AF BYGGFORNYELSE

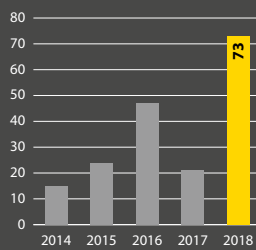
CLIENT: STATSBYGG

COMPLETION: 2019

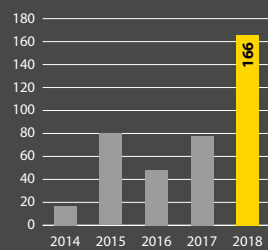
CONTRACT VALUE: NOK 460 MILLION, EXCL. VAT

# PROPERTY

## REVENUES NOK MILL.

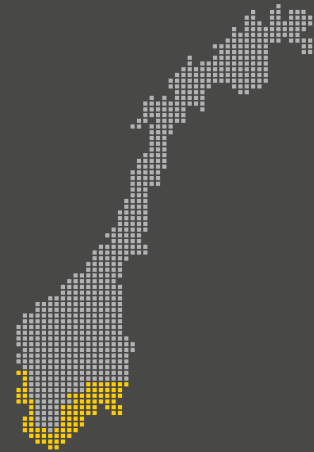


## OPERATING PROFIT NOK MILL.



## GEOGRAPHIC PRESENCE

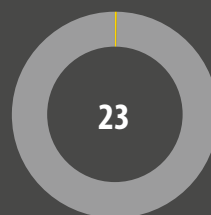
■ Norway



## KEY FIGURES

NOK million	2018	2017	2016
Revenue	73	21	47
Operating profit (EBIT)	166	78	48
Earnings before tax (EBT)	157	64	33
Operating margin	-	-	-
Profit margin	-	-	-
Order backlog	-	-	-

## EMPLOYEES



AF Gruppen 4,220

## PROPERTY CONSIST OF

- AF Eiendom
- LAB Eiendom

# GOOD RESULTS IN A BALANCED MARKET

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

## YEAR 2018 IN BRIEF

Property reported earnings before tax of NOK 157 million (64 million) in the 2018. A total of 284 (285) apartments were sold in 2018, of which AF's share was 100 (111).

The residential market in Greater Oslo, where Property has most of its activities, has been marked by cautious optimism among the residential buyers in 2018. Property achieved good results for 2018. The greatest contributors to this were the residential projects Lillo Gård and Krydderhagen, which are located at Nydalen and Hasle in Oslo, together with the sale of commercial property at Hasle. At the start of 2019, AF's property business had six residential projects with a total of 921 apartments in the production phase, and AF's share was 338. AF's share of sold apartments in these projects is 74.4 per cent. The largest projects under production are Lillo Gård at Nydalen, Krydderhagen at Hasle, Skiparviken in Bergen and Nye Kilen Brygge


in Sandefjord. As at 31 December 2018, AF's share of unsold completed apartments was 0.3 (4).

At the end of the year, AF had sites and development rights under development that totalled 1 831 (2 063) residential units, of which AF's share was 871 (831) residential units.

AF has a total gross floor area of 44 755 square metres of commercial property under development, of which AF's share is a gross floor area of 20 597 square metres. Property has three commercial projects under construction: Atea Building at Hasle in Oslo, K4 (hotel and offices) at Hasle in Oslo and Butikker Lillo Gård at Nydalen in Oslo.

## MARKET OUTLOOK

Figures from Property Norway for February 2019 show that residential property prices in Norway rose 0.5 per cent compared with the previous month. Adjusted for seasonal variations, the prices remained unchanged. In February, residential property prices were 3.0 per cent higher than 12 months ago. The strong activity in the housing market in 2018 continues in 2019. Never before have so many residential units been sold in the first two months of the year as this year. Oslo and Fredrikstad/Sarpsborg reported the strongest seasonally adjusted growth of 5.1 per cent, while Bergen reported the weakest growth with a decline of 1.8 per cent. Throughout all of 2018, there have been many resale homes for sale. Property Norway expects that this will last throughout 2019 in step with the fact that many

 The Property business area reported a high level of activity and good results in 2018. Gains on the sale of commercial property at Hasle in Oslo have made a positive contribution to the results.

completed new residential units will also be coming on the market due to the high volume of residential construction in recent years. This contributes, in combination with the announcement of interest rate increases from Norges Bank, to Property Norway expecting a moderate price performance in 2019.



## SELECTED PROJECTS



### WANG UNG

Wang Ung is a lower secondary school for sports that is located at Hasle in Oslo. AF got the opportunity here to place its mark on an urban district that is constantly evolving. The school accommodates 360 students and is a learning arena that provides inspiration for activities and community. AF's contract encompassed the construction of a complete school with a floor area of 3 000 square metres. The building has achieved a BREEAM-NOR environmental classification of "Very Good".

BUSINESS UNIT: AF NYBYGG

CLIENT: HASLE LINJE 5 AS (HÖEGH EIENDOM AS AND AF GRUPPEN NORGE AS)

COMPLETION: JUNE 2018

CONTRACT VALUE: NOK 65 MILLION, EXCL. VAT



### NYE KILEN BRYGGE

Nye Kilen Brygge consists of 136 apartments with a beautiful location at the edge of the quay in Sandefjord. The apartments are close to the central business district and are being constructed by Strøm Gundersen Vestfold. It will be a ten minute walk for the residents to central Sandefjord where there are cultural offerings and charming shopping streets. The first construction stage with 55 apartments started up in February 2018. The first residents will be moving in in the 1st quarter of 2020.

BUSINESS UNIT: AF EIENDOM

COMPLETION: AUTUMN OF 2020

OWNERSHIP STAKE: 50%



### SKIPARVIKEN

The Skiparviken residential property project is located in a well-established suburban area in the Fana District of Bergen. The site has a westerly aspect with a view of Nordås Lake. The project has been developed by LAB Entreprenør and Profier and consists of 129 apartments divided over 10 buildings with an underground parking garage. The apartments will be built by LAB Entreprenør.

BUSINESS UNIT: LAB EIENDOM

COMPLETION: 2ND QUARTER OF 2021

OWNERSHIP STAKE: 50%



### LILLEBY TRIANGEL

Lilleby Triangel consists of several construction stages at Lade in Trondheim. There are a total of around 400 apartments that will be constructed around a lush courtyard in the triangle between Jarleveien and Ladeveien. AF is a co-investor in Ladejarlen Utvikling, which is behind the development of this property project. The apartments will be constructed by Betonmast.

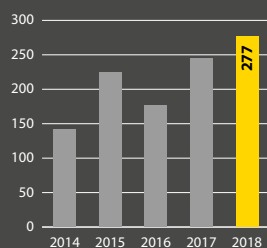
BUSINESS UNIT: AF EIENDOM

COMPLETION: SUMMER OF 2023

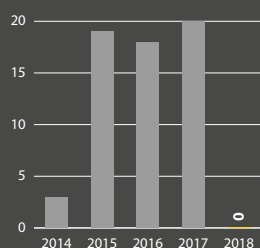
OWNERSHIP STAKE: 33.3%

# ENERGY

## REVENUES NOK MILL.

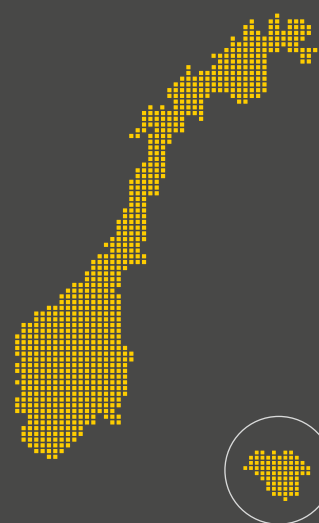


## OPERATING PROFIT NOK MILL.



## GEOGRAPHIC PRESENCE

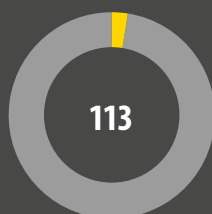
- Norway
- Lithuania



## KEY FIGURES

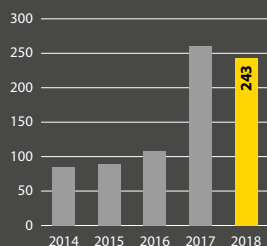
NOK million	2018	2017	2016
Revenue	277	244	177
Operating profit (EBIT)	0	20	18
Earnings before tax (EBT)	-2	22	16
Operating margin	0.1%	8.2%	10.2%
Profit margin	-0.6%	9.0%	9.0%
Order backlog	243	260	108

## EMPLOYEES



AF Gruppen 4,220

## ORDER BACKLOG NOK MILL.



## ENERGY CONSIST OF

- AF Energi & Miljøteknikk
- Boligenergi
- AF Energija Baltic

# INCREASING LEVEL OF ACTIVITY, BUT WEAK RESULTS

Energy reported an increasing level of activity throughout the year. Earnings were impacted by higher costs as a result of investments and recruitment.

The Energy business area provides energy-efficient and future-oriented technical energy services for buildings and industry. The business area consists of the business unit, AF Energi & Miljøteknikk, but it also has activities in Boligenergi AS, which is owned together with OBOS and AF Energija Baltic, which was established in Lithuania in 2017. Energija shall primarily be a supplier to the Norwegian Energy business.

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

The Energy and Environment business areas merged into a single business area, Energy & Environment, as of 1 January 2019.

## YEAR 2018 IN BRIEF

In 2018, the Energy business area reported revenues of NOK 277 million (244 million). Earnings before tax were NOK -2 million (22 million). This gives a profit margin of -0.6% (9.1%). AF Energi & Miljøteknikk saw a higher level of activity in 2018, but the unit also delivered weak results. While EPC

and service projects delivered satisfactory results, there was a low level of activity in the renewable portfolio relative to the fixed costs as a result of our long-term focus on this area. The operations in the Baltic States have also delivered results below expectations.

The energy services market is growing, and the size of the contracts is increasing at the same time. AF Energi & Miljøteknikk were awarded a contract by Statsbygg in December for piping to the Life Sciences Building. This is a collaborative turnkey contract with an estimated value of approximately NOK 300 million. Most of the contract value is contingent and will not be included in the order backlog until after the collaboration phase, which is scheduled to last until 2021. Belief in continued growth and the effect of several strategic measures in 2018 are expected to contribute to improvement of the earnings to a satisfactory level already in 2019.

Energy has a good order backlog. At the end of the year, the order backlog was NOK 243 million (260 million).

## MARKET OUTLOOK

The authorities in Norway have defined ambitious energy goals related to a reduction in the consumption of energy towards the year 2030. These goals are to be realised through a significant reduction in the consumption of energy by existing buildings compared with the current level, among other things. Enova has found that there is a major maintenance backlog for public buildings and major conservation

opportunities in connection with the rehabilitation of buildings. The delivery of heating and cooling to commercial buildings is another interesting market. The demand here is associated with new residential and commercial building starts, where a high number of starts is still expected in 2019, in spite of the decline compared with 2018. The market for energy performance contracts (EPCs) in municipalities and public enterprises is also an interesting market area. Overall, a good market is expected for AF's activities in the Energy area.

## SELECTED PROJECTS



### Locally-sourced and innovative heat generation

Heat is recovered at Myrvoll Station from sewage water in a specially designed pipe.

### MYRVOLL ENERGI

Myrvoll Energi marks the start of a new business model, in which AF will shift from delivering and operating energy plants to co-ownership in the plants as well. This reassures the customers that AF will design and deliver solutions that are optimal in a long-term ownership perspective. Co-ownership in energy plants is channelled through the AF company Enaktiva, which is also responsible for development of the entire concept.

Myrvoll Energi will deliver heat to the Myrvoll Station project in Oppegård, which is being developed with approximately 850 residential units and broad service offerings. JM Norge, which is the largest developer in the area and Enaktiva, each own 50 per cent here. AF Energi & Miljøteknikk has comprehensive responsibility in the project to design, install and operate the energy plant. By organising the energy plant as a separate company, the developers are able to convert development costs into ownership interests in an energy company, while the residential buyers will be assured of a supply of heat from a professional actor.

BUSINESS UNIT: AF ENERGI & MILJØTEKNIKK

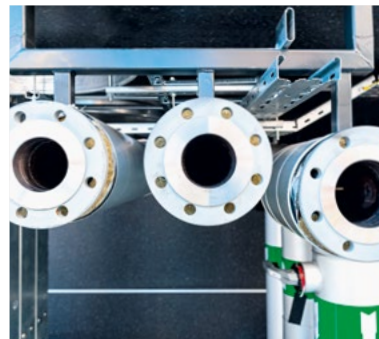
COMPLETION: AUTUMN 2019



### FINNMARK EPC CONTRACT

The energy conservation measures in the Finnmark County Authority are carried out as an EPC contract for a total of 16 buildings. The measures that are being implemented include the installation of heat pumps, optimisation of the flow of energy in ventilation and heating plants, and the recovery of heat. Eighty measures will be carried out over the course of a year. The follow-up phase will start in the autumn of 2019. AF guarantees an energy reduction of 34 per cent.

BUSINESS UNIT: AF ENERGI & MILJØTEKNIKK  
CUSTOMER: FINNMARK COUNTY AUTHORITY  
COMPLETION: OCTOBER 2021  
VALUE: NOK 40 MILLION EXCL. VAT



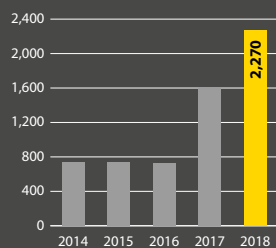
### TJUVHOLMEN ENERGY PLANT

The Tjuvholmen Energy Plant supplies energy to the Astrup Fearnley Museum and several apartment buildings and office buildings on Tjuvholmen. The plant is based on energy absorption from seawater, heat pumps and electric boilers, and it is owned by Selvaag Eiendom and Aspelin Ramm Eiendom. AF entered into an all-encompassing agreement in 2018 for the operation, optimisation and maintenance of the energy plant that will remain in effect provisionally until 2021.

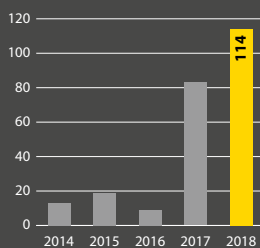
BUSINESS UNIT: AF ENERGI & MILJØTEKNIKK  
CUSTOMER: TJUVHOLMEN ENERGI AS  
COMPLETION: SUMMER OF 2021  
VALUE: NOK 2 MILLION EXCL. VAT OVER THREE YEARS

# SWEDEN

## REVENUES NOK MILL.



## OPERATING PROFIT NOK MILL.



## GEOGRAPHIC PRESENCE

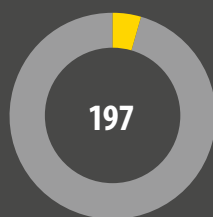
■ Sweden



## KEY FIGURES

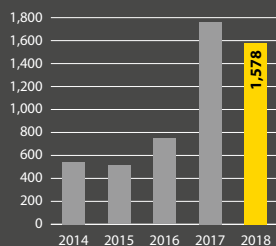
NOK million	2018	2017	2016
Revenue	2,270	1,611	731
Operating profit (EBIT)	114	83	9
Earnings before tax (EBT)	113	82	10
Operating margin	5.0%	5.2%	1.2%
Profit margin	5.0%	5.1%	1.3%
Order backlog	1,578	1,760	748

## EMPLOYEES



AF Gruppen 4,220

## ORDER BACKLOG NOK MILL.



## SWEDEN CONSIST OF

- Kanonaden Entreprenad med døtre
- Pålpintar
- AF Bygg Göteborg
- AF Bygg Syd
- AF Projektutveckling
- AF Härnösand Byggreturer

# HIGHER LEVEL OF ACTIVITY AND GOOD RESULTS

Sweden increased revenues significantly in 2018 and delivered good results.

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

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

## YEAR 2018 IN BRIEF

Sweden reported revenues of NOK 2 270 million (1 611 million) and earnings before tax of NOK 113 million (82 million) in 2018. This gives a profit margin of 5.0 per cent, compared with 5.1 per cent in 2017.

The level of activity for the operations in Sweden increased in 2018, compared with 2017, and the operations delivered good results overall, even if the profitability varies between the business units. Kanonaden Entreprenad and subsidiaries, AF Bygg Syd and AF Härnösand Byggreturer all delivered good results in 2018. AF Bygg Gothenburg

and Pålplintar delivered results below expectations. A number of measures have been implemented to turn around the development of Pålplintar, including reinforcement of the management. AF Projektutveckling does not have any projects in the production phase today but has some projects in the development phase.

AF's Swedish property business has a building site inventory (residential units under construction) that is estimated to yield 485 (251) residential units. AF's share of this is 343 (151) residential units.

At the end of 2018, the Sweden business area had an order backlog of NOK 1 578 million (1 760 million).

## MARKET OUTLOOK

The residential price performance in Sweden, like Norway, has been marked by strong growth over some time now. Growth has levelled off in 2018. This is regarded as a natural correction from the peak of the business cycle according to Svensk Fastighetsförmedling. A balanced market is expected in 2019. In December 2018 the Swedish Central Bank raised interest rates to -0.25%. Although interest rates are expected to rise gradually in the time ahead, the Central Bank reports that monetary policy will remain expansive. After several years of high growth, the Swedish Construction Federation is expecting a decline in the building and civil engineering investments in Sweden of 3 per cent in 2019. Going forward, credit tightening, moderate real wage growth and rising mortgage rates are expected to result in a reduction in residential investments.

The largest segment measured by the investment level, New Residential Units, has risen sharply in recent years, but it is expected to decline by 16 per cent in 2019. Nevertheless, the investment level will be at a higher level than one achieved as recently as 2015. Increased investments are expected in both private and public non-residential property, where the growth in public non-residential property is greatest with 5% in 2019. Civil engineering investments are expected to grow by 4% in 2019, both in the public and private sectors. Overall, a good market is expected for AF's activities in Sweden.

## SELECTED PROJECTS



### GLASHUSET IN HALMSTAD

AF Bygg Syd has built 54 space-efficient apartments in Halmstad, a building that has become a new landmark for the entire district. A large glass façade frames the courtyard below the apartments that are divided over two five-storey buildings. The standard is high, both internally and externally. The architect has created modern and timeless apartments, where function and quality meet design and aesthetics.

BUSINESS UNIT: AF BYGG SYD  
CLIENT: AF PROJEKTUTVECKLING  
COMPLETION: MAY 2018



### THE BRICK

Preparation of a residential area with around 1 100 new apartments and premises that are being built on the site of Ericsson's old office building at Telefonplan in Stockholm. Light demolition, clearance and interior heavy demolition, hole making and total demolition have been carried out.

BUSINESS UNIT:  
AF HÄRNÖSAND BYGGRETURER  
COMPLETION: NOVEMBER 2020  
CONTRACT VALUE: SEK 41 MILLION, EXCL. VAT



### KVARTERET DROTEN

The Kvarteret Drotten project has been in progress since August 2017 and includes 200 apartments and a parking garage with 150 parking spaces. Drotten is located centrally in Jönköping, just a stone's throw from shopping streets, Munk Lake and the university college. The project encompasses site preparation work, sheet piling and some clearance. The internal courtyard will be completed at the end of the project.

BUSINESS UNITS:  
KANONADEN AND PÅLPLINTAR  
CLIENT: PEAB SVERIGE AB  
COMPLETION: AUTUMN 2020  
CONTRACT VALUE: SEK 45 MILLION, EXCL. VAT



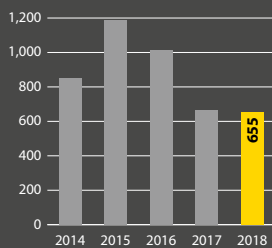
### MEKTAGONEN GOTHENBURG

The contract encompasses the construction of a 20,000 square metre commercial building in the Krokslätt District of Gothenburg. The office building has eight storeys and an underground garage. The building will be connected to an existing office building, which will also include a hotel, gym and shops.

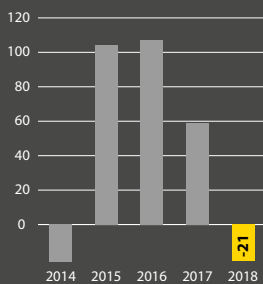
BUSINESS UNIT: AF BYGG GOTHENBURG  
CLIENT: ALECTA PENSIONS FÖRSÄKRING  
COMPLETION: SPRING 2020  
CONTRACT VALUE: SEK 400 MILLION, EXCL. VAT

# OFFSHORE

## REVENUES NOK MILL.

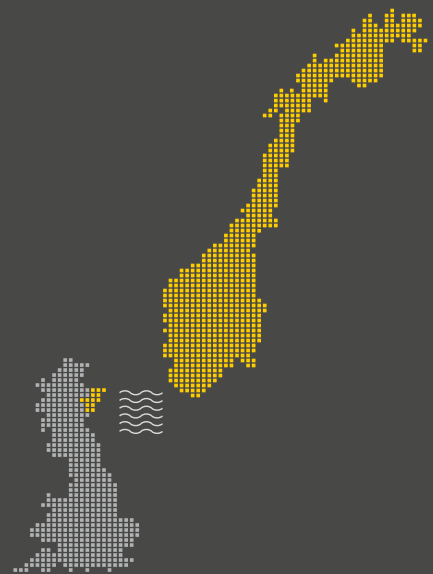


## OPERATING PROFIT NOK MILL.



## GEOGRAPHIC PRESENCE

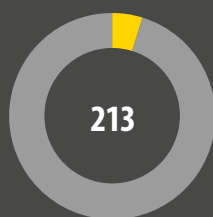
- Norwegian and British continental shelf
- Norway
- UK



## KEY FIGURES

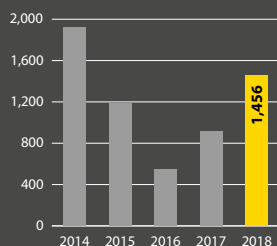
NOK million	2018	2017	2016
Revenue	655	664	1,014
Operating profit (EBIT)	-21	59	107
Earnings before tax (EBT)	-27	49	94
Operating margin	-3.2%	8.8%	10.5%
Profit margin	-4.1%	7.4%	9.3%
Order backlog	1,456	916	550

## EMPLOYEES



AF Gruppen 4,220

## ORDER BACKLOG NOK MILL.



## OFFSHORE CONSIST OF

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



## LOW LEVEL OF ACTIVITY, BUT INCREASING ORDER BACKLOG

AF Offshore reported a low level of activity in 2018 in a market marked by strong competition. The profitability is marked by a low level of activity and the units are working with several strategic and organisational initiatives to maintain and improve competitiveness.

The Offshore business area encompasses AF's services connected to the removal, demolition and recycling of offshore installations. Offshore also includes new building, modification and maintenance work related to HVAC and rig services. In addition, Offshore has services related to the maintenance and modification of onshore facilities for the oil and gas industry.

Offshore consists of the business units AF AeronMollier and AF Offshore Decom with subsidiaries. Offshore also has activities at AF Miljøbase Vats.

### YEAR 2018 IN BRIEF

The Offshore business area reported revenues of NOK 655 million (664 million) for 2018. Earnings before tax were NOK -27 million (49 million). This gave a profit margin of -4.1 per cent, compared with 7.4 per cent in 2017.

AF Offshore Decom reported a lower level of activity in 2018 and delivered negative results. The unit is working on several strategic initiatives to maintain and improve competitiveness. The market for the removal of offshore installations is marked by strong competition and few projects in the short term. There has been a low level of activity at the Environmental Base at Vats, and new projects that have been contracted will primarily be carried out in 2019 or later.

In 2018, AF Offshore Decom was awarded two major contracts for the removal and recycling of platforms in the consortium with Heerema

Marine Contractors (HMC). The first contract is for the removal and recycling of a platform in the British sector of the North Sea with a total weight of approximately 45 000 tonnes. The planning has already started and the platform will be removed and recycled starting in 2020 according to plan. The second contract has been entered into with Fairfield Betula Ltd. for the removal and recycling of the topsides of Dunlin Alpha in the British sector of the North Sea with a total weight of approximately 20 000 tonnes. The planning has started and the platform will be removed and recycled during the period from 2021 to 2024.

AF AeronMollier has experienced challenging market conditions for a long period of time. The unit reported a low level of activity in 2018. Several organisational adjustments have been implemented to improve the situation further. The unit has, for example, decided to discontinue its focus on onshore projects. A decision was made in 2018 to close the Shanghai office and the results for the unit were impacted by the costs associated with closing this office.

At year end, the Offshore business area had an order backlog of NOK 1 456 million (916 million).

### MARKET OUTLOOK

Statistics Norway is expecting investments related to oil, gas and pipeline transport in 2019 of NOK 165 billion, up from an estimated NOK 156 billion in 2018. Uncertainty in the oil industry may have an impact on AF's HVAC activities, as well as on

maintenance and modification. The market for the removal of offshore installations is marked by strong competition and few demolition projects to be carried out in 2018 and 2019. Estimates from the British industry organisation Oil & Gas UK indicate that more than 200 platforms must be removed fully or partially on the British, Norwegian, Danish and Dutch sectors during the period from 2017 to 2025. This represents good opportunities for AF's offshore activities related to the demolition and removal of decommissioned oil installations.

For AF's offshore activities in the HVAC area, as well as maintenance and modifications, the market conditions are still challenging, but growth is expected for certain cruise and passenger vessel segments.

## SELECTED PROJECTS



### AF MILJØBASE VATS

Decommissioned platforms are disassembled and source separated at the environmental centre AF Miljøbase Vats in Rogaland. In 2018, 19,000 tonnes of steel were recycled, and additional contracts were signed that will generate activity at the facility from 2020. The environmental centre is the most modern of its kind in Europe, and the work here observes strict safety and environmental requirements. Through the OSPAR Convention, Norway has undertaken to remove and recycle offshore installations that are no longer in use. AF Miljøbase Vats is custom-built for such contracts. Up to 98 per cent of the steel on the platforms that arrives at AF Miljøbase Vats is recycled for reinforcement steel, among other things. AF Offshore Decom has a discharge permit from the Norwegian Radiation and Nuclear Safety Authority at AF Miljøbase Vats. AF Offshore Decom/AF Miljøbase Vats have been certified by DNV GL in accordance with ISO 9001 Quality Management System and ISO 14001 Environmental Management System. The operations are inspected regularly to ensure that the standards we have undertaken to meet are upheld.

FORRETNINGSENHET: AF OFFSHORE DECOM  
OPERATIV DRIFT: FRA 2009



### HAVYARD

AF will design and deliver the ventilation and climate systems (HVAC) for ten new battery-powered Fjord 1 ferries. To ensure the highest possible energy efficiency, AF shall also deliver a new, advanced computer tool, WEMS (Waste Energy Management System). The HVAC system is one of the greatest consumers of energy on cruise and passenger ships. The development of energy-efficient solutions is, therefore, important.

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



### JOHAN SVERDRUP, PHASE 2

Equinor has exercised an option for phase 2 of the framework agreement for the delivery of a ventilation and climate system (HVAC) to the Johan Sverdrup field centre. Johan Sverdrup is among the five largest oilfields on the Norwegian continental shelf. With expected resources of 1.9–3.0 billion barrels of oil, the field will be one of the most important industrial projects in Norway over the next 50 years.

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





---

## **CUTTING IN WEATHER AND WIND OFFSHORE**

How to ensure the safest and most efficient removal of an offshore platform? Instead of welding lifting lugs on a platform prior to cutting and removal offshore, AF has developed its own lifting method instead. Use of a lifting pin makes removal safer and more efficient. The result is less manual work and the option to control the offshore operation remotely.



# SHAREHOLDER INFORMATION

78 CORPORATE MANAGEMENT TEAM

80 BOARD OF DIRECTORS

82 CORPORATE GOVERNANCE

84 THE SHARE

# CORPORATE MANAGEMENT TEAM



**MORTEN GRONGSTAD**

(1975)  
CEO

Morten Grongstad was employed by AF in 2012 and was the Executive Vice President for Property and Building before he was appointed CEO in 2015. He was formerly the CEO of Fornebu Utvikling, and he has experience from Orkla Eiendom and McKinsey. Morten Grongstad has an advanced degree in economics (siviløkonom) from the BI Norwegian Business School. He owns 219,193 shares and 35,922 options in AF Gruppen ASA as at 31 December 2018.



**SVERRE HÆREM**

(1965)  
CFO

Sverre Hærem has been the CFO of AF since 2007. During the period from 2012 to 2013, he was also the Executive Vice President for the Energy business area. He has previously been the CFO of Fjord Seafood ASA and CFO of Dyno. Sverre Hærem has an advanced economics degree (siviløkonom) from BI Norwegian Business School. He owns 123,817 shares and 24,918 options in AF Gruppen ASA as at 31 December 2018.



**EIRIK WRAAL**

(1979)  
Executive Vice President

Eirik Wraal is responsible for the Energy & Environment business area and corporate social responsibility at AF Gruppen. He came from the position of head of AF Decom and has been with AF since 2004. Eirik Wraal has also held various operational roles in AF's environmental business and has an advanced engineering degree (sivilingeniør) from the Norwegian University of Science and Technology (NTNU). He owns 28,138 shares and 21,970 options in AF Gruppen ASA as at 31 December 2018.

**ARILD MOE**

(1965)  
Executive Vice President

Arild Moe is responsible for the Civil Engineering business area. He has held various managerial positions at AF and has been employed by the company since 1990. Arild Moe holds a degree in construction and civil engineering from Oslo University College and a degree in business economics from the University of Agder. He owns 254,416 shares and 24,152 options in AF Gruppen ASA as at 31 December 2018.



**IDA AALL GRAM****(1977)****Executive Vice President**

Ida Aall Gram became a part of the corporate management team on 1 January 2019 and is responsible for the Property business area in Norway. She came to AF as a portfolio director for AF Eiendom in 2017. She has previous experience from Gylkendal, Orkla Eiendom and McKinsey and has an advanced degree in economics (siviløkonom) from BI Norwegian Business School. She owns 1,854 shares and 9,573 options in AF Gruppen ASA as at 31 December 2018.

**AMUND TØFTUM****(1978)****Executive Vice President**

Amund Tøftum is responsible for the Offshore business area and for part-owned companies in the Building business area. He came from the position of project director at AF Offshore Decom. He has experience from business development and various operational roles in Civil Engineering and Offshore at AF. Amund Tøftum has an advanced engineering degree (sivilingeniør) from the Norwegian University of Science and Technology (NTNU) and has worked at AF since 2005. He owns 74,349 shares and 21,970 options in AF Gruppen ASA as at 31 December 2018.

**BÅRD FRYDENLUND****(1968)****Executive Vice President**

Bård Frydenlund is responsible for Personnel and Organisation and Bygg Sør-Vest. He has been with AF as the Personnel Director since 2000, and he has held various roles in Personnel and Organisation. Bård Frydenlund has a degree in economics (diplomøkonom) and Master of Management from BI Norwegian Business School. He owns 133,249 shares and 21,970 options in AF Gruppen ASA as at 31 December 2018.

**GEIR FLÅTA****(1978)****Executive Vice President**

Geir Flåta joined the Corporate Management Team on 1 March 2019 and is responsible for the wholly owned business activities in the Building business area. He comes from the position of Director for AF Nybygg and has broad project and managerial experience from AF. Flåta has an MBA from NHH and an advanced engineering degree from NTNU. He owns 0 shares and 15,920 options in AF Gruppen ASA as at 31 December 2018.

# BOARD OF DIRECTORS

## PÅL EGIL RØNN

(1968)

**Board Chairman**

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



## BORGHILD LUNDE

(1965)

**Board Member**

Throughout her career, Borghild Lunde has held managerial positions in the oil and gas industry at ABB. She is now the Director of Oil, Gas and Chemicals at ABB and is a member of the corporate management team for the Norwegian operations. She has an advanced engineering degree (sivilingeniør) from the Norwegian University of Science and Technology (NTH).



## HILDE WIKESLAND FLAEN

(1983)

**Styremedlem**

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

## ARNE SVEEN

(1970)

**Board Member**

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



**HEGE BØMARK****(1963)****Board Member**

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

**KRISTIAN HOLTH****(1984)****Board Member**

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

**ARNE BAUMANN****(1962)****Board Member**

Arne Baumann has worked for OBOS since 2002. As the Executive Vice President for Residential Development at OBOS, he is responsible for the group's new residential developments in Norway and Sweden. He was the head of the residential division from 2005 to 2011. From 2012 to 2015, he was the Executive Vice President for Commercial Property and the Managing Director of OBOS Forretningsbygg AS. He has an advanced degree in economics (siviløkonom) from the BI Norwegian Business School and holds an MBA from the University of Wisconsin-Madison.

**KENNETH SVENDSEN****(1973)****Board Member**

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

# CORPORATE GOVERNANCE

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

## KEY EVENTS IN 2018

Work on the implementation of a corporate strategy for 2017–2020 has been an important item for the Board of Directors in 2018 as well. The strategy highlights four principal initiatives for AF's work: organic and structural growth, customer and partner relations, and creativity and innovation, as well as management capacity and technical expertise.

In 2018, the Corporate Management Team and Board of Directors worked on different strategic initiatives in the Offshore area and considered several potential acquisitions. In 2018, AF acquired 70% of the shares in Helgesen Tekniske Bygg AS (HTB) and thus strengthened AF Gruppen's position in the Bergen region. On 2 January 2019, AF acquired 70% of the shares in the Swedish building contractor HMB Holding AB (HMB). The acquisitions were in accordance with the strategy's focus on major cities in Norway and Sweden.

In spite of the historically low LTI rate, we are still experiencing serious personal injuries. Safety has, therefore, been high on the Board's agenda in 2018, and AF has decided to boost safety through Safety 2.0, which will be implemented in 2019. This safety boost consists of a total of six corporate measures.

## WORK OF THE BOARD OF DIRECTORS

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

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

In addition to the regular items, the Board of Directors considers all potential acquisitions, site investments and contract tenders with a contract sum in excess of NOK 600 million. The tenders are considered, for example, on the basis of strategic, financial and organisational criteria, and important risk factors are highlighted in particular. In 2018, the Board of Directors considered 7 tenders before the tenders were submitted.

## BOARD OF DIRECTORS

Members	Number of shares <sup>1)</sup>	Attendance record
Pål Egil Rønn (Chairman)	207,225	10/10
Arne Baumann	18,066,733	7/7
Hege Bømark	-	9/10
Borghild Lunde	25,000	10/10
Kristian Holth	14,763,291	9/10
Gunnar Bøyum (alternate)	-	9/10
Kenneth Svendsen	90,370	9/10
Hilde W. Flaen	25,521	7/7
Arne Sveen	-	9/10

<sup>1)</sup> Number of shares owned as at 31 December 2018 includes shares that belong to the immediate family and companies in which the individual has a controlling influence.

### BOARD'S AUDIT COMMITTEE

Hege Bømark (Chairman)  
Borghild Lunde  
Gunnar Bøyum

### BOARD'S COMPENSATION COMMITTEE

Pål Egil Rønn (Chairman)  
Kristian Holth  
Arne Baumann

### NOMINATION COMMITTEE

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

### EXTERNAL AUDITOR

PricewaterhouseCoopers AS



The complete statement of corporate governance is available at [afgruppen.no](http://afgruppen.no).

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

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

## DEVIATIONS FROM THE NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE

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

### *Section 6. General Meeting*

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

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

### *Section 7. Nomination Committee*

The majority of the Nomination Committee is not independent of the Board of Directors.

### *Section 12. Remuneration of executive personnel*

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

# THE SHARE

The AF share showed a positive development in 2018. Including dividends, the AF share yielded a return of 6 per cent, while the Oslo Stock Exchange's benchmark index fell 2 per cent.

AF Gruppen was listed on 8 September 1997. The shares are listed on the Oslo Stock Exchange's OB Match list and trade under the ticker AFG. There is only one class of shares, and all the shares carry voting rights. The AF share is included in the All-share index, benchmark index, mutual fund index and mid-cap index.

## RETURN AND TURNOVER

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

The AF share fell 1.1 per cent in 2018, and its closing price as at 31 December 2018 was NOK 132.00 (133.50). Adjusted for the total dividend of NOK 8.50 per share distributed in 2018, the return was 5.6 per cent. The Oslo Stock Exchange's benchmark index fell 1.8 per cent during the same period.

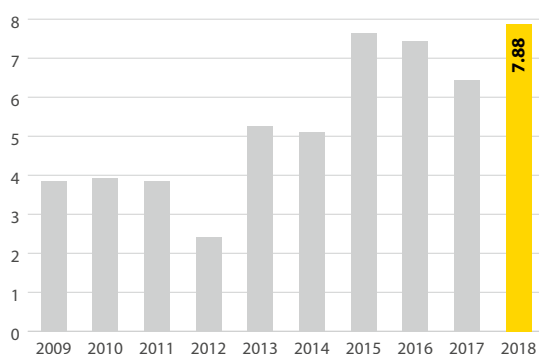
AF Gruppen is still among the shares on the Oslo Stock Exchange that have yielded the highest return for its shareholders. Over the last five years, the AF share has yielded a return of 170.4 per cent, including dividends. This corresponds to an average annual return of 22.0 per cent. In comparison, the Oslo Stock Exchange's benchmark index rose 45.7 per cent over the last five years, which corresponds to an average annual return of 7.8 per cent.

The liquidity of the share has been variable in recent years. From 2009 to 2013, the turnover rate for the AF share was approximately 3 per cent per year. The turnover rate for the years 2014–2017 was 8.5 per cent, while it was 4.5 per cent in 2018. In 2018, a total of 4,360,432 (8,137,064) shares were traded on the stock exchange. The AF share was traded on 248 out of 249 possible trading days, and the average turnover for each trading day was 17,512 (32,419) shares. Of the 4.36 million shares that were traded on the stock exchange in 2018, AF Gruppen itself accounted for 273,623 (394,291) shares, corresponding to 6.3 (4.8) per cent of the total turnover. These are shares the company bought on the stock exchange for use in the share and bonus programmes for employees.

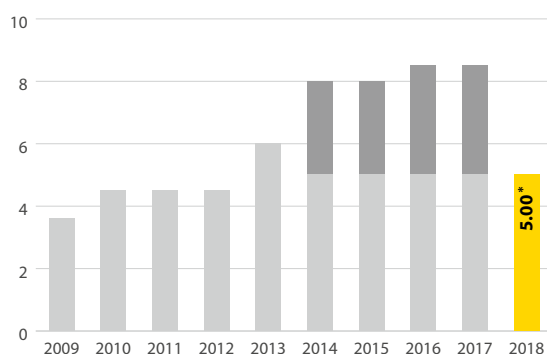
## DIVIDEND

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

## EARNINGS PER SHARE (NOK)



## DIVIDEND PER SHARE (NOK)



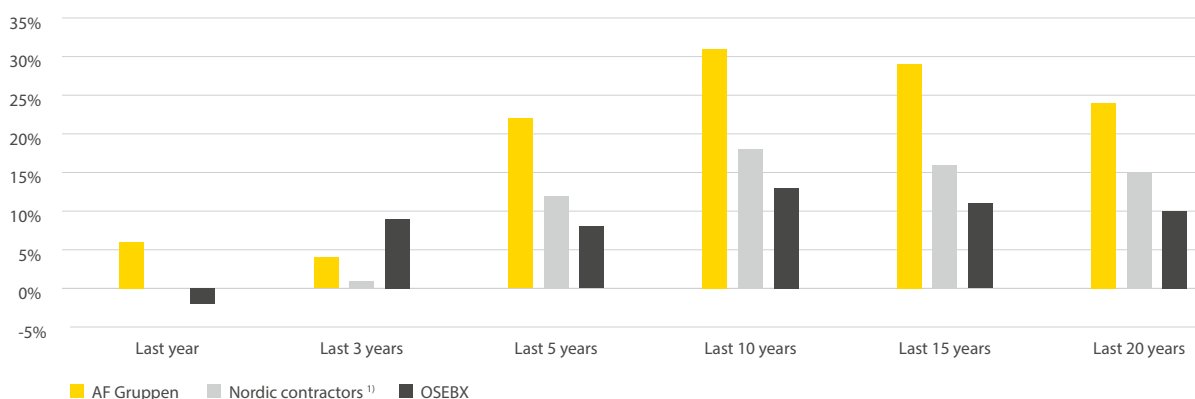
\* Proposed, not adopted dividend for 1st half-year 2019

Key figures for the share	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Key figures for the share	13,069	13,078	14,463	12,929	7,009	5,578	4,578	3,556	2,845	2,242
Number of shares traded (1,000)	4,360	8,137	6,690	10,370	7,102	2,559	2,568	2,095	2,969	1,945
Total number of shares as at 31.12 (Mill.)	99.01	97.96	93.61	92.68	88.72	82.33	81.38	80.81	71.12	70.50
Number of shareholders as at 31.12	3,303	3,158	2,737	2,575	1,815	1,494	1,407	1,254	914	733
Share prices as at 31.12	132.00	133.50	154.50	139.50	79.00	67.75	56.25	44.00	40.00	31.80
– High	142.00	162.00	164.50	139.50	82.00	72.00	59.25	53.00	43.00	31.80
– Low	118.50	122.00	120.00	77.25	66.50	54.75	41.50	38.60	32.60	18.20
Earnings per share (NOK)	7.88	6.43	7.44	7.64	5.11	5.26	2.40	3.83	3.92	3.85
Diluted earnings per share (NOK)	7.88	6.43	7.29	7.50	5.09	5.11	2.37	3.83	3.82	3.85
Dividends per share (NOK) <sup>1)</sup>	5.00	8.50	8.50	8.00	8.00	6.00	4.50	4.50	4.50	3.60
Distribution ratio <sup>2)</sup>	63.5%	132.2%	114.2%	104.7%	156.6%	114.1%	187.5%	117.5%	114.8%	93.5%
Direct return	6.4%	5.5%	5.7%	10.1%	8.9%	8.0%	10.2%	11.3%	11.3%	7.7%
Share's total return	5.6%	-8.1%	16.5%	86.7%	25.5%	28.4%	38.1%	21.3%	37.1%	81.4%
Return on equity (ROE)	45.4%	35.8%	43.3%	43.8%	34.3%	38.4%	19.0%	28.5%	37.6%	33.1%
Share price /earnings per share (P/E)	16.8	20.8	20.8	18.3	15.5	12.9	23.4	11.5	10.2	8.3
Share price / equity per share (P/B)	6.2	6.3	7.4	7.1	4.7	4.2	3.8	2.7	2.9	2.5
Return on average capital employed (ROaCE)	53.9%	42.7%	54.2%	53.6%	38.7%	45.7%	24.8%	35.9%	36.0%	35.7%
Enterprise value / EBIT (EV/EBIT)	10.9	12.8	13.4	12.2	11.2	8.5	13.5	8.0	6.2	6.1
Enterprise value /Invested capital (EV/CE)	5.5	5.4	6.7	6.4	3.9	3.4	3.3	2.1	2.2	2.0

<sup>1)</sup> Proposed, not adopted dividend for payment 1st half-year 2019

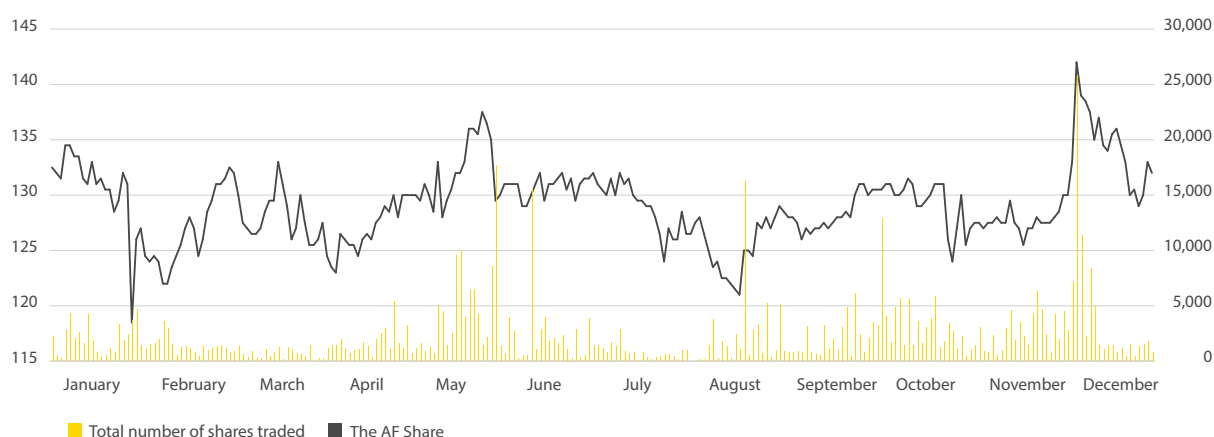
<sup>2)</sup> For 2018, the distribution ratio only includes dividend for payment in the first half of 2019

## ANNUAL TOTAL RETURN AS AT 31 DECEMBER 2018



<sup>1)</sup> Unweighted average of competing nordic contractors (local currency)

## GRAPH FOR THE AF SHARE FOR 2018



In 2015, AF Gruppen changed its dividend policy. The change entailed the distribution of a dividend up to twice a year, provided the company's earnings so allow. Distribution will preferably take place after the Annual General Meeting and after presentation of the quarterly results for the 3rd quarter. The company paid a dividend of NOK 3.50 per share in November 2018, in addition to the NOK 5.00 per share that was paid in May 2018. A total of NOK 8.50 per share was paid in 2018 for the 2017 financial year.

For the 2018 financial year, the Board of Directors proposes distribution of a dividend of NOK 5.00 per share for the 1st half of 2019 to the General Meeting. The dividend will be distributed on 27 May to shareholders of record as at 20 May 2019.

**SHARE AND OPTION PROGRAMMES FOR EMPLOYEES**

The share programme gives all employees an opportunity to buy shares at a discount of 20 per cent on the current market price. In 2018, there were 534 employees who subscribed for a total of 1,000,000 shares. The purchase price after a 20 per cent discount was NOK 101.60. In connection with the sale, the Board used its authority and issued 858,456 new shares. The remaining shares were transferred from the holding of treasury shares.

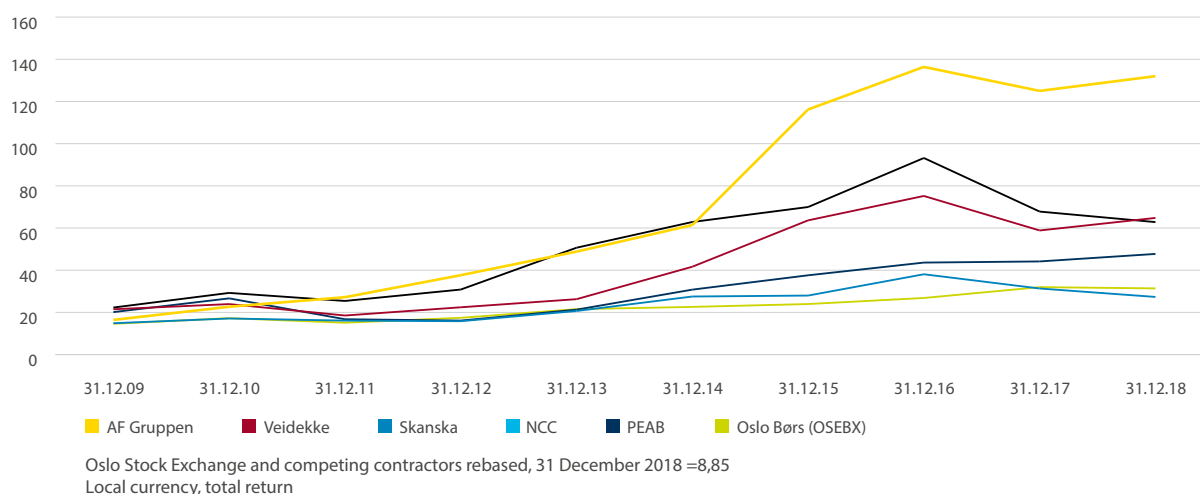
The Board of Directors has decided to recommend continuing the share programme for employees in 2019. The maximum number of shares that can be subscribed for in the share programme, which will take place in June 2019 according to plan, will be 1,000,000. The Board will submit a proposal to the General Meeting for authorisation to issue a sufficient number of shares, enabling the share programme to be carried out.

AF Gruppen has had an option programme for all employees in the Group since 2008, and in May 2017 a new option programme was adopted by the General Meeting. The maximum number of options that may be allocated is

Shareholders	Number of shares	% of total
OBOS BBL	18,066,733	18.25%
ØMF Holding AS	14,818,859	14.97%
Constructio AS	13,741,782	13.88%
Folketrygdfondet	7,174,956	7.25%
ARTEL II AS	2,508,267	2.53%
LJM A/S	2,413,900	2.44%
Landsforsakringar Fastighetsfond	2,014,154	2.03%
VITO kongsvinger AS	1,861,676	1.88%
Arne Skogheim AS	1,753,870	1.77%
Staaivi, Bjørn	1,620,000	1.64%
Moger Invest AS	1,240,541	1.25%
JANIKO AS	1,078,836	1.09%
Flygind AS	1,021,509	1.03%
KLP AksjeNorge Indeks	729,959	0.74%
J.P. Morgan Bank Luxembourg S.A.	613,895	0.62%
Stenshagen invest AS	609,977	0.62%
Eriksson, Erik Håkon	560,000	0.57%
Skandinaviska Enskilda Banken AB	437,157	0.44%
Regom Invest AS	433,212	0.44%
Riddervold	400,000	0.40%
<b>Sum 20 største</b>	<b>73,099,283</b>	<b>73.83%</b>
Sum øvrige	25,689,896	25.95%
Egne aksjer	220,000	0.22%
<b>Totalt antall aksjer</b>	<b>99,009,179</b>	<b>100.00%</b>

Number of shares	Number of owners	Per cent
1-100	705	0.03%
101-500	582	0.17%
501-1,000	368	0.31%
1,001-5,000	832	2.18%
5,001-10,000	332	2.34%
10,001-100,000	411	11.09%
100,001-1,000,000	60	13.87%
> 1,000,000	13	70.01%
	<b>3,303</b>	<b>100.00%</b>

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



3,500,000 with an option premium of NOK 1 per option, and the programme entails annual allotments in 2017–19 and an exercise date in March 2020. The purchase price for the shares will be based on the average market price during the week before the three respective subscription periods. In order to exercise the options, it is a condition that one be employed by the Group on 1 March 2020.

AF Gruppen issued 3,325,000 options to 1,537 employees in 2017, and 175,000 options to 134 employees in 2018. The total number of outstanding options, adjusted for employees who have left the company, was 3,228,218 as at 31 December.

### SHARE CAPITAL AND SHAREHOLDER COMPOSITION

At the start of 2018, the share capital was NOK 4,898,050, divided into 97,961,000 shares, each with a nominal value of NOK 0.05. During the year, the company carried out two new share issues for a total of 1,048,179 shares. The new issues were carried out in connection with the share programme for employees (858,456 shares) and acquisition of companies (189,723 shares). As a result of these new issues, the share capital increased by NOK 217,550 and totalled NOK 4,950,458.95, divided into 99,009,179 shares, each with a nominal value of NOK 0.05, at the end of 2018.

In 2018, AF Gruppen also gained additional shareholders. At the end of the year, there were 3,303 (3,158) shareholders on the list of shareholders, and around 1,400 were employees of the AF Gruppen.

As at 31 December, the ten largest shareholders owned 67 (67) per cent of the company's shares. Employees of AF owned approximately 14 (17) per cent of the shares in the company. At the end of the year, 94.3 (94.4) per cent of the shares were owned by Norwegian shareholders. As at 31 December 2018, OBOS is still AF Gruppen's largest shareholder with 18.3 (18.4) per cent of the company's shares. There have not been any significant changes in the shareholdings of the largest shareholders in AF Gruppen in 2018.

### 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 87 23 51 75

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

### INVESTOR RELATIONS

AF Gruppen's objective is for all investors and other stakeholders to have access to the same financial information on the company at any given time. The information provided by AF Gruppen should ensure that valuation of the share is as correct as possible. Information that may affect the price of the shares will be disclosed through stock exchange announcements to the Oslo Stock Exchange and on the Company's website.

AF Gruppen puts a high priority on contact with the equity market and desires an open dialogue with the players.

AF Gruppen holds public presentations of its quarterly and annual results. These presentations are transmitted directly by a webcast, and are available on the Oslo Stock Exchange's website and AF's own website.

In addition, the company maintains ongoing contact with investors and analysts. The company's website provides a list of the analysts that follow the AF share.

The company follows the Oslo Stock Exchange's recommendations for reporting IR information. Sverre Hærem, Executive Vice President/CFO, is responsible for investor

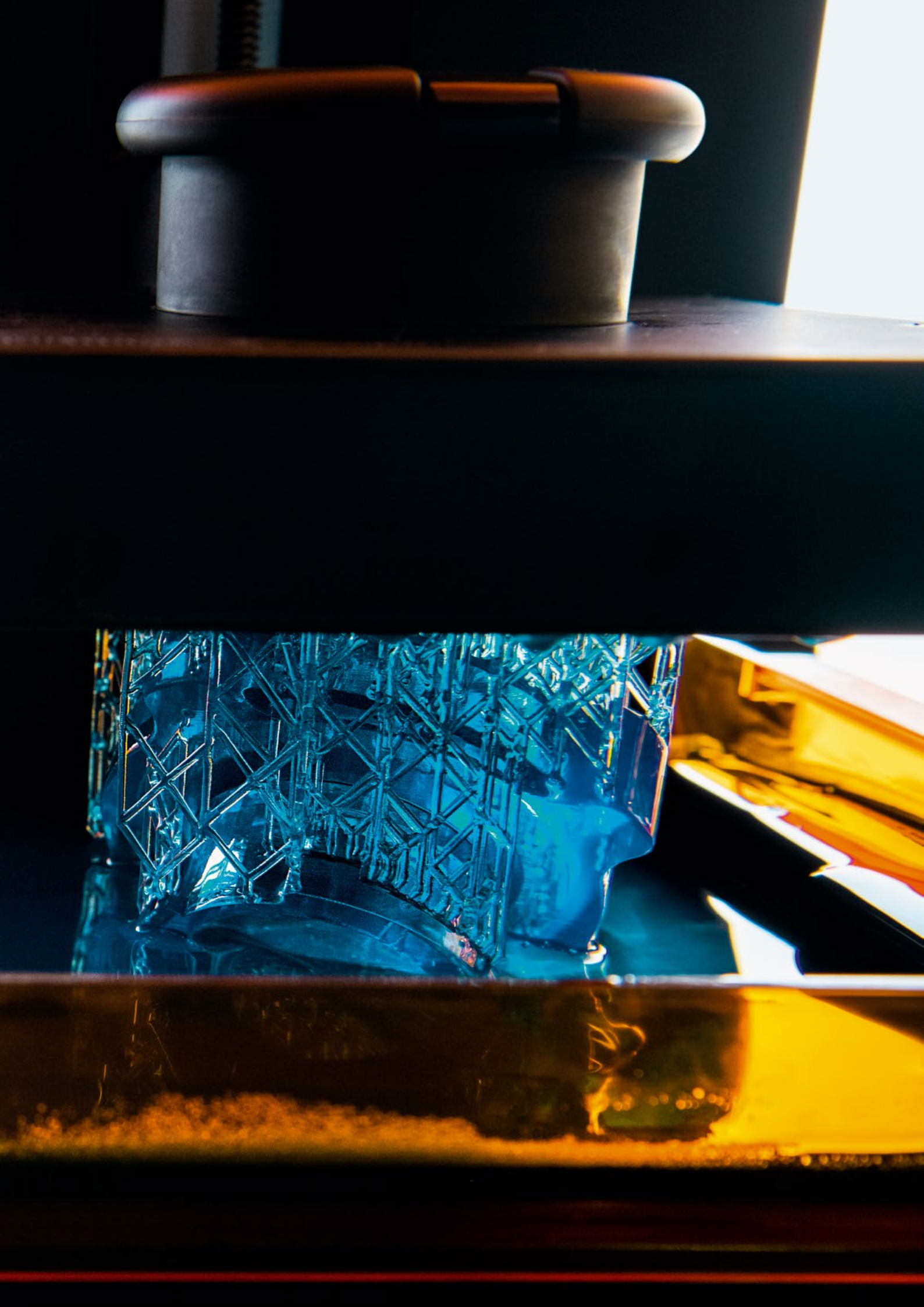


---

## PRINTING SPARE PARTS

A printer that can give you the parts you need to do your job? 3D printing has many applications and is a technology that AF is investing in. A feasibility study has shown financial benefits from producing components and spare parts locally. At our machinery department at Haga outside of Oslo, printers are used for parts and prototypes that are not available on the market or have long lead times. Today, we can print parts, in the future we can perhaps print a new machine?







# BOARD OF DIRECTORS' REPORT

92 BOARD OF DIRECTORS' REPORT

# BOARD OF DIRECTORS' REPORT 2018

AF Gruppen delivered solid results for 2018. Revenues increased 36.9 per cent to NOK 18 767 million, and the profit margin for the year was 6.1 per cent. With a robust organisation and record-high order backlog, the Board of Directors is of the opinion that AF is well-positioned for a continuing increased level of activity and good results for the coming year.

## OPERATIONS

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

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

## VISION

AF's vision is: Clearing away the past and building for the future.

## MISSION

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

## EXPLANATION OF THE FINANCIAL STATEMENTS

The financial statements of AF Gruppen have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements for the parent company, AF Gruppen ASA, have been prepared in accordance with simplified IFRS. The Board of Directors is of the opinion that the annual financial statements provide an accurate and fair picture of the financial results for 2018 and financial position as at 31 December 2018. In accordance with the requirements in the Norwegian accounting legislation, the Board of Directors confirms that the prerequisites have been met for preparation of the accounts under the assumption that the company will continue as a going concern and that the accounts have been prepared under this assumption. The Board's Corporate Governance Statement is an integral part of the Board of Directors' report. The statement is summed up on page 114 of the annual report and is presented in its entirety on [afgruppen.no](http://afgruppen.no). The treatment of sustainable entrepreneurship and social responsibility is discussed on page 30-43 of the annual report.

## INCOME STATEMENT, BALANCE SHEET AND LIQUIDITY

AF Gruppen reported operating and other revenues of NOK 18 767 million (13 704 million) for 2018. Earnings before interest and tax were NOK 1 119 million (924 million), which corresponds to an operating margin of 6.0 per cent (6.7 per cent). This is well above the long-term operating margin requirement of 5 per cent.

Earnings before tax were NOK 1 136 million (935 million) and the earnings after tax were NOK 921 million (754 million).

Civil Engineering reported strong growth and good results for 2018. The greatest amount of activity has been in the E18 Tvedestrand – Arendal project for Nye Veier, which started in January 2017. Building also reported significant growth in revenues and very good results. Property has a high level of activity and numerous projects under construction. The results were very good and impacted by the sale of commercial property at Hasle in Oslo. Environment and Sweden delivered good results for the year, but the results for Offshore and Energy were weak.

The return on equity was 45.3 (35.8) per cent for 2018. The return on average capital employed was 53.8 (42.7) per cent. Total assets were NOK 8 486 million (7 724 million) as at 31 December 2018. At year end, the Group had net interest-bearing receivables of NOK 894 million (1 210 million) and cash and cash equivalents of NOK 656 million (1 098 million). Shareholders' equity at the end of the year was NOK 2 124 million (2 078 million), which corresponds to an equity ratio of 25.3 (26.9) per cent. Cash flow from operations in 2018 was NOK 841 million (1 354 million). Cash flow before capital transactions and financing was NOK 586 million (1,235 million). A dividend of NOK 836 million (829 million) was paid to the shareholders of AF Gruppen ASA in 2018.

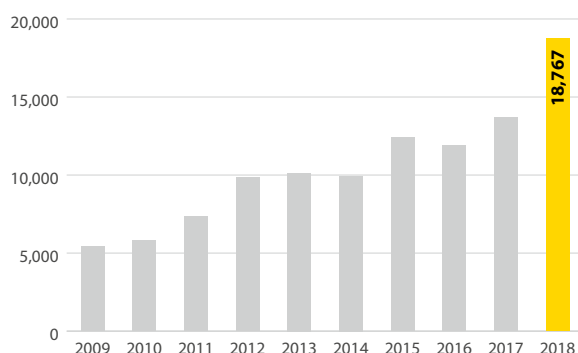
## THE SHARE

Earnings per share were NOK 7.88 (6.43) in 2018. Diluted earnings per share were NOK 7.88 (6.43).

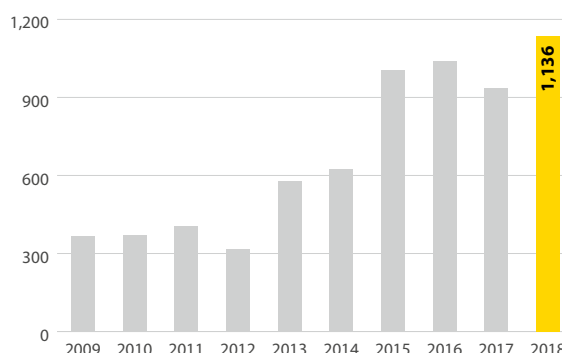
The Board proposes that an ordinary dividend of NOK 498 million for the first half of the year be distributed for the 2018 financial year. This corresponds to a dividend of NOK 5.00 (5.00) for the first half of the year.

The Board will propose to the General Meeting that it be authorised to adopt the dividend for the second half of the year as well.

## REVENUES (NOK MILLION)



## EARNINGS (NOK MILLION)



In accordance with AF's dividend policy, semi-annual dividends will be distributed, provided the company's earnings and financial position so allows. AF distributed a dividend of NOK 3.50 (3.50) per share in the 4th quarter of 2018. The combined dividend per share distributed in 2018 was thus NOK 8.50 (8.50).

The share price was NOK 132.0 (133.5) at year end. This yielded a return to shareholders, including dividends for 2018, of 5.6 (-8.3) per cent.

**DISTRIBUTION OF COMPREHENSIVE INCOME FOR THE YEAR**

Comprehensive income for the year for the Parent Company AF Gruppen ASA was NOK 968 million and the following distribution is proposed:

Transferred to (from) other reserves	NOK 470 million
Provision for dividend	NOK 498 million
<b>Total allocations</b>	<b>NOK 968 million</b>

**BUSINESS AREAS 2018****CIVIL ENGINEERING****Description of the business**

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

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

Amounts in NOK million	2018	2017	2016
Revenues	5,861	3,569	3,237
Operating profit (EBIT)	275	249	471
Earnings before tax (EBT)	293	269	485
Operating margin	4,7%	7,0%	14,6%
Result margin	5,0%	7,5%	15,0%
Order backlog	7,664	6,082	5,566

In 2018, the Civil Engineering business area reported revenues of NOK 5,861 million (3,569 million). This corresponds to revenue growth of 64.2 per cent compared with 2017. Earnings before tax were NOK 293 million (269 million). The profit margin ended at 5.0 per cent, compared with 7.5 per cent in 2017.

AF Anlegg reported a very high level of activity in 2018. Even with strong growth, the unit delivered good results and an industry-leading profit margin. The year was marked by a high level of activity and good operational performance for the major project E18 Tvedestrand – Arendal. Originally the road was to open in October 2019. The project has progressed well and this section will open to traffic now on 2 July 2019 according to plan. During the year, AF Anlegg entered into several major contracts, and the new E39 Kristiansand West – Mandal East contract valued at NOK 4 700 million, excluding VAT, is the largest ever individual contract in the history of AF.

Målselv Maskin & Transport had a very good 2018 with a high level of activity and good results

**New contracts**

In the 4th quarter of 2018, AF Gruppen signed a final agreement with Nye Veier for the planning and construction of the new E39 Kristiansand West – Mandal East. The project comprises 19 km of new four-lane motorway with a 110 km/h speed limit from Kristiansand West to Mandal East. Work includes several tunnels and bridges, including the 4 km Søgne tunnel and the 520 m Trysfjord bridge. AF has Norconsult as consultant and Kruse Smith Entreprenør as subcontractor. The work commenced in November 2018, and completion is scheduled for October 2022. The contract is valued at NOK 4,700 million, excluding VAT.

AF signed an agreement with Bane NOR for the completion of the building and construction work after the drill & blast contract for the Follo Line in the 3rd quarter. The contract includes the remaining site preparation and concrete work for the inbound Østfold Line, as well as the Follo Line from the TBM contract to the open air zone at the Medieval Park. The work commenced in September 2018 and will last for approximately one year. The contract is valued at approximately NOK 400 million, excluding VAT.

In 2018, Civil Engineering had an order intake of NOK 7 443 million (4 084 million) and an order backlog of NOK 7 664 million (6,082 million) at the end of the year.

### Market outlook

The civil engineering market in Norway is good and not very sensitive to cyclical fluctuations, since public sector demand is the strongest driver behind investments in civil engineering in Norway. In the 2019 State Budget, the government proposes to allocate NOK 73.1 billion to transport, which is an increase of NOK 5.4 billion (7.9%) over the final budget for 2018. NOK 65.2 billion of this will be used to follow up the National Transport Plan 2018-2029, NOK 37.1 billion of which is for road purposes. This represents an increase of 3.3% compared with 2018. Prognosesenteret expects a high level of activity in the civil engineering market for 2019, with growth in investments of 16.9 per cent. A high level of activity is expected in transport throughout Norway, but it is primarily the major road projects in Western Norway and Central Norway that are driving growth. The higher investment estimate for transport and road projects, as well as the planned start-up of many large civil engineering projects, provide a good foundation for a continued high level of activity in AF's civil engineering business.

### ENVIRONMENT

#### Description of the business

The Environment business area consists of the unit AF Decom, in addition to the activities at Rimol Miljøpark, Jølsen Miljøpark and Nes Miljøpark. The business concept for the Environment business area is to offer solutions that meet the environmental challenges faced by customers. The Environment business area provides traditional demolition services and the subsequent receiving, treating and recycling of materials. The business area has solid expertise in areas such as environmental clean-up, demolition, constructive blasting and recycling. AF's demolition activities are characterised by a high level of safety and protection of the external environment.

Amounts in NOK million	2018	2017	2016
Revenues	598	474	608
Operating profit (EBIT)	44	28	31
Earnings before tax (EBT)	43	27	31
Operating margin	7.3%	5.9%	5.1%
Result margin	7.1%	5.8%	5.1%
Order backlog	258	274	182

Environment reported revenues of NOK 598 million (474 million) and earnings before tax of NOK 43 million (27 million) for 2018. This resulted in a strong profit margin of 7.1 per cent (5.8 per cent).

AF Decom's level of activity and profitability improved compared with the previous year. There are several strong portfolios in the unit with good operational performance in the projects.

The environmental centres increased their overall level of activity in 2018 and reported very good results. Environment has completed a new indoor environmental centre for the treatment of contaminated materials at Nes in Akershus. Establishment of the centre at Nes lays the foundation for continued growth in 2019.

As of 1 January 2019, Environment merged with Energy to form the Energy & Environment business area.

#### New contracts

Environment's project portfolio consists of both large and many small and medium-sized projects with a contract value of around NOK 1 million. Large projects that were contracted in 2018 include demolition work for the New Hospital in Drammen for the South-Eastern Norway Regional Health Authority (NOK 50 million, excluding VAT), demolition work for the Hølen School for the Municipality of Bergen (NOK 16 million, excluding VAT) and demolition work for the new E18 for Marthinsen & Duvholt AS (NOK 14 million, excluding VAT).

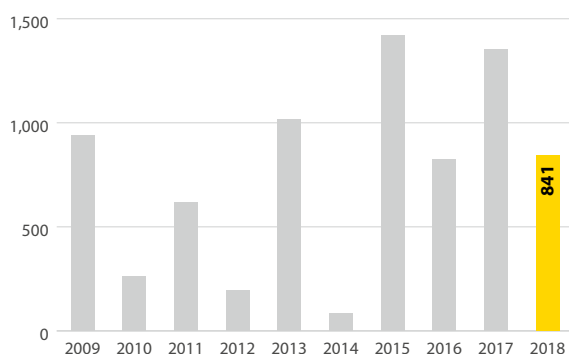
In 2018, Environment had an order intake of NOK 583 million (566 million) and an order backlog of NOK 258 million (274 million) at the end of the year.

#### Market outlook

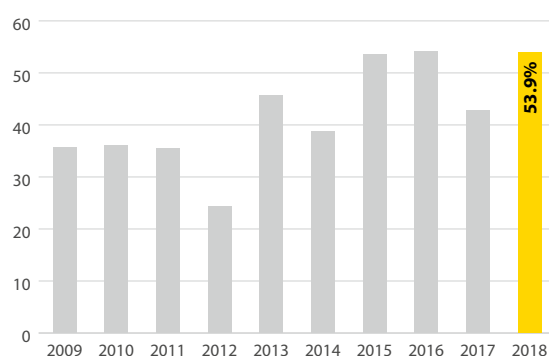
The level of demolition activity is closely connected to the general level of activity in the building and civil engineering markets. The positive outlook for the civil engineering market in Norway and a good building market have a positive impact on the demand for services in the Environment area.

The market opportunities for the treatment of contaminated materials are huge, since the materials that were previously delivered to disposal sites can now be recycled. AF's decontamination method means that up to 80 per cent of the materials can be decontaminated, processed and

## CASH FLOW FROM OPERATIONS (NOK MILLION)



## RETURN ON CAPITAL EMPLOYED



reused. The method provides good socio-economic and commercial benefits by reducing the volume of waste, while clean materials can be reused in the form of gravel and stone.

## BUILDING

### Description of the business

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

The Building business area is divided into 14 units and their associated subsidiaries: AF Bygg Oslo, AF Bygg-fornyelse, AF Nybygg, AF Bygg Østfold, Strøm Gundersen, Strøm Gundersen Vestfold, AF Håndverk, Consolvo, Haga & Berg, EIQON, LAB Entreprenør, Åsane Byggmesterforretning, FAS and HTB. All the contractor units have strong local roots and a broad range of services. EIQON was established in the 2nd quarter of 2018 when Consolvo Overflate AS and the associated subsidiaries were spun off from Consolvo and changed their name.

Amounts in NOK million	2018	2017	2016
Revenues	9,055	7,474	6,207
Operating profit (EBIT)	619	467	473
Earnings before tax (EBT)	645	481	486
Operating margin	6.8%	6.3%	7.6%
Result margin	7.1%	6.4%	7.8%
Order backlog	9,871	9,837	7,772

The Building business area reported revenues of NOK 9 055 million (7 474 million) and earnings before tax of NOK 645 million (481 million) in 2018. This gives a profit margin of 7.1 per cent, compared with 6.4 per cent in 2017.

The building business reported a high level of activity in 2018 and delivered very good results. This applies in particular to the units AF Bygg Oslo, AF Håndverk and EIQON. Other units reported good results for 2018.

## Acquisitions

LAB acquired 70 per cent of the shares in Helgesen Tekniske Bygg (HTB) in the 4th quarter of 2018. The acquisition will provide structural growth, and with HTB on the team, AF will have completed its product line in the Bergen region. The majority of HTB's deliveries are new industrial and warehouse buildings, shopping centres and offices. During the period from 2015 to 2018, HTB reported average revenues of NOK 343 million and an operating margin of 6.6 per cent.

## New contracts

The largest of the projects contracted for the year are linked to the Bergen Health Trust building a new Children's and Adolescents' Hospital (BUS2) at Haukeland University Hospital in Bergen. LAB Entreprenør has entered into two contracts that encompass, among other things, site preparation work, structural shell, airtight building, outdoor work and internal structural work for BUS2. The estimated total contract value is NOK 1 120 million, excluding VAT.

The following contracts have been entered into in connection with AF Gruppen's property business: AF Bygg Oslo will construct the ATEA building, which is a 16 000 square metre office building at Hasle in Oslo (NOK 340 million, excl. VAT), and LAB Entreprenør will construct 129 apartments for Skiparviken AS for the Skiparviken project in the Fana District in Bergen (NOK 324 million, excl. VAT).

In 2018, Building had an order intake of NOK 9 088 million (9 540 million) and an order backlog at the end of the year of NOK 9 871 million (9 837 million).

## Market outlook

Prognosesenteret expects approximately zero growth in the construction market overall for 2019. It is expected that a decline of 8.1 per cent in residential production will be compensated for by significant growth in commercial building production of NOK 5.5 billion (8.8 per cent) and the fact that the renovation, remodelling and extension services market is expected to grow by NOK 2.9 billion (1.8 per cent).

Prognosesenteret is expecting relatively significant regional differences in 2019. A decline is expected in the south-eastern parts of the country, and an increase or zero growth in the remainder. A decline in residential production in 2019 reflects

a strong decline in start permits in 2018. This will result in a decline in residential units under construction in 2019.

A high level of activity is expected overall in the future, even though the decline in start permits will probably result in the start-up of fewer new projects in 2019. There is still a good outlook for the Norwegian economy, which is currently experiencing a moderate cyclical upswing.

## PROPERTY

### Description of the business

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

Amounts in NOK million	2018	2017	2016
Revenues	73	21	47
Operating profit (EBIT)	166	78	48
Earnings before tax	157	64	33
Return on capital employed	19.8%	8.7%	4.4%
<b>NUMBER OF HOUSING UNITS <sup>1)</sup></b>			
Under construction	338	264	456
Sold during the year	100	111	316
Completed unsold units in inventory	-	4	5
<b>LAND AND DEVELOPMENT RIGHTS <sup>1)</sup></b>			
Housing units	871	831	848
Industrial area m <sup>2</sup>	26,264	45,273	51,213

<sup>1)</sup> AF's share of housing units, land and development rights

Property reported earnings before tax of NOK 157 million (64 million) in the 2018. A total of 284 (285) apartments were sold in 2018, of which AF's share was 100 (111).

The residential market in Greater Oslo, where Property has most of its activities, has been marked by cautious optimism among the residential buyers in 2018. Property achieved good results for 2018. The greatest contributors to this were the residential projects Lillo Gård and Krydderhagen, which are located at Nydalen and Hasle in Oslo, together with the sale of commercial property at Hasle. At the start of 2019, AF's property business had six residential projects with a total of 921 apartments in the production

phase, and AF's share was 338. AF's share of sold apartments in these projects is 74.4 per cent. The largest projects under production are Lillo Gård at Nydalen, Krydderhagen at Hasle, Skiparviken in Bergen and Nye Kilen Brygge in Sandefjord. As at 31 December 2018, AF's share of unsold completed apartments was 0.3 (4).

At the end of the year, AF had sites and development rights under development that totalled 1 831 (2 063) residential units, of which AF's share was 871 (831) residential units.

AF has a total gross floor area of 44 755 square metres of commercial property under development, of which AF's share is a gross floor area of 20 597 square metres. Property has three commercial projects under construction: Atea Building at Hasle in Oslo, K4 (hotel and offices) at Hasle in Oslo and Butikker Lillo Gård at Nydalen in Oslo.

### Market outlook

Figures from Property Norway for February 2019 show that residential property prices in Norway rose 0.5 per cent compared with the previous month. Adjusted for seasonal variations, the prices remained unchanged. In February, residential property prices were 3.0 per cent higher than 12 months ago. The strong activity in the housing market in 2018 continues in 2019. Never before have so many residential units been sold in the first two months of the year as this year. Oslo and Fredrikstad/Sarpsborg reported the strongest seasonally adjusted growth of 5.1 per cent, while Bergen reported the weakest growth with a decline of 1.8 per cent. Throughout 2018 there have been many resale homes for sale. Property Norway expects that this will last throughout 2019 in step with the fact that many completed new residential units will also be coming on the market due to the high volume of residential construction in recent years. This contributes, in combination with the announcement of interest rate increases from Norges Bank, to Property Norway expecting a moderate price performance in 2019.

## ENERGY

### Description of the business

The Energy business area provides energy-efficient and future-oriented technical energy services for buildings and industry. The business area consists of the business unit, AF Energi & Miljøteknikk, but it also has activities in Boligenergi AS, which is owned together with OBOS and AF Energija Baltic, which was established in Lithuania in 2017. Energija shall primarily be a supplier to the Norwegian Energy business.

Energy's range of services includes thorough energy analyses that result in a system design and the implementation of measures to conserve the consumption of energy.

AF designs, installs and monitors local heating plants for commercial buildings and industry, in addition to supplying heating and cooling plants for residential and commercial buildings. In addition, services related to the operational monitoring of energy plants, energy services and energy monitoring are provided. Boligenergi offers total energy conservation and renewable energy solutions for housing cooperatives and condominiums.

<i>Amounts in NOK million</i>	2018	2017	2016
Revenues	277	244	177
Operating profit (EBIT)	0	20	18
Earnings before tax (EBT)	-2	22	16
Operating margin	0.1%	8.2%	10.2%
Result margin	-0.6%	9.0%	9.0%
Order backlog	243	260	108

In 2018, the Energy business area reported revenues of NOK 277 million (244 million). Earnings before tax were NOK -2 million (22 million). This gives a profit margin of -0.6% (9.1%). AF Energi & Miljøteknikk saw a higher level of activity in 2018, but the unit also delivered weak results. While EPC and service projects delivered satisfactory results, there was a low level of activity in the renewable portfolio relative to the fixed costs as a result of our long-term focus on this area. The operations in the Baltic States have also delivered results below expectations.

As of 1 January 2019, Energy merged with Environment to form the Energy & Environment business area.

### New contracts

Energy's project portfolio consists of many small and medium-sized projects with contract values ranging from NOK 0.5 to 10 million, as well as an increasing number of large contracts. The energy services market is growing and the size of the contracts is increasing at the same time.

AF Energi & Miljøteknikk were awarded a contract by Statsbygg in December for piping to the Life Sciences Building. This is a collaborative turnkey contract with an estimated value of approximately NOK 300 million. Most of the contract value is contingent and will not be included in the order backlog until after the collaboration phase, which is scheduled to last until 2021. Belief in continued growth and the effect of several strategic measures in 2018 are expected to contribute to improvement of the earnings to a satisfactory level already in 2019.

In 2018, Energy had an order intake of NOK 260 million (396 million) and an order backlog at the end of the year of NOK 243 million (260 million).

### Market outlook

The authorities in Norway have defined ambitious energy goals related to a reduction in the consumption of energy towards the year 2030. These goals are to be realised through a significant reduction in the consumption of energy by existing buildings compared with the current level, among other things. Enova has found that there is a major maintenance backlog for public buildings and major conservation opportunities in connection with the rehabilitation of buildings. The delivery of heating and cooling to commercial buildings is another interesting market. The demand here is associated with new residential and commercial building starts, where a high number of starts is still expected in 2019, in spite of the decline compared with 2018. The market for energy performance contracts (EPCs) in municipalities and public enterprises is also an interesting market area.

### SWEDEN

#### Description of the business

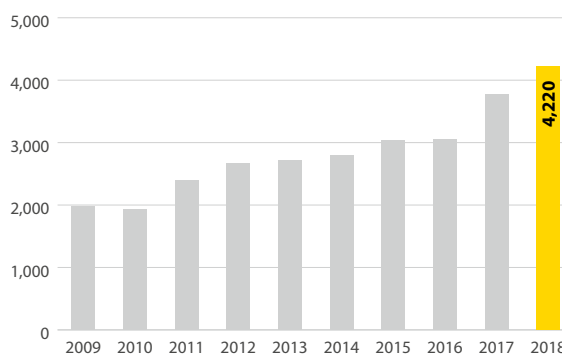
To support further growth in Sweden, the Swedish units will be organised in a separate business area as of 2018. The Sweden business area encompasses activities related to civil engineering, building, property and the environment in Sweden. The business area consists of the business units Kanonaden Entreprenad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

<i>Amounts in NOK million</i>	2018	2017	2016
Revenues	2,270	1,611	731
Operating profit (EBIT)	114	83	9
Earnings before tax (EBT)	113	82	10
Operating margin	5.0%	5.2%	1.2%
Result margin	5.0%	5.1%	1.3%
Order backlog	1,578	1,760	748

The level of activity for the operations in Sweden increased in 2018, compared with 2017, and the operations delivered good results overall, even if the profitability varies between the business units. Kanonaden Entreprenad and subsidiaries, AF Bygg Syd and AF Härnösand Byggreturer all delivered good results in 2018. AF Bygg Gothenburg and Pålplintar delivered results below expectations. A number of measures have been implemented to turn around the development of Pålplintar, including reinforcement of the management. AF Projektutveckling does not have any projects in the production phase today but has some projects in the development phase.



## NUMBER OF EMPLOYEES



AF's Swedish property business has a building site inventory (residential units under construction) that is estimated to yield 485 (251) residential units. AF's share of this is 343 (151) residential units.

### Acquisitions

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

### New contracts

AF Bygg Gothenburg entered into an agreement with Stena Fastigheter in the 3rd quarter to build housing for the elderly consisting of 90 modern apartments at Ekebäckshöjd in the Högsbo District. The property will also include some commercial premises, with a total area of 8 500 square metres.

The contract value is approximately SEK 200 million excluding VAT, and the project will be carried out as a collaborative turnkey contract. The site preparation work has commenced, and the start of construction is scheduled for the first quarter of 2019. It is estimated that the project will be ready for occupancy by the beginning of 2021.

AF Bygg Syd entered into an agreement with the Municipality of Älmhult in the 3rd quarter to remodel and expand Älmhult's waterworks. A new process building and a new personnel building will be constructed, and the existing process building will be totally renovated. It is expected that the new plant will be in full operation by the autumn of 2021. The value of the contract is SEK 144 million, excluding VAT.

### Market outlook

The residential price performance in Sweden, like Norway, has been marked by strong growth over some time now. Growth has levelled off in 2018. This is regarded as a natural correction from the peak of the business cycle according to Svensk

Fastighetsförmedling. In December 2018 the Swedish Central Bank raised interest rates to -0.25%. Although interest rates are expected to rise gradually in the time ahead, the Central Bank reports that monetary policy will remain expansive. After several years of high growth, the Swedish Construction Federation is expecting a decline in the total building and civil engineering investments of 3 per cent in 2019. Going forward, credit tightening, moderate real wage growth and rising mortgage rates are expected to result in a reduction in residential investments. The largest segment measured by the investment level, New Residential Units, has risen sharply in recent years, but it is expected to decline by 16 per cent in 2019. Nevertheless, the investment level will be at a higher level than was achieved as recently as 2015. Increased investments are expected in both private and public non-residential property, where the growth in public non-residential property is greatest with 5% in 2019. Civil engineering investments are expected to grow by 4% in 2019, both in the public and private sectors. There are major regional differences, and a good market is expected overall for AF's activities in Sweden.

## OFFSHORE

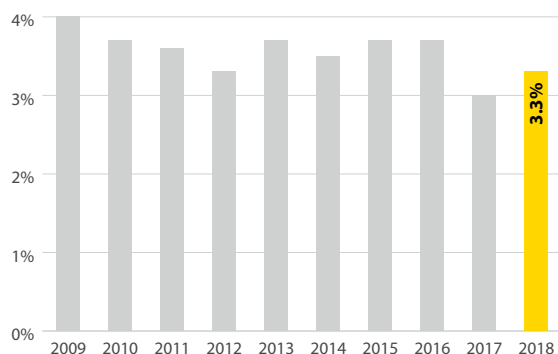
### Description of the business

The Offshore business area encompasses AF's services connected to the removal, demolition and recycling of offshore installations. Offshore also includes new building, modification and maintenance work related to HVAC and rig services. In addition, Offshore has services related to the maintenance and modification of onshore facilities for the oil and gas industry.

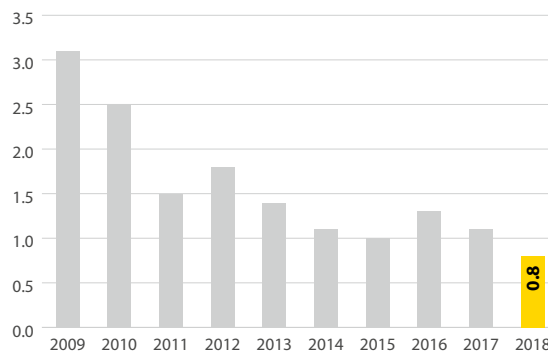
Offshore consists of the business units AF AeronMollier and AF Offshore Decom with subsidiaries. Offshore also has activities at AF Miljøbase Vats.

Amounts in NOK million	2018	2017	2016
Revenues	655	664	1,014
Operating profit (EBIT)	-21	59	107
Earnings before tax (EBT)	-27	49	94
Operating margin	-3.2%	8.8%	10.5%
Result margin	-4.1%	7.4%	9.3%
Order backlog	1,456	916	550

## ABSENCE DUE TO ILLNESS



## LTI1-RATE



Offshore reported revenues of NOK 655 million (664 million) for 2018. Earnings before tax were NOK -27 million (49 million). This gave a profit margin of -4.1 per cent, compared with 7.4 per cent in 2017.

In 2018, the Corporate Management Team and Board of Directors worked on several strategic initiatives in the Offshore area.

AF Offshore Decom reported a lower level of activity in 2018 and delivered negative results. The unit is working on several strategic initiatives to maintain and improve competitiveness. The market for the removal of offshore installations is marked by strong competition and few projects in the short term. There has been a low level of activity at the Environmental Base at Vats, and new projects that have been contracted will primarily be carried out in 2019 or later.

AF AeronMollier has experienced challenging market conditions for a long period of time. The unit reported a low level of activity for 2018 and delivered weak results, even though the results were better than the previous year. Several organisational and market-related adjustments have been implemented to improve the situation further. The unit has, for example, decided to discontinue its focus on onshore projects. A decision was made in 2018 to close the Shanghai office and the results for the unit were impacted by the costs associated with closing this office.

### New contracts

In the 2nd half of the year, AF Offshore Decom entered into two contracts in the consortium with Heerema Marine Contractors (HMC). One of the contracts is with Fairfield Betula Limited for the removal and recycling of the topsides of Dunlin Alpha in the British sector of the North Sea. The contract encompasses the planning, preparatory work, removal and recycling (EPRD) of the Dunlin Alpha platform, with a total weight of approximately 20 000 tonnes. The platform shall be removed and recycled during the period from 2021 to 2024. The other contract is also for the removal and recycling of a platform in the British sector of the North Sea. The contract encompasses the planning, preparatory work, removal and recycling (EPRD) of the Dunlin Alpha platform, with a total

weight of approximately 45 000 tonnes. The planning has started, and the platform will be removed and recycled starting in 2020 according to plan.

In 2018, Offshore had an order intake of NOK 1 194 million (1 030 million) and an order backlog at the end of the year of NOK 1 456 million (916 million).

### Market outlook

Statistics Norway is expecting investments related to oil, gas and pipeline transport in 2019 of NOK 165 billion, up from an estimated NOK 156 billion in 2018. Uncertainty in the oil industry may have an impact on AF's HVAC activities, as well as on maintenance and modification. The market for the removal of offshore installations is marked by strong competition and few demolition projects to be carried out in 2018 and 2019. Estimates from the British industry organisation Oil & Gas UK indicate that more than 200 platforms must be removed fully or partially on the British, Norwegian, Danish and Dutch sectors during the period up until 2025. This represents good opportunities for AF's offshore activities related to the demolition and removal of decommissioned oil installations.

For AF's offshore activities in the HVAC area, as well as maintenance and modifications, the market conditions are still challenging, but growth is expected for certain cruise and passenger vessel segments.

## ORGANISATION, HEALTH, SAFETY AND THE ENVIRONMENT

### PERSONNEL AND ORGANISATION

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

AF invests a lot of time and resources in the development of employees through training in various positions in production

and through development in the AF Academy. In 2018, 1 522 (1 052) employees participated in courses at the AF Academy. More than 80 per cent of the current managers have been recruited internally. AF is experiencing an increasing and satisfactory influx of qualified employees, and our employees are good ambassadors for the recruitment of new personnel.

At the end of 2018 there were 4,208 (3,768) employees in the Group, 1,843 (1,564) of which were salaried and 2,365 (2,204) were skilled workers. The parent company, AF Gruppen ASA, had no employees at the end of 2018.

Of the employees, 8.7 (7.5) per cent were women and 91.3 (92.5) per cent were men at the end of 2018. The percentage of women among the salaried staff and skilled workers was 18.5 (16.6) per cent and 1.4 (1.1) per cent, respectively. The contractor industry has traditionally been dominated by men, but AF would like to change this. AF aims to be a company to which talented individuals apply, whether they are women or men. "The best people" initiative started in 2018, and in this connection a goal was set to increase the percentage of women at AF to 20 per cent. To make AF a better workplace for all the employees, several measures have been implemented with regard to recruitment, job adaptation and awareness campaigns.

In 2018, absence due to illness at AF was 3.3 (3.0) per cent. The low absence due to illness rate indicates that the level of satisfaction and motivation to go to work is high. This is supported by the results of the last employee satisfaction survey, which shows that AF's employees are very happy, have a high degree of job satisfaction and are proud to work for AF. The results are better than the previous survey in 2015 and significantly better than the industry average.

In 2018 the Group Council, which is made up of employee representatives, senior safety representatives and management representatives, continued work on improving cooperation between all parts of the organisation.

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

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](http://www.afgruppen.no/varsling). The whistleblowing system applies both internally and externally, and a special whistleblowing committee has been established to follow this up.

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

## EMPLOYEE OWNERSHIP

AF Gruppen would like all employees to participate in joint value creation by becoming shareholders in the company. Therefore, AF has a share programme for employees whereby the employees are given an opportunity to buy shares at a discount of 20 per cent on the current market price. In 2018, 534 (543) employees subscribed for a total of 1,000,000 (1,000,000) shares. The purchase price after a 20 per cent discount was NOK 101.60. A total of 858 456 new shares were issued in connection with the sale of shares. The remaining shares were transferred from the company's treasury shares.

AF Gruppen also has an option programme for all employees. The programme was adopted by the General Meeting in 2017, and the options can be subscribed during the period from 2017 to 2020. As at 31 December 2018, there were 3 228 218 outstanding options in the programme that are redeemable in March 2020.

## HEALTH AND SAFETY

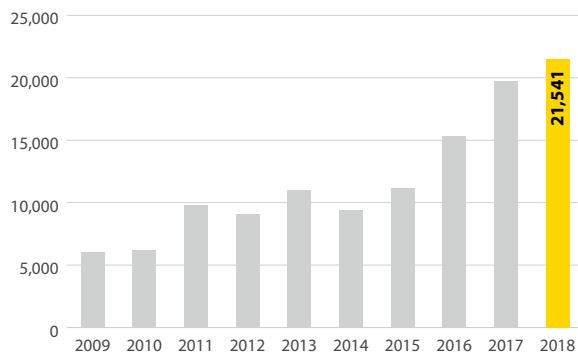
AF's goal for health and safety is to avoid injuries, diseases and complaints attributed to the working environment. For safety, it is about avoiding work accidents, particularly accidents that result in serious personal injury and absence. For health work, it is about avoiding exposure to health hazards in everyday work life, related, for example, to ergonomic conditions, chemicals, noise, dust, pressure, harassment, etc.

AF has a structured and uniform system for health and safety work, and AF's employees receive thorough training in both the basic principles and the systems. A key element is the fact that all undesired incidents and circumstances are registered and dealt with in the non-conformance system Synergi Life in order to find the underlying causes and measures for improvement. There is a strong willingness for continuous improvement, and the frequency of reporting is increasing – in 2018, 36 674 (24 365) incidents and circumstances were reported (RUI).

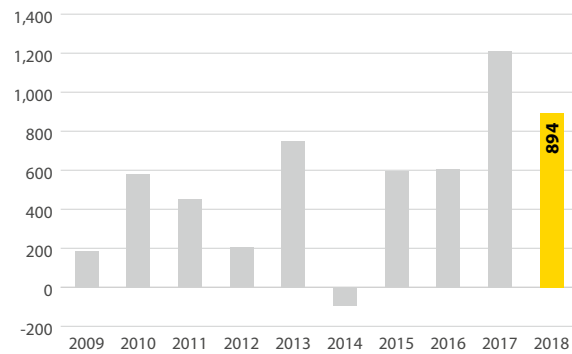
The most important measurable parameter for safety work at AF is the LTI rate. The LTI rate at AF is defined as the number of lost time injuries per million man-hours, and personal injuries at subcontractors are included in the calculation. The injury frequency rate in the company has shown a positive trend through the years, from an LTI rate of around 20 in the early 90s, to a historically low LTI rate of 0.8 (1.1) for 2018. This rate represents 12 lost time injuries, and among these injuries there was a fatal incident in which an employee of one of AF's subcontractors was exposed to so much energy that he died from the injuries two days after the accident.

In spite of the historically low LTI rate, we are still experiencing serious personal injuries and too many personal injuries in general. Safety has, therefore, been high on the Board's agenda in 2018, and AF has decided to boost safety, which will be implemented in 2019. This safety boost consists of a total of six corporate measures: Expand the definition of LTI-1 so that it also applies to serious personal injury without absence, establish a corporate goal for the safety parameter LTI-2 (LTI-2<5), expand from one category to two categories of incidents with a high loss potential and ensure that the strictest category receives extraordinary attention, introduce mandatory use of safety gloves and safety glasses for everyone, strengthen learning from one's own incidents through digitalised opportunities, as well as strengthen risk manage-

### ORDER BACKLOG (NOK MILLION)



### NET INTEREST BEARING RECEIVABLES (NOK MILLION)



ment in the "leading edge" of the operations by introducing methodology for "Personal Safety Involvement (PSI)".

For health work, the goal is that no one should become ill from working at AF, and we work to ensure that all employees experience job satisfaction and well-being. Absence due to illness is an indicator for health work, and the goal is to avoid work-related absence due to illness. Absence due to illness in 2018 was 3.3 (3.0) per cent and is considered low compared with the building and civil engineering industry in general. AF knows on the other hand that some of the absence due to illness is work-related and continues therefore to work systematically and with a long-term perspective to achieve the goal of a "healthy situation" without any work-related absence due to illnesses.

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

To ensure that there is knowledge of what employees can be exposed to while working and what measures can prevent health injuries, AF has health cards for the 16 most relevant types of exposure available in several languages. In addition, AF has developed and implemented a Health Risk programme, that enables us to better identify and influence health risks.

### EXTERNAL ENVIRONMENT

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

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

In Norway, the government requirement for source separation is a minimum of 60 per cent. The source separation rate indicates how much of the waste from operations is separated for the purpose of facilitating recycling. In 2018, the source separation rate for building was 89 (83) per cent, for renovation it was 87 (85) per cent and for demolition it was 97 (95) per cent. A total of 512 401 tonnes (324 370 tonnes) was sorted in 2018. These results are considered very good, and they are well above the government requirement. AF's environmental centres recycle contaminated materials that would have otherwise gone to landfill. AF has invested in a new environmental centre at Nes, and when it is fully operational, this centre will have the capacity to handle 300 000 tonnes of contaminated materials per year. The environmental centres have in addition recycled a total of 219 005 tonnes (179 163 tonnes) of material in 2018. This corresponds to a recycling rate of 87 (84) per cent.

AF's impact on climate is measured continuously in the form of the volume of greenhouse gas emissions in tonnes of CO<sub>2</sub> equivalents. A CO<sub>2</sub> equivalent is a unit that is used for comparison of the effects of various greenhouse gases on the climate. AF's climate accounts show that the consumption of diesel by construction machinery accounts for the greatest share of AF's greenhouse gas emissions. Among other things, we work to reduce emissions by replacing machines on an ongoing basis, so that we have a modern fleet of machinery with lower emissions at any given time.

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

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

AF has chosen a commercial approach to the increasing environmental challenges and scarcity of resources in society. The three business areas, Environment, Offshore and Energy are all based on services that solve environmental challenges.

Offshore and Environment in the area of demolition and recycling, and Energy in the area of energy optimisation. The need for the removal of offshore installations was decisive for the establishment of AF's offshore demolition operations and the AF Environmental Base at Vats. The environmental base outside of Haugesund is one of Europe's most modern reception facilities for decommissioned offshore installations. Another example of the development of future-oriented services that solve environmental challenges is the establishment of environmental centres. Using new environmental technology, the environmental centres decontaminate and recycle 80 per cent of the contaminated materials that would have otherwise ended up directly at a disposal site.

## RISK, MARKET OUTLOOK AND STRATEGY

### RISK MANAGEMENT AND FINANCIAL RISK

AF Gruppen is exposed to risk of both an operational and financial nature. 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, including financial risk. A risk review will already be conducted for all projects before a tender is submitted. Analysis of risk during the tendering phase enables the correct pricing and management of risk in the project. The same projects conduct detailed risk reviews every quarter. In addition, a total of approximately 200 risk reviews of the business units, in which the Corporate Management Team also participated, were conducted in 2018.

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, Environment, Building, Property, Energy and Sweden business areas, since all revenues are primarily in the functional currency. Portions of the revenues in the Offshore business area are in EUR and USD. These are hedged naturally in some cases, since the costs are in the same currency as the revenues, or they are hedged by means of forward currency contracts. For two offshore contracts with revenue denominated in EUR USD, respectively, the effects of the forward exchange contracts are recognised in accordance with the rules for cash flow hedging. At the end of 2018, AF Gruppen had NOK 35 million (16 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 pur-

chases in foreign currency that are not encompassed by purchase agreements in NOK are hedged by forward contracts.

In 2018, the Group had 89 (89) per cent of its recognised revenues in enterprises with NOK as their functional currency, 12 (11) per cent with SEK as their functional currency and 0 (0) per cent with another functional currency. The net foreign exchange gains/(losses) were NOK 0 million (-4 million) in 2018. The total translation differences were NOK -13 million (28 million) in 2018.

#### Commodity price risk

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

#### Interest rate risk

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

#### Credit risk

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

#### Liquidity risk

Liquidity risk is the risk of not being able to meet financial obligations when they fall due. Based on the Group's strong financial position at the end of the year, the liquidity risk is considered low. The AF Group has a total financing framework of NOK 1,880 million. This facility consists of an overdraft facility of NOK 800 million (800 million) and a three-year revolving credit facility of NOK 1 200 million (1,200 million) that is available until June 2020. This facility was unused at the end of the year. In addition, Strøm Gundersen has a one-year revolving credit facility of NOK 80 million (80 million). AF had net interest-bearing receivables of NOK 894 million (1 210 million) as at 31 December 2018. The available liquidity, including credit facilities, stood at NOK 2 536 million as at 31 December 2018.

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

## MARKET OUTLOOK AND STRATEGY

AF Gruppen operates in an industry where there is normally uncertainty related to the assessment of future conditions. The Group's revenues and results for 2018 have been in accordance with the Board's expectations. At the end of 2018, the Group had an order backlog of NOK 21 541 million (19 773 million) and earnings from ongoing projects are considered good.

It is expected that the moderate upswing in the Norwegian economy will continue in 2019. Statistics Norway (SSB) is expecting gross national product growth of 2.4 and 2.3 per cent, respectively, for mainland Norway for the next two years. There is an expectation of close to zero growth in the building market in 2019, while an expected significant increase in petroleum investments in 2019 will contribute to boosting the Norwegian economy. The outlook is also good for the civil engineering market: Prognosesenteret expects a high level of activity for the period from 2019 to 2020, with growth in investments of 16.9 and 12.0 per cent, respectively. A close to neutral fiscal policy is expected, as well as a cautious increase in the key rate in the coming years, which will contribute to a balanced development of the Norwegian economy in the future. Further information on the market outlook for the various business areas has been presented earlier in this annual report.

In Sweden, the central bank Riksbanken expects the gross national product to grow 1.5–2 per cent annually towards 2021. After several years of high growth, the Swedish Construction Federation is expecting a decline in the total building and civil engineering investments of 3 per cent in 2019. There are major regional differences, and a good market is expected overall for AF's activities in Sweden.

In 2016, AF prepared a new corporate strategy for 2017–2020 with ambitions of strong, profitable growth.

The four main initiatives in the strategy have marked the work of the Board and AF in 2018: organic and structural growth, customer and partner relations, creativity and innovation, and management capacity and technical expertise.

The goal is for AF Gruppen to have annual revenues of NOK 20 billion by 2020 and to achieve a clear position in several large cities such as Oslo, Bergen, Gothenburg and Stockholm.

AF shall also grow through the development of nationwide project activities and expansion of its portfolio of services offshore. It is expected that most of this growth will be organic, but in order to achieve our goal, structural revenue growth bordering on our core operations and new operations will also be required. The acquisition of Helgesen Tekniske Bygg AS (HTB) in 2018 strengthened AF's position in the building market in the Bergen region. The acquisition of HMB Holding AB (HMB) just after the turn of the year expands the geographic area of operation of the Swedish building business and will give us a solid position in the Stockholm region.


For AF Gruppen, a good market outlook and record-high order backlog lays the foundation for a high level of activity in 2019 as well. AF has a solid corporate culture based on professionalism and high ethical standards, and motivated employees with a high level of expertise. This, combined with strategic priorities and a strong financial position, means that AF is well-equipped to take advantage of the opportunities that the market will provide in the future.

The Board thanks the employees for their significant contributions to the good results of 2018. The Board is confident that a high level of activity and good earnings will prevail in 2019 as well.

OSLO, 28. MARCH 2019



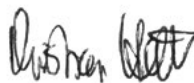
Pål Egil Rønn  
Board Chairman



Hege Bømark



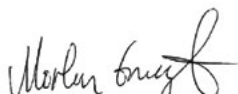
Borghild Lunde



Kristian Holth



Arne Baumann



Morten Grongstad

CEO



Kenneth Svendsen



Arne Sveen



Hilde Wikesland Flaen



# FINANCIAL STATEMENT

106 GROUP ACCOUNTS

174 COMPANY ACCOUNTS

185 RESPONSIBILITY STATEMENT

186 AUDITOR'S REPORT

191 CLIMATE ACCOUNTS

# CONSOLIDATED ANNUAL ACCOUNTS

## 106 GROUP ACCOUNTS AF GRUPPEN ASA

---

107	Income statement
108	Statement of financial position
110	Statement of changes in equity
111	Cash flow statement

---

## 112 NOTES

---

112	<b>Note 1</b>	General information
112	<b>Note 2</b>	Basis of preparation for annual financial statements
113	<b>Note 3</b>	New and amended accounting standards
115	<b>Note 4</b>	Segment information
119	<b>Note 5</b>	Acquisition and sale of businesses
123	<b>Note 6</b>	Operating and other revenue
124	<b>Note 7</b>	Payroll cost
126	<b>Note 8</b>	Other operating expenses
126	<b>Note 9</b>	Net gains/(losses)
127	<b>Note 10</b>	Trade and non-interest-bearing receivables
128	<b>Note 11</b>	Inventories
128	<b>Note 12</b>	Projects for own account
129	<b>Note 13</b>	Intangible assets
133	<b>Note 14</b>	Property, plant and equipment
135	<b>Note 15</b>	Provisions for liabilities
135	<b>Note 16</b>	Trade payables and non-interest-bearing liabilities
136	<b>Note 17</b>	Leases
137	<b>Note 18</b>	Retirement benefits
139	<b>Note 19</b>	Net financial items
140	<b>Note 20</b>	Net interest-bearing receivables (debt)
141	<b>Note 21</b>	Earnings and dividend per share
142	<b>Note 22</b>	Financial risk management
144	<b>Note 23</b>	Derivatives
146	<b>Note 24</b>	Financial instruments: Category table
148	<b>Note 25</b>	Income tax expense
149	<b>Note 26</b>	Deferred tax / deferred tax assets
151	<b>Note 27</b>	Associated companies
154	<b>Note 28</b>	Joint ventures
157	<b>Note 29</b>	Subsidiaries
159	<b>Note 30</b>	Significant minority interests
160	<b>Note 31</b>	Share capital and shareholder information
162	<b>Note 32</b>	Remuneration of the Board of Directors and senior executives
164	<b>Note 33</b>	Related parties
165	<b>Note 34</b>	Pledged assets and guarantees
166	<b>Note 35</b>	Contingencies
166	<b>Note 36</b>	Events after the balance sheet date
167	<b>Note 37</b>	Significant accounting assessments, estimates and assumptions
168	<b>Note 38</b>	Significant accounting policies

---

## 174 ANNUAL ACCOUNTS AF GRUPPEN ASA

---

185	Responsibility statement from members of the board and CEO
186	Auditor's report

---



## INCOME STATEMENT

Amounts in NOK million	Note	For the financial year		
		2018	2017	2016
Operating revenue	6	18 674	13 642	11 775
Other revenue	6	93	61	102
<b>Total operating and other revenue</b>		<b>18 767</b>	<b>13 704</b>	<b>11 876</b>
Subcontractors		-9 771	-6 233	-5 168
Cost of materials		-2 843	-2 277	-1 778
Payroll costs	7,32	-3 473	-2 961	-2 650
Depreciation and impairment of property, plant and equipment	14	-182	-166	-135
Amortisation and impairment of intangible assets	13	-2	-2	-42
Other operating expenses	8	-1 567	-1 256	-1 084
<b>Total operating expenses</b>		<b>-17 838</b>	<b>-12 896</b>	<b>-10 857</b>
Net gains/(losses)	9	59	25	18
Profit from associated companies and joint ventures	27,28	130	91	-4
<b>Earnings before interest and tax (EBIT)</b>		<b>1 119</b>	<b>924</b>	<b>1 034</b>
Net financial items	19	18	12	6
<b>Earnings before tax (EBT)</b>		<b>1 136</b>	<b>935</b>	<b>1 040</b>
Income tax expense	25,26	-215	-181	-253
<b>Profit for the year</b>		<b>921</b>	<b>754</b>	<b>787</b>
<i>Attributable to:</i>				
Shareholders in the Parent Company		772	621	691
Minority interests		149	133	96
<b>Profit for the year</b>		<b>921</b>	<b>754</b>	<b>787</b>
Earnings per share (NOK)	21	7.88	6.43	7.44
Diluted earnings per share (NOK)	21	7.88	6.43	7.29
Dividend per share (NOK) <sup>1)</sup>	21	5.00	5.00	8.50

<sup>1)</sup> Dividend for 2018 has been proposed for first half of the year.

## COMPREHENSIVE INCOME

Amounts in NOK million		2018	2017	2016
Profit for the year		921	754	787
Change in actuarial gains or losses on pensions (gross)	18	-2	2	-5
Change in actuarial gains or losses on pensions (tax)	26	-	-	1
Translation differences for minority interests		-	2	-
<b>Income and expenses that will not be reclassified to the income statement</b>		<b>-2</b>	<b>3</b>	<b>-4</b>
Change in cash flow hedging (gross)	23	-22	48	150
Change in cash flow hedging (tax)	23, 26	5	-10	-32
Translation differences for majority interests		-13	26	-23
<b>Income and expenses that may be reclassified to the income statement</b>		<b>-30</b>	<b>64</b>	<b>94</b>
<b>Total other revenues and expenses</b>		<b>-32</b>	<b>67</b>	<b>90</b>
<b>Total comprehensive income for the year</b>		<b>890</b>	<b>821</b>	<b>877</b>
<i>Attributable to:</i>				
- Shareholders in the Parent Company		741	686	781
- Minority interests		149	135	96
<b>Total comprehensive income for the year</b>		<b>890</b>	<b>821</b>	<b>877</b>

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

<i>Amounts in NOK million</i>	Note	2018	2017
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14,34	1 356	1 241
Intangible assets	13	2 288	2 188
Associated companies and joint ventures	27,28	361	363
Deferred tax assets	26	19	26
Interest-bearing receivables	20,22,24	305	216
Pension plan and other financial assets	18,23,24	8	10
<b>Total non-current assets</b>		<b>4 337</b>	<b>4 045</b>
<b>CURRENT ASSETS</b>			
Inventories	11	184	159
Projects for own account	12	38	186
Trade and other non-interest-bearing receivables	10,24	3 238	2 216
Interest-bearing receivables	20,24	32	16
Derivatives	22,23,24	1	3
Cash and cash equivalents	20,24	656	1 098
<b>Total current assets</b>		<b>4 149</b>	<b>3 679</b>
<b>Total assets</b>		<b>8 486</b>	<b>7 724</b>

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

Amounts in NOK million	Note	2018	2017
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Equity attributable to Parent Company shareholders		1 746	1 693
Minority interests	30	378	384
<b>Total equity</b>		<b>2 124</b>	<b>2 078</b>
<b>LONG-TERM LIABILITIES</b>			
Interest-bearing loans and credit facilities	20,22,24	91	102
Pension liabilities	18	1	1
Provisions for liabilities	15	150	189
Deferred tax	26	418	327
Derivatives	22,23,24	43	23
<b>Total non-current liabilities</b>		<b>704</b>	<b>643</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing loans and credit facilities	20	8	19
Trade payables and current non-interest-bearing liabilities	16,24	5 281	4 481
Derivatives	22,23,24	10	26
Provisions for liabilities	15	223	353
Current tax payable	25	138	126
<b>Total current liabilities</b>		<b>5 659</b>	<b>5 003</b>
<b>Total liabilities</b>		<b>6 363</b>	<b>5 646</b>
<b>Total equity and liabilities</b>		<b>8 486</b>	<b>7 724</b>

OSLO, 28 MARCH 2019



Pål Egil Rønn

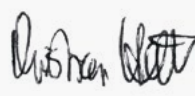
Board Chairman



Hege Bømark



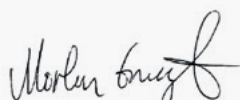
Borghild Lunde



Kristian Holth



Arne Baumann

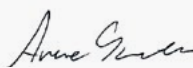


Morten Grongstad

CEO



Kenneth Svendsen



Arne Sveen



Hilde Wikesland Flaen

## STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	Equity attributable to Parent Company shareholders							Minority interests	Total equity	
	Note	Share capital	Other paid-in equity	Translation differences	Actuarial pension gains/ (losses)	Cash flow hedging	Retained earnings			Total
<b>2016</b>										
Equity as at 01/01/2016		5	407	29	-12	-171	1 303	1 561	259	1 820
Profit for the year		-	-	-	-	-	691	691	96	787
Other revenues and expenses for the year		-	-	-23	-4	118	-	91	-	90
<b>Total comprehensive income for the year</b>		-	-	<b>-23</b>	<b>-4</b>	<b>118</b>	<b>691</b>	<b>781</b>	<b>96</b>	<b>877</b>
Share capital increases	31	-	120	-	-	-	-	120	-	120
Purchase of treasury shares	31	-	-	-	-	-	-32	-32	-	-32
Sale of treasury shares	31	-	1	-	-	-	23	24	-	24
Dividend adopted and paid		-	-315	-	-	-	-429	-744	-74	-818
Share value-based remuneration	7	-	7	-	-	-	-	7	1	7
Transactions with minority interests		-	-	-	-	-	-37	-37	-11	-48
<b>Equity as at 31/12/2016</b>		<b>5</b>	<b>218</b>	<b>6</b>	<b>-16</b>	<b>-53</b>	<b>1 519</b>	<b>1 680</b>	<b>270</b>	<b>1 950</b>
<b>2017</b>										
Profit for the year		-	-	-	-	-	621	621	133	754
Other revenues and expenses for the year		-	-	26	1	38	-	65	2	67
<b>Total comprehensive income for the year</b>		-	-	<b>26</b>	<b>1</b>	<b>38</b>	<b>621</b>	<b>686</b>	<b>135</b>	<b>821</b>
Share capital increases	31	-	371	-	-	-	-	371	-	371
Purchase of treasury shares	31	-	-	-	-	-	-55	-55	-	-55
Sale of treasury shares	31	-	-	-	-	-	45	45	-	45
Dividend adopted and paid		-	-121	-	-	-	-707	-829	-77	-906
Share value-based remuneration	7	-	9	-	-	-	-	9	1	10
Minority put options	15	-	-	-	-	-	-191	-191	-1	-192
Addition of minority interests from acquisition and formation of subsidiaries	5	-	-	-	-	-	-	-	49	49
Transactions with minority interests		-	-	-	-	-	-24	-24	7	-17
<b>Equity as at 31/12/2017</b>		<b>5</b>	<b>478</b>	<b>32</b>	<b>-15</b>	<b>-15</b>	<b>1 209</b>	<b>1 693</b>	<b>384</b>	<b>2 078</b>
<b>2018</b>										
Profit for the year		-	-	-	-	-	772	772	149	921
Other revenues and expenses for the year		-	-	-13	-1	-17	-	-31	-	-32
<b>Total comprehensive income for the year</b>		-	-	<b>-13</b>	<b>-1</b>	<b>-17</b>	<b>772</b>	<b>741</b>	<b>149</b>	<b>890</b>
Share capital increases	31	-	111	-	-	-	-	111	-	111
Purchase of treasury shares	31	-	-	-	-	-	-35	-35	-	-35
Sale of treasury shares	31	-	-	-	-	-	26	26	-	26
Dividend adopted and paid		-	-367	-	-	-	-469	-836	-128	-964
Share value-based remuneration	7	-	29	-	-	-	-	29	1	30
Minority put options	15	-	-	-	-	-	28	28	-54	-26
Addition of minority interests from acquisition and formation of subsidiaries	5	-	-	-	-	-	-	-	30	30
Transactions with minority interests		-	-	-	-	-	-12	-12	-4	-16
<b>Equity as at 31/12/2018</b>		<b>5</b>	<b>252</b>	<b>19</b>	<b>-16</b>	<b>-32</b>	<b>1 519</b>	<b>1 746</b>	<b>378</b>	<b>2 124</b>

## CASH FLOW STATEMENT

<i>Amounts in NOK million</i>	Note	2018	2017	2016
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit before tax		1 136	935	1 040
Depreciation and write-downs	13,14	184	169	177
Change in retirement benefit liabilities		-	-	-1
Accounting cost of share value-based remuneration		29	9	7
Net financial expenses/(income)	19	-18	-11	-6
Net gains/(losses)	9	-59	-25	-18
Profit attributable to associated companies and joint ventures	27	-130	-91	4
Change in operating capital (excluding acquisitions and foreign currency)				
Change in inventories and projects for own account	11, 12	119	-155	27
Change in trade and other non-interest-bearing receivables	10	-1 004	-17	-431
Change in trade payables and other non-interest-bearing liabilities	16	707	947	188
Income tax paid		-123	-407	-166
<b>Net cash flow from operating activities</b>		<b>841</b>	<b>1 354</b>	<b>822</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Acquisition of business	5	-158	-103	-5
Investments in property companies		-24	-12	-7
Purchase of property, plant and equipment and intangible assets	13,14	-324	-250	-143
Proceeds from the sale of property companies		7	-	-
Proceeds from sale of property, plant and equipment		77	44	71
Payments for derivatives		9	-6	-
Transactions with minority interests		-	28	-
Dividends and capital received from associated companies and joint ventures		154	136	48
Payments due to change in interest-bearing receivables	20	-54	-27	-37
Proceeds due to change in interest-bearing receivables	20	35	45	37
Interest and other financial income received	19	23	27	24
<b>Net cash flow from investment activities</b>		<b>-255</b>	<b>-118</b>	<b>-13</b>
<b>Net cash flow before financing activities</b>		<b>586</b>	<b>1 235</b>	<b>809</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Issuance of shares		87	322	120
Dividends paid to shareholders in the Parent Company		-836	-829	-744
Dividends paid to minority interests		-126	-77	-74
Transactions with minority interests		-108	-	-49
Proceeds from new interest-bearing debt	20	9	22	7
Repayment of interest-bearing debt	20	-33	-21	-43
Net (purchase)/sale of treasury shares	31	-10	-10	-8
Interest and other financial expenses paid	19	-13	-13	-15
<b>Net cash flow from financing activities</b>		<b>-1 030</b>	<b>-604</b>	<b>-807</b>
<b>Net change in cash and cash equivalents</b>		<b>-444</b>	<b>632</b>	<b>3</b>
Cash and cash equivalents as at 1 January	20	1 098	469	459
Foreign exchange effect on cash and cash equivalents		1	-2	7
<b>Cash and cash equivalents as at 31 December</b>	<b>20</b>	<b>656</b>	<b>1 098</b>	<b>469</b>

## NOTE 1 GENERAL INFORMATION

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

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

The annual financial statements were adopted by the Board of Directors on 28 March 2019 and have been prepared in accordance with the International Financial Reporting Standard (IFRS) as approved by the EU.

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

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

## NOTE 2 BASIS OF PREPARATION FOR ANNUAL FINANCIAL STATEMENTS

The consolidated financial statements of the AF Gruppen have been prepared in accordance with the International Financial Reporting Standards (IFRS), which have been adopted by the EU, as well as Norwegian disclosure requirements that follow from the Norwegian Accounting Act per 31 December 2018.

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

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

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

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

## NOTE 3 NEW AND AMENDED ACCOUNTING STANDARDS

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

As of 1 January 2018, the Group has implemented a new accounting standard for the revenue recognition, IFRS 15 Revenue from Contracts with Customers, as well as a new accounting standard for financial instruments, IFRS 9 Financial Instruments.

#### IFRS 15 Revenue from Contracts with Customers

The new standard for revenue recognition will replace IAS 11, IAS 18 and IFRIC 15, etc. IFRS 15 introduces a new and structured five-step model for the recognition and measurement of revenues. The key principle of IFRS 15 is that compensation that an enterprise expects to be entitled to shall be recognised as revenue based on a pattern that reflects the transfer of the goods or services to the customer.

AF Gruppen has identified revenue streams from civil engineering contracts, building contracts and onshore and offshore demolition contracts, as well as other types of contracts. A table of the Group's revenue from the various revenue streams is presented in Note 4 – Segment information. Revenue from the sale of residential property is primarily recognised in the consolidated financial statements as profit attributable to associated companies and is thus not presented as part of the Group's operating revenue.

The assessment of what revenue in the Group is recognised over time and what revenue is recognised at a specific point in time has not changed since the transition to IFRS 15. This includes recognition of revenue and the profit margin from the construction and sale of residential property through profit attributable to associated companies that is recognised in the consolidated financial statements upon handover to the end customer, in the same manner as under IFRIC 15. In the segment reporting, AF Gruppen recognises such revenue as before - over time in line with the sales ratio, completion rate and expected contribution ratio in the segment accounts. This corresponds to the internal reporting and follow-up, and is considered as providing the best reflection of the creation of value in contracts of this type.

It is essentially variable consideration linked to change and additional orders in AF Gruppen's projects in all the identified revenue streams that are affected by estimates and assumptions. IFRS 15 has stricter wording than the previous standards related to recognition of variable consideration with respect to the expected transaction price. Under the previous standard AF Gruppen has also used a conservative best estimate for recognition of variable consideration, assessment of the expected contribution ratio, as well as the recognition of unclarified claims and disputes with customers. The transition to IFRS 15 has therefore not entailed a restatement of previous estimates related to ongoing projects, or new guidelines related to the stipulation of a transaction price and contribution ratio for future projects.

IFRS 15 has extensive presentation and note requirements that have been implemented in the accounts for this year. New concepts have, for example, been introduced for contractual receivables, contractual assets and contractual liabilities. These amounts are defined in Note 38 and specified in Notes 10 and 16. In accordance with IFRS 15, projects in progress shall be presented either as a contractual asset or as a contractual liability, in addition to receivables in the project to which the company has an unconditional right. Contractual assets and liabilities must be presented on a net basis for each project, which has entailed additional netting in the accounts this year compared with the previous year. New note requirements related to the presentation of revenue streams are mainly disclosed in the segment note.

AF Gruppen has not identified any significant impact on the financial standing or results in the consolidated financial statements due to the implementation of IFRS 15. AF Gruppen has implemented the standard with

the modified retrospective method, which entails that any accumulated impact of the transition is recognised through other equity as at 1 January 2018 without restatement of the comparison figures. Since no significant impact on the Group's financial position or results has been identified as a result of the implementation, no transitional impact has been recognised in equity. It is, therefore, not necessary to show the revenue recognition in accordance with previous standards for the 2018 financial year in a note.

#### IFRS 9 Financial Instruments

The new standard for financial instruments replaces IAS 39 Financial Instruments – Recognition and Measurement. The standard introduces new principles for classification, measurement, hedge accounting and write-downs for credit losses. In accordance with IFRS 9 only financial assets that generate cash flows in the form of interest and principal and are held to receive contractually regulated cash flows are measured at amortised cost. Other instruments are measured at fair value with value changes through profit or loss or through other comprehensive income (OCI).

All financial assets in AF Gruppen are measured at amortised cost with the exception of derivatives and equity instruments. An updated evaluation of the financial instruments recognised as amortised cost has been carried out to check whether a change in their measurement is required in accordance with IFRS 9. The conditions for continued measurement at amortised cost were met both in the business model and cash flow characteristics tests.

No significant change in impairment for credit losses on financial assets that are measured at amortised cost were identified in transitioning to the new standard.

AF Gruppen has chosen to continue to apply the hedge accounting requirements in IAS 39 for existing cash flow hedging. This is in accordance with the IFRS 9 implementation rules. There is just one cash flow hedge as at 1 January 2018. New cash flow hedges are recognised in accordance with IFRS 9.

It was decided not to use the opportunity to earmark financial assets or financial liabilities at fair value through profit or loss for the initial recognition.

The Group's assessments have not identified circumstances, which upon implementation, will significantly affect the Group's financial position or results.

No other new or amended accounting standards or interpretations that have had a significant impact on the Group's financial position or results have been implemented in 2018.

### NEW FUTURE STANDARDS, AMENDMENTS AND INTERPRETATIONS

The IASB has adopted new standards and interpretations, in addition to amendments to existing standards and interpretations that have not yet entered into force at the end of 2018. Below is an assessment of the amendments that are relevant to the AF Gruppen. New and amended standards and interpretations that are not discussed below have been assessed as not having any impact on the consolidated financial statements of AF Gruppen.

#### IFRS 16 Leases

The new standard for leases will replace IAS 17 Leases as of 1 January 2019. In IFRS 16 the distinction made between operating and financial leases is eliminated, and practically all leases are to be recognised on the balance sheet of the lessee. There are only two exceptions to this, leases with a duration of less than 12 months and leases with a low value. It is optional for the lessee to make use of these exceptions.

**NOTE 3****NEW AND AMENDED ACCOUNTING STANDARDS CONT.**

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

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

Both instalments and interest on lease obligations recognised on the balance sheet will be classified as financing activities in the cash flow statement. Thus the cash flow from operating activities will improve, as opposed to the cash flow from financing activities.

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

At the time of implementation, the lease liability for all the contracts will be calculated based on the discounted future cash flows. The associated right of use has been set at the same value for all the contracts with one exception. For this contract, the right of use has been calculated from the start date for the contract, with subsequent depreciation. The difference between the calculated lease liability and right of use for this contract is recognised in equity at the time of implementation. As at 1 January 2019, the Group will recognise a present value of future lease liabilities of NOK 888 million, a right of use of NOK 863 million and an equity effect (after tax) of negative NOK 19 million. The liability has been calculated with a discount rate corresponding to the company's marginal borrowing rate.

AF Gruppen has chosen not to recognise leases of a short duration or with a low value on the balance sheet. These leases will still be accounted for in the same manner as before. The scope of these agreements is listed in Note 17.

IFRS 16 entered into force on 1 January 2019. AF Gruppen will implement IFRS 16 as of this date based on the modified retrospective method, which entails that the accumulated effect of the transition will be recognised in other reserves and the comparison figures will not be restated.



## NOTE 4 SEGMENT INFORMATION

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

### BUSINESS AREAS

AF Gruppen is a project-based contracting and industrial group. The Corporate Management Team managed the business operations on the basis of the Civil Engineering, Environment, Building, Property, Energy and Offshore business areas in 2018. Sweden will be organised as a separate business area as of 1 January 2018. As of 1.1.19, Energy and Environment will be merged into one business area.

Civil Engineering carries out large complex civil engineering projects and niche projects related to roads and railways, port facilities, foundation work, power and energy. AF is a turnkey supplier of civil engineering services in Norway. The business area consists of the business units AF Anlegg and Målselv Maskin & Transport.

The Environment business area is a leader in onshore demolition, removal and environmental clean-up of buildings and industrial plants in Norway. The business area consists of the business unit AF Decom, as well as the Rimol, Jølsen and Nes environmental centres.

The Building business area performs traditional building activities in the Norwegian market with a solid local base. The business includes the development, engineering and building of commercial, residential and public buildings, as well as rehabilitation projects. Building has a strong market position in central Eastern Norway and Western Norway. The business area consists of the business units AF Bygg Oslo, AF Byggfornylse, AF Nybygg, AF Bygg Østfold, Strøm Gundersen, MTH and LAB.

The Property business area comprises the development of residential units and commercial buildings for own account in the Norwegian market. For better control over the value chain, property development is limited to areas where the AF Group is engaged in contracting operations. Development projects are often organised through the establishment of joint development companies with partners. Collaboration reduces project-specific risk and adds the benefit of complementary expertise.

The Energy business area delivers energy-efficient technical solutions that will provide a profitable bottom line for customers and the environment. Energy services for onshore activities are performed in the business unit AF Energi & Miljøteknikk.

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

The Offshore business area encompasses AF's services connected to the removal, demolition and recycling of offshore installations. Offshore also includes new building, modification and maintenance work related to HVAC, cranes, modules and rig services. In addition, services related to

the maintenance and modification of onshore facilities for the oil and gas industry are provided. The business area consists of the business units: AF AeronMollier and AF Offshore Decom. Offshore also has activities in AF Miljøbase Vats.

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

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

### TYPES OF SERVICES

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

### GEOGRAPHIC SEGMENTS

The division into geographic segments is not reported on an ongoing basis to the Corporate Management Team. Geographically segmented key figures required by IFRS 8 are presented in a separate table and supplement information to analysts and other users of the financial statements.

### ACCOUNTING POLICIES

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

### IMPORTANT CUSTOMERS

The public sector, represented by the Norwegian Public Roads Administration, municipalities and Undervisningsbygg (the Municipal Undertaking for Educational Buildings and Property in Oslo) are responsible for more than 10 per cent of AF Gruppen's total operating revenues. In 2018, revenue of NOK 7 293 million (4 188 million) was recognised in connection with contracts entered into with the public sector.

### IMPAIRMENT LOSSES

No impairment losses have been recognised in 2018.

**NOTE 4** SEGMENT INFORMATION CONT.

<i>Amounts in NOK million</i>	Civil Engine- ering	Environ- ment	Building	Property	Energy	Sweden	Offshore	Other	Elim.	GAAP adjust- ment	Total
<b>2018</b>											
<b>INCOME STATEMENT</b>											
External revenue	5 821	559	8 945	73	256	2 268	652	17	69	107	18 767
Internal revenue	40	40	110	-	20	2	3	27	-242	-	-
<b>Total revenue</b>	<b>5 861</b>	<b>598</b>	<b>9 055</b>	<b>74</b>	<b>277</b>	<b>2 270</b>	<b>655</b>	<b>44</b>	<b>-173</b>	<b>107</b>	<b>18 767</b>
Earnings before interest, tax, depreciation and amortisation (EBITDA)	340	60	666	169	1	131	-6	-28	11	-42	1 303
Earnings before interest and tax (EBIT)	275	44	619	166	-	114	-21	-48	11	-42	1 119
Earnings before tax (EBT)	293	43	645	157	-2	113	-27	-54	11	-42	1 136
<b>KEY FIGURES AND BALANCE SHEET</b>											
EBITDA margin	5.8%	10.0%	7.4%	-	0.4%	5.8%	-0.9%	-	-	-	6.9%
Operating margin	4.7%	7.3%	6.8%	-	0.1%	5.0%	-3.2%	-	-	-	6.0%
Profit margin	5.0%	7.1%	7.1%	-	-0.6%	5.0%	-4.1%	-	-	-	6.1%
Total assets as at 31 December	2 014	334	5 128	885	156	1 332	1 332	2 873	-5 420	-147	8 486
Capital employed as at 31 December	316	168	2 126	837	79	592	900	1 986	-4 639	-144	2 223
Number of employees as at 31 December	1 192	124	1 924	23	113	468	213	163	-	-	4 220
<b>REMAINING PERFORMANCE OBLIGATIONS (ORDER BACKLOG)</b>											
Order backlog 2019	3 877	258	7 424	-	200	1 354	415	-	-	198	13 727
Order backlog, subsequent years	3 787	-	2 446	-	43	224	1 041	-	94	180	7 815
<b>Total order backlog as at 31 December</b>	<b>7 664</b>	<b>258</b>	<b>9 871</b>	<b>-</b>	<b>243</b>	<b>1 578</b>	<b>1 456</b>	<b>-</b>	<b>94</b>	<b>378</b>	<b>21 541</b>
<b>DISTRIBUTION OF REVENUE BETWEEN REVENUE STREAMS</b>											
Revenue from civil engineering contracts	5 852	-	320	-	-	1 264	62	-	-	-	7 498
Revenue from building contracts	-	-	8 735	-	-	835	-	-	-173	107	9 504
Revenue from onshore and offshore demolition activities	-	526	-	-	-	157	354	-	-	-	1 037
Revenue from other types of contracts	9	73	-	74	277	14	239	44	-	-	728
<b>Total revenue</b>	<b>5 861</b>	<b>598</b>	<b>9 055</b>	<b>74</b>	<b>277</b>	<b>2 270</b>	<b>655</b>	<b>44</b>	<b>-173</b>	<b>107</b>	<b>18 767</b>
<b>CASH FLOW</b>											
Net cash flow from operating activities	-74	35	747	-67	-3	232	-5	-77	54	-	841
Net cash flow from investing activities	-90	-51	-298	214	-	-44	8	60	-54	-	-255
<b>Net cash flow before financing activities</b>	<b>-164</b>	<b>-16</b>	<b>448</b>	<b>147</b>	<b>-3</b>	<b>188</b>	<b>4</b>	<b>-17</b>	<b>-</b>	<b>-</b>	<b>586</b>

**NOTE 4 SEGMENT INFORMATION CONT.**

<i>Amounts in NOK million</i>	Civil Engine- ering	Environ- ment	Building	Property	Energy	Sweden	Offshore	Other	Elim.	GAAP adjust- ment	Total
<b>2017</b>											
<b>INCOME STATEMENT</b>											
External revenue	3 511	404	7 455	21	235	1 611	665	34	-47	-187	13 704
Internal revenue	59	70	19	-	9	-	-1	23	-177	-	-
<b>Total revenue</b>	<b>3 569</b>	<b>474</b>	<b>7 474</b>	<b>21</b>	<b>244</b>	<b>1 611</b>	<b>664</b>	<b>57</b>	<b>-223</b>	<b>-187</b>	<b>13 704</b>
Earnings before interest, tax, depreciation and amortisation (EBITDA)	307	45	510	78	21	102	74	-18	-8	-19	1 092
Earnings before interest and tax (EBIT)	249	28	467	78	20	83	59	-33	-8	-19	924
Earnings before tax (EBT)	269	27	481	64	22	82	49	-32	-8	-19	935
<b>KEY FIGURES AND BALANCE SHEET</b>											
EBITDA margin	8.6%	9.4%	6.8%	-	8.5%	6.4%	11.2%	-	-	-	8.0%
Operating margin	7.0%	5.9%	6.3%	-	8.2%	5.2%	8.8%	-	-	-	6.7%
Profit margin	7.5%	5.8%	6.4%	-	9.1%	5.1%	7.4%	-	-	-	6.8%
Total assets as at 31 December	1 736	282	4 567	755	163	1 249	1 262	2 050	-4 233	-109	7 724
Capital employed as at 31 December	289	113	1 939	739	72	746	1 003	1 266	-3 865	-104	2 198
Number of employees as at 31 December	1 077	118	1 660	24	86	445	226	132	-	-	3 768
<b>REMAINING PERFORMANCE OBLIGATIONS (ORDER BACKLOG)</b>											
Order backlog 2018	3 711	274	7 096	-	175	1 294	445	-	157	291	13 444
Order backlog, subsequent years	2 371	-	2 741	-	85	466	471	-	-	195	6 329
<b>Total order backlog as at 31 December</b>	<b>6 082</b>	<b>274</b>	<b>9 837</b>	<b>-</b>	<b>260</b>	<b>1 760</b>	<b>916</b>	<b>-</b>	<b>157</b>	<b>486</b>	<b>19 773</b>
<b>DISTRIBUTION OF REVENUE BETWEEN REVENUE STREAMS</b>											
Revenue from civil engineering contracts	3 559	-	351	-	-	917	41	-	-	-	4 868
Revenue from building contracts	-	-	7 123	-	-	546	-	-	-223	-187	7 259
Revenue from onshore and offshore demolition activities	-	438	-	-	-	127	361	-	-	-	925
Revenue from other types of contracts	10	36	-	21	244	21	262	57	-	-	652
<b>Total revenue</b>	<b>3 569</b>	<b>474</b>	<b>7 474</b>	<b>21</b>	<b>244</b>	<b>1 611</b>	<b>664</b>	<b>57</b>	<b>-223</b>	<b>-187</b>	<b>13 704</b>
<b>CASH FLOW</b>											
Net cash flow from operating activities	676	-5	744	-145	7	20	88	-31	-	-	1 354
Net cash flow from investing activities	-90	-8	-89	154	-1	-101	-	18	-	-	-118
<b>Net cash flow before financing activities</b>	<b>586</b>	<b>-14</b>	<b>655</b>	<b>9</b>	<b>6</b>	<b>-81</b>	<b>87</b>	<b>-13</b>	<b>-</b>	<b>-</b>	<b>1 235</b>

**NOTE 4** SEGMENT INFORMATION CONT.

<i>Amounts in NOK million</i>	Civil Engine- ering	En- viron- ment	Buil- ding	Property	Energy	Sweden	Offshore	Other	Elim.	GAAP adjust- ment	Total
<b>2016</b>											
<b>INCOME STATEMENT</b>											
External revenue	3 233	570	6 141	46	177	730	1 013	29	60	-121	11 876
Internal revenue	4	38	66	2	1	1	1	38	-151	-	-
<b>Total revenue</b>	<b>3 237</b>	<b>608</b>	<b>6 207</b>	<b>47</b>	<b>177</b>	<b>731</b>	<b>1 014</b>	<b>67</b>	<b>-91</b>	<b>-121</b>	<b>11 876</b>
Earnings before interest, tax, depreciation and amortisation (EBITDA)	519	46	511	48	18	13	161	-42	-5	-58	1 212
Earnings before interest and tax (EBIT)	471	31	473	48	18	9	107	-60	-5	-58	1 034
Earnings before tax (EBT)	485	31	486	33	16	10	94	-51	-5	-58	1 040
<b>KEY FIGURES AND BALANCE SHEET</b>											
EBITDA margin	16.0%	7.6%	8.2%	-	10.2%		15.9%	-	-	-	10.2%
Operating margin	14.6%	5.1%	7.6%	-	10.0%		10.5%	-	-	-	8.7%
Profit margin	15.0%	5.0%	7.8%	-	8.9%		9.3%	-	-	-	8.8%
Assets as at 31 December	1 251	199	3 191	795	140	566	1 537	1 110	-2 150	-89	6 549
Capital employed as at 31 December	68	59	1 193	771	42	383	1 034	383	-1 787	-83	2 063
Number of employees as at 31 December	816	128	1 517	17	59	166	209	137	-	-	3 049
<b>REMAINING PERFORMANCE OBLIGATIONS (ORDER BACKLOG)</b>											
Order backlog 2018	2 695	182	4 931	-	108	522	356	-	-	159	8 953
Order backlog, subsequent years	2 871	-	2 841	-	-	226	194	-	106	140	6 378
<b>Total order backlog as at 31 December</b>	<b>5 566</b>	<b>182</b>	<b>7 772</b>	<b>-</b>	<b>108</b>	<b>748</b>	<b>550</b>	<b>-</b>	<b>106</b>	<b>299</b>	<b>15 332</b>
<b>DISTRIBUTION OF REVENUE BETWEEN REVENUE STREAMS</b>											
Revenue from civil engineering contracts	3 227	-	249	-	-	131	33	-	-	-	3 639
Revenue from building contracts	-	-	5 958	-	-	476	-	-	-91	-121	6 222
Revenue from onshore and offshore demolition activities	-	560	-	-	-	123	493	-	-	-	1 176
Revenue from other types of contracts	10	48	-	47	177	1	489	67	-	-	839
<b>Total revenue</b>	<b>3 237</b>	<b>608</b>	<b>6 207</b>	<b>47</b>	<b>177</b>	<b>731</b>	<b>1 014</b>	<b>67</b>	<b>-91</b>	<b>-121</b>	<b>11 876</b>
<b>CASH FLOW</b>											
Net cash flow from operating activities	440	-6	554	-77	14	9	17	-143	15	-	822
Net cash flow from investing activities	-20	-13	-67	40	-1	38	-	25	-15	-	-13
<b>Net cash flow before financing activities</b>	<b>419</b>	<b>-19</b>	<b>487</b>	<b>-37</b>	<b>13</b>	<b>47</b>	<b>16</b>	<b>-118</b>	<b>-</b>	<b>-</b>	<b>809</b>

## NOTE 5 ACQUISITION AND SALE OF BUSINESSES

### BUSINESS COMBINATIONS AFTER THE END OF THE YEAR

#### Acquisition of HMB Holding AB (HMB)

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

HMB is a successful construction company, established in 1994 with roots in Dalarna in Sverige. HMB builds commercial, residential and public buildings with all the forms of contracts that are used on the market. HMB has operations in Stockholm/Mälardalen and in Dalarna, Västmanland, Uppland and Gästrikland. All of the owners are active in the company. HMB will become a subsidiary of AF Gruppen Sverige AB, where AF Gruppen's Swedish operations are organised. The acquisition will strengthen AF Gruppen's position in the Swedish building and civil engineering market, and is an important step in AF Gruppen's ambition to grow in Sweden. During the period from 2015 to 2018, HMB reported average revenues of NOK 1 120 million and an operating margin of 6.1%.

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

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

An allocation of the purchase price based on the estimated opening balance sheet of HMB as at 2 January 2019 is presented in the table. Allocation of the purchase price was prepared using the acquisition method as regulated in IFRS 3. The purchase price has been allocated at the fair value of the assets and liabilities of HMB. The allocation is not final.

<i>Amounts in SEK million</i>	HMB
Cash consideration	286
Share consideration	99
Present value of the expected contingent consideration	44
<b>Consideration for 70% of the shares in HMB Holding AB</b>	<b>430</b>
Minority interests in HMB Holding AB (30% of the assets and liabilities)	36
<b>Gross consideration for HMB Holding AB</b>	<b>465</b>
Cash consideration of 3.4% of the shares in HMB Construction AB	20
Other minority interests in HMB Construction AB (4.6% of the assets and liabilities)	6
<b>Gross consideration</b>	<b>491</b>
Property, plant and equipment	87
Non-current financial assets	6
Cash and cash equivalents	79
Current non-interest-bearing receivables	191
Current interest-bearing receivables	29
Deferred and payable tax	-23
Current and non-current interest-bearing liabilities	-17
Current non-interest-bearing liabilities	-222
<b>Net identifiable assets and liabilities</b>	<b>129</b>
<b>Goodwill</b>	<b>362</b>
Cash consideration for 70% of the shares in HMB Holding AB	286
Cash consideration of 3.4% of the shares in HMB Construction AB	20
– Cash and cash equivalents in HMB (100%)	-79
<b>Net consideration to cash flow statement</b>	<b>228</b>

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

At the acquisition date the minority interests represented NOK 41 million and have been calculated as the non-controlling owners' share of the net fair value of identifiable assets and liabilities. Goodwill is only recognised for the portion of the shares that AF acquired.

## NOTE 5 ACQUISITION AND SALE OF BUSINESSES CONT.

### BUSINESS COMBINATIONS IN 2018

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

#### ACQUISITION OF HELGESEN TEKNISKE BYGG AS (HTB)

LAB AS, a subsidiary of AF Gruppen, carried out an agreement to acquire 70% of the shares in Helgesen Tekniske Bygg AS on 30 October 2018. HTB is a well-run company with an excellent track record since being established as a company in 1987. The company's business concept is to guide projects from the concept phase to a finished building, and the company works closely with the customers in the project development phase. The main focus is on industrial and warehouse buildings, shopping centres and office buildings. During the period from 2015 to 2018, HTB reported average revenues of NOK 343 million and an operating margin of 6.6%. The company has around 50 employees, and the head office is located at Valestrandfossen outside of Bergen. LAB and AF complete their product line in Western Norway through the acquisition of HTB. Structural growth

in Western Norway through building further on LAB's strong position is in accordance with AF's strategy. On a 100% basis, the agreed enterprise value for HTB was NOK 140 million and the estimated value of the shares was NOK 214 million. Settlement for the shares AF acquired consisted of payment in 189 723 shares in AF Gruppen ASA at a price of NOK 126.50 per share, which corresponds to NOK 24 million, and of NOK 112 million in cash. In addition, contingent consideration of an estimated NOK 24 million has been agreed, which will be settled in 2020.

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

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

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

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

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

## NOTE 5 ACQUISITION AND SALE OF BUSINESSES CONT.

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

Amounts in NOK million	Contingent consideration <sup>1)</sup>	HTB	Rakon	Total
Gross cash consideration	153	112	14	278
– Cash and cash equivalents	-	-115	-5	-120
<b>Net cash consideration</b>	<b>153</b>	<b>-3</b>	<b>9</b>	<b>158</b>

<sup>1)</sup> In 2018 AF Gruppen settled the contingent consideration for the acquisitions of LAB (NOK 140 million) and Måselv Maskin & Transport (NOK 13 million) in 2015.

### RECONCILIATION OF ADDITIONS FROM THE ACQUISITION OF BUSINESS

Amounts in NOK million	Note	HTB	Rakon	Total
Goodwill	13	102	10	112
<b>Immaterielle eiendeler</b>	<b>13</b>	<b>102</b>	<b>10</b>	<b>112</b>
Bygninger og produksjonsanlegg	14	5	1	6
Maskiner og inventar	14	4	1	5
<b>Varige driftsmidler</b>	<b>14</b>	<b>9</b>	<b>2</b>	<b>11</b>

### BUSINESS COMBINATIONS IN 2017

In 2017 the Group completed a business combination with Kanonaden Entreprenad AB. A small business combination with Oslo Brannsikring AS, which is part of the Building business area, was also carried out.

#### KANONADEN ENTREPRENAD AB

On 9 February AF Gruppen executed the agreement to acquire 70 per cent of the shares in Kanonaden Entreprenad AB. The acquisition is in accordance with AF's strategy towards 2020, which entails a greater investment in Sweden, and it gives AF part of the growing civil engineering market in Sweden. All the shares have voting rights. The transaction encompasses the subsidiaries Bergbolaget i Götaland AB, Kanonaden Entreprenad Öst AB and Täkt och Förvaltning AB. Kanonaden Entreprenad is part of the Civil Engineering business area.

Kanonaden Entreprenad AB was established in 1983, with headquarters in Nässjö, Jönköping County, Sweden. Including subsidiaries, Kanonaden Entreprenad had revenue of SEK 708 million and 188 employees in 2016.

Kanonaden Entreprenad AB performs work in the fields of site preparation work, water and sewage, concrete, district heating, cable laying, wind power and roadworks. The company is engaged in activities in Southern Sweden, including Stockholm and Gothenburg.

The business operations of Kanonaden Entreprenad AB, including shares in subsidiaries, are valued at SEK 261 million on a 100 per cent (EV) basis. The shares were valued at the same value, and the settlement for the 70 per cent AF acquired consisted of payment for 318 766 shares by AF Gruppen ASA at NOK 153.40 per share, which corresponds to SEK 52 million, and SEK 131 million in cash.

An allocation of the purchase price based on the opening balance sheet of Kanonaden Entreprenad AB as at 9 February 2017 is presented below. Allocation of the purchase price was prepared using the acquisition method as regulated in IFRS 3. The purchase price has been allocated at the fair value of the assets and liabilities of Kanonaden Entreprenad AB. The allocation is final.

**NOTE 5 ACQUISITION AND SALE OF BUSINESSES CONT.***Amounts in SEK million*

Kanonaden Entreprenad AB

Cash consideration	131
Share issue	52
<b>Consideration for 70% of shares</b>	<b>183</b>
Minority interests	19
<b>Gross consideration</b>	<b>202</b>
– Cash and cash equivalents	-33
<b>Net consideration</b>	<b>169</b>
Tangible fixed assets and intangible assets	58
Inventories	5
Current non-interest-bearing receivables	133
Deferred and payable tax	-22
Current interest-bearing liabilities	-6
Current non-interest-bearing liabilities	-138
<b>Net identifiable assets and liabilities</b>	<b>31</b>
<b>Goodwill</b>	<b>139</b>

The acquisition resulted in goodwill of SEK 139 million (NOK 130 million), which is linked to the geographical market position and the organisation's ability to operate profitably. None of the goodwill will be tax deductible.

At the acquisition date the minority interests represented SEK 19 million and have been calculated as the non-controlling owners' share of the net fair value of identifiable assets and liabilities. Goodwill is only recognised for the portion of the shares that AF acquired.

AF Gruppen Sweden is also obligated to purchase up to 15 per cent of the shares in Kanonaden Entreprenad AB during the period from 2020–2023 on market terms. An estimate of this liability has been recognised on the balance sheet, cf. Note 15.

**RECONCILIATION OF NET CASH CONSIDERATION IN THE CASH FLOW**

<i>Amounts in NOK million</i>	Note	Kanonaden Entreprenad	Other	Total
Gross cash consideration		124	13	137
– Cash and cash equivalents		-31	-3	-34
<b>Net cash consideration</b>		<b>93</b>	<b>10</b>	<b>103</b>

**RECONCILIATION OF ADDITIONS FROM THE ACQUISITION OF BUSINESS**

Goodwill	13	130	11	141
<b>Intangible assets</b>	<b>13</b>	<b>130</b>	<b>11</b>	<b>141</b>
Buildings and production facilities	14	10	9	19
Machinery, fixtures and fittings	14	45	2	47
<b>Property, plant and equipment</b>	<b>14</b>	<b>55</b>	<b>12</b>	<b>67</b>



**NOTE 6 OPERATING AND OTHER REVENUE**

<i>Amounts in NOK million</i>	Note	2018	2017	2016
Revenue from construction contracts		18 324	13 475	11 540
Revenue from projects for own account		56	-	-
Revenue from sale of services		148	64	159
Revenue from sale of goods		147	103	75
<b>Total operating revenue</b>		<b>18 674</b>	<b>13 642</b>	<b>11 775</b>
Rental income		38	33	16
Other income <sup>1)</sup>		55	28	86
<b>Total other revenue</b>		<b>93</b>	<b>61</b>	<b>102</b>
<b>Total operating and other revenue</b>	<b>4</b>	<b>18 767</b>	<b>13 704</b>	<b>11 876</b>

Operating revenue includes all the revenues from contracts with customers

<sup>1)</sup>The amount for 2016 includes a compensation settlement of NOK 41 million for lost jobs.

**DISTRIBUTION OF OPERATING REVENUE IN ACCORDANCE WITH THE REVENUE RECOGNITION PRINCIPLE**

Operating revenue that is recognised over time	18 472	13 539	11 699
Operating revenue that is recognised at a particular point in time	202	103	75
<b>Total operating revenue</b>	<b>18 674</b>	<b>13 642</b>	<b>11 775</b>

**DISTRIBUTION OF OPERATING REVENUE BY CUSTOMER TYPE**

Operating revenue from public customers	7 293	4 188	3 482
Operating revenue from private customers	11 381	9 454	8 293
<b>Total operating revenue</b>	<b>18 674</b>	<b>13 642</b>	<b>11 775</b>

Disaggregated operating revenue distributed by business area (market) and geography is presented in Note 4 – Segment information.

Information on the transaction price for fully or partially satisfied performance obligations is included in Note 4 – Segment information under information on the order backlog.

Information on the contractual receivables and contractual assets is presented in Note 10. Information on contractual obligations are presented in Note 16.

**RECOGNISED AS REVENUE UNDER PROJECTS IN PROGRESS:**

Revenue recognised for the year that was included in the opening balance of contract obligations	884
Revenue recognised for the year that relates to performance obligations which were fully or partially satisfied in previous periods	94

## NOTE 7 PAYROLL COSTS

Amounts in NOK million	Note	2018	2017	2016
Fixed pay		-2 741	-2 325	-2 133
Payroll tax		-436	-383	-326
Retirement benefit costs	18	-111	-99	-80
Share value-based remuneration		-34	-16	-10
Other benefits		-150	-137	-101
<b>Total payroll costs</b>		<b>-3 473</b>	<b>-2 961</b>	<b>-2 650</b>

### RECONCILIATION OF SHARE VALUE-BASED REMUNERATION

Share-value based remuneration – recognised		34	16	10
– of which share programme discount for shares from own holdings		-4	-6	-2
<b>Share-value based remuneration through equity</b>		<b>30</b>	<b>10</b>	<b>7</b>

### AVERAGE NUMBER OF FULL-TIME EQUIVALENTS

Norway		3 588	3 217	2 912
Sweden		469	411	171
Germany		6	5	3
Lithuania		23	2	2
China		8	9	9
<b>Total</b>		<b>4 093</b>	<b>3 643</b>	<b>3 096</b>

### SALE OF SHARES TO EMPLOYEES

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

NUMBER OF SHARES/PRICE	2018	2017	2016
Number of shares sold from own holdings	141 544	221 112	70 000
Number of shares from new issues	858 456	778 888	930 000
Market price during subscription period (NOK)	127.00	144.70	160.70
Selling price (NOK)	101.60	115.80	128.56
<i>Accounting impact of sale of shares to employees (NOK 1000):</i>			
Payroll costs (discount on sale of shares including payroll tax)	-21 318	-9 360	-3 702

### OPTION PROGRAMME

The General Meeting adopted a new option programme for all the employees of AF Gruppen in May 2017. The maximum number of options that may be allocated is 3 500 000 over three years, and the programme entails annual allotments for the years 2017-19 and exercise of the options in 2020. The subscription price for the shares is based on the average market price during the last week before the three respective subscription periods, no lower, however, than the price from the first subscription period. The subscription price will be reduced by the portion of the dividend paid that exceeds 50% of the earnings per share for the previous year. The option premium is NOK 1.00 per option. Option holders must be employed by AF Gruppen, or one of its subsidiaries as at 1 March 2020 in order to exercise the options. AF Gruppen issued 175 000 options to 134 employees in 2018. The total number of outstanding options, adjusted for employees who have left the company was 3 228 218 as at 31 December. Recognised option costs for 2018 were NOK 12 million (10 million).

**NOTE 7** PAYROLL COSTS CONT.

ALLOTMENT YEAR	Exercise	Exercise price as	Number of
	deadline	at 31 December 2018 (NOK per share)	
Options subscribed for in June 2017	01/03/2020	142.37	3 325 000
Correction for employees who have left in 2017			-60 857
<b>Number of options as at 31 December 2017</b>			<b>3 264 143</b>
Options subscribed for in 2018	01/03/2020	142.37	175 000
Correction for employees who have left in 2018			-210 925
<b>Number of options as at 31 December 2018</b>			<b>3 228 218</b>
AF Gruppen has used the Black-Scholes options pricing model to value the options. The following assumptions were used in the model:	2018	2017	2016
Expected dividend yield	2.8%	2.9%	3.5%
Historical volatility	19.5%	18.3%	18.8%
Risk-free interest	1.8%	1.5%	1.3%
Expected life of option (years)	1.5	2.8	0.8
Share price (NOK) <sup>1)</sup>	146.9	153.21	132.68

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

**NOTE 8 OTHER OPERATING EXPENSES**

Amounts in NOK million	Note	2018	2017	2016
<b>OTHER OPERATING EXPENSES</b>				
Rent		-116	-118	-108
Other rental expenses		-615	-461	-413
Insurance		-35	-32	-29
Contracted manpower		-163	-93	-89
Audit fees		-10	-7	-6
Other fees		-96	-97	-70
Bad debts	10	-7	-1	-1
Disposal and landfill fees		-97	-88	-74
Marketing and advertising		-19	-21	-22
IT expenses		-81	-70	-46
Sundry other operating expenses		-328	-268	-224
<b>Total other operating expenses</b>		<b>-1 567</b>	<b>-1 256</b>	<b>-1 084</b>
<b>Amounts in NOK 1000</b>				
<b>REMUNERATION OF THE GROUP'S ELECTED AUDITOR</b>				
Statutory auditing		-4 533	-2 950	-2 381
Other assurance engagements		-157	-136	-45
Tax consulting		-64	-32	-127
Other non-audit services		-300	-209	-245
<b>Total</b>		<b>-5 054</b>	<b>-3 327</b>	<b>-2 798</b>
<b>REMUNERATION OF OTHER AUDITORS</b>				
Statutory auditing		-3 481	-2 778	-2 356
Other services beyond auditing		-1 151	-597	-736
<b>Total</b>		<b>-4 632</b>	<b>-3 376</b>	<b>-3 093</b>
<b>Total auditor's fees</b>		<b>-9 686</b>	<b>-6 703</b>	<b>-5 891</b>

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

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

**NOTE 9 NET GAINS/(LOSSES)**

Amounts in NOK million	2018	2017	2016
Gains/(losses) on sale of businesses	-	-	2
Gains/(losses) on sale of shares in property companies <sup>1)</sup>	13	7	2
Fair value changes in derivatives	6	-3	-17
Net (gains)/losses on the sale of property, plant and equipment	41	23	33
Net foreign exchange gains/(losses) related to operations	-1	-2	-2
<b>Total net gains/(losses)</b>	<b>59</b>	<b>25</b>	<b>18</b>

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

**NOTE 10 TRADE AND NON-INTEREST-BEARING RECEIVABLES**

<i>Amounts in NOK million</i>	Note	2018	2017
Gross invoiced trade receivables		2 910	2 570
Provision for losses		-1	-4
<b>Trade receivables recognised on the balance sheet</b>		<b>2 908</b>	<b>2 566</b>
Trade receivables recognised on the balance sheet		2 908	2 566
Unearned revenue, invoiced on projects in progress		-945	-1 539
<b>Contractual receivables</b>	6	<b>1 963</b>	<b>1 027</b>
Earned revenue, not invoiced on projects in progress		79	390
Credit balances with clients <sup>1)</sup>		1 036	698
<b>Contractual assets</b>	6	<b>1 115</b>	<b>1 088</b>
Tax paid in advance		4	4
Value-added tax and other public charges paid in advance		16	13
Prepaid expenses		51	56
Other current non-interest-bearing receivables		90	27
<b>Other non-interest-bearing receivables</b>		<b>160</b>	<b>101</b>
<b>Trade and other non-interest-bearing receivables</b>	24	<b>3 238</b>	<b>2 216</b>

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

Earned revenue, not invoiced on projects in progress as at 31 December 2018 is lower than as at 31 December 2017 due to netting against contractual obligations, which is a new requirement in accordance with IFRS 15.

Maximum exposure to credit risk in respect of trade receivables on the balance sheet date according to age:

<b>AGE DISTRIBUTION 2018</b>	Not yet due	1–30	31–60	61–90	91–120	>120.	Sum
Trade receivables, gross	2 027	438	98	18	17	312	2 910
<b>AGE DISTRIBUTION 2017</b>	Not yet due	1–30	31–60	61–90.	91–120	>120	Sum
Trade receivables, gross	1 677	445	30	11	9	399	2 570

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 is considered in the assessment of the projects. Revenue for trade receivables 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 in recent years.

**NOTE 11 INVENTORIES**

<i>Amounts in NOK million</i>	2018	2017
Spare parts and project inventories	101	82
Raw materials	32	44
Finished products	52	34
<b>Total inventories</b>	<b>184</b>	<b>159</b>

Inventories mainly consist of spare parts and equipment for use in production. Inventories were not subject to impairment in 2018.

NOK 23 (22) million of the inventories has been pledged as security for liabilities, cf. Note 34 – Pledged assets and guarantees.

**NOTE 12 PROJECTS FOR OWN ACCOUNT**

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

<i>Amounts in NOK million</i>	2018	2017
Housing projects in progress	-	108
Completed residential units for sale	-	-
Land for development	38	78
<b>Total projects for own account</b>	<b>38</b>	<b>186</b>

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

**LAND FOR DEVELOPMENT**

Land for development is defined as sites and development rights for which no decision on development has yet been taken. Combined with the sites and development rights in associated companies, they can be used to build 2 316 (2 314) residential units and 53 683 m<sup>2</sup> (92 084) of commercial area. AF's share is 1 214 (982) residential units and 26 264 m<sup>2</sup> (45 273) of commercial area.

<b>COMPLETED RESIDENTIAL UNITS FOR SALE</b>	2018	2017
Number of completed residential units for sale in subsidiaries	-	-
AF's share of completed residential units for sale in associated companies	-	4

**NOTE 13** INTANGIBLE ASSETS

<i>Amounts in NOK million</i>	Note	Goodwill	Customer relationships	Other intangible assets	Total
<b>ACQUISITION COST</b>					
01/01/17		2 078	30	30	2 138
Ordinary additions		-	-	-	-
Additions from the acquisition of business	4	141	-	-	141
Disposals		-	-	-	-
Translation difference		17	-	-	17
<b>31/12/17</b>		<b>2 237</b>	<b>30</b>	<b>30</b>	<b>2 297</b>
Ordinary additions		-	-	-	-
Additions from the acquisition of business	4	112	-	-	112
Disposals		-15	-30	-	-45
Translation difference		-10	-	-	-10
<b>31/12/18</b>		<b>2 323</b>	<b>-</b>	<b>30</b>	<b>2 353</b>
<b>DEPRECIATION AND WRITE-DOWNS</b>					
01/01/17		-55	-30	-21	-107
Disposals		-	-	-	-
Depreciation for the year		-	-	-2	-2
Write-downs for the year		-	-	-	-
<b>31/12/17</b>		<b>-55</b>	<b>-30</b>	<b>-23</b>	<b>-109</b>
Disposals		15	30	-	45
Depreciation for the year		-	-	-2	-2
Write-downs for the year		-	-	-	-
<b>31/12/18</b>		<b>-40</b>	<b>-</b>	<b>-25</b>	<b>-66</b>
<b>CARRYING AMOUNT</b>					
Acquisition cost		2 237	30	30	2 353
Depreciation and write-downs		-55	-30	-23	-109
<b>31/12/17</b>		<b>2 182</b>	<b>-</b>	<b>7</b>	<b>2 188</b>
Acquisition cost		2 323	-	30	2 353
Depreciation and write-downs		-40	-	-25	-65
<b>31/12/18</b>		<b>2 283</b>	<b>-</b>	<b>5</b>	<b>2 288</b>
Other intangible assets					
Economic life					0–22 years
Depreciation schedule					Straight-line

## NOTE 13 INTANGIBLE ASSETS CONT.

### ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS

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

Amounts in NOK million	2018	2017
Måselv Maskin & Transport	64	64
AF Anlegg	37	37
<b>Total Civil Engineering</b>	<b>101</b>	<b>101</b>
AF Decom	37	37
<b>Total Environment</b>	<b>37</b>	<b>37</b>
Strøm Gundersen	770	760
AF Håndverk	94	94
LAB	751	649
AF Bygg Østfold	47	47
<b>Total Building</b>	<b>1 662</b>	<b>1 550</b>
AF AeronMollier	177	176
<b>Total Offshore</b>	<b>177</b>	<b>176</b>
AF Energi & Miljøteknikk	54	54
<b>Total Energy</b>	<b>54</b>	<b>54</b>
Kanonaden Entreprenad	134	139
AF Bygg Sweden	101	107
AF Härnösand Byggreturer	13	14
Pålplintar	3	3
<b>Total Sweden</b>	<b>252</b>	<b>263</b>
<b>Book value as at 31 December</b>	<b>2 284</b>	<b>2 182</b>

### IMPAIRMENT TESTS FOR GOODWILL

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

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

NORWAY	2018	2017
Growth rate <sup>1)</sup>	2.0%	2.0%
WACC before tax for offshore	10.7%	9.8%
WACC before tax for other	8.9%	7.9%
SWEDEN	2017	2016
Growth rate <sup>1)</sup>	2.0%	2.0%
WACC before tax	7.1%	6.8%

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

Anticipated cash flows for 2019 in the calculation of the recoverable amount are based on the budget for 2019 approved by the management. If next year's budget is not representative, and there are budgets approved by the management for several years, the budgets for up to three years will be used. Budgets and business plans are based on assumptions regarding,

for example, the demand, cost of materials, cost of labour and the overall competitive situation in the markets in which AF Gruppen operates. The assumptions made are based on management's experience as well as external sources. Wage inflation of 3.5 per cent is anticipated for all the business units in 2019.



## NOTE 13 INTANGIBLE ASSETS CONT.

### SENSITIVITY ANALYSIS FOR KEY ASSUMPTIONS

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

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

The table below shows the relationship between the estimated recoverable amount and the book value of the assets in the impairment test of AF

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

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

2018	Indexed values		Recoverable amount if WACC is increased by		
	Recoverable amount	Book value of assets	50 bp	100 bp	300 bp
COMPANY					
Strøm Gundersen	225	100	210	197	157
AF Håndverk	327	100	307	287	229
LAB	385	100	220	206	164
Kanonaden Entreprenad	319	100	290	266	201
AF AeronMollier	100	100	95	89	73

2017	Indexed values		Recoverable amount if WACC is increased by		
	Recoverable amount	Book value of assets	50 bp	100 bp	300 bp
COMPANY					
Målselv Maskin & Transport	241	100	231	214	169
Strøm Gundersen	322	100	297	276	214
MTH	296	100	249	231	129
LAB	294	100	271	251	195
AF Bygg Sweden	615	100	556	508	377
AF AeronMollier	108	100	102	96	78

#### B) SENSITIVITY ANALYSIS OF CASH FLOWS

The table below shows the relationship between normalised cash flows assumed in the calculation of the recoverable amount and the estimated "break even" cash flow in the impairment test of AF Gruppen's largest goodwill items. The cash flow providing the "break even" in the impairment test, that is the cash flow that provides a recoverable amount equal to book value of assets, is expressed as an index of 100. In addition, it shows how recoverable amounts change if the cash flow is reduced respectively by 10, 30 and 50 per cent.

flow by 50 per cent, LAB will for example have an estimated value that is 21 per cent higher than what is necessary to justify the assets. 21 per cent is then calculated as an index of 121 divided by an index of 100 minus 1. If the index of estimated cash flows is less than 100, this indicates that the recoverable amount is lower than the carrying amount of the assets in the impairment test, making a write-down of goodwill necessary. For example, the table shows that a 10 per cent reduction in estimated cash flow will necessitate the recognition of an impairment loss for the goodwill allocated to AF AeronMollier.

The higher the index for the estimated cash flow, the more robust the unit is with respect to a possible write-down. Even with a reduction in cash

**NOTE 13** INTANGIBLE ASSETS CONT.

2018	COMPANY	Indexed values		Recoverable amount if cash flow is reduced by		
		Estimated cash flow	"Break even" cash flow	10%	30%	50%
	Strøm Gundersen	224	100	202	157	112
	MTH	329	100	296	230	165
	LAB	242	100	217	169	121
	Kanonaden Entreprenad	266	100	239	186	133
	AF AeronMollier	100	100	90	70	50

2017	COMPANY	Indexed values		Recoverable amount if cash flow is reduced by		
		Estimated cash flow	"Break even" cash flow	10%	30%	50%
	Målselv Maskin & Transport	242	100	218	169	121
	Strøm Gundersen	267	100	240	187	133
	MTH	197	100	178	138	99
	LAB	326	100	294	229	163
	AF Bygg Sweden	616	100	554	431	308
	AF AeronMollier	109	100	98	76	54

**NOTE 14** PROPERTY, PLANT AND EQUIPMENT

<i>Amounts in NOK million</i>	Note	Buildings and production plants	Machinery and equipment	Total
<b>ACQUISITION COST</b>				
01/01/17		723	943	1 666
Ordinary additions		31	222	253
Additions from the acquisition of business	5	19	47	67
Disposals		-2	-93	-95
Translation differences		1	6	7
<b>31/12/17</b>		<b>772</b>	<b>1 126</b>	<b>1 897</b>
Ordinary additions		208	116	324
Additions from the acquisition of business	5	6	5	11
Reclassification between groups		-3	3	-
Disposals		-1	-94	-94
Translation differences		-1	-3	-4
<b>31/12/18</b>		<b>982</b>	<b>1 153</b>	<b>2 134</b>
<b>DEPRECIATION AND WRITE-DOWNS</b>				
01/01/17		-30	-530	-560
Depreciation for the year		-10	-157	-166
Write-downs for the year		-	-	0
Accumulated depreciation on disposals for the year		-	73	73
Translation differences		-	-3	-3
<b>31/12/17</b>		<b>-39</b>	<b>-617</b>	<b>-657</b>
Depreciation for the year		-84	-95	-178
Write-downs for the year		-2	-1	-3
Reclassification between groups		3	-3	-
Accumulated depreciation on disposals for the year		-	59	59
Translation differences		-	1	1
<b>31/12/18</b>		<b>-122</b>	<b>-655</b>	<b>-778</b>
<b>CARRYING AMOUNT</b>				
Acquisition cost		772	1 126	1 897
Depreciation and write-downs		-39	-617	-657
<b>31/12/17</b>		<b>733</b>	<b>509</b>	<b>1 241</b>
Acquisition cost		982	1 153	2 134
Depreciation and write-downs		-122	-655	-778
<b>31/12/18</b>		<b>859</b>	<b>498</b>	<b>1 356</b>

**NOTE 14** PROPERTY, PLANT AND EQUIPMENT CONT.**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.

The following depreciation rates have been used:

Machinery and equipment	10–33%
Buildings and production facilities	2–5%
Land	0%

**LEASING**

<i>Amounts in NOK million</i>	2018	2017	2016
Financial leasing (carrying amount)	75	90	86

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

**PLEGGED ASSETS**

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

**NOTE 15 PROVISIONS FOR LIABILITIES**

Amounts in NOK million	Warranty work <sup>1)</sup>	Contingent consideration <sup>2)</sup>	Minority put options <sup>3)</sup>	Other provisions	Total provisions
01/01/17	123	150	-	91	365
Reversal of earlier provisions	-104	-	-	-17	-120
Provisions accrued during the year	149	4	192	14	358
Used during the year	-	-	-	-61	-61
<b>31/12/17</b>	<b>168</b>	<b>154</b>	<b>192</b>	<b>28</b>	<b>542</b>
Reversal of earlier provisions	-17	-	-	-4	-21
Provisions accrued during the year	81	14	8	10	113
Used during the year	-32	-154	-69	-4	-260
<b>31/12/18</b>	<b>200</b>	<b>14</b>	<b>130</b>	<b>29</b>	<b>373</b>

<sup>1)</sup> Provisions for warranty work represent the management's best estimate of the warranty liability for ordinary building and civil engineering projects and warranty liability under the Housing Construction Act. The warranty period is normally 3–5 years.

<sup>2)</sup> Provisions for contingent consideration is linked to contingent consideration elements in connection with the acquisition of Helgesen Tekniske Bygg AS in 2018. The amount used during the year is related to acquisitions from 2015.

<sup>3)</sup> AF Gruppen has an estimated obligation related to agreements that entitle minority shareholders to sell shares to AF at given times (put options) of NOK 130 million. The price is not stipulated, but it is based on the results for the last three years with an adjustment for liabilities at the time of the transaction. The price that is calculated in the valuation model is regarded as corresponding to the fair value. The contra entry for the liability is the equity of the majority interests, cf. Statement of Changes in Equity. In 2018, put options linked to VSP Holding AS and Strøm Gundersen Holding AS were redeemed for NOK 69 million.

**CLASSIFICATION ON THE BALANCE SHEET**

	2018	2017
Long-term liabilities	150	189
Current liabilities	223	353
<b>Total</b>	<b>373</b>	<b>542</b>

**NOTE 16 TRADE PAYABLES AND NON-INTEREST-BEARING LIABILITIES**

Amounts in NOK million	2018	2017
Trade payables	2 382	1 989
Public liabilities	508	400
Prepayments from customers (contractual obligations)	960	884
Accrued holiday pay, including payroll tax	311	287
Other accrued expenses and other current liabilities	1 120	921
<b>Total trade payables and non-interest-bearing liabilities</b>	<b>5 281</b>	<b>4 481</b>

## NOTE 17 LEASES

### OPERATING LEASES

Amounts in NOK million	2018	2017	2016
Rent	-116	-118	-108
Other rental costs	-615	-461	-413
<b>Total</b>	<b>-731</b>	<b>-580</b>	<b>-521</b>

### GROUP AS LESSEE

The Group has entered into operating lease agreements. They are primarily non-terminable leases for premises and machinery and short-term terminable leases for machinery and equipment.

Non-terminable leases are entered for a period of 5–10 years for offices and 3–5 years for machinery. For office leases, the agreements normally contain a clause for renewal at market rent once the minimum term expires.

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

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

### MINIMUM OBLIGATION – NON-TERMINABLE OPERATING LEASES

31 December

Amounts in NOK million	2018	2017	2016
<b>MACHINERY AND VEHICLES</b>			
Rent due within 1 year	177	109	149
Rent due within 1–5 years	320	207	239
Rent due after 5 years	7	12	3
<b>Total minimum obligation</b>	<b>504</b>	<b>328</b>	<b>391</b>
<b>OFFICES, INSTALLATIONS AND FURNISHINGS</b>			
Rent due within 1 year	91	83	76
Rent due within 1–5 years	325	276	263
Rent due after 5 years	93	157	173
<b>Total minimum obligation</b>	<b>509</b>	<b>515</b>	<b>512</b>
<b>Aggregate total minimum obligation</b>	<b>1 013</b>	<b>843</b>	<b>903</b>

### MATURITY STRUCTURE

Operating lease liabilities due within 1 year	268	192	225
Operating lease liabilities due within 1–5 years	645	482	502
Operating lease liabilities due after 5 years	100	169	177
<b>Aggregate total minimum obligation</b>	<b>1 013</b>	<b>843</b>	<b>903</b>

Amounts in NOK million	2018	2017	2016
<b>LEASES FOR OFFICE SPACE <sup>1)</sup></b>			
Lease for Helsfyr, Oslo	277	318	365
Other leases	36	39	50
<b>Total minimum obligation</b>	<b>313</b>	<b>357</b>	<b>415</b>

<sup>1)</sup> The leases that are specified in the table are included in the total minimum obligation for offices, installations and furnishings in the table above.

## NOTE 17 LEASES CONT.

### GROUP AS LESSOR

In 2013, revenue of NOK 38 million (13 million) has been recognised in the Group's consolidated income statement for operating leases. Lease income consists mainly of short-term office and machinery rentals. Minimum sublease income is:

Amounts in NOK million	2018	2017	2016
Minimum sublease income for offices: <sup>1)</sup>			
Sublease rent due within 1 year	5	5	5
Sublease rent due within 1–5 years	7	12	11
Sublease rent due after 5 years	-	-	-
<b>Total</b>	<b>12</b>	<b>17</b>	<b>16</b>

<sup>1)</sup> The sublease regards office space in Helsfyr Atrium, Oslo.

### FINANCIAL LEASES

The financial leases are linked to the leasing of machinery and equipment, cf. Note 14 – Property, plant and equipment

Amounts in NOK million	2018	2017	2016
Rent due within 1 year	5	22	19
Rent due within 1–5 years	58	58	51
Rent due after 5 years	9	7	5
<b>Nominal value, minimum obligation</b>	<b>72</b>	<b>87</b>	<b>76</b>
Interest	-6	-4	-5
<b>Present value of minimum obligation</b>	<b>67</b>	<b>83</b>	<b>70</b>

## NOTE 18 RETIREMENT BENEFITS

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

### DEFINED CONTRIBUTION PLAN

A defined-contribution pension scheme for all employees born in or after 1952 or employed in or after 2003 has been established for the Group's employees in Norway. From 1 July 2016, the contributions have been 4.25 per cent of pay > 1G < 7.1 G and 13 per cent of pay > 7.1 G < 12 G, with the employee paying 2 per cent of pay up to a maximum of half the contribution. Contributions to defined-contribution schemes are recognised in the income statement in the year to which they apply.

### DEFINED-BENEFIT PENSION PLAN

The Group has a collective pension scheme for employees in Norway born in or before 1951 that were hired as an employee prior to 2003. The scheme only covers retirement pensions. The plan aims to pay benefits of 60 per cent of the pay level up to 12G at retirement. This benefit level is based on a

30-year qualification period. The retirement age is 67, and there is a 15-year payment period. Parts of the retirement benefit payments are covered by the Norwegian National Insurance Scheme and payments expected from this scheme. The rest is funded through accumulated reserves in insurance companies. At the end of 2018, there were 10 (15) active participants and 88 (98) pensioners in the scheme.

All employees in the Swedish group companies are members of defined-benefit multi-company schemes. The schemes encompass old-age, sickness and family benefits. Some of the pension costs are included in the social mark-up on payroll costs. In addition, the employees have their own contractual schemes that vary according to what contract they are under. The schemes are recognised in the accounts as defined-contribution schemes. The reason for this is the fact that the companies have not had access to adequate information so that they could treat the schemes as defined benefit schemes. 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. This scheme covers 468 (440) persons.

## NOTE 18 RETIREMENT BENEFITS CONT.

Retirement benefit costs for the year have been calculated as follows:

Amounts in NOK million	2018	2017	2016
Present value of pension benefits earned during the year	-1	-1	-1
Interest expense on incurred pension liabilities	-1	-2	-2
Expected return on plan assets	2	1	1
Payroll tax	-	-	-
Actuarial gains/losses recognised in the income statement	-	-	-
<b>Total defined-benefit retirement benefit costs</b>	<b>-1</b>	<b>-2</b>	<b>-2</b>
Defined-contribution retirement benefits, Norway	-58	-56	-44
Contributions to retirement benefit schemes, abroad	-26	-17	-10
Other retirement benefit expenses	-25	-25	-24
<b>Retirement benefit costs for the year, excluding payroll tax</b>	<b>-111</b>	<b>-100</b>	<b>-80</b>
Payroll tax	-18	-14	-10
<b>Retirement benefit costs for the year, including payroll tax</b>	<b>-129</b>	<b>-114</b>	<b>-90</b>

The retirement benefit costs for the year are based on financial assumptions at the start of the year, while the balance sheet status is based on financial assumptions at the end of the year.

### RETIREMENT BENEFIT LIABILITIES AND PLAN ASSETS

The Group had gross retirement benefit liabilities of NOK 63 million (66 million) as at 31 December. Of these liabilities, NOK 62 million (65 million) are funded and NOK 1 million (1 million) is unfunded. Fair value of the plan assets was NOK 67 million (71 million) as at 31 December. Recognised plan assets in the Group amount to NOK 5 million (5 million) and retirement benefit liabilities amount to NOK 1 million (1 million). Actuarial gains recognised in the retirement benefit liabilities amount to NOK 0 million (5 million) and actuarial losses in the assets amount to NOK 1 million (4 million). The actual return on plan assets was NOK 2 million (1 million) and the expected premium payment for next year is NOK 5 million (1 million).

ASSUMPTIONS ASSUMPTIONS FOR ACTUARIAL CALCULATIONS	31.12.18	31.12.17	31.12.16
Discount rate	2,60%	2,30%	2,10%
Return on pension plan assets	2,60%	2,30%	2,10%
Pay inflation	2,75%	2,50%	2,25%
Basic amount (G) adjustment	2,50%	2,25%	2,00%
Adjustment of retirement benefits	0,80%	0,40%	0,00%
Turnover	10,00%	10,00%	10,00%

The actuarial calculations take explicitly into account the reactivation of persons with reduced functional ability. The calculations are based on Statistics Norway's K2013 mortality table.

DISTRIBUTION OF PLAN ASSETS BY INVESTMENT CATEGORY	31.12.18	31.12.17	31.12.16
Shares	9,1%	10,1%	8,4%
Property	12,0%	10,0%	12,1%
Non-current bonds	61,0%	58,4%	47,5%
Current bonds	16,1%	21,0%	28,8%
Other	1,7%	0,5%	3,2%
<b>Total</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>



**NOTE 19** NET FINANCIAL ITEMS*Amounts in NOK million*

	Note	2018	2017	2016
<b>FINANCIAL INCOME</b>				
Interest income from cash and cash equivalents		3	2	2
Interest income from associated companies		13	8	7
Interest income from customers		7	15	6
Other interest income	20	-	-	8
Other financial income		-	1	1
<b>Total financial income</b>		<b>23</b>	<b>27</b>	<b>24</b>
<b>FINANCIAL EXPENSES</b>				
Interest expenses on loans and overdraft facilities	20	-3	-1	-12
Other interest expenses	20	-11	-16	-7
Other financial expenses		-	-1	-1
<b>Total financial expenses</b>		<b>-14</b>	<b>-18</b>	<b>-20</b>
<b>FINANCIAL GAINS/(LOSSES) ON CHANGES IN VALUE</b>				
Net foreign exchange gains/(losses) related to financing		1	-2	-7
Fair value of interest rate swaps	23	8	5	8
<b>Total financial gains/(losses) on changes in value</b>		<b>9</b>	<b>3</b>	<b>1</b>
<b>Net financial items</b>		<b>18</b>	<b>12</b>	<b>6</b>

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

<i>Amounts in NOK million</i>	Note	2018	2017
<b>NET INTEREST-BEARING RECEIVABLES (DEBT)</b>			
Interest-bearing receivables – non-current		305	216
Interest-bearing receivables – current		32	16
Cash and cash equivalents		656	1 098
– Interest-bearing loans and credit facilities – non-current		-91	-102
– Interest-bearing loans and credit facilities – current		-8	-19
<b>Net interest-bearing receivables (debt)</b>	<b>22,24</b>	<b>894</b>	<b>1 210</b>

<i>Amounts in NOK million</i>	Note	2018	2017
<b>CASH AND CASH EQUIVALENTS</b>			
Bank deposits		656	1 098
<b>Cash and cash equivalents</b>	<b>22,24</b>	<b>656</b>	<b>1 098</b>
Of which restricted funds		23	21

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

<i>Amounts in NOK million</i>	Note	Effective interest rate	2018	2017
<b>INTEREST-BEARING LOANS AND CREDIT FACILITIES</b>				
Overdraft facilities outside of the corporate cash pooling system	22,24	5,3%	3	4
Mortgage loans	22,24	3,1%	9	8
Financial lease liabilities	22,24	2,7%	67	83
Other loans	22,24	3,1%	21	26
<b>Total interest-bearing loans and credit facilities</b>			<b>99</b>	<b>120</b>

<b>CLASSIFICATION ON THE BALANCE SHEET</b>				
Current liabilities	22,24		8	19
Long-term liabilities	22,24		91	102
<b>Total interest-bearing loans and credit facilities</b>			<b>99</b>	<b>120</b>

<b>MATURITY STRUCTURE:</b>				
Liabilities maturing within 1 year	24		8	19
Liabilities maturing in between 1 and 5 years	24		88	94
Liabilities maturing in more than 5 years	24		12	16
<b>Total future payment</b>			<b>108</b>	<b>129</b>
– Of which interest payments			-9	-9
<b>Total interest-bearing loans and credit facilities</b>			<b>99</b>	<b>120</b>

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

### DRAWING RIGHTS

At the end of 2018, the Group had an unused bank overdraft facility linked the corporate cash pooling system of NOK 1,280 million (1,280 million). In addition, the Group has a committed unused loan facility of NOK 600 million. The Group had unused credit lines for bank loans including overdraft facilities of NOK 1,880 million (1,880 million) as at 31 December 2018.

## NOTE 21 EARNINGS AND DIVIDEND PER SHARE

### CAPITAL MANAGEMENT

The aim of the Group's capital management is to ensure a predictable financial framework for the operations and give the shareholders a return that is better than that of comparable companies. The capital structure is managed on a running basis based on key figures and assessments of the economic conditions under which the business is conducted, as well as the short and medium term outlook. AF Gruppen's goal is to have an equity ratio of at least 20 per cent and net interest-bearing liabilities less than 2\*EBITDA.

There have been no changes to the Group's capital management guidelines in 2018. AF Gruppen's dividend policy is to pay a dividend semi-annually and that the dividend shall represent 50 per cent or more of the profit for the year attributable to the majority interests. If the Group's financial position and capital structure so indicates, the dividend can be increased. In its dividend proposal the Board of Directors will also take into account future financial and strategic transactions.

### EARNINGS PER SHARE

Amounts in NOK million	2018	2017	2016
Profit for the year attributable to Parent Company shareholders	772	621	691
<b>NUMBER OF SHARES AS AT 31 DECEMBER</b>			
Time-weighted average number of externally owned shares <sup>1)</sup>	97 968 772	96 493 500	92 797 169
Dilutive effect of share value-based remuneration <sup>2)</sup>	-	-	1 942 272
Time-weighted average number of externally owned shares after dilution	97 968 772	96 493 500	94 739 441
<b>Earnings per share (NOK)</b>	<b>7,88</b>	<b>6,43</b>	<b>7,44</b>
<b>Diluted earnings per share (NOK)</b>	<b>7,88</b>	<b>6,43</b>	<b>7,29</b>

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

<sup>2)</sup> AF Gruppen's share value-based remuneration scheme (options), cf. Note 7 – Payroll costs, entails that externally owned shares may be diluted as a result of the redemption of options. To take into account the future increase in the number of externally owned shares, the diluted earnings per share is calculated in addition to the earnings per share. The dilutive effect is calculated by dividing the value of the options as at the date of the balance sheet 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 nor for 2017.

### DIVIDEND PER SHARE

A dividend of NOK 5.00 per share for the 2017 financial year was paid on 23 May 2018. NOK 3.75 of the dividend of NOK 5.00 was the reimbursement of capital. Due to AF Gruppen's strong financial position, an additional amount of NOK 3.50 per share was paid on 20 November 2018. A total of NOK 836 million was distributed to shareholders in 2018.

For the 2018 financial year, the Board of Directors proposes a dividend of NOK 5.00 per share for the first half of 2019. It is expected that the dividend will

be paid to the shareholders on 27 May 2019. The dividend must be approved by the General Meeting, and there is no provision for the liability on the balance sheet. No dividend is paid for shares owned by AF Gruppen ASA.

The total estimated dividend for the 2018 financial year for distribution in the first half of 2019 is NOK 498 million. The Board of Directors will request authorisation by the General Meeting for the distribution of a dividend in November 2019 as well.

Amounts in NOK	Dividend for first half of 2019
Total number of shares as at 31/12/2018	99 009 179
Share issue, 02/01/2019	736 911
Estimated number of treasury shares	-130 000
<b>Estimated number of shares entitled to a dividend</b>	<b>99 616 090</b>
Proposed dividend per share	5,00
<b>Total estimated dividend</b>	<b>498 080 450</b>

## NOTE 22 FINANCIAL RISK MANAGEMENT

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

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

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

### A) CREDIT RISK

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

#### Trade and other receivables

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

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

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

The remaining credit risk of the Group is spread over a large number of contract partners and home buyers. Home buyers always pay a deposit of at least 10 per cent of the purchase price when entering into a purchase contract. The Company has a vendor's fixed charge on sold residential units. The credit risk is spread over a large number of home buyers and is considered low.

Maximum exposure to credit risk in respect of trade receivables on the balance sheet date according to age, see Note 10 – Trade and other non-interest-bearing receivables:

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

#### Cash and cash equivalents

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

#### Derivatives

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

#### Credit exposure to financial assets

Maximum credit exposure to financial assets corresponds to the book value.

### B) MARKET RISK

#### i) Interest rate risk

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

#### Sensitivity to interest rate changes

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

**NOTE 22 FINANCIAL RISK MANAGEMENT CONT.**

<i>Amounts in NOK million</i>	2018	2017
Financial assets with a variable interest rate	993	1 330
Financial liabilities with a variable interest rate	-99	-120
<b>Net financial receivables</b>	<b>894</b>	<b>1 210</b>

**EFFECT ON PROFIT AFTER TAX**

Effect of a 100 basis point increase in rates on the profit after tax and equity	7	9
Effect of a 100 basis point decrease in interest rates on the profit after tax and equity	-7	-9

**ii) Currency risk**

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

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

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

business areas, since all revenues are primarily in the functional currency. Portions of the revenues in the Offshore business area are in EUR and USD. These are hedged naturally in some cases, since the costs are in the same currency as the revenues, or they are hedged by means of forward currency contracts. As at 31 December 2018, the effects of two forward exchange contracts, one with income in USD and one with income in EUR, are recognised in accordance with the cash flow hedging rules, cf. Note 23 – Derivatives and Note 24 Financial instruments – category table.

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

**Sensitivity currency derivatives**

<i>Amounts in NOK million</i>	2018	2017
<b>EFFECT ON PROFIT AFTER TAX</b>		
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the profit after tax	<0,5	<-0,5
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the profit after tax	<-0,5	<0,5

**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).	2	2
Effect of a 10 per cent weakening of NOK in relation to all the currencies on other comprehensive income (OCI).	-2	-2

**EFFECT ON EQUITY**

Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the equity	3	1
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the equity	-3	-1

**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.

<i>Amounts in NOK million</i>	2018	2017
<b>EFFECT ON EARNINGS AFTER TAX AND EQUITY</b>		
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on profit after tax	-2	-1
Effect of a 10 per cent weakening of NOK in relation to all the currencies on profit after tax	2	1

**Sensitivity associated with translation of income statement and balance sheet in foreign currencies to NOK**

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

## NOTE 22 FINANCIAL RISK MANAGEMENT CONT.

Amounts in NOK million

	2018	2017
<b>EFFECT ON PROFIT AFTER TAX</b>		
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the profit after tax	-9	-9
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the profit after tax	9	9
<b>EFFECT ON EQUITY</b>		
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the equity	-70	-71
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the equity	70	71

### iii) Other price risks

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

### C) LIQUIDITY RISK

Liquidity risk is the risk that AF Gruppen will not be able to service its financial obligations when they are due. The Group's strategy for handling

liquidity risk is to have sufficient cash and cash equivalents at all times in order to fulfil its financial obligations when due without risking unacceptable losses or damaging its reputation. Most of the companies in AF Gruppen are linked to a corporate cash pooling system. Surplus liquidity in the corporate cash pooling system beyond what constitutes the necessary working capital is managed by the company's finance function. Portions of the surplus liquidity are placed in the money market. The management monitors cash and cash equivalents on a weekly basis, and each month the Corporate Management Team reviews the liquidity of the projects. See Note 20 – Net interest-bearing receivables (debt) for information on liquidity and available credit facilities.

## NOTE 23 DERIVATIVES

Amounts in NOK million

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap contracts – held for trading purposes	-	9	-	15
Forward foreign exchange contracts – held for trading purposes	2	5	4	2
Forward foreign exchange contracts – cash flow hedging	-	29	-	7
<b>Total non-current assets/ liabilities</b>	<b>2</b>	<b>43</b>	<b>4</b>	<b>23</b>
Interest rate swap contracts – held for trading purposes	-	6	-	7
Commodity derivatives – held for trading purposes	-	-	-	4
Forward foreign exchange contracts – held for trading purposes	1	1	3	-
Forward foreign exchange contracts – cash flow hedging	-	3	-	15
<b>Total current assets/ liabilities</b>	<b>1</b>	<b>10</b>	<b>3</b>	<b>26</b>
<b>Total carrying amount</b>	<b>3</b>	<b>53</b>	<b>7</b>	<b>49</b>

### INTEREST RATE SWAPS

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

### COMMODITY DERIVATIVES

To hedge against undesired fluctuations in the price of commodities that AF uses or sorts for recycling, such as steel, commodity derivatives are entered into in certain cases. In the assessment, the exposure and how efficient the market for forward contracts is are taken into account. As at 31 December 2018, AF Gruppen has not assets nor liabilities related to commodity derivatives.

### VALUTATERMINKONTRAKTER

Since 2014, AF Gruppen has recognised 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 2018, 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 2018. 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).

## NOTE 23 DERIVATIVES CONT.

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

Amounts in NOK million	2018	2017	2016
Cash flow hedges (gross)	19	47	145
Cash flow hedges (tax)	-4	-10	-30
<b>Reclassified from other comprehensive income (OCI) to the income statement</b>	<b>15</b>	<b>37</b>	<b>115</b>
Cash flow hedges (gross)	-42	1	5
Cash flow hedges (tax)	9	-	-1
<b>Change in value for the year</b>	<b>-33</b>	<b>1</b>	<b>3</b>
Cash flow hedges (gross)	-22	48	150
Cash flow hedges (tax)	5	-10	-32
<b>Total revenues and expenses</b>	<b>-17</b>	<b>38</b>	<b>118</b>

### 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 2018, AF Gruppen has derivatives related to foreign exchange and interest rates. Currency derivatives are used to make revenues or commodity costs in foreign currencies predictable.

#### Fair value hierarchy

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

Level 1 – Quoted price in an active market for an asset or liability.

Level 2 – Valuation derived directly or indirectly from a quoted price within level 1.

Level 3 – Valuation based on inputs not obtained from observable markets.

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

Amounts in NOK million	Level 1	Level 2	Level 3	Total
2018				
Assets – Derivatives	-	3	-	3
Liabilities – Derivatives	-	-53	-	-53
<b>Total</b>	<b>-</b>	<b>-49</b>	<b>-</b>	<b>-49</b>

Amounts in NOK million	Level 1	Level 2	Level 3	Total
2017				
Assets – Derivatives	-	7	-	7
Liabilities – Derivatives	-	-49	-	-49
<b>Total</b>	<b>-</b>	<b>-42</b>	<b>-</b>	<b>-42</b>

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

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

## NOTE 24 FINANCIAL INSTRUMENTS: CATEGORY TABLE

The table below shows AF Gruppen's financial instrument classes and the associated book value in accordance with IAS 9 – Financial Instruments. All financial instruments are measured at fair value, or approximately at fair

value, with the exception of long-term financial liabilities. See Note 20 – Net interest-bearing receivables (debt) for information on the fair value of long-term financial liabilities.

### FINANCIAL ASSETS BY CATEGORY

Amounts in NOK million 31.12.18	Note	Loans and receivables at amortised cost	Derivatives at fair value through profit or loss	Derivatives at fair value through OCI	Total	Non-financial assets	Total carrying amount
Non-current interest-bearing receivables	20	305	-	-	305	-	305
Non-current pension plan and other financial assets	18	1	2	-	3	5	8
Current trade and other non-interest-bearing receivables <sup>1)</sup>	10	3 168	-	-	3 168	70	3 238
Current interest-bearing receivables	20	32	-	-	32	-	32
Current derivatives	23	-	1	-	1	-	1
Cash and cash equivalents	20	656	-	-	656	-	656
<b>Total</b>		<b>4 162</b>	<b>3</b>	<b>-</b>	<b>4 165</b>	<b>75</b>	<b>4 240</b>

31.12.17	Note	Loans and receivables at amortised cost	Derivatives at fair value through profit or loss	Derivatives at fair value through OCI	Total	Non-financial assets	Total carrying amount
Non-current interest-bearing receivables	20	216	-	-	216	-	216
Non-current pension plan and other financial assets	18	2	4	-	5	5	10
Current trade and other non-interest-bearing receivables <sup>1)</sup>	10	2 143	-	-	2 143	73	2 216
Current interest-bearing receivables	20	16	-	-	16	-	16
Current derivatives	23	-	3	-	3	-	3
Cash and cash equivalents	20	1 098	-	-	1 098	-	1 098
<b>Total</b>		<b>3 475</b>	<b>7</b>	<b>-</b>	<b>3 482</b>	<b>78</b>	<b>3 560</b>

<sup>1)</sup> Trade and non-interest-bearing receivables classified as loans and receivables do not include prepaid expenses.



**NOTE 24 FINANCIAL INSTRUMENTS: CATEGORY TABLE CONT.****FINANCIAL LIABILITIES BY CATEGORY**

31.12.18	Note	Liabilities at amortised cost	Derivatives at fair value through profit or loss	Derivatives at fair value through OCI	Total	Non-financial liabilities	Total carrying amount
Non-current interest-bearing loans and credit facilities	20,22	91	-	-	91	-	91
Current interest-bearing loans and credit facilities	20,22	8	-	-	8	-	8
Current trade payables and non-interest-bearing debt <sup>2)</sup>	16,22	3 502	-	-	3 502	1 779	5 281
Non-current derivatives	22,23	-	14	29	43	-	43
Current derivatives	22,23	-	6	3	10	-	10
<b>Total</b>		<b>3 601</b>	<b>20</b>	<b>32</b>	<b>3 654</b>	<b>1 779</b>	<b>5 432</b>

31.12.17	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	102	-	-	102	-	102
Current interest-bearing loans and credit facilities	20,22	19	-	-	19	-	19
Current trade payables and non-interest-bearing debt <sup>2)</sup>	16,22	2 910	-	-	2 910	1 571	4 481
Non-current derivatives	22,23	-	15	9	24	-	24
Current derivatives	22,23	-	11	15	26	-	26
<b>Total</b>		<b>3 030</b>	<b>26</b>	<b>24</b>	<b>3 080</b>	<b>1 571</b>	<b>4 651</b>

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

**NOTE 25 INCOME TAX EXPENSE**

<i>Amounts in NOK million</i>	2018	2017	2016
Current tax payable for the year	-129	-133	-357
Adjustment for previous years	5	-	-15
<b>Total tax payable</b>	<b>-125</b>	<b>-134</b>	<b>-372</b>

**CHANGE IN DEFERRED TAX RELATED TO:**

Change in temporary differences	-108	-62	93
Change in tax rate	18	15	13
Changed valuation of temporary differences	-1	-	2
Adjustment for previous years	-	-	11
<b>Tax change in deferred tax</b>	<b>-91</b>	<b>-47</b>	<b>119</b>
<b>Total income tax expense</b>	<b>-215</b>	<b>-181</b>	<b>-253</b>

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

Current tax payable for the year	129	133	357
Tax payable linked to previous years	2	-	21
Impact related to the acquisition/(sale) of business	2	1	-2
Tax paid in advance	-12	-9	-
Impact related to limited partnerships that are recognised in accordance with the equity method	15	-	1
Tax payable from other comprehensive income	-	-	-
Currency translation differences	2	1	-
<b>Total tax payable on the balance sheet</b>	<b>138</b>	<b>126</b>	<b>377</b>

**RECONCILIATION OF INCOME TAX EXPENSE CALCULATED AT THE NORWEGIAN TAX RATE AND THE INCOME TAX EXPENSE AS PRESENTED IN THE INCOME STATEMENT**

Profit before tax	1 136	935	1 040
Expected income tax at Norwegian nominal rate	-261	-224	-260
Tax effects of:			
- Divergent foreign tax rates	9	1	12
- Non-deductible expenses	-21	-16	-24
- Profit attributable to associated companies	30	41	1
- Non-taxable revenues	10	4	2
- Change in tax rate	18	15	13
- Change in valuation of deferred tax assets	-1	-	7
- Excessive/insufficient provisions in previous years	1	-	-4
<b>Total tax expense recognised in income statement</b>	<b>-215</b>	<b>-181</b>	<b>-253</b>
Effective tax rate	18,9%	19,3%	24,3%

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

<i>Amounts in NOK million</i>	2018	2017
Book value as at 1 January	301	214
Recognised in the period	91	47
Recognised in OCI	-6	10
Impact related to the acquisition/(sale) of business	4	14
Impact related to limited partnerships that are recognised in accordance with the equity method	9	19
Currency translation differences	1	-2
<b>Book value as at 31 December</b>	<b>399</b>	<b>301</b>

**CLASSIFICATION ON THE BALANCE SHEET**

Deferred tax assets	-19	-26
Deferred tax	418	327
<b>Net deferred tax on the balance sheet</b>	<b>399</b>	<b>301</b>

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

<b>2018</b>		Recognised in	Recognised	Acquisition/sale	Currency	
<b>DEFERRED TAX</b>	1.1.18	the period	in OCI	of businesses	translation	31.12.18
Property, plant and equipment	21	3	-	-	-	24
Intangible assets	1	-1	-	-	-	-
Projects in progress <sup>1)</sup>	452	64	-	10	-	525
Other assets	17	11	-	-	-	28
Retirement benefits	1	-	-	-	-	1
Accruals reserve	12	-4	-	-	-	8
<b>Total deferred taxes</b>	<b>504</b>	<b>73</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>587</b>

Of which netted against deferred tax assets	-169
<b>Deferred tax assets recognised on balance sheet</b>	<b>418</b>

	1.1.18	Recognised in	Recognised	Acquisition/sale	Currency	
<b>DEFERRED TAX ASSETS</b>		the period	in OCI	of businesses	translation	31.12.18
Property, plant and equipment	-8	2	-	-	-	-6
Other assets	-23	1	-6	-	-	-27
Provisions	-61	-1	-	-	-	-62
Recognised tax value of tax loss carryforward <sup>2)</sup>	-114	22	-	-5	1	-97
<b>Total deferred tax assets</b>	<b>-206</b>	<b>25</b>	<b>-6</b>	<b>-5</b>	<b>1</b>	<b>-191</b>

Of which netted against deferred tax	169
Of which off-balance-sheet deferred tax assets	4
<b>Deferred tax assets recognised on the balance sheet</b>	<b>-18</b>

**NOTE 26 DEFERRED TAX / DEFERRED TAX ASSETS CONT.**

<b>2017 DEFERRED TAX</b>	1.1.17	Recognised in the period	Recognised in OCI	Acquisition/sale of businesses	Currency translation	31.12.17
Property, plant and equipment	21					21
Intangible assets	3	-2	-	-	-	1
Projects in progress <sup>1)</sup>	305	147	-	-	-	452
Other assets	13	4	-	-	-	17
Retirement benefits	1	-	-	-	-	1
Accruals reserve	2	-2	-	12	-	12
<b>Total deferred taxes</b>	<b>346</b>	<b>145</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>504</b>
Of which netted against deferred tax assets						-177
<b>Deferred tax assets recognised on balance sheet</b>						<b>327</b>
<b>DEFERRED TAX ASSETS</b>	1.1.17	Recognised in the period	Recognised in OCI	Acquisition/sale of businesses	Currency translation	31.12.17
Property, plant and equipment	-6					-8
Other assets	-38	6	10	-	-	-23
Provisions	-51	-10	-	-	-	-61
Recognised tax value of tax loss carryforward <sup>2)</sup>	-39	-74	-	-	-2	-114
<b>Total deferred tax assets</b>	<b>-133</b>	<b>-80</b>	<b>10</b>	<b>-</b>	<b>-2</b>	<b>-206</b>
Of which netted against deferred tax						177
Of which off-balance-sheet deferred tax assets						3
<b>Deferred tax assets recognised on the balance sheet</b>						<b>-26</b>

<sup>1)</sup> Projects in progress have a major impact on the calculation of deferred tax and the current tax payable. Projects in progress are valued at the direct production cost, and revenue is not recognised for tax purposes until delivery.

<sup>2)</sup> The deferred tax assets related to tax loss carryforwards are recognised on the balance sheet when it is probable that the Group can apply this against future taxable income. The tax loss carryforward recognised on the balance sheet is not time limited and totals NOK 379 million (NOK 499 million in 2017).

## NOTE 27 ASSOCIATED COMPANIES

### INVESTMENTS IN ASSOCIATED COMPANIES

<i>Amounts in NOK million</i>	2018	2017	2016
Book value of investment as at 1 January	288	266	295
Additions	-	6	1
Additions due to sell-off of subsidiaries	-	-	-
Disposals	-	-	-3
Share of profit for the year	68	59	-28
Tax on distributions from limited and internal partnerships	-	8	-
Equity transactions, incl. dividends	-97	-51	1
Currency translation differences	-	1	-1
<b>Total investments in associated companies as at 31 December</b>	<b>258</b>	<b>288</b>	<b>266</b>

AF Gruppen carries out residential and commercial building projects in cooperation with professional co-investors. This is done to provide complementary competence in the projects and diversify risk. AF Gruppen does not normally own more than a 50 per cent interest in the development companies. In addition, the Group has a few associated companies with other activities, but they are not defined as essential to the Group.

The owners have regulated cooperation, pre-emptive rights, buyout rights, etc., as well as the requirement of a majority for certain decisions, in the partnership agreement. In all of the important ongoing projects, there is loan financing, for which there are agreements that contain provisions stipulating that the development company cannot pay dividends or repay loans from the owners before any bank loans have been redeemed.

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

There are no public quoted prices for any of the associated companies.

In the note, the associated companies are grouped according to their importance to the Group. The assessment of the company's materiality is based on an overall assessment of the activity, financial results and book value. Since the profit from residential property projects is not recognised in the consolidated financial statements until the apartments have been handed over, the greatest importance is attached to the activity in the assessment, since the carrying amount is strongly influenced by the handover.

**NOTE 27 ASSOCIATED COMPANIES CONT.****2018****SPECIFICATION OF THE AMOUNTS IN THE ACCOUNTS:**

<i>Amounts in NOK million</i>	Essential companies	Other companies	Total
Amounts recognised in the balance sheet	185	73	258
Amounts recognised in the income statement	62	6	68

Below is a summary of the financial information for the Group's essential associated companies. The figures in the summary of financial information is presented on a 100 per cent basis. The unaudited draft accounts are used

as the basis if the companies' annual financial statements have not been approved when the Group's financial statements are presented.

**SUMMARY OF FINANCIAL INFORMATION – ESSENTIAL ASSOCIATED COMPANIES**

<i>Amounts in NOK million</i>	Lillo Gård AS and KS	Nordlivn. AS and KS	Ladejarlen Utvikling AS	Hasle Linje Næring DA	Total
Registered office	Oslo	Oslo	Kristiansund	Oslo	
Ownership interest	22,5%	33,3%	33,3%	49,5%	
Current assets	1 531	310	306	811	2 958
Non-current assets	160	2	1	11	174
<b>Total assets</b>	<b>1 691</b>	<b>312</b>	<b>307</b>	<b>821</b>	<b>3 132</b>
Current liabilities	323	274	49	67	714
Non-current liabilities	1 284	2	254	438	1 978
<b>Total liabilities</b>	<b>1 608</b>	<b>276</b>	<b>304</b>	<b>505</b>	<b>2 692</b>
Shareholders' equity	83	36	4	317	440
<b>Total equity and liabilities</b>	<b>1 691</b>	<b>312</b>	<b>307</b>	<b>821</b>	<b>3 132</b>
Operating revenue	-	355	-	6	361
Earnings after tax / comprehensive income	-	31	-	120	150

**RECONCILIATION OF BOOK VALUE**

					Sum
Group's share of the investment	18	11	1	157	188
Tax from limited and internal partnerships	-	-2	-	-	-2
Excess/lower value	-	-	-	-	-
Gains	-	-	-	-	-
Other items	-	-	-	-	-
<b>Book value of the investment</b>	<b>18</b>	<b>9</b>	<b>1</b>	<b>157</b>	<b>185</b>

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

					Sum
Group's share of comprehensive income	-	10	-	59	69
Tax from limited and internal partnerships	-	-2	-	-	-2
Recognised excess/lower value	-	-	-	-4	-4
Gains	-	-1	-	-	-1
Other items	-	-	-	-	-
<b>Recognised share of comprehensive income</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>55</b>	<b>62</b>

**COMPREHENSIVE INCOME, ALL ASSOCIATED COMPANIES**

	Total essential companies	Total other companies	Total
Earnings after tax / comprehensive income	150	13	163
Group's share of comprehensive income	62	6	68

The result presented is the comprehensive income from continuing businesses. No associated companies have been wound up in 2018. NOK 80 million was received in dividends from associated companies in 2018.

**NOTE 27 ASSOCIATED COMPANIES CONT.****2017****SPECIFICATION OF THE AMOUNTS IN THE ACCOUNTS:**

<i>Beløp i MNOK</i>	Essential companies	Other companies	Total
Amounts recognised in the balance sheet	204	84	288
Amounts recognised in the income statement	58	1	59

Below is a summary of the financial information for the Group's essential associated companies. The figures in the summary of financial information is presented on a 100 per cent basis. The unaudited draft accounts are used

as the basis if the companies' annual financial statements have not been approved when the Group's financial statements are presented.

**SUMMARY OF FINANCIAL INFORMATION – ESSENTIAL ASSOCIATED COMPANIES**

<i>Amounts in NOK million</i>	Lillestrøm By & Næringsutv. AS	Lillo Gård AS and KS	Nordlivn. AS and KS	Rolvsbukta AS and KS	Hasle Linje Næring DA	Total
Registered office	Oslo	Oslo	Oslo	Oslo	Oslo	
Ownership interest	40,2%	22,5%	33,3%	33,3%	49,5%	
Current assets	154	773	425	23	9	1 385
Non-current assets	11	107	2	5	1 085	1 211
<b>Total assets</b>	<b>165</b>	<b>881</b>	<b>428</b>	<b>28</b>	<b>1 095</b>	<b>2 597</b>
Current liabilities	64	641	385	14	48	1 152
Non-current liabilities	2	156	1	-	788	948
<b>Total liabilities</b>	<b>66</b>	<b>797</b>	<b>386</b>	<b>14</b>	<b>836</b>	<b>2 099</b>
Shareholders' equity	99	83	41	14	259	497
<b>Total equity and liabilities</b>	<b>165</b>	<b>881</b>	<b>428</b>	<b>28</b>	<b>1 095</b>	<b>2 597</b>
Operating revenue	816	-	503	470	2	1 790
Earnings after tax / comprehensive income	85	17	67	60	-9	221

**RECONCILIATION OF BOOK VALUE**

						Total
Group's share of the investment	39	23	16	5	128	211
Tax from limited and internal partnerships	-	-5	-3	-1	-	-9
Excess/lower value	1	-	-	-	-1	-
Gains	-	-	1	-	-	1
Other items	-	-	-	-	-	-
<b>Book value of the investment</b>	<b>40</b>	<b>18</b>	<b>14</b>	<b>4</b>	<b>127</b>	<b>204</b>

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

						Total
Group's share of comprehensive income	34	4	22	20	-4	77
Tax from limited and internal partnerships	-	-	-5	-4	-	-9
Recognised excess/lower value	-1	-	-	-	-	-1
Reversed capitalised expenses	-	-4	-	-	-	-4
Gains	-	-	-1	-	-	-1
Other items	-	-	-	-	-3	-3
<b>Recognised share of comprehensive income</b>	<b>33</b>	<b>-</b>	<b>16</b>	<b>16</b>	<b>-7</b>	<b>58</b>

**COMPREHENSIVE INCOME, ALL ASSOCIATED COMPANIES**

	Sum vesentlige selskap	Sum øvrige selskap	Sum
Earnings after tax / comprehensive income	221	-7	214
Group's share of comprehensive income	58	1	59

The result presented is the comprehensive income from continuing businesses. No associated companies were wound up in 2017. NOK 36 million was received in dividends from associated companies in 2017.

## NOTE 28 JOINT VENTURES

### INVESTMENTS IN JOINT VENTURES

<i>Amounts in NOK million</i>	2018	2017	2016
Book value of investment as at 1 January	75	123	122
Additions	30	-	-
Additions due to sell-off of subsidiaries	6	-	-
Disposals	-2	-	-
Share of profit for the year	62	32	24
Tax on distributions from limited and internal partnerships	15	11	1
Equity transactions, incl. dividends	-84	-91	-24
<b>Total investments in joint ventures as at 31 December</b>	<b>102</b>	<b>75</b>	<b>123</b>

AF Gruppen carries out residential and commercial building projects in cooperation with professional co-investors. This is done to provide complementary competence in the projects and diversify risk. AF Gruppen does not normally own more than a 50 per cent interest in the development companies. In addition, the Group has interests in a few joint ventures with other activities, but they are not defined as essential to the Group.

The owners have regulated cooperation, pre-emptive rights, buyout rights, etc., as well as the requirement of a majority for certain decisions, in partnership agreements. In all of the important ongoing projects, there is loan financing, for which there are agreements that contain provisions stipulating that the development company cannot pay dividends or repay loans from the owners before any bank loans have been redeemed.

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

There are no public quoted prices for any of the joint ventures.

In the note, the joint ventures are grouped according to their importance to the Group. The assessment of the company's materiality is based on an overall assessment of the activity, financial results and book value. Since the profit from residential property projects is not recognised in the consolidated financial statements until the apartments have been handed over, the greatest importance is attached to the activity in the assessment, since the carrying amount is strongly influenced by the handover.



**NOTE 28 JOINT VENTURES CONT.****2018****SPECIFICATION OF THE AMOUNTS IN THE ACCOUNTS:**

<i>Amounts in NOK million</i>	Essential businesses	Other businesses	Total
Amounts recognised in the balance sheet	21	82	102
Amounts recognised in the income statement	49	13	62

Below is a summary of the financial information for the Group's essential joint ventures. The figures in the summary of financial information is presented on a 100 per cent basis. The unaudited draft accounts are used

as the basis if the companies' annual financial statements have not been approved when the Group's financial statements are presented.

**SUMMARY OF FINANCIAL INFORMATION – ESSENTIAL JOINT VENTURES**

<i>Amounts in NOK million</i>	Skiparviken AS	Kilen Utbygging 2 AS	Haslemann AS and IS	Total
Registered office	Asker	Oslo	Oslo	
Ownership interest	50%	50%	50%	
Current assets	169	144	613	926
Non-current assets	-	-	-	-
<b>Total assets</b>	<b>169</b>	<b>144</b>	<b>613</b>	<b>926</b>
Current liabilities	168	24	599	790
Non-current liabilities	1	114	7	122
<b>Total liabilities</b>	<b>169</b>	<b>138</b>	<b>606</b>	<b>912</b>
Shareholders' equity	-	6	7	13
<b>Total equity and liabilities</b>	<b>169</b>	<b>144</b>	<b>613</b>	<b>926</b>
Operating revenue	-	-	853	853
Earnings after tax / comprehensive income	-	4	114	117

**RECONCILIATION OF BOOK VALUE**

Group's share of the investment	-	3	4	7
Tax from limited and internal partnerships	-	-	8	8
Recognised excess/lower value	-	-	-	-
Gains	-	6	-	6
Other items	-	-	-	-
<b>Book value of the investment</b>	<b>-</b>	<b>9</b>	<b>11</b>	<b>21</b>

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

Group's share of comprehensive income	-	2	57	59
Interests in limited partnerships or partnerships	-	-	-7	-7
Recognised excess/lower value	-	-	-	-
Gains	-	-2	-	-2
Other items	-	-	-	-
<b>Recognised share of comprehensive income</b>	<b>-</b>	<b>-</b>	<b>49</b>	<b>49</b>

<b>COMPREHENSIVE INCOME OF ALL JOINT VENTURES</b>	Essential businesses	Other businesses	Total
Earnings after tax / comprehensive income	117	8	125
Group's share of comprehensive income	49	13	62

A non-essential joint venture was wound up in 2018. The comprehensive income presented contains NOK 107 000 from the discontinued business. The remaining comprehensive income is from continuing businesses. NOK 74 million was received in dividends from joint ventures in 2018.

**NOTE 28 JOINT VENTURES CONT.****2017****SPECIFICATION OF THE AMOUNTS IN THE ACCOUNTS:**

<i>Amounts in NOK million</i>	Essential businesses	Other businesses	Total
Amounts recognised in the balance sheet	12	63	75
Amounts recognised in the income statement	20	12	32

Below is a summary of the financial information for the Group's essential joint ventures. The figures in the summary of financial information is presented on a 100 per cent basis. The unaudited draft accounts are used

as the basis if the companies' annual financial statements have not been approved when the Group's financial statements are presented.

**SUMMARY OF FINANCIAL INFORMATION – ESSENTIAL JOINT VENTURES**

<i>Amounts in NOK million</i>	Haslemann AS and IS
Registered office	Oslo
Ownership interest	50%
Current assets	967
Non-current assets	56
<b>Total assets</b>	<b>1 023</b>
Current liabilities	717
Non-current liabilities	213
<b>Total liabilities</b>	<b>931</b>
Shareholders' equity	93
<b>Total equity and liabilities</b>	<b>1 023</b>
Driftsinntekter	383
Resultat etter skatt/totalresultat	51

<b>RECONCILIATION OF BOOK VALUE</b>	Total
Group's share of the investment	11
Tax on distributions from limited and internal partnerships	-
Other items	1
<b>Book value of the investment</b>	<b>12</b>

<b>RECONCILIATION OF SHARE OF COMPREHENSIVE INCOME FROM ESSENTIAL COMPANIES</b>	Total
Group's share of comprehensive income	25
Tax on distributions from limited and internal partnerships	-6
Recognised excess/lower value	-
Other items	-
<b>Recognised share of comprehensive income</b>	<b>20</b>

<b>COMPREHENSIVE INCOME OF ALL JOINT VENTURES</b>	Essential businesses	Other businesses	Total
Earnings after tax / comprehensive income	51	22	73
Group's share of comprehensive income	20	12	32

The result presented is the comprehensive income from continuing businesses. No companies were discontinued in 2017. NOK 39 million was received in dividends from joint ventures in 2017.

## NOTE 29 SUBSIDIARIES

The list below includes subsidiaries that are owned directly and indirectly. The direct ownership column states the parent company's ownership stake in the subsidiary in question. Pure holding companies and companies

without any activity have been omitted. The voting rights in all the subsidiaries follow the shares.

Name of company	Acquisition date	Office address Place	Country	Financial ownership		Direct ownership	Business area
				31.12.17	31.12.18	31.12.18	
AF Gruppen Norge AS	05.09.85	Oslo	Norway	100,00%	100,00%	100,00%	<sup>1)</sup>
JR Anlegg AS	01.10.10	Jessheim	Norway	100,00%	100,00%	100,00%	Civil Engineering
Palmer Gotheim Skiferbrudd AS	01.01.07	Oppdal	Norway	100,00%	100,00%	100,00%	Civil Engineering
Målselv Maskin & Transport AS	04.03.15	Karlstad	Norway	70,00%	70,00%	70,00%	Civil Engineering
AF Decom AB	15.12.07	Gothenburg	Sweden	100,00%	100,00%	100,00%	Environment
AF Decom AS	01.01.09	Oslo	Norway	100,00%	100,00%	100,00%	Environment
Jølsen Miljøpark AS	01.11.13	Skedsmokorset	Norway	100,00%	100,00%	100,00%	Environment
Rimol Miljøpark AS	11.12.14	Tiller	Norway	50,00%	50,00%	50,00%	Environment
Nes Miljøpark AS	09.06.17	Nes	Norway	51,00%	51,00%	51,00%	Environment
Helgesen Tekniske Bygg AS	30.10.18	Osterøy	Norway	–	49,00%	70,00%	Building
LAB Entreprenør AS	11.03.15	Bergen	Norway	70,00%	70,00%	100,00%	Building
Fundamentering AS	11.03.15	Bergen	Norway	49,00%	54,95%	78,50%	Building
Åsane Byggmesterforretning AS	11.03.15	Bergen	Norway	49,00%	49,00%	70,00%	Building
Toppemyr AS	11.03.15	Bergen	Norway	70,00%	70,00%	100,00%	Building
Hardangerfjord Eiendom AS	09.03.17	Bergen	Norway	70,00%	70,00%	100,00%	Building
Strøm Gundersen AS	03.11.11	Mjøndalen	Norway	91,29%	97,18%	100,00%	Building
Strøm Gundersen Vestfold AS	01.10.16	Mjøndalen	Norway	52,49%	51,99%	53,50%	Building
Corroteam AS	03.11.11	Mjøndalen	Norway	63,90%	36,39%	70,00%	Building
Oslo Brannsikring AS	27.09.17	Oslo	Norway	45,99%	49,03%	51,00%	Building
Haga & Berg Entreprenør AS	03.11.11	Oslo	Norway	90,17%	96,13%	100,00%	Building
Haga & Berg Service AS	19.02.14	Oslo	Norway	73,49%	77,39%	80,50%	Building
Rakon AS	26.09.18	Trondheim	Norway	–	49,65%	55,00%	Building
Consolvo Services AS	22.06.18	Tranby	Norway	–	90,28%	100,00%	Building
Consolvo AS	03.11.11	Tranby	Norway	77,98%	90,28%	100,00%	Building
Consolvo Support AS	15.03.12	Vilnius	Lithuania	46,79%	54,17%	60,00%	Building
Consolvo Eiendom AS	03.11.11	Tranby	Norway	77,98%	90,28%	100,00%	Building
Vannmeisling AS	06.12.16	Tranby	Norway	60,83%	70,42%	78,00%	Building
Eiqon Anlegg AS	03.11.11	Asker	Norway	46,79%	60,00%	100,00%	Building
Eiqon Nybygg AS	03.12.15	Asker	Norway	42,62%	54,06%	90,10%	Building
Eiqon Fasade AS	07.11.18	Asker	Norway	–	48,71%	90,10%	Building
Eiqon Betongbygg AS	01.02.16	Asker	Norway	37,43%	48,00%	80,00%	Building
Protector AS	03.11.11	Tranby	Norway	77,98%	90,28%	100,00%	Building
Protector CPE AB	03.11.11	Gothenburg	Sweden	66,28%	76,74%	85,00%	Building
Protector KKS GmbH	03.11.11	Remseck	Germany	65,50%	75,83%	84,00%	Building
Fjerby AS	16.09.14	Fjerdingby	Norway	67,14%	77,73%	100,00%	Building
MTH AS	03.11.11	Mjøndalen	Norway	65,80%	66,50%	100,00%	Building
Oslo Stillasutleie AS	03.11.11	Oslo	Norway	59,88%	82,15%	91,00%	Building
Oslo Prosjektbygg AS	01.03.13	Oslo	Norway	46,06%	63,19%	70,00%	Building
SOL-Energi AS	01.12.14	Oslo	Norway	33,56%	46,04%	51,00%	Building
Oslo Technical Service AS	19.06.18	Oslo	Norway	–	66,50%	100,00%	Building
Lasse Holst AS	09.03.16	Gressvik	Norway	23,49%	23,74%	70,00%	Building
Storo Blikkenslagerverksted AS	03.11.11	Oslo	Norway	46,06%	46,55%	70,00%	Building
Oslo Papp og Membranservice AS	09.05.12	Oslo	Norway	46,06%	46,55%	100,00%	Building
VD Vindu og Dør Montasje AS	06.03.15	Skotterud	Norway	46,06%	46,55%	70,00%	Building
Thorendahl AS	03.11.11	Oslo	Norway	61,41%	60,07%	90,33%	Building
Fagbetong AS	03.11.11	Oslo	Norway	61,41%	60,07%	100,00%	Building
Kirkestuen AS	12.01.16	Gressvik	Norway	33,56%	33,92%	51,00%	Building

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

**NOTE 29****SUBSIDIARIES CONT.**

Name of company	Acquisition date	Office address Place	Country	Financial ownership		Direct ownership	Business area
				31.12.17	31.12.18	31.12.18	
TKD AS	05.01.16	Oslo	Norway	52,13%	51,35%	100,00%	Building
TKC Prosjekt AS	25.04.18	Oslo	Norway	–	33,92%	51,00%	Building
Kilen Brygge AS	15.03.05	Sandefjord	Norway	100,00%	100,00%	100,00%	Property
Vestre Nordgardsleitet 18 AS	11.03.15	Bergen	Norway	24,99%	24,94%	50,90%	Property
Djupe dalen Utviklingsselskap AS	15.02.16	Bergen	Norway	49,00%	49,00%	100,00%	Property
Nordstraumen Utbyggingsselskap AS	11.03.15	Bergen	Norway	42,00%	42,00%	60,00%	Property
Enaktiva AS	08.01.18	Oslo	Norway	–	100,00%	100,00%	Energy
AF Energi & Miljøteknikk AS	31.05.06	Asker	Norway	100,00%	100,00%	100,00%	Energy
AF Energija Baltic UAB	04.07.17	Vilnius	Lithuania	95,00%	95,00%	95,00%	Energy
Pålplintar i Sverige AB	14.01.00	Södertälje	Sweden	100,00%	100,00%	100,00%	Sweden
AF Härnösand Byggreturer AB	01.07.13	Stockholm	Sweden	100,00%	100,00%	100,00%	Sweden
AF Bygg Syd AB	30.06.07	Halmstad	Sweden	90,10%	75,90%	75,90%	Sweden
AF Bygg Göteborg AB	01.07.01	Gothenburg	Sweden	100,00%	100,00%	100,00%	Sweden
Fastigheter i Strandängen AB	14.05.08	Gothenburg	Sweden	100,00%	100,00%	100,00%	Sweden
Kanonaden Entreprenad AB	09.02.17	Nässjö	Sweden	70,00%	70,00%	70,00%	Sweden
Bergbolaget i Götaland AB	09.02.17	Nässjö	Sweden	70,00%	70,00%	100,00%	Sweden
Kanonaden Mälardalen AB	30.06.17	Stockholm	Sweden	38,50%	38,50%	55,00%	Sweden
Kanonaden Täkt och Förvaltning AB	09.02.17	Nässjö	Sweden	70,00%	70,00%	100,00%	Sweden
Skaftviken AB	09.02.17	Nässjö	Sweden	70,00%	70,00%	100,00%	Sweden
AF Miljøbase Vats AS	09.09.14	Oslo	Norway	100,00%	100,00%	100,00%	Offshore
AF Offshore Decom AS	01.01.09	Oslo	Norway	100,00%	100,00%	100,00%	Offshore
AF Offshore Decom UK Ltd.	24.05.10	London	England	100,00%	100,00%	100,00%	Offshore
AF Offshore Decom BV	11.07.16	Heemstede	Netherlands	100,00%	100,00%	100,00%	Offshore
AF AeronMollier AS	01.07.08	Flekkefjord	Norway	100,00%	100,00%	100,00%	Offshore
Aeron Energy Technologies Ltd.	16.11.09	Shanghai	China	100,00%	100,00%	100,00%	Offshore

## NOTE 30 SIGNIFICANT MINORITY INTERESTS

The table below shows AF Gruppen's comprehensive income and equity attributable to minority interests allocated to sub-groups with significant minority interests.

Amounts in NOK million	Strøm Gundersen Holding	LAB	Other	Total
Minority interests as at 1.1.16	102	110	47	259
Share of comprehensive income	36	49	12	96
Share of adopted and paid dividends in 2016	-24	-46	-4	-74
Addition of minority interests from acquisition of business	1	-	-	1
Transactions with minority interests	-14	1	1	-12
<b>Minority interests as at 31.12.16</b>	<b>102</b>	<b>113</b>	<b>55</b>	<b>270</b>
Share of comprehensive income	35	49	51	135
Share of adopted and paid dividends in 2017	-14	-48	-14	-77
Addition/disposal of minority interests from acquisition (sale) of business	-26	-	75	49
Minority put options	-1	-	-	-1
Transactions with minority interests	-	-3	11	8
<b>Minority interests as at 31.12.17</b>	<b>95</b>	<b>110</b>	<b>178</b>	<b>384</b>
Share of comprehensive income	35	43	71	149
Share of adopted and paid dividends in 2018	-17	-43	-68	-128
Addition/disposal of minority interests from acquisition (sale) of business	-4	20	14	30
Minority put options	-54	-	-1	-54
Transactions with minority interests	-1	-2	-1	-3
<b>Minority interests as at 31.12.18</b>	<b>55</b>	<b>129</b>	<b>193</b>	<b>378</b>

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

Amounts in NOK million	Strøm Gundersen Holding			LAB		
	2018	2017	2016	2018	2017	2016
Profit for the year	167	177	103	123	132	127
Non-current assets	462	452	559	421	209	194
Current assets	717	586	440	685	702	663
<b>Total assets</b>	<b>1 179</b>	<b>1 037</b>	<b>999</b>	<b>1 106</b>	<b>911</b>	<b>856</b>
Equity attributable to shareholders	517	476	385	226	228	146
Minority interests	93	95	108	83	66	35
Long-term liabilities	56	43	96	83	85	78
Current liabilities	514	423	410	713	532	597
<b>Total equity and liabilities</b>	<b>1 179</b>	<b>1 037</b>	<b>999</b>	<b>1 106</b>	<b>911</b>	<b>856</b>
Equity of the minority interests in the parent company <sup>1)</sup>	15,5%	15,5%	15,5%	30,0%	30,0%	30,0%

<sup>1)</sup> Strøm Gundersen Gruppen AS, wholly owned subsidiary of AF Gruppen Holding AS, has an 84.5 per cent interest in Strøm Gundersen Holding AS. In addition, AF Gruppen Norge AS also has a direct ownership stake in Strøm Gundersen Holding AS, as well as several subsidiaries of the Strøm Gundersen Holding Group. These assets must thus be deducted from the calculation of the share of the consolidated financial statements of AF Gruppen attributable to the minority interests. The minority interest allocated to Strøm Gundersen Holding in consolidated financial statements is therefore lower than what can be calculated directly from the amounts in the table above and the percentage rate specified below the table.

AF Gruppen Holding AS owns 70 per cent of LAB AS.

There are no contingent liabilities or pledges made regarding capital transfers in connection with any of the subsidiaries.

**NOTE 31 SHARE CAPITAL AND SHAREHOLDER INFORMATION****THE SHARE CAPITAL CONSISTS OF**

Amounts in NOK	Number of	Nominal value	Book
A-shares	99 009 179	0.05	4 950 459
<b>SHAREHOLDER</b>			
		Stake	No. of shares
OBOS BBL		18.25%	18 066 733
ØMF Holding AS		14.97%	14 818 859
Constructio AS		13.88%	13 741 782
National Insurance Scheme Fund		7.25%	7 174 956
ARTEL II AS		2.53%	2 508 267
LJM AS		2.44%	2 413 900
Landsforsøkringar Fastighetsfond		2.03%	2 014 154
Vito Kongsvinger AS		1.88%	1 861 676
Arne Skogheim AS		1.77%	1 753 870
Staavi, Bjørn		1.64%	1 620 000
<b>Ten largest shareholders</b>		<b>66.63%</b>	<b>65 974 197</b>
Total other shareholders		33.37%	33 034 982
<b>Total number of shares</b>		<b>100.0%</b>	<b>99 009 179</b>

The shares are not subject to any voting restrictions and are freely negotiable. Each share represents one vote.

All the shares issued are fully paid-up as at 31 December 2018.

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

Total number of shares as at 01/01/2018	97 961 000
New issues related to the acquisition of companies	189 723
New issue to employees related to the share purchase programme	858 456
<b>Total number of shares as at 31/12/18</b>	<b>99 009 179</b>

**SHARES AND OPTIONS OWNED BY THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES AS AT 31/12/18**

Board of Directors		Options	Treasury shares	Shares owned by related parties
Pål Egil Rønn	elected by shareholders, Board Chairman	-	207 225	-
Arne Baumann <sup>1)</sup>	elected by shareholders	-	-	18 066 733
Kristian Holth <sup>2)</sup>	elected by shareholders	-	-	14 763 291
Gunnar Bøyum	elected by shareholders, alternate member	-	-	-
Hege Bømark	elected by shareholders	-	-	-
Borghild Lunde <sup>3)</sup>	elected by shareholders	-	-	25 000
Kenneth Svendsen	elected by employees	10 339	90 370	-
Hilde W. Flaen	elected by employees	1 810	25 527	-
Arne Sveen	elected by employees	-	-	-
<b>Total</b>		<b>12 149</b>	<b>323 122</b>	<b>32 855 024</b>

<sup>1)</sup> Represents OBOS BBL, which owns 18,066,733 shares.

<sup>2)</sup> Represents Constructio AS and Flygind AS, which own 13,741,782 and 1,021,509 shares, respectively.

<sup>3)</sup> Close associate of Tonito AS, which owns 25,000 shares.

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

Corporate Management Team		Options	Shares
Morten Grongstad	CEO	35 922	219 193
Sverre Hærem	Executive Vice President/CFO	24 918	123 817
Arild Moe	Executive Vice President	24 152	254 416
Bård Frydenlund	Executive Vice President	21 970	133 249
Amund Tøftum	Executive Vice President	21 970	74 349
Henning Olsen	Executive Vice President	21 970	37 345
Eirik Wraal	Executive Vice President	21 970	28 138
Andreas Jul Røsjo	Executive Vice President	21 970	59 362
<b>Total</b>		<b>194 842</b>	<b>929 869</b>

The Board has the authority to acquire up to 10 per cent of the share capital. This authority is valid until the Annual General Meeting, which is scheduled for 15 May 2019. A new option programme for all employees of AF Gruppen ASA and subsidiaries was adopted at the Annual General Meeting held on 12 May 2017, which entails entitlement to subscribing for a total of 3 500 000 options during the years 2017, 2018 and 2019, with redemption in 2020. As at 31 December 2018, a total of 3 228 218 options have been allotted in this programme.

**TREASURY SHARES**

Treasury shares have been acquired with a view to sales to employees. Shares have not been bought from related parties in 2017 or 2018.

Share transactions	2018	2017
Number of shares acquired	273 623	394 291
Average acquisition cost per share (NOK)	129.7	139.5
<b>Total acquisition cost (NOK million)</b>	<b>35</b>	<b>55</b>
Number of shares sold to employees	198 724	307 412
Average selling price per share (NOK)	128.9	147.5
<b>Total sales consideration (NOK million)</b>	<b>26</b>	<b>45</b>
Number of treasury shares as at 31 December	220 000	145 101
Nominal value of treasury shares at NOK 0.05 each	11 000	7 255

**NOTE 32****REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES****REMUNERATION OF SENIOR EXECUTIVES**

The salaries of senior executives are made up of a fixed salary and a bonus based on the EVA (Economic Value Added) model. AF Gruppen uses EVA as a management and control tool and incentive systems based on the EVA model have been introduced for executives in large parts of the Group. EVA is an indicator for the creation of value, and the aim of the analysis is to ensure that every part of AF works to increase the creation of value.

Senior executives may invest 25 per cent of their net bonus after tax in shares in AF Gruppen ASA. The shares are sold at a 20 per cent discount based on the prevailing market price at the end of the year. The lock-in period for the shares is one year.

The CEO's salary is set at a Board Meeting every year. The Board of Directors establishes guidelines for the remuneration of executive personnel in consultation with the CEO. There are no agreements with the Corporate Management Team or Chairman of the Board regarding severance pay or early retirement if their employment is terminated or modified. The Corporate Management Team participates in the general retirement benefit scheme for AF Gruppen's employees as described in Note 18 – Retirement benefits.

No loans nor guarantees have been granted to the Board of Directors or Corporate Management Team.

**2018**

<i>Corporate Management Team (NOK 1000)</i>	Fixed pay	Bonus	Retirement benefits	Share-based compensation	Other benefits	Total
Morten Grongstad, CEO	3 859	4 502	67	255	35	8 717
Sverre Hærem, Executive Vice President/CFO	2 033	2 787	72	57	40	4 988
Bård Frydenlund, Executive Vice President	1 644	2 317	75	159	42	4 238
Eirik Wraal, Executive Vice President	1 620	2 145	71	154	27	4 017
Amund Tøftum, Executive Vice President	1 644	2 099	66	152	32	3 993
Arild Moe, Executive Vice President	1 899	2 596	70	57	33	4 654
Andreas Jul Røsjø, Executive Vice President	1 620	1 937	71	84	32	3 744
Henning Olsen, Executive Vice President	1 670	2 730	68	182	31	4 680
<b>Total remuneration to the Corporate Management Team</b>	<b>15 987</b>	<b>21 114</b>	<b>561</b>	<b>1 098</b>	<b>271</b>	<b>39 031</b>

For 2018, bonuses to the Corporate Management Team totalling NOK 34 million were recognised. Bonuses for the 2018 financial year will be paid in 2019 and 2020 (holiday pay on bonuses).

**2017**

<i>Corporate Management Team (NOK 1000)</i>	Fixed pay	Bonus	Retirement benefits	Share-based compensation <sup>1)</sup>	Other benefits	Total
Morten Grongstad, CEO	3 849	5 726	65	2 822	38	12 501
Sverre Hærem, Executive Vice President/CFO	2 014	3 000	70	2 555	36	7 675
Bård Frydenlund, Executive Vice President	1 608	2 827	73	1 665	40	6 213
Eirik Wraal, Executive Vice President	1 589	2 125	69	1 402	27	5 211
Amund Tøftum, Executive Vice President	1 609	2 265	65	1 218	30	5 186
Arild Moe, Executive Vice President	1 896	2 642	66	2 694	32	7 330
Andreas Jul Røsjø, Executive Vice President	1 601	2 288	69	2 359	29	6 345
Henning Olsen, Executive Vice President	1 609	2 594	65	1 050	40	5 357
<b>Total remuneration to the Corporate Management Team</b>	<b>15 773</b>	<b>23 467</b>	<b>540</b>	<b>15 765</b>	<b>273</b>	<b>55 818</b>

<sup>1)</sup> Share-based pay primarily concerns amounts reported in connection with the redemption of the three-year option programme that expired in 2017.

For 2017, bonuses to the Corporate Management Team totalling NOK 25 million were recognised. Bonuses for the 2017 financial year will be paid in 2018 and 2019 (holiday pay on bonuses).

**BONUS FOR THE PURCHASE OF SHARES**

<i>Number of shares/price</i>	2018	2017
Number of bonus shares sold from own holdings	57 180	86 300
Number of bonus shares from new issues	-	-
Market price at the time of the agreement (NOK)	133.50	154.50
Selling price (NOK)	106.80	123.60
Accounting consequences of bonus shares (NOK 1000):		
Indirect payroll costs (discount including payroll tax)	-1 685	-2 939

Shares owned by senior executives and subscribed options are described in Note 30 – Share capital and shareholders.



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

Amounts in NOK 1000	2018	2017
Pål Egil Rønn, Board Chairman <sup>1)</sup>	490	440
Kristian Holth, board member	285	279
Borghild Lunde, board member	285	279
Hege Bømark, board member	300	294
Daniel Kjørberg Siraj, Deputy Board Chairman <sup>2)</sup>	300	295
Gunnar Bøyum, alternate member <sup>3)</sup>	285	-
Peter Groth, alternate member <sup>4)</sup>	-	191
Pål Gjerp, employee-elected board member	195	190
Arne Sveen, employee-elected board member	195	190
Kenneth Svendsen, employee-elected board	195	190
<b>Total directors' fees</b>	<b>2 530</b>	<b>2 347</b>

Directors' fees are paid in the year after they are earned, i.e. the directors' fees that are paid in 2018 refer to 2016/2017.

<sup>1)</sup> In addition to the Board Chairman's remuneration of NOK 490 000 that was paid in 2018, AF Gruppen has an agreement with the Department of Civil and Environmental Engineering at NTNU stipulating that AF Gruppen is to cover the costs related to Pål Egil Rønn's employment as an adjunct professor at NTNU. The agreement concerns 15 per cent of a full-time position that is covered by NOK 250 000 per year, in addition to consulting hours beyond the fixed position for up to NOK 150 000 per year. The agreement will remain in effect for five years from August 2017. Costs of NOK 75 000 were incurred in connection with this agreement in 2017 and NOK 250 000 in 2018. In addition to this, AF Gruppen will refund the costs that Pål Egil Rønn has incurred for travel and subsistence in connection with his performance of this assignment. In addition to directors' fees, Rønn received salary of NOK 390 000 (holiday pay) and a bonus of NOK 3 414 000 in 2017, which is related to the period he was employed in 2016. In 2018, he has only received directors' fees and the reimbursement of expenses related to his professorship at NTNU from AF Gruppen

<sup>2)</sup> Daniel Kjørberg Siraj was the Deputy Board Chairman up until 9 May 2018.

<sup>3)</sup> Gunnar Bøyum has been an alternate board member as of 13 May 2017.

<sup>4)</sup> Peter Groth was an alternate board member up until 12 May 2017.

**GUIDELINES FOR 2018**

The Board will submit a statement to the General Meeting in accordance with section 6-16a of the Norwegian Public Limited Companies Act. The content of this statement is explained below in accordance with Section 7-31b, seventh paragraph of the Norwegian Accounting Act:

Guidelines regarding fixed pay and other remuneration for senior executives have been established. The Board of Directors establishes guidelines for the remuneration of executive personnel in consultation with the CEO. The CEO's fixed pay is set by the Board. Base pay is fixed in line with the market rates. Base pay is adjusted annually as at 1 July, based on an individual assessment. Senior executives receive payments in kind and participate in the Group's retirement benefit schemes on the same terms as other employees as described in the Group's Personnel Guide.

There are no termination payment schemes.

Bonuses for senior executives are based on the EVA (Economic Value Added) model. EVA is a method of calculating and analysing value creation in the Group and in economic units below group level. Bonuses based on the EVA model are linked to the Group's value creation during the financial year. If the performance requirements are met, the bonus payment should represent 5-8 months' pay. This is, however, not the absolute maximum limit. Of the total bonus earned, 25 per cent can be used to buy shares at a 20 per cent discount and the remainder is paid in cash.

Shares can be sold to senior executives, subject to the approval of the Board of Directors at a 20 per cent discount on the prevailing market price. Shares are offered to senior executives in the same way as to other employees.

The General Meeting adopted an option programme for all the employees of AF Gruppen on 12 May 2017. The maximum number of options that may be allocated is 3 500 000, and the programme entails annual allotments for the years 2017-19 and exercise of the options in March 2020.

The employees pay an option premium of NOK 1.00 per option. The exercise price in 2020 for the options subscribed for in 2017 and 2018 will be NOK 142,37 per share. A total of 3,325,000 options were subscribed for in June 2017 and 175,000 in June 2018. The total number of outstanding options, adjusted for employees who have left company, was 3,228,218 as at 31 December 2018. 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 2018 has been in accordance with the statement submitted to the General Meeting in 2018.

## NOTE 33 RELATED PARTIES

The Group's related parties consist of shareholders of AF Gruppen ASA, members of the Board of Directors and Corporate Management Team, as well as associated companies and joint ventures, cf. Note 27 – Associated companies and Note 28 Investments in joint ventures.

AF Gruppen made a new assessment of who its related parties were in 2017. In previous years, companies in which key persons in AF Gruppen have had a significant influence, such as OBOS BBL, have been included in the list. These companies are not related parties according to the definition and have therefore been removed from the note.

### TRANSACTIONS WITH RELATED PARTIES

<i>Amounts in NOK million</i>	2018	2017	2016
<b>CONTRACT TOTAL</b>			
Associated companies and joint ventures	4 505	4 175	2 943
<b>Total</b>	<b>4 505</b>	<b>4 175</b>	<b>2 943</b>
<b>TRADING VOLUME</b>			
Associated companies and joint ventures	1 180	1 040	756
<b>Total</b>	<b>1 180</b>	<b>1 040</b>	<b>756</b>
<b>PURCHASE OF GOODS AND SERVICES</b>			
Associated companies and joint ventures	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NON-INTEREST-BEARING RECEIVABLES AS AT 31 DECEMBER</b>			
Associated companies and joint ventures	103	97	82
<b>Total</b>	<b>103</b>	<b>97</b>	<b>82</b>
<b>INTEREST-BEARING RECEIVABLES AS AT 31 DECEMBER</b>			
Associated companies and joint ventures	200	161	106
<b>Total</b>	<b>200</b>	<b>161</b>	<b>106</b>

Members of the Board of Directors and the management of the Group and their related parties control 34.4 per cent (34.8 per cent) of the shares in AF Gruppen ASA at the end of the year. For information on remuneration of the Board of Directors and management, see Note 32 – Remuneration of senior executives and the Board of Directors. There are no agreements or transactions with related parties beyond this.

Guarantees issued to associated companies and joint ventures are disclosed in Note 34.

## NOTE 34 PLEDGED ASSETS AND GUARANTEES

### PLEDGED ASSETS

Amounts in NOK million	Note	2018	2017
Book value of liabilities secured by pledges, etc. <sup>1)</sup>	20	75	90
<b>BOOK VALUE OF SECURED ASSETS:</b>			
Buildings and production facilities		17	17
Machinery, fixtures and fittings		118	101
Trade and non-interest-bearing receivables		384	344
Other pledged assets		23	22
<b>Total book value of pledged assets</b>		<b>541</b>	<b>485</b>

<sup>1)</sup> NOK 67 (83) million of the liabilities related to leasing liabilities have machinery as collateral, cf. Note 20 – Net interest-bearing liabilities.

A negative letter of charge has been provided for trade receivables and inventories related to the Group's financial framework.

Through participation in general partnerships, the Group could be held liable for the inability of other participants to fulfil their obligations. Joint and several liability cannot be enforced until the company in question is unable to fulfil its obligations.

### GUARANTEES

Amounts in NOK million	2018	2017
Guarantees issued to clients <sup>1)</sup>	4 314	3 548
Guarantees issued to associated companies and joint ventures <sup>2)</sup>	289	280
<b>Total</b>	<b>4 603</b>	<b>3 828</b>

<sup>1)</sup> In connection with construction contracts entered into, the subsidiaries in AF Gruppen are subject to the usual contracting obligations and the associated guarantees. In this connection, AF Gruppen ASA has furnished guarantees to subsidiaries in the form of absolute guarantees to financial institutions. In addition, AF Gruppen ASA and AF Gruppen Norge AS have issued parent company guarantees, which primarily concern guarantees of this type. The guarantees issued to clients are related to contractual obligations and are primarily issued as tender guarantees, delivery guarantees and payment guarantees.

<sup>2)</sup> AF Gruppen Norge AS has in some cases issued guarantees as security for loans etc. in favour of development companies. This can typically be in connection with the fact that the development company has received financing from a bank and the owners have chosen to provide a guarantee for parts of such financing, based on a specific assessment. This concerns partial guarantees, in which AF Gruppen only guarantees for a portion of the amount corresponding to its ownership interest in the project in question. The guarantee cannot be enforced unless the development company is not able to fulfil its obligations.

In addition, as a part-owner in limited partnerships, AF Gruppen has undertaken to contribute partnership capital. As at 31 December 2018, committed, unpaid partnership capital totalled NOK 70 (71) million.

**NOTE 35** CONTINGENCIES

The performance of building and civil engineering assignments occasionally leads to disputes between the contractor and client regarding how to understand the underlying contract. AF Gruppen prefers to resolve such disputes through negotiation outside the courts. In spite of this, some cases are resolved through arbitration or the courts. Disputed claims against customers and claims against AF from subcontractors are assessed on an ongoing basis to ensure that the financial account reporting is as correct as possible. Provisions and revenue recognitions for uncertainty related to contingent outcomes are made in the projects.

**AT THE END OF 2018, AF GRUPPEN WAS INVOLVED IN THE FOLLOWING SIGNIFICANT LAWSUITS:**

AF Anlegg has filed suit against the Norwegian State represented by the Ministry of Transport and Communications concerning the final settlement for the construction of the Dregebø-Grytås and Birkeland-Sande sections of the new E39 in the Municipality of Gaular. It is expected that the case will be scheduled for a hearing in May 2019.

**NOTE 36** EVENTS AFTER THE BALANCE SHEET DATE

AF Gruppen Sverige AB, a subsidiary of AF Gruppen, acquired 70 per cent of the shares in HMB Holding AB (HMB) on 2 January 2019. Information on the acquisition is given in note 5 - Acquisition and sale of businesses. No events

beyond this have taken place after the date of the balance sheet that are of significance to the published annual financial statements.

**NOTE 37****SIGNIFICANT ACCOUNTING ASSESSMENTS, ESTIMATES AND ASSUMPTIONS**

In the preparation of the annual financial statements, the management has used estimates and assumptions that have affected the valuation of assets and liabilities, recognition of revenues and expenses, and information on potential liabilities for accounting purposes. The estimates and underlying assumptions are assessed continuously based on historical experience and other factors, including expectations of future events that are assessed to be reasonable under the current circumstances. The estimates used in the accounts are based on uniform policies.

Changes in accounting estimates are recognised in the period in which they occur. If the changes also apply to future periods, the effect of the changes will be distributed between the present and future periods.

**Production contracts recognised over time**

AF Gruppen's activities consist primarily of carrying out projects with revenue recognition over time. Revenue recognition over time is based on estimates and assessments made based on the management's best estimate. For detailed information on the revenue recognition principles, see Note 38 Significant accounting policies under the section on revenue recognition principles.

The estimates with the greatest impact on revenue recognition are linked to an assessment of the final prognosis, progress, variable compensation, and any disputes or disagreements with clients, etc. The scope and complexity of the assessments entail that the actual contribution margins at the end of projects may deviate from the assessments made at year end. Revenue is recognised to the extent that the management assesses that it is highly unlikely that a reversal of the accumulated revenue will take place.

The contribution ratio of the projects is assessed for each accounting period in accordance with a conservative best estimate based on the management's judgement and experience. The Group's policy is to take a lower share of the expected profit early in the project when the level of uncertainty is the highest, and a correspondingly greater share of the expected profit towards the end of the project. The purpose of this is to avoid the reversal of profit recognised earlier. The assessment of the contribution ratio will affect the recognition of revenue and costs for the period.

The progress is assessed based on the input or output method, depending on the contracts. The progress is an estimate, and it will affect the accrual of revenue and costs for projects that are recognised over time.

Variable compensation is an estimate that is included in the expected transaction price, and it is common in production contracts. The Group's policy is to recognise variable compensation in the transaction price in accordance with a conservative best estimate when it is reasonably certain that it will not be reversed. The assessment of variable compensation affects the assessment of progress and the estimated contribution ratio for the projects.

Disputes and disagreements with the other contracting party are recognised in accordance with a conservative best estimate in the consolidated financial statements.

The estimates and assumptions related to recognition will affect identified contractual receivables in the projects, i.e. the amount to which the Group believes that it has an unconditional right due to the goods or services delivered. Contractual receivables are calculated as invoiced trade receivables less provisions for losses and invoiced revenue not yet considered to be earned. The assessment of progress and the assessment of the outcome of disputes and disagreements will be of the greatest importance to the contractual receivables.

As a consequence of the estimates concerning revenue recognition, the projects will have, in addition to a possible contractual receivable, outstanding contractual assets or liabilities with the customer, depending on whether performance of the service or payment has taken place first. The estimates that will have the greatest consequences for the size of the asset or liability will be the assessment of the progress and contribution ratio for the projects.

**Lines in the accounts with significant estimates related to projects**

	Note reference	Recognised value of project-related items (NOK million)	
		2018	2017
Revenue from production contracts and the performance of services	6	18 472	13 539
Current receivables and current liabilities	10, 16	Contractual asset: 390 Contractual receivable: -1 539 Contractual obligation: -884	468 -1 439 -464
Provisions	15	-542	-365

**Goodwill**

There exists uncertainty regarding the assessment of goodwill, since the value of the assets is based on earning principles from the allocation of the purchase value, cf. Note 4 – Acquisition and sale of businesses. Goodwill is not amortised, but is tested at least once a year for possible impairment. Concerning the tests performed and the assumptions for these, reference is made to Note 13 – Intangible assets.

**Lines in the accounts with significant estimates related to goodwill**

	Note reference	Recognised value of goodwill (NOK million)	
		2017	2016
Intangible assets	4,13	2 182	2 023

## NOTE 38 SIGNIFICANT ACCOUNTING POLICIES

### CONSOLIDATION POLICIES

#### Subsidiaries

The consolidated financial statements encompass the financial statements of AF Gruppen ASA (the parent company) and the associated subsidiaries. Subsidiaries are any entities in which the Group has a controlling influence. A controlling influence over an entity arises when the Group is exposed to a variable return from the unit and is able to influence this return through its power over the entity. Normally a controlling influence is achieved when the Group owns more than 50 per cent of the shares in the company. Subsidiaries are consolidated from the day control arises until such control may cease to exist.

Figures reported by the subsidiaries are restated if necessary to achieve compliance with the Group's accounting policies.

#### Business combinations

Business combinations are recognised in accordance with the acquisition method of accounting. The consideration provided is measured at the fair value of the assets transferred, liabilities assumed and equity instruments issued. Any contingent consideration elements are included in the consideration at fair value on the acquisition date. Contingent consideration that is not settled in equity instruments is a liability that is measured at fair value with value changes through profit or loss.

Expenses related to acquisitions are recognised as they are incurred.

When companies are acquired, a concrete assessment is made to establish whether the acquisition really concerns the business itself or assets. For the acquisition of assets, the entire purchase price, including any liabilities acquired, will be allocated to the acquired assets on a pro rata basis in relation to the fair value. This means that no provision is made for deferred tax for such acquisitions.

For the acquisition of a business, the identifiable assets and liabilities, including the identified excess values, are recognised on the balance sheet at fair value on the acquisition date. If the sum of the consideration exceeds the fair value of the net identified assets and liabilities in the acquired company on the acquisition date, the difference will be recognised on the balance sheet as goodwill. Goodwill is allocated to the cash-generating units or groups of cash-generating units. Goodwill is not amortised, but is tested at least once a year for impairment. The fair value of goodwill is assessed more often than once a year if there are events or changes in circumstances that indicate a possible impairment in value.

If the fair value of the net assets in a business combination exceed the consideration (negative goodwill) the difference will be immediately recognised as income on the acquisition date.

Provision is made for deferred tax on the difference between fair value and book value for all assets and liabilities in a business combination with the exception of goodwill.

#### Business combinations by step-by-step acquisitions

For step-by-step acquisitions, the earlier equity interest in the acquired company should be remeasured at fair value on the acquisition date when AF Gruppen acquired a controlling influence over the company. Any gains or losses are recognised in the income statement. The gain or loss is calculated as the difference between the fair value of the earlier asset on the acquisition date and the carrying amount adjusted for the cumulative amount recognised in the consolidated equity through other comprehensive income that is to be reclassified to profit or loss on disposal.

#### Change in ownership interests with loss of control

When the Group no longer has a controlling influence, any remaining equity

interest is measured at fair value with the recognition of gains/losses through profit or loss. In subsequent accounting, the fair value at the time of the loss of control constitutes the acquisition cost, either as an investment in an associate, joint venture or financial asset. Amounts previously recorded in statement of other comprehensive income related to this company are treated as if the Group had disposed of the underlying assets or liabilities. This may entail that amounts previously recognised in the statement of other comprehensive income are reclassified to the income statement.

#### Minority interest and change in ownership interests without a change in control

Minority interests include the non-controlling owners' share of the carrying amount of subsidiaries, including the share of identified excess value on the acquisition date. No minority interest is calculated on the basis of goodwill. The minority interest may be negative if the share of assets and liabilities is negative.

Transactions with minority interests in subsidiaries are treated as equity capital transactions. For the purchase of shares from minority interests, the difference between any consideration paid and the shares' proportionate share of the carrying amount of the net assets in the subsidiary is recognised in the equity of the parent company's owners. Gains or losses from sales to minority owners are recognised correspondingly in equity.

#### Joint arrangements and associated companies

Joint arrangements are arrangements whereby two or more parties have joint control of the arrangement through a contractual agreement. Joint arrangements are classified as joint operations or joint ventures. In a joint operation, the parties have joint control rights to the assets and are responsible for the liabilities in the arrangement. In a joint venture, the parties have joint control rights to the net assets in the joint arrangement.

A key element in the assessment of whether a joint arrangement is a joint operation or a joint venture is whether the arrangement has been organised as a separate entity. If there is no separate entity, then the arrangement is classified as a joint operation. Otherwise, the legal status, terms and conditions in the contractual agreement and other factors and circumstances are assessed to determine whether the arrangement is a joint venture or joint operation. AF Gruppen's joint arrangements are assessed to be joint ventures.

Associated companies are business units in which the Group has a significant, but not a controlling influence over the financial and operational management. Normally this occurs when there is an ownership stake ranging from 20 to 50 per cent.

Joint ventures and associated companies are recognised at the acquisition cost on the acquisition date. In addition, the units are incorporated in accordance with the equity method of accounting. The carrying amounts include any excess value and goodwill identified on the acquisition date, less subsequent depreciation, amortisation and impairment losses.

The Group's share of the profit or loss in joint ventures and associated companies is recognised in the income statement and added to the carrying amount of the investments. This applies from the date significant influence is achieved until such influence ceases. When the Group's share of losses exceeds the investment in a joint venture or associated company, the Group's book value is reduced to zero. Further losses are not recognised unless the Group is obligated to cover the loss.

#### Elimination of transactions and balances with group companies

Intercompany transactions and accounts, including internal profit and unrealised gains and losses, are eliminated. Unrealised gains linked to transactions with associated companies and joint ventures are eliminated in proportion to the Group's stake in the company/business. Unrealised losses

**NOTE 38****SIGNIFICANT ACCOUNTING POLICIES CONT.**

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.

**Projects for third-party accounts**

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, so-called projects for third-party accounts. The characteristic feature of such contracts is that they are client financed. Projects for third-party accounts 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 common performance obligation.

Projects for third-party accounts 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 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 at the reporting date in proportion to the estimated total costs in the delivery obligation. This percentage of completion method is used for onshore and offshore demolition projects as well as civil engineering and building projects in Sweden. An output-based calculation of the degree of completion is calculated on the basis of completed production, i.e. on completed invoiceable deliveries at the reporting date in proportion to the agreed production in the performance obligation. This percentage of completion method is used for civil engineering

and building projects in Norway. Regardless of the method for calculation of the completion rate, an overall assessment is made of the reasonableness of the completion rate against known factors to ensure that this would not be significantly different had another method been used. The methods that are used are considered to provide the best estimate for completion of the projects based on the observable factors that are available to the project at the time of reporting.

The transaction price used for the 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 consideration 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 consideration 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 consideration estimates. Which method is used is dependent on whether the future risk lies on the revenue or cost side.

When the outcome of the project cannot be estimated reliably, only revenue equivalent to the incurred project costs will be recognised. If a loss-making project is identified, the contract will be valued in accordance with IAS 37, and a provision for losses will be made in the current period corresponding to the best estimate of the unavoidable expenses that will be incurred to settle the contractual obligation. Unavoidable expenses include costs that are directly related to the project, as well as indirect costs that are allocated to the project.

The recognition of revenue from disputed claims, claims for additional work, change orders, incentive bonuses, etc., starts when it has been recognised that AF Gruppen's rights to the consideration are legally enforceable. In most cases, additional work and change orders are not separate 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 projects for third-party accounts is not a separate performance obligation.

Tender costs are included in the completion rate for the delivery obligations if it has been assessed that the work that has been performed will contribute to fulfilling the delivery obligation. Inefficiency costs, i.e. costs that were not taken into account in the pricing of the delivery obligation, are recognised when they arise and are not included in the completion rate for the delivery obligation. Materials that have not been installed are not included in the project's percentage of completion until the materials have been installed and regarded as having been handed over to the customer.

**NOTE 38****SIGNIFICANT ACCOUNTING POLICIES CONT.****Projects for own account**

Projects for own account largely involve the development and construction of apartment buildings for sale. An apartment building consists of many units, and the majority of the units are sold before a project starts. Each apartment is regarded as a separate 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 delivery obligation for each contract. The expected compensation is recognised over time, since the customer receives and consumes the benefits of the enterprise's performances gradually as the delivery obligation is fulfilled. Progress in contracts of this type are measured based on an input-based method. This is considered a good estimate of the transfer of the service to the customer, since the input factors in the projects are measurable, and accrue evenly in relation to the handover of the performance obligation.

The transaction price is assessed in the same manner as for projects for third-party accounts. Demolition contracts often include non-cash compensation in the form of AF assuming ownership and responsibility for the processing of the demolished structures. The value of non-cash compensation is assessed using a best estimate, and it is included in the expected transaction price.

**Sale of plant and equipment and other goods**

Gains/losses on the disposal of plant and equipment are recognised in the income statement when delivery has been made. Revenue from the sale of goods is also recognised correspondingly when the goods have been handed over to the customer.

**Financial income**

Interest is recognised as income in accordance with the effective interest method.

Dividends are recognised as revenue when the shareholders' right to receive a dividend has been established by the General Meeting.

**Order backlog**

The remaining transaction price for uncompleted delivery obligations is defined as the order backlog. Information on the order backlog is stated in the segment note, broken down by the order backlog for the following year and the order backlog for subsequent years.

**OTHER ACCOUNTING POLICIES****Classification of receivables and liabilities**

Contractual assets, contractual receivables and contractual obligations related to building, civil engineering and demolition activities are classified under current assets and current liabilities in the balance sheet.

A contractual receivable represents AF Gruppen's unconditional right to compensation from a customer. Compensation is unconditional if payment

is only dependent on time before it takes place. A contractual receivable will be the sum of the trade receivables (invoiced amount) and the "unearned, invoiced" amount that reduces the trade receivables. This amount represents AF's assessment of our unconditional right to compensation for goods and services that have been performed on behalf of the customer.

A contractual asset represents AF Gruppen's unconditional right to compensation from a customer. Contractual assets will consist of "earned, not yet invoiced" and "credit balances". "Earned revenue, not yet invoiced" represents the estimated production carried out on behalf of a customer beyond what has been invoiced or paid, and will become an unconditional right to payment (a contractual receivable) upon the fulfilment of milestones in accordance with the agreed payment plan. The "credit balances" in accordance with Norwegian Standard contracts represent security for the client during the construction period, and they are a percentage of the ongoing invoices that is retained until the project has been handed over and the final invoice issued.

A contractual obligation is an obligation to transfer goods or services to a customer when the compensation has already been received. "Prepayments from customers" represent such compensation received. This is a contractual obligation and is presented as current liabilities on the balance sheet.

A contractual asset or contractual obligation to the same customer will be presented on a net basis, unless there are circumstances that do not permit offsetting.

Any difference between the costs incurred in the project and the accumulated project expenses 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



## NOTE 38 SIGNIFICANT ACCOUNTING POLICIES CONT.

companies operate that applies to the calculation of the tax payable and deferred tax.

Deferred tax is recognised for the temporary differences between the financial and tax values of assets and liabilities. One exception is the temporary differences that arise. These are not recognised on the balance sheet.

Deferred tax assets are recognised on the balance sheet if it is probable that future taxable income will offset the tax-reducing temporary differences.

Deferred tax assets and deferred tax are offset if there is income tax imposed by the same tax authority and there is a legally enforceable right to offset these. It is a prerequisite for offsetting between different taxable enterprises that the Group has the opportunity and intent to settle the liabilities and assets on a net basis.

Uncertain tax liabilities, or disputed tax positions, will be recognised using a best estimate. The last judgment handed down or assessment decision is regarded as the best estimate.

### Property, plant and equipment

Property, plant and equipment are measured at cost minus accumulated depreciation and impairment losses. When assets are sold or retired, the book value is deducted and any loss or gain recognised in the income statement. The acquisition cost includes all expenses that are directly attributable to the purchase or production of the asset. In the case of plant and equipment manufactured in house, a proportion of other attributable costs and loan expenses are also included in the acquisition cost.

Property, plant and equipment are recognised on the balance sheet if it is probable that the expected future financial benefits attributable to the asset will pass to the company and the asset's acquisition cost can be measured reliably. Subsequent expenses for remodelling or the replacement of parts will be recognised on the balance sheet if corresponding criteria have been satisfied. The remaining value recognised on the balance sheet relating to replaced parts is recognised in the income statement. Costs for service, repair and maintenance are recognised on a current basis.

Every significant component of property, plant and equipment is depreciated over its estimated useful life. Production-related machinery is mainly depreciated using the reducing balance method, while other property, plant and equipment are depreciated on a straight-line basis.

Leased plant and equipment that are not expected to be acquired at the end of the term of the lease will be depreciated over the shorter of the term of the lease or the useful life. Leased plant and equipment that are expected to be acquired at the end of the term of the lease will be depreciated over the expected life.

The depreciation period and depreciation method are evaluated annually and the retirement value is estimated at year end. Changes are recognised as a change of estimate.

### Intangible assets

#### Goodwill

Goodwill is recognised on the balance sheet at the acquisition cost less write-downs. Goodwill is not amortised, but is tested at least once a year for impairment. Any write-down of goodwill will not be reversed even if the grounds for the impairment no longer exist.

Goodwill is allocated to the cash-generating units or groups of cash-generating units that are acquired or are expected to gain synergies from the acquisition.

#### Patents and licences

Amounts paid for patents and licences are recognised on the balance sheet and amortised on a straight-line basis over their expected useful life. Their expected useful life for patents and licences varies from 5 to 10 years.

#### Software

Expenses related to the purchase of new software are recognised on the balance sheet as intangible assets if these expenses are not part of the acquisition cost for hardware. Software is normally amortised on a straight-line basis over 3 years. Expenses incurred to maintain or keep up the future benefit of software are recognised as an expense unless the changes to the software increase the future economic benefit of the software.

#### Contractual customer relationships

Contractual customer relationships that are acquired separately are recognised on the balance sheet at fair value on the acquisition date. Contractual customer relationships that are acquired in business combinations are recognised on the balance sheet at fair value on the acquisition date. Contractual customer relationships have a limited useful life and are recognised at the acquisition cost less the accumulated amortisation. Amortisation is carried out on a straight-line basis over the expected life of the customer relationship.

#### Quarrying rights

Quarrying rights are recognised on the balance sheet at fair value (cost) on the acquisition date. Quarrying rights acquired in business combinations are recognised on the balance sheet at fair value on the acquisition date. The quarrying rights (which have a limited useful life) are recognised at the acquisition cost less the accumulated amortisation. Amortisation is carried out on a straight-line basis over the expected life of the quarrying rights.

#### Impairment in the value of non-financial assets

Intangible assets with an indefinite useful life and goodwill are not amortised, but tested for impairment annually. Property, plant and equipment and intangible assets that are amortised are assessed for impairment in value when there are indicators that the future earnings cannot justify the book value of the asset.

The difference between the book value and recoverable amount is recognised in the income statement as an impairment loss. The recoverable amount is the higher of the fair value less selling costs or the utility value. When impairment is assessed, the intangible assets are grouped together at the lowest level it is possible to identify independent cash flows (cash-generating units).

The possibility of reversing previous impairment losses on property, plant and equipment and intangible assets that are amortised is evaluated on each reporting date.

#### Leasing

To determine whether an agreement is a lease, or contains a lease element, the substance of the agreement is assessed on the earlier of the date of the agreement or the date when the parties commit themselves to the main terms of the agreement. If performance of the agreement requires the use of a specific asset or group of assets and transfers the right to control the use of the underlying asset to the buyer, the agreement is treated as a lease agreement.

Lease arrangements in which the Group acquires most of the risk and return and are associated with ownership of the assets are financial leases. Other leases are treated as operating leases.

#### Financial leases

AF Gruppen presents financial leases in the financial statements as assets and liabilities. At the beginning of the term of the lease, financial leases are

## NOTE 38 SIGNIFICANT ACCOUNTING POLICIES CONT.

included at an amount equivalent to fair value or the present value of the minimum payment, whichever is lower. The implicit interest cost is used to calculate the present value of the lease. Direct costs involved in arranging the lease are added to the cost of the asset.

Plants and equipment that are leased are depreciated over the term of the lease or useful life, whichever is shorter, unless it is reasonably certain that the Group will acquire the asset when the lease expires. The annual payment consists of an interest portion, which is recognised in the income statement as an interest expense, and a repayment portion, which reduces the liability. Sale-leaseback gains are recognised immediately if a sales transaction is carried out at fair value. Gains/losses resulting from overpricing or underpricing compensated by future lease payments are amortised over the term of the lease.

### **Operating leases**

Lease payments are classified as operating expenses and recognised in the income statement over the term of the contract. Sale-leaseback gains are recognised immediately if a sales transaction is carried out at fair value. If the sales transaction has not been carried out at fair value, the gain/loss will be recognised at fair value and the overprice or underprice that is compensated through future lease payments will be amortised over the term of the lease.

### **Financial instruments**

#### **Financial assets**

Financial assets are classified in the following categories: fair value with value changes through profit or loss, fair value with value changes through other comprehensive income (OCI) and amortised cost. The measurement category is determined by the initial recognition of the asset. For financial assets, a distinction is made between debt instruments and equity instruments. The classification of financial assets is determined based on the contractual conditions for the financial assets and which business model is used for management of the portfolio to which the assets belong.

#### **Financial assets that are debt instruments**

Debt instruments with contractual cash flows that are exclusively payment of interest and principal on given dates, and are held in a business model for the purpose of receiving contractual cash flows, shall in principle be measured at amortised cost. Corresponding instruments, for which the purpose is to both receive contractual cash flows and cash flows from sales, shall in principle be measured at fair value with value changes through other comprehensive income (OCI) but with interest income, foreign exchange effects and any write-downs recognised in the ordinary income statement. Value changes recognised through OCI shall be reclassified to the income statement upon sale or other disposal of the assets. Other debt instruments shall be measured at fair value with changes in value through profit or loss.

#### **Derivatives**

Financial derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative. All derivatives are measured at fair value, normally with changes in value through profit or loss. The change in the fair value of forward foreign exchange contracts and commodity derivatives is recognised in the operating profit, but the change in the fair value of interest rate swaps is recognised in the income statement under financial items. The change in the value of derivatives that are designated as hedging instruments and satisfy the documentation requirements in IFRS 9 are recognised in accordance with the principles of hedge accounting. For cash flow hedging, changes in the fair value of derivatives are recognised in other comprehensive income (OCI). The entries are reversed and recognised as income or an expense during the period the hedged transaction is recognised in the income statement. Interest rate derivatives and forward currency and commodity contracts that mature within 12 months are presented as short-term derivatives, and contracts that mature in more than 12 months are classified as long-term derivatives.

#### **Investments in equity instruments**

Investments in equity instruments are measured at fair value in the balance sheet. Changes in value are recognised as a result in the ordinary income statement, but an equity instrument that is not held for trading purposes and is not contingent consideration after a business transfer, can be earmarked as measured at fair value with changes in value through other comprehensive income (OCI). Ordinary dividends are recognised in the income statement. Accumulated changes in value are not reclassified to profit or loss on disposal.

#### **Financial liabilities**

Financial liabilities, such as interest-bearing debt are measured at amortised cost, with the exception of financial liabilities that are measured at fair value through profit or loss due to the fact that they are held for trading purposes, and financial liabilities that are earmarked for measurement at fair value through profit or loss.

#### **Receivables**

Short-term and long-receivables are assessed at their amortised cost by means of the effective interest rate method. Due to the short term to maturity for trade receivables and other receivables, the receivables will in practice be recognised at their nominal value less expected losses.

#### **Segment reporting**

The operating segments are reported in the same manner as the internal reporting to the Company's highest decision-maker. The Group's highest decision-maker is defined as the Corporate Management Team. They are responsible for the allocation of resources to and the assessment of earnings in the operating segments.

#### **Inventories**

Inventories are recognised on the balance sheet at cost or net selling price, whichever is the lower. Inventories mainly consist of spare parts, equipment, and materials for use in production. Cost is recognised using the FIFO method and includes expenses incurred in acquiring the goods and the cost of bringing them to their present state and location.

#### **Projects for own account**

Inventories of projects for own account are classified as current assets on the balance sheet. Projects for own account include inventories of sites for development.

#### **Shareholders' equity**

##### **Treasury shares**

When treasury shares are bought back, the purchase price, including costs that can be directed attributable as a deduction from equity, is recognised. Treasury shares are presented as a reduction in equity.

#### **Translation differences**

Translation differences arise in connection with exchange differences in the consolidation of foreign units. Units with a functional currency other than NOK are consolidated step by step. This means that translation differences are identified at various levels in accordance with the corporate structure and reclassified to the income statement upon disposal of a subsidiary when the directly overlying parent company has another functional currency.

#### **Dividend**

Dividends are recognised as a liability when they are adopted by the General Meeting. This means that proposed dividends that are not yet adopted are included in equity.

#### **Employee benefits**

##### **Defined-benefit plans**

The Group has defined-benefit plans in the Norwegian companies for

**NOTE 38****SIGNIFICANT ACCOUNTING POLICIES CONT.**

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 two defined-benefit multi-company schemes. Due to the structure of the plans, there is no basis for calculating plan surpluses or deficits or the impact on future premiums. The schemes have therefore been recognised as defined-contribution plans.

The net retirement benefit expense for the period is included under payroll costs.

**Defined-contribution pension plans**

The Group has a defined-contribution pension plan for all the employees in Norway that are not encompassed by the defined-benefit plan. The pension premium is recognised as an expense when it incurs, and the Group has no obligations over and above this.

**Share-based compensation**

AF Gruppen offers employees discounted shares with a lock-in period of one year, either from the sale of treasury shares or by a private offering. The sale of shares is recognised in accordance with the requirements for share-based remuneration.

Discounts on the sale of treasury shares to employees are recognised as expenses at fair value on the allotment date. The value of the discounts is calculated using an option pricing model that takes the vesting period into account.

AF Gruppen also offers share options to employees: through a three-year option programme. Options are measured at fair value at the time of allotment. The calculated value of the estimated share of the options that are expected to be redeemed is recognised as a payroll cost, and the cross entry is made under other paid-in equity. The cost is distributed over the period until the employee acquires an unconditional right to redeem the options. The estimated number of options that are expected to be redeemed is reassessed on every balance sheet date. Any changes reduce the future cost by a corresponding adjustment of the equity.

Payroll tax on the wage benefits relating to outstanding options are recognised in the income statement using a best estimate for the liability.

Each option gives entitlement to purchase one share at a predetermined price. The Company does not have an agreed right to settle the value of the options issued in cash.

**Provisions**

A provision is recognised when the Group has an obligation (legal or self-imposed) as a consequence of an earlier event and it is probable (more probable than not) that an economic settlement will be made as a consequence of

this obligation that can be measured reliably. If the impact is significant, the provisions are calculated by discounting the estimated future cash flows by a discount rate before tax that reflects the market's pricing of the current value of money and, where relevant, risks specifically linked to the liability.

Restructuring provisions are included when the Group has approved a detailed and formal restructuring plan, and the restructuring has either started or been announced.

Provisions for guarantees are recognised when the underlying projects and services are sold. Provisions are based on historical information on guarantees and a weighting of possible outcomes against the probability of their occurrence.

Provisions for loss-making contracts are recognised when the Group's expected revenue from a contract is less than the unavoidable costs incurred in order to fulfil the obligations under the contract.

In connection with the completion of business combinations, sales options may be agreed on for all or parts of the sellers' remaining interests in the acquired company. The sales price of the shares at the time of the redemption of the shares is in such cases dependent on the acquired company's future performance. The estimated fair value of the sales options issued will be discounted and recognised on the balance sheet as a liability at the time of the business combination with a cross entry in the equity of the majority interests. Subsequent changes in the fair value of the liability are recognised through profit or loss. Changes in the liability as a consequence of the options not being redeemed is recognised directly through equity.

**Borrowing expenses**

Loan expenses are recognised on the balance sheet to the extent that they are directly attributable to the production of an asset that it takes a substantial amount of time to prepare for use or sale. AF Gruppen recognises loan expenses that accrue during the production of projects for own account (residential units) and plant and equipment for own use on the balance sheet. Recognition on the balance sheet ceases upon completion of the assets.

**Cash and cash equivalents**

Cash and cash equivalents are the Group's bank deposits, and they include liquid and restricted funds. Bank overdrafts are included in loans under current liabilities on the balance sheet.

**Cash flow statement**

The cash flow statement explains the change in cash and cash equivalents for the period. The definition of cash and cash equivalents in the cash flow statement corresponds to the definition in the balance sheet. The cash flow statement has been prepared in accordance with the indirect method and shows cash flows from operating, investing and financing activities, respectively.

**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 Group'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

---

## 174 ANNUAL ACCOUNTS AF GRUPPEN ASA

---

175 Income statement

---

176 Statement of financial position as at 31 december

---

177 Cash flow statement

---

## 178 NOTES

---

178 **Note 1** Accounting policies

---

178 **Note 2** Remuneration of the CEO and board of directors

---

179 **Note 3** Other operating expenses

---

179 **Note 4** Net financial items

---

180 **Note 5** Income tax expense and deferred tax/ tax asset

---

180 **Note 6** Investments in subsidiaries

---

181 **Note 7** Intercompany balances and transactions with group companies

---

181 **Note 8** Long-term liability

---

182 **Note 9** Share capital and shareholder information

---

184 **Note 10** Equity

---

184 **Note 11** Guarantees

---

185 Responsibility statement from members of the board and CEO

---

186 Auditor's report

---

## INCOME STATEMENT

<i>Amounts in NOK million</i>	Note	2018	2017
Dividend received and group contributions		984	481
<b>Total operating and other revenue</b>		<b>984</b>	<b>481</b>
Other operating expenses	3	-18	-15
<b>Earnings before interest and tax (EBIT)</b>		<b>965</b>	<b>465</b>
Net financial items	4	4	6
<b>Earnings before tax (EBT)</b>		<b>969</b>	<b>472</b>
Income tax expense	5	-1	2
<b>Profit for the year</b>		<b>968</b>	<b>474</b>

### TOTAL COMPREHENSIVE INCOME

<i>Amounts in NOK million</i>	2018	2017
Profit for the year	968	474
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>968</b>	<b>474</b>

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

Amounts in NOK million	Note	2018	2017
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Deferred tax assets	5	1	2
Investments in subsidiaries	6	1 231	1 231
<b>Total non-current assets</b>		<b>1 232</b>	<b>1 233</b>
<b>CURRENT ASSETS</b>			
Other non-interest-bearing receivables from group companies	7	1 009	555
Other non-interest-bearing receivables		131	-
<b>Total current assets</b>		<b>1 141</b>	<b>555</b>
<b>Total assets</b>		<b>2 373</b>	<b>1 788</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9,10	5	5
Treasury shares	10	-	-
Premium	10	116	4
Other paid-in equity	10	48	48
<b>Total paid-in capital</b>		<b>169</b>	<b>57</b>
Other equity	10	413	299
<b>Total retained earnings</b>		<b>413</b>	<b>299</b>
<b>Total equity</b>		<b>582</b>	<b>356</b>
<b>LONG-TERM LIABILITIES</b>			
Option premium paid	8	3	3
<b>Total long-term liabilities</b>		<b>3</b>	<b>3</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing debt to group companies	7	1 154	862
Taxes and public charges payable		-	68
Other debt to group companies	7	133	7
Proposed dividend	10	498	490
Other short-term debt and provisions		2	2
<b>Total current liabilities</b>		<b>1 787</b>	<b>1 429</b>
<b>Total equity and liabilities</b>		<b>2 373</b>	<b>1 788</b>

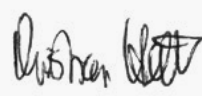
OSLO, 28 MARCH 2019


Pål Egil Rønn  
Board Chairman


Hege Bømark



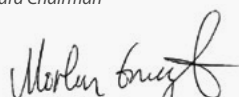
Borghild Lunde



Kristian Holth




Arne Baumann

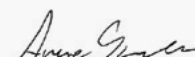


Morten Grongstad

CEO



Kenneth Svendsen



Arne Sveen



Hilde Wikesland Flaen

## CASH FLOW STATEMENT

Amounts in NOK million

	Note	2018	2017
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before tax		969	472
Inntektsført utbytte og konsernbidrag		-984	-481
Change in trade receivables and payables		-131	-3
Change in balances with group companies		467	488
Change in accruals		-68	-28
<b>Net cash flow from operating activities</b>		<b>254</b>	<b>448</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
Payments for acquisition of subsidiaries		-	-
Dividends received and group contributions		481	669
Payments for capital increases in subsidiaries		-	-650
<b>Net cash flow from investment activities</b>		<b>480</b>	<b>19</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from capital increases	10	129	371
Proceeds from the sale of treasury shares	10	8	45
Purchase of treasury shares	10	-35	-55
Payment of dividends	10	-836	-829
<b>Net cash flow from financing activities</b>		<b>-734</b>	<b>-467</b>
Net change in cash and cash equivalents during the year		-	-
Cash and cash equivalents as at 1 January		-	-
<b>Cash and cash equivalents as at 31 December</b>		<b>-</b>	<b>-</b>

## NOTE 1 ACCOUNTING POLICIES

### GENERAL

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

AF Gruppen ASA is a holding company without any activities other than investing in other companies.

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the simplified IFRS provisions for company accounts laid down in Section 3-9, fifth paragraph of special regulations pursuant to the Norwegian Accounting Act. (Regulations relating to the application of international accounting standards, Chapter 4, laid down by the Ministry of Finance on 21 January 2008).

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The consolidated financial statements are available at the registered business office of AF Gruppen ASA, Helsefyr Atrium, Oslo.

For information on related parties, sale/acquisition of business areas, earnings per share and events after the balance sheet date, reference is made to the relevant notes in the consolidated financial statements.

The financial statements for the Parent Company, AF Gruppen ASA, were approved for publication by the Board of Directors on 28 March 2019.

The accounting policies described for the Group are consistent with those used for the Parent Company financial statements. Reference is made to Note 38 in the consolidated financial statements for a detailed description of the accounting policies applied.

Accounting policies that are only relevant to the Parent Company or deviate from the consolidated financial statements are as follows:

### SHARES IN SUBSIDIARIES

Subsidiaries are valued in accordance with the cost method in the company's accounts. Investments are valued at historical cost unless a write-down of the shares has been necessary. Shares in subsidiaries are tested for impairment when there are factors indicating that such a test shall be made. If the recoverable amount is lower than the carrying amount, the shares will be written down to the recoverable amount. Write-downs are reversed when the basis for the write-downs no longer exists.

### DIVIDENDS AND GROUP CONTRIBUTIONS

Entities that are required to keep accounts and prepare company accounts in accordance with the regulations pursuant to Section 3.9 of the Norwegian Accounting Act may, regardless of other provisions in these regulations, recognise dividends and group contributions in accordance with the provisions of the Norwegian Accounting Act. AF Gruppen ASA has chosen to make use of this exception. This means that dividends and group contributions received and paid by the parent company will be recognised the year prior to when the receipt or payment is adopted. The same applies to any tax effect of such transactions.

## NOTE 2 REMUNERATION OF THE CEO AND BOARD OF DIRECTORS

Amounts in NOK 1000

	2018	2017
<b>REMUNERATION OF THE CEO</b>		
Fixed pay	4 502	3 849
Bonus	3 859	5 726
Retirement benefits	67	65
Share-based compensation	255	2 822
Other benefits	35	38
<b>Total</b>	<b>8 717</b>	<b>12 501</b>
Directors' fees	2 530	2 347

AF Gruppen ASA has no employees and is not required, therefore, to have a pension scheme. The CEO is employed formally by the subsidiary AF Gruppen Norge AS.

Complete information on the pay and remuneration of the CEO, Board of Directors and senior executives is provided in the consolidated financial statements, and reference is made to Note 7 and Note 32 in the consolidated financial statements for further information.



**NOTE 3 OTHER OPERATING EXPENSES**

<i>Amounts in NOK million</i>	2018	2017
Audit fees	-1	-
Ownership costs	-12	-10
Other operating expenses	-5	-5
<b>Total other operating expenses</b>	<b>-18</b>	<b>-15</b>

<i>Amounts in NOK 1000</i>	2018	2017
<b>REMUNERATION TO THE AUDITOR</b>		
Statutory audit fees	-419	-420
Other assurance engagements	-36	-
Other services beyond auditing	-286	-66
<b>Total audit fees</b>	<b>-740</b>	<b>-486</b>

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

**NOTE 4 NET FINANCIAL ITEMS**

<i>Amounts in NOK million</i>	2018	2017
<b>FINANCIAL INCOME</b>		
Interest income from companies in the same group	4	6
Other interest income	-	-
<b>Total financial income</b>	<b>4</b>	<b>6</b>
<b>FINANCIAL EXPENSES</b>		
Other interest expenses	-	-
<b>Total financial expenses</b>	<b>-</b>	<b>-</b>
<b>Net financial items</b>	<b>4</b>	<b>6</b>

**NOTE 5 INCOME TAX EXPENSE AND DEFERRED TAX/TAX ASSET**

<i>Amounts in NOK</i>	2018	2017
<b>INCOME TAX EXPENSE IN THE INCOME STATEMENT</b>		
Current tax payable for the year	-	-
<b>Total tax payable</b>	-	-
Change in deferred tax / tax assets	-1	2
Change in deferred tax liabilities/assets due to change in tax rate	-	-
<b>Tax change in deferred tax</b>	-1	2
<b>Total income tax expense</b>	-1	2
<b>RECONCILIATION OF THE INCOME TAX EXPENSE FOR THE YEAR</b>		
Profit before tax	969	472
<b>Expected income tax based on the nominal tax rate</b>	-223	-113
Tax effects of:		
- Change in tax rate	-	-
- Recognised dividends and group contributions without tax	222	115
<b>Total tax expense recognised in income statement</b>	-1	2
<b>TAX PAYABLE ON THE BALANCE SHEET IS CALCULATED AS FOLLOWS:</b>		
Tax on group contributions received	-	-
<b>Tax payable on the balance sheet</b>	-	-
<b>TEMPORARY DIFFERENCES INCLUDED IN THE DEFERRED TAX ASSETS/LIABILITIES</b>		
Tax loss carryforward	-5	-9
<b>Basis for deferred tax (deferred tax assets) on the balance sheet</b>	-5	-9
Deferred tax (deferred tax assets) in the accounts	-1	-2

**NOTE 6 INVESTMENTS IN SUBSIDIARIES**

Name of company	Date acquired	Business address	Ownership interest	Voting share
AF Gruppen Norge AS	05.09.1985	Oslo	100%	100%
AF Gruppen Holding AS	25.09.2017	Oslo	100%	100%
AF Offshore AS	02.04.2009	Oslo	100%	100%
AF Miljø AS	15.01.2009	Oslo	100%	100%
AF Energi AS	25.08.2011	Oslo	100%	100%
AF Offshore Energy AS <sup>1)</sup>	02.07.2018	Oslo	100%	100%

<sup>1)</sup> The company was established in 2018 and was the acquiring company in a merger of the petroleum activities in AF Gruppen Norge AS.

**NOTE 7 INTERCOMPANY BALANCES WITH GROUP COMPANIES**

<i>Amounts in NOK million</i>	2018	2017
<b>RECEIVABLES FROM GROUP COMPANIES</b>		
Intragroup contributions and dividends received	984	481
Joint VAT registration	2	75
Other non-interest-bearing receivables	24	-
<b>Total receivables from group companies</b>	<b>1 009</b>	<b>555</b>

<i>Amounts in NOK million</i>	2018	2017
<b>DEBT TO GROUP COMPANIES</b>		
Corporate cash pooling system debt	1 154	862
Joint VAT registration	133	7
Other non-interest-bearing debt	-	-
<b>Total debt to group companies</b>	<b>1 287</b>	<b>869</b>

**NOTE 8 LONG-TERM LIABILITY**

<i>Amounts in NOK million</i>	2018	2017
<b>OTHER NON-INTEREST BEARING LIABILITY</b>		
Option premium paid	3	3
<b>Total long-term liability</b>	<b>3</b>	<b>3</b>

The amount applies to the option programme for AF Gruppen's employees, which can be redeemed in 2020. For further information on the option programme, see Note 7 – Payroll expenses in the consolidated financial accounts.

## NOTE 9 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital consists of	Number	Nominal value	Book
A-shares	99 009 179	0,05	4 950 459
Ownership structure		Number	Voting share/ stake %
<b>SHAREHOLDERS WITH A STAKE &gt; 1%</b>			
OBOS BBL		18 066 733	18,25%
ØMF Holding AS		14 818 859	14,97%
Constructio AS		13 741 782	13,88%
Folketrygdfondet		7 174 956	7,25%
ARTEL II AS		2 508 267	2,53%
LJM AS		2 413 900	2,44%
Landsforsøkringar Fastighetsfond		2 014 154	2,03%
VITO Kongsvinger AS		1 861 676	1,88%
Arne Skogheim AS		1 753 870	1,77%
Staavi, Bjørn		1 620 000	1,64%
<b>Ten largest shareholders</b>		<b>65 974 197</b>	<b>66,63%</b>
Total other shareholders		33 034 982	33,37%
<b>Total number of shares</b>		<b>99 009 179</b>	<b>100,00%</b>

The shares are not subject to any voting restrictions and are freely negotiable. Each share represents one vote. All the shares issued are fully paid-up as at 31 December 2018.

Shares and options owned by the Board of Directors and senior executives as at 31 December 2018	No. of options	No. of shares
<b>BOARD OF DIRECTORS</b>		
Pål Egil Rønn	Elected by shareholders (Board Chairman)	- 207 225
Arne Baumann <sup>1)</sup>	Elected by shareholders	- -
Kristian Holth <sup>2)</sup>	Elected by shareholders	- -
Gunnar Bøyum	Elected by shareholders (Alternate member)	- -
Hege Bømark	Elected by shareholders	- -
Borghild Lunde <sup>3)</sup>	Elected by shareholders	- -
Kenneth Svendsen	Elected by employees	10 339 90 370
Hilde W. Flaen	Elected by employees	1 810 25 527
Arne Sveen	Elected by employees	- -
<b>Total</b>		<b>12 149 323 122</b>

<sup>1)</sup> Represents OBOS BBL, which owns 18 066 733 shares.

<sup>2)</sup> Represents Constructio AS and Flygind AS, which own 13 741 782 and 1 021 509 shares, respectively.

<sup>3)</sup> Close associate of Tonito AS, which owns 25,000 shares.

**NOTE 9 SHARE CAPITAL AND SHAREHOLDER INFORMATION CONT.**

Corporate Management Team		No. of options	No. of shares
Morten Grongstad	CEO	35 922	219 193
Sverre Alf Hærem	Executive Vice President/CFO	24 918	123 817
Arild Moe	Executive Vice President	24 152	254 416
Bård Frydenlund	Executive Vice President	21 970	133 249
Amund Tøftum	Executive Vice President	21 970	74 349
Henning Olsen	Executive Vice President	21 970	37 345
Eirik Wraal	Executive Vice President	21 970	28 138
Andreas Jul Røsjø	Executive Vice President	21 970	59 362
<b>Total</b>		<b>194 842</b>	<b>929 869</b>

The Board has the authority to acquire up to 10 per cent of the share capital. This authority is valid until the Annual General Meeting, which is scheduled for 15 May 2019. A new option programme for all employees of AF Gruppen ASA and subsidiaries was adopted at the Annual General Meeting held on 12 May 2017, which entails entitlement to subscribing for a total of 3 500 000 options during the years 2017, 2018 and 2019, with redemption in 2020. As at 31 December 2018, a total of 3 228 218 options have been allotted in this programme.

**NOTE 10 EQUITY**

<i>Amounts in NOK million</i>	Share capital	Treasury shares	Premium	Other paid-in equity	Other equity	Total
Equity as at 31/12/2016	5	-	-	48	300	353
Capital increase	-	-	371	-	-	371
Purchase of treasury shares	-	-	-	-	-55	-55
Sale of treasury shares	-	-	-	-	45	45
Total comprehensive income for the year	-	-	-	-	474	474
Ordinary dividend	-	-	-	-	-343	-343
More distributed in dividends than allocated	-	-	-	-	1	1
Proposed dividend for 2017	-	-	-367	-	-122	-490
<b>Egenkapital 31/12/2017</b>	<b>5</b>	<b>-</b>	<b>4</b>	<b>48</b>	<b>299</b>	<b>356</b>
Capital increase	-	-	111	-	18	129
Purchase of treasury shares	-	-	-	-	-35	-35
Sale of treasury shares	-	-	-	-	8	8
Total comprehensive income for the year	-	-	-	-	968	968
Ordinary dividend	-	-	-	-	-347	-347
More distributed in dividends than allocated	-	-	1	-	-	1
Proposed dividend for 2018	-	-	-	-	-498	-498
<b>Equity as at 31/12/2018</b>	<b>5</b>	<b>-</b>	<b>116</b>	<b>48</b>	<b>413</b>	<b>582</b>

As at 31 December 2018, the Company had 220 000 (145 101) treasury shares with a nominal value of NOK 0.05. Treasury shares have been acquired with a view to sales to employees and as partial payment for business acquisitions.

**NOTE 11 GUARANTEES**

In connection with construction contracts entered into, the subsidiaries are subject to the usual contracting obligations and the associated guarantees. In this connection, AF Gruppen ASA has furnished guarantees to subsidiaries in the form of absolute guarantees to financial institutions. AF Gruppen ASA has further guaranteed for bank credit lines and tax deductions for subsidiaries in the form absolute guarantees.

<i>Amounts in NOK million</i>	2018		2017	
	Limit	Drawn	Limit	Drawn
Guarantees issued to clients	5 600	4 314	4 900	3 548
Guarantees for tax withholdings etc.	191	191	183	130
Leasing limits	1 128	921	956	796
Bank credit and loan facilities	1 924	-	2 424	-
<b>Total</b>	<b>8 843</b>	<b>5 426</b>	<b>8 463</b>	<b>4 474</b>

## RESPONSIBILITY STATEMENT FROM MEMBERS OF THE BOARD AND CEO

With regard to the annual accounts for 2018 for AF Gruppen ASA, we confirm to the best of our knowledge that:


- The consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU, and the additional disclosure requirements that follow from the Norwegian Accounting Act.
- The financial statements for the Parent Company, AF Gruppen ASA, have been presented in accordance with IFRS and the simplified IFRS provisions for company accounts laid down in section 3.9, fifth paragraph of the regulations pursuant to the Norwegian Accounting Act.
- The amounts and disclosures in the accounts provide a true and fair view of the Company's and the Group's assets, liabilities, financial standing and results as a whole.
- The amounts and disclosures in the annual report provide a true and fair view of performance, earnings and the position of the Company and Group, along with a description of the most important risk and uncertainty factors AF Gruppen faces.

OSLO, 28 MARCH 2019

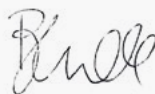


Pål Egil Rønn

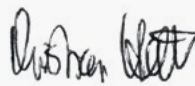
Board Chairman



Hege Bømark



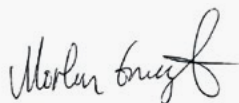
Borghild Lunde



Kristian Holth



Arne Baumann

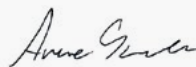


Morten Grongstad

CEO



Kenneth Svendsen



Arne Sveen



Hilde Wikesland Flaen

# 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. The financial statements comprise:

- The financial statements of the parent company, which comprise the statement of financial position as at 31 December 2018, and income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise statement of financial position as at 31 December 2018, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, its income statement and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2018, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

---

*Basis for Opinion*

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

---

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2018 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The company's activities have largely remained unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new Key Audit Matters. Our focus areas have therefore been the same in 2018 as in the previous year.

---

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo

T: 02316, org. no.: 987 009 713 MVA, www.pwc.no

Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap





## Independent Auditor's Report - AF Gruppen ASA

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Recognition of income from construction contracts</i></p> <p>Revenue from construction contracts amounts MNOK 18.324 in 2018 (note 6). For calculation of income from construction contracts, the percentage of completion method based on expected contract costs and stage of contract completion, is used. The assessment of total estimated contract costs, including impact of any disputes and guarantee work, and revenue and the stage of contract completion is updated on a regular basis.</p> <p>Accounting for contract revenue is a key audit matter due to several causes. The company has a large amount of construction contracts, the construction projects can be long lasting and the calculation of level of completion can be complex and characterized by judgement. Further, managements' use of judgement in these calculations affect many entries in the financial statements, such as revenue, costs, accounts receivables, accounts payable, provisions and deferred tax.</p>	<p>We revised a sample of construction contracts and compared the accounting to the company's accounting principles. We compared the company's accounting principles for accounting of revenue to IFRS 15. We found the accounting of contracts to be in accordance with contract terms, and that the applied accounting principles, was in accordance with relevant requirements in IFRS 15.</p> <p>To ensure a qualitative and consistent processing of risk and estimates in the projects, the Group has established a risk framework. Controls have been established to ensure compliance with the framework. The controls are primarily directed at ensuring appropriate assessments of total expected costs, that the estimate takes into consideration the impact of any disputes and guarantee work, controls directed at invoicing of sales, and calculation of stage of contract completion. The controls are established in several levels of the organisation, and include periodical reviews of the project portfolio in meetings. We participated in a sample of these reviews. We revised relevant documentation that support the discussions in the meetings and other controls that were executed, and that they worked efficiently.</p> <p>Furthermore, we tested the control directed at ensuring that only hours and costs that pertain a project were actually allocated to the project. Our testing of this control did not reveal significant deviations.</p> <p>Determination of final forecast and stage of contract completion involves use of judgement by the project manager and management. In order to challenge their use of assumptions in these estimates, we have amongst other interviewed and challenged project managers and the management about the assumptions in the estimates.</p> <p>In order to review the profit recognized in the projects, we tested whether accrued costs and recognized income was accrued in accordance with actual production. We also analysed management's consistency in exercise of judgment. We assessed managements use of judgements to be reasonable.</p> <p>We tested the reconciliation of the project system to the general ledger and that accounting for work in progress and cost of materials were based on calculated contract completion. Contract revenue was tested by reviewing a sample of contracts.</p>



## Independent Auditor's Report - AF Gruppen ASA

Our substantive procedures revealed no material deviations.

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

### *Impairment of Goodwill*

Goodwill regarding the cash generating unit AeronMollier was MNOK 177 as of 31 December 2018. Challenging market conditions has led to lower results than expected. The impairment assessment of goodwill is a key audit matter because of the amounts involved and the significance of estimates.

The valuation of goodwill is described in note 13 to the financial statement.

We reviewed the company's impairment assessment of goodwill. The impairment assessment comprises a judgement of cash generating unit (CGU) and key assumptions made by management. We assessed the model to be a valuation model based on discounted cash flows containing the elements IFRS requires, and whether the model made mathematical calculations correctly.

We challenged management's use of assumptions regarding forecasts of future profits, operating expenses and reinvestments, by comparing these to the company's historical results and approved budgets by the Board of Directors. We found that the assumptions were connected to historical results and in line with the budgets.

We compared the discount rate to empirical data and expectations of future interest rates, relevant risk mark-up and debt ratio. We found the used discount rate to be reasonable.

We read note 13, and found that the information regarding the valuation model, the assumptions and the discount rate was sufficient and adequate.

### *Other information*

Management is responsible for the other information. The other information comprises all other 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 other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Board of Directors and the Managing Director for the Financial Statements*

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with simplified application of international accounting standards



## Independent Auditor's Report - AF Gruppen ASA

according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

---

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism 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 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 or 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 or the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial



## Independent Auditor's Report - AF Gruppen ASA

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.

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

### *Report on Other Legal and Regulatory Requirements*

#### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

#### *Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 22 March 2018

**PricewaterhouseCoopers AS**

Rita Granlund

State Authorised Public Accountant

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

# CLIMATE ACCOUNTS

## ENERGY AND CLIMATE ACCOUNTS 2018

Category	Consumption	Energy equi. (MWh) <sup>1)</sup>	2018	2017
			Emissions (tonnes CO <sub>2</sub> e) <sup>2)</sup>	Emissions (tonnes CO <sub>2</sub> e) <sup>2)</sup>
Petrol (l)	17 660	169	41	16
Diesel oil (l)	13 833 795	147 025	37 120	36 202
Propanne (kg)	23 731	325	70	98
<b>Total direct emissions</b>		<b>147 519</b>	<b>37 231</b>	<b>36 316</b>
District cooling (kWh)	17 774	18	-	-
District heating (kWh)	142 595	143	6	2
Power (kWh)	21 598 446	21 598	927	1 107
<b>Total indirect emissions from own activities</b>		<b>21 759</b>	<b>933</b>	<b>1 109</b>
Air travel (passenger km)	na		2 858	2 266
Car travel (km)	1 019 909		143	170
Waste (tonnes)	3 218		1 610	1 882
<b>Total indirect emissions from others</b>			<b>4 611</b>	<b>4 318</b>
<b>CO<sub>2</sub> emissions (tonnes CO<sub>2</sub>e)</b>			<b>42 775</b>	<b>41 743</b>
<b>Carbon footprint (tonnes CO<sub>2</sub>e per NOK 1 million revenue)</b>			<b>4,5</b>	<b>4,5</b>

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

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

## ALTERNATIVE PERFORMANCE MEASURES

AF Gruppen presents alternative performance measures as a supplement to performance targets that are regulated by IFRS. The alternative performance measures are presented to provide better insight into and understanding of the operations, financial standing and foundation for development going forward. AF Gruppen uses alternative performance measures that are commonly used in the industry and among analysts and investors.

### RETURN ON CAPITAL EMPLOYED (ROACE):

This performance target provides useful information to both AF's management and Board of Directors, as well as to investors concerning the results that have been achieved during the period under analysis. AF uses the performance target to measure the return on capital employed, regardless of whether the financing is through equity capital or debt. Use of the performance target should not be considered an alternative to performance targets calculated in accordance with IFRS, but as a supplement.

The alternative performance measures are defined as follows:

**EBITDA** – earnings before i) taxes, ii) net financial items, iii) depreciation and amortisation.

**Operating profit (EBIT)** – earnings before i) taxes, ii) net financial items. n – EBITDA divided by operating revenue and other revenues.

**Operating margin** – operating profit (EBIT) divided by operating revenue and other revenues.

**Profit margin** – earnings before tax divided by operating revenue and other revenues.

**Gross interest-bearing liabilities** – sum total of long-term interest-bearing loans and credits and short-term interest-bearing loans and credits.

**Net interest-bearing liabilities (receivables)** – gross interest-bearing liabilities less i) long-term interest-bearing receivables, ii) short-term interest-bearing receivables and iii) cash and cash equivalents.

**Capital employed** – sum total of shareholders' equity and gross interest-bearing liabilities.

**Average capital employed** – average capital employed in the last four quarters.

**Return on capital employed (ROaCE)** – earnings before tax and interest expenses divided by the average capital employed.

**Economic Value Added (EVA)** – return on capital employed, less cost of capital before taxes, multiplied by i) 1 minus the effective tax rate, ii) average capital employed.

**Equity ratio** – shareholders' equity divided by total equity and liabilities.

Average shareholders' equity – average shareholders' equity in the last four years.

**Return on equity** – earnings divided by average shareholders' equity.

**Order intake** – Estimated value of contracts, contract changes and orders that have been agreed upon during the reporting period.

**Order backlog** – Remaining estimated value of contracts, contract changes and orders that have been agreed upon, but have not been earned by the reporting date.

The table below shows the reconciliation of alternative performance measures with line items in the reported financial figures in accordance with IFRS.

Amounts in NOK million

	31.12.18	31.12.17
<b>GROSS INTEREST-BEARING LIABILITIES / NET INTEREST-BEARING LIABILITIES</b>		
Interest-bearing loans and credit facilities – long-term	91	102
Interest-bearing loans and credit facilities – short-term	8	19
<b>Gross interest-bearing liabilities</b>	<b>99</b>	<b>120</b>
Less:		
Interest-bearing receivables – long-term	305	216
Interest-bearing receivables – short-term	32	16
Cash and cash equivalents	656	1 098
<b>Net interest-bearing liabilities (receivables)</b>	<b>-894</b>	<b>-1 210</b>
<b>INVESTED CAPITAL</b>		
Shareholders' equity	2 124	2 078
Gross interest-bearing liabilities	99	120
<b>Invested capital</b>	<b>2 223</b>	<b>2 198</b>
<b>AVERAGE INVESTED CAPITAL</b>		
Capital employed as at 1st quarter	2 240	2 396
Capital employed as at 2nd quarter	1 908	2 154
Capital employed as at 3rd quarter	2 162	2 173
Capital employed as at 4th quarter	2 223	2 198
<b>Average invested capital</b>	<b>2 133</b>	<b>2 230</b>

Amounts in NOK million

31.12.18

31.12.17

**RETURN ON INVESTED CAPITAL**

Profit before tax	1 136	935
Interest expenses	14	17
<b>Earnings before tax and interest expenses</b>	<b>1 150</b>	<b>952</b>

Divided by:

Average invested capital	2 133	2 230
<b>Return on invested capital</b>	<b>53,9%</b>	<b>42,7%</b>

**ECONOMIC VALUE ADDED (EVA)**

Return on invested capital	53,9%	42,7%
----------------------------	-------	-------

Less:

Cost of capital before taxes	12,0%	12,0%
<b>Extra return before taxes</b>	<b>41,9%</b>	<b>30,7%</b>

Multiplied by:

1 minus the effective tax rate	81,1%	80,6%
<b>Extra return after tax</b>	<b>34,0%</b>	<b>24,7%</b>

Multiplied by:

Average invested capital	2 133	2 230
<b>Economic Value Added (EVA)</b>	<b>725</b>	<b>552</b>

**EQUITY RATIO**

Shareholders' equity	2 124	2 078
----------------------	-------	-------

Divided by:

Total equity and liabilities	8 486	7 724
<b>Equity ratio</b>	<b>25,0%</b>	<b>26,9%</b>

**AVERAGE SHAREHOLDERS' EQUITY**

Shareholders' equity as at 1st quarter	2 127	2 275
Shareholders' equity as at 2nd quarter	1 803	2 034
Shareholders' equity as at 3rd quarter	2 056	2 046
Shareholders' equity as at 4th quarter	2 124	2 078
<b>Average shareholders' equity</b>	<b>2 027</b>	<b>2 108</b>

**RETURN ON EQUITY**

Income statement	921	754
------------------	-----	-----

Divided by:

Average shareholders' equity	2 027	2 108
<b>Return on equity</b>	<b>45,4%</b>	<b>35,8%</b>

# DEFINITIONS

## DEFINITIONS FINANCIAL RATIOS

### **Earnings per share**

*Earnings after tax / average number of shares outstanding*

### **P/E**

*Share price / earnings per share*

### **P/B**

*Share price / book value per share*

### **EV / EBIT**

*(Market value less net interest bearing receivable) / earnings before interest and tax*

---

For other definitions of financial ratios, see alternative performance targets on page 168.

## OTHER DEFINITIONS

### **BRA**

*Abbreviations for available area. Available area is the gross area minus the area occupied by external walls. Indicated in m<sup>2</sup> or sqm.*

### **BREEAM**

*BRE Environmental Assessment Method. Developed in the UK by BRE (Building Research Establishment). Europe's leading environmental classification tool.*

### **Own Account**

*When AF buys land, develops projects and then sells units for its own account.*

### **EPC**

*Energy performance contract.*

### **EPCIC**

*Engineering, Procurement, Construction, Installation & Commissioning.*

### **LTI-1 rate**

*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<sub>2</sub> equivalents (CO<sub>2</sub>e) 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 & Miljøteknikk AS  
 JR Anlegg AS

### Visiting address

Innspurten 15  
 0663 Oslo

### Postal address

Postboks 6272 Etterstad  
 0603 Oslo  
 Tel +47 22 89 11 00  
 Faks +47 22 89 11 01

[www.afgruppen.no](http://www.afgruppen.no)

AF AeronMollier AS  
 Nulandsvika 8  
 4400 Flekkefjord  
 Tel +47 38 32 78 00

AF Bygg Østfold  
 Sarpsborgveien 25  
 1640 Råde  
 Tel +47 69 28 35 00

AF Miljøbase Vats AS  
 Raunesveien 597  
 5578 Nedre Vats  
 Tel +47 22 89 14 40

Consolvo AS  
 Ringveien 6  
 3409 Tranby  
 Tel +47 40 07 34 22

EIQON Anlegg AS  
 EIQON Betongbygg AS  
 EIQON Nybygg AS  
 Hagaløkkveien 13  
 1383 Asker  
 Tel +47 40 00 00 47

Fundamentering AS  
 Løvåsmyra 4  
 7093 Tiller  
 Tel +47 73 82 26 30

Haga & Berg Entreprenør AS  
 Ryensvingen 1  
 0680 Oslo  
 Tel +47 22 71 77 61

Helgesen Tekniske Bygg AS  
 Valestrand  
 5281 Valestrand  
 Tel +47 56 19 34 00

Jølsen Miljøpark AS  
 Jølsenveien 26  
 2000 Lillestrøm  
 Tel +47 22 89 11 00

LAB Entreprenør AS  
 LAB Eiendom  
 Kanalveien 105 B  
 5068 Bergen  
 Tel +47 55 20 62 00

Målselv Maskin & Transport AS  
 Rossvoll  
 9322 Karlstad  
 Tel +47 77 83 28 80

Rimol Miljøpark AS  
 Tiller-ringen 166  
 7092 Tiller  
 Tel +47 22 89 11 00

Strøm Gundersen AS  
 Papyrusveien 33  
 3050 Mjøndalen  
 Tel +47 32 27 43 50

Strøm Gundersen Vestfold AS  
 Halfdan Wilhelmsens alle 37  
 3117 Tønsberg  
 Tel +47 99 69 18 46

AF Håndverk AS  
 Kirkestuen AS  
 Thorendahl AS  
 Tvetenveien 44  
 0660 Oslo  
 Tel +47 23 25 34 00

Åsane Byggmesterforretning AS  
 Hesthaugvegen 18  
 5119 Ulset  
 Tel +47 55 39 39 00

## SWEDEN

AF Bygg Syd AB  
 Tullkammerhuset  
 Strandgatan 3  
 S - 302 50 Halmstad  
 Tel +46 35 710 20 00

AF Bygg Göteborg AB  
 AF Projektutveckling AB  
 Theres Svenssons gata 9  
 S - 417 55 Göteborg  
 Tel +46 31 762 40 00

AF Härnösand Byggreturer AB  
 Torsgatan 8  
 S-871 42 Härnösand  
 Tel +46 61 155 05 90

Kanonaden Entreprenad AB  
 Bockängsgatan 2  
 S - 571 38 Nässjö  
 Tel +46 38 055 52 50

Pålplintar AB  
 Kumla Gårdsväg 3  
 S-145 63 Norsborg  
 Tel +46 85 506 50 50

## OTHER

AF Offshore Decom UK Ltd.  
 Centurion Court  
 North Esplanade West  
 Aberdeen, AB11 5QH  
 UK  
 Tel +44 (0) 1224 284 370



**AF GRUPPEN ASA**

Innspurten 15  
P.O. box 6272 Etterstad  
0603 Oslo

Phone +47 22 89 11 00  
[www.afgruppen.no](http://www.afgruppen.no)