AF GRUPPEN

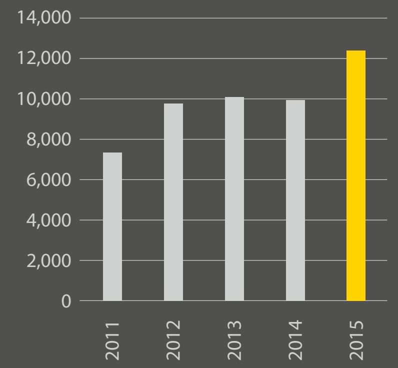
Signed.

Every day AF’s employees leave their impressions all over Norway. On apartment buildings, in tunnels, at sea and in cities. That’sbecause ownership at AF means more than shares. At AF we want to sign every detail.

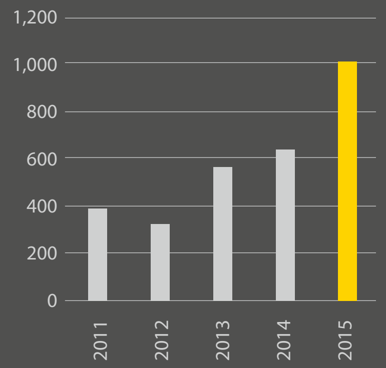
Annual report 2015

The year 2015

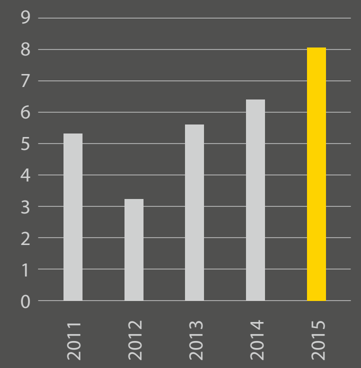
OPERATING AND OTHER REVENUE (NOK MILLION)



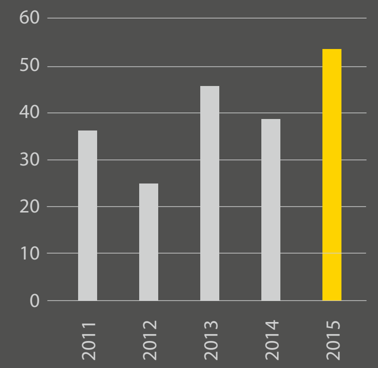
EARNINGS BEFORE INTEREST AND TAXES (NOK MILLION)



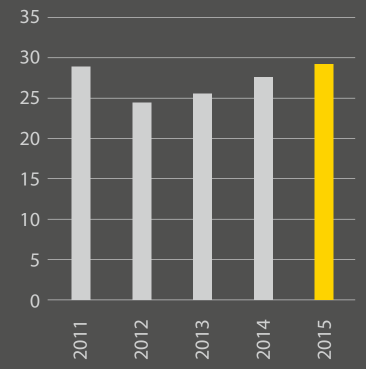
EBIT %



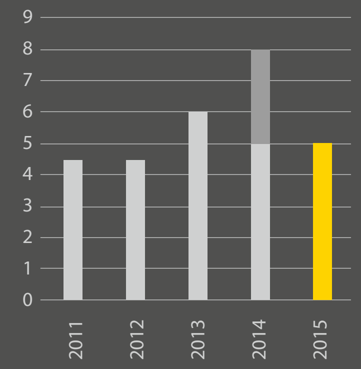
RETURN ON AVERAGEE CAPITAL EMPLOYED (ROACE) %



EQUITY RATIO %

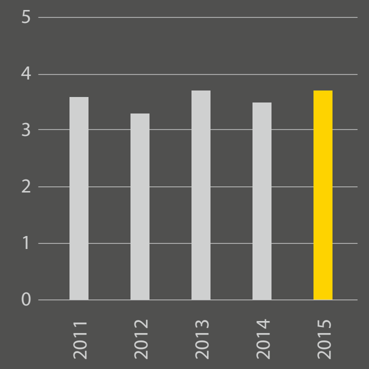


DIVIDEND PER SHARE (NOK)



LTI-1 RATE

ABSENCE DUE TO ILLNESS %



Design REDINK
Photo Hans Fredrik Asbjørnsen
Photo, the board Ellen Johanne Jarli
Photo, projects AF Gruppen
Cover Varner-building
Print RK Grafisk
Paper Soporset 130g
April 2016

Content

Key figures

Year	2015	2014	2013	2012	2011
REVENUES (NOK million)					
Operating and other revenue	12,398	9,935	10,127	9,830	7,355
Order backlog	11,183	9,429	10,976	9,074	9,826
EARNINGS (NOK million)					
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,151	752	679	430	475
Depreciation, amortisation and impairment losses	-142	-117	-110	-106	-85
Earnings before interest and tax (EBIT)	1,010	635	568	325	390
Earnings before taxes (EBT)	1,004	625	580	318	405
Earnings after tax	778	483	453	225	304
PROFITABILITY (NOK million)					
EBITDA %	9.3 %	7.6 %	6.7 %	4.4 %	6.5 %
EBIT %	8.1 %	6.4 %	5.6 %	3.3 %	5.3 %
EBT %	8.1 %	6.3 %	5.7 %	3.2 %	5.5 %
Return on equity	43.8 %	34.3 %	38.4 %	19.0 %	28.5 %
Return on invested capital (ROIC)	53.6 %	38.7 %	45.7 %	24.8 %	35.9 %
Economic Value Added	590	320	312	123	195
Cash flow from operations	1 418	86	1 015	194	618
BALANCE SHEET (NOK million)					
Total assets	6,243	5,428	5,237	4,919	4,579
Equity capital	1,820	1,499	1,334	1,202	1,322
Invested capital	1,925	1,814	1,414	1,343	1,452
Average invested capital	1,942	1,662	1,288	1,334	1,134
Equity ratio	29.1 %	27.6 %	25.5 %	24.4 %	28.9 %
Net interest-bearing receivables (liabilities)	593	-95	751	204	449
Debt-to-equity ratio	-0.48	0.06	-1.29	-0.20	-0.51
THE SHARE					
Market value (NOK million)	12,929	7,009	5,578	4,578	3,556
Number of shares	92,680,000	88,724,904	82,332,980	81,384,100	80,814,490
Earnings per share (NOK)	7,64	5,11	5,26	2,41	3,86
Diluted earnings per share (NOK)	7,50	5,09	5,11	2,38	3,86
Dividend per share	5,00	8,00	6,00	4,50	4,50
PERSONNEL					
Number of salaried employees	1,378	1,325	1,327	1,314	1,158
Number of skilled employees	1,652	1,472	1,381	1,356	1,236
Total number of employees	3,030	2,797	2,708	2,670	2,394
LTI rate	1.0	1.1	1.4	1.8	1.5
Absence due to illness	3.7 %	3.5 %	3.7 %	3.3 %	3.6 %
EXTERNAL ENVIRONMENT					
Carbon footprint	3.3	4.9	4.1	4.3	4.6
Source separation rate – building	84 %	82 %	81 %	79 %	78 %
Source separation rate – renovation	87 %	82 %	80 %	89 %	75 %
Source separation rate – demolition	96 %	96 %	96 %	98 %	97 %
Total amount source separated in tonnes	319,225	479,135	408,365	511,110	246,223

See definitions on page 200

CULTURE IS A KEY PILLAR

In 2015, AF Gruppen's earnings surpassed a billion kroner for the first time in the history of the company. For CEO Morten Grongstad, it is evidence that the company is not about an individual but is rather a community.

MEET CEO MORTEN GRONGSTAD

The CEO Morten Grongstad is very clear that the company's core values are the foundation of AF's further development. He is convinced that the best results are yet to come. This is in spite of the fact that 2015 was not just an anniversary year for AF, but also a record year for earnings, revenues and the number of employees.

"This gives us reason to be proud of our achievements, while at the same time as an organisation we are most concerned about tomorrow's achievements," says Grongstad.

In 2015, AF saw its lowest injury rate ever. The year will nevertheless stand as a reminder of major contrasts.

For the first time in history, AF Gruppen experienced a first quarter without any lost time injuries. Three months later, we were given a powerful reminder by the fatal accident in connection with the Flesland project in Bergen. Our uncompromising focus on safety requires a lot from us every day. HSE work is "fresh produce". How good we are at getting everyone who works in our projects home safely every day sets the standard for our safety work. Achieving results must never be at the expense of safety.

CHANGE AND PRESERVATION

This anniversary year was also a year when there was a change of CEO leadership at AF Gruppen.

"To me, the change to a new CEO in October confirms how well-managed AF is, and it illustrates that the company is not about an individual but is rather a community. AF Gruppen emerges today as a vital 30-year-old, and I hope we will make use of this," says Grongstad.

In 2016, AF is entering a new strategy period, during which AF should be able to obtain the best of two worlds, according to the CEO.

We must continue to develop in order to meet the competition of tomorrow. At the same time, we must also safeguard the foundation that has marked us historically. We are a values-based company and our corporate culture is the pillar of our good results.

Without growth, we cannot manage to continue the value performance the company has had:

"We must therefore continue to cultivate our curiosity so that we can create new opportunities for our employees and solve new challenges for our customers. It is this entrepreneurial spirit that at one time made us the largest onshore demolition company, and which subsequently led us to future-oriented offshore demolition activities. Such opportunities »

"Our competitiveness lies in a clear culture, good work methods and structures, an unshakable focus on safety, good performance and the best employees in the industry."

CEO MORTEN GRONGSTAD

will also arise in the future, and we must then be positioned to seize the market.

The acquisition of LAB in Bergen and Målselv Maskin & Transport in Troms in 2005 were good examples of how AF can also grow through acquisitions.

Our growth will be based on both organic growth through the recruitment and development of new employees, and structural growth through the acquisition of well-managed companies. There is a strong connection between profitable growth and value creation, and at AF we are confident that there are also great market opportunities in the future," says Grongstad.

FINAL RESULT IS THE SUM TOTAL OF EVERYTHING

In January this year, we also received the results of the 2015 employee satisfaction survey. It tells us that AF employees are proud of their workplace and that they have a high level of job satisfaction. The survey also shows that the company's clear goals and values are a foundation for people's job satisfaction and that they are something that our employees recognise in themselves.

"As a leader the results makes me proud and certain that we have a strong foundation for further growth. We have a unique culture, and it is just as alive today as when it was anchored in the company more than 30 years ago. Therefore I am confident that our best results lie ahead of us – 3,000 proud employees will make sure of it.

It is the sum total of the thorough, hard work of all the employees of AF that will enable AF Gruppen to deliver a record result once again," Grongstad professes.

It is therefore satisfying to see that job ownership also materialises in the form of a record number of shareholders among our employees. It is part of AF's culture to share the creation of value with our employees. This is important, and it means that we and our shareholders work towards the same goals.

CONFIDENCE IN OUR OWN SKILLS

In spite of a strong 2015, the CEO is humble at the start of a new year:

"Our competitiveness lies in a clear culture, good work methods and structures, an unshakable focus on safety and ethics and the best employees in the industry who make sure that the company performs well. These factors are not easy to duplicate. Therefore we are entering 2016 with confidence in our own competitiveness and clear ambitions for further growth," says Grongstad.

FUTURE-ORIENTED VALUE CREATION

Curiosity, entrepreneurial spirit and execution capability have made AF Gruppen Norway's third largest contractor, and among the best performing companies on the Oslo Stock Exchange.

AF is engaged in civil engineering, the environment, building, property, energy and offshore, and, since its establishment in 1985, AF has found new solutions to complex challenges with the help of employees with a go-ahead spirit and determination.

The entrepreneurial spirit at AF is about the ability to create value and realise profitable growth. Our execution capability is characterised by strong and robust teams that focus on progress, delivery and the creation of value with empathy and dialogue. AF has demonstrated an entrepreneurial spirit and execution capability since it was established. This has made AF a company that looks for future-oriented ways of creating value.

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

CIVIL ENGINEERING

AF has the experience and expertise required to carry out all types of small and simple to large and demanding civil engineering projects. AF carries out projects related to roads and railways, port facilities, foundation work and power and energy, as well as onshore facilities for oil and gas. Our customers are primarily public sector enterprises 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. The company also has solid expertise in areas such as blasting, dredging, handling contaminated bulk material and removing 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**	**AF Bygg Oslo**	**AF Eiendom**	**AF Energi & Miljøteknikk**	**AF Offshore Decom**
JR Anlegg	*Rimol Miljøpark*	**AF Byggfornyelse**	**AF Projektutveckling**	*Boligenergi*	*AF Decom Offshore UK Ltd*
AF Arctic	*Jølsen Miljøpark*	**AF Bygg Østfold**			*Miljøbase Vats*
Målselv Maskin & Transport	**Härnösand Byggreturer**	**AF Bygg Sør**			**AF Offshore Mandal**
Pålplintar		**AF Bygg Rogaland**			**AF Offshore AeronMollier**
		Strøm Gundersen			*Aeron Energy Tech. Co*
		Consolvo			*AF Offshore Aeron Pte. Ltd.*
		Haga & Berg Entreprenør			
		Thorendal			
		LAB			
		LAB Entreprenør			
		Åsane Byggmester-forretning			
		FAS			
		AF Bygg Sverige			
		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 give us freedom of action in our business 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 a better operating margin and a better return on invested capital than comparable companies.

AF's target is to have a return on invested capital greater than 20 per cent and an operating margin above 5 per cent.

RESULTS IN 2015
AF achieved an operating margin of 8.1 per cent in 2015. Return on invested capital (ROIC) was 53.6 per cent.

8.1 %
OPERATING MARGIN

53.6 %
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 2015
AF's equity ratio was 29.1 per cent at the end of 2015, and the Group had unutilised credit and loan facilities of NOK 2,073 million as at 31 December 2015.

29.1 %
EQUITY RATIO

DIVIDEND

OBJECTIVE
AF's dividend policy is to provide shareholders with a competitive dividend yield. Dividends will be paid semi-annually. 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 2015
In 2015, AF paid a total dividend of NOK 8.00 per share for the 2014 financial year. Earnings per share in 2014 was NOK 5.11. Earnings per share in 2015 was NOK 7.64. The Board is proposing a dividend of NOK 5.00 per share for payment in the 1st half of 2016 to the General Meeting on 12 May. The dividend for payment in the 2nd half of 2016 will be announced when the results for the 3rd quarter of 2016 are presented.

NOK 5.00*
DIVIDEND PER SHARE
*Dividend due for payment in 1st half-year 2016

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 2015
AF achieved an LTI rate of 1.0 and absence due to illness of 3.7 per cent. This is on par with the best safety results in the contractor industry.

1.0
LTI RATE

3.7 %
ABSENCE DUE TO ILLNESS

CORPORATE MANAGEMENT TEAM

HENNING OLSEN

(1978)
Executive Vice President

Olsen is responsible for the Building business area. He comes from the position as head of AF Eiendom and was formerly the finance director at AF Bygg Oslo. He has held various positions in finance and accounting and has been with AF since 2010. Olsen holds a Master of Science degree in Business from the BI Norwegian Business School. He owns 6,934 shares and 11,911 options in AF Gruppen ASA as at 31 December 2015.

ANDREAS JUL RØSJØ

(1980)
Executive Vice President

Røsjø is responsible for the Property and Energy business areas. He has held various managerial positions at AF and has been employed by the company since 2007. Røsjø holds a Master of Science degree in Business from BI Norwegian Business School. He owns 16,155 shares and 26,877 options in AF Gruppen ASA as at 31 December 2015.

SVERRE HÆREM

(1965)
Executive Vice President/CFO

Hærem has been Executive Vice President/CFO at AF since 2007. 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 169,290 shares and 31,372 options in AF Gruppen ASA as at 31 December 2015.

AMUND TØFTUM

(1978)
Executive Vice President

Tøftum is responsible for the Offshore business area. He comes from the position as project director at AF Offshore Decom. He has experience from business development and various operation roles in Civil Engineering and Offshore at AF. He is a chartered engineer from the Norwegian University of Science and Technology and has worked at AF since 2005. He owns 40,053 shares and 12,126 options in AF Gruppen ASA as at 31 December 2015.

ARILD MOE

(1965)
Executive Vice President

Moe is responsible for the Civil Engineering business area. He has held various managerial posts at AF and has been employed by the Company since 1990. Moe holds a degree in construction and civil engineering from Oslo University College and a degree in business economics from the University of Agder. He owns 234,196 shares and 30,764 options in AF Gruppen ASA as at 31 December 2015.

MORTEN GRONGSTAD

(1975)
CEO

Grongstad was recruited by AF in 2012 as EVP Property and was appointed as the CEO in 2015. 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 113,537 shares and 30,521 options in AF Gruppen ASA as at 31 December 2015.

BÅRD FRYDENLUND

(1968)
Executive Vice President

Frydenlund is responsible for Personnel and Organisation, IT and Machinery. He is a graduate economist and Master of Management from BI Norwegian Business School, in addition to studying law at the University of Oslo. He has been with AF since 2000. He owns 97,815 shares and 18,144 options in AF Gruppen ASA as at 31 December 2015.

EIRIK WRAAL

(1979)
Executive Vice President

Wraal is responsible for the Environment business area. He was formerly the of head of AF Decom and has been with the company since 2004. He has held various operation roles in AF's environmental activities. He is a chartered engineer from the Norwegian University of Science and Technology. He owns 8,170 shares and 17,233 options in AF Gruppen ASA as at 31 December 2015.

HIGHLIGHTS 2015

Solid contributions from all the business areas resulted in record earnings in 2015. Persistence in achieving profitable growth also marked the past year.

EARNINGS SURPASSED A BILLION

AF Gruppen surpassed a milestone in 2015 and delivered earnings before tax of more than NOK 1 billion for the first time in 2015. This is the best earnings in the history of the company, measured both in monetary terms and as a percentage. Earnings before tax were NOK 1,004 million, and the profit margin was 8.1 per cent. All six business areas delivered very good results for 2015.

1,004 NOK million

SATISFIED EMPLOYEES

AF Gruppen conducted an employee satisfaction survey at the end of 2015. The results showed record-high satisfaction among the employees of AF. In addition, the survey showed that job satisfaction was high and that the employees were proud to work for AF Gruppen. 83 per cent of the employees are satisfied with AF as an employer.

83 % Satisfied

ACQUISITION IN BERGEN

In March 2015, AF completed the acquisition of 70 per cent of the shares in LAB AS. The acquisition included LAB AS's shares in the subsidiaries LAB Entreprenør AS, Åsane Byggmesterforretning AS, Fundamentering AS and LAB Eiendom AS. LAB AS reported revenues from operations of NOK 1,940 million for 2015.

1,940 NOK million

ACQUISITION IN TROMS

In June, Målselv Maskin & Transport AS became part of AF Gruppen, since AF acquired 70 per cent of the shares in the company. Målselv Maskin & Transport AS is the largest machinery contractor in Troms, and the company reported revenues of NOK 186 million in 2015.

186 NOK million

REVENUE GROWTH

AF Gruppen's revenues in 2015 came in at NOK 12.4 billion, an increase of 25 per cent compared with 2014 revenues. The high growth rate is greatly due to the acquisitions in Bergen and Troms, but ¼ is organic growth. AF Gruppen has had an average annual revenue growth of 14 per cent since listing in 1997.

25 % Growth

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. AF Gruppen's LTI rate was 1.0 (1.1) in 2015. The goal of an LTI rate of 0.0 remains steadfast.

1.0 LTI rate

Signed

Quality is
in the
details.
Every time.

SUCCESS CRITERIA

PROFITABLE GROWTH TOGETHER

AF Gruppen's 3,000 employees contribute every day to the growth and development of the company. Profitable growth requires motivated employees who assume responsibility – both for their little part of the whole and the overall result.

The key to the success of AF Gruppen lies in our employees' willingness and ability to do the heavy lifting together. Developing the knowledge and expertise of our employees is the most profitable investment we make at AF, because it enables us to influence our own success. 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.

AF Gruppen's owners and management have always wanted the employees to share in the growth. AF Gruppen's goal since the start has been that the employees should not only feel ownership of their company, but actually have ownership. 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. Many employees have taken advantage of this opportunity, and today every third employee owns AF shares – with a combined value of close to NOK 2 billion.

ATTRACTIVE WORKPLACE

Management of human resources has high priority at AF, and it is therefore very satisfying that we have succeeded in contributing to the creation of a good, inclusive working environment. The employee satisfaction survey that was conducted in 2015 shows that our employees are very happy, have a high degree of job satisfaction and are proud to work for AF. The results are the best we have ever achieved at AF, and they are very good in relation to comparable industries. 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.

In 2015, 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 1,500 employees participate in. AF employees own approximately 15 per cent of the company's shares.

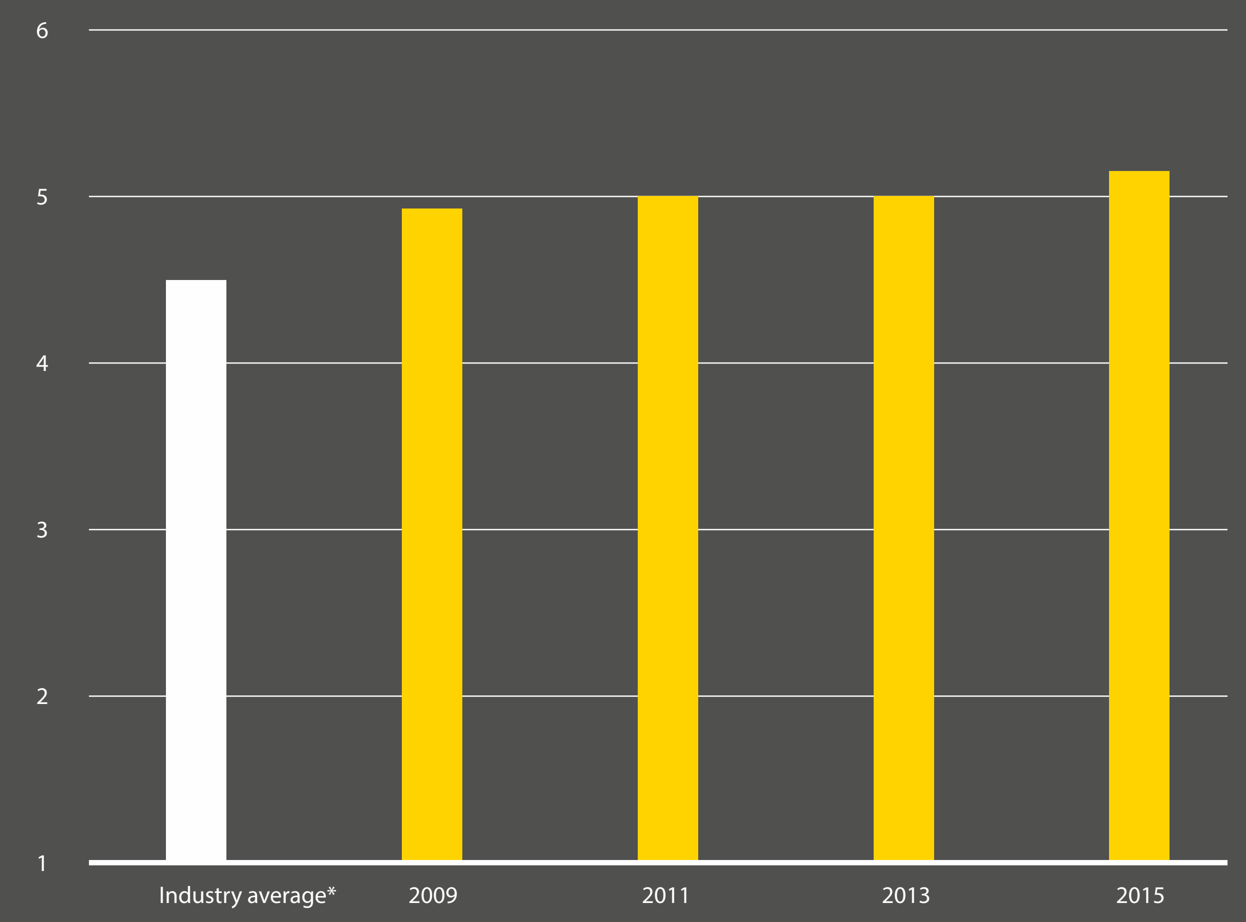
RELATIONSHIP BETWEEN MANAGERS AND EMPLOYEES

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.

WORKING ENVIRONMENT COMMITTEE

Morten Grongstad	CEO
Arild Moe	Executive Vice President for the Civil Engineering business area
Henning Olsen	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
Håvard Breivik	Employee Representative
Steinar A. Johansen	Employee Representative

ESS: "ALL IN ALL, I AM SATISFIED WITH AF GRUPPEN AS MY EMPLOYER" (SCALE OF 1-6)

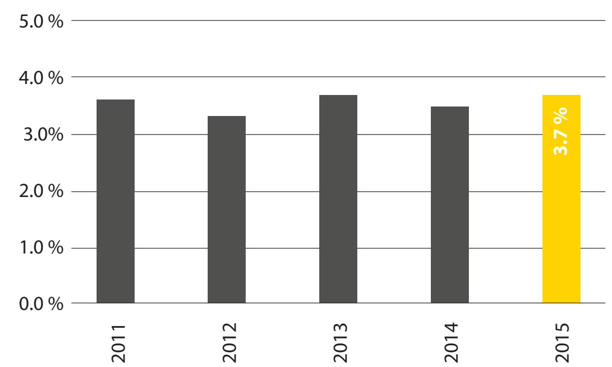


*Source: Rambøll

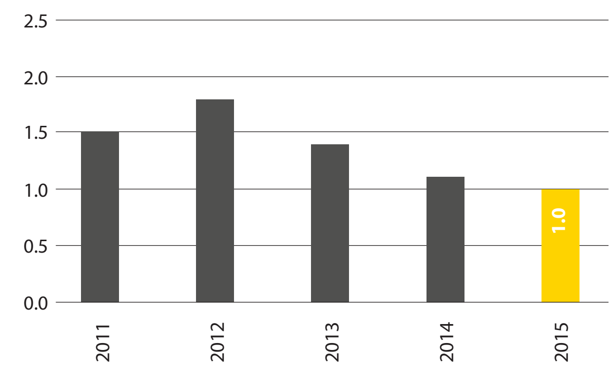
HSE IS OUR BACKBONE

HSE is a joint responsibility at AF Gruppen. Our goal is to ensure a working environment that prevents injuries, is health promoting and prevents negative effect on our environment.

ABSENCE DUE TO ILLNESS



LTI-RATE



AF's goal is that no one should be injured or made ill as a result of their work. Our environment should not be impacted unnecessarily due to our activities. Rapid growth must not be at the expense of health, the environment or safety.

Health, safety and taking care of the environment is everyone's responsibility and requires direct involvement by all employees, whether top management, middle managers or skilled workers. The working environment should be safe for everyone – including those who are employed by our subcontractors.

At Flesland airport, where LAB is carrying out a project for Avinor, an accident with fatal consequences happened on 4 July. An employee of a transferred contractor was seriously injured when a lift tipped over and died from the injuries at Haukeland hospital on 19 July. We will maintain our focus on ensuring that our safety mindset also applies to both subcontractors and transferred contractors.

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 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 personal injury with absence and undesired incidents 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.

Over time our prioritisation has resulted in a low injury rate, low absence due to illness and high source separation rate. We would like everyone to come home just as healthy as when they left for work.

SAFETY

For the second year in a row, AF Gruppen can report its lowest injury rate ever. These results are attributed to an uncompromising safety attitude, as well as systematic and focused work. However, good safety is not something that one can ascertain that one has achieved. Good safety is something that every employee must work for every day, all year round.

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. Risk-reducing barriers are established to eliminate the risk of undesired incidents or reduce the risk 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 1.0. This number represents 10 lost time injuries in 2015.

HEALTH

AF would like to create a working environment that promotes health, prevents illness, and gives job satisfaction. AF is working actively to achieve this.

GOAL FOR ABSENCE DUE TO ILLNESS

The 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 3.7 per cent for 2015. Even though absence due to illness at AF is low compared to that of comparable businesses, efforts are being made to lower absence due to illness even more.

ENVIRONMENT

AF is engaged in operations that may affect the external environment and seeks continuously to limit the impact on our environment. AF wants to prevent damage and any negative impact, and it can provide an emergency response at any given time 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, the results of all the units are measured based on AF Gruppen's common measurement parameters: source separation rate and carbon footprint.

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 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	2015	2014	2013
Building	84 %	82 %	81 %
Renovation	87 %	82 %	80 %
Demolition	96 %	96 %	96 %
Total volume	319,225 t	478,955 t	408,365 t

Carbon footprint 2015: 35,937 tonnes of CO_2, equivalent to 3.3 tonnes per NOK million of revenue.

(See the Energy and Climate Accounts on page 25.)

SUSTAINABLE ENTREPRENEURSHIP

Sustainability is a prerequisite for continued growth. By minimising the environmental impact and having an uncompromising attitude towards safety and ethics, AF Gruppen will ensure that the value that is created protects society and the environment as greatly as possible.

AF Gruppen is a company in which attitudes and values stand strong. AF Gruppen's activities are based on the principle that the company's growth should never compromise the company's safety and ethical standards. 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.

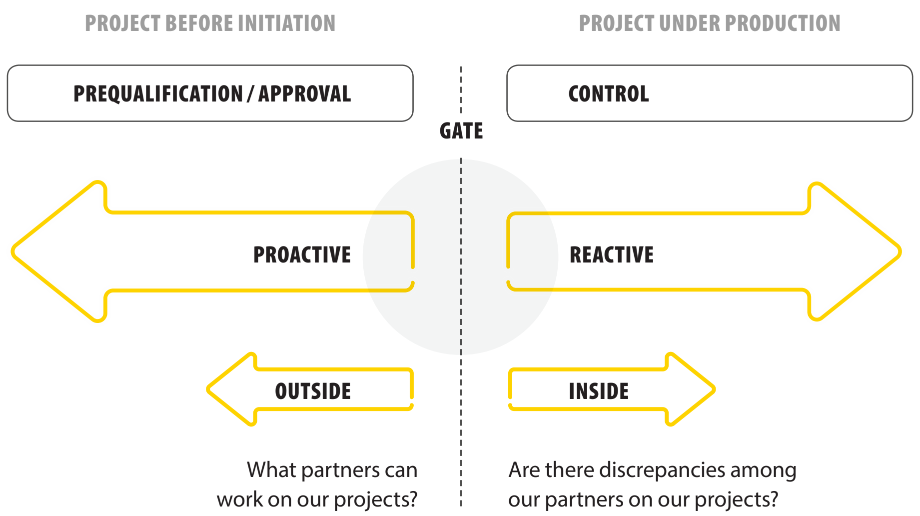
The European Commission's goal for a circular economy, which contributes to resources being recycled and remaining in the circulation, is that more than 80 per cent of the materials that are used are to be recycled by 2030. AF Gruppen already delivers beyond the Commission's target for 2030 for construction, renovation and demolition.

AF has sorted and recycled large quantities of materials in 2015, 318,939 tonnes (478,955 tonnes) of source-separated materials and 552,884 tonnes (707,941 tonnes) of recycled asphalt and concrete. In addition, AF Gruppen treats contaminated materials for recycling. A total of 86,000 tonnes of materials were treated in 2015 and the associated recycling rate was 85%. All of these measures provide significant social gains, in addition to the commercial gains for the company.

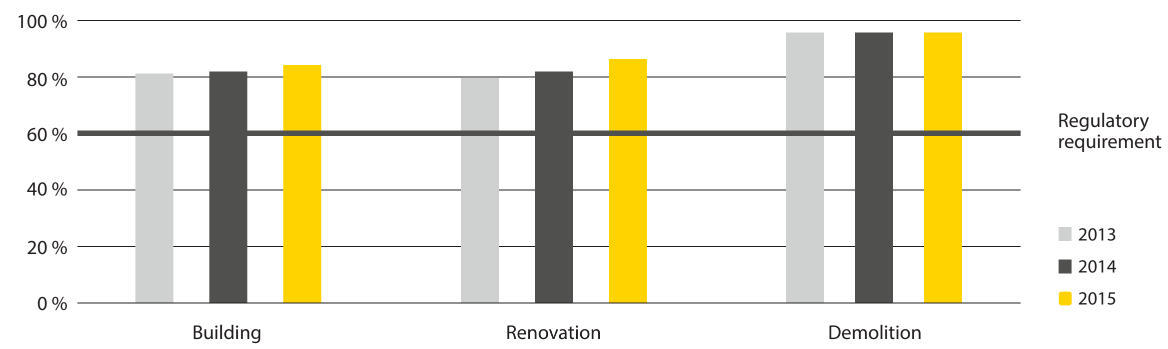
Sustainable entrepreneurship also presupposes that operations have the required preparedness for undesired incidents, as well as systems for continuously learning from mistakes. In order to learn from one's errors, there must be an understanding and a desire to always be better. AF Gruppen has implemented a seriousness initiative for its construction projects. The purpose has been two-fold: to eliminate undesired incidents and reduce the number of undesired partners in our projects. This should contribute to the prevention of working life crime at our workplaces.

Sustainable entrepreneurship requires a uniform management system that describes 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.

SUSTAINABLE PROJECTS



SOURCE SEPARATION RATE



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	2015	2014	2013
Building	84 %	82 %	81 %
Renovation	87 %	82 %	80 %
Demolition	96 %	96 %	96 %

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	2015	2014	2013
Asphalt (tonnes)	369 027	407 940	247 932
Concrete (tonnes)	183 857	300 001	226 615
Total volume (tonnes)	552 884	707 941	474 547

In addition, AF has processed and treated 86,000 tonnes (67,500) of contaminated materials in 2015.

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/offshore). »

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

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 negotiations. 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 cooperation and corruption.

AF is aware of what customers they want to work for. In 2015, a customer survey was conducted so that AF could learn from completed projects and thereby develop good long-term relationships with its customers.

SUPPLIERS

The purchase of goods and services accounts for 71 per cent of AF's turnover, and subcontracts account for the largest share. 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. The seriousness project has resulted in a requirement that suppliers must be inspected and prequalified prior to contracting, and that inspections must be performed regularly during the projects. In order to ensure compliance with AF's ethical standards, AF requires that there is a maximum of two levels of subcontractors in projects. Suppliers are also post-evaluated for use in subsequent prequalifications.

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.

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 is confidential and must be treated confidentially. 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.

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.

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.

ENERGY AND CLIMATE ACCOUNTS 2015

Category	Consumption		Energy equivalent (MWh)[1]	2015 emissions (tonnes of CO_2)[2]	2014 emissions (tonnes of CO_2)
Petrol	21,131	l	192,1	49	208
Diesel oil	10,858,125	l	154,294	29,057	30,459
Diesel oil (B5)	284,062	l	2,817.9	722	4,796
LNG		tonn	-	-	8
Propane	12,236	kg	156	37	4
Refrigerant gas HFC134a	189	kg		270	-
Total direct emissions			**157,460**	**30,135**	**35,475**
District cooling/heating	316,670	kWh	317	23	17
Power	29,602,021	kWh	29,602	1,983	2,472
Total indirect emissions from own activities			**29,919**	**2,007**	**2,489**
Air travel – commuting	10,423,483	pkm [3]		422	686
Air travel – official business	4,419,022	pkm		1,948	1,888
Cars – official business	914,809	km		138	-
Waste for incineration	2,556	tonn		1,274	1,430
Waste for recycling	538	tonn		13	1
Total indirect emissions from others				**3,795**	**4,004**
Total CO_2 emissions from activities			**187,379**	**35,937**	**41,967**
Carbon footprint (tonns CO_2 emmisions per NOK 1 million in revenue)				**3.3**	**4.9**

1) Energy equivalents are calculated for the core operations (direct and indirect emissions) in order to illustrate the annual energy intensity of AF Gruppen's activities.
2) Greenhouse gas emissions with warming potential equivalent to CO_2
3) Passenger kilometre

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. Whatever has been built up over many years can, however, be torn down by individual incidents and 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 the company's 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 hazard 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 2015, there were 15,363 (9,967) reported undesired incidents (RUI) in AF Gruppen. The reporting frequency for 2015 was 2.91 (1.98) RUI per man-year. There is a clear correlation between the increase in the number of recorded undesired incidents and the reduction in the number of injuries.

RISK PROVIDES OPPORTUNITIES

Commercial risk management is an important tool to ensure that AF Gruppen can achieve its goal of profitable growth. This is a prerequisite for stable operations, and it can provide new opportunities and solutions for us and our customers.

All choices entail risk. Therefore active risk management is 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 risk 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. 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 risk situation at the project level and performs a risk analysis on the entire project portfolio. This analysis establishes the basis for the unit's prioritised risk-reduction 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 FOR 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 nine 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.

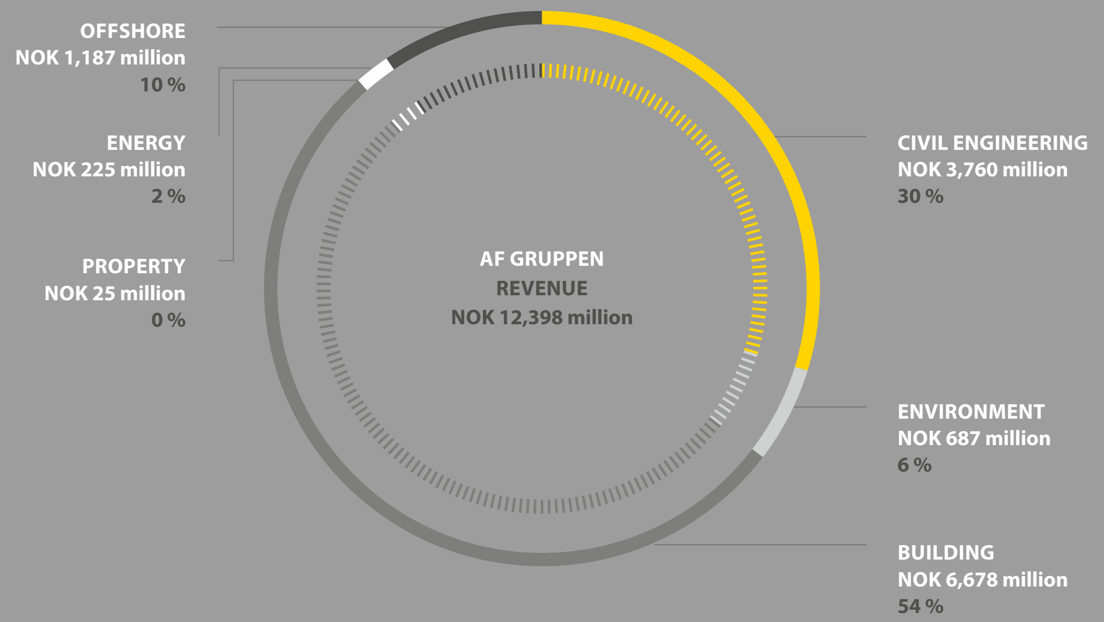
Risk management has resulted in a significant reduction in the number of projects with loss and increased profitability. Since AF started to focus on risk management in 2006, the average operating margin has increased from 2.6 per cent (2002-2006) to 5.7 per cent (2007 to 2015). The correct pricing of 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.

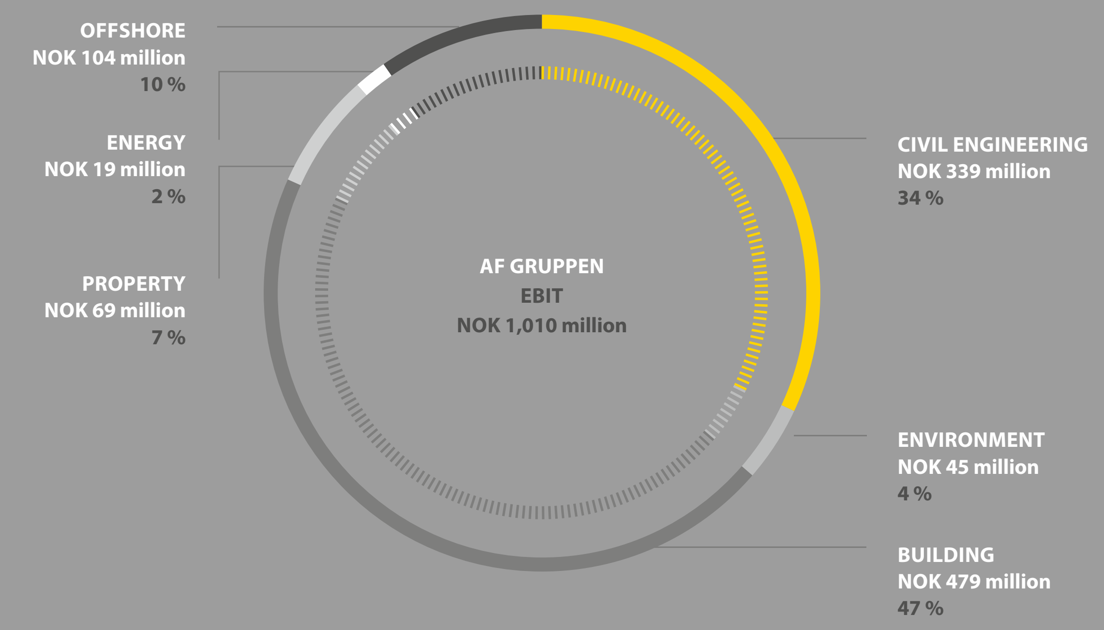
The specialist function for risk management at AF Gruppen organises and drive the necessary processes linked to risk. The Group also works on the continuous improvement of the Group's processes and methods in this area.

SUCCESS CRITERIA

> **Risk management has resulted in a significant reduction in the number of projects with loss and increased profitability.**

Risk pyramid: AF's focus on risk management is firmly anchored in the entire organisation, from the individual project to the Corporate Management Team.





Signed

Innovation requires new ways of thinking. And teamwork.

A NATIONAL RESPONSIBILITY

On his way to Aker Brygge, Jørgen Mathisen passed a huge construction pit and wondered whether there was not something that he and his employer should contribute. A little later, AF Anlegg was responsible for the largest concrete project in the Nordic region – and a national icon.

MEET THREE OF THE EMPLOYEES BEHIND THE PRESTIGE PROJECT

The construction pit at the Vestbanen site in Oslo is buzzing with hectic activity. Five tower cranes stretch towards the heavens, and it is teeming with skilled and salaried workers below. The starting signal sounded for AF Anlegg on the site on 4 September, and the project team will be here until the summer of 2018.

"We are building the actual structural shell for the new National Museum. Now we are working on the basement floor, which will be the museum's storeroom, and a suspended mezzanine floor in the structural floor above the basement, which will accommodate pipes, ventilation and cables. The architect is concerned about the museum having clean surfaces without any distracting elements. The art should be in focus, and therefore the pipes will run up inside double walls in the museum section," says Project Manager Odd Solum.

The museum has been designed by Kleihues + Schuwerk Gesellschaft von Arkitekten, which won the international architectural competition in the autumn of 2010. It marked the end of an almost 50-year-long discussion on a new National Museum. Now it is only four years until the public will be given access to the new museum for art, architecture and design.

LARGE, COMPLEX AND DEMANDING

The fact that AF Anlegg tendered for the contract for the structural shell was actually based on a coincidence.

"We were in the process of concluding several major projects in the oil and gas industry in Western Norway, and I was dreaming of a large concrete project in Oslo. However, I considered it as being quite unlikely," says Assistant Project Manager Jørgen Mathisen.

But one day he walked passed the site at Vestbanen and noticed the huge construction pit.

"I researched it a little and discovered that it was going to be the largest concrete project in the Nordic region, but I assumed that it had already been put out to tender long ago. When we checked, however, we found that the contract had not yet been awarded. Thus I contacted Division Director Geir Flåta and told him that we had to submit a tender – this is a tremendous opportunity! With his long experience, Odd calculated the concrete without blinking an eye, so that we could prepare a tender," he said.

It turned out in the end that AF Anlegg was the only company that tendered for the contract.

"I will not speculate on the reasons why, but it is clear that this is a large, complex and demanding general contract – it is after all Northern Europe's largest ongoing cultural building project. We are »

> **"It is fun to participate in the building of what will become a national heirloom."**
>
> **ASSISTANT PROJECT MANAGER JØRGEN MATHISEN**

table with the form of the contract, we have the muscles to carry out such a project, and we really do love concrete! The building will be incredibly beautiful," Solum says.

The contract for the structural shell is decidedly the largest individual contract in the New National Museum project. The total cost budget is NOK 5.3 billion, and the project is thus one of Norway's most expensive cultural buildings. AF Byggfornyelse has also been awarded the contract for an Airtight Building, which encompasses the façades and roof. AF Anlegg and AF Byggfornyelse have therefore entered into cooperation and are completing both of the contracts together.

"We are clearly the largest actor on the site. It is fun to participate in the building of what will become a national heirloom – building projects are not daily fare for us at AF Anlegg," says Mathisen.

"But we are a little different too – we gladly accept whatever challenges show up. And even though this is a building, it has all the ingredients of a civil engineering project: There is automated machine guidance, logistics, meticulous planning and a lot of concrete," Solum adds.

Every year 12 million people pass by the area around the construction site.

"It is a hub for motorists, cyclists, ferry passengers, public transport and pedestrians. At AF Anlegg we are not used to using public transport to get to work, we are more used to flying to our projects," says Solum.

AMBITIOUS CLIMATE REQUIREMENTS

The National Museum is also being built based on ambitious climate requirements, with solid materials that will withstand the tooth of time for at least 200 years.

"Statsbygg has strict requirements for carbon accounting, which coincide with AF Anlegg's own goals for green projects. We have full control of the concrete recipes we use, and discuss how we can achieve a fossil fuel-free construction site. The usual pick-up, for example, has been replaced by an electric van, and the red and white tower cranes we use are being used for the first time in Norway. They have LED lights, do not make noise, have a discreet design and are also equipped with a heat pump and air conditioning in the operator cab," says Solum.

The greatest challenge in the project is logistics – when 800 people are working on several different contracts at the same time on a crowded construction site, creative solutions must be used in order to ensure that everything goes smoothly.

"The project places incredible demands on planning. It is challenging to put together a project group with known and unknown people that are to function and get along together, but we have managed to do just that. We enjoy each other's company and work hard all as one. Sometimes there are heated discussions, but we always manage to reach a consensus," says Solum.

AF Anlegg has 24 salaried workers and tens of our own site preparation workers and machine operators on site. In addition, there are several large subcontractors.

"I am looking forward to visiting the museum when it is finished. The security systems are so good that art that has never before been in Norway due to inadequate security can now be put on display. Statsbygg's goal is that even the Mona Lisa can hang here safely," says Odd Solum.

Assistant Project Manager Jørgen Mathisen, Contract Engineer Siri Gulbrandsen and Project Manager Odd Solum really enjoy each others' company, and, together with the rest of the team at AF Anlegg, they have full control over the construction of the new National Museum in Oslo.

NATIONAL MUSEUM

Contract K204 is a general contract that encompasses the construction of a poured-in-place structural shell measuring approximately 54,000 square metres for the New National Museum. The structural shell consists of a basement with mezzanine and an overlying building with a total of five storeys. Contract K205 is a contract that encompasses façades of approximately 11,000 square metres and a roof of approximately 14,000 square metres for the New National Museum. The contract encompasses concrete structures, windows, doors, gates and hatches, as well as steel, masonry, carpentry, roofing and metal work. The terrace and atria are to be covered in natural stone and the façades are to be covered with bricked natural stone.

Client: Statsbygg
Contractor: AF Anlegg and AF Byggfornyelse

COMBINED CONTRACT VALUE FOR BOTH CONTRACTS, NOK MILLION	COMPLETION
770	2018

"We are comfortable with the form of the contract, we have the muscles to do it – and we really do love concrete!"

Odd Solum

ODD SOLUM
PROJECT MANAGER

OTHER IMPORTANT PROJECTS

RYFAST

AF is building a new 8 kilometre section of dual carriageway, 6.5 kilometres of which is part of the 14 km long subsea Ryfylke Tunnel. The tunnel between Stavanger and Ryfylke will be the longest subsea road traffic tunnel in the world, with the deepest point for passenger transport on earth, as low as 292 metres below sea level. The work encompasses four portal constructions, a 100-metre long bridge and a building for technical systems in the tunnels.

Contract value: NOK 1,168 million
Completion: 2018
Client: Statens vegvesen Region vest

RÅNÅSFOSS III POWER PLANT

AF upgraded Rånåsfoss III for Glomma Kraftproduksjon AS. Substantial work was carried out inside the venerable power plant from 1922. The old Francis turbines were disconnected, and modern vertical generators with propeller turbines were installed in a new glass machine room. The draft tubes have been given a new design and increased capacity, which has increased the annual production from 220 GWh to 280 GWh. The work started in 2011, and the old generators have been gradually phased out as the new ones have been connected.

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

ØSTENSJØBANEN METRO LINE

AF is upgrading the Østensjøbanen metro line in Oslo. This section of the metro line was opened to as far as Skullerud in 1967 and to Mortensrud, line 3, in 1988. Upgrading this metro line is one of Sporveien's largest projects, and it was completed in a very short period of time. The line will reopen on 3 April 2016 with eight upgraded stations, extended platforms and two renovated tunnels. Overall this section of the line corresponds to the length of 320 metro cars in a row.

Contract value: NOK 378 million
Completion: 2016
Client: Sporveien Oslo AS

E6 FRYA-VINSTRA

AF has the first general contract for the development of E6 Frya-Sjoa. The section from Frya to Vinstra passes through the municipalities of Sør-Fron and Nord-Fron in Oppland and includes 18 km of new motorway, of which 4.3 km is tunnel, 10 km local road and 20 concrete structures. The project will be completed in October 2016, and will be a safer and more efficient European road when it is finished.

Contract value: NOK 1,470 million
Completion: 2016
Client: Statens vegvesen Region øst

HIGH LEVEL OF ACTIVITY AND GOOD PERFORMANCE

High level of activity and good performance for many projects contributed to the Civil Engineering business succeeding in reporting good results for 2015 as well. A large supply of new civil engineering contracts is expected in the near future.

The Civil Engineering operations comprise three business units: AF Anlegg, Målselv Maskin & Transport and Pålplintar.

AF performs traditional civil engineering projects in the fields of transport, infrastructure and hydropower throughout Norway. This includes roads, rail, airports, tunnels, foundation work, and fitting out and securing tunnels, as well as various concrete structures. 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 encompasses projects aimed at the oil and gas industry, as well as projects in the area of hydropower, as well as energy, sea and port facilities in Norway.

Målselv Maskin & Transport, which became part of AF Gruppen in 2015, is the largest machinery contractor in Troms and carries out projects related to technical municipal facilities, road construction, earthmoving, ground and concrete work. The Swedish unit Pålplintar carries out foundation work projects for industrial, residential and public buildings in Stockholm and Mälardalen.

2015 IN BRIEF

In 2015, the Civil Engineering business area reported revenues of NOK 3,760 million (3,172 million). Earnings before tax were NOK 339 million (288 million). The profit margin was 9.0 per cent, compared with 9.1 per cent for the previous year. The business area has been awarded several medium-sized projects and the scope of projects already contracted in 2015 has increased. At year end, the Civil Engineering business area had an order backlog of NOK 3,402 million (2,913 million).

AF Anlegg saw a high level of activity in 2015 as well, and delivered very good results for its core operations. AF completed the acquisition of 70 per cent of the shares in Målselv Maskin & Transport in June. The company has delivered good results since it was established in 1967. The acquisition is in line with our strategy for profitable growth in our core markets.

Pålplintar increased its level of activity somewhat in 2015, compared with 2014. The operational and organisational adaptations that were carried out in the last half of 2014 have shown results, and a higher level of activity and better results are expected in the future.

MARKET OUTLOOK

The civil engineering market is driven primarily by major public infrastructure projects, and political priorities have thus a strong influence on the development of the market. The forecasts for the Norwegian economy for 2016 are marked by a greater degree of uncertainty due to a fall in the price of oil. As a counter-cyclical measure, however, the authorities have increased the appropriations to the civil engineering market, and a large supply of new construction contracts is expected in the near future.

In the 2016 State Budget, NOK 60.2 billion has been allocated to transport, which is an increase of 8.8 per cent over the final budget for 2015. NOK 31.5 billion of this is for roads, which is an increase of NOK 4.9 billion (18.5 per cent). The analysis company Prognosesenteret estimates that total civil engineering investments will increase by 11 per cent in 2016, and by an additional 4 per cent in 2017.The development of the Swedish economy is influenced by the Euro zone, and the Swedish central bank Riksbanken lowered the key rate to -0.5 per cent in February 2016 in order to stimulate the Swedish economy. An expansive monetary policy and increased employment will contribute to expected annual growth in the gross national product of around 3 per cent in the coming years. The forecasts from the Swedish Construction Federation indicate continued strong growth for building and construction investments in Sweden up to and including 2016.

In conclusion, the market outlook for the Norwegian and Swedish civil engineering markets is good. The higher investment estimate for transport and road construction, as well as the planned start-up of many major civil engineering projects, provide a good foundation for further growth of AF's civil engineering activities.

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. The aim of the Civil Engineering business is to continue profitable organic growth within its 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. In addition, there will be growth through the acquisition of well-managed companies with geographic and market-related niche expertise. Over time the Civil Engineering business has adapted to a market in which the supply of billion-kroner projects is increasing. AF has developed and improved the organisation to meet additional and new forms of competition beyond the traditional general contracts.

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.

AF GRUPPEN

Civil engineering

REVENUES NOK MILLION

3,760

30 %

AF Gruppen 12,398

EARNINGS BEFORE TAXES NOK MILLION

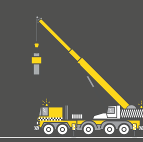
339

34 %

AF Gruppen 1,010

EBIT (%)

9.0 %

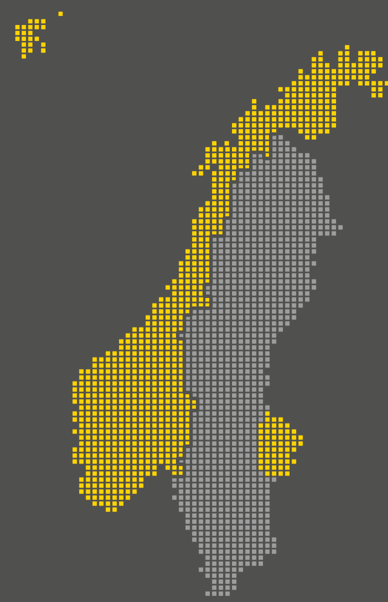


KEY FIGURES

Amounts in NOK million	2015	2014	2013
Revenues	**3,760**	3,172	2,950
Earnings before interest and tax (EBIT)	**339**	286	253
Earnings before tax (EBT)	**339**	288	265
EBIT %	**9.0 %**	9.0 %	8.6 %
EBT %	**9.0 %**	9.1 %	9.0 %
Order backlog	**3,402**	2,913	4,604

GEOGRAPHIC PRESENCE

- Norway, including Svalbard
- Sweden



EMPLOYEES

1,069

35 %

AF Gruppen 3,030

CIVIL ENGINEERING CONSIST OF

- AF Anlegg
  AF Arctic
  JR Anlegg
- Målselv Maskin & Transport
- Pålplintar

SAFE BLASTING

When the Skjeggestad Bridge collapsed, a total ban was placed on entering the site of the remains. How was it then possible to demolish what was left? The answer was a long weekend, Leca balls, a huge crane and two employees with no fear of heights.

MEET THREE OF THE EMPLOYEES BEHIND THE SUCCESSFUL DEMOLITION PROJECT

On 2 February 2015, a quick clay slide resulted in the displacement of 100,000 cubic metres of mass under the southbound span of the Skjeggestad Bridge on the E18 in Vestfold. The slide swept away one of the loadbearing columns, and the bridge collapsed. Due to the risk of new landslides, it was strictly forbidden to go onto or below the bridge after the landslide. The challenge was to demolish the destroyed bridge without damaging the parallel span.

"This was a crisis situation that had to be solved quickly. One hour after the landslide, we called the police and offered our assistance. We view such situations as a societal duty, since we are an actor with the expertise required to solve such tasks," Division Director Øyvind Omnes and Project Manager Jarle Bøckman of AF Decom tell us.

HSE/QA Manager Eva Therese Semb also played a key role in the project.

"At AF, safety is part of our backbone – for us HSE is not just something on paper," she says.

EXTREME CHALLENGES

The situation was acute and a fast response was required.

"We were contacted by the Directorate of Public Roads and asked whether we could participate in an expert group that was to assess how the collapse should be handled. Fourteen days after the collapse, Jarle and I spent a weekend together with other experts to make these assessments," says Omnes.

"This was an extraordinary job. We found ourselves in a situation where a partially broken bridge was at risk of collapsing completely, so we were really in trouble. The conclusion was that the bridge had to come down, and then the only thing to do was to start rigging.

The geologists concluded that there was a risk of new landslides. The solution was therefore to use the remotely controlled equipment that AF Decom had available.

"The ground was so unstable that the entire operation had to be based on remote control. Since it was necessary to start rigging immediately, planning had to take place while we worked," says Omnes.

The preparations, setting of charges and blasting took place without Jarle Bøckman and his people at any point in time being unsafe on or below the bridge. When the charges were to be placed in the cross section of the bridge, two persons were lowered from a 500-tonne mobile crane with a 114-metre boom.

"Even if the lifting operations were quite small, such a large crane was ne- »

“Creative solutions are needed to solve the most difficult problems. Often there are no standard solutions.”

PROJECT MANAGER JARLE BØCKMAN

cessary so that it could stand on safe ground,” says Omnes.

“It probably looked gigantic to an untrained eye, but it was the only solution that did not expose our people to risk. The job involved extreme challenges, since otherwise ordinary operations, such as setting charges and blasting columns, had to take place without involving any manual operations. We used a remote-controlled excavator, remote-controlled drilling rig and also cameras in order to see what we were doing,” says Bøckman.

CREATIVE SOLUTIONS

In order to avoid additional stress on the ground, 2,000 cubic metres of Leca balls were placed under the bridge, the very same that are used in flower pots, to dampen the impact when the bridge fell.

“Creative solutions are needed to solve the most difficult problems. We perform jobs on a daily basis that many companies would not touch, and often there are not any standard solutions,” says Bøckman.

On 21 February 2015 – not quite three weeks after the landslide, the blasting started, and 2,700 tonnes of concrete fell to the ground with an enormous bang. There was a great deal of interest from the public and the media – around 60 reporters were present to cover the event.

“We had a safety zone of 500 metres and had deployed a dense network of watchmen. We also had good assistance from the police. It is a challenge to plan such a project in detail when there is so much pressure from the media, but the blasting went perfectly,” says Omnes.

“The greatest factor for success in this project is the fantastic cooperation we experienced at all levels and in all phases, both internally in our own organisation, with the client and with the other actors in the project. We all had a common goal: Getting the bridge down quickly and safety,” says Bøckman.

SAFETY IS PART OF OUR BACKBONE

That our adrenalin was pumping when the blast came is no understatement.

“It is clear that it is a real kick when the explosion takes place, but we have a somewhat different relationship to it than many others: We blast only to demolish precisely what we are supposed to and nothing else. We have an organisation at AF Decom that is equipped to bear jobs like Skjeggestad Bridge. We have the expertise, the capacity and the ability to carry through. The organisation is made up of people who jointly make the best decisions,” says Bøckman.

“We have full confidence in each other and can act quickly when acute situations arise. And we have safety in our backbone, we have to when we are involved in as many challenging tasks as we are,” adds Omnes.

Project Manager Jarle Bøckman, HSE/QA Manager Eva Therese Semb and Division Director Øyvind Omnes of AF Decom dropped everything when the Skjeggestad Bridge collapsed.

SKJEGGESTAD BRIDGE

On 2 February 2015, a quick clay slide caused several bridge pillars on the south-bound span of the Skjeggestad Bridge in Vestfold to fail. The Norwegian Public Roads Administration concluded early on that the south-bound span had to be demolished, and AF was awarded the contract, which entailed a controlled demolition blasting of the damaged bridge. Before blasting, 2,000 m^3 of Leca balls were placed under the south-bound span to act as a pillow for the bridge elements when they fell during the blasting. All work under the bridge was carried out by remote-controlled machinery due to the unsafe ground conditions. Drilling, chiselling and setting charges took place from baskets hanging from a mobile crane.

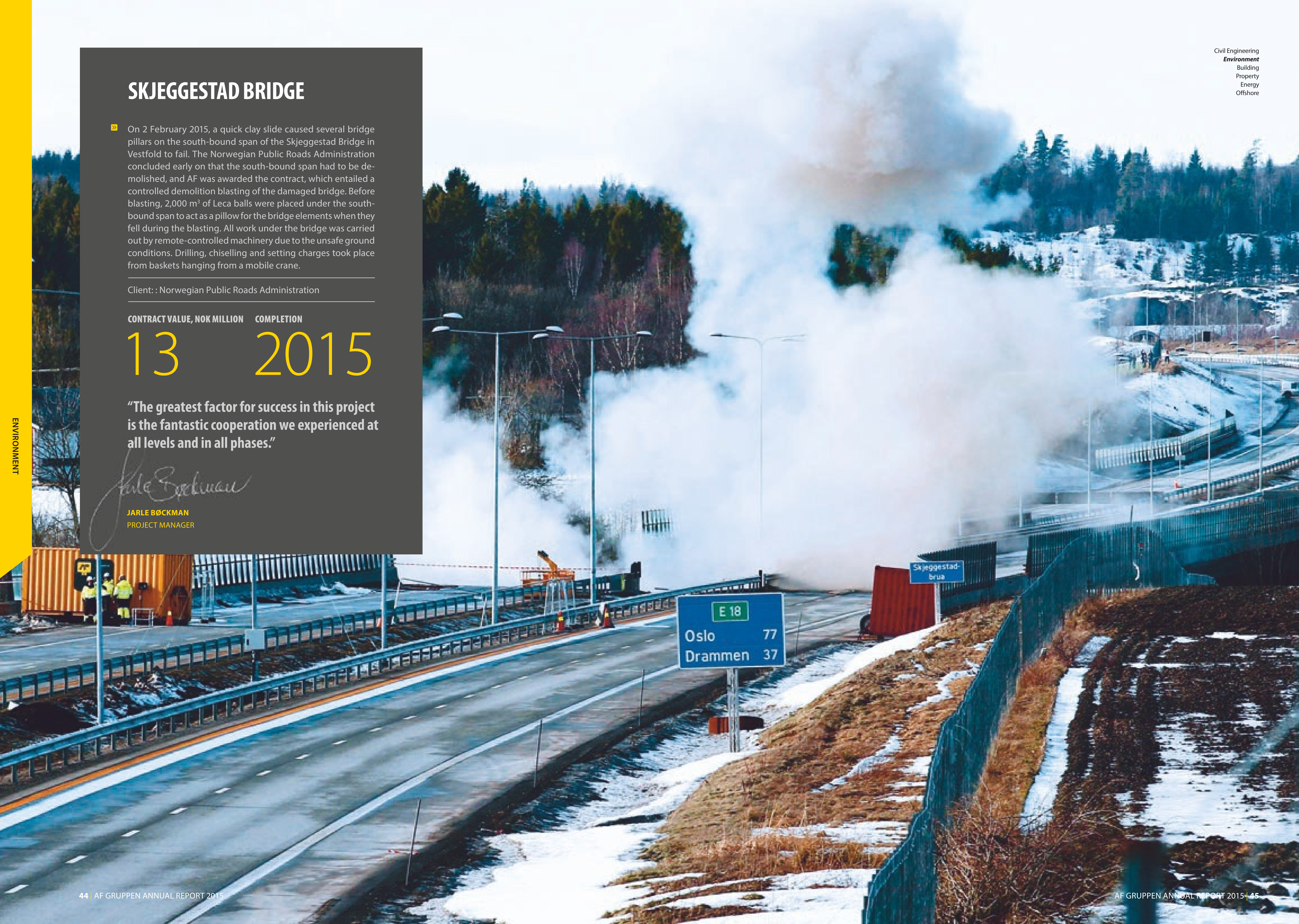
Client: : Norwegian Public Roads Administration

CONTRACT VALUE, NOK MILLION	COMPLETION
13	2015

"The greatest factor for success in this project is the fantastic cooperation we experienced at all levels and in all phases."

Jarle Bøckman

JARLE BØCKMAN
PROJECT MANAGER



OTHER IMPORTANT PROJECTS

SÖDRA CELL TOFTE

The cellulose mill at Tofte is history, and a 120-year long industrial era is now over. The mill relocated to Vietnam, and AF has demolished the remaining buildings. A total of 80,000 tonnes of concrete was recycled. Of this amount, approximately 8,000 tonnes will be delivered to a disposal site and the remainder will be crushed and used for local site preparation and filling in culverts. The project will achieve a recycling rate of 98-99 per cent.

Contract value: NOK 26.5 million
Completion: 2016
Client: Södra Cell Tofte

SÖS BY 19

The project encompasses the demolition of a 10-storey building located on the site of the Stockholm South General Hospital. The hospital is in full operation and every moment of the demolition must be carried out in consultation with the hospital operations. First the team performed selective interior demolition and the removal of asbestos, before demolishing the concrete core and remaining structures by machines.

Contract value: SEK 8 million
Completion: 2015
Client: Locum Landstingsfastigheter

S-BLOCK IN THE GOVERNMENT QUARTER

AF was awarded the contract to remove the S-Block in the Government Quarter, one of the buildings that was damaged the most during the terrorist attack on 22 July 2011. The structures were demolished manually first. The concrete frame was then demolished by demolition machines. All of the materials were transported to an approved reception facility. Among the materials transported from the site, were 19,000 tonnes of concrete, 130 tonnes of oil-contaminated cardboard and 120 tonnes of residual waste. A total of 260 tonnes of metal were delivered to recycling. The sorting rate was 99 per cent.

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

HUNDHAMMERFJELLET WIND PARK

AF has special expertise in removing windmills, and was hired to dismantle one of the largest turbines in the wind park on Nærøy, in addition to four smaller turbines on Vikna. The discarded wind turbines are brought down using a custom method, and are then dismantled and sent for recycling.

Contract value: NOK 4 million
Completion: December 2015
Client: NTE Energi

GOOD OPERATIONAL PERFORMANCE AND IMPROVED RESULTS

Environment had a good year in 2015 with the exception of parts of the Swedish operations. The market for receiving, treating and recycling materials is growing. This, in combination with a good market for traditional demolition activities, provides good growth prospects for the future.

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 environmental clean-up, demolition, constructive blasting and recycling. Strict environmental requirements require knowledge of how to handle environmentally hazardous waste. This means that a high degree of recycling can be achieved through the activities of the Environment business area.

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

AF's demolition activities have, through their clean-up and demolition projects, a common aim of creating the highest possible sorting and recycling rates. The sorting rate for AF's clean-up and demolition projects is over 95 per cent on average.

AF's recycling activities have approved reception facilities for waste, primarily concrete, brick, asphalt and traditional excavated materials. At AF's environmental centres, clean and contaminated materials are sorted, treated and recycled for further use as first-class recycled materials.

Rimol Miljøpark in Trondheim has Norway's most technologically advanced reception facility for recycling contaminated materials. Outside of Lillestrøm, Jølsen Miljøpark receives concrete, bricks and asphalt, and offers recycled materials for new building and civil engineering projects in Eastern Norway.

The environmental centres' innovative focus on recycling, as well as their strategic location, contributes to reduced transport and storage costs for customers and saves the environment from unnecessary discharges.

2015 IN BRIEF

The Environment business area reported revenues of NOK 687 million (709 million) and earnings before tax of NOK 46 million (39 million). The profit margin for 2015 was 6.7 per cent, compared with 5.5 per cent in 2014.

There have been stable operations in Norway and good results in 2015. The blasting contract to demolish the Skjeggestad Bridge received a great deal of attention by the media and was successful for AF's part. The business is experiencing a good supply of new projects.

The Swedish operations saw variable results in 2015. AF Härnösand Byggreturer saw a high level of activity and reported good results in 2015. In 2015, a decision was made to wind up AF Decom AB, which had been experiencing weak results for a period of time. The activities in light and heavy demolition have been transferred to AF Härnösand Byggreturer AB and AF Decom AS, respectively.

AF's environmental centres both performed well and delivered good results for 2015. In the first quarter of 2016, AF Gruppen sold the remaining 50 per cent of BA Gjenvinning AS to Gunnar Holth Grusforretning AS.

The total order book for Environment stood at NOK 216 million (175 million) at the end of the 2015.

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, expectation of further price growth in the residential housing market, as well as a stable number of start permits for 2016, 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 2016. Overall, this provides good conditions for the Environment business area.

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.

AF GRUPPEN

Environment

REVENUES NOK MILLION

687

6 %

AF Gruppen 12,398

EARNINGS BEFORE TAXES NOK MILLION

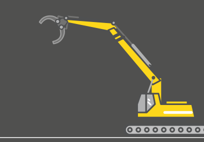
45

4 %

AF Gruppen 1,010

EBIT (%)

6.6 %

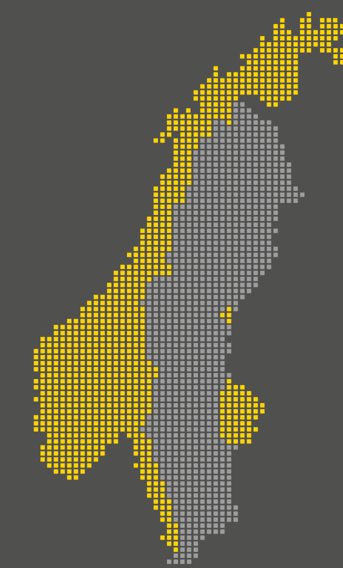


KEY FIGURES

Amounts in NOK million	2015	2014	2013
Revenues	**687**	709	684
Earnings before interest and tax (EBIT)	**45**	41	40
Earnings before tax (EBT)	**46**	39	38
EBIT %	**6.6 %**	5.8 %	5.8 %
EBT %	**6.7 %**	5.5 %	5.5 %
Order backlog	**216**	175	215

GEOGRAPHIC PRESENCE

- Norway
- Sweden



EMPLOYEES

198

7 %

AF Gruppen 3,030

ENVIRONMENT CONSIST OF

- AF Decom
  Rimol Miljøpark
  Jølsen Miljøpark
- AF Härnosand Byggreturer

TREND ICON

If you really love your job, then it is not a problem to obtain hand-baked bricks from Belgium. Or anything else that Norway's fashion design king would like for his new building.

MEET THREE OF THE EMPLOYEES BEHIND THE VARNER BUILDING

"Concrete is a powerful signature in our firm. And we have really signed our name here in the Varner Building," says Trond Olav Dihle. He led the project to transform three outdated office buildings from the 1980s to the Varner fashion group's modern head office at Slependen in Asker. Over the course of two years, they have torn out almost everything in the interior in order to literally build it all up again, piece by piece. And the signature concrete is highly visible in the form of 11 metre high floor to ceiling columns in the open atrium in the entrance, in a polished floor, and in long beams and floor slabs. It is rough, industrial and stylistically consistent – every little detail has been carefully planned and implemented here. Standardised off-the-shelf solutions are few and far between.

"It is fun to deliver something that is so far outside the norm. Often we do the same thing again and again in our industry. However, the Varner Building has been something completely different. I mean, how often do we supply a floor of flamed oak or build only in hand-baked bricks from Belgium," the project manager asks.

COOL CONSTRUCTION CLIENT

It is easy to lose yourself in the many custom solutions in the building. One example is the meeting room section, in which each room has a wall with hooks to hang the collections on (after all it is a fashion group). There is an auditorium with probably the largest TV screen in Europe at 48 square metres (inches no longer apply here). Handmade, swinging meeting room doors the likeness of which no one has seen. The washbasin in the unisex toilet on the fourth floor is of hammered copper designed by Joakim Varner, the boss himself.

"Precisely the fact that the construction client has been so personally involved has made this project both special and exciting. With such a cool client, we have also put in some extra effort – and the project team responsible for the Varner Building has really given its all, from start to finish," says Arne Riise, general manager of Strøm Gundersen.

Because when the client wants solutions outside the norm, it is up to the contractor to deliver. In this project, Strøm Gundersen has a design and build contract – and thus the responsibility for everything going the way it should.

"But we must point out that much of this has been made possible thanks to very capable subcontractors. They have delivered pipes, ventilation, electrical wiring, carpentry and furnishing," Site Manager Kenneth Nyborg points out. Project Manager Dihle agrees:

"We often use the same subcontractors for several of our projects. We knew here »

A building to be proud of – and a reference project for Strøm Gundersen. They completely agree that the Varner building is just that, (left to right) site manager Kenneth Nyborg, general manager of Strøm Gundersen Arne Riise and project manager Trond Olav Dihle.

"When I drive by the building, I have a big smile on my face – and sometimes I am on the verge of crying, I am so proud."

PROSJEKTLEDER TROND OLAV DIHLE

that this project would be demanding, so we used people that we really trusted," Project Manager Dihle adds.

HAND-BAKED BRICKS

Even if it is fun and inspiring to work with creative and interesting clients, this project has also encountered challenges.

"The site preparation work was our first major challenge. The entire area consists of quick clay – and it is not always fun to work with. We ended up with steel core piles to anchor the building to bedrock, so the buildings have a solid, safe foundation," the project manager says.

Managing such a large construction site with close to 250 persons working at the same time is also demanding. Not to mention all of the organising required to find the right suppliers for all the special solutions.

"We have used suppliers from both Norway and abroad for this project. For example, there are 16 TV screens behind a very large glass wall up in the mingle area on the fourth floor. I had to order the glass wall from the Netherlands. It was the only manufacturer that had a furnace large enough to create a solid glass sheet measuring close to 20 square metres," says Dihle.

In connection with the renovation, Strøm Gundersen's people built a new floor that covers all three of the old office buildings. This new fourth floor is literally the crowning glory, with meeting rooms, a mingle area, rooftop terrace and a large bar area with space for up to 100 people at the same time. This is where the aforementioned hand-baked bricks have been used. They were kneaded and baked in Belgium, and installed on site. The flamed oak floor was also laid plank by plank on the rough fourth floor.

A PROUD REFERENCE PROJECT

Our efforts have paid off.

"We have received very good feedback from the users of the building – and this makes us stronger. The Varner Building is a good reference for Strøm Gundersen. Personally, I have lived with this project day and night for two years. I am so proud of this building, even if it has at times been extremely hard to work with. When I drive by the building, I have a big smile on my face – and sometimes I am on the verge of crying, I am so proud," says the project manager.

The Varner Building is one of the largest contracts in the history of Strøm Gundersen. When the last invoice is sent, the contract sum will probably end up at around NOK 350 million.

"That is like the entire budget for a small Norwegian municipality. This shows that we at Strøm Gundersen can also take on demanding construction projects," Trond Olav Dihle concludes.

VARNER BUILDING

Strøm Gundersen was responsible for the Varner Group's new offices at Billingstad. The contract encompassed the renovation of existing buildings, new buildings and a parking garage, totalling 20,000 m².

Client: Varner-Gruppen

CONTRACT VALUE, NOK MILLION	COMPLETION
300	2015

"It's fun to deliver something so far outside the norm. And we really appreciate the great feedback we get from the users of the building!"

TROND OLAV DIHLE
PROJECT MANAGER

OTHER IMPORTANT PROJECTS

COWI BUILDING

This is the third office building that AF Gruppen is building at Hasle. The contract encompasses construction of an eight-storey building with basement car parking. The total gross area for this project is approximately 15,800 m^2. The building will have an A+/Passive House energy rating and achieve a BREEAM classification of excellent. The project will be carried out as a design and build contract. Construction commenced in the 2nd quarter of 2014, and completion is scheduled for the 2nd quarter of 2016.

Contract value: NOK 294 million
Completion: 2016
Client: HasleLinje Næring DA

NEW ØSTFOLD HOSPITAL

4,300 doors, 3,500 windows, 42,000 cubic metres of concrete and 340 trailer loads of walls. This is some of what AF had to deal with during the construction of what was Norway's largest land-based construction project. AF Gruppen was responsible for seven of the nine contracts in total for the construction project for a total of 85,500 m^2. The New Østfold Hospital at Kalnes in Sarpsborg was completed in 2014 and opened its doors to the public in 2015.

Contract value: NOK 930 million
Completion: 2014
Client: Helse Sør-Øst

LERVIG BRYGGE

A residential housing project in Stavanger consisting of 188 apartments in four blocks over two construction stages. The project, which commenced in January 2013, was completed in the 4th quarter of 2015, and it is part of the developer Selvaag Bolig's Plus concept. A total of 379,000 hours have been invested in erecting the buildings. The façade consists of 7,624 square metres of stainless steel.

Contract value: NOK 447 million
Completion: 2015
Client: Øya Lervig Brygge AS
(Selvaag Bolig)

BERGEN AIRPORT FLESLAND – TERMINAL 3

LAB Entreprenør has the general contract for the structural shell and structural completion for the new terminal, T3, at Bergen Airport. The 63,000 square metre terminal is to be completed in 2017, and the airport will then be four times as large as today. Flesland, which is the main airport for Hordaland and Sogn og Fjordane, will then be capable of handling 10 million passengers a year.

Contract value: MNOK 790 (structural shell and structural completion)
Completion: 2017
Client: Avinor

SOLID PERFORMANCES

A clear focus on good risk management, proper organisation of projects and effective barriers during the execution of projects have shown good results in the Building business area in recent years. The Building business area's profitability is at an industry-leading level now, and we believe that this is sustainable over time.

Building is AF's largest business area and spans the entire value chain from development and planning to the construction, renovation and completion of buildings. 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, Strøm Gundersen, LAB and AF Bygg Sweden, as well as the associated subsidiaries.

2015 IN BRIEF

Building reported revenues of NOK 6,678 million (5,172 million) and earnings before tax of NOK 485 million (311 million) in 2015. Building also improved its margins and delivered a profit margin of 7.3 per cent in 2015, compared with 6.0 per cent in 2014.

Overall the building business delivered very good results, but there are regional differences among the business units. AF Bygg Oslo, Strøm Gundersen and AF Bygg Rogaland all performed well and delivered good results for 2015, while AF Bygg Sør experienced a challenging year. AF Byggfornyelse has adapted the organisation to a lower level of activity and improved its results throughout 2015. AF Bygg Østfold delivered satisfactory results.

The Swedish unit AF Bygg Sweden performed well and saw a high level of activity in 2015. The unit is delivering good results.

In the first quarter of 2015, AF entered into a final agreement with the Bergen-based contractor LAB AS to acquire 70 per cent of the company. The LAB companies have continued to deliver good results in 2015 as well.

The total order book for Building stood at NOK 5,947 million (4,138 million) at the end of the 2015.

MARKET OUTLOOK

Residential property prices performed strongly in 2015, and residential prices were on average 6.1 per cent higher in 2015 than in 2014. The price for apartments increased the most, by 9.2 per cent, while the price increase for small houses and single family homes increased 6.0 and 4.9 per cent, respectively. Stavanger was the only region where there was a decline in residential property prices throughout the entire year. There the residential property prices fell on average 3.8 per cent, and there was a price decline for all types of residential units. For 2016, weak to moderate growth in residential property prices is expected. Lower wage inflation and increasing unemployment are expected to have a dampening effect on residential property prices, while the general lag in the construction of housing in combination with record-low interest rates will contribute to maintaining the demand.

Prognosesenteret reports that the number of start permits for residential units ended up at 30,927 in 2015. This corresponds to a 14 per cent increase over 2014. In 2016, they expect that housing construction will be maintained at approximately the same level, and 30,500 start permits are expected for the year in full.

The Building business area is also exposed to fluctuations in the commercial property market. The construction of commercial buildings with a total floorspace of 4.59 million square metres started in 2015, a reduction of 2.2 per cent over 2014. Prognosesenteret expects that this trend will continue in 2016 with a weak decline of 1.4 per cent. However, it is expected that the market will turn around in 2017, and Prognosesenteret is assuming an increase of 1.7 per cent in the number of square metres started.

The Swedish residential housing market showed strong growth in 2015, and a continued positive trend is expected in the coming year. The Swedish Construction Federation forecasts growth of 6 per cent in residential housing investments in 2016. A continued high level of activity in Sweden provides a good foundation for AF's Swedish building activities.

A good market is expected in general for AF's activities in the Building business area in 2016, and the positive market outlook provides a good foundation for continued profitable growth.

STRATEGY

Recent years have been marked by strong growth and increasing margins for the Building business area. The margin improvement is a result of focusing on good risk management, proper organisation of projects and effective barriers during the execution phase. Building would like to continue this profitable growth through the acquisition of established and well-managed companies in combination with organic growth. The capacity to grow organically is limited primarily by the ability to recruit and develop employees so that they can take on greater tasks. We will be able to increase our organic growth through systematic and focused work on recruitment and employee development.

In 2015, there were nine lost time injuries in the Building business area, one of which was a fatality. We still have a big job to do here before we can say that we are satisfied with our safety work. Well-managed operations on our building sites are the key to success in several areas, also in the area of safety. Orderly and safe workplaces facilitate efficient production and are a prerequisite for achieving the goal of completing projects without any lost time injuries. A well-organised building site also makes AF more attractive as a partner for suppliers and increases thus our competitiveness in the market. One of the industry's greatest challenges is the presence of fly-by-night operators. The goal for AF is clear. We will not have any form of work-related crime on our building sites. AF will continue its efforts 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

6,678

54 %

AF Gruppen 12,398

EARNINGS BEFORE TAXES NOK MILLION

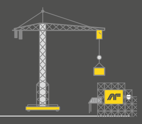
479

48 %

AF Gruppen 1,010

EBIT (%)

7.2 %

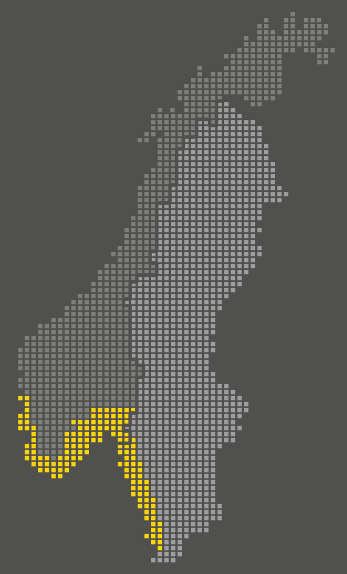


KEY FIGURES

Amounts in NOK million	2015	2014	2013
Revenues	**6,678**	5,172	4,793
Earnings before interest and tax (EBIT)	**479**	315	169
Earnings before tax (EBT)	**485**	311	160
EBIT %	**7.2 %**	6.1 %	3.5 %
EBT %	**7.3 %**	6.0 %	3.3 %
Order backlog	**5,947**	4,138	4,760

GEOGRAPHIC PRESENCE

- Norway
- Sweden



EMPLOYEES

1,314

43 %

AF Gruppen 3,030

BUILDING CONSIST OF

- AF Bygg Oslo
- AF Bygg Østfold
- AF Byggfornyelse
- AF Bygg Sør
- AF Bygg Rogaland
- Strøm Gundersen (w/ subs.)
- LAB (w/ subs.)
- AF Bygg Sverige
  - *AF Bygg Göteborg*
  - *AF Bygg Syd*

SPICE OF LIFE

When you name the construction stages coriander, nutmeg and saffron, you should have a good reason for doing so. That they have at Hasle.

MEET THREE OF THE EMPLOYEES BEHIND KRYDDERHAGEN

"We like to envision that the State Wine and Liquor Monopoly's spice master wandered around a spice garden up here, tended to the plants and clipped what he needed for production. Like caraway for the aquavit, for example," the project manager and property developer for Krydderhagen (Spice Garden), Espen Friis Jørgensen, tells us. He adds:

"We do not know whether there actually was a spice garden up here, but a spice warehouse – that they did have. Therefore, we think it was appropriate to give the residential portion of HasleLinje the name Krydderhagen (Spice Garden). The various construction stages have thus also been named after herbs that are often found in a good spice garden: Basil, coriander and nutmeg. In time, we will also have thyme, saffron and rosemary. All of them are part of a 10 hectare site that is being developed by Höegh Eiendom and AF Gruppen under the name HasleLinje. The residential units range from 45 to 130 square metres in size, at prices ranging from just over NOK 2 million to 9 million.

MODERN GARDEN CITY

In addition to what will eventually become over 500 residential units, an office building and commercial building are being constructed on the site. A day care centre and a local centre with various services have also been planned. In January, the first residents moved into what the AF Eiendom project team often refers to as a new, green district in Oslo.

"A modern garden city is the key word we use to describe Krydderhagen (Spice Garden). When we embarked on the project in 2012, the area was regulated and planned with quite large and heavy residential blocks. We chose to tone down the heights and volumes, and decided on a greener solution. We have now added a park here, established pedestrian streets and declared the area to be car-free. In addition, every single apartment will have plenty of outdoor space – all of them will have at least one balcony. Some of them also have a private rooftop terrace," says Jørgensen.

He is sitting in the display centre at the old gate to the State Wine and Liquor Monopoly or Arcus together with Marius Leiddal and Nina Hage, who are also project managers for Krydderhagen and the commercial part of HasleLinje, respectively. They are all very proud of the display centre.

EXCLUSIVE DISPLAY CENTRE

"We want to show that we are serious about the entire HasleLinje and Krydderhagen projects, that what we are creating is thorough and solid. Therefore we have furnished a real apartment on a 1 to 1 »

HasleLinje is sprouting and growing – and some of the "gardeners" making sure growth happens are AF Eiendom's project managers (left to right): Nina Hage, Marius Leiddal and Espen Friis Jørgensen.

"The first thing I think of when I get up in the morning and the last thing I think of when I go to sleep is HasleLinje."

PROJECT MANAGER/PROPERTY DEVELOPER NINA HAGE

scale here. We have also created good models of the area to show what it will look like, and we have set up touch screens for choosing apartments. This is much more than we usually do at our display centres, says Espen Friis Jørgensen, and Marius Leiddal adds:

"Ordinarily we have the display centre in a temporary structure, with a standard package solution, he says," before Nina Hagen speaks up:

"What is special about the display centre here is not just the size, but also the way it has been designed. And that applies to the entire area, not just the residential part, really. In the commercial part, we are converting an old industrial area where 500 workers formerly worked daily to an area with 6,000 office spaces. One aim is to have a good mixture of office users, residents and shoppers, so that there is life here beyond normal office hours. This is important if the development of the area is to be successful," says Hage, who adds that it is challenging to develop such a large area. It is an advantage then that all of the parties involved are professional actors who have a long-term perspective.

BLACK BELT

"What is nice is that this will now really put Hasle on the map. There are many positive things happening around the area – the Løren underground station opened in April 2016. We now have an underground station at each corner of the triangle represented by the site. We are actually in the middle of a public transport hub here," Hage points out.

Even though she is working with the commercial part and the other two with the residential part, all three of them feel that they are part of the same team.

"We are cooperating on the development of the entire area, and we view it as our joint project. The residential and commercial parts are of course linked. We are dependent on each other," says Hage. Jørgensen nods with approval: "There is a lot of internal discussion, from the small details to the big picture, and everyone feels ownership of this project," he says.

Even the freshest recruit to the project, Marius Leiddal, feels ownership. He started on the job in February 2016.

"I was thrown into it, but I am a building contractor by trade, so I know a bit about building. In addition, I have worked in the contractor industry for many years. Now I have the role of a construction client, and that is exciting. I would like to contribute to even more environmental thinking and develop even more innovative solutions," he says.

Nina Hage has no doubt that she is taking part in something important:

"I really feel like I am helping to develop a unique project. The first thing I think of when I get up in the morning and the last thing I think of when I go to sleep is HasleLinje," she says with a sly smile.

KRYDDERHAGEN

Krydderhagen represents the new HasleLinje commercial and residential area, which is centrally located at Hasle in Oslo. A total of approximately 550 residential units have been planned for the site, and two of the first construction stages, Basilikum and Koriander, consisting of a total of 181 apartments, are under construction. AF Bygg Oslo is the developer for both construction stages.

Client: Haslemann AS

AF'S STAKE	COMPLETION
50%	2017

"Everyone has a stake in this project, from the tiny details to the big picture."

ESPEN FRIIS JØRGENSEN
PROJECT MANAGER

OTHER IMPORTANT PROJECTS

GLASIÄREN

Glasiären is a newly-erected commercial building in Gothenburg with a lease area of approximately 12,400 sqm across five floors with offices, retail space and a training centre, as well as basement parking. The building measures 18,500 m^2, and is the first building in the Nordic region that is covered in glass with the new ECONTROL technology. Glasiären was sold in December 2015, and the property was valued then at SEK 500 million.

Completion: 2015
AF's stake: 33.3 % before the sale of the property

THURMANNSKOGEN

Thurmannskogen offers modern and efficient apartments in Lørenskog with good sun conditions and a central location. This AF project has been developed in collaboration with OBOS and Klaveness Marine. The apartments on the centrally located site in Lørenskog experienced a great deal of interest from homebuyers in 2015. The start of construction for the five first apartment blocks was approved in the autumn of 2015. The construction started in September 2015 and will be carried out by AF Bygg Oslo.

Completion: 2017
AF's stake: 33.3 %

ENGEBRETS PROMENADE

Engebrets Promenade will possibly have the best location in Lillestrøm. Many of the apartments, which are being developed in collaboration with Thon Eiendom, will have a wonderful view of the city. Emphasis has been placed on functional solutions that provide good utilisation of space and good light conditions. Engebrets Promenade consists of four buildings with a varying number of storeys, up to a maximum of eight, with a total of 171 apartments. All the buildings will have a lift from the basement to each floor.

Completion: 2017
AF's stake: 40 %

FRONTBYGGET, KARVESVINGEN 3

The 16,000 square metre office building at HasleLinje was completed in the autumn of 2015 and occupants include the City of Oslo's environmental agency, which moved in as the first tenant in October. The building has the capacity for 750 workplaces and has a strong environmental profile with BREEAM Excellent certification, A energy rating and passive house standard. With 800 square metres of solar panels on the roof and façades, the building can produce 120,000 kWh annually, corresponding to the electricity consumption of 80 electric vehicles. The building also acquires energy from the ground through twelve 300 metre deep geothermal wells.

Completion: 2015
AF's stake: 50 % (before sale in 2015)

CHANGE OF PACE

The Property business area significantly increased its level of activity in 2015. Many new residential housing projects were launched, and the market response has been good. In addition, Property sold commercial property and sold off stakes in development projects, which contributed to good results for the past year.

The Property business area comprises the development of residential housing units and commercial buildings under our own management. These development projects are organised as associated companies in AF Gruppen. External investors participate in the project development companies. AF Gruppen had over a 40 per cent ownership interest in its own building site inventory at the end of 2015.

2015 IN BRIEF

Property reported revenues of NOK 25 million (21 million) and earnings before tax of NOK 57 million (13 million) for 2015. The business area mainly reports only the result part of its development projects. Turnover and order backlog in the development projects will therefore not be included in the business area's reporting.

A total of 438 (103) apartments were sold in 2015, of which AF's share was 178 (44). As at 31 December 2015, AF's share of unsold completed apartments totalled 11 (20).

At the start of 2016, AF's property business had nine residential housing projects / project phases with a total of 723 apartments in the production phase, and AF's share was 297 apartments. The largest projects in the production phase are Thurmannskogen in Lørenskog with 186 apartments, Krydderhagen at Hasle with 181 apartments and Engebrets Promenade in Lillestrøm with 125 apartments. In all of these three projects, there are additional phases that have not yet been released for sale or started construction.

As at 31 December 2015, AF has commercial property with a total gross area of 122,717 m² under development, of which AF's share is 59,272 m². Property delivered two commercial projects in 2015, the Agency for Urban Environment Building (13,972 m²) and Glasiären (12,415 m²). In addition, the unit has two commercial projects in the production phase, the Cowi Building measuring 13,390 m² and the Securitas Building measuring 13,584 m². It is expected that these projects will be completed in 2016 and 2018, respectively.

The sale of the commercial building Glasiären in Gothenburg, in which AF had an ownership interest of one-third contributed to the good result for 2015. AF's sell-off of its stake in the Bjørnsons Hage development project in Lillestrøm from 100 to 34 per cent also contributed to the result.

AF owns sites and development rights in progress, which are estimated to amount to 2,367 (2,444) residential units, of which AF's share is 997 (1,052) residential units.

MARKET OUTLOOK

After a strong performance in 2015, weak to moderate growth in residential property prices is expected in 2016. Increased unemployment, prospects of weak income growth and uncertainty concerning the Norwegian economy has a dampening effect on the growth of residential property prices in 2016. The National Federation of House Owners assumes, however, in its forecasts that further interest rate cuts, as well as a general deficit in residential housing, will contribute to moderate price growth of 3-4 per cent. It is expected that the greatest price growth of 5-6 per cent will be in Greater Oslo, while a price decline of 2-3 per cent is expected in Stavanger. Statistics Norway presented its estimates in December, which indicate growth of 1.5 per cent in residential property prices in 2016. For 2017 and 2018, however, it is expected that increased income growth and a better economy will contribute to strong growth in residential property prices.

The residential housing market in Sweden showed a strong performance in 2015, and further growth is therefore expected in 2016. This provides fertile grounds for AF's property activities in Sweden. 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.

STRATEGY

The 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.

AF GRUPPEN

Property

Civil Engineering
Environment
Building
Property
Energy
Offshore

REVENUES NOK MILLION

25

0 %

AF Gruppen 12,398

EARNINGS BEFORE TAXES NOK MILLION

69

7 %

AF Gruppen 1,010

EBIT (%)

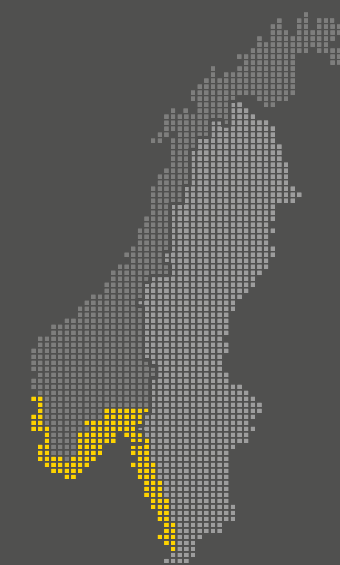
276.8 %

KEY FIGURES

Amounts in NOK million	2015	2014	2013
Revenues	**25**	21	60
Earnings before interest and tax (EBIT)	**69**	19	32
Earnings before tax (EBT)	**57**	13	30
EBIT %	-	-	-
EBT %	-	-	-
Order backlog	-	-	-

GEOGRAPHIC PRESENCE

- Norway
- Sweden



EMPLOYEES

18

1 %

AF Gruppen 3,030

PROPERTY CONSIST OF

- AF Eiendom
- AF Projektutveckling

THE KEY TO NEW SUCCESS

The closer to completion parts that arrive at building sites are, the less time, money and space are required for assembly. They have known this for a long time at AF Energi & Miljøteknikk. Now they also know it at Bergen Airport, Flesland.

MEET TWO OF THE EMPLOYEES BEHIND FLESLANDS NEW AIR CONDITION

When Flesland's new T3 terminal opens in August 2017, stressed passengers will be cooled and winter-cold aircraft parking positions will be heated by cooling and heating systems from AF Energi & Miljøteknikk. It is a delivery that Project Manager Trude Kjos is proud of. "I built the new Airport Terminal T3", is printed on her t-shirt. All of the contractors and subcontractors are listed on the back. Of course AF Energy is included.

When Kjos tells about what makes AF's energy plant solution so special, prefabrication is an important keyword.

MODULES AND LEGO BLOCKS

"Our concept here is a prefabricated energy plant. It has been engineered and fabricated in Lithuania, and then transported here in modules that are assembled on site. When we build energy plants in this manner, we save the client costs, time and not least space. Costs are lower because prefabrication means less work on site. Time is saved because the technical room can be prepared in parallel with the module being built. Last, but not least: a prefabricated plant requires much less space than if it were to be built on site", the project manager explains.

In addition to the prefabricated energy plant, AF Energy is delivering so-called thermal cooling storage to T3. Four huge tanks are filled with thousands of small cooling elements. The freezing point for the cooling elements is 13-14 degrees Celsius, and the water that flows through the tanks can be used to cool large areas on hot summer days.

"The cooling elements are installed one by one after the tanks have been placed in the technical room," Trude Kjos tells us. "They are almost like Lego blocks and are quickly assembled. Nevertheless it does take time – each tank can hold 12,000 elements. And the job must be done by hand," she points out.

CLOSE RELATIONSHIPS

AF Energi og Miljøteknikk started on the T3 project in May 2015, just a few days after Avinor awarded them the contract. The project manager well remembers the first construction meeting that she and Site Manager Iselin Abell Nilsen attended:

"The other contractors had met a few times before, and we felt a little like we started quite late on the project. Iselin and I made the rounds and shook everyone's hand, which helped lighten the atmosphere. I think that relationship building is extremely important in a project like this, with so many contractors and subcontractors. The companies working here come from all around the country, and very few have previously worked together. Nevertheless, we will create something huge together. We are then completely

»

They're proud of the work AF Energi & Miljøteknikk are doing at the new terminal for Flesland Airport – and one of the coolest things is the prefabricated energy plant, in the opinion of (left to right) site manager Iselin Abell Nilsen and project manager Trude Kjos.

"I am really looking forward to landing here, knowing that I have built this airport."

SITE MANAGER ISELIN ABELL NILSEN

dependent on communicating well and solving problems together. This is much easier to accomplish when we know each other, says Kjos.

So there have been several gatherings outside working hours to get to know each other.

"A little red wine always helps," says Site Manager Iselin Abell Nilsen with a smile, and she adds: "We are really like a single large company, all of us who work here."

As the site manager, she is responsible for coordinating progress, which is a challenge in itself.

Sometimes it is frustrating when we have to wait to go in and do our part of a job, while we have those following us breathing down our necks. But it is also rewarding when we manage to find good solutions to problems that arise during the project. Then it is nice to receive good feedback.

"You get that all the time," says Project Manager Kjos. "No, I also get criticised some," Nilsen claims. In any case, both of them are convinced that they will manage to finish by the deadline, which is 2 January 2017. Then the terminal will go through six months of trial operation, before the new airport opens in August.

WOMEN'S TEAM FROM AF

Both Kjos and Nilsen will be commuting long distance throughout the construction period, which will last for almost two years. The other two in the project administration, Silje Ness Kristoffersen and Bjørnar Skibenes, live in the Bergen area. Project Manager Kjos is very satisfied with her project team.

"A 75 per cent share of women is not bad, and actually it is unique in this industry. And the girls are capable. Iselin was employee of the year at AF Energi og Miljøteknikk in 2015, and Silje was given the title of HSE employee of the year. So, I have a very competent team with me.

"The women's team from AF, yes," Nilsen injects.

"But we should not forget about the fourth member, then," Kjos points out. Project Economist Bjørnar contributes to a good balance on the team, and he is the one who brings us back to down earth when we reach boiling point.

Both agree that the job they are doing at Flesland is something they would like to put their signature on.

"Yes, that is what we are working for. We do not want to deliver something that we are not satisfied with," they say.

"I am really looking forward to landing here in a year or two, knowing that I have built this airport," says Iselin Abell Nilsen.

T3 – BERGEN AIRPORT FLESLAND

AF is supplying the heating and cooling plant for the new T3 terminal at Bergen Airport Flesland. This is AF's largest energy contract ever. The new terminal measures 63,000 m² and is scheduled for completion in 2017. Flesland will have an annual capacity of up to 10 million passengers. AF's contract comprises cooling, heat recycling and thermal cooling energy storage, as well as the distribution network for the new terminal. The facility will be partially prefabricated in modules and installed in place in order to ensure high quality during production and delivery.

Client: Avinor

CONTRACT VALUE, NOK MILL.	COMPLETION
81	2017

"Here we've saved the client costs, time and space. That will please us every time we land here."

Trude Kjos

TRUDE KJOS
PROJECT MANAGER

OTHER IMPORTANT PROJECTS

EPC – MELHUS MUNICIPALITY

AF started to work on energy savings contracts (EPCs) for Melhus Municipality in 2013. Overall, 90,000 m^2 across 37 buildings were reviewed by AF in the search for potential energy conservation measures. In 2014, the municipality decided to carry out a number of the measures proposed, and now the ground water, air and surplus heat from the municipality's server farm contribute to heating the municipality's buildings. In 2016, the project is entering into a new operational phase, in which AF is making sure together with the municipality that the municipality's energy consumption is kept down.

Contract value: NOK 40 million
Completion: 2016
Client: Melhus kommune

MOLDE UNIVERSITY COLLEGE

AF has delivered a new energy plant to Molde University College. The work was performed as a general contract and encompassed the distribution of heating and cooling to two buildings. The school's existing cooling plant, which was based on illegal coolants, has been replaced by a new energy plant that consists of a cooling machine with a natural coolant and a heat pump that utilises geothermal heat from 39 energy wells with a depth of 250 metres each.

Contract value: NOK 20 million
Completion: 2015
Client: Statsbygg

OPERATIONS MANAGEMENT AGREEMENT WITH NYDALEN ENERGI

In 2013, AF delivered a solution to the Nydalen Nord Energy Plant. The plant produces energy from six energy sources: heat pumps, electric boilers, gas boilers and oil boilers, as well as free cooling from the Akerselva River and energy wells under the Nydalen Parking Garage. AF has been responsible for the maintenance, operations and optimisation since the handover to ensure a stable and economic supply of energy with a high power factor and minimal downtime for the production of energy.

Contract value: approx. NOK 5 million per year
Completion: Løpende avtale
Client: Avantor

EPC – STAVANGER AIRPORT SOLA

In 2015 AF completed phase two of the energy performance contract at Stavanger Airport that reduces the airport's energy requirement by 2.9 GWh annually. Work involved hot water-reducing measures, insulation of pipes, and the replacement of pumps and heat recyclers on ventilation systems. Additionally, lighting on parts of the airport's runway was replaced by energy efficient LED lights.

Contract value: NOK 16 million
Completion: 2015
Client: Avinor

HIGHER LEVEL OF ACTIVITY AND GOOD RESULTS

Energy increased its level of activity significantly in 2015 and achieved good results. The business area aims to grow further, through both organic growth and acquisitions.

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 service 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.

2015 IN BRIEF

The Energy business area reported revenues of NOK 225 million (141 million) for 2015, an increase of 60 per cent compared with 2014. Earnings before tax were NOK 21 million (3 million). This gives a profit margin of 9.4 per cent (2.2 per cent). The profit growth is attributed primarily to a more optimal project portfolio in relation to what the organisation has been set up for.

AF Energi & Miljøteknikk entered into several new contracts in 2015. In April, AF Energi og Miljøteknikk was awarded the contract to supply the heating and cooling plant for the new T3 terminal at Bergen Airport Flesland. This is the largest contract ever awarded in the history of Energi & Miljøteknikk. The delivery comprises cooling, heat recycling and thermal cooling energy storage, as well as the distribution network for 63,000 m². The contract is a principal contract and is estimated at NOK 81 million.

In addition to energy savings contracts (EPCs) entered into in 2015, 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 110 million at year end.

The order backlog for Energy stood at NOK 90 million (85 million) at the end of the year.

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 2016. 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.

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 planning, project management and technical disciplines, is a prerequisite for continued growth. Our work focuses on adaptation of our range of services 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

225

2 %

AF Gruppen 12,398

EARNINGS BEFORE TAXES NOK MILLION

19

2 %

AF Gruppen 1,010

EBIT (%)

8.3 %

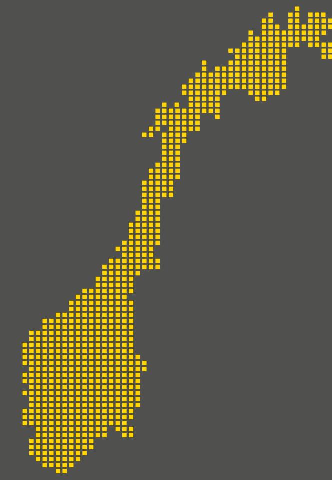
kWh

KEY FIGURES

Amounts in NOK million	2015	2014	2013
Revenues	**225**	141	173
Earnings before interest and tax (EBIT)	**19**	3	11
Earnings before tax (EBT)	**21**	3	12
EBIT %	**8.3 %**	2.1 %	6.5 %
EBT %	**9.4 %**	2.2 %	6.8 %
Order backlog	**90**	85	59

GEOGRAPHIC PRESENCE

- Norway



EMPLOYEES

60

2 %

AF Gruppen 3,030

ENERGY CONSIST OF

- AF Energi & Miljøteknikk
- Boligenergi

PATENTED SUCCESS

In 93 days, AF Offshore Decom removed platform B11 in the North Sea and sent 9,300 tonnes of material for recycling. Several solutions in the project were so innovative that a patent application has been filed.

MEET TWO OF THE EMPLOYEES BEHIND THE DEMOLITION OF PLATFORM B11

B11 has stood in the German sector of the North Sea and helped compress gas from Ekofisk and Draupner since 1976. The gas was sent to Germany via the Norpipe gas pipeline until the platform was retired in 2013. AF Offshore Decom had removed the sister platform H7, and was contracted as well to remove B11.

"The H7 job in 2013 was a success, nonetheless there were some points for improvement that we could use in the B11 project", says Engineering Manager Alice Olsen.

A total of over 700 points of experience were identified after the H7 project. They were combined into 10 focus areas, which were used in the planning of the B11 project.

"The transfer of experience between the two projects enabled us to use 39 fewer days to remove B11 than H7 – which corresponds to around 30 per cent less time used. Taking time to learn from our own experiences is part of the key to why the project was so successful", says Project Manager Ricky Ryttmar.

YOUNG ORGANISATION

On 9 February 2015, an enthusiastic gang was waiting in Esbjerg, Denmark to be transported 130 nautical miles straight west out to sea. A year and a half of intense preparations was to culminate in the actual removal work.

"It felt incredibly good to finally get started. At the same time, the detailed planning made sure that the offshore operation would go smoothly. We had prepared for every possible scenario and eventuality, so that we had a plan B and a plan C to fall back on no matter what happened", says Olsen. She was in the first group to the North Sea. Two weeks later Ricky Ryttmar took over the role of Site Manager.

"One of AF Offshore Decom's greatest advantages is the fact that the same team that plans the operation also travels offshore to carry it out. This gives an ownership of the job that is of decisive importance", he says

"We are a young, flexible organisation where rookie employees quickly gain confidence. If you achieve something, you will quickly have more responsibility. From this we gain motivated and dedicated employees", Olsen adds.

EFFICIENT AND ENVIRONMENTALLY FRIENDLY

Even if AF Offshore Decom is starting to gain some experience with projects similar to H7 and B11, the company is still relatively new to the offshore industry, and the employees are far from beginning to be inflexible about using established methods. The idea of stacking the platform modules on top of each other on »

Good preparation and several innovations resulted in Alice Olsen, Ricky Ryttmar and the rest of the team celebrating a one hundred per cent successful platform removal.

> **"The feeling when we were finished with B11 and could conclude that all the planning functioned perfectly... Joy of success overshadows everything!"**
>
> **PROJECT MANAGER RICKY RYTTMAR**

the 160 metre long jack-up vessel next to the platform with its six legs placed on the seabed 32 metres further down was met by raised eyebrows at meetings with experienced heavy-lift actors.

"By stacking modules on top of each other, we saved the jack-up vessel several 260 nautical mile trips to subsequent disassembly at the Environmental Base at Vats. We could simply take much greater loads on each trip", says Ryttmar.

"The jack-up vessel is the greatest cost driver for the execution of the project. Saving a day or two represents a lot of money", Olsen adds.

Another smart innovation that AF Offshore Decom hatched was to use lifting blocks that could lift platform modules both from the platform over to the jack-up vessel, and from the vessel onto shore at the Environmental Base at Vats. The process then became much more efficient.

"The modules are like Lego blocks put together to form a platform. The traditional means of lifting them has been to use so-called lifting lugs that are welded on, and then removed when the module has been installed. Consequently, they must be welded on again when the module is to be removed", Ryttmar explains.

The method is time-consuming both with regard to the time required for welding and the time for subsequent quality control of the weld.

"Therefore we have developed and patented a new type of lifting blocks that do not required the welding of lifting lugs. It is a far more efficient method", Olsen says.

PERFECT PLANNING

As much as 99 per cent of the steel from B11 has been separated and recycled as reinforcement iron, nails, etc. Each individual module is thoroughly surveyed and labelled prior to removal, so that the Environmental Base at Vats is prepared for what is coming. The Environmental Base at Vats is Europe's most modern and environmentally friendly facility for receiving, sorting and recycling steel and other materials.

"It is nice to think about the recycling rate being so high, and that the steel is given a new life after the platform has been removed, says Olsen.

Today, there is no trace of the 40 years B11 stood in the North Sea.

"It is only afterwards that you feel how demanding the offshore execution is – you are always on the ball and ready to solve any challenges that may come your way. However, the joy of success overshadows everything! H7 was a good project, but the feeling when we had finished with B11 and could conclude that the planning functioned perfectly was absolutely fantastic!", says Ricky Ryttmar.

B-11

During 80 days in 2015, the compressor platform B11 was collected on the German continental shelf in the North Sea and transported to the AF Environmental Base at Vats in Rogaland for demolition and recycling. The platform was connected to the Norpipe gas pipeline, which goes from Ekofisk to Emden in Germany. It was commissioned in 1977 and was removed due to a reduction in the need for gas compression in Norpipe. B11 was removed in accordance with the OSPAR Convention. AF was responsible for the planning, engineering and execution of the offshore campaign, in addition to the demolition and recycling of a total of 9,000 tonnes of offshore structures.

Client: Statoil on behalf of Gassco (operator)

CONTRACT VALUE, NOK MILLION	COMPLETION
500	2015

"The B11 project demonstrates a flexible organization with a great capacity for innovation. We're proud of that."

RICKY RYTTMAR
PROJECT MANAGER

OTHER IMPORTANT PROJECTS

MURCHISON

The Murchison platform is on the British continental shelf east of the Shetland Islands, and it is one of the largest steel jacket platforms in the North Sea. It has been operational since 1980 until production ceased in March 2014. AF is responsible, in a consortium with Heerema Marine Contractors, for the engineering, preparatory work, removal and recycling of the platform topsides and steel jacket, which consist of more than 37,000 tonnes. The start-up of the offshore campaign is scheduled for June 2016. The removal and decommissioning work will last until 2021.

Contract value: NOK 700 million
Completion: 2021
Client: CNR International

HVAC JOHAN SVERDRUP

The framework agreement for the supply of HVAC (Heating, Ventilation and Air Conditioning) equipment for the first four platforms at the Johan Sverdrup field centre. The agreement period is for five years with an option for Statoil to extend the agreement an additional two consecutive periods of two years. A total of 61 generator units and 140 tonnes of steel sheets will, for example, be used in the project.

Contract value: NOK 250 million
Completion: 2017 (phase 1)
Client: Statoil

GINA KROG FSO

The HVAC/R contract for conversion of the tanker Randgrid, which is to be converted to an FSO (Floating Storage and Offloading unit) for use at the Gina Krog field centre. AF is supplying an energy-efficient and modern HVAC plant with modern AERON PLC control, which includes, for example, new ventilation units with energy recoverers, cooling machines, fans, sound dampeners, fire dampers and outer wall grilles with water separators, as well as a refrigeration and freezing plant for provisions.

Contract value: NOK 15 million
Completion: 2016
Client: Teekay

HVAC FOR FIVE VESSELS FOR KLEVEN MARITIME

AF is supplying HVAC systems to five of Kleven Maritime's projects. Structure 372, a vessel to be use to lay cables; structure 381, a vessel to be used in connection with the extraction of diamonds from the seabed; structure 375, a well boat; and structures 392 and 393, two trawlers. All vessels are among the most advanced in their classes. The HVAC systems are to be delivered in 2016.

Contract value: NOK 20 million
Completion: 2016
Client: Kleven Maritime

HIGH LEVEL OF ACTIVITY FOR THE REMOVAL AND RECYCLING BUSINESS

Overall, the year 2015 was a good year for AF's offshore business, with, however, variable results for the individual business units. Low oil prices have resulted in a higher level of activity for the offshore demolition activities, while our other offshore services saw a lower level of activity and tough times.

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 has services related to the maintenance and modification of onshore facilities for the oil and gas industry.

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

Effective 1 September 2015, AF Gruppen's operations within maintenance and modification work for HVAC systems were combined in a single company, AF Offshore AeronMollier. The new company provides services for offshore installations, as well as total HVAC solutions for new builds of rigs, new builds of marine vessels, special purpose offshore vessels and floating production (FPSO) vessels at shipyards throughout the world.

2015 IN BRIEF

Offshore reported revenues of NOK 1,187 million (850 million) for 2015. Earnings before tax were NOK 83 million (-45 million), which was significantly better than in 2014. This gives a profit margin of 7.0 per cent. AF Offshore Decom had the contract to remove the B11 platform in 2015. This contributed to a high level of activity and good results for the unit. There has been a satisfactory level of activity at the reception facility at Vats in 2015 as a result of the B11 campaign. A high level of activity is expected at Vats in 2016 in connection with the Murchinson project. V & M Landanlegg performed well and delivered good results for 2015. AF Offshore AeronMollier and AF Offshore Mandal have, however, been affected by the downturn in the offshore industry, and organisational adaptations have been made as a result of this. The units delivered weak results for the year as a whole. At year end, the Offshore business area had an order backlog of NOK 1,182 million (1,918 million).

In 2015, AF Offshore Mollier was awarded a framework agreement for the supply of HVAC (Heating, Ventilation and Air Conditioning) equipment for the Johan Sverdrup field centre by Statoil.
The contract period is 5 years with an option for Statoil to extend the agreement an additional two consecutive periods, each limited to a maximum of 3 years. The contract has an estimated value of NOK 250 million, excluding options. The contract entered into force on 30 April 2015.

MARKET OUTLOOK

The price of oil weakened significantly throughout 2015, and lower oil prices contribute to reduced profitability and a greater reluctance to invest among oil companies. Statistics Norway estimates that the investments related to oil and gas production will total NOK 171 billion in 2016. This is a reduction of 11.5 per cent, compared with the estimate for 2015. It is the estimates for investments in exploration activities, operating fields and pipeline transport in particular that have been reduced compared with the figures for 2015. In a historical context, this is still a high level, but a lower oil price and increased uncertainty will affect AF's maintenance and modification activities. According to Statistics Norway, a moderate upswing is expected in field development and onshore activities, as well as decommissioning and removal. This represents good 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 will continue to be the leading company for the removal and recycling of decommissioned offshore installations in the North Sea.

In addition, AF Gruppen aims to be a niche-based maintenance and modification provider for small and medium-sized deliveries, and to be a leading supplier of HVAC services to the 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 growing, 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

1,187

10 %

AF Gruppen 12,398

EARNINGS BEFORE TAXES NOK MILLION

104

10 %

AF Gruppen 1,010

EBIT (%)

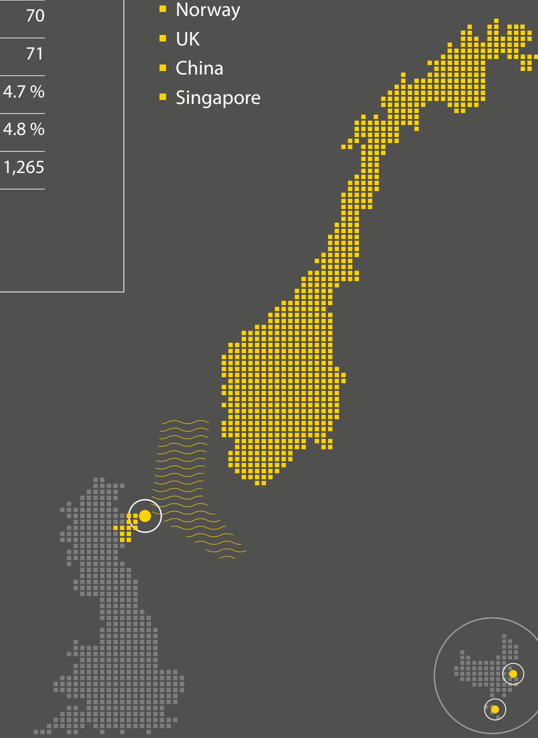
8.7 %

KEY FIGURES

Amounts in NOK million	2015	2014	2013
Revenues	**1,187**	850	1,480
Earnings before interest and tax (EBIT)	**104**	-22	70
Earnings before tax (EBT)	**83**	-45	71
EBIT %	**8.7 %**	-2.6 %	4.7 %
EBT %	**7.0 %**	-5.3 %	4.8 %
Order backlog	**1,182**	1,918	1,265

GEOGRAPHIC PRESENCE

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



EMPLOYEES

241

8 %

AF Gruppen 3,030

OFFSHORE CONSIST OF

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

The shortest
way to
ownership is:
To own.

HIGHLY VALUED

Being a co-owner of your own place of work is a source of dedication, motivation and excitement in everyday life. Of course it doesn't hurt either that shares in AF Gruppen have rocketed over the last 15 years – to the satisfaction of both internal and external shareholders.

MEET THREE OF THE SHAREHOLDERS IN AF GRUPPEN

When AF Gruppen provides its own employees with an opportunity to buy shares in the company at discounted prices, there is always a good response. Service Technician Gunnar Bring at AF Energi & Miljøteknikk (EMT) and Planning Supervisor and BREEAM Expert Siv Tallang at AF Bygg Oslo are among those who have secured ownership in their place of work.

EXTRA ZIP

For Tallang, the feeling of being a co-owner in ones own place of work gives an extra zip to the ordinary workday

"After I bought shares I feel I have more ownership in my place of work. The feeling of being a co-owner does something to your psyche. At the end of the day, our share price of course reflects the company's overall status – good HSE, high level of satisfaction and efficient operations – it is all connected. Now I also follow how things are going in departments other than my own more closely," she says.

"As both an employee and a shareholder, I am interested in seeing that everything goes well with AF Gruppen, but being a co-owner gives me added motivation to try a little harder – when things go well for the company, of course it can also be felt in my own wallet," she adds.

Gunnar Bring bought his first AF shares in 2008.

"I had never owned a share in my entire life when we were on a weekend work outing. On the way back I sat in a car with one of the economists at AF EMT, who convinced me that I had to apply to buy the shares that were offered to us employees at discounted prices. The deadline was that same Sunday, so we drove straight to the office so that I could add my name to the list. Most of my colleagues have shares in AF Gruppen now," he says.

SHARE TALK IN THE LUNCH ROOM

The AF shares have clearly also been a good investment, and both of them admit that they follow the share market more closely now than they did previously:

"I follow both AF Gruppen and competing companies closely. We talk about shares and options in the lunch room. We are proud that the company is doing so well and rejoice that the price has risen," says Tallang.

She herself accepted the offer when she was offered discounted shares in 2014.

"It has been very lucrative. I had some options earlier, and my partner and I decided to use our savings to buy shares in AF Gruppen. We have never regretted it," she says.

Gunnar Bring buys and sells shares every year.

"I do not spend more money on shares than I can afford to lose."

SHAREHOLDER INFORMATION

Service Technician Gunnar Bring at AF Energi & Miljøteknikk, Planning Supervisor and BREEAM AP Siv Tallang at AF Bygg Oslo and Investor Jørgen Stenshagen have purchased shares in AF Gruppen. They have never regretted it.

"The shares reflect our performance, which gives us a team spirit that I am proud to be a part of."

SHAREHOLDER AND PLANNING SUPERVISOR SIV TALLANG

ENGAGED AND CURIOUS

External shareholders also appreciate the employees being co-owners. Stenshagen Invest is among the largest shareholders in AF Gruppen, with an ownership interest of 1.83 per cent, and investor Jørgen Stenshagen is both an engaged and curious owner.

"AF Gruppen has clearly been the best share on the Oslo Stock Exchange during the nearly 20 years that the company has been listed. When I have to tell people what we do, I use AF Gruppen as an example – it is a stable company that performs well, therefore it is among our largest investments," says Investor Jørgen Stenshagen.

"We love that so many employees have stakes in the company, it is much more fun to own together with them than with unknown funds. I think that it is strange that this has not attracted more attention. In the spirit of good social democracy, success stories of employees who have earned decent money from their own place of work should be a leading story on the evening news," he says.

Jørgen Stenshagen has travelled around the country and visited several of AF Gruppen's projects to see what the company is doing with his own eyes..

"The part that is most fun is to meet all of the enthusiastic people who work for AF Gruppen – it gives you a lot of energy. The company wins contracts because it can develop sites at the lowest cost and best, which is good for employees, owners and society. Among other things, I have visited the E6 construction project in Gudbrandsdalen, Miljøbase Vats and the development of HasleLinje in Oslo, and it is just as much fun every time, both to see the quality of the work that is performed, and to meet the end users who are extremely satisfied with the result," says Stenshagen, who also uses the in-house magazine AF Posten to stay up-to-date.

"We always look forward to the arrival of AF Posten. I receive ten copies that I usually hand out. It is a great way for us to gain insight into what is happening," he says.

PROUD OF HER WORKPLACE

Siv Tallang has become even more proud of her place of work after she became a shareholder.

"I have worked for AF Gruppen for nearly fives years, and I am very happy here. The share market is a new world for me, and it is exciting to learn something new. The shares reflect our performance, which gives us a team spirit that I am proud to be a part of," she says.

"It is we the employees who are the value of AF Gruppen, therefore it is really great to work in a company that clearly cares about the people who work here," says Gunnar Bring.

SHAREHOLDER INFORMATION

THE SHARE

The AF share experienced its best year ever in 2015 in both absolute and relative terms. Including dividends, the share yielded a return of 89 per cent for the past year, while the Oslo Stock Exchange's benchmark index rose 6 per cent. Over the past 10 years, the AF share has been the share on the Oslo Stock Exchange that has delivered the highest return to its shareholders, a return of 1,472 per cent – an average annual return of 32 per cent.

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 the total index, benchmark index, fund index and mid-cap index at Oslo Stock Exchange.

SHARE CAPITAL AND SHAREHOLDER COMPOSITION

At the beginning of 2015, the share capital was NOK 4,436,245, divided into 88,724,904 shares, each with a nominal value of NOK 0.05. During the year, the company carried out three new issues for a total of 3,955,096 shares. In connection with the acquisitions of LAB and Målselv Maskin & Transport 2,702,703 and 400,538 shares respectively were issued. In addition, 851,855 shares were issued in connection with the company's share programme for employees. As a result of these new issues, the share capital increased by NOK 197,755 and totalled NOK 4,634,000, divided into 92,680,000 shares, each with a nominal value of NOK 0.05, at the end of 2015.

AF Gruppen gained many new shareholders this past year, and the there were 2,575 (1,815) shareholders on the list of shareholders at the end of the year. Over 1,000 of the shareholders were employed by AF Gruppen.

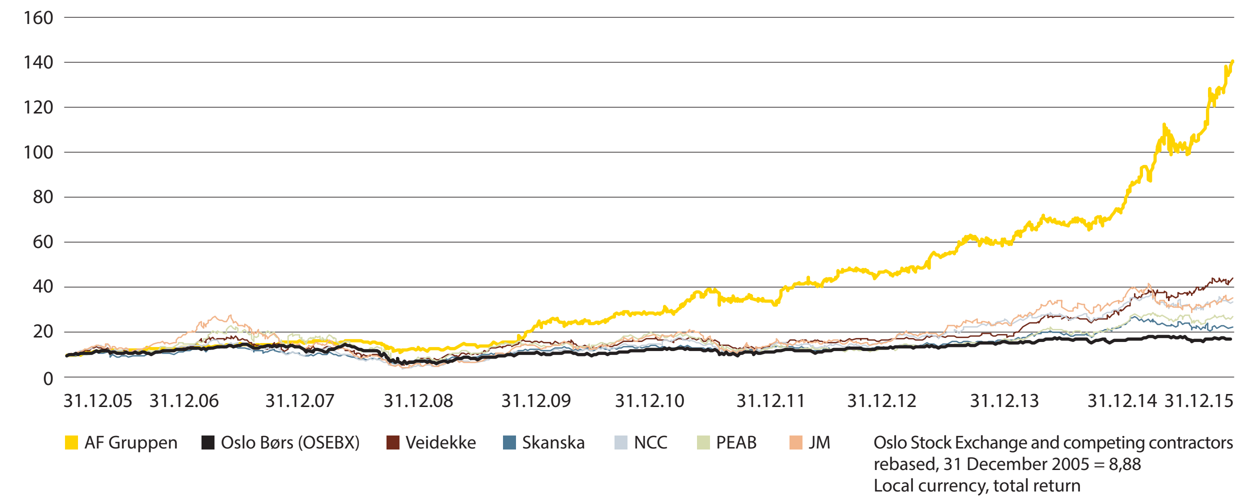
As at 31 December, the ten largest shareholders owned 66 (70) per cent of the company's shares. Employees of AF owned approximately 15 (13) per cent of the shares in the company. At the end of the year, 96.2 (97.2) per cent of the shares were owned by Norwegian shareholders. As at 31 December 2015, OBOS BBL is AF Gruppen's largest shareholder with 16.9 (22.1) per cent of the company's shares. OBOS chose to reduce its stake in AF in 2015 and sold four million shares in November. The National Insurance Scheme Fund took advantage of the opportunity to increase its stake and became one of the largest shareholders in AF Gruppen.

DISTRIBUTION OF SHAREHOLDERS, INTERVALS

Number of shares	Number of owners	Per cent
1 - 100	424	0,02 %
101 - 500	553	0,17 %
501 - 1 000	289	0,25 %
1 001 - 5 000	647	1,85 %
5 001 - 10 000	261	2,00 %
10 001 - 100 000	329	10,45 %
100 001 - 1 000 000	59	15,27 %
> 1 000 000	13	69,99 %
	2 575	100,00 %

Shareholder	Number of shares	% of total
OBOS BBL	15,643,841	16,88 %
ØMF Holding AS	13,940,474	15,04 %
Constructio AS	13,180,762	14,22 %
Aspelin-Ramm Gruppen AS	4,993,269	5,39 %
Folketrygdfondet	4,200,000	4,53 %
LJM AS	2,513,900	2,71 %
VITO Kongsvinger AS	2,111,676	2,28 %
Stenshagen Invest AS	1,726,977	1,86 %
Skogheim, Arne	1,723,870	1,86 %
Staavi, Bjørn	1,515,452	1,64 %
Moger Invest AS	1,240,541	1,34 %
Handelsbanken Norge (fond)	1,055,432	1,14 %
Flygind AS	1,016,771	1,10 %
Skandinaviska Enskilda Banken AB	854,470	0,92 %
Eriksson, Erik Håkon	560,000	0,60 %
Tokanso AS	550,774	0,59 %
Protector Forsikring ASA	546,806	0,59 %
Janiko AS	522,741	0,56 %
Evensen, Jon Erik S.	460,000	0,50 %
Regom Invest AS	433,212	0,47 %
Total 20 largest	**68,790,968**	**74,22 %**
Total other shareholders	23,889,032	25,78 %
Treasury shares	0	0,00 %
Total	**92,680,000**	**100,00 %**

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



Key figures for the share	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Market value (NOK million)	12,929	7,009	5,578	4,578	3,556	2,845	2,242	1,269	1,859	1,549
Number of shares traded (1,000)	10,370	7,102	2,559	2,568	2,095	2,969	1,945	1,605	3,735	4,800
Total number of shares as of 31.12 (Mill.)	92.68	88.72	82.33	81.38	80.81	71.12	70.50	69.35	68.85	68.85
Number of shareholders as of 31.12	2,575	1,815	1,494	1,407	1,254	914	733	686	677	644
Shareprices as of 31.12	139.50	79.00	67.75	56.25	44.00	40.00	31.80	18.30	27.00	22.50
- High	139.50	82.00	72.00	59.25	53.00	43.00	31.80	27.70	27.00	22.80
- Low	77.25	66.50	54.75	41.50	38.60	32.60	18.20	16.90	22.00	16.60
Earnings per share	7.64	5.11	5.26	2.40	3.83	3.92	3.85	3.10	2.55	1.95
Diluted earnings per share	7.50	5.09	5.11	2.37	3.83	3.82	3.85	3.10	2.55	1.95
Dividends per share	*5.00	8.00	6.00	4.50	4.50	4.50	3.60	1.40	1.20	1.00
Distribution ratio (ordinary dividend)	65.4 %	156.6 %	114.1 %	187.5 %	117.5 %	114.8 %	93.5 %	45.2 %	47.1 %	51.2 %
Direct return (total dividend)	*3.6 %	10.1 %	8.9 %	8.0 %	10.2 %	11.3 %	11.3 %	7.7 %	4.4 %	4.4 %
Share's total return	89.2 %	25.5 %	28.4 %	38.1 %	21.3 %	37.1 %	81.4 %	-27.8 %	24.4 %	34.3 %
Share price/earnings per share (P/E)	18.3	15.5	12.9	23.4	11.5	10.2	8.3	5.9	10.6	11.6
Share price/equity per share (P/B)	7.1	4.7	4.2	3.8	2.7	2.9	2.5	1.7	3.3	2.9
Enterprise value / EBIT (EV/EBIT)	12.2	11.2	8.5	13.5	8.0	6.2	6.1	4.8	8.7	9.1
Enterprise value / Invested capital (EV/CE)	6.4	3.9	3.4	3.3	2.1	2.2	2.0	1.3	2.3	1.9

* Proposed, not adopted dividend for payment 1st half-year 2016

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.

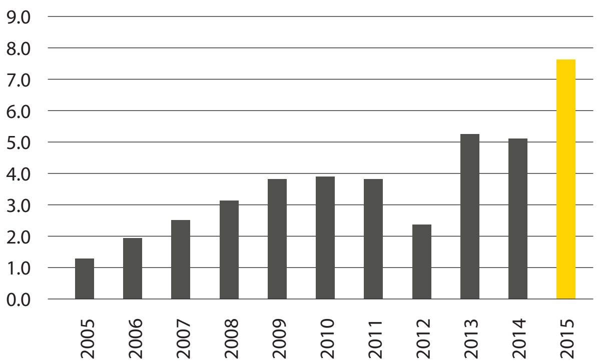
RETURN AND TURNOVER

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.

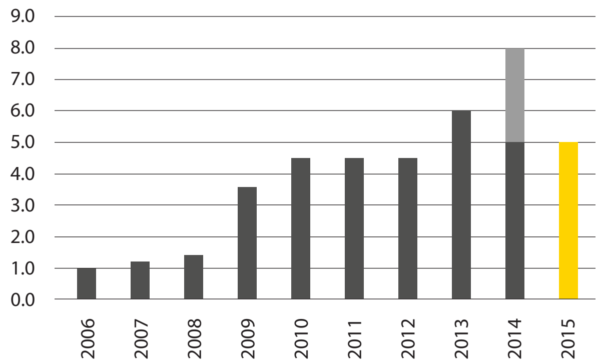
The AF share rose 77 per cent in 2015, and its closing price as at 31 December 2015 was NOK 139.50 (79.00). Adjusted for the total dividend of NOK 8.00 per share distributed in 2015, the return was 89 per cent. The AF share has generated a return of 5,900 per cent, adjusted for dividends, since its stock exchange listing in 1997. This corresponds to an average annual return of 25 per cent. During the same period, the Oslo Stock Exchange benchmark index rose 238 per cent.

The liquidity of the share has been low, but this has improved over the last couple of years. From 2009 to 2013, the turnover rate for the AF share was approximately 3 per cent per year.

EARNINGS PER SHARE



DIVIDEND PER SHARE



In 2014 and 2015, the turnover rate was 8 and 11 per cent, respectively. In 2015, a total of 10,369,757 (7,101,787) shares were traded on the stock exchange. The share was traded on 251 out of 251 possible trading days, and the average turnover for each trading day was 41,314 (28,407) shares.

SHARE PROGRAMME FOR EMPLOYEES

AF Gruppen would like all employees to participate in joint value creation by becoming shareholders in the company. In addition, the share programme should contribute to making AF Gruppen an attractive workplace for its employees, 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 2015, there were 567 employees who subscribed for a total of 1 million shares. The purchase price after a 20 per cent discount was NOK 85. In connection with the sale, the Board used its authority and issued 851,855 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 2016. 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 2016. The Board will therefore submit a proposal to the General Meeting for authorisation to issue a sufficient number of shares, enabling the share programme to be implemented.

OPTIONS PROGRAMME FOR EMPLOYEES

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

The General Meeting of AF Gruppen in May 2014 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.

AF Gruppen issued 3,500,000 options to 1,383 employees in 2014 and 650,000 options to 280 employees in 2015. The total number of outstanding options, adjusted for 190 employees who have left company, was 3,759,599 as at 31 December. The Board will submit a proposal to the General Meeting for authorisation to issue shares in connection with the exercising of options in March 2017.

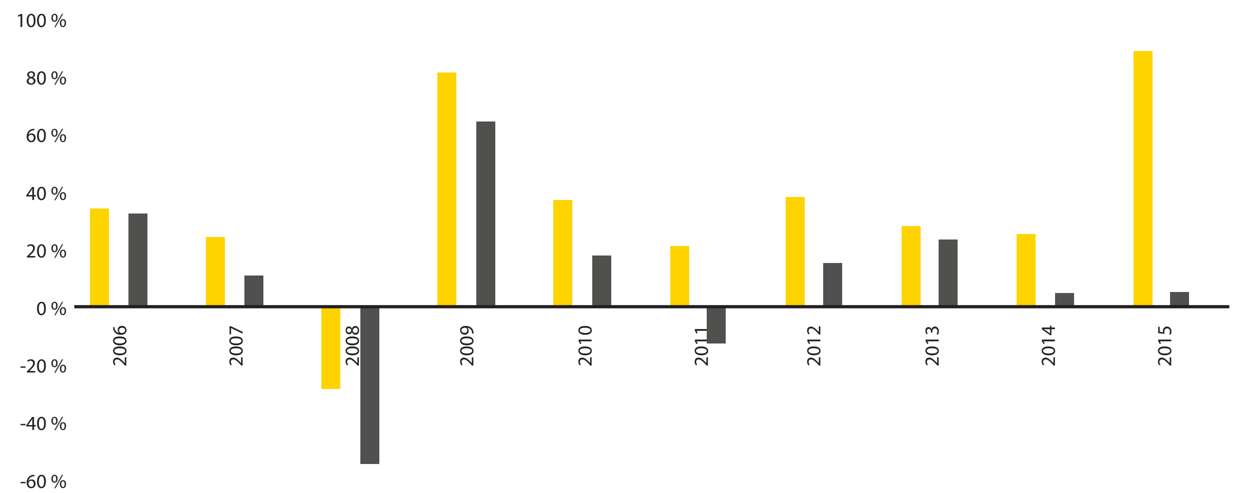
DIVIDEND

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 2015, the Board of AF Gruppen proposed to change the company's dividend policy to the General Meeting. The proposal was to pay a dividend up to twice a year, provided the company's earnings so allow. Payment will preferably take place after the Annual General Meeting and after presentation of the quarterly results for the 3rd quarter. The Board will submit a proposal to the General Meeting for authorisation to decide dividend distribution after the third quarter results presentation. As a result of this dividend policy change, the company paid a dividend of NOK 3.00 per share in November 2015, in addition to the NOK 5.00 per share that was paid in May 2015. A total of NOK 8.00 per share was paid in 2015 for the 2014 financial year. Earnings per share in 2014 was NOK 5.11.

For the 2015 financial year, earnings per share was NOK 7.64 and the Board proposes payment of a dividend of NOK 5.00 per share for the 1st half of 2016 to the General Meeting. The dividend will be paid on 24 May to shareholders of record as at 12 May 2016.

TOTAL RETURN PER YEAR LAST TEN YEARS



INVESTOR RELATIONS

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

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

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

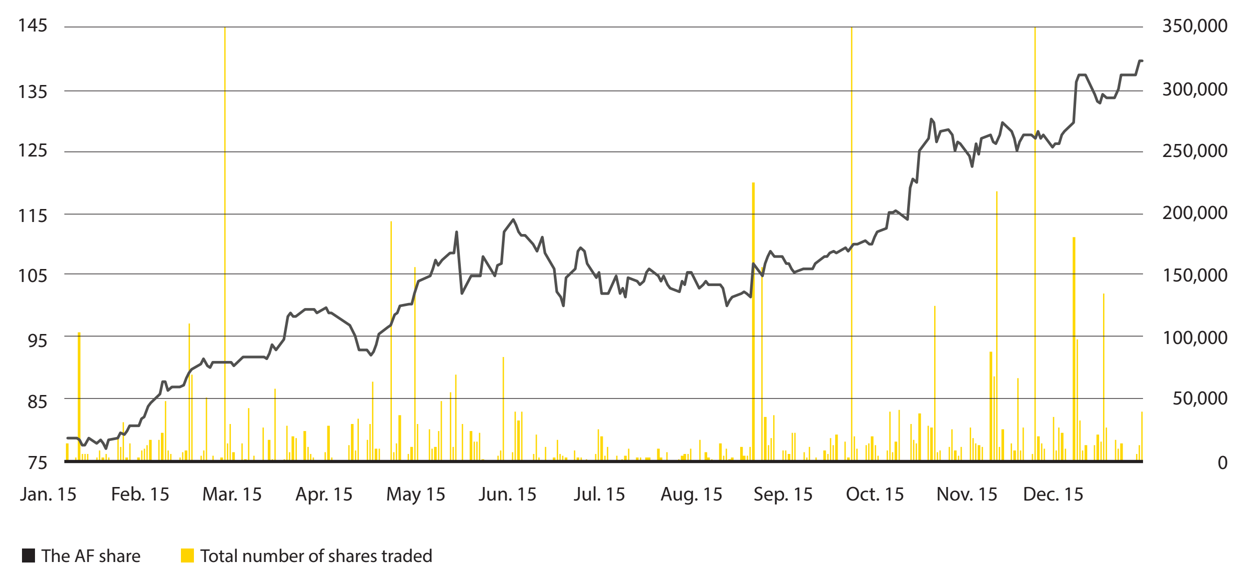
In addition, the company maintains ongoing contact with investors and analysts. The Company's website provides a list of the analysts that follow the AF share.

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

ANALYST COVERAGE TABLE

Company	Telephone
ABG Sundal Collier	+47 22 01 60 98
Arctic Securities	+47 21 01 32 09
Danske Bank	+47 85 40 70 73
DNB Markets	+47 24 16 92 09
Fondsfinans	+47 23 11 30 40
Handelsbanken	+46 87 01 51 18
Swedbank First Securities	+47 23 23 82 58

SHARE PRICE PERFORMANCE AND TRADING VOLUME IN 2015



SHAREHOLDER INFORMATION

CORPORATE GOVERNANCE

Supplemented by the 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 the 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 to the least possible extent. 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

The Articles of Association state that the object of the company is to engage in contracting and industrial activities, as well as any activities related thereto. This also includes 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 key to this 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 2015, the Group's equity capital was NOK 1,820 million. This corresponds to an equity ratio of 29.1 per cent. Net interest-bearing receivables were NOK 593 million and available credit was NOK 2,073 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. The payment of dividends will take place up to twice yearly, preferably after the Annual General Meeting and after presentation of the quarterly report for the 3rd quarter.

For the 2015 financial year, the Board proposes payment of a dividend of NOK 5.00 per share for the 1st half of 2016. The proposed dividend will be paid to all shareholders registered with the Norwegian Central Securities Depository (VPS) on the date of the Annual General Meeting on 12 May. It is expected that the dividend will be paid on 24 May. In 2015, a dividend of NOK 5.00 per share was paid in May and NOK 3.00 per share in November.

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. Each purpose for which authorisation to increase the share capital is granted will be considered as a separate item by the General Meeting.

On 18 March 2015, AF Gruppen ASA increased its share capital in accordance with the authorisation granted to the Board by the Extraordinary General Meeting of 13 February 2015 in connection with the acquisition of LAB AS. A total of 2,702,703 shares were issued, and the equity increased thus by NOK 247 million.

On 10 June, AF Gruppen increased its share capital in connection with the acquisition of Målselv Maskin & Transport AS. A total of 400,538 shares were issued in accordance with the authorisation granted to be Board by the Annual General Meeting of 13 May 2015. The equity of AF Gruppen ASA increased thus by NOK 45 million.

In connection with AF Gruppen's share programme for employees of the Group, 851,855 shares were issued in 2015. The equity was thereby increased by NOK 72 million. The new issue was executed in accordance with the authorisation granted by the company's Annual General Meeting of 13 May 2015.

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.*

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 Gunnar Bøyum are the members of the Nomination Committee as at 7 April 2016.

Of these members, none are 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. Gunnar Bøyum has business connections with Peter Groth. Bøyum took over as the Managing Director of the Aspelin Ramm Gruppen in the middle of 2015 when Groth retired.

- *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, there are three men and two 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, which is a customer of the Group.

Information on transactions with the companies represented by the members of the Board is disclosed in Note 31 – Related parties. Information on the shareholdings of the board members is disclosed in Note 25 – 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 AF Gruppen 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 7 April 2016, 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 2015.

MEETING STRUCTURE

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

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

A total of eleven board meetings were held in 2015. In addition, five circulating board meetings were held. Of the shareholder-elected board members, Tore Thorstensen, Hege Bømark and Peter Groth attended all the ordinary board meetings. Daniel Kjørberg Siraj attended ten meetings. Mari Bromann attended the first four board meetings before she was replaced by Borghild Lunde, who attended the last seven board meetings. Of the employee-elected board members, Kenneth Svendsen and Pål Jacob Gjerp attended all eleven meetings, while Arne Sveen attended ten.

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), Daniel Kjørberg Siraj and Borghild Lunde. 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

In 2015, the Committee has held seven meetings, and the auditor attended six of these meetings. In addition, the Audit Committee has interviewed candidates in connection with the selection of a new auditor. 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 Committee had one meeting in 2015. 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 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 26 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 28 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 by the Board. 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 of ownership and employment. 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 28 – 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 recommendation of 10 June 2014 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. The last tendering round was carried out in 2015.

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 2015

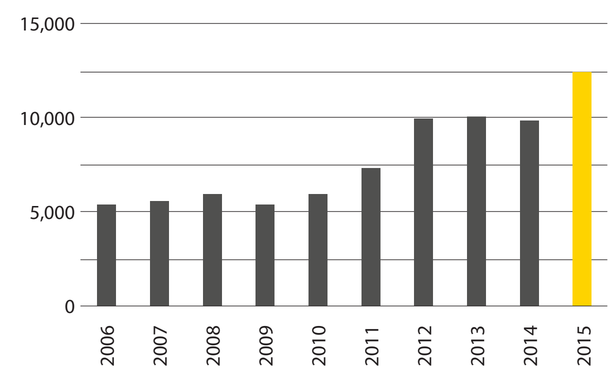
The company's auditor EY (Ernst & Young AS), represented by responsible partner Asbjørn Ler, has attended one board meeting in 2015, at which the annual financial statements for 2014 etc. were approved. He also attended the General Meeting in 2015 together with the new responsible partner Tommy Romskaug. The auditor attended six of the seven meetings held by the Audit Committee in 2015.

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

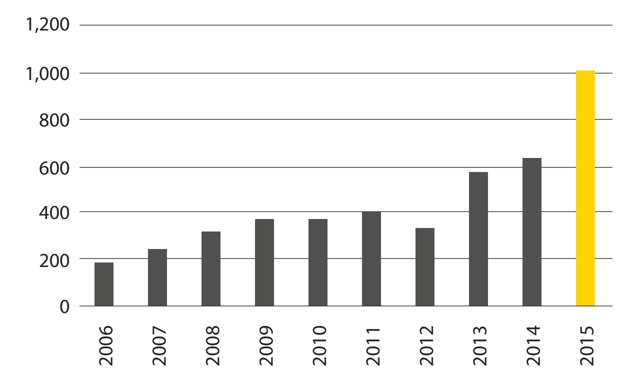
BOARD OF DIRECTORS' REPORT

AF Gruppen delivered strong results in 2015 and the Group's operating margin is well above the requirement of 5 per cent. The Board believes that the company is well-positioned for a continued high level of activity and good results in 2016.

TURNOVER NOK MILLION



EARNINGS BEFORE TAX NOK MILLION



OPERATIONS

INTRODUCTION

AF Gruppen is a leading contracting 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. The company has an uncompromising attitude towards safety and ethics.

PRESENTATION OF THE ANNUAL ACCOUNTS

INTRODUCTION

Consolidated financial statements for AF Gruppen ASA and its subsidiaries 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 2015 and the financial position as at 31 December 2015. 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 100 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 12,398 million (9,935 million) for 2015. Earnings before interest and tax were NOK 1,010 million (635 million), which corresponds to an operating margin of 8.1 per cent (6.4 per cent). Earnings before tax were NOK 1,004 million (625 million) and the earnings after tax were NOK 778 million (483 million).
The Civil Engineering, Building, Energy and Property business areas showed a high level of activity in 2015 and contributed to very good results. The Environment business area showed varying activity throughout the year. The Offshore business area showed varying activity and profitability, but the offshore demolition operations delivered good results. Our offshore maintenance and modification operations were marked by a challenging market and delivered weak results.
The Group's operating margin was 8.1 per cent. This is well above the long-term requirement of a minimum margin of 5 per cent.
Earnings per share were NOK 7.64 (5.11) in 2015. Diluted earnings per share were NOK 7.50 (5.09). The dividend proposed for the 1st half of 2016 is NOK 5.00 (5.00). The share price was NOK 139.50 (79.00) at year end. The return to shareholders, including dividends for 2015, was 89 per cent. The return on equity in 2015 was 43.8 per cent (34.3 per cent). The return on average invested capital was 53.6 per cent (38.7 per cent). Balance sheet total as at 31 December 2015 was NOK 6,243 million (5,428 million). At year end, the Group had net interest-bearing receivables of NOK 593 million (-95 million) and cash and cash equivalents of NOK 459 million (91 million). Shareholders' equity at the end of the year was NOK 1,820 million (1,499 million), which corresponds to an equity ratio of 29.1 per cent (27.6 per cent). Cash flow from operations in 2015 was NOK 1,418 million (86 million). Cash flow from investment activities was NOK 74 million (-250 million). This produced a strong net cash flow before investment activities of NOK 1,492 million (-164 million), which mainly was used to increase net interest bearing receivables and dividend payment. Net interest bearing receivables was NOK 593 million (-95 million) as of 31.12.15. A dividend of NOK 735 million (529 million) was paid in 2015.

DISTRIBUTION OF COMPREHENSIVE INCOME FOR THE YEAR

Comprehensive income for the year for AF Gruppen ASA was NOK 475 million and the following distribution is proposed:

Transferred from other reserves	-38 MNOK
Provision for dividend	463 MNOK
Group contribution paid	40 MNOK
Total allocations	475 MNOK

BUSINESS AREAS 2015

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
  JR Anlegg
  AF Arctic
- Målselv Maskin & Transport
- 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.
Målselv Maskin & Transport is the largest machinery contractor in Troms. The company performs traditional civil engineering projects, such as technical municipal facilities, road construction, earthmoving, rock work, ground and concrete work, road maintenance, and various forms of transport.
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	2015	2014	2013
Revenues	3,760	3,172	2,950
Earnings before interest and tax (EBIT)	339	286	253
Earnings before tax (EBT)	339	288	265
EBIT %	9.0 %	9.0 %	8.6 %
EBT %	9.0 %	9.1 %	9.0 %
Order backlog	3,402	2,913	4,604

In 2015, Civil Engineering reported revenues of NOK 3,760 million (3,172 million). This represents growth of 18.5 per cent compared with 2014. In 2015, the business area reported earnings before interest and tax of NOK 339 million (286 million) and earnings before tax of NOK 339 million (288 million). The operating margin was 9.0 per cent (9.0 per cent) for 2015.

Civil Engineering showed a high level of activity in 2015 and delivered very good results for core operations related to roads and railways, hydropower and energy. Many major civil engineering projects performed well operationally. The unit is also experiencing a large supply of new projects in the market, and there is a high volume of tender calculations. Larger contracts means higher competition from foreign competitors.

Pålplintar reported increasing revenues in 2015, and the unit delivered a positive result for the year after a loss in 2014.

Palmer Gotheim Skiferbrudd performed well and delivered good results for 2015.

Acquisition of new businesses

In June 2015, AF Gruppen (AFG) acquired 70 per cent of the shares in Målselv Maskin & Transport AS.

Målselv Maskin & Transport AS is the largest machinery contractor in Troms. The company's headquarters are at Rossvoll in Målselv municipality, and it carries out construction projects in the region. The company reported revenues of NOK 186 million in 2015 and has approximately 50 employees. The transaction includes the company's share in Holmen Betong AS and Anlegg og Maskin AS and sites under development. The enterprise value for 100 per cent of Målselv Maskin & Transport AS, including stakes in associates, was estimated at NOK 155 million. The settlement consisted of shares in AF Gruppen ASA and cash.

New contracts

In January, 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 worth about NOK 130 million excluding VAT. After a planning period, work began in the spring of 2015. The project is scheduled for completion by the end of 2017.

In March, Sporveien Oslo chose AF Anlegg as the contractor for execution of U1 – Subgrade for the Østensjøbanen Metro Line. The contract is for upgrading and renewing the Østensjøbanen metro line. The work consists, among other things of, site preparation work in the form of earth replacement, pipelaying and cable conduits, upgrading of two tunnels, including water and frost protection, concrete renovation, concrete work and upgrading of eight metro line stations. The work started in May 2015, and completion is scheduled for March 2016. The contract is a principal contract and is estimated at NOK 378 million.

In March, AF Anlegg entered into a contract with Store Norske Spitsbergen Grubekompani to extend the contract for transport, construction and maintenance services in Svea and Lunckefjell until September 2018. The contract encompasses the transport of coal, road maintenance, airport and other infrastructure in Svea and is carried out by AF Gruppen's subsidiary AF Arctic AS. The value of the contract is estimated at NOK 250 million.

In May, AF Anlegg signed a contract with the joint venture company Acciona Infraestructuras and Ghella ANS (AGJV) for construction of a tunnel and caverns. The contract is a part of AGJV's contract for the Follobanen line for the Norwegian National Rail Administration. This work started in June 2015 and will last for one year. The contract encompasses the construction of logistics tunnels and assembly halls, which are part of AGJV's preparatory work before the tunnel boring machines (TBMs) can be assembled and bore most of the tunnels for the Follobanen line. The value of the contract is estimated at NOK 350 million.

In August, AF Anlegg signed a contract with Statsbygg for contract K204 Structural Shell for the New National Museum. The contract encompasses the construction of a poured-in-place structural shell measuring approximately 54,000 m^2 for the new National Museum. The structural shell consists of a poured-in-place basement with mezzanine and an overlying poured-in-place building with a total of five storeys. The work started in September 2015, and the expected completion is in the autumn of 2017. The value of the contract, including options, is estimated at NOK 500 million,excluding VAT.

In September, AF Anlegg was appointed by Hafslund Produksjon AS as the contractor for development of the Vamma Power Plant. The Vamma Power Plant is located in the Glomma River, and the "Vamma 12" expansion will be one of Norway's largest river stations with a throughput of 500 m3 per second and head of 28 m. The project includes establishing a new intake channel, building a new power station, suction pipe and discharge channel. Part of the watercourse will be established in a tunnel. This work commenced in October 2015 and is scheduled for completion in the spring of 2019. The value of the contract is estimated at NOK 370 million, excluding VAT.

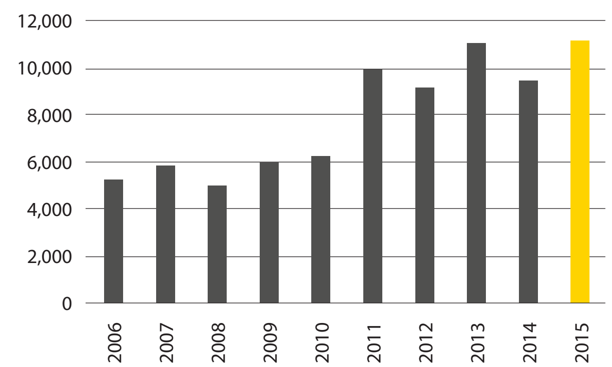
AF Anlegg was appointed as contractor for the renovation of E18 Fosskoll Tunnel by the Southern Region of the Norwegian Public Roads Administration in September. The contract encompasses upgrading and renovation of the Fosskoll Tunnel on the E18 in Lier Municipality. The work includes site preparation work within and outside the tunnel, rock protection, water and frost protection, technical buildings and electrical work. This work commenced in October 2015 and is scheduled for completion in January 2017. The contract is a principal contract and is estimated at NOK 157 million excluding VAT.

AF Anlegg was appointed as the design and build contractor for the construction of County Road 32 in Porsgrunn by the Southern Region of the Norwegian Public Roads Administration in November. County Road 32 Gimlevegen-Augestadvegen (Lilleelv intersection) is the biggest road project in the Grenland city package. The project will be executed as a turnkey contract and includes planning and building a new secondary road between the railway and residential area. The contract is worth about NOK 230 million, excluding VAT. Following a planning and design period, work will commence in February 2016. The project is scheduled for completion in the summer of 2018.

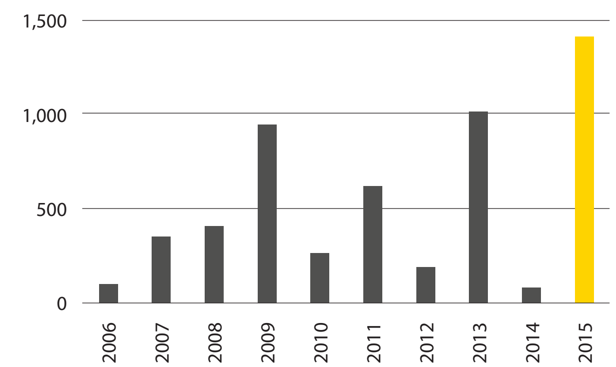
Market outlook

The Civil Engineering market is driven primarily by major public infrastructure projects. Political priorities have thus a strong influence on the development of the market. The forecasts for the Norwegian economy for 2016 are marked by uncertainty due to a fall in the price of oil. As a counter-cyclical measure, the authorities have increased the appropriations to the civil

ORDER BACKLOG NOK MILLION



CASH FLOW FROM OPERATIONS NOK MILLION



engineering market, and a large supply of new construction contracts is expected in the near future.

In the 2016 State Budget, NOK 60.2 billion has been allocated to transport, which is an increase of 8.8 per cent over the final budget for 2015. NOK 31.5 billion of this is for roads, which is an increase of NOK 4.9 billion (18.5 per cent). The analysis company Prognosesenteret estimates that total civil engineering investments will increase by 11 per cent in 2016, and by an additional 4 per cent in 2017. The greatest growth is expected to be in power and energy plants, as well as road construction. A high level of activity is expected in the Oslo region and Western Norway in particular in 2016. This is due to several large road projects that are to be carried out in these regions.

In 2015, the state road construction company, Nye Veier AS, was established. The object of the company is to plan, construct, manage and maintain selected stretches of road in an integrated and coherent manner. Initially, the company will be responsible for seven stretches of road. The initial portfolio is to be developed within 20 years at a total cost of NOK 130 billion. It is expected that the company will be operative in the 1st quarter of 2016.

Statistics Norway (SSB) is indicating a moderate increase in the investment estimate for onshore oil and gas activities in 2016, compared with 2015. This provides fertile grounds for AF's activities in the onshore facilities area.

The development of the Swedish economy is influenced by the Euro zone, and the Swedish central bank Riksbanken lowered the key rate to -0.5 per cent in February 2016 in order to stimulate the Swedish economy. An expansive monetary policy and increased employment will contribute to expected annual growth in the gross national product of around 3 per cent in the coming years. The forecasts from the Swedish Construction Federation indicate continued strong growth for building and construction investments in Sweden up to and including 2016.

In conclusion, the market outlook for the Norwegian and Swedish civil engineering markets is good. The higher investment estimate for transport and road construction, as well as the planned start-up of many major civil engineering projects, provide a good foundation for further growth of AF's civil engineering activities.

The Civil Engineering order backlog stood at NOK 3,402 million (2,913 million) at the end of 2015.

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 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 business area consists of two business units:

- AF Decom
- Härnösand Byggreturer AB

Environment also has operations in Rimol Miljøpark and Jølsen Miljøpark. The remaining shares in the part-owned company BA Gjenvinning were sold in March 2016. The operative activities in AF Decom AB were discontinued in 2015.

Results

Amounts in NOK million	2015	2014	2013
Revenues	687	709	684
Earnings before interest and tax (EBIT)	45	41	40
Earnings before tax (EBT)	46	39	38
EBIT %	6.6 %	5.8 %	5.8 %
EBT %	6.7 %	5.5 %	5.5 %
Order backlog	216	175	215

In 2015, the Environment business area reported revenues of NOK 687 million (709 million). This represents a decline in revenue of 3.1 per cent compared with 2014. Earnings before interest and tax were NOK 45 million (41 million), and profit before tax was NOK 46 million (39 million). The operating margin for 2015 was 6.6 per cent (5.8 per cent). There has been a satisfactory level of

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

activity in the Norwegian operations and good project results throughout 2015. The Swedish operations saw variable results in 2015. Härnösand Byggreturer AB had a high level of activity and delivered good results. AF Decom AB, however, delivered weak results in 2015 and was wound up during the year.

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 2015:

At the beginning of the year, AF Decom entered into a contract with Södra Cell Tofte for demolition of the cellulose mill at Tofte in Vestfold. The demolition work started in the second half of 2015 and completion is expected in the first half of 2016. The value of the contract is NOK 27 million.

In February, AF Decom entered into a contract with the Norwegian Public Roads Administration for blasting and demolition of Skjeggestad Bridge, which collapsed on 2 February 2015. Two controlled blasts were carried out on the damaged bridge on 21 February and 25 March. The value of the contract ended up at NOK 13 million.

In the spring, AF Decom entered into a contract with Statoil Fuel & Retail for the demolition and clean-up of a tank farm in Gjøvik. The contract was valued at NOK 6 million and was completed in the autumn of 2015.

In August, Härnosand Byggreturer was chosen by Locum Landstingsfastigheter for a demolition job at Stockholm South General Hospital (Sös by 19). The work started in September 2015, and completion is scheduled for March 2016. The value of the contract was SEK 8 million.

In the summer, AF Decom entered into a contract with Aecom Nordic AB for the demolition and clean-up of the underground storage facility at Muruvika. The contract was valued at NOK 8 million and was completed in December 2015.

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, expectation of further price growth in the residential housing market, as well as a stable number of start permits for 2016, 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 2016. Overall, this provides good conditions for the Environment business area.

At the end of the year, the Environment business area had an order backlog of NOK 216 million (175 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
  LAB Entreprenør
  Åsane Byggmesterforretning
  Fundamentering (FAS)
- AF Bygg Sverige
  AF Bygg Göteborg
  AF 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.

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.

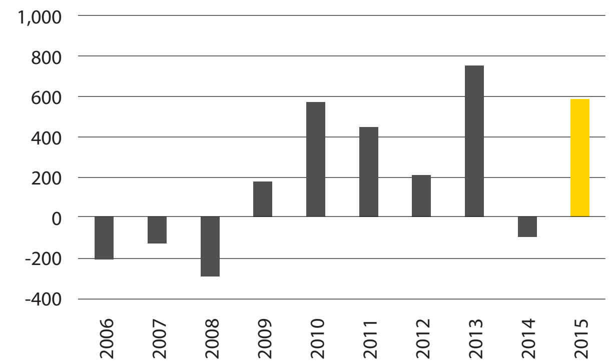
AF Bygg Sør represents the company's building activities in the Agder counties. AF Bygg Rogaland is primarily engaged in building activities in Rogaland. The company specialises in design and build contracts for commercial and residential buildings.

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.

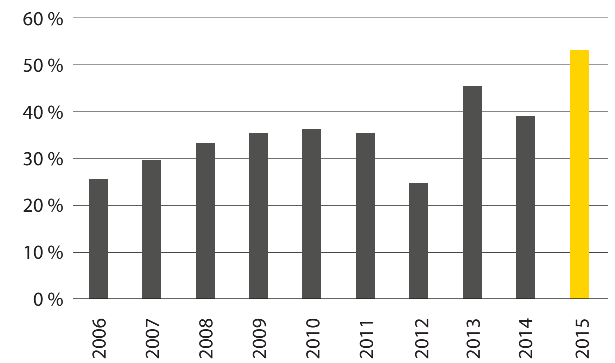
LAB Entreprenør and Åsane Byggmesterforretning are the leading building contractor and master builder, respectively, in the Bergen region, while Fundamentering AS performs sheet piling, pile driving, drilling and anchoring jobs throughout the country.

AF Bygg Sverige represents AF Gruppen's building business in Sweden. AF Bygg Göteborg is AF's largest business unit in Sweden. This unit performs traditional building activities and wet room renovation. AF Bygg Syd is engaged in the building business in Halmstad and Malmö.

NET INTEREST BEARING RECEIVABLES NOK MILLION



RETURN ON CAPITAL EMPLOYED



Results

Amounts in NOK million	2015	2014	2013
Revenues	6,678	5,172	4,793
Earnings before interest and tax (EBIT)	479	315	169
Earnings before tax (EBT)	485	311	160
EBIT %	7.2 %	6.1 %	3.5 %
EBT %	7.3 %	6.0 %	3.3 %
Order backlog	5,947	4,138	4,760

Building reported revenues of NOK 6,678 million (5,172 million) for 2015. This represented an increase of 29.1 per cent compared with 2014. In 2015, the business area reported earnings before interest and tax of NOK 479 million (315 million) and earnings before tax of NOK 485 million (311 million). The operating margin was 7.2 per cent (6.1 per cent).

The units AF Bygg Oslo, Strøm Gundersen, LAB, AF Bygg Rogaland and AF Bygg Gøteborg have performed well, and these units delivered very good results. AF Bygg Østfold delivered satisfactory results. AF Byggfornyelse showed good progress throughout the year, but the results delivered are somewhat weaker than the long-term target. AF Bygg Sør reported a low level of activity and poor results. The unit is marked by a challenging market in the Kristiansand region.

Acquisition of new businesses

In the 1st quarter of 2015, AF Gruppen completed the acquisition of 70 per cent of the shares in LAB AS. The acquisition included 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 1,217 million in 2014 and had approximately 140 employees. Åsane Byggmesterforretning AS is the leading master builder firm in Bergen, with revenues of NOK 336 million in 2014 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 242 million in 2014. Fundamentering AS has approximately 70 employees. LAB Eiendom AS develops properties that are centrally located near the main arteries into Bergen.

The purchase price for 70 per cent of the shares in LAB AS was NOK 735 million. The settlement consisted of a cash payment of NOK 360 million, shares in AF Gruppen ASA valued at NOK 247 million and a contingent consideration of NOK 128 million.

New contracts

In February, AF Bygg Østfold entered into an agreement with Møllergruppen Eiendom for the construction of a new building for Møller Bil Follo at Solbergkrysset in Ås. The agreement encompasses the construction of a garage, showrooms and parts warehouse. The new car facility will have floorspace of approximately 10,000 m^2 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 construction period is expected to last for approximately one year.

In February, AF Bygg Oslo signed an agreement with OBOS Kværnerbyen AS for the construction of area B4 in Kværnerbyen. 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 started in May 2015 and is scheduled for completion in the 2nd quarter of 2017. In addition, the agreement includes an option for the construction of the next stage (area B5).

In March, AF Bygg Rogaland was selected as the design and build contractor for the construction of 32 apartments and a parking facility in Bryne by Jæren Hotell Eiendom AS. The apartments will be erected at Solhøgda in Bryne adjacent to the Jæren Hotell site. The agreement also includes an option for the construction of a new wing of the Jæren Hotel. The contract will be carried out as a turnkey contract, and it is valued at NOK 135 million, excluding VAT and including an option. Estimated construction period is 16 to 18 months from the start.

In November, the Norwegian Defence Estates Agency appointed AF Bygg Rogaland as the contractor for construction of a new helicopter base at Ørlandet. This base is similar to the base that AF is building at Sola.

In March, AF Bygg Oslo signed an agreement with Nordliveien Utbygging KS for the construction of the first construction stage for Thurmannskogen in Lørenskog. The project comprises 90 apartments in two buildings. Nordliveien Utbygging KS is owned by OBOS Nye Hjem AS, T. Klaveness Eiendom AS and AF Gruppen Norge AS. The project will be carried out as a turnkey contract with a total value of NOK 151 million, excluding VAT. The site preparation work started early in September 2015, and scheduled completion is in the 1st quarter of 2017.

In March, AF Bygg Oslo signed a contract with Lillestrøm By og Næringsutvikling AS to build the Engebrets Promenade residential housing project in Lillestrøm. The contract comprises building 172 flats in four structures with commercial premises at ground level, new premises for Folkets hus, and a subterranean parking garage. Lillestrøm By og Næringsutvikling AS is owned by the Olav Thon Group (59.8 per cent) and AF Gruppen (40.2 per cent). The project will be carried out as a design and build contract and is valued at NOK 397 million, excluding VAT. Construction commenced in the 3rd quarter of 2015, and completion is scheduled for the turn of the year 2017-2018.

In May, AF Bygg Østfold was awarded a contract for the construction of Ullerud Helsebygg in Drøbak. The contract includes extension of the existing Ullerud Nursing Home in Frogn municipality and construction of the new Ullerud Helsebygg with 108 nursing home spaces. A total of 11,500 m^2 gross area of new buildings will be erected, while 500 m^2 gross area will be refurbished. The contract is a design and build contract valued at NOK 226 million, excluding VAT. Work commenced in June, and the construction period will last for 20 months.

In September, AF Byggfornyelse was appointed by Boligbygg Oslo KF to build and renovate 91 Care+ homes with adjacent common and commercial areas at Trondheimsveien 387. The existing low-rise building and intermediary building at Trondheimsveien 387 are to be demolished and a new low-rise building with 36 residential units and a new intermediary building are to be constructed. The existing high-rise building is to be renovated to a modern standard, and a total of 55 residential units are to be established, in addition to offices and commercial premises on the 1st floor. The combined gross area of the buildings will be 10,589 m^2. The contract is a design and build contract, and the estimated value of the contract is NOK 168 million, excluding VAT. The project started in October 2015, and completion is scheduled for March 2019.

In September, AF Bygg Rogaland was appointed as the contractor for the construction of a new helicopter base at Sola. The contract includes building a new hangar and administration building for the 330 Squadron at Sola. Overall, new buildings with a gross area of approximately 6,000 will be erected, while outdoor installations measuring around 15,000 m^2 will be established. The contract is a design and build contract valued at NOK 107 million, excluding VAT. Work started in October, and the construction period is expected to last for approx. 1 year.

In September, AF Bygg Oslo signed an agreement with Nordliveien KS for the construction of the second construction stage for Thurmannskogen in Lørenskog. The project comprises 96 apartments in three buildings. Nordliveien KS is owned by OBOS Nye Hjem AS, T. Klaveness Eiendom AS and AF Gruppen Norge AS. The project will be carried out as a turnkey contract with a total value of NOK 170 million, excluding VAT. Site preparation work started in early January 2016. Planned completion is in the 4th quarter of 2017.

In September, AF Bygg Østfold signed a contract with OBOS Kværnerbyen AS for the construction of area B5 in Kværnerbyen (Kværnerbakken Housing Cooperative). The project comprises 131 apartments in three buildings. The project will be carried out as a turnkey contract with a total value of NOK 233 million, excluding VAT. The foundation work will start in May 2016. Planned completion is in the 2nd quarter of 2018. Area B5 is the continuation of the second construction stage for the Kværnerlia Housing Cooperative (area B4), for which construction started in May 2015.

In September, AF Bygg Oslo was awarded a contract for construction of the second stage of the "Krydderhagen" residential housing project at Hasle by Haslemann AS. The residential development company Haslemann AS is owned 50/50 by AF Gruppen and Höegh Eiendom AS. The second construction stage comprises the construction of 87 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 182 million, excluding VAT. The work started in September and completion is expected in the 2nd quarter of 2017.

In September, AF Byggfornyelse received an order from Statsbygg for contract K205 Closed Building for the New National Museum. The contract encompasses approximately 11,000 m^2 of façade area and 14,000 m^2 of roof area. The contract encompasses concrete structures, windows, doors, gates and hatches, as well as steel, masonry, carpentry, roofing and metal work. The terrace and atria are to be covered in natural stone and the façades are to be covered with bricked natural stone. Work started in October 2015, and completion is scheduled for June 2018. The contract value, excluding options, is estimated at NOK 285 million, excluding VAT.

In October, Consolvo AS, a subsidiary of AF Gruppen, was appointed by the Eastern Region of the Norwegian Public Roads as the contractor for renovation of the Fredrikstad Bridge. The contract encompasses, for example, renovation and surface treatment of concrete and steel structures, maintenance of the existing exterior railings and light masts, assembly of new intermediary railings, replacement of portal beams, lighting, electrical wiring, noise barriers, etc. The contract is a construction contract valued at NOK 102 million, excluding VAT. The work started in November 2015 and is scheduled for completion in November 2018.

In November, LAB Entreprenør AS, a subsidiary of AF Gruppen, was appointed by Kanalveien Næringsbygg AS as the contractor to build Kanalveien 7 in Bergen. The contract comprises construction of a commercial building with a total gross area of 9,951 square metres. The office building will have five floors for lease and two underground floors with technical rooms, bicycle parking and car parking. The contract is a design and build contract valued at NOK 185 million, excluding VAT. The work started in November and is scheduled for completion in May 2017.

In November, AF Bygg Oslo entered into a contract with Bøkerveien 5 AS (Höegh Eiendom and AF Eiendom) for the construction of a new office building at Hasle. The building will be the new head office for Securitas, among other things. The contract encompasses construction of an eight-storey office building with two basement floors. The total gross area for this project is approximately 15,000 m^2. The building will have an A+/Passive House energy rating and achieve a BREEAM environmental classification of "Very Good". The project will be carried out as a design and build contract and is valued at NOK 280 million, excluding VAT. Construction commenced in the 4th quarter of 2015, and completion is scheduled for the 1st quarter of 2018.

In November, the Norwegian Defence Estates Agency appointed AF Bygg Rogaland as the contractor for construction of a new helicopter base at Ørlandet. This base is similar to the base that AF is building at Sola. The contract encompasses the construction of a new hangar building for the No. 330 Squadron at Ørlandet, as well as outdoor installations on the land and air sides. Overall, new buildings with a gross area of approximately 6,000 will be erected, while outdoor installations of around 15,000 m^2 will be established. The contract is a design and build contract valued at NOK 131 million, excluding VAT. Work started in January 2016, and the construction period will be approximately 1 year.

Market outlook

Residential property prices performed strongly in 2015, and residential prices were on average 6.1 per cent higher in 2015 than in 2014. The price for apartments increased the most, by 9.2 per cent, while the price increase for small houses and single family homes increased 6.0 and 4.9 per cent, respectively. Stavanger was the only region where there was a decline in residential property prices throughout the entire year. There the residential property prices fell on average 3.8 per cent, and there was a price decline for all types of residential units. For 2016, weak to moderate growth in residential property prices is expected. Lower wage inflation and increasing unemployment are expected to have a dampening effect on residential property prices, while the general lag in the construction of housing in

SHAREHOLDER INFORMATION

After a strong performance in 2015, weak to moderate growth in residential property prices is expected in 2016. For 2017 and 2018, however, it is expected that increased income growth and a better economy will contribute to strong growth in residential property prices.

combination with record-low interest rates will contribute to maintaining the demand.

Prognosesenteret reports that the number of start permits for residential units ended up at 30,927 in 2015. This corresponds to a 14 per cent increase over 2014. In 2016, they expect that housing construction will be maintained at approximately the same level, and 30,500 start permits are expected for the year in full.

The Building business area is also exposed to fluctuations in the commercial property market. The construction of commercial buildings with a total floorspace of 4.59 million square metres started in 2015, a reduction of 2.2 per cent over 2014. Prognosesenteret expects that this trend will continue in 2016 with a weak decline of 1.4 per cent. However, it is expected that the market will turn around in 2017, and Prognosesenteret is assuming an increase of 1.7 per cent in the number of square metres started.

The Swedish residential housing market showed strong growth in 2015, and a continued positive trend is expected in the coming year. The Swedish Construction Federation forecasts growth of 6 per cent in residential housing investments in 2016. A continued high level of activity in Sweden provides a good foundation for AF's Swedish building activities.

A good market is expected in general for AF's activities in the Building business area in 2016, 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 5,947 million (4,138 million).

PROPERTY

Description of the business

The Property business area encompasses the development of sites for 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 with partners. This reduces project-specific risk and adds the benefit of complementary expertise in the development work.

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, Gothenburg and Bergen through LAB.

Results

Amounts in NOK million	2015	2014	2013
Revenues	25	21	60
Earnings before interest and tax (EBIT)	69	19	32
Earnings before tax (EBT)	57	13	30
Return on invested capital	9.3 %	2.9 %	10.9 %
Number of residential housing units [1)]			
Under construction	297	94	26
Sold during the year	178	44	45
Completed for sale	11	20	22
Sites and development rights [1)]			
Residential housing units	997	1,052	1,082
Commercial area m²	59,272	71,322	9,051

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

AF Eiendom's activities are primarily carried out through associates, where only the share of profit from associates is reported in the business area. The revenues reported in the Property business area therefore only refer to the wholly-owned activities of the business area.

AF's share of the revenues in the associated companies was NOK 298 million (116 million). Property delivered a profit before tax of NOK 57 million (13 million) in 2014.

In the Property business area, there has been a significant increase in the level of activity throughout 2015. A total of 438 (103) apartments were sold in 2015, of which AF's share was 178 (44) residential housing units. At the end of 2015, Property had nine active residential housing projects with a total of 723 apartments in the production phase (AF's share was 297).

Property delivered two commercial projects in 2015, the Agency for Urban Environment Building (13,972 square metres) and Glasiären (12,415 square metres). In addition, the unit has two commercial projects in the production phase, the Cowi Building measuring 13,390 square metres and the Securitas Building measuring 13,584 square metres. It is expected that these projects will be completed in 2016 and 2018, respectively.

Property has two construction stages in the sales phase with a total of 59 apartments, of which AF's share is 30. AF also has ownership interests in land and development rights in progress, which are estimated to amount to 2,367 (2,444) residential units. AF's share of this is 997 (1,052) residential units. AF has commercial property with a gross area of 122,717 (147,786) square metres under development. AF's share is 59,272 (71,468) square metres. LAB and Målselv Maskin & Transport has development rights that are included in the figures.

Sale of real property

In December, AFG Invest 5 AS entered into an agreement for the sale of AF Fastighet 1380 AB and its underlying property, Glasiären. AF Eiendom owns one-third of AFG Invest 5 AS. Glasiären is a newly-erected commercial building in Gothenburg with a lease area of approx. 12,400 sqm across five floors with offices, retail space and a training centre, as well as basement parking. The building is 100 per cent leased on long contracts with a majority of public sector tenants. The property is valued at SEK 500 million.

Market outlook

After a strong performance in 2015, weak to moderate growth in residential property prices is expected in 2016. Increased unemployment, prospects of weak income growth and uncertainty concerning the Norwegian economy has a dampening effect on the growth of residential property prices in 2016. The National Federation of House Owners assumes, however, in its forecasts that further interest rate cuts, as well as a general deficit in residential housing, will contribute to moderate price growth of 3-4 per cent. It is expected that the greatest price growth of 5-6 per cent will be in Greater Oslo, while a price decline of 2-3 per cent is expected in Stavanger. Statistics Norway presented its estimates in December, which indicate growth of 1.5 per cent in residential property prices in 2016. For 2017 and 2018, however, it is expected that increased income growth and a better economy will contribute to strong growth in residential property prices.

The residential housing market in Sweden showed a strong performance in 2015, and further growth is therefore expected in 2016. This provides fertile grounds for AF's property activities in Sweden. 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 consists of a single business unit:

- AF Energi & Miljøteknikk AS

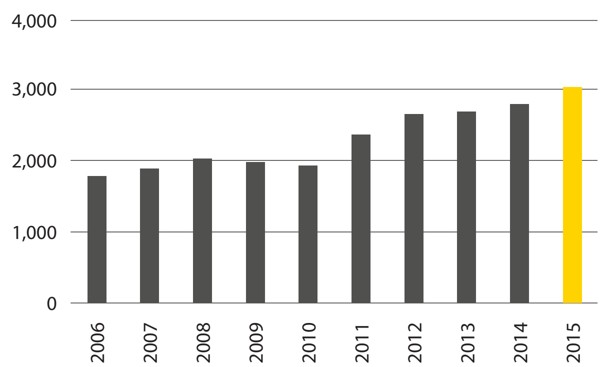
Energy also has activities in Boligenergi AS, which is owned jointly with OBOS.

Results

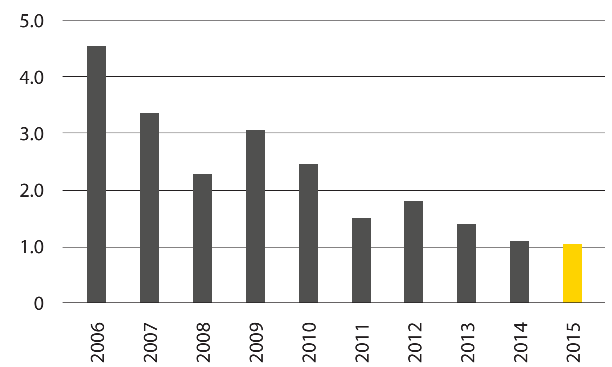
Amounts in NOK million	2015	2014	2013
Revenues	225	141	173
Earnings before interest and tax (EBIT)	19	3	11
Earnings before tax (EBT)	21	3	12
EBIT %	8.3 %	2.1 %	6.5 %
EBT %	9.4 %	2.2 %	6.8 %
Order backlog	90	85	59

Energy reported revenues of NOK 225 million (141 million) and earnings before interest and tax of NOK 19 million (3 million) for 2015. This corresponds to an operating margin of 8.3 per cent (2.1 per cent). Earnings before tax were NOK 21 million (3 million).

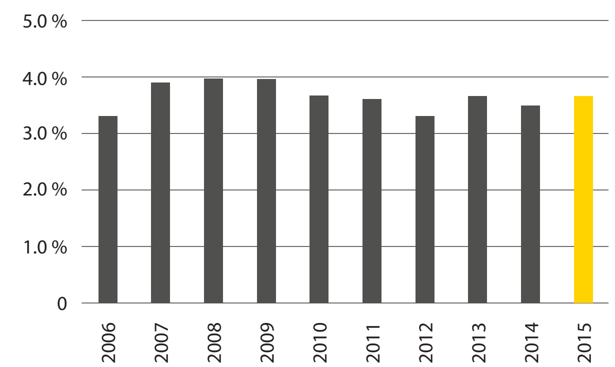
NUMBER OF EMPLOYEES



LTI RATE



ABSENCE DUE TO ILLNESS



New contracts

In the first quarter of 2016, AF Energi & 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 April, AF Energi og Miljøteknikk was awarded the contract to supply the heating and cooling plant for the new T3 terminal at Bergen Airport Flesland. This is the largest contract ever awarded in the history of Energi og Miljøteknikk. The delivery comprises cooling, heat recycling and thermal cooling energy storage, as well as the distribution network for 63,000 m². The contract is a general contract and has an estimated value of NOK 81 million, excluding VAT. Work started in May 2015, and completion is scheduled for late 2016.

In addition to energy savings contracts (EPCs) entered into in 2015, 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 110 million at year end.

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 2016. 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 90 million (85 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.
  Miljøbase Vats
- AF Offshore AeronMollier
  Aeron Energy Tech. Co
  AF Offshore Aeron Pte. Ltd
- AF Offshore Mandal
- V & M Landanlegg

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.

Effective 1 September 2015, AF Gruppen's operations within maintenance and modification work for HVAC (Heating, Ventilation and Air Conditioning) systems were combined in a single company, AF Offshore AeronMollier. The new company provides maintenance and modification services for offshore installations, as well as total HVAC solutions for new builds of rigs, new builds of marine vessels, special purpose offshore vessels and floating production (FPSO) vessels at shipyards throughout the world.

Maintenance and the construction of new cranes and other types of equipment for offshore installations are carried out by AF Offshore Mandal.

Results

Amounts in NOK million	2015	2014	2013
Revenues	1,187	850	1,480
Earnings before interest and tax (EBIT)	104	-22	70
Earnings before tax (EBT)	83	-45	71
EBIT %	8.7 %	-2.6 %	4.7 %
EBT %	7.0 %	-5.3 %	4.8 %
Order backlog	1,182	1,918	1,265

Offshore reported revenues of NOK 1,187 million (850 million) and earnings before interest and tax of NOK 104 million (-22 million) for 2015. This corresponds to an operating margin of 8.7 per cent (-2.6 per cent) for 2015. Earnings before tax were NOK 83 million (-45 million).

AF Offshore Decom saw a high level of activity throughout the year. We have completed the removal of the riser platform B11 for Statoil and Gassco, and preparations are well under way for the removal of Murchinson in 2016 and 2017. There has been a satisfactory level of activity at the reception facility at Vats in 2015 as a result of the B11 campaign. A high level of activity is expected at Vats in 2016 in connection with the Murchinson project. The unit reported good results for 2015.

V & M Landanlegg performed well and delivered good results for 2015. AF Offshore AeronMollier and AF Offshore Mandal have, however, been affected by the downturn in the offshore industry, and organisational adaptations have been made as a result of this. The units delivered weak results for the year as a whole.

New contracts

In April, AF Offshore Mollier was awarded a framework agreement for the supply of HVAC (Heating, Ventilation and Air Conditioning) equipment for the Johan Sverdrup field centre by Statoil.

The contract period is 5 years with an option for Statoil to extend the agreement an additional two consecutive periods, each limited to a maximum of 3 years. The contract has an estimated value of NOK 250 million, excluding options. The contract entered into force as of 30 April 2015.

Market outlook

The price of oil weakened significantly throughout 2015, and lower oil prices contribute to reduced profitability and a greater reluctance to invest among oil companies. Statistics Norway estimates that the investments related to oil and gas production will total NOK 171 billion in 2016. This is a reduction of 11.5 per cent, compared with the estimate for 2015. It is the estimates for investments in exploration activities, operating fields and pipeline transport in particular that have been reduced compared with the figures for 2015. In a historical context, this is still a high level, but a lower oil price and increased uncertainty will affect AF's maintenance and modification activities. According to Statistics Norway, a moderate upswing is expected in field development and onshore activities, as well as decommissioning and removal. This represents good 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 1,182 million (1,918 million).

"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, which show that AF's employees are very happy, have a high degree of job satisfaction and are proud to work for AF.

ORGANISATION, HEALTH, ENVIRONMENT AND SAFETY

PERSONNEL AND ORGANISATION

On 15 October 2015, Morten Grongstad, former executive vice president for Building in AF Gruppen, took up the position as CEO of the company. Grongstad succeeds Pål Egil Rønn, who has headed the company since May 2007.

Four new executive vice presidents took over at AF as of 1 January 2016 The new executive vice presidents are Eirik Wraal (Environment), Henning Olsen (Building), Amund Tøftum (Offshore) and Bård Frydenlund (Personnel and Organisation). In addition, the Corporate Management Team includes the executive vice presidents Sverre Hærem (CFO), Arild Moe (Civil Engineering) and Andreas Jul Røsjø (Property and Energy).

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

AF invests a lot of time and resources in the development of employees through training in various positions in production and through development of the AF Academy. In 2015, 1,130 (1,199) employees participated in courses at the AF Academy. More than 80 per cent of the current managers have been recruited internally. AF is experiencing an increasing and satisfactory influx of qualified employees, and our employees are good ambassadors for the recruitment of new personnel.

At the end of 2015 there were 3,030 (2,797) employees in the Group, 1,378 (1,325) of which were salaried and 1,652 (1,472) were skilled workers. The parent company, AF Gruppen ASA, had no employees at the end of 2015.

Of the Group's employees, 7.8 per cent (8.9 per cent) were women and 92.2 per cent (91.1 per cent) were 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 15.9 per cent (16.8 per cent) at the end of 2015.

Absence due to illness at AF was 3.7 per cent (3.5 per cent) in 2015. 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 2015, which show that AF's employees are very happy, have a high degree of job satisfaction and are proud to work for AF. The results are better than the previous survey in 2013 and significantly better than the industry average.

In 2015 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, beliefs 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 AND SAFETY

AF Gruppen has a structured and uniform HSE system that encompasses all the 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. Identifying risk and risk analysis are a key elements in preventive HSE activities. Based on an assessment of risk, physical and organisational barriers are established to reduce the risk of personal injury and occupational illness to an acceptable level.

In addition to risk assessments, 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 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).

The LTI rate for all operations in 2015 was 1.0 (1.1). Our LTI rate is among the lowest in the industry. In 2015, there was a total of 10 (10) lost time injuries, 6 of which involved subcontractors and 4 of which involved our own employees. Among the lost time injuries, there were six broken bones, one crushing injury, one cut injury, one badly bruised body and one fatality when an aerial lift tipped over. Nine of the lost time injuries occurred in the Norwegian part of the operations and one in the Swedish part of the operations.

Absence due to illness for the entire Group was 3.7 per cent (3.5 per cent). Absence due to illness for the the Norwegian operations was 3.8 per cent (3.6 per cent). Absence due to illness for AF's operations abroad was 2.6 per cent (2.4 per cent). The company's goal is to avoid work-related illnesses. The goal is to have absence due to illness of less than 3.0 per cent. This target represents a normal illness rate, without work-related illnesses. AF has ambitions to eliminate work-related illnesses, and to achieve this AF is surveying what 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 Group carries out its activities in such a way that the impact on resources and the environment is reduced to a level well within what is required by the authorities and clients. The Group's management systems and work methods are designed to safeguard the external environment. The goal is to prevent, avert and reduce any undesirable impact on the environment.

Each AF business unit must follow the principles of ISO 14001, the international standard for environmental management. This will be done by identifying and monitoring the main environmental impacts represented by the various business units. In 2015, 41 (41) 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.

Tore Thorstensen
Chairman of the Board

Borghild Lunde

Daniel Kjørberg Siraj

Hege Bømark

Peter Groth

Kenneth Svendsen
Employee elected

Pål Jacob Gjerp
Employee elected

Arne Sveen
Employee elected

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. Measuring our carbon footprint will map and measure the emission of greenhouse gases in tonnes of CO2 equivalents. The purpose of the measurement is to motivate environmentally friendly resource consumption. The Group's carbon footprint for 2015 was measured at xx,xxx (41,969) tonnes of CO2 equivalents. This is equivalent to x.x (4.9) 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 84 per cent (82 per cent) for building, 87 per cent (82 per cent) for renovation and 96 per cent (96 per cent) for demolition in 2015. The source separation rate required by the authorities for building and civil engineering is 60 per cent. In 2015, 319,225 (478,955) tonnes of waste were separated, and 552,884 (707,941) 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, THE SHARE AND MARKET OUTLOOK

RISK MANAGEMENT AND FINANCIAL RISK

AF Gruppen is exposed to risk of both an operational and financial nature. AF Gruppen wants to assume operational risk that the business units can influence and control. AF has developed risk management processes that are well adapted to our operations. Standardised, action-oriented risk management processes ensure comprehensive and coherent risk management in all parts of the organisation. AF seeks to limit exposure to risk that cannot be influenced. A risk review will already be conducted for all projects before a tender is submitted. Analysis of risk during the tendering phase enables the correct pricing and management of risk in the project. The same projects conduct detailed risk reviews every quarter. In addition, a total of 88 risk reviews of the business units, in which the Corporate Management Team also participated, were conducted in 2015.

Financial risk encompasses market risk, credit risk and liquidity risk. Market risk includes commodity price risk, foreign exchange risk and interest rate risk. AF is exposed to foreign exchange risk, and as a major demolition and recycling operator, the group is also exposed to fluctuations in steel prices. In order to manage currency and price risk from future commercial transactions and recognised assets and liabilities, Group entities use forward contracts. At the end of 2015, AF Gruppen had NOK 126 million in recognised liabilities related to forward exchange contracts in the Offshore business area. The Group does not have any exchange rate risk related to revenue from the Civil Engineering, Environment, Building, Energy or Property business areas, since all revenues are in the functional currency.

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.

In 2015, 94 per cent (92 per cent) of the Group's recognised revenue was from operations with NOK as the functional currency, 6 per cent (7 per cent) with SEK and 0 per cent (1 per cent) with other currencies. The net foreign exchange gain/(loss) was NOK -1 million (-3 million) in 2015. The total translation differences were NOK 21 million (4 million) in 2015.

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. AF has credit risk in relation to customers, suppliers and partners. In addition to the parent company and bank guarantees, the use of credit rating tools contributes to reducing risk. AF will have corresponding guarantee commitments to its partners.

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 1,480 million. This facility consists of an overdraft facility of NOK 800 million (800 million) and a revolving credit facility of NOK 600 million (600 million) that is renewed annually until June 2020. This facility was unused at the end of the year. In addition, Strøm Gundersen has a one-year revolving credit facility of NOK 80 million (80 million). AF had net interest-bearing receivables of NOK 593 million (-95 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.

THE SHARE

In 2015, AF Gruppen ASA acquired treasury shares to sell to employees. AF Gruppen ASA purchased 189,065 (457,940) shares in 2015. In 2015, 239,065 (489,600) treasury shares were sold to employees. At the end of the year, AF Gruppen ASA held 0 (50,000) treasury shares.

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 2015, 567 (507) employees subscribed for a total of 1,000,000 (996,245) shares. The purchase price after a 20 per cent discount was NOK 85.00. In connection with the sale, the Board used its authority and issued 851,855 new 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 2015 have been better than the Board's expectations. At the end of 2015, the Group had an order backlog of NOK 11,184 million (9,429 million) and earnings from ongoing projects are considered to be good.

The market outlook for 2016-2017 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 2.0 per cent in 2016 and 2.6 per cent in 2017. Prognosesenteret expects continued strong growth in the civil engineering business, 11 per cent in 2016 and an additional 4 per cent in 2017, 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, the central bank Riksbanken expects the gross national product to grow by approximately 3 per cent in the coming years. 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 2016 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 2016.

The Board thanks the employees for their significant contributions to the good results in 2015. The Board is confident that a high level of activity and good earnings will prevail in 2016 as well.

Signed

Innovation
+ teamwork
+ ownership
= record profits

Consolidated annual accounts AF Gruppen ASA

Income statement

Amounts in NOK million	Note	2015	2014	2013
		1 January to 31 December		
Operating revenue	5	12,342	9,885	10,090
Other revenue	5	56	50	38
Total operating and other revenue		**12,398**	**9,935**	**10,127**
Subcontractors		-6,145	-4,498	-4,637
Cost of materials		-1,765	-1,468	-1,366
Payroll costs	7,28	-2,535	-2,238	-2,132
Depreciation and impairment of property, plant and equipment	14	-123	-114	-106
Amortisation and impairment of intangible assets	13	-18	-3	-4
Other operating expenses	8	-968	-1,116	-1,400
Net gains/(losses)	9	135	126	47
Profit/(loss) from associates and joint venture	33	31	10	40
Total operating expenses		**-11,388**	**-9,300**	**-9,559**
Earnings before interest and tax (EBIT)		**1,010**	**635**	**568**
Net financial items	19	-6	-10	12
Earnings before tax (EBT)		**1,004**	**625**	**580**
Income tax expense	26	-226	-142	-128
Profit for the year		**778**	**483**	**453**
Attributable to:				
Shareholders in the Parent Company		697	442	429
Minority interests		81	41	24
Profit for the year		**778**	**483**	**453**
Earnings per share (amounts in whole NOK)	21	7.64	5.11	5.26
Diluted earnings per share (amounts in whole NOK)	21	7.50	5.09	5.11
Dividend per share (amounts in whole NOK)	21	5.00	8.00	6.00

Comprehensive profit/(loss)

Amounts in NOK million	2015	2014	2013
Profit for the year	778	483	453
Change in actuarial gains or losses on pensions (after tax)	2	1	3
Income and expenses that will not be reclassified to the income statement	**2**	**1**	**3**
Change in cash flow hedging (after tax)	-98	-74	-
Translation differences	21	4	19
Income and expenses that may be reclassified to the income statement	**-76**	**-69**	**19**
Comprehensive income for the year	**-75**	**-68**	**22**
Total comprehensive income for the year	**703**	**415**	**475**
Attributable to:			
– Shareholders in the Parent Company	621	374	451
– Minority interests	83	41	24
Total comprehensive income for the year	**703**	**415**	**475**

Statement of financial position

Amounts in NOK million	Note	31/12/2015	31/12/2014
ASSETS			
Non-current assets			
Property, plant and equipment	14,32	1,111	992
Intangible assets	13	2,077	1,358
Investments in associates and joint ventures	33	433	406
Deferred tax assets	27	94	66
Interest-bearing receivables	20, 22, 24	169	77
Pension plan and other financial assets	18, 20, 22, 24	10	8
Total non-current assets		**3,895**	**2,907**
Current assets			
Inventories	11	152	124
Projects for own account	12	67	108
Trade and other non-interest-bearing receivables	10,22,24	1,599	2,129
Interest-bearing receivables	20,22,24	70	52
Financial derivatives	22,23,24	1	17
Cash and cash equivalents	20,22,24	459	91
Total current assets		**2,348**	**2,522**
Total assets		**6,243**	**5,428**

Statement of financial position

Amounts in NOK million	Note	31/12/2015	31/12/2014
EQUITY AND LIABILITIES			
Equity capital			
Equity attributable to Parent Company shareholders		1,561	1,362
Minority interests	35	259	137
Total equity		**1,820**	**1,499**
Non-current liabilities			
Interest-bearing loans and credit facilities	20,22,24	83	63
Retirement benefit liabilities	18	2	1
Provisions	15	183	13
Deferred tax	27	392	249
Financial derivatives	22,23,24	54	78
Total non-current liabilities		**714**	**404**
Current liabilities			
Interest-bearing loans and credit facilities	20, 24	22	252
Trade payables and other non-interest-bearing debt	16,24	3,236	2,743
Financial derivatives	22,23,24	108	55
Provisions	15	165	153
Current tax payable	26	178	322
Total current liabilities		**3,710**	**3,525**
Total liabilities		**4,424**	**3,929**
Total equity and liabilities		**6,243**	**5,428**

Oslo, 7 April 2016

Tore Thorstensen
Chairman of the Board

Hege Bømark

Borghild Lunde

Peter Groth

Daniel Kjørberg Siraj

Morten Grongstad
CEO

Kenneth Svendsen
Employee elected

Arne Sveen
Employee elected

Pål Jacob Gjerp
Employee elected

FINANCIAL INFORMATION

Statement of changes in equity

Amounts in NOK million		Equity attributable to Parent Company shareholders							Minority interests	Total equity
2013	**Note**	**Share capital**	**Other paid-in capital**	**Translation differences**	**Actuarial pension gains/ (losses)**	**Cash flow hedging**	**Retained earnings**	**Total**		
Equity as at 01/01/2013		4	240	-14	-17	-	899	1,102	100	1,202
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	25	-	-	-	-	-	-10	-10	-	-10
Sale of treasury shares	25	-	-	-	-	-	7	7	-	7
Dividend adopted and paid in 2013	21	-	-35	-	-	-	-332	-366	-17	-384
Share value-based remuneration	7	-	12	-	-	-	-	12	-	12
Transactions with minority interests	35	-	-	-	-	-	-19	-19	-2	-20
Equity as at 31/12/2013		**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	25	-	-	-	-	-	-33	-33	-	-33
Sale of treasury shares	25	-	-	-	-	-	35	35	-	35
Dividend adopted and paid in 2014	21	-	-205	-	-	-	-324	-529	-16	-544
Share value-based remuneration	7	-	9	-	-	-	-	9	-	9
Transactions with minority interests	35	-	-	-	-	-	-2	-2	6	4
Equity as at 31/12/2014		**4**	**352**	**9**	**-13**	**-74**	**1,083**	**1,362**	**137**	**1,499**
2015										
Profit for the year		-	-	-	-	-	697	697	81	778
Comprehensive income for the year		-	-	20	2	-98	-	-76	1	-75
Total comprehensive income for the year		**-**	**-**	**20**	**2**	**-98**	**697**	**621**	**83**	**703**
Capital increase		-	364	-	-	-	-	364	-	364
Purchase of treasury shares	25	-	-	-	-	-	-20	-20	-	-20
Sale of treasury shares	25	-	-	-	-	-	23	23	-	23
Dividend adopted and paid in 2015	21	-	-315	-	-	-	-420	-735	-31	-766
Share value-based remuneration	7	-	5	-	-	-	-	5	-	6
Addition of minority interests from acquisition of business	35	-	-	-	-	-	-	-	115	115
Transactions with minority interests	35	-	-	-	-	-	-60	-60	-46	-106
Equity as at 31/12/2015		**5**	**407**	**29**	**-12**	**-171**	**1,303**	**1,561**	**259**	**1,820**

Cash flow statement

Amounts in NOK million	Note	2015	2014	2013
Cash flow from operating activities				
Profit/(loss) before tax		1,004	625	580
Depreciation and write-downs	13,14	142	117	110
Change in retirement benefit liabilities		-2	-1	-
Accounting cost of share value-based remuneration		5	9	12
Net financial expenses/(income)	19	6	10	-12
Net gains/(losses)	9	-135	-126	-47
Profit attributable to associates and joint ventures	33	-31	-10	-40
Change in operating capital (excluding acquisitions and foreign currency)				
Change in inventories and projects for own account	11,12	40	-3	62
Change in non-interest-bearing receivables	10	867	-42	260
Change in trade payables and non-interest-bearing debt	16	-118	-292	130
Income tax paid		-361	-201	-40
Net cash flow from operating activities		**1,418**	**86**	**1,015**
Cash flow from investment activities				
Acquisition of business	4	49	-140	-26
Investments in property companies		-12	-170	-71
Purchase of property, plant and equipment and intangible assets	13,14	-126	-112	-150
Proceeds from the sale of business		-	14	2
Proceeds from the sale of property companies		10	10	22
Proceeds from sale of property, plant and equipment		85	50	52
Proceeds (payments) from derivatives		-17	13	7
Dividends and capital from associates		54	59	35
Interest and other financial income received	19	30	27	21
Net cash flow from investment activities		**74**	**-250**	**-107**
Net cash flow before financing activities		**1,492**	**-164**	**908**
Cash flow from financing activities				
Issuance of shares		72	279	53
Transactions with minority interests		-128	-12	-31
Dividends paid to Company's shareholders		-735	-529	-384
Payments due to change in interest-bearing receivables	20	-42	-	-113
Proceeds due to change in interest-bearing receivables	20	49	1	-
Proceeds from new interest-bearing debt	20	2	-	-
Repayment of interest-bearing debt	20	-307	-161	-49
(Purchase)/sale of treasury shares	23	3	2	-3
Interest and other financial expenses paid	19	-34	-20	-9
Net cash flow from financing activities		**-1,119**	**-440**	**-537**
Total change in liquid assets		**372**	**-604**	**371**
Cash and cash equivalents as at 1 January	20	91	695	322
Change in cash and cash equivalents with no effect on cash flow		-4	-	-
Cash and cash equivalents as at 31 December	**20**	**459**	**91**	**695**

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 annual financial statements were adopted by the Board of Directors on 7 April 2016 and have been prepared in accordance with the International Financial Reporting Standard (IFRS) as stipulated by the EU.

None of the recently published accounting standards or interpretation have had a significant impact on the consolidated financial statements.

The accounting policies applied in the consolidated financial statements are consistent with the policies applies in the previous accounting period. The Group's significant accounting policies are described in Note 37 - New and amended accounting standards and significant accounting policies.

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

Note 2 // Basis of preparation for annual financial statements

The consolidated financial statements of 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 2015, as well as Norwegian disclosure requirements that follow from the Norwegian Accounting Act as at 31 December 2015.

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 29 – Estimate uncertainty.

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 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 the establishment of 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 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 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 AeronMollier and AF Offshore Decom. Offshore also has activities in 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 in the consolidation and presented in the elimination column in the segment information.

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 – Operating and other revenue. 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 - Revenue. 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
Revenues from 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 2015 income of NOK 3,084 million (2,890 million) was recognised in connection with contracts entered into with the public sector.

Note 3 cont. // Segment information

Amounts in NOK million	Civil Engineering	Environment	Building	Property	Energy	Offshore	Others	Elim.	IFRIC 15	Sum
2015										
Income statement										
External revenue	3,759	641	6,661	25	225	1,186	45	-	-144	12,398
Internal revenue	1	47	17	-	-	2	42	-109	-	-
Total revenue	**3,760**	**687**	**6,678**	**25**	**225**	**1,187**	**88**	**-109**	**-144**	**12,398**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	394	56	510	69	19	134	-6	2	-27	1,151
Earnings before interest and tax (EBIT)	339	45	479	69	19	104	-21	2	-27	1,010
Earnings before taxes (EBT)	**339**	**46**	**485**	**57**	**21**	**83**	**-4**	**2**	**-27**	**1,004**
Key figures and balance sheet										
EBITDA %	10.5 %	8.2 %	7.6 %	-	8.5 %	11.3 %	-	-	-	9.3 %
EBIT %	9.0 %	6.6 %	7.2 %	-	8.3 %	8.7 %	-	-	-	8.1 %
EBT %	9.0 %	6.7 %	7.3 %	-	9.4 %	7.0 %	-	-	-	8.1 %
Assets as at 31 December	1,232	278	3,903	630	133	1,354	528	-1,784	-31	6,243
Invested capital as at 31 December	163	118	1,728	620	73	956	-127	-1,576	-29	1,925
Order backlog as at 31 December	3,402	216	5,947	-	90	1,182	-	168	178	11,183
Number of employees as at 31 December	1,069	198	1,314	18	60	241	130	-	-	3,030
Cash flow										
Net cash flow from operating activities	502	138	588	-25	25	166	23	-	-	1,418
Net cash flow from investment activities	-26	-7	84	62	-	-31	-8	-	-	74
Net cash flow before financing activities	**476**	**131**	**672**	**37**	**26**	**134**	**15**	**-**	**-**	**1,492**

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.

Amounts in NOK million	Civil Engineering	Environment	Building	Property	Energy	Offshore	Others	Elim.	IFRIC 15	Sum
2015										
Geographic distribution of revenue										
Norway	3,624	529	6,230	24	225	1,237	88	-101	-144	11 713
Sweden	136	159	441	1	-	-	-	-8	-	728
Others	-	-	7	-	-	124	-	-	-	131
Eliminations	-	-	-	-	-	-174	-	-	-	-174
Total	**3,760**	**687**	**6,678**	**25**	**225**	**1,187**	**88**	**-109**	**-144**	**12,398**
Geographic distribution of non-current assets, excluding financial instruments and deferred tax assets										
Norway	177	89	1,749	435	56	895	457	-333	-23	3,501
Sweden	15	19	135	-	-	-	-	-	-	169
Others	-	-	1	-	-	-	-	-	-	1
Eliminations	-	-	-	-	-	-	-	-	-	-
Total	**191**	**108**	**1,885**	**435**	**56**	**895**	**457**	**-333**	**-23**	**3,671**
Geographic distribution of assets										
Norway	1,158	220	3,466	630	133	1,318	528	-1,784	-31	5,638
Sweden	74	58	434	-	-	-	-	-	-	566
Others	-	-	4	-	-	46	-	-	-	49
Eliminations	-	-	-	-	-	-10	-	-	-	-10
Total	**1,232**	**278**	**3,903**	**630**	**133**	**1,354**	**528**	**-1,784**	**-31**	**6,243**

Note 3 cont. // Segment information

Amounts in NOK million	Civil Engineering	Environment	Building	Property	Energy	Offshore	Others	Elim.	IFRIC 15	Sum
2014										
Income statement										
External revenue	3 160	692	5 169	21	141	840	38	-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 taxes (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 %	-	2.2 %	-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.

Amounts in NOK million	Civil Engineering	Environment	Building	Property	Energy	Offshore	Others	Elim.	IFRIC 15	Sum
2014										
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, excluding 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

Amounts in NOK million	Civil Engineering	Environment	Building	Property	Energy	Offshore	Others	Elim.	IFRIC 15	Sum
2013										
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 taxes (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.

Amounts in NOK million	Civil Engineering	Environment	Building	Property	Energy	Offshore	Others	Elim.	IFRIC 15	Sum
2013										
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, excluding 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 4 // Acquisition and sale of businesses

BUSINESS COMBINATIONS IN 2015
Målselv Maskin & Transport
On 4 June AF Gruppen agreed to acquire 70 per cent of the shares in Målselv Maskin & Transport AS. The transaction includes the company's share in Holmen Betong AS and Anlegg og Maskin AS and sites under development. Målselv Maskin & Transport AS is part of the Civil Engineering business area.

Målselv Maskin & Transport AS is the largest machinery contractor in Troms. The company reported revenues of NOK 186 million in 2015 and it has 60 employees. After the aquisition date, Målselv Maskin & Transport had revenues of NOK 139 million and earnings before tax of NOK 25 million.

Operations in Målselv Maskin & Transport AS, including shares in subsidiaries and sites, are valued at NOK 155 million on a 100% basis. Settlement comprised 400,538 shares in AF Gruppen ASA at NOK 111.60 per share, a contingent consideration and NOK 99 million in cash. The vendor financing conditions are linked to result guarantees for 2015-2017.

Presented below is an allocation of the compensation based on the opening balance sheet of Målselv Maskin & Transport AS as at 4 June 2015. Allocation of the compensation 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 Målselv Maskin & Transport AS. The allocation is final.

Amounts in NOK million	Målselv Maskin & Transport
Cash consideration	99
Share issue	45
Contingent consideration	12
Gross consideration	**155**
– Cash and cash equivalents	-71
Net consideration	**84**
Tangible fixed assets and intangible assets	42
Investments in associates	12
Non-current interest-bearing receivables	1
Inventories and projects for own account	11
Current non-interest-bearing receivables	26
Minority interests	-39
Deferred and payable tax	-5
Current non-interest-bearing liabilities	-19
Other short-term provisions	-7
Net identifiable assets and liabilities	**20**
Goodwill	**64**

The acquisition resulted in goodwill of NOK 64 million, which is linked to the geographical market position and the organisation's ability to operate profitably.

Pro forma 2015
If the acquisition had been carried out by 1 January 2015, AF Gruppen would have had the following revenues and earnings:

Amounts in NOK million	AF Gruppen	Målselv M & T [1]	Pro forma
Operating revenue	12,342	46	12,388
Earnings before tax	1,004	8	1,012

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

Note 4 cont. // Acquisition and sale of businesses

LAB

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. The LAB group had in 2015 revenues of NOK 1,940 million and an earnings before tax of NOK 153 million. After the aquisition date in 2015, the revenues were NOK 1,710 million and the earnings before tax were NOK 141 million. 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 1,361 million in 2015 and had 140 employees. Åsane Byggmesterforretning AS is the leading building contractor firm in Bergen with revenues of NOK 405 million in 2015 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 257 million in 2015. Fundamentering AS has around 70 employees. LAB Eiendom AS develops properties that are centrally located near the main arteries into Bergen. The company has ownership interests in five residential projects with the potential to develop 212 residential units, as well as development rights for a total gross area of 15,440 square metres of commercial property. LAB's share of this is 148 residential units and a total gross area of 8,606 square metres of commercial property.

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 a price of NOK 74. Fair value of these shares at the time of the transaction was NOK 247 million. The vendor financing conditions are linked to result guarantees for 2015-2017.

Presented below is an allocation of the consideration based on the opening balance sheet of LAB AS as at 11 March 2015. Allocation of the compensation was prepared using the acquisition method as regulated in IFRS 3. The consideration has been allocated at the fair value of the assets and liabilities of LAB AS. The allocation is final.

Amounts in NOK million	LAB
Cash consideration	360
Share issue	247
Contingent consideration	128
Gross consideration	**735**
– Cash and cash equivalents	-445
Net consideration	**290**
Tangible fixed assets and intangible assets	131
Non-current interest-bearing receivables	58
Inventories and projects for own account	77
Current non-interest-bearing receivables	311
Minority interests	-75
Deferred and payable tax	-127
Interest-bearing loans	-84
Current non-interest-bearing liabilities	-613
Net identifiable assets and liabilities	**-322**
Goodwill	**613**

The acquisition resulted in goodwill of NOK 613 million, which is linked to the market position and the organisation's ability to operate profitably.

Pro forma 2015

If the acquisition had been carried out by 1 January 2015, AF Gruppen would have had the following revenues and earnings:

Amounts in NOK million	AF Gruppen	LAB [1]	Pro forma
Operating revenue	12,342	230	12,571
Earnings before tax	1,004	12	1,016

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

Note 4 cont. // Acquisition and sale of businesses

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 a 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.

Amounts in NOK million	Miljøbase Vats AS
Cash consideration (60%)	136
– Cash and cash equivalents	-17
Net cash consideration	**119**
Fair value of shares previously owned (40 %)	91
Fair value of shares, excluding 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 liabilities	-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	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.

Note 4 cont. // Acquisition and sale of businesses

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	Fjerby
Cash consideration	20
– Cash and cash equivalents	-1
Net cash consideration	**19**
Non-current assets	8
Current assets, excluding 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.

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	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	BA Gjenvinning AS
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**

Note 5 // Operating and other revenue

Amounts in NOK million	2015	2014	2013
Revenue from long-term production projects	12,067	9,626	9,732
Revenue from sale of services	182	194	249
Revenue from projects for own account	-	5	48
Other sales revenue	93	60	60
Total operating revenue	**12,342**	**9,885**	**10,090**
Rental income	23	19	21
Other revenue	33	31	17
Total other revenue	**56**	**50**	**38**
Total operating and other revenue	**12,398**	**9,935**	**10,127**

Note 6 // Projects in progress

Amounts in NOK million	Note	2015	2014	2013
Unearned revenue invoiced				
Recognised as revenue under projects in progress		15,532	19,363	12,186
Invoiced on projects in progress		-17,186	-21,005	-13,859
Total unearned revenue invoiced		**-1,654**	**-1,642**	**-1,673**
Distribution on the balance sheet				
Production invoiced in advance included in trade receivables	10	-1,413	-1,260	-934
Production invoiced in advance included in other current liabilities	16	-241	-382	-740
Total unearned revenue invoiced		**-1,654**	**-1,642**	**-1,673**
Earned revenue not invoiced				
Recognised as revenue under projects in progress		4,455	5,481	6,869
Invoiced on projects in progress		-4,163	-5,047	-6,429
Total earned revenue not invoiced	**10**	**293**	**434**	**440**
Retention money [1]	**10**	**491**	**469**	**368**
Recognised in the income statement under projects in progress				
Accumulated revenue		19,988	24,844	19,054
Accumulated project cost		-17 786	- 23 005	- 17 923
Accumulated project contributions		2,202	1,840	1,131
Production outstanding on onerous contracts		449	109	298

[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 final settlement is paid, the retention money is released.

Note 7 // Payroll costs

Amounts in NOK million	Note	2015	2014	2013
Fixed pay		-2,057	-1,781	-1,711
Social security costs		-302	-289	-250
Retirement benefit costs	18	-78	-71	-58
Share-value based remuneration		-8	-16	-12
Other benefits		-90	-80	-102
Total payroll costs		**-2,535**	**-2,238**	**-2,132**

Average number of full-time equivalents			
Norway	2,872	2,570	2,474
Sweden	179	217	187
Germany	4	3	2
Lithuania	42	59	40
Poland	-	1	-
UK	-	3	4
China	9	5	4
Total	**3,106**	**2,858**	**2,711**

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	2015	2014	2013
Number of shares sold from own holdings	148,145	360,000	40,000
Number of shares from new issue – without discount	851,855	636,245	948,880
Market price during subscription period (amounts in whole NOK)	106	73,7	69,4
Selling price (amounts in whole NOK)	85.0	58.9	55.5

Impact of sale of shares to employees on accounts (amounts in NOK 1000):			
Payroll costs (discount including social security costs)	-9,868	-7,024	-1,925

Option programme
"The General Meeting adopted a new option programme for all the employees of AF Gruppen in May 2014. The maximum number of options that may be allocated is 4,500,000 over three years, 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. AF Gruppen issued 3,500,000 options to 1,383 employees in 2014 and 650,000 options to 280 employees in 2015. The total number of outstanding options, adjusted for employees who have left company, is 3,759,599 as at 31 December.

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

	2015	2014	2013
Expected dividend yield	4.1 %	4.5 %	9.7 %
Historical volatility	18.8 %	16.0 %	20.4 %
Risk-free interest	1.9 %	2.6 %	2.4 %
Expected life of option (years)	2.0	2.8	0.8
Share price (amounts in whole NOK)	108.3	74.3	56.9
Payment for option (amounts in whole 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 2016	2015	2014	2013
Payroll costs	-44	-43	-12	-29
Provisions for social security costs	35	35	2	22
Option premium paid	4	4	3	6

Expected payroll costs in 2016 refer to the options subscribed for during the period from 2014 to 2017.

Note 8 // Other operating expenses

Amounts in NOK million	Note	2015	2014	2013
Other operating expenses				
Rent	17	-108	-97	-98
Other rental expenses	17	-461	-497	-614
Insurance		-31	-29	-41
Contracted manpower		-90	-102	-144
Remuneration of auditor		-6	-6	-6
Other fees		-68	-78	-110
Bad debts	11	-3	-5	-8
Disposal and landfill fees		-72	-73	-72
Marketing and advertising		-18	-17	-23
IT expenses		-43	-36	-38
Sundry other operating expenses		-67	-177	-247
Total other operating expenses		**-968**	**-1,116**	**-1,400**

Amounts in NOK 1000	2015	2014	2013
Remuneration of EY (Ernst & Young)			
Statutory auditing	-2,868	-3,227	-3,706
Other assurance engagements	-87	-114	-73
Tax consulting	-4	-132	-191
Other non-audit services	-353	-555	-509
Total	**-3,311**	**-4,028**	**-4,479**
Remuneration of other auditors			
Statutory auditing	-1,442	-1,137	-1,245
Other services beyond auditing	-760	-1,060	-581
Total	**-2,152**	**-2,197**	**-1,826**
Total remuneration of auditor	**-5,513**	**-6,225**	**-6,305**

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

Note 9 // Net gains/(losses)

Amounts in NOK million	2015	2014	2013
Gains/(losses) on sale of business [1]	-	57	2
Gains/(losses) on sale of shares in property companies [2]	42	21	24
Fair value adjustments of financial derivatives	64	18	5
Net (gains)/losses on the sale of property, plant and equipment	29	28	19
Net foreign exchange gains/(losses) related to operations	-	2	-4
Total net gains/(losses)	**135**	**125**	**47**

[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, as well as a gain of NOK 28 million from the sale of 50 per cent of the shares in BA Gjenvinning resulting in the loss of control and the recognition of a joint venture at fair value on the balance sheet. The last 50 per cent of the shares in BA Gjenvinning were sold March 2016. 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 33 – Investments in associates and joint ventures. The gains on the sale of shares in property companies of NOK 42 million in 2015 were linked primarily to the sale of 50 per cent of the shares in Bjørnsons Hage AS and Bjørnsons Hage 2 AS. The sale entailed loss of control, and the gain thus also includes a latent gain on our remaining ownership interest of 50 per cent.

Note 10 // Trade and other non-interest-bearing receivables

Amounts in NOK million	Note	2015	2014
Trade receivables		2,132	2,314
Earned revenue, not invoiced on projects in progress	6	293	434
Unearned revenue, invoiced on projects in progress	6	-1,413	-1,260
Retention money	6	491	469
Tax paid in advance		6	4
Value-added tax and other public charges paid in advance		12	10
Prepaid expenses		23	32
Other current non-interest-bearing receivables		56	127
Trade and other non-interest-bearing receivables	**22, 24**	**1,599**	**2,129**

	2015	2014
Gross trade receivables	2,134	2,317
Provision for losses	-2	-3
Trade receivables recognised on the balance sheet	**2,132**	**2,314**

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

Amounts in NOK million	2015	2014
Trade receivables – age distribution		
1-30 days overdue	213	202
31-60 days overdue	30	189
61-90 days overdue	24	56
91-120 days overdue	22	44
More than 120 days overdue	624	523
Total receivables overdue, but not written down	**914**	**1,015**
Receivables not yet due	1,218	1,299
Trade receivables recognised on the balance sheet	**2,132**	**2,314**

Note 10 cont. // Trade and other non-interest-bearing receivables

Age distribution 2015	Not yet due	1–30	31–60	61–90	91–120	>120	Total
Trade receivables, gross	1,218	213	30	24	22	626	2,134
Provision for losses	-	-	-	-	-	-2	-2
Trade receivables recognised on the balance sheet	**1,218**	**213**	**30**	**24**	**22**	**624**	**2,132**

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

Movement in provisions for losses on trade receivables	Note	2015	2014
Provision for losses as at 1 January		-3	-7
Losses written off during the year		4	9
Reversal of last year's provisions		-	-
Provisions for the year	8	-3	-5
Provision for losses as at 31 December		**-2**	**-3**

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 11 // Inventories

Amounts in NOK million	2015	2014
Spare parts and project inventories	86	59
Raw materials	42	40
Finished products	24	25
Total inventories	**152**	**124**

Note 12 // Projects for own account

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. Note 33 - Accociates and joint ventures. 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.

Amounts in NOK million	2015	2014
Housing projects in progress	9	8
Completed housing units for sale	11	58
Land for development	47	42
Total projects for own account	**67**	**108**

No interest is recognized for projects for own account in the balance sheet.

Note 12 cont. // Projects for own account

Amounts in NOK million	2015	2014
Completed housing units for sale		
Number of completed housing units for sale in subsidiaries	11	18
Number of completed housing units for sale in associates	-	2

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 2,367 (2,444) residential units and 122,717 m² (147,786) of commercial area. AF's share is 997 (1,052) residential units and 59,272m² (71,322) of commercial area.

Note 13 // Intangible assets

Amounts in NOK million	Goodwill	Customer relationships	Other intangible assets	Total
Acquisition cost				
1.1.14	1,337	30	24	1,391
Ordinary additions	-	-	2	2
Additions from the acquisition of business	11	-	-	11
Translation difference	1	-	-	1
31.12.14	**1,350**	**30**	**25**	**1,405**
Ordinary additions	-	-	3	3
Additions from the acquisition of business	724	-	-	724
Translation difference	10	-		10
31.12.15	**2,083**	**30**	**29**	**2,143**
Depreciation and write-downs				
1.1.14	-	-30	-14	-45
Depreciation for the year	-	-	-3	-3
Write-downs for the year	-	-	-	-
31.12.14	**-**	**-30**	**-17**	**-47**
Depreciation for the year	-	-	-2	-1
Write-downs for the year	-15	-	-1	-16
31.12.15	**-15**	**-30**	**-20**	**-66**
Carrying amount				
Acquisition cost	1,350	30	25	1,405
Depreciation and write-downs	-	-30	-17	-47
31.12.14	**1,350**	**-**	**8**	**1,358**
Acquisition cost	2,083	30	29	2,143
Depreciation and write-downs	-15	-30	-20	-66
31.12.15	**2,068**	**-**	**9**	**2,077**

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

Note 13 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	2015	2014
Målselv Maskin & Transport	64	-
AF Anlegg	17	11
Pålplintar i Sverige AB	3	3
Total Civil Engineering	**84**	**14**
AF Decom AS	37	37
Härnösand Byggreturer AB	14	13
Total Environment	**51**	**50**
Strøm Gundersen	838	833
LAB	649	-
AF Bygg Göteborg AB	109	100
AF Bygg Østfold	47	47
AF Bygg Rogaland	20	20
Total Building	**1,662**	**1,000**
AF Offshore AeronMollier AS	217	217
AF Offshore Systems AS	-	15
Total Offshore	**217**	**233**
AF Energi & Miljøteknikk AS	53	53
Total Energy	**53**	**53**
Carrying amount as at 31 December	**2,068**	**1,350**

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.

Assumptions used in the calculation of the recoverable amounts:

Norway	2015	2014
Growth rate [1]	2.5 %	2.5 %
WACC before tax	8.3 %	8.6 %

Sweden	2015	2014
Growth rate [1]	2.5 %	2.5 %
WACC before tax	6.5 %	7.0 %

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

Note 13 cont. // Intangible assets

Anticipated cash flows for 2016 are based on the budget for 2016 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 2.8 per cent is anticipated for all the business units in 2016.

Sensitivity analysis for key assumptions
Sensitivity analyses have been carried out for the discount rate (WACC) and cash flows. Goodwill linked to LAB and Målselv Maskin & Transport, which were acquired in 2015, have not been tested for impairment and therefore have not been included in the sensitivity analysis. The calculated value of the individual cash-generating units exceeds the book value with a relatively good margin at the end of 2015. 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 0.5 percentage point increase in the WACC will make it necessary to recognise an impairment loss for the goodwill allocated to AF Offshore AeronMollier.

	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	366	100	325	293	210
Strøm Gundersen	419	100	367	326	227
AF Decom	1,103	100	1,015	940	726
AF Energi og Miljøteknikk	698	100	642	595	459
AF Offshore AeronMollier	104	100	97	90	71

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 that a 10 per cent reduction in estimated cash flow will necessitate the recognition of an impairment loss for the goodwill allocated to AF Offshore AeronMollier.

	Indexed values		Recoverable amount if cash flow is reduced by:		
Company	Estimated cash flow	'Break even' cash flow	10 %	30 %	50 %
AF Bygg Göteborg	368	100	332	258	184
Strøm Gundersen	251	100	226	175	125
AF Decom	1,117	100	1,005	782	558
AF Energi og Miljøteknikk	698	100	628	489	349
AF Offshore AeronMollier	102	100	92	71	51

Note 14 // Property, plant and equipment

Amounts in NOK million	Buildings and production facilities	Machinery and equipment	Total
Acquisition cost			
1.1.14	97	706	803
Ordinary additions	35	110	145
Additions from the acquisition of business	580	5	585
Disposals	-	-81	-81
Reclassification between the groups	-20	20	-
Translation differences	-	1	1
31.12.14	**693**	**761**	**1,454**
Ordinary additions	3	146	149
Additions from the acquisition of business	45	101	147
Disposals	-12	-120	-132
Reclassification between the groups	-	-	-
Translation differences	1	5	7
31.12.15	**730**	**894**	**1,624**
Depreciation and write-downs			
1.1.14	-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
Reclassification between the groups	-	-	-
Translation differences	-	-	-
31.12.14	**-18**	**-443**	**-461**
Depreciation for the year	-4	-117	-122
Write-downs for the year	-1	-1	-2
Accumulated depreciation on disposals for the year	1	75	76
Reclassification between the groups	-	-	-
Translation differences	-	-4	-4
31.12.15	**-23**	**-490**	**-513**
Carrying amount			
Acquisition cost	693	761	1,454
Depreciation and write-downs	-18	-443	-461
31.12.14	**675**	**318**	**993**
Acquisition cost	730	894	1,624
Depreciation and write-downs	-23	-490	-513
31.12.15	**708**	**404**	**1,111**

Note 14 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	2015	2014	2013
Operating leasing (cost recognised in P&L)	432	441	439
Financial leasing (Recognised in the balance sheet [1]	76	38	10

[1] The financial leases are included in the property, plant and equipment category Machinery and Equipment. See Note 17 - Leases for more information about financial leasing.

Pledged assets
Information on collateralised property, plant and equipment is given in Note 32 – Pledged assets and guarantees.

Note 15 // Provisions for liabilities

Amounts in NOK million	Legal claims	Warranty work	Contingent consideration	Other provisions	Total provisions
As at 1.1.15	-	109	17	40	166
Reversal of earlier provisions	-	-91	-2	-11	-104
Provisions set aside during the year	21	83	131	66	301
Used during the year	-	-2	-	-12	-14
As at 31.12.15	**21**	**99**	**146**	**82**	**349**

Classification on the balance sheet	2015	2014
Langsiktig gjeld	183	13
Kortsiktig gjeld	165	153
Sum	**349**	**166**

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 33 million in provisions for estimated social security costs related to the redemption of options.

Note 16 // Trade payables and non-interest-bearing liabilities

Amounts in NOK million	Note	2015	2014
Trade payables		939	876
Public liabilities		317	241
Prepayments from customers	6	241	382
Accrued holiday pay, incl. social security costs		238	215
Other accrued expenses and other current liabilities		1,500	1,029
Total trade payables and non-interest-bearing liabilities		**3,236**	**2,743**

Note 17 // Leases

Operating leases

	2015	2014	2013
Rent	-108	-97	-98
Rental cost for Environmental Base at Vats [1]	-	-34	-50
Other rental costs [2]	-461	-463	-565
Total	**-569**	**-594**	**-712**

[1] The company Miljøbase Vats AS was acquired from an associate to become a wholly owned subsidiary on 9 September 2015. 2014's rental cost for the Environmental Base at Vats therefore applies to the period form 1 January 2014 to 8 September 2014. In 2015, this is an intercompany cost that is eliminated.
[2] The other rental costs items varies based on the level of activity related 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 office 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 17 cont. // Leases

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

Minimum liabilities – operating leases	2015	2014	2013
Machinery and vehicles			
Rent due within 1 year	189	186	179
Rent due within 1–5 years	305	337	417
Rent due after 5 years	7	13	14
Total minimum liabilities	**501**	**536**	**609**
Offices, installations and furnishings			
Rent due within 1 year	75	75	130
Rent due within 1–5 years	276	273	478
Rent due after 5 years	161	230	605
Total minimum liabilities	**512**	**579**	**1,213**
Total minimum obligation	**1,013**	**1,115**	**1,822**
Maturity structure			
Operating lease liabilities due within 1 year	264	261	308
Operating lease liabilities due within 1–5 years	581	610	895
Operating lease liabilities due after 5 years	168	244	619
Total minimum obligation	**1,013**	**1,115**	**1,822**

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 2014, this is no longer a liability for the Group.

Amounts in NOK million	2015	2014	2013
Leases for office space:			
Lease for Helsfyr, Oslo	398	458	501
Other leases	104	103	124
Total minimum obligation	**502**	**561**	**625**

Lease for Helsfyr:	
Office premises at Helsfyr, total m²	17,290
Rent per m² (amounts in whole NOK)	2,053
Annual rent, including general costs (NOK million)	50
Remaining lease term (years)	5–10

Note 17 cont. // Leases

Group as lessor
In 2015, revenue of NOK 23 million (19 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 for offices is:

Amounts in NOK million	2015	2014	2013
Sublease rent due within 1 year	7	14	13
Sublease rent due within 1-5 years	1	6	11
Sublease rent due after 5 years	-	-	-
Total	**8**	**21**	**24**

Financial leases
The financial leases are linked to the leasing of machinery and equipment, cf. Note 14 Property, plant and equipment. The groups mininimum obligation related to financial leases is stated in the table below.

Amounts in NOK million	2015
Rent due within 1 year	16
Rent due within 1-5 years	47
Rent due after 5 years	8
Nominal value, minimum obligation	**70**
Interest	5
Present value of minimum obligation	**65**

Note 18 // Retirement benefits

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

Defined contribution plan
A defined-contribution pension scheme for all employees born in or after 1952 or employed in or after 2003 has been established for the Group's employees in Norway. From 1 July 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 2015, there were 31 (37) active participants and 86 (97) pensioners in the scheme.

A defined-contribution pension scheme for all employees has been established for the Group's employees in Sweden. The penion scheme includes retirement pensions, sisability benefits and family pensions. The pension cost is partly financed by payroll tax. In addition the sewdish companies have several individual pension schemes dependant on their labor union. These are also accounted for as defined-contribution schemes. The pension sheme encompass 176 (200) employees.

Note 18 cont. // Retirement benefits

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

Amounts in NOK million	2015	2014	2013
Present value of pension benefits earned during the year	-2	-2	-2
Interest expense on incurred pension liabilities	-2	-3	-2
Expected return on plan assets	2	3	1
Social security costs	-	-	-
Actuarial gains/losses recognised in the income statement	-	-	-
Total defined-benefit retirement benefits	**-2**	**-2**	**-3**
Defined-contribution pension, Norway	-43	-39	-35
Contributions to retirement benefit schemes, abroad	-11	-9	-11
Other retirement benefit expenses	-21	-21	-10
Retirement benefit expense for the year excl. soscial security cost	**-78**	**-71**	**-58**
Social security cost	-10	-9	-9
Retirement benefit expense for the year incl. social security cost	**-88**	**-80**	**-67**

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 gross retirement benefit liabilities of NOK 75 million (79 million) as at 31 December. Of these liabilities, NOK 74 million (78 million) is funded and NOK 1 million (1 million) is unfunded. Fair value of the plan assets was NOK 83 million (85 million) as at 31 December. Recognised plan assets in the company amount to NOK 9 million (6 million) and retirement benefit liabilities amount to NOK 1 million (1 million). Actuarial gains recognised in the retirement benefit liabilities amount to NOK 1 million (2 million) and actuarial losses in the assets amount to NOK 1 million (1 million). The actual return on plan assets was NOK 2 million (2 million) and the expected premium payment for next year is NOK 2 million (2 million).

Assumptions for actuarial calculations	31.12.15	31.12.14	31.12.13
Discount rate	2.5 %	2.3 %	4.1 %
Return on pension plan assets	2.5 %	3.2 %	4.1 %
Pay inflation	2.5 %	2.8 %	3.8 %
Basic amount (G) adjustment	2.3 %	2.5 %	3.5 %
Adjustment of retirement benefits	0.0 %	0.0 %	0.6 %
Turnover	10.0 %	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.

Distribution of plan assets by investment category	31.12.15	31.12.14	31.12.13
Shares	9.4 %	9.9 %	11.0 %
Property	14.7 %	15.0 %	15.6 %
Non-current bonds	39.8 %	35.6 %	40.5 %
Current bonds	34.0 %	37.4 %	30.6 %
Other	2.1 %	2.1 %	2.3 %
Total	**100.0 %**	**100.0 %**	**100.0 %**

Note 19 // Net financial items

Amounts in NOK million	Note	2015	2014	2013
Financial income				
Interest income on cash and cash equivalents	20	3	1	3
Other interest income	20	26	26	17
Other financial income		2	-	1
Total financial income		**31**	**27**	**21**
Financial expenses				
Interest expenses on loans and overdraft facilities	20	-13	-9	-6
Other interest expenses	20	-24	-10	-2
Other financial expenses		-1	-1	-1
Total financial expenses		**-39**	**-20**	**-9**
Financial gains/(losses) on changes in value				
Net foreign exchange gains/(losses) related to financing		-1	-5	-
Fair value of interest rate swaps	23	3	-13	-
Change in value of financial assets at fair value through profit or loss		-	-	-
Total financial gains/(losses) on changes in value		**2**	**-17**	**-**
Net financial items		**-6**	**-10**	**12**

Note 20 // Net interest-bearing receivables (liabilities)

Net interest-bearing receivables (liabilities)

Amounts in NOK million	Note	2015	2014
Interest-bearing receivables – non-current		169	77
Interest-bearing receivables – current		70	52
Cash and cash equivalents		459	91
Interest-bearing loans and credit facilities – non-current		-83	-63
Interest-bearing loans and credit facilities – current		-22	-252
Net interest-bearing liabilities (receivables)	**22, 24**	**593**	**-95**

Cash and cash equivalents

Amounts in NOK million	Note	2015	2014
Cash and bank deposits		459	91
Total cash and cash equivalents	**22, 24**	**459**	**91**
Of which restricted funds		18	12

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

Note 20 cont. // Net interest-bearing receivables (liabilities)

Interest-bearing loans and credit facilities

Amounts in NOK million	Note	Effective interest rate	2015	2014
Overdraft facilities linked to the corporate cash pooling system	24	1.5 %	-	193
Overdraft facilities outside of the corporate cash pooling system	24	2.2 %	3	4
Mortgage loans	24	2.9 %	18	42
Financial lease liabilities	24	2.7 %	69	38
Other loans	24	4.9 %	16	38
Total interest-bearing loans and credit facilities			**105**	**315**
Classification on the balance sheet:				
Current liabilities			22	252
Non-current liabilities			83	63
Total interest-bearing loans and credit facilities			**105**	**315**
Maturity structure:				
Liabilities maturing within 1 year			22	252
Liabilities maturing in between 1 and 5 years			74	52
Liabilities maturing in more than 5 years			9	11
Total			**105**	**315**

Rentebærende lån og kreditter måles løpende til amortisert kost. Virkelig verdi beregnes ved å neddiskontere fremtidige kontantstrømmer og er klassifisert på nivå 2 i virkelig verdi-hierarkiet. Virkelig verdi er i det alt vesentlige lik bokført verdi.

Drawing rights
At the end of 2015, the Group had an unused bank overdraft facility linked to the corporate cash pooling system of NOK 880 million (683 million). In addition, the Group has a committed unused loan facility of NOK 600 million. The Group had unused credit lines for bank loans including overdraft facilities of NOK 1,480 million (1,283 million) at the end of 2015.

Note 21 // Earnings and dividend per share

Earnings per share

Amounts in NOK million	2015	2014	2013
Profit for the year attributable to Parent Company shareholders	697	442	429
Number of shares:			
Time-weighted average number of externally owned shares [1]	91,183,492	86,623,279	81,549,702
Dilutive effect of share value-based remuneration [2]	1,734,467	210,443	2,364,919
Time-weighted average number of externally owned shares after dilution	**92,917,959**	**86,833,722**	**83,914,621**
Earnings per share (amounts in NOK)	**7.64**	**5.11**	**5.26**
Diluted earnings per share (amounts in NOK)	**7.50**	**5.09**	**5.11**

[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.

Note 21 cont. // Earnings and dividend per share

Dividend per share
For the 2015 financial year, the Board of Directors proposes a dividend of NOK 5.00 (8.00) per share. It is expected that the dividend will be paid to the shareholders on 24 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 12 May. No dividend will be paid on the company's treasury shares. Total estimated dividend for the 2015 financial year, which will be distributed in May 2016 is NOK 463 million. For the 2014 financial year, a total of NOK 457 million was distributed in May 2015 and NOK 278 million in November 2015. The Board will request the General Meeting to authorise a proposal of a dividend payment in November 2016.

Amounts in whole NOK	2015
Total number of shares as at 31 December	92,680,000
Number of shares entitled to a dividend	**92,680,000**
Dividend per share	5,00
Total estimated dividend	**463,400,000**

Note 22 // Financial risk management

22.1. 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 homebuyers. 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 homebuyers and is considered low.

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

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

Note 22 cont. // Financial risk management

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 only made in 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	2015	2014
Non-current interest-bearing receivables	20, 24	169	77
Non-current other receivables		1	1
Current trade and non-interest-bearing financial receivables	10, 24	1,558	2,084
Current interest-bearing receivables	20, 24	70	52
Cash and cash equivalents	20	459	91
Maximum credit exposure		**2,258**	**2,305**

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 12 – 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 has one fixed interest rate agreement, but do in general not use derivatives to hedge the effective interest rate exposure. See the description in Note 20 – 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	2015	2014
Financial assets with a variable interest rate	698	220
Financial liabilities with a variable interest rate	-105	-315
Net financial receivables	**593**	**-95**
Effect of a 100 basis point increase in rates on the profit after tax and equity	4	-1
Effect of a 100 basis point decrease in interest rates on the profit after tax and equity	-4	1

ii) Currency risk
AF Gruppen has operations in a number of countries and is exposed to exchange rate risk in a number of currencies, particularly the SEK, EUR and USD. The Group has 94 per cent (93 per cent) of its recognised revenues in enterprises with NOK as their functional currency, 6 per cent (7 per cent) with SEK as their functional currency and 0 per cent (0 per cent) with another functional currency.

An exchange rate risk arises from future commercial transactions, in the translation of recognised assets and liabilities and net investments in foreign operations to NOK. The net foreign exchange gain/(loss) was NOK -1 million (-3 million) in 2015. The total translation differences were NOK 21 million (4 million) in 2015.

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. For a major USD contract, the effects of the forward exchange contracts are recognised in accordance with the rules for cash flow hedging, cf. Note 23 - Derivatives.

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.

Note 22 cont. // Financial risk management

Sensitivitity currency derivatives

Amounts in NOK million	2015	2014
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the profit after tax	-	1
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the profit after tax	-	1
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the other comprehensive income	9	7
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the other comprehensive income	-9	1
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on profit after tax	9	8
Effect of a 10 per cent weakening of NOK in relation to all the currencies on profit after tax	-9	2

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	2015	2014
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on profit after tax	-11	-2
Effect of a 10 per cent weakening of NOK in relation to all the currencies on profit after tax	11	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	2015	2014
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	-2
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the profit after tax	2	2
Effect on equity		
Effect of a 10 per cent appreciation of NOK in relation to all the currencies on the equity	-27	-16
Effect of a 10 per cent weakening of NOK in relation to all the currencies on the equity	27	16

Note 22 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. As of 31.12.15 the group has no steel fianancial derivatives.

c) Liquidity risk
Liquidity risk is the risk that AF Gruppen will not be able to service its financial obligations when they are due. The Group's strategy for handling liquidity risk is to have sufficient cash and cash equivalents at all times in order to fulfil its financial obligations when due without risking unacceptable losses or damaging its reputation. Most of the companies in AF Gruppen are linked to a corporate cash pooling system. Surplus liquidity in the corporate cash pooling system beyond what constitutes the necessary working capital is managed by the company's finance function. Portions of the surplus liquidity are placed in the money market. The management monitors cash and cash equivalents on a weekly basis, and each month the Corporate Management Team reviews the liquidity of the projects. See Note 20 – Net interest-bearing receivables (debt) for information on liquidity and available credit facilities.

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

31.12.15	Note	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	20, 24	3	3	3	-	-	-	-
Mortgage loans	20, 24	18	20	1	2	3	9	5
Financial lease liabilities	17	69	74	7	7	15	34	5
Other loans		16	18	1	-	-	17	-
Trade payables and other financial debt [1]	16	2,440	2,440	2,440	-	-	-	-
Financial derivatives								
Interest rate swaps	23	35	35	1	1	3	9	20
Forward currency contracts	23	127	127	48	5	29	43	-
Total		**2,708**	**2,717**	**2,503**	**16**	**50**	**112**	**30**

Amounts in NOK million — Maturity structure of contractual cash flows

31.12.14	Note	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	20, 24	193	198	-	198	-	-	-
Overdraft facilities outside of the corporate cash pooling system	20, 24	4	5	-	4	-	-	-
Mortgage loans	20, 24	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)	16	1,904	1,904	1,904	-	-	-	-
Financial derivatives								
Interest rate swaps	23	38	38	3	3	5	16	11
Forward currency contracts	23	96	96	15	27	30	3	-
Total		**2,352**	**2,367**	**1,972**	**236**	**47**	**66**	**25**

[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 22 cont. // Financial risk management

22.2 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 2015.

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. AF Gruppen has started to distribute dividends on a semi-annual basis from 2015.

22.3 Assessment of fair value
AF Gruppen measures all financial derivatives and financial investments at fair value. AF Gruppen has, as of 31 December 2015, only derivatives related to currencies. Cf. Note 23 – Financial derivatives.

Fair value hierarchy
The table below illustrates the financial instruments at fair value in accordance with the valuation hierarchy in IFRS 7. The various levels are defined as follows:

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

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

Amounts in NOK million 2015	Note	Level 1	Level 2	Level 3	Total
Assets – financial derivatives	23	-	1	-	1
Liabilities – financial derivatives	23	-	-162	-	-162
Total		**-**	**-161**	**-**	**-161**

Amounts in NOK million 2014	Note	Level 1	Level 2	Level 3	Total
Assets – financial derivatives	23	-	17	-	17
Liabilities – financial derivatives	23	-	-134	-	-134
Total		**-**	**-117**	**-**	**-117**

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

Note 23 // Financial derivatives

Amounts in NOK million	2015 Assets	2015 Liabilities	2014 Assets	2014 Liabilities
Fixed assets				
Forward foreign exchange contracts – cash flow hedging	-	54	-	78
Total non-current assets	**-**	**54**	**-**	**78**
Current assets				
Interest rate swap contracts – held for trading purposes	-	35	-	38
Forward foreign exchange contracts – held for trading purposes	1	-	17	2
Forward foreign exchange contracts – cash flow hedging	-	73	-	15
Total current assets	**1**	**108**	**17**	**55**
Total carrying amount	**1**	**162**	**17**	**134**

Currency forward 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 in 2014 to recognise the forward contracts in accordance with the rules in IAS 39 Financial Instruments 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 22.1 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 2015.

Interest rate swaps

AF Gruppen has an interest rate swap linked to the financing of the Environmental Base at Vats.

Note 24 // Financial instruments: Category table

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

Financial assets by category

Amounts in NOK million 31.12.15	Note	Loans and receivables	Derivatives at fair value through profit and loss	Derivatives classified as hedging instruments	Total	Non-financial assets	Total carrying amount
Non-current interest-bearing receivables	20	169	-	-	169	-	169
Non-current pension plan and other financial assets	17, 18	2	-	-	2	9	10
Current trade and other non-interest-bearing receivables	10, 22	1,558	-	-	1,558	41	1,599
Current interest-bearing receivables	20, 22	70	-	-	70	-	70
Current financial derivatives		-	1	-	1	-	1
Cash and cash equivalents	20, 22	459	-	-	459	-	459
Total		**2,258**	**-**	**-**	**2,259**	**50**	**2,309**
31.12.14							
Non-current interest-bearing receivables	20, 22	77	-	-	77	-	77
Non-current pension plan and other financial assets	18	1	-	-	1	6	8
Current trade and other non-interest-bearing receivables	10, 22	2,084	-	-	2,084	46	2,129
Current interest-bearing receivables	20, 22	52	-	-	52	-	52
Current financial derivatives		-	17	-	17	-	17
Cash and cash equivalents	20, 22	91	-	-	91	-	91
Total		**2,305**	**-**	**-**	**2,322**	**52**	**2,374**

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

Note 24 cont. // Financial instruments: Category table

Financial liabilities by category

Beløp i MNOK 31.12.15	Note	Liabilities at amortised cost	Derivatives at fair value through profit and loss	Derivatives classified as hedging instruments	Total	Non-financial liabilities	Total carrying amount
Non-current interest-bearing loans and credit facilities	20	83	-	-	83	-	83
Current interest-bearing loans and credit facilities	20	22	-	-	22	-	22
Current trade payables and non-interest-bearing debt [2]	16	2,440	-	-	2,440	797	3,236
Non-current financial derivatives	23	-	-	54	54	-	54
Current financial derivatives	23	-	36	72	108	-	108
Total		**2,545**	**36**	**126**	**2,707**	**797**	**3,503**
31.12.14							
Non-current interest-bearing loans and credit facilities	20	63	-	-	63	-	63
Current interest-bearing loans and credit facilities	20	252	-	-	252	-	252
Current trade payables and non-interest-bearing debt [2]	16, 24	1,904	-	-	1,904	838	2,742
Non-current financial derivatives	23	-	-	78	78	-	78
Current financial derivatives	23	-	41	15	55	-	55
Total		**2,219**	**41**	**93**	**2,353**	**838**	**3,191**

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

Note 25 // Share capital and shareholder information

The share capital consists of:

Amounts in whole NOK	Number	Nominal value	Book value
A-aksjer	92,680,000	0.05	4,634,000

Shareholder	Share (%)	No. of shares
OBOS BBL	16.9 %	15,643,841
ØMF Holding AS	15.0 %	13,940,474
Constructio AS	14.2 %	13,180,762
Aspelin-Ramm Gruppen AS	5.4 %	4,993,269
Folketrygdfondet	4.5 %	4,200,000
LJM AS	2.7 %	2,513,900
VITO Kongsvinger AS	2.3 %	2,111,676
Stenshagen Invest AS	1.9 %	1,726,977
Skogheim, Arne	1.9 %	1,723,870
Staavi, Bjørn	1.6 %	1,515,452
Ten largest shareholders	**66.4 %**	**61,550,221**
Total other shareholders	33.6 %	31,129,779
Total number of shares	**100.0 %**	**92,680,000**

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 01/01/2015	**88,724,904**
New issue as acquisition consideration	3 103 241
New issue to employees	851 855
Total number of shares as at 31/12/2015	**92,680,000**

Note 25 cont. // Share capital and shareholder information

Shares and options owned by the Board of Directors and senior executives as at 31/12/2015

Board of Directors		Options	Shares
Tore Thorstensen [1)]	Elected by shareholders (Chairman)	-	11,500
Peter Groth [2)]	Elected by shareholders	-	11,500
Daniel Kjørberg Siraj [3)]	Elected by shareholders	-	-
Hege Bømark	Elected by shareholders	-	-
Borghild Lunde	Elected by shareholders	-	-
Kenneth Svendsen	Elected by employees	11,397	71,008
Pål Jacob Gjerp	Elected by employees	5,318	42,675
Arne Sveen	Elected by employees	-	-
Total		**16,715**	**136,683**

[1)] Represents, in addition to his own shares, KB Gruppen Kongsvinger AS, Tokanso AS and Vålerveien 229 AS, as the owner of 312,564, 550,774 and 143,800 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 15,643,041 shares.

Corporate Management Team		Options	Shares
Morten Grongstad	CEO	30,521	113,537
Sverre Hærem	Executive Vice President/CFO	31,372	169,290
Arild Moe	Executive Vice President	30,764	234,196
Robert Haugen	Executive Vice President	31 189	247 220
Andreas J. Røsjø	Executive Vice President	26,877	16,155
Total		**150 723**	**780 398**

The Board is authorised to acquire up to 10 per cent of the share capital. This authority is valid until the 2015 Annual General Meeting, which is scheduled for 12 May 2016.

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 2015, a total of 3,759,599 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 2014 or 2015.

Share transactions	2015	2014
Number of shares acquired	189,065	457,940
Average acquisition cost per share (NOK)	104.3	73.0
Total acquisition cost (NOK million)	**20**	**9**
Number of shares sold to employees	239,065	489,600
Average selling price per share (NOK)	95.9	72.0
Total sales consideration (NOK million)	**23**	**35**
Number of treasury shares as at 31 December	-	50,000
Nominal value of treasury shares at NOK 0.05 each	-	2,500

Note 26 // Income tax expense

Amounts in NOK million	2015	2014	2013
Current tax payable for the year	-168	-311	-187
Adjustment for previous years	-	-1	-7
Total tax payable	**-168**	**-312**	**-194**
Change in deferred tax			
Change in temporary differences	-89	167	38
Change in tax rate	31	-	15
Changed valuation of temporary differences	-1	4	9
Adjustment for previous years	1	-	4
Tax change in deferred tax	**-58**	**170**	**66**
Total income tax expense	**-226**	**-142**	**-128**
Reconciliation of tax payable in the income statement against tax payable on the balance sheet			
Current tax payable for the year	168	311	187
Tax payable linked to previous years	-	-	6
Impact related to the acquisition/(sale) of business	7	-1	1
Impact related to limited partnerships that are recognised in accordance with the equity method	1	13	5
Tax payable from other comprehensive income	-	-	1
Currency translation differences	1	-	-
Tax payable on the balance sheet	**178**	**322**	**200**
Reconciliation of income tax expense in the income statement			
Profit before tax	1,004	625	580
Expected income tax at Norwegian nominal rate	-271	-169	-163
Tax effects of:			
– Divergent tax rates for foreign countries and Svalbard	8	6	1
– Non-deductible expenses	-9	-5	-6
– Profit attributable to associates	9	3	11
– Non-taxable revenues	6	22	8
– Change in tax rate	31	-	15
– Change in valuation of deferred tax assets	-1	4	9
– Excessive/insufficient provisions in previous years	1	-1	-3
Income tax expense in the income statement	**-226**	**-142**	**-128**
Effective tax rate	22.5 %	22.7 %	22.0 %

Note 27 // Deferred tax / deferred tax assets

Amounts in NOK million Change in recognised net deferred tax	2015	2014
Book value as at 1 January	183	378
Recognised in the income statement during the period	58	-170
Recognised in OCI	-26	-19
Impact related to the acquisition/(sale) of business	86	-4
Currency translation differences	-4	-1
Book value as at 31 December	**298**	**183**
Classification on the balance sheet		
Deferred tax assets	-94	-66
Deferred tax	392	249
Net deferred tax on the balance sheet	**298**	**183**

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

2015 Deferred tax	01.01.15	Recognised in the period	Recognised in OCI	Acquisition/ sale of businesses	Currency translation	31.12.15
Property, plant and equipment	10					20
Intangible assets	1	-	-	-	-	1
Projects in progress [1]	304	26	-	92	-	422
Other assets	17	-1	-	-	-	16
Retirement benefits	-	3	-	-	-	4
Accruals reserve	2	-	-	-	-	2
Total	**335**	**35**	**-**	**95**	**-**	**465**
Of which netted against deferred tax assets						-72
Deferred tax assets recognised on balance sheet						**392**

Deferred tax assets	01.01.15	Recognised in the period	Recognised in OCI	Acquisition/ sale of businesses	Currency translation	31.12.15
Property, plant and equipment	-5	-	-	-	-	-5
Other assets	-44	-2	-26	-1	-	-73
Provisions	-34	-4	-	-7	-	-44
Tax loss carryforward [2]	-69	25	-	-1	-4	-49
Total	**-152**	**19**	**-26**	**-9**	**-4**	**-172**
Of which netted against deferred tax						72
Of which off-balance-sheet deferred tax assets						5
Deferred tax assets recognised on the balance sheet						**-94**

Note 27 cont. // Deferred tax / deferred tax assets

2014 Deferred tax	01.01.14	Recognised in the period	Recognised in OCI	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**	**-**	**334**
Of which netted against deferred tax assets						-85
Deferred tax assets recognised on balance sheet						**249**

Deferred tax assets	01.01.14	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
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**

[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 is not time limited and totals NOK 222 million (296 million).

Note 28 // Remuneration of the Board of Directors and senior executives

Remuneration of senior executives
The salaries of senior executives are made up of a fixed salary and a bonus based on the EVA (Economic Value Added) model. AF Gruppen uses EVA as a management and control tool. Incentive systems based on the EVA model have been introduced for executives in large parts of the Group. EVA is 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.

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 18 – Retirement benefits.

No loans nor guarantees have been granted to the Board of Directors or Corporate Management Team.

Note 28 cont. // Remuneration of the Board of Directors and senior executives

Corporate Management Team (Amounts in NOK 1000)	Fixed pay	Bonus	Retirement benefits	Other benefits	Total
Pål Egil Rønn, CEO until 16 October 2015	2,913	3,935	39	227	7,114
Morten Grongstad, CEO from 16 October 2015	704	-	8	7	719
Morten Grongstad, EVP Building until 16 October 2016	1,528	1,842	31	152	3,554
Sverre Hærem, Executive Vice President/CFO	1,873	2 083	39	152	4,147
Arild Moe, Executive Vice President	1,790	1,914	39	154	3,897
Robert Haugen, Executive Vice President	1,858	125	39	61	2,081
Andreas Jul Røsjø, Executive Vice President	1,513	1,185	39	66	2,804
Total remuneration to the Corporate Management Team	**12,179**	**11,086**	**232**	**820**	**24,317**

For 2015, bonuses to the Corporate Management Team totalled NOK 21 million. Bonuses for the 2015 financial year will be paid in 2016 and 2017.

Corporate Management Team 2014 (Amounts in NOK 1000)	Fixed pay	Bonus	Retirement benefits	Other benefits	Total
Pål Egil Rønn, CEO	3 433	3,588	39	221	7,281
Sverre Hærem, Executive Vice President/CFO	1,824	1,905	39	84	3,852
Arild Moe, Executive Vice President	1,769	1,867	39	145	3,819
Robert Haugen, Executive Vice President	1,837	1,141	39	63	3,079
Morten Grongstad, Executive Vice President	1,758	1,042	39	111	2,949
Andreas Jul Røsjø, Executive Vice President	1,560	633	39	55	2,286
Total remuneration to the Corporate Management Team	**12,180**	**10,177**	**232**	**678**	**23,266**

For 2014, bonuses to the Corporate Management Team totalled NOK 11 million. Bonuses for the 2015 financial year will be paid in 2015 and 2016.

Bonus for the purchase of shares

Number of shares / price	2015	2014
Number of bonus shares sold from own holdings	90,920	129,600
Number of bonus shares from new issue – without discount	-	-
Market price at the time of the agreement (amounts in whole NOK)	79	68
Selling price (amounts in whole NOK)	63	54
Impact of bonus shares on the accounts (amounts in NOK 1000):		
Payroll costs (discount including social security costs)	-1,563	-1,900

Shares owned by senior executives and subscribed options are described in Note 25 – Share capital and shareholder information

Note 28 cont. // Remuneration of the Board of Directors and senior executives

Directors' fees (Amounts in NOK 1000)	2015	2014
Tore Thorstensen, chairman of the board	460	420
Mari Broman, board member until 13 May 2015	265	235
Hege Bømark, board member	280	235
Borghild Lunde, board menber from 13. May 2015	-	-
Carl Henrik Eriksen, board member until 15 May 2014	-	255
Petter Groth, board member	265	245
Daniel Kjørbeg Siraj, board member from 15 May 2014	265	-
Pål Gjerp, employee-elected board member	190	190
Arne Sveen, employee-elected board member	190	190
Kenneth Svendsen, employee-elected board	190	190
Total directors' fees	**2,105**	**1,960**

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. The exercise price in 2017 for the options subscribed for in 2014 and 2015 will be NOK 74.25 per share and NOK 108.33 per share, respectively. A total of 3,500,000 options were subscribed for in June 2014 and 650,000 in June 2015. The total number of outstanding options, adjusted for employees who have left company, was 3,759,599 as at 31 December 2015.

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 2015 was in accordance with the statement submitted to the General Meeting in 2015.

Note 29 // 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 the execution of projects
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 13 - Intagible assets. 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 judgement 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 30 // 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 AF Gruppen 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 2015, AF Gruppen was involved in the following significant lawsuits:
AF Anlegg has filed a suit against the Norwegian Public Roads Administration concerning the grounds for rejecting AF's tender for State Road 2. A decision was handed down by the District Court in favour of AF Anlegg in April 2016. This judgement is not enforeceable.

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 Anlegg has filed a suit against Statnett SF concerning settlement for the construction of grid stations for the power transmission line between Ørskog and Fardal. Arbitration has been scheduled for June 2016.

The following matters mentioned in the annual report for 2014 have been concluded in 2015:
In October 2015, a decision was handed down by the District Court in favour of AF Anlegg in the dispute with the Norwegian Public Roads Administration concerning E18 between Krosby and Knapstad. This judgment is enforceable.

In the dispute between AF Bygg Oslo and Kirkeveien 71 A AS concerning final settlement, a settlement was entered into in May 2015.

Note 31 // 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 36 Associates and joint ventures.

OBOS BBL and Aspelin Ramm-Gruppen AS have major shareholdings in AF Gruppen and are also important business partners. AF Bygg Oslo has ongoing contracts with the OBOS Group and the Aspelin Ramm Group. The Aspelin Ramm Group is a supplier to AF Gruppen Norge AS through the subsidiary Motek AS. KB Gruppen Kongsvinger AS has a minor shareholding in AF Gruppen and is a supplier to the AF Gruppen Norge AS through, among others, the subsidiaries Contiga AS and Gunnar Holth Grusforretning 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	2015	2014	2013
Contract price			
OBOS Group	943	951	734
Associates and joint ventures	2,557	1,612	523
Total	**3,500**	**2,563**	**1,257**
Revenue			
OBOS Group	271	184	153
Aspelin Ramm Group	-	-	-46
Associates and joint ventures	607	615	204
Total	**878**	**798**	**311**
Purchase of goods and services			
KB Gruppen Kongsvinger	121	99	21
Aspelin Ramm Group	5	4	7
Associates and joint ventures	-	61	6
Total	**126**	**164**	**34**
Receivables as at 31 December			
OBOS Group	63	13	46
Associates and joint ventures	84	77	40
Total	**148**	**90**	**86**
Loans and guarantees as at 31 December			
Associates and joint ventures	173	53	53
Total	**173**	**53**	**53**

Members of the Board of Directors and the management of the Group and their related parties control 24.2 per cent (30.2 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 28 – Remuneration of the Board of Directors and senior executives. There are no agreements or transactions with related parties beyond this.

Note 32 // Pledged assets and guarantees

Amounts in NOK million	Note	2015	2014
Carrying amount of liabilities secured by pledges, etc.	20	87	80

NOK 69 (38) million of the liabilities related to leasing liabilities have machinery as collateral, cf. Note 20 - Net interest-bearing receivables (debt).

Carrying amount of pledged assets		
Buildings and production facilities	23	23
Machinery	112	16
Furnishings and fixtures	2	1
Trade and non-interest-bearing receivables	229	222
Projects for own account	4	-
Inventories, etc.	14	7
Carrying amount of pledged assets	**384**	**269**

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 AS 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	2015	2014
Guarantees issued to clients	2,247	2,033
Other guarantees	33	2
Total	**2,280**	**2,035**

Guarantees issued to clients are related to contractual obligations and are primarily issued as tender guarantees, delivery guarantees and payment guarantees.

Note 33 // Associates and joint ventures

Amounts in NOK million	2015	2014	2013
Book value of investment as at 1 January	406	272	193
Additions from the acquisition of interests	34	186	52
Additions due to sell-off of subsidiaries	-	26	41
Disposals due to acquisition to create a subsidiary	-1	-62	-
Disposals	4	-	-15
Share of profit for the year	31	10	40
Tax on distributions from limited partnerships	1	13	5
Equity transactions, incl. dividends	-44	-38	-47
Currency translation differences	1	-	2
Investments in associates and joint ventures as at 31 December	**433**	**406**	**272**

AF uses associates and joint ventures primarily in connection with the development of residential housing and commercial property. At AF this development takes place primarily together with co-investors. This is done to provide complementary competence in the projects and diversify risk.

2015

Amounts in NOK million	Major companies	Other companies	Total
Specification of amounts recognised in the balance sheet:			
Associates	94	43	137
Joint ventures	243	53	296
Total	**337**	**96**	**433**
Specification of the amounts recognise in the income statement:			
Associates	38	4	42
Joint ventures	-13	2	-11
Total	**25**	**6**	**31**

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.

Note 33 cont. // Associates and joint ventures

Below is a summary of the financial information for the Group's significant associates and joint ventures. The assessment of the company's materiality is based on an overall assessment of the activity, financial results and book value. The figures presented in the accounts summary are based on a 100 per cent ownership interest. The unaudited draft accounts are used as the basis if the companies' annual financial statements have not been approved when the Group's financial statements are presented.

Summary of financial information – associates

Amounts in NOK million	Bergervn. AS and IS	Lillo Gård AS and KS	Nordlivn. AS and KS	Rolvsbukta AS and KS	AFG Invest 5 AS	Bjørnsons Hage	
Registered office	Oslo	Oslo	Oslo	Oslo	Oslo	Oslo	
Ownership stake	33.3 %	22.5 %	33.3 %	33.3 %	33.33 %	34.0 %	
Current assets	5	67	195	137	16	27	
Fixed assets	51	390	2	4	8	11	
Total assets	**56**	**457**	**197**	**141**	**24**	**38**	
Current liabilities	-	9	138	26	8	28	
Non-current liabilities	-	317	33	76	-	2	
Total liabilities	**1**	**326**	**170**	**102**	**8**	**29**	
Equity capital	56	131	27	38	16	8	
Operating revenue	-	14	-	-	114	1	
Earnings after tax / Comprehensive income	-	3	3	4	111	-	

Resultat etter skatt/totalresultat for øvrige tilknyttede selskaper, som ikke er definert som vesentlige for konsernet, utgjør MNOK 17.

Reconciliation of book value:							**Sum**
Group's share of the investment	19	30	8	8	5	3	73
Limited partnership unit tax	-	-	-1	-1	-	-	-2
Changed valuation due to sell-off	-	-	-	-	-	18	18
Gains	-	-	5	-	-	-	5
Book value of the investment	**19**	**30**	**12**	**7**	**5**	**21**	**94**
Reconciliation of share of comprehensive income:							
Group's share of comprehensive income	-	1	1	1	37	-	40
Tax on profit for the year	-	-	-1	-1	-	-	-2
Recognised share of comprehensive income	**-**	**1**	**-**	**-**	**37**	**-**	**38**

NOK 42 million in dividends has been received from associates in 2015. NOK 34 million of this has been received from the company AFG Invest 5 AS.

Note 33 cont. // Associates and joint ventures

Summary of financial information – joint ventures

Amounts in NOK million	Hasle Linje Næring DA [1)]	Haslemann AS and IS	Kirkeveien Utbygging AS	
Registered office	Oslo	Oslo	Oslo	
Ownership stake	50 %	50 %	50 %	
Current assets	17	826	29	
Fixed assets	1,036	22	-	
Total assets	**1,052**	**848**	**29**	
Current liabilities	54	140	-	
Non-current liabilities	686	572	25	
Total liabilities	**740**	**711**	**25**	
Equity capital	312	136	4	
Operating revenue	4	-	195	
Profit after tax / Comprehensive income	-36	36	1	

Resultat etter skatt/totalresultat for øvrige felles virksomheter, som ikke er definert som vesentlige for konsernet, utgjør MNOK 6.

Reconciliation of book value:				**Total**
Group's share of the investment	156	68	2	226
Limited partnership unit tax	-	-6	-	-6
Excess value	-	-	19	19
Other items	4	-	-	4
Book value of the investment	**160**	**62**	**21**	**243**
Reconciliation of share of comprehensive income:				
Group's share of comprehensive income	-18	5	-	-13
Tax on profit for the year	-	-5	-	-5
Other items	5	-	-	5
Recognised share of comprehensive income	**-13**	**-**	**-**	**-13**

NOK 2 million in dividends has been received from joint ventures in 2015.

2014

Amounts in NOK million	Total major companies	Total other companies	Total
Specification of amounts recognised in the balance sheet:			
Associates	64	41	105
Joint ventures	273	28	301
Total	**337**	**69**	**406**
Specification of the amounts recognise in the income statement:			
Associates	8	2	10
Joint ventures	1	-2	-1
Total	**9**	**-**	**9**

Note 33 cont. // Associates and joint ventures

Summary of financial information – associates

Amounts in NOK million	Bergervn. AS and IS	Lillo Gård AS and KS	Nordlivn. AS and KS	Sandakervn. AS and KS	Rolvsbukta AS and KS
Registered office	Oslo	Oslo	Oslo	Oslo	Oslo
Ownership stake	33.3 %	22.5 %	33.3 %	33.3 %	33.3 %
Current assets	1	7	125	21	104
Fixed 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
Operating revenue	-	17	-	492	-
Profit after tax / Comprehensive income	-1	3	-	42	-2

Resultat etter skatt/totalresultat for øvrige felles virksomheter, som ikke er definert som vesentlige for konsernet, utgjør MNOK 20.

Reconciliation of book value:						**Total**
Group's share of the investment	18	18	7	6	11	60
Limited partnership unit tax	-	-	-	-2	-	-2
Excess value	-	-	5	-	-	5
Book value of the investment	**18**	**18**	**12**	**4**	**11**	**64**
Reconciliation of comprehensive income:						
Group's share of comprehensive income	-	1	-	14	-1	14
Tax on limited partnership profit for the year	-	-	-	-1	-	-1
Share of limited partnership incorporated into a limited company	-	-	-	-4	-	-4
Recognised share of comprehensive income	**-**	**1**	**-**	**8**	**-1**	**8**

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 33 cont. // Associates and joint ventures

Summary of financial information – joint ventures

Amounts in NOK million	Hasle Linje Næring DA [1)]	Haslemann AS and IS	Kirkeveien Utbygging AS	BA Gjenvinning AS [2)]
Registered office	Oslo	Oslo	Oslo	Oslo
Ownership stake	50 %	50 %	50 %	50 %
Current assets	1 164	481	29	11
Fixed 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
Operating revenue	2	-	-	-
Profit after tax / Comprehensive income	-1	-	-	3

Profit after tax/Comprehensive income for other joint ventures, not defined as material, amount to NOK -5 million.

Reconciliation of book value:					**Total**
Group's share of the investment	174	62	2	1	239
Excess value	-	-	19	-	19
Changed valuation due to sell-off	-	-	-	14	14
Other items	-	-	-	14	14
Book value of the investment	**-1**	**-**	**-**	**3**	**1**
Reconciliation of comprehensive income:					
Group's share of comprehensive income after tax	-	-	-	2	2
Adjustment of ownership period	1	-	-	-1	-
Recognised share of comprehensive income	**1**	**-**	**-**	**1**	**2**

[1)] Hasle Linje DA was acquired as at 1 September 2014. 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.

Note 34 // Subsidiaries

		Office address				
Company name	Acquisition date	Place	Country	Direct ownership	Financial ownership	Business area
AF Gruppen Norge AS	05.09.85	Oslo	Norway	100.00 %	100.00 %	Civil Engineering, Building, Property
Pålplintar i Sverige AB	14.01.00	Södertälje	Sweden	100.00 %	100.00 %	Civil Engineering
JR Anlegg AS	01.10.10	Jessheim	Norway	100.00 %	100.00 %	Civil Engineering
AF Arctic AS	14.02.11	Longyearbyen	Norway	100.00 %	100.00 %	Civil Engineering
Palmer Gotheim Skiferbrudd AS	01.01.07	Oppdal	Norway	100.00 %	100.00 %	Civil Engineering
Målselv Maskin og Transport AS	04.03.15	Karlstad	Norway	70.00 %	70.00 %	Civil Engineering
Skagsnebb AS	16.03.15	Oslo	Norway	100.00 %	100.00 %	Civil Engineering
AF Miljø AS	01.01.09	Oslo	Norway	100.00 %	100.00 %	Environment
AF Decom AB	15.12.07	Gothenburg	Sweden	100.00 %	100.00 %	Environment
Härnösand Byggreturer AB	01.07.13	Stockholm	Sweden	100.00 %	100.00 %	Environment
AF Decom AS	01.01.09	Oslo	Norway	100.00 %	100.00 %	Environment
Jølsen Miljøpark AS	01.11.13	Skedsmokorset	Norway	100.00 %	100.00 %	Environment
Rimol Miljøpark AS	11.12.14	Tiller	Norway	50.00 %	50.00 %	Environment
AF Bygg Göteborg AB	01.07.01	Gothenburg	Sweden	100.00 %	100.00 %	Building
AF Bygg Syd AB	30.06.07	Halmstad	Sweden	90.00 %	90.00 %	Building
Skummeslövsgården AB	01.02.07	Hälland County	Sweden	100.00 %	100.00 %	Building
BRF Strandängen AB	01.10.13	Hälland County	Sweden	100.00 %	100.00 %	Building
Strøm Gundersen Gruppen AS	03.11.11	Oslo	Norway	100.00 %	100.00 %	Building
Strøm Gundersen Holding AS	03.11.11	Mjøndalen	Norway	91.79 %	91.79 %	Building
Strøm Gundersen AS	03.11.11	Mjøndalen	Norway	100.00 %	91.79 %	Building
Corroteam AS	03.11.11	Mjøndalen	Norway	70.00 %	64.25 %	Building
Haga & Berg Holding AS	03.11.11	Oslo	Norway	75.00 %	69.87 %	Building
Haga & Berg Entreprenør AS	03.11.11	Oslo	Norway	100.00 %	69.87 %	Building
Haga & Berg Service AS	19.02.14	Oslo	Norway	75.50 %	52.75 %	Building
VSP Holding AS	03.11.11	Mjøndalen	Norway	84.77 %	78.38 %	Building
Problikk AS	25.02.13	Tranby	Norway	100.00 %	78.38 %	Building
Consolvo AS	03.11.11	Tranby	Norway	100.00 %	78.38 %	Building
Consolvo OUAB	15.03.12	Vilnius	Lithuania	100.00 %	78.38 %	Building
Consolvo Support AS	03.11.11	Tranby	Norway	60.00 %	47.03 %	Building
Consolvo Overflate AS	03.11.11	Tranby	Norway	51.00 %	39.97 %	Building
Consolvo Eiendom AS	03.11.11	Tranby	Norway	100.00 %	78.38 %	Building
Microtrenching Norge AS	16.09.14	Tranby	Norway	90.10 %	70.62 %	Building
Protector AS	03.11.11	Tranby	Norway	100.00 %	78.38 %	Building
Protector CPE AB	03.11.11	Gothenburg	Sweden	85.00 %	66.62 %	Building
Protector KKS GmbH	03.11.11	Remseck	Germany	100.00 %	78.38 %	Building
Fjerby Holding AS	27.08.14	Tranby	Norway	90.10 %	70.62 %	Building
Fjerby AS	16.09.14	Fjerdingby	Norway	100.00 %	70.62 %	Building
MTH AS	03.11.11	Mjøndalen	Norway	72.00 %	59.92 %	Building
Thorendahl AS	03.11.11	Oslo	Norway	100.00 %	59.92 %	Building
Fagbetong AS	04.11.11	Oslo	Norway	100.00 %	59.92 %	Building
Oslo Stillasutleie AS	03.11.11	Oslo	Norway	100.00 %	59.92 %	Building
Storo Blikkenslagerverksted AS	03.11.11	Oslo	Norway	70.00 %	41.94 %	Building
Oslo Papp og Membranservice AS	09.05.12	Oslo	Norway	100.00 %	41.94 %	Building
Oslo Prosjektbygg AS	01.03.13	Oslo	Norway	70.00 %	41.94 %	Building
Grefsenveien 30 AS	27.02.14	Oslo	Norway	100.00 %	41.94 %	Building
VDH AS	04.05.15	Oslo	Norway	70.00 %	41.94 %	Building
VD Vindu & Dør Montasje AS	06.03.15	Skotterud	Norway	100.00 %	41.94 %	Building

Note 34 cont. // Subsidiaries

		Office address				
Company name	Acquisition date	Place	Country	Direct ownership	Financial ownership	Business area
LAB AS	11.03.15	Bergen	Norway	70.00 %	70.00 %	Building
LAB Entreprenør AS	11.03.15	Bergen	Norway	100.00 %	70.00 %	Building
Åsane Byggmesterforretning AS	11.03.15	Bergen	Norway	70.00 %	49.00 %	Building
ÅBF Eiendom AS	11.03.15	Bergen	Norway	100.00 %	49.00 %	Building
Vestre Nordgardsleitet AS	11.03.15	Bergen	Norway	51.00 %	24.99 %	Building
Fundamentering Holding AS	11.03.15	Bergen	Norway	100.00 %	100.00 %	Building
Fundamentering AS	11.03.15	Bergen	Norway	70.00 %	70.00 %	Building
Nordstraumen Utbyggingsselskap AS	11.03.15	Bergen	Norway	60.00 %	60.00 %	Building
Kilen Brygge AS	15.03.05	Sandefjord	Norway	100.00 %	100.00 %	Property
AF Projektutveckling AB	01.01.04	Gothenburg	Sweden	100.00 %	100.00 %	Property
Fastigheter i Strandängen AB	14.05.08	Gothenburg	Sweden	100.00 %	100.00 %	Property
AF Energi AS	25.08.11	Oslo	Norway	100.00 %	100.00 %	Energy
AF Energi & Miljøteknikk AS	31.05.06	Asker	Norway	100.00 %	100.00 %	Energy
AF Offshore AS	02.04.09	Oslo	Norway	100.00 %	100.00 %	Offshore
Miljøbase Vats AS	09.09.14	Oslo	Norway	100.00 %	100.00 %	Offshore
AF Offshore Decom AS	01.01.09	Oslo	Norway	100.00 %	100.00 %	Offshore
AF Decom Offshore UK Ltd.	24.05.10	London	England	100.00 %	100.00 %	Offshore
AF Offshore Mandal AS	25.02.11	Mandal	Norway	100.00 %	100.00 %	Offshore
AF Offshore AeronMollier AS	01.07.08	Flekkefjord	Norway	100.00 %	100.00 %	Offshore
5D Group AS	01.07.12	Arendal	Norway	100.00 %	100.00 %	Offshore
Aeron Energy Technologies Ltd.	16.11.09	Shanghai	China	100.00 %	100.00 %	Offshore

The list includes directly and indirectly owned subsidiaries, but pure holding companies and companies without any activity have been omitted.
The voting rights in all the subsidiaries follow the shares.

Note 35 // Significant minority interests

The table below shows AF Gruppen's comprehensive income and equity attributable to minority interests allocated to sub-groups with significant minority interests.

Amounts in NOK million	Strøm Gundersen Holding	LAB	Others	Total
Minority interests 01/01/2014	93	-	12	106
Share of comprehensive income	43	-	-2	41
Share of adopted and paid dividends in 2014	-15	-	-1	-16
Transactions with minority interests	4	-	3	6
Minority interests 31/12/2014	**125**	**-**	**13**	**137**
Share of comprehensive income	35	41	7	83
Share of adopted and paid dividends in 2015	-23	-8	-1	-31
Addition of minority interests from acquisition of business	-	76	40	115
Transactions with minority interests	-35	-	-11	-45
Minority interests 31/12/2015	**102**	**110**	**47**	**259**

The table below shows a summary of the financial information for sub-groups with significant minority interests. For LAB, which was acquired on 11 March 2015, the income statement figures for the AF Gruppen's ownership period apply.

Amounts in NOK million	Strøm Gundersen Holding 2015	Strøm Gundersen Holding 2014	LAB 2015	LAB 2014
Profit for the year / Comprehensive income	88	108	92	-
Fixed assets	288	268	191	-
Current assets	552	561	830	-
Total assets	**840**	**828**	**1,021**	**-**
Equity attributable to shareholders	153	147	262	-
Minority interests	95	91	31	
Non-current liabilities	55	47	90	-
Current liabilities	537	544	637	-
Total equity and liabilities	**840**	**828**	**1 021**	**-**
Minority interest in the parent company [1]	15.5 %	15.5 %	30.0 %	

[1] AF Gruppen Norge AS, which is not the parent company of Strøm Gundersen Holding, have a direct ownership interest in Strøm Gundersen Holding AS, as well as other subsidiaries in the Strøm Gundersen Holding Group. The minority interest allocated to Strøm Gundersen Holding in AF Gruppen is therefore lower than what can be calculated from the figures in the table above.

There are no contingent liabilities or pledges made regarding capital transfers etc. related to any of the subsidiaries.

Note 36 // Events after the balance sheet date

No events have taken place after the date of the balance sheet that are of significance to the published annual financial statements.

Note 37 // New and amended accounting standards and significant accounting policies

37.1 Recently published accounting standards, amendments and interpretations

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

In 2015, 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

- IFRS 9 Financial Instruments [1]
- Amendments to IFRS10 Consolidated Financial Statements and IAS28 Investments in Associates and Joint Ventures: The sale or transfer of assets between an investor and the investor's associates or joint ventures
- Amendments to IFRS10 Consolidated Financial Statements and IFRS12 Disclosure of Interests in Other Entities and IAS28 Investments in Associates and Joint Ventures: Investment enterprises - Application of the consolidation exception
- Amendments to IFRS 11 – Joint Arrangements
- IFRS 15 Revenue from Contracts with Customers [2]
- IFRS 16 Leases [3]
- Amendments to IAS 19 – Defined Benefit Plans: Contributions from employees
- Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets
- Amendments to IAS 1 – Presentation of Financial Statements
- The improvement project (2012 – 2014)

[1] The new standard for financial instruments enters into force on 1 January 2018. So far the Group's assessments have not revealed circumstances, which upon implementation of this, will significantly affect the Group's financial position or result.

[2] The new standard for recognition of income enters into force on 1 January 2018. The Group is in the process of assessing the effect the implementation of this will have on the Group. Upon the introduction of IFRS15, IFRIC 15 will likely lapse, and this is expected to affect the consolidated financial statements However, at present one has not finished assessing all types of contract the Group has, and it is therefore too early to conclude which effect this will have on the Group's financial position or results.

[3] The new standard for leases enters into force on 1 January 2019. The implementation of this will entail that the Group's operational leases will generally be recognised in the balance sheet. As at 31 December 2015 the Group had a calculated minimum obligation for operational leases of NOK 948 million.

The remaining amendments listed above are not expected to have any significant impact on the Group's financial standing or results.

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.

37.2 Use of estimates and assumptions

In the preparation of the annual accounts the management has used estimates and assumptions that have affected assets, liabilities, revenues, expenses, and information on potential liabilities. 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 note 30 Estimate uncertainty for further information.

37.3 Significant accounting policies

Basis of consolidation

Subsidiaries

General

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 until 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, an assessment is made to establish whether the acquisition concerns the business itself or assets. If it is considered to be 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

Note 37 cont. // New and amended accounting standards and significant accounting policies

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 are liable for 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 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. Foreign exchange gains or losses from the settlement or translation of monetary items in a foreign currency are recognised at the rate prevailing on the balance sheet date.

Foreign exchange gains and losses related to trade receivables, trade payables and other balance sheet items related to operations, are presented under net gains and losses in the income statement and specified otherwise in the notes.

Foreign exchange gains or losses related to loans, cash and cash equivalents are presented under net financial items in the income statement and specified otherwise in the notes.

The foreign exchange effect on non-monetary items is included as part of the assessment of fair value. Foreign exchange differences relating to non-monetary items, such as shares at fair value through profit and loss, are recognised as part of a combined gain or loss. Foreign exchange differences relating to shares classified as available for sale are included in the change in value that is recognised under other comprehensive income.

Group companies
The Group's presentation currency is Norwegian kroner (NOK). This is also the parent company's functional currency.

Note 37 cont. // New and amended accounting standards and significant accounting policies

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.

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.

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.

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.
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.

Demolition work
Demolition work is defined under IAS 11 and dealt with by using the same accounting policies as for projects for third-party accounts.

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.

Note 37 cont. // New and amended accounting standards and significant accounting policies

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. Based on the management's assessments, provisions are made for expected tax charges when an undertaking has an existing obligation which is a result of an earlier event, and it is likely that a stream of resources that include economic benefits from the undertaking will be required to settle the obligation, and a reliable estimate of the obligation amount can be made.

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 are recognised in the income statement, while other expenses that are expected to generate future economic benefits are recognised in the balance sheet. The remaining 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.

Note 37 cont. // New and amended accounting standards and significant accounting policies

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 and transfers the right to control the use of the underlying asset to the buyer, the agreement is treated as a lease agreement.

Lease arrangements in which the Group acquires most of the risk and return and are associated with ownership of the assets are financial leases. Other leases are treated as operating leases.

Financial leases
AF Gruppen presents financial leases in the financial statements as assets and liabilities. At the beginning of the term of the lease, financial leases are 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.

Financial instruments
Financial assets
The Group classifies financial assets in the following categories:
a) At fair value through profit or loss
b) Loans and receivables

The classifications are based on the type of instrument and purpose of the asset.

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. 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.

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.

When entering into new contracts it is considered whether this concerns hedging of fair value of an accounting item or hedging of signed commitment (hedging of cash flows). Changes in the fair value of derivatives, which both is defined as hedging and satisfies requirements toward the hedging of cash flows, are recognized against the comprehensive income. Items are reversed and recognized as income or expense in the period the hedged liability or transaction affects profit or loss. Changes in fair value of derivatives that do not qualify as hedges or as fair value, are expensed as incurred.

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.

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. 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.

Gains and losses are recognized by write-downs or derecognition of the instruments.

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 is 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.

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 the section above 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.

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 determine using the FIFO method and includes expenses incurred in acquiring the goods and the cost of bringing them to their present location and condition.

Projects for own account
Inventories of projects for own account are classified as current assets on the balance sheet.

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.

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 benefit formula is used as allocation method. 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.

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 2.4 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.

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.

Note 37 cont. // New and amended accounting standards and significant accounting policies

Annual accounts AF Gruppen ASA

Income statement

Amounts in NOK million	Note	1 January - 31 December 2015	2014
Other income		-	-
Dividend received	7	478	388
Total operating and other revenue		**479**	**388**
Total operating expenses	3,7	-11	-11
Earnings before interest and tax (EBIT)		**468**	**378**
Net financial items	4,7	8	2
Earnings before tax (EBT)		**475**	**380**
Income tax expense	5	-	-
Profit for the year		**475**	**380**
Comprehensive income			
Profit for the year		475	380
Comprehensive income for the year		-	-
Total comprehensive income for the year		**475**	**380**

Statement of financial position

Amounts in NOK million	Note	31/12/2015	31/12/2014
ASSETS			
Non-current assets			
Deferred tax assets	5	-	-
Investments in subsidiaries	6	581	581
Total non-current assets		**581**	**581**
Current assets			
Other receivables from group companies	7	577	484
Other receivables		-	-
Cash and cash equivalents		-	-
Total current assets		**577**	**484**
Total assets		**1,158**	**1,065**
EQUITY AND LIABILITIES			
Equity			
Share capital	8,9	5	4
Treasury shares	9	-	-
Premium	9	2	1
Other paid-in equity	9	47	37
Total contributed equity		**54**	**42**
Other equity	9	297	247
Total retained earnings		**297**	**247**
Total equity		**351**	**290**
Current liabilities			
Interest-bearing debt to group companies	7	196	217
Trade payables and other non-interest-bearing debt		9	6
Taxes and public charges payable	7	84	93
Tax payable	5	-	-
Other debt to group companies	7	54	2
Proposed dividend	9	463	457
Total current liabilities		**807**	**775**
Total equity and liabilities		**1,158**	**1,065**

Cash flow statement

	1 January - 31 December	
Amounts in NOK million	**2015**	**2014**
Cash flow from operating activities		
Profit before tax	475	380
Income tax paid	-	-53
Dividends / Group contributions recognised	-478	-388
Change in trade receivables and payables	3	-2
Change in balances with group companies	-11	-140
Change in accruals	-9	18
Net cash flow from operating activities	**-21**	**-186**
Cash flow from investment activities		
Contributions for capital reductions in subsidiaries	-	8
Net cash flow from investment activities	**-**	**8**
Cash flow from financing activities		
Proceeds from equity issuance	364	279
Proceeds from the sale of treasury shares	23	35
Dividend received and group contributions	388	425
Purchase of treasury shares	-20	-33
Payment of dividends	-735	-529
Net cash flow from financing activities	**21**	**178**
Net change in cash and cash equivalents during the year	-	-
Cash and cash equivalents as at 1 January	-	-
Cash and cash equivalents as at 31 December	**-**	**-**

Note 1 // Accounting policies

AF Gruppen ASA is a public limited company registered in Norway. The Company's head office is located at Innspurten 15, 0603 Oslo, Norway.

AF Gruppen ASA is a holding company without any activities other than investing in other companies.

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the simplified IFRS provisions for company accounts laid down in Section 3.9, fifth paragraph of special regulations pursuant to the Norwegian Accounting Act. (Regulations relating to the application of international accounting standards, Chapter 4, laid down by the Ministry of Finance on 21 January 2008). These regulations can be used by any entities that are required to keep accounts, both company accounts and consolidated accounts, unless they are required to use the full IFRS.

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS).

For information on related parties, sale/acquisition of business areas, earnings per share and events after the balance sheet date, reference is made to the relevant notes in the consolidated financial statements.

The financial statements for the Parent Company, AF Gruppen ASA, were approved for publication by the Board of Directors on 7 April 2016.

The accounting principles described for the Group are consistent with those used for the Parent Company. Reference is made to note 37 in the consolidated financial statements for a detailed description of the accounting policies applied. Accounting principles that are only relevant for the Parent Company or deviate from the consolidated financial statements are as follows:

1.1 Shares in subsidiaries
Subsidiaries are valued in accordance with the cost method in the company's accounts. The investment is valued at the historical cost of the shares unless a write-down of the shares has been necessary. They are written down to fair value in the event of an impairment in value that is attributed to causes that cannot be expected to be of a temporary nature and must be regarded as necessary in accordance with the generally accepted accounting principles. Write-downs are reversed when the basis for the write-downs no longer exists.

1.2 Dividends and group contributions
Entities that are required to keep accounts and prepare company accounts in accordance with the regulations pursuant to Section 3.9 of the Norwegian Accounting Act may, regardless of other provisions in these regulations, recognise dividends and group contributions in accordance with the provisions of the Norwegian Accounting Act. AF Gruppen ASA has chosen to make use of this exception. This means that dividends and group contributions received and paid by the parent company will be recognised the year prior to when the receipt or payment is adopted. The same applies to any tax effect of such transactions.

Note 2 // Remuneration of the 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 1000	2015	2014
Remuneration of the CEO		
Fixed pay	3 617	3,601
Bonus	3 935	3,420
Other benefits	234	221
Total	**7,786**	**7,242**
Retirement benefits	39	39
Benefit from redemption of options	-	2,395
Directors' fees	2,105	1,960

Complete information on the pay systems and remuneration of the CEO, Board of Directors and senior executives is provided in the consolidated financial statements, and reference is made to Note 7 – Payroll costs and Note 29 – Remuneration of senior executives in the consolidated financial statements for further information.

Note 3 // Other operating expenses

Amounts in NOK million	2015	2014
Audit fees	-	-
Ownership costs	-9	-8
Other operating expenses	-2	-2
Total other operating expenses	**-11**	**-11**
Audit fees (Amounts in NOK 1000)		
Ordinary audit fees	-258	-344
Other assurance engagements	-23	-37
Other services beyond ordinary auditing	-8	-16
Total audit fees	**-289**	**-397**

Value-added tax is not included in the audit fees.

Note 4 // Net financial items

Amounts in NOK million	2015	2014
Financial income		
Interest income from companies in the same group	9	7
Total financial income	**9**	**7**
Financial expenses		
Interest charges from companies in the same group	-2	-4
Total financial expenses	**-2**	**-5**
Net financial items	**8**	**2**

Note 5 // Tax expense

Amounts in NOK million	2015	2014
The tax expense for the year can be broken down as follows:		
Tax payable	-	-
Change in deferred tax	-	-
Income tax expense	**-**	**-**
Calculation of the tax base for the year		
Profit before tax	475	380
Non-deductible expenses	-	-
Non-taxable income	-	-
Losses from the sale of shares	-	-
Application of losses carried forward	-	-
Dividend received	-475	-380
Tax base for the year	**-**	**-**
Tax for the year (27 % of the tax base for the year)	-	-

Note 6 // Investments in subsidiaries

Name of company	Date acquired	Business address	Ownership interest	Voting share
AF Gruppen Norge AS	05.09.85	Oslo	100 %	100 %
AF Offshore AS	02.04.09	Oslo	100 %	100 %
AF Miljø AS	15.01.09	Oslo	100 %	100 %
AF Energi AS	25.08.11	Oslo	100 %	100 %

Investments by the cost method (Amounts in NOK) 1000	Profit/Loss 2015	Number shares	Share capital	Equity capital	Book value
AF Gruppen Norge AS	603,955	10,000	200,000	884,674	258,561
AF Offshore AS	-4,155	3,000	30,000	232,045	215,118
AF Miljø AS	2,791	10,000	5,910	11,109	35,794
AF Energi AS	2,841	5,000	5,000	56,139	71,543

Note 7 // Intercompany balances and transactions with group companies

Amounts in NOK million	2015	2014
Results		
Dividend received	478	388
Ownership costs	-9	-8
Interest income	9	7
Interest expenses	-2	-4
Balance		
Other receivables, current	577	484
Interest-bearing liabilities, current (corporate cash pool)	196	217
Other liabilities, current	54	2

Note 8 // Share capital and shareholder information

The share capital consists of:	Number	Nominal value	Carrying amount
A-shares	92 680 000	0,05	4 634 000

Ownership structure	Number	Voting/share
Shareholders with a stake > 1%		
OBOS BBL AS	15,643,841	16.9 %
ØMF Holding AS	13,940,474	15.0 %
Construction AS	13,180,762	14.2 %
Aspelin Ramm Gruppen AS	4,993,269	5.4 %
National Insurance Scheme Fund	4,200,000	4.5 %
LJM A/S	2,513,900	2.7 %
VITO Kongsvinger AS	2,111,676	2.3 %
Stenshagen Invest AS	1,726,977	1.9 %
Skogheim, Arne	1,723,870	1.9 %
Staavi, Bjørn	1,515,452	1.6 %
Moger Invest AS	1,240,541	1.3 %
Verdipapirfondet Handelsbanken	1,055,432	1.1 %
Flygind AS	1,016,771	1.1 %
Total for shareholders with a stake > 1%	**64,862,965**	**70.0 %**
Total other shareholders	27,817,035	30.0 %
Total outstanding shares	**92,680,000**	**100.0 %**

There is only one class of shares with identical voting rights.

Owned by senior executives as at 31 December 2015		Number of shares	Number of options
Board of Directors			
Tore Thorstensen, styret leder [1]	Elected by shareholders	11,500	-
Hege Bømark	Elected by shareholders	-	-
Peter Groth [3]	Elected by shareholders	11,500	-
Daniel Kjørberg Siraj [2]	Elected by shareholders	-	-
Borghild Lunde	Elected by shareholders	-	-
Arne Sveen	Elected by employees	-	-
Pål Jacob Gjerp	Elected by employees	42,675	5,318
Kenneth Svendsen	Elected by employees	71,008	11,397
Total		**136,683**	**16,715**

[1] Represents in addition to his own shares: KB Gruppen Kongsvinger, Vålerveien 229 AS and Tokanso AS, which own 312,564, 143,800 and 500,774 shares, respectively.
[2] Represents OBOS BBL AS, which owns 15,643,841 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
Morten Grongstad	CEO from 16/10/2015	113,537	30,521
Sverre Alf Hærem	Executive Vice President/CFO	169,290	31,372
Robert Haugen	Executive Vice President	247,220	31,189
Arild Moe	Executive Vice President	234,196	30,764
Andreas Jul Røsjø	Executive Vice President	16,155	26,877
Total		**780,398**	**150,723**

The Board has the authority to acquire up to 10% of the share capital. This authority is valid until the 2016 Annual General Meeting, which is scheduled for 12 May 2016.

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 3,759,599 options that may be redeemed from this scheme in March 2017.

Note 9 // Equity

Amounts in NOK million	Share capital	Treasury shares	Premium	Other paid-in equity	Other equity	Total
Equity as at 01/01/2014	**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**
Capital increase	-	-	317	47	-	364
Purchase of treasury shares	-	-	-	-	-20	-20
Sale of treasury shares	-	-	-	-	23	23
Loss on sale of treasury shares	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	475	475
More distributed in dividends than proposed	-	-	-	-	-278	-278
Proposed dividend for 2015	-	-	-315	-	-148	-463
Group contributions paid without tax	-	-	-	-	-40	-40
Reclassification	-	-	-	-37	37	-
Equity as at 31/12/2015	**5**	**-**	**2**	**47**	**297**	**351**

As at 31 December 2015, the company had no treasury shares (50,000 treasury shares with a nominal value of NOK 0.05 in 2014). Treasury shares have been bought with a view to selling to the employees and as partial payment for business acquisitions.

[1] Share capital in accordance with Articles of Association: 92,680,000 shares with a nominal value of NOK 0.05
[2] Number of paid-up shares issued: 92,680,000 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, tax withholdings and leasing limits for subsidiaries in the form absolute guarantees.

	2015		2014	
Amounts in NOK million	**Limit**	**Drawn**	**Limit**	**Drawn**
Guarantees issued to clients	2,850	2,223	2,850	2,027
Guarantees for tax withholdings etc.	171	145	150	119
Leasing limits	1,173	647	1,073	676
Bank credit and loan facilities	2,024	-	2,053	193
Total	**6,218**	**3,015**	**6,126**	**3,014**

Responsibility statement from the Board of Directors´ and the CEO

With regard to the annual accounts for 2015 for AF Gruppen ASA, we confirm to the best of our knowledge that:

- The consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU, and the additional disclosure requirements that follow from the Norwegian Accounting Act.
- The financial statements for the Parent Company, AF Gruppen ASA, have been presented in accordance with IFRS and the simplified IFRS provisions for company accounts laid down in section 3.9, fifth paragraph of the regulations pursuant to the Norwegian Accounting Act.
- The amounts and disclosures in the accounts provide a true and fair view of the Company's and the Group's assets, liabilities, financial positions and results as a whole.
- The amounts and disclosures in the annual report provide a true and fail view of performance, earnings and the position of the Company and Group, along with a description of the most important risk and uncertainty factors AF Gruppen faces.

Oslo, 7 April 2016

Tore Thorstensen
Chairman of the Board

Morten Grongstad
CEO

Borghild Lunde

Hege Bømark

Daniel Kjørberg Siraj

Pål Gjerp

Peter Groth
Employee elected

Arne Sveen
Employee elected

Kenneth Svendsen
Employee elected

Auditor's report

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
Fax: +47 24 00 24 01

www.ey.no
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 2015, income statement and cash flows for the year then ended and 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 2015, income statement, 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.

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 2015 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2015 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, the going concern assumption and the proposal for the allocation of the result 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, 7 April 2016
ERNST & YOUNG AS

Tommy Romskaug
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
Enterprise value / earnings before interest and tax

EV / CE
Enterprise value / capital employed

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

Addresses

AF Gruppen ASA
AF Gruppen Norge AS
AF Anlegg
AF Byggfornyelse
AF Bygg Oslo
AF Eiendom
AF Decom AS
AF Energi & Miljøteknikk AS
AF Offshore Decom AS
JR Anlegg AS
Miljøbase Vats AS

Visiting address
Innspurten 15
0663 Oslo

Postal address
P.O. Box 6272 Etterstad
0603 Oslo
Tel +47 22 89 11 00
Fax +47 22 89 11 01

www.afgruppen.com

AF Arctic AS
P.O. Box 1011
9171 Longyearbyen
Tel +47 22 89 11 00
Fax +47 22 89 11 01

Målselv Maskin & Transport AS
Rossvoll
9322 Karlstad
Tel +47 77 83 28 80
Fax +47 77 83 56 20

Pålplintar AB
Kumla Gårdsväg 3
S-145 63 Norsborg
Tel +46 85 506 50 50
Fax +46 85 506 72 10

AF Härnösand Byggreturer AB
Torsgatan 8
S-871 42 Härnösand
Tel +46 61 155 05 90
Fax +46 61 155 07 11

Rimol Miljøpark AS
Tiller-ringen 166
7092 Tiller
Tel +47 22 89 11 00
Fax +47 22 89 11 01

Jølsen Miljøpark AS
Jølsenveien 26
2000 Lillestrøm
Tel +47 22 89 11 00
Fax +47 22 89 11 01

AF Bygg Østfold
Sarpsborgveien 25
1640 Råde
Tel +47 69 28 35 00
Fax +47 69 28 35 01

AF Bygg Rogaland
Auglendsmyrå 8
4016 Stavanger
Tel +47 22 89 11 00
Fax +47 51 58 15 66

AF Bygg Sør
Kjøita 18
4630 Kristiansand S
Tel +47 22 89 11 00
Fax +47 22 89 11 01

Strøm Gundersen AS
Papyrusveien 33
3050 Mjøndalen
Tel +47 32 27 43 50
Fax +47 32 27 43 51

Consolvo AS
Ringveien 6
3409 Tranby
Tel +47 40 07 34 22
Fax +47 32 22 08 11

Haga & Berg Entreprenør AS
P.O. Box 6503 Rodeløkka
0501 Oslo
Tel +47 22 71 77 61
Fax +47 22 71 77 62

Protector AS
Ringveien 6
3408 Tranby
Tel +47 32 22 08 10
Fax +47 32 22 08 11

Thorendahl AS
Tvetenveien 44
0660 Oslo
Tel +47 23 25 34 00

LAB Entreprenør AS
Kanalveien 105 B
5068 Bergen
Tel +47 55 20 62 00

Åsane Byggmesterforretning AS
Hesthaugvegen 18
5119 Ulset
Tel +47 55 39 39 00
Fax +47 55 39 39 10

Fundamentering AS
Løvåsmyra 4
7093 Tiller
Tel +47 73 82 26 30
Fax +47 73 82 26 35

AF Bygg Göteborg AB
Theres Svenssons gata 9
S - 417 55 Göteborg
Tel +46 31 762 40 00
Fax +46 31 762 40 01

AF Bygg Syd AB
Tullkammarhuset
Strandgatan 3
S - 302 50 Halmstad
Tel +46 35 710 20 00
Fax +46 35 21 74 40

Boligenergi AS
Vitaminveien 1 A
0485 Oslo
Tel +47 22 89 13 00
Fax +47 22 89 13 01

AF Offshore Mandal AS
Gismerøyveien 227
4515 Mandal
Tel +47 22 89 11 00
Fax +47 22 89 11 01

AF Offshore AeronMollier AS
Nulandsvika 8
4400 Flekkefjord
Tel +47 38 32 78 00
Fax +47 38 32 78 01

AF Offshore Decom UK Ltd.
Centurion Court
North Esplanade West
Aberdeen, AB11 5QH
UK
Tel +44 (0) 1224 284 370

Addressing Future

AF Gruppen ASA
Innspurten 15
P.O. box 6272 Etterstad
0603 Oslo

Phone +47 22 89 11 00
Fax +47 22 89 11 01
www.afgruppen.com