AF GRUPPEN

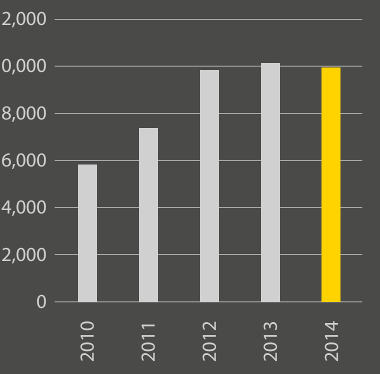
Annual Report 2014

Break new ground

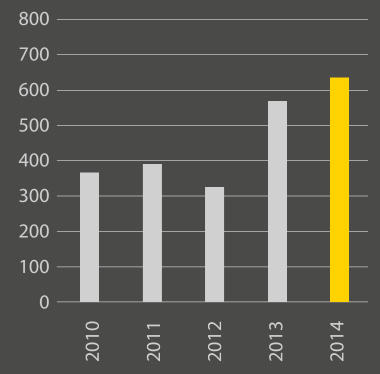
Viewed from the outside, AF Gruppen is machinery and technology. But when new ground is broken in the country's largest projects, it's people who are behind it.

The year 2014

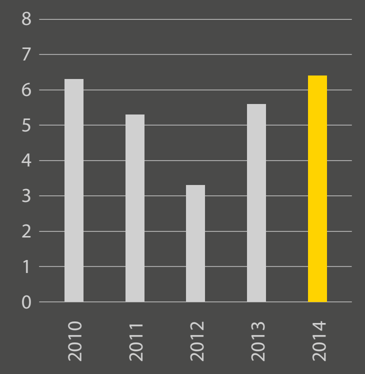
Operating and other revenue (NOK million)



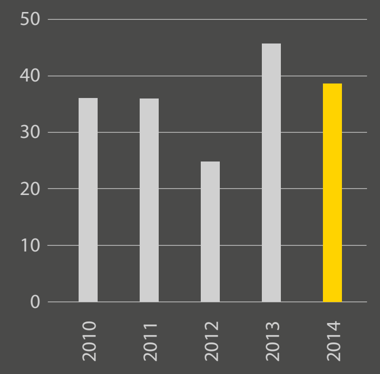
Earnings before interest and taxes (NOK million)



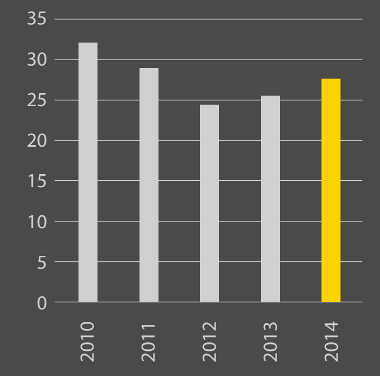
EBIT %



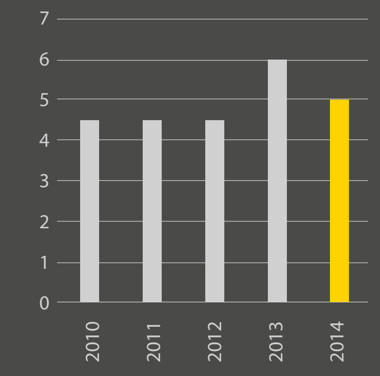
Return on averagee capital employed (ROaCE) %



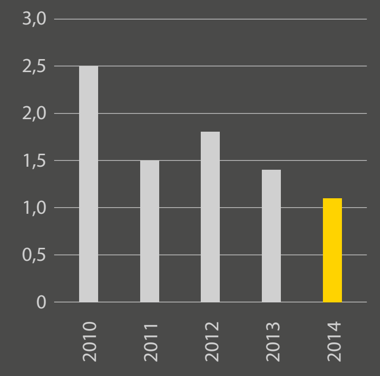
Equity ratio %



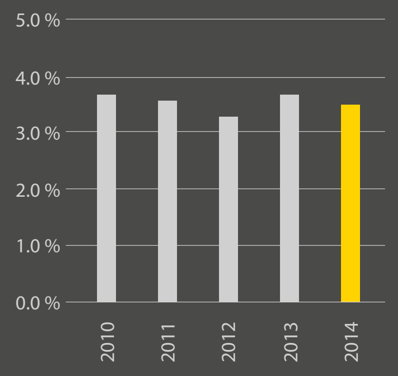
Dividend per share (NOK)



LTI-1 rate



Absence due to illness



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Content

Key figures

Year	2014	2013	2012	2011	2010
REVENUES (NOK million)					
Operating and other revenue	9,935	10,127	9,830	7,355	5,828
Order backlog	9,429	10,976	9,074	9,826	6,193
EARNINGS (NOK million)					
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	752	679	430	475	463
Depreciation, amortisation and impairment losses	-117	-110	-106	-85	-97
Earnings before interest and taxes (EBIT)	635	568	325	390	366
Earnings before taxes (EBT)	625	580	318	405	372
Earnings after taxes	483	453	225	304	277
PROFITABILITY (NOK million)					
EBITDA %	7.6 %	6.7 %	4.4 %	6.5 %	7.9 %
EBIT %	6.4 %	5.6 %	3.3 %	5.3 %	6.3 %
EBT %	6.3 %	5.7 %	3.2 %	5.5 %	6.4 %
Return on equity	34.3 %	38.4 %	19.0 %	28.5 %	28.3 %
Return on average capital employed (ROaCE)	38.7 %	45.7 %	24.8 %	35.9 %	36.0 %
Economic Value Added	320	312	123	195	181
Cash flow from operations	86	1,015	194	618	260
BALANCE SHEET (NOK million)					
Total assets	5,428	5,237	4,919	4,579	3,013
Equity	1,499	1,334	1,202	1,322	968
Capital employed	1,814	1,414	1,343	1,452	1,040
Average capital employed	1,662	1,288	1,334	1,134	1,047
Equity ratio	27.6 %	25.5 %	24.4 %	28.9 %	32.1 %
Net interest-bearing debt (receivables)	95	-751	-204	-449	-580
Debt-to-equity ratio	0.06	-1.29	-0.20	-0.51	-1.50
THE SHARE (NOK)					
Share capital as at 31 December	4,436,245	4,116,649	4,069,205	4,040,725	3,555,897
Number of shares as at 31 December	88,724,904	82,332,980	81,384,100	80,814,490	71,117,940
Earnings per share	5.11	5.26	2.41	3.86	3.92
Diluted earnings per share	5.09	5.11	2.38	3.86	3.82
Dividend per share	5.00	6.00	4.50	4.50	4.50
PERSONNEL					
Number of salaried employees as at 31 December	1,325	1,327	1,314	1,158	972
Number of skilled employees as at 31 December	1,472	1,381	1,356	1,236	961
Total number of employees	2,797	2,708	2,670	2,394	1,933
LTI-1 rate	1.1	1.4	1.8	1.5	2.5
Absence due to illness	3.5 %	3.7 %	3.3 %	3.6 %	3.7 %
EXTERNAL ENVIRONMENT					
Carbon footprint (CO_2/Revenue)	4.9	4.1	4.3	4.6	-
Source separation rate – building	82 %	81 %	79 %	78 %	-
Source separation rate – renovation	82 %	80 %	89 %	75 %	-
Source separation rate – demolition	96 %	96 %	98 %	97 %	-
Total amount source separated in tonnes	478,955	408,365	511,110	246,223	-

See definitions on page 186

ABOUT AF GRUPPEN

"If you want to break through boundaries you have to challenge the status quo."

AF Gruppen continually sets new records, also in 2014.
CEO Pål Egil Rønn is nonetheless always seeking improvements.

"If you believe that tomorrow will be the same as today, you will quickly get left behind. Therefore you must dare to do what you what you strongly believe in. If you want to become better, you have to make changes and if you want to break through boundaries you have to challenge the status quo", says AF Gruppen's CEO Pål Egil Rønn.

When assessing the Group's endeavours in 2014, he can look back on a year that fits nicely into a series of strong results and progress. The earnings before tax for 2014 are the Group's best ever, and the same applies to the HSE results.

"The long-term perspective for AF Gruppen is very good, and the numbers for 2014 are extremely good. In surveys, the company's greatest asset, our employees, express that pride in being part of AF Gruppen has never been as great as it is now. Satisfaction and a strong corporate culture provide a solid foundation for the continued creation of value. Value creation based on an uncompromising attitude towards safety and ethics shall continue to be our trademark.

We still have a potential for improvement in the areas of value creation, safety and ethics. We have great deal of responsibility that encompasses everyone in our contract pyramid. We shall further develop our own organisation, and choose partners who share our values and who acknowledge that our joint competitiveness and place in society starts and ends with the fact that we can be trusted."

Historical acquisitions

At the very end of 2014, AF Gruppen broke through yet another boundary. The Group signed a letter of intent with LAB, which is the largest contractor in Hordaland, for the purchase of 70 per cent of the shares in the company. The operations encompass the subsidiaries LAB Entreprenør AS, Åsane Byggmesterforretning AS (ÅBF), Fundamentering AS (FAS) and LAB Eiendom AS. The transaction was completed in the first quarter of 2015.

"We are very satisfied to have added the largest and most successful building contractor in the Bergen area to our team. LAB, ÅBF and FAS have an impressive history of growth. This represents a giant step in the direction of becoming the leading contractor in Western Norway", says Rønn.

Even though revenues for land-based activities increased in 2014, there was no overall revenue growth in 2014. Why is growth so important to AF?

"In surveys, the company's greatest asset, our employees, express that pride in being part of AF Gruppen has never been as great as it is now."

PÅL EGIL RØNN, CEO AF GRUPPEN

"Being the largest is not a goal in itself, but we need to grow continuously. The situation is now such that either you grow, or you die. It is obviously a challenge to grow continuously, and be light on our feet and nimble at the same time. I believe that the simple and effective structure that we have at AF, combined with our good culture, will enable us to manage this balancing act. We are continuously developing our employees, and we work together – as a group, not as individuals."

Focus on the future and employee ownership

You often recruit recent graduates and young employees, and the average age of an AF employee is relatively low. Can employees grow old at AF?

"Yes, absolutely. We present several gold watches every year to honour those who have been with the company for 25 years. If we are to keep the average age low, we must replenish with young people, while also holding onto the most experienced employees. The idea is that it should always be stimulating and inspiring to work at AF. Then we need to replenish ourselves with new blood and new ideas, like adding a little spice to soup that already tastes good."

You offer ownership in the company to the employees through the share and option programmes in AF Gruppen, and both programmes were substantially oversubscribed in 2014 as well. What do you think about that?

"I take that as a sign that employee ownership is important to people. I think that it is a competitive advantage that we give the employees an opportunity through the share and option programmes. They are the ones who work here on a daily basis, and we give them the opportunity to participate in the company's creation of value. We aim to continue these programmes, so that everyone will have an opportunity to participate in the future as well.

Worried even in good times

It is easy to be a leader in good times. How do you prepare yourself for bad times?

"I am and should be worried at all times. This is part of our risk management. Good risk management is key to AF's operations. Our industry is characterised by large volumes and small margins. If you are not alert and see what can go wrong, you cannot deal with things at an early stage and obtain the best result. If you are worried, you show that you care. Then you live up to one of our important core values: management through presence and involvement.

Every day I experience this genuine interest in making a contribution to AF Gruppen. Therefore, I am looking forward to a new year of worries, great commitment, and an enormous number of opportunities."

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 creating value.

AF'S ENTREPRENEURIAL SPIRIT

A curious contractor

AF Gruppen is one of Norway's leading contracting and industrial groups with operations in the areas of Civil Engineering, Environment, Building, Property, Energy and Offshore. Since its establishment in 1985, the company has found new solutions to complex challenges by means of curious employees with a go-ahead spirit and determination.

The company's entrepreneurial spirit is about developing new and existing areas and finding better, more future-oriented ways of creating value. Curiosity is cultivated by AF Gruppen – because we know that those who ask new questions may find new answers.

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 seen strong, profitable growth over the last decade.

Civil Engineering

AF has the experience and expertise required to carry out all types of civil engineering projects ranging from small and simple to large and demanding. 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. The Civil Engineering business area is established in Norway and Sweden.

Environment

AF is Europe's leading contractor for the demolition and environmental clean-up of buildings, industrial plants and petroleum installations. AF offers solutions that meet the customers' environmental challenges, and the company has solid expertise in areas such as blasting, dredging, handling contaminated materials and the removal of shipwrecks. The Environment business area is established in Norway and Sweden.

Building

AF is one of the largest 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 clients ranging from small companies with a single assignment 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. The Building business area is established in Norway and Sweden.

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. The Property business area is established in Norway and Sweden.

Energy

AF Gruppen provides smart, energy-efficient solutions for buildings and industry. With extensive industrial expertise, AF offers advisory and implementation services in the areas of energy conservation and the production of energy, which gives customers substantial cost reductions and reduces the environmental impact. The Energy business area is 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, being a total supplier of HVAC plants and offshore and marine EPCIC projects. AF has a modern reception facility at Vats near Haugesund for the environmental clean-up of petroleum installations. The Offshore business area is established in Norway, the UK, China and Singapore.

Operational structure

AF GRUPPEN

Operational structure

CIVIL ENGINEERING	ENVIRONMENT	BUILDING	PROPERTY	ENERGY	OFFSHORE
AF Anlegg	**AF Decom AS**	**AF Bygg Oslo**	**AF Eiendom**	**AF Energi & Miljøteknikk**	**AF Offshore Decom**
AF Arctic	*BA Gjenvinning*	**AF Byggfornyelse**	**AF Projektutveckling**	*Boligenergi*	*AF Offshore Decom UK Ltd*
Johan Rognerud	*Rimol Miljøpark*	**AF Bygg Østfold**			*Miljøbase Vats*
Pålplintar	*Jølsen Miljøpark*	**AF Bygg Sør**			**AF Offshore Mollier**
	AF Decom AB	**AF Bygg Rogaland**			**AF Offshore Mandal**
	Härnösand Bygg-returer	**Strøm Gundersen**			**AF Offshore Systems**
		Consolvo			**AF Offshore Aeron**
		Haga & Berg			*AF Offshore Aeron Energy Tech. Co*
		Thorendal			*AF Offshore Aeron Pte. Ltd.*
		LAB			
		LAB Entreprenør			
		Åsane Byggmester-forretning			
		Fundamentering (FAS)			
		AF Bygg Göteborg			
		AF Bygg Syd			

Geographic presence

CIVIL ENGINEERING	ENVIRONMENT	BUILDING	PROPERTY	ENERGY	OFFSHORE
Norway, including Svalbard	**Norway**	**Norway**	**Norway**	**Norway**	**Norwegian and British continental shelf**
Sweden	**Sweden**	*Eastern Norway*	*Eastern Norway*		**Norway**
Stockholm region		*Kristiansand*	*Kristiansand*		**UK**
		Stavanger	*Stavanger*		**China**
		Bergen	*Bergen*		**Singapore**
		Sweden	**Sweden**		
		Southwest Coast	*Southwest Coast*		

A values-based company

Vision

Clearing up the past, building for the future.

By focusing on the environment, energy and recycling, we will safely remove and eliminate materials, ground and energy solutions that are harmful to the environment.

Through the use architecture, materials and energy solutions, AF Gruppen will create solutions that contribute to a better environment, reduce waste and reduce the consumption of non-renewable sources of energy.

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 creating value.

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 invested capital that is better than comparable companies.

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

Results in 2014
AF achieved an operating margin of 6.4 per cent in 2014. Return on invested capital (ROIC) was 38.7 per cent.

6.4 %
Operating margin

38.7 %
Return on invested capital

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 2014
AF's equity ratio was 27.6 per cent at the end of 2014, and the Group had unutilised credit and loan facilities of NOK 1,385 million as at 31 December 2014.

27.6 %
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 2014
In 2014, AF paid a dividend of NOK 6.00 per share for the 2013 financial year.

The Board is proposing a dividend of NOK 5.00 per share for 2014 to the General Meeting on 13 May. This represents 97.8 per cent of the profit for the year.

5.00 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 2014
AF achieved an LTI rate of 1.1 and absence due to illness of 3.5 per cent. This is on a par with the best safety results in the contractor industry.

1.1
LTI rate

3.5 %
Absence due to illness

Corporate Management Team

PÅL EGIL RØNN

(1968)
CEO

Rønn has held various managerial positions at the company 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 289,975 shares and 49,957 options in AF Gruppen ASA as at 31 December 2014.

SVERRE HÆREM

(1965)
Executive Vice President/CFO

Hærem was appointed Executive Vice President/CFO of AF in 2007. During the period from 2010 to 2011 he was also the Executive Vice President for the Energy business area He has previously held the position of CFO at Fjord Seafood ASA and VP Finance at Dyno. Hærem holds a Master of Science degree in Business from the BI Norwegian Business School. Hærem owns 209,340 shares and 31,372 options in AF Gruppen ASA as at 31 December 2014.

ANDREAS JUL RØSJØ

(1980)
Executive Vice President

Røsjø has held various managerial positions 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 12,655 shares and 26,877 options in AF Gruppen ASA as at 31 December 2014.

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. Grongstad holds a Master of Science degree in Business from BI Norwegian Business School. Grongstad owns 62,987 shares and 30,521 options in AF Gruppen ASA as at 31 December 2014.

ARILD MOE

(1965)
Executive Vice President

Moe is responsible for the Civil Engineering and Environment business areas. He has held various managerial positions 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 253,746 shares and 30,764 options in AF Gruppen ASA as at 31 December 2014.

ROBERT HAUGEN

(1959)
Executive Vice President

Haugen is responsible for the Offshore business area. He has held various managerial positions 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 294,270 shares and 31,189 options in AF Gruppen ASA as at 31 December 2014.

ABOUT AF GRUPPEN

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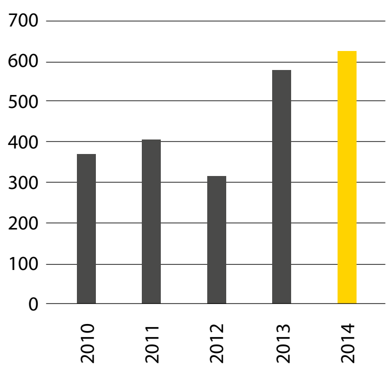
Highlights 2014

Record results due to safe operations and good performance in 2014. AF Gruppen has a good foundation, both organisationally and financially, for continued profitable growth.

Record earnings

In 2014, AF Gruppen reported the best profit for the year ever in the history of the company. Earnings before tax were NOK 625 million, and the profit margin was 6.3 per cent. It is Civil Engineering and Building in particular, which represent close to 85 per cent of the AF Gruppen's overall revenues, which have contributed to the good results with profit margins of 9.1 per cent and 6.0 per cent, respectively, in 2014.

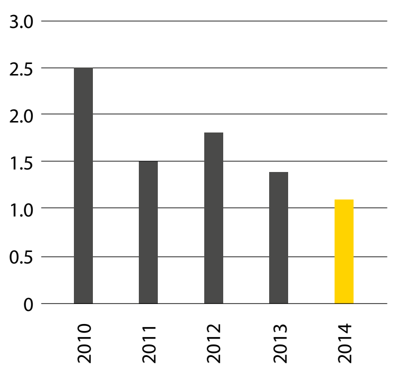
Earnings before tax (NOK million)



Historically low injury rate

HSE work represents one of the most important pillars of our corporate culture. Safety shall be the first priority for everything we plan and execute. 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 1.1 (1.4) for 2014 – the lowest ever in the history of the company.

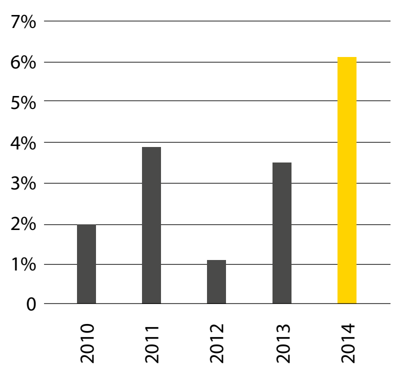
LTI-rate



Turnaround operation in Building

In 2012, the Building business area had an operating margin of 1.1 per cent. After a few years with substantial revenue growth, the focus in the building business turned to margin improvement in 2013. Good project organisation and higher execution quality increased Building's operating margin to 3.5 per cent in 2013 and 6.1 per cent in 2014.

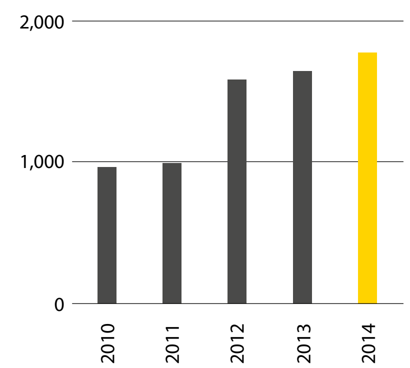
EBIT % in Building



New venture in Bergen

Towards the end of 2014, AF signed a letter of intent with the owners of LAB AS to acquire 70 per cent of the company. The acquisition includes LAB AS's shares in the subsidiaries LAB Entreprenør AS, Åsane Byggmesterforretning AS and Fundamentering AS and LAB Eiendom AS. LAB AS reported revenues from operations of close to NOK 1.8 billion for 2014. The transaction was completed in the 1st quarter of 2015.

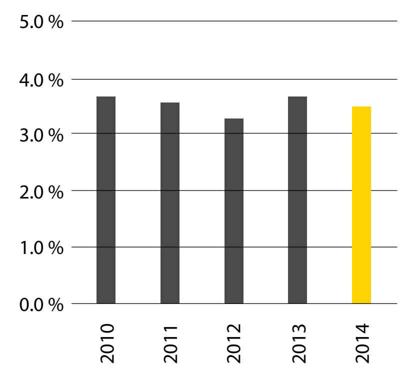
Revenue LAB (NOK million)



Low absence due to illness

AF's goal is to eliminate work-related illnesses among our own employees, i.e. all illnesses that are caused by conditions at the workplace. Absence due to illness percentage is therefore an important indicator for our health work. AF's goal is absence due to illness of less than 3 per cent. AF Gruppen reported absence due to illness of 3.5 per cent for 2014. AF's absence due to illness is low compared with that of comparable businesses.

Absence due to illness



Break new ground

People who put in their best effort deserve to thrive, feel safe and have room to grow. This is why AF puts in a strong effort for the best working environment, fewest injuries and the highest number of managers developed by the company.

Attractive workplace

The creation of value by AF Gruppen is based on 3,000 capable and motivated employees. This is a good foundation for further profitable growth. The goal is to be the most attractive employer in the industry.

AF was established by contractors who wanted to create a challenger with solid core values and an ability to think innovatively. This same curiosity marks AF's corporate culture today. By thinking innovatively, opportunities are realised in our projects, while a contribution is made to the company's profitable growth at the same time.

AF is dependent 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 the battle for new blood. AF engages in active recruitment at colleges and universities, and there is a lot of interest in working for the company. This provides a good foundation and many opportunities to find the right people to help develop the company further.

The employees must be developed to assume more responsibility in order to maintain profitable growth. Employees with ambitions and the desire to realise their own career have many opportunities at AF. The development of employees takes place by offering exciting tasks and duties with responsibility, a dedicated AF Academy and external further education. In 2014 alone, around 1,200 employees participated in courses through the AF Academy. AF focuses on developing its own managers. Around 80 per cent of the current managers have been recruited internally. 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 attributes 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 and is subject to substantial risk. The company focuses on robust organisation at all levels with the aim of establishing good project teams with employees that possess complementary skills in the areas of management, technical expertise and personal attributes. The resources are organised close to the production, where the managers have a great deal of influence.

Employee ownership

It has been a goal ever since the establishment of AF in 1985 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, the company launched a three-year option programme for the third time in 2014 that close to 1,400 employees participate in. The employees of AF own approximately 16 per cent of the shares in the company – which corresponds to a value of approximately NOK 1 billion.

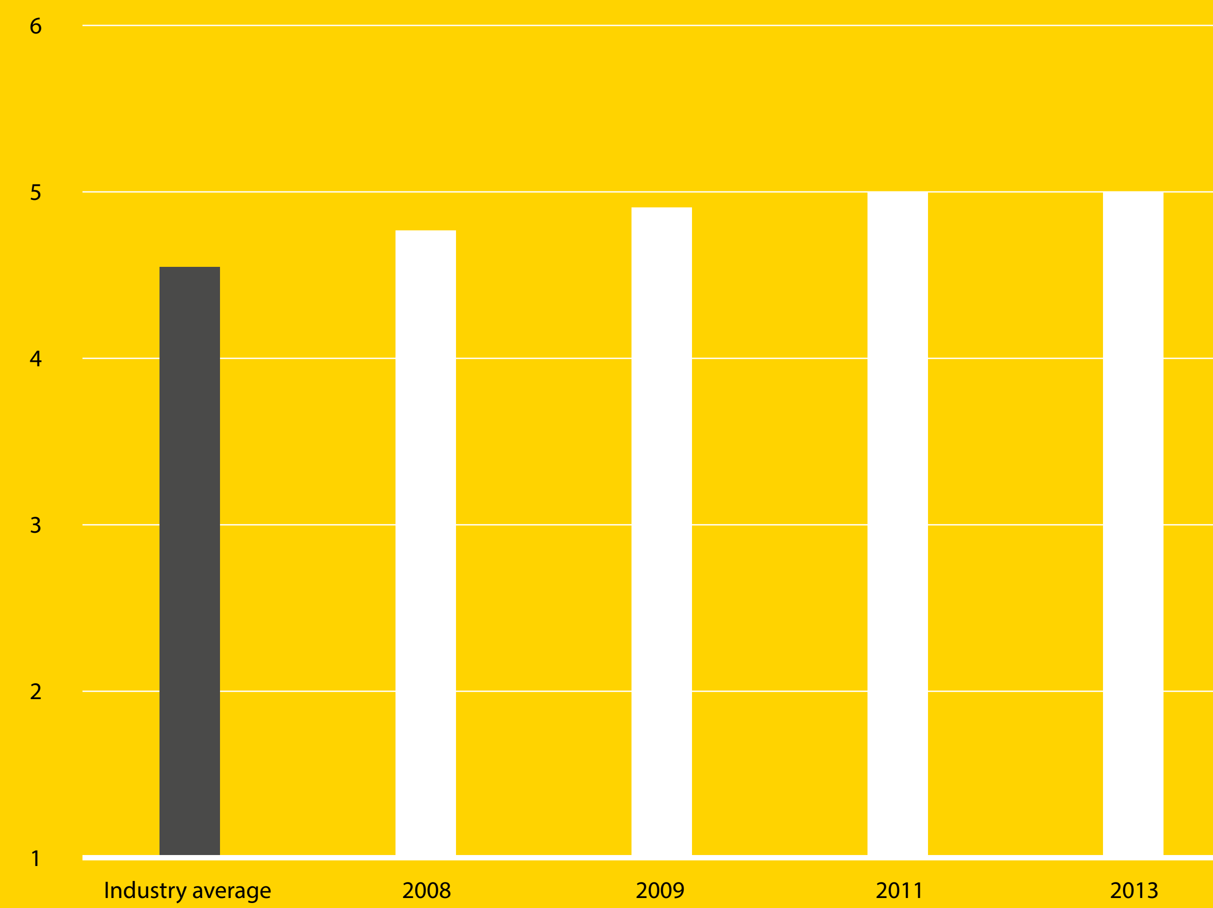
Relationship between managers and employees

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 salaried employees and employees paid by the hour 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

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



Healthy creation of value

AF Gruppen's creation of value should take place in a healthy and sustainable manner. HSE has therefore high priority with us. HSE work represents one of the most important pillars of our corporate culture today. 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 made ill as a result of their work, and that there shall be no unnecessary impact on the environment due to our activities. Rapid growth must not be at the expense of health, the environment or safety. Over time this prioritisation has resulted in a low injury rate, low absence due to illness and high source separation rate.

AF Gruppen has a structured and uniform HSE system that encompasses all the units and projects. AF has procedures for risk analysis and barrier management. All undesired incidents and injuries are reported in the HSE system and classified by their degree of severity. All undesired incidents shall be reviewed. All personal injury with absence and undesired incidents with a high loss potential are investigated in accordance with the Group's procedure. The responsible executive vice president and the unit's director participate in the investigation and are responsible for closing any non-compliance cases and introducing preventive measures.

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

AF wants a working environment that is safe for all employees in our projects, regardless of whether they are our own employees, contracted or employed by subcontractors. AF has an e-learning programme for safety work and an HSE Manual for all the parties involved. The programme and manual have been translated to seven languages. We would like everyone to come home just as healthy as when they left for work.

Safety

Never before has AF Gruppen reported such a low injury rate. These results are attributed to systematic and focused work. Good safety is, however, not something that can be ascertained as having been achieved, good safety is something that must be strived for every day throughout the year. With an uncompromising attitude towards safety and a humble attitude towards an improvement potential that we know still exists, we will continue to work towards our goal.

Goal

AF's overall goal is to eliminate work accidents with personal injury that are so serious that they entail absence from the workplace (LTI = 0). Our goal does not differentiate between our own employees and the employees of our subcontractors.

Means

Safety work at AF is marked by acknowledgement of the fact that undesired incidents have a cause and that they can thus be avoided. Activities are analysed through risk management with a view to possible undesired incidents and their causes, and risk-reducing barriers are established to prevent that such incidents occur or reduce them to an acceptable level. If undesired incidents nevertheless occur, they are followed up to find the underlying cause, so that preventive measures can be established. The most serious incidents are followed up more thoroughly by means of an investigation. AF's employees receive thorough training in the basic principles of AF's safety work.

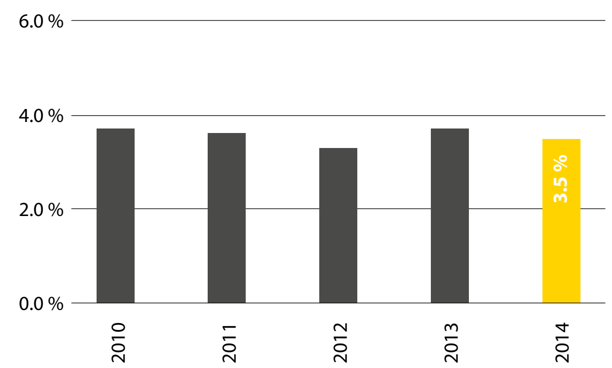
Results

The injury frequency rate has shown a positive trend over the years. From an LTI rate for the Norwegian operations of around 20 in the early 90s, today we have an historically low LTI rate of 1.1. This number represents 10 lost time injuries in 2014.

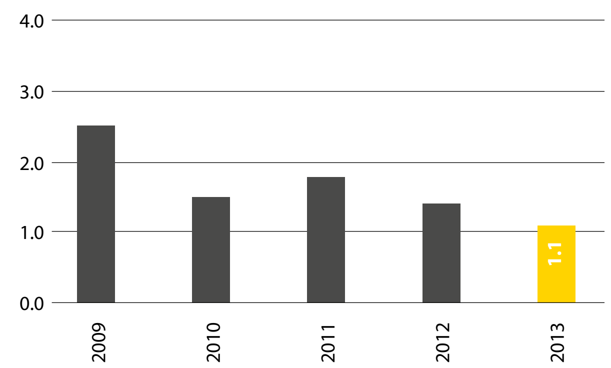
Health

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

Absence due to illness



LTI rate



Lost-time injuries per million hours worked

Goal for absence due to illness

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

Means

Risk assessments are performed to identify negative health exposures, and barriers are established to prevent that the exposures result in a negative health effect in the short and long term. The employees are kept informed about the health exposures that exist and the associated alternative barriers that can be used to prevent health injuries. Ongoing training is provided so that both the managers and skilled workers have knowledge of good preventive health work.

Our employees' health is monitored through our internal corporate health service, systematic health check-ups and survey work. Absence due to illness committees have been established in all the business units, and they are to ensure that everyone with absence due to illness is followed up in a proper manner.

Results

AF reported absence due to illness of 3.5 per cent for 2014. AF's absence due to illness is low compared to that of comparable businesses.

Environment

AF is engaged in operations that may affect the external environment and seeks continuously to limit this impact. AF wants to prevent unnecessary damage and minimise any negative impact, and to provide an emergency response system that minimises damage to and losses in the external environment if an accident occurs.

Goal for the external environment

Each business unit has targets for the external environment based on the unit's most important environmental aspects. In addition, all of the units use AF Gruppen's common measurement parameters, source separation rate and carbon footprint, to measure themselves.

Means

Environmental work is an integral part of HSE work, and the tools used are therefore the same that are used in connection with health and safety work. Systematic risk analysis is performed that identifies possible environmental risks. Barriers are established to prevent environmental damage. If undesired incidents occur, they are reported and the incident is followed up to minimise damage and establish preventive barriers.

Follow-up of the measurement parameters source separation rate and carbon footprint acts as an extra driving force for AF's environmental work. The 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 our operations is sorted. The purpose of sorting is 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.

Source separation rate for the Group:	2014	2013	2012
Building	82 %	81 %	79 %
Renovation	82 %	80 %	89 %
Demolition	96 %	96 %	98 %
Total volume	478,955 t	408 ,365 t	511,112 t

Carbon footprint 2014: 41,969 tonnes of CO_2, equivalent to 4.9 tonnes per NOK million revenue.
See the Energy and Climate Accounts on page 25.

Sustainable entrepreneurship

Sustainability is a prerequisite for continued growth. Through focusing on environmental impact, business ethics and the working environment, AF Gruppen will ensure that the value that is created protects society and the environment as greatly as possible.

AF Gruppen's general guidelines for sustainable entrepreneurship and corporate social responsibility are described in the company's corporate policy. 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.

In July 2014, the European Commission presented the premises for an economy that contributes to the recycling of resources and that they remain in circulation (circular economy). The target for 2030 is for more than 80 per cent of the materials used to be recyclable. The European Commission points in particular to the consumption of materials in buildings and the opportunities for recycling. Better utilisation of the resources is of fundamental importance to sustainable entrepreneurship, and AF Gruppen already delivers beyond the Commission's target for 2030. AF has sorted and recycled large quantities of materials in 2014, 478,955 tonnes (408,365 tonnes) of source-separated materials and 707,941 tonnes (474,547 tonnes) of recycled asphalt and concrete. This provides significant social gains, in addition to the commercial gains for the company.

Sustainable entrepreneurship also presupposes that operations have the required preparedness for undesired incidents, as well as systems for continuously learning from mistakes. AF Gruppen's corporate policy describes the aims and goals of the policy, the Group's requirements and clarification of roles and responsibilities in accordance with the relevant policy.

AF Gruppen has clearly defined aims and goals for its operations and how this is to be achieved. This is described in the governing documents: "Purpose, Goals and Values" and the "Code of Conduct". The "Code of Conduct" describes 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. AF expects that all employees are able to identify and comply with the guidelines. Sustainable entrepreneurship is part of the day-to-day operations.

Sustainable entrepreneurship requires a management system for the entire Group. All the units have adapted management systems that describe how the units operate on a daily basis within the framework defined by the Group. AF Gruppen has uniform systems for both ongoing reporting and the handling of individual incidents within the Group.

Environmental affairs

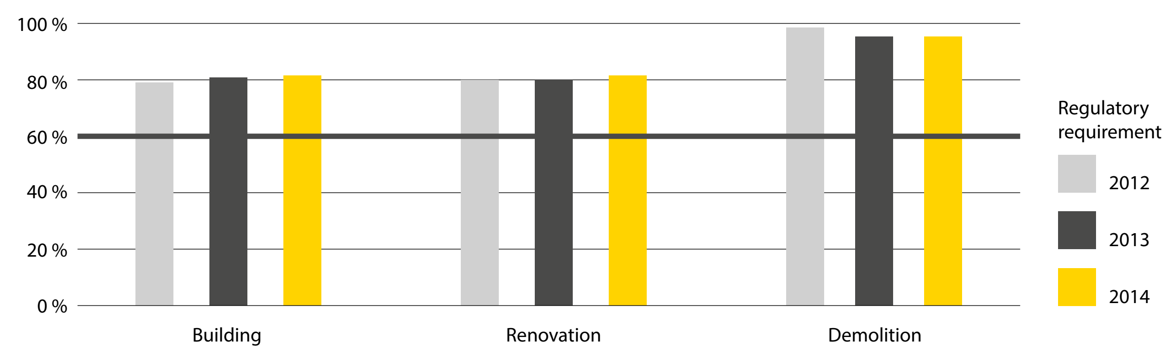
All activities at AF are to be based on a fundamental understanding and acceptance of the idea that the impact on the external environment must be minimised.

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.

Source separation rate



Recycling and source seperation	2014	2013	2012
Building	82 %	81 %	79 %
Renovation	82 %	80 %	80 %
Demolition	96 %	96 %	98 %

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

Recycling	2014	2013	2012
Asphalt	407,940 t	247,932 t	332,496 t
Concrete	300,001 t	226,615 t	181,751 t
Total volume	707,941 t	474,547 t	514,247 t

In addition, AF has processed and cleaned 67,500 t (0) of contaminated materials in 2014.

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 quantity of construction machinery will increase in step with the turnover. 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. 25).

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. All environmental activities in the offshore sector are subject to external verifiers that have documented that the company operates well within all of the discharge permits granted. These reports are available on our website (www.afgruppen.no).

Business ethics

AF Gruppen has a large number of customers and suppliers and would like to exhibit good business ethic standards at all levels of the organisation. AF must only make use of suppliers who are willing 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 entities. 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.

> AF would like to create an inspiring workplace full of satisfaction and energy, while we are uncompromising when it comes to workplace safety.

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 is approved annually 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.

In order to secure compliance with AF's ethical standards, AF requires that there is a maximum of two levels of subcontractors in projects. AF's largest building unit, AF Bygg Oslo, has established its own internal labour inspection to verify that AF's subcontractors comply with our standards are are well within the authorities' requirements. AF has also introduced the group initiative "Fair Play", which focuses on AF's relationship with its customers and suppliers from the start-up of the project to completion and delivery.

Personal integrity
All the employees represent AF Gruppen in every business context.

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, price-sensitive information must be handled in accordance with the policy for inside information. There is an ongoing control of all the stock exchange transactions carried out by employees or related parties.

Working environment

AF Gruppen aims to have a working environment that promotes health and prevents employee illness. AF would like to create an inspiring workplace full of satisfaction and energy, while we are uncompromising when it comes to workplace safety. 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 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 described under 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 discrimination, harassment or bullying due to race, skin colour, religion, nationality, gender, sexual orientation, age or disability.

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

Energy and Climate Accounts 2014

Category	Consumption		Energy equivalents (MWh)[1]	2014 Emissions (tonnes CO_2)	2013 Emissions (tonnes CO_2)
E85	-		-	-	2
Petrol	90,093	liter	823	208	148
Diesel oil	11,420,370	liter	113,747	30,482	31,552
Diesel oil (B5)	1,882,976	liter	18,679	4,775	-
LNG	3	t	35	8	-
Propane	1,208	kg	15	4	50
Total direct emissions			**133,299**	**35,476**	**31,752**
Power	27,159,858	kWh	27,160	2,472	3,120
District heating	307,708	kWh	308	18	13
Total indirection emissions from own activities			**27,468**	**2,489**	**3,132**
Air travel – commuting	12,042,572	pkm[2]		1,888	1,470
Air travel – official business	3,651,416	pkm[2]		686	773
Residual waste	2,848	tonnes		1,430	2,209
Glass	21	tonnes		1	2
Total indirect emissions from others				**4,004**	**4,454**
Total CO_2-emissions from activities			**160,767**	**41,969**	**39,338**
Carbon footprint (tonnes of CO_2 emission per NOK million in revenue)				**4.9**	**4.1**

[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.
[2] Person-kilometres

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 the projects should ensure that our reputation is maintained in their 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.

Learn from our mistakes
In spite of our focus on planning and preventive measures, undesired incidents can occur. Therefore it is important to report undesired incidents so that we can learn from them. AF also records and processes all HSE incidents 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, how the incident should be investigated and how further transfer of experience should be accomplished.

The number of recorded undesired incidents has increased significantly in recent years. In 2014, there were 9,967 (10,296) reported undesired incidents (RUI) in AF Gruppen. There is a clear correlation between the number of recorded undesired incidents and the number of injuries.

A key tool for achieving our goals

Commercial risk management is an important tool to ensure that AF Gruppen can achieve its goal of profitable growth. We view active risk management as a prerequisite for being able to deliver stable results over time.

The management of risk should ensure that we see opportunities for growth where we can assume risk that we can influence. We should at the same time manage 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.

Risk management as a management tool

Managers at all levels use risk management tools on a daily basis. This means that the focus on risk management is an integral part of all commercial activities in AF Gruppen.

Risk management in the projects represents the foundation for risk management at AF. A risk analysis of major projects in AF Gruppen's portfolio is performed every quarter. In business units with smaller projects, risk analysis is performed at the departmental level. All the staff in our projects are responsible for contributing their knowledge of any opportunities or threats they see in the projects. The project manager compiles the group's knowledge and drives the process of defining the measures for exploiting opportunities and managing threats.

The business unit's management group aggregates the analyses at the project level and performs a risk analysis on the entire project portfolio. This analysis establishes the basis for the unit's prioritized risk reducing measures in the following quarter and illustrates the risk situation in the unit to the Corporate Management Team. Every quarter the synthesis of all the risk reviews by the business units is 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 by all of the Group's managers. 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 effective management tool at all levels of the Group.

Continuous work towards increased competitiveness

Risk analysis is also used by AF Gruppen to find new opportunities and new solutions to the benefit of our customers and AF. After eight years of risk management, the system provides good insight into what opportunities we look for in the various projects and what projects have the greatest potential for good earnings.

Risk management has resulted in a significant reduction in the number of projects with loss and increased profitability. Since AF started to focus on risk management in 2006, the average operating margin has increased from 2.6 per cent (2002-2006) to 5.4 per cent (2007 to 2014). The correct pricing of both positive and negative risk is of key importance in the hard competition for new projects and has contributed to strengthening the Group's competitiveness.

The specialist function for risk management at AF Gruppen organises and drive the necessary processes linked to risk. The Group also works on the continuous improvement of the Group's processes and methods in this area.

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

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

	AF Gruppen 9 935 REVENUES NOK MILLION		AF Gruppen 635 OPERATING RESULT NOK MILLION
	32 % 3,172	CIVIL ENGINEERING	45 % 286
	7 % 709	ENVIRONMENT	6 % 41
	52 % 5,172	BUILDING	50 % 315
	0 % 21	PROPERTY	3 % 19
	1 % 141	ENERGY	0 % 3
	9 % 850	OFFSHORE	-3 % -22

Break new ground

In all of AF's business areas we strive for innovative solutions that can take projects and the world a small step forward. But it is not the technology that takes us there, it's the people.

"We must focus continuously on efficiency and creative solutions in order to carry out the job in a safe manner"

HSE Engineer Tone Bukholm is helping expand the Nyhamna gas processing plant outside of Molde together with close to 600 colleagues. High safety requirements apply.

"We do not take any chances when it comes to safety. Our challenge is to complete the tasks in the contract while never placing ourselves, others or the plant at risk," says Bukholm.

Expansion to receive gas from the north

AF Gruppen has acquired broad experience as a supplier to the oil and gas industry over the course of 20 years. Our expertise stems from the operation, maintenance and modification of onshore facilities, such as Kårstø, Kalstø, Kollsnes, Sture, Mongstad, Melkøya and Nyhamna.

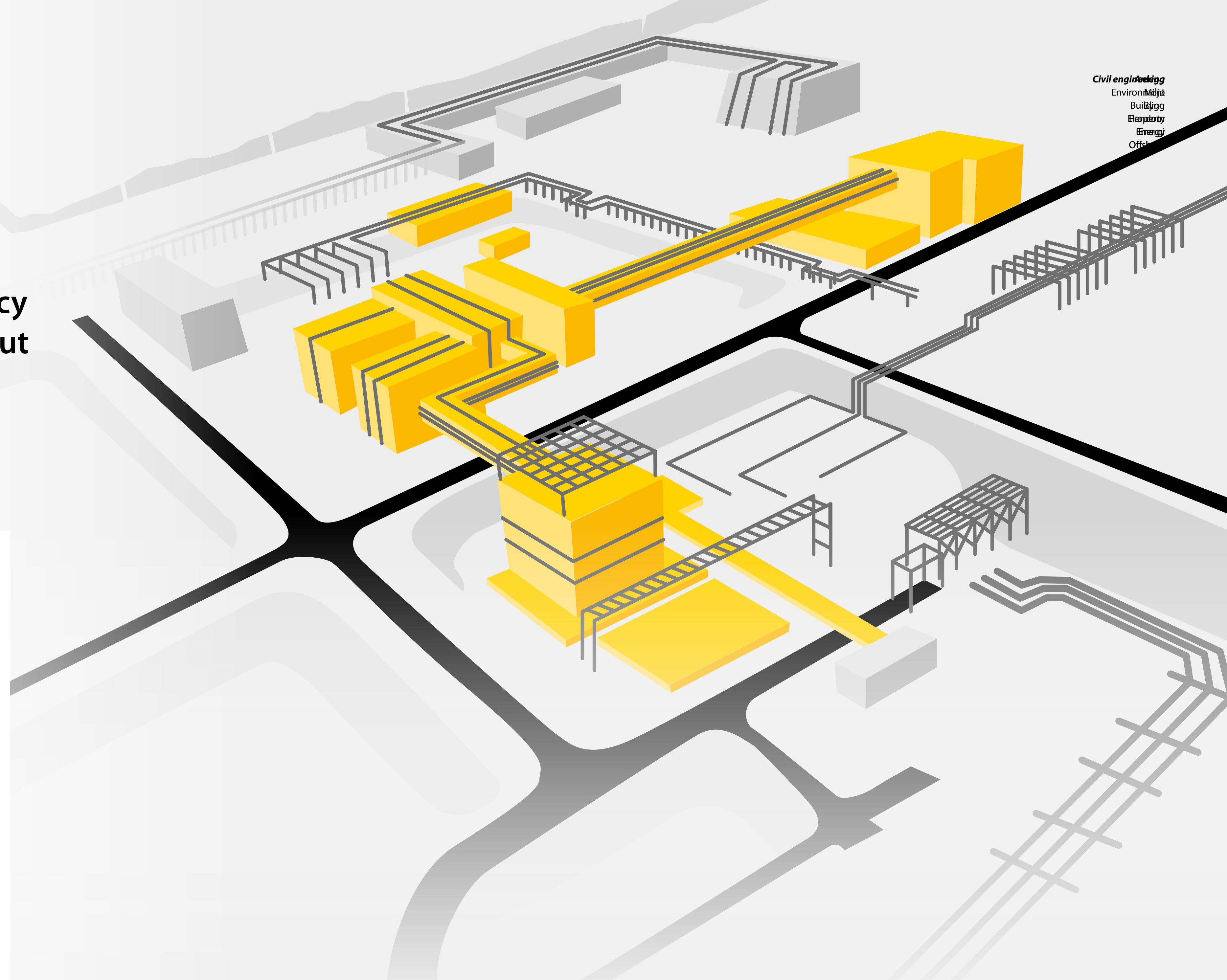
Nyhamna is a Shell-operated processing plant for natural gas from the Ormen Lange field in the Møre Basin in the Norwegian Sea. The plant is located on the island of Gossen in Møre og Romsdal, and the gas is transported to England from here through the 1200-kilometre long Langeled gas pipeline. Nyhamna is being expanded now so that it can receive gas from the Aasta Hansteen field off the coast of Northern Norway through the new Polarled gas pipeline. After the upgrade, the plant's capacity will increase by approximately a third.

Kværner has the contract with Norske Shell for the modification and upgrade work, and the company has in turn entered into a contract with AF Anlegg to perform the civil engineering work on the plant. AF Anlegg is responsible for all the concrete and site preparation work, pipe conduits, cable ducts and pipe racks for gas pipe packages. Roads and parking areas, landscaping and several free-standing buildings have been part of the plan since the job started in June 2013. The job is scheduled for completion in the middle of 2017.

Special project

The salaried staff was originally planned to number 26. One member of the staff is HSE Engineer Tone Beate Heiaas Bukholm. She was hired by AF Anlegg after she finished her siv.ing. engineering degree at the Norwegian University of Science and Technology (NTNU) in 2013.

"This is my first project since I started at AF Anlegg. This is a very special project, since the plant is operating throughout the construction period. We excavate and blast rock near the gas pipes, and if an accident should occur, it could be quite dramatic," she says, and adds that it is precisely therefore that the safety requirements are extremely high.



"We must focus continuously on efficiency and creative solutions in order to carry out the job in a safe manner"

TONE BUKHOLM, HSE ENGINEER

AF Anlegg has increased its workforce throughout the project. During certain periods, as many as 90 salaried employees have been working at Nyhamna, in addition to close to 500 skilled workers, both from our own workforce and subcontractors.

"My job is to follow up the HSE perspective of the work performed. There are many practical challenges associated with working so close to a plant in full operation. One example is when we were to excavate a trench for the new pipeline, which extends 400 metres into the sea and is up to 20 metres under water. An ordinary method would have been to blast the rock away, but due to the risk in relation to the pipeline, 600 cubic metres of rock under water had to be removed without blasting," she says.

The solution was to drill many holes in the rock and then use a pick and chisel to remove the rock.

"We must focus continuously on efficiency and creative solutions in order to carry out the job in a safe manner," says Bukholm.

Strict requirements

Everyone who is to enter the gas plant area must have a special work permit.

"Part of what is different here in relation to an ordinary construction site is the fact that we must use gas detectors at all the workplaces. In addition, mobile phones are banned and no electrical tools can be stored inside the area overnight, due to the constant risk of explosion and ignition and the safety of us who work here," says Bukholm.

Every job that is to be performed here has its own job binder that contains all the documentation.

"It is a new way of working for us at AF Anlegg – there are more documents that must be followed up and signed all the time. The advantage is that we can avoid some of the follow-up work when the project has finished," she says.

It is also challenging that the project is big and there are many parties involved.

"Good communication and good cooperation are enormously important to stay on schedule. We must do what we have to do, but we cannot gamble with safety or risk making mistakes that will cause the plant to shut down production. This would then be extremely costly," she says.

Creative solutions

Planning is a keyword when new employees are to start working at the plant. Tone Bukholm's duties include preparing Safe Job Analyses for workers prior to starting a job.

"It is a very exciting project and I am happy to be a part of it. I can really challenge myself here," says Tone Bukholm.

NYHAMNA IN BRIEF

	1/3			24	
The gas processed at Nyhamna covers 20 per cent of the UK's annual gas consumption.	*The upgrade will increase the plant's production capacity by about a third.*	*Scope of work:* ■ *Demolition of concrete and underwater pipelines* ■ *Underground installations* ■ *Landfall*	*The new gas pipeline, Polarled, will be laid in a landfall that extends 4,000 metres into the sea.*	*Work takes place at a gas plant that is in full operation around the clock. This imposes strict demands on planning and safety.*	**See more on the next page**

To be completed in 2017

NYHAMNA

The contract is for the construction of new infrastructure for the expansion of the Nyhamna gas processing plant at Aukra in Møre og Romsdal. The upgrade will increase the plant's production capacity by about a third. AF's work started in 2013 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. A new landfall for the Polarled gas pipeline is also included in the scope of work.

Contract sum: NOK 750 million
Completion: 2017
Client: Kværner Stord on behalf of Norske Shell

Other important projects in 2014

E6 FRYA-VINSTRA

AF has the first general contract for the development of E6 Frya–Vinstra through the municipalities of Sør-Fron and Nord-Fron. The section consists of 4.3 kilometres of tunnel, 20 concrete structures, 18 kilometres of motorway and 10 kilometres of local road. The project is well over halfway complete, and it will create a safer and more efficient European road when it is finished.

Contract sum: NOK 1,470 million
Completion: 2016
Client: Eastern Region of the Norwegian Public Roads Administration

RÅNÅSFOSS

AF is upgrading Rånåsfoss I for Glomma Kraftproduksjon AS. The power station exploits the fall of Rånåsfossen in the Glomma watercourse in Sørum Municipality. All six existing turbines will be replaced by new funnel turbines with vertical shafts. The upgrade will result in a production increase of approximately 60 GWh.

Contract sum: NOK 110 million
Completion: 2015
Client: Glomma Kraftproduksjon AS

FOLLO LINE

AF is constructing two access tunnels, each approximately 1 km long from Åsland down to the future main tunnel for the Follo Line. In addition, AF will perform miscellaneous groundwork at Åsland and establish a walking and cycling connection. The Follo Line is the first stage of the InterCity development south-east of Oslo and the largest land-based project in Norway in recent times.

Contract sum: NOK 250 million
Completion: 2015
Client: Norwegian National Rail Administration

More projects on afgruppen.no/construction

Good performance

Good performance by the major projects contributed to very good results for the Civil Engineering business in 2014. The market outlook for Civil Engineering is good in 2015.

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

AF performs traditional civil engineering projects in the areas of transport, infrastructure and hydropower throughout Norway. This includes roads, rail, airports, tunnels, and foundation work, as well as fitting out and securing tunnels.

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

In addition, the Civil Engineering business area carries out 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, as well as sea and port facilities, throughout the Nordic region.

2014 in brief

In 2014, the Civil Engineering business area reported revenues of NOK 3,172 million (2,950 million). Earnings before tax were NOK 288 million (265 million).

The profit margin for the year was 9.1 per cent, compared with 9.0 percent for the previous year.

There have been few major contracts signed throughout the year, but the scope of several projects has gone beyond the original contract sum. At year end, the Civil Engineering business area had an order backlog of NOK 2,913 million (4,604 million).

AF Anlegg saw a high level of activity in 2014 and delivered very good results for its core operations related to transport, infrastructure and hydropower. Many major civil engineering projects performed well operationally in 2014.

Pålplintar reported somewhat lower than expected revenues in 2014, and the unit delivered a negative result for the year. The negative result is attributed primarily to a low level of activity and losses on certain projects in the first half of 2014. Operational and organisational adaptations were carried out during the year, and they have resulted in a positive result for the last half of 2014.

Market outlook

The forecasts for the Norwegian economy for 2015 are marked by a fall in the oil prices, and it looks like there will be a sharp fall in investments on the Norwegian continental shelf. This will also affect the mainland economy. According to Prognosesenteret, the level of civil engineering activity is expected not to be affected significantly, and, if the authorities decide to increase appropriations for civil engineering work as a counter-cyclical measure, the lower level of activity in the oil sector may result in higher growth in the civil engineering market.

NOK 26.8 billion has been appropriated for road purposes in the State Budget for 2015, and the Government has stated that transport will be given a significant boost. The appropriation for 2015 represents an increase of approximately NOK 3 billion (12.4 per cent) compared with the budget for 2014. An appropriation of around NOK 8 billion has been proposed for major road projects.

The development of the Swedish economy is influenced by the eurozone, and the key rate in Sweden has recently been lowered to record-low levels. The Swedish central bank Riksbanken is expecting the gross national product to grow by 2.7 per cent in 2015, and the Swedish Construction Federation is expecting growth of 1 per cent for investments in the civil engineering sector in Sweden in 2015. The outlook for the Norwegian and Swedish markets is marked by greater uncertainty than earlier due to the macroeconomic conditions in the eurozone, as well as the lower oil prices, but the scheduled start-up of many major civil engineering projects gives AF's Civil Engineering business area a good foundation for the future.

Strategy

The Norwegian portion of the civil engineering business has a nationwide and mobile organisation that focuses on large, complex civil engineering projects for roads, railways, power plants and oil & energy. These projects are carried out with a large proportion of our own employees for tunnelling, fitting out tunnels, earthmoving and road and railway building, and on the use of the subcontractor market for deliveries that give us a competitive advantage.

The aim of civil engineering activities is to continue profitable organic growth within our core operations. In other words, large complex projects that require a great deal of expertise in project management, technical implementation, operations management, risk management and HSE. Growth will also happen through acquisitions of well-managed companies with geographical and commercial niche competence.

In carrying out large, complex projects, AF should be attractive to the labour market. 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.

Civil engineering

REVENUES NOK MILLION

3,172

31.9 %

AF Gruppen 9,935

OPERATING RESULT NOK MILLION

286

AF Gruppen 635

OPERATING MARGIN

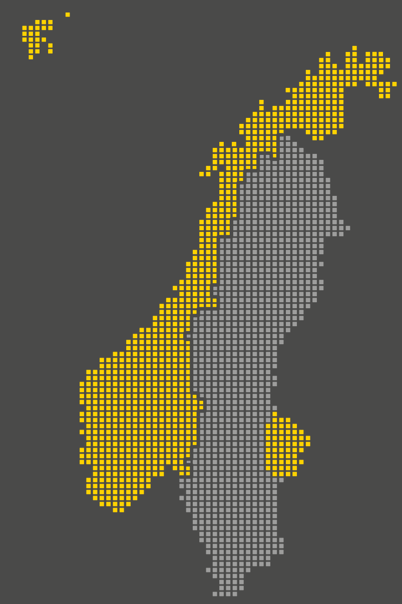
9.0 %

KEY FIGURES

Amounts in NOK million	2014	2013	2012
Revenues	**3,172**	2,950	2,622
Earnings before interest and tax (EBIT)	**286**	253	83
Earnings before tax (EBT)	**288**	265	92
EBIT %	**9.0 %**	8.6 %	3.2 %
EBT %	**9.1 %**	9.0 %	3.5 %
Order backlog	**2,913**	4,604	2,232

GEOGRAPHIC PRESENCE

- Norway, including Svalbard
- Sweden



EMPLOYEES

1,038

37.1 %

AF Gruppen 2,797

CIVIL ENGINEERING CONSIST OF

- AF Anlegg
  Johan Rognerud
  AF Arctic
- Pålplintar

"We thought we knew what to expect..."

Demolishing a building from 1978 with environmental toxins and asbestos is challenging enough in itself. When it involves a building that is being demolished because it was damaged by the bomb on the 22nd of July, it becomes a very special project. This is what Project Engineer Agnete Sion Evensen has experienced.

"What has perhaps been the most different about this construction site compared to other projects we have had is the fact that all the vehicles had to be checked thoroughly every time they entered the area. Doors, bonnets and boots had to be opened, the undercarriage was inspected with a mirror and everything was checked. Every single time, even if the same lorry had perhaps been inside the area just a half hour earlier, says Agnete Sion Evensen from AF Decom. The project engineer has been responsible for HSE and environmental work, in addition to quality assurance, in connection with the demolition of the S-Block.

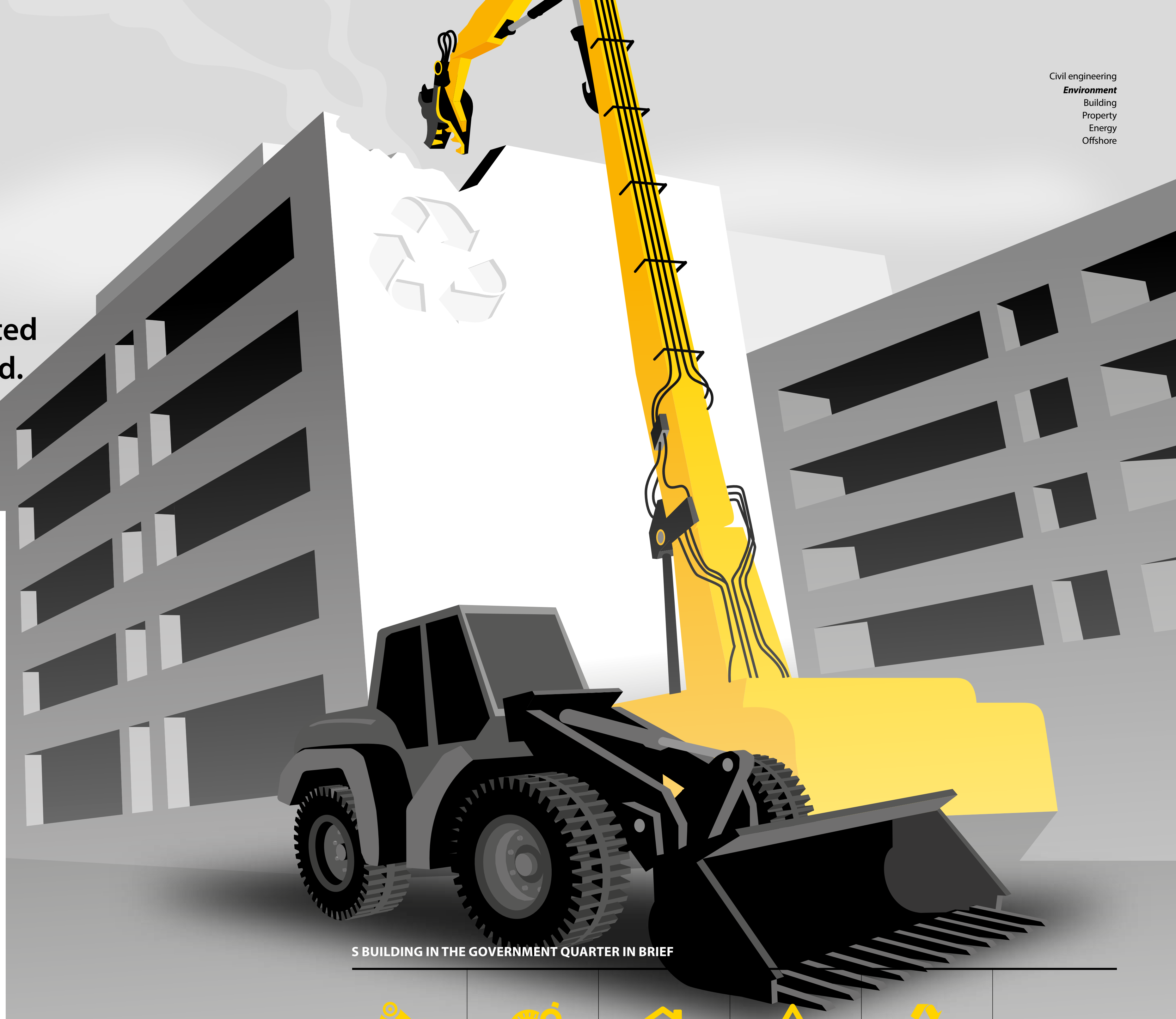
The Viksjø designed building from 1978 was seven storeys high, measured over 15,000 square metres and was one of nine buildings that comprised the Government Quarter. When the bomb exploded on 22 July 2011, the S-Block was severely damaged. In May 2014, the Government decided to demolish the building.

"What is strange is the fact that the S-Block did not look like it had been damaged much at first glance. On the high-rise building, Høyblokka, we could see bare reinforcement steel as a daily reminder of what had happened, while the S-Block "only" had plywood over its windows and a tarpaulin over parts of its façade. It was natural that we talked some about the 22nd of July during the project, and everyone understood that Statsbygg, the client, enforced strict security and control requirements," says Evensen.

Client was present

The strict requirements were not just about checking all the vehicles on their way into the site. The client also had its own construction management on site.

"Often we do not see the client much on the construction site, but in this project there has been an entire organisation on site. In a project, we normally deal with one to two representatives for the client. Here there were 12-15 persons from the client and four from AF Decom's project management. Statsbygg had engaged two-three consultant engineers in different disciplines. In addition, they had two of their own construction managers and a health, safety and working environment coordinator. It has been informative, but also challenging," says the project engineer.



"Doors, bonnets and boots had to be opened, the undercarriage was inspected with a mirror and everything was checked. Every single time."

PROJECT ENGINEER AGNETE SION EVENSEN

She was responsible, for example, for documenting that all the 22 AF Decom employees and the 61 workers altogether from the subcontractors were working under satisfactory conditions. This entails obtaining contracts, construction ID cards, employment contracts, time sheets, payslips and other documentation.

"My task was also to ensure that all the documentation was in place before an access card to the construction site was issued," Evensen says.

Asphalt glue caused problems

Time in particular was a very key factor in the project. AF Decom had the period from 1 October to 13 February to demolish the S-Block, with the environment and safety in sharp focus at all times – and with a protected building, Møllergata 19, next door. There was no time for delays or postponements, because new contractors were ready and waiting to enter the area and start the construction of the new government building.

"We are quite used to short deadlines, so that was not our greatest challenge. However, we faced some technical challenges during the project," says the project engineer and elaborates:

"An environmental survey was conducted in advance, so we thought we knew what to expect with regard to the handling of building materials with substances that were hazardous to health or the environment. However, it was not evident from the environmental survey that the roof was full of oil-contaminated asphalt glue. When the S-Block was constructed at the end of the 1970s, thick layers of asphalt glue were used to bond the roofing felt to the concrete substrate. In order to remove this in a proper manner, we had to go up with an asphalt cutter on the roof. We had to calculate first then whether the roof could withstand a four-tonne machine. Fortunately it could, and we managed to solve this problem as well within the schedule.

Just getting the waste out, properly sorted and labelled (in Norwegian, English, Polish and Lithuanian) during the project has been a challenge. There were 19,000 tonnes of concrete (broken down into different fractions: oil-contaminated, heavy metal contaminated and containing asbestos), 130 tonnes of oil-contaminated felt, insulation and wood, 17 tonnes of double-glazed windows with hazardous substances, 13 tonnes of insulation containing CFCs and 120 tonnes of residual waste transported away from the construction site. The sorting rate was 99 per cent.

"This has been a challenging project. It was extra satisfying then to have completed the project on time and without any injuries, says a satisfied project engineer.

S BUILDING IN THE GOVERNMENT QUARTER IN BRIEF

Removal of the S building in the Government quarter signifies the start of the physical works related to construction of the new Government quarter.

The building has been linked to the other government buildings via underground culverts. This is demanding in terms of demolition cross sections and precision towards the surfaces that were to be preserved.

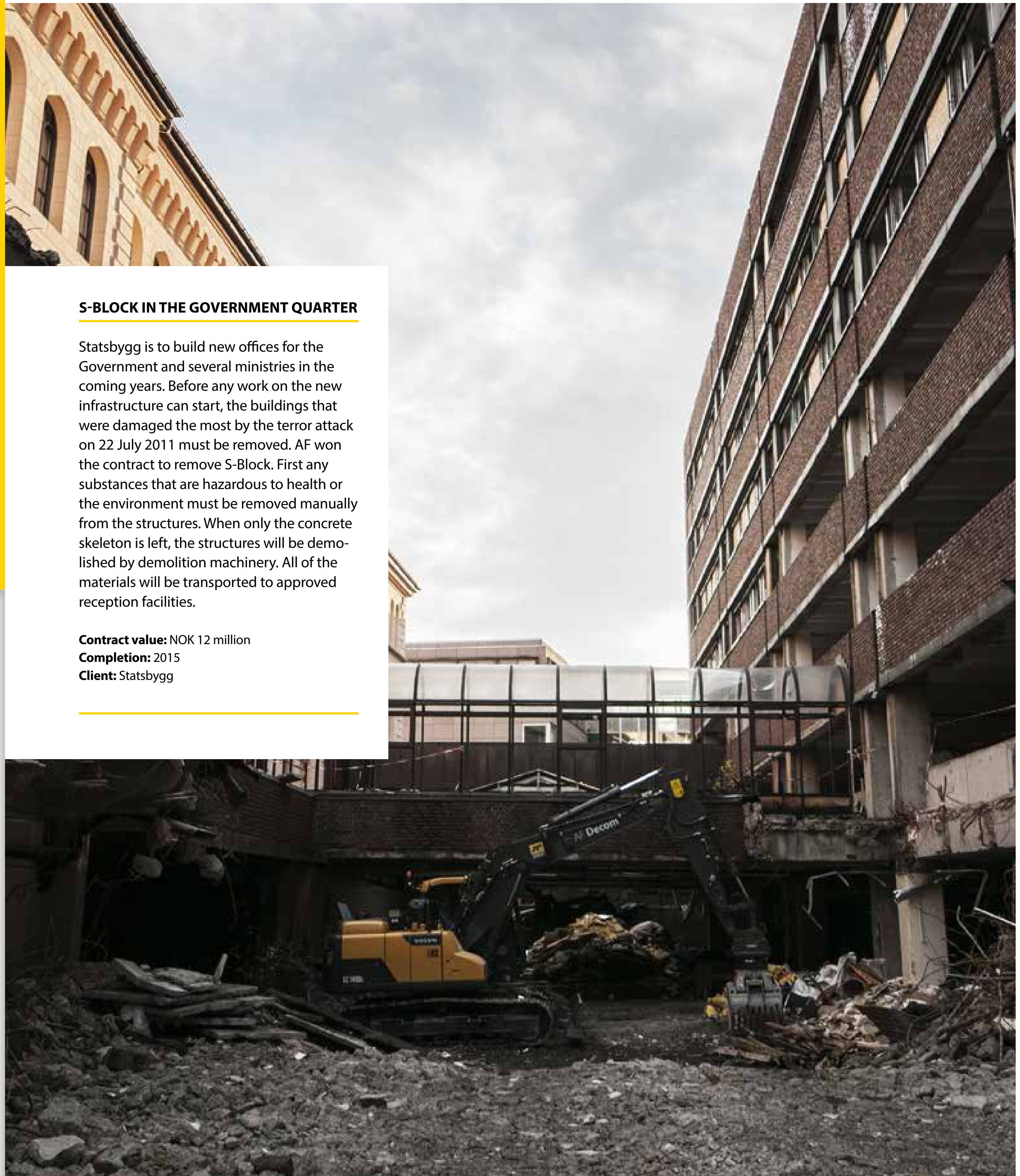
The removal contract was next to one of Oslo's listed buildings and an operative fire station.

The structures were stripped of all hazardous materials. All of the materials have been delivered to approved reception facilities.

A total of 260 tons of metals were delivered for recycling.

See more on the next page

Site soon to be ready for construction



S-BLOCK IN THE GOVERNMENT QUARTER

Statsbygg is to build new offices for the Government and several ministries in the coming years. Before any work on the new infrastructure can start, the buildings that were damaged the most by the terror attack on 22 July 2011 must be removed. AF won the contract to remove S-Block. First any substances that are hazardous to health or the environment must be removed manually from the structures. When only the concrete skeleton is left, the structures will be demolished by demolition machinery. All of the materials will be transported to approved reception facilities.

Contract value: NOK 12 million
Completion: 2015
Client: Statsbygg

Other important projects in 2014

RJUKAN

The Rjukan string in Telemark was to be renovated by the construction of new reservoirs at Dale and Skarfoss, among other things. In the summer of 2014, AF was awarded the contract to remove the existing plants from the reservoirs, as well as the draft tube hatch doors at the Såheim Power Station. In addition, work was performed at Såheimstoppen and the pressure shaft at Vemork was secured.

Contract value: NOK 6 million
Completion: 2014
Client: Skanska on behalf of Hydro

FOLLUM FABRIKKER

Follum Fabrikker was one of the largest ever demolition projects in Norway. Buildings with an area of 100,000 square metres, 150,000 tonnes of concrete and 11,000 tonnes of steel place high demands on sorting, environmental clean-up and recycling. Major portions of the heavier buildings were processed through a crushing mill and used for filling on the site. Machinery and components that were not sold, as well as steel and metal, were recycled.

Contract value: NOK 50 million
Completion: 2014
Client: Treklyngen

MILJØSANERING LÆRDAL BRANNEN

In January 2014, the little rural community Lærdalsøyri in Lærdal Municipality was struck by Norway's largest urban fire in modern times. The fire destroyed 40 buildings. No human life was lost, but 70 residents lost everything they owned. Several of the buildings that were lost in the fire had asbestos in their roofs and walls. AF vacuumed up the asbestos in cooperation with the company Eriksen HMS in Bergen. All the asbestos was delivered to an approved reception facility.

Contract value: NOK 4 million
Completion: 2014
Client: Lærdal Municipality

» More projects on afgruppen.no/environment

Good level of activity, variable results

The year 2014 was marked by variable results in the Environment business area. Expectations of good building and civil engineering markets, together with an increased focus on the processing and recycling of materials give a good outlook for 2015.

AF is Europe's largest contractor for the demolition and environmental clean-up 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, clearance, recycling, blasting, dredging, handling contaminated materials and special jobs. Strict environmental regulations direct our attention to the environment, safety and a high degree of recycling.

The Environment business area consists of the units: AF Decom, AF Decom AB, Härnösand Byggreturer AB, BA Gjenvinning, Rimol Miljøpark and Jølsen Miljøpark.

The demolition enterprises demolish and recycle building waste for sale or disposal. The business area generates a large volume of steel that is sold for recycling at smelting plants. The recycling business has an approved reception facility for demolition waste, primarily concrete, brick and asphalt. The demolition waste is crushed, cleaned and sold as recycled crushed stone and gravel.

BA Gjenvinning recycles concrete and asphalt. Rimol Miljøpark is a high-technology reception facility for the storage and recycling of contaminated materials. Jølsen Miljøpark processes concrete, rock and asphalt for recycling.

2014 in brief

The Environment business area reported revenues of NOK 709 million (684 million) and earnings before tax of NOK 39 million (38 million). The profit margin was 5.5 per cent, compared with 5.5 per cent in 2013. The results for 2014 are lower than the long-term target.

There has been a satisfactory level of activity in the Norwegian operations, but variable project results throughout 2014. The major Follum Fabrikker project, which ended in 2014, was a well-executed project, financially and environmentally and in terms of safety.

The Swedish operations saw variable results in 2014. Härnösand Byggreturer AB, which AF Gruppen acquired in 2013, had a high level of activity and delivered good results in 2014. AF Decom AB delivered very weak results for the year. Operational and organisational adaptations were carried out in AF Decom AB in 2014.

Rimol Miljøpark in Trondheim performed well and delivered good results. Jølsen Miljøpark, which is located outside of Lillestrøm, was in a start-up phase in 2014.

In 2014, AF Gruppen sold 50 per cent of BA Gjenvinning AS to Gunnar Holth Grusforretning AS.

The total order book for Environment stood at NOK 175 million (215 million) at the end of the 2014.

Market outlook

The market outlook for the Environment business area in 2015 is good.

The level of activity in the Environment business area is connected to the general level of activity in the building and civil engineering markets. The positive outlook for the civil engineering market in Norway and expected higher demand for residential and non-residential buildings in the largest cities is expected to have a positive impact on the demand for demolition services.

The same tendency is expected in Sweden, where the forecasts indicate growth in the building and civil engineering markets, which is expected in turn to result in increased demand for demolition services.

Strict environmental regulations are expected to result in good demand for reception, recycling and recovery services for materials.

Strategy

The business concept for the Environment business area 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 marked by a high level of focus on safety and protecting the external environment, in which an analysis and survey of demolition projects will ensure proper 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.

REVENUES NOK MILLION

709

7.1 %

AF Gruppen 9,935

OPERATING RESULT NOK MILLION

41

AF Gruppen 635

OPERATING MARGIN

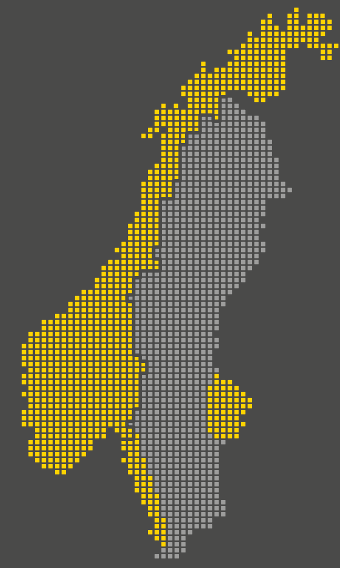
5.8 %

KEY FIGURES

Amounts in NOK million	2014	2013	2012
Revenues	**709**	684	649
Earnings before interest and tax (EBIT)	**41**	40	72
Earnings before tax (EBT)	**39**	38	71
EBIT %	**5.8 %**	5.8 %	11.1 %
EBT %	**5.5 %**	5.5 %	11.0 %
Order backlog	**175**	215	231

GEOGRAPHIC PRESENCE

- Norway
- Sweden



EMPLOYEES

226

8.1 %

AF Gruppen 2,797

ENVIRONMENT CONSIST OF

- AF Decom AS
  BA Gjenvinning
  Rimol Miljøpark
  Jølsen Miljøpark
- AF Decom AB
- Härnösand Byggreturer AB

"We haven't done this before, but that's what makes it really fun"

When the Agency for Urban Environment in Oslo moves into their new offices, the environmental standard must of course be tip-top. AF Bygg Oslo is taking responsibility for this and will be delivering a building with a BREEAM environmental classification of excellent. Site manager Christoffer Martinsen sleeps nevertheless well at night.

We are talking about 15,500 square metres of offices over 8 storeys with space for 750 employees at Hasle Linje. The passive building standard is achieved, for example, by means of 12 geothermal wells drilled 260 metres down into the ground. Solar panels on the roof and façade facing south will supply 12.5 per cent of the power required to keep fans, pumps, lighting and equipment operating.

K5B, or the Front Building as it is called, should be ready so that the tenant the Agency for Urban Environment can move in in the summer of 2015. It will be the first time then that AF Bygg Oslo has constructed an office building with the highest environmental standard that it is possible to achieve, namely BREEAM NOR Excellent. The contract is valued at just under NOK 300 million. Every work day throughout 2014, the project generated revenue of approximately NOK 1 million.

Strict documentation requirements

"The greatest difference between building a BREEAM-certified building and a building that is not, is the documentation requirements and the choice of solutions. We do not really do that much differently in the actual building process, but we have to document everything we do and everything we buy to a far greater extent than otherwise. Stricter than normal environmental and documentation requirements apply to everything we buy as well.

"I think that this is very good, but it also requires that we start even earlier with our buying processes and engineering. When we finally start to build, it goes very fast. Things must therefore be clarified and defined in advance.

In addition, a BREEAM Excellent building is of course technically more complex. We haven't done this before, but that's what makes it really fun, says Site Manager Christoffer Martinsen.

When a building project is to be BREEAM certified, points are awarded in ten categories, including project management, use of materials, indoor environment, choice of site and accessibility, to mention a few. All of the factors interact with each other, so it is not enough just to think environmentally friendly materials or good source separation for recycling during the building process. The distance to the nearest public transport and how energy-efficient and environmentally friendly the building is – both during

"This is a project that is cool to have on your CV."

SITE MANAGER CHRISTOFFER MARTINSEN

the building and operating phases – will also have an impact on the total number of points.

K5B is part of Hasle Linje, the area where Vinmonopolet formerly had its head office, and it is located in the middle of a public transport hub. With an underground station at two corners of the site (Hasle and Økern), several bus lines in the immediate vicinity and good accessibility for both pedestrians and cyclists, cars are unnecessary for anyone who wants to visit the Agency for Urban Environment.

Creativity and flexibility

"There is no doubt that this is a project that is cool to have on your CV. Not just because it is a very good building environmentally, but also because we have had to think creatively and be flexible to stay on schedule," says Martinsen. She tells us about how a missing load calculation almost delayed the start of the structural shell by six weeks, but by reorganising the order of the site preparation work, they managed to reduce the delay to one week.

"We managed to make up for the one week during the remaining work, so that the structural shell was completed on schedule. A demanding challenge otherwise in the project has been the façade. Even if this is financially not a large part of the overall budget, having the building "closed in" is a prerequisite so that those who are to work inside can start. If the façade is delayed, it can have major consequences," says Martinsen.

And this is where it started to go wrong. First the subcontractor who was to deliver the façade had problems with his production equipment and then he had problems obtaining enough personnel. The schedule did not allow for delays, so something had to be done.

"The solution was to build a provisional façade where there were supposed to be solid glass panes. It closed in the building enough so that the internal work could continue as originally planned. Good and detailed plans, including a plan B to fall back on, makes it easier to reorganise and find alternative solutions when required," says Martinsen, and he continues:

"It is satisfying to complete a project on schedule, even if there have been obstacles on the way. As an organisation, AF is well-equipped to tackle challenges like this, with a good combination of older, experienced people and younger people who are willing to learn and have a lot of ambition. Personally, I think it is exciting to be involved in creating something that is permanent.

AGENCY FOR URBAN ENVIRONMENT IN BRIEF

Around 750 workplaces in 15,500 square metres. Canteen and roof garden with plants and herbs.

Passive house in compliance with TEK-10. BREEAM Excellent

Energy is retrieved from 12 geowells each drilled 260 metres into the ground.

Solar cells on the roofs and south-facing façade will cover 12.5 per cent of the building's energy requirements.

100% sorting at the source of all materials used

See the result on the next page

This will be the result

AGENCY FOR URBAN ENVIRONMENT

AF is constructing an office building at Hasle as a passive building for Höegh Eiendom. The building will house approximately 750 workplaces, and the Agency for Urban Environment will be the primary tenant. The building will be built with basement parking, storage and utility rooms and eight office floors, and the top floor will include a roof terrace, meeting room and shared canteen. The building will be built as a passive building in accordance with the TEK10 standard and have a BREEAM environmental classification of excellent.

Contract value: NOK 300 million
Completion: 2015
Client: Höegh Eiendom

Other important projects in 2014

ØSTFOLD HOSPITAL

AF is responsible for seven out of nine contracts for the new Østfold Hospital at Kalnes. The Hospital is currently Norway's largest land-based construction project. The new building will have an area of 85,500 square metres and space for 579 beds. The hospital is very advanced by European standards. All of the rooms are private, and the building shell is constructed around seven atriums. The longest corridor measures 420 metres. The official opening of the hospital will be on 2 November 2015.

Contract value: NOK 840 million
Completion: 2014
Client: PNØ (Eastern Norway Regional Health Authority)

LERVIG BRYGGE

An old industrial area in Stavanger will be transformed into a new urban district with a wonderful view. The 88 apartments near the edge of the water will have a view of the Ryfylke mountains and panorama of the city of Stavanger. The apartments will be built based on Selvaag's Pluss concept. Construction started in April 2013.

Contract value: NOK 440 million
Completion: 2016
Client: Øya Lervig Brygge AS, a subsidiary of Selvaag Bolig

PALEET

AF started the renovation of the Paleet Shopping Centre on Karl Johansgate in April 2013. The job encompasses interior remodelling of both the shopping centre area and office space. Paleet is located on Oslo's main street and reopened in September 2014. Paleet has over 30 speciality and fashion shops, as well as a number of cafés and food and beverage establishments. In the common area, over 4000 kg of copper has been used on surfaces, and columns and fire cabinets have been covered with leather.

Contract value: NOK 80 million
Completion: 2014
Client: KLP Eiendom

» **More projects on afgruppen.no/building-services**

Very good results

The focus in Building has been aimed at good risk management, higher quality project management and critical barriers during the execution phase in recent years. Our initiatives have resulted in clearer results and the overall profitability in the Building business area is at a satisfactory level now.

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

The Building business area encompasses activities related to new building, renovation and remodelling in Norway and Sweden. Building is divided into seven business units with strong local roots 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, the Strøm Gundersen Group, LAB and AF Bygg Göteborg.

2014 in brief

Building reported revenues of NOK 5,172 million (4,793 million) and earnings before tax of NOK 311 million (160 million) in 2014. The focus on margin improvement has shown results, and Building delivered a profit margin of 6.0 per cent (3.3 per cent).

The Norwegian building business delivered very good results overall, but the performance was variable in the various business units. AF Bygg Oslo, AF Bygg Østfold and Strøm Gundersen all performed well and delivered good results for 2014, while AF Bygg Sør and AF Bygg Rogaland experienced a challenging year. AF Byggfornyelse delivered positive results, but lower than the long-term target.

The Swedish unit AF Bygg Göteborg performed well and saw a satisfactory level of activity in 2014. The unit delivered results in accordance with the Group's profitability requirements.

Towards the end of 2014, AF entered into a letter of intent with the Bergen-based contractor LAB AS for the purpose of acquiring 70 per cent of the company. The transaction was completed in the first quarter of 2015.

The total order book for Building stood at NOK 4,138 million (4,760 million) at the end of the 2014.

Market outlook

Residential property prices performed strongly in 2014, and increased on average 5.8 per cent compared with 2013. A total of 27,130 start permits for new residential housing units were registered at the same time, which represents a decline of approximately 10 per cent compared with 2013.

It is expected that Norges Bank's decision to lower the key rate in December 2014, combined with banks being willing to lend, may result in higher prices in the residential housing market. Prognosesenteret expects residential housing prices to rise around 4 per cent in 2015. However, there is reason to assume that there may be significant regional differences, where the demand for residential housing close to the central business district will contribute to the greatest growth. Residential housing construction, measured by the number of start permits, is also expected to grow 1 per cent and 6 per cent in 2015 and 2016, respectively.

The Building business area is also exposed to fluctuations in the commercial property market. The construction of commercial buildings with a total floorspace of 4.75 million m2 started in 2014, an increase of 1.6 per cent over 2013. Prognosesenteret expects that this growth will continue in 2015, and it estimates growth of 2,1 per cent in the floorspace started in its forecasts.

The Swedish residential housing market showed strong growth in 2014, and a continued positive trend is expected in the coming year. The Swedish Construction Federation's forecasts indicate strong growth in residential housing investments in 2015. A continued high level of activity in Sweden provides a good foundation for AF's Swedish building activities in 2015.

With a good, stable portfolio, many strong project teams and a substantial order backlog, the foundation has been laid for AF Bygg's further growth. A good market is expected in general for AF's activities in the Building business area in 2015,.

Strategy

The business area has focused primarily in recent years on creating stable earnings. A clear focus on good risk management, proper organisation of projects and effective barriers during the execution phase have shown good results. Our level of profitability is industry-leading, and we believe that it is sustainable over time.

In December 2014, AF announced that it had signed a letter of intent to acquire 70 per cent of the shares in LAB AS. The company is the market leading contractor in Bergen and Hordaland, and it gives AF a foothold in a large, stable market. AF Gruppen's acquisition strategy is to approach established and well-managed companies that share our ideas about a good corporate culture and have capable employees at all levels. LAB AS is clearly such a company, and we are confident that an establishment in Hordaland with LAB AS as our partner will strengthen both companies in the future.

One of the industry's greatest challenges is the presence of fly-by-night operators. The goal for AF is clear. We shall not have any form of work-related crime on our building sites. We have therefore launched initiatives in the area of training, supplier selection, systematic follow-up and active control, so only solid and reliable actors are found on our building sites.

AF GRUPPEN

Building

REVENUES NOK MILLION

5,172

52.1 %

AF Gruppen 9,935

OPERATING RESULT NOK MILLION

315

AF Gruppen 635

OPERATING MARGIN

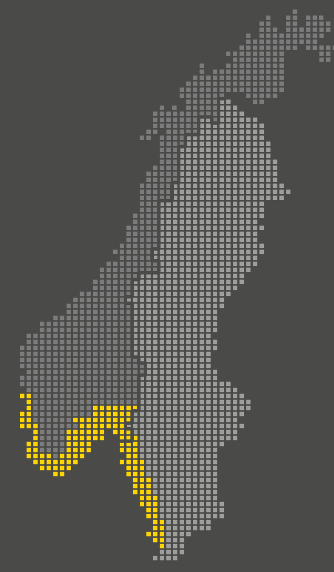
6.1 %

KEY FIGURES

Amounts in NOK million	2014	2013	2012
Revenues	**5,172**	4,793	5,348
Earnings before interest and tax (EBIT)	**315**	169	60
Earnings before tax (EBT)	**311**	160	47
EBIT %	**6.1 %**	3.5 %	1.1 %
EBT %	**6.0 %**	3.3 %	0.9 %
Order backlog	**4,138**	4,760	4,368

GEOGRAPHIC PRESENCE

- Norway
- Sweden



EMPLOYEES

988

35.3 %

AF Gruppen 2,797

BUILDING CONSIST OF

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

"The confidence that employees acquire in AF makes it easier for them to develop and break through boundaries."

The enormous glass façade of the Glasiären building does not just shine like a glacier, it also contributes to energy conservation. This is of key importance to Göran Malmcrona and AF Projektutveckling.

When Gothenburg celebrates its 400-year anniversary in 2021, the centre of the city will extend over the Göta River to Kvillebäcken, an area that was marked earlier by seedy street life and shady activities. Now the depravity of the past has been levelled to the ground, and Kvillebäcken has become a pioneering project: Eight different property developers are cooperating for the first time to create a new district. The keywords here are variation and a genuine urban feeling. The Glasiären building has already become a landmark in the new area, and it contains offices, shops and a training centre.

"The name Glasiären is attributed to a Gothenburg tradition of finding clever names for the city's buildings. Glasiären is a compound of glass [glass] and barriere [barrier], and the building is designed as a barrier to separate the residential housing from the traffic," says Göran Malmcrona, CEO of AF Projektutveckling AB. Glasiären is AF Gruppen's first Swedish property project for its own account, and it has been financed by Norwegian investors.

"The building is distinguished by its size and design, with an enormous glass façade that shines like a glacier in various shades of blue," says Malmcrona.

Saves energy

Glasiären is 125 metre long icon building between a busy traffic artery and the new residential area. A total of 578 glass elements cover the building's façade, and each individual transparent glass element is controlled electronically by so-called ECONTROL technology. Thus the emission of light and heat can be controlled by the press of a button. This technology is considered the first step in the direction of intelligent façades.

"Sun protection in a glass façade is pioneering technology, and the windows change their colour electronically according to the intensity of the sun and its movement across the sky. In summary, we save energy, which is of key importance to us at AF Projektutveckling when we develop new properties," says Malmcrona.

In addition, the Glasiären building has been built based on the Silver standard under the Swedish environmental building certification system Miljöbyggnad.

"This means that the building's total environmental impact shall be kept within certain limits. Energy efficiency is key then," he says.

”Sun protection in a glass façade is pioneering technology”

GÖRAN MALMCRONA, MANAGING DIRECTOR, AF PROJEKTUTVECKLING

The glass façade is an effective means of controlling the indoor climate in the Glasiären building, at the same time as it is not necessary to have internal or external sun protection such as curtains, blinds and awnings. The solution has attracted a lot of interest among clients and architects, and the Glasiären building has become a benchmark project for the new technology.

Streams of people fill the building

The Glasiären building has also succeeded in attracting desirable public tenants on long-term leases, combined with local retail and service establishments.

”One of the major challenges for us with this project has been to fill the house with an exciting mixture of tenants. On 4 May, the Hisingen Library will open on the first floor, and this will mean a stream of people for many hours of the day. The library will remain open until late in the evening and become a meeting place in the area,” says Malmcrona.

The training centre Friskis & Svettis has opened on the second floor, and this also contributes to activity in the building in the evening as well.

”Other tenants include Swedbank, public employment service, an estate agent, a social welfare office and a paediatric and youth medicine clinic. Overall, we estimate that around 4,000 people will visit the building on a daily basis, and close to 600 people will have their workplace in the building, says Malmcrona.

He adds that the Glasiären building has not just involved demanding technical solutions, there have been many human challenges during the process.

”The soft parameters must function when a group of tough, passionate people meet in the roles of orderer and contractor, respectively. Sensitivity, backbone and tolerance have been necessary for everyone who has contributed to the project,” he adds.

Circle has been completed

Göran Malmcrona worked for JK Bygg Göteborg when the company was acquired by AF Gruppen in 2001.

”I worked for AF Gruppen for about five years before I left, started for myself and ran my own company for seven years. Last year, I came back to AF. Now you can say that the circle has been completed,” he says and adds:

”The confidence that employees acquire in AF makes it easier for them to develop and break through boundaries. The underlying support from managers and the well-developed management system means that you can dare to throw yourself out into new and exciting challenges. A combination of freedom and control is something I think permeates the entire AF Gruppen.

GLASIÄREN IN BRIEF

rst building in the Nordic countries to use intelligent glass façades to control light and heat infiltration to the building. The colour of the glass changes according to the light.

The building requires no internal or external sun shading.

Glasiären is 125 metres in length and will act as a sound barrier against traffic towards a new housing area.

m^2

A total of 18,500 square metres of buildings shared between offices, retail, leisure activities and public services.

Glasiären is an important part of converting the area in Gothenburg to a vibrant and accessible district both as a place of work and for those who live and work in the area.

See the result on the next page

This is the result

GLASIÄREN

Glasiären at Hisingen in Gothenburg will become a natural meeting place with a mixture of offices, shops, recreational activities and public services. The 18,500 square metre building will function as a noise barrier for the train traffic and the new residential area. It is the first building in the Nordic region that is covered in glass with the new ECONTROL technology.

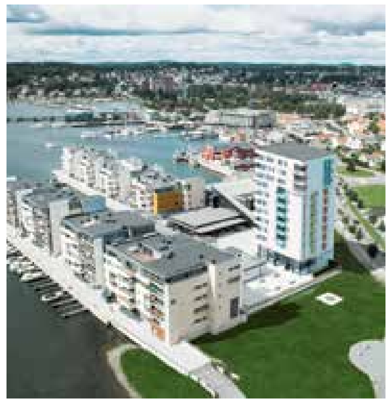
Completion: 2015
AF's stake: 33.3 %

Other important projects in 2014

HASLE LINJE

AF and Höegh Eiendom cooperate on the development of commercial sites and the residential housing project Krydderhagen on the property associated with Arcus's former production facility at Hasle in Oslo. The residential area encompasses approximately 550 apartments. The Agency for Urban Environment, Aller Media and Cowi are some of the companies that will move into the commercial buildings. AF is the contractor.

Completion: 2016 →
AF's stake: 50%



KILEN PANORAMA

AF has been developing the Kilen residential area on the edge of the docks centrally located in Sandefjord since the early 2000s. Now the high-rise Kilen Panorama is under construction. Strøm Gundersen is the contractor.

Completion: 2014
AF's stake: 40%

ENGEBRETS PROMENADE

Engebrets Promenade will possibly have the best location in Lillestrøm. Many of the apartments will also have a wonderful view of the city! The apartments are being developed in cooperation with Thon Eiendom. Emphasis is placed on functional solutions that provide good utilisation of space and good light conditions. Engebrets promenade consists of four buildings with a differing number of storeys – maximum of eight. All the buildings will have a lift from the basement to each floor.

Completion: 2017
AF's stake: 40 %

» **More projects on afgruppen.no/property**

Positioned for increased activity

AF's property business has positioned itself for increased activity throughout 2014, for the development of both residential and commercial projects.

The expectation of enduring low interest rates and continued low unemployment means that the outlook for the residential housing market is good, especially in and around the largest cities. AF launched several new residential housing projects in 2015. Our focus on the development of commercial projects has increased through the acquisition of a large property at Hasle in Oslo.

The Property business area encompasses the development of residential housing and commercial buildings for our own account, where the business area has access to its 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. AF Gruppen had approximately a 45 per cent ownership interest in its own building site inventory at the end of 2014, and our goal is to reduce our ownership interests in several projects.

2014 in brief

In 2014, Property reported revenues of NOK 21 million (60 million) and earnings before tax of NOK 19 million (30 million). Revenues in this business area are dependent on what ownership interests AF Gruppen has in the development projects at any given time, and they will therefore be subject to a great deal of variation.

A total of 103 apartments were sold in 2014, and AF's share was 44. As at 31 December 2014, AF's share of unsold completed apartments totalled 5 (3).

At the start of 2014, the residential housing market was marked by some uncertainty related to the turnover rate and price performance. The Krydderhagen Project was nevertheless well received by the market and has sold well. Of the 94 apartments in production at Hasle, 70 were sold at the end of 2014. The first construction stage will be delivered at the end of 2015.

In September, AF Gruppen acquired 50 per cent of the units in Hasle Linje Næring DA, a company that owns sites at Hasle in Oslo on which the development of an office building with a total gross area of 110 000 m^2 is planned. The acquisition values the properties at NOK 600 million, and it marks a change of pace for the development of commercial property at AF.

As at 31 December 2014, AF has commercial property with a total gross area of 71,322 m^2 under development. The figures refer to AF's share of the projects. Two major commercial projects will be completed in 2015 and ready for sale. One of these projects is the Glasiären Project in Gothenburg.

Kilen Brygge AS, a company wholly owned by AF Gruppen, entered into an agreement with Miliarium Kilen AS in November to sell 50 per cent of the shares in Kilen Utbygging 2 AS. AF has constructed 185 apartments at Kilen earlier. Kilen Utbygging 2 AS owns a site measuring approximately 0.7 hectares at Kilen. There are plans to rezone the site and develop it with 130 to 180 residential units, in addition to some commercial space.

AF owns land and development rights in progress, which are estimated to amount to 1,052 (1,082) residential units. The numbers refer to AF's share of the projects. There are plans to launch seven residential housing projects with a total of 300 apartments in the first half of 2015. It is expected that this will improve the future results.

Market outlook

In spite of the fact that the Norwegian economy will be facing uncertain times, the Federation of Norwegian Building Industries expects that the basic demand drivers for residential units will continue to point upwards – the population is growing, unemployment is low and there is net migration to central areas. In addition, it is expected that interest rates will remain low for a long time. These are factors that indicate a strong performance for the residential housing market in 2015, and they provide a good foundation for AF's property development activities.

Historically low interest rates and the expectation of enduring low interest rates has a positive impact on the market for the development of commercial property. There are few asset classes that can compete with commercial property in the coming years, which has resulted in a significant yield decline and increased transaction volume in 2014. In Oslo and Gothenburg, where AF Gruppen has exposure, the absorption capacity has been higher than the completion rate for a period of time, which has had a positive impact on the vacancy rate.

Strategy

Our property business has a twofold objective and strategy: the unit is to develop property in interaction with the building business, 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 with 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.

Property's strategy is to follow the activity in the building market, and it has therefore started to expand its geographic area of operation and balance the portfolio with commercial projects. In 2015, AF has focused primarily on the realisation of projects through the sale of residential units and commercial property, but we will also make new investments in building sites and development property in cooperation with the Building business area and selected co-investors.

PROPERTY

AF GRUPPEN

Property

REVENUES NOK MILLION

21

0.2 %

AF Gruppen 9,935

OPERATING RESULT NOK MILLION

19

AF Gruppen 635

OPERATING MARGIN

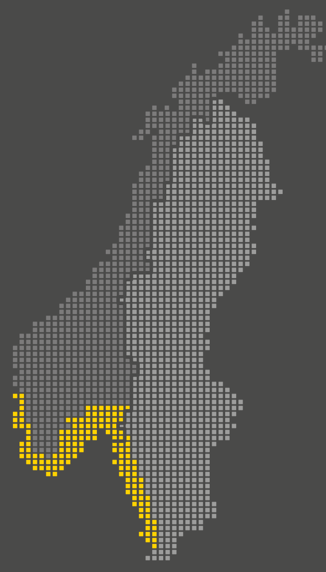
87.4 %

KEY FIGURES

Amounts in NOK million	2014	2013	2012
Revenues	**21**	60	30
Earnings before interest and tax (EBIT)	**19**	32	38
Earnings before tax (EBT)	**13**	30	31
EBIT %	-	-	-
EBT %	-	-	-
Order backlog	-	-	-

GEOGRAPHIC PRESENCE

- Norway
- Sweden



EMPLOYEES

14

0.5 %

AF Gruppen 2,797

PROPERTY CONSIST OF

- AF Eiendom
- AF Projektutveckling

BUSINESS AREAS

"Some competitors were astonished when they heard about the concept."

Custom and prefabricated. AF Energi & Miljøteknikk's innovative energy plants save both time and money. Kristoffer Laskemoen and his colleagues used the method for the first time in 2014.

Local energy plants play an important role in ensuring a high proportion of renewable energy, for heating and cooling, thus freeing up electrical power for other purposes. Åsane Horisont is the largest construction project in Bergen and includes a shopping centre measuring approximately 40,000 square metres. In addition, the project also encompasses 170 apartments on the roof and 600 apartments on the neighbouring site. The entire complex was to be supplied with heating and hot water, while the shopping centre was also to be cooled in the summer. Everything was to be controlled from the energy plant in the basement, and AF Energi & Miljøteknikk was awarded the contract.

"The room where the plant is located measures 400 square metres, so it is practically a small ballroom. Another contractor drilled 112 energy wells with a combined depth of 23.5 kilometres. Our task was to fill the room with heat pumps that extract geothermal heat in the winter and put it back into the wells in the summer to "charge" them up for the next winter, says Project Manager Kristoffer Laskemoen at AF.

Working hours reduced by half

There has been talk about prefabricated modules for energy plants at AF Energi & Miljøteknikk for a while now, and the time had come to do something about it with the Åsane Horisont project. The company entered into cooperation with a supplier in Lithuania, who placed his factory and workforce at our disposal.

"Everything was drafted in 3D and designed with millimetre precision. Then the parts of the plant that could be prefabricated were identified, says Laskemoen.

A total of 25 "building kits" of prefabricated modules were completed in Lithuania, before they were transported to Åsane for installation.

"The work that had to be performed on site was thus reduced significantly. It is estimated that the time required by the plumbers was reduced by half in relation to projects that do not use prefabricated modules," he says.

Another advantage was the fact that the building kits could be manufactured at the factory gradually as the room in Åsane was constructed.

"Åsane Horisont is a large project with many actors. In such projects it is ordinarily a challenge to maintain a good dialogue with the other design and build contractors while everyone is hard pressed for time. Being able to prefabricate such large portions of the energy plant gave us a lot of extra time on the building site," says Laskemoen.

For example, the electricians could finish some of their work while the buildings kits were being manufactured at the factory. The plumbers at the building site only

"This is an innovative method that we will continue to work on – we will not rest on our laurels."

PROJECT MANAGER KRISTOFFER LASKEMOEN

needed to connect the various components together in the end.

"In addition, the modules were manufactured in a much better and better adapted working environment in relation to building them on site," says Laskemoen.

Innovative method

The energy plant at Åsane Horisont was delivered in October 2014 and was an unconditional success.

"Time and cost savings, quality and efficiency are keywords. The oil industry has employed corresponding methods for many years, but in our industry this is something new. Both the client and his consultant were very satisfied with the quality of the energy plant, and we have observed competitors who were astonished when they heard about the concept. This is an innovative method that we will continue to work on – we will not rest on our laurels," says Laskemoen.

Now we are using the same strategy for an energy plant in Hammerfest, with some additional improvements in relation to the project at Åsane.

"We also have plans to build complete mobile energy plants in containers that can be delivered to a specific location. Then all that will be required is to connect the pipes and power," says Laskemoen.

Triggers my curiosity

Kristoffer Laskemoen has a siv.ing. engineering degree from the Norwegian University of Science and Technology (NTNU), and graduated in 2009 with specialisation in energy and the environment. He started at AF Energi & Miljøteknikk right afterwards and is very satisfied.

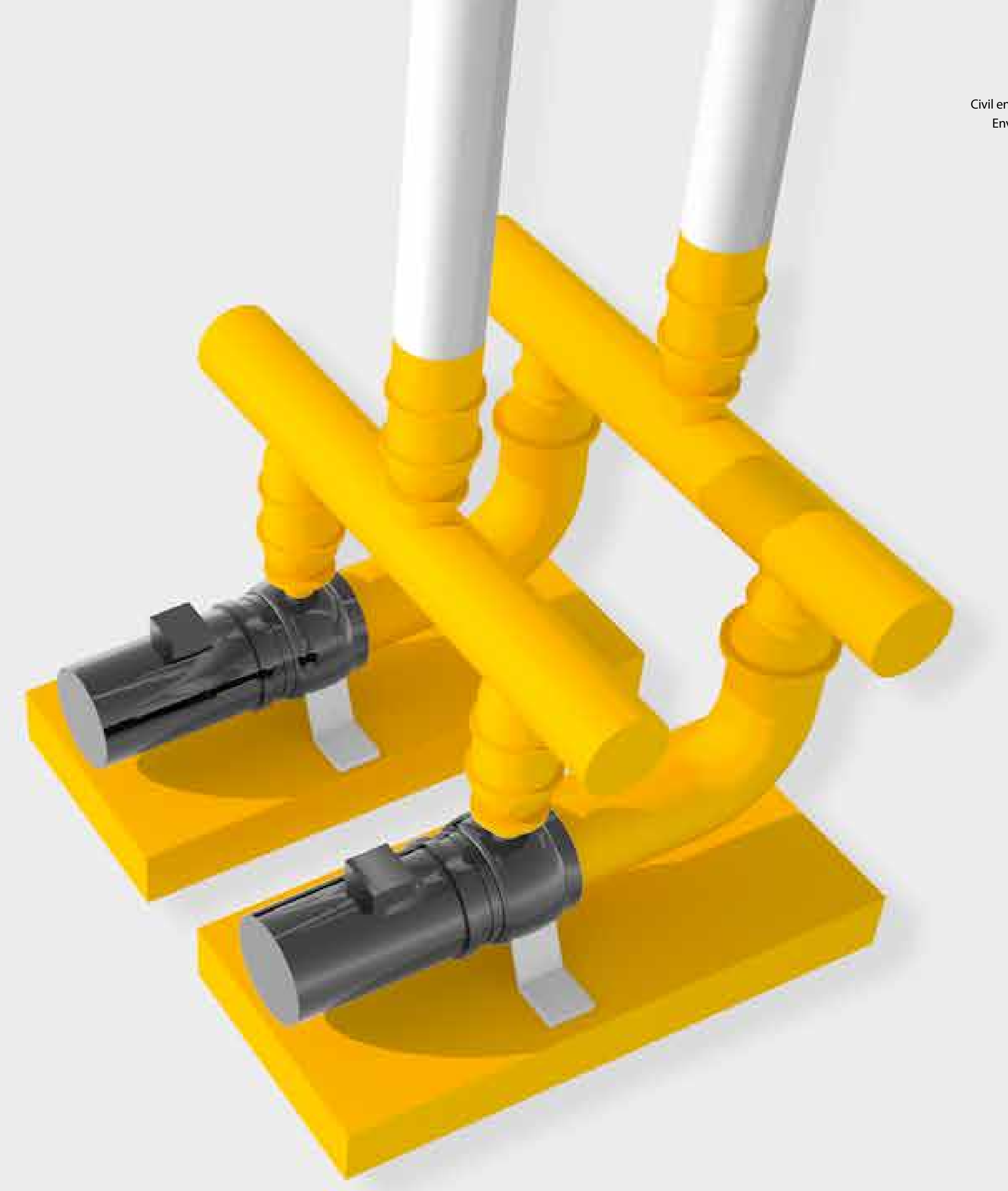
"I am allowed to participate in all the phases of a project, from when we first see the drawings on paper and make changes to when I am present during the construction and can see the finished result in the end," he says.

During this time has acted as project manager, project engineer, controller and HSE supervisor.

"Juggling roles is both challenging and exciting, and it allows me to develop myself every day.

Laskemoen had many trips to Lithuania in connection with the energy plant at Åsane Horisont.

"Quality and progress control in such a pilot project are reassuring for both parties, so I was often at the workshop to take random samples and "feel the welds". It is exciting to travel and meet new people and experience other languages and cultures – it triggers my curiosity," says Kristoffer Laskemoen.



ENERGY PLANT AT ÅSANE IN BRIEF

Covers the heating and cooling requirements of almost 100,000 square metres of shop premises and homes.	*The energy plant retrieves heat from 112 energy wells.*	*Surplus heat from cooling in the commercial premises is used for heating homes.*	*Large sections of the energy plant is prefabricated and is delivered as modules that are installed and connected in place.*	*Installed effect; 3.6 MW heating 2.6 MW cooling*	**See the result on the next page**

This is the result

ÅSANE ENERGY PLANT

AF has delivered energy plants to a number of customers. In cooperation with the company Engineering Solutions, AF has identified and developed prefabricated elements for energy plants. The prefabricated energy plant solution provides higher quality and reduces the length of the construction period. The energy plant is based on heat pumps that retrieve heat from the ground, and covers the heating and cooling requirements of the buildings. The surplus heat from the retail section will be used for heating homes, while additional heat will be retrieved from deep energy wells beneath the cellar parking.

Contract value: NOK 21 million
Completion: 2014
Client: Åsane Energi AS

Other important projects in 2014

SCANMAR

AF replaced Scanmar's cooling plant with a heat pump solution. The heat pump distributes heating in the winter and cooling in the summer. Even if a number of components that consume energy and do not conserve energy have been installed, the overall energy consumption is lower. Scanmar, who manufacturers sensors for commercial fishing, reduced the consumption of energy by 30 per cent.

Contract value: NOK 2 million
Completion: 2013
Client: Markebo Industribygg

NYDALEN ENERGY PLANT

The Nydalen Energy Plant is the largest of its kind in Northern Europe, and it can produce energy from six energy sources. The Akerselva River is one of them. On behalf of Avantor, AF has been involved in the planning, construction and operation of the geothermal heat solution that was established 10 years ago and the new plant that was completed in February of 2014. The new plant has the capacity to supply all the buildings in the area.

Contract value: NOK 57 million
Completion: 2014
Client: Avantor

ØSTRE KRAGSKOGEN SAMEIE

The condominium Østre Kragskogen Sameie at Holmenkollen in Oslo extracts heat from the bedrock with AF's help. Energy wells that are 240 metres deep provide hot water and lower heating expenses for the residents of the condominium. The heat pump plant is a pilot project for Boligenergi, a company in which AF has an ownership interest. The cold water that arrives at the condominium from the municipal reservoirs is transported to the ground where it is heated before it is led to the new water heaters. The condominium has saved the cost of installation in the course of three years. In addition, geothermal heat is a renewable source of energy.

Contract value: NOK 3 million
Completion: 2014
Client: Østre Kragskogen Sameie

» **More projects on afgruppen.no/energyservices**

Higher level of activity expected

The postponed start-up of certain projects resulted in lower revenues for the Energy business area in 2014. There is a high level of analysis and offer activity, and this is expected to result in more projects in the execution phase in 2015.

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

The business unit AF Energi & Miljøteknikk provides 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 related to the operational monitoring of energy plants, energy services and energy monitoring are provided.

Energy also has activities in Boligenergi AS, which is owned jointly with OBOS. Boligenergi offers total energy conservation and renewable energy solutions for housing cooperatives and condominiums.

2014 in brief

In 2014, the Energy business area reported earnings before interest and tax of NOK 141 million (173 million) and earnings before tax of NOK 3 million (12 million). This gives a profit margin of 2.2 per cent (6.8 per cent). The decline in revenues is attributed to a high proportion of start-up projects that have been in the analysis phase, as well as postponed start-ups and continuation of the execution phase for several EPC projects. In addition, one individual project ended with a substantial negative impact on earnings.

AF Energi & Miljøteknikk has entered into contracts for the construction of several new energy plants in 2014. The total contract value is NOK 31 million, of which the largest single contract has been entered into with Hammerfest Energisentral (NOK 16 million). No new energy savings contracts (EPCs) have been entered into in 2014, but five such contracts have gone from the analysis to execution phase in 2014, which has a positive impact in the form of a higher order backlog.

The energy savings contracts have a very modest effect on the order backlog until they are in the execution phase, since they do not contain any contractual volume beyond the analysis phase when they are signed. The current energy savings contracts in the analysis phase are expected to generate revenues of approximately NOK 60 million. This volume is in addition to the existing order backlog.

The order backlog for Energy stood at NOK 85 million (59 million) at the end of the year.

Market outlook

The energy services market is marked by the maintenance lag for municipal buildings. New statutory requirements, classification systems and support schemes as a result of ambitious public energy goals increase the renovation potential further.

The market for energy savings contracts (EPCs) in municipalities and public enterprises is becoming an increasingly interesting market area due to the standardization of the contract terms. The number of advertised energy savings contracts is at a stable, high level after a significant increase, and it is expected that a substantial number of contracts will arrive on the market in 2015. A corresponding contract standard is also gaining a foothold with private property owners, but this market segment is less formalised at present.

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 and more relevant to the establishment of new residential housing projects as well. The competition intensity in the market for commercial buildings has increased considerably, and this requires more standardised and cost-effective solutions.

Strategy

The Energy business area has a strong position in its market segments and the ambition to become Norway's leading energy contractor with expert knowledge in the areas of energy reduction and production. Increased management capacity and good access to expertise, especially in design, project management and technical disciplines, is a prerequisite for continued growth. Our work focuses on adaptation of our range of services for a broad customer focus and in order to reach additional customer segments.

In order to improve competitiveness, the Energy business area will combine its own expertise and market position with new complementary expertise. Profitable growth will therefore be a combination of organic growth and acquisitions. The energy market is changing continuously, and the unit will exploit AF Gruppen's combined expertise and execution capabilities to develop new services bordering on our existing activities.

More standardised project execution and further development of cost-effective solutions in cooperation with foreign suppliers are important premises for strengthening Energy's market position further.

Boligenergi will continue to work on energy solutions for condominiums and housing cooperatives.

Energy

REVENUES NOK MILLION

141

1.4 %

AF Gruppen 9,935

OPERATING RESULT NOK MILLION

3

AF Gruppen 635

OPERATING MARGIN

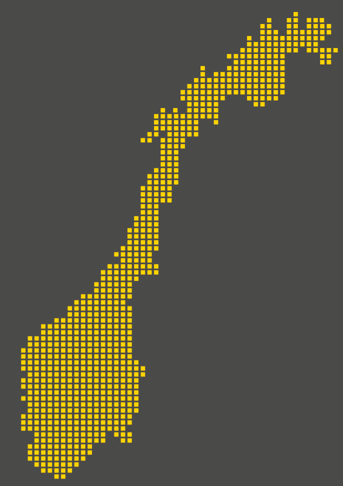
2.1 %

KEY FIGURES

Amounts in NOK million	2014	2013	2012
Revenues	**141**	173	163
Earnings before interest and tax (EBIT)	**3**	11	15
Earnings before tax (EBT)	**3**	12	16
EBIT %	**2.1 %**	6.5 %	9.3 %
EBT %	**2.2 %**	6.8 %	9.6 %
Order backlog	**85**	59	106

GEOGRAPHIC PRESENCE

- Norway



EMPLOYEES

57

2.0 %

AF Gruppen 2,797

ENERGY CONSIST OF

- AF Energi & Miljøteknikk
- Boligenergi

"We have put the main planning behind us, but now is when it counts. Our examination is now."

A plan A is not enough when you have less than 100 days to remove close to nine million kilos of steel from an area in the North Sea exposed to extreme weather. Engineering Manager Alice Olsen has also had to prepare a plan B and plan C. As well as a plan D.

The B11 compressor platform has been out in the North Sea ensuring that Ekofisk gas is transported through the Norpipe pipeline to Emden in Germany since 1977. Then in 2013, B11 was retired from service. In accordance with the OSPAR Convention, a decision was made to remove the platform.

AF Offshore Decom has been involved with the planning for over a year and a half. An engineering team of 12-14 engineers and an HSE team of 5 have used all their working hours to study every little detail in how the B11 will be disassembled and transported to the AF Environmental Base at Vats for source separation and recycling. This is where the plans B, C and D mentioned above come in:

"It costs an insane amount of money to have equipment, vessels and people offshore, and we must therefore plan everything that is to take place there thoroughly, so that we can use every minute efficiently, says Engineering Manager Alice Olsen. She has led the team that has prepared the removal throughout parts of 2013 and all of 2014.

"We started with the drawings for the platform, which were often from when the platform was constructed. Since the B11 is from 1977, it is guaranteed that changes have been made during all these years – which could be modifications, maintenance or the replacement of modules – changes that we will not necessarily have the full history for. Thus things may crop up during the job, and we should be prepared for any eventualities," says Olsen.

Vessel with six legs

The order in which the platform will be disassembled is of great importance:

"In some parts of the process, there is no choice, you have to start with what is on top. Further down and inside the platform, there are other considerations. For example, what lifts you must make to get the structure safely down from the platform, or how much space you have on the vessel at any given time," says Olsen.

It is time now to bring in another factor for the disassembly of the platform – and perhaps the most spectacular as well. When the B11 is picked apart, this will be performed by means of a 160 metre long and 49 metre wide vessel, a so-called jack-up vessel. This is a vessel with six legs, all of which can be jacked down to a depth of 80 metres, so that they stand steady on the seabed. From there, the vessel can be raised

”It is our responsibility to prepare good job descriptions in a situation where there are very few set answers.”

ENGINEERING MANAGER ALICE OLSEN

up from the sea, so that it is level with the platform's deck. The same solution was used in 2013 when AF Offshore Decom removed the H7, another compressor platform in the North Sea.

In addition to the ability to stand completely still in (relatively) shallow water, the jack-up vessel the Pacific Osprey has a very important advantage: A long and solid crane. The main crane can reach the platform and lift up to 1,200 tonnes at a time. The combination of the crane's capacity and AF Offshore Decom's expertise is unique. The company has in fact developed and patented completely new methods for easily installing a lifting point on structures to be removed.

”Where we position the vessel is another key factor. It will be standing in the same location for a long period of time, and we must be certain that it stands steady, without being in any conflict with other installations on the seabed. The crane capacity and reach also affect the positioning,” says the team leader.

Everything is surveyed

The next step has been to survey environmental toxins and hazardous substances, in addition to documenting the materials on board. They have also calculated the weight of all the structures. If some of the structures are too heavy for the crane to handle, the team must calculate how they can make the module physically lighter before it is lifted.

The greatest risk factor for such an offshore operation is, however, circumstances that no one can control: the weather and wind.

”We are dependent on the crane being able to carry out the lifts from the platform to the vessel. If there is too much wind, we cannot work, and thus we risk becoming delayed. The current conditions will also affect the work we do under water. The jacket – or substructure – consists of 2,700 tonnes of steel that is located at a depth of 32 metres. It is very shallow and the current conditions are challenging,” the engineer points out.

It is precisely when a project is challenging that it is also fun to work with in Olsen's opinion: ”The most boring thing I know is when things are too quiet, something has to be happening. There is a lot that happens in the engineering phase. It is our responsibility to prepare good job descriptions, in a situation where there are very few set answers. Thanks to extremely capable, solution-oriented and committed colleagues, we can manage nonetheless to develop good, sound methods.

”Part of what is unique about the way we work is the fact that we use the same team from the start of engineering to when the job is carried out offshore. This means good continuity from start to finish. In addition, we have a different attitude towards the project when we go to the site and are responsible for what we have calculated, as we will be doing now. We have put the main planning behind us, but now is when it counts. Our examination is now.

B11 COMPRESSOR PLATFORM IN BRIEF

98 %					
Up to 98 per cent of the steel on the platform is sorted at the source and recycled for reinforcing steel.	*Thorough and comprehensive review and labelling of the installations' conditions and content before the installations are brought to Miljøbase Vats for sorting at the source and recycling.*	*Nine million kilograms of steel offshore is removed in around 100 days. Execution has been planned for a year and a half to the finest detail.*	*B11 is transported to Miljøbase Vats, which is specifically designed to remove and split up the platforms in a safe and environmentally appropriate manner, with as high a degree of recycling as possible.*	*So far 175,000 tons of steel have been recycled at Miljøbasen, corresponding to the steel volume of 22 Eiffel Towers.*	**See more on the next page**

All set for recycling

B11 COMPRESSOR PLATFORM

The task of the B11 compressor platform was to help compress gas for transport from Ekofisk through the Norpipe pipeline to Emden in Germany. The platform shut down in 2013. After this, the process plant and auxiliary systems were drained and aired. In accordance with the OSPAR Convention, it will be removed and recycled now in a proper and environmentally sound manner, with a recycling rate that is as high as possible. The work started in 2012, and completion is scheduled for the end of 2016.

Contract value: NOK 500 million
Completion: 2016
Client: Statoil on behalf of the operator Gassco

Other important projects in 2014

MURCHISON PLATFORM

AF will remove and recycle the Murchison platform in the North Sea in a consortium with Heerema Marine Contractors (Netherlands). The Murchison platform, which is one of the largest steel jacket platforms in the North Sea, has been operative since 1980, and the production ceased in March 2014. Work has started on the planning and engineering of the removal and recycling. The offshore work will start in 2016 at the earliest. The demolition and recycling work will be carried out in in the UK and at the Environmental Base at Vats.

Contract value: NOK 700 million
Completion: 2020
Client: Canadian Natural Resources International

HVAC SERVICES GEA

In February, AF entered into 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.

Completion: 2018 (excluding options)
Client: ConocoPhillips

CRANES FOR STATOIL

AF is maintaining and modifying 15 EOT cranes (Electric Travelling Overhead Cranes) on the Gullfaks field for Statoil. AF's personnel lifts the cranes out and sends them onshore. At AF's workshop in Mandal, they are disassembled, sandblasted and painted, and all the wearing parts are replaced. In addition, the cranes are upgraded with a new control cabinet and PLC program developed at the company. Mechanical improvements are made and a new design is created.

Contract value: NOK 106 million
Completion: 2015
Client: Statoil

More projects on afgruppen.no/offshore-services

Results marked by a low level of activity

AF Offshore experienced a challenging 2014. A lower level of activity was expected for the offshore demolition activities. The focus on costs among the oil companies and fall in oil prices resulted in a lower level of activity for our other offshore services as well.

The Offshore business area encompasses AF's services related to the removal and recycling of offshore installations, and 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.

2014 in brief

The Offshore business area reported revenues of NOK 850 million (1,480 million) for 2014. Earnings before tax were NOK -45 million (71 million). AF Offshore Decom saw a low level of activity as expected, since the unit did not have any offshore removal jobs in 2014. The unit delivered weak results for 2014 as a result of the low level of activity. The company started in February 2015 with the removal of the B11 platform. AF Offshore Aeron delivered results for 2014 below expectation. The unit's company in Shanghai has an increasing level of activity and is performing well.

The level of activity in AF Offshore Mollier declined in 2014 and the company delivered results below expectation. AF Offshore Mandal delivered good results for 2014, while AF Offshore Systems had a low level of activity and reported weak results.

V & M Landanlegg performed well and delivered good results for 2014.

AF entered into an important contract in 2014. In a consortium with Heerema Marine Contractors Nederland SE (the Heerema-AF Consortium), AF signed an agreement with CNR (Canadian Natural Resources International (U.K) Limited) for the removal of the Murchison platform in the North Sea. The contract encompasses engineering, preparation, removal and decommissioning (EPRD) of both decks and the steel foundations, with a combined weight of more than 37,000 tonnes. The value of the AF Gruppen's share of the contract is NOK 700 million.

Market outlook

High oil prices and new technology have contributed earlier to a longer lifetime for many of the oil and gas fields. This resulted in a high level of investment on the Norwegian continental shelf and the postponement of the point in time for demolition of many oil and gas installations. At the start of 2015, the price of oil has fallen 50 per cent from previous levels, and the investment estimates for the Norwegian continental shelf for 2015 have been adjusted sharply downwards. This entails uncertainty related to the market outlook for maintenance and modification activities in the short term.

At the same time, lower oil prices mean that the profitability of several oil fields in the North Sea is under pressure, and the oil companies must evaluate whether the production should continue. A report from Oil and Gas UK estimates that over 100 platforms and approximately 250 other structures (topsides) on the British continental shelf will be removed during the period prior to 2023. In addition, there are also installations that are to be removed from the Norwegian continental shelf. This represents opportunities for AF's offshore activities related to the demolition and removal of decommissioned installations.

Strategy

In 2013, AF Gruppen gathered all their offshore and marine operations together in a single business area. The aim was to clearly illustrate the overall range of services for the offshore market and a common strategy for the offshore units. Better cooperation to exploit expertise and capacity across the Group and in relation to common customers is key to this work.

AF Gruppen is and shall continue to be the leading company for the removal and recycling of decommissioned offshore installations in the North Sea. In addition, AF is to be a niche-based MMO provider for small and medium sized deliveries and to be a leading supplier of HVAC services to the marine and offshore sector.

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

The existing competence base for complex engineering and project management shall be complemented by technical disciplines that are necessary in order to take on technical projects.

The offshore business is seeking to strengthen its presence in selected segments and geographic areas. Operations in China are increasing, and AF Gruppen has established a company in Singapore in order to be in position for realisation of the opportunities this market may provide for the business area.

REVENUES NOK MILLION

850

8.6 %

AF Gruppen 9,935

OPERATING RESULT NOK MILLION

-22

AF Gruppen 635

OPERATING MARGIN

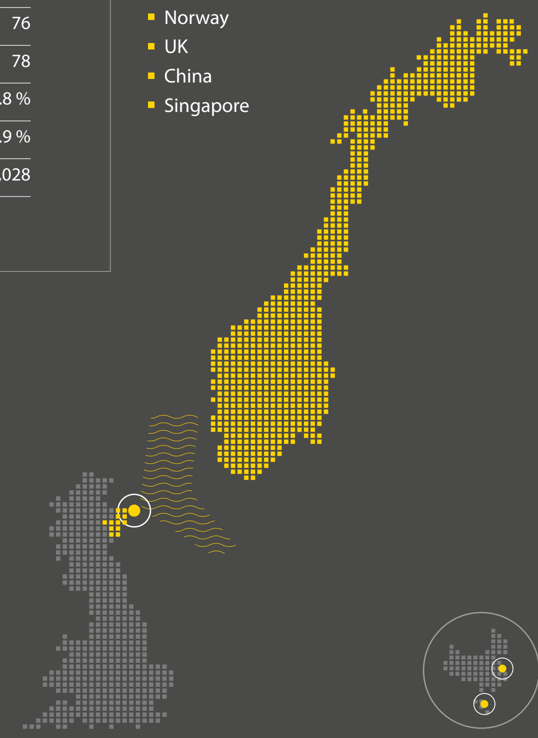
-2.6 %

KEY FIGURES

Amounts in NOK million	2014	2013	2012
Revenues	**850**	1,480	1,129
Earnings before interest and tax (EBIT)	**-22**	70	76
Earnings before tax (EBT)	**-45**	71	78
EBIT %	**-2.6 %**	4.7 %	6.8 %
EBT %	**-5.3 %**	4.8 %	6.9 %
Order backlog	**1,918**	1,265	2,028

GEOGRAPHIC PRESENCE

- Norwegian and British continental shelf
- Norway
- UK
- China
- Singapore



EMPLOYEES

354

12.7 %

AF Gruppen 2,797

OFFSHORE CONSIST OF

- AF Offshore Decom
  AF Deccom Offshore UK Ltd.
  Miljøbase Vats
- AF Offshore Mollier
- AF Offshore Mandal
- AF Offshore Systems
- AF Offshore Aeron
  Aeron Energy Tech. Co
  AF Offshore Aeron Pte. Ltd.
- V & M Landanlegg

Break new ground

In every single year over the past decade, the AF share has outperformed the Oslo Børs Benchmark Index. There are several reasons for this.

"I am proud of AF and what we manage to create together"

Every third AF employee owns shares in the company, and the aggregate value of these shares is more than NOK 1 billion. Chief Engineer Rune Broderstad is one of them.

"I jumped at the chance the first time I was offered shares as an AF employee, back in 2001 – and the only thing I regret today is that I did not buy more", says Rune Broderstad with a smile.

The chief engineer with AF Anlegg has taken advantage of almost every offer he has received to buy shares and options through AF Gruppen's programmes. He is not the only one to have done so. When the employees were offered discounted shares in the autumn of 2014, over 500 of them subscribed for a total of 1.85 million shares – a significant oversubscription of the 1 million shares offered. Today, around 1,000 AF employees, over 30 per cent of the workforce, own part of their own workplace. This is a development that is desired by the management and Board of AF Gruppen. The idea of owning something together will always help bear the brunt. It creates loyalty and commitment, which in turn results in the creation of greater value.

"I think that if you offer co-ownership as an employer, your employees will contribute more. The fact that I am a co-owner is nonetheless not something that I think about daily. However, I have chosen to be an employee of AF because the company has core values that I can identify with. I am triggered by our core values. Reliability and Thoroughness and hard work, in particular, mean a lot to me. "I am proud of AF and what we manage to create together", says Rune Broderstad.

Profitable investment

"The first time I received an offer to buy discounted shares as an employee of AF, I did not invest more than I could afford to lose. The dividend did not amount to much during the first few years, but i had faith in the company and that this would be a profitable investment.

And that it has. For 14 years, the chief engineer has enjoyed an excellent share price performance and received ever-larger annual dividends on his shares.

"I have participated in the share programme every year recently, and I have purchased the maximum of what I could. I have a long-term savings plan and reinvest the annual dividends in new shares in the company. So far, my plan has far exceeded my expectations.

Perhaps that is not so strange, since AF has broken all the records on the Oslo Stock Exchange. Since its stock exchange listing in 1997, shares in AF have returned close to 4,000 per cent, including dividends – an average annual return of close to 25 per cent.

"It is fun to follow the performance, but whether the price goes a little up or down is not so important. I am sure that the price will go up in the long-term, thanks to the company's achievement culture. We will surely do well in the future as well!

The share

The year 2014 was another good year for AF Gruppen's shareholders. Including dividends, the share rose 25 per cent, compared with 5 per cent for the Oslo Stock Exchange's benchmark index. The share has yielded a higher return than the Oslo Stock Exchange every year for the last 10 years.

AF Gruppen was listed on 8 September 1997. The shares are listed on the Oslo Stock Exchange's OB Match list and traded under the ticker AFG. There is only one class of shares, and all the shares carry voting rights. The AF share is included in Oslo Børs Benchmark Index (OSEBX) and Oslo Børs Mutual Fund Index (OSEFX).

Share capital and shareholder composition

At the start of 2014, the share capital was NOK 4,116,649, divided into 82,332,980 shares, each with a nominal value of NOK 0.05. During the year, the company issued 6,391,924 new shares in two private offerings to employees in connection with the company's share programme. As a result of this, the share capital increased by NOK 319,596. At the end of 2014, the share capital was NOK 4,436,245, divided into 88,724,904 shares, each with a nominal value of NOK 0.05.

AF Gruppen had 1,815 (1,494) shareholders at the end of the year. Around half of the shareholders are employed by AF Gruppen. The shareholder structure is still characterised by stable, long-term shareholders. As at 31 December, the ten largest shareholders owned 70 per cent (72 per cent) of the company's shares. At year end, employees of AF owned approximately 13 per cent (14 per cent) of the shares in the company, and the company owned 50,000 treasury shares, which is equivalent to 0.06 per cent of the outstanding shares. At the end of the year, 97.2 (97.8) per cent of the shares were owned by Norwegian shareholders. As at 31 December 2014, OBOS BBL is AF Gruppen's largest shareholder with 22.1 per cent of the company's shares.

Distribution of shareholders, intervals

Number of shares	Number of owners	Per cent
1 - 100	165	0.01 %
101 - 500	304	0.10 %
501 - 1 000	190	0.18 %
1 001 - 5 000	563	1.74 %
5 001 - 10 000	222	1.82 %
10 001 - 100 000	313	10.47 %
100 001 - 1 000 000	47	14.74 %
> 1 000 000	11	70.94 %
	1,815	**100,00 %**

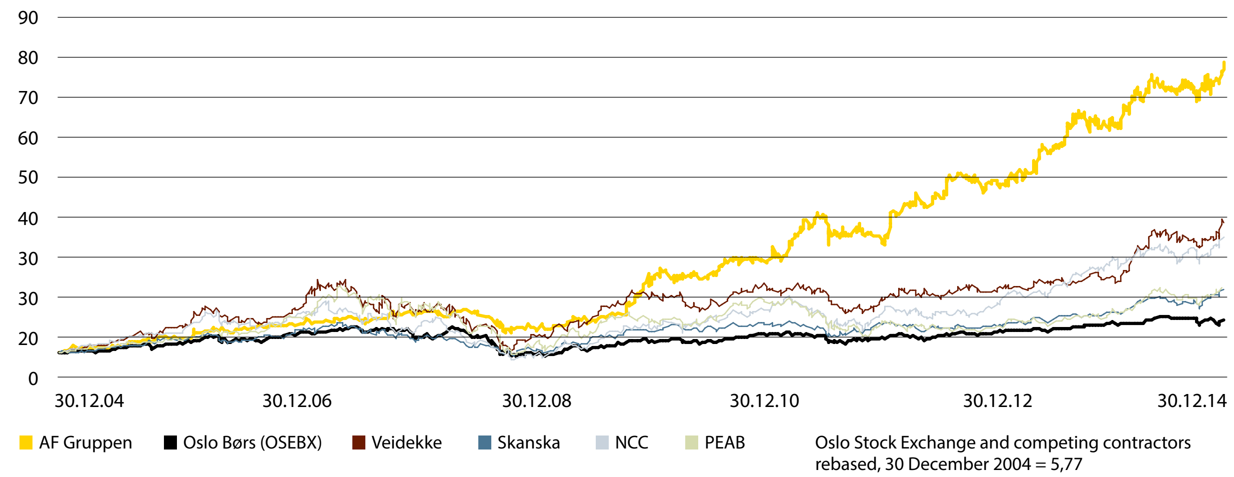
Shareholder	Number of shares	% of total
OBOS BBL	19,589,041	22.08 %
ØMF Holding AS	13,699,030	15.44 %
Constructio AS	13,043,962	14.70 %
Aspelin-Ramm Gruppen AS	4,993,269	5.63 %
LJM AS	2,513,900	2.83 %
VITO Kongsvinger AS	2,461,676	2.77 %
Skogheim, Arne	1,723,870	1.94 %
Staavi, Bjørn	1,515,452	1.71 %
Moger Invest AS	1,240,541	1.40 %
Stenshagen Invest AS	1,093,074	1.23 %
Handelsbanken Norge (fond)	1,070,000	1.21 %
Flygind AS	986,771	1.11 %
Skandinaviska Enskilda Banken AB	580,730	0.65 %
Eriksson, Erik Håkon	560,000	0.63 %
Evensen, Jon Erik Scheel	560,000	0.63 %
Handelsbanken Nordiske SMB (fond)	525,000	0.59 %
Svenska Handelsbanken AB	513,329	0.58 %
Tokanso AS	500,774	0.56 %
Løren Holding AS	445,159	0.50 %
Regom Invest AS	433,212	0.49 %
Total 20 largest	**68,048,790**	**76.70 %**
Total other shareholders	20,626,114	23.25 %
Treasury shares	50,000	0.06 %
Total	**88,724,904**	**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.

Share performance for the last ten years compared with peers and Oslo Stock Exchange



Oslo Stock Exchange and competing contractors rebased, 30 December 2004 = 5,77
Local currency, total return

Key figures for the share	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Market value (NOK million)	7,009	5,578	4,578	3,556	2,845	2,242	1,269	1,859	1,549	1,184
Number of shares traded (1,000)	7,102	2,559	2,568	2,095	2,969	1,945	1,605	3,735	4,800	4,895
Total number of shares as of 31.12 (mill.)	88.72	82.33	81.38	80.81	71.12	70.50	69.35	68.85	68.85	68.85
Number of shareholders as of 31.12	1,815	1,494	1,407	1,254	914	733	686	677	644	657
Share price as of 31.12	79.00	67.75	56.25	44.00	40.00	31.80	18.30	27.00	22.50	17.20
- High	82.00	72.00	59.25	53.00	43.00	31.80	27.70	27.00	22.80	18.40
- Low	66.50	54.75	41.50	38.60	32.60	18.20	16.90	22.00	16.60	11.10
Earnings per share	5.11	5.26	2.40	3.83	3.92	3.85	3.10	2.55	1.95	1.31
Diluted earnings per share	5.09	5.11	2.37	3.83	3.82	3.85	3.10	2.55	1.95	1.31
Dividend per share	*5.00	6.00	4.50	4.50	4.50	3.60	1.40	1.20	1.00	0.60
Distribution ratio (ordinary dividend)	97.8 %	114.1 %	187.5 %	117.5 %	114.8 %	93.5 %	45.2 %	47.1 %	51.2 %	45.8 %
Direct return (total dividend)	6.3 %	8.9 %	8.0 %	10.2 %	11.3 %	11.3 %	7.7 %	4.4 %	4.40 %	3.50 %
Share's total return	25.5 %	28.4 %	38.1 %	21.3 %	37.1 %	81.4 %	-27.8 %	24.4 %	34.3 %	62.5 %
Market price/earnings per share (P/E)	15.5	12.9	23.4	11.5	10.2	8.3	5.9	10.6	11.6	13.1
Market price/equity per share (P/B)	4.7	4.2	3.8	2.7	2.9	2.5	1.7	3.3	2.9	2.7
Enterprise value/operating result (EV/EBIT)	11.2	8.5	13.5	8.0	6.2	6.1	4.8	8.7	9.1	10.7

* Proposed dividend, not adopted

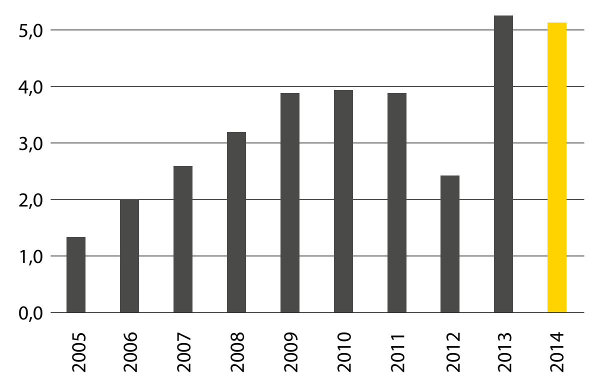
The AF share rose 17 per cent in 2014, and its closing price as at 31 December 2014 was NOK 79.00 (67.75). Including the dividend of NOK 6.00 per share distributed in 2014, the return was 25 per cent. Over the last 10 years the AF share has generated a return of 1,269 per cent, adjusted for dividends. This corresponds to an average annual return of 30 per cent. During the same ten-year period, the Oslo Stock Exchange benchmark index rose 143 per cent.

The liquidity of the share improved significantly in 2014. Throughout the year, a total of 7,101,787 (2,558,506) shares were traded on the stock exchange. The share was traded on 246 out of 250 possible trading days, and the average turnover for each trading day was 28,407 (10,275) shares. As a result of the increased liquidity, the company no longer requires a market-making agreement, an agreement aimed at promoting the liquidity of the company's shares. This agreement was therefore terminated in 2014 effective February 2015.

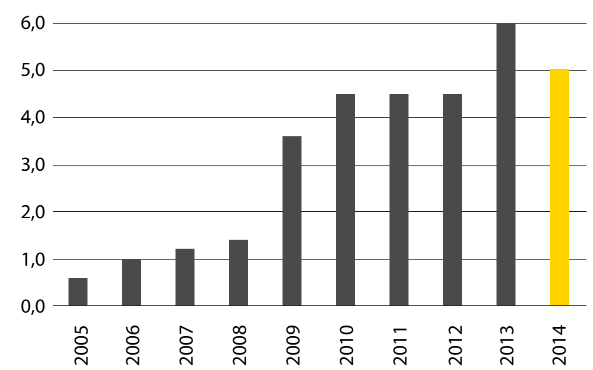
Share programme for employees

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

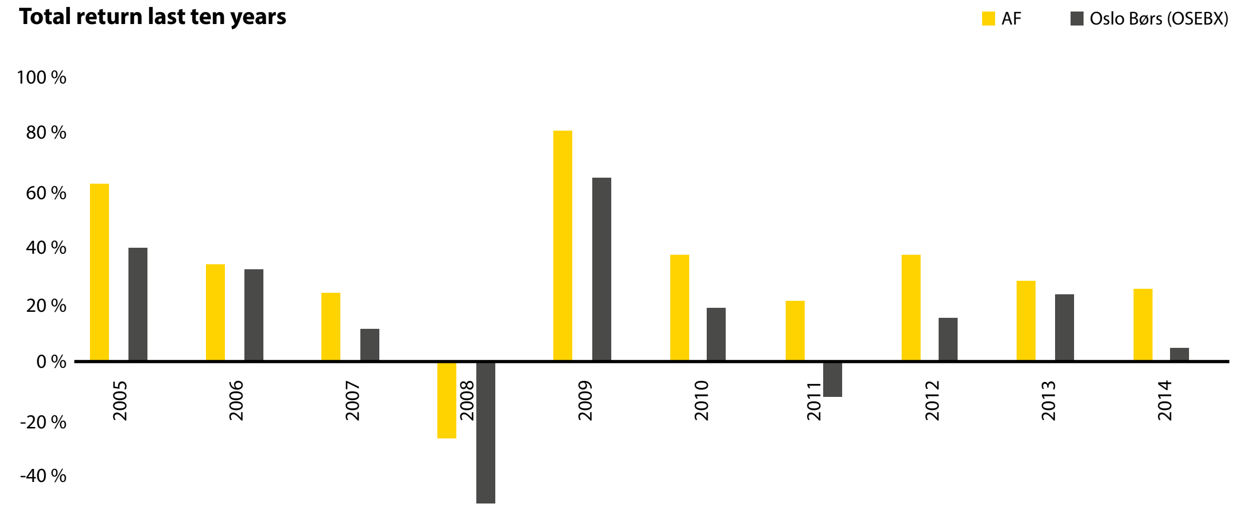
Earnings per share



Dividend per share



Total return last ten years



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 2014, 507 employees subscribed for a total of 996,245 shares. The purchase price after a 20 per cent discount was NOK 58.90. In connection with the sale, the Board used its authority and issued 636,245 new shares. The remaining shares were transferred from the company's treasury shares.

The Board has decided to recommend continuation of the share programme for employees in 2015. The maximum number of shares that may be purchased in the share programme is 1,000,000, and the share programme is planned to be implemented in September of 2015. 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 option 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.

The option programme for employees that ran from 2011 to 2013 was terminated in March 2014. A total of 5,755,679 options were exercised by 1,240 employees, and the corresponding number of shares was issued.

At the General Meeting in May 2014, AF Gruppen adopted a new options programme for employees of the Group. The maximum number of options that may be allocated is 4,500,000, and the programme entails annual allotments for the years 2014-16 and exercise of the options in 2017. 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 is NOK 1.00 per option. Option holders must be employed by AF Gruppen, or one of its subsidiaries as at 31 March 2017 in order to exercise the options.

In 2014, AF Gruppen issued 3,500,000 new options and 1,383 employees subscribed for options in the Group. The total number of outstanding options, adjusted for employees who have left company, is 3,437,357 as at 31 December.

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 2014, the company distributed a dividend of NOK 6.00 per share for the 2013 financial year.

For the 2014 financial year, the Board will propose the distribution of a dividend of NOK 5.00 per share to the General Meeting. The dividend will be paid to shareholders of record as at 13 May 2015.

Investor relations

AF Gruppen's objective is for all investors and other stakeholders to have access to the same financial information on the company at any given time. The information provided by AF Gruppen should ensure that the valuation of the share is as correct as possible. Information that may affect the price of the shares will be disclosed through stock exchange announcements to the Oslo Stock Exchange and on the company's website. AF Gruppen puts a high priority on contact with the equity market and desires an open dialogue with the players.

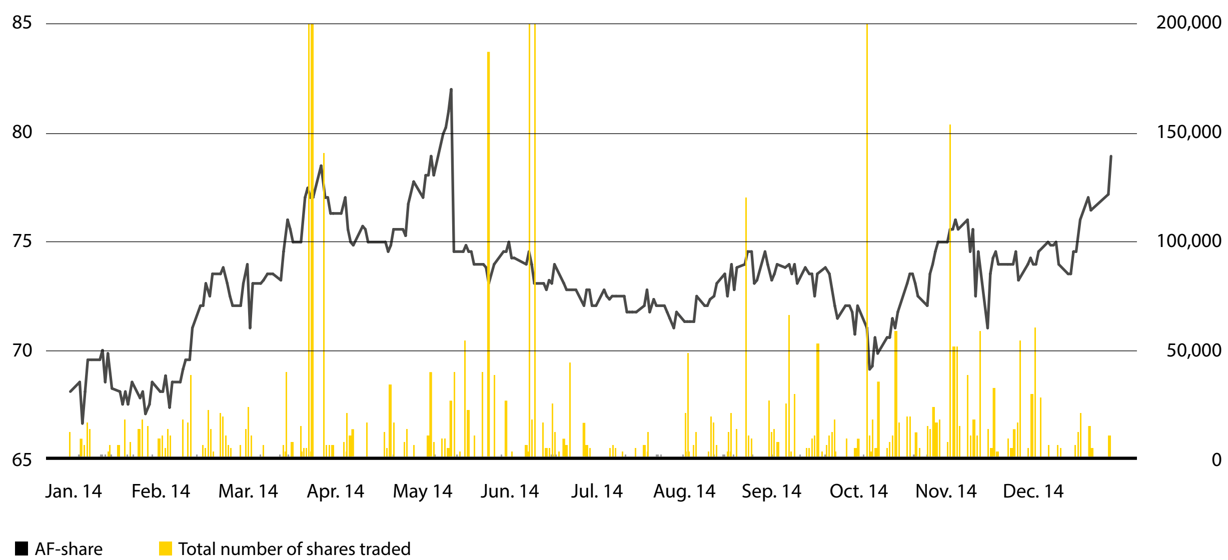
AF Gruppen holds public presentations of its quarterly and annual results. These presentations are transmitted directly via the Internet, and are available on the Oslo Stock Exchange's website and AF's own website. In addition, the company maintains ongoing contact with investors and analysts. The Company's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

Analyst coverage

Company	Telephone
Danske Bank	+47 85 40 70 73
DNB Markets	+47 24 16 92 09
Fondsfinans	+47 23 11 30 61
Handelsbanken	+46 87 01 51 18
Swedbank First Securities	+47 23 23 82 65

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

Price performance and trading volumes in 2014



SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

Corporate governance

Supplemented by AF Gruppen's values and culture, the principles for risk management and internal control are the cornerstones of corporate governance. An open and solid management structure instils confidence and lays the foundation for long-term value creation for investors, employees and society at large.

1. Statement of corporate governance

Good corporate governance is the responsibility of the Board of Directors. The Board of Directors reviews AF Gruppen's principles and code of practice for corporate management. The statement follows the Norwegian Code of Practice for Corporate Governance of 30 October 2014. In the following an explanation is given for how the 15 sections of the Code of Practice are followed up within AF Gruppen.

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

Core values, ethics and social responsibility

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

These values are foundation stones in a culture in which orderly conduct is recognised, valued and lived up to by all employees. A code of conduct has been prepared to strengthen this culture, generate commitment and develop expertise. This code of conduct is communicated to all our employees and used in organisational development. The publications, "Purpose, Goals and Values" and the "Code of Conduct" can be found on AF Gruppen's website www.afgruppen.no.

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 guidelines for corporate social responsibility and sustainable entrepreneurship concern the external environment, working environment and reputation. They are described in greater detail on page 22 of the annual report, as well as the www.afgruppen.no website.

- *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 follows 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 in greater detail on page 11 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 2014, the Group's equity capital was NOK 1,499 million. This corresponds to an equity ratio of 27.6 per cent. Net interest-bearing liabilities were NOK 95 million and available credit was NOK 1,385 million. The Board of Directors makes an ongoing assessment of the capital and liquidity situation in light of AF Gruppen'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 2014 financial year, the Board of Directors proposes a dividend of NOK 5.00 per share. The proposed dividend will be paid to all shareholders registered with the Norwegian Central Securities Depository (VPS) as at the date of the Annual General Meeting on 13 May. It is expected that the dividend will be paid on 26 May. In 2014, a dividend of NOK 6.00 per share was paid.

Capital increase and acquisition of treasury shares

The Board's authorisation to increase the share capital is limited to defined purposes and not valid for a period longer than until the next General Meeting. Provisions will be made so that the General Meeting can vote on each individual purpose to be covered by the authorisation.

On 24 March 2014, the Board of Directors resolved to carry out a capital increase in connection with the redemption of options for employees in accordance with the resolution by the Extraordinary General Meeting of 14 February 2014. The capital increase was carried out as a private offering of 5,755,679 shares. The total value of the capital increase was NOK 242 million.

At the Annual General Meeting of 15 May 2014, the Board was authorised to increase the company's share capital by up to NOK 50,000, divided into a maximum of 1,000,000 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 share programme and inventive programme for employees in the Group, by one or more new issues. This authority is valid until the 2015 Annual General Meeting, hence not beyond 30 June 2015.

In connection with the company's share programme for employees of the Group, 636,245 shares were issued in 2014. The equity was thereby increased by NOK 37 million.

The General Meeting of AF Gruppen adopted a new option programme for all the employees of AF Gruppen on 15 May 2014. A total of 4,500,000 options will be offered over a period of three years. On 18 June this year, a total of 3,500,000 options were subscribed for by 1,383 employees. The options can be exercised in 2017, and the exercise price is NOK 74.25.

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.

- *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 in order to stimulate increased share ownership among the employees.

Treasury share transactions

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

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

- *Deviation from the Code of Practice: None.*

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

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 25 March 2015.

Of these members, only Jan Fredrik Thronsen is independent of the Board of Directors. Both Arne Baumann and Board Member Daniel Kjørberg Siraj 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 website www.afgruppen.no.

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 the five board members elected by the shareholders represent companies that are major customers of and/or suppliers to AF Gruppen.
- Board 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 Daniel Kjørberg Siraj represents one of the principal shareholders, OBOS BBL 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 25 March 2015, the Board of Directors 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 of Directors
Provisions relating to the board's areas of responsibility and administrative procedures are specified in separate rules of procedure. 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 for the Board of Directors. 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 has been one such matter in 2014.

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.

In 2014, a total of nine board meetings were held, one of which was held by telephone conference call. Of the shareholder-elected board members, Tore Thorstensen, Hege Bømark and Daniel Kjørberg Siraj attended all the meetings. The latter was elected to the Board of Directors in May and attended five board meetings. Mari Bromann attended eight board meetings and Peter Groth attended seven board meetings. Carl Henrik Eriksen attended three out of four possible board meetings

SHAREHOLDER INFORMATION

before he was replaced in May 2014. Of the employee-elected board members, Kenneth Svendsen and Pål Jacob Gjerp attended all nine meetings, while Arne Sveen attended eight.

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 Hege Bømark (Chairman), Mari Broman and Daniel Kjørberg Siraj. 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 an auditor candidate and explain the auditor's fees broken down by auditing and other services to the Annual General Meeting.
- Assess the company's internal controls, including:
  - > Group's management of risk
  - > Group's internal control functions and authority matrix
  - > Group's cash management
  - > Group's ability to perform assessments, improve, execute and follow up investment decisions
  - > Organisational matters related to financial reporting and control

The Committee had five meetings in 2014. 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 of Directors' self-evaluation
The board annually evaluates its own activities and competence. 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 the 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. Risk management at AF Gruppen is described in greater detail 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.

The Audit Committee prepares an annual report that describes and assesses internal control at AF Gruppen.

- *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 website of the Oslo Stock Exchange. The same information is published at the same time on AF Gruppen's website.

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. The CEO and CFO are responsible for communication with the shareholders. During the period prior to the presentation of results extra caution is exercised to ensure information symmetry in the market. AF Gruppen follows the Oslo Stock Exchange's 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 and potential offers shall be facilitated as a rule.

Equal treatment and transparency
In talks with the bidder and in other actions, the Board and management shall seek to safeguard the common interests of AF Gruppen and the shareholders as a whole. The Board and management both have an independent responsibility to ensure that the shareholders are treated equally and that the operations are not unnecessarily interrupted. The Board of Directors has a special responsibility for ensuring that the shareholders have the information and time required so that they can take a stand on the offer.

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

- *Deviation from the Code of Practice: None.*

15. Auditor

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

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 2014
The company's auditor EY (Ernst & Young AS), represented by responsible partner Asbjørn Ler, has attended one board meeting in 2014, at which the annual financial statements for 2013 etc. were approved. He also attended the General Meeting in 2014, as well as five of the six meetings that the Audit Committee had in 2014.

- *Deviation from the Code of Practice: None.*

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

Board of Directors' report

Land-based activities showed good growth and delivered strong results in 2014, led by the Civil Engineering and Building business areas. The operating margin for the Group in 2014 was above the long-term target. The Board is confident that a high level of activity and good results will prevail in 2015.

Operations

Introduction

AF Gruppen is a leading contracting and industrial group with six business areas:
Civil Engineering
Environment
Building
Property
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. The company's entrepreneurial spirit is distinguished by an ability and a willingness to think differently and to seek better, more future-oriented ways of generating value. We help our customers succeed by delivering projects and services in accordance with their needs. Our conduct shall be characterised by professionalism and high ethical standards.

Vision

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

Mission

AF's mission is to be an industrial group that delivers 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

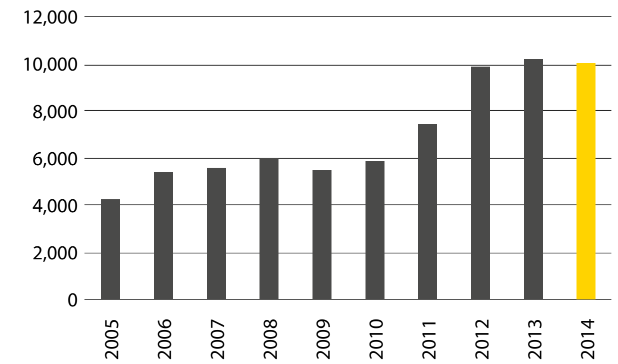
The financial statements for AF Gruppen have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements for the parent company, AF Gruppen ASA, have been prepared in accordance with simplified IFRS. The Board of Directors is of the opinion that the financial statements for the parent company AF Gruppen ASA and the Group provide an accurate and fair picture of the financial results for 2014 and the financial position as at 31 December 2014. 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 86 of the annual report. The treatment of sustainable entrepreneurship and social responsibility is discussed on page 22 of the annual report.

Income statement, balance sheet and liquidity

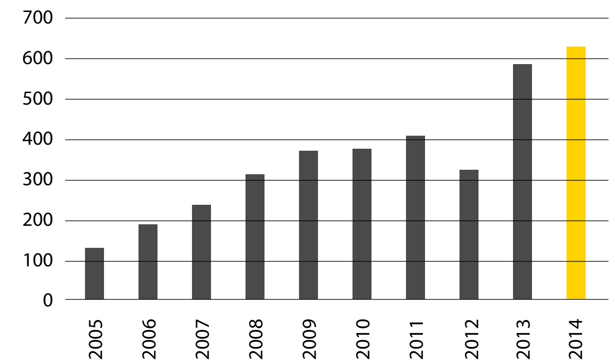
AF Gruppen reported operating and other revenues of NOK 9,935 million (10,127 million) for 2014. Earnings before interest and tax were NOK 635 million (568 million), which corresponds to an operating margin of 6.4 per cent (5.6 per cent). Earnings before tax were NOK 625 million (580 million) and the earnings after tax were NOK 483 million (453 million). The Civil Engineering and Building business areas showed a high level of activity in 2014 and contributed to very good results. The Environment and Energy business areas have seen varying activity levels throughout the year and are delivering results below the long-term target. Property has many exciting projects under way, and sales in new projects have been good in 2014. Offshore has seen a varying level of activity and a challenging market in 2014.

The Group's operating margin of 6.4 per cent is higher than the long-term target of 5 per cent.

Turnover NOK million



Earnings before tax NOK million



Earnings per share were NOK 5.11 (5.26) in 2014. Diluted earnings per share were NOK 5.09 (5.11). The proposed divided is NOK 5.00 (6.00) The share price was NOK 79.00 (67.75) at year end. The return to shareholders, including dividends for 2014, was 25.5 per cent. The return on equity was 34.3 per cent (38.4 per cent) for 2014. The return on average invested capital was 38.7 per cent (45.7 per cent). The balance sheet total as at 31 December 2014 was NOK 5,428 million (5,237 million). At year end, the Group had net interest-bearing receivables of NOK 95 million (-751 million) and cash and cash equivalents of NOK 91 million (695 million). Shareholders' equity at the end of the year was NOK 1,499 million (1,334 million), which corresponds to an equity ratio of 27.6 per cent (25.5 per cent). Cash flow from operations in 2014 was NOK 86 million (1,015 million). Cash flow before capital transactions and financing was NOK -164 million (908 million). A dividend of NOK 529 million (384 million) was paid in 2014.

Distribution of comprehensive income for the year

Comprehensive income for the year for AF Gruppen ASA was NOK 380 million and the following distribution is proposed:

Transferred from other reserves	NOK -77 million
Provision for dividend	NOK 457 million
Total allocations	NOK 380 million

Business areas 2014

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 the following units:

- AF Anlegg
  Johan Rognerud
  AF Arctic
- Pålplintar

AF performs traditional civil engineering projects in the fields of transport, infrastructure and hydropower 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	2014	2013	2012
Revenues	3,172	2,950	2,622
Earnings before interest and tax (EBIT)	286	253	83
Earnings before tax (EBT)	288	265	92
EBIT %	9.0 %	8.6 %	3.2 %
EBT %	9.1 %	9.0 %	3.5 %
Order backlog	2,913	4,604	2,232

In 2014, Civil Engineering reported revenues of NOK 3,172 million (2,950 million). This represents growth of 7.5 per cent compared with 2013. In 2014, the business area reported earnings before interest and tax of NOK 286 million (253 million) and earnings before tax of NOK 288 million (265 million). The operating margin was 9.0 per cent (8.6 per cent) in 2014.

Civil Engineering showed a high level of activity in 2014 and delivered very good results for core operations related to roads and railways, hydropower and energy. Many major civil engineering projects performed well operationally in 2014. The unit is experiencing a large supply of new projects in the market, and there is a high volume of tender calculations.

Pålplintar reported lower than expected revenues in 2014, and the unit delivered a negative result for the year. This decline is primarily attributed to a low level of activity and losses on certain projects in the first half of 2014. Operational and organisational adaptations were carried out during the year, and the unit's results improved during the last half of 2014.

Palmer Gotheim Skiferbrudd performed well and delivered good results for 2014.

New contracts

In March, AF Anlegg was appointed by the Western Region of the Norwegian Public Roads Administration as the contractor for E39 Dregebø – Grytås and Birkeland – Sande. This contract concerns 9 km of new E39, including 760 m of tunnel and some smaller concrete structures. The contract encompasses the subsections Dregebø – Grytås and Birkeland – Sande. The contract is valued at approximately NOK 330 million, excluding VAT. After a planning period, work started in the summer of 2014. The contract is scheduled for completion by 1 June 2016.

In April, AF Anlegg was selected by the Norwegian National Rail Administration as the contractor for the Preparatory Åsland Work. The contract involves the boring of two access tunnels, each of approx. 1 km, down toward the Follo Line's main line. Various ground works are also to be carried out at Åsland. The contract is valued at approximately NOK 250 million, excluding VAT. Work will start at the end of April/beginning of May, and the construction period will be approximately 1 year.

After the end of the year, AF Anlegg entered into a contract with Statkraft for building and construction work in connection with the Ringedalen Power Plant. The contract is for a concrete dam and intake, an approximately 2 km long underground rock tunnel and power station. The plant is located in the Municipality of Odda in Hordaland. The contract is valued at approximately NOK 130 million, excluding VAT. After a planning period, work will begin in the spring of 2015. The project is scheduled for completion by the end of 2017.

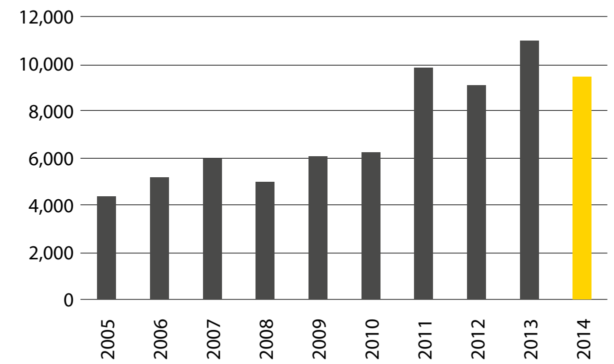
Market outlook

The forecasts for the Norwegian economy for 2015 are marked by a fall in the price of oil. According to Prognosesenteret, the level of civil engineering activity is nevertheless not expected to be significantly affected, and, if the authorities decide to increase appropriations for civil engineering work as a countercyclical measure, the lower level of activity in the oil sector may actually result in higher growth in the civil engineering market.

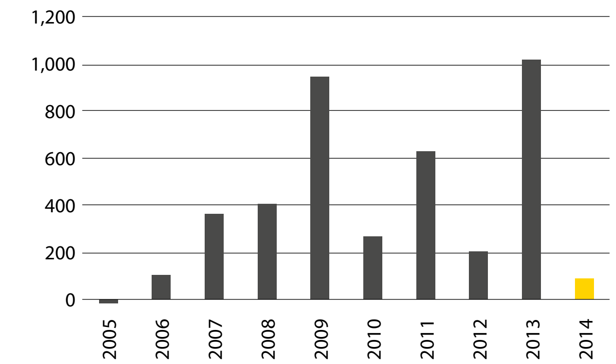
NOK 26.8 billion has been appropriated for road purposes in the State Budget for 2015, and the Government has stated that transport will be given a significant boost. The appropriation for 2015 represents an increase of approximately NOK 3 billion (12.4 per cent) compared with the budget for 2014. An appropriation of around NOK 8 billion has been proposed for major road projects. The analysis company Prognosesenteret estimates that total civil engineering investments will increase by 9.2 per cent in 2015, and by an additional 4.2 per cent in 2016. It is expected that the greatest growth will be in roads, railways and power and energy plants.

Statistics Norway (SSB) estimates that investments in onshore oil and gas activities will decline by NOK 0.5 to NOK 4.2 billion in 2015, compared with 2014. This will yield an investment level that is higher than in 2012 or 2013.

Order backlog NOK million



Cash flow from operations NOK million



The development of the Swedish economy is influenced by the eurozone, and the key rate in Sweden has recently been lowered to record-low levels. The Swedish central bank Riksbanken is expecting the gross national product to grow by 2.7 per cent in 2015, and the Swedish Construction Federation is expecting growth of 1 per cent for investments in the civil engineering sector in Sweden in 2015. The outlook for the Norwegian and Swedish markets is marked by greater uncertainty than previously due to the macroeconomic conditions in the eurozone, as well as lower oil prices, but with the scheduled start-up of many major civil engineering projects going forward, there is a good foundation for the Civil Engineering business area in AF.

The Civil Engineering order backlog stood at NOK 2,913 million (4,604 million) at the end of 2014.

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 Europe for the demolition, removal and environmental clean-up of buildings and structures. Environment offers solutions that meet the customers' environmental challenges. Strict environmental regulations and demanding demolition work mean that a great deal of attention must be paid to environmental protection, safety and a high degree of recycling. The Environment business area has operations in Norway and Sweden.

The business area encompasses:

- AF Decom
  - *BA Gjenvinning*
  - *Rimol Miljøpark*
  - *Jølsen Miljøpark*
- AF Decom AB
- Härnösand Byggreturer AB

Results

Amounts in NOK million	2014	2013	2012
Revenues	709	684	649
Earnings before interest and tax (EBIT)	41	40	72
Earnings before tax (EBT)	39	38	71
EBIT %	5.8%	5.8 %	11.1 %
EBT %	5.5%	5.5 %	11.0 %
Order backlog	175	215	231

In 2014, the Environment business area reported revenues of NOK 709 million (684 million). This represented growth of 3.7 per cent compared with 2013. Earnings before interest and tax were NOK 41 million (40 million), and profit before tax was NOK 39 million (38 million). The operating margin for 2014 was 5.8 per cent (5.8 per cent). There has been a high level of activity in the Norwegian operations, but variable project results throughout 2014. The Swedish operations saw variable results in 2014. Härnösand Byggreturer AB, which AF Gruppen acquired in 2013, had a high level of activity and delivered good results. AF Decom AB experienced a lower than expected level of activity and delivered very weak results for the year. Major operational and organisational adaptations were carried out in AF Decom AB in 2014.

Sale of businesses

In May, AF Gruppen entered into an agreement to sell 50 per cent of the shares in the company BA Gjenvinning AS to Gunnar Holth Grusforretning AS. BA Gjenvinning has 12 employees and reported revenues of NOK 28 million in 2013.

New contracts

AF Decom's activities include onshore demolition and recycling, where the value of the contract is generally less than NOK 10 million. This is a brief summary of the largest new contracts entered into in 2014:

SHAREHOLDER INFORMATION

In May AF Decom signed a contract with Skanska Norge AS for site preparation work at the Grøtsund Harbour Section in Tromsø. The work started in the spring of 2014, with completion scheduled for around the end of 2014. The value of the contract was NOK 16.4 million.

In June, AF Decom signed a contract with Statsbygg concerning demolition and site preparation work at the old Art College in Bergen. The value of the contract was NOK 15.4 million, and the work was completed at the end of 2014.

AF Decom signed a contract with Statsbygg in September for the demolition of the S-Block in the Government Quarter. Work began in October 2014 and will be completed in March of 2015. The value of the contract is NOK 12.4 million.

In December, AF Decom entered into a contract with Sødra Cell Tofte for demolition of the cellulose mill at Tofte. The value of the contract is NOK 26.5 million. Work will start in the summer of 2015 and is scheduled for completion in 2016.

Market outlook

The level of the activity in the Environment business area is connected to the general level of activity in the building and civil engineering markets. A positive outlook for the civil engineering market in Norway, further price growth in the residential housing market, as well as an increased demand for commercial buildings, will have a positive impact on the demand for demolition services. The same tendency is expected in Sweden, where the forecasts indicate growth in the building and civil engineering markets in 2015, which will in turn result in increased demand for demolition services.

At the end of the year, the Environment business area had an order backlog of NOK 175 million (215 million).

BUILDING

Description of the business

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

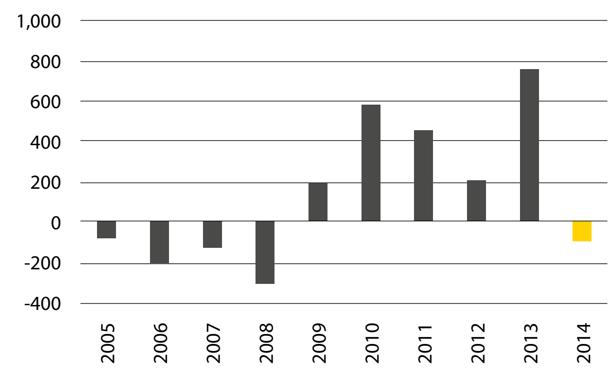
Building is one the largest entities in the area of private and public non-residential buildings, residential housing, and renovation, remodelling and extension work. The business area's expertise spans the entire value chain from development and planning to building. The business area delivers services 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:

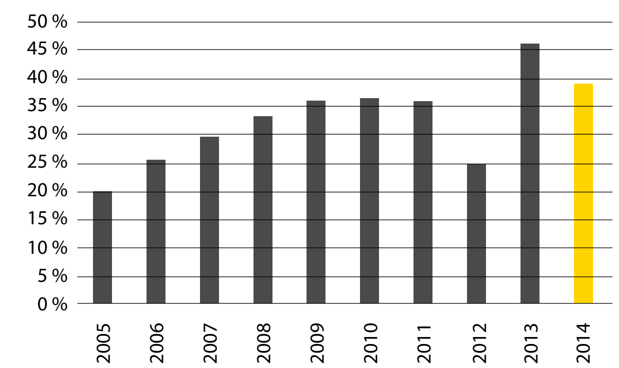
- AF Bygg Oslo
- AF Byggfornyelse
- AF Bygg Østfold
- AF Bygg Sør
- AF Bygg Rogaland
- Strøm Gundersen
  - *Haga & Berg Entreprenør*
  - *Consolvo*
  - *Thorendal*
- LAB
- AF Bygg Göteborg, Sweden
  - *Bygg Syd*

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.

Net interest bearing receivables NOK million



Return on capital employed



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 parts of Akershus, and is engaged in traditional building activities and in constructing residential and non-residential buildings for the private and public sectors.

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 the leading contractor in Buskerud for construction and heavy concrete structures. In addition, the company provides a substantial level of services in the renovation of residential and commercial buildings, concrete renovation and rock protection through the subsidiaries Consolvo, Haga & Berg Entreprenør and Thorendahl.

AF Bygg Göteborg is AF's largest business unit in Sweden. This unit performs traditional building activities and wet room renovation. The business unit is also engaged in building activities in Halmstad and Malmö through the subsidiary AF Bygg Syd.

Results

Amounts in NOK million	2014	2013	2012
Revenues	5,172	4,793	5,348
Earnings befor interest and tax (EBIT)	315	169	60
Earnings before tax (EBT)	311	160	47
EBIT %	6.1 %	3.5 %	1.1 %
EBT %	6.0 %	3.3 %	0.9 %
Order backlog	4,138	4,760	4,368

In 2014, Building reported revenues of NOK 5,172 million (4,793 million). This represents an increase of 7.9 per cent compared with 2013. In 2014, the business area reported earnings before interest and tax of NOK 315 million (169 million) and earnings before tax of NOK 311 million (160 million). The operating margin was 6.1 per cent (3.5 per cent).

After a challenging period in 2012-2013, a number of measures were implemented in order to improve the profitability of the Building business area. Several of the units have shown very good progress in 2014. AF Bygg Oslo, AF Bygg Østfold and Strøm Gundersen have performed well, and these units delivered very good results. AF Bygg Göteborg has shown solid progress throughout the year and delivered good results. AF Byggfornyelse has seen a high level of activity, but the results delivered are weaker than the long-term target. AF Bygg Sør and AF Bygg Rogaland reported a low level of activity and poor results. These units are marked by challenging markets in the Kristiansand and Stavanger regions. Organisational adaptations were also carried out at these two units to improve operations.

Acquisition of new business

In September, AF Gruppen entered into an agreement to buy 100 per cent of the shares in Fjerby AS through its subsidiary VSP Holding AS. Fjerby AS is located in Lier and is Norway's oldest specialist company for rock protection. The company supplies and installs landslide fences, snow fences, rockfall mesh, etc. The transaction also encompasses the acquisition of 50 per cent of the shares in DS Entreprenør AS, which also provides rock protection services. Fjerby AS and DS Entreprenør AS reported revenues of NOK 65 million and NOK 34 million, respectively, for 2013.

In December, AF Gruppen signed a letter of intent with LAB AS to acquire 70 per cent of the shares in the company. The acquisition includes LAB AS's shares in the subsidiaries

LAB Entreprenør AS, Åsane Byggmesterforretning AS and Fundamentering AS, as well as the properties in LAB Eiendom AS. LAB Entreprenør AS is the largest building contractor in the Bergen area. The company's head office is in Bergen and it operates in Western Norway. The company reported revenues of NOK 1,016 million in 2013 and has approximately 140 employees. Åsane Byggmesterforretning AS is the leading building contractor firm in Bergen, with revenues of close to NOK 400 million in 2013 and approximately 100 employees. Fundamentering AS performs sheet piling, pile driving, drilling and anchoring jobs throughout the country. The company's head office is located in Heimdal outside of Trondheim and reported revenues of NOK 220 million in 2013. Fundamentering AS has approximately 70 employees. LAB Eiendom AS develops properties that are centrally located near the main arteries into Bergen. The expected revenues for 2014 from the operations of LAB AS are approximately NOK 1.7 billion. The agreed purchase price for 70 per cent of the shares in LAB AS is estimated to be approximately NOK 700 million. Settlement is expected to consist of shares in AF Gruppen ASA and cash. It is expected that the transaction will be carried out in the first quarter of 2015.

New contracts

In March, AF Bygg Oslo was appointed as the contractor for the construction of the first stage of the "Krydderhagen" residential housing project at Hasle. Krydderhagen is the residential portion of the HasleLinje development. HasleLinje is a new commercial and residential development project centrally located at Hasle in Oslo. The first construction phase comprises the construction of 94 apartments in three buildings with a large underlying two-storey garage. This construction stage will be carried out as a design and build contract and has an estimated value of NOK 245 million, excluding VAT. The work started immediately and completion is expected in the 1st quarter of 2016.

In April, Strøm Gundersen AS was selected by Union Eiendomsutvikling as the contractor for the construction of an office building at Union Brygge in Drammen. This contract is for the construction of an office building of approximately 10,600 m2, which will include both offices and parking when it is completed. Extensive use of energy from solar cells is planned for the building. The contract is an integrated project contract valued at NOK 188 million, excluding VAT. Construction started in May 2014 and is scheduled for completion in December 2015.

In April, Strøm Gundersen AS entered into a contract with Øvre Eiker Municipality for the construction of a nursing home at Hokksund in Buskerud. The new building will consist of three floors with a basement and have a total gross area of 6,550 m2. When completed, it will house a new casualty clinic for the municipality, as well as rehabilitation places, dementia places and a palliative care ward for the nursing home. The new building will be connected to the existing nursing home by a corridor at the basement level. In addition, a sensory garden (park) will be established for dementia patients. The contract is a design and build contract valued at NOK 119 million, excluding VAT. Construction started in May 2014 and is scheduled for completion in January 2016.

In June, AF Bygg Østfold was appointed by ASKO Norge AS as the design and build contractor for the construction of a new refrigerated storage facility in connection with ASKO's existing facility in Vestby Municipality in Akershus. The contract encompasses construction, technical installations, refrigerated storage facility and outdoor installations in connection with the existing central warehouse and outgoing staging area. The new refrigerated storage facility will have total floorspace of approximately 17,000 m2 and an internal ceiling height of approximately 25 metres, with adjoining areas for offices, recycling station, technical rooms, etc., measuring approximately 4,000 m2. In addition, there will be the remodelling of approximately 7,000 m2 of the existing warehouse into a refrigerated storage facility, as well as the preparation of outdoor areas. The value of the contract is approximately NOK 322 million, excluding VAT. Work began in August/September and the construction period will last approximately 30 months.

In June, Strøm Gundersen AS was appointed by Papirbredden Eiendom AS as the contractor for the construction of the Papirbredden 3 office building in Drammen. Papirbredden Eiendom AS is owned by Entra Eiendom and Drammen Municipality. The contract is for the construction of an office building with approximately 10,500 m2 of net rental space, and it will contain offices and underground parking. Strøm Gundersen AS constructed Papirbredden 1 and 2 earlier. The contract is an integrated project contract valued at NOK 153 million, excluding VAT. Construction started in the autumn of 2014 and is scheduled for completion in July-October 2015.

In June, AF Bygg Oslo entered into a contract with Hasle Linje 4 AS (Höegh Eiendom) for the construction of an office building at Hasle in Oslo. The building will include a new head office for COWI, among other things. The contract encompasses construction of an eight-storey office building with basement car parking. The total gross area for this project is approximately 15,800 m2. The building will have an A+/Passive House energy rating and achieve a BREEAM environmental classification of excellent. The project will be carried out as a design and build contract and is valued at NOK 294 million, excluding VAT. Construction is scheduled to start in the 2nd quarter of 2014, with completion in the 2nd quarter of 2016.

In October, AF Bygg Göteborg signed a contract with Älvstranden Utveckling AB to buy a serviced site for the construction of the commercial building Centrumhuset in the Sannegården district of Gothenburg. The new building will consist of six storeys, including underground parking, with a total floorspace of 5,000 m2, and upon completion it will contain space for local and municipal services, as well as cultural and business activities. The building will be built to meet the Silver standard under the Swedish environmental building certification system Miljöbyggnad, with high energy-efficiency and sustainability requirements. The contract, which is a design and build contract in cooperation with a partner who is a client and property owner, is valued at approximately SEK 90 million, excluding VAT. Construction work is scheduled to start during the first half of 2015.

In December, AF Bygg Oslo entered into an agreement with Sørenga Utvikling for the construction of stages 7 and 8 at Sørenga. The project consists of site preparation and foundation work, as well as 124 apartments distributed in two buildings. The project will be carried out as a design and build contract with a total value of NOK 448 million, excluding VAT. The site preparation and piling work started in the autumn and scheduled completion is in the 1st quarter of 2017.

After the end of the year, AF Bygg Østfold entered into an agreement with Møllergruppen Eiendom concerning the construction of a new building for Møller Bil Follo at Solbergkrysset i Ås. The agreement encompasses the construction of a garage, showrooms and parts warehouse. The building will be constructed near the exit from E18 into the centre of Ski. In addition to the Møller Group's own space needs, there will be approximately 2,000 m2 that can be rented out. The new car facility will have floorspace of approximately 10,000 m2 over three storeys upon completion. The contract will be carried out as a design and build contract, and it is valued at NOK 105 million, excluding VAT. The project work has started and the construction period will last for approximately one year.

After the end of the year, AF Bygg Østfold signed an agreement with OBOS Kværnerbyen AS for the construction of area B4 in Kværnerbyen (Kværnerlia Housing Cooperative). The project comprises foundation work and 131 apartments over three buildings. The project will be carried out as a design and build contract with a total value of NOK 232 million, excluding VAT. The foundation work will start in the beginning of May. The construction of the apartments is subject to adequate advanced sales. Planned completion is in the 2nd quarter of 2017. In addition, the agreement includes an option for the construction of the next stage (area B5). The Kværnerlia Housing Cooperative will offer state-of-the-art apartments in Lodalen with plenty of sunlight and a central location. Earlier, AF Gruppen constructed Dreieskivakvartalet, and Kværnerbyen Terrasse is under construction for OBOS Kværnerbyen.

Market outlook

Residential property prices performed strongly in 2014, and increased on average 5.8 per cent compared with 2013. The greatest increase was in Bergen and Oslo/Bærum, with average price growth of 9.1 per cent and 8.3 per cent, respectively, compared with the end of 2013. A total of 27,130 start permits for new residential housing units were registered at the same time, which represents a decline of approximately 10 per cent compared with 2013.

It is expected that Norges Bank's decision to lower the key rate in December 2014, combined with banks being willing to lend, may result in higher prices in the residential housing market. Prognosesenteret expects housing prices to rise around 4 per cent in 2015. However, there is reason to assume that there may be significant regional differences, where the demand for residential housing close to central business districts will contribute to the greatest growth. Residential housing construction, measured by the number of start permits, is also expected to grow 1 per cent and 6 per cent in 2015 and 2016, respectively. The Building business area is also exposed to fluctuations in the commercial property market. The construction of commercial buildings with a total floorspace of 4.75 million m^2 started in 2014, an increase of 1.6 per cent over 2013. Prognosesenteret expects this growth to continue in 2015, and bases its forecasts on estimated growth of 2,1 per cent in floorspace started.

The Swedish residential housing market showed strong growth in 2014, and a continued positive trend is expected in the coming year. The Swedish Construction Federation is forecasting strong growth in residential housing investments in Sweden in 2015. A continued high level of activity in Sweden provides a good foundation for AF's Swedish building activities in 2015.

Altogether, a good market is expected for AF's activities in the Building business area in 2015, and the positive market outlook provides a good foundation for continued profitable growth.

At the end of the year, the Building business area had an order backlog of NOK 4,138 million (4,760 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 the establishment of joint development companies

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

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 and/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 property operations in Southern Norway, Rogaland and Gothenburg.

Results

Amounts in NOK million	2014	2013	2012
Revenues	21	60	30
Earnings before interest and tax (EBIT)	19	32	38
Earnings before tax (EBT)	13	30	31
Return on invested capital	2,9 %	10,9 %	26,9 %
Number of residential housing units [1]			
Under construction	94	26	93
Sold during the year	44	45	62
Completed for sale	20	22	13
Sites and development rights [1]			
Residential housing units	1 052	1 082	945
Commercial area m²	71 322	9 051	33 400

1) AF's share of residential housing units, sites and development rights in Norway and Sweden

Revenues of NOK 21 million (60 million) are lower than in 2013. AF Eiendom's activities are primarily carried out through associates, where the share of profit from associates is reported in the business area. The revenues reported therefore only refer to the wholly-owned activities of the business area.

Total revenues in the associated companies were NOK 281 million (406 million). AF's share of the revenues in the associated companies was NOK 116 million (139 million). Property reported earnings before tax of NOK 13 million (30 million) for 2014. A total of 103 (99) apartments were sold in 2014, of which AF's share was 44 (45) residential housing units. There were 94 (26) residential housing units under construction at year end. Property delivered three projects in 2014, Building F and G at Lillohagen in Sandaker, and Kilen Panorama in Sandefjord. All but five of the apartments were sold on delivery.

At the end of the year, the number of completed unsold apartments was 20 (22). The development projects are organised as associates in AF Gruppen and are not included in the order backlog.

In 2014, Property's building site inventory grew significantly for commercial properties and declined slightly for residential properties. The commercial space that can be developed increased to 71,322 m² (9,051 m²) and the residential sites and development rights declined to 1,052 (1,082) units. The increase in the commercial space that can be developed is attributed to the acquisition of the property at Hasle in Oslo. The figures refer to AF's share of the projects.

Site acquisitions
In September, AF Eiendom signed an agreement with Höegh Eiendom for cooperation and development of commercial sites on the grounds of the former Arcus production facility at Hasle in Oslo. A total of 110,000 sqm gross area of commercial property is planned for the sites, whereof approx. Development of offices with a total gross area of 110,000 m², 18,350 m² of which has already been leased, is planned for the sites. The agreement implies the purchase of 50 per cent of the shares in a new project/principal company that will be spun off from Hasle Utvikling AS. The acquisition values the properties at approximately NOK 600 million.

Site sales
Kilen Brygge AS, a company wholly owned by AF Gruppen, entered into an agreement with Miliarium Kilen AS in November to sell 50 per cent of the shares in Kilen Utbygging 2 AS. Miliarium Kilen AS is a member of the Adolfsen Group. AF has constructed 185 apartments at Kilen earlier. Kilen Utbygging 2 AS owns a site of approximately 0.7 hectares at Kilen. There are plans to rezone the site and develop it with 130 to 180 residential units, in addition to some commercial space.

Market outlook
In spite of the fall in the price of oil and a somewhat uncertain Norwegian economy, the Federation of Norwegian Building Industries expects that the basic demand drivers for residential units will continue to point upwards – the population is growing, unemployment is still low and there is net migration to central areas. In addition, interest rates are expected to remain low for a long time, and the banks are very willing to lend. These are factors that indicate a strong performance in the residential housing market in 2015. A low interest rate level in Europe also increases the demand for long-term commercial property investments. Overall, this provides a good foundation for AF's property development activities.

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 encompasses:
- AF Energi & Miljøteknikk AS
- Boligenergi

Boligenergi AS is owned jointly with OBOS.

Results

Amounts in NOK million	2014	2013	2012
Revenues	141	173	163
Earnings before interest and tax (EBIT)	3	11	15
Earnings before tax (EBT)	3	12	16
EBIT %	2.1%	6.5 %	9.3 %
EBT %	2.2%	6.8 %	9.6 %
Order backlog	85	59	106

Energy reported revenues of NOK 141 million (173 million) and earnings before interest and tax of NOK 3 million (11 million) for 2014. This gives an operating margin of 2.1 per cent (6.5 per cent). Earnings before tax were NOK 3 million (12 million).

New contracts
In February, 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.

In June, AF Energi & Miljøteknikk entered into a contract with the student welfare organisation Studentsamskipnaden in Oslo for the construction of a new energy plant at the Kringsjå Student Village. The value of the contract is approximately NOK 13 million.

In June, a total of four energy savings contracts (EPCs) were entered into for a total of NOK 72 million. These contracts were with Skjervøy Municipality (NOK 17 million), Oppland County Authority (NOK 31 million), Melhus Municipality (NOK 11 million) and Avinor Sola Airport (NOK 12 million).

After the end of the year, AF Energi og Miljøteknikk entered into an energy savings contract with Melhus Municipality for NOK 23 million, in addition to a contract for the delivery of an energy plant to Molde University College (Statsbygg). The contract for the energy plant is valued at approximately NOK 20 million.

In addition to energy savings contracts (EPCs) entered into in 2014, a great deal of work has been done with EPC offers. 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. The extrapolated value of the EPC contracts was NOK 56 million at year end. The contract with Melhus Municipality for NOK 23 million signed in January 2015 is included in this amount.

Market outlook
The market outlook for the Energy business area is good, and it is influenced by the ever stricter requirements to reduce energy consumption imposed by the authorities and markets. In Norway, the authorities have set ambitious energy goals, and extensive energy efficiency improvements for existing buildings are hence necessary.

Energy savings contracts (EPCs) in municipalities and public enterprises have thus become an increasingly interesting market area after a standardisation of contract terms took place. There has been a significant increase in the number of advertised energy savings contracts, and this growth is expected to continue in 2015. A corresponding standard for energy savings contracts is also gaining a foothold with private property owners, but this market segment is less formalised at present. 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. There is greater awareness of solutions like this, and the completed projects illustrate the potential to reduce energy costs.

A significant increase in the number of advertised energy savings contracts, ambitious public energy goals for 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.

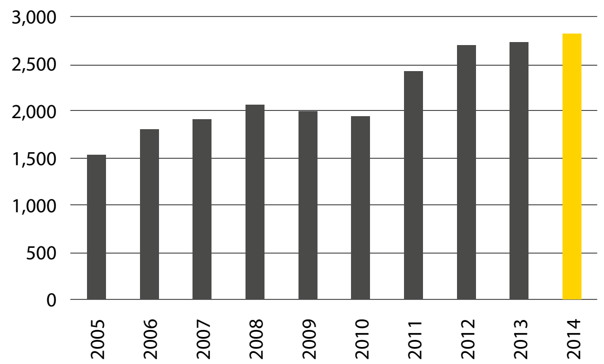
At the end of the year, the Energy business area had an order backlog of NOK 85 million (59 million).

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

The business area encompasses:
- AF Offshore Decom
  AF Decom Offshore UK Ltd.
  Environmental Base at Vats
- AF Offshore Mollier
- AF Offshore Systems
- AF Offshore Mandal
- AF Offshore Aeron
  Aeron Energy Tech. Co
  AF Offshore Aeron Pte. Ltd
- V & M Landanlegg

SHAREHOLDER INFORMATION

Number of employees



AF Offshore Decom 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 Offshore Decom 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. AF Offshore Mollier provides maintenance and modification services for HVAC (Heating, Ventilation and Air Conditioning) systems on offshore installations and total HVAC solutions for new builds of 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 services of AF Offshore Systems include engineering, design, electrical systems, instrumentation and construction of smaller structures. AF Offshore Aeron represents the Offshore business area's maritime activities and supplies HVAC systems for new build special-purpose offshore and floating production (FPSO) vessels at shipyards around the world.

Results

Amounts in NOK million	2014	2013	2012
Revenues	850	1,480	1,129
Earnings before interest and tax (EBIT)	-22	70	76
Earnings before tax (EBT)	-45	71	78
EBIT %	-2.6%	4.7 %	6.8 %
EBT %	-5.3%	4.8 %	6.9 %
Order backlog	1,918	1,265	2,028

Offshore reported revenues of NOK 850 million (1,480 million) and earnings before interest and tax of NOK -22 million (70 million) for 2014. This gives an operating margin of -2.6 per cent (4.7 per cent) for 2014. Earnings before tax were NOK -45 million (71 million).

AF Offshore Decom saw a low level of activity throughout the year. There has been some offshore activity in the Ekofisk EPRD project for ConocoPhillips, as well as a lot of preparation work in connection with the removal of B11 in 2015. As expected, there has been a low level of activity at the reception facility at Vats in 2014, but this is expected to increase in 2015 in connection with the B11 project. The unit reported weak financial results for 2014.

AF Offshore Aeron, AF Offshore Mollier and AF Offshore Systems have been impacted by uncertainty in the offshore industry and delivered weak results for the year as a whole.

AF Offshore Mandal and V & M Landanlegg performed well and delivered good results for 2014.

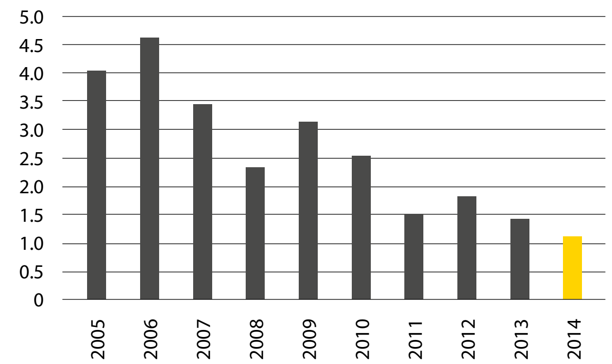
Acquisition of new businesses

In September, AF Gruppen entered into an agreement to buy back outstanding shares in the Environmental Base at Vats for NOK 135.8 million in cash, which values the company's equity at NOK 226.3 million. Miljøbase Vats included a 9.77 hectare site owned by Miljøbase Vats AS and two sites totalling 19.65 hectares that are leased from Vindafjord Municipality. An additional 4 hectares, previously leased, has been acquired from Vindafjord Municipality since this transaction. The leases with Vindafjord Municipality were signed in 2004 and have a term of 30 years, with an option for an extension of an additional 20 years. Miljøbase Vats AS leases all the properties to AF Offshore Decom AS.

New contracts

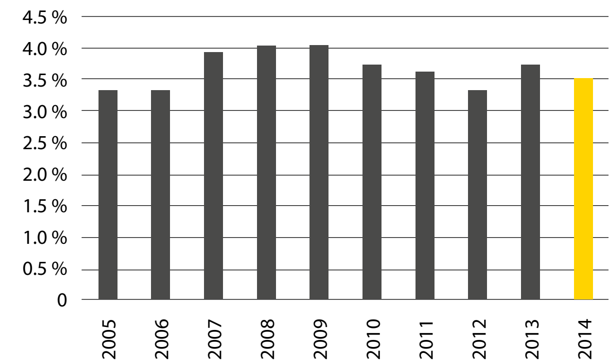
In February, AF Offshore Mollier was awarded a new framework contract for the service, modification and maintenance of HVAC systems (Heating, Ventilation and Air Conditioning) on ConocoPhillips' offshore installations on the Norwegian continental shelf. The contract period is 4.5 years with an option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

LTI rate



Lost-time injuries per million hours worked

Absence due to illness



In October, AF Decom Offshore U.K Limited, a wholly-owned subsidiary of AF Gruppen, in a consortium with Heerema Marine Contractors Nederland SE (the Heerema-AF Consortium), signed an agreement with CNR (Canadian Natural Resources International (U.K) Limited) for the removal and recycling of the Murchison platform in the North Sea. The Murchison field extends across the British/Norwegian demarcation line, while the actual platform is on the British continental shelf east of the Shetland Islands. The Murchison platform, which is one of the largest steel jacket platforms in the North Sea, has been operative since 1980, and production ceased in March 2014. The contract encompasses engineering, preparation, removal and decommissioning (EPRD) of both decks and the steel foundations, with a combined weight of more than 37,000 tonnes. The agreement presupposes commencement of the engineering work immediately after the contract is signed, while the offshore work will start early in 2016. The removal and decommissioning work will last until 2020. The demolition and recycling work will be carried out both in the UK and at the Environmental Base at Vats. The value of AF Gruppen's share of the contract is NOK 700 million.

Market outlook

High oil prices and new technology have previously contributed to an extended lifetime for many of the oil and gas fields. This resulted in a high level of investment on the Norwegian continental shelf and has postponed the expected time for demolition of many oil and gas installations. At the start of 2015, the price of oil has fallen 50 percent, and the investment estimates for the Norwegian continental shelf for 2015 have been adjusted sharply downwards. This entails uncertainty related to the market outlook, particularly for AF's maintenance and modification activities. At the same time, a lower oil price means that the profitability of several oil fields in the North Sea is under pressure, and the oil companies must evaluate whether production should continue. A report from Oil and Gas UK estimates that more than 100 platforms and approximately 250 other structures (topsides) on the British continental shelf will be removed during the period prior to 2023. In addition, there are also installations that are to be removed from the Norwegian continental shelf. This represents opportunities for AF's offshore activities related to the demolition and removal of decommissioned installations.

At the end of the year, the Offshore business area had an order backlog of NOK 1,918 million (1,265 million).

Information on the environment

Personnel and organisation

At the end of 2014 there were 2,797 (2,708) employees in the Group, of which 1,325 (1,327) were salaried and 1,472 (1,381) were skilled workers. The recruitment and supply of new employees was satisfactory in 2014. The parent company, AF Gruppen ASA, had no employees at the end of 2014.

Of the employees, 8.9 per cent (9.2 per cent) are women and 91.1 per cent (90.8 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 in the distribution in the Group as a whole. The percentage of women among salaried staff was 16.8 per cent (16.7 per cent) at the end of 2014.

Absence due to illness at AF was 3.5 per cent (3.7 per cent) in 2014. 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.

Development of our own managers is a priority area. In 2014, 1,199 (1,204) 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 2014, AF increased its focus on a robust organisation and on the composition of its project teams.

In 2014 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. The Code of Conduct, in line with the object of the Discrimination Act, 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.

Health, safety and the environment

Health and safety

AF Gruppen has a structured and uniform HSE system that encompasses all units and projects. Through systematic and long-term efforts, the LTI (lost time in jury) rate has been reduced through 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. Identification of risk and risk analyses are key elements of preventive HSE activities. Based on an assessment of the risks, physical and organisational barriers are established to reduce the risk of personal injury and occupational illness to a low and acceptable level.

In addition to risk assessments, it is also vital to be able to learn from our mistakes. 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.

The LTI rate for all operations in 2014 was 1.1 (1.4). Our LTI rate is among the lowest in the industry. In 2014, there was a total of 10 (13) lost time injuries, of which 7 involved subcontractors and 3 involved our own employees. Of the lost time injuries, there were four broken bones, two crushing injuries, three cut injuries and one third-degree burn. Eight of the lost time injuries occurred in the Norwegian part of the operations and two in Swedish part of the 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 manhours, and it includes our own employees and subcontractors. The overall goal is to avoid all lost time injuries (LTI rate = 0).

Absence due to illness for the entire Group was 3.5 per cent (3.7 per cent). For the Norwegian operations, absence due to illness was also 3.6 per cent (3.7 per cent). Absence due to illness at AF's operations abroad was 2.4 per cent (2.7 per cent). The company's goal is to avoid work-related illnesses. The target is absence due to illness of under 3.0 per cent. This target 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 in 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 company 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 company'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 2014, 41 (22) 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: the carbon footprint and the source separation rate. In measuring our carbon footprint, our emissions of greenhouse gases in tonnes of CO2 equivalents will be quantified. The purpose of the measurement is to motivate environmentally-friendly resource consumption. The Group's carbon footprint for 2014 was measured at 41,969 (39,338) tonnes of CO2 equivalents. This is equivalent to 4.9 (4.1) 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 82 per cent (81 per cent) for building, 82 per cent (80 per cent) for renovation and 96 per cent (96 per cent) for demolition in 2014. The source separation rate required by the authorities for building and civil engineering is 60 per cent. In 2014, 478,955 (408,365) tonnes of waste were separated, and 707,941 (474,547) tonnes of asphalt and concrete were recycled.

Measuring and monitoring our internal 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 risk, 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 ongoing 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 project completion. 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 92 per cent (94 per cent) of its recognised revenues in enterprises with NOK as their functional currency, 7 per cent (5 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. In 2014, the net foreign exchange gain/(loss) was NOK -3 million (-3 million). The total translation differences were NOK 4 million (19 million) in 2014.

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.

Tore Thorstensen
Chairman of the Board

Mari Broman

Daniel Kjørberg Siraj

Hege Bømark

Peter Groth

Kenneth Svendsen
Employee elected

Pål Jacob Gjerp
Employee elected

Arne Sveen
Employee elected

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 total financing framework of NOK 1,400 million. This facility consists of an overdraft facility of NOK 800 million (600 million) and a revolving credit facility of NOK 600 million (600 million) that expires in June 2015. 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 liabilities of NOK 95 million (-751 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 2014, AF Gruppen ASA acquired treasury shares to sell to employees. AF Gruppen ASA purchased 457,940 (157,973) shares in 2014. In 2014, 489,600 (115,700) treasury shares were sold to employees. At the end of the year, AF Gruppen ASA held 50,000 (81,660) treasury shares.

On 14 February 2014, the Board of Directors approved the redemption of all the outstanding options by means of a capital increase. This was in accordance with the authorisation from the General Meeting. A total of 5,755,679 options were exercised by 1,240 employees of AF Gruppen. The volume-weighted average redemption price for the options was NOK 41.97. Primary insiders in AF Gruppen purchased 447,701 shares in the AF Gruppen ASA in this connection.

A new option programme for all employees of AF Gruppen ASA and subsidiaries was adopted at the Annual General Meeting held on 15 May 2014, which entails entitlement to subscribing for a total of 3,500,000 options. A total of 1,383 employees in the Group chose to subscribe for options. The exercise price for the options is NOK 74.25 and the exercise date is in 2017.

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 2014, 507 (385) employees subscribed for a total of 996,245 (988,880) shares. The purchase price after a 20 per cent discount was NOK 58.90. In connection with the sale, the Board used its authority and issued 636,245 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 2014 have been in line with the Board's expectations in most of the business units. At the end of 2014, the Group had an order backlog of NOK 9,429 million (10,976 million) and earnings from ongoing projects are considered to be good.

The market outlook for 2015-2016 is more uncertain than it was previously, but in general considered to be good. Statistics Norway (SSB) expects the gross national product for mainland Norway to grow by 1.0 per cent in 2015 and 2.2 per cent in 2016. Prognosesenteret expects continued strong growth in the civil engineering business, 9.2 per cent in 2015 and 4.2 per cent in 2016, respectively. The expectation of continued low interest rates in the future may entail higher residential housing prices and make it more attractive to embark on projects. In Sweden, Riksbanken expects the gross national product to grow by 2.7 per cent in 2015 and by 3.3 per cent in 2016. 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, will establish the foundation for a high level of activity in 2015 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 2015.

The Board thanks the employees for their significant contributions to the good results in 2014. The Board is confident that a high level of activity and good earnings will prevail in 2015 as well.

Break new ground

Numbers aren't just numbers,
they can also tell a story.
At AF it's about 30 years of
continuous growth and sound
economic development.

Annual accounts AF Gruppen

Income statement

Amounts in NOK million	Note	1 January to 31 December 2014	2013	2012
Operating revenue	5	9,885	10,090	9,695
Other revenue	5	50	38	135
Total operating and other revenue		**9,935**	**10,127**	**9,830**
Subcontractors		-4,498	-4,637	-4,301
Cost of materials		-1,468	-1,366	-2,034
Payroll costs	7,29	-2,238	-2,132	-1,948
Depreciation and impairment of property, plant and equipment	15	-114	-106	-97
Amortisation and impairment of intangible assets	14	-3	-4	-8
Other operating expenses	8	-1,116	-1,400	-1,204
Net gains/(losses)	9	126	47	59
Profit/(loss) from associates and joint venture	10,36	10	40	28
Total operating expenses		**-9,300**	**-9,559**	**-9,505**
Earnings before interest and tax (EBIT)		**635**	**568**	**325**
Net financial items	20	-10	12	-7
Earnings before tax (EBT)		**625**	**580**	**318**
Income tax expense	27	-142	-128	-93
Profit for the year		**483**	**453**	**225**
Attributable to:				
Shareholders in the Parent Company		442	429	195
Minority interests		41	24	30
Profit for the year		**483**	**453**	**225**
Earnings per share (amounts in whole NOK)	22	5.11	5.26	2.41
Diluted earnings per share (amounts in whole NOK)	22	5.09	5.11	2.38
Dividend per share (amounts in whole NOK)	22	5.00	6.00	4.50

Comprehensive income

Amounts in NOK million	2014	2013	2012
Profit for the year	483	453	225
Change in actuarial gains or losses on pensions (after tax)	1	3	-8
Income and expenses that will not be reclassified to the income statement	**1**	**3**	**-8**
Change in cash flow hedging (after tax)	-74	-	-
Translation differences	4	19	-3
Income and expenses that may be reclassified to the income statement	**-69**	**19**	**-3**
Other comprehensive income for the year	**-68**	**22**	**-11**
Total comprehensive income for the year	**415**	**475**	**214**
Attributable to:			
– Shareholders in the Parent Company	374	451	184
– Minority interests	41	24	30
Total comprehensive income for the year	**415**	**475**	**214**

Statement of financial position

Amounts in NOK million	Note	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	15,33	992	397
Intangible assets	14	1,358	1,347
Investments in associates and joint ventures	10,36	406	272
Deferred tax assets	28	66	45
Interest-bearing receivables	21,23,25	77	59
Pension plan and other financial assets	21,23,25	8	12
Total non-current assets		**2,907**	**2,131**
Current assets			
Inventories	12	124	132
Projects for own account	13	108	97
Trade and other non-interest-bearing receivables	11,23,25	2,129	2,093
Interest-bearing receivables	21,23,25	52	77
Financial derivatives	23,24,25	17	11
Cash and cash equivalents	21,23,25	91	695
Total current assets		**2,522**	**3,105**
Total assets		**5,428**	**5,237**

Statement of financial position

Amounts in NOK million	Note	2014	2013
EQUITY AND LIABILITIES			
Equity			
Equity attributable to Parent Company shareholders		1,362	1,229
Minority interests	35	137	106
Total equity		**1,499**	**1,334**
Non-current liabilities			
Interest-bearing loans and credit facilities	21,23,25	63	29
Retirement benefit liabilities	19	1	2
Provisions	16	13	29
Deferred tax	28	249	422
Financial derivatives	23,24,25	78	-
Total non-current liabilities		**404**	**483**
Current liabilities			
Interest-bearing loans and credit facilities	21	252	50
Trade payables and non-interest-bearing debt	17,25	2,743	3,018
Financial derivatives	23,24,25	55	2
Provisions	16	153	149
Current tax payable	27	322	200
Total current liabilities		**3,525**	**3,419**
Total liabilities		**3,929**	**3,902**
Total equity and liabilities		**5,428**	**5,237**

Oslo, 25 March 2015

Tore Thorstensen
Chairman of the Board

Hege Bømark

Mari Broman

Peter Groth

Daniel Kjørberg Siraj

Pål Egil Rønn
CEO

Kenneth Svendsen
Employee elected

Arne Sveen
Employee elected

Pål Jacob Gjerp
Employee elected

Statement of changes in equity

Amounts in NOK million		Equity attributable to Parent Company shareholders							Minority interests	Total equity
2012	**Note**	**Share-capital[1]**	**Other paid-in capital**	**Translation differences**	**Actuarial pension gains/(losses)**	**Cash flow hedging**	**Retained earnings**	**Total**		
Equity as at 1 January 2012		4	405	-11	-	-	868	1,266	65	1,331
Effect of amendments to IAS 19		-	-	-	-9	-	-	-9		-9
Equity as at 1 January 2012		**4**	**405**	**-11**	**-9**	**-**	**868**	**1,257**	**65**	**1,321**
Profit for the year		-	-	-	-	-	195	195	30	225
Comprehensive income for the year		-	-	-3	-8	-	-	-11	-	-11
Total comprehensive income for the year		**-**	**-**	**-3**	**-8**	**-**	**195**	**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	5	-3
Equity as at 31 December 2012		**4**	**240**	**-14**	**-17**	**-**	**889**	**1,102**	**100**	**1,202**
2013										
Profit for the year		-	-	-	-	-	429	429	24	453
Comprehensive income for the year		-	-	19	3	-	-	21	-	22
Total comprehensive income for the year		**-**	**-**	**19**	**3**	**-**	**429**	**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**	**269**	**5**	**-14**	**-**	**965**	**1,229**	**106**	**1,334**
2014										
Profit for the year		-	-	-	-	-	442	442	41	483
Comprehensive income for the year		-	-	4	1	-74	-	-68	-	-68
Total comprehensive income for the year		**-**	**-**	**4**	**1**	**-74**	**442**	**374**	**41**	**415**
Capital increase		-	279	-	-	-	-	279	-	279
Purchase of treasury shares	26	-	-	-	-	-	-33	-33	-	-33
Sale of treasury shares	26	-	-	-	-	-	35	35	-	35
Dividend adopted and paid in 2014		-	-205	-	-	-	-324	-529	-16	-544
Share value-based remuneration	7	-	9	-	-	-	-	9	-	9
Transactions with minority interests		-	-	-	-	-	-2	-2	6	4
Equity as at 31 December 2014		**4**	**352**	**9**	**-13**	**-74**	**1,083**	**1,362**	**137**	**1,499**

[1] As at 31 December 2014, AF Gruppen has share capital related to treasury shares in the amount of NOK 3,000.

Cash flow statement

Amounts in NOK million	Note	2014	2013	2012
Cash flow from operating activities				
Profit/(loss) before tax		625	580	318
Depreciation, amortisation and impairment losses	14,15	117	110	106
Change in retirement benefit liabilities		-1	-	-4
Accounting cost of share value-based remuneration		9	12	5
Net financial expenses/(income)	20	10	-12	7
Net gains/(losses)	9	-126	-47	-59
Profit attributable to associates	10,36	-10	-40	-28
Change in operating capital (excl. acquisitions and foreign currency)				
Change in inventories and projects for own account	12,13	-3	62	66
Change in non-interest-bearing receivables	11	-42	260	-552
Change in trade payables and non-interest-bearing debt	17	-292	130	369
Income tax paid		-201	-40	-33
Net cash flow from operating activities		**86**	**1 015**	**194**
Cash flow from investment activities				
Acquisition of business	4	-140	-26	-10
Investments in property companies		-170	-71	-44
Purchase of property, plant and equipment and intangible assets	14/15	-112	-150	-189
Proceeds from the sale of business		14	2	-
Proceeds from the sale of property companies		10	22	24
Proceeds from sale of property, plant and equipment		50	52	83
Proceeds from derivatives		13	7	6
Dividends and capital from associates		59	35	44
Interest and other financial income received	20	27	21	-
Net cash flow from investment activities		**-250**	**-107**	**-85**
Net cash flow before financing activities		**-164**	**908**	**108**
Cash flow from financing activities				
Issuance of shares		279	53	27
Transactions with minority interests		-12	-31	-9
Dividends paid to Company's shareholders		-529	-384	-364
Payments due to change in interest-bearing receivables	21	-	-113	-
Proceeds due to change in interest-bearing receivables	21	1	-	99
Proceeds from new interest-bearing debt	21	-	-	7
Repayment of interest-bearing debt	21	-161	-49	-
(Purchase)/sale of treasury shares	26	2	-3	1
Interest and other financial expenses paid	20	-20	-9	-4
Net cash flow from financing activities		**-440**	**-537**	**-242**
Total change in liquid assets		**-604**	**371**	**-134**
Cash and cash equivalents as at 1 January	21	695	322	456
Change in cash and cash equivalents with no effect on cash flow		-	-	-
Cash and cash equivalents as at 31 December	**21**	**91**	**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.

AF Gruppen is one of Norway's leading contracting and industrial groups with operations in the areas of Civil Engineering, Environment, Building, Property, Energy and Offshore. The Group's activities are described in greater detail in Note 3 – Segment information.

The financial statements were adopted by the Board of Directors on 25 March 2015. The accounts for 2014 have been prepared in accordance with the International Financial Reporting Standard (IFRS) as stipulated by the EU.

Amendments to the accounting policies during the period
AF Gruppen has implemented the rules in IAS 39 for hedge accounting upon entering into substantial contracts in a foreign currency (cash flow hedging). The effective portion of the change in the value of the hedging instrument is recognised temporarily under other comprehensive income for the component "other unrecognised equity" under equity. Gradually as the hedged income is recognised, the hedging instrument's change in value is reversed in other comprehensive income and recognised in the income statement.

The accounting policies applied in the consolidated financial statements are otherwise, with the exception of the implemented changes, consistent with the policies applies in the previous accounting period. The Group's significant accounting policies are described in Note 38.

None of the recently published accounting standards or interpretation have had a significant impact on the consolidated financial statements. The changes for the year are discussed in Note 38.

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

Note 2 // Basis of preparation for annual financial statements

The consolidated financial statements of AF Gruppen have been prepared in accordance with the International Financial Reporting Standards (IFRS), which have been adopted by the EU and are mandatory for financial years starting on or after 1 January 2014, as well as Norwegian disclosure requirements that follow from the Norwegian Accounting Act as at 31 December 2014.

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

- Financial instruments at fair value through profit or loss
- Financial instruments available for sale 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.

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

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 tax (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.

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: AF Offshore Aeron, AF Offshore Decom and AF Offshore Mollier. Offshore also has activities in AF Offshore Systems and AF Offshore Mandal, as well the Environmental Base at Vats.

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

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

Types of services
AF Gruppen's revenues are primarily from production contracts of varying sizes and durations. The client, who may be in the public or private sector, is responsible for the financing. AF Gruppen also provides some 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 per cent complete, 50 per cent of which is sold on the reporting date, will be reported with a contribution margin of 25 per cent of the total expected contribution margin. 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 and Undervisningsbygg (the Municipal Undertaking for Educational Buildings and Property in Oslo) are responsible for more than 10 per cent of AF Gruppen's total operating revenues. In 2014 income of NOK 2,890 million (3,674 million) was recognised in connection with contracts entered into with the public sector

Note 3 cont. // Segment information

2014	Civil Engineering	Environment	Building	Property	Energy	Offshore	Others	Elim.	IFRIC 15	Total
Income statement										
External revenue	3,160	692	5,169	21	141	840	39	-111	-15	9,935
Internal revenue	12	17	3	-	-	10	40	-81	-	-
Total revenue	**3,172**	**709**	**5,172**	**21**	**141**	**850**	**78**	**-193**	**-15**	**9,935**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	339	51	332	19	3	-4	17	-5	-1	752
Earnings before interest and tax (EBIT)	286	41	315	19	3	-22	-2	-5	-1	635
Earnings before tax (EBT)	**288**	**39**	**311**	**13**	**3**	**-45**	**21**	**-5**	**-1**	**625**
Key figures and balance sheet										
EBITDA %	10.7%	7.2%	6.4%	-	2.4%	-0.4%	-	-	-	7.6%
EBIT %	9.0%	5.8%	6.1%	-	2.1%	-2.6%	-	-	-	6.4%
EBT %	9.1%	5.5%	6.0%	-	2.1%	-5.3%	-	-	-	6.3%
Assets as at 31 December	1,246	348	2,206	622	115	1,390	1,038	-1,531	-5	5,428
Invested capital as at 31 December	163	159	853	591	68	881	532	-1,429	-5	1,814
Order backlog as at 31 December	2,913	175	4,138	-	85	1,918	-	166	35	9,429
Number of employees as at 31 December	1,038	226	988	14	57	354	120	-	-	2,797
Cash flow										
Net cash flow from operating activities	-553	676	-19	19	-3	63	-96	-	-	86
Net cash flow from investment activities	-14	-19	-112	6	1	-128	16	-	-	-250
Net cash flow before financing activities	**-567**	**657**	**-132**	**25**	**-3**	**-65**	**-79**	**-**	**-**	**-164**

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.

2014	Civil Engineering	Environment	Building	Property	Energy	Offshore	Others	Elim.	IFRIC 15	Total
Geographic distribution of revenue										
Norway	3,045	530	4,760	16	141	840	78	-192	-15	9,202
Sweden	128	180	408	5	-	-	-	-1	-	720
Others	-	-	40	-	-	41	-	-	-	81
Eliminations	-	-	-36	-	-	-31	-	-	-	-68
Total	**3,172**	**709**	**5,172**	**21**	**141**	**850**	**78**	**-193**	**-15**	**9,935**
Geographic distribution of non-current assets, excl. financial instruments and deferred tax assets										
Norway	72	66	951	193	54	371	524	-359	-3	1,869
Sweden	14	27	122	25	-	-	-	-	-	189
Others	-	-	1	-	-	1	-	-	-	1
Eliminations	-	-	-	-	-	-	-	-	-	-
Total	**86**	**93**	**1,074**	**218**	**54**	**371**	**524**	**-359**	**-3**	**2,059**
Geographic distribution of assets										
Norway	1,177	269	1,841	544	115	1,326	1,038	-1,511	-5	4,794
Sweden	69	79	351	77	-	-	-	-19	-	556
Others	-	-	15	-	-	64	-	-	-	79
Eliminations	-	-	-	-	-	-	-	-	-	-
Total	**1,246**	**348**	**2,206**	**622**	**115**	**1,390**	**1,038**	**-1,531**	**-5**	**5,428**

Note 3 cont. // 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, tax, 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
Invested capital 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 investment 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 cont. // Segment information

2012	Civil Engi-neering	Environ-ment	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, tax, 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
Invested capital as at 31 December	54	88	408	118	65	476	683	-529	-19	1,343
Order backlog as at 31 December	2,232	231	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 Engi-neering	Environ-ment	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	**2,622**	**649**	**5,348**	**30**	**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 AFTER THE BALANCE SHEET DATE

LAB AS

On 11 March 2015, AF Gruppen entered into an agreement to acquire 70 per cent of the shares in LAB AS. LAB will be part of the Building business area. LAB AS is the parent company in a group where the most important companies are LAB Entreprenør AS, Åsane Byggmesterforretning AS, Fundamenteringer AS and LAB Eiendom AS. LAB Entreprenør AS is the largest building contractor in the Bergen area. The company's head office is in Bergen and it operates in Western Norway. The company reported revenues of NOK 1,217 million in 2014 and had 140 employees. Åsane Byggmesterforretning AS is the leading building contractor firm in Bergen with revenues of NOK 336 million in 2014 and 100 employees. Fundamentering AS performs sheet piling, pile driving, drilling and anchoring jobs throughout the country. The company's head office is located in Heimdal outside of Trondheim and reported revenues of NOK 242 million in 2014. Fundamentering AS has around 70 employees. LAB Eiendom AS develops properties with a central location close to the main arteries into Bergen. The company currently has assets in five residential housing projects with a potential for an estimated 20,000 saleable square metres of residential space, as well as a site of 33,000 square metres zoned for commercial purposes.

The consideration of NOK 735 million, consists of a cash payment, payment in shares and conditional vendor financing. The payment in shares consists of 2,702,703 issued shares in AF Gruppen ASA at an agreed price of NOK 74. The market value of these shares at the transaction date was NOK 247 million. The vendor financing conditions are linked to result guarantees for 2015-2017. The discounted value of of the conditioned vendor financing was NOK 128 million.

Presented below is an allocation of the purchase price based on the opening balance sheet of LAB AS as at 11 March 2015. 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 LAB AS. The allocation is not final.

Amounts in NOK million	100 %
Cash payment	360
Value of issued shares in AF Gruppen ASA	247
Conditional vendor financing	128
– Cash and cash equivalents	-445
Net payment	**290**
Property, plant and equipment and intangible assets	99
Long-term interest-bearing receiveables	58
Inventories and projects for own account	109
Short-term non-interest-bearing receivable	308
Minority interests	-75
Deferred tax and tax payables	-127
Interest-bearing loans	-84
Trade payables and current non-interest-bearing liabilities	-610
Net identifiable assets and liabilities	**-322**
Goodwill	**612**

The acquisition resulted in goodwill of NOK 612 million, which is linked to the market position and the organisation's ability to operate profitably.

BUSINESS COMBINATIONS IN 2014

Miljøbase Vats AS

On 9 September 2014, AF Gruppen entered into an agreement to acquire the remaining 60 per cent of the shares in Miljøbase Vats AS. Miljøbase Vats includes an 9.77 hectare site owned by Miljøbase Vats AS and two sites totalling 19.65 hectares that are leased from Vindafjord Municipality. The leases with Vindafjord Municipality were signed in 2004 and have a term of 30 years, with an option for an extension of an additional 20 years. Miljøbase Vats AS leases all the properties to AF Offshore Decom AS.

The Environmental Base at Vats was previously recognised as an associate in accordance with the equity method of accounting with a 40 per cent ownership interest. The acquisition of the Environmental Base at Vats resulted in a gain of NOK 22 million due to the fact that the assets and liabilities in the Environmental Base at Vats is recognised at fair value at the time of the acquisition. The Environmental Base at Vats is part of the Offshore business area.

Presented below is an allocation of the purchase price based on the opening balance sheet of Miljøbase Vats AS as at 31 August 2014. 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 Miljøbase Vats AS. The acquisition is considered to be the purchase of an asset, so no deferred tax is recognised on the excess value.

Note 4 cont. // Acquisition and sale of businesses

Amounts in NOK million	100 %
Cash payment (60%)	136
– Cash and cash equivalents	-17
Net cash payment	**119**
Fair value of shares previously owned (40%)	91
Fair value of shares, excl. cash and cash equivalents	**210**
Property, plant and equipment [1]	580
Deferred tax assets	5
Long-term interest-bearing loans	-328
Financial derivatives	-25
Short-term interest-bearing loans	-16
Trade payables and current non-interest-bearing debt	-6
Net identifiable assets and liabilities	**210**

[1] Of which NOK 98 million in excess value (100%).

Pro forma 2014
If the acquisition had been carried out by 1 January 2014, AF Gruppen would have had the following revenues and earnings:

Amounts in NOK million	AF Gruppen	Miljøbase Vats AS [1]	Pro forma
Operating revenue	9,885	-	9,885
Earnings before tax	625	-4	621

[1] The accounting figures in the table are the operating revenues and earnings for Miljøbase Vats AS up until the acquisition date. These figures have been adjusted for internal revenues and the share of the profit/(loss) recognised (40 per cent) due to the fact that Miljøbase Vats AS was an associate prior to the acquisition.

Fjerby AS
AF Gruppen acquired Fjerby AS on 15 September 2014. Fjerby and the associate DS Entreprenør AS are engaged in rock and snow protection. The subsidiary Microtrenching AS has activities related to the sawing of narrow grooves in asphalt and other substrates where pipes for fibre optic cable are to be laid. Fjerby AS was acquired by the newly established company Fjerby Holding AS, which is owned 90.1 per cent.

Presented below is an allocation of the purchase price based on the opening balance sheet of Fjerby as at 30 September 2014. 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 Fjerby.

Amounts in NOK million	100 %
Cash payment	20
– Cash and cash equivalents	-1
Net cash payment	**19**
Non-current assets	8
Current assets, excl. cash and cash equivalents	19
Interest-bearing loans	-8
Current non-interest-bearing liabilities	-10
Net identifiable assets and liabilities	**8**
Goodwill	**11**

The acquisition generated goodwill of NOK 11 million, which is related to the complementary competence. Fjerby will be part of the Building business area.

Note 4 cont. // Acquisition and sale of businesses

Pro forma 2014
If the aquisition had been carried out by 1 January 2014, AF Gruppen would have had the following revenues and earnings:

Amounts in NOK million	AF Gruppen	Fjerby [1]	Pro forma
Operating revenue	9,885	39	9,924
Earnings before tax	625	3	628

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

SALE OF BUSINESSES IN 2014:
BA Gjenvinning AS
On 23 June 2014, 50 per cent of the shares in the wholly owned subsidiary BA Gjenvinning AS were sold. As a result of this sale, BA Gjenvinning AS was reclassified from a subsidiary to a joint venture. BA Gjenvinning AS is under the Environment business area and will be recognised in the group accounts in accordance with the equity method of accounting.

Amounts in NOK million	50 %
Cash consideration for the sale	14
Claim for unequal division of dividend	1
Total payment for sale	**15**
– Net assets and liabilities	-1
Direct gains on the sale of business	**14**
Latent gain on the remaining ownership interest from the sale of business	14
Total gain on the sale of business	**28**

BUSINESS COMBINATIONS IN 2013
Boddheimer 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 Gruppen's 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 project expertise. It is not expected that the goodwill will be tax deductible at any point in time.

After the acquisition date, Broddheimer Malmcrona had operating revenues 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.

Note 4 cont. // Acquisition and sale of businesses

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
AF Gruppen 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 AF Gruppen'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.

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, AF Gruppen 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.

Note 5 // Operating and other revenue

Amounts in NOK million	2014	2013	2012
Revenue from long-term production projects	9,626	9,732	9,400
Revenue from sale of services	194	249	240
Revenue from projects for own account	5	48	19
Other sales revenue	60	60	35
Total operating revenue	**9,885**	**10,090**	**9,695**
Rental income	19	21	16
Other revenue	31	17	119
Total other revenue	**50**	**38**	**135**
Total operating and other revenue	**9,935**	**10,127**	**9,830**

Note 6 // Projects in progress

Amounts in NOK million	Note	2014	2013	2012
Contracts in progress at year end				
Unearned revenue invoiced				
Recognised as revenue under projects in progress		19,363	12,186	13,441
Invoiced on projects in progress		-21,005	-13,859	-14,448
Total unearned revenue invoiced		**-1,642**	**-1,673**	**-1,007**
Distribution on the balance sheet				
Production invoiced in advance included in trade receivables	11	-1,260	-934	-423
Production invoiced in advance included in other current liabilities	17	-382	-740	-584
Total unearned revenue invoiced		**-1,642**	**-1,673**	**-1,007**
Earned revenue not invoiced				
Recognised as revenue under projects in progress		5,481	6,869	3,533
Invoiced on projects in progress		-5,047	-6,429	-3,191
Total earned revenue not invoiced	**11**	**434**	**440**	**342**
Retention money [1]	**11**	**469**	**368**	**535**
Recognised in the income statement under projects in progress:				
Accumulated revenue		24,844	19,054	16,974
Accumulated project contributions		1,840	1,131	1,053
Production outstanding on onerous contracts		109	298	331

[1] As security for AF Gruppen's 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	2014	2013	2012
Fixed pay		-1,781	-1,711	-1,558
Social security costs		-289	-250	-231
Retirement benefit costs	19	-71	-58	-48
Share-value based remuneration (option cost)		-16	-12	-5
Other benefits		-80	-102	-106
Total payroll costs		**-2,238**	**-2,132**	**-1,948**

Average number of fulltime equivalents			
Norway	2,570	2,474	2,393
Sweden	217	187	171
Germany	3	2	1
Lithuania	59	40	14
Poland	1	0	13
UK	3	4	4
China	5	4	3
Total	**2,858**	**2,711**	**2,599**

Sale of shares to employees
In recent years, AF Gruppen has given all its employees the opportunity to buy shares at a 20 per cent discount. The discount is calculated 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	2014	2013	2012
Number of shares sold from own holdings	360,000	40,000	430,390
Number of shares from new issue – without discount	636,245	948,880	569,610
Market price during subscription period (amounts in whole NOK)	73,7	69,4	58,7
Selling price (amounts in whole NOK)	58,9	55,5	47,0

Impact of sale of shares to employees on accounts (amounts in NOK 1000):			
Payroll costs (discount including social security costs)	-7,024	-1,925	-6,685

Option programme
In March 2014, a total of 5,755,679 options linked to the three-year programme for 2011-2014 were redeemed.

The General Meeting of AF Gruppen adopted a new option programme for all the employees of AF Gruppen on 15 May 2014. A total of 4,500,000 options will be offered over a period of three years. On 18 June this year, a total of 3,500,000 options were subscribed for by 1,383 employees. The options can be exercised in 2017, and the exercise price is NOK 74.25. The number of outstanding unexercised options in AF Gruppen ASA, adjusted for employees who have left company, was 3,437,357 as at 31 December 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.

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

	2014	2013	2012
Expected dividend yield	4.5 %	9.7 %	9.4 %
Historical volatility	16.0 %	20.4 %	24.8 %
Risk-free interest	2.6 %	2.4 %	2.0 %
Expected life of option (years)	2.8	0.8	2.0
Share price (NOK)	74.3	56.9	51.9
Payment for option (NOK)	1.0	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.

Note 7 cont. // Payroll costs

Impact of the option programme on the accounts:

Amounts in NOK million	Expected 2015	2014	2013	2012
Payroll costs	-6	-9	-29	-11
Provisions for social security costs	2	2	22	6
Debt – option premium paid	3	3	6	4

Expected payroll costs in 2015 refer to the options subscribed for during the period from 2014 to 2017.

Note 8 // Other operating expenses

Amounts in NOK million	Note	2014	2013	2012
Other operating expenses				
Rent		-97	-98	-106
Other rental expenses		-497	-614	-437
Insurance		-29	-41	-26
Contracted manpower		-102	-144	-200
Remuneration of auditor		-6	-6	-6
Other fees		-78	-110	-98
Bad debts	11	-5	-8	-6
Disposal and landfill fees		-73	-72	-71
Marketing and advertising		-17	-23	-18
IT expenses		-36	-38	-34
Sundry other operating expenses		-177	-247	-201
Total other operating expenses		**-1,116**	**-1,400**	**-1,204**

Amounts in NOK 1000	2014	2013	2012
Remuneration of EY (Ernst & Young)			
Statutory auditing	-3,227	-3,706	-3,072
Other assurance engagements	-114	-73	-30
Tax consulting	-132	-191	-89
Other non-audit services	-555	-509	-101
Total	**-4,028**	**-4,479**	**-3,292**
Remuneration of other auditors			
Statutory auditing	-1,137	-1,245	-1,559
Other services beyond auditing	-1,060	-581	-693
Total	**-2,197**	**-1,826**	**-2,252**
Total remuneration of auditor	**-6,225**	**-6,305**	**-5,544**

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

Note 9 // Net gains/(losses)

Amounts in NOK million	2014	2013	2012
Total gains/(losses) on sale of business [1]	57	2	-
Total gains/(losses) on sale of shares in property companies [2]	21	24	29
Total fair value adjustments of financial derivatives	18	5	17
Net (gains)/losses on the sale of property, plant and equipment	28	19	13
Net foreign exchange gains/(losses) related to operations	2	-4	-
Total net gains/(losses)	**125**	**47**	**59**

[1] Gains on the sale of businesses in 2014 include a gain of NOK 22 million on the buyback of 60 per cent of the shares in Miljøbase Vats AS due to the fact that the assets and liabilities are to be recognised at fair value on the acquisition date. The sale of 50 per cent of the shares in BA Gjenvinning resulted in the loss of control, and the recognition of a joint venture at fair value on the balance sheet resulted in a gain of NOK 28 million. See Note 4 – Acquisition and sale of businesses for additional information.

[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. The gains on the sale of shares in property companies of NOK 21 million in 2014 were linked primarily to the sale of Kilen Utbygging 2 AS.

Note 10 // Investments in associates and joint ventures

Amounts in NOK million	2014	2013
Book value of investment as at 1 January	272	193
Additions from the acquisition of interests	186	52
Additions due to sell-off of subsidiaries	26	41
Disposals due to acquisition to create a subsidiary	-62	-
Disposals	-	-15
Share of profit for the year	10	40
Tax on distributions from limited partnerships	13	5
Equity transactions, incl. dividends	-38	-47
Currency translation differences	-	2
Investments in associates as at 31 December	**406**	**272**

With the exception of BA Gjenvinning AS, associates are primarily used in connection with the development of residential housing and commercial property projects. At AF this takes place primarily together with co-investors. This is done to provide complementary competence and diversity risk. The cooperation takes place primarily through the establishment of associates and joint ventures.

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

Amounts in NOK million	Note	2014	2013
Trade receivables		2,314	2,072
Earned revenue, not invoiced on projects in progress	6	434	440
Unearned revenue, invoiced on projects in progress	6	-1,260	-934
Retention money	6	469	368
Tax paid in advance		4	5
Value-added tax and other public charges paid in advance		10	7
Prepaid expenses		32	25
Other current non-interest-bearing receivables		127	110
Trade and other non-interest-bearing receivables	**24/25**	**2,129**	**2,093**
Gross trade receivables		2,317	2,079
Provision for losses		-3	-7
Trade receivables recognised on the balance sheet		**2,314**	**2,072**

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

Amounts in NOK million	2014	2013
Trade receivables – age distribution		
1-30 days overdue	202	181
31-60 days overdue	189	54
61-90 days overdue	56	30
91-120 days overdue	44	47
More than 120 days overdue	523	537
Total receivables overdue, but not written down	**1,015**	**849**
Receivables not yet due	1,299	1,223
Trade receivables recognised on the balance sheet	**2,314**	**2,072**

Age distribution 2014	Not yet due	1-30	31-60	61-90	91-120	>120	Total
Trade receivables, gross	1,299	202	189	56	44	526	2,317
Provision for losses	-	-	-	-	-	-3	-3
Trade receivables recognised on the balance sheet	**1,299**	**202**	**189**	**56**	**44**	**523**	**2,314**

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.

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

Movement in provisions for losses on trade receivables	Note	2014	2013
Provision for losses as at 1 January		-7	-13
Losses written off during the year		9	14
Reversal of last year's provisions		-	-
Provisions for the year	8	-5	-8
Provision for losses as at 31 December		**-3**	**-7**

Provisions for losses on trade receivables only cover 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	2014	2013
Spare parts and project inventories	59	63
Raw materials	40	47
Finished products	25	21
Total inventories	**124**	**132**

Note 13 // Projects for own account

Amounts in NOK million	2014	2013
Housing projects in progress	8	10
Completed housing units for sale	58	61
Land for development	42	26
Total projects for own account	**108**	**97**
Of which capitalised interest	-	2
Interest rate for capitalised interest	-	4 %

Development projects in AF Gruppen are often organised through setting up joint development companies with partners. Most of these companies are recognised as associates or joint ventures, cf. Notes 10 and 36. 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.

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 2,331 (2,357) residential units and 147,786 m^2 (19,341 m^2) of commercial area. AF's share is 1,052 (1,082) residential units and 71,322 m^2 ((9,051) m^2) of commercial area.

Completed housing units for sale	2014	2013
Number of completed housing units for sale in subsidiaries	18	21
Share of completed housing units in associates	2	1

Note 14 // Intangible assets

Amounts in NOK million	Goodwill	Customer relationships	Other intangible assets	Total
Acquisition cost				
1 January 2013	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**
Ordinary additions	-	-	2	2
Additions from the acquisition of business	11	-	-	11
Translation difference	1	-	-	1
31 December 2014	**1,350**	**30**	**25**	**1,405**
Depreciation and write-downs				
1 January 2013	-	-28	-13	-41
Depreciation for the year	-	-2	-2	-4
Write-downs for the year	-	-	-	-
31 December 2013	**-**	**-30**	**-14**	**-45**
Depreciation for the year	-	-	-3	-3
Write-downs for the year	-	-	-	-
31 December 2014	**-**	**-30**	**-17**	**-47**
Carrying amount				
Acquisition cost	1,337	30	24	1,391
Depreciation and write-downs	-	-30	-14	-45
31 December 2013	**1,337**	**-**	**9**	**1,347**
Acquisition cost	1,350	30	25	1,405
Depreciation and write-downs	-	-30	-17	-47
31 December 2014	**1,350**	**-**	**8**	**1,358**

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

Note 14 cont. // 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	2014	2013
AF Anlegg	11	11
Pålplintar i Sverige AB	3	3
Total Civil Engineering	**14**	**14**
AF Decom AS	37	37
Härnösand Byggreturer AB	13	13
Total Environment	**50**	**50**
AF Bygg Göteborg AB	100	99
AF Bygg Østfold	47	47
AF Bygg Rogaland	20	20
Strøm Gundersen	833	822
Total Building	**1,000**	**988**
AF Offshore Aeron AS	186	186
AF Offshore Systems AS	15	15
AF Offshore Mollier AS	31	31
Total Offshore	**233**	**233**
AF Energi & Miljøteknikk AS	53	53
Total Energy	**53**	**53**
Carrying amount as at 31 December	**1,350**	**1,337**

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

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

Norway	2014	2013
Growth rate [1]	2.5 %	2.5 %
WACC before tax	8.6 %	9.5 %

Sweden	2014	2013
Growth rate [1]	2.5 %	2.5 %
WACC before tax	7.0 %	8.3 %

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

Note 14 cont. // Intangible assets

Anticipated cash flows for 2015 are based on the budget for 2015 approved by the management. Budgets and business plans are based on assumptions regarding, for example, the demand, cost of materials, cost of labour and the overall competitive situation in the markets in which AF Gruppen operates. The assumptions made are based on management's experience as well as external sources. Wage inflation of 3.5 per cent is anticipated for all the business units in 2015.

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 2014. 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 Gruppen's 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 1 percentage point increase in the WACC will make it necessary to recognise an impairment loss for the goodwill allocated to Aeron.

	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	293	100	263	239	175
Strøm Gundersen	251	100	150	140	112
AF Decom	433	100	400	372	290
AF Energi og Miljøteknikk	508	100	469	436	340
Mollier	194	100	179	167	130
Aeron	113	100	104	97	76

b) Sensitivity analysis of cash flows
The table below shows the relationship between normalised cash flows assumed in the calculation of the recoverable amount and the estimated 'break even' cash flow in the impairment test of AF Gruppen's largest goodwill items. The cash flow providing the 'break even' in the impairment test, 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 per cent.

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, for example, that a 30 per cent reduction in estimated cash flow will necessitate the recognition of an impairment loss for the goodwill allocated to Aeron.

	Indexed values		Recoverable amount if cash flow is reduced by:		
Company	Estimated cash flow	'Break even' cash flow	10.0 %	30.0 %	50.0 %
AF Bygg Göteborg	294	100	264	206	147
Strøm Gundersen	242	100	218	169	121
AF Decom	432	100	389	303	216
AF Energi og Miljøteknikk	509	100	458	356	254
Mollier	195	100	176	137	98
Aeron	113	100	101	79	56

Note 15 // Property, plant and equipment

Amounts in NOK million	Buildings and production facilities	Machinery and equipment	Total
Acquisition cost			
1 January 2013	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**
Ordinary additions	35	110	145
Additions from the acquisition of business	580	5	585
Disposals	-	-81	-81
Translation differences	-	1	1
31 December 2014	**693**	**761**	**1,454**
Depreciation and write-downs			
1 January 2013	-4	-349	-353
Depreciation for the year	-2	-104	-106
Write-downs for the year	-	-	-
Accumulated depreciation on disposals for the year	-	58	58
Translation differences	-	-4	-5
31 December 2013	**-6**	**-399**	**-406**
Depreciation for the year	-5	-101	-105
Write-downs for the year	-7	-2	-9
Accumulated depreciation on disposals for the year	-	59	59
Translation differences	-	-	-1
31 December 2014	**-19**	**-443**	**-461**
Carrying amount			
Acquisition cost	97	706	803
Depreciation and write-downs	-6	-399	-406
31 December 2013	**91**	**307**	**397**
Acquisition cost	693	761	1,454
Depreciation and write-downs	-19	-443	-461
31 December 2014	**674**	**318**	**992**

Note 15 cont. // Property, plant and equipment

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	2014	2013
Operating leasing (annual rent)	441	439
Financial leasing [1]	38	10

[1] Capitalised leases related to machinery 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	Other provisions	Total provisions
As at 1 January 2014			46	178
Reversal of earlier provisions	-4	2	-9	-10
Provisions set aside during the year	102	7	16	126
Used during the year	-100	-13	-14	-127
As at 31 December 2014	**109**	**17**	**40**	**166**

Classification on the balance sheet	2014	2013
Non-current liabilities	13	29
Current liabilities	153	149
Total	**166**	**178**

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 2 million in provisions for estimated social security costs related to the redemption of options and NOK 1 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	2014	2013
Trade payables		876	884
Public liabilities		241	232
Prepayments from customers	6	382	740
Accrued holiday pay, incl. social security costs		215	202
Accruals and other current liabilities		1,029	961
Total trade payables and non-interest-bearing liabilities		**2,743**	**3,018**

Note 18 // Operating leases

Operating lease costs	2014	2013	2012
Rent	-97	-98	-109
Rental cost for Environmental Base at Vats [1]	-34	-50	-49
Other rental costs [2]	-463	-565	-385
Total	**-594**	**-712**	**-543**

[1] Ownership of the company Miljøbase Vats AS increased to a wholly owned subsidiary on 9 September, and the rental cost for the year for Vats is therefore for the period from 1 January to 8 September.
[2] Other rental costs vary to a large degree with the level of activity linked to offshore campaigns.

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.

Note 18 cont. // Operating leases

The Group has the following future minimum liabilities related to non-terminable operating leases as at 31 December:

Minimum liabilities – operating leases	2014	2013	2012
Machinery and vehicles			
Rent due within 1 year	186	179	151
Rent due within 1-5 years	337	417	344
Rent due after 5 years	13	14	11
Total	**536**	**609**	**506**
Offices, installations and furnishings			
Rent due within 1 year	75	130	128
Rent due within 1-5 years	273	478	484
Rent due after 5 years	230	605	553
Total	**579**	**1,213**	**1,165**
Total operating lease liabilities	**1,115**	**1,822**	**1,671**
Maturity structure			
Operating lease liabilities due within 1 year	261	308	279
Operating lease liabilities due within 1–5 years	610	895	828
Operating lease liabilities due after 5 years	244	619	564
Total operating lease liabilities	**1,115**	**1,822**	**1,671**

[2] The operating lease liabilities include lease liabilities from previous years related to the Environmental Base at Vats. In 2013, the liability was NOK 570 million. After Miljøbase Vats AS became a subsidiary on 9 September 2015, this is no longer a liability for the Group.

Amounts in NOK million	2014	2013	2012
Leases for office space:			
Lease for Helsfyr, Oslo [3]	458	501	434
Lease for Trondheimsveien, Oslo	24	38	36
Lease for Sarpsborgveien, Råde	11	11	14
Other leases	2	3	4
Total minimum obligation	**496**	**553**	**489**

[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)	2,053
Annual rent (NOK million)	50
Remaining lease term (years)	**5-10**

Group as lessor
In 2014 revenue of NOK 19 million (21 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	2014	2013	2012
Sublease rent due within 1 year	14	13	11
Sublease rent due within 1–5 years	6	11	27
Sublease rent due after 5 years	-	-	-
Total	**21**	**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 statutory requirements.

Defined contribution plan
A defined-contribution pension scheme for all employees born in or after 1952 or employed in or after 2003 has been established for the Group's employees in Norway. From 1 July 2008 the contributions have been 4 per cent of pay > 1G < 6G and 8 per cent of pay > 6G < 12G, with the employee paying 2 per cent of pay up to a maximum of half the contribution. Contributions to defined-contribution schemes are recognised in the income statement in the year to which they apply.

Defined-benefit pension plan
The Group has a collective pension scheme for employees in Norway born in or before 1951. The scheme only covers retirement pensions. The plan aims to pay benefits of 60 per cent of the pay level up to 12G at retirement. This benefit level is based on a 30-year qualification period. The retirement age is 67 and there is a 15-year payment period. Parts of the retirement benefit payments are covered by the Norwegian National Insurance Scheme and payments expected from this scheme. The rest is funded through accumulated reserves in insurance companies. At the end of 2014, there were 37 (43) active participants and 97 (91) pensioners in the scheme.

AF Gruppen Norge AS and two other subsidiaries were members of the old contractual early retirement scheme. The companies' share of the underfunding, which arose when the scheme was discontinued in 2010, has been estimated and provisions set aside in the accounts, cf. Note 16 – Provisions. At the end of the year, the Group had 23 (33) 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 200 (215) persons.

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

Amounts in NOK million	2014	2013	2012
Present value of pension benefits earned during the year	-2	-2	-2
Interest expense on incurred pension liabilities	-3	-2	-3
Expected return on plan assets	3	1	4
Social security costs	-	-	-1
Actuarial gains/losses recognised in the income statement	-	-	-2
Total defined-benefit retirement benefits	**-2**	**-3**	**-4**
Defined-contribution pension, Norway [1]	-39	-35	-33
Contributions to retirement benefit schemes, abroad [1]	-9	-11	-5
Other retirement benefit expenses [1]	-21	-10	-6
Retirement benefit expense for the year	**-72**	**-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.

Retirement benefit liabilities and plan assets
The Group had net retirement benefit liabilities of NOK 79 million (82 million) as at 31 December. Of these liabilities, NOK 78 million (80 million) is funded and NOK 1 million (2 million) is unfunded. Fair value of the plan assets was NOK 85 million (85 million) as at 31 December. Recognised plan assets in the consolidated financial statements amount to NOK 6 million (5 million) and retirement benefit liabilities amount to NOK 1 million (2 million). Actuarial gains recognised in the retirement benefit liabilities amount to NOK 2 million (3 million) and actuarial losses in the assets amount to NOK 1 million (-1 million). Actuarial gains or losses recognised directly in equity over OCI amount to NOK 1 million (4 million). The actual return on plan assets was NOK 2 million (3 million) and the expected premium payment for next year is NOK 2 million (3 million).

Assumptions for actuarial calculations	31.12.14	31.12.13
Discount rate	2,3 %	4,1 %
Return on pension plan assets	3,2 %	4,1 %
Pay inflation	2,8 %	3,8 %
Basic amount (G) adjustment	2,5 %	3,5 %
Adjustment of retirement benefits	0,0 %	0,6 %
Turnover	10,0 %	10,0 %

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

Note 19 cont. // Retirement benefits

Distribution of plan assets by investment category	31.12.14	31.12.13
Equities	9.9 %	11.0 %
Property	15.0 %	15.6 %
Non-current bonds	35.6 %	40.5 %
Current bonds	37.4 %	30.6 %
Other	2.1 %	2.3 %
Total	**100.0 %**	**100.0 %**

Note 20 // Financial income and expenses

Amounts in NOK million	2014	2013	2012
Financial income			
Interest income on cash and cash equivalents	1	3	8
Other interest income	26	17	2
Other financial income	-	1	1
Total financial income	**27**	**21**	**10**
Financial expenses			
Interest expenses on loans and overdraft facilities	-9	-6	-8
Other interest expenses	-10	-2	-5
Other financial expenses	-1	-1	-2
Total financial expenses	**-20**	**-9**	**-14**
Financial gains (losses) on changes in value			
Net foreign exchange gains/(losses) related to financing	-5	-	-2
Value adjustment interest rate swap contracts	-13	-	-
Value adjustment of financial assets at fair value through profit or loss	-	-	-1
Total financial gains/(losses) on changes in value	**-17**	**-**	**-3**
Net financial items	**-10**	**12**	**-17**

Note 21 // Net interest-bearing debt (receivables)

Net interest-bearing debt (receivables)

Amounts in NOK million	Note	2014	2013
Interest-bearing receivables – non-current		-77	-59
Interest-bearing receivables – current		-52	-77
Cash and cash equivalents		-91	-695
– Interest-bearing loans and credit facilities – non-current		63	29
– Interest-bearing loans and credit facilities – current		252	50
Net interest-bearing liabilities (receivables)	**24/25**	**95**	**-751**

Note 21 cont. // Net interest-bearing debt (receivables)

Cash and cash equivalents

Amounts in NOK million	Note	2014	2013
Cash and bank deposits		91	394
Short-term money market investments		-	301
Cash and cash equivalents	**24/25**	**91**	**695**
Of which restricted funds		12	8

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

Interest-bearing loans and credit facilities

Amounts in NOK million	Note	Effective interest rate	2014	2013
Overdraft facilities linked to the corporate cash pooling system	25	1.9 %	193	-
Overdraft facilities outside of the corporate cash pooling system	25	5.9 %	4	9
Mortgage loans	25	3.5 %	42	49
Financial lease liabilities	25	3.0 %	38	7
Other loans	25	4.2 %	38	15
Total interest-bearing loans and credit facilities			**315**	**79**
Classification on the balance sheet:				
Current liabilities			252	50
Non-current liabilities			63	29
Total interest-bearing loans and credit facilities			**315**	**79**
Maturity structure:				
Liabilities maturing within 1 year			252	50
Liabilities maturing in between 1 and 5 years			52	25
Liabilities maturing in more than 5 years			11	4
Total			**315**	**79**

Drawing rights
At the end of 2014, the Group had an unused bank overdraft facility linked to the corporate cash pooling system of NOK 683 million (680 million). In addition, the Group has a committed unused loan facility of NOK 600 million. Overall, the Group had unused credit lines for bank loans, including overdraft facilities, of NOK 1,283 million (1,280 million) at the end of 2014.

Note 22 // Earnings and dividend per share

Earnings per share

Amounts in NOK million	2014	2013	2012
Profit for the year attributable to Parent Company shareholders	442	429	195
Number of shares:			
Time-weighted average number of externally owned shares[1]	86,623,279	81,549,702	80,832,037
Dilutive effect of share value-based remuneration[2]	210,443	2,364,919	813,333
Time-weighted average number of externally owned shares after dilution	86,833,722	83,914,621	81,645,370
Earnings per share (amounts in whole NOK)	**5.11**	**5.26**	**2.41**
Diluted earnings per share (amounts in whole NOK)	**5.09**	**5.11**	**2.38**

[1] Time-weighted average number of shares issued minus treasury shares.

[2] AF Gruppen's share value-based remuneration scheme (options), cf. Note 7 – Payroll costs, entails that externally owned shares may be diluted as a result of the redemption of options. To take into account the future increase in the number of externally owned shares, the diluted earnings per share is calculated in addition to the earnings per share. The 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
For the 2014 financial year, the Board of Directors proposes a dividend of NOK 5.00 (6.00) per share. It is expected that the dividend will be paid to the shareholders on 26 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 13 May. No dividend will be paid on the company's treasury shares. The total estimated dividend for the 2014 financial year is NOK 412 million.

Amounts in whole NOK	2014	2013
Total number of shares as at 31 December	88,724,904	82,332,980
Issue of new shares on 28 March 2014	-	5,755,679
Issue of new shares on 17 March 2015[3]	2,702,703	-
Number of shares entitled to a dividend	**91,427,607**	**88,088,659**
Dividend per share	5.00	6.00
Total estimated dividend	**457,138,035**	**528,531,954**

AF Gruppen held 50,000 treasury shares at the end of 2014. 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.

[3] Part of the payment was in shares in connection with the acquisition of LAB AS. See Note 4 – Acquisition and sale of businesses for additional information on the acquisition.

Note 23 // Financial risk management

23.1. Financial risk factors
The Group is exposed to various types of financial risk, credit risk, market risk and liquidity risk through its activities. The overall goal of risk management in the Group is to minimise risk that AF Gruppen cannot influence. Unpredictable changes in the capital markets are an example of this.

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

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

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

Maximum exposure to credit risk in respect of trade receivables on the balance sheet date according to age, see Note 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	2014	2013
Non-current interest-bearing receivables	21	77	59
Non-current other receivables		1	7
Current trade and non-interest-bearing financial receivables	11	2,084	2,056
Current interest-bearing receivables	21	52	77
Cash and cash equivalents	21	91	695
Maximum credit exposure		**2,305**	**2,893**

Note 23 cont. // Financial risk management

b) Market risk
i) Interest rate risk
The Group 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. AF Gruppen'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	2014	2013
Financial assets with a variable interest rate	220	831
Financial liabilities with a variable interest rate	-315	-79
Net financial receivables	**-95**	**751**
Effect of a 100 basis point increase in rates on the profit after tax and equity	2	3
Effect of a 100 basis point decrease in interest rates on the profit after tax and equity	-2	-3

ii) Currency risk
AF Gruppen has operations in a number of countries and is exposed to exchange rate risk in a number of currencies, particularly the SEK, EUR and USD. The Group has 93 per cent (95 per cent) of its recognised revenues in enterprises with NOK as their functional currency, 7 per cent (5 per cent) with SEK as their functional currency and 0 per cent (0 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 (-3 million) in 2014. The total translation differences were NOK 4 million (19 million) in 2014.

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
AF Gruppen 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 per cent on the profit after tax. The analysis assumes that other variables remain constant.

Amounts in NOK million	2014	2013
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on profit after tax	-1	-2
Effect of a 10 per cent weakening of NOK in relation to all the currencies on profit after tax	1	2

Sensitivity associated with translation of income statement and balance sheet in foreign currencies to NOK
The profit after tax for foreign companies is translated to NOK based on the average monthly rate during the financial year and balance sheet items are translated at the rate in effect on the date of the balance sheet. The table shows how the profit after tax and equity will be affected by a fluctuation of 10 per cent in all the exchange rates. The analysis assumes that other variables remain constant.

Amounts in NOK million	2014	2013
Effect on profit after tax		
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the profit after tax	-2	1
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the profit after tax	2	-1
Effect on equity		
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the equity	-16	-21
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the equity	16	21

Note 23 cont. // Financial risk management

iii) Other price risks
The demolition activities in Offshore are exposed to price risk from the sale of scrap steel recycled from steel structures in the North Sea. AF Gruppen'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.

c) Liquidity risk
Liquidity risk is the risk that AF Gruppen will not be able to service its financial obligations when they are due. The Group's strategy for handling liquidity risk is to have sufficient cash and cash equivalents at all times in order to fulfil its financial obligations when due without risking unacceptable losses or damaging its reputation. Most of the companies in AF Gruppen are linked to a corporate cash pooling system. Surplus liquidity in the corporate cash pooling system beyond what constitutes the necessary working capital is managed by the company's finance function. Portions of the surplus liquidity are placed in the money market. The management monitors cash and cash equivalents on a weekly basis, and each month the Corporate Management Team reviews the liquidity of the projects. See Note 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 debt ratio in the Group.

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.

Amounts in NOK million			Maturity structure of contractual cash flows				
31 December 2014	**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 linked to the corporate cash pooling system	193	198	-	198	-	-	-
Overdraft facilities outside of the corporate cash pooling system	4	5	-	4	-	-	-
Mortgage loans	42	44	33	1	2	4	4
Financial lease liabilities	37	41	3	3	10	15	10
Other loans	38	41	14	-	-	27	-
Trade payables and other financial debt [1]	1,904	1,904	1,904	-	-	-	-
Financial derivatives							
Interest rate swaps	38	38	3	3	5	16	11
Forward currency contracts	96	96	15	27	30	3	-
Total	**2,352**	**2,367**	**1,972**	**236**	**47**	**66**	**25**

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**

[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.

Note 23 cont. // Financial risk management

23. 2. 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. AF Gruppen's policy is to have an equity ratio of at least 20 per cent and net interest-bearing liabilities < 2 * EBITDA. There have been no changes to the Group's capital management guidelines in 2014.

AF Gruppen's 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.

23. 3. Assessment of fair value
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 table below illustrates the financial instruments at fair value in accordance with the valuation hierarchy in IFRS7. The various levels are defined as follows:

Level 1 – Quoted price in an active market for an asset or liability.
Level 2 – Valuation derived directly or indirectly from a quoted price within level 1.
Level 3 – Valuation based on inputs not obtained from observable markets.

Assets and liabilities are measured at fair value in accordance with the valuation hierarchy:

Amounts in NOK million 2014	Level 1	Level 2	Level 3	Total
Assets – financial derivatives	-	17	-	17
Liabilities – financial derivatives	-	-134	-	-134
Total	**-**	**-117**	**-**	**-117**

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**

Fair value of interest rate swaps is calculated as the present value of the future cash flow based on the observable yield curve.

Fair value of forward contracts in a foreign currency is calculated as the difference between the agreed forward price and the forward price on the date of the balance sheet multiplied by the contract volume in a foreign currency. Is calculated as the present value of the future cash flow based on the observable yield curve.

Note 24 // Derivatives

Amounts in NOK million	2014 Assets	2014 Liabilities	2013 Assets	2013 Liabilities
Non-current assets				
Forward foreign exchange contracts – cash flow hedging	-	78	-	-
Total non-current assets	**-**	**78**	**-**	**-**
Current assets				
Interest rate swap contracts – held for trading purposes	-	38	-	-
Forward foreign exchange contracts – held for trading purposes	17	2	11	2
Forward foreign exchange contracts – cash flow hedging		15		
Total current assets	**17**	**55**	**11**	**2**
Total carrying amount	**17**	**134**	**11**	**2**

Forward foreign currency contracts
In previous years, AF Gruppen has recognised all forward foreign exchange contracts in the income statement, cf. Note 9 – Net gains/(losses). Since the scope of the contracts in foreign currencies has increased, AF Gruppen started to recognise the forward contracts in accordance with the rules for cash flow hedging when entering into large forward foreign exchange contracts. The hedged, highly probable transactions denominated in a foreign currency are expected to occur at various dates up until 2019. See Note 23.1 for a table of the maturity structure. Gains or losses recognised in the hedging reserve will be recognised in the income statement in the same accounting periods that the hedged transactions affect the profit or loss.

There was no ineffectiveness associated with the Group's cash flow hedging in 2014.

Interest rate swaps
AF Gruppen has an interest rate swap linked to the financing of the Environmental Base at Vats. The interest rate swap was recognised in the consolidated accounts for 2014 when the controlling ownership interest in the Environmental Base at Vats in 2014 was acquired. The nominal principal on outstanding interest rate swaps was NOK 336 million (0 million) as at 31 December 2014. The interest rate is 3.43 per cent.

Note 25 // Financial instruments: Category table

The table below shows AF Gruppen's financial instrument classes and the associated book value in accordance with IAS 39.

Financial assets by category

Amounts in NOK million 31 December 2014	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	77	-	-	77	-	77
Non-current pension plan and other financial assets		1	-	-	1	6	8
Current trade and other non-interest-bearing receivables	11	2,084	-	-	2,084	46	2,129
Current interest-bearing receivables	21	52	-	-	52	-	52
Current financial derivatives		-	17	-	17	-	17
Cash and cash equivalents	21	91	-	-	91	-	91
Total		**2,305**	**-**	**-**	**2,322**	**52**	**2,374**
31 December 2013							
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**

[1] Trade and non-interest-bearing receivables classified as loans and receivables do not include prepaid expenses.

Note 25 cont. // Financial instruments: Category table

Finansielle forpliktelser fordelt per kategori

Beløp i MNOK 31 December 2014	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	63	-	63	-	63
Current interest-bearing loans and credit facilities	21	252	-	252	-	252
Current trade payables and non-interest-bearing debt [2]	17	1,904	-	1,904	838	2,743
Current financial derivatives		-	55	55	-	55
Total		**2,219**	**55**	**2,274**	**838**	**3,112**
31 December 2013						
Non-current 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**

[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	88,724,904	0.05	4,436,245

Shareholder	Share (%)	No. of shares
OBOS BBL	22.08 %	19,589,041
ØMF Holding AS	15.44 %	13,699,030
Constructio AS	14.70 %	13,043,962
Aspelin-Ramm Gruppen AS	5.63 %	4,993,269
LJM AS	2.83 %	2,513,900
VITO Kongsvinger AS	2.77 %	2,461,676
Skogheim, Arne	1.94 %	1,723,870
Staavi, Bjørn	1.71 %	1,515,452
Moger Invest AS	1.40 %	1,240,541
Stenshagen Invest AS	1.23 %	1,093,074
Ten largest shareholders	**69.74 %**	**61,873,815**
Total other shareholders	30.21 %	26,801,089
Treasury shares	0.06 %	50,000
Total outstanding shares	**100.00 %**	**88,724,904**

The shares are not subject to any voting restrictions and are freely negotiable. Each share represents one vote.

Movement in number of shares during the year

Total number of shares as at 1 January 2014	**82,332,980**
New issue to employees	6,391,924
Total number of shares as at 31 December 2014	**88,724,904**

Note 26 cont. // Share capital and shareholder information

Shares and options owned by the Board of Directors and senior executives as at 31 December 2014

Board of Directors		Opsjoner	Aksjer
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	11,397	68,058
Pål Jacob Gjerp	Elected by employees	5,318	41,785
Arne Sveen	Elected by employees	-	-
Sum		**16,715**	**132,843**

[1] Represents, in addition to his own shares, KB Gruppen Kongsvinger AS, Tokanso AS and Vålerveien 229 AS, as the owner of 284,564, 500,774 and 103,800 shares, respectively.
[2] Represents, in addition to his own shares, Aspelin Ramm Gruppen AS, which owns 4,993,269 shares and Ringkjøb Invest AS, which owns 76,355 shares.
[3] Represents OBOS BBL, which owns 19,589,041 shares.

Corporate Management Team		Options	Equities
Pål Egil Rønn	CEO	49,957	289,975
Sverre Hærem	Executive Vice President/CFO	31,372	209,340
Robert Haugen	Executive Vice President	31,189	294,270
Arild Moe	Executive Vice President	30,764	253,746
Morten Grongstad	Executive Vice President	30,521	62,987
Andreas Jul Røsjø	Executive Vice President	26,877	12,655
Total		**200,680**	**1,122,973**

The Board is authorised to acquire up to 10 per cent of the share capital. This authority is valid until the 2014 Annual General Meeting, which is scheduled for 13 May 2015.

A new option programme for all employees of AF Gruppen ASA and subsidiaries was adopted at the Annual General Meeting held on 15 May 2014, which entails entitlement to subscribing for a total of 4,500,000 options during the years 2014, 2015 and 2016, with redemption in 2017. As at 31 December 2014, a total of 3,437,357 options have been allotted in this programme.

Treasury shares
Treasury shares have been acquired with a view to sales to employees. Shares have not been bought from related parties in 2013 or 2014.

Share transactions	2014	2013
Number of shares acquired	457,940	157,973
Average acquisition cost per share (NOK)	73.0	57.3
Total acquisition cost (NOK million)	**33**	**9**
Number of shares sold to employees	489,600	115,700
Total disposal of shares	**489,600**	**115,700**
Average selling price per share (NOK)	72.0	60.8
Sales proceeds (NOK million)	**35**	**7**
- Cost price of shares sold (NOK million)	-35	-7
Gain/(loss) on shares sold (NOK million)	**-**	**-**
Number of treasury shares as at 31 December	50,000	81,660
Nominal value of treasury shares at NOK 0.05 each	**2,500**	**4,083**

Note 27 // Income tax expense

Amounts in NOK million	2014	2013	2012
Current tax payable for the year	-311	-187	-32
Adjustment for previous years	-1	-7	1
Total tax payable	**-312**	**-194**	**-31**
Change in deferred tax related to:			
Change in temporary differences	167	38	-49
Change in tax rate	-	15	-4
Changed valuation of temporary differences	4	9	-2
Adjustment for previous years	-	4	-7
Tax change in deferred tax	**170**	**66**	**-62**
Total income tax expense	**-142**	**-128**	**-93**
Reconciliation of tax payable in the income statement against tax payable on the balance sheet:			
Current tax payable for the year	311	187	32
Tax payable linked to previous years	-	6	-
Impact related to the acquisition/(sale) of business	-1	1	-
Impact related to limited partnerships that are recognised in accordance with the equity method	13	5	4
Tax payable from other comprehensive income	-	1	-
Tax payable on the balance sheet	**322**	**200**	**36**
Reconciliation of income tax expense calculated at the Norwegian tax rate and the income tax expense as presented in the income statement:			
Earnings before tax	625	580	318
Expected income tax at Norwegian nominal rate	-169	-163	-89
Tax effects of:			
- Divergent tax rates for foreign countries and Svalbard	6	1	2
- Non-deductible expenses	-5	-6	-9
- Profit attributable to associates	3	11	7
- Non-taxable revenues	22	8	8
- Change in tax rate	-	15	-4
- Change in valuation of deferred tax assets	4	9	-2
- Excessive/insufficient provisions in previous years	-1	-3	-6
Income tax expense in the income statement	**-142**	**-128**	**-93**
Effective tax rate	22.7 %	22.0 %	29.3 %

Note 28 // Deferred tax / deferred tax assets

Amounts in NOK million Change in recognised net deferred tax	2014	2013
Book value as at 1 January	378	446
Recognised in the income statement during the period	-170	-66
Recognised in other comprehensive income	-19	-
Impact related to the acquisition/(sale) of business	-4	1
Currency translation differences	-1	-3
Book value as at 31 December	**183**	**378**
Classification on the balance sheet		
Deferred tax assets	-66	-45
Deferred tax	249	422
Net deferred tax on the balance sheet	**183**	**378**

Change in deferred tax assets and deferred tax (without netting within the same tax regime):

2014 Deferred tax	1.1.14	Recognised during the period	Recognised in other comprehensive income	Acquisition/ sale of businesses	Currency translation	31.12.14
Property, plant and equipment	9	2	-	-1	-	10
Intangible assets	2	-	-	-	-	1
Projects in progress [1]	470	-166	-	-	-	304
Other assets	5	12	-	-	-	17
Retirement benefits	1	-1	-	-	-	-
Accruals reserve	3	-1	-	-	-	2
Total	**490**	**-155**	**-**	**-1**	**-**	**335**
Of which netted against deferred tax assets						-85
Deferred tax assets recognised on balance sheet						**249**

Deferred tax assets	1.1.14	Recognised in the period	Recognised in OCI	Acquisition / sale of businesses	Currency translation	31.12.14
Property, plant and equipment	-6	1	-		-	-5
Other assets	-16	-6	-19	-3	-	-44
Provisions	-44	10	-		-	-34
Recognised tax value of tax loss carryforward [2]	-50	-19	-		-1	-69
Total	**-115**	**-14**	**-19**	**-3**	**-1**	**-152**
Of which netted against deferred tax						85
Of which off-balance-sheet deferred tax assets						2
Deferred tax assets recognised on the balance sheet						**-66**

Note 28 cont. // Deferred tax / deferred tax assets

2013 Deferred tax	1.1.13	Recognised in the period	Recognised in OCI	Acquisition of businesses	Currency translation	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
Retirement benefits	-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 in the period	Recognised in OCI	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**

[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 296 million (217 million in 2013).

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 per cent of their net bonus after tax in shares in AF Gruppen ASA. The shares are sold at a 20 per cent discount based on the prevailing market price at the end of the year. The lock-in period for the shares is one year.

The CEO's salary is set at a Board Meeting every year. The Board of Directors establishes guidelines for the remuneration of 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 AF Gruppen'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.

Note 29 cont. // Remuneration of the Board of Directors and senior executives

Corporate Management Team 2014 (Amounts in NOK 1000)	Fixed pay	Bonus	Retirement benefits	Other benefits	Total
Pål Egil Rønn, CEO	3,601	3,420	39	221	7,281
Sverre Hærem, Executive Vice President/CFO	1,919	1,811	39	84	3,852
Arild Moe, Executive Vice President	1,857	1,779	39	145	3,819
Robert Haugen, Executive Vice President	1,934	1,043	39	63	3,079
Morten Grongstad, Executive Vice President	1,793	1,007	39	111	2,949
Andreas Jul Røsjø, Executive Vice President	1,565	627	39	55	2,286
Total remuneration to the Corporate Management Team	**12,669**	**9,687**	**232**	**678**	**23,266**

For 2014, bonuses to the Corporate Management Team totalled NOK 13 million. Bonuses for the 2014 financial year will be paid in 2015 and 2016.

Corporate Management Team – Redemption of option programme for 2011-2014 (Amounts in NOK 1000)	
Pål Egil Rønn, CEO	2,395
Sverre Hærem, Executive Vice President/CFO	1,524
Arild Moe, Executive Vice President	1,501
Robert Haugen, Executive Vice President	1,531
Morten Grongstad, Executive Vice President	701
Andreas Jul Røsjø, Executive Vice President from 1 July	535
Total benefits for the Corporate Management Team	**8,187**

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	1,267
Total remuneration to the Corporate Management Team	**11,813**	**4,078**	**224**	**461**	**16,573**

For 2013, bonuses to the Corporate Management Team totalled NOK 13 million. Bonuses for the 2013 financial year will be paid in 2014 and 2015.

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 per cent discount based on the prevailing market price at the end of the year. The lock-in period for the shares is one year.

Number of shares / price	2014	2013
Number of bonus shares sold from own holdings	129,600	75,700
Number of bonus shares from new issue – without discount	-	-
Market price at the time of the agreement (amounts in whole NOK)	68	56
Selling price (amounts in whole NOK)	54	45
Impact of bonus shares on the accounts (amounts in NOK 1000):		
Payroll costs (discount including social security costs)	-1,900	-921

Shares owned by senior executives and subscribed options are described in Note 26 – Share capital and treasury shares.

Note 29 cont. // Remuneration of the Board of Directors and senior executives

Remuneration of the Board of Directors (Amounts in NOK 1000)	2014	2013
Tore Thorstensen, chairman of the board	420	390
Mari Broman, board member	235	220
Hege Bømark, board member from 11 May 2012	235	220
Carl Henrik Eriksen, board member	255	240
Petter Groth, board member	245	230
Pål Gjerp, employee-elected board member from 11 May 2012	190	180
Arne Sveen, employee-elected board member	190	180
Kenneth Svendsen, employee-elected board member from 11 May 2012	190	180
Total remuneration of the Board of Directors	**1,960**	**1,840**

Guidelines for 2015
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 per cent can be used to buy shares at a 20 per cent discount and the remainder is paid in cash.

Shares can be sold to senior executives, subject to the approval of the Board of Directors at a 20 per cent discount on the prevailing market price. Shares are offered to senior executives in the same way as to other employees.

The General Meeting adopted an option programme for all the employees of AF Gruppen on 15 May 2014. The maximum number of options that may be allocated is 4,500,000, and the programme entails annual allotments for the years 2014-16 and exercise of the options in 2017. The employees pay an option premium of NOK 1.00 per option, and the exercise price in 2017 for the options subscribed for in 2014 will be NOK 74.25 per share. A total of 3,500,000 options were subscribed for in June 2014. The total number of outstanding options, adjusted for employees who have left company, was 3,437,357 as at 31 December 2014.

The option scheme has been established by the Board, and it is to provide an incentive for all the employees in the Group. The purpose of the scheme is to encourage long-term commitment and greater involvement in the Group's activities. It is believed that the Group's future objectives will best be achieved if the interests of the Group and its employees coincide.

The remuneration of senior executives in 2014 was in accordance with the statement submitted to the General Meeting in 2014.

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.

AF Gruppen prepares estimates and makes assumptions concerning the future. The accounting estimates that are made as a result of this will 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.

Accounting for project execution
AF Gruppen'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 15. 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 judgement
The choice of accounting policies and discretionary judgment in their application may affect the financial statements. For example, AF Gruppen has decided to present the results from associates as part of the operating result. Another set of prerequisites for presentation of the 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 disputes 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 2014, AF Gruppen was involved in the following significant lawsuits:
AF Anlegg and AF Decom filed a suit against Tryg Forsikring concerning 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 Court of Appeal delivered a judgment in 2014, in which the insurance liability was imposed on Tryg: A settlement was entered into with Tryg concerning the insurance claim in February 2015. The outcome was in accordance with the outcome that was expected when the financial statements were prepared.

The Norwegian Public Roads Administration has filed a suit against AF Anlegg claiming up to NOK 15 million regarding construction on the E18 between Krosby and Knapstad.

AF Anlegg has filed a suit against the Norwegian Public Roads Administration concerning the grounds for rejecting AF's tender for State Road 2.

AF Anlegg has filed a suit against the Norwegian Public Roads Administration concerning the final settlement for the construction of a tunnel and the adjoining road on State Road 70 between Sunndalsøra and Modalan.

AF Bygg Oslo is involved in a dispute relating to the final settlement with Kirkeveien 71 A AS. The main hearing in this case has been scheduled for June 2015.

The following matters mentioned in the annual report for 2013 have been concluded in 2014:
AF Anlegg was involved in a dispute with the Norwegian Public Roads Administration relating to the final settlement for the construction of a new section of the E6 between Øyer and Tretten in Øyer Municipality. A settlement was entered into in this case in 2014.

AF Byggfornyelse was involved in a dispute with the Municipal Undertaking for Educational Buildings and Property in Oslo concerning payment for additional work after the renovation of Sinsen School. A settlement was entered into in this case in 2014.

Note 32 // Related parties

The Group's related parties consist of shareholders of AF Gruppen ASA, members of the Board of Directors and Corporate Management Team, as well as associates and joint ventures (cf. Note 35).

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 AF Gruppen 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	2014	2013
Contract price		
OBOS Group	951	734
Aspelin Ramm Group	-	-
Associates and joint ventures	1 612	523
Total	**2 563**	**1 257**
Revenue		
OBOS Group	184	153
Aspelin Ramm Group	-	-46
Associates and joint ventures	615	204
Total	**798**	**311**
Purchase of goods and services		
OBOS Group	-	-
KB Gruppen Kongsvinger	99	21
Aspelin Ramm Group	4	7
Associates and joint ventures	61	6
Total	**164**	**34**
Receivables as at 31 December		
OBOS Group	13	46
Aspelin Ramm Group	-	-
Associates and joint ventures	77	40
Total	**90**	**86**
Loans and guarantees as at 31 December		
Associates and joint ventures	3	-
OBOS Group	-	-
KB Gruppen Kongsvinger	17	-
Total	**20**	**-**

Members of the Board of Directors and the management of the Group and their related parties control 30.2 per cent (34.1 per cent) of the shares in AF Gruppen ASA at the end of the year. For information on remuneration of the Board of Directors and management, see Note 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	2014	2013
Carrying amount of liabilities secured by pledges, etc. [1]	21	80	56
Carrying amount of pledged assets			
Buildings and production facilities		23	24
Machinery		16	12
Furnishings and fixtures		1	1
Trade and non-interest-bearing receivables		222	149
Short-term financial investments		-	-
Long-term financial investments		-	-
Projects for own account		-	-
Inventories, etc.		7	3
Carrying amount of pledged assets		**269**	**188**

[1] NOK 38 million (7 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
In connection with construction contracts entered into, the subsidiaries in the Group are subject to the usual contracting obligations and the associated guarantees. In this connection, AF Gruppen ASA has furnished guarantees to subsidiaries in the form of absolute guarantees to financial institutions. In addition, AF Gruppen ASA and AF Gruppen Norge have issued parent company guarantees, which primarily concern guarantees of this type. The amount drawn on these contracts as at 31 December can be found in the table below.

Amounts in NOK million	2014	2013
Guarantees issued to clients [2]	2,033	2,130
Other guarantees	2	22
Total	**2,035**	**2,152**

[2] 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.

Note 34 // Subsidiaries

Company name	Acquisition date	Office address City	Office address 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 Eng., Build., Prop.
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	Lillestrøm	Norway	100.00 %	100.00 %	100.00 %	Environment
AF Bygg Göteborg AB	01.07.01	Gothenburg	Sweden	100.00 %	100.00 %	100.00 %	Building
Broddheimer Malmcrona AB	01.07.13	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
Skummeslövsgården AB	01.02.07	Hälland County	Sweden	100.00 %	100.00 %	100.00 %	Building
BRF Strandängen AB	01.10.13	Hälland County	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 %	65.63 %	Building
Haga & Berg Entreprenør AS	03.11.11	Oslo	Norway	100.00 %	100.00 %	65.63 %	Building
Haga Berg Services AS	19.02.14	Oslo	Norway	76.50 %	76.50 %	50.20 %	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 %	66.13 %	Building
Microtrenching Norge AS	16.09.14	Tranby	Norway	90.10 %	90.10 %	59.58 %	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
Fjerby Holding AS	27.08.14	Tranby	Norway	90.10 %	90.10 %	59.58 %	Building
Fjerby AS	16.09.14	Fjerdingby	Norway	100.00 %	100.00 %	59.58 %	Building
MTH AS	03.11.11	Mjøndalen	Norway	67.00 %	67.00 %	49.21 %	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
Grefsenveien 30 AS	27.02.14	Oslo	Norway	100.00 %	100.00 %	49.21 %	Building
SOL-Energi AS	01.12.14	Oslo	Norway	70.00 %	70.00 %	34.45 %	Building
AF Rogaland Entreprenør AS	15.11.11	Stavanger	Norway	94.47 %	94.47 %	94.47 %	Building
Kilen Brygge AS	15.03.05	Sandefjord	Norway	100.00 %	100.00 %	100.00 %	Property
Kilen Bygg AS	25.05.04	Oslo	Norway	100.00 %	100.00 %	100.00 %	Property
Rolvsrud Utbygging AS	31.10.08	Oslo	Norway	100.00 %	100.00 %	100.00 %	Property
Bjørnsons Hage AS	26.06.14	Lillestrøm	Norway	100.00 %	100.00 %	100.00 %	Property
AF Projektutveckling AB	01.01.04	Gothenburg	Sweden	100.00 %	100.00 %	100.00 %	Property
Fastigheter i Strandängen AB	14.05.08	Gothenburg	Sweden	100.00 %	100.00 %	100.00 %	Property

Note 34 cont. // Subsidiaries

Company name	Acquisition date	Office address City	Country	Direct ownership	Voting share	Financial ownership	Business area
AF Energi & Miljøteknikk AS	31.05.06	Asker	Norway	100.00 %	100.00 %	100.00 %	Energy
Miljøbase Vats AS	09.09.14	Oslo	Norway	100.00 %	100.00 %	100.00 %	Offshore
AF Offshore Decom AS	01.01.09	Oslo	Norway	100.00 %	100.00 %	100.00 %	Offshore
AF Decom Offshore UK Ltd.	24.05.10	London	England	100.00 %	100.00 %	100.00 %	Offshore
AF 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
AF Offshore Systems AS	01.07.12	Kristiansand	Norway	95.93 %	95.93 %	86.72 %	Offshore
AF Offshore Aeron AS	01.07.08	Flekkefjord	Norway	100.00 %	100.00 %	100.00 %	Offshore
Aeron Energy Technologies Ltd.	16.11.09	Shanghai	China	100.00 %	100.00 %	100.00 %	Offshore

The list of subsidiaries does not include companies that are just a holding company without any activity.

Note 35 // Subsidiaries with significant minority interests

The table below shows a summary of the financial information for subsidiaries with significant minority interests, as well as the minority interest. There are no contingent liabilities or pledges made related to the subsidiary.

Summary of amounts allocated to minority interests

	SG Holding AS	
Amounts in NOK million	**2014**	**2013**
Minority interest	15.5 %	15.0 %
Profit for the year / Comprehensive income	**65**	**41**
Current assets	77	67
Non-current assets	359	359
Total assets	**436**	**426**
Equity	333	303
Current liabilities	73	13
Non-current liabilities	30	110
Total equity and liabilities	**436**	**426**
Dividend paid	**5**	**6**

The financial information in the table above are amounts before internal eliminations.

Note 36 // Joint ventures and associates

Below is a summary of accounting information for the Group's material joint ventures and associates. The figures presented are based on a 100 per cent ownership interest. The assessment of materiality is based on an overall assessment of the book value and activity. For the other joint ventures and associates, reference is made to the total book value in the Group, as well as the comprehensive income and the share of the profit recognised.

The unaudited draft accounts are used if the companies' public accounts are not available when the Group's financial statements are presented.

Both the associates and joint ventures are incorporated into the consolidated financial statements in accordance with the equity method of accounting. There are no public quoted prices for any of these companies.

Amounts in NOK million 2014	Hasle Linje Næring DA [1]	Haslemann AS and IS	Kirkeveien Utbygging AS	BA Gjenvinning AS [2]
Registered office	Oslo	Oslo	Oslo	Oslo
Ownership interest (%)	50.0	50.0	50.0	50.0
Current assets	1,164	481	29	11
Non-current assets	-	7	1	1
Total assets	**1,164**	**488**	**29**	**12**
Current liabilities	81	28	-	10
Non-current liabilities	735	337	25	1
Total liabilities	**815**	**365**	**25**	**10**
Total equity	**348**	**124**	**4**	**2**
Reconciliation of book value:				
Group's share of the investment	174	62	2	1
Excess value	-	-	19	-
Changed valuation due to sell-off	-	-	-	14
Other items	-1	-	-	3
Book value of the investment	**173**	**62**	**21**	**18**
Operating revenue	2	-	-	-
Profit after tax / Comprehensive income	-1	-	-	3
Reconciliation of comprehensive income:				
Group's share of comprehensive income after tax	-	-	-	2
Adjustment of ownership period	1	-	-	-1
Comprehensive income in the consolidated financial statements	**-**	**-**	**-**	**1**

[1] Hasle Linje DA was acquired as at 1 September. The Group's share of profit has been recognised for the period from 1 September to 31 December.
[2] BA Gjenvinning has been recognised as a joint venture after the sell-off in June 2014. The Group's share of profit has been recognised for the period from 1 July to 31 December.

	Total material companies	Total other companies	Total
Profit after tax / Comprehensive income	3	-5	-2
Group's share of comprehensive income	1	-2	-
Book value of the investment	273	28	301

Note 36 cont. // Joint ventures and associates

Associates

Amounts in NOK million 2014	**Bergerveien AS and IS**	**Lillo Gård AS and KS**	**Nordliveien AS and KS**	**Sandakervn. AS and KS**	**Rolvsbukta AS and KS**
Registered office	Oslo	Oslo	Oslo	Oslo	Oslo
Ownership interest (%)	33.3	22.5	33.3	33.3	33.3
Current assets	1	7	125	21	104
Non-current assets	53	395	2	7	4
Total assets	**54**	**401**	**128**	**27**	**107**
Current liabilities	-	1	83	3	2
Non-current liabilities	-	322	21	5	70
Total liabilities	**1**	**323**	**104**	**8**	**72**
Total equity	**54**	**78**	**24**	**19**	**35**
Reconciliation of book value					
Group's share of the investment	18	18	7	6	11
Limited partnership unit tax	-	-	-	-2	-
Excess value	-	-	5	-	-
Book value of the investment	**18**	**18**	**12**	**4**	**11**
Operating revenue	-	17	-	113	-
Profit after tax / Comprehensive income	-1	3	-	42	-2
Reconciliation of comprehensive income					
Group's share of comprehensive income	-	1	-	14	-1
Tax on limited partnership profit for the year	-	-	-	-1	-
Share of limited partnership incorporated into a limited company	-	-	-	-4	-
Comprehensive income in the consolidated financial statements	**-**	**1**	**-**	**8**	**-1**

	Total material companies	**Total other companies**	**Total**
Profit after tax / Comprehensive income	43	20	63
Group's share of comprehensive income	8	2	10
Book value of the investment	64	41	105

The Group acquired the remaining shares in Miljøbase Vats AS on 9 September 2015 and was thus reclassified as a subsidiary. Book value as an associate was NOK 67 million as at 31 December 2013. In the consolidated financial statements for the 2014 financial year, a share of the profit for the period from 1 January to 9 September has been recognised.

NOK 48 million in dividends has been received from associates. All of this is from companies in the other category.

Note 36 cont. // Joint ventures and associates

Joint ventures

Amounts in NOK million 2013	**Haslemann AS and IS**	**Kirkeveien Utbygging AS**
Registered office	Oslo	Oslo
Ownership interest (%)	50.0	50.0
Current assets	338	23
Non-current assets	7	1
Total assets	**345**	**23**
Current liabilities	3	-
Non-current liabilities	228	19
Total liabilities	**231**	**19**
Total equity	**113**	**4**
Reconciliation of book value:		
Group's share of the investment	57	2
Excess value	-	19
Changed valuation due to sell-off	-	-
Other items	-	-
Book value of the investment	57	21
Operating revenue	-	-
Profit after tax / Comprehensive income	-	-
Reconciliation of comprehensive income:		
Group's share of comprehensive income after tax	-	-
Adjustment of ownership period	-	-
Comprehensive income in the consolidated financial statements	-	-

	Total material companies	**Total other companies**	**Total**
Profit after tax / Comprehensive income	-	-	-
Group's share of comprehensive income	-	-	-
Book value of the investment	78	7	85

Note 36 cont. // Joint ventures and associates

Associates

Amounts in NOK million 2013	Sandakervn. AS and KS	Miljøbase Vats AS
Registered office	Oslo	Oslo
Ownership interest (%)	33.3	40.0
Current assets	400	14
Non-current assets	3	499
Total assets	**403**	**512**
Current liabilities	82	34
Non-current liabilities	192	336
Total liabilities	**274**	**370**
Total equity	**130**	**143**
Reconciliation of book value:		
Group's share of the investment	43	57
Tax from shares in limited partnerships (KS)	-2	-
Excess value	-	10
Book value of investment	41	67
Operating revenues	351	49
Profit after tax / Comprehensive income	66	9
Reconciliation of comprehensive income:		
Group's share of comprehensive income after tax	22	4
This years tax from shares in limited partnerships (KS)	-	-
Comprehensive income in the consolidated financial statements	**22**	**4**

	Total material companies	Total other companies	Total
Profit after tax / Comprehensive income	75	20	95
Group's share of comprehensive income	26	15	41
Book value of the investment	109	79	188

Note 37 // 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). AF Gruppen acquired 70 per cent of the shares in LAB AS on 11 March 2015. See Note 4 – Acquisition and sale of businesses for additional information. No other significant post-balance sheet date events been identified that require information in the notes.

Note 38 // New and amended accounting standards and significant accounting policies

38.1 RECENTLY PUBLISHED ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

New standards, amendments and interpretations that have been implemented by the Group

In 2014, the Group has not implemented new or amended accounting standards or interpretations that have a significant impact on the Group's financial standing or results.

New standards, amendments and interpretations adopted and approved by the EU that will enter into force at future date, with an option for early implementation

- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (Amendments)
- IFRIC 21 – Levies

These amendments are not expected to have any significant impact on the Group's financial standing or results. The Group has not chosen early adoption of these amendments.

New standards, amendments and interpretations that have been adopted, but have not entered into force and are not approved by the EU

- IFRS 9 Financial Instruments

The new standard deals with the classification, measurement and recognition of financial assets and liabilities, as well as hedge accounting. The standard replaces the portions of IAS 39 that deal with corresponding issues. This standard enters into force for the 2018 financial year. Approval by the EU is expected during the 1st quarter of 2015.

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

- IFRS 15 Revenue from Contracts with Customers

The new standard requires that contracts with customers be broken down into the individual performance obligations. A performance obligation may be a good or service. Revenue is recognised when the customer gains control of the good or service. This standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and their associated interpretations. This standard enters into force for the 2017 financial year. Approval by the EU is expected during the 1st quarter of 2015.

The Group has not yet assessed the impact of IFRS 15.

- Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures
- Amendments to IFRS 10 – Consolidated Financial Statements and IFRS 12 – Disclosure of Interests in Other Entities
- Amendments to IFRS 11 – Joint Arrangements
- Amendments to IAS 1 – Presentation of Financial Statements
- Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets

None of these amendments are expected to have any significant impact on the Group's financial standing or results.

Annual improvement projects

The annual improvement projects (2010-2012) and (2011-2013) have been approved by the EU and enter into force for the financial year starting on or after 1 January 2015. The improvement project (2012-2014) was not approved by the EU when AF Gruppen's financial statements were published. The improvement projects contain amendments to a number of accounting standards. The Group is in the process of evaluating the impact of these amendments, but no significant impact on the Group's financial standing or results from these amendments is expected.

Other standards, amendments to standards and interpretations that have been published, but have not entered into force, and not expected to be relevant to the consolidated financial statements of AF Gruppen when they are implemented.

38.2 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

General

Subsidiaries are any entities (including structured entities) in which the Group has a controlling influence. Subsidiaries are any entities in which the Group alone has a controlling influence. A controlling influence over an entity arises when the Group is exposed to a variable return from the unit and is able to influence this return through its power over the entity. Subsidiaries are consolidated from the day a controlling influence arises, and they are deconsolidated when such influence ceases.

Business combinations

Business combinations are accounted for in accordance with the acquisition method of accounting. The consideration provided is measured at the fair value of the assets transferred, liabilities assumed and equity instruments issued. 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 it is recognised at fair value during subsequent periods with value changes through profit or loss.

Expenses related to acquisitions are recognised as they are incurred.

Identifiable 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 once a year for impairment, or more often in the event of incidents or changes in circumstances indicating possible impairment in value. In connection with the impairment assessment, goodwill is allocated to the cash flow generating units or groups of cash flow generating units.

If the fair value of the net assets in a business combination exceed the consideration (negative goodwill) the difference will be immediately recognised as income on the acquisition date.

Provision is made for deferred tax on the difference between fair value and book value for all assets and liabilities, 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

Note 38 cont. // New and amended accounting standards and significant accounting policies

concerns the business itself or assets. For the acquisition of assets, the entire purchase price is allocated to acquired assets on the acquisition date.

Intercompany transactions, balances and unrealised gains or losses on transactions between group companies are eliminated. Figures reported by the subsidiaries are restated if necessary to achieve compliance with the Group's accounting policies.

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 in earlier periods.

Change in ownership interests with 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.

Change in ownership interests without loss of control
Transactions with minority owners in subsidiaries that do not entail the loss of control are treated as equity capital transactions. For additional purchases, the difference between any consideration paid and the shares' proportionate share of the carrying amount of the net assets in the subsidiary is recognised in the equity of the parent company's owners. Gains or losses from sales to minority owners are recognised correspondingly in equity.

Minority interests
Minority interests include the non-controlling owners' share of the carrying amount of subsidiaries, including the share of identified excess value on the acquisition date. No minority interest is calculated on the basis of goodwill. The minority interest may be negative if the share of assets and liabilities is negative.

Transactions with minority interests in subsidiaries are treated as equity capital transactions. For the purchase of shares from minority interests, the difference between any consideration paid and the shares' proportionate share of the carrying amount of the net assets in the subsidiary is recognised in the equity of the parent company's owners. Gains or losses from sales to minority owners are recognised correspondingly in equity.

Joint arrangements
Joint arrangements are arrangements whereby two or more parties have joint control. In such an arrangement, the parties are bound by a contractual agreement, which gives the parties joint control of the arrangement. Joint arrangements are classified as a joint operation or joint venture. In a joint venture, the parties have joint control rights to the net assets in the joint arrangement. In a joint operation, the parties have joint control rights to the assets and liabilities in the arrangement.

A key element in the assessment of whether a joint arrangement is a joint operation or a joint venture is whether the arrangement has been organised as a separate entity. If there is no separate entity, then the arrangement is classified as a joint operation. Otherwise, the legal status, terms and conditions in the contractual agreement and other factors and circumstances are assessed to determine whether the arrangement is a joint venture or joint operation.

Joint ventures are common in construction and civil engineering projects where two or more parties decide to carry out a joint project and all operational, financial and strategic decisions must be taken unanimously by the parties.

Joint ventures are accounted for at the acquisition cost on the acquisition date. Thereafter a closer assessment is made and all entities that satisfy the definition of a joint venture will be 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.

Associates
Associates are business units in which the Group has a significant, but not a controlling influence over the financial and operational management.

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.

Foreign currency translation
Functional currency 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.

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 on the transaction date. 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.

Note 38 cont. // New and amended accounting standards and significant accounting policies

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.

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 than 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.

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.

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.

Use of estimates in preparing the annual financial statements.
The management has made use of estimates and assumptions which have an impact on assets, liabilities, income, costs and information regarding potential commitments. These estimates apply in particular to the recognition of income and valuations linked to long-term production 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.

Principles for recognising revenue
Revenue recognition in general
Revenue 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.

Project revenues
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.

Projects for third-party accounts
AF Gruppen'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 completed. For smaller projects, the degree of completion is calculated based on the ratio between the costs incurred on the balance sheet date and 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 revenue in the accounts, 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 during the same period as an expense, irrespective of the degree of completion.

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.

Note 38 cont. // New and amended accounting standards and significant accounting policies

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 "Earned uninvoiced revenue from projects in progress" under current liabilities.

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

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.

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.

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.

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.

Classification of receivables and liabilities
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.

Payable and deferred tax
The income tax expense consists of current tax payable and deferred tax. Tax is recognised in 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.

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.

Note 38 cont. // New and amended accounting standards and significant accounting policies

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.

Intangible assets
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.

Patents and licences
Amounts paid for patents and licences are recognised on the balance sheet and amortised on a straight-line basis over their expected useful life. Their expected useful life for patents and licences varies from 5 to 10 years.

Software
Expenses related to the purchase of new software are recognised on the balance sheet as intangible assets, 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.

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.

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.

Impairment in the value of non-financial assets
Intangible assets with an indefinite useful life and goodwill are not amortised, but tested for impairment annually. Property, plant and equipment and intangible assets that are depreciated/amortised are assessed for impairment in value when there are indicators that the future earnings cannot justify the book value of the asset.

The difference between the book value and recoverable amount is recognised in the income statement as an impairment loss. The recoverable amount is the higher of the fair value less selling costs or the utility value. When impairment is assessed, the intangible assets are grouped together at the lowest level it is possible to identify independent cash flows (cash-generating units).

The possibility of reversing previous impairment losses on property, plant and equipment and intangible assets that are amortised is evaluated on each reporting date.

Leasing
To determine whether an agreement is a lease, or contains a lease element, the substance of the agreement is assessed on the earlier of the date of the agreement or the date when the parties commit themselves to the main terms of the agreement. If performance of the agreement requires the use of a specific asset or group of assets, 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.

Financial leases
AF Gruppen presents financial leases in the financial statements as assets and liabilities. At the beginning of the term of the lease, financial leases are included at an amount equivalent to fair value or the present value of the minimum payment, whichever is lower. The implicit interest cost is used to calculate the present value of the lease. Direct costs involved in arranging the lease are added to the cost of the asset.

Plants and equipment that are leased are depreciated over the term of the lease or useful life, whichever is shorter, unless it is reasonably certain that the Group will acquire the asset when the lease expires. The annual payment consists of an interest portion, which is recognised in the income statement as an interest expense, and a repayment portion, which reduces the liability. Sale-leaseback gains are recognised immediately if a sales transaction is carried out at fair value. Gains/losses resulting from overpricing or underpricing compensated by future lease payments are amortised over the term of the lease.

Operating leases
Lease payments are classified as operating expenses and recognised in the income statement over the term of the contract. Sale-leaseback gains are recognised immediately if a sales transaction is carried out at fair value. In addition, gains/losses resulting from overpricing or underpricing compensated by future lease payments are amortised over the term of the lease.

Note 38 cont. // New and amended accounting standards and significant accounting policies

Financial instruments
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 classifications are based on the purpose of the asset. The classifications take 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.

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.

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.

Note 38 cont. // New and amended accounting standards and significant accounting policies

Inventories
Inventories are recognised on the balance sheet at cost or net selling price, whichever is the lower. Inventories mainly consist of spare parts, equipment, and materials for use in production. Cost is recognised using the FIFO method and includes expenses incurred in acquiring the goods and the cost of bringing them to their present state and location.

Projects for own account
Inventories of projects for own account are classified as current assets on the balance sheet.

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 in the accounts 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.

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.

Equity
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.

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.

Dividend
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.

Employee benefits
Retirement benefits
Defined-benefit plans
The Group has defined-benefit plans in the Norwegian companies for employees born in or before 1951 who joined the Group prior to 1 January 2003. The pension plans are funded through accumulated reserves in insurance companies. The net liability is calculated on the basis of the present value of future retirement benefits that the employees have earned on the balance sheet date less the fair value of plan assets. The plan's 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. Actuarial gains and losses are recognised under other comprehensive income (OCI) during the period in which they arise.

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 early retirement pension (AFP) from the age of 62. This scheme was discontinued in 2010, and it was only possible to retire early in accordance with the old scheme until 31 December 2010. Upon discontinuation the scheme proved to be significantly underfunded. The member companies had to cover this underfunding by continuing to pay premiums until 2015.

Provisions have been set aside for the company's own risk for persons who retired early on the old scheme. Future liabilities associated with this scheme are funded through revenues from operations and are unfunded.

A new early retirement pension (AFP) scheme was established. This is a defined benefit multi-company pension scheme that is financed through premiums that are defined as a percentage of the employee's salary. At present there is no reliable measurement or allocation of the liabilities and funds in the scheme. In the accounts this scheme is therefore treated as a defined contribution pension scheme in which the premium payments are recognised as costs on an ongoing basis, and no provisions are set aside in the accounts. The premium is fixed at 1.4 per cent 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 the Swedish subsidiaries are members of two defined-benefit multi-company schemes. Based on the structure of the plans, all the required prerequisites are not available to calculate a surplus or deficit in the plans and the impact on future premiums, and the schemes have therefore been recognised as defined-contribution plans.

The net retirement benefit expense for the period is included under payroll costs.

Defined-contribution pension plans
The Group has a defined-contribution pension plan for all the employees in Norway that are not encompasses by the defined-benefit plan. The pension premium is recognised as an expense when it incurs, and the Group has no obligations over and above this.

Share 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.

Note 38 cont. // New and amended accounting standards and significant accounting policies

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.

Provisions
A provision is recognised when the Group has an obligation (legal or self-imposed) as a consequence of an earlier event and it is probable (more probable than not) that an economic settlement will be made as a consequence of 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.

Borrowing 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 prepare for use or sale. AF Gruppen 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 upon completion of the assets.

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.

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.

Events after the balance sheet date
New information concerning the Group's financial position on the balance sheet date that is received after the balance sheet date is considered in the financial statements. Events after the balance sheet date that do not affect the Group's financial position on the balance sheet date, but will affect its financial position in the future, are disclosed if they are significant.

Annual accounts AF Gruppen ASA

Income statement

Amounts in NOK million	Note	2014	2013
		1 January - 31 December	
Other income		-	
Dividend received	7	388	425
Total operating and other revenue		**388**	**425**
Total operating expenses	3,7	-11	-9
Earnings before interest and tax (EBIT)		**378**	**416**
Net financial items	4,7	2	-2
Earnings before tax (EBT)		**380**	**414**
Tax expense	5	-	-53
Profit for the year		**380**	**362**

Comprehensive income

Amounts in NOK million	2014	2013
Profit for the year	380	362
Comprehensive income for the year	-	-
Total comprehensive income for the year	**380**	**362**

Statement of financial position

Amounts in NOK million	Note	2014	2013
ASSETS			
Non-current assets			
Investments in subsidiaries	6	581	589
Total non-current assets		**581**	**589**
Current assets			
Other receivables from group companies	7	484	518
Other receivables		-	-
Cash and cash equivalents		-	-
Total current assets		**484**	**518**
Total assets		**1,065**	**1,108**
EQUITY AND LIABILITIES			
Equity			
Share capital	8,9	4	4
Treasury shares	9	-	-
Premium	9	1	79
Other paid-in equity	9	37	37
Total contributed equity		**42**	**121**
Other equity	9	247	-
Total retained earnings		**247**	**-**
Total equity		**290**	**121**
Current liabilities			
Interest-bearing debt to group companies	7	217	357
Trade payables and other non-interest-bearing debt		6	8
Taxes and public charges payable	7	93	75
Tax payable	5	-	53
Other debt to group companies	7	2	-
Proposed dividend	9	457	494
Total current liabilities		**775**	**987**
Total equity and liabilities		**1,065**	**1,108**

Oslo, 25 March 2015

Tore Thorstensen
Chairman of the Board

Pål Egil Rønn
CEO

Mari Broman

Hege Bømark

Pål Jacob Gjerp
Employee elected

Peter Groth

Daniel Kjørberg Siraj

Arne Sveen
Employee elected

Kenneth Svendsen
Employee elected

Cash flow statement

Amounts in NOK million	2014	2013
Cash flow from operating activities		
Profit before tax	380	414
Tax payable	-53	-
Dividends recognised as income / group contributions	-388	-425
Change in trade receivables and payables	-2	3
Change in balances with group companies	-140	213
Change in accruals	18	22
Net cash flow from operating activities	**-186**	**227**
Cash flow from investment activities		
Contributions for capital reductions in subsidiaries	8	-
Proceeds from the sale of shares	-	-
Net cash flow from investment activities	**8**	**-**
Cash flow from financing activities		
Proceeds from equity issuance	279	53
Proceeds from the sale of treasury shares	35	7
Dividend received and group contributions	425	-
Purchase of treasury shares	-33	-10
Payment of dividends	-529	-366
Net cash flow from financing activities	**178**	**-317**
Net change in cash and cash equivalents during the year	-	-90
Cash and cash equivalents as at 1 January	-	90
Cash and cash equivalents as at 31 December	**-**	**-**

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.

The financial statements were adopted by the Board of Directors on 25 March 2015. The accounts for 2014 have been prepared in accordance with the International Financial Reporting Standard (IFRS) as stipulated by the EU.

Amendments to the accounting policies during the period
The AF Group has implemented the rules in IAS 39 for hedge accounting upon entering into substantial contracts in a foreign currency (cash flow hedging). The effective portion of the change in the value of the hedging instrument is recognised temporarily under other comprehensive income for the component "other unrecognised equity" under equity. Gradually as the hedged income is recognised, the hedging instrument's change in value is reversed in other comprehensive income and recognised in the income statement.

None of the recently published accounting standards or interpretation have had a significant impact on the consolidated financial statements. The changes for the year are discussed in Note 38.

The accounting policies applied in the consolidated financial statements are otherwise, with the exception of the implemented changes, consistent with the policies applies in the previous accounting period. The Group's significant accounting policies are described in Note 38.

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

Note 2 // Remuneration of the Board of Directors and CEO

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 Remuneration of the CEO	2014	2013
Fixed pay	3,601	3,348
Bonus	3,420	1,400
Other benefits	221	169
Total	**7,242**	**4,917**
Retirement benefits	39	37
Benefit from redemption of options	2,395	-
Directors' fees	1,960	1,840

Complete information on the pay and remuneration of the CEO, Board of Directors and senior executives is provided in the consolidated financial statements, and reference is made to note 7 in the consolidated financial statements for further information.

Note 3 // Other operating expenses

Amounts in NOK million	2014	2013
Audit fees	-	-1
Ownership costs	-8	-8
Other operating expenses	-2	-1
Total other operating expenses	**-11**	**-9**

Amounts in NOK 1,000	2013	2012
Audit fees		
Ordinary audit fees	-344	-467
Other assurance engagements	-37	-15
Other services beyond auditing	-16	-25
Total audit fees	**-397**	**-507**

Value-added tax is not included in the audit fees.

Note 4 // Net financial items

Amounts in NOK million	2014	2013
Financial income		
Interest income from companies in the same group	7	5
Other interest income	-	-
Foreign exchange gains	-	-
Total financial income	**7**	**5**
Financial expenses		
Interest charges from companies in the same group	-4	-7
Other interest expenses	-	-
Total financial expenses	**-5**	**-7**
Net financial items	**2**	**-2**

Note 5 // Tax expense

Amounts in NOK 1,000	2014	2013
The tax expense for the year can be broken down as follows:		
Tax payable	-	53
Change in deferred tax	-	-
Tax expense	**-**	**53**
Calculation of the tax base for the year		
Profit before tax	380	414
Non-deductible expenses	-	-
Non-taxable income	-	-
Losses from the sale of shares	-	-
Application of losses carried forward	-	-
Dividend received	-380	-225
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	Results 2014	Number shares	Share-capital	Own-capital	Book value
AF Gruppen Norge AS	371,797	10,000	200,000	779,717	258,561
AF Offshore AS	1,115	3,000	30,000	220,139	215,118
AF Miljø AS	16,072	10,000	5,910	8,318	35,794
AF Energi AS	4,524	5,000	5,000	53,299	71,543

Note 7 // Intercompany balances and transactions with group companies

Amounts in NOK million	2014	2013
Results		
Dividend received	388	425
Ownership costs	-8	-8
Interest income / interest expenses	2	-2
Balance		
Other receivables, current	484	518
Interest-bearing liabilities, current	217	357
Other liabilities, current	2	-

Note 8 // Share capital and shareholder information

The share capital consists of:	Number	Nominal value	Book value
A-shares	88,724,904	0.05	4,436,245

Ownership structure	Number	Voting share/stake %
Shareholders with a stake > 1%		
OBOS BBL	19,589,041	22.1 %
ØMF Holding AS	13,699,030	15.4 %
Construction AS	13,043,962	14.7 %
Aspelin Ramm Gruppen AS	4,993,269	5.6 %
LJM A/S	2,513,900	2.8 %
VITO Kongsvinger AS	2,461,676	2.8 %
Skogheim, Arne	1,723,870	1.9 %
Staavi, Bjørn	1,515,452	1.7 %
Moger Invest AS	1,240,541	1.4 %
Stenshagen Invest AS	1,093,074	1.2 %
Verdipapirfondet Handelsbanken	1,070,000	1.2 %
Flygind AS	986,771	1.1 %
Total for shareholders with a stake > 1%	**63,930,586**	**72.1 %**
Total other shareholders	24,794,318	27.9 %
Total outstanding shares	**88,724,904**	**100.0 %**

There is only one class of shares with identical voting rights.

Owned by senior executives as at 31 December 2014		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	-	-
Peter Groth [3]	Elected by shareholders	11,500	-
Daniel Kjørberg Siraj [2]	Elected by shareholders	-	-
Arne Sveen	Elected by employees	-	-
Pål Jacob Gjerp	Elected by employees	41,785	5,318
Kenneth Svendsen	Elected by employees	68,058	11,397
Total		**132,843**	**16,715**

[1] Represents in addition to his own shares: KB Gruppen Kongsvinger, Vålerveien 229 AS and Tokanso AS, which own 284,564, 103,800 and 500,774 shares, respectively.
[2] Represents OBOS Forretningsbygg AS, which owns 19,589,041 shares.
[3] Represents Aspelin Ramm Gruppen AS, which owns 4,993,269 shares, and Ringkjøb Invest AS, which owns 76,355 shares, in addition to his own shares.

Note 8 cont. // Share capital and shareholder information

Corporate Management Team		Number of shares	Number of options
Pål Egil Rønn	CEO	289,975	49,957
Sverre Alf Hærem	Executive Vice President/CFO	209,340	31,372
Morten Grongstad	Executive Vice President	62,987	30,521
Robert Haugen	Executive Vice President	294,270	31,189
Arild Moe	Executive Vice President	253,746	30,764
Andreas Jul Røsjø	Executive Vice President	12,655	26,877
Total		**1,122,973**	**200,680**

The Board has the authority to acquire up to 10% of the share capital. This authority is valid until the 2015 Annual General Meeting, which is scheduled for 13 May 2015.

An option programme for all the employees of AF Gruppen ASA and subsidiaries was adopted at the Annual General Meeting held on 15 May 2014, and it entails entitlement to subscribe for a total of 4,500,000 options during the years 2014, 2015 and 2016, with redemption in 2017. There are 3,437,357 options that may be redeemed from this scheme in March 2017.

Note 9 // Equity

Name of company	Share capital	Treasury shares	Premium	Other paid-in equity	Other equity	Total
Equity as at 01/01/2013	**4**	**-**	**27**	**173**	**-**	**204**
Capital increase	-	-	53	-	-	53
Purchase of treasury shares	-	-	-	-	-10	-10
Sale of treasury shares	-	-	-	-	7	7
Loss on sale of treasury shares	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	362	362
Proposed dividend for 2013	-	-	-	-	-494	-494
Reclassification	-	-	-	-136	136	-
Equity as at 31/12/2013	**4**	**-**	**79**	**37**	**-**	**121**
Capital increase	-	-	279	-	-	279
Purchase of treasury shares	-	-	-	-	-33	-33
Sale of treasury shares	-	-	-	-	35	35
Loss on sale of treasury shares	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	380	380
More distributed in dividends than proposed	-	-	-10	-	-24	-35
Proposed dividend for 2014	-	-	-347	-	-110	-457
Equity as at 31/12/2014	**4**	**-**	**1**	**37**	**247**	**290**

As at 31 December 2014 the Company has 50,000 treasury shares with a par value of NOK 0.05 (81,660 treasury shares with a par value of NOK 0.25 in 2013). Treasury shares have been bought with a view to selling to the employees and as partial payment for company acquisitions.

[1] Share capital in accordance with Articles of Association: 88,724,904 shares with a nominal value of NOK 0.05
[2] Number of paid-up shares issued: 88,724,904 shares with a nominal value of NOK 0.05

Note 10 // Guarantees and pledged assets

In connection with construction contracts entered into, the subsidiaries are subject to the usual contracting obligations and the associated guarantees. In this connection, AF Gruppen ASA has furnished guarantees to subsidiaries in the form of absolute guarantees to financial institutions. AF Gruppen ASA has further guaranteed for bank credit lines and tax deductions for subsidiaries in the form absolute guarantees.

	2014		2013	
Amounts in NOK million	**Limit**	**Drawn**	**Limit**	**Drawn**
Guarantees issued to clients	2,850	2,027	2,500	2,064
Tax withholding guarantees	150	119	150	109
Leasing limits	2,053	193	1,829	-
Bank credit and loan facilities	1,073	676	860	663
Total	**6,126**	**3,014**	**5,339**	**2,835**

Auditor's report

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Medlemmer av den norske revisorforening

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 2014, 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 2014, 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 material 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.

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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 Parent Company as at 31 December 2014 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 AF Gruppen ASA 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 2014 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, 25 March 2015
ERNST & YOUNG AS

Asbjørn Ler
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Definitions

Definitions 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) * 0.73 – 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

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

BRA
Abbreviation for available area. Available area is the gross area minus the area occupied by external walls. Indicated in m2 or sqm.

BREEAM
BRE Environmental Assessment Method. Developed in the UK by BRE (Building Research Establishment).
Europe's leading environmental classification tool.

OWN ACCOUNT
When AF buys land, develops projects and then sells units for its own account.

EPC
Energy performance contract

EPCIC
Engineering, Procurement, Construction, Installation & Commissioning

LTI-1 RATE
Number of lost time injuries per million man-hours
AF Gruppen includes all subcontractors when calculating the LTI-1 value.

LTI-2 RATE
Number of lost time injuries + number of injuries requiring medical treatment + number of injuries resulting in alternative work per million man-hours
AF Gruppen includes all subcontractors when calculating the LTI-2 value.

HVAC
Heating, ventilation, air conditioning and cooling systems

SOURCE SEPARATION RATE
Separate rate for demolition waste that can be recycled

CARBON FOOTPRINT
Emissions of greenhouse gases in tons of CO_2 equivalents per NOK million in turnover

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