Annual Report 2013

Key figures

Year	2013	2012	2011	2010	2009
REVENUES (NOK million)					
Operating and other revenue	10,127	9,830	7,355	5,828	5,401
Order backlog	10,976	9,074	9,826	6,193	6,033
EARNINGS (NOK million)					
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	679	430	475	463	417
Depreciation, amortisation and impairment losses	-110	-106	-85	-97	-83
Earnings before interest and taxes (EBIT)	568	325	390	366	335
Earnings before taxes (EBT)	580	318	405	372	366
Earnings after taxes	453	225	304	277	270
PROFITABILITY (NOK million)					
EBITDA %	6.7%	4.4%	6.5%	7.9%	7.7%
EBIT %	5.6%	3.3%	5.3%	6.3%	6.2%
EBT %	5.7%	3.2%	5.5%	6.4%	6.8%
Return on equity	38.4%	19.0%	28.5%	28.3%	33.1%
Return on average capital employed (ROaCE)	45.7%	24.8%	35.9%	36.0%	35.7%
Economic value added (EVA)	312	123	195	181	183
BALANCE SHEET (NOK million)					
Total assets	5,237	4,919	4,579	3,013	3,059
Equity	1,334	1,202	1,322	968	915
Capital employed	1,414	1,343	1,452	1,040	1,009
Average capital employed	1,288	1,334	1,134	1,047	1,075
Equity ratio	25.5%	24.4%	28.9%	32.1%	29.9%
Net interest-bearing receivables	751	204	449	580	185
Debt-to-equity ratio	-1.29	-0.20	-0.51	-1.50	-0.25
THE SHARE (NOK)					
Share capital as at 31 December	4,116,649	4,069,205	4,040,725	3,555,897	3,524,797
Number of shares as at 31 December	82,332,980	81,384,100	80,814,490	71,117,940	70,495,940
Earnings per share	5.26	2.41	3.86	3.92	3.85
Diluted earnings per share	5.11	2.38	3.86	3.82	3.85
Cash flow per share	4.70	4.83	5.48	6.14	6.39
Dividend per share	6.00	4.50	4.50	4.50	3.60
– of which ordinary dividend per share	2.40	2.40	2.20	2.00	1.60
– of which extraordinary dividend per share	3.60	2.10	2.30	2.50	2.00
PERSONNEL					
Number of salaried employees as at 31 December	1,327	1,314	1,158	972	977
Number of skilled employees as at 31 December	1,381	1,356	1,236	961	997
Total number of employees	2,708	2,670	2,394	1,933	1,974
LTI-1 rate	1.4	1.8	1.5	2.5	3.1
Absence due to illness	3.5 %	3.3 %	3.6 %	3.7 %	4.0 %
EXTERNAL ENVIRONMENT					
Carbon footprint (CO_2/Revenue)	4.1	4.3	4.6	4.1	3.3
Source separation rate – building	81 %	79 %	78 %	-	-
Source separation rate – renovation	80 %	89 %	75 %	-	-
Source separation rate – demolition	96 %	98 %	97 %	-	-
Total amount source separated in tonnes	408,365	511,110	246,223	-	-

See definitions on page 176.

A LEADING CONTRACTING AND INDUSTRIAL GROUP

AF Gruppen is one of Norway's leading contracting and industrial groups with operations in the areas of Civil Engineering, Building, Property, Offshore, Energy and Environment. AF has always been independent and confident in its own strength and ability to master complex challenges since it was established.

The Company's entrepreneurial spirit is evident in its ability to develop existing and new areas to find better, more future-oriented ways of creating value.

AF is involved in everything from the demolition of oil platforms to major building and civil engineering projects. In addition, AF has created Scandinavia's largest centre of expertise in the area of energy efficiency. A broad range of services and many centres of expertise provide career opportunities across the Group. Competent employees are given responsibilities at an early stage, and there are many opportunities for personal development through AF's many projects. AF Gruppen has experienced strong growth during the last decade.

Civil Engineering

AF has the experience and competence required to carry out all types of small and simple to large and demanding civil engineering projects. AF carries out projects related to roads and railways, port facilities, foundation work and power and energy, as well as onshore facilities for oil and gas. Our customers are primarily public sector agencies and large energy and industrial companies. Civil engineering operations have been established in Norway and Sweden.

Environment

AF is Europe's leading contractor for the demolition and environmental decommissioning of buildings, industrial plants and structures. AF offers solutions that meet the customers' environmental challenges, and the company also has solid expertise in areas such as blasting, dredging, handling contaminated bulk material and removing shipwrecks. Environmental operations have been established in Norway and Sweden.

Building

AF is one of the largest market players in the area of residential, commercial and public buildings. AF's experience spans the entire value chain from development and planning to building. AF is also a leader in renovation. AF delivers services to customers ranging from small companies with a single task to large private and public clients with a long-standing relationship. AF cooperates closely with customers to find efficient solutions that satisfy future environmental and energy requirements. Building operations have been established in Norway and Sweden.

Property

AF develops residential and non-residential buildings for its own account. Most of the projects are geographically located where AF has its own contracting services. AF cooperates closely with other players in the industry, and the development projects are often organised as joint development companies. In this way we benefit from each other's expertise, while reducing project-specific risk. Property operations have been established in Norway and Sweden.

Energy

AF Gruppen offers smart, energy efficient solutions for buildings and industry. With extensive industrial know-how and advanced expertise, AF can provide advisory services and implementation for energy conservation and the production of energy, which will offer cost reductions to customers and reduce the environmental impact. Energy operations have been established in Norway.

Offshore

AF has considerable and varied activities aimed at the oil and gas industry, with core areas such as the removal, dismantling and recycling of decommissioned offshore installations, rig services, M&M contracts for onshore installations, a total supplier of HVAC installations and offshore and marine EPCIC projects. AF has a state-of-the art reception facility at Vats near Haugesund for the environmental decommissioning of petroleum installations. Offshore operations have been established in Norway, the UK and China.

A VALUE-BASED CULTURE

Vision

Clearing up the past, building for the future.

AF Gruppen will be one of Europe's leading companies for environmental solutions through its state-of-the-art expertise in the Environment and Energy focus areas.

AF Gruppen will create solutions that are adapted to future use and provide high customer value through the innovative use of materials and efficient project execution.

Mission

AF's mission is to be an industrial group that delivers value by forming the future through contracting, energy and environmental services. The Company has an uncompromising attitude towards safety and ethics.

Core values

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

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

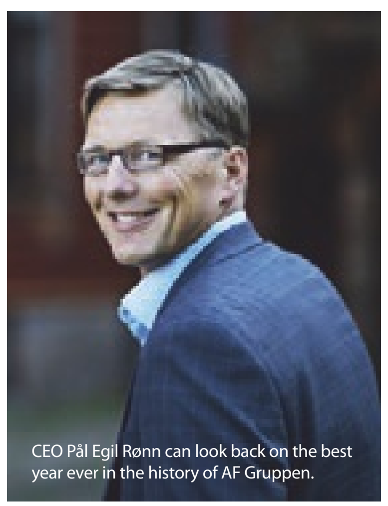
Entrepreneurial spirit

AF has exhibited its power and expertise in solving complex challenges through a number of contracts. Our entrepreneurial spirit is distinguished by a willingness to think differently and to seek better ways of generating value.

A YEAR OF MILESTONES

The will to create profitable growth is deeply rooted in the history of AF Gruppen. Along with good operational performance, a focus on key customers, and on long-term suppliers, this was one of our focus areas in 2013. Clear focus areas and committed employees have contributed to the best ever result in history of AF.

The year 2013 represents a milestone for AF Gruppen. In 2007, we introduced a profitability enhancement programme, and our ambition was to deliver earnings before taxes of NOK 500 million. It took us 22 years to achieve NOK 180 million, and our goal was to triple the bottom line over a period of three years. This was an extraordinarily audacious goal.


CEO Pål Egil Rønn can look back on the best year ever in the history of AF Gruppen.

Even though it took longer, we have succeeded at profitable growth with a great deal of spirited initiative, enthusiasm and endurance. We reached our milestone in 2013. With revenues of over NOK 10 billion and earnings before taxes of NOK 580 million, we have lifted the company to a new level. We have stabilised and improved our operations in large parts of our organisation, and we have shown that we are able to handle growth in a manner that does not weaken our core values.

In 2013, AF Gruppen carried out some of its largest and most complex projects ever. There has been a good flow in our traditional core areas in the building and civil engineering sector, and we are on our way to establishing a market-leading position in the business areas Energy and Environment.

AF has grown to become a substantial offshore player. By combining our offshore activities into a separate business area, we were able to illustrate what services we can offer the offshore market.

AF Offshore shall be a recognised brand in the industry, with a focus on profitable growth, which is something that our experience from onshore activities has given us a good foundation for creating. We are also taking the safety philosophy and risk management with us back to shore.

Growth is challenging. AF has become an attractive workplace, and an organisation that is growing continuously places high demands on HSE work. It is important that we abide by our established systems and the philosophy that we can all make a difference by contributing to our own safety and the safety of our colleagues.

Even though we did not achieve our target of an LTI rate of zero, our thorough HSE work is bearing fruit. Through hard work and a strong focus on safety, we achieved the lowest injury rate in the history of AF. Particularly satisfying is the fact that our employees have a high level of job satisfaction. This year's employee satisfaction survey shows that job satisfaction is high, and that our employees are motivated and proud to work for AF Gruppen. We have dedicated and ambitious employees, and they provide the best foundation for good development.

With a record-high order backlog and a good market outlook, the framework has been established for continuing good operational performance. Even though it is difficult to predict the market, our task is to work on what we can influence.

There were many milestones in 2013. We have achieved the best result ever in the history of AF, while our job satisfaction level has never been higher and the injury rate has never been lower. The good results in 2013 are the result of our hard, focused work, but they are no guarantee that we will be successful in the coming year. We know that 2014 will be a year of new challenges, and we cannot rest a single day. It is important to focus on the next building project or the next demolition or recycling project.

Value-based management represents the foundation of AF Gruppen. With discipline with respect to such a foundation, our project activities can demonstrate an entrepreneurial spirit through a presence and empathy that will enable us to create even greater value in the future.

It is not yesterday's victories that AF Gruppen will live from, it is tomorrow's opportunities.

Pål Egil Rønn, CEO

VALUE GROWTH

AF aims to continuously create value, which will enhance the Company's attractiveness to shareholders and investors. This will expand the scope of our business activities and opportunities for the development of our employees. AF seeks opportunities to leverage its core competencies and grow its business by structuring and managing its operations to deliver value to stakeholders.

Profitability

Objective
AF's goal is to have an operating margin and a return on capital employed that is better than comparable companies.

AF's target is to have a return on capital employed greater than 20 per cent.

Results in 2013
AF achieved an operating margin of 5.6 per cent in 2013. The return on capital employed was 45.7 per cent.

5.6 %
Operating margin

45.7 %
Return on capital employed

Financial strength

Objective
AF's financial strength target is to achieve a minimum equity ratio of 20 per cent and to have sufficient liquidity to cover the Group's current needs at any given time.

Results in 2013
AF's equity ratio was 25.5 per cent at the end of 2013, and the Group had unutilised credit and loan facilities of NOK 1,200 million as at 31 December 2013.

25.5 %
Equity ratio

Dividend

Objective
AF's dividend policy is to provide shareholders with a competitive dividend yield.

The dividend shall be stable and ideally rise in line with the earnings performance. AF Gruppen's intention over time is to distribute a minimum of 50 per cent of the profit for the year as a dividend.

Results in 2013
In 2013, AF paid a dividend of NOK 4.50 per share for the 2012 financial year.

The Board is proposing a dividend of NOK 6.00 per share for 2013 to the Annual General Meeting of 15 May. This represents 109.1% of the profit for the year.

6.00 NOK
Dividend per share

HSE

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

AF's partners are subject to the same requirements as AF itself, and AF includes them in its LTI rate target.

Results in 2013
AF achieved an LTI rate of 1.4 and absence due to illness of 3.7 per cent. This is on a par with the best safety results in the contractor industry.

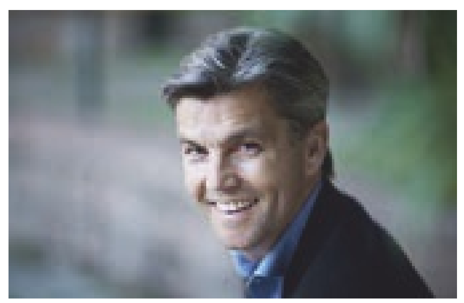
1.4
LTI rate

3.7 %
Absence due to illness

CORPORATE MANAGEMENT TEAM

Pål Egil Rønn

(1968)
CEO
Rønn has held various managerial posts at AF since 1999 and was appointed CEO of AF Gruppen ASA in 2007. He is a chartered engineer with a PhD from the Norwegian University of Science and Technology (NTNU) and has completed the Advanced Management Programme at INSEAD. Rønn owns 304,055 shares and 82,362 options in AF Gruppen ASA as of 31 December 2013.



Sverre Hærem

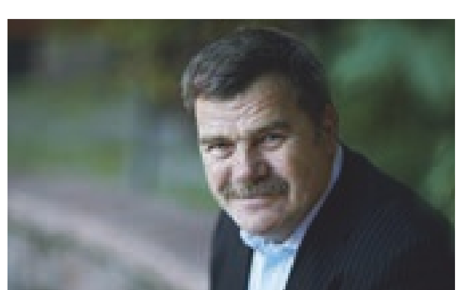
(1965)
Executive Vice President/CFO
Hærem was appointed Executive Vice President/CFO of AF in 2007. He has previously held the position of VP Finance at Dyno and CFO at Fjord Seafood ASA. Hærem holds a Master of Science degree in Business from BI Norwegian Business School. Hærem owns 179,650 shares and 52,470 options in AF Gruppen ASA as of 31 December 2013.

Arild Moe

(1965)
Executive Vice President
Moe is responsible for the Civil Engineering and Environment business areas. He has held various managerial posts at AF and has been employed by the Company since 1990. 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 275,700 shares and 51,626 options in AF Gruppen ASA as of 31 December 2013.

Morten Grongstad

(1975)
Executive Vice President
Grongstad was recruited by AF in 2012 and is responsible for the Building business area. He was formerly the CEO of Fornebu Utvikling and has broad managerial experience in property development from Orkla Eiendom, among other companies. He holds a Master of Science degree in Business from BI Norwegian Business School. Grongstad owns 20,830 shares and 33,737 options in AF Gruppen ASA as of 31 December 2013.



Robert Haugen

(1959)
Executive Vice President
Haugen is responsible for the Offshore business area. He has held various managerial posts at AF and has been employed by the Company since 1986. Haugen holds degrees in engineering and business economics from Buskerud University College and has completed the Advanced Management Programme at INSEAD. He owns 236,200 shares and 52,670 options in AF Gruppen ASA as of 31 December 2013.

Andreas Jul Røsjø

(1980)
Executive Vice President
Røsjø has held various managerial posts at AF and has been employed by the Company since 2007. He is responsible for the Property and Energy business areas. Røsjø holds a Master of Science degree in Business from BI Norwegian Business School. He owns 6,655 shares and 18,400 options in AF Gruppen ASA as of 31 December 2013.

OPERATIONAL STRUCTURE

OPERATIONAL STRUCTURE

AF GRUPPEN

Civil Engineering
- **AF Anlegg**
  AF Arctic
  Johan Rognerud
- **Pålplintar**

Environment
- **AF Decom AS**
  BA Gjenvinning
- **AF Decom AB**
- **Härnösand Byggreturer AB**

Building
- **AF Bygg Oslo**
- **AF Byggfornyelse**
- **AF Bygg Østfold**
- **AF Bygg Göteborg AB**
  AF Bygg Syd AB
- **AF Bygg Sør**
- **Strøm Gundersen**
  Consolvo
  Haga & Berg
  Thorendal
- **AF Bygg Rogaland**

Property
- **AF Eiendom**

Energy
- **AF Energi & Miljøteknikk**
  Boligenergi

Offshore
- **Aeron**
  Aeron Energy Tech. Co
- **AF Decom Offshore**
  AF Decom Offshore UK
  AF Rig Services
  Miljøbase Vats
- **Mollier**
  AF Offshore Mandal
  5D Group
  V&M Landanlegg

GEOGRAPHIC PRESENCE

More than 90 per cent of AF Gruppen's revenues are from activities in Norway, which is the Group's primary market. AF will continue to develop its operations in the border zone of today's geographic focus area. In the short term, this entails reinforcement of the focus on offshore activities in the UK, and an increased focus on the Company's land-based demolition activities in Sweden.

Civil Engineering	Environment	Building	Property	Energy	Offshore
Norway, incl. Svalbard Stockholm	Norway Sweden	Eastern Norway Stavanger Kristiansand Southwest coast of Sweden	Eastern Norway Southwest coast of Sweden	Norway	Norwegian and British continental shelf Norway UK China

COMPANY HISTORY STEP BY STEP

1. Civil Engineering

AF Gruppen focused on major civil engineering projects throughout all of Norway when it was established in 1985. The driving force was the need to demonstrate an entrepreneurial spirit and create profitable growth. A difficult market and a desire to develop further led AF to enter the oil and gas market and the construction of the landfall tunnel from the Troll field in 1991. The assignment tripled the Company's revenues and strengthened our expertise in project management, safety and quality.

2. Building

After a decade with large and complex civil engineering projects, AF saw the opportunity to utilise its project expertise in a growing construction and property market in 1997. The will to grow was always present, and the merger with one of Oslo's largest contractors Ragnar Evensen doubled AF's revenues and contributed to greater professionalisation.

3. Property

With its entry into the building market and great ambitions for growth, AF desired to strengthen its project development activities in 1997. The acquisition of the property company Odin established the foundation for this business area. The objective of the Property business area was to develop attractive projects together with partners in areas where AF engages in contracting operations.

4. Environment

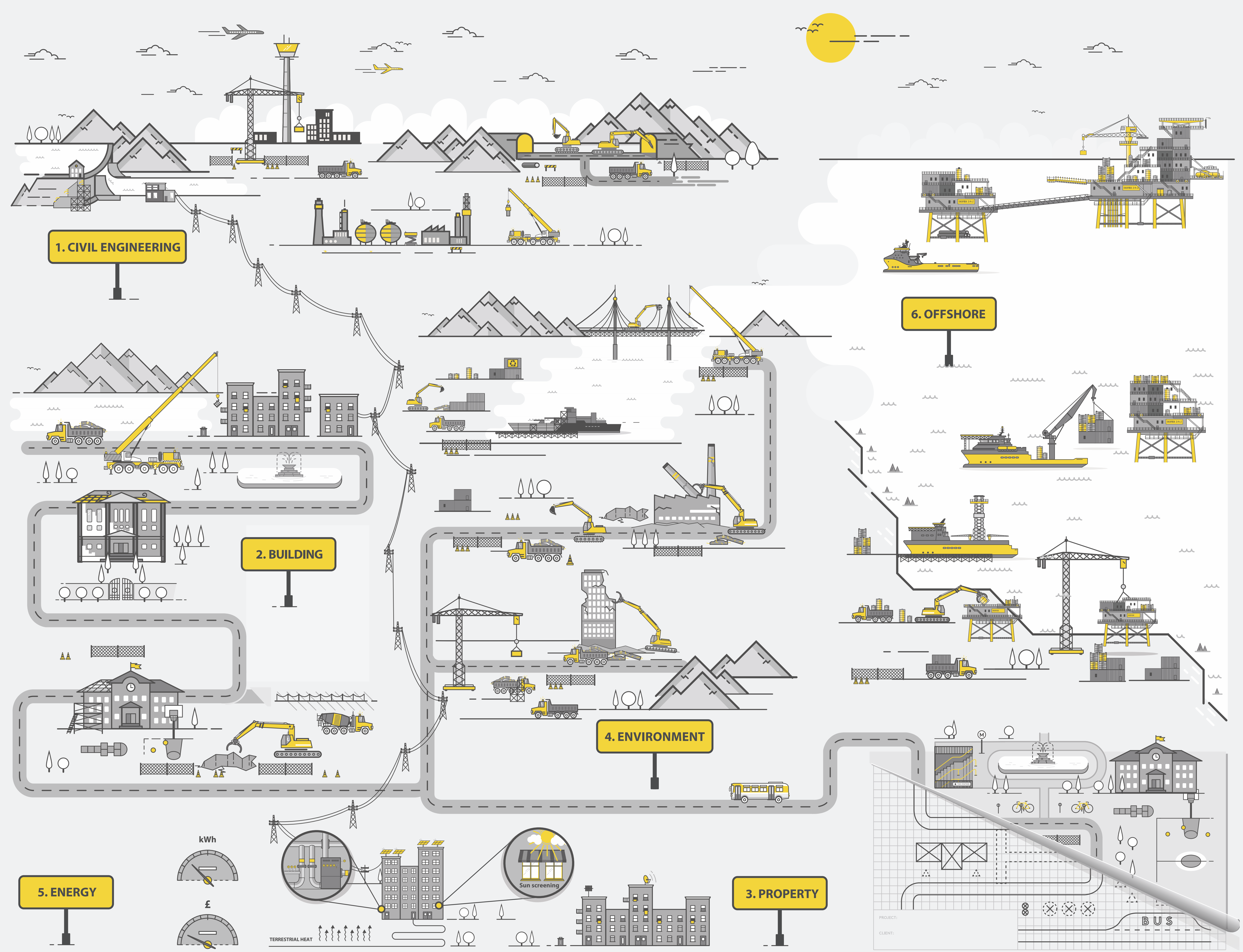
AF built up its expertise in demolition and recycling based on its experience from the civil engineering activities. In 2000, the Company took on one of the most challenging removal projects in Norway: the Sola refinery at Jæren. Acquisitions and a focus on large contracts made AF the countries largest demolition company in the course of a year.

5. Energy

In 2006, AF saw an opportunity to use its building competence to take a position in the market for energy conservation and production. Through acquisitions and a strong desire for growth, this business area has become one of the largest centres of expertise for energy conservation and the production of renewable energy in the Nordic region.

6. Offshore

AF Gruppen's first project aimed at the oil industry started in 1991. In connection with the development of the Troll field, AF worked on the plant for the landing of gas at Kollsnes. With the expertise it gained from the Sola project, AF took its demolition activities offshore in 2005. Nine new contracts in the North Sea made it possible to develop the Environmental Base at Vats as one of Europe's most modern reception facilities for decommissioned offshore installations. The offshore focus was expanded to include maintenance and modification (M&M), as well as marine and rig services. In 2013 offshore was established as a separate business area.



HIGHLIGHTS 2013

A record profit for the year, establishment of a new business area, several major contracts and a greater focus on Sweden. The will to create profitable growth has characterised AF Gruppen in 2013 as well.

Record profit

AF Gruppen achieved the best profit for the year ever in the history of the Company in 2013. Earnings before taxes were NOK 580 million, and the profit margin was 5.7 per cent. The Company's revenues surpassed NOK 10 billion for the first time in 2013, and the order backlog stood at NOK 10,976 million at the end of 2013. The overall outlook for the Company at the start of 2014 looks good.

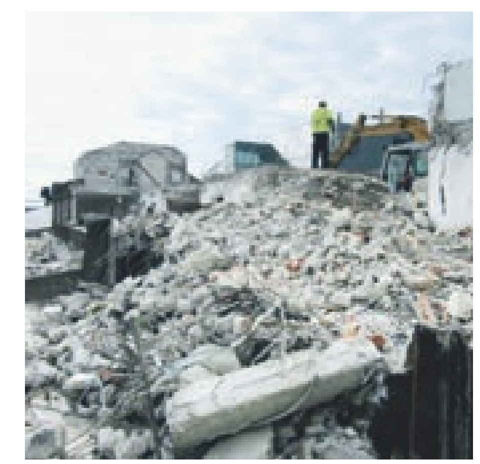
New business area

AF Gruppen is the largest player in the North Sea when it comes to the removal, demolition and recycling of offshore installations. The business area undertakes new building, modification and maintenance work related to HVAC, cranes, modules and rig services. AF has long experience in maintenance and modification work from the onshore plants used by the oil and gas industry, and it has considerable activities aimed at the offshore sector. AF Gruppen emerges accordingly as a substantial offshore player, and it decided to combine all of its offshore activities into a new Offshore business area in 2013.

Several large civil engineering contracts

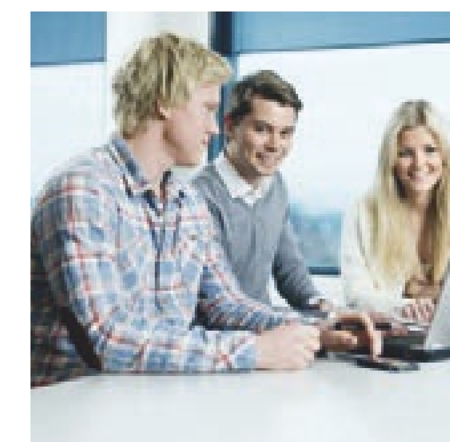
Throughout the year, AF Gruppen has secured a number of large contracts, and the high level of activity in the Civil Engineering business area has had a particularly significant impact on the positive results in 2013.

Civil Engineering has, for example, been awarded contracts for E6 Frya-Vinstra (NOK 1,468 million), Highway 13 Ryfast E03 Solbakk Tunnel (NOK 1,169 million), civil engineering work for the Nyhamna Expansion Project in Aukra (NOK 750 million) as well as two contracts for the Oslo Airport in connection with the development of the North Pier (approximately NOK 500 million).



Greater focus on Sweden

AF increased its focus on the Swedish demolition market in 2013, through the acquisition of Härnösand Byggreturer AB. AF Gruppen has taken a step towards becoming the market leader for demolition, environmental decommissioning and the recycling of buildings and structures in Sweden as well.



Job satisfaction and low absence due to illness

AF conducted an employee satisfaction survey at the end of 2013. The results show that the employees are very happy, have a high level of job satisfaction and are proud to work for AF Gruppen. Absence due to illness of 3.7 per cent in 2013 supports these results and shows that AF employees are less sick than the industry average.

Few lost time injuries

AF puts high priority on HSE work. Structured and continuous work with HSE has yielded results, primarily in the form of fewer lost time injuries. The LTI rate for AF Gruppen was 1.4 (1.8) in 2013, the lowest rate in the history of the Company.

RESULTS DO NOT COME BY THEMSELVES

The key to the success of AF Gruppen lies in our employees' willingness and ability to do the heavy lifting together. We plan and carry out large, complex projects in a responsible and profitable manner with a common vision and values.

THE GREATEST ASSET

A total of 2700 capable and motivated employees are responsible for AF Gruppen's creation of value. The Company's management of its human resources is one of the most important prerequisites for profitability and growth. The goal of the Company is to be the most attractive employer in the industry.

AF was established as a contractor who desired to establish a challenger with solid core values and the ability to innovate. The same curiosity is still a hallmark of the AF culture today. Innovative thinking allows us to realise opportunities in our projects and at the same time contributes to profitable growth for the company.

AF depends on motivated employees to succeed. The employee satisfaction survey that was conducted in November 2013 shows that our employees are very happy, have a high degree of job satisfaction and are proud to work for AF. Our employees are our best ambassadors in our struggle to find new people.

AS engages in active recruitment work at universities and colleges, and there is a great deal of interest in working for the Company. This provides a good foundation and many opportunities to find the right people and participate in the further development of the Company.

Our focus on profitable growth means that we must be able to develop our employees so that they accept more responsibility. Employees with ambitions and a desire to fulfil their own career goals have many opportunities at AF. The development of employees takes place through offering exciting tasks with responsibility, a dedicated AF Academy and external further education.

Managers at AF should achieve results by setting a good example and building a culture in which orderly conduct is recognised, valued and lived up to by our employees. At AF we are clear about what qualities should be emphasised:

- Observance of the Code of Conduct and core values
- Being business-oriented
- Analytical abilities
- Ability to make decisions and take initiative
- Being leaders and motivators

Robust organisation

AF is engaged in the project industry with a substantial level of risk. There is a great deal of focus on robust organisation at all levels to create a good composition of technical expertise, management and personnel. The resources are organised near the site of production with a project team in which the managers have a great deal of influence.

Ownership of own workplace

It has been a goal ever since the establishment of AF in 1986 that employees should be given an opportunity to become co-owners of the Company. The idea is that as many employees as possible should be able to take part in the increase in value resulting from the common creation of value and development of the Company.
Employees are given an opportunity to purchase shares in the Company at a discounted price each year. In addition, in September of 2011 the Company launched a three-year options programme for the second time, which close to 1,300 employees took advantage of. AF employees own about 15 per cent of the Company's shares.

Relationship between the management and employees

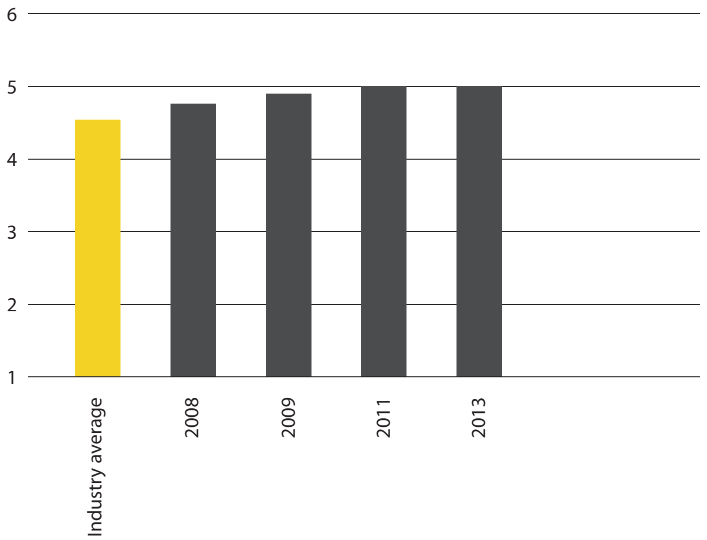
AF has a well-functioning employee representative structure and safety organisation, which ensure employees the right to participate in decisions concerning the working environment. There is a separate Works Council and Working Environment Committee, and the Company has representatives from both salaried employees and hourly-wage employees on the Board of Directors.

Working Environment Committee

Pål Egil Rønn	CEO
Arild Moe	Executive Vice President for the Civil Engineering and Environment business areas
Morten Grongstad	Executive Vice President for the Building business area
Bård Frydenlund	Vice President Human Resources
Arne Sveen	Senior Employee Representative / Safety Delegate
Arnfinn Hanson	Senior Employee Representative / Safety Delegate
Tore Solvang	Employee Representative
Oddvar Skevik	Employee Representative

ESS – EMPLOYEE SATISFACTION SURVEY

All things considered, I am satisfied with AF Gruppen as an employer (on a scale of 1–6)



FOCUS ON EMPLOYEES

Strong growth must not be at the expense of health, safety or the environment. Systematic development of attitudes, systems and routines has shown results. Never before has AF Gruppen reported a lower injury rate.

AF Gruppen's creation of value should take place in a healthy and sustainable manner. We therefore give high priority to HSE work. HSE work is currently one of the most important pillars of our corporate culture. It creates a sense of belonging for the employees, gives meaning and makes us proud.

AF's goal is that no one should be injured or become ill as a result of their work, and that our operations shall not unnecessarily impact the environment. Rapid growth must not be at the expense of health, safety or the environment. Over time, this prioritisation has resulted in low absence due to illness, a low injury rate, and a high source separation rate.

AF Gruppen has a structured and uniform HSE system that encompasses all of the units and projects. AF has procedures for risk assessment and a barrier philosophy. All undesired incidents and injuries are reported in the HSE system and classified according to their degree of severity. All undesired incidents shall be dealt with.
Injuries and absence are investigated in accordance with uniform procedures, in which the responsible executive vice president participates and is responsible for closing any non-conformance.

HSE is an integral part of all management at all levels of AF. It is very important to AF that managers are loyal to all the HSE requirements and systems, and that everyone shows good HSE attitudes through their conduct.

AF desires a working environment that is equally safe for all employees in our projects, regardless of whether they are our own employees or employed by subcontractors. AF has an HSE Handbook for all the involved parties. The Handbook has been translated into seven languages. We would like everyone to come home just as healthy as when they left for work.

Health

All employees of AF should have healthy and safe working conditions. AF desires to create a working environment that promotes health, prevents illness, and gives job satisfaction. AF is working actively to achieve this.

Goal for absence due to illness

The main objective is to eliminate all work-related illnesses, i.e. all illnesses that are caused by conditions at the workplace. The absence due to illness rate is an important indicator for our health work. AF's goal is absence due to illness of less than 3 per cent. This represents a normal situation in our opinion, without any work-related illnesses.

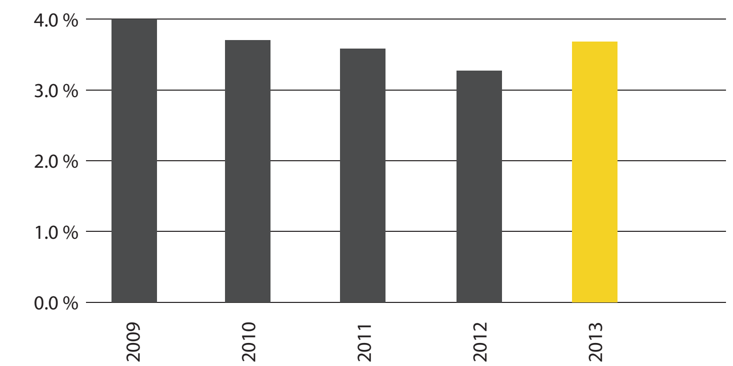
Means

Our employees' health is monitored through our internal corporate health service and systematic surveys. Risk assessments are conducted that identify health risks, and barriers are established to prevent health injuries. The employees are kept informed about the existing health exposures and the associated alternative barriers that can be used to prevent health injuries. Ongoing training is provided so that both managers and skilled workers have the knowledge required to perform good preventive health work.

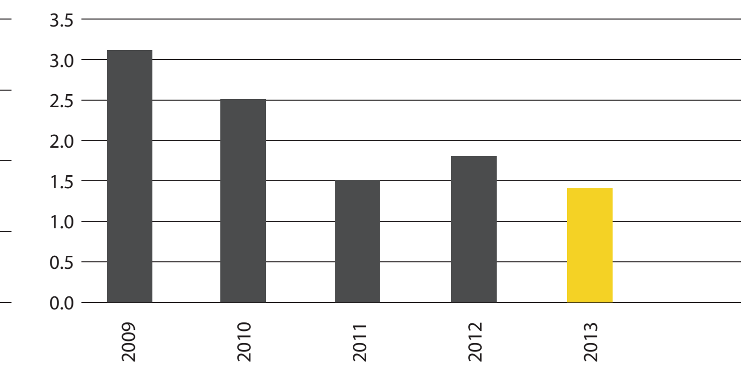
Results

AF reported absence due to illness of 3.7 per cent in 2013. AF's absence due to illness is low compared to that of comparable businesses.

Absence due to illness



LTI rate



Lost-time injuries per million hours worked

Environment

Environmental work has high priority throughout the entire Group. AF would like to avoid environmental damage and minimise undesirable effects on the environment.

Goal for the external environment

Each individual business unit establishes its own measurement parameters for the external environment. In addition, all of the units observe AF Gruppen's common measurement parameters: the source separation rate and the carbon footprint.

Means

Environmental work is an integral part of HSE work, and the tools used are therefore the same that are used otherwise in connection with safety work. Systematic risk assessments are conducted to identify potential environmental risks. Barriers are established to prevent environmental damage. If undesired incidents occur, they are reported and the incident is followed up to minimise the damage and learn from our own mistakes.

Follow-up of the source separation rate and carbon footprint parameters acts as an extra driving force for AF's environmental work. These parameters place the focus on important environmental factors that AF has an opportunity to influence. The source separation rate indicates how much of the waste from AF's operations is separated, with the purpose of source separation being to facilitate recycling. Our carbon footprint is the measurement of AF's impact on the climate related to the amount of greenhouse gas emissions in tonnes of CO_2 equivalents. A CO_2 equivalent is a unit for comparison of the effect of various greenhouse gases on the climate.

Results

Source separation rate for the Group:	2013	2012	2011
Building	**81 %**	79 %	78 %
Renovation	**80 %**	89 %	75 %
Demolition	**96 %**	98 %	97 %
Total volume	**385,962 t**	511,110 t	246,223 t

Carbon footprint for 2013: 39,338 tonnes of CO_2 equivalents, which corresponds to 4.1 tonnes per NOK million of revenue.
See the Energy and Climate Accounts on page 22.

Safety

AF is uncompromising when it comes to anything that affects the safety of its employees and the employees of its partners. Safety shall have the highest priority in everything we plan and do. This is an absolute principle for us. We want everything to be safe for everyone who works for AF projects. Subcontractor injuries are included in AF's injury statistics, on an equal basis with those of our own employees.

Goal

The overall goal is to avoid work-related accidents that are so serious that the injured are absent from work (LTI = 0).

Means

Safety work at AF is based on acknowledgement that all undesired incidents have a cause and can thus be avoided. Activities are analysed through systematic risk assessments with a view to possible undesired incidents and their causes, and risk-reducing barriers are established to prevent that such incidents occur. Experience from past undesired incidents is used in this work. If undesired incidents occur, they are followed up, and the most serious incidents are investigated. AF's employees receive thorough training in the basic principles of safety work.

Results

The injury frequency rate has shown a positive trend over the years. The LTI rate for the Norwegian operations of around 20 in the early 90s is historically low today at 1.4. This value represents 13 lost time injuries.

SUSTAINABLE ENTREPRENEURSHIP

Sustainability is a prerequisite for continued growth. Through a clear and broad focus on environmental impact, business ethics and the working environment, AF Gruppen will ensure that the value that is created has as little negative impact on society and the environment as possible.

AF Gruppen's guidelines for sustainable entrepreneurship and corporate social responsibility are described in the Company's corporate policy. In addition, the documents "Purpose, Goals and Values" and the "Code of Conduct" describe the relationship between employees, customers and suppliers. The purpose of this is to maintain a culture in which orderly conduct is recognised, valued and lived up to by all the employees.

Sustainable entrepreneurship in AF Gruppen concerns environmental factors, finance and business ethics, as well as social aspects, such as health, safety, diversity and equal opportunities. Sustainable entrepreneurship also presupposes that operations have the required preparedness for undesired incidents, as well as systems for continuously learning from mistakes.

AF expects that all employees are able to identify and comply with the guidelines. Sustainable entrepreneurship is integrated as part of the day-to-day operations. In addition to ongoing reporting and handling of individual incidents, the business units will be followed up as a natural part of the quarterly reviews with the Corporate Management Team. The individual employee will be correspondingly followed up through annual appraisal interviews with their immediate superior.

Environmental affairs

All activities at AF are to be based on a fundamental understanding and acceptance of the idea that the impact on the external environment must be minimised.

AF is engaged in operations that may affect the external environment by means of noise, dust, vibrations, emissions, discharges and other environmental impacts. Our operations may also entail encroachments on and changes to the landscape and nature. Corporate policy and the associated management systems for the external environment should prevent or reduce any undesirable environmental impact. This management system complies with the principles in the environmental standard ISO 14001. The source separation rate and carbon footprint have been chosen as AF Gruppen's common measurement parameters for the external environment. These parameters shall function as a driving force for AF's environmental work and are relevant to all units.

Waste

AF's operations produce various types of waste and in varying quantities. AF manages waste by designing and planning projects so that there is as little waste as possible, and so that the waste that does arise is of a type that can be sorted and recycled. The purpose of sorting is to facilitate recycling. This means the recycling of materials, energy recovery, or reuse.

Recycling and source separation	2013	2012
Building	**81 %**	79 %
Renovation	**80 %**	80 %
Demolition	**96 %**	98 %
Total volume	**408,365 t**	511,110 t

AF has operations that recycle asphalt and concrete from the building and civil engineering industry in Norway. Asphalt and concrete are recycled into quality materials at AF:

Recycling	2013	2012
Asphalt	**247,932 t**	332,496 t
Concrete	**226,615 t**	181,751 t
Total volume	**474,547 t**	514,247 t

Climate

AF consumes a significant amount of energy in the form of diesel oil for construction machinery and electricity for the projects. In addition, the Group's travel activities contribute indirectly to emissions. Diesel oil consumption by construction machinery contributes the most to greenhouse gas emissions at AF. The number of construction machines will increase in step with revenue. We focus therefore on the replacement of older equipment and the purchase of modern construction machinery that have lower emissions.

AF has consolidated climate accounts for the entire Group expressed in tonnes of CO_2 equivalents in relation to revenues (see table on p. 22).

> The purpose of sorting is to facilitate recycling.

Discharges and emissions

AF Gruppen's operations can result in discharges and emissions to water, soil and air. In general, a distinction is made between ordinary discharges and emissions and accidental discharges and emissions. All emissions and discharges from operations must at the minimum be within the approved permits. This is ensured in the building or construction phase through good planning and the correct placement of temporary roads, disposal sites and rigging areas. In addition, temporary and permanent erosion methods are established to prevent direct run-off from excavation slopes etc., such as sediment reservoirs, treatment plants, oil separators and various types of filtration methods.

To check that routines and implemented measures function, special external expertise and verifiers are used when necessary.

Business ethics

AF Gruppen has a large number of customers and suppliers and would like to exhibit good standards of business ethics at all levels of the organisation. AF shall only use suppliers that undertake to comply with AF's ethical standards. AF's competitiveness and place in society begins and ends with the fact that the company is reliable.

Customers

AF's customers range from large private or public enterprises to a great number of smaller players. Contracts are awarded by means of tendering or through negotiation. There is a great deal of competition for the contracts.

All customers should have the same rights and be treated fairly. Products and services shall be marketed and sold on the basis of the product properties and the advantages of AF as the supplier. AF should not make derogatory remarks about its competitors, and should comply with the current competition laws and regulations. There is zero tolerance for price collusion and corruption.

Suppliers

The purchase of goods and services accounts for 65 per cent of AF's turnover, and the share of international purchasing is increasing. AF is responsible for the entire contract pyramid and will only do business with suppliers that satisfy statutory requirements, requirements in tariff agreements, and internal requirements within AF Gruppen.

AF has, for example, clear guidelines for conduct related to competition, suppliers and conflicts of interest. In 2009, AF acceded to the United Nations Global Compact, which is based on ten fundamental principles for safeguarding human rights, working conditions, the environment and anti-corruption measures.
AF Gruppen has an authority matrix that has been approved by the Company's Board of Directors. This authority matrix ensures that the Company's guidelines for contract entry and purchasing are followed. The main rule in the Company's authority matrix states that all agreements and payments must be signed by at least two persons.

To improve compliance with AF's ethical standards, AF has introduced a new requirement in 2013 for a maximum of two subcontract levels for projects. AF has also implemented a corporate initiative "Fair play", which focuses on AF's relationship to its customers and suppliers.

Personal integrity

All the employees represent AF Gruppen in every business context.

Energy and Climate Accounts 2013

Category	Consumption	Energy equivalents (MWh)[1]	Emissions (tonnes CO_2)
E85	7,004 liter	45	2
Petrol	63,881 liter	583	148
Diesel oil	11,830,618 liter	117,831	31,552
Propane	16,804 kg	215	50
Paraffin oil	19 liter	0.2	0
Total direct emissions		**118,673**	**31,752**
Power	27,854 775 kWh	27,855	3,120
District heating	13 tCO_2	142	13
Total indirection emissions from own activities		**27,996**	**3,132**
Air travel – commuting	9,724,165 pkm		1,470
Air travel – official business	4,878,924 pkm		773
Subcontractors	-		-
Residual waste	4,400 tonnes		2,209
Glass	57 tonnes		2
Total indirect emissions from others			**4,453**
Total CO_2 emissions from activities		**146,670**	**39,338**
Carbon footprint: 38,294 tonnes of CO2 emissions corresponds to 4.1 tonnes per NOK 1 million in revenue (4.3 in 2012).			

[1] Energy equivalents are calculated for the Company's core operations (direct and indirect emissions) in order to illustrate the annual energy intensity of the Company's daily activities.

Employees must in no way have a dependent relationship with the Company's customers, shareholders, suppliers or other associates that can entail a conflict between AF Gruppen and personal interests. Employees must not carry out any transactions with a relative or close friend on behalf of the Company.

AF should have a proper and open relationship with respect to information. All privileged information in AF Gruppen must be treated accordingly. There are guidelines related to how and who can make comments to the media. In addition, share price sensitive information must be handled in accordance with the policy for inside information. All of the stock exchange transactions conducted by employees or related parties are monitored on an ongoing basis.

Working environment

AF Gruppen aims to have a working environment that promotes health and prevents employee illness. AF desires to create an inspiring workplace with a high level of job satisfaction and energy, while we are uncompromising when it comes to safety in the workplace. All undesired incidents have a cause, and therefore all injuries can be avoided.

Health and safety

At AF we see work as being a source of good health, but employees can also be affected negatively by various health burdens as a result of their work. The measurement and follow-up of absence due to illness is an important indicator of both health and satisfaction. Specific arrangements are made to ensure that the working environment promotes health and prevents work-related illnesses.

AF carries out activities that are traditionally associated with risk and can result in injuries. AF is responsible for everyone who works on our projects, regardless of whether they are our own employees or subcontractors of AF Gruppen.

AF's goal is that no one should be injured as a result of their work. The safety of our employees, partners and third parties should never be compromised with a view to earnings or progress. This attitude is reflected in AF's systems and organisation, and in everyone taking personal responsibility for their own safety and the safety of others.

All subcontractors are required to follow AF's guidelines. AF conducts safety training for everyone, regardless of native language or employer. AF also includes subcontractors in the calculation basis for the safety figures that are reported.

The reporting of health and safety is included in the HSE section.

Diversity and equality

The percentage of our own employees and subcontractors with foreign citizenship is increasing. Like other players in the building and construction industry, AF has few female employees.
AF Gruppen aims to have a working environment without differential treatment, discrimination, harassment or bullying due to race, skin colour, religion, nationality, gender, sexual orientation, age or disability.

AF consciously strives to create an inclusive workplace that promotes a greater percentage of female employees, and an environment with multiple nationalities.

Relationship between managers and employees

AF has a well-functioning employee representative structure and safety organisation, which ensure employees the right to participate in decisions concerning the working environment. There is a separate Works Council and Working Environment Committee, and the Company has representatives from both salaried employees and hourly-wage employees on the Board of Directors.

AF trains and develops employees through development programmes that are in accordance with our goals and values. Development interviews for all the employees should be conducted and documented at least once a year. In addition, employee satisfaction is measured regularly.

Reputation

Employees have contributed to building AF Gruppen's reputation as a company that is reliable. Our reputation is affected by the conduct of each individual every day. All of the projects should ensure that our reputation is maintained in day-to-day work.

The objective of our operations is to create value for our customers, owners, employees, suppliers and society at large. AF's attractiveness is reflected through how this value is created and managed. AF's competitiveness and place in society begins and ends with the fact that the company is reliable. AF therefore asks all employees to think and act in accordance with AF's core values.

Managers in AF Gruppen have an overall responsibility to manage in a way that creates a culture in which orderly conduct is recognised, valued and lived up to by all the employees. That which has been built up over many years can, however, be torn down by individual incidents and be affected by the handling of incidents related to the environment, business ethics and social responsibility. AF is therefore uncompromising with regard to complying with the "Code of Conduct" and core values.

Emergency planning

AF has an overarching contingency plan for the entire Group. The plan provides guidelines for how the contingency plan and the emergency preparedness organisation in the projects should be construed. A key element here is the requirement that the projects identify and define all the hazards and accident situations that could lead to damage, injury or the loss of property. The objective is to be able to handle and reduce the harmful effects of potential emergency situations.

The Group has an emergency management team that is available 24 hours a day in the event of accidents or potential accidents. Depending on the situation, the need to establish a crisis team within the Group will be assessed.

> Employees have contributed to building AF Gruppen's reputation as a company that is reliable.

Learn from our mistakes

In spite of our focus on planning and preventive measures, undesired incidents can occur. The reporting of undesired incidents is therefore important in order to learn from the incidents. AF also registers and handles all HSE incident and quality discrepancies. The degree of severity is always evaluated when an incident is registered. Based on the degree of severity, a determination is made of what part of the organisation should be involved, to what extent the incident should be investigated and how further transfer of experience should be accomplished.

The number of recorded undesired incidents has increased in recent years. In 2013, 10,296 undesired incidents were reported in AF Gruppen. There is a clear association between the increase in the number of undesired incidents and the reduction in the number of injuries.

BOTH HANDS ON THE WHEEL

Risk management has always been a key part of AF Gruppen's operations. In an industry distinguished by large volumes and small margins, good control is of decisive important to the financial results. Good risk management translates into good profitability.

Profitable growth is one of AF's core values, and we will continue to challenge the status quo. The management of risk shall ensure that we see opportunities for growth where we can take on risk that we can influence. We should also handle threats so that growth does not occur at the expense of cost control or project management.

Risk management has contributed, and should continue to contribute, to good profitability in individual projects and for the Group overall.

An integral part of business activities

Risk management in projects represents the foundation for risk management at AF, and each quarter a risk assessment of major projects in AF Gruppen's portfolio is conducted. In business units with small projects, the risk assessment is conducted at the departmental level. The focus of the assessment is to identity what risk factors have the greatest influence on the final result of the project.
Measures to exploit opportunities and handle threats are defined for each risk factor.

Data from the assessment at the project level is sent to the business unit, which will conduct a risk assessment of its project portfolio. The assessment forms the basis for the unit's prioritisation in the subsequent quarter. Every quarter the results of all the business unit reviews are presented to the Corporate Management Team and Board of Directors.

The analysis tool used in risk management is especially adapted to the needs of AF Gruppen, and is actively used in all of the Group's business areas. An internal specialist function has been established to facilitate and manage the necessary processes. Standardised processes for risk management have contributed to uniform management of risk in all phases. A significant risk factor that is identified in a project will be dealt with in the project itself, by the business unit, and by the Corporate Management Team. This is how we ensure that risk management is an integral part of business activities.

Barriers and arenas for seeing opportunities

AF seeks risk that we can influence. The risk assessment of tenders acts as an important barrier, where we can identify the risk inherent in the project, define specific measures and price them correctly. A systematic survey of risk provides better management and control in the tendering and implementation phase.

Risk analysis is also used by AF Gruppen to find new opportunities and new solutions to the benefit of our customers and AF. After seven years, the system provides good insight into what opportunities we should look for, and into which projects have the greatest potential for a good profit.

Improved risk management has resulted in a significant reduction in loss-making projects and an increase in profitability. Since AF started its focus on risk management in 2006, the average EBIT margin increased from 2.6 per cent (2002 to 2006) to 5.2 per cent (2007 to 2013). The correct pricing of both positive and negative risk is key in the hard competition for new projects and has contributed to the Group's competitiveness.

A systematic survey of risk provides better management and control in the tendering and implementation phase.

Risk pyramid: Our focus on risk management is firmly anchored in all of our business activities, from the individual project to the Corporate Management Team.

TOWARD NEW HORIZONS

AF Gruppen has always moved the boundaries. Knowledge and experience from one area have been used to solve challenges in a new area. Step by step toward new markets.

CIVIL ENGINEERING

The Civil Engineering business area carries out large complex civil engineering projects and niche projects in the following areas: roads and railways, port facilities, foundation work and power and energy, as well as onshore facilities for oil and gas.

CIVIL ENGINEERING

Civil Engineering encompasses all of AF's civil engineering activities in Norway and Sweden. The Civil Engineering business area consists of:

- AF Anlegg
- Pålplintar

KEY FIGURES

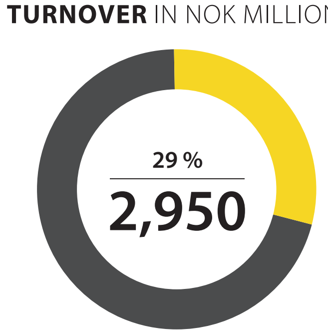
Amounts in NOK million	2013	2012	2011
Revenues	**2,950**	2,622	2,214
Earnings before interest and taxes (EBIT)	**253**	83	125
Earnings before taxes (EBT)	**265**	92	127
EBIT %	**8.6 %**	3.2 %	5.6 %
EBT %	**9.0 %**	3.5 %	5.7 %
Order backlog	**4,604**	2,232	3,040

NUMBER OF EMPLOYEES

33 %
881

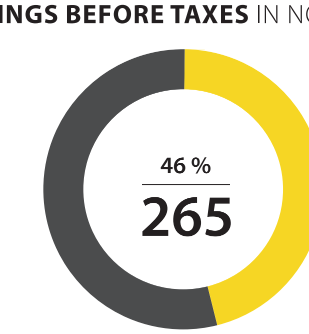
AF Gruppen 2,708

TURNOVER IN NOK MILLION



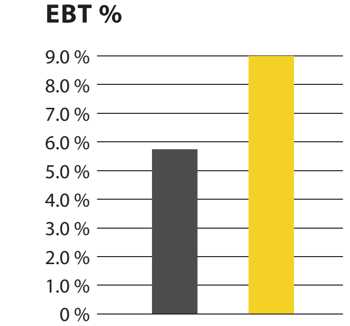
AF Gruppen 10,127

EARNINGS BEFORE TAXES IN NOK MILLION



AF Gruppen 580

EBT %



9.0 %

AF Gruppen 5.7 %

High level of activity and good operational performance generated good results

Many major projects contributed to good results for our civil engineering activities in 2013. The Government's planned investments in road and railway development creates a good outlook for Civil Engineering.

Many major projects contributed to good results for our civil engineering activities in 2013. The Government's planned investments in road and railway development creates a good outlook for Civil Engineering.

AF Anlegg carries out traditional civil engineering projects throughout Norway in the areas of transport, infrastructure and hydropower. This includes roads, railways, airports, tunnels, foundation work, and installation and securing work in tunnels.

The unit is one of Norway's leading tunnel and earthmoving contractors, and focuses on large complex projects.

The civil engineering activities also encompass building and civil engineering projects aimed at the oil and gas industry, as well as projects in the area of hydropower and other power plants, and sea and port facilities throughout Norway.

Civil Engineering consists of two business units: AF Anlegg is the Norwegian part of the civil engineering activities, while the Swedish company Pålplintar carries out foundation work projects for industrial, residential and public buildings in Stockholm and Mälardalen.

2013 in brief

Civil Engineering reported revenues of NOK 2,950 million (2,622) for 2013. Earnings before taxes were NOK 265 million (92 million). The civil engineering market has been good and this business area has had many major projects with a high level of activity throughout 2013 and also delivered good results.

The profit margin for the year was 9.0 per cent, 5.5 per cent better than last year.

At the end of the year, the Civil Engineering business area had an order backlog of NOK 4,604 million (2,232 million). The Norwegian business unit AF Anlegg reported a high level of activity and very good results for 2013. The Swedish business unit Pålplintar has experienced a low level of activity and weak results this year.

Market outlook

The civil engineering market is driven primarily by major public infrastructure projects, and political priorities thus have a strong influence on the development of the market.

In the national budget for 2014, the Government has proposed appropriations of NOK 22.7 billion for roads. This is an increase of approximately NOK 1.7 billion or 8.1 per cent over the final budget for 2013.

The new Government platform also aims to establish an independent road development company that is to boost several road projects and make the development more efficient. In addition, an NOK 100 billion infrastructure fund will be established to ensure predictable and lasting financing of infrastructure investments.

The positive market outlook provides a good foundation for the civil engineering activities at AF. The government is also planning a major investment in the InterCity triangle that will entail a higher level of railway development in the years to come. There is also a stable level of activity for hydro and run-of-the-river power plants; both new plants and rehabilitation.

Strategy

The Norwegian segment of the civil engineering activities has a nationwide and mobile organisation that focuses on large, complex civil engineering projects for roads, railways, power plants and oil & energy. This is carried out with a large share of our own employees for tunnelling, earthmoving and road and railway building, as well as the use of the subcontractor market for deliveries that give us a competitive advantage.

The aim of civil engineering activities is to ensure profitable future growth. Most of this growth will still be organic growth within our core operations. This means large, complex projects that require a lot expertise in project management, technical implementation, operations, risk management and HSE.

We should be attractive in the labour market by carrying out large, complex projects. The units should actively recruit qualified new college graduates, and experienced employees in the areas of operations and project management. Civil Engineering is continuously seeking to develop its employees through training programmes and career planning.

The Swedish segment of civil engineering activities has a niche focus on foundation work, and their primary strength is in the Stockholm region. Growth is also a goal for these activities, primarily through geographic expansion in Sweden and Norway.

Civil Engineering

AF has the experience and competence required to carry out all types of small and simple to large and demanding civil engineering projects. AF carries out projects related to roads and railways, port facilities, foundation work and power and energy, as well as onshore facilities for oil and gas. Our customers are primarily public sector agencies and large energy and industrial companies.

Project Manager Jørund Gullikstad attaches the highest importance to safety for the new E6 between Frya and Vinstra.

E6 Frya – Vinstra

The focus is on safety for the new road between Biri and Otta. It was for reasons of traffic safety that the Norwegian Public Roads Administration initiated Norway's largest road project. The main focus is also on safety at AF. Civil Engineering has started work on the first section with the goal of zero injuries.

The stretch of road between Biri and Otta has been one of the most exposed sections on the E6. The busy European road passes through a number of towns and villages, which means that it is subject to congestion and accidents. That is why the Norwegian Public Roads Administration decided to build a new E6 between Biri and Otta under the motto of "A safer E6 and more enjoyable local community". The largest individual road building contract in the history of Norway was awarded to AF Gruppen for the subsection between Frya and Vinstra.

Safety first

Project Manager Jørund Gullikstad has worked for AF for 23 years and in the oil and gas sector for half of that time. The strong focus on safety also applies to AF's civil engineering activities.

– Safety has the highest priority in the project. Our goal is to deliver the more than one million hours of work in the project without personal injuries or damage to the environment, says Gullikstad.

The road project valued at approximately NOK 1.5 billion encompasses an 18-kilometre section of dual carriageway with passing sections, 4.3 kilometres of tunnel and around 20 concrete structures, including the Harpe Bridge over the Lågen River.

– In the project description from the client, the bridge was planned with temporary support during the construction period. This entailed significant risk, because the Lågen River is exposed to ice and flooding. The method was also subject to strict restrictions with regard to protection of the external environment. In consultation with our subcontractors, we developed a proposal for another method that made the support unnecessary and thus significantly reduced the risk associated with the project, says Gullikstad.

Civil engineering leader in Norway

When the new E6 is completed in October 2016, it will have been a major project for AF Anlegg for a number of years. In Gullikstad's opinion, the project shows that AF Gruppen is the leading civil engineering contractor in Norway.

We have said that we will be the largest civil engineering contractor in the country. Our total revenues, order backlog and this project show that we are.

> Safety is the most important part of the project.

BUSINESS AREAS

Nyhamna

In July, AF Anlegg signed a major contract with Kværner for civil engineering work in connection with the expansions at Nyhamna. The contract encompasses the construction of new infrastructure for the expansion of the Nyhamna gas processing plan, and encompasses ground work, plumbing and cable routing, roads and spaces, new electrical utility building, foundations for mechanical units and modules, pipe racks for gas pipe packages and landscaping.

Contract price: Approximately NOK 750 million
Completion: 2016
Client: Kværner Stord AS for AS Norske Shell

SELECTED CIVIL ENGINEERING PROJECTS THROUGHOUT THE YEAR

Ryfast

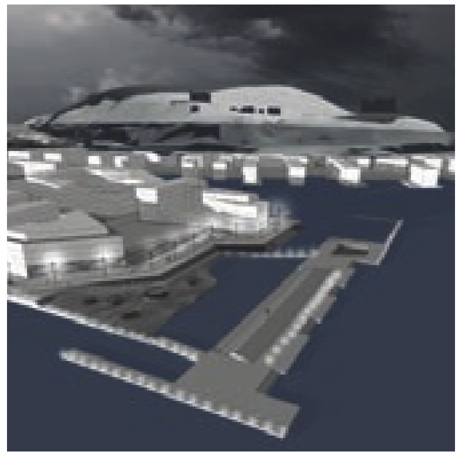
In June, AF signed a contract for the development of Rv 13 Ryfast, the E03 Solbakk Tunnel. This contract is one of the largest ever civil engineering contracts for AF, and the work consisted of the construction of an 8 kilometre section of dual carriageway, of which 6.5 kilometres are part of the 14 km long subsea Solbakk Tunnel.

Contract price: Approximately NOK 1169 million
Completion: 2018
Client: Norwegian Public Roads Administration

Oslo Airport

AF Gruppen was awarded two contracts in connection with the development of the new North Pier at the Oslo Airport in March 2013. The work consists of ground and concrete work, as well as earthmoving and the establishment of taxiway areas, including technical systems.

Contract price: Approximately NOK 500 million
Completion: 2014
Client: Oslo Lufthavn AS



Park in the Sea

In the autumn of 2013, work began on the development of Park in the Sea at the Sørenga Pier in Oslo. The contract involves the engineering and construction of a floating park consisting of concrete elements. The construction will be part of the park facility at Sørenga, and it will be a new recreation area in Oslo.

Contract price: Approximately NOK 60 million
Completion: 2015
Client: Bjørvika Infrastruktur

ENVIRONMENT

The Environment business area has a leading position in Scandinavia in the removal, demolition and environmental decommissioning of buildings and industrial plants.

ENVIRONMENT

Environment offers solutions based on its top expertise that meet the environmental challenges faced by customers. The Environment business area consists of:

- AF Decom AS
- AF Decom AB
- BA Gjenvinning AS
- Härnösand Byggreturer AB

KEY FIGURES

Amounts in NOK million	2013	2012	2011
Revenues	**684**	649	484
Earnings before interest and taxes (EBIT)	**40**	72	41
Earnings before taxes (EBT)	**38**	71	41
EBIT %	**5.8 %**	11.1 %	8.5 %
EBT %	**5.5 %**	11.0 %	8.4 %
Order backlog	**215**	231	201

NUMBER OF EMPLOYEES

9 %

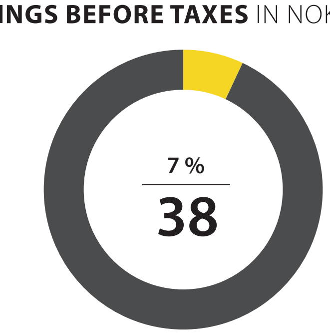
241

AF Gruppen 2,708

TURNOVER IN NOK MILLION

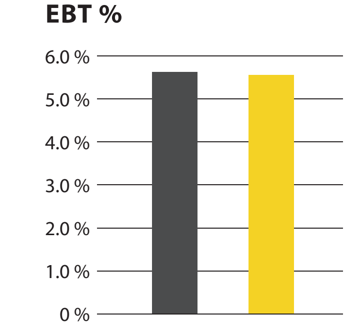
AF Gruppen 10 127

EARNINGS BEFORE TAXES IN NOK MILLION



AF Gruppen 580

EBT %



5.5 %

AF Gruppen 5.7 %

High revenue and good operational performance

A high level of activity is expected for Environment due to a large supply of projects. The future will be met in a sustainable manner through an innovative focus on environmental services.

AF is Europe's largest contractor for the demolition and environmental decommissioning of buildings and structures. The Environment business area has operations in Norway and Sweden.

The business area has solid expertise in areas such as demolition, environmental surveys, environmental decommissioning, blasting, dredging, handling contaminated material and removing shipwrecks. Strict environmental requirements draw attention to the environment, safety and a high rate of recycling.

Environment consists of AF Decom, AF Decom AB and Härnösand Byggreturer AB, BA Gjenvinning, Rimol Miljøpark and Jølsen Miljøpark.

The demolition activities demolish and sort building waste for sale and disposal. This business area generates a great deal of steel that is sold to smelters for recycling. The recycling activities have approved reception facilities for demolition waste, primarily concrete, bricks and asphalt. The demolition waste is crushed, cleaned and sold as recycled crushed stone and gravel.

BA Gjenvinning recycles concrete and asphalt. Rimol Miljøpark has an advanced reception facility for the storage and recycling of contaminated materials. Jølsen Miljøpark processes concrete, stone and asphalt for recycling.

In July 2013, AF Gruppen acquired Härnösand Byggreturer AB, which is a leading company in the Swedish demolition market that is engaged in the demolition and environmental decommissioning of buildings.

2013 in brief

Environment reported revenues of NOK 684 million (649 million) and earnings before taxes of NOK 38 million (71 million).

The Norwegian operations have high revenues and are performing well operationally. The largest project, Follum Fabrikker, has had a high level of activity in 2013, and completion of the project is expected in 2014.

The acquisition of Härnösand Byggreturer strengthened our focus on the Swedish demolition market. The Swedish demolition activities now cover the entire country. The integration of Härnösand Byggreturer has started, and the company is showing a positive development.

AF developed Rimol Miljøpark in 2013 for the recycling of contaminated material in Trondheim. AF established Jølsen Miljøpark from 1 November 2013. Jølsen Miljøpark is located right outside of Lillestrøm in the Municipality of Fet and is equipped to recycle concrete, stone and asphalt.

The total order book for Environment stood at NOK 215 million (231 million) at the end of the 2013.

Market outlook

The market for land-based demolition services has been good throughout 2013, and this is expected to continue in 2014.

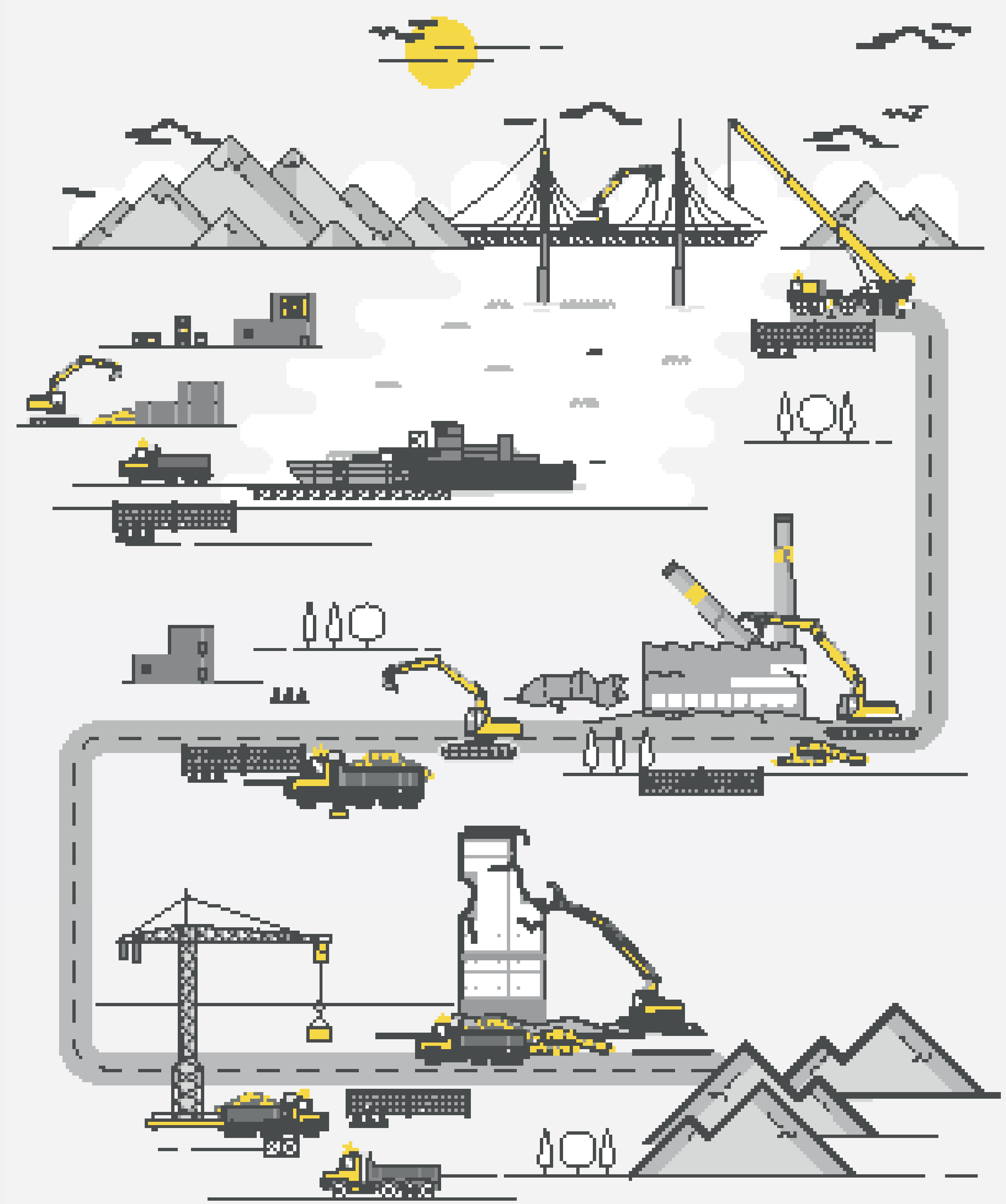
In Norway there is a large supply of new projects and the level of activity is expected to remain high. However, there is a short time horizon from ordering to project completion, and the market is highly correlated with the market for new construction. In spite of a somewhat hesitant residential housing market, there is a positive expectation of a high level of activity in transport and the renovation of buildings in Norway. This gives us a good outlook for 2014 for the Norwegian environmental activities.

AF's Swedish operations are somewhat more sensitive to economic fluctuations. There are nevertheless positive signals of a good level of activity in building and civil engineering in the Stockholm region. This will entail a higher level of activity for the Environment business area in Sweden.

Strategy

The business concept for Environment is to offer solutions that meet the environmental challenges faced by customers of the Group through top expertise.

Land-based demolition activities will have a strong focus on core operations, and on natural development of the range of services in Norway and Sweden. AF's demolition activities shall be characterised by a high level of focus on safety and protection of the external environment, and the mapping and analysis of demolition projects shall ensure the correct sorting and handling of all waste. We are working on achieving an adequate volume of demolition activities in Sweden, at the same time as AF is contributing to an expected consolidation and professionalisation of the Swedish demolition market. Growth is expected to continue through expanding our geographic area of focus, and it will be realised through both organic growth and acquisitions.



Environment

AF is Europe's leading contractor for the demolition and environmental decommissioning of buildings, industrial plants and petroleum installations. AF offers solutions that meet the customers' environmental challenges, and the company also has solid expertise in areas such as blasting, dredging, handling contaminated bulk material and removing shipwrecks.

Project Manager Sindre Johansen's focus on the recycling of materials resulted in major savings for the client and the environment.

Follum fabrikker

When Follum Fabrikker shut down in the spring of 2012, it was the end of an important chapter in the industrial history of Norway. It will also be the start of a new chapter with the help of AF Gruppen.

The closed factory was acquired by Viken Skog. Even though paper manufacturing is a thing of the past, there was still a desire to keep the timber industry in the area. First it had to be cleaned up. AF Gruppen was invited to make an offer on demolition, along with a selection of other contractors. The client was open to several solutions, and several models were presented. The solution from AF was chosen.

– We had a good solution for realisation of the value of the old paper machines, which made our offer as a whole the most profitable for the client, says Project Manager Sindre Johansen.

Norway's largest demolition project

Follum Fabrikker is one of the largest demolition projects ever in Norway. Buildings totalling 100,000 square metres with 150,000 tonnes of concrete and 20,000 tonnes of steel place high demands on sorting and recycling.

– 150,000 tonnes of concrete represents 5,000 lorry loads. Each tonne that can be recycled protects the environment and saves the customer costs, says Johansen.

As soon as the contract was signed, AF initiated a thorough survey of the buildings for substances hazardous to health and the environment. The most typical findings are asbestos, PCBs and heavy metals. An environmental report was prepared and the Norwegian Environment Agency was involved.

– Through a thorough analysis, close constructive dialogue with the Norwegian Environment Agency and good planning, most of the material could be recycled on site. This represented major savings for the client, contractor and the environment, says a proud Johansen.

In the summer of 2014, AF Gruppen will be finished with the demolition work on Follum Fabrikker.

– It is a very special feeling to demolish a former cornerstone company like Follum Fabrikker, which has an industrial history of 140 years.

> With a total of 100,000 square metres with 150,000 tonnes of concrete and 20,000 tonnes of steel place high demands on sorting and recycling.

At the same time, this is the start of something new. Viken Skog will develop new industry on the site in the years to come.

Haukeli power station

From a slope of 45 degrees, 200 tonnes of steel and large concrete structures were removed from the mountainside. The pipe trench that was removed was 500 metres long and stretched over 265 metres in height. Old water pipes were burned off before they were flown out by helicopter. A remotely controlled demolition machine that crushes concrete structures was a prerequisite, because it was impossible to sit in the machines on the steep mountainside.

Contract price: NOK 3 million
Completion: 2013
Client: Skanska Norge AS

SELECTED ENVIRONMENTAL PROJECTS THROUGHOUT THE YEAR

Sluppenveien

In September, AF Decom entered into a contract with NCC Construction AS for excavation (ground and foundation work) at Sluppenveien 17 in Trondheim. The material will be delivered to Rimol Miljøpark, which handles and recycles materials for reuse.

Contract price: NOK 11 million
Completion: 2013
Client: NCC Construction AS

Hasle Linje

In 2013, AF was awarded a contract by Haslemann AS to demolish commercial premises at Hasle in Oslo. The Building business area of AF Gruppen has now started the construction of residential and commercial buildings for the same customer in this area.

Contract price: NOK 8 million
Completion: 2013
Client: Haslemann AS

Drammensveien 134

In May, AF Decom signed a contract with Skanska Norge AS for the demolition of an office building of approximately 21,000 m² at Drammensveien 134 in Oslo. Before the start of mechanical demolition, substances hazardous to health and the environment were removed. A new commercial building is now under construction at the site.

Contract price: NOK 9 million
Completion: 2013
Client: Skanska Norge AS

BUILDING

The Building business area has a leading position in the building and renovation of residential, commercial and public buildings.

BUILDING

The Building business area is engaged in traditional building activities with a solid local base. The Building business area consists of:

- AF Bygg Oslo
- AF Byggfornyelse
- AF Bygg Østfold
- AF Bygg Sør
- AF Bygg Rogaland
- Strøm Gundersen
- AF Bygg Göteborg

KEY FIGURES

Amounts in NOK million	2013	2012	2011
Revenues	**4,793**	5,348	3,757
Earnings before interest and taxes (EBIT)	**169**	60	148
Earnings before taxes (EBT)	**160**	47	144
EBIT %	**3.5 %**	1.1 %	4.0 %
EBT %	**3.3 %**	0.9 %	3.8 %
Order backlog	**4,760**	4,368	4,965

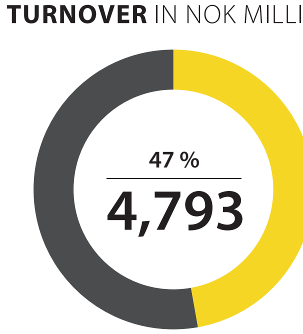
NUMBER OF EMPLOYEES

37 %

994

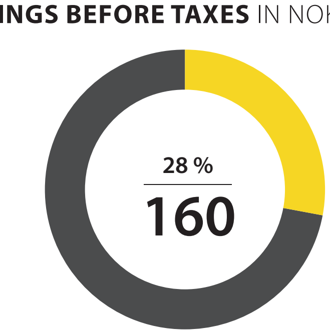
AF Gruppen 2,708

TURNOVER IN NOK MILLION



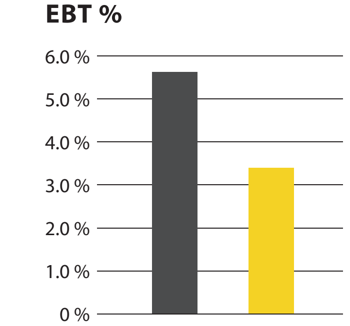
AF Gruppen 10,127

EARNINGS BEFORE TAXES IN NOK MILLION



AF Gruppen 580

EBT %



3.3 %

AF Gruppen 5,7 %

Stronger margins

Our focus on margins has shown results. Good organisation of the projects and improved quality of execution has increased the overall profitability in the Building business area.

Building is one of AF's largest business areas and spans the entire value chain from development and planning to building. In addition to being one of the largest players in the residential, commercial and public building sector, AF has a leading position in renovation in Norway.

The Building business area consists of activities related to new building, renovation and remodelling in Norway and Sweden. Building is divided into seven business units with a strong local presence and range of services adapted to the market. Building consists of the business units AF Bygg Oslo, AF Byggfornyelse, AF Bygg Østfold, AF Bygg Rogaland, AF Bygg Sør, Strøm Gundersen Group and AF Bygg Göteborg.

2013 in brief

In 2013 Building reported revenues of NOK 4,793 million (5,348 million). The decline in revenues is attributed to a planned adaptation of the project volume in the Oslo region to the market in the wake of last year's capacity challenges at AF Bygg Oslo.

Earnings before taxes totalled NOK 160 million (47 million).

The profit margin increased from 0.9 per cent in 2012 to 3.3 per cent in 2013. The earnings improvement is satisfactory, but the margin levels are still not in line with the Group's long-term goals for profitability in the Building business area.

The Norwegian building activities deliver variable results. While AF Bygg Oslo, AF Bygg Østfold and Strøm Gundersen performed well in 2013 and delivered good results, measures have been implemented to improve the operations of AF Bygg Sør and AF Byggfornyelse.

Through the acquisition of Broddheimer Malmcrona, AF Bygg Göteborg has gained new, stronger management.

The total order book for Building stood at NOK 4,760 million (4,368 million) at the end of the 2013.

Market outlook

The market for the renovation, remodelling and extension of non-residential buildings is expected to grow by 2–3 per cent in 2014 compared with 2013, and emerges as a market with stable growth. The market for public buildings and private commercial buildings has also shown a positive development in most of AF Bygg's regions. The market for renovation, remodelling and extension, the commercial market and public buildings represent overall a good market platform for most of our Building units.

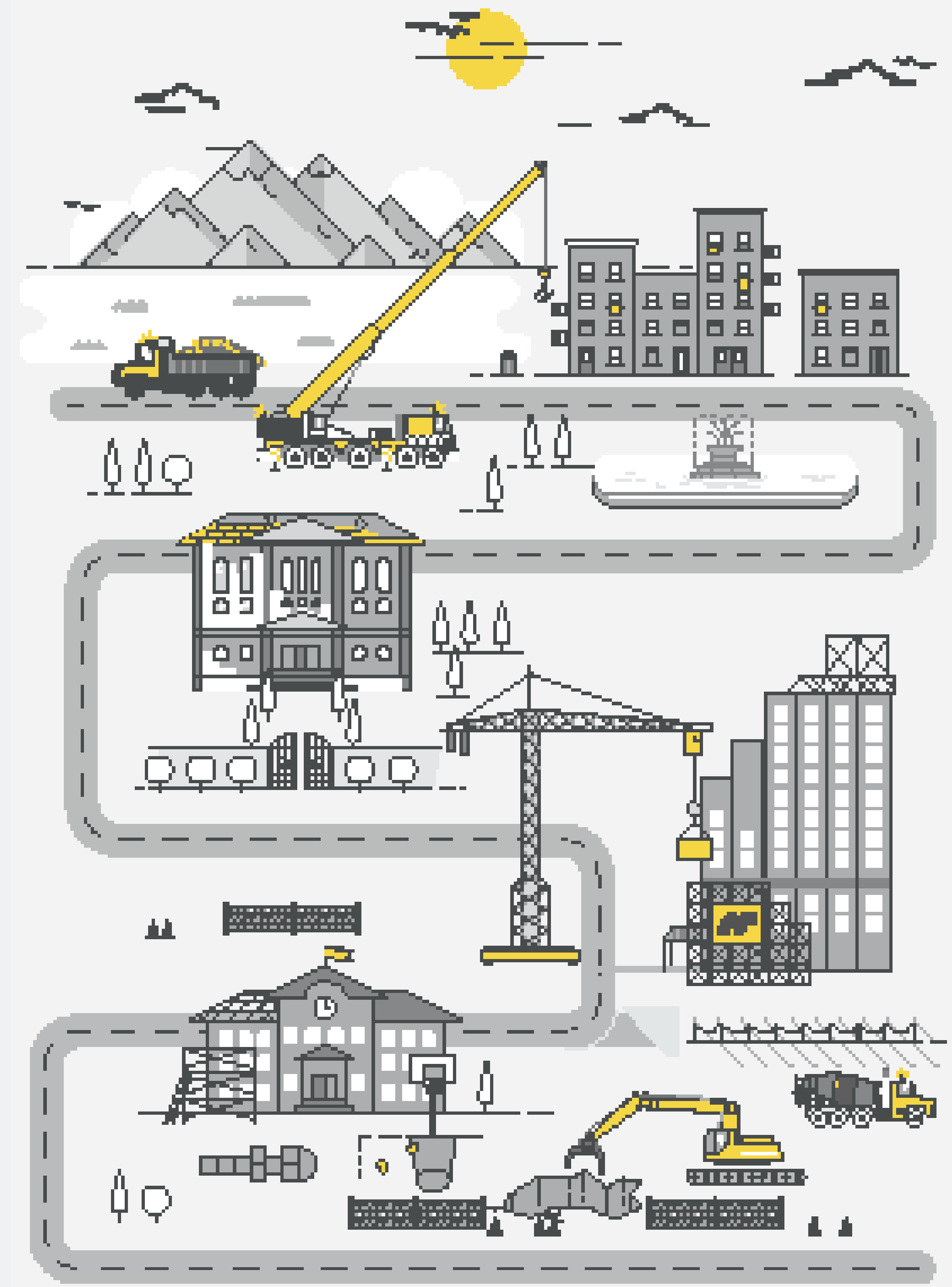
The residential housing construction market is characterised by somewhat greater uncertainty at the beginning of 2014. Lower residential housing sales in the short term may result in a lower rate of housing starts. Over time, however, we believe that the market for housing construction in our regions will be quite robust. At the start of 2014, only a small share of AF Bygg's overall order backlog was exposed to the development of sales in the residential housing market.

Strategy

After a few years with substantial revenue growth and the establishment of business in several new regions, the focus of the building activities is aimed at improving margins across the business units. In a large project portfolio, variations in performance must be expected, but we have great confidence that a systematic focus on good operational performance will lift the overall performance of the units over time. The profit margin for the Building business area improved significantly in 2013 through good project organisation and improved execution quality. We have thus established a solid platform for both organic and structural growth.

In the future, our growth strategy for the Building area will also emphasise the quality of critical operations as well as a focus on the development of good, robust organisations adapted to market conditions and the project portfolio. An important tool will be the exchange of experience among all of the business units in order to improve and better utilise the overall competence within the building activities.

We also focus on close interaction between the Building and Property business areas for the realisation of value for the Group through projects for own account. From experience, the projects for own account yield a good return for all parties involved, based on good interaction and rational planning and execution. For the building activities, it is therefore important that cooperation with AF Eiendom is developed and strengthened in all geographic regions.



Building

AF is one of the largest market players in the area of residential, commercial and public buildings. AF's experience spans the entire value chain from development and planning to building. AF is also a leader in renovation. AF delivers services to customers ranging from small companies with a single task to large private and public clients with a long-standing relationship. AF cooperates closely with customers to find efficient solutions that satisfy future environmental and energy requirements.

Project Manager Bård Degnes is proud of how AF Gruppen has handled the construction of the new Østfold Hospital.

New Østfold Hospital

The new Østfold Hospital is Norway's largest land-based building project thus far. AF Gruppen is responsible for several of the contracts.

The new Østfold Hospital at Kalnes in Sarpsborg encompasses new buildings totalling 85,500 square metres and has a cost budget of NOK 5.5 billion. The building project is the largest building project in the history of AF Gruppen. The project was initiated in the summer of 2011 and completion is scheduled by Christmas 2014.

Project Manager Bård Degnes of AF Bygg Østfold was not afraid to think big.

– The greatest challenge in such a project is to dare to think big enough. The project encompasses a total of nine building contracts, we are responsible for seven of them, at a contract value of almost NOK 1 billion. We always have many different jobs in various phases, and the challenge is to handle all of them at the same time.

Proud of what we have achieved

The concrete work was completed last summer, and the scope was enormous: 140,000 square metres of formwork, 42,000 cubic metres of cast-in-place concrete and 5,700 tonnes of reinforcement. At the peak there were 145 formwork setters and iron fitters involved.

– There was not enough manpower available in our own ranks or in the district. The Portuguese company Zucotec was therefore chosen as a subcontractor for the concrete work. In the beginning, we were sceptical about the risk associated with the language-related and cultural differences, but it worked out very well. We chose the right subcontractor, says Degnes.

And it is not only the cooperation with the Portuguese he is thinking of.

– The project has been demanding, but we have mastered it well. We have managed to build up a large robust staff from our own, very dedicated and capable people. We have cooperated very well, and we have demonstrated with this job that we can take on the largest and most complex building projects. I am proud of what we have achieved so far, he concludes.

> The project has been demanding, but we have mastered it well.

Glasiären

In March 2013, AF Bygg Gøteborg started the construction of an office building at Kvillebäcken in Gothenburg. The building, which measures 18,500 square metres, is to act as a noise barrier against the train traffic and the new residential area, and it is the first building in the Nordic region to be covered with glass with the new ECONTROL technology.

Contract price: Approximately SEK 240 million
Completion: 2014
Client: AF Fastighet 1380 AB

SELECTED BUILDING PROJECTS THROUGHOUT THE YEAR

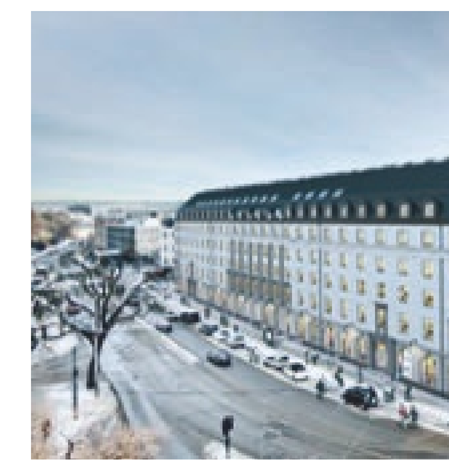


FOTO: SJ ARKITEKTER AS /RIFT AS

Head office for Aller Norge

In 2013, AF has worked on the construction of a new head office for Aller Norge at Hasle in Oslo, on behalf of Höegh Eiendom. The building, which will have five floors and a parking basement, shall achieve energy efficiency class B and the BREEAM environmental classification – very good.

Contract price: Approximately NOK 200 million
Completion: 2014
Client: Hasle Linje 6 AS

Handelsbygningen

In the summer of 2013, AF started work on the renovation of Handelsbygningen in Oslo. The building was erected in 1918 and has a gross area of over 13,500 square metres. AF Gruppen's contract encompasses the remodelling of offices and renovation of the exterior façade.

Contract price: Approximately NOK 170 million
Completion: 2014
Client: Fram Eiendom

Kongsberg Knowledge and Culture Park

In 2013, AF was appointed as the contractor for the construction of the Kongsberg Knowledge and Culture Park. The contract is for the construction of a multifunctional building with a gross floor area of 24,100 square metres. The building will house Buskerud University College, Tinius Olsen Vocational School, a library and other cultural functions, among other things, when it is finished in 2015.

Contract price: Approximately NOK 415 million
Completion: 2015
Client: KKP Eiendom AS

PROPERTY

The Property business area develops residential housing and commercial buildings for our own account through the use of our own contracting services.

PROPERTY

Property encompasses the development of residential housing and commercial buildings for our own account, where the business area has access to our own contracting services.

KEY FIGURES

Amounts in NOK million	2013	2012	2011
Revenues	**60**	30	69
Earnings before interest and taxes (EBIT)	**32**	38	37
Earnings before taxes (EBT)	**30**	31	31
EBIT %	**-**	-	-
EBT %	**-**	-	-
Order backlog	**-**	-	-

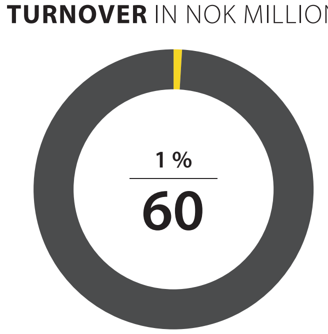
NUMBER OF EMPLOYEES

0 %

12

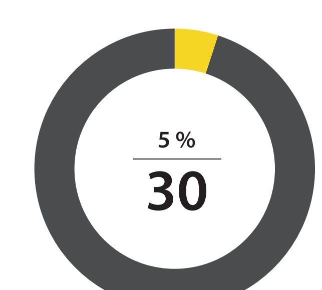
AF Gruppen 2,708

TURNOVER IN NOK MILLION



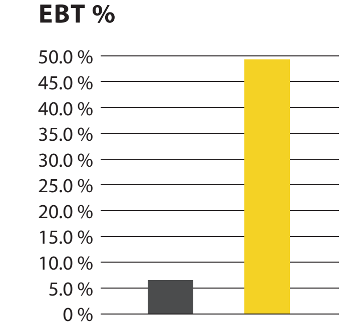
AF Gruppen 10 127

EARNINGS BEFORE TAXES IN NOK MILLION



AF Gruppen 580

EBT %



49.0 %

AF Gruppen 5.7 %

Selective residential housing market

Growth in the residential housing market has declined and the market has become more selective. AF's Property business area has positioned itself for future growth through participation in several selected projects together with external co-investors.

Uncertainty in the residential housing market has resulted in hesitant sales for new projects. However, positive trends in the market provide a brighter market outlook for the years to come.

The Property business area encompasses the development of residential housing and commercial buildings for our own account, where the business area has access to our own contracting services. These development projects are organised as associated companies in AF Gruppen and are not included in the order backlog. External investors participate in the project development companies, and, at the end of the 2013, AF Gruppen had an ownership interest of approximately 45 per cent in its own building site inventory, with a goal of reducing its interest further to approximately 30 per cent.

2013 in brief

Property reported earnings before taxes of NOK 30 million (31 million). Revenues of NOK 60 million were double those of 2012. Revenues in this business area are dependent at any given time on what ownership interest AF Gruppen has in the development projects and will therefore be subject to major fluctuations.

A total of 99 apartments were sold in 2013, and AF's share was 45. As of 31 December 2013, AF's share of unsold completed apartments totalled 3 (13).

Uncertainty in the residential housing market has resulted in a variable sales rate for new projects. The sale of apartments in the Kilen Panorama project in Sandefjord has, however, been satisfactory, and work on the project started in the 4th quarter.

In July, AF entered into an agreement together with co-investors to buy development sites in Sandakerveien at Nydalen in Oslo. Plans for the rezoning and development of the property call for approximately 400 new housing units. In December, AF Gruppen entered into a cooperation agreement with Selvaag Bolig for the development of a residential housing project in the centre of Ski. The development of 120-160 new residential units is expected.

AF signed a cooperation agreement with Selvaag Bolig in December for the development of a residential housing project in the centre of Ski. The development of 120–160 new residential units is expected, and AF Gruppen and Selvaag Bolig will each own 50 per cent of the project/owner company.

AF owns sites and development rights in progress, which are estimated to comprise 1,056 (945) residential units.

Market outlook

The demand for new residential housing units normally fluctuates according to economic cycles and is influenced by developments in the Norwegian and the global economy, including the labour market, income growth and interest rate levels.

The residential housing market weakened in the autumn of 2013, but, at the beginning of 2014, the market is again showing positive tendencies. The analysis company Prognosesenteret is expecting residential housing construction, measured by the number of start permits, to be less than 30,000 units in 2014. This means then that the construction level will be on par with 2013. The average price level for the residential units sold is expected to increase slightly in 2014, compared with 2013.

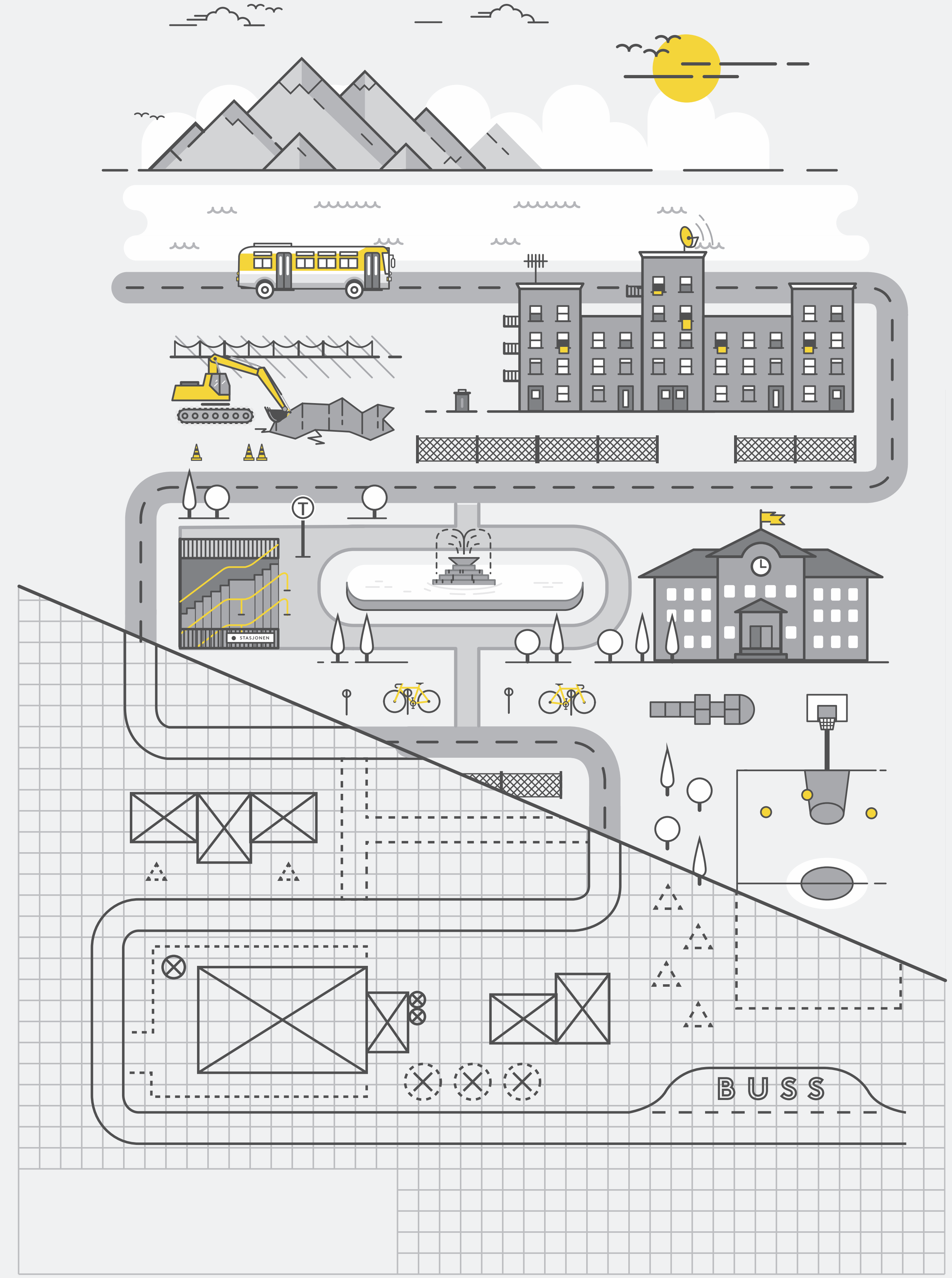
AF maintains its strategy of building rational housing units for "average people" in traffic hub locations, and it expects a relatively stable market outlook in this segment.

Strategy

Our property activities have a twofold objective and strategy: the unit is to develop property in interaction with the building activities, while the business area is to be independently profitable and yield an extra return for the Group. Project development risk is reduced by entering into option agreements for the acquisition of sites, and by having partners who also have ownership interests in the projects. Our partner strategy also contributes to ensuring AF a good supply of sites, and adds the benefit of complementary expertise for the development and implementation of the projects.

Historically, AF Gruppen has primarily focused on property development in the Oslo area, and preferably in the residential housing segment. Property's strategy is to follow the building activities, and it has therefore started to expand its geographic area of operation to Buskerud, Agder and Rogaland. An effort is also being made to strengthen our position in property development in Østfold. From 2014, AF Gruppen's property activities in Gothenburg will be reported as part of the Property business area.

In addition to geographic expansion, it is also an express goal to strengthen the business area's commercial property position. AF Gruppen expects overall to increase its investments and building site inventory during the coming period.



Property

AF develops residential and non-residential buildings for its own account. Most of the projects are located geographically where AF has its own contracting services. AF cooperates closely with other players in the industry, and the development projects are often organised as joint development companies. In this way, we benefit from each other's expertise, while reducing project-specific risk.

Project Manager Espen Friis Jørgensen is managing the largest property project in the history of AF Eiendom.

Krydderhagen

Vinmonopolet's old industrial area between Hasle and Økern is about to become a completely new urban neighbourhood. The project is the largest property project in the history of AF Eiendom and in Project Manager Espen Friis Jørgensen's career.

It was Höegh Eiendom who purchased the property from Arcus (Vinmonopolet) in 2007. The project was divided from the start into a commercial part and a residential housing part. Upon completion of the area development process, Höegh Eiendom wished to find a partner for development of the residential housing part. They invited selected property developers to a competition, and Höegh Eiendom ultimately chose AF Gruppen to be its partner.

– We entered into an agreement with Höegh Eiendom in the summer of 2012. We purchased 50% of the shares in the development company for the residential housing part of the project, and thus AF Gruppen and I took on one of the largest property development projects we have ever had, says Espen Friis Jørgensen.

A living residential area

The project encompasses approximately 45,500 square metres of residential space – approximately 550 residential units. The challenge, however, was not just to build attractive residential units, the 10-hectare industrial site was to be transformed into a living residential area. After a competition between three invited architectural firms, Dyrvik Arkitekter was selected to give form to the area.
– Dyrvik had a warm approach to the area.
They planned a lower building density than what the area development plan allowed, but nevertheless utilised all of the available space from the area development plan, says Jørgensen.

The finished project consists of low, intimate buildings organised around five courtyards, which can be developed in five construction stages. There will be green areas between the courtyards connected by pathways. In addition, the area development plan includes a large park that will be completed at the same time as the first apartments. The name refers to the history of the area, Vinmonopolet's former spice warehouse.

The first construction stage was released for sale last year and achieved good sales numbers in an otherwise cool residential housing market. The start of construction is scheduled for the 1st quarter of 2014, and the first residents in the new urban neighbourhood will be moving in already in 2015.

Rapid development

Cooperation with Höegh has created other opportunities for AF as well. AF Bygg Oslo is already well under way with the first two commercial projects, and in the planning phase for the third project. Jørgensen is proud of the footprint AF Eiendom has contributed to leaving.

– The area between Hasle, Økern and Løren is developing rapidly and in a few years will emerge as a completely new urban neighbourhood with a broad range of shops, cafés and restaurants, public services and health services. With Krydderhagen, AF Gruppen's property activities showed that we are a solid player for the major urban development projects as well.

> Krydderhagen is AF's largest urban development project.

Kilen Panorama

AF Eiendom has been developing the Kilen residential area on the edge of the dock in central Sandefjord since the early 2000s. Now the high-rise building Kilen Panorama is being erected. Half of the apartments have already been sold, and Strøm Gundersen is the contractor.

Completion: 2014
Client: Kilen Panorama KS
AF's stake: 40%

SELECTED PROPERTY PROJECTS THROUGHOUT THE YEAR

Ski

AF Gruppen signed a cooperation agreement with Selvaag Bolig in 2013 for the development of a residential housing project in Ski outside of Oslo. The project encompasses the development and sale of residential units on properties in the centre of Ski, and it is expected that 120 to 160 attractive residential units will be constructed.

Fossumhagen

The Fossumhagen residential project, which was developed by AF in cooperation with Eiendomsplan and Stovner Utvikling KS, received an award in 2013 for the most customer-friendly project of 2012. Good service and follow-up both before and after taking possession contributed to Fossumhagen in Oslo being the residential project with the most satisfied customers in Norway.

Lillo Gård

In 2013, AF entered into a contract together with several partners to buy a development site at Nydalen in Oslo. There are plans to rezone the property and develop approximately 400 new residential housing units. Nydalen is an area that has in general been developed with new residential housing units in recent years and emerges now as a very attractive residential area.

ENERGY

The Energy business area delivers solutions that reduce the consumption of energy and produce alternative energy for residential housing and commercial buildings.

ENERGY

The Energy business area offers smart, energy efficient solutions for buildings and industry. The Energy business area consists of:

- AF Energi & Miljøteknikk AS
- Boligenergi AS (50 %)

KEY OF FIGURES

Amounts in NOK million	2013	2012	2011
Revenues	**173**	163	98
Earnings before interest and taxes (EBIT)	**11**	15	-10
Earnings before taxes (EBT)	**12**	16	-11
EBIT %	**6.5 %**	9.3 %	-10.1 %
EBT %	**6.8 %**	9.6 %	-11.3 %
Order backlog	**59**	106	91

NUMBER OF EMPLOYEES

2 %

55

AF Gruppen 2,708

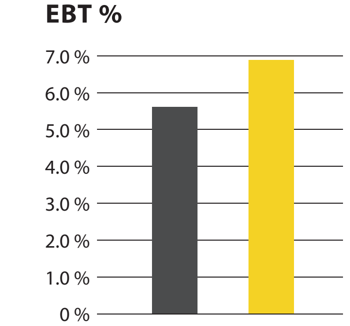
TURNOVER IN NOK MILLION

AF Gruppen 10,127

EARNINGS BEFORE TAXES IN NOK MILLION

AF Gruppen 580

EBT %



6.8 %

AF Gruppen 5.7 %

Higher market shares and increased revenues

Our focus on energy conservation and alternative energy production has resulted in higher market shares and revenues for Energy.

The Energy business area offers energy-efficient and future-oriented technical energy services for buildings and industry. The solutions are beneficial for both the customers and the environment.

The business unit AF Energi & Miljøteknikk delivers solutions that guarantee customers lower energy consumption. The product range encompasses thorough energy analyses that result in system designs and the implementation of measures to ensure efficient energy consumption. AF also designs, installs and monitors local heating plants for commercial buildings and industry. In addition, services such as the operational follow-up of energy plants, energy services and energy monitoring are provided.

Energy also has activities in the newly established Boligenergi AS, which is owned jointly with OBOS. Boligenergi offers total solutions for renewable energy and energy efficiency to housing cooperatives and condominium associations.

2013 in brief

The Energy business area reported revenues of NOK 173 million (163 million) and earnings before taxes of NOK 12 million (16 million) for 2013. The higher revenues are a result of the expected market growth and increased market shares for AF Energi & Miljøteknikk, particularly in the market for energy savings contracts in the municipalities.

AF Energi & Miljøteknikk has entered into contracts for the construction of several new energy plants in 2013. The total contract value is NOK 29 million, of which the largest single contract has been entered into with Åsane Energi (NOK 21 million).

Five energy savings contracts (EPCs) were signed in 2013. The energy savings contracts have a very modest effect on the order backlog, since they do not include a contractual volume beyond the analysis phase. It is expected that these contracts will generate revenues of approximately NOK 127 million, in addition to NOK 19 million from the corresponding EPC contract entered into in 2012. This volume is in addition to the existing order backlog.

The order backlog for Energy stood at NOK 59 million (106 million) at the end of the year.

Market outlook

The market for energy services is affected by the maintenance lag with respect to municipal buildings. New legal requirements, classification systems and support schemes as a result of ambitious public energy goals increase the renovation potential even more.

The market for energy savings contracts (EPC) in municipalities and public sector enterprises has become more interesting now as a result of the standardisation of contract terms. There has been a significant increase in the number of energy savings contracts advertised, and this growth is expected to continue. A corresponding standard is also gaining a foothold with private property owners.

Regulatory changes in the district heating market have resulted in a better regulatory framework for the establishment of local heating plants based on renewable energy. Up until now, market growth has been in the commercial building segment, but it is expected that new technical regulations will result in this type of project becoming more relevant to the establishment of new residential housing projects.

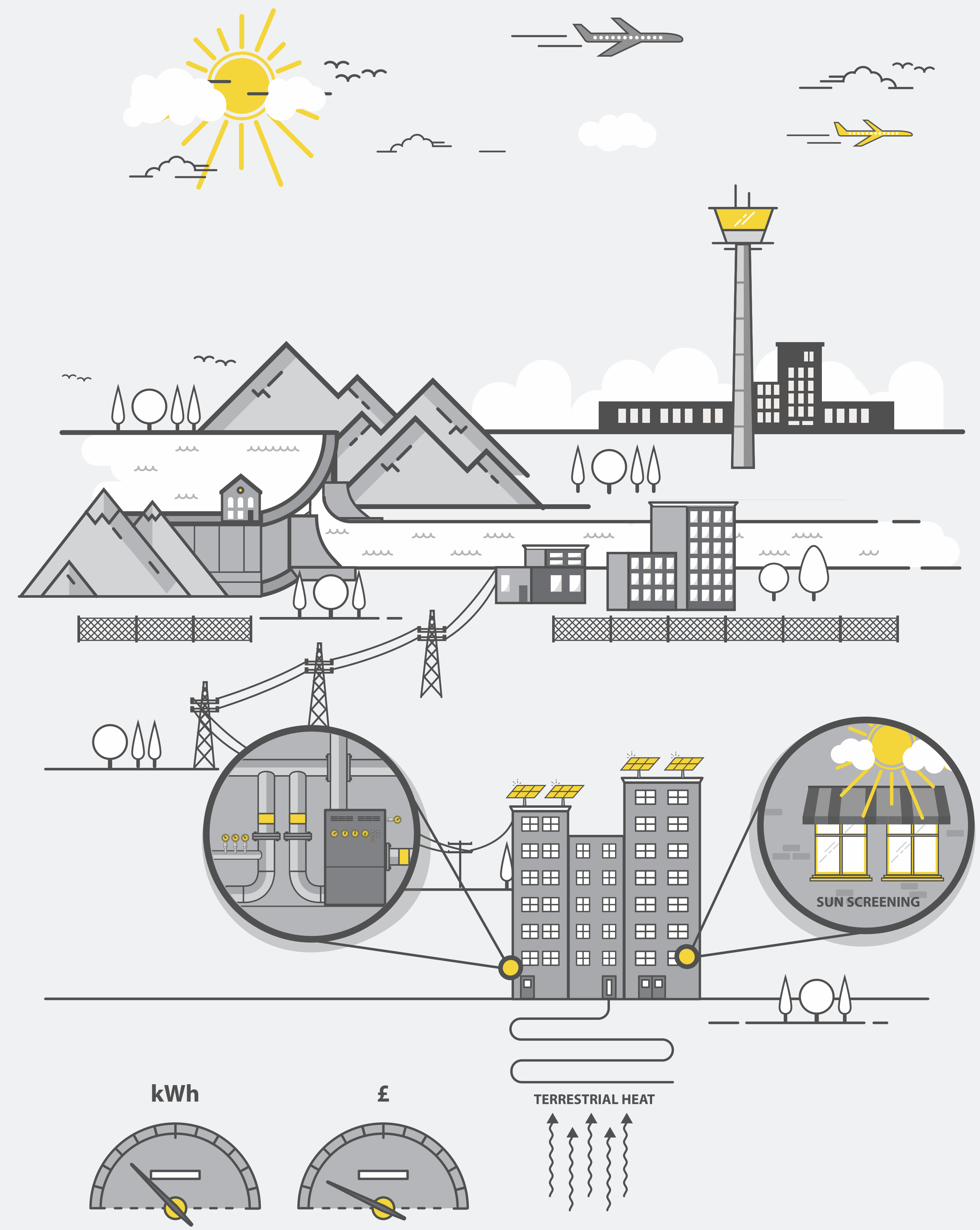
Strategy

Energy has a strong market position and the ambition to become Norway's leading energy contractor with top expertise in energy conservation and production. A prerequisite for continued growth is increased management capacity and access to competence, especially in the engineering, project management and technical disciplines. Through targeted identification and follow-up of talent within our organisation, AF will retain and develop new managers.

In order to improve competitiveness, the Energy business area will combine its own competence and market position with new complementary expertise. Profitable growth will therefore be a combination of organic growth and acquisitions. The energy market is constantly changing and the unit will exploit the overall competence and capabilities of AF Gruppen to develop new services in the border zone of our existing activities.

Parallel to the industrialisation and standardisation of project execution, Energy will further develop systems for the purchase of cost-effective solutions from low-cost countries. This will contribute to further strengthening our position.

Boligenergi will continues its work with energy solutions for condominium associations and housing cooperatives.



Energy

AF Gruppen offers smart, energy efficient solutions for buildings and industry. With extensive industrial know-how and advanced expertise, AF can provide advisory services and implementation for energy conservation and the production of energy, which will offer cost reductions to customers and reduce the environmental impact.

Project Manager Mathias Greve believes that the experience from Nydalen Nord will be of great benefit to future projects.

Nydalen Nord

When Avantor was to build a new energy plan at Nydalen, they contacted AF Gruppen. The first task was to calculate the future energy needs of the district.

Avantor has a concession for delivering energy for heating and cooling throughout the entire Nydalen district. The company built an energy plant in 1998. Development in Nydalen in recent years has resulted in increased energy needs, and in 2011 AF Gruppen was assigned the task of finding new energy sources for heating and cooling within the Nydalen concession area. AF has cooperated with Avantor for several years. They were involved in the construction of the first energy plant in Nydalen, and when Avantor was to build a new plant, it was natural to invite AF Gruppen.

– Before we could start working on the new energy plant, we had to calculate the energy needs to be met. Based on the actual energy needs in existing buildings, estimation of future developments and assessment of the simultaneity factor based on actual data from existing building, AF presented estimates of the future energy needs for heating and cooling for all of Nydalen, says Project Manager Mathias Greve of AF Energi & Miljøteknikk.

Four sources of energy

With these calculations as our basis, a preliminary project for the identification of the optimal energy sources was carried out. AF Gruppen ended up recommending a combination of four energy sources, which combined will offer economically favourable production of environmentally friendly energy with a high degree of reliability.

– Stage 1 for the energy plant is thermal energy collected from water in Akerselva River, stage 2 is the combustion of wood pellets, stage 3 is a gas boiler and stage 4 is heat from an electrical boiler. Thermal energy is also delivered in the opposite direction back to Akerselva River during in the warmer seasons. We originally assumed greater utilisation of the Akerselva River, but stricter requirements with respect to temperature fluctuations in the Akerselva River from the Norwegian Water Resources and Energy Directorate (NVE) resulted in challenges in the construction process, says Greve.

New expertise

From the spring of 2014, Nydalen Nord will supply Nydalen with heating and cooling from environmentally friendly energy. Avantor and the environment will, however, not be the only ones benefiting from the new energy plant.

Nydalen Nord is one of the largest jobs ever for AF Energi & Miljøteknikk, and it has also enhanced our competence. We have learned a lot through risk assessment, project management, technology and engineering, which we will benefit from in future projects, concludes Mathias Greve.

> Nydalen Nord has also enhanced our competence.

Asker Culture Centre

The Asker Culture Centre is one of a total of 30 buildings that are included in the energy savings contracts (EPC) between the Municipality of Asker and AF Energi & Miljøteknikk. With a heat pump with ground water as the heat source, for example, we have succeeded in reducing energy consumption by almost 30 per cent.

Contract price: NOK 5 million
Completion: 2013
Client: Municipality of Asker

SELECTED ENERGY PROJECTS THROUGHOUT THE YEAR

Bergen Airport, Flesland

Extensive energy savings contract at one of Norway's busiest and most complex airports. AF has modernised indoor and outdoor lighting through conversion to LED lighting, increased the efficiency of circulation pumps and ventilation fans, and optimised interaction between the heating and cooling systems.

Contract price: NOK 15 million
Completion: 2013
Client: AVINOR

Laerdal Medical

AF Energi & Miljøteknikk promised that they would manage to reduce the energy consumption at Laerdal Medical AS by 15–20 per cent. AF surveyed the heating and cooling systems, flow of energy to the process, ventilation principles and the lighting system. This work resulted in five resilient ideas for measures that could save Lærdal an additional 23.6 per cent from their electricity expenses.

Contract price: NOK 8 million
Completion: 2013
Client: Laerdal Medical AS

Åsane energy plant

AF was awarded a contract in 2013 to build an energy plant for the Horisont residential and retail complex in Bergen. The plan is based on heat pumps that will extract heat from the ground and meet the heating and cooling needs for the buildings. The surplus heat from the commercial part will be used for residential heating, while additional heating will be extracted from deep energy wells below the parking basement.

Contract price: Approximately NOK 21 million
Completion: 2014
Client: Åsane Energi AS/Profier AS

OFFSHORE

The Offshore business area has a leading position in the removal and recycling of offshore installations. Offshore also encompasses maintenance and modification work, both offshore and onshore.

OFFSHORE

AF has substantial and varied activities aimed at the oil and gas industry. The Offshore business area consists of:

- Aeron
- AF Decom Offshore
- AF Rig Services
- Mollier
- 5D Group
- AF Offshore Mandal
- V & M Landanlegg

KEY FIGURES

Amounts in NOK million	2013	2012	2011
Revenues	**1 480**	1 129	801
Earnings before interest and taxes (EBIT)	**70**	76	60
Earnings before taxes (EBT)	**71**	78	60
EBIT %	**4,7 %**	6,8 %	7,5 %
EBT %	**4,8 %**	6,9 %	7,4 %
Order backlog	**1 265**	2 028	1 473

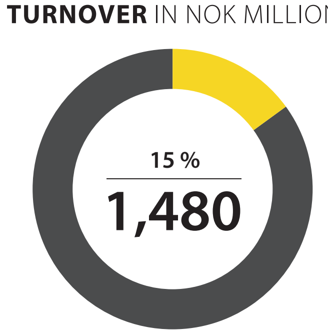
NUMBER OF EMPLOYEES

15 %

410

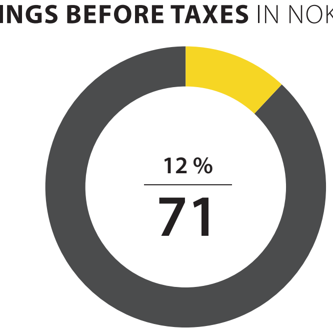
AF Gruppen 2 708

TURNOVER IN NOK MILLION



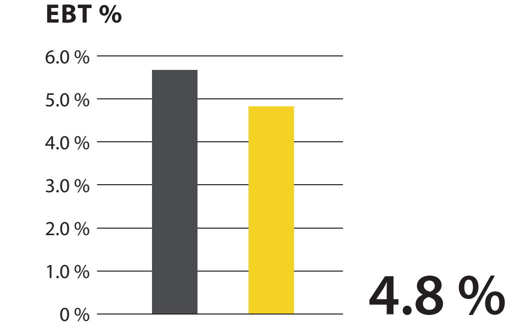
AF Gruppen 10,127

EARNINGS BEFORE TAXES IN NOK MILLION



AF Gruppen 580

EBT %



AF Gruppen 5.7 %

High level of activity provides opportunities for growth

AF Gruppen takes hold of the offshore market with the establishment of a new business area. The high level of activity on the Norwegian continental shelf will give AF additional opportunities for profitable growth.

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

The Offshore business area provides the following services:

Removal and recycling

AF Gruppen is the leader in Europe in the removal and recycling of decommissioned offshore installations. Specialised engineers and operators perform removal assignments in the North Sea and do further processing at a reception facility for decommissioned offshore installations at Vats. AF has ISO 9001 and ISO 14001 certification.

Marine & Rig Services

Offshore provides maintenance, classification and upgrading of drilling ships at its own deep water dock at the AF Environmental Base at Vats, and it can also provide personnel for the follow-up of maintenance, classification and upgrading of rigs.

AF is a leading supplier of HVAC systems for vessels and rigs through Mollier and Aeron. Services include everything from the installation of complete HVAC systems to modification and service.

Yards & Construction

AF Offshore has access to two dock facilities: AF Miljøbase Vats in Rogaland and a dock facility in Mandal. AF Miljøbase Vats is Europe's leading reception facility for decommissioned offshore installations. The dock in Mandal has facilities and expertise for the construction and assembly of offshore modules.

Maintenance and modification, both offshore and onshore

AF Offshore is a multi-disciplinary supplier that provides maintenance and modification services, both offshore and onshore. AF has the country's foremost experts on HVAC services and expertise in remote-controlled cranes, drilling equipment and steel structures. The services include everything from conceptualizing to installation and completion. AF has long-term framework agreements with operators such as Statoil and ConocoPhillips.

Offshore also performs maintenance and modifications on onshore facilities such as Kårstø, Kollsnes, Mongstad, Nyhamna and Melkøya

2013 in brief

Offshore reported revenues of NOK 1,480 million (1,129 million) for 2013. Earnings before taxes totalled NOK 71 million (78 million).
AF Decom Offshore has had a high level of activity and a lot of offshore work. The removal of the riser platform H7 for Statoil and Gassco was completed, and preparations are well under way for the removal of B11 in 2015. This has resulted in a high level of activity at the reception facility at Vats, with parallel activities from Ekofisk (EPRD) and H7. The unit reported satisfactory results for 2013.
Aeron reported a weak result for the year as a whole. Organisational adaptations have been carried out. The marine market for HVAC services is showing a positive development.

Mollier, AF Offshore Mandal and V & M Landanlegg have performed well throughout 2013.

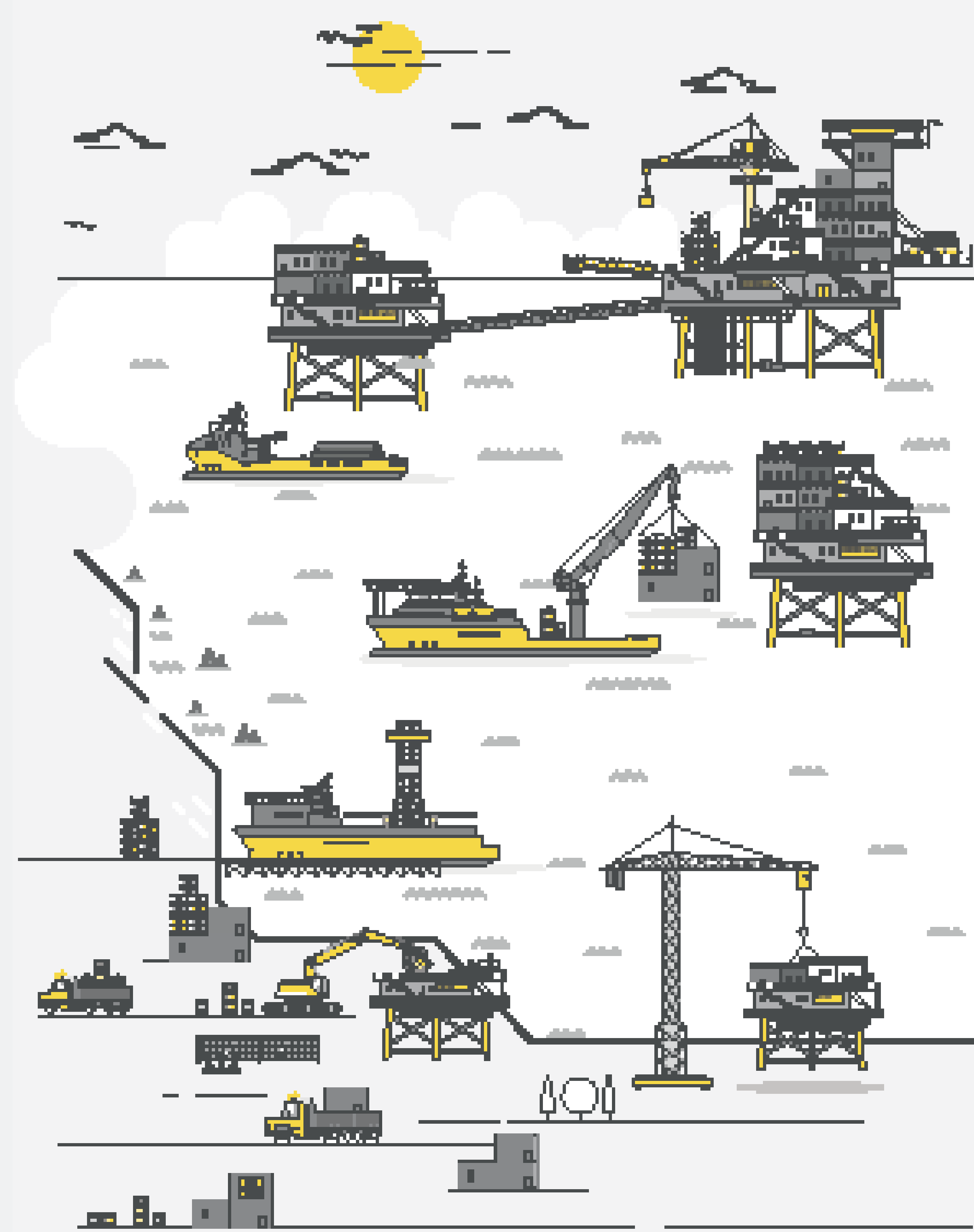
After the end of the year, Mollier was awarded a new framework contract for the service, modification and maintenance of HVAC systems (Heating, Ventilation and Air Conditioning) on ConocoPhillips' offshore installations on the Norwegian continental shelf. The contract period is 4.5 years, with an option for ConocoPhillips to extend the agreement an additional two consecutive periods, each limited to a maximum of 3 years.

Market outlook

Through the activities of Offshore, AF Gruppen has positioned itself with respect to activities on the Norwegian continental shelf. Statistics Norway estimates that investments in oil and gas activities will total NOK 223.3 billion in 2014 (211.9 billion in 2013). The estimate for 2014 is the highest ever given since Statistics Norway started the investment survey in 1985. The high level of activity on the Norwegian continental shelf will give AF additional opportunities for growth through both existing and new operations.

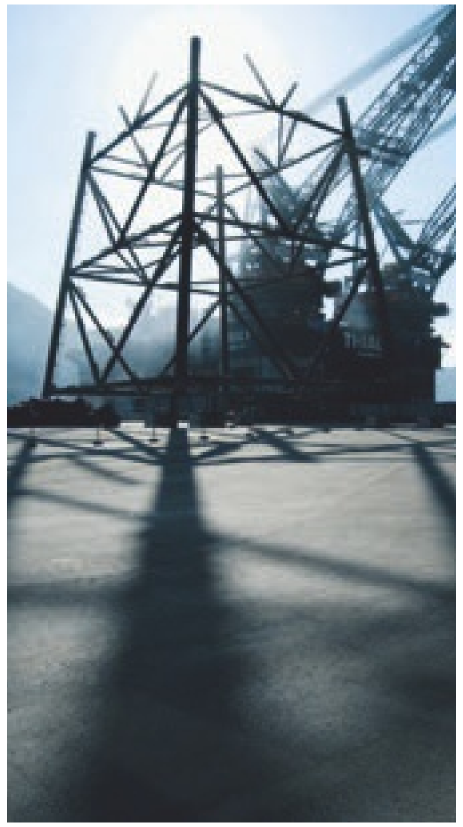
Strategy

AF Gruppen combined all of its offshore and



Offshore

AF has considerable and varied activities aimed at the oil and gas industry, with core areas such as the removal, dismantling and recycling of decommissioned offshore installations, rig services, M&M contracts for onshore installations, being a total supplier of HVAC installations and offshore and marine EPCIC projects. AF has a state-of-the art reception facility at Vats near Haugesund for the environmental decommissioning of petroleum installations.



marine activities into a single business area in 2013. The purpose of this was to make our combined service offerings to the offshore market more visible. We are working on a common strategy for our offshore units. Key to this will be improved cooperation to exploit our competence and capacity across and towards our common customers.

AF Offshore shall be a recognised brand in the industry, with a focus on profitable growth, and it shall be developed into a technical multidisciplinary supplier to the offshore industry.

AF Gruppen is and aims to be the leader in the removal and recycling of decommissioned offshore installations in the North Sea.

AF has positioned itself for projects in the area of service and maintenance for rigs through the deep-water dock at the Environmental Base at Vats and the establishment of a dedicated organisation for rig services.

Capacity shall be added to the existing competence base in the field of complex engineering and project management, and this shall be supplemented by technical fields that are necessary in order to take on technical projects.

The offshore activities are seeking to strengthen their presence at selected geographic locations. Establishment in Northern Norway is under consideration, and we are working on our presence in the UK.

In addition to further developing our operations in China, establishment of our own organisation in Singapore is under consideration in order to be in a position to realise the opportunities that this market may provide for our business area.

Overall, our goal is to be a multidisciplinary maintenance and modification provider for small and medium-sized deliveries, and to be a leading supplier of HVAC services to the marine and offshore sector.

> AF Offshore shall be a recognised brand in the industry with a focus on profitable growth.

Project Director Johannes Thrane introduced new solutions for the oil industry in the removal of the H7.

Removal and recycling of the H7 platform

An innovative vessel choice and new lifting technology were part of the solution when the old pumping platform was to be demolished. Through the removal of H7, AF Gruppen has shown the oil industry that there is more than one way to remove a platform.

The H7 platform was installed in the 1970s to ensure adequate pressure in the gas pipeline between Ekofisk and Germany. Over time, new technology made the platform redundant, and the platform has been shut down since 2007. When Statoil, on behalf of the operator of the pipeline, Gassco, was made responsible for removal of the platform, they awarded the contract to AF Decom Offshore.

New opportunities with a new vessel

AF Gruppen has been engaged in the dismantling of decommissioned installations on Ekofisk since 2005 and had broad experience form the removal of top sides, but it had never before had total responsibility for the removal of an entire installation. This opened the door to new ideas, says Project Director Johannes Thrane.

– The main tool for this type of job is the vessel. The water depth at H7 is not more than 41 metres, which allowed us to be innovative. The shallow waters made it possible to use a small jack-up vessel that is normally used for the installation of offshore windmills. This is a smaller vessel that is less expensive to charter than what is used at greater depths. The vessel has a speed of 10–12 knots on its own propulsion power and can therefore quickly transport disassembled parts to shore.

First heavy lift contract

H7 was the first heavy lift contract awarded to AF Gruppen. Lifts ranging from 100 to 1200 tonnes place very unique demands on the contractor, says Thrane.

– For H7, we developed lifting technology that makes the job easier. The solution shortens the amount of time offshore, reduces the need for manual labour and offers a higher level of safety for the project. The solution we developed for H7 is currently patent protected and can be used for future jobs.

In the opinion of Johannes Thrane, AF Gruppen has gained the status of a total supplier for major offshore demolition projects through the H7 project.

– We have introduced a completely new type of vessel and developed new solutions. We have simply shown the oil companies that there are several ways to do things.

> Lifts ranging from 100 to 1200 tonnes place very special demands on the contractor.

BUSINESS AREAS

Rig Service - Deepsea Atlantic

Odfjell Drilling has chosen AF's specially adapted deep-water dock at the Environmental Base at Vats as the location for the classification and upgrading of one of the world's largest drilling rigs, the Deepsea Atlantic. AF has competence and experience in rig services. The dock facility at AF's Environmental Base at Vats is an approved ISPS terminal/harbour with mooring facilities and fendering to receive mobile rigs and drilling vessels. The Deepsea Atlantic project will be carried out in close cooperation with Odfjell Drilling.

Completion: 2014
Client: Odfjell Drilling

SELECTED OFFSHORE PROJECTS THROUGHOUT THE YEAR

Welding laboratory

The AF company 5D drafted, built and commissioned a welding laboratory for Statoil in 2013 that can simulate water depths of up to 4000 metres. The technology the AF company has developed enables Statoil to weld operative gas pipelines at depths that are not accessible by divers.

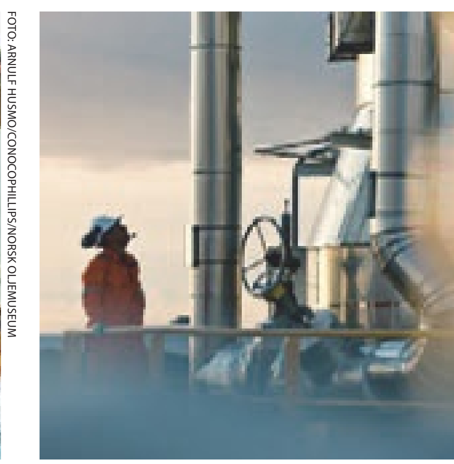
Ferdigstillelse: 2013
Oppdragsgiver: Statoil

FOTO: ARNULF HUSMO/CONOCOPHILLIPS/NORSK OLJEMUSEUM

B-11

In 2013, AF Gruppen worked with planning and engineering the demolition and recycling work that is to be performed on riser platform B-11 in the German sector of the North Sea. The installation has been part of the distribution network for the export of gas to Germany. The Environmental Base at Vats will be used for the demolition and recycling work, and completion of this work is scheduled to be completed in 2016.

Contract price: Approximately NOK 500 million
Completion: 2016
Client: Statoil on behalf of Gassco



Framework agreement with Statoil

AF Gruppen's subsidiary Mollier entered into a new framework agreement with Statoil in 2013 for service and maintenance of the HVAC systems (Heating, Ventilation and Air Conditioning) on their offshore and onshore installations. The contract period is four years, with options for an additional six years.

Completion: 2017 (excluding options)
Client: Statoil

VALUE CREATION

AF Gruppen creates value - for the society, customers, employees and shareholders.

THE SHARE

The AF share also performed well in 2013. Throughout the year, the price of the AF share, including dividends, rose 28 per cent, compared with 24 per cent for the Oslo Stock Exchange. Over the last five years, the share has risen 452 per cent, including dividends. The Oslo Stock Exchange's benchmark index has risen 143 per cent during the same period.

AF Gruppen was listed on 8 September 1997. The shares are listed on the Oslo Stock Exchange's OB Match list and are traded under the ticker symbol AFG. There is only one class of shares, and all the shares carry voting rights.

Share capital and shareholder composition

At the beginning of 2013, the share capital was NOK 4,069,205, divided into 81,384,100 shares, each with a nominal value of NOK 0.05. During the year, the Company issued 948,880 new shares in a private offering to employees in connection with the Company's share programme. As a result of this, the share capital increased by NOK 47,444. At the end of 2013, the share capital was NOK 4,116,649, divided into 82,332,980 shares, each with a nominal value of NOK 0.05.

AF Gruppen had 1,494 (1,407) shareholders at the end of the year. Shareholder structure did not change much in 2013, and it is still characterised by stable, long-term shareholders. As at 31 December, the ten largest shareholders owned 72 per cent (73 per cent) of the Company's shares. At year end, employees of AF owned approximately 14 (15) per cent of the shares in the Company, and the Company owned 81,660 treasury shares, which is equivalent to 0.10 per cent of the outstanding shares. At the end of the year, 97.8 (98.3) per cent of the shares were owned by Norwegian shareholders. As at 31 December 2013, OBOS Invest AS is AF Gruppen's largest shareholder with 25.9 per cent of the Company's shares.

Distribution of shareholders, intervals

Number of shares	Number of owners	Per cent
1 - 100	141	0.01 %
101 - 500	249	0.09 %
501 - 1 000	157	0.16 %
1 001 - 5 000	475	1.60 %
5 001 - 10 000	201	1.79 %
10 001 - 100 000	215	8.03 %
over 100 000	56	88.32 %
	1,494	**100.00 %**

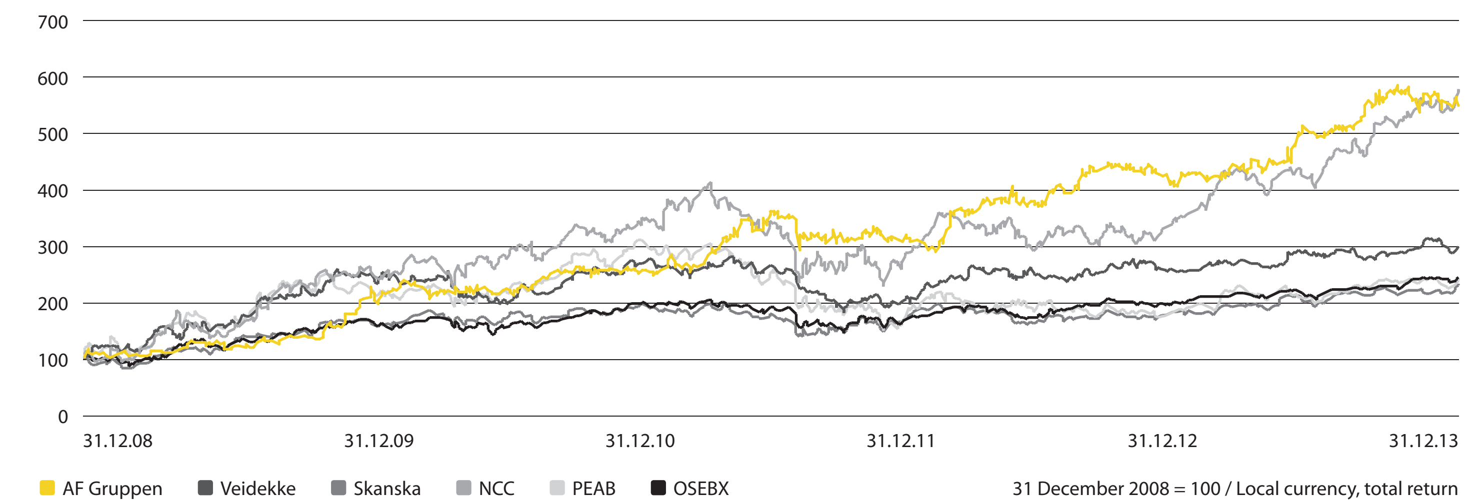
Shareholder	Number of shares	% of total
OBOS Invest AS	21,322,075	25.90 %
Constructio AS	11,040,377	13.41 %
ØMF Invest AS	10,168,670	12.35 %
Aspelin-Ramm Gruppen AS	4,787,385	5.81 %
LJM AS	2,513,900	3.05 %
VITO Kongsvinger AS	2,461,676	2.99 %
ØMF Holding AS	2,420,555	2.94 %
Skogheim, Arne	1,723,870	2.09 %
Staavi, Bjørn	1,485,040	1.80 %
Moger Invest AS	1,240,541	1.51 %
R Holth Holding AS	986,771	1.20 %
Midtskog, Morten	888,630	1.08 %
FK Holth Holding AS	731,429	0.89 %
Evensen, Jon Erik Scheel	580,000	0.70 %
Eriksson, Erik Håkon	560,000	0.68 %
Svenska Handelsbanken Clients Acc.	493,335	0.60 %
Regom Invest AS	433,212	0.53 %
Stenshagen Invest AS	427,353	0.52 %
ETV Invest AS	426,844	0.52 %
Løren Holding AS	420,803	0.51 %
Total 20 largest shareholders	**65,112,466**	**79.08 %**
Total other shareholders	17,138,854	20.82 %
Treasury shares	81,660	0.10 %
Total outstanding shares	**82,332,980**	**100.00 %**

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 in the Company.

Return and turnover

The Company'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.

Price performance for the last five years compared with competing contractors and the Oslo Stock Exchange



Key figures for the share	2013	2012	2011	2010	2009
Market value (NOK million)	5,578	4,578	3,556	2,845	2,242
Number of shares traded (1,000)	2,559	2,568	2,095	2,969	1,945
Total number of shares as of 31 December	82,332,980	81,384,100	80,814,490	71,117,940	70,495,940
Number of shareholders as of 31 December	1,494	1,407	1,254	914	733
Share price as of 31 December	67.75	56.25	44.00	40.00	31.80
– High	72.00	59.25	53.00	43.00	31.80
– Low	54.75	41.50	38.60	32.60	18.20
Earnings per share	5.26	2.40	3.83	3.92	3.85
Diluted earnings per share	5.11	2.37	3.83	3.82	3.85
Dividend per share	*6.00	4.50	4.50	4.50	3.60
- of which ordinary dividend per share	*2.60	2.40	2.20	2.00	1.60
- of which extraordinary dividend per share	*3.40	2.10	2.30	2.50	2.00
Distribution ratio (ordinary dividend)	49.4 %	100.0 %	57.4 %	51.0 %	41.6 %
Direct return (total dividend)	8.9 %	8.0 %	10.2 %	11.3 %	11.3 %
Share's total return	28.4 %	38.1 %	21.3 %	37.1 %	81.4 %
Market price/earnings per share (P/E)	12.9	23.4	11.5	10.2	8.3
Market price/equity per share (P/B)	4.2	3.8	2.7	2.9	2.5
Enterprise value/earnings before interest and tax (EV/EBIT)	8.5	13.5	8.0	6.2	6.1

* Proposed dividend, not adopted

The AF share rose 20 per cent in 2013 and its closing price was NOK 67.75 (56.25) as at 31 December 2013. Adjusted for the dividend of NOK 4.50 per share distributed in 2013, the return was 28 per cent. Over the last five years, shareholders have earned a return of 452 per cent, adjusted for dividends. During the same period, the Oslo Stock Exchange benchmark index rose 143 per cent.

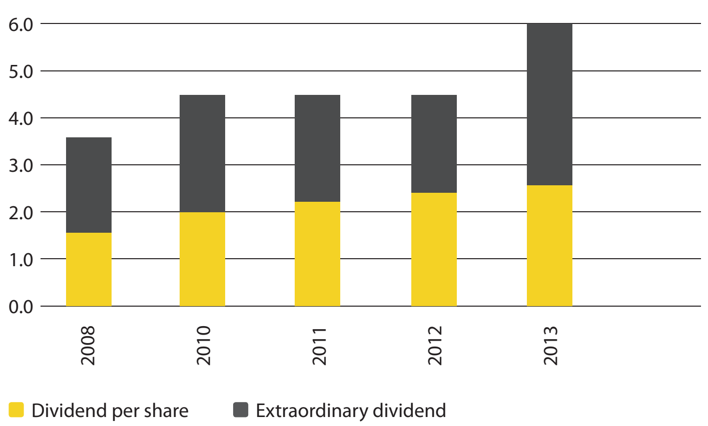
The liquidity of the share is characterised by the fact that several large, long-term shareholders own a substantial portion of the Company's shares. In 2013, a total of 2,558,506 (2,567,962) shares were traded on the stock exchange. The share was traded on 243 of 249 possible trading days, and the average turnover for each trading day was 10,275 shares. AF Gruppen has a market-making agreement with the brokerage firm ABG Sundal Collier ASA. The purpose of the agreement is to promote the liquidity of the Company's shares and decrease the spread between the bid and asking prices when the Company's shares are traded.

The AF share included in the benchmark index

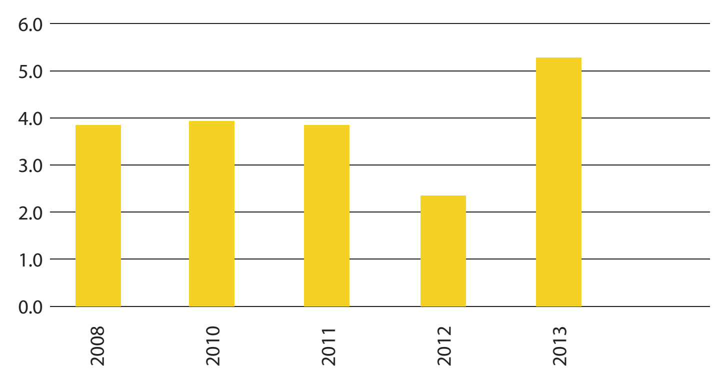
The AF share was included in the Oslo Stock Exchange Benchmark Index (OSEBX) and the Oslo Stock Exchange Fund Index (OSEFX) for the first time from 1 June 2013. These indexes shall consist of a representative selection of all the shares listed on the Oslo Stock Exchange, and they shall be investable. The fact that the indexes must be investable means that it must

The share

Dividend per share



Earnings per share



be relatively easy to trade the shares included in the indexes in the market. A total of 54 companies were represented in these indexes as at 31 December 2013. As a result of AF being included in these indexes, there are more equity funds and institutional investors represented on AF Gruppen's list of shareholders.

Share programme for employees

AF Gruppen would like all employees to participate in joint value creation by becoming shareholders in the Company. In addition, the share programme should contribute to making AF Gruppen an attractive workplace for its employees and also attract new employees.

For this reason, AF has a share programme for employees, whereby the employees are given an opportunity to buy shares at a discount of 20 per cent off the current market price.

In 2013, 385 employees subscribed for a total of 988,880 shares. The purchase price after a 20 per cent discount was NOK 55.50. In connection with the sale, the Board used its authority and issued 948,880 new shares. The remaining shares were transferred from the Company's treasury shares.

The Company has decided to recommend continuing the share programme for employees in 2014. The maximum number of shares that may be purchased in the share programme is 1,000,000, and implementation of the share programme is scheduled for September of 2014. The Board will therefore submit a proposal to the General Meeting for authorisation to issue a sufficient number of shares, enabling the share programme to be implemented.

Options programme for employees

AF Gruppen has an options programme for all the employees in the Group. The purpose of the programme is to encourage long-term commitment and greater involvement in the Company's activities.

At the General Meeting in May 2011, AF Gruppen adopted a new options programme for employees of the Group. The maximum number of options that could be allocated was 6,000,000, and the programme entails annual allotments for the years 2011–13 and exercising the options in 2014. The purchase price for the shares was based on the average market price during the last week before the three respective subscription periods.

The option premium was NOK 1.00 per option. Option holders had to be employed by AF Gruppen, or one of its subsidiaries as at 31 March 2014 in order to exercise the options.

In 2013, AF Gruppen issued 2,185,464 new options and 1,066 employees subscribed for options in the Group. The total number of outstanding options as at 31 December was 5,997,773 as at 31 December, and a total of 1,285 employees have participated in the programme. The option programme was concluded in the middle of March 2014.

Dividend

Over time, AF Gruppen should provide a competitive return on Company shares for its shareholders. Provided that the underlying development of AF Gruppen is satisfactory, the Company assumes that dividends will be stable and, preferably, rise in the future. The Board will evaluate the Company's liquidity and possible strategic transactions when a dividend is proposed. AF Gruppen's intention over time is to distribute a minimum of 50 per cent of the profit for the year as a dividend.

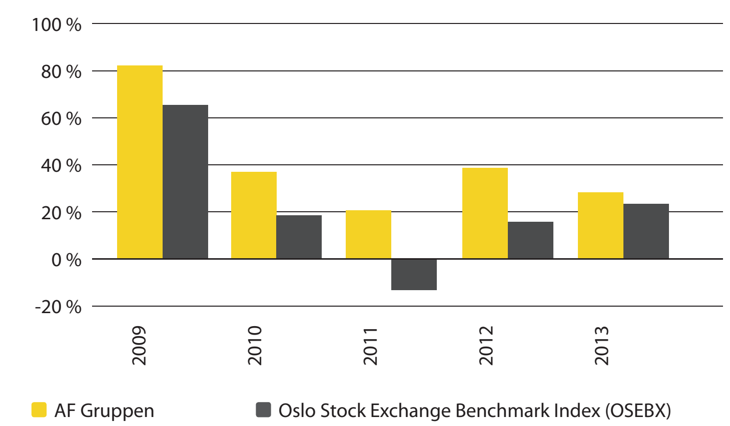
In 2013, the Company distributed a dividend of NOK 4.50 per share for the 2012 financial year. NOK 2.10 of this amount was an extraordinary dividend.

For the 2013 financial year, the Board proposes the distribution of a dividend of NOK 6.00 per share. NOK 3.40 of this amount represents an extraordinary dividend. The dividend will be paid to shareholders who are registered as at 15 May 2014.

Investor relations

AF Gruppen's objective is for all investors and other stakeholders to have

Total return



Market value (NOK million)

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 open dialogue with the players.

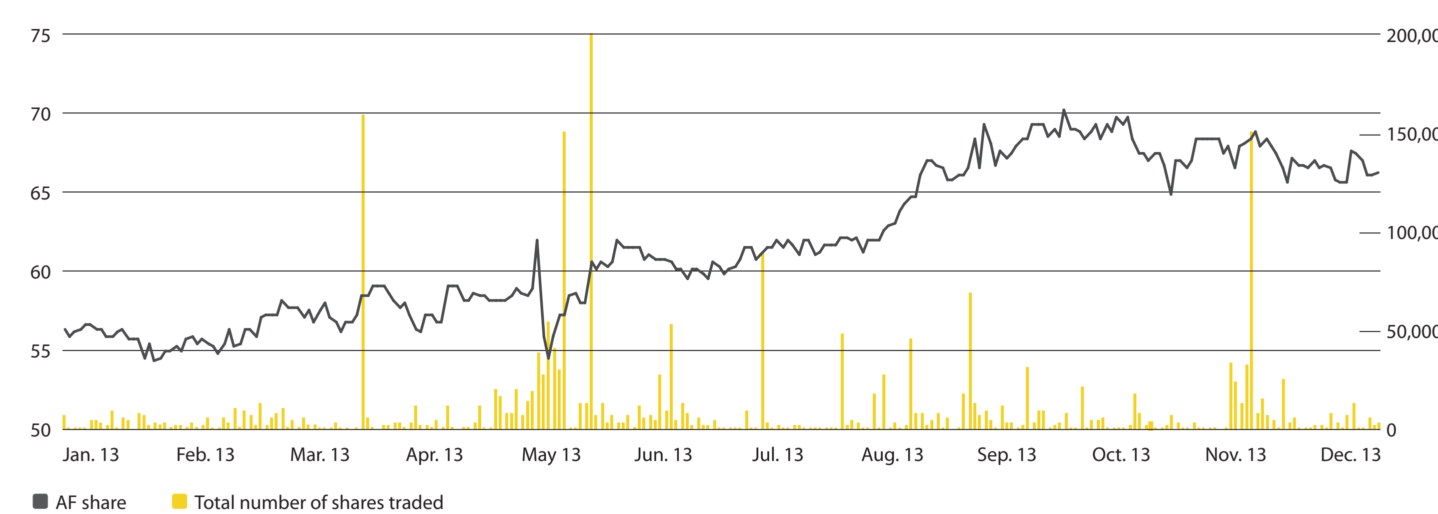
AF Gruppen holds public presentations of its quarterly and annual results. These presentations are transmitted directly via the Internet, and are available on the Oslo Stock Exchange's website and AF's own website. In addition, the Company maintains ongoing contact with investors and analysts. The Company's 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 relations.

Ananlyst coverage

Company	Telephone
ABG Sundal Collier	+47 22 01 60 98
Carnegie	+47 22 00 93 55
Danske Bank	+47 85 40 70 73
DNB Markets	+47 24 16 92 09
Handelsbanken	+46 87 01 51 18
Pareto Securities	+47 24 13 21 55
Swedbank First Securities	+47 23 23 82 58

Price performance and trading volume in 2013



CORPORATE GOVERNANCE

AF Gruppen must have high standards for corporate governance. A transparent and sound governance structure is necessary if the Group is to achieve its goals and meet its social obligations

Each year the management and Board of Directors of AF Gruppen evaluate the corporate governance principles and how they work within the Group. AF Gruppen's statement of corporate governance principles and practice is in compliance with Section 3-3 of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, last revised on 23 October 2012. The following description explains how the 15 sections are followed up within AF Gruppen.

1. Statement of corporate governance

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

Core values

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

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

These values are foundation stones in a culture in which orderly conduct is recognised, valued and lived up to by all employees.

Focusing on profitability, safety and clear ethical guidelines have been the premises for AF Gruppen's vision and mission. The creation of value by AF Gruppen should be both profitable and sustainable. Our vision of "clearing up the past and building for the future" also means that everything we do should impact society and the environment as little as possible. Our source separation rate and carbon footprint have been chosen as AF Gruppen's common measurement parameters for the external environment.

AF Gruppen's environmental and social responsibilities are described in greater detail on page 20 of our annual report and on our website at www.afgruppen.com.

Deviation from the Code of Practice: None.

2. Activities

AF Gruppen is a contracting and industrial Group with operations in civil engineering, building, property, energy and offshore. The operations of AF Gruppen are based on a sustainable vision: Clearing up the past and building for the future. Our head office is located in Oslo, and more than 90 per cent of our revenues are from operations in Norway, which is the Group's principal market.

Strategy and goals

As stated in the Articles of Association, the company's objects include all types of business operations, including participation in other undertakings.

The Board of Directors follow a four-year cycle for its strategy work. A thorough analysis was conducted in 2013 to set the course for the coming years. Organisation to facilitate good operations, a stronger focus on customers and suppliers and profitable growth are the key focus areas in the new strategy.

AF Gruppen's goals for profitable growth are concretised through quantified goals for profitability, financial strength, dividends and HSE. This is described on page 7 of the annual report.

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

Deviation from the Code of Practice: None.

3. Share capital and dividends

As at 31 December 2013, the Group's equity capital was NOK 1,334 million. This corresponds to an equity ratio of 25.5 per cent. The Board makes an ongoing assessment of the capital situation in light of the Company's objectives, strategy and desired risk profile.

Dividends

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. AF Gruppen's dividend policy to to pay a dividend of at least 50 per cent of the profit for the year.

For the 2013 financial year, the Board proposes a dividend of NOK 6.00 per share. The proposed dividend will be paid to all shareholders registered with the Norwegian Central Securities Depository (VPS) on the date of the Annual General Meeting on 15 May. It is expected that the dividend will be paid on 27 May. In 2013, an extraordinary dividend of NOK 4.50 per share was paid.

Capital increase

Authorisations granted to the Board of Directors to increase the company's share capital should be restricted to defined purposes. At the Annual General Meeting of 15 May 2013, the Board was authorised to increase the Company's share capital by up to NOK 406,920, divided into a maximum of 8,138,400 shares, each with a nominal value of NOK 0.05. This authority may only be used to issue shares in connection with the Company's option programme and share programme for employees in the Group, by one or more new issues. This authority is valid until the 2014 Annual General Meeting, hence not beyond 30 June 2014.

In connection with the Company's share programme for employees, 948,880 shares were issued in 2013. The equity was thereby increased by NOK 53 million.

At the Annual General Meeting held on 13 May 2011 a new option programme was adopted. The maximum number of options that can be allotted in accordance with the new programme was 6,000,000. Each option entitles the holder to purchase a share in AF Gruppen ASA. The allotment of options started in the third quarter of 2011 and ended in the second quarter of 2013. An option may only be exercised if the holder is still employed by the Company on 31 March 2014.

A total of 5,755,679 shares were issued on 25 March in connection with the redemption of options. The share capital was thereby increased by NOK 242 million.

Deviation from the Code of Practice: None.

4. Equal treatment of shareholders and transactions with related parties

AF Gruppen ASA has one class of shares, and each share carries one vote.

Capital increase

In the event of a capital increase, existing shareholders are to be given priority, unless special circumstances dictate that this can be waived Such deviation would then be justified in the resolution to increase the capital. The General Meeting has resolved to make an exception to the preferential rights in connection with AF Gruppen's share purchase and option programme.

Treasury share transactions

AF Gruppen has a time-limited authorisation from the General Meeting to buy and sell treasury shares. This authorisation is valid until the next Annual General Meeting. All treasury share purchases shall be made at the market price and traded on the Oslo Stock Exchange. This authorisation provides one exception for the use of market prices for the sale of shares to employees. In connection with AF Gruppen's share purchase and bonus programme, treasury shares are sold at a discount of 20 per cent.

Transactions with related parties

To safeguard its reputation, AF Gruppen supports openness and caution in relation to investments where there are circumstances that can be perceived as an unfortunate close involvement, or close relationship, between the Company and a board member, senior executive or party related to them. This is stated in AF Gruppen's code of conduct. It is incumbent upon the individual board member and the Board to assess on an ongoing basis whether there are circumstances that objectively speaking are likely to weaken public confidence in the board member's impartiality or may give rise to conflicts of interest.

Deviation from the Code of Practice: None.

5. Negotiability

The shares of AF Gruppen ASA are listed on the Oslo Stock Exchange and there are no restrictions on their negotiability in accordance with the Articles of Association.

There are no restrictions on the purchase or sale of shares by members of the Company's management as long as they comply with the rules on insider trading. The Board would like to facilitate share ownership in AF Gruppen for as many employees as possible. Some of the schemes for remuneration of the management and other employees that are linked to the purchase of shares, including the share sale scheme, stipulate a lock-in period of one year. The employees can be released from the lock-in period by repaying the calculated share discount.

Deviation from the Code of Practice: None.

6. General Meeting

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

Participation in the General Meeting

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

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

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

Execution of the General Meeting

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

Notice of a General Meeting will be sent in the mail at least 21 days in advance to all the shareholders to the address registered in the shareholder register of the Norwegian Central Securities Depository. The notice of the meeting shall state the agenda. Case documents shall be sent as attachments to the notice and made available at the same time to shareholders on the Company's website. If the printing of the annual report is not finished when the notice is sent, the annual report will be forwarded at a later date.

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

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

Deviation from the Code of Practice: The General Meeting is not chaired by an independent chairperson, but by the Board Chairman as stipulated in the Articles of Association. All the members of the Board do not attend the General Meeting. Based on experience from earlier General Meetings, it is considered adequate if the Board Chairman, CEO and CFO attend in order to answer questions. Otherwise, there are no deviations.

7. Nomination Committee

The General Meeting elects a Nomination Committee consisting of three members, each elected for a term of one year, see the Company's Articles of Association.

The duties of the Nomination Committee are as follows:

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

Composition and independence of the Nomination Committee

Importance is attached to the Nomination Committee having a composition that reflects the interests of the shareholders as a whole. Arne Baumann (Chairman), Tor Øivind Fjeld and Jan Fredrik Thronsen are the members of the Nomination Committee as at 2 April 2014.

Of these members, only Jan Fredrik Thronsen is independent of the Board of Directors. Both Arne Baumann and Board Member Carl Henrik Eriksen represent OBOS, which is one of AF Gruppen's largest shareholders. Tor Øivind Fjeld has close business connections with Board Chairman Tore Thorstensen.

Deviation from the Code of Practice: The majority of the Nomination Committee is not independent of the Board of Directors. Otherwise, there are no deviations.

8. Corporate Assembly and Board of Directors – composition and independence

Corporate Assembly

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

Composition of the Board of Directors

AF Gruppen ASA has eight board members, three of whom are elected by the employees. Of the board members elected by the shareholders, three are men and two are women. The board members have varied backgrounds and expertise. Information regarding the board members' age, education and professional experience is published on the Company's website.

Board members are elected for one year at a time. The Chairman of the Board is elected by the General Meeting.

Independence of the Board of Directors

The Board aims to act as a collegiate body in exercising its duties. The following factors are relevant to an assessment of the independence of the Board:

- None of the shareholder-elected board members are involved in the day-to-day management of the Company.
- None of the shareholder-elected board members are employed by or have performed work for AF Gruppen.
- Two of the five board members elected by the shareholders are independent of the Company's principal shareholders and business associates.
- Three of five board members elected by the shareholders represent companies that are major customers of and/or suppliers to AF Gruppen.
- Chairman Tore Thorstensen is CEO of KB Gruppen Kongsvinger AS, which is a shareholder of AF Gruppen ASA. KB Gruppen Kongsvinger is also a supplier to the Group.
- Board Member Carl Henrik Eriksen represents one of the principal shareholders, OBOS Forretningsbygg AS, which is a large customer of the Group.
- Board Member Peter Groth represents one of the principal shareholders, Aspelin Ramm Gruppen AS, which is a customer of the Group.

Information on transactions with the companies represented by the members of the Board is disclosed in Note 32 – Related parties. Information on the shareholdings of the board members is disclosed in Note 26 – Share capital and treasury shares.

The Board has assessed its independence and finds that it is satisfactory.

Deviation from the Code of Practice: None.

9. Work of the Board of Directors

The Board of Directors shall safeguard the interests of the shareholders as a whole. The Board's main duties are to help the Group become competitive and ensure that it develops and creates value. The Board of Directors has the overall responsibility for the management and organisation of AF Gruppen, as well as execution of the Group's strategy.

The Board's duties also include supervision of the Company's management and operations, including the establishment of systems for control and risk management. This shall ensure that the Group is managed in accordance with the established core values and guidelines for ethics and social responsibility. The management of AF Gruppen draws up proposals relating to strategy, long-term goals and budgets. The overall strategy and budget are adopted by the Board of Directors. The Board of Directors recruits the CEO, sets the CEO's remuneration and stipulates the CEO's work instructions. The Board of Directors also adopts the Group's authority matrix.

The Board continuously assesses the need to use committees. As at 2 April 2014 the Board has two committees: The Audit Committee and the Compensation Committee. These committees present matters to the Board for a final decision. The duties and members of the committees are described below.

Rules of procedure for the Board

Provisions relating to the Board's areas of responsibility and administrative procedures are stipulated in separate rules of procedure for the Board of Directors. The Board works according to an annual plan with established topics and items for the board meetings. The rules of procedure for the Board are reviewed annually or more often as required.

Board Chairman

The Board Chairman is responsible for ensuring that the work of the Board of Directors is performed in an efficient and correct manner in accordance with the current legislation, Articles of Association and the adopted rules of procedure. Board business is prepared by the CEO and management in consultation with Board Chairman.

In matters of a significant nature, in which the Board Chairman is, or has been, actively involved, a substitute chairman will be appointed. There have been no such matters in 2013.

Meeting structure

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

The Board has an established annual plan for its work. The annual plan includes a review of risk areas and internal control, as well as the approval of the strategy, interim financial statements, annual financial statements and budget. In addition, the core values, guidelines for ethics and social responsibility, organisational structure and corporate governance principles are reviewed. The Board evaluates the Company's management and organisational structure annually.

A total of eight board meetings were held in 2013. All the shareholder-elected board members attended all the meetings. Of the employee-elected board members, Kenneth Svendsen and Pål Jacob Gjerp attended all eight meetings, while Arne Sveen attended six.

Audit Committee

The purpose of the Audit Committee is to assist the Board of Directors with management and performance of the Board's supervisory responsibility pursuant to Sections 6-12 and 6-13 of the Public Limited Liability Companies Act.

AF Gruppen's Audit Committee consists of three shareholder-elected members, two of whom satisfy the requirement of independence pursuant to the Public Limited Liability Companies Act. The Audit Committee consists of Carl Henrik Eriksen (Chairman), Mari Broman and Hege Bømark. The Committee meets when necessary, but at least four times annually, including at least once a year with the Company's auditor. The CFO attends all the meetings. The Committee is elected for one year at a time.

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

- Assess the Group's financial and account reporting
- Evaluate the auditing, nominate a candidate for auditor and explain the auditor's fees broken down into auditing and other services to the Annual General Meeting.
- Assess the Company's internal controls, including:
  - the Group's management of risk
  - the Group's internal control functions
  - the Group's authority matrix
  - the Group's cash management
  - the Group's ability to perform assessments, improve, execute and follow up investment decisions
  - organisational matters related to financial reporting and control within the Group.

The Committee had five meetings in 2013. The auditor attended all the meetings. The Audit Committee prepares an annual report that is presented to the General Meeting.

Compensation Committee

The purpose of the Compensation Committee is to help ensure thorough and independent consideration of matters related to the remuneration of the CEO and other senior executives, such as salaries, bonuses, options, severance pay, early retirement and pensions.

The Compensation Committee is made up of two shareholder-elected board members: Peter Groth (Chairman) and Tore Thorstensen.

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

Financial reporting

The Board receives interim reports on the Company's economic and financial status. The Company's management submits and reports on the interim and annual financial statements. The Company follows the deadlines from the Oslo Stock Exchange for interim reporting.

Board's self-evaluation

The Board evaluates its own activities and competence annually. The evaluation by the Board is reported to the Nomination Committee. The Board also performs a corresponding evaluation of the CEO.

Instructions for the CEO

The Board has prepared an authority matrix that describes and clarifies what authority the CEO and management have and what matters have to be dealt with by the Board. The Board is continuously informed about the Company's financial position, activities and asset management. As part of the accounting process, the CEO and CFO submit a declaration to the Board stating that the annual accounts have been prepared in accordance with the generally accepted accounting principles and that all information is consistent with the Company's actual situation, and that no relevant information or material has been omitted from the accounts.

Deviation from the Code of Practice: None.

10. Risk management and internal control

The Board is responsible for ensuring that AF Gruppen has sound internal control and appropriate systems for risk management. Good systematic risk management is a strategic tool that improves competitiveness and increases the creation of value. Internal control should contribute to ensuring efficient operations and responsible management of significant risks to achieve the Group's commercial goals.

The Board receives a quarterly report on the management's assessment of the most significant risk factors affecting AF Gruppen and how they are being managed. The Board also conducts an annual review of the Group's risk areas and internal control systems, as well as the core values and guidelines for ethics and social responsibility.

Risk management

Risk management is good management in practice. AF Gruppen has uniform systems for risk management and a culture in which everyone is aware of risk. AF Gruppen seeks risk that can be influenced and looks for both opportunities and threats when risk is analysed. A special unit in the Group helps the business units and projects identify and systematise risk. Risk analyses are carried out in all tendering processes, in projects in progress and for the evaluation of uncertainty in all project-based activities. An overview of the risk elements as early as the tendering phase increases our ability to reduce overall risk and price the tender properly. The risk analysis in the tendering phase forms the basis for further analysis, follow-up and control of risk throughout the project's life cycle.

All project risks are discussed in connection with quarterly reports. Each business unit undertakes an overall risk review of the entire project portfolio. A broadly composed Group analyses the projects and arrives at a prioritised list of uncertainties. The Group consists of representatives from the Corporate Management Team, management of the business unit and a facilitator from AF Gruppen's own risk unit. The quarterly risk review concludes with a summary by the Corporate Management Team. The risk is quantified and recorded for each business unit on an ongoing basis throughout the year.

The purpose of risk management is to manage the risks associated with successful business operations and enhance the quality of financial reporting in order to avoid loss-making projects and wrong decisions with serious consequences. Numerous risk analyses have been conducted, and we have implemented measures to reduce negative risks and take advantage of positive risks. Proper risk management has been important for achieving our goal of value creation and growth. More information on risk management can be found under a separate section on page 24 of the annual report.

Internal control

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

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

The financial internal control is based on an organisational distinction between execution, control and assurance. AF Gruppen has extensive written job descriptions at all levels of the organisation.

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

Deviation from the Code of Practice: None.

11. Directors' fees

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

The remuneration of Directors is not performance related. Options are not issued to board members. The shareholder-elected board members do not have any pension scheme or severance pay agreement from the Company.

The Board must approve any remuneration other than directors' fees and Compensation Committee fees paid by the Company to board members. Note 29 to the consolidated financial statements shows the remuneration of board members and senior executives in the Group.

Deviation from the Code of Practice: None.

12. Remuneration of senior executives

The Compensation Committee determines, in cooperation with the Board, guidelines for senior executive remuneration. A declaration on the fixing of salaries and other remuneration is presented annually to the General Meeting. The main purpose of the guidelines is to contribute to converging interests between shareholders and senior executives.

The CEO's salary is set annually at a board meeting. The Board of Directors establishes guidelines for the remuneration of senior executives in consultation with the CEO.

Reward system

The reward system for senior executives consists of a base salary, bonus, options, pension and share purchase scheme. AF Gruppen does not have any severance pay schemes. The reward system essentially makes provisions so that as many employees as possible at all levels of the organisation can own shares. Through a lock-in period for share purchases and an option programme over a period of several years, employees are influenced to have a long-term perspective consistent with the other shareholders. Bonuses to senior executives are based on the EVA model. The essence of this model is the measurement of results achieved against the requirement rate of return on invested capital. This corresponds well with the interests of the shareholders.

The reward system is described in greater detail in Note 7 – Payroll costs and Note 29 – Remuneration of senior executives in the consolidated annual financial statements.

Deviation from the Code of Practice: The Board of Directors and Compensation Committee have decided that there should be no cap on performance-based remuneration for employees. The fundamental idea is that employees should be given an opportunity to participate in the creation of value without limitations, in the same way as the owners. Otherwise, there are no deviations.

13. Information and communication

The Board of Directors has established guidelines for AF Gruppen's reporting of financial and other information. The guidelines are based on transparency and the principle of equal treatment of shareholders. Relevant, comprehensive and updated information creates interest and confidence – which is a prerequisite for the liquidity of the shares.

Financial information

The Board of Directors shall ensure that the interim reports and annual report from the company provide a correct and complete picture of the Group's financial and commercial position, as well as whether the Company's operational and strategic goals are achieved.

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

Investor relations

AF Gruppen aims to publish significant information of importance to the shareholders' and equity market's assessment of the company, its operations and results, without undue delay. Publication through the websites of the Oslo Stock Exchange and AF Gruppen ensure that everyone has equal access to the information. AF Gruppen follows the Oslo Stock Exchange's recommendations for reporting IR information.

Deviation from the Code of Practice: None.

14. Company takeover

The Board of Directors has adopted guidelines for how the Board and management shall act in the event of a potential takeover offer. The guidelines shall ensure equal treatment of the shareholders.
The Board of Directors will obtain an independent valuation and prepare a recommendation to the shareholders for whether they should accept the offer or not.

Equal treatment and transparency

In talks with the bidder and in other actions, the Board shall seek to safeguard the common interests of the Company and the shareholders as a whole. The Board of Directors shall ensure that all of the Company's shareholders are treated equally and kept informed on relevant matters related to the offer.

Evaluation of offers

The Board of Directors shall not seek to prevent the submission of an offer that may be in the interest of the shareholders. As a rule, the Board of Directors shall facilitate potential offers. The Board shall not use an authorisation to increase the share capital to block an offer.

As a rule, AF Gruppen shall engage an independent legal adviser and an independent financial adviser in its efforts to assess a serious offer that has been submitted or announced. These advisers cannot perform any functions for the Company's shareholders in the transaction.

Deviation from the Code of Practice: None.

15. Auditor

Election of an auditor

The Group's auditor is elected by the General Meeting. The Board's Audit Committee shall be consulted when an auditor is to be elected, and the Audit Committee's statement shall be attached to the recommendation to the General Meeting. To ensure the auditor's independence and competitive auditor fees, the Audit Committee has decided that auditing should be put out to tender every 5–7 years.

Board's relationship to the auditor

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

The auditor shall meet with the Board of Directors at least once a year without the management being present. The auditor shall present the Board with an annual written confirmation that the requirement of independence has been satisfied. The auditor attends the meeting of the Board at which the annual financial statements are scrutinised.

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

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

Meetings with the auditor in 2013

The Company's auditor EY (Ernst & Young AS), represented by responsible partner Asbjørn Ler, has attended one board meeting in 2013, at which the annual financial statements for 2012 were approved. He also attended the General Meeting in 2013, as well as five of the six meetings that the Audit Committee had in 2013.

Deviation from the Code of Practice: None.

BOARD OF DIRECTORS' REPORT

Good results in the business areas Civil Engineering, Environment and Energy; a positive development in the Building units; good sales in Property and a good end of the year for Offshore have resulted in revenue growth of 3 per cent and an operating margin exceeding our long-term goal.

Operations

Introduction

AF Gruppen is a leading contracting and industrial group with five business areas:

- Civil Engineering
- Building
- Property
- Environment
- Energy
- Offshore

Each business area is divided into one or more business units.

AF Gruppen ASA is the parent company in the Group and is listed on the Oslo Stock Exchange. The head office of AF Gruppen is located in Oslo.

AF Gruppen was established in 1985. Ever since the Company was established, AF has relied upon its knowledge, expertise and ability to perform complex tasks. A strong entrepreneurial spirit coupled with the capacity and willingness to think differently and with foresight have characterised the Group's history. We help our customers succeed by delivering projects and services in accordance with their needs. Our conduct should be characterised by professionalism and high ethical standards.

Vision

AF's vision is: Clearing up the past, building for the future.

Mission

AF's mission is to be a group that creates value by forming the future through contracting, energy and environmental services with an uncompromising attitude towards safety and ethics.

Presentation of the annual accounts

Introduction

The financial statements for 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 financial statements for the parent company AF Gruppen ASA and the Group provide an accurate and fair picture of the financial results for 2013 and the financial position as at 31 December 2013. The Board of Directors confirms that the prerequisites for the going concern assumption have been met. The Board's Corporate Governance Statement is an integral part of the Board of Directors' report. This statement can be found on page 84 of the annual report. The treatment of sustainable entrepreneurship and social responsibility is discussed on page 20 of the annual report.

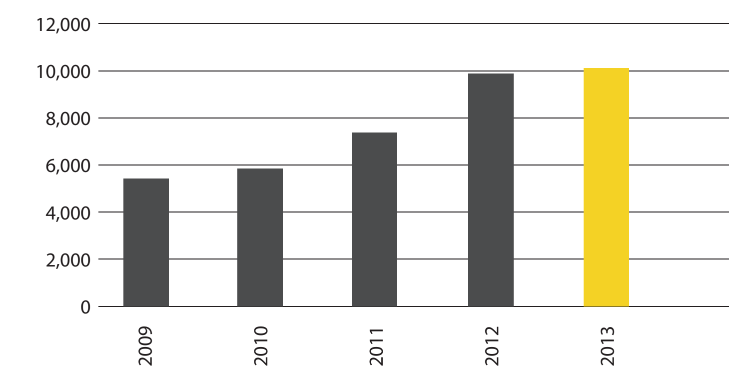
Income statement, balance sheet and liquidity

AF Gruppen reported operating and other revenues of NOK 10,127million (9,830 million) for 2013. This represented growth of 3.0 per cent. The operating profit was NOK 568 million (325 million), which corresponds to an operating margin of 5.6 per cent (3.3 per cent). Earnings before tax were NOK 580 million (318 million) and the earnings after tax were NOK 453 million (225 million). Civil Engineering showed a high level of activity in 2013 and contributed to very good results. The Environment and the Energy business areas have also completed a good year. The Building units delivered varying results, but are showing a positive trend after several measures were implemented to improve profitability. Property has many exciting projects under way, and sales in new projects have been satisfactory in 2013. The offshore operations showed varying levels of activity in 2013, but the year ended well.

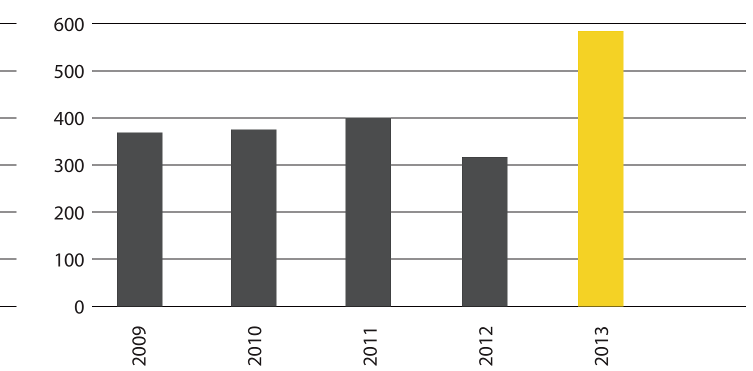
Overall, the operating margin for the Group is higher than the long-term target of 5 per cent.

Earnings per share were NOK 5.26 (2.41) in 2013. Diluted earnings per share were NOK 5.11 (2.38). The proposed dividend is NOK 6.00 (4.50), of which NOK 2.60 (2.40) is an ordinary dividend and NOK 3.40 (2.10) is an extraordinary dividend per share. The share price was NOK 67.75 (56.25) at year end. Return to shareholders including dividends for 2013 was 28.44 per cent. Return on equity in 2013 was 38.4 per cent (19.0 per cent). Return

Turnover NOK million



Earnings before tax NOK million



on average invested capital was 45.7 per cent (24.8 per cent). The balance sheet total was NOK 5,237 million (4,919 million) as at 31 December 2013. At year end, the Group had net interest-bearing receivables of NOK 751 million (204 million) and cash and cash equivalents of NOK 695 million (322 million). Shareholders' equity at the end of the year was NOK 1,334 million (1,202 million), which corresponds to an equity ratio of 25.5 per cent (24.4 per cent). Cash flow from operations in 2013 was NOK 1,015 million (194 million). Cash flow before capital transactions and financing was NOK 908 million (109 million). A dividend of NOK 384 million (364 million) was paid in 2013.

Distribution of profit for the year

The net profit for AF Gruppen ASA was NOK 362 million and the following distribution is proposed:

Transferred from other reserves	NOK -132 million
Provision for dividend	NOK 494 million
Total allocations	NOK 362 million

Business areas 2013

CIVIL ENGINEERING

Description of the business

The Civil Engineering business area comprises all of AF's civil engineering activities in Norway and Sweden. Civil Engineering has the experience and expertise required to carry out everything from small and simple to large and demanding civil engineering projects. Civil Engineering carries out projects in the fields of hydropower, transport, port facilities, onshore facilities for the oil and gas industry, and foundation work.
Our customers are primarily public sector agencies and large energy and industrial companies.

The Civil Engineering business area consists of three business units:

- AF Anlegg
  Johan Rognerud
  AF Arctic
- Pålplintar

AF Anlegg carries out traditional civil engineering projects throughout Norway. Civil engineering also carries out projects aimed at the oil and gas industry. The unit is one of Norway's leading tunnel and earthmoving contractors and focuses on large complex projects.

Pålplintar carries out foundation work projects for industrial, residential and public buildings in Stockholm and Mälardalen.

Civil Engineering also has activities in the subsidiary Palmer Gotheim Skiferbrudd.

Results

Amounts in NOK million	2013	2012	2011
Revenues	**2,950**	2,622	2,214
Earnings before interest and taxes (EBIT)	**253**	83	125
Earnings before taxes (EBT)	**265**	92	127
EBIT %	**8.6 %**	3.2 %	5.6 %
EBT %	**9.0 %**	3.5 %	5.7 %
Order backlog	**4,604**	2,232	3,040

In 2013, Civil Engineering reported revenues of NOK 2,950 million (2,622). This represents growth of 12.5 per cent compared with 2012. Earnings before tax were NOK 265 million (92 million). The operating margin was 8.6 per cent (3.2 per cent) in 2013.

Civil Engineering showed a high level of activity in 2013 and delivered very good results for core operations related to roads and railways, hydropower and energy. Several major civil engineering projects started up in 2013, while final settlement was received for other major civil engineering projects during the period.

Pålplintar reported lower than expected revenues in 2013, and the unit delivered a negative result for the year. The decline compared with 2012 is attributed to a low level of activity and strong competition in the civil engineering market in Sweden. In addition, provisions were made for losses on certain projects.

New contracts

In January 2013, AF Anlegg was appointed by the Norwegian Public Roads Administration as the contractor for the development of the E18 at Sydhavna in Oslo. The contract is for the construction of a new two-level crossing on Mosseveien at Kongshavn/Karlsborgveien. The project includes site preparation work, construction and road building. The contract is valued at NOK 307 million, excluding VAT. After a planning period, work began in the spring of 2013. The project is scheduled for completion by 15 October 2015.

In March 2013, AF was appointed by Oslo Lufthavn AS as the contractor for Contract K-72241 and K-72329 linked to the North Pier at Gardermoen. Contract K-72241 is for demolition, excavation work, earthmoving, sheet piling and poured-in-place concrete structures. Contract K-72329 is primarily for the establishment of new taxiway areas, including technical systems. The combined value of the contracts is approximately NOK 500 million, excluding VAT. Work commenced in spring 2013 and is due for completion in autumn 2014.

AF Anlegg was appointed as the contractor for the H1 E6 Frya – Vinstra contract in April. The contract is to build 18 kilometres of new two-lane highway with central divider and overtaking lanes, including the 4.3 kilometre Hundorp Tunnel. The contract also includes a new 330 metre bridge over the river Lågen at Harpefoss and the building of several smaller constructions. The client is the Eastern Region of the Norwegian Public Roads Administration. The contract is valued at NOK 1,468 million, excluding VAT. Work commenced in June 2013 and the contract will be completed in autumn 2016.

In May AF Anlegg was awarded a contract for civil engineering work in connection with the Nyhamna Expansion Project for A/S Norske Shell at Aukra. Kværner is the contracting party. The contract is for the construction of new infrastructure for the expansion of the Nyhamna gas processing plant. The work includes ground work, plumbing and cable routing, roads and spaces, new electrical utility building, foundations for mechanical units and modules, pipe racks for gas pipe packages and landscaping. A new landfall for the Polarled gas pipeline is also included in the scope of work. All of the work is to be performed at Nyhamna in the Municipality of Aukra. This work commenced in June 2013 and is scheduled for completion in autumn 2016. The value of the contract is estimated at NOK 750 million.

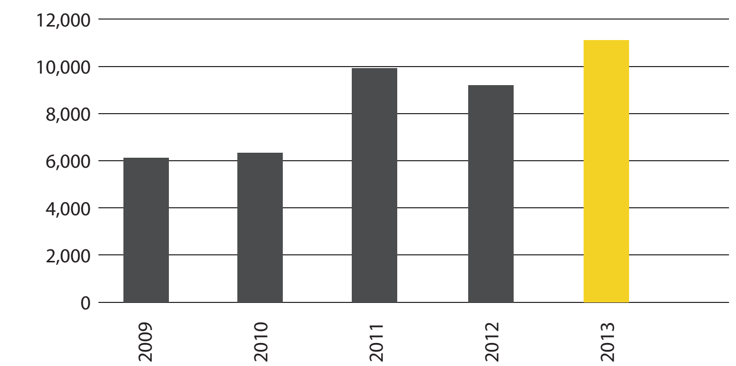
In July, AF Anlegg signed a contract with the Western Region of the Norwegian Public Roads Administration for Rv 13 Ryfast, E03 Solbakk Tunnel. Ryfast is the connection between Nord-Jæren and Ryfylke. The Solbakk Tunnel will be the world's longest subsea road tunnel when it is completed. The contract is for the construction of an 8 kilometre section of dual carriageway, 6.5 kilometres of which is part of the 14 km long subsea Solbakk Tunnel. The contract includes the first part of the Hundvåg Tunnel, four portal constructions, a 100-metre long bridge and a building for technical systems in the tunnel. The contract is valued at NOK 1,169 million, excluding VAT. The work started in August 2013, and the contract is due for completion in autumn 2018.

Market outlook

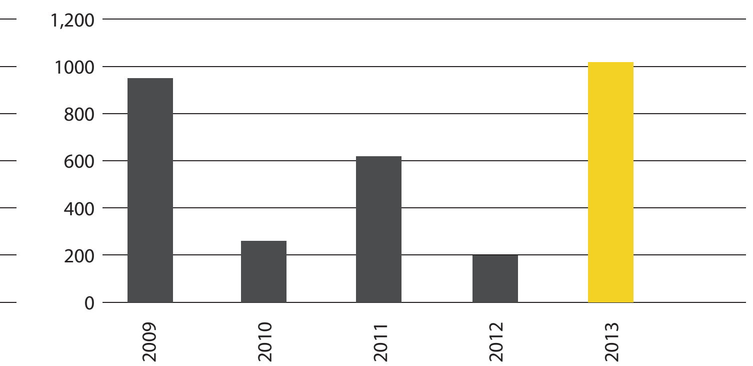
The market outlook for Civil Engineering is good. The civil engineering market is driven primarily by major public transport projects and investments in land-based oil and gas installations. In the national budget for 2014, the Government has proposed appropriation of NOK 22.7 billion for roads. This is an increase of approximately NOK 1.7 billion or 8.1 per cent over the final budget for 2013. For the civil engineering market, the analysis company Prognosesenteret is expecting growth of 5 per cent in 2014 and additional growth of 12 per cent in 2015. Growth is primarily expected to come from power and energy plants and roads, but also in railways. The size of the individual infrastructure projects is growing, and there is still a great deal of competition for these projects.

The national budget for 2014 also aims to establish an independent road development company that is to boost several road projects and carry out developments more efficiently. In addition, the Government will establish an infrastructure fund of NOK 100 billion, which will be built up over a period of five years. In the national budget, the Government proposes the appropriation of NOK 20 billion for capital contributions to the infrastructure fund in 2014. The primary aim of the fund is to ensure predictable and permanent financing of infrastructure investments.

Order backlog NOK million



Cash flow from operations NOK million



Statistics Norway (SSB) estimates that investments in onshore oil and gas activities will increase by NOK 1.5 to 5.1 billion in 2014 compared with 2013. An increasing level of activity provides a potential for continued growth for AF Gruppen's investment in the maintenance and modification of onshore facilities for the oil and gas industry.

The performance of the eurozone is impacting growth in the Swedish economy. After a weak performance in 2013, the Swedish central bank Riksbanken is now expecting the gross national product to grow by 2.4 per cent in 2014 and 3.6 per cent in 2015 in Sweden. The Swedish Construction Federation is expecting growth of 5 per cent in 2014 and 2 per cent in 2015 in building and civil engineering.

The positive market outlook for both the Norwegian and Swedish markets provides a good foundation for the civil engineering activities at AF.
The Civil Engineering order book stood at NOK 4,604 million (2,232) at the end of 2013.

ENVIRONMENT

Description of the business

The Environment business area encompasses AF's services related to onshore demolition and recycling. The business area is the leading company in the Nordic region for the demolition, removal and environmental clean-up of buildings and industrial plants. Environment offers solutions that meet the customers' environmental challenges. Strict environmental regulations and demanding demolition work mean that attention to environmental protection and safety must permeate our work at all times. The Environment business area is established in Norway and Sweden.

The business area consists of three business units:
- AF Decom
- AF Decom AB
- Härnösand Byggreturer AB

Results

Amounts in NOK million	2013	2012	2011
Revenues	**684**	649	484
Earnings before interest and taxes (EBIT)	**40**	72	41
Earnings before taxes (EBT)	**38**	71	41
EBIT %	**5.8 %**	11.1 %	8.5 %
EBT %	**5.5 %**	11.0 %	8.4 %
Order backlog	**215**	231	201

Revenues for 2013 amounted to NOK 684 million (649 million) and earnings before tax amounted to NOK 38 million (71 million). The operating margin for 2013 was 5.8 per cent (11.1 per cent).

The Norwegian operations have reported high revenues and are performing well. The largest project, Follum Fabrikker, has had a high level of activity in the second half of 2013. The integration of Härnösand Byggreturer AB started in the second half of the year, and the company is performing well. AF Decom AB has experienced a lower than expected level of activity and the unit delivered a negative result for the year. AF has decided to leave the Polish demolition market, and AF Group Polska is currently under liquidation.

Acquisition of new business

AF Gruppen entered into an agreement to acquire 100 per cent of the shares in Härnösand Byggreturer AB in July. Härnösand Byggreturer AB is a leading company in the Swedish demolition market, which is engaged in the demolition and environmental clean-up of buildings. The company operates primarily in the Stockholm region, but is active throughout all of Sweden. With revenues of approximately SEK 90 million in 2012, the acquisition will significantly bolster AF Gruppen's focus on the Swedish demolition market.

New contracts

AF Decom's activities include onshore demolition and recovery, where the value of the contract is generally less than NOK 10 million. This is an excerpt of the largest new contracts entered into in 2013:

In February AF Decom signed a contract with Haslemann AS to demolish Arcus's old distribution warehouse at Haslevangen in Oslo. The work commenced in March and was completed in July. The value of the contract is NOK 8.1 million.

In May AF Decom signed a contract with Skanska Norge AS for demolition work at Drammensveien 132 in Oslo. The work commenced in June 2013 and was completed in December of the same year. The value of the contract is NOK 8.6 million.

In September AF Decom entered into a contract with NCC Construction AS for excavation (ground and foundation work) at Sluppenveien 17 in Trondheim. The excavated material will be delivered to Rimol Miljøpark. The contract is valued at NOK 10.7 million.

In December, AF Decom signed a contract with Fortum Distribution for the demolition of high voltage lines in Stockholm. The work will be performed jointly with AF Decom AB. The value of the contract is NOK 8.0 million.

Market outlook

The market outlook for Environment is good. There is a large supply of projects and the level of activity is expected to remain high in 2014 as well. Land-based activities are closely related to the demand for new housing, non-residential buildings and industrial projects. The analysis company Prognosesenteret expects this market to remain at a stable high level in 2014 as well, and this is expected to have a positive impact on the demand for demolition services. In Sweden, strong expansion of land-based demolition activities is expected, driven by high growth in the building and civil engineering market.

At the end of the year, the Environment business area had an order backlog of NOK 215 million (231 million).

BUILDING

Description of the business

The Building business area encompasses AF's services related to the building of private and public non-residential buildings, residential construction, and renovation, remodelling and extension work.

Building is one the largest entities in the area of private and public non-residential buildings, residential housing, and renovation, remodelling and extension work. The business area's expertise spans the entire value chain from development and planning to building. The business area delivers services to clients ranging from smaller companies with a single task, to large private and public clients with long-standing customer relationships. AF cooperates closely with clients to find efficient solutions that satisfy future environmental and energy requirements. Building is established in Norway and Sweden.

The Building business area is divided into:

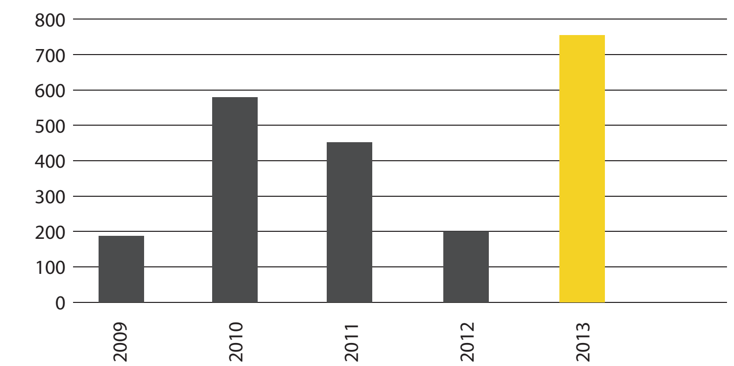
- AF Bygg Oslo
- AF Byggfornyelse
- AF Bygg Østfold
- AF Bygg Sør
- AF Bygg Rogaland
- Strøm Gundersen
  - *Haga & Berg*
  - *Consolvo*
  - *Thorendal*
- AF Bygg Göteborg, Sverige
  - *Bygg Syd*
  - *Broddheimer Malmcrona*

AF Bygg Oslo is engaged in traditional building activities and constructs residential and non-residential buildings for the private and public sectors. AF Bygg Oslo has a strong market position in central Eastern Norway.

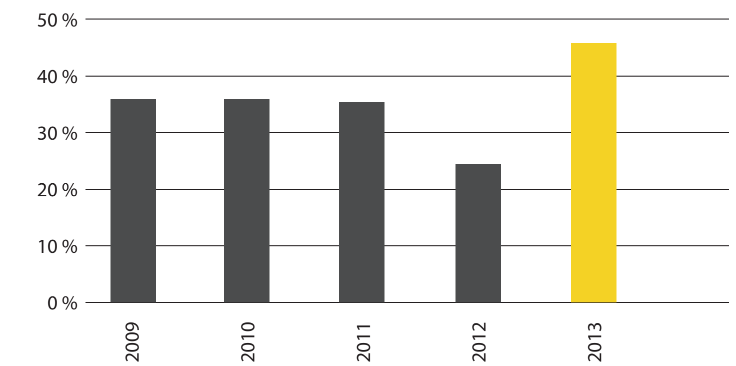
AF Byggfornyelse is one of Norway's largest contractors in the field of renovation, remodelling and extension. AF Byggfornyelse operates in central Eastern Norway.

AF Bygg Østfold represents the Company's building activities in Østfold, and is engaged in traditional building activities and constructing residential and non-residential buildings for the private and public sectors.

Net interest bearing receivables NOK million



Return on capital employed



AF Bygg Sør represents the company's building activities in the Agder counties.

AF Bygg Rogaland is engaged in building activities in Rogaland. The company specialises in turnkey commercial building and home contracts.
Strøm Gundersen is Buskerud's leading contractor in building and heavy concrete structures. In addition, the company engages in concrete renovation and the renovation of residential and commercial buildings through the subsidiaries Consolvo, Haga & Berg Entreprenør and Thorendahl.

AF Bygg Gøteborg is AF's largest business unit in Sweden. In addition to traditional building activities, the business unit is engaged in developing and building property projects for its own account. The business unit is also engaged in building operations in Halmstad and Malmø through the subsidiary AF Bygg Syd. The company has also strengthened its building renovation and wet room modernisation activities in Gothenburg through the acquisition of Broddheimer Malmcrona in 2013.

Through the subsidiaries AF Bygg Syd and Broddheimer Malmcrona, the business unit also engages in building activities in Halmstad, as well as building renovation and wet room modernisation in the Gothenburg region.

Results

Amounts in NOK million	2013	2012	2011
Revenues	**4,793**	5,348	3,757
Earnings before interest and taxes (EBIT)	**169**	60	148
Earnings before taxes (EBT)	**160**	47	144
EBIT %	**3.5 %**	1.1 %	5.6 %
EBT %	**3.3 %**	0.9 %	3.8 %
Order backlog	**4,760**	4,368	4,965

In 2013 Building reported revenues of NOK 4,793 million (5,348). This represents a decline of 10.4 per cent compared with 2012. In 2013, the business area reported an operating profit of NOK 169 million (60 million) and earnings before tax of NOK 160 million (47 million). The operating margin was 3.5 per cent (1.1 per cent).

A number of measures were implemented in 2013 in order to improve the profitability of this business area, and several of the units have made good progress throughout the year. AF Bygg Oslo showed a positive trend and reported satisfactory results in 2013. Strøm Gundersen and AF Bygg Østfold performed well and delivered very good results in 2013. AF Bygg Sør was affected by a challenging market in the Kristiansand region, and the unit has completed an organisational adaptation of its activities to improve its operations. AF Bygg Rogaland showed a positive trend, and it is expected that the reinforcement of the organisation implemented will show positive effects in 2014. AF Byggfornyelse showed a weak performance, but measures have been implemented to improve operations that are expected to show positive effects in 2014. Through the acquisition of Broddheimer Malmcrona AB, AF Bygg Göteborg has gained new, stronger management in 2013. The efforts to improve profitability will continue in 2014.

Acquisition of new business

AF Gruppen entered into an agreement to acquire 100 per cent of the shares in Broddheimer Malmcrona AB in June. Broddheimer Malmcrona AB is a building contractor based in Gothenburg and primarily operates within the fields of building renovation and modernisation of wet rooms. The company reported revenues of approximately SEK 70 million in 2012.

New contracts

AF Bygg Göteborg signed an agreement with AF Fastighet 1380 AB in February for the construction of Glasiären, a new commercial building in Gothenburg. The building will have a rentable area of 12,700 square metres, consisting of five floors of office premises, commercial premises and a gym, plus a basement with a car park. AF Gruppen owns one-third of AF Fastighet 1380 AB. The contract is valued at approximately SEK 240 million, excluding VAT. The project will be carried out as a turnkey contract. Construction commenced at the end of February 2013, and the building will be ready for occupation in December 2014.

In March, Strøm Gundersen was appointed by KKP Eiendom AS as the contractor for the construction of the knowledge and cultural park in Kongsberg. The multifunctional building will have a gross floor area of 24,100 square metres and house Buskerud University College, Tinius Olsen Vocational School, a library and other cultural functions, municipal functions and possibly commercial space, etc. The contract will be carried out as a collaborative turnkey contract and is valued at approximately NOK 415 million, excluding VAT. The construction period is from July 2013 to June 2015.

In April, AF Byggfornyelse signed a contract with Fram Eiendom for the renovation of Handelsbygningen at Henrik Ibsensgate 60 in Oslo. Handelsbygningen was erected in 1918 and has a gross floor area of over 13,500 square metres. AF Gruppen's contract encompasses the remodelling of offices and renovation of the exterior façade. The contract will be carried out as a turnkey contract, and it is valued at close to NOK 170 million, excluding VAT. The start-up and planning will commence in May 2013, while the renovation will start in June 2013.

In April, AF Bygg Østfold entered into a contract with the South Eastern Norway Regional Health Authority for doors, locks and fittings in connection with the construction of the new hospital in Østfold. This is the seventh contract that AF has been awarded for the new hospital in Østfold. The contract will be carried out as a client-managed performance contract. The value of the contract is NOK 97 million, excluding VAT. The start of construction will be in July 2013, and work on the contract will be completed in October 2015.

AF Bygg Syd AB was appointed in July 2013 as the contractor for the construction of the Pålslund sewerage treatment plant and pumping station VA001A in Värnamo in southern Sweden. The contract encompasses ground and construction work for an entirely new sewerage treatment plant and a new pumping station. The plant will consist of separate buildings for the employees and machinery, as well as a decomposition unit and basin for biological purification. The contract is valued at approximately SEK 100 million, excluding VAT. The start-up and planning commenced in July 2013, and completion is scheduled for February 2015.

AF Bygg Oslo entered into a contract with Hasle Linje 1 AS (Höegh Eiendom) in July for the construction of an office building at Hasle in Oslo. The building will house the head office of the City of Oslo's Urban Environment Agency. The contract encompasses the construction of an eight-storey office building and a parking garage in the basement. The total gross area for this project is approximately 15,800 square meters. The building will have an A+/Passive House energy label and a BREEAM environmental classification of excellent. The project will be carried out as a turnkey contract and is valued at NOK 292 million, excluding VAT. Construction commenced in the third quarter of 2013, and completion is scheduled for the third quarter of 2015.

AF Byggfornyelse entered into a contract with Fred Olsens gate 11 AS in September for the renovation and remodelling of Fred Olsens gate 11 as a hotel. AF Gruppen's contract encompasses renovation and reconstruction as a hotel, in which Choice will be the future tenant. Start-up and planning commenced in June 2013, and renovation commenced in September 2013. Completion is due in September 2014. The contract will be carried out as a turnkey contract, and it is valued at approximately NOK 120 million, excluding VAT.

AF Bygg Oslo signed a contract with OBOS in September for the construction of infrastructure and apartments at Kværnerbyen Terrasse B2-B5 in Oslo. The site preparation and infrastructure work will start in the 1st quarter of 2014, and completion of the apartments is scheduled for the 3rd quarter of 2016. The construction of the apartments is subject to adequate advanced sales. The construction of up to 184 apartments distributed among four buildings is planned. The project will be carried out as a turnkey contract with a total value of NOK 417 million, excluding VAT.

In October, AF Bygg Østfold was chosen as the turnkey contractor for the Sandnesundsveien Primary School in Sarpsborg. Work will commence in October 2013, and the school will be completed in the summer of 2015. Parts of the outdoor work will be completed in the autumn of 2015. The contract is a turnkey contract valued at NOK 148 million, excluding VAT.

Strøm Gundersen was appointed in October as the turnkey contractor by the Varner Group for the construction of their new head office at Billingstad in Asker. This contract is for the renovation of an existing building and a new building. The building will have a gross area of approximately 20,000 square metres when it is completed, and it will include offices, a parking garage, etc. The contract is valued at approximately NOK 300 million, excluding VAT.

In December, AF Bygg Østfold was appointed by the Municipality of Fredrikstad as the turnkey contractor for the construction of the new Borge Lower Secondary School. The school is to be built on the existing school site in Borge, and the work includes a new school building, upgrade of the school's gym and a comprehensive outdoor area. The work will start in February 2014, and the school will be completed in December 2015. The value of this contract is NOK 135 million, excluding VAT.

AF Bygg Oslo signed a contract with Selvaag Bolig, Oppløpet AS and Rema Eiendom Øst AS in December for the construction of the "Oppløpet" stage at Lørenskog Stasjonsby. This contract encompasses the construction of 113 apartments and an unfurnished commercial area of 1,100 square metres, distributed among three buildings connected by a common garage. The agreement will be carried out as a turnkey contract and is valued at approximately NOK 240 million, excluding VAT. The start of construction is scheduled for the 2nd quarter of 2014, with completion in the 1st quarter of 2016.

Market outlook
The forecasts for the Norwegian residential housing construction market showed a significant correction throughout the autumn of 2013, and continued uncertainty in the market may contribute to a somewhat lower housing start level in 2014 than in 2013. The analysis company Prognosesenteret estimates that residential housing construction, measured by the number of start permits, will be less than 30,000 units in 2014. This then means a moderate decline compared with 2013. The average price level for residential units sold is expected to increase by 0-2 per cent in 2014, compared with the average for 2013.

The market for the renovation, remodelling and extension of non-residential buildings is expected to grow by 2–3 per cent in 2014 compared with 2013.

The temperature of the Swedish residential housing market is rising and the Swedish Construction Federation expects significant growth in investments in residential housing, as well as growth in the market segment for the renovation, remodelling and extension of non-residential buildings. Moderate growth is expected for private and public commercial buildings. An expected higher level of activity provides a good foundation for AF's Swedish building activities in 2014.

AF's activities in the Building business area are in general exposed to fluctuations in the residential housing market. A major portion of our building activities are, however, aimed at public clients and private actors in the commercial property market, and this contributes to increasing the visibility of Building. A good market is expected overall for AF's activities in the Building business area in 2014.

At the end of the year, the Building business area had an order backlog of NOK 4,760 million (4,368 million).

PROPERTY
Description of the business
The Property business area encompasses the development of residential housing units and commercial buildings for own account in areas where AF has access to its own contracting services.

AF Eiendom collaborates closely with other actors in the industry. Development projects are often organised through setting up joint development companies with partners. This reduces project-specific risk and adds the benefit of complementary expertise in the development work.
AF Eiendom acquires sites that are developed for commercial or residential projects. The projects are geographically located where AF has its own contracting services. The majority of the property development projects are located in Oslo and in central Eastern Norway. AF has also established operations in Southern Norway and Rogaland.

Results

Amounts in NOK million	2013	2012	2011
Revenues	**60**	30	69
Earnings before interest and taxes (EBIT)	**32**	38	37
Earnings before taxes (EBT)	**30**	31	31
Return on invested capital	**10.9%**	26.9 %	13.4 %
Number of residential housing units [1)]			
Under construction	**26**	93	152
Sold during the year	**45**	62	84
Completed for sale	**3**	13	17
Sites and development rights [1)]			
Residential housing units	**1,056**	945	639
Commercial area m²	**9,006**	33,400	22,000

1) AF's share of housing units, sites and development rights

Revenues of NOK 60 million (30 million) are higher than in 2012. The increased revenues are attributed primarily to the sale of apartments and sites at Kilen Brygge. Total revenues in the associated companies were NOK 406 million (756 million). AF's share of the revenues in the associated companies was NOK 139 million (270 million). Property reported earnings before tax of NOK 30 million (31 million) for 2013.

Property sold 45 (62) residential housing units in 2013. There were 26 (93) residential housing units under construction at year end. Property delivered three projects in 2013, Building B, C, D and E at Lillohagen in Sandaker, House 2, 3 and 4 at Fossumhagen in Stovner and Blomsterstykket Stage 2 in Asker. All of the apartments except one were sold on delivery.

AF signed a cooperation agreement with Selvaag Bolig in December for the development of a residential housing project in the centre of Ski. The development of 120–160 new residential units is expected. AF Gruppen and Selvaag Bolig will each own 50 per cent of the project/owner company after AF reduced its 100 per cent ownership.

At the end of the year, the number of completed unsold apartments was 3 (13). The inventory of unsold apartments has been significantly reduced in 2013.

Since the development projects are organised as associated companies in AF Gruppen, these projects are not included in the order backlog.

Site acquisitions
In 2013, Property increased its building site inventory, while its commercial site inventory declined. Sites and development rights increased to 1,056 (945) residential units and the commercial area that can be developed declined to 9,006 m2 (33,400). The decline in the commercial area that can be developed is attributed to the start of a project in Gothenburg, and to relinquishing the rights to a development site in Sandefjord in connection with renegotiation with the municipality. The numbers refer to AF's share of the projects.

In July, AF Gruppen, together with OBOS Nye Hjem AS, Trond Mohn, Aspelin Ramm AS and others, entered into an agreement with GE Healthcare AS for the acquisition of the site comprising Sandakerveien 98, 100, 100B and 100C at Nydalen in Oslo. The property, which consists of 26.3 decares, will be re-regulated for change of use and developed into approximately 400 new homes. The property currently includes a relatively modern and functional office building and the manor Lillo Gård, parts of which are listed as a heritage area. AF Gruppen's ownership interest in the project is 25 per cent, and the purchase price is NOK 360 million.

In February 2013, AF Eiendom, Klaveness Marine and Trond Mohn entered into a new agreement to purchase the site at Bergerveien 24 in the Municipality of Asker by transferring all of AF Eiendom's rights and obligations from the agreement entered into in March 2012. The plans for development of the site call for 200-250 housing units. The purchase price for the site is NOK 120 to 150 million, dependent on the available area permitted. AF Eiendom's ownership interest in the company is now 33.3 per cent.

Market outlook

The market outlook for Property is good. After the financial crisis, housing starts have increased by 50 per cent from 20,000 in 2009 to just over 30,000 in 2013. For 2014, the analysis company Prognosesenteret expects that housing starts will be just under 30,000. The important drivers of demand for housing include lending rates, the labour market, wage inflation and population growth. All the drivers support high demand in the most attractive areas. Property has expanded its market area from central Eastern Norway to include Southern Norway and Rogaland in recent years, and it has increased its building site inventory for residential housing throughout 2013. AF Eiendom is well-positioned to increase its level of activity in the residential housing segment. The Prognosesenteret estimates a slight decline in the construction of private commercial buildings in 2014, but increased demand from the public sector may compensate for some of the decline in private sector demand. The forecasts from the Swedish Construction Federation for 2014 indicate strong growth in investments in new housing units and moderate growth in commercial property.

ENERGY

Description of the business

The Energy business area encompasses AF's energy services for onshore activities. Energy seeks to reduce energy consumption and expenses for customers through advisory services and the implementation of new energy solutions.

The business area consists of a single business unit:

- AF Energi & Miljøteknikk AS

Energy also has activities in the newly established Boligenergi AS, which is owned jointly with OBOS.

Results

Amounts in NOK million	2013	2012	2011
Revenues	**173**	163	98
Earnings before interest and taxes (EBIT)	**11**	15	-10
Earnings before taxes (EBT)	**12**	16	-11
EBIT %	**6.5 %**	9.3 %	-10.1 %
EBT %	**6.8 %**	9.6 %	-11.3 %
Order backlog	**59**	106	91

Revenues for 2013 amounted to NOK 173 million (163 million) and earnings before tax amounted to NOK 12 million (16 million). The operating margin for 2013 was 6.5 per cent (9.3 per cent).

New contracts

AF Energi & Miljøteknikk has entered into contracts for the construction of several new energy plants in 2013. The total contract value is NOK 29 million, of which the largest single contract has been entered into with Åsane Energi (NOK 21 million).

After the end of the year, AF Energi & Miljøteknikk entered into a contract with Hammerfest Energi Varme AS for the construction of a new energy plant. The value of the contract is approximately NOK 16 million.

Five energy savings contracts (EPCs) were signed in 2013. The energy savings contracts have had a very modest effect on the order backlog, since they do not include a contractual volume beyond the analysis phase. It is expected that these contracts will generate revenues of approximately NOK 127 million, in addition to NOK 19 million from the corresponding EPC contract entered into in 2012. This volume is in addition to the existing order backlog.

Market outlook

The market outlook for Energy is good. As a result of good work on the standardisation of contract terms for energy savings contracts in municipalities and public sector enterprises, this has become an ever more interesting market area. There has been a significant increase in the number of advertised energy savings contracts, and this growth is expected to continue. A corresponding standard for energy savings contracts is also gaining a foothold with private property owners.

Regulatory changes in the district heating market have resulted in a constantly improving regulatory framework for the establishment of local heating plants based on renewable energy. Up until now market growth has been in the commercial building segment, but it is expected that new technical regulations will result in this type of project becoming more and more relevant to the establishment of new residential housing projects.

A significant increase in the number of advertised energy savings contracts, ambitious energy goals for public buildings, government assistance schemes and greater awareness of lifetime costs for buildings will provide a good foundation for further growth of AF's energy conservation services.

At the end of the year, the Energy business area had an order backlog of MNOK 59million (106 million).

Information on the environment

Personnel and organisation

At the end of 2013, there were 2,708 (2,670) employees in the Group, 1,327 (1,314) of which were salaried and 1381 (1,356) were paid by the hour. The recruitment and supply of new employees was satisfactory in 2013. The parent company, AF Gruppen ASA, had no employees at the end of 2013.

Of the employees, 9.2 per cent (9.0 per cent) are women and 90.8 per cent (91.0 per cent) are men. Given the nature of the work and working conditions, the contractor industry has traditionally been dominated by men. For the recruitment of newly qualified engineers and economists, there is a more even balance between women and men than the distribution in the Group as a whole. The percentage of women among salaried staff was 16.7 per cent (16.4 per cent) at the end of 2013.

Absence due to illness at AF was 3.7 per cent (3.3 per cent) in 2013. The low absence due to illness 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 that was conducted in November 2013, which show that AF's employees are very happy, have a high degree of job satisfaction and are proud to work for AF. These results are significantly better than the industry average. Conducting such surveys on a regular basis is an important tool for the identification of areas and measures needed to improve the working environment.

Development of our own managers is a priority area. In 2013, 1,204 (1,037) employees participated in courses at the AF Academy. In addition, employees can apply to participate in courses and further education at renowned educational institutions such as INSEAD, the Norwegian School of Economics (NHH) and the Norwegian Business School (BI).

AF is engaged in the project industry, and has many large complex projects with substantial risk. In 2013, AF has increased its focus on a robust organisation and the composition of its project teams.

In 2013 the Group Council, which is made up of employee representatives, senior safety representatives and management representatives, continued work on improving cooperation between all parts of the organisation. AF Gruppen seeks to be a workplace where there is no discrimination on grounds of ethnicity, gender, belief or sexual orientation. This applies, for example, to matters relating to pay, promotion, recruitment and general career development. AF Gruppen has written objectives and rules to promote a good working environment with equality and without discrimination or harassment. The goals and rules are laid down in the Company's Code of Conduct. The Code of Conduct is AF Gruppen's rule book. 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. In line with the Discrimination Act, the object of the Code of Conduct is to promote equality, ensure equal opportunities and rights, and prevent discrimination on the grounds of ethnicity, nationality, heritage, skin colour, language, religion or beliefs.

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

OFFSHORE

Description of the business

AF established a separate business area for offshore activities in 2013. The Offshore business area encompasses AF's services related 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, Offshore also has services related to the maintenance and modification of onshore facilities for the oil and gas industry.

The business area consists of:

- AF Decom Offshore
- Mollier
    - *5D*
    - *AF Offshore Mandal*
- Aeron
- V & M Landanlegg

In addition, AF Decom Offshore is engaged in demolition and rigging services at the Environmental Base at Vats.

AF Decom Offshore is AF's venture in offshore-based demolition, removal and recycling of offshore installations. The company focuses on the market in the North Sea. At the Environmental Base at Vats outside of Haugesund, AF Decom Offshore has the most modern reception facility in Europe for the recycling of decommissioned petroleum installations. Strict environmental regulations and demanding demolition work mean that attention to environmental protection and safety must permeate our work at all times.

Mollier AS provides maintenance and modification services for HVAC (Heating, Ventilation and Air Conditioning) systems on offshore installations and total HVAC solutions for new builds and rigs outside of Norway as well. Maintenance and the construction of new cranes and other types of equipment for offshore installations are carried out by AF Offshore Mandal. The 5D Group's services include engineering, design, electrical systems, instrumentation and construction of smaller structures. Aeron AS represents Offshore's maritime activities and supplies HVAC systems for new build special purpose offshore and FPSO vessels at shipyards around the world.

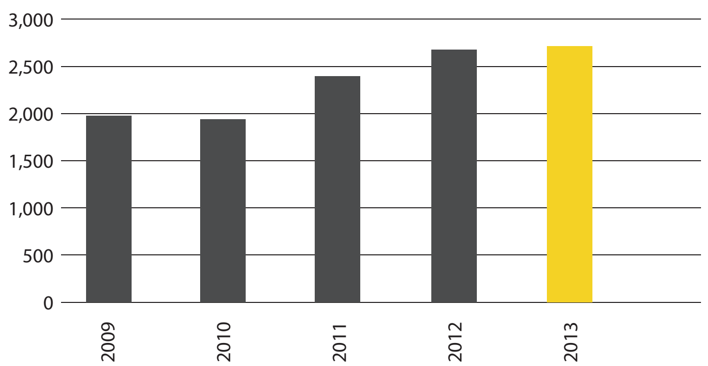
Results

Amounts in NOK million	2013	2012	2011
Revenues	**1,480**	1,129	801
Earnings before interest and taxes (EBIT)	**70**	76	60
Earnings before taxes (EBT)	**71**	78	60
EBIT %	**4.7 %**	6.8 %	7.5 %
EBT %	**4.8 %**	6.9 %	7.4 %
Order backlog	**1,265**	2,028	1,473

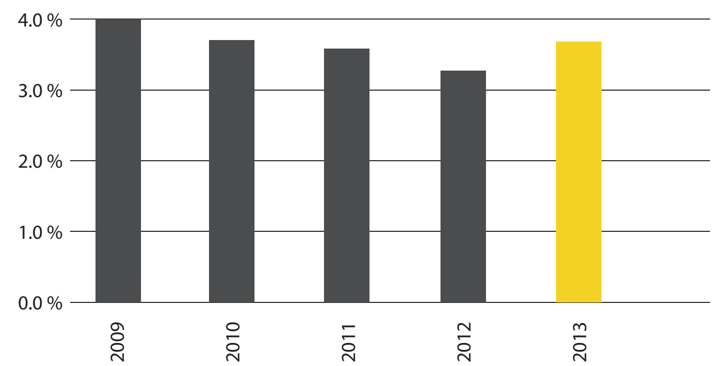
Revenues for 2013 amounted to NOK 1,480 million (1,129 million) and earnings before tax amounted to NOK 71 million (78 million). The operating margin for 2013 was 4.7 per cent (6.8 per cent).

AF Decom Offshore has had a high level of activity and a lot of offshore work in 2013. We have completed the removal of the riser platform H-7 for Statoil and Gassco, and preparations are well under way for the removal of B-11 in 2015. As a result of this, we have had a high level of activity at the reception facility at Vats, with parallel activities from EPRD and H-7. The unit reported satisfactory results for 2013.

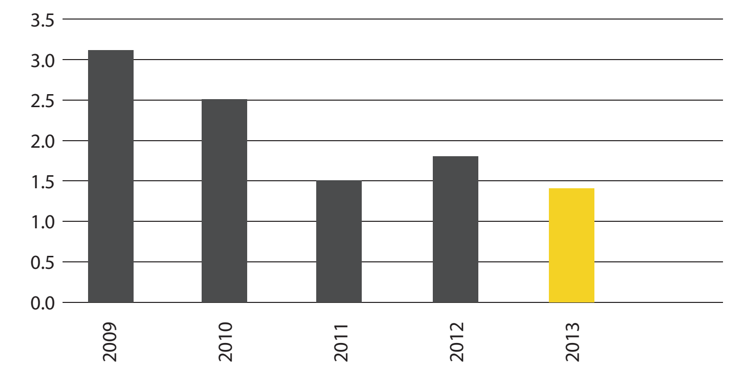
Number of employees



Absence due to illness



LTI rate



Lost-time injuries per million hours worked

Aeron reported a weak result for the year as a whole. Organisational adaptations have been carried out. The marine market for HVAC services is showing a positive development.

Mollier, AF Offshore Mandal and V & M Landanlegg has performed well throughout 2013.

New contracts

Mollier was one of two companies that were awarded a new framework contract in May for the service and maintenance of HVAC systems (Heating, Ventilation and Air Conditioning) on Statoil's offshore and onshore installations. The contractual period is for four years, with an option for an additional six years. The contract entered into force on 30 June 2013.

After the end of the year, Mollier was awarded a new framework contract for the service, modification and maintenance of HVAC systems (Heating, Ventilation and Air Conditioning) on ConocoPhillips' offshore installations on the Norwegian continental shelf. The contract period is 4.5 years with an option for ConocoPhillips to extend the agreement an additional two consecutive periods, each limited to a maximum of 3 years.

Market outlook

Even though growth has declined somewhat, the market outlook for Offshore is still considered to be good. AF Gruppen is exposed to activities on the Norwegian continental shelf through its activities in Offshore. Statistics Norway estimates that investments in oil and gas activities will increase 7 per cent from NOK 209 billion in 2013 to NOK 224 billion in 2014. There is great market potential for offshore demolition on both the Norwegian and the British continental shelf. In a report from the Norwegian Environment Agency, it is estimated that approximately 15 installations will be decommissioned during the period from 2010 to 2015. There are approximately an additional 20 installations that are scheduled for decommissioning in the following five-year period; up until 2020. The scrapping of more than 260 offshore installations is expected on the British continental shelf during the period from 2010 to 2020.

High oil prices and new technology have increased the lifetime of many of the oil and gas fields, and this has postponed the expected time for demolition of many oil and gas installations. This also means an increased need for maintenance services and the repair of smaller installations.

At the end of the year, the Offshore business area had an order backlog of NOK 1,265 million (2,028 million).

Health, safety and the environment

Health and safety

The LTI rate for all operations in 2013 was 1.4 (1.8). Our LTI rate is among the lowest in the industry. In 2013, there was a total of 13 (17) lost time injuries, 7 of which involved subcontractors and 6 of which involved our own employees. The lost time injuries included eight fractures or broken bones, one laceration, one meniscus injury, one cruciate ligament injury, one upper arm impact injury and one case of pneumonia and rib fracture (near drowning). All the lost time injuries took place in the Norwegian operations.

The safety of each project is measured primarily through the registration of injuries. The registration of injuries provides the basis for calculating the LTI (loss time injury) rate. The LTI rate is defined as the number of lost time injuries per million man-hours, and it includes our own employees and subcontractors. The overall goal is to avoid all lost time injuries (LTI rate = 0).

The LTI rate has been reduced through systematic and long-term efforts throughout the years. Significant resources are being invested to further improve our HSE efforts in order to be able to achieve our goal of an LTI rate of zero. Key to this work is AF's fundamental understanding and acceptance that all injuries have a cause and can, therefore, be avoided. Identifying risk and risk analysis are a key elements in preventive HSE activities. Based on an assessment of risk, physical and organisational barriers are established to reduce the risk of personal injury and occupational illness to an acceptable level.

In addition to risk assessments, being able to learn from our mistakes is also vital. AF has systematised this through reporting and responding to undesired incidents or hazardous conditions, as well as investigating the most serious incidents or conditions. The number of reports has increased steadily in recent years, and we see a clear correlation between the increased reporting of undesired incidents and the decrease in injuries.

Absence due to illness for the entire Group was 3.7 per cent (3.3 per cent). For the Norwegian operations, absence due to illness was also 3.7 per cent (3.3 per cent). Absence due to illness at AF's operations abroad was 2.8 per cent (2.9 per cent). The Company's goal is to avoid work-related illnesses. The goal is absence due to illness of under 3.0 per cent. This goal represents a normal illness rate, without work-related illnesses. AF has high ambitions for eliminating work-related illnesses, and to achieve this AF is surveying which work-related illnesses affect absences. The survey shows that measures to combat musculoskeletal disorders will help to further reduce illness absence. As part of the Company's HSE improvement efforts, illness absence committees have been established in all of the business units. AF has a well-functioning internal corporate health service, and the Group's working environment can be described as good.

The Group uses control systems that satisfy the requirements of the Norwegian Working Environment Act, the Regulations relating to Systematic Health, Safety and Environment Work in Enterprises (Internal Control Regulations) and the Regulations relating to Safety, Health and Working Environment on Construction Sites (Construction Client Regulations).

External environment

The Group is engaged in operations that may affect the external environment in the form of noise, dust, vibrations, emissions, discharges and other means of pollution. Its activities may also entail encroachments on and changes to the landscape and nature. The Group carries out its activities in such a way that the impact on resources and the environment is reduced to a level well within what is required by the authorities and clients. The Group's management systems and work methods are designed to safeguard the external environment. The goal is to prevent, avert and reduce any undesirable impact on the environment.

Each AF business unit must follow the principles of ISO 14001, the international standard for environmental management. This will be done by identifying and monitoring the main environmental impacts represented by the various business units. In 2013, 22 (10) incidents with an undesirable impact on the external environment were reported. Most of the incidents involve minor oil and diesel spills from machinery. AF systematically monitors all undesired incidents and is facilitating methods and control routines to prevent any recurrence and damage to the external environment.

To enhance environmental awareness and measure the impact of our operations on the external environment, two new measurement parameters were introduced in 2010: Carbon footprint and source separation rate. Measuring our carbon footprint will map and measure the emission of greenhouse gases in tonnes of CO_2 equivalents. The purpose of the measurement is to motivate environmentally friendly resource consumption. The Group's carbon footprint for 2013 was measured at 39,587 (39,158) tonnes of CO_2 equivalents. This is equivalent to 4.1 tonnes (4.4 tonnes) per NOK million of revenue. Measuring the source separation rate was introduced to improve the handling of waste from our own operations. The source separation rate indicates how much of the waste is sorted and can be recycled. The source separation rate was 81 per cent (79 per cent) for building, 80 per cent (89 per cent) for renovation and 96 per cent (98 per cent) for demolition in 2013. The source separation rate required by the authorities for building and civil engineering is 60 per cent. In 2013, 408,365 (511,110) tonnes of waste were sorted, and 474,547 (514,247) tonnes of asphalt and concrete were recycled.

Measuring and monitoring our carbon footprint and source separation rate parameters will help clarify AF's environmental profile, and raise environmental awareness among the Company's employees. AF's business involvement in demolition, recycling and the development of environmentally friendly energy solutions also has a positive impact on the external environment.

Risk management and financial risk

AF Gruppen is exposed to various types of risks, which may be of a market-related, operational or financial nature. A substantial portion of the Group's balance sheet consists of assets and liabilities associated with on-

Tore Thorstensen
Chairman of the Board

Mari Broman

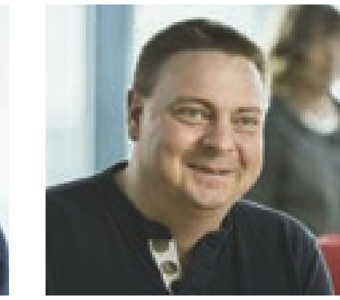
Carl Henrik Eriksen

Hege Bømark

Peter Groth

Kenneth Svendsen
Employee elected

Pål Jacob Gjerp
Employee elected



Arne Sveen
Employee elected

going projects, Some of the items are subject to estimate uncertainty, and for these items the Corporate Management Team and project managers have exercised judgement and made assumptions based on uniform principles and guidelines. These assumptions are considered to be realistic.

Situations or changes in market conditions may arise during a project period in many cases, and they may entail changes to the estimates and thus affect the Company's assets, liabilities, equity, and earnings. The Group has systems and meticulous routines for risk analysis and the management of risk. Risk analysis is carried out continuously from tender assessment until the completed project Risk management systems are embedded throughout the organisation, from the projects, via the management of the business units, to the Corporate Management Team and the Board of Directors of AF Gruppen ASA. The purpose of risk management is to limit undesirable financial and production-related consequences through corrective action. At the same time, there is a focus on exploiting positive opportunities identified through the risk analysis of the projects.

Through its activities, AF Gruppen is exposed to various types of financial risk. Financial risk is divided into market risk, credit risk and liquidity risk.

The Group 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 94 per cent (93 per cent) of its recognised revenues in enterprises with NOK as their functional currency, 5 per cent (6 per cent) with SEK as their functional currency and 1 per cent (1 per cent) with another functional currency. Exchange rate risk arises from future commercial transactions, in the translation of recognised assets and liabilities to NOK, and in net investments in foreign operations. The net foreign exchange gain/(loss) was NOK -3 million (-2 million) in 2013. The total translation differences were NOK 19 million (-3 million) in 2013.

The Group does not have any exchange rate risk related to revenue from the Building, Civil Engineering, Energy or Property business areas, since all revenues are in the functional currency. The Offshore business area has portions of its revenues 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. Offshore is also exposed to price risk from the sale of scrap steel that is recycled from the demolition of steel structures in the North Sea. The price and exchange rate risk associated with scrap steel prices in NOK is hedged by forward contracts. The Group's policy is to hedge scrap steel prices in NOK for around 75 per cent of the coming year's expected sales of scrap steel. The Offshore business area exports some goods and services. The NOK exchange rate is hedged for all major export sales.

The companies in AF Gruppen make 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.

Management has issued guidelines that require Group companies to manage their currency and price risk. In order to manage currency and price risk from future commercial transactions and recognised assets and liabilities, Group entities use forward contracts.

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.

Based on the Group's strong financial position at the end of the year, the liquidity risk is considered to be low. AF Gruppen has a credit facility that expires in June 2015. This facility consists of an overdraft facility of NOK 600 million (600 million) and a revolving credit facility of NOK 600 million (300 million). 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 751 million (204 million) at the end of the year. 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.

Option programmes and sale of shares to employees

In 2013, AF Gruppen ASA acquired treasury shares to sell to employees. AF Gruppen ASA purchased 157,973 (544,892) shares in 2013. In 2013, 115,700 (570,090) treasury shares were sold to employees. At the end of the year, AF Gruppen ASA held 81,660 (39,387) treasury shares.

An option programme for all employees of AF Gruppen ASA and subsidiaries was adopted at the Annual General Meeting held on 13 May 2011, which entails entitlement to subscribing for a total of 6,000,000 options during the years 2011, 2012 and 2013, with redemption in the first quarter of 2014. In 2013, a total of 2,185,464 (2,151,329) options were allotted in the new programme.

AF Gruppen would like all employees to participate in joint value creation by becoming shareholders in the Company. In addition, the share programme should contribute to making AF Gruppen an attractive workplace for its employees, as well as in attracting new employees. 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 2013, 385 (412) employees subscribed for a total of 988,880 (1,000,000) shares. The purchase price after a 20 per cent discount was NOK 55.5. In connection with the sale, the Board used its authority and issued 948,880 new shares. The remaining shares were transferred from the Company's treasury shares.

Market outlook

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 2013 have been in line with the Board's expectations in most of the business units. At the end of the year, the Group had an order backlog of NOK 10,976 million (9,074 million) and earnings from ongoing projects are considered to be good.

The market outlook for 2014–2015 is considered to be good in general. Statistics Norway (SSB) expects the gross national product for mainland Norway to grow by 2.1 per cent in 2014, and 2.5 per cent in 2015. Statistics Norway also expects there to be high growth in household income, low unemployment, and a continued low interest rate level in 2014-2015. In Sweden, Riksbanken expects the gross national product to grow by 2.4 % in 2014 and 3.6% in 2015. Further information on the market outlook for the various business areas is presented under each respective business area earlier in this annual report.

For AF Gruppen as a whole, the high order backlog, combined with a good market for all of the Company's business areas, establish the foundations for a high level of activity in 2014 as well. AF Gruppen has a high level of expertise and a solid corporate culture based on professionalism and high ethical standards. This, combined with the Company's focus on profitable growth and a strong financial position, means that AF is well-equipped to take advantage of the opportunities that the market will offer in 2014.

The Board would sincerely like to thank the employees for their significant contributions to the good results in 2013. The Board is confident that a high level of activity and good earnings will prevail in 2014 as well.

PROFITABILITY PROVIDES THE DRIVING FORCE

Profitability is not just a goal in itself. It is also a prerequisite for continued growth. With high revenues and a solid financial position, AF Gruppen will be ensured of the driving force to continuously challenge new markets.

Income statement

Amounts in NOK million	Note	1 January to 31 December 2013	2012
Operating revenue	5	10,090	9,695
Other revenue	5	38	135
Total operating and other revenue		**10,127**	**9,830**
Subcontractors		-4,637	-4,301
Cost of materials		-1,366	-2 034
Payroll costs	7, 29	-2,132	-1 948
Depreciation and impairment of property, plant and equipment	15	-106	-97
Amortisation and impairment of intangible assets	14	-4	-8
Other operating expenses	8	-1,400	-1,204
Net gains/(losses)	9	47	59
Profit/(loss) from investments in associates	10	40	28
Total operating expenses		**-9,559**	**-9,505**
Earnings before interest and tax (EBIT)		**568**	**325**
Net financial items	20	12	-7
Earnings before tax (EBT)		**580**	**318**
Tax expense	27	-128	-93
Profit for the year		**453**	**225**
Attributable to:			
- Shareholders in the Parent Company		429	195
- Minority interest		24	30
Profit for the year		**453**	**225**
Earnings per share (amounts in whole NOK)	23	5.26	2.41
Diluted earnings per share (amounts in whole NOK)	23	5.11	2.38
Dividend per share (amounts in whole NOK)	23	6.00	4.50

Comprehensive profit/(loss)

Amounts in NOK million	2013	2012
Profit for the year	453	225
Change in actuarial gains or losses on pensions *(will not be reclassified through profit and loss in subsequent periods)*	3	-8
Translation differences *(may be reclassified through profit and loss in subsequent periods)*	19	-3
Total other comprehensive income	**22**	**-11**
Total comprehensive income for the year	**475**	**214**
Attributable to:		
- Shareholders in the Parent Company	451	184
- Minority interest	24	30
Total comprehensive income for the year	**475**	**214**

Statement of financial position as at 31 December

Amounts in NOK million	Note	2013	2012
ASSETS			
Non-current assets			
Property, plant and equipment	15,33	397	383
Intangible assets	14	1,347	1,310
Investments in associates	10	272	192
Deferred tax assets	28	45	20
Interest-bearing receivables	21,24,25	59	22
Pension plan and other financial assets	21,24,25	12	9
Total non-current assets		**2,131**	**1,937**
Current assets			
Inventories	12	132	134
Projects for own account	13	97	157
Trade and other non-interest-bearing receivables	11,24,25	2,093	2,352
Interest-bearing receivables	21,24,25	77	-
Financial derivatives	24,25	11	17
Cash and cash equivalents	21,24,25	695	322
Total current assets		**3,105**	**2,982**
Total assets		**5,237**	**4,919**

Statement of financial position as at 31 December continued

Amounts in NOK million	Note	2013	2012
EQUITY AND LIABILITIES			
Equity			
Equity attributable to Parent Company shareholders		1,229	1,102
Minority interests		106	100
Total equity		**1,334**	**1,202**
Non-current liabilities			
Interest-bearing loans and credit facilities	21,24,25	29	68
Retirement benefit liabilities	19	2	4
Provisions	16	29	52
Deferred tax	28	422	466
Total non-current liabilities		**483**	**589**
Current liabilities			
Interest-bearing loans and credit facilities	21	50	73
Trade payables and non-interest-bearing debt	17,25	3,018	2,905
Financial derivatives	24,25	2	5
Provisions	16	149	108
Current tax payable	27	200	36
Total current liabilities		**3,419**	**3,128**
Total liabilities		**3,903**	**3,717**
Total equity and liabilities		**5,237**	**4,919**

Oslo, 2 April 2014

Tore Thorstensen
Chairman of the Board

Hege Bømark

Mari Broman

Peter Groth

Carl Henrik Eriksen

Kenneth Svendsen
Employee elected

Arne Sveen
Employee elected

Pål Jacob Gjerp
Employee elected

Pål Egil Rønn
CEO

Statement of changes in equity

Amounts in NOK million		Equity attributable to Parent Company shareholders							Minority interests	Total equity
2012	**Note**	**Share capital**	**Treasure shares [1]**	**Share premium account**	**Other paid-in capital**	**Other reserves unrecog-nised in P&L**	**Retained earnings**	**Total**		
Equity as at 1 January 2012		4	-	-	405	-11	868	1,266	65	1,331
Effect of amendments to IAS 19R		-	-	-	-	-	-9	-9	-	-9
Equity as at 1 January 2012		**4**	**-**	**-**	**405**	**-11**	**859**	**1,257**	**65**	**1,321**
Profit/(loss) for the year		-	-	-	-	-	195	195	30	225
Comprehensive income for the year		-	-	-	-	-3	-8	-11	-	-11
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-3**	**187**	**184**	**30**	**214**
Capital increase		-	-	27	-	-	-	27	-	27
Purchase of treasury shares	26	-	-	-	-	-	-30	-30	-	-30
Sale of treasury shares	26	-	-	-	-	-	32	32	-	32
Dividend adopted and paid in 2012		-	-	-	-197	-	-167	-364	-	-364
Share value-based remuneration	7	-	-	-	5	-	-	5	-	5
Transactions with minority interests		-	-	-	-	-	-8	-8	4	-4
Addition of minority interests from acquisition of business		-	-	-	-	-	-	-	1	1
Equity as at 31 December 2012		**4**	**-**	**27**	**213**	**-14**	**872**	**1,102**	**100**	**1,202**
2013										
Profit/(loss) for the year		-	-	-	-	-	429	429	24	453
Comprehensive income for the year		-	-	-	-	19	3	21	-	22
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**19**	**432**	**451**	**24**	**475**
Capital increase		-	-	53	-	-	-	53	-	53
Purchase of treasury shares	26	-	-	-	-	-	-10	-10	-	-10
Sale of treasury shares	26	-	-	-	-	-	7	7	-	7
Dividend adopted and paid in 2013		-	-	-	-35	-	-332	-366	-17	-384
Share value-based remuneration	7	-	-	-	12	-	-	12	-	12
Transactions with minority interests		-	-	-	-	-	-19	-19	-2	-20
Equity as at 31 December 2013		**4**	**-**	**79**	**190**	**5**	**950**	**1,229**	**106**	**1,334**

[1] As at 31 December 2013 the AF Group has share capital related to treasury shares in the amount of NOK 4,000.

Cash flow statement

Amounts in NOK million	Note	2013	2012
Cash flow from operating activities			
Profit/(loss) before tax		580	318
Depreciation, amortisation and impairment losses	14,15	110	106
Change in retirement benefit liabilities		-	-4
Accounting cost of share value-based remuneration		12	5
Net financial expenses/(income)	20	-12	7
Net gains/(losses)	9	-47	-59
Profit attributable to associates	10	-40	-28
Change in operating capital (excl. acquisitions and foreign currency)			
Change in inventories and projects for own account	12,13	62	66
Change in non-interest-bearing receivables	11	260	-552
Change in trade payables and non-interest-bearing debt	17	130	369
Income tax paid		-40	-33
Net cash flow from operating activities		**1,015**	**194**
Cash flow from investment activities			
Acquisition of business	4	-26	-10
Investments in property companies		-71	-44
Purchase of property, plant and equipment and intangible assets	14/15	-150	-189
Proceeds from the sale of business		2	-
Proceeds from the sale of property companies		22	24
Proceeds from sale of property, plant and equipment		52	83
Proceeds from derivatives		7	6
Dividends and capital from associates		35	44
Interest and other financial income received	20	21	-
Net cash flow from investment activities		**-107**	**-85**
Net cash flow before financing activities		**908**	**108**
Cash flow from financing activities			
Issuance of shares		53	27
Transactions with minority interests		-31	-9
Dividends paid to Company's shareholders		-384	-364
Payments due to change in interest-bearing receivables	21	-113	-
Proceeds due to change in interest-bearing receivables	21	-	99
Proceeds from new interest-bearing debt	21	-	7
Repayment of interest-bearing debt	21	-49	-
(Purchase)/sale of treasury shares	23	-3	1
Interest and other financial expenses paid	20	-9	-4
Net cash flow from financing activities		**-537**	**-242**
Net change in cash and cash equivalents during the year		**371**	**-134**
Cash and cash equivalents as at 1 January	21	322	456
Exchange gains/(losses) on cash and cash equivalents		-	-
Cash and cash equivalents as at 31 December	**21**	**695**	**322**

Note 1 // General information

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

The AF Group is one of Norway's leading contracting and industrial groups with operations in the areas of Civil Engineering, Environment, Building, Property, Energy and Offshore. The Group's activities are described in greater detail in note 3 – Segment information. In 2013, the AF Group combined all the offshore operations in Civil Engineering, Environment and Energy into the new business area Offshore.
Historical figures in the segment note have been restated in accordance with the new structure.

The annual financial statements were approved by the Board on 2 April 2014. The financial statements for 2013 have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. Measurement and recognition in the financial statements have been based on the current IFRS standards. The Group's significant accounting policies and the modification of these policies have been state in note 2 – Key accounting policies and new accounting standards, while the other accounting policies have been described in Appendix 1 Other accounting policies.

In 2013, the AF Group has changed the order of the notes and reduced the number of years with comparison figures to one in the financial statements. The purpose of the changes has been to combine the most important information as close as possible to the front of the financial statements and thus make them more available to the users. The AF Group has not otherwise changed the presentation or accounting policies, or implemented new standards that affect the financial reporting or comparison with other periods to a significant extent.

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

Note 2 // Significant accounting policies and new accounting standards

2.1 BASIS OF PREPARATION
The consolidated financial statements of the AF Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) that have been adopted by the EU and are mandatory for the financial year starting on or after 1 January 2013, as well as the Norwegian disclosure requirements that follow from the accounting legislation as of 31 December 2013.

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 and financial instruments available for sale that are recognised at fair value.

The preparation of financial statements in accordance with IFRS requires the use of estimates. In addition, the application of the Company's accounting policies requires that the management exercise judgement. Areas with a high degree of discretionary assessments or a high level of complexity, or areas where assumptions and estimates are essential to the accounts, are described in note 30 Estimates.

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

The Group's most significant accounting policies and new or modified IFRS accounting standards for the year are described below. For a more detailed description of the Group's application of accounting policies, reference is made to Appendix 1.

2.2 PRINCIPLES OF REVENUE RECOGNITION
2.2.1 Revenue in general
Income is recognised when it is probable that transactions will generate future economic benefits for the Company and the size of the income can be reliably estimated. Sales revenue is presented less value-added tax and discounts.

2.2.2 Project revenue
Revenue from the sale of services and long-term manufacturing projects is recognised in the income statement in line with the project's degree of completion when the result of the transaction can be estimated reliably. Progress is measured on the basis of an assessment of the work carried out. When the result of the transaction cannot be estimated reliably, only revenue equivalent to incurred project costs will be recognised. In the period when it is identified that a project will lead to a negative result, the estimated loss on the contract will be recognised in full in the income statement.

2.2.3 Projects for third-party accounts
The AF Group's business consists mainly of construction and civil engineering activities that are carried out for public and private clients and based on contracts. The characteristic feature of such contracts is that they are client financed. The treatment of construction and civil engineering contracts in the financial statements conforms to IAS 11. Demolition work is defined under IAS 11 and dealt with by using the same accounting policies as for projects for third-party accounts.

Revenue related to projects is recognised in the income statement as the project progresses. Each project is recognised in the income statement based on the project's degree of completion and the estimated contribution margin at the end of the project. The degree of completion is calculated primarily based on the production carried out. For smaller projects, the degree of completion is determined based on the costs incurred on the date of the balance sheet as a percentage of the estimated total costs.

In the early stages of a project, a smaller than the proportionate share of the expected profit is normally recognised as income, while in the final stages of a project, a larger share is recognised, since the expected profit can be assessed then with a greater degree of certainty. When the outcome of the project cannot be estimated reliably, only revenue equivalent to the incurred project costs will be recognised. If it is identified that a project will produce a negative result, the estimated loss on the contract will be fully recognised as an expense, irrespective of the degree of completion.

Note 2 continued // Significant accounting policies and new accounting standards

The recognition of revenue from disputed claims, claims for additional work, change orders, incentive bonuses, etc., starts when it is probable that the customers will approve the claim. Provisions are made for identified and expected warranty work.

Contribution margin earned on projects in progress involves a number of assessments. These assessments are made based on the management's best estimate. The extent and complexity of the assessments mean that the actual contribution margins at the end of projects may deviate from the assessments made at year end.

Customers are invoiced monthly in relation to the proportion of the contract price earned, as well as for additional work carried out and approved in the period. If the invoiced revenue in a project is greater than the earned revenue, the excess will be recognised as "Unearned revenue, invoiced on projects in progress" under current liabilities. If the invoiced amount is less than the earned amount, the difference will be recognised as "Revenue earned, but not invoiced on projects in progress" under current liabilities.

Receivables and debt to the same customer will be presented on a net basis, unless there are circumstances that do not permit offsetting.

2.2.4 Projects for own account
Projects for own account largely involve the development and construction of residential housing for sale. These are self-financed projects. A residential housing project may consist of many units, and the majority of the units are sold before a project starts. In accordance with IFRIC 15 projects for own account are recognised in accordance with IAS 18. This means that the income and associated cost is normally recognised on completion/delivery.

2.2.5 Sale of plant and equipment
Gains/losses from sales of plant and equipment are recognised in the income statement once delivery has taken place and most of the risk and control has been transferred.

2.2.6 Other revenue
Revenues from sales of goods are recognised in the income statement once delivery has taken place and most of the risk and control has been transferred.

2.2.7 Financial income
Interest income is recognised based on the effective interest rate method as it is earned.

Dividends are recognised as revenue when the shareholders' right to receive a dividend has been established by the General Meeting.

2.3 CHANGES IN ACCOUNTING POLICIES AND NOTE INFORMATION
The accounting policies applied are consistent with the policies applied in the previous accounting period, with the exception of the IFRS amendments implemented by the Group during the current accounting period. The IFRS amendments that have been relevant to the Group with effect for the 2013 accounts and their impact on the Group's financial statements are listed below.

2.3.1 Recently published accounting standards and interpretations
2.3.1.1 New and amended standards adopted by the Group that have affected the Group's financial standing or results
In 2013, the Group implemented the following new accounting standards and amendments, and the introduction of the standards or the interpretation of the standards has been assessed to have the described impact on the consolidated financial statements or the presentation of the consolidated financial statements of the AF Group.

- **IAS 19 Employee Benefits**

The IASB has adopted a number of changes to IAS 19 Employee Benefits. The amendments entail basically that the corridor method is no longer permitted and that the expected return on pension plan assets has been changed conceptually. The elimination of the corridor method entails that the actuarial gains and losses are recognised under other comprehensive income (OCI) during the period in which they arise. This amendment of IAS 19 will affect the net pension costs due to the fact that the expected return on pension plan assets must be calculated using the same interest rate as is used for discounting the pension liabilities.

The effect on the Group's financial standing and results is as follows:

Amounts in NOK million	Reported	Effect of IAS 19	Revised
Profit for the year and total comprehensive income 2012			
Payroll cost	-1,950	1	-1,948
Profit for the year	224	1	225
Other comprehensive income for the year	-3	-8	-11
Total comprehensive income for the year	222	-7	214
Financial statement as of 31.12.12			
Net pension funds (-liabilities)	19	-23	-3
Deferred tax	473	-6	466
Total equity	1,219	-16	1,202

2.3.1.2 Standards, amendments to and interpretations of existing standards that have been adopted, but have not yet entered into force, for which the Group has not chosen early implementation.

- **IFRS 9 Financial Instruments**

IFRS 9 in its current published form reflects the first phase of the IASB's work to replace the current IAS 39 Financial Instruments: Financial instruments – recognition and measurement Initially the standard was to enter into force for the financial year starting on or after 1 January 2013, however, amendments to IFRS 9 adopted in December 2011 postponed the implementation date until 1 January 2015.

The Group will evaluate the potential effects of IFRS 9 in accordance with the other phases, as soon as the final standard has been published.

2.3.1.3 Amendments to standards that have not significantly affected or are expected to affect the Group's financial standing or results

New and amended standards implemented by the Group:
- IAS 1 Presentation of Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IFRS 10 Consolidated Financial Statements
- IFRS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities

Note 2 continued // Significant accounting policies and new accounting standards

Annual improvement project 2009–2011

- IAS 1 Presentation of Financial Statements
- IAS 16 Property, Plant and Equipment
- IAS 32 Financial Instruments – Presentation of Financial Instruments

Standards, amendments to and interpretations of existing standards that have been adopted, but have not yet entered into force, for which the Group has not chosen early implementation.

- IFRS 7 Financial Instruments – Disclosures
- IFRS 13 Fair Value Measurement
- IAS 32 Financial Instruments – Presentation

Proposed amendments not adopted by the EU:

- Amendments to IAS 27

Note 3 // Segment information

The operating segments correspond to the reporting the Corporate Management Team uses when they allocate resources and make assessments of performance and profitability at a strategic level. The segment results used for management by the Corporate Management Team are the earnings before interest and taxes (EBIT) and earnings before tax (EBT).

Business areas

AF Gruppen is a contracting and industrial group. The Corporate Management Team assesses the business operations on the basis of the Civil Engineering, Building, Property, Energy and Offshore business areas. In 2013 AF Gruppen joined all the offshore operations in Civil Engineering, Environment and Energy together in the new business area Offshore. The segment information has been restated accordingly.

The Civil Engineering business area is a turnkey supplier of civil engineering services in Norway. In Sweden Civil Engineering performs foundation work in the Stockholm area. The business area carries out large complex civil engineering projects and niche projects related to roads and railways, port facilities, foundation work, power and energy. The business area has two business units: AF Anlegg and Pålplintar.

The Environment business area is a leader in onshore demolition, removal and environmental clean-up of buildings and industrial plants. Land-based demolition is carried out in Norway and Sweden. The business units AF Decom, AF Decom AB and Härnösand Byggreturer AB are part of the Environment business area.

The Building business area performs traditional building activities 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 East Norway. Through new establishments and acquisitions in recent years, the Building business area has also established activities in Southern and Western Norway. In Sweden the geographical centre of the activities is in the Gothenburg – Halmstad area.

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

The land-based activities deliver 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 Offshore business area encompasses AF's services related 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, Offshore also provides services related to the maintenance and modification of onshore facilities for the oil and gas industry. The business area consists of the business units: Aeron, AF Decom Offshore and Mollier. Offshore also has activities in the 5D Group and AF Offshore Mandal, as well as in the associated company 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.

Transactions between segments in the Group are carried out based on market terms and in accordance with the arm's length principle. Transactions between the various segments are eliminated.

Types of services

AF Gruppen 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 of the services billed by the hour, cf. note 5 – Revenues. In addition, the Property business area is engaged in projects for own account related to the development and construction of housing 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

Segment information is presented according to the Group's accounting policies in accordance with IFRS with the exception of IFRIC 15 (Agreements for the Construction of Real Estate). This policy exception applies to the Building and Property segments. Income from projects for own account in these segments is recognised based on the principles in IAS 11. The recognition of income in these projects is the product of the physical degree of completion, the percentage sold and the expected contribution margin. This means, for example, that a project that is 50% complete, 50% of which is sold on the reporting date, will be reported with a contribution margin of 25% of the total expected contribution margin. In the consolidated accounts, the principles in IFRIC 15 are followed with the recognition of income from projects for own account in accordance with IAS 18. In accordance with IAS 18 all of the income (and the associated costs) are recognised at at single point in time, normally on delivery. The effect of IFRIC 15 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, Undervisningsbygg (the Municipal Undertaking for Educational Buildings and Property in Oslo) and the Norwegian National Coastal Administration, are responsible for more than 10% of the AF Group's total operating revenues. In 2013 income of NOK 3,674 million (NOK 2,759 million) was recognised in connection with contracts entered into with the public sector.

Note 3 continued // Segment information

2013	Civil Engineering	Environment	Building	Property	Energy	Offshore	Others	Elim.	IFRIC 15	Total
Income statement										
External revenue	2,928	662	4,792	60	172	1,448	30	-54	89	10,127
Internal revenue	22	22	2	-	1	32	37	-115	-	-
Total revenue	**2,950**	**684**	**4,793**	**60**	**173**	**1,480**	**66**	**-168**	**89**	**10,127**
Earnings before interest, taxes depreciation and amortisation (EBITDA)	309	49	183	32	12	81	12	-14	14	679
Earnings before interest and tax (EBIT)	253	40	169	32	11	70	-6	-14	14	568
Earnings before tax (EBT)	**265**	**38**	**160**	**30**	**12**	**71**	**7**	**-14**	**14**	**580**
Key figures and balance sheet										
EBITDA %	10.5%	7.1%	3.8%	-	6.8%	5.5%	-	-	-	6.7%
EBIT %	8.6%	5.8%	3.5%	-	6.5%	4.7%	-	-	-	5.6%
EBT %	9.0%	5.5%	3.3%	-	6.8%	4.8%	-	-	-	5.7%
Assets as at 31 December	1,664	366	2,327	351	138	949	1,194	-1,748	-4	5,237
Capital employed as at 31 December	95	139	1,208	344	94	371	482	-1,315	-4	1,414
Order backlog as at 31 December	4,604	215	4,760	-	59	1,265	-	54	19	10,976
Number of employees as at 31 December	881	241	994	12	55	410	115	-	-	2,708
Cash flow										
Net cash flow from operating activities	888	30	3	49	14	31	-1	-	-	1,015
Net cash flow from investing activities	-38	-24	-18	-9	1	-19	2	-	-	-107
Net cash flow before financing activities	**850**	**5**	**-14**	**39**	**15**	**12**	**1**	**-**	**-**	**908**

Geographic distribution of revenue and assets

The tables below show revenue and assets broken down by the countries in which the Group operates. The geographic area in which the companies are located coincides essentially with the location of the customers. The export of goods and services is not evident from the table.

2013	Civil Engineering	Environment	Building	Property	Energy	Offshore	Others	Elim.	IFRIC 15	Total
Geographic distribution of revenue										
Norway	2,797	570	4,487	60	173	1,476	66	-134	89	9,584
Sweden	154	114	304	-	-	-	-	-31	-	541
Others	-	-	33	-	-	24	-	-	-	56
Eliminations	-1	-	-30	-	-	-20	-	-3	-	-54
Total	**2,950**	**684**	**4,793**	**60**	**173**	**1,480**	**66**	**-168**	**89**	**10,127**
Geographic distribution of non-current assets, excl. financial instruments and deferred tax assets										
Norway	69	70	942	218	54	371	524	-359	-3	1,886
Sweden	17	23	142	-	-	-	-	-	-	181
Others	-	-	4	-	-	1	-	-	-	5
Eliminations	-	-	-	-	-	-	-	-	-	-
Total	**86**	**93**	**1,088**	**218**	**54**	**371**	**524**	**-359**	**-3**	**2,072**
Geographic distribution of assets										
Norway	1,572	274	1,831	351	138	940	1,194	-1,742	-4	4,553
Sweden	92	89	486	-	-	-	-	-6	-	661
Others	-	3	10	-	-	9	-	-	-	22
Eliminations	-	-	-	-	-	-	-	-	-	-
Total	**1,664**	**366**	**2,327**	**351**	**138**	**949**	**1,194**	**-1,748**	**-4**	**5,237**

Note 3 continued // Segment information

2012	Civil Engineering	Environment	Building	Property	Energy	Offshore	Others	Elim.	IFRIC 15	Total
Income statement										
External revenue	2,613	620	5,322	30	162	1,116	22	-	-56	9,830
Internal revenue	9	29	26	-	1	13	19	-97	-	-
Total revenue	**2,622**	**649**	**5,348**	**30**	**163**	**1,129**	**41**	**-97**	**-56**	**9,830**
Earnings before interest, taxes depreciation and amortisation (EBITDA)	138	81	74	38	16	89	14	-18	-2	430
Earnings before interest and tax (EBIT)	83	72	60	38	15	76	-	-18	-2	325
Earnings before tax (EBT)	**92**	**71**	**47**	**31**	**16**	**78**	**2**	**-18**	**-2**	**318**
Key figures and balance sheet										
EBITDA %	5.3 %	12.5 %	1.4 %	-	9.9 %	7.9 %	-	-	-	4.4 %
EBIT %	3.2 %	11.1 %	1.1 %	-	9.3 %	6.8 %	-	-	-	3.3 %
EBT %	3.5 %	11.0 %	0.9 %	-	9.6 %	6.9 %	-	-	-	3.2 %
Assets as at 31 December	1,084	371	1,978	153	128	1,078	1,191	-1,045	-18	4,919
Capital employed as at 31 December	54	88	408	118	65	476	683	-529	-19	1,343
Order backlog as at 31 December	2,232	232	4,368	-	106	2,028	-	-	108	9,074
Number of employees as at 31 December	757	202	1,070	11	59	464	107	-	-	2,670
Cash flow										
Net cash flow from operating activities	3	80	51	-9	16	57	-4	-	-	194
Net cash flow from investment activities	-45	-7	-25	10	-1	-17	-	-	-	-85
Net cash flow before financing activities	**-42**	**73**	**26**	**1**	**15**	**40**	**-4**	**-**	**-**	**109**

Geographic distribution of revenue and assets

The tables below show revenue and assets broken down by the countries in which the Group operates. The geographic area in which the companies are located coincides essentially with the location of the customers. The export of goods and services is not evident from the table.

2012	Civil Engineering	Environment	Building	Property	Energy	Offshore	Others	Elim.	IFRIC 15	Total
Geographic distribution of revenue										
Norway	2,471	571	4,952	30	163	1,129	41	-96	-56	9,205
Sweden	152	52	393	-	-	-	-	-1	-	596
Others	-	48	16	-	-	10	-	-	-	74
Eliminations	-	-22	-13	-	-	-10	-	-	-	-45
Total	**2,623**	**649**	**5,348**	**-**	**163**	**1,129**	**41**	**-97**	**-56**	**9,830**
Geographic distribution of non-current assets, excl. financial instruments and deferred tax assets										
Norway	62	66	938	147	55	347	588	-374	-23	1,806
Sweden	13	3	94	-	-	-	-	-	-	110
Others	-	-	-	-	-	-	-	-	-	1
Eliminations	-	-	-	-	-	-	-	-	-	-
Total	**75**	**69**	**1,032**	**147**	**55**	**347**	**588**	**-374**	**-23**	**1,917**
Geographic distribution of assets										
Norway	992	347	1,669	153	128	1,075	1,191	-969	-18	4,568
Sweden	92	15	304	-	-	-	-	-	-	411
Others	-	9	5	-	-	2	-	-	-	16
Eliminations	-	-	-	-	-	-	-	-76	-	-76
Total	**1,084**	**371**	**1,978**	**153**	**128**	**1,078**	**1,191**	**-1,045**	**-18**	**4,919**

Note 4 // Acquisition and sale of businesses

BUSINESS COMBINATIONS IN 2013

Broddheimer Malmcrona AB

AF Gruppen acquired 100 per cent of the shares in the building contractor Broddheimer Malmcrona AB in July. The company is based in Gothenburg and operates primarily within the fields of building renovation and modernisation of wet rooms. The company reported revenues of approximately NOK 60 million in 2012. The company's management have been given key roles in AF Gruppens existing civil engineering activities in the Gothenburg area. Broddheimer Malmcrona AB is included in the Building business area. Transaction costs of SEK 167,000 have been recognised as an expense.

Presented below is an allocation of the purchase price based on the opening balance sheet of Broddheimer Malmcrona AB as at 1 July 2013. Allocation of the purchase price was prepared using the acquisition method as regulated in IFRS 3. The purchase price has been allocated to the fair value of assets and liabilities of Broddheimer Malmcrona AB.

Amounts in NOK million	Broddheimer Malmcrona AB
Cash consideration	20
Total purchase price	**20**
– Cash and cash equivalents	-10
Net purchase price	**10**
Current assets, excl. cash and cash equivalents	5
Trade payables and current non-interest-bearing debt	-9
Net identifiable assets and liabilities	**-4**
Goodwill	**14**

The recognised goodwill of NOK 14 million is related to the management capacity and complementary competence. It is not expected that the goodwill will be tax deductible at any point in time.

After the acquisition date Broddheimer Malmcrona had operating revenue of NOK 5 million and earnings before tax of NOK 1 million. The business will be integrated into AF Bygg Göteborg AB. Broddheimer Malmcrona AB has therefore not entered into any new contracts since the acquisition date.

Pro forma 2013

If the acquisition had been carried out by 1 January 2013, AF Gruppen would have had the following revenues and earnings:

Amounts in NOK million	AF Gruppen	Broddheimer Malmcrona AB [1]	Pro forma
Operating revenue	10 090	26	10 116
Earnings before tax	580	2	582

[1] The accounting figures in the table are the operating revenues and earnings for Broddheimer Malmcrona AB up until the acquisition date.

Härnösand Byggreturer AB

The AF Group acquired 100 per cent of the shares in Härnösand Byggreturer AB in July. Härnösand Byggreturer AB is a leading company in the Swedish demolition market that is engaged in the demolition and environmental clean-up of buildings. The company operates primarily in the Stockholm region, but it is operative throughout all of Sweden. With revenues of approximately NOK 75 million in 2012, the acquisition will significantly bolster the AF Group's focus on the Swedish demolition market. Härnösand Byggreturer AB is part of the Environment business area. Transaction costs of SEK 200,000 have been recognised as an expense. This transaction was completed on 2 July.

Presented below is an allocation of the purchase price based on the opening balance sheet of Härnösand Byggreturer AB as at 2 July 2013. Allocation of the purchase price has been prepared using the acquisition method as regulated in IFRS 3. The purchase price has been allocated to the fair value of assets and liabilities of Härnösand Byggreturer AB.

Note 4 continued // Acquisition and sale of businesses

Amounts in NOK million	Härnösand Byggreturer AB
Cash consideration	21
Total purchase price	**21**
– Cash and cash equivalents	-3
Net purchase price	**18**
Property, plant and equipment	2
Current assets, excl. cash and cash equivalents	17
Deferred tax	-1
Trade payables and current non-interest-bearing debt	-12
Net identifiable assets and liabilities	**5**
Goodwill	**12**

The recognised goodwill of NOK 12 million is related to the geographic market position, organisational structure and management capacity. It is not expected that the goodwill will be tax deductible at any point in time.

After the acquisition date Härnösand Byggreturer had operating revenue of NOK 46 million and earnings before tax of NOK 1 million.

Pro forma 2013
If the acquisition had been carried out by 1 January 2013, the AF Group would have had the following revenues and earnings before tax for 2013:

Amounts in NOK million	AF Gruppen	Härnösand Byggreturer AB [1]	Pro forma
Operating revenue	10,090	34	10,123
Earnings before tax	580	2	583

[1] The accounting figures in the table are the operating revenues and earnings for Härnösand Byggreturer AB up until the acquisition date.

BUSINESS COMBINATIONS IN 2012
5D Group
On 1 July 2012 the AF Group carried out the agreement to acquire 90% of the shares in 5D Group AS. The 5D Group is a supplier to the offshore industry, with emphasis on engineering, electrical systems and instrumentation, as well as the construction of smaller process plants. The 5D Group is located in Brevik and Kristiansand, and the company has 60 employees. The 5D Group reported revenues of NOK 73 million in 2011.

The consideration consisted of a cash portion and contingent consideration. The contingent consideration is recognised at the expected fair value and is to be paid in July 2015. The contingent consideration is linked to the combined operating profit of Aeron, Mollier and the 5D Group during the years 2012–2014, as well as conditions related to the number of employees as at 14 July 2015.

Transaction costs were expensed as they arose. These costs amounted to NOK 243,000.

Presented below is a provisional allocation of the purchase price based on the opening balance sheet of 5D Group as at 1 July 2012. 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 the 5D Group.

Note 4 continued // Acquisition and sale of businesses

Amounts in NOK million	5D Group
Cash consideration	8
Contingent consideration	9
Total purchase price	**17**
Property, plant and equipment	4
Current assets, excl. cash and cash equivalents	27
Cash and cash equivalents	1
Non-controlling interests	-1
Long-term loans and credit facilities	-4
Trade accounts payable and other current liabilities	-25
Net identifiable assets and liabilities	**2**
Goodwill	**15**

The recognised goodwill of NOK 15 million is linked to complementary expertise and the opportunity to perform more complex offshore deliveries. It is not expected that the goodwill will be tax deductible at any point in time.

After the acquisition date the 5D Group had operating revenue of NOK 39 million and earnings before tax of NOK 1 million in 2011.

Pro forma 2012
If the acquisition had been carried out by 1 January 2012, AF Gruppen would have had the following revenues and earnings before tax for 2012:

Amounts in NOK million	AF Gruppen	5D [1]	Pro forma
Operating revenue	9,695	42	9,737
Earnings before tax	318	-1	317

[1] The accounting figures in the table are the operating revenues and earnings for 5D up until the acquisition date.

Note 5 // Operating and other revenue

Amounts in NOK million	2013	2012
Revenue from long-term production projects	9,732	9,400
Revenue from sale of services	249	240
Revenue from projects for own account	48	19
Other sales revenue	60	35
Total operating revenue	**10,090**	**9,695**
Rental income	21	16
Other revenue	17	119
Total other revenue	**38**	**135**
Total operating and other revenue	**10,127**	**9,830**

Note 6 // Projects in progress

Amounts in NOK million	Note	2013	2012
Contracts in progress at year end			
Unearned revenue invoiced			
Recognised as revenue under projects in progress		12,186	13,441
Invoiced on projects in progress		-13,859	-14,448
Total unearned revenue invoiced		**-1,673**	**-1,007**
Distribution on the balance sheet			
Production invoiced in advance included in trade receivables	11	-934	-423
Production invoiced in advance included in other current liabilities	17	-740	-584
Total unearned revenue invoiced		**-1,673**	**-1,007**
Earned revenue not invoiced			
Recognised as revenue under projects in progress		6,869	3,533
Invoiced on projects in progress		-6,429	-3,191
Total earned revenue not invoiced	11	**440**	**342**
Retention money[1)]	11	**368**	**535**
Recognised in the income statement under projects in progress:			
Accumulated revenue		19,054	16,974
Accumulated project contributions		1,131	1,053
Production outstanding on onerous contracts		298	331

[1)] As security for AF Gruppens contractual obligations during the performance period, including liability for delayed completion, 10 per cent of the contract sum is retained. The retained amount is referred to as retention money and is regulated in contract standards such as NS 8405. When the client has taken possession of the contract work, the amount of security is reduced.

Note 7 // Payroll costs

Amounts in NOK million	Note	2013	2012
Fixed pay		-1,711	-1,558
Social security costs		-250	-231
Retirement benefit costs	19	-58	-47
Share-value based remuneration (option cost)		-12	-5
Other benefits		-102	-107
Total payroll costs		**-2,132**	**-1,948**
Number of full-time equivalents			
Norway		2,069	1,870
Sweden		162	156
Germany		2	2
Lithuania		22	56
Poland		1	2
UK		3	3
China		4	3
Total		**2,263**	**2,091**

Note 7 continued // Payroll costs

Sale of shares to employees

In recent years, AF Gruppen has given all its employees the opportunity to buy shares at a 20 % discount. The discount is calculated as the difference between the average market price during the subscription period and the market price on the date of purchase. The lock-in period for the shares is one year.

Number of shares / price	2013	2012
Number of shares sold from own holdings	40,000	430,390
Number of shares from new issue – without discount	948,880	569,610
Market price during subscription period (amounts in whole NOK)	69.4	58.7
Selling price (amounts in whole NOK)	55.5	47.0
Impact of the sale of shares to employees on the accounts (amounts in NOK 1000)		
Payroll costs (discount including social security costs)	-1,925	-6,685

Option programme

The General Meeting adopted an option programme for the employees of AF Gruppen on 13 May 2011. The maximum number of options that may be allocated is 6,000,000, and the programme entails annual allotments for the years 2011–13 and exercise of the options in 2014. The employees pay an option premium of NOK 1.00 per option, and the exercise price will be the average market price before the subscription period. A total of 2,184,465 (2,151,329) options were subscribed for in 2013, and the total number of outstanding options as at 31 December 2013 was 5,841,691.

AF Gruppen has used Merton's model to value the options. The following assumptions were used in the model:

Number of shares / price	2013	2012
Expected dividend yield (%)	9.7	9.4
Historical volatility (%)	20.4	24.8
Risk-free interest (%)	2.4	2.0
Expected life of option (years)	0.8	2.0
Share price (NOK)	56.9	51.9
Payment for option (NOK)	1.0	1.0

The expected volatility will be equal to the historical volatility, since this is an option programme in which the allotment takes place over three years, but where the exercise price is set at the average share price during the subscription period.

Amounts in NOK 1000	Expected 2014	2013	2012
Payroll costs	-8	-29	-11
Provisions for social security costs	-	22	6
Debt – option premium paid	-	6	4

Expected payroll costs in 2014 refer to the options subscribed for during the period from 2011 to 2013. New subscriptions in 2014 have not been taken into account.

Reconciliation of options	
Number of options as at 31 December 2012	3,995,007
New options subscribed for in 2013	2,184,465
Adjustment for employees who have left prior to 31 December 2013	-181,672
Number of options as at 31 December 2013	**5,997,800**
Adjustment for employees who have left in 2014	-156,109
Number of options for redemption in March 2014	**5,841,691**

Note 8 // Other operating expenses

Amounts in NOK million	Note	2013	2012
Other operating expenses			
Rent		-98	-106
Other rental expenses		-614	-437
Insurance		-41	-26
Contracted manpower		-144	-200
Remuneration of auditor		-6	-6
Other fees		-110	-98
Bad debts	11	-8	-6
Disposal and landfill fees		-72	-71
Marketing and advertising		-23	-18
IT expenses		-38	-34
Sundry other operating expenses		-247	-201
Total other operating expenses		**-1,400**	**-1,204**

Amounts in NOK 1000	2013	2012
Remuneration of EY (Ernst & Young)		
Statutory auditing	-3,706	-3,072
Other assurance engagements	-73	-30
Tax consulting	-191	-89
Other non-audit services	-509	-101
Total	**-4,479**	**-3,292**
Remuneration of other auditors		
Statutory auditing	-1,245	-1,559
Other services beyond auditing	-581	-693
Total	**-1,826**	**-2,252**
Total remuneration of auditor	**-6,305**	**-5,544**

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

Note 9 // Net gains/(losses)

Amounts in NOK million	2013	2012
Total gains/(losses) on sale of business [1]	2	-
Total gains/(losses) on sale of shares in property companies [2]	24	29
Total fair value adjustments of financial derivatives	5	17
Net (gains)/losses on the sale of property, plant and equipment	19	13
Net foreign exchange gains/(losses) related to operations	-4	-
Total net gains/(losses)	**47**	**59**

[1] Gain of NOK 2 million from the sale of business related to contingent consideration for the sale of Svensk Kross & Återvinning, which was sold in 2009. The condition for the residual consideration was met in 2013.

[2] Gains/(losses) on the sale of shares in property companies include both the sale of shares in associates 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 in associates, cf. note 10 – Investments in associates and joint ventures.

Note 10 // Investments in associates and joint ventures

Amounts in NOK million	2013	2012
Book value of investment as at 1 January	193	146
Additions from the acquisition of interests	52	44
Additions due to sell-off of subsidiaries	41	10
Disposals	-15	-3
Share of profit for the year	40	26
Tax on distributions from limited partnerships	5	8
Equity transactions, incl. dividends	-47	-39
Currency translation differences	2	-
Investments in associates as at 31 December	**272**	**193**

When AF develops residential housing and commercial projects, it does so in general together with co-investors. This is done to provide complementary competence and diversify risk.

Note 11 // Trade and non-interest-bearing receivables

Amounts in NOK million	Note	2013	2012
Trade receivables		2 072	1,704
Earned revenue, not invoiced on projects in progress	6	440	342
Unearned revenue, invoiced on projects in progress	6	-934	-423
Retention money	6	368	535
Tax paid in advance		5	2
Value-added tax and other public charges paid in advance		7	6
Prepaid expenses		25	23
Other current non-interest-bearing receivables		110	163
Trade and other non-interest-bearing receivables	24/25	**2 093**	**2,352**
Gross trade receivables		2,079	1,717
Provisions for bad debt		-7	-13
Trade receivables recognised on the balance sheet		**2,072**	**1,704**

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

Amounts in NOK million	2013	2012
Trade receivables – age distribution		
1-30 days overdue	181	220
31-60 days overdue	54	48
61-90 days overdue	30	19
91-120 days overdue	47	42
More than 120 days overdue	537	342
Total receivables overdue, but not written down	**849**	**671**
Receivables not yet due	1,223	1,033
Trade receivables on the balance sheet	**2,072**	**1,704**

Age distribution 2013	Not yet due	1-30	31-60	61-90	91-120	>120	Sum
Trade receivables, gross	1,223	181	54	31	47	543	2,079
Provision for losses	-	-	-	-1	-1	-5	-7
Trade receivables on the balance sheet	**1,223**	**181**	**54**	**30**	**47**	**537**	**2,072**

Note 11 continued // Trade and non-interest-bearing receivables

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 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.

Movement in provisions for losses on trade receivables	Note	2013	2012
Provision for losses as at 1 January		-13	-14
Losses written off during the year	8	14	7
Reversal of last year's provisions		-	-
Provisions for the year	8	-8	-6
Provision for losses as at 31 December		**-7**	**-13**

Provisions for bad debt only covers provisions related to the customers' ability to pay. Other risk related to trade receivables is considered in the assessment of each project.

Note 12 // Inventories

Amounts in NOK million	2013	2012
Spare parts and project inventories	63	63
Raw materials	47	54
Finished products	21	17
Total inventories	**132**	**134**

Note 13 // Projects for own account

Amounts in NOK million	2013	2012
Housing projects in progress	10	29
Completed housing units for sale	61	34
Land for development	26	94
Total projects for own account	**97**	**157**
Of which capitalised interest	2	2
Interest rate for capitalised interest	4 %	4 %

Development projects in AF Gruppen are often organised through setting up joint development companies with partners. Most of these companies are recognised as associated companies, cf. note 18. What is presented on the balance sheet as projects for own account, which are specified in the table above, are only the projects that are developed in subsidiaries and joint ventures.

Land for development represents sites and development rights for which no decision on development has yet been taken. Combined with the sites and development rights in associates, they can be used to build 2,357 (1,731) residential units and 19,341 m2 (48,900) of commercial area. AF's share is 1,056 (945) residential units and 9,006 m2 (33,400) of commercial area.

Completed housing units for sale	2013	2012
Number of completed housing units for sale [1]	3	13
Number of completed housing units for sale that are temporarily rented out	-	3

[1] Completed housing units that are not sold are rented out on short-term contracts and are terminated if a sale is imminent.

Note 14 // Intangible assets

Amounts in NOK million	Goodwill	Customer relationships	Other intangible assets	Total
Acquisition cost				
1 January 2012	1,285	37	19	1,341
Ordinary additions	-	-	1	1
Additions from the acquisition of business	18	-	-	18
Disposals at cost price	-	-7	-1	-8
Translation difference	-1	-	-	-1
31 December 2012	**1,301**	**30**	**19**	**1,351**
Ordinary additions	-	-	4	4
Additions from the acquisition of business	26	-	-	26
Translation difference	10	-	-	10
31 December 2013	**1,337**	**30**	**24**	**1,391**
Depreciation and write-downs				
1 January 2012	-	-29	-11	-40
Depreciation for the year	-	-6	-1	-7
Write-downs for the year	-	-	-1	-1
Disposals from accumulated depreciation	-	7	1	8
31 December 2012	**-**	**-28**	**-13**	**-41**
Depreciation for the year	-	-2	-2	-4
Write-downs for the year	-	-	-	-
31 December 2013	**-**	**-30**	**-14**	**-45**
Carrying amount				
Acquisition cost	1,301	30	19	1,351
Depreciation and write-downs	-	-28	-13	-41
31 December 2012	**1,301**	**2**	**6**	**1,310**
Acquisition cost	1,337	30	24	1,391
Depreciation and write-downs	-	-30	-14	-45
31 December 2013	**1,337**	**-**	**9**	**1,347**

Amounts in NOK million	Customer relationships	Other intangible rights
Economic life	5 years	4-22 years
Depreciation schedule	Straight-line	Straight-line

Note 14 continued // Intangible assets

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	2013	2012
AF Anlegg	11	11
Pålplintar i Sverige AB	3	3
Total Civil Engineering	**14**	**13**
AF Decom AS	37	37
AF Decom, Sweden	13	-
Total Environment	**50**	**37**
AF Bygg Göteborg AB	99	76
AF Bygg Østfold	47	47
AF Bygg Rogaland	20	20
Strøm Gundersen	822	822
Total Building	**988**	**965**
Aeron AS	186	186
Mollier	47	47
Total Offshore	**233**	**233**
AF Energi og Miljøteknikk AS	53	53
Total Energy	**53**	**53**
Carrying amount as at 31 December	**1,337**	**1,301**

Impairment tests for goodwill
AF Gruppen 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 and taxes.

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

	2013	2012
Norway		
Growth rate [1]	2.5 %	2.5 %
WACC before tax	9.5 %	9.7 %
Sweden		
Growth rate [1]	2.5 %	2.5 %
WACC before tax	8.3 %	9.0 %

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

Anticipated cash flows are based on the budget for 2014 approved by the management. Insofar as they exist, management-approved business plans for 2015 and 2016 are also included in these calculations. This applies only to Aeron in 2013. 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 4.0% is anticipated for all the business units in 2014.

Note 14 continued // Intangible assets

Sensitivity analysis for key assumptions
The calculated value of the individual cash-generating units exceeds the book value with a relatively good margin at the end of 2012. Based on the existing knowledge, the Company's management believes that reasonable changes in the key assumptions for the calculation of recoverable amounts will probably not necessitate the recognition of an impairment loss.

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 Gruppens largest goodwill items. The book value of the assets in the impairment test is expressed as an index of 100. 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.

If the index for the recoverable amount is less than 100, this indicates that the recoverable amount is lower than the carrying amount of the assets in the impairment test, making a write-down of goodwill necessary. For example, the table shows that a 3 percentage point increase in the WACC will make it necessary to recognise an impairment loss for the goodwill allocated to AF Bygg Göteborg and Aeron. For Aeron AS it will be necessary to recognise an impairment loss if the interest rate increases by 1.0%.

	Indexed values		Recoverable amount if WACC is increased by:		
Company	Recoverable amount	Book value of assets	50 bp	100 bp	300 bp
AF Bygg Göteborg	124	100	114	106	82
Strøm Gundersen	164	100	153	144	115
AF Decom	431	100	402	377	302
AF Energi og Miljøteknikk	473	100	442	414	332
Mollier	569	100	532	498	399
Aeron	115	100	107	100	79

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 Gruppens largest goodwill items. The cash flow providing the 'break even' in the impairment test, i.e. 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%.

If the index of estimated cash flows is less than 100, this indicates that the recoverable amount is lower than the carrying amount of the assets in the impairment test, making a write-down of goodwill necessary. For example, the table shows that a 50% reduction in estimated cash flow will necessitate the recognition of an impairment loss for the goodwill allocated to AF Bygg Göteborg, Strøm Gundersen and Aeron.

	Indexed values		Recoverable amount if cash flow is reduced by:		
Company	Estimated cash flow	'Break even' cash flow	10 %	30,0 %	50,0 %
AF Bygg Göteborg	124	100	112	87	62
Strøm Gundersen	157	100	142	110	79
AF Decom	431	100	388	302	215
AF Energi og Miljøteknikk	474	100	427	332	237
Mollier	569	100	513	399	285
Aeron	129	100	116	91	65

Note 15 // Property, plant and equipment

Amounts in NOK million	Buildings and production facilities	Machinery and equipment	Total
Acquisition cost			
1 January 2012	59	626	685
Ordinary additions	50	138	187
Additions from the acquisition of business	2	2	4
Disposals	-47	-92	-139
Translation differences	-	-1	-1
31 December 2012	**63**	**673**	**736**
Ordinary additions	36	113	149
Additions from the acquisition of business	-	3	3
Disposals	-3	-88	-91
Translation differences	-	6	6
31 December 2013	**97**	**706**	**803**
Depreciation and write-downs			
1 January 2012	-2	-323	-325
Depreciation for the year	-2	-95	-97
Write-downs for the year	-	-	-
Accumulated depreciation on disposals for the year	-	69	69
Translation differences	-	1	1
31 December 2012	**-4**	**-349**	**-353**
Depreciation for the year	-2	-104	-106
Write-downs for the year	-	-	0
Accumulated depreciation on disposals for the year	-	58	58
Reclassification between the groups	-	-	0
Translation differences	-	-4	-5
31 December 2013	**-6**	**-399**	**-406**
Carrying amount			
Acquisition cost	63	673	736
Depreciation and write-downs	-4	-349	-353
31 December 2012	**59**	**324**	**383**
Acquisition cost	97	706	803
Depreciation and write-downs	-6	-399	-406
31 December 2013	**91**	**307**	**397**

Depreciation rates

Non-current assets are depreciated over the expected economic life of the asset. Production-related machinery is normally depreciated using the reducing balance method, while other property, plant and equipment are depreciated on a straight-line basis.

The following depreciation rates have been used:

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

Leasing	2013	2012
Operating leasing (annual rent)	439	383
Financial leasing [1]	10	19

[1)] Capitalised leases related to machinery and equipment

Note 15 continued // Property, plant and equipment

Pledged value

Information on collateralised property, plant and equipment is given in note 33 – Pledged assets and guarantees.

Note 16 // Provisions

Amounts in NOK million	Warranty work	Contingent consideration	Legal claims	Other provisions	Total provisions
As at 1 January 2013	86	45	2	29	161
Reversal of earlier provisions	-78	-3	-2	-3	-86
Provisions made during the year	106	4	-	22	132
Used during the year	-4	-24	-	-1	-29
As at 31 December 2013	**110**	**22**	**-**	**46**	**178**

Classification on the balance sheet	2013	2012
Non-current liabilities	29	52
Current liabilities	149	110
Total	**178**	**161**

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.

The provisions for contingent consideration are linked to earn out and other contingent consideration elements in connection with the acquisition of business.

Other provisions include NOK 21 million in provisions for estimated social security costs related to the redemption of options and NOK 2 million in provisions for underfunding of the old contractual early retirement (AFP) scheme, cf. note 19 – Retirement benefits.

Note 17 // Trade payables and non-interest-bearing liabilities

Amounts in NOK million	Note	2013	2012
Trade payables		884	1,343
Public liabilities		232	187
Prepayments from customers	6	740	584
Accrued holiday pay, incl. social security costs		202	183
Accruals and other current liabilities		961	608
Total trade payables and non-interest-bearing liabilities		**3,018**	**2,905**

Note 18 // Leases

Operating lease costs	2013	2012
Rent	98	109
Rent Miljøbase Vats	50	49
Other leases [1)]	565	385
Total	**712**	**543**

[1)] Most of the increase in other lease costs in the table above is attributed to the fact that extensive offshore campaigns have been carried out in ongoing projects and a high level of activity at the environmental base at Vats.

Note 18 continued // Leases

Group as lessee
The Group has entered into various operating leases. They are primarily non-terminable leases for premises, non-terminable leases for machinery and short-term terminable leases for machinery and equipment.

Non-terminable leases have been agreed for an average period of 5-10 years for offices and 3-5 years for machinery. Lease agreements ordinarily contain a right to extend the term of the lease. For offices leases, the agreements normally contain a clause for renewal at market rent once the minimum term expires.

Some of the assets leased under non-terminable operating leases are subleased. The figures for non-terminable leases are shown gross before deductions for sublease income.

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

The Group has the following future minimum liabilities related to non-terminable operating leases as at 31 December.

Minimum liabilities – operating leases	2013	2012
Machinery and vehicles		
Rent due within 1 year	179	151
Rent due within 1–5 years	417	344
Rent due after 5 years	14	11
Total	**609**	**506**
Offices, installations and furnishings [2]		
Rent due within 1 year	130	128
Rent due within 1–5 years	478	484
Rent due after 5 years	605	735
Total	**1,213**	**1,347**
Total operating lease liabilities	**1,822**	**1,853**
Maturity structure		
Operating lease liabilities due within 1 year	308	279
Operating lease liabilities due within 1–5 years	895	828
Operating lease liabilities due after 5 years	619	746
Total operating lease liabilities	**1,822**	**1,853**

[2] The table above includes 100 % of a lease obligation of NOK 570 million related to Miljøbase Vats AS, where the AF Group owns 40 % of the lessor company. The lease is non-terminable and expires on 1 July 2025.

Amounts in NOK million	2013	2012
Lease for offices:		
Lease for Helsfyr [3]	501	554
Other leases	75	139
Total minimum obligation	**625**	**693**

[3] This is a non-terminable lease for offices at Helsfyr in Oslo. This lease expires in 2025.

Lease for Helsfyr:	
Office premises at Helsfyr, total m²	17,290
Rent per m² (NOK)	1,954
Annual rent (NOK million)	34
Remaining lease term (years)	11

Note 18 continued // Leases

Group as lessor
In 2013 revenue of NOK 14 million (13 million) has been recognised in the Group's consolidated income statement for operating leases. Lease income consists mainly of short-term office rental. Minimum sublease income is:

Amounts in NOK million	2013	2012
Sublease rent due within 1 year	13	11
Sublease rent due within 1–5 years	11	27
Sublease rent due after 5 years	-	-
Total	**24**	**38**

Note 19 // 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 requirements of this Act.

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 2008 the contributions have been 4 % of pay > 1G < 6G and 8 % of pay > 6G < 12G, with the employee paying 2 % of pay up to a maximum of half the contribution. G stands for the National Insurance Scheme's basic amount.

Defined-benefit pension plan
The Group has a collective pension scheme for employees in Norway born in or before 1951. This type of pension scheme corresponds to what was defined earlier as a defined benefit plan. The scheme only covers retirement pensions. The plan aims to pay benefits of 60 % 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. At the end of 2013, there were 43 (54) active participants and 91 (98) pensioners in the scheme.

AF Gruppen Norge AS and two subsidiaries in subgroups were members in the old contractual early retirement scheme. The companies' share of the underfunding, which arose when the scheme was discontinued, has been estimated and provisions made in the accounts, cf. note 16 – Provisions. At the end of the year, the Group had 44 (48) AFP pensioners. The expense for the year and future liabilities associated with this scheme have been included in the statement below.

All the employees in Sweden are members of two defined-benefit multi-company schemes that are recognised as defined-contribution schemes in the accounts. This scheme covers 215 (162) persons.

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

Amounts in NOK million	2013	2012
Present value of pension benefits earned during the year	-2	-2
Interest cost of vested pension obligations	-2	-3
Expected return on pension plan assets	1	4
Social security costs	-	-1
Actuarial gains/losses recognised in the income statement	-	-2
Total defined-benefit retirement benefits	**-3**	**-4**
Defined-contribution pension, Norway [1]	-35	-33
Contributions to retirement benefit schemes, abroad[1]	-11	-5
Other retirement benefit expenses[1]	-10	-6
Retirement benefit expense for the year	**-58**	**-48**

[1] Amounts exclusive of social security costs

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

Note 19 continued // Retirement benefits

Amounts in NOK million	2013			2012		
Retirement benefit obligations and plan assets	**Funded**	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Change in gross retirement benefit obligations						
Gross retirement benefit obligations as at 1 January	84	3	87	76	5	80
Present value of benefits earned during the year	2	-	2	2	-	2
Interest expense on retirement benefit obligations	2	-	2	2	-	2
Actuarial losses/(gains)	-3	-	-3	9	-	9
Retirement benefit payments, excl. social security costs	-5	-2	-6	-5	-2	-7
Gross retirement benefit obligations as at 31 December	**80**	**2**	**82**	**84**	**3**	**86**
Change in gross plan assets						
Fair value of plan assets as at 1 January	85	-	85	86	-	86
Expected return on plan assets	2	-	2	3	-	3
Actuarial (losses)/gains	1	-	1	-2	-	-2
Premium payments	3	-	3	3	-	3
Retirement benefit payments	-5	-	-5	-5	-	-5
Fair value of plan assets as at 31 December	**85**	**-**	**85**	**85**		**85**
Net retirement benefit obligations	-5	2	-3	-1	3	2
Social security costs	-	-	-	-	-	-
Net book retirement benefit obligations (assets) as at 31 December	**-5**	**2**	**-3**	**-1**	**3**	**2**
Actual return on plan assets	3	-	3	-	-	-
Expected premium payment for next year	3	-	3	4	-	4
Expected benefit payments for next year	-5	-1	-6	-4	-2	-6
Change in obligations						
Net book retirement benefit obligations as at 1 January	-1	3	3	-10	5	-5
Actuarial gains or losses recognised through other comprehensive income	-4	-	-4	11	-	11
Retirement benefit expense recognised in the income statement	3	-	3	2	-	2
Premium payments, incl. social security costs	-3	-	-3	-4	-	-4
Retirement benefit payments, unfunded schemes	-	-2	-2	-	-2	-2
Net book retirement benefit obligations (assets) as at 31 December	**-5**	**2**	**-3**	**-1**	**3**	**2**
Book retirement benefit obligations as at 31 December	**-**	**2**	**2**	**-**	**3**	**3**
Book plan assets as at 31 December	**5**	**-**	**5**	**1**	**-**	**1**

Assumptions for actuarial calculations	31.12.13	31.12.12
Discount rate	4.1 %	2.2 %
Return on pension plan assets	4.1 %	3.6 %
Pay inflation	3.8 %	3.0 %
Adjustment of National Insurance basic amount (G)	3.5 %	3.0 %
Adjustment of retirement benefits	0.6 %	0.0 %
Turnover	10.0 %	10.0 %

The actuarial calculations take explicitly into account the reactivation of persons with reduced functional ability. Up until 2012 Statistics Norway's K2005 mortality table was used, while the K2013 table has been used in 2013. The Group has used the interest rate for covered corporate bonds from 2013, since it finds that this market is deep enough now. In earlier years, the discount rate was based on the government bond interest rate.

Note 19 continued // Retirement benefits

Distribution of plan assets by investment category	31.12.13	31.12.12
Equities	11.0 %	10.1 %
Property	15.6 %	16.6 %
Non-current bonds	40.5 %	40.2 %
Current bonds	30.6 %	30.2 %
Other	2.3 %	2.9 %
Total	**100.0 %**	**100.0 %**

Note 20 // Financial income and expenses

Amounts in NOK million	2013	2012
Financial income		
Interest income on cash and cash equivalents	3	8
Other interest income	17	2
Other financial income	1	1
Total financial income	**21**	**10**
Financial expenses		
Interest expenses on loans and overdraft facilities	-6	-8
Other interest expenses	-2	-5
Other financial expenses	-1	-4
Total financial expenses	**-9**	**-17**
Net financial items	**12**	**-7**

Note 21 // Net interest-bearing receivables (debt)

Net interest-bearing receivables (debt)

Amounts in NOK million	Note	2013	2012
Interest-bearing receivables – non-current		59	22
Interest-bearing receivables – current		77	-
Cash and cash equivalents		695	322
– Interest-bearing loans and credit facilities – non-current		-29	-68
– Interest-bearing loans and credit facilities – current		-50	-73
Net interest-bearing receivables (debt)	24/25	**751**	**204**

Cash and cash equivalents

Amounts in NOK million	Note	2013	2012
Cash and bank deposits		394	322
Short-term money market investments		301	-
Cash and cash equivalents	24/25	**695**	**322**
Of which restricted funds and deposits		8	38

Restricted funds and deposits mainly consist of deposits related to settlement of contingent liabilities, tax deduction deposits and other deposits.

Note 21 continued // Net interest-bearing receivables (debt)

Interest-bearing loans and credit facilities

Amounts in NOK million	Note	Effective interest rate	2013	2012
Overdraft facilities outside of the corporate cash pooling system	24	5.3 %	9	14
Mortgage loans	24	3.5 %	49	88
Financial lease liabilities	24	3.4 %	7	14
Other loans	24	4.2 %	15	25
Total interest-bearing loans and credit facilities			**79**	**141**
Classification on the balance sheet:				
Current liabilities			50	73
Non-current liabilities			29	68
Total interest-bearing loans and credit facilities			**79**	**141**
Maturity structure:				
Liabilities maturing within 1 year			50	73
Liabilities maturing in between 1 and 5 years			25	57
Liabilities maturing in more than 5 years			4	11
Total			**79**	**141**

Drawing rights
At the end of the year the Group had an unused bank overdraft facility linked to the corporate cash pooling system of NOK 680 million (680 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 1,280 million (1,280 million) at the end of 2013.

Note 22 // 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 Group manages its capital structure and makes the necessary changes based on a continuous assessment of the economic conditions under which the business is conducted, as well as the short and medium term outlook.

The Group manages its capital structure by looking at the equity ratio and financial key figures. The AF Group's policy is to have an equity ratio of at least 20% and net interest-bearing liabilities < 2 * EBITDA. There have been no changes to the Group's capital management guidelines in 2013.

AF Gruppens dividend policy to to pay a dividend of at least 50 per cent of the profit for the year. 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.

Note 23 // Earnings and dividend per share

Earnings per share

Amounts in NOK million	2013	2012
Profit for the year attributable to Parent Company shareholders	429	195
Number of shares:		
Time-weighted average number of externally owned shares[1)]	81,549,702	80,832,037
Dilutive effect of share value-based remuneration [2)]	2,364,919	813,333
Time-weighted average number of externally owned shares after dilution	83,914,621	81,645,370
Earnings per share (amounts in whole NOK)	**5.26**	**2.41**
Diluted earnings per share (amounts in whole NOK)	**5.11**	**2.38**

[1)] Time-weighted average number of shares issued minus treasury shares.

[2)] AF Gruppens 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 dilution effect 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.

Dividend per share
A dividend of NOK 4.50 per share for the 2012 financial year, representing a total of NOK 364 million, was distributed on 28 May 2013. NOK 2.40 of the dividend per share represented an ordinary dividend and NOK 2.10 represents an extraordinary dividend that was distributed to the company's strong financial position.

For the 2013 financial year, the Board proposes a dividend of NOK 6.00 per share. Of the dividend, NOK 2.60 per share is an ordinary dividend and NOK 3.40 is an extraordinary dividend. It is expected that the dividend will be paid to the shareholders on 27 May. The dividend must be approved by the General Meeting, and there is no provision for the liability on the balance sheet. The proposed dividend will be paid to all shareholders registered with the Norwegian Central Securities Depository (VPS) on 15 May. No dividend will be paid on the Company's treasury shares. The total estimated dividend for the 2013 financial year is NOK 530 million.

Amounts in whole NOK	2013	2012
Total number of shares as at 31 December	82,332,980	81,384,100
Issuance of new shares 28 March 2014	5,755 679	-
Number of shares entitled to a dividend	**88,088 659**	**81,384,100**
Dividend per share	6,00	4,50
Total estimated dividend	**528 531 954**	**366,228,450**

AF Gruppen held 81,660 treasury shares at the end of 2013. Treasury shares are not entitled to a dividend. It is expected that AF Gruppen will not have any treasury shares when the dividend is distributed.

Note 24 // Financial risk and financial instruments

Financial risk
The Group is exposed to the following risks through the use of financial instruments:
1. Credit risk
2. Market risk
   2.1 Interest rate risk
   2.2 Currency risk
   2.3 Other price risks
3. Liquidity risk

This note provides information on exposure to each of the above risks and the goals, principles and processes for measuring and managing them. Further quantitative information is included elsewhere in the consolidated financial statements.

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/her roles and duties.

1. Credit risk
Credit risk is handled at the Group level. The management has established guidelines to ensure that the granting of credit and exposure to credit risk are monitored continuously. Credit risk is the risk of financial loss if a customer or counterparty to a financial

Note 24 continued // Financial risk and financial instruments

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.

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 there is objective evidence that a credit risk can be expected to 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, Statoil, and other oil companies on the Norwegian Continental Shelf. 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% 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 homebuyers. Homebuyers always pay a deposit of at least 10% of the purchase price when entering into a purchase contract. The Company has a vendor's fixed charge on sold residential housing units. The credit risk is spread over a large number of homebuyers and is considered low.

Maximum exposure to credit risk in respect of trade receivables on the balance sheet date according to age, see note 11 – 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 include bank deposits and investments in money market funds. 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. Investments in money market funds are permitted only in the case of liquid securities and only with counterparties with good creditworthiness.

Financial 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 for financial assets
The table below shows the maximum credit exposure for financial assets. The maximum credit exposure corresponds to book value.

Amounts in NOK million	Note	2013	2012
Non-current interest-bearing receivables	21	59	22
Non-current other receivables		7	8
Current trade and non-interest-bearing financial receivables	11	2,056	2,321
Current interest-bearing receivables	21	77	-
Cash and cash equivalents	21	695	323
Maximum credit exposure		**2,893**	**2,674**

2.1 Interest rate risk
AF Gruppen is exposed to interest rate risk for building activities and, especially for, home building for own account, in which the general interest rate level will have an impact on the saleability of completed homes and consequently the Group's tied-up capital. The Group endeavours to minimise this risk by requiring advance sales of housing units and deposits from home buyers. See the description in note 13 – Projects for own account for further information. The Group's financing is based on variable interest rates and the Group is, therefore, exposed to interest rate risk. The Group does not have any fixed interest rate agreements and does not use derivatives to hedge the effective interest rate exposure. See the description in note 21 – Net interest-bearing receivables 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.

Amounts in NOK million	2013	2012
Financial assets with a variable interest rate	831	345
Financial liabilities with a variable interest rate	-79	-141
Net financial receivables	**751**	**204**
Effect of a 100 basis point increase in rates on the profit after tax and equity	3	1
Effect of a 100 basis point decrease in interest rates on the profit after tax and equity	-3	-1

Note 24 continued // Financial risk and financial instruments

2.2 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 95 per cent (93 per cent) of its recognised revenues in enterprises with NOK as their functional currency, 5 per cent (6 per cent) with SEK and 0 per cent (1 per cent) with other currencies.

An exchange rate risk arises from future commercial transactions, in the translation of recognised assets and liabilities and net investments in foreign operations to NOK. The net foreign exchange gain/(loss) was NOK -3 million (-2 million) in 2013. The total translation differences were NOK 19 million (-3 million) in 2013.

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

The companies in AF Gruppen make 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 associated with the translation of receivables and debt in foreign currency to NOK
The AF Group has deposits and liabilities in Euro, 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% on the profit after tax. The analysis assumes that other variables remain constant.

Amounts in NOK million	2013	2012
Effect of a 10% appreciation of NOK in relation to all the currencies on profit after tax	-2	-4
Effect of a 10% weakening of NOK in relation to all the currencies on profit after tax	2	4

2.2.3 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% in all the exchange rates. The analysis assumes that other variables remain constant.

Amounts in NOK million	2013	2012
Effect on profit after tax		
Effect of a 10% appreciation of NOK in relation to all the currencies on the profit after tax	1	-1
Effect of a 10% weakening of NOK in relation to all the currencies on the profit after tax	-1	1
Effect on equity		
Effect of a 10% appreciation of NOK in relation to all the currencies on the equity	-21	-16
Effect of a 10% weakening of NOK in relation to all the currencies on the equity	21	16

2.3 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. The Group's policy is to hedge scrap steel prices in NOK for around 75 % of the coming year's expected sales of scrap steel.

3. 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. The surplus liquidity is placed in money market funds. 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 21 – Net interest-bearing receivables (debt) for information on liquidity and available credit facilities. See note 22 – Capital management for information on the targets for capital management and the Group's debt ratio.

Maturity structure of financial liabilities
The following table provides a summary of the maturity structure of the Group's financial liabilities, based on contractual payments, including the estimated interest. Financial derivatives that are classified as liabilities are included in the maturity analysis. In cases where the other contracting party can demand early redemption, the amount is included in the earliest period in which payment can be required by the other party. If liabilities are subject to redemption on demand, they have been included in the column under 6 months.

Note 24 continued // Financial risk and financial instruments

Amounts in NOK million			Maturity structure of contractual cash flows				
31 December 2013	**Carrying amount**	**Future payment**	**Less than 6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Overdraft facilities outside of the corporate cash pooling system	9	9	9	-	-	-	-
Mortgage loans	49	49	23	1	19	4	5
Financial lease liabilities	7	7	1	1	1	3	-
Other loans	15	15	14	1	-	-	-
Trade payables and other financial debt [1]	1,845	1,845	1,845	-	-	-	-
Financial derivatives							
Forward currency contracts	2	2	2	-	-	-	-
Total	**1,926**	**1,926**	**1,894**	**3**	**20**	**7**	**5**

Amounts in NOK million			Maturity structure of contractual cash flows				
31 December 2012	**Carrying amount**	**Future payment**	**Less than 6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Overdraft facilities outside of the corporate cash pooling system	14	14	14	-	-	-	-
Mortgage loans	88	94	40	1	25	22	6
Financial lease liabilities	14	15	3	4	3	5	-
Other loans	25	29	12	1	-	8	8
Trade payables and other financial debt [1]	1,951	1,951	1,951	-	-	-	-
Financial derivatives							
Forward currency contracts	5	5	3	2	-	-	-
Total	**2,097**	**2,108**	**2,023**	**8**	**28**	**35**	**14**

[1] Trade payables and other financial liabilities 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.

Fair value measurement of financial instruments and financial investments
AF Gruppen measures all financial derivatives and financial investments at fair value. AF Gruppen has derivatives related to commodities and currencies. The commodity derivatives are used to make the sales value of scrap steel predictable. Currency derivatives are used to make revenues or commodity costs in foreign currencies predictable. The change in the value of financial derivatives is recognised under net gains, cf. note 9 – Net gains/(losses).

Fair value hierarchy
The following table sums up each class of financial instrument recognised on the balance sheet at fair value, broken down by the AF Group's basis for the measurement of fair value.

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

Note 24 continued // Financial risk and financial instruments

The following table shows the Group's assets and liabilities measured in accordance with the valuation hierarchy in IFRS 7:

Amounts in NOK million **2013**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets – financial derivatives	-	11	-	11
Liabilities – financial derivatives	-	-2	-	-2
Total	**-**	**10**	**-**	**10**

Amounts in NOK million **2012**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets – Pension plan and other financial assets	-	-	1	1
Assets – financial derivatives	-	17	-	17
Liabilities – financial derivatives	-	-5	-	-5
Total	**-**	**12**	**1**	**13**

Level 1 – Fair value based on quoted prices in an active market for identical assets or liabilities.
Level 2 – Fair value based on data other than the quoted prices under level 1, but based on observable market transactions.
Level 3 – Fair value based on non-observable data.

Note 25 // Financial instruments category table

The table below shows the AF Group's financial instrument classes and the associated book value in accordance with IAS 39.

Financial assets by category

Amounts in NOK million

31 December 2013	**Note**	**Loans and receivables**	**Fair value through profit and loss**	**Available for sale**	**Total**	**Non-financial assets**	**Total carrying amount**
Non-current interest-bearing receivables	21	59	-	-	59	-	59
Non-current pension plan and other financial assets		7	-	-	7	5	11
Current trade and other non-interest-bearing receivables	11	2,056	-	-	2,056	37	2,093
Current interest-bearing receivables	21	77	-	-	77	-	77
Current financial derivatives		-	11	-	11	-	11
Cash and cash equivalents	21	695	-	-	695	-	695
Total		**2,893**	**-**	**-**	**2,904**	**42**	**2,946**
31 December 2012							
Non-current interest-bearing receivables	21	22	-	-	22	-	22
Non-current pension plan and other financial assets		8	-	1	9	1	10
Current trade and other non-interest-bearing receivables	11	2,321	-	-	2,321	31	2,352
Current interest-bearing receivables	21	-	-	-	-	-	-
Current financial derivatives		-	17	-	17	-	17
Cash and cash equivalents	21	322	-	-	322	-	322
Total		**2,674**	**-**	**1**	**2,691**	**32**	**2,723**

[1] Trade and non-interest-bearing receivables classified as loans and receivables do not include prepaid expenses.

Note 25 continued // Financial instruments category table

Financial liabilities by category

Amounts in NOK million

31 December 2013	Note	Amortised cost	Fair value through profit and loss	Total	Non-financial liabilities	Total carrying amount
Total interest-bearing loans and credit facilities	21	29	-	29	-	29
Current interest-bearing loans and credit facilities	21	50	-	50	-	50
Current trade payables and non-interest-bearing debt [2]	17	1,845	-	1,845	1,173	3,018
Current financial derivatives		-	2	2	-	2
Total		**1,924**	**2**	**1,926**	**1,173**	**3,099**

31 December 2012	Note	Amortised cost	Fair value through profit and loss	Total	Non-financial liabilities	Total carrying amount
Non-current interest-bearing loans and credit facilities	21	68	-	68	-	68
Current interest-bearing loans and credit facilities	21	73	-	73	-	73
Current trade payables and non-interest-bearing debt [2]	17	1,951	-	1,951	954	2,905
Current financial derivatives		-	5	5	-	5
Total		**2,092**	**5**	**2,097**	**954**	**3,051**

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

Note 26 // Share capital and shareholder information

The share capital consists of:

Amounts in whole NOK	Number	Nominal value	Book value
A-shares	82,332,980	0.05	4,116,649

Shareholder	Share (%)	No. of shares
OBOS Invest AS	25.90 %	21,322,075
Constructio AS	13.41 %	11,040,377
ØMF Invest AS	12.35 %	10,168,670
Aspelin-Ramm Gruppen AS	5.81 %	4,787,385
LJM AS	3.05 %	2,513,900
VITO Kongsvinger AS	2.99 %	2,461,676
ØMF Holding AS	2.94 %	2,420,555
Skogheim, Arne	2.09 %	1,723,870
Staavi, Bjørn	1.80 %	1,485,040
Moger Invest AS	1.51 %	1,240,541
Ten largest shareholders	**71.86 %**	**59 164 089**
Total other shareholders	26.53 %	23 087 231
Treasury shares	0.10 %	81,660
Total outstanding shares	**100.00 %**	**82,332,980**

The shares are not subject to any voting restrictions and are freely negotiable. Each share represents one vote.

Note 26 continued // Share capital and shareholder information

Movement in number of shares during the year

Total number of shares as at 1 January 2013	**81,384,100**
New issue to employees on 10 October 2013	948,880
Total number of shares as at 31 December 2013	**82,332,980**

Shares and options owned by the Board of Directors and senior executives as at 31 December 2013

Board of Directors		Options	Equities
Tore Thorstensen [1]	Elected by shareholders (Chairman)	-	11,500
Peter Groth [2]	Elected by shareholders	-	11,500
Carl Henrik Eriksen [3]	Elected by shareholders	-	-
Hege Bømark	Elected by shareholders	-	-
Mari Broman	Elected by shareholders	-	-
Kenneth Svendsen	Elected by employees	10,908	53,930
Pål Jacob Gjerp	Elected by employees	12,660	28,050
Arne Sveen	Elected by employees	-	-
Total		**23,568**	**104,980**

[1] Represents, in addition to his own shares, KB Gruppen Kongsvinger AS, Tokanso AS and Vålerveien 229 AS, as the owner of 259,564, 413,774 and 103,800 shares, respectively.
[2] Represents, in addition to his own shares, Aspelin Ramm Gruppen AS, which owns 4,787,385 shares and Ringkjøb Invest AS, which owns 76,355 shares.
[3] Represents OBOS Forretningsbygg AS, which owns 21,322,075 shares.

Corporate Management Team		Options	Equities
Pål Egil Rønn	CEO	82,362	304,055
Sverre Hærem	Executive Vice President/CFO	52,470	179,650
Robert Haugen	Executive Vice President	52,670	236,200
Arild Moe	Executive Vice President	51,626	275,700
Morten Grongstad	Executive Vice President	33,737	20,830
Andreas Jul Røsjø	Executive Vice President	18,400	6,655
Total		**291,265**	**1,023,090**

The Board is authorised to acquire up to 10% of the share capital. This authority is valid until the 2013 Annual General Meeting, which is scheduled for 15 May 2014.

A new option programme for all employees of AF Gruppen ASA and subsidiaries was adopted at the Annual General Meeting held on 13 May 2011, which entails entitlement to subscribing for a total of 6,000,000 options during the years 2011, 2012 and 2013, with redemption in 2014. As at 31 December 2014, a total of 5,841,691 options have been allotted in the new programme.

Note 26 continued // Share capital and shareholder information

Treasury shares

Treasury shares have been acquired with a view to sales to employees. Shares have not been bought from related parties in 2012 or 2013.

Share transactions	**2013**	**2012**
Number of shares acquired	157,973	544,892
Average acquisition cost per share (NOK)	57.3	55.3
Total acquisition cost (NOK million)	**9**	**30**
Number of shares sold to employees	115,700	570,090
Total disposal of shares	**115,700**	**570,090**
Average selling price per share (NOK)	60,8	55,3
Sales proceeds (NOK million)	**7**	**32**
– Cost price of shares sold (NOK million)	-7	-31
Gain/(loss) on shares sold (NOK million)	**-**	**1**
Number of treasury shares as at 31 December	81,660	39,387
Nominal value of treasury shares at NOK 0.05 each	4,083	1,969

Note 27 // Tax expense

Amounts in NOK million	**2013**	**2012**
Current tax payable for the year	-187	-32
Adjustment for previous years	-7	1
Total tax payable	**-194**	**-31**
Change in deferred tax related to:		
Change in temporary differences	38	-49
Change in tax rate	15	-4
Changed valuation of temporary differences	9	-2
Adjustment for previous years	4	-7
Tax change in deferred tax	**66**	**-62**
Total tax expense	**-128**	**-93**

Reconciliation of tax payable in the income statement against tax payable on the balance sheet:

Amounts in NOK million	**2013**	**2012**
Current tax payable for the year	187	32
Tax payable linked to previous years	6	-
Impact related to the acquisition/(sale) of business	1	-
Impact related to limited partnerships that are recognised in accordance with the equity method	5	4
Tax payable from other comprehensive income	1	-
Tax payable on the balance sheet	**200**	**36**

Note 27 continued // Tax expense

Reconciliation of tax expense calculated at the Norwegian tax rate and the tax expense as presented in the income statement:

	2013	2012
Profit before tax	580	318
Expected income tax at Norwegian nominal rate	-163	-89
Tax effects of:		
– Divergent tax rates for foreign countries and Svalbard	1	2
– Non-deductible expenses	-6	-9
– Profit attributable to associates	11	7
– Other non-taxable income	8	8
– Change in tax rate	15	-4
– Change in valuation of deferred tax assets	9	-2
– Excessive/insufficient provisions in previous years	-3	-6
Tax expense in income statement	**-128**	**-93**
Effective tax rate [1]	22.0 %	29.3 %

[1] The decline in the effective tax rate is attributed primarily to the change in the Norwegian tax rate from 28.0% to 27.0% on 1 January 2014, and the decline in the Swedish tax rate from 26.3% to 22.0% on 1 January 2013. In Norway, AF Gruppen has a net deferred tax liability. A decline in the Norwegian tax rate therefore reduced the tax expense in 2013, since the liabilities related to deferred tax were reduced. In Sweden, AF Gruppen has net deferred tax asset. In the tax expense for 2012, the assets related to deferred tax in Sweden were reduced. This increased the tax expense for 2012.

		2013			**2012**	
Tax related to items in comprehensive income:	**Before tax**	**Tax**	**Net**	**Before tax**	**Tax**	**Net**
Changes in fair value:						
Translation differences	19	-	19	-3	-	-3
Actuarial gains or losses on retirement benefit liabilities	4	-1	3	-11	3	-8
Total other revenues and expenses	**23**	**-1**	**22**	**-14**	**3**	**-11**

Note 28 // Deferred tax / deferred tax assets

Amounts in NOK million	**2013**	**2012**
Change in recognised net deferred tax		
Book value as at 1 January	446	372
Recognised in the income statement during the period	-66	62
Recognised in other comprehensive income	-	-3
Impact related to the acquisition/(sale) of business	1	10
Impact related to limited partnerships that are recognised in accordance with the equity method	-	4
Currency translation differences	-3	-
Book value as at 31 December	**378**	**446**
Classification on the balance sheet		
Deferred tax assets	-45	-20
Deferred tax	422	466
Net deferred tax on the balance sheet	**378**	**446**

Note 28 continued // Deferred tax / deferred tax assets

Change in deferred tax assets and deferred tax (without netting within the same tax regime):

2013 Deferred tax	1/1/13	Recognised during the period	Recognised in other comprehensive income	Acquisition of busi-nesses	31/12/13
Property, plant and equipment	10	-1	-	-	9
Intangible assets	1	-1	-	1	2
Projects in progress [1]	620	-150	-	-	470
Other assets	10	-5	-	-	5
Pensions	-1	2	-	-	1
Accruals reserve	1	1	-	1	3
Total	**641**	**-154**	**-**	**3**	**490**
Of which netted against deferred tax assets					-68
Deferred tax assets recognised on balance sheet					**422**

Deferred tax assets	1/1/13	Recognised during the period	Acquisition of businesses	Currency translation	31/12/13
Property, plant and equipment	-4	-2	-	-	-6
Other assets	-5	-8	-3	-	-16
Provisions	-20	-23	-	-	-44
Recognised tax value of tax loss carryforward [2]	-165	113	-	3	-50
Total	**-195**	**80**	**-3**	**3**	**-115**
Of which netted against deferred tax					68
Of which off-balance-sheet deferred tax assets					3
Deferred tax assets recognised on the balance sheet					**-45**

2012 Deferred tax	1/1/12	Recognised during the period	Recognised in other comprehensive income	Acquisition of busi-nesses	31/12/12
Property, plant and equipment	14	-14	-	10	10
Intangible assets	3	-2	-	-	1
Projects in progress [1]	533	87	-	-	620
Other assets	1	9	-	-	10
Retirement benefits	2	1	-3	-	-1
Provisions	1	-1	-	-	-
Accruals reserve	-	1	-	-	1
Total	**555**	**79**	**-3**	**10**	**641**
Of which netted against deferred tax assets					-176
Deferred tax assets recognised on balance sheet					**466**

Deferred tax assets	1/1/12	Recognised during the period	Recognised in other comprehensive income	Acquisition of busi-nesses	31/12/12
Property, plant and equipment	-8	4	-	-	-4
Other assets	-5	-	-	-	-5
Provisions	-26	6	-	-	-20
Other	-7	7	-	-	-
Recognised tax value of tax loss carryforward [2]	-137	-25	-	-4	-165
Total	**-183**	**-8**	**-**	**-4**	**-195**
Of which netted against deferred tax					176
Deferred tax assets recognised on the balance sheet					**-20**

Note 28 continued // Deferred tax / deferred tax assets

[1] Projects in progress have a major impact on the calculation of deferred tax and the current tax payable. Projects in progress are valued at the direct production cost and revenue is not recognised until delivery.

[2] The deferred tax assets related to tax loss carryforwards are recognized 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 217 million (612 million in 2012).

Note 29 // 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. EVA is a method of calculating and analysing value creation in the Group and in profit centres below group level. The aim of this analysis is to ensure that every part of the Group works to increase value creation. Incentive systems based on the EVA model have been introduced for executives in large parts of the Group.

Senior executives may invest 25–50% of their net bonus after tax in shares in AF Gruppen ASA. The shares are sold at a 20% 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 senior executives 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 the Group's employees as described in note 19 – Retirement benefits.

No loans nor guarantees have been granted to the Board of Directors or Corporate Management Team.

Corporate Management Team 2013 (Amounts in NOK 1000)	Fixed pay	Bonus	Retirement benefits	Other benefits	Total
Pål Egil Rønn, CEO	3,348	1,400	37	113	4,898
Sverre Hærem, Executive Vice President/CFO	1,943	790	37	61	2,831
Arild Moe, Executive Vice President	1,878	733	37	101	2,749
Robert Haugen, Executive Vice President	1,924	816	37	47	2,824
Morten Grongstad, Executive Vice President	1,603	290	37	75	2,006
Andreas Jul Røsjø, Executive Vice President from 1 July	1,117	48	37	64	1,266
Total remuneration of the Corporate Management Team	**11,813**	**4,078**	**224**	**461**	**16,389**

For 2013, bonuses to the Corporate Management Team totalled NOK 11 million. Bonuses for the 2013 financial year will be paid in 2014 and 2015.

Corporate Management Team 2012 (Amounts in NOK 1000)	Fixed pay	Bonus	Retirement benefits	Other benefits	Total
Pål Egil Rønn, CEO	3,001	1,865	36	149	5,051
Sverre Hærem, Executive Vice President/CFO	1,878	1,243	36	108	3,265
Arild Moe, Executive Vice President	1,827	1,144	36	121	3,128
Paul-Terje Gundersen, Executive Vice President	1,698	1,074	36	217	3,025
Robert Haugen, Executive Vice President	1,868	1,003	36	155	3,062
Morten Grongstad, Executive Vice President from 1 August	679	-	11	115	805
Tore Fjukstad, Executive Vice President until 30 November	2,024	746	28	50	2,848
Total remuneration of the Corporate Management Team	**12,975**	**7,075**	**219**	**915**	**21,184**

Bonus for the purchase of shares
Part of the pay of senior executives and other managers is based on the EVA model. Eligible managers have an opportunity to invest some of their net bonus after tax in the Company's shares. Under the bonus programme the shares are sold at a 20% discount based on the prevailing market price at the end of the year. The lock-in period for the shares is one year.

Note 29 continued // Remuneration of the Board of Directors and senior executives

Number of shares / price	2013	2012
Number of bonus shares sold from own holdings	75,700	129,700
Number of bonus shares from new issue – without discount	-	-
Market price at the time of the agreement (amounts in whole NOK)	56	44
Selling price (amounts in whole NOK)	45	35
Impact of bonus shares on the accounts (amounts in NOK 1000):		
Payroll costs (discount including social security costs)	-921	-1,302

Shares owned by senior executives and subscribed options are described in note 26 – Share capital and treasury shares.

Directors' fees (Amounts in NOK 1000)	2013	2012
Tore Thorstensen, Chairman of the Board	390	365
Mari Broman, board member	220	185
Hege Bømark board member from 11 May 2012	220	-
Carl Henrik Eriksen, Board Member	240	200
Petter Groth, board member	230	200
Pål Gjerp, board member from 11 May 2012	180	-
Arne Sveen, board member	180	150
Kenneth Svendsen, board member from 11 May 2012	180	-
Eli Arnstad, board member from 11 May 2012	-	185
Henrik Nilsson, board member from 11 May 2012	-	150
Tor Olsen, board member from 11 May 2012	-	150
Total directors' fees	**1 840**	**1 585**

Guidelines for 2014
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 senior executives 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% can be used to buy shares at a 20% 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% discount on the prevailing market price. Shares are offered to senior executives in the same way as to other employees.

The General Meeting adopted a new option programme for the employees of the AF Group on 13 May 2011. The maximum number of options that may be allocated is 6,000,000, and the programme entails annual allotments for the years 2011–13 and exercise of the options in 2014. The employees pay an option premium of NOK 1.00 per option, and the exercise price will be the average market price before the subscription period. A total of 2,185,464 options were subscribed for in 2013, and the total number of outstanding options as at 31 December 2013 was 5,841,691.

The option programme was devised by the Board, and it was to provide an incentive for all the employees in the Group. The purpose of the programme was 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 2013 was in accordance with the statement submitted to the General Meeting in 2013.

Note 30 // Estimate uncertainty

Estimates and discretionary assessments are evaluated continuously and based on historical experience and other factors, including expectations of future events that are regarded as reasonable under the current circumstances.

The AF Group prepares estimates and makes assumptions concerning the future. The accounting estimates that are made will by definition rarely coincide in full with the final outcome. Estimates and assumptions/prerequisites that represent a significant risk of major changes in the book value of assets and liabilities during the next financial year are discussed below.

Revenue recognition during execution of projects
The AF Group's activities are mainly project-based. Revenue from projects is recognised in the income statement in line with the project's degree of completion and final outcome. The ongoing recognition of revenue from projects entails uncertainty, since it is based on estimates and assessments. For projects in progress, there exists uncertainty regarding the progress of remaining work, disputes, warranty work, end results, etc. For completed projects, there exists uncertainty regarding hidden defects or faults, as well as possible disputes with the customer. The estimates used in the accounts are based on uniform policies and are subjected to control procedures that are intended to ensure reliable measurement of project results and progress. The complexity and scope mean, however, that there is an inherent risk that the final results of projects may deviate from the expected results.

Goodwill and other intangible assets
The Group performs annual tests to assess whether the value of goodwill and intangible assets has been impaired, cf. Note 14. 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. These calculations require the use of estimates.

Discretionary judgment
The choice of accounting principles and discretionary judgment in their application may affect the financial statements. For example, the AF Group has decided to present the results from associated companies as part of the operating result. Another set of prerequisites for presentation of the financial statements could have resulted in significant changes to the presentation of certain lines in the accounts.

Note 31 // Contingencies

The performance of building and civil engineering assignments occasionally leads to disagreements between the contractor and client regarding how to understand the underlying contract. The Group 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 the Company 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 2013, AF Gruppen is involved in the following significant lawsuits:
AF Anlegg and AF Decom have filed a suit against Tryg Forsikring to clarify the insurance liability for damage that a breakwater and dry dock suffered after a storm at Sørøya in connection with the removal of the cruiser, the "Murmansk". The amount at dispute is in the magnitude of NOK 100 million. Both of the parties have appealed the District Court's judgment to the Court of Appeal. The case is scheduled for a hearing before the Court of Appeal in June 2014.

AF Anlegg has filed a complaint against the Norwegian Public Roads Administration concerning the final settlement for building a new E6 between Øyer and Tretten in the Municipality of Øyer. The claim concerns quantity control, additional work and additional costs in connection with the project.

AF Bygg Oslo is involved in a dispute concerning the final settlement for Kirkeveien 71 A AS. A complaint has been filed. A reply has not yet been filed and a decision in the District Court will probably not be made for at least a year.

The following matters mentioned in the annual report for 2012 have been concluded in 2013:
AF Bygg Oslo was in a dispute with Kvartalet AS concerning a residential project at Vinderen in Oslo. The amount at dispute is NOK 7–8 million. Kvartalet AS was awarded NOK 4 million of the claim in the District Court. This judgment is enforceable. A recourse claim has been made against the subcontractors.

AF Bygg Oslo was in a dispute with a subcontractor at Risløkka School. This matter was resolved by arbitration.

Kilen Brygge AS, a company in AF Gruppen, filed a suit against Kilen Hotell AS and the guarantors in 2011 for breach of contract with respect to the sale of a hotel site. Kilen Brygge AS won in the District Court, but lost the case in the Court of Appeal in the autumn of 2013. Kilen Brygge AS chose not to file an appeal.

Note 32 // Related parties

The Group's related parties consist of associates and joint ventures (cf. note 35), the Company's shareholders and members of the Board of Directors and Corporate Management Team.

OBOS Forretningsbygg AS and Aspelin Ramm Gruppen AS have major shareholdings in AF Gruppen and are also important business partners. AF Bygg Oslo and AF Byggfornyelse have ongoing contracts with the OBOS Group and the Aspelin Ramm Group. KB Gruppen Kongsvinger is a supplier to the AF Group through the subsidiaries Contiga AS and Åsland Pukkverk AS, as well as the joint venture Betong Øst AS. Representatives of these companies are members of the Board of Directors of AF Gruppen ASA.

Transactions with related parties:

Amounts in NOK million	2013	2012
Contract price		
OBOS Group	734	868
Aspelin Ramm Group	-	411
Associates and joint ventures	523	1 164
Total	**1,257**	**2,443**
Revenue		
OBOS Group	153	357
Aspelin Ramm Group	-46	46
Associates and joint ventures	204	356
Total	**311**	**759**
Purchase of goods and services		
OBOS Group	-	1
KB Gruppen Kongsvinger	21	25
Aspelin Ramm Group	7	-
Associates and joint ventures	6	49
Total	**34**	**75**
Receivables as at 31 December		
OBOS Group	46	49
Aspelin Ramm Group	-	122
Associates and joint ventures	40	31
Total	**86**	**202**
Loans and guarantees as at 31 December		
KB Gruppen Kongsvinger	-	1
Total	**-**	**1**

Members of the Board of Directors and the management of the Group and their related parties control 34.1% (34.4%) of the shares in AF Gruppen ASA at the end of the year. For information on remuneration of the Board of Directors and management, see note 29 – Remuneration of senior executives. There are no agreements or transactions with related parties beyond this.

Note 33 // Pledged assets and guarantees

Amounts in NOK million	Note	2013	2012
Carrying amount of liabilities secured by pledges, etc.	22	56	102
Carrying amount of pledged assets			
Buildings and production facilities		24	23
Machinery [1]		12	20
Furnishings and fixtures		1	4
Trade and non-interest-bearing receivables		149	187
Long-term financial investments		574	574
Inventories, etc.		3	8
Carrying amount of pledged assets		**762**	**817**

[1] NOK 7 million (14 million) of the liabilities related to leasing liabilities have machinery as collateral, cf. note 21.

A negative letter of charge has been provided for trade receivables and inventories related to the Group's financing 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	2013	2012
Guarantees issued to clients	2,130	1,711
Other guarantees	22	7
Total	**2,152**	**1,718**

In addition, the Group has furnished guarantees to subsidiaries in the form of absolute guarantees to financial institutions for a total of NOK 5,189 million.

Guarantees issued to clients are related to contractual obligations and are primarily issued in favour of clients as tender guarantees, delivery guarantees and payment guarantees. These guarantees are issued on behalf of the parent company, subsidiaries and associates. If any of the contractual obligations are breached, the AF Group may be requested to cover the loss up to the amount of the guarantee.

Note 34 // Subsidiaries

Company name	Acquisition date	Office address City	Country	Direct ownership	Voting share	Financial ownership	Business area
AF Gruppen Norge AS	05.09.85	Oslo	Norway	100.00 %	100.00 %	100.00 %	Civil Engineering, Building, Property
Pålplintar i Sverige AB	14.01.00	Södertälje	Sweden	100.00 %	100.00 %	100.00 %	Civil Engineering
Johan Rognerud AS	01.10.10	Oslo	Norway	100.00 %	100.00 %	100.00 %	Civil Engineering
AF Arctic AS	14.02.11	Longyearbyen	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
AF Decom AB	15.12.07	Gothenburg	Sweden	100.00 %	100.00 %	100.00 %	Environment
Härnösand Byggreturer AB	01.07.13	Stockholm	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
BA Gjenvinning AS	01.11.10	Oslo	Norway	100.00 %	100.00 %	100.00 %	Environment
AF Bygg Göteborg AB	01.07.01	Gothenburg	Sweden	100.00 %	100.00 %	100.00 %	Building
AF Bygg Syd AB	30.06.07	Halmstad	Sweden	90.00 %	90.00 %	90.00 %	Building
Kommanditbolaget Vasastaden 10:18	11.07.12	Gothenburg	Sweden	100.00 %	100.00 %	100.00 %	Building
AF Projektutveckling AB	01.01.04	Gothenburg	Sweden	100.00 %	100.00 %	100.00 %	Building
AF Fastigheter Syd AB	30.06.07	Halmstad	Sweden	100.00 %	100.00 %	100.00 %	Building
Broddheimer Malmcrona AB	01.07.13	Gothenburg	Sweden	100.00 %	100.00 %	100.00 %	Building
Strøm Gundersen AS	03.11.11	Mjøndalen	Norway	100.00 %	100.00 %	85.00 %	Building
Corroteam AS	03.11.11	Mjøndalen	Norway	70.00 %	70.00 %	59.15 %	Building
Haga & Berg Entreprenør AS	03.11.11	Oslo	Norway	100.00 %	60.00 %	54.43 %	Building
Problikk AS	25.02.13	Tranby	Norway	100.00 %	100.00 %	66.13 %	Building
Consolvo AS	03.11.11	Tranby	Norway	100.00 %	100.00 %	66.13 %	Building
Consolvo OUAB	15.03.12	Vilnius	Lithuania	100.00 %	100.00 %	66.13 %	Building
Consolvo Support AS	03.11.11	Tranby	Norway	60.00 %	60.00 %	39.68 %	Building
Consolvo Overflate AS	03.11.11	Tranby	Norway	51.00 %	51.00 %	33.73 %	Building
Consolvo Eiendom AS	03.11.11	Tranby	Norway	100.00 %	100.00 %	65.74 %	Building
Protector AS	03.11.11	Tranby	Norway	100.00 %	100.00 %	66.13 %	Building
Protector CPE AB	03.11.11	Gothenburg	Sweden	85.00 %	85.00 %	56.21 %	Building
Protector KKS GmbH	03.11.11	Remseck	Germany	100.00 %	100.00 %	66.13 %	Building
Protector services GmbH	01.08.13	Remseck	Germany	100.00 %	100.00 %	66.13 %	Building
Thorendahl AS	03.11.11	Oslo	Norway	100.00 %	100.00 %	49.21 %	Building
Oslo Technical Service AS	04.11.11	Oslo	Norway	100.00 %	100.00 %	49.21 %	Building
Oslo Stillasutleie AS	03.11.11	Oslo	Norway	100.00 %	100.00 %	49.21 %	Building
Storo Blikkenslagerverksted AS	03.11.11	Oslo	Norway	70.00 %	70.00 %	34.45 %	Building
Oslo Papp og Membranservice AS	09.05.12	Oslo	Norway	100.00 %	100.00 %	34.45 %	Building
Oslo Prosjektbygg AS	01.03.13	Oslo	Norway	70.00 %	70.00 %	34.45 %	Building
AF Bygg Rogaland AS	15.11.11	Stavanger	Norway	94.47 %	94.47 %	94.47 %	Building
Kilen Bygg AS	25.05.04	Oslo	Norway	100.00 %	100.00 %	100.00 %	Property
Kilen Brygge AS	15.03.05	Sandefjord	Norway	100.00 %	100.00 %	100.00 %	Property
Rolvsrud Utbygging AS	31.10.08	Oslo	Norway	100.00 %	100.00 %	100.00 %	Property
Kilen Utbygging 2 AS	31.08.10	Oslo	Norway	100.00 %	100.00 %	100.00 %	Property
AF Energi & Miljøteknikk AS	31.05.06	Asker	Norway	100.00 %	100.00 %	100.00 %	Energy
AF Decom Offshore AS	01.01.09	Oslo	Norway	100.00 %	100.00 %	100.00 %	Offshore
Vici Ventus Construction AS	08.12.09	Oslo	Norway	100.00 %	100.00 %	100.00 %	Offshore
AF Decom Offshore UK Ltd.	24.05.10	London	Norway	100.00 %	100.00 %	100.00 %	Offshore
AF Offshore AS	02.04.09	Oslo	Norway	100.00 %	100.00 %	100.00 %	Offshore
Mollier AS	12.10.07	Sandnes	Norway	100.00 %	100.00 %	100.00 %	Offshore
AF Offshore Mandal AS	25.02.11	Mandal	Norway	100.00 %	100.00 %	100.00 %	Offshore
5D Engineering AS	01.07.12	Arendal	Norway	92.00 %	92.00 %	82.80 %	Offshore
5D Contracting AS	01.07.12	Kristiansand	Norway	85.00 %	85.00 %	76.50 %	Offshore
5D Systems AS	01.07.12	Arendal	Norway	86.30 %	86.30 %	77.67 %	Offshore

Note 35 // Investments in associates and joint ventures

The Group's share of assets, liabilities, equity, revenues and profit for the year, as well as the book value of associates and joint ventures:

Company	Place	Ownership interest	Voting share	Assets	Liabilities	Equity	Revenue	Profit after tax	Book value
Lagerhyllan 2 AB	Gothenburg	37.50 %	37.50 %	10	7	3	-	1	3
AF Göteborg Brottkärr Tomt AB	Gothenburg	40.00 %	40.00 %	34	30	4	-	-	9
Lagerhyllan 3 AB	Gothenburg	34.00 %	34.00 %	-	-	-	-	-	-
Västra Sandarna Fastig.utv. AB	Gothenburg	25.00 %	25.00 %	-	-	-	-	-	-
Joos Holding AB	Gothenburg	37.50 %	37.50 %	4	-	4	-	-	-
Romerike Boligutvikling AS	Lillestrøm	40.00 %	40.00 %	1	-	1	-	-1	1
E2 Utvikling AS	Oslo	49.00 %	49.00 %	27	27	-	-	-	-
Haslemann AS og IS	Oslo	49.50 %	49.50 %	171	114	57	-	-	57
Losjeplassen AS	Oslo	50.00 %	50.00 %	12	10	2	1	-	7
Sandakerveien 99B AS	Oslo	33.33 %	33.33 %	3	1	2	-	-	2
Sandakerveien 99B KS	Oslo	33.33 %	33.33 %	131	91	41	117	22	30
Grefsenkollveien 16 AS	Oslo	33.33 %	33.33 %	1	-	1	-	-	1
Grefsenkollveien 16 KS	Oslo	33.33 %	33.33 %	2	-	2	-	-	-
Stovner Utvikling AS	Oslo	33.33 %	33.33 %	2	-	1	-	1	1
Stovner Utvikling KS	Oslo	33.33 %	33.33 %	6	1	5	11	12	3
Blomsterstykket Utbygging AS	Oslo	50.00 %	50.00 %	-	-	-	-	-	-
Blomsterstykket Utvikling KS	Oslo	45.00 %	45.00 %	-	-	-	10	2	3
Nordliveien AS	Oslo	33.33 %	33.33 %	1	1	-	-	-	5
Nordliveien KS	Oslo	33.33 %	33.33 %	42	38	3	-	-	3
Sponvika Utvikling 1 AS	Oslo	40.00 %	40.00 %	1	1	-	-	-	-
Sponvika Utvikling 1 KS	Oslo	36.00 %	36.00 %	10	9	1	-	-	1
Rolfsbukta Utvikling AS	Oslo	33.33 %	33.33 %	1	-	1	-	-	1
Rolfsbukta Utvikling KS	Oslo	30.00 %	30.00 %	30	25	5	-	-	9
Skoggata KS	Oslo	36.00 %	36.00 %	12	11	1	-	-	1
Søreiendom AS	Kristiansand	50.00 %	50.00 %	8	3	4	-	-	10
Lillestrøm By og næringsutv. AS	Kjeller	50.00 %	50.00 %	22	20	2	2	-	2
AFG Invest 5 AS	Oslo	33.33 %	33.33 %	18	18	-	-	-	-4
Lillo gård AS	Oslo	25.00 %	25.00 %	6	-	6	-	-	6
Lillo gård KS	Oslo	25.00 %	25.00 %	84	73	11	1	-	11
Spikkestadkvartalene Bolig AS	Oslo	33.33 %	33.33 %	-	-	-	-	-	1
Kilen Panorama AS	Oslo	40.00 %	40.00 %	1	1	-	-	-	-
Kilen Panorma KS	Olso	40.00 %	40.00 %	14	8	5	-	-	2
Kirkeveien Utbygging AS	Oslo	50.00 %	50.00 %	12	10	2	-	-	21
Bergerveien 24 AS	Oslo	33.33 %	33.33 %	18	-	18	-	-	18
AF Boligenergi AS	Oslo	50.00 %	50.00 %	-	1	-	-	-	-
Vici Ventus Technology AS	Oslo	33.33 %	33.33 %	3	2	1	-	-	1
Miljøbase Vats AS	Oslo	40.00 %	40.00 %	204	136	67	20	4	67
Investments in joint ventures								-	-1
Total								**40**	**272**

Note 36 // Events after the balance sheet date

There have been no events after the balance sheet date and before the date the accounts were presented that provide new information about circumstances that existed on the date of the balance sheet (which are not already reflected in the financial statements). Nor have other significant post-balance sheet date events been identified that require information in the notes.

Appendix 1 // Other accounting policies

1.0 PRINCIPLES OF CONSOLIDATION
The consolidated financial statements include AF Gruppen ASA and companies in which AF Gruppen ASA has a controlling influence. A controlling interest is normally achieved when the Group owns more than 50% of the shares in the company. A controlling interest can also be achieved when the Group owns less than 50% of the voting shares through an agreement or when the Group is in a position to exercise actual control over the company. Non-controlling interests are recognised in the Group's equity.

1.1 Subsidiaries
a) General
Subsidiaries are companies in which the Group has a controlling influence to formulate the unit's financial and operational policies (control), normally through share ownership with more than half of the voting rights. Companies that are bought or sold during the year are included in the consolidated financial statements from the date on which control is achieved or ceases.

b) Business combinations
Business combinations are accounted for in accordance with the acquisition method of accounting.

Transaction expenses are recognised as they are incurred.

The consideration for the acquisition of a business is measured at the fair value of the assets transferred, liabilities assumed and equity instruments issued. If components of the consideration are contingent, the fair value of these components is also included on the acquisition date. Contingent consideration is classified as a liability in accordance with IAS 39 and is recognised at fair value in subsequent periods with value changes through profit or loss.

Assets and liabilities 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 identified net assets in the acquired company on the acquisition date, the difference will be recognised on the balance sheet as goodwill. Goodwill is not amortised, but is tested at least once a year for impairment. In connection with a write-down assessment, goodwill is allocated to the associated cash-flow generating units or groups of cash-flow generating units.

If the fair value of net assets in a business combination exceeds the consideration (negative goodwill) the difference will be recognised immediately in income at the time of the acquisition.

The recognition of any non-controlling ownership interests will be measured based on the net value of identifiable assets and liabilities in the acquiring company, as well as the share of identified excess values on the acquisition date.

Provision is made for deferred tax on the difference between fair value and book value for all assets and liabilities, with the exception of goodwill, as well as assets in transactions that are not business combinations. When a company is acquired, a concrete assessment is made to establish whether the acquisition concerns a business or assets. For the purchase of assets, the entire purchase price is allocated to acquired assets on the acquisition date.

c) 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. Any gains or losses are recognised in the income statement. The gain is calculated as the difference between the fair value of the earlier equity interest on the acquisition date and the carrying amount, adjusted for the cumulative amount recognised in consolidated equity through the Group's presentation of other comprehensive income and expenses in earlier periods.

d) Loss of control
When the Group no longer has control, 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 could mean that amounts previously recognised in the statement of other comprehensive income are reclassified to the income statement.

e) Minority interests
Minority interests include the non-controlling owners' share of the carrying amount of subsidiaries, including the share of identified excess values on the acquisition date. The minority interests may be negative if the share of assets and liabilities is negative.

Transactions with minority interests in subsidiaries are treated as equity transactions. For the acquisition of shares from minority interests, the difference between the consideration 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 the sale of minority interests are recognised correspondingly through equity.

1.2 Joint ventures
Joint ventures are enterprises in which the Group exercises joint control through a contractual agreement between the parties. Joint ventures are common in construction and civil engineering projects where two or more parties decide to carry out a joint project/contract and all operational, financial and strategic decisions must be taken unanimously by the parties.

Joint ventures are accounted for at the acquisition cost at the time of the acquisition. Then a more detailed assessment is made and all the units that satisfy the definition of a joint venture are recognised 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.

1.3 Associates
Associates are business units in which the Group has a significant, but not a controlling influence over the financial and operational management.

Appendix 1 continues // Other accounting policies

Investments in associates are accounted for at the acquisition cost at the time of purchase and subsequently by the equity method. 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 associates 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 an associate, the Group's book value is reduced to zero and further losses are not recognised unless the Group is obligated to cover the loss.

1.4 Foreign currency translation
1.4.1 Functional and presentation currencies
The financial statements for the individual units in the Group are measured in the currency primarily used where the unit operates (functional currency). 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.

1.4.2 Transactions and balance sheet items
Transactions in foreign currencies are translated to the functional currency at the transaction exchange rate based on the current rate at the time of the transaction. Realised foreign exchange gains or losses from the settlement or translation of monetary items in a foreign currency are recognised at the rate prevailing on the balance sheet 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.

The foreign exchange effect on non-monetary items is included as part of the assessment of fair value. Foreign exchange differences relating to non-monetary items, such as shares at fair value through profit and loss, are recognised as part of a combined gain or loss. Foreign exchange differences relating to shares classified as available for sale are included in the change in value that is recognised under other comprehensive income.

1.4.3 Group companies
The Group's presentation currency is Norwegian kroner (NOK). This is also the parent company's functional currency.

The income statement and balance sheet for group companies with a functional currency different from the presentation currency are translated as follows:

a) Balance sheet items are translated at the rate prevailing on the balance sheet date.
b) 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.
c) Translation differences are recognised under other comprehensive income and expenses.

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.

Upon the sale of all or any portion of a foreign enterprise, the associated translation difference will be reclassified from other comprehensive income to part of the gain or loss from the sale through profit and loss.

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.

1.5 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 associates and joint ventures are eliminated in proportion to the Group's stake in the company/ enterprise. Unrealised losses are also eliminated, but only if there are no indications of impairment of assets sold internally.

1.6 Segment reporting
The operating segments are reported in the same manner as the internal reporting to the Company's highest decision-maker. The Company's highest decision-maker, who is responsible for the allocation of resources to and the assessment of earnings in the operating segments, is defined as the corporate management.

1.7 Use of estimates in preparation of the financial statements
The management has used estimates and assumptions that have affected assets, liabilities, revenues, expenses, and information on potential liabilities. These estimates apply in particular to the recognition of income and valuations linked to long-term manufacturing projects, valuation of goodwill and valuations related to acquisitions, as well as retirement benefit obligations. Future events may entail changes to the estimates. Estimates and the underlying assumptions are assessed continuously. Changes in accounting estimates are reported in the period in which they occur. If they also relate to future periods, the effect is spread over present and future periods. See also note 3.

1.8 Classification
Receivables and payables that are related to the construction and civil engineering business areas are classified as current assets and current liabilities. This means that balances with customers and advance invoicing are presented on the balance sheet as current assets and current liabilities. For all civil engineering contracts, where amounts invoiced on account exceed contract revenue less contract losses, the surplus is recognised on the balance sheet as 'trade payables and non-interest-bearing liabilities'. Prepayments are deducted from invoiced revenue over the term of the project in line with the progress. Projects for own account and land for development are recognised as current assets.

Other receivables and payables that are due in more than a 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.

1.9 Payable and deferred tax
The tax expense consists of current tax payable and deferred tax. Tax is recognised in

Appendix 1 continues // Other accounting policies

the income statement except when it is related to items that have been recognised under other comprehensive income or directly through equity. If this is the case, then the tax is also recognised under other comprehensive income or directly through equity.

The current tax payable for the period is calculated in accordance with the tax laws and regulations that have, or have essentially, been adopted by the tax authorities on the balance sheet date. It is the legislation in the countries where the Group's subsidiaries or associates operate and generate taxable income that determine how the taxable income is calculated. The management assesses the points of view asserted in the tax returns wherever the tax laws are subject to interpretation. Provisions are allocated for the expected tax charges, as considered necessary, based on the management's evaluations.

Deferred tax is calculated for all the temporary differences between the tax values and consolidated accounting values of assets and liabilities. If deferred tax arises upon the initial recognition of liabilities or assets in a transaction that is not part of a business combination and does not affect either the reported or taxable profit on the transaction date, it will not be recognised on the balance sheet.

Deferred tax is determined by means of the tax rates and tax laws that have been adopted or essentially adopted on the balance sheet date, which are assumed to apply when the deferred tax asset is realised or when the deferred tax is settled.

Deferred tax assets are recognised on the balance sheet if it is probable that future taxable income will be generated so that the tax-reducing temporary differences can be utilised.

Deferred tax is calculated based on temporary differences from investments in subsidiaries and associates except when the Group controls the timing for the reversal of the temporary differences, and it is probable that they will not be reversed in the foreseeable future.

Deferred tax assets and deferred tax are to be offset if there is a legally enforceable right to offset assets in respect of the current tax payable against liabilities in respect of the current tax payable, and the deferred tax assets and deferred tax refer to income tax that is imposed by the same tax authority on the same taxable enterprise or different taxable enterprises with the intent to settle liabilities and assets in respect of the current tax payable on a net basis.

1.10 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.

Acquisition cost includes all expenses that are directly attributable to the purchase or manufacture 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. Expenses that have incurred after the asset has been put to use, such as ongoing maintenance, are recognised in the income statement, while other expenses that are expected to generate future economic benefits are recognised in the balance sheet. The residual value recognised on the balance sheet relating to replaced parts is recognised in the income statement.

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.

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 depreciation period and deprecation method are evaluated annually and the retirement value is estimated at year end. Changes are recognised as a change of estimate.

1.11 Intangible assets
1.11.1 Goodwill
Goodwill is recognised on the balance sheet at historical cost less write-downs. Goodwill is not amortised, but is tested at least once a year for impairment. Any impairment of goodwill is not reversed, even if the basis for the impairment no longer exists.

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition from which the goodwill arose.

1.11.2 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.

1.11.3 Software
Expenses related to the purchase of new software are recognised on the balance sheet as intangible assets, provided these expenses are not part of the acquisition cost of hardware. Software is normally amortised on a straight-line basis over 3 years. Expenses incurred as a result of maintaining the future benefit of software are recognised as an expense unless the changes to the software increase the future economic benefit of the software.

1.11.4 Contractual customer relationships
Contractual customer relationships that are acquired separately are recognised on the balance sheet at fair value (cost) 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. The 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.

1.11.5 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. Quarrying rights 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 quarrying rights.

1.12 Impairment 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 depreciated/amortised are assessed for impairment in value when there are indicators that the future earnings cannot justify the book value of the asset.

Appendix 1 continues // Other accounting policies

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.

1.13 Leases
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, or if the agreement provides more indirect entitlement to use a specific asset or group of assets, 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.

1.13.1 Financial leases
The AF Group presents financial leases in the financial statements as assets and liabilities. At the beginning of the term of the lease, financial leases are 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.

1.13.2 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. In addition, gains/losses resulting from overpricing or underpricing compensated by future lease payments are amortised over the term of the lease.

1.14 Financial instruments
1.14.1 Financial assets
The Group has financial assets that are classified in the following categories:
a) At fair value through profit or loss
b) Loans and receivables
c) Financial assets available for sale

The classification is based on the purpose of the asset. The classification takes place at acquisition and are reviewed on each reporting date.

a) At fair value through profit or loss
Financial assets at fair value through profit or loss are derivatives and other financial assets that are held for trading. Financial assets are classified in this category if they have been acquired mainly to profit from short-term price fluctuations.

The Group has financial assets at fair value through profit or loss in the form of forward exchange and commodity contracts. Forward exchange contracts are entered into to hedge future cash flows related to contracts entered into in foreign currencies and commodity futures contracts are entered into to hedge the price of recycled scrap steel to be sold. This hedging does not meet the conditions for hedge accounting and is therefore recognised at fair value with changes in value through profit or loss.

Financial assets at fair value through profit or loss that are not forward contracts are reported at fair value on the acquisition date and the transaction costs are recognised in the income statement. The assets are measured on a current basis at fair value with changes in value through profit or loss. All financial assets in this category are presented as current assets and measured at fair value based on observable market data.

Forward exchange and commodity contracts are recognised on the contract date and measured in subsequent periods at fair value based on observable market data. Financial assets that mature within 12 months are presented as current financial derivatives, and assets that mature in more than 12 months are classified as non-current financial derivatives.
See also section 1.14.2 a) for a description of forward exchange and commodity contracts.

b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Loans and receivables that are included in the Group's ordinary operating cycle, including trade receivables, or are expected to be realised within 12 months of the balance sheet date are classified as current assets. Other loans and receivables are classified as non-current assets.

Loans and receivables are recognised initially on the balance sheet at fair value plus transaction costs. Loans and receivables are measured on a current basis at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when loans and receivables are recognised, written down or amortised.

Loans and receivables are written down when there are objective indications that the Group will not receive settlement in accordance with the original terms. Objective indications of impairment are evaluated specifically for each customer and will typically consist of serious financial problems experienced by the other party and late or non-payment. The amount of the write-down is recognised in the income statement. If the cause of the write-down no longer applies in a subsequent period and this can be linked to an event that occurred after the impairment was recognised, the earlier write-down will be reversed. The reversal must not result in the book value of the financial asset exceeding what amortised cost would have been if the impairment had not been recognised when the write-down is reversed.

c) Financial assets available for sale
Financial assets available for sale are non-derivative financial assets that are placed in this category by choice or do not fall under any other category. They are classified as non-current assets, provided the investment does not mature or the management does not intend to sell the investment within 12 months from the balance sheet date.

Appendix 1 continues // Other accounting policies

Financial assets available for sale are recognised initially at fair value.

Financial assets available for sale are assessed subsequently at fair value and changes in fair value are recognised in other comprehensive income, until the asset is sold or assessed to have suffered impairment losses, whereupon accumulated gains or losses recognised in other comprehensive income are included in the income statement for the period.

1.14.2 Financial liabilities

a) At fair value through profit or loss
The Group has financial liabilities at fair value through profit or loss in the form of forward exchange and commodity contracts. Forward exchange contracts are entered into to hedge future cash flows related to contracts entered into in foreign currencies and commodity futures contracts are entered into to hedge the price of recycled scrap steel to be sold. This hedging does not meet the conditions for hedge accounting and is therefore recognised at fair value with changes in value through profit or loss.

Transaction costs are recognised immediately. The contracts are recognised on the contract date and measured in subsequent periods at fair value based on observable market data. Financial assets/liabilities that mature within 12 months are presented as current financial derivatives, and assets/liabilities that mature in more than 12 months are classified as non-current financial derivatives.

See also section 1.14.2 a) for a description of forward exchange and commodity contracts.

b) Other financial liabilities
Financial liabilities that are not recognised at fair value through profit or loss are measured at fair value on initial recognition, less transaction costs. Thereafter financial liabilities are recognised at amortised cost using the effective interest rate method. Any issuing costs, discounts or premiums are taken into account in the calculation of amortised cost.

Financial liabilities that are expected to be settled in the Group's ordinary operating cycle or due for settlement within 12 months of the balance sheet date are classified as current liabilities.

Other financial liabilities are classified as non-current liabilities.

1.15 Inventories
Inventories are recognised 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 determine using the FIFO method and includes expenses incurred in acquiring the goods and the cost of bringing them to their present location and condition.

1.16 Projects for own account
Inventories of projects for own account are classified as current assets on the balance sheet.

1.17 Trade and other current receivables
Trade receivables arise from the sale of goods or services within the ordinary operating cycle. If settlement is expected during the ordinary operating cycle, then the receivables are classified as current assets. If this is not the case, then the receivables are classified as non-current assets. Trade receivables are measured at fair value for the initial recognition on the balance sheet. For subsequent measurement, the trade receivables are recognised at amortised cost using the effective interest method. Current receivables that mature in less than three months are not normally discounted.

Changes in the value of trade receivables related to estimated changes are recognised as an adjustment of the operating revenue. Impairment in the value of trade receivables related to the ability to pay is recognised as bad debts.

1.18 Cash and cash equivalents
Cash and cash equivalents include bank deposits and short-term fixed income securities. The short-term fixed income securities consist primarily of investments in funds. Bank overdrafts are included in loans under current liabilities on the balance sheet.

1.19 Equity
1.19.1 Treasury shares
When treasury shares are bought back, the purchase price, including directly attributable costs, are recognised as a deduction from equity. Treasury shares are presented as a reduction in equity.
The cumulative gain or loss on sales of treasury shares is presented on a net basis in equity. Net accumulated losses on sales of treasury shares are recognised under other retained earnings, while net accumulated gains are recognised under other paid-in equity.

1.19.2 Translation differences
Translation differences arise in connection with exchange differences in the consolidation of foreign units.
On disposal of a foreign unit, the accumulated translation difference relating to the unit is reversed and recognised in the income statement in the same period in which the gain or loss on disposal is recognised in the income statement.

1.19.3 Dividends
Dividends are recognised as a liability once they are adopted by the General Meeting. This means that proposed dividends that are not yet adopted are included in equity.

1.20 Employee benefits
1.20.1 Retirement benefits

a) Defined-benefit plans
The Group has defined-benefit plans for employees of the Norwegian companies 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 earning formula is used as the allocation method unless a large proportion of the pension-earning takes place towards the end of the pension-earning period. In this case, a linear allocation method is used.

The elimination of the corridor method as of 1 January 2013 entails that the actuarial gains and losses are recognised under other comprehensive income (OCI) during the period in which they arise. See also note 2 – Accounting policies for a more detailed discussion of the amendment of IAS 19.

In addition, AF Gruppen Norge AS and some other subsidiaries have participated in the Norwegian Federation of Trade Unions (LO)/Norwegian Confederation of Norwegian Enterprise (NHO) scheme under which employees were entitled to a contractual early retirement pension (AFP) from the age of 62. A decision was made to discontinue this scheme in 2010, and it was only possible to retire early in accordance with the old scheme until 31 December 2010. There is a remaining provision covering the Company's co-payment of 25% for individuals who retired early under the old scheme. Future liabilities associated with this scheme are funded through revenues from operations and are unfunded.

Significant underfunding was identified when the old contractual early retirement pension scheme was terminated. This underfunding will have to be covered by the member companies continuing to pay premiums until 2015.

A new contractual early retirement scheme (AFP scheme) has been established. The new contractual retirement scheme is a defined benefit multi-company pension scheme, and it is financed through premiums that are defined as 1% of the employee's salary. At present, there is no reliable measurement and allocation of the liabilities and funds in the scheme. In the accounts, this scheme is 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 has been fixed at 1.4% of the total payments between 1 G and 7.1 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 Sweden 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 as well as their effect 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.

b) Defined-contribution plans
The Group has a defined-contribution pension scheme for all employees in Norway who are not covered by the defined-benefit scheme. The pension premium is recognised as an expense when it incurs, and the Group has no obligations over and above this.

1.21 Share discounts
Discounts on private share offerings and 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. The discount is charged to payroll costs and credited to equity.

1.22 Share-based compensation
Options for employees are measured at fair value on the allotment date. The calculated value is recognised under payroll costs and set off under other contributed equity. The expense is distributed over the period until the employee acquires an unconditional right to the options. The estimated number of options expected to be earned is reassessed on every balance sheet date. Any changes are recognised as an expense with a corresponding adjustment of equity.

The social security costs for options are recognised in the income statement over the expected vesting period.

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.

1.23 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 a financial settlement will be made as a consequence of the obligation and the size of the amount 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.

1.24 Loan expenses
Loan expenses are recognised on the balance sheet to the extent that they are directly attributable to manufacture of an asset that it takes a substantial amount of time to make for use or sale. The AF Group recognises loan expenses that accrue during the production of projects for own account (residential housing) and plant and equipment for own use on the balance sheet. Recognition on the balance sheet ceases when the assets are finished.

1.25 Cash flow
The cash flow statement has been prepared in accordance with the indirect method and shows cash flows from operating, investing and financing activities, respectively, and it explains the change in cash and cash equivalents for the period.

1.26 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. A contingent asset is not recognised in the financial statements, but disclosed if it is probable that it will benefit the Group.

1.27 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 Company'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 AF Gruppen ASA

Income statement

		1 January to 31 December	
Amounts in NOK million	**Note**	**2013**	**2012**
Group contributions received		425	339
Total operating and other revenue		**425**	**339**
Total operating expenses	3	-9	-7
Earnings before interest and taxes (EBIT)		**416**	**332**
Net financial items	4	-2	-2
Earnings before taxes (EBT)		**414**	**330**
Tax expense	5	-53	-
Profit for the year		**362**	**330**

Other comprehensive income

Amounts in NOK million	**2012**	**2011**
Profit for the year	362	330
Other income and expenses	-	-
Total comprehensive income for the year	**362**	**330**

Statement of financial position as at 31 December

Amounts in NOK million	Note	2013	2012
ASSETS			
Non-current assets			
Investments in subsidiaries	6	589	607
Total non-current assets		**589**	**607**
Current assets			
Other receivables from group companies	7	518	394
Cash and cash equivalents	8	-	90
Total current assets		**518**	**484**
Total assets		**1,108**	**1,091**
EQUITY AND LIABILITIES			
Equity			
Share capital	9,10	4	4
Share premium account	10	79	27
Other paid-in capital	10	37	173
Total paid-in capital		**121**	**204**
Other equity	10	-	-
Total retained earnings		**-**	**-**
Total equity		**121**	**204**
Current liabilities			
Interest-bearing debt to group companies	7	357	374
Trade payables and other non-interest-bearing debt		8	5
Unpaid government taxes	7	75	54
Current tax payable	5	53	-
Other debt to group companies	7	-	88
Provision for dividends	10	494	366
Total current liabilities		**987**	**887**
Total equity and liabilities		**1,108**	**1,091**

Oslo, 2 April 2014

Tore Thorstensen
Chairman of the Board

Hege Bømark

Mari Broman

Peter Groth

Carl Henrik Eriksen

Kenneth Svendsen
Employee elected

Arne Sveen
Employee elected

Pål Jacob Gjerp
Employee elected

Pål Egil Rønn
CEO

Cash flow statement

Amounts in NOK million	2013	2012
Cash flow from operating activities		
Profit before tax	414	330
Group contributions recognised as income	-425	-339
Write-down of other financial assets	-	1
Change in trade receivables and payables	3	2
Change in balances with group companies	213	298
Change in other accruals	22	36
Net cash flow from operating activities	**227**	**327**
Cash flow from investment activities		
Proceeds from the sale of shares	-	-
Net cash flow from investment activities	**-**	**-**
Cash flow from financing activities		
Proceeds from equity issuance	53	27
Proceeds from the sale of treasury shares	7	32
Purchase of treasury shares	-10	-30
Payment of dividends	-366	-364
Net cash flow from financing activities	**-317**	**-335**
Net change in cash and cash equivalents during the year	-90	-8
Cash and cash equivalents as at 1 January	90	98
Cash and cash equivalents as at 31 December	**-**	**90**

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). These regulations can be used by any entities that are required to keep accounts, both company accounts and consolidated accounts, unless they are required to use the full IFRS.

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS).

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 21 March 2014.

The accounting principles described for the Group are consistent with those used for the Parent Company. Reference is made to note 2 in the consolidated financial statements for a detailed description of the accounting policies applied. Accounting principles that are only relevant for the Parent Company or deviate from the consolidated financial statements are as follows:

1.1 Shares in subsidiaries

Subsidiaries are valued in accordance with the cost method in the company's accounts. The investment is valued at the historical cost of the shares unless a write-down of the shares has been necessary. They are written down to fair value in the event of an impairment in value that is attributed to causes that cannot be expected to be of a temporary nature and must be regarded as necessary in accordance with the generally accepted accounting principles. Write-downs are reversed when the basis for the write-downs no longer exists.

1.2 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

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.

Amounts in NOK 1,000	2013	2012
Remuneration of the CEO		
Fixed pay	3,348	3,001
Bonus	1,400	1,865
Other benefits	169	149
Total	**4,917**	**5,015**
Retirement benefits	37	36
Directors' fees	1,840	1,585

Note 3 // Other operating expenses

Amounts in NOK million	2013	2012
Audit fees	-1	-
Ownership costs	-8	-5
Other operating expenses	-1	-2
Total other operating expenses	**-9**	**-7**

Amounts in NOK 1,000	2013	2012
Audit fees		
Ordinary audit fees	-467	-368
Other assurance engagements	-15	-22
Other services beyond auditing	-25	-39
Total audit fees	**-507**	**-429**

Value-added tax is not included in the audit fees.

Note 4 // Net financial items

Amounts in NOK million	2013	2012
Financial income		
Interest income from companies in the same group	5	7
Other interest income	-	1
Total financial income	**5**	**8**
Financial expenses		
Interest charges from companies in the same group	-7	-8
Impairment of financial assets	-	-1
Total financial expenses	**-7**	**-10**
Net financial items	**-2**	**-2**

Note 5 // Tax expense

Amounts in NOK 1,000	2013	2012
The tax expense for the year can be broken down as follows:		
Current tax payable	53	-
Change in deferred tax	-	-
Tax expense	**53**	**-**
Calculation of the tax base for the year		
Profit before tax	414	330
Non-deductible expenses	-	1
Group contributions received without any tax impact	-225	-330
Tax base for the year	**189**	**-**
Tax for the year (28 % of the tax base for the year)	53	-

Note 6 // Investments in subsidiaries

Name of company	Date acquired	Business address	Ownership interest	Voting share
AF Gruppen Norge AS	05.09.85	Oslo	100 %	100 %
AF Offshore AS	02.04.09	Oslo	100 %	100 %
AF Miljø AS	15.01.09	Oslo	100 %	100 %
AF Energi AS	25.08.11	Oslo	100 %	100 %

Investments by the cost method (Amounts in NOK 1,000)	Earnings 2013	Number of shares	Share capital	Equity capital	Carrying value
AF Gruppen Norge AS	334,890	10,000	200,000	795,969	258,561
AF Offshore AS	4	10,000	11,000	214,344	269,975
AF Miljø AS	29,670	10,000	10,000	21,327	60,565
AF Energi AS	-13	120	120	28,441	120

Note 7 // Intercompany balances with group companies

Amounts in NOK million	2013	2012
Other receivables, current	518	394
Interest-bearing liabilities, current	357	374
Other liabilities, current	-	88

Note 8 // Cash pooling system

Amounts in NOK million	Effective interest rate	2013	2012
Cash and cash equivalents in the cash pooling system	3 % - 5 %	-	90

The AF Group has, through AF Gruppen Norge AS, a credit facility of NOK 1,200 million that expires in June 2015. This facility comprises a multi-currency credit facility of NOK 600 million with Danske Bank and a revolving credit facility of NOK 600 million, divided between Danske Bank and Handelsbanken. In addition, the subsidiary Strøm Gundersen AS has a one-year revolving credit facility of NOK 80 million.

In 2012, AF Gruppen ASA had the direct account with Danske Bank as the owner of the cash pooling system.

Note 9 // Share capital and shareholder information

The share capital consists of:	Number	Nominal value	Carrying amount
A shares	82,332,980	0.05	4,116,649

Ownership structure	Number	Voting share/ stake %
Shareholders with a stake > 1%		
OBOS Invest AS	21,322,075	25,9 %
Construction AS	11,040,377	13,4 %
ØMF Invest AS	10,168,670	12,4 %
Aspelin Ramm Gruppen AS	4,787,385	5,8 %
LJM A/S	2,513,900	3,1 %
VITO Kongsvinger AS	2,461,676	3,0 %
ØMF Holding AS	2,420,555	2,9 %
Skogheim, Arne	1,723,870	2,1 %
Staavi, Bjørn	1,485,040	1,8 %
Moger Invest AS	1,240,541	1,5 %
R Holth Holding AS	986,771	1,2 %
Morten Midtskog	888,630	1,1 %
Total for shareholders with a stake > 1%	**61,039,490**	**74,1 %**
Total other shareholders	21,293,490	25,9 %
Total outstanding shares	**82,332,980**	**100,0 %**

There is only one class of shares with identical voting rights.

Owned by senior executives as at 31 December 2012		Number of shares	Number of options
Board of Directors			
Tore Thorstensen, Board Chairman [1]	Elected by shareholders	11,500	-
Mari Broman	Elected by shareholders	-	-
Hege Bømark	Elected by shareholders	-	-
Carl Henrik Eriksen [2]	Elected by shareholders	-	-
Pål Gjerp	Elected by employees	-	-
Peter Groth [3]	Elected by shareholders	11,500	-
Arne Sveen	Elected by employees	-	-
Pål Jacob Gjerp	Elected by employees	28,050	12,660
Kenneth Svendsen	Elected by employees	53,930	10,908
Total		**104,980**	**23,568**

[1] Represents, in addition to his own shares: KB Gruppen Kongsvinger, Vålerveien 229 AS and Tokanso AS, which own 259,564, 103,800 and 413,774 shares, respectively.
[2] Represents OBOS Forretningsbygg AS, which owns 21,322,075 shares.
[3] Represents Aspelin Ramm Gruppen AS, which owns 4,787,385 shares, and Ringkjøb Invest AS, which owns 76,355 shares, in addition to his own shares.

Note 9 continued // Aksjekapital og aksjonærinformasjon

Corporate Management Team		Number of shares	Number of options
The Board			
Pål Egil Rønn	CEO	304,055	82,362
Sverre Alf Hærem	Executive Vice President/CFO	179,650	52,470
Morten Grongstad	Executive Vice President	20,830	33,737
Robert Haugen	Executive Vice President	236,200	52,670
Arild Moe	Executive Vice President	275,700	51,626
Andreas Jul Røsjø		6,655	18,400
Total		**1,023,090**	**291,265**

The Board has the authority to acquire up to 10% of the share capital. This authority is valid until the 2014 Annual General Meeting, which is scheduled for 15 May 2014.

An option programme for all the employees of AF Gruppen ASA and subsidiaries was adopted at the Annual General Meeting held on 13 May 2011, and it entails entitlement to subscribe for a total of 6,000,000 options during the years 2011, 2012 and 2013, with redemption in 2014. There are 5,841,691 options that can be redeemed in accordance with this programme in March 2014.

Note 10 // Equity

Amounts in NOK million	Share capital	Treasury shares	Share premium account	Other paid-in equity	Other equity	Total
Equity as at 1 January 2012	**4**	**-**	**-**	**208**	**-**	**212**
Total comprehensive income for the year	-	-	-	-	330	330
Capital increase	-	-	27	-	-	27
Purchase of treasury shares	-	-	-	-	-30	-30
Sale of treasury shares	-	-	-	-	31	32
Proposed dividend for 2012	-	-	-	-35	-332	-366
Equity as at 31 December 2012	**4**	**-**	**27**	**173**	**-**	**204**
Total comprehensive income for the year	-	-	-	-	362	362
Capital increase	-	-	53	-	-	53
Purchase of treasury shares	-	-	-	-	-10	-10
Sale of treasury shares	-	-	-	-	7	7
Proposed dividend for 2012	-	-	-	-136	-358	-494
Equity as at 31 December 2013	**4**	**-**	**79**	**37**	**-**	**121**

As at 31 December 2012, the Company had 81,660 treasury shares with a nominal value of NOK 0.05 (39,387 treasury shares with a nominal value of NOK 0.25 in 2012).
Treasury shares have been acquired with a view to sales to employees. Shares have not been bought from related parties in 2013.

Note 11 // Guarantees and pledged assets

Amounts in NOK million	2013	2012
Guarantees issued to clients	2,064	1,658
Tax withholding guarantees	109	101
Total	**2,172**	**1,758**

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 for subsidiaries in the form of absolute guarantees to financial institutions for a total of NOK 5,189 million.

See note 33 – Guarantees to the consolidated accounts for further information.

Responsibility statement from members of the Board and CEO

With regard to the annual accounts for 2013 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 positions and results as a whole.
- The amounts and disclosures in the annual report provide a true and fail view of performance, earnings and the position of the Company and Group, along with a description of the most important risk and uncertainty factors AF Gruppen faces.

Oslo, 2 April 2014

Tore Thorstensen *Chairman of the Board*	Hege Bømark	Mari Broman	Peter Groth	Carl Henrik Eriksen
Kenneth Svendsen *Employee elected*	Arne Sveen *Employee elected*	Pål Jacob Gjerp *Employee elected*	Pål Egil Rønn *CEO*	

Auditor's report

EY
Building a better working world

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Ernst & Young AS

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Member of the Norwegian Institute of Public Accountants

To the Annual Shareholders' Meeting of
AF Gruppen ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of AF Gruppen ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the statement of financial position as at 31 December 2013, the statements of comprehensive income and cash flows as well as a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of materia misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of AF Gruppen ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements and the going concern assumption 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 the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 2 April 2014
ERNST & YOUNG AS

Asbjørn Ler
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Definitions and glossary

Financial ratios

EBITDA %
(Operating profit + depreciation, amortisation and impairment) / operating revenue

EBIT %
Operating profit / operating revenue

EBT %
Earnings before tax / operating revenue

RETURN ON EQUITY
Earnings after tax / average shareholders' equity

RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)
(Earnings before tax + interest expenses) / average capital employed

ECONOMIC VALUE ADDED (EVA)
*(Return on capital employed * 0.72 – average capital costs after tax) * average capital employed*

CAPITAL EMPLOYED
Shareholders' equity + interest-bearing liabilities

EQUITY RATIO
Shareholders' equity / total capital

NET INTEREST-BEARING RECEIVABLES (DEBT)
Interest-bearing receivables + liquid assets – interest-bearing liabilities

DEBT-TO-EQUITY RATIO
Net interest-bearing liabilities / (shareholders' equity + net interest-bearing liabilities)

EARNINGS PER SHARE
Earnings after tax / average number of shares outstanding

CASH FLOW PER SHARE
(Earnings before tax + depreciation – taxes paid) / average number of shares outstanding

P/E
Share price / earnings per share

P/B
Share price / book value per share

EV / EBIT
Economic value / earnings before interest and tax

Other definitions

OWN ACCOUNT
When AF buys land, develops projects and then sells units for its own account.

EPCIC
Engineering, Procurement, Construction, Installation & Commissioning

LTI-1 RATE
Number of lost time injuries per million man-hours.
The AF Group 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

The AF Group includes all subcontractors when calculating the LTI-2 value.

HVAC
Heating, ventilation, air conditioning and cooling systems

CARBON FOOTPRINT
Emission of greenhouse gases in tonnes of CO2 equivalents per NOK million in revenue

SOURCE SEPARATION RATE
Separate rate for demolition waste that can be recycled

Addresses

AF Gruppen ASA
AF Gruppen Norge AS
AF Anlegg
AF Byggfornyelse
AF Bygg Oslo
AF Eiendom
AF Decom AS
AF Decom Offshore AS
AF Energi & Miljøteknikk AS
Johan Rognerud AS
Miljøbase Vats AS

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