

AF Gruppen ASA Q2 2022

26 August 2022

The AF logo is a stylized, bold, black 'AF' inside a yellow square.

Inspection of the new Drammen hospital. Photo: Colin Eick

Highlights

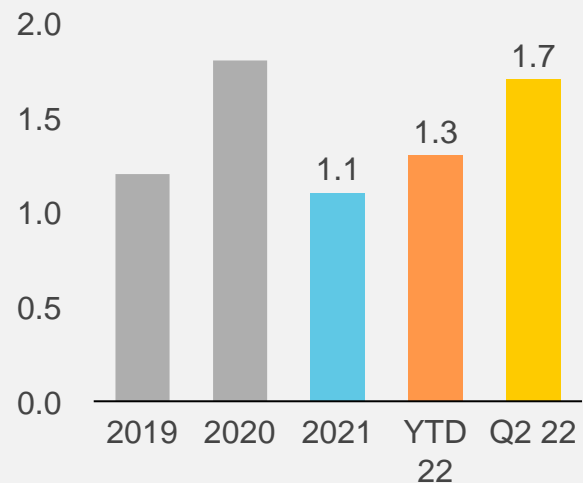
AF Gruppen with significant turnover growth and good profitability

- Revenue: NOK 8,292 (7,189) million in Q2 and NOK 15,101 (13,398) million year-to-date
- Earnings before tax: NOK 426 (356) million in Q2 and NOK 635 (602) million year-to-date
- Profit margin: 5.1% (5.0%) in Q2 and 4.2% (4.5%) year-to-date
- Cash flow from operations: NOK 619 (529) million in Q2 and NOK 1 226 (734) million year-to-date
- Order backlog: NOK 42,003 (37,837) million as of 30 June 2022
- Net interest-bearing receivables of NOK 145 (-333) million as of 30 June 2022



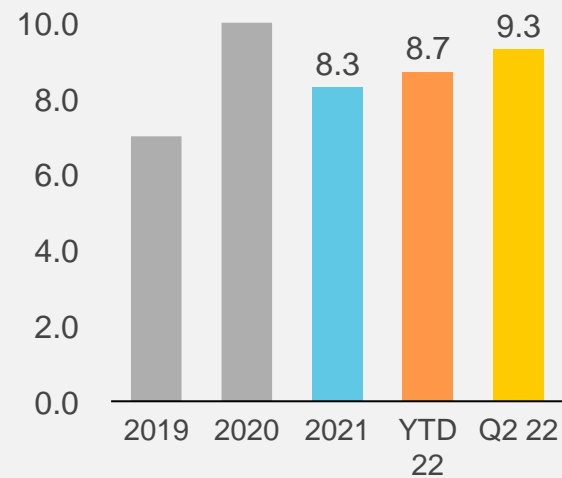
Health and Safety

Lost-time injury frequency (LTIF)



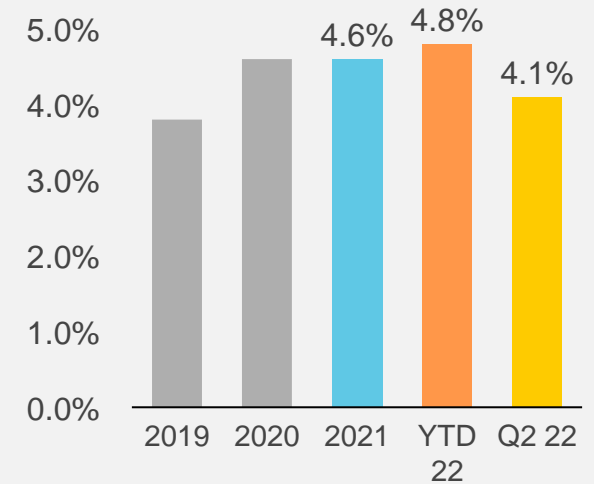
Number of lost-time injuries and severe personnel injuries not resulting in lost-time, including subcontractor employees, per million hours worked

Total recordable injury frequency (TRIF)

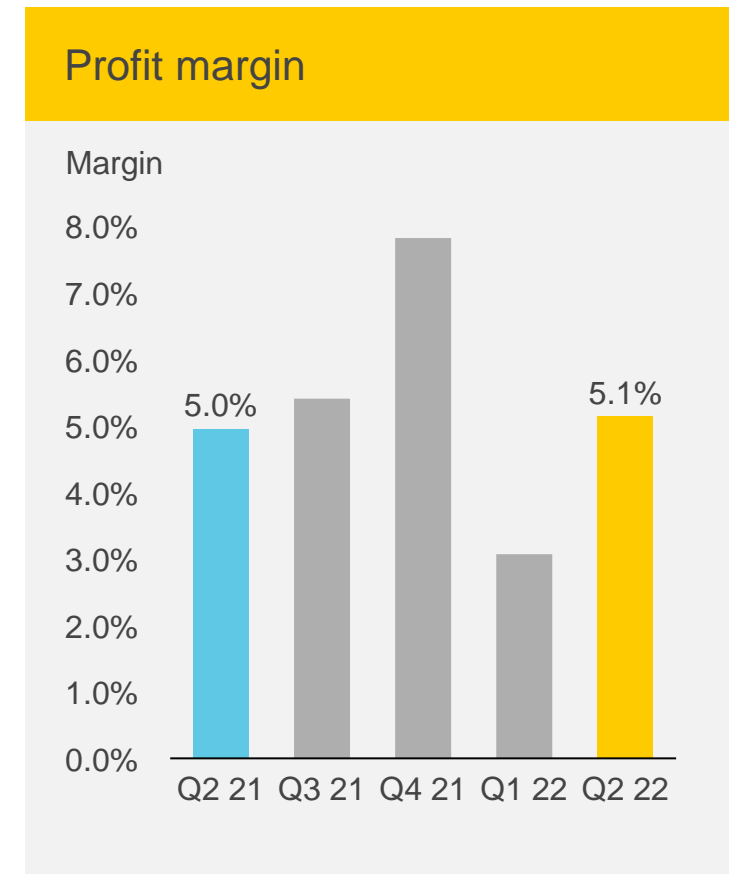
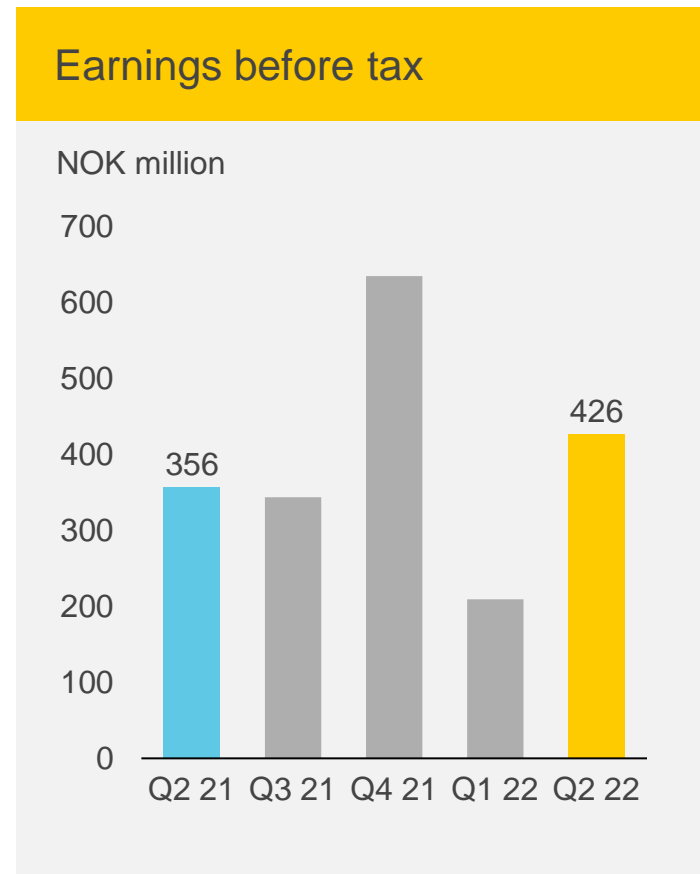
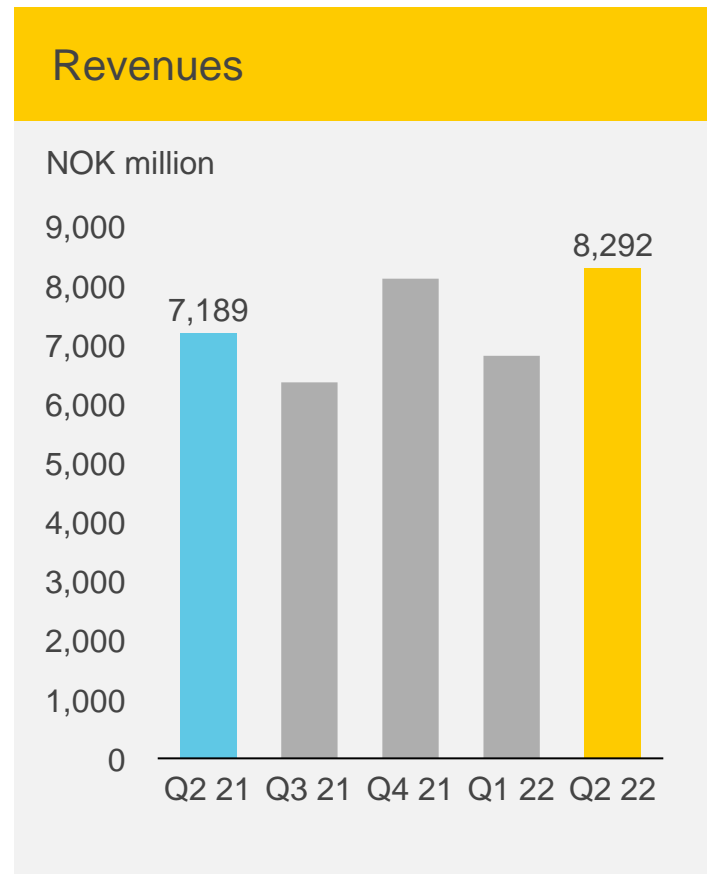


Number of lost-time injuries, injuries involving substitute work and medical treatment injuries, including subcontractor employees, per million hours worked

Sick leave



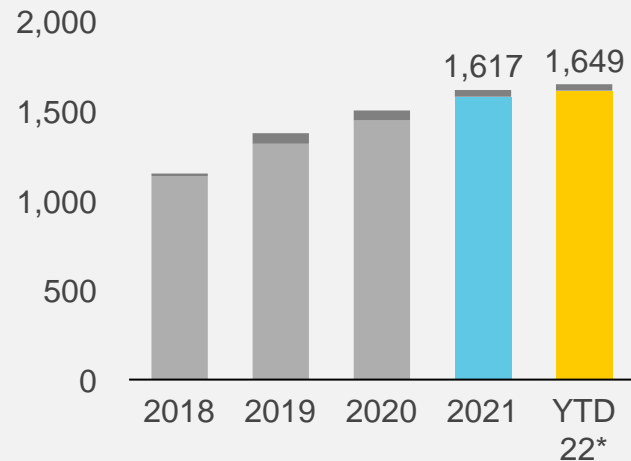
Revenues and Earnings – Quarterly



Return on Capital Employed

Earnings before tax and interest expense *

NOK million

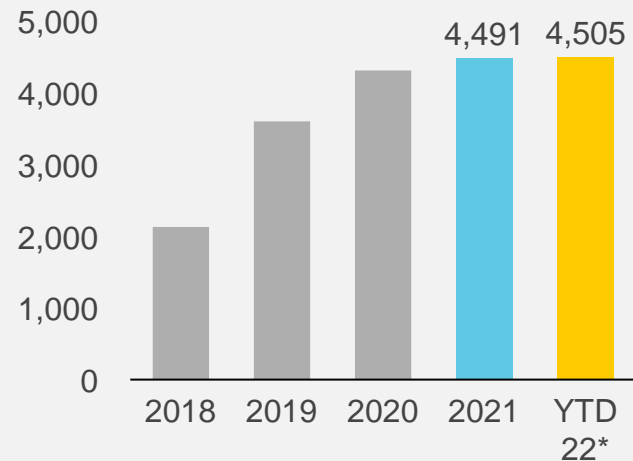


* Last four quarters rolling

■ Interest expenses added

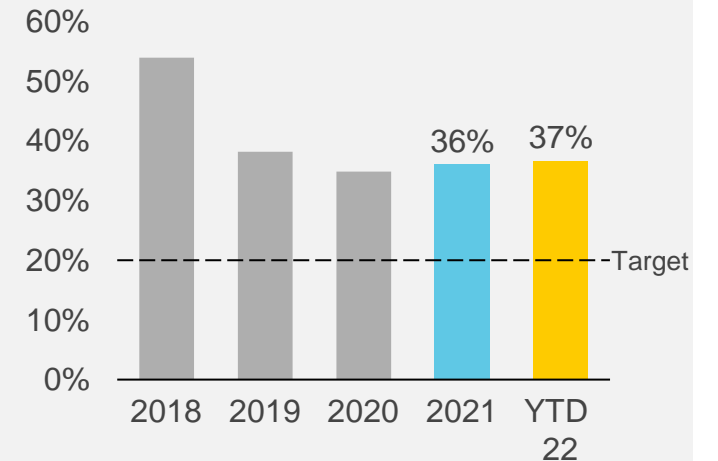
Average capital employed

NOK million



* Rolling average last four quarters

Return on capital employed

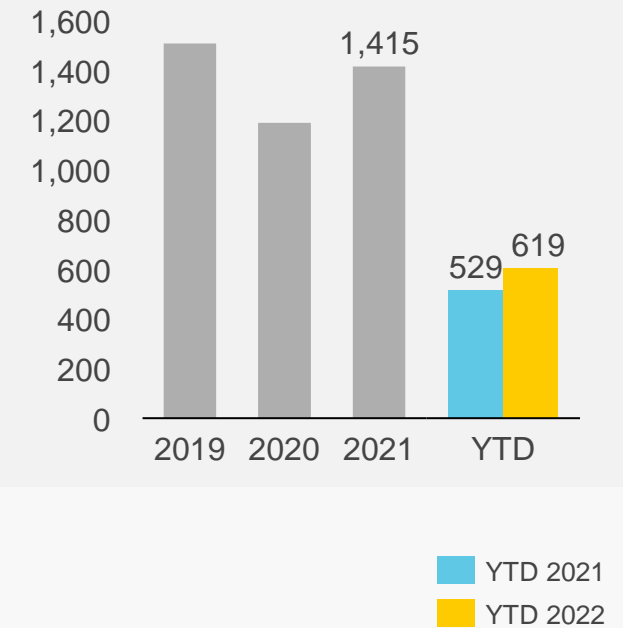


Cash Flow Statement

NOK million	Q2 2022	Q2 2021	YTD 2022	YTD 2021
EBIT	421	363	636	626
Depreciations, amortisation and impairment	136	140	266	276
Change in net working capital	189	159	610	44
Other adjustments / taxes paid	-127	-133	-286	-213
Cash flow from operations	619	529	1,226	734
Net investments	203	-98	169	-136
Cash flow from capital activities	-910	-767	-1,034	-860
Interest paid and change in interest bearing debt	177	-101	39	-204
Net change in cash and cash equivalents	90	-436	400	-466
Net cash and cash equivalents at beginning of period	974	630	680	708
Change in cash and cash equivalents without cash effect	22	12	5	-37
Net cash and cash equivalents end of period	1,086	205	1,086	205

Cash flow from operations

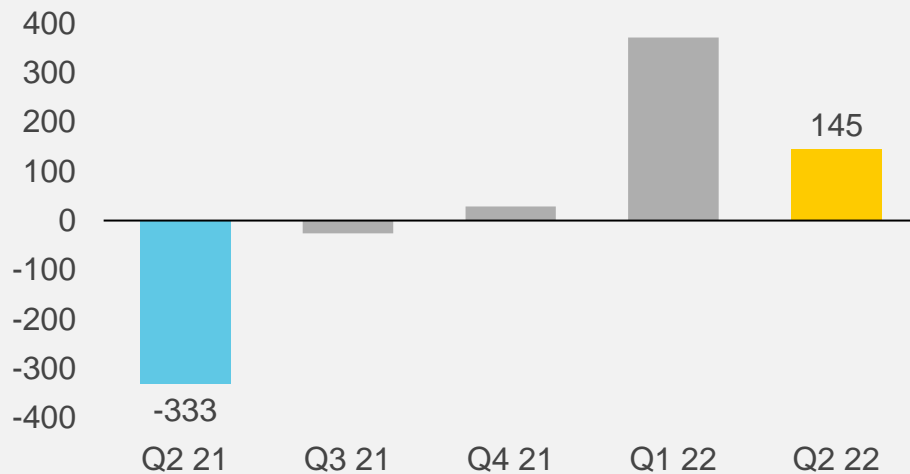
NOK million



Net Interest-bearing Receivables and Liquidity

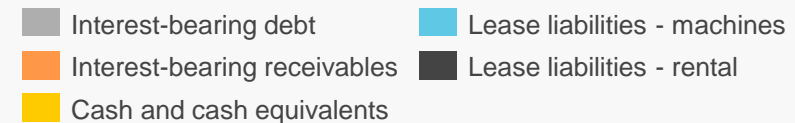
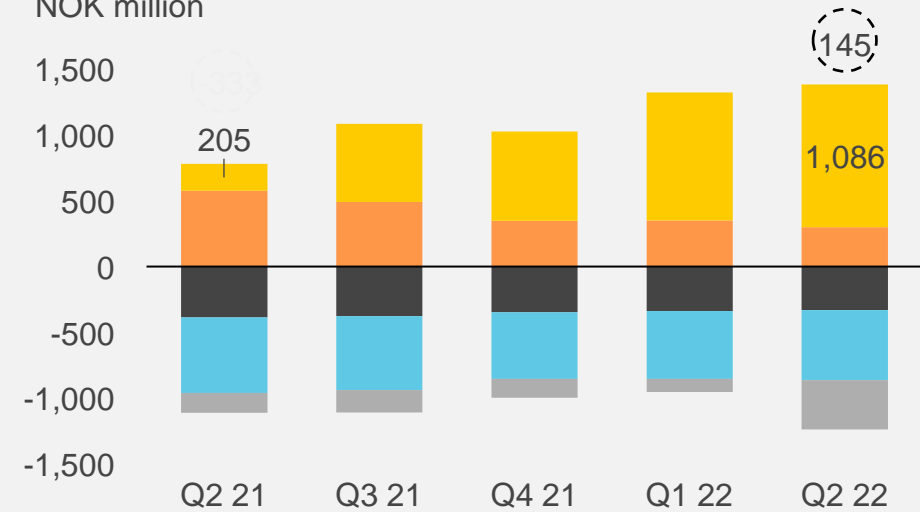
Net interest-bearing receivables

NOK million



Components net interest-bearing receivables

NOK million

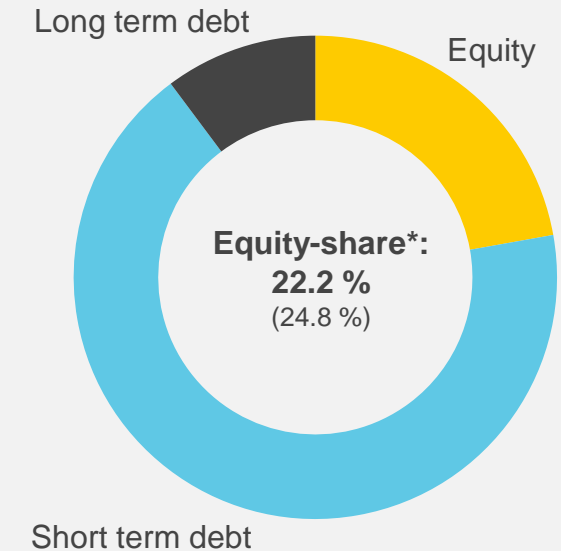


Available liquidity: NOK 3,804 million (including financial facilities of NOK 3,000 million)

Balance Sheet

NOK million	30.06.22	30.06.21	31.12.21
Non-current assets	7,494	7,786	7,490
Current assets, ex. cash	5,505	4,556	4,937
Cash and cash equivalents	1,086	205	680
Total assets	14,085	12,547	13,108
Equity	3,126	3,117	3,572
Long term debt	1,438	1,378	1,343
Short term debt	9,522	8,052	8,193
Sum egenkapital og gjeld	14,085	12,547	13,108

Equity share



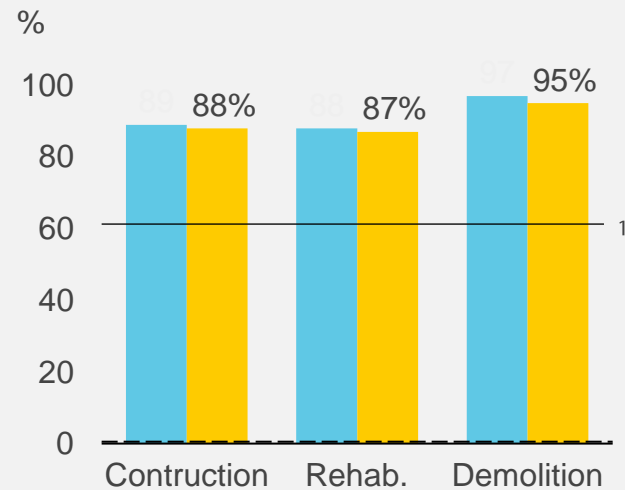
* Equity ratio excluding the effect of IFRS 16 is 23.3% per 30.06.22

All the company's covenants exclude the effect of IFRS 16

Environment

Source separation rate

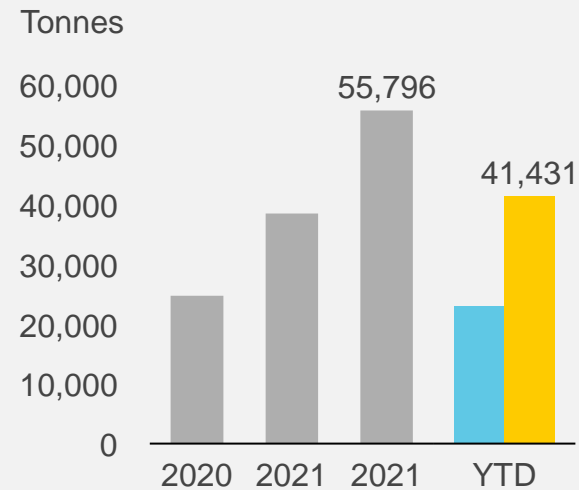
Waste sorted: 143,907 (176,211) tonnes YTD in 2022



¹ Regulatory requirement of 60%

■ YTD 2021
■ YTD 2022

Metal demolished and sorted for recycling

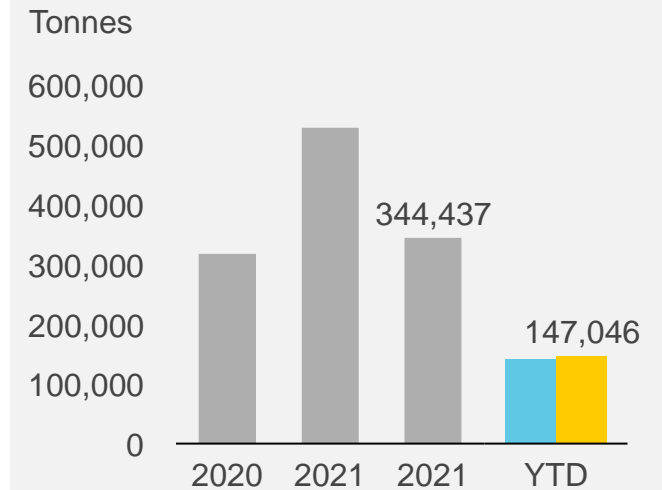


41,431 tonnes = 41,431 (23,077) tonnes CO₂-equivalents saved

■ YTD 2021
■ YTD 2022

Recycling environmental parks

Recycling rate 81% (78%) YTD in 2022



147,046 tonnes = 11,148 (10,927) tonnes CO₂-equivalents saved

■ YTD 2021
■ YTD 2022

Business Areas

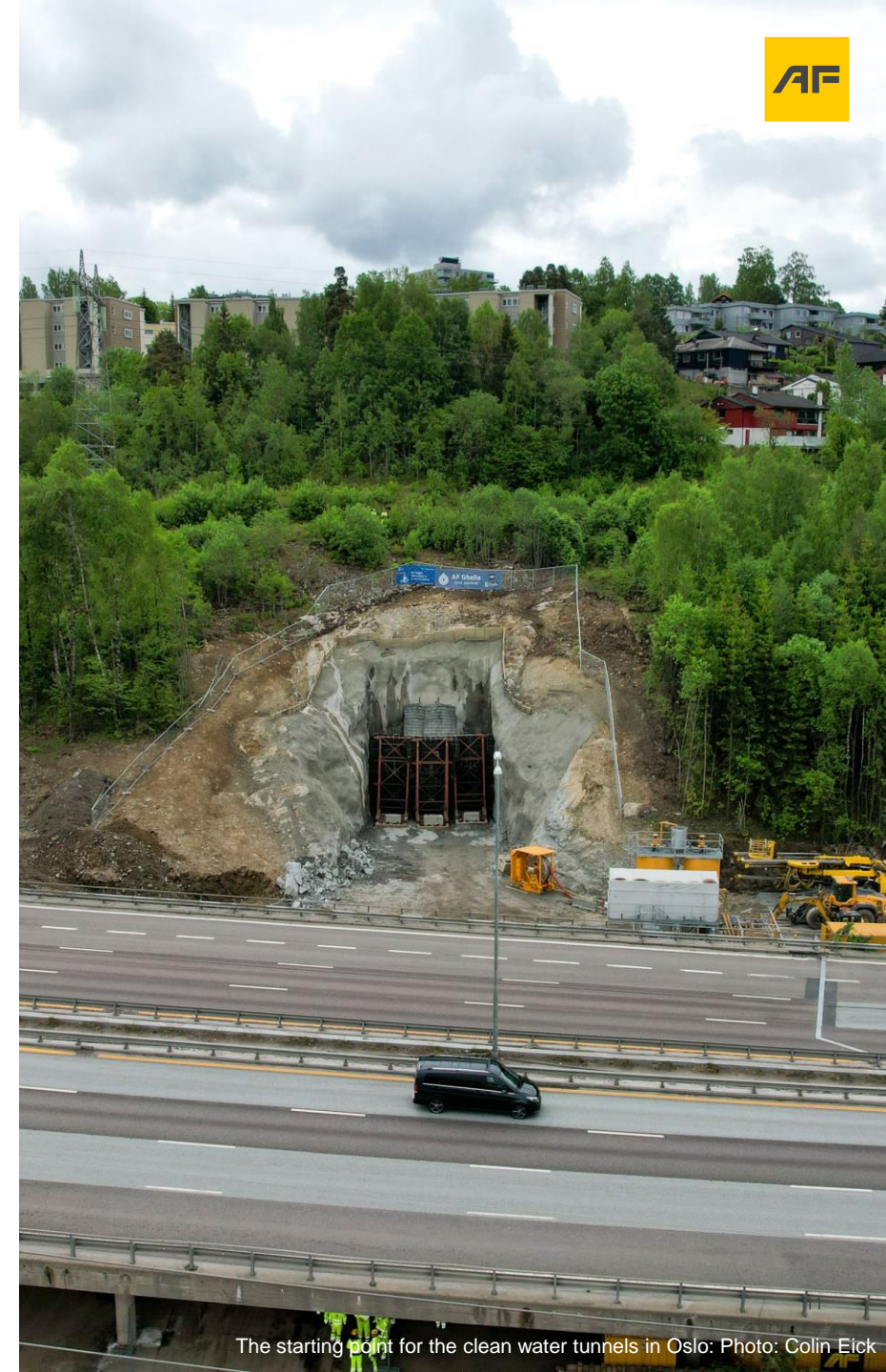
2nd quarter 2022



Solid Order Backlog and Strong Results

NOK million	Q2 22	Q2 21	1H 22	1H 21
Revenues	1,537	1,568	2,778	3 077
EBIT	99	100	183	197
EBT	96	99	179	193
EBIT %	6.5%	6.4%	6,6%	6,4%
EBT %	6.3%	6.3%	6,4%	6,3%

- Very good results from AF Anlegg, Målselv Maskin & Transport and Consolvo. Eiqon and Stenseth & RS had low profitability in the quarter
- Målselv Maskin & Transport and Stenseth & RS signed contracts at record high levels this quarter, with a total value of MNOK 325 excl. VAT
- AF Anlegg was appointed contractor for a new modification and maintenance contract for civil works for Equinor on behalf of Hammerfest LNG, approximate value of NOK 250 million excl. VAT
- After the quarter, AF has been nominated by Avinor for a turnkey contract with interaction at the new airport in Mo I Rana
- Order backlog: NOK 12,193 (7,224) million



The starting point for the clean water tunnels in Oslo: Photo: Colin Eick

High Activity, but Lower Profitability

NOK million	Q2 22	Q2 21	1H 22	1H 21
Revenues	2,916	2,165	5,397	4 019
EBIT	82	132	100	214
EBT	83	134	100	216
EBIT %	2.8%	6.1%	1,8%	5,3%
EBT %	2.9%	6.2%	1,9%	5,4%

- Price developments for raw materials and wood products still affects the construction unit's profitability negatively. Cost increases and delays in the portfolio of AF Nybygg has entailed further loss provisions in the quarter. In addition AF Byggfornyelse, Strøm Gundersen and Fundamentering reports weak results in the quarter
- AF Håndverk, Haga & Berg, AF Bygg Oslo, AF Bygg Østfold, Strøm Gundersen Vestfold and Åsane Byggmesterforretning report good results in the quarter
- AF Bygg Oslo signed a contract to build 300 apartments in the housing project Rolvsrud Arena in Lørenskog. The contract has a value of NOK 810 million excl. VAT. In addition to this, further four contracts with a total value of approx. NOK 580 million excl. VAT has been reported to the stock exchange
- Order backlog: NOK 13,172 (13,054) million



Several Business Units with Good Results

NOK million	Q2 22	Q2 21	1H 22	1H 21
Revenues	1,273	1,266	2,517	2,488
EBIT	29	16	52	41
EBT	30	14	50	30
EBIT %	2.3%	1.2%	2.0%	1.6%
EBT %	2.3%	1.1%	2.0%	1.2%

- Betonmast Romerike, Røsand, Trøndelag and Østfold reported good results
- Betonmast Boligbygg improved profits compared to last year with zero profits in the quarter. Betonmast Innlandet has made write-downs in its project portfolio
- Betonmast Røsand signed a contract to build Campus Kristiansund for Devoldholmen Utvikling AS, the contract has a value of NOK 582 million excl. VAT. In addition, two contracts were reported to the stock exchange with total value of NOK 330 million excl. VAT
- Order backlog: NOK 6,245 (6,956) million



Fjellhamar School, Photo: Betonmast

Completed Sale of Commercial Building in Hasle

NOK million	Q2 22	Q2 21	1H 22	1H 21
Revenues	5	8	11	15
EBIT	57	9	59	16
EBT	59	9	62	16
Capital employed	532	922	532	922

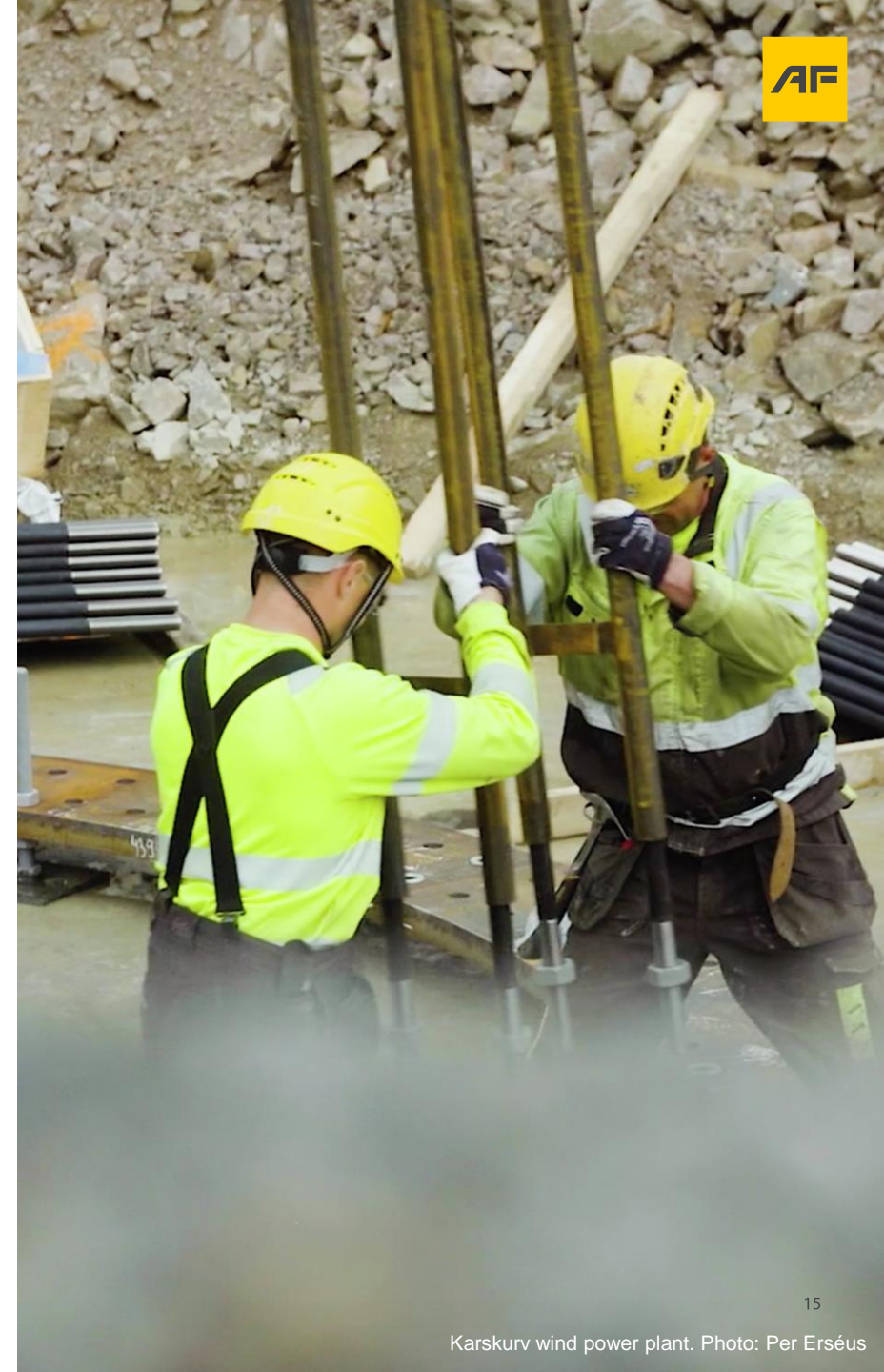
- Property reports a good results in the quarter, affected by completion of the sale of office building Karvesvingen 7 in Hasle, Oslo (21,056 GFA sqm.)
- Sales contracts signed for a total of 64 (148) residential units in the quarter, whereof AF's share was 29 (70) units
- Eight projects with a total of 917 residential units are in production (AF's share is 410). Sales ratio on commenced projects are 83%
- Residential portfolio under development: 1,576 (2,112) units. AF's share: 761 (1,064)
- Commercial portfolio under development: 62,256 (143,380) GFA sqm. AF's share: 30,949 (41,196)
- LAB Eiendom initiated the rehabilitation of Baneveien 16 in Bergen



Revenue Growth and Improved Profitability

NOK million	Q2 22	Q2 21	1H 22	1H 21
Revenues	1,958	1,630	3,544	3 024
EBIT	75	53	121	104
EBT	74	51	118	101
EBIT %	3.8%	3.2%	3,4%	3,4%
EBT %	3.8%	3.1%	3,3%	3,3%

- Sweden reports revenue growth and somewhat improved profitability in the quarter
- Kanonaden with strong turnover growth compared to the same period last year and reports good results. Härnösand Byggreturer continues to report very good results
- The other business units reports collectively higher revenue compared to the same quarter last year, but the result is still below expectation
- Betonmast Stockholm signed a contract with Skandia Fastigheter to construct a new office block in Solna outside Stockholm, with total value of SEK 345 million excl. VAT.
- HMB signed a contract with Tornet Bostadproduktion to build 182 apartments and a nursery school in Örebro, with total value of SEK 280 million excl. VAT.
- Order backlog: NOK 8,479 (7,962) million



Solid Results Despite Lower Activity

NOK million	Q2 22	Q2 21	1H 22	1H 21
Revenues	255	323	492	573
EBIT	18	22	30	33
EBT	19	21	29	31
EBIT %	7.2%	6.8%	6,1%	5,8%
EBT %	7.4%	6.6%	6,0%	5,3%

- Energy and Environment reports solid results
- AF Decom with lower activity compared to the same period last year, but reports very good results
- AF Energi with increased profitability compared to the same period last year and reports good results
- AF Decom has so far this year sorted metal for recycling and recycled materials at the environmental centers corresponding to 24,265 (16,934) CO₂-equivalents
- Order backlog: NOK 686 (715) million



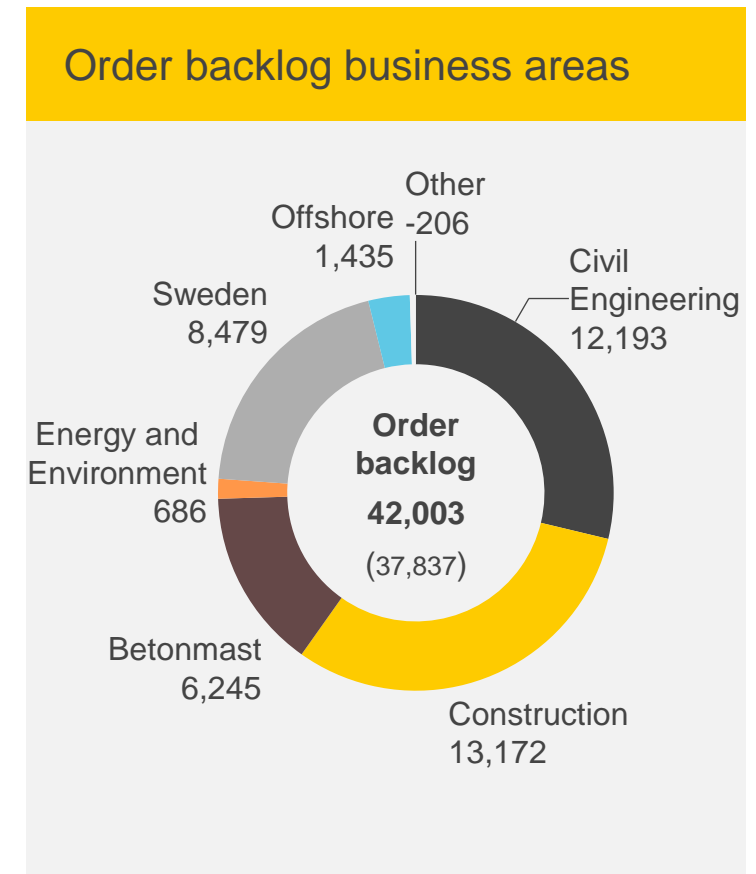
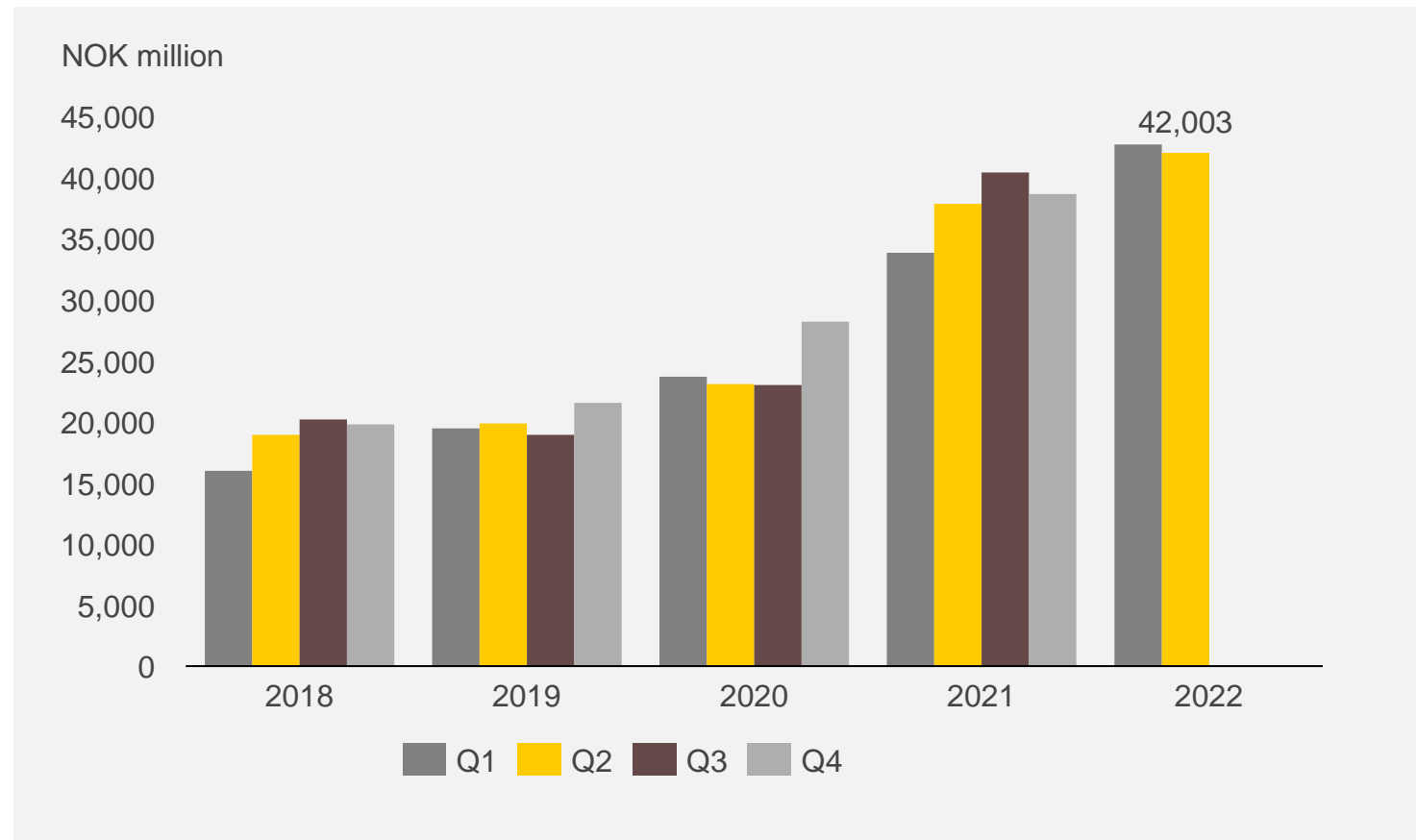
High Turnover and Excellent Profitability

NOK million	Q2 22	Q2 21	1H 22	1H 21
Revenues	305	257	489	416
EBIT	36	17	53	25
EBT	40	16	55	22
EBIT %	11.9%	6.7%	10,9%	6,0%
EBT %	13.0%	6.3%	11,3%	5,3%

- Offshore reported a high level of activity and excellent profitability
- AF Offshore Decom had a high level of activity during the quarter with excellent profitability. The good result in the quarter reflects high production and good operations at AF Environmental Base Vats
- AF Offshore Decom has so far this year sorted metal for recycling corresponding to 28,314 (17,069) CO₂-equivalents
- AF AeronMollier reports increased revenues compared to last year, profits are still below expectations
- Order backlog: NOK 1,435 (1,651) million



Strong Order Backlog

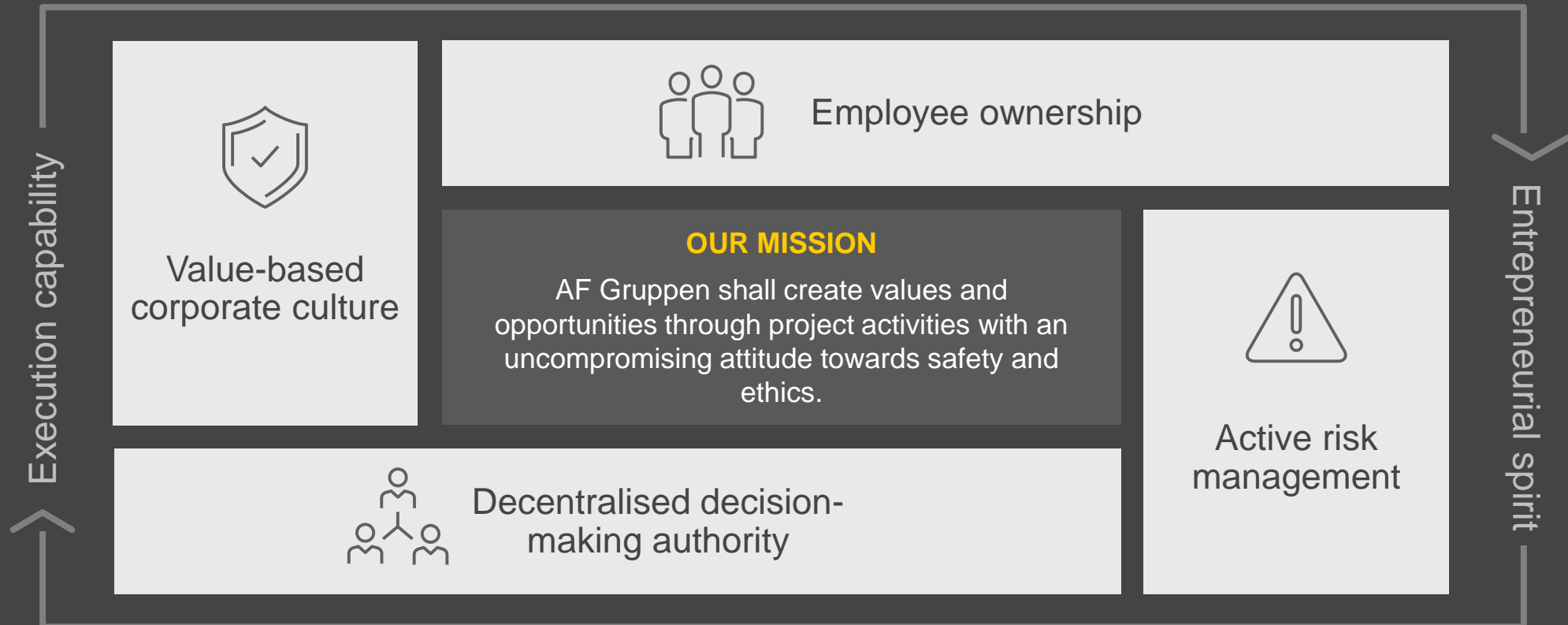


Risk Management

Q2 2022 | Theme presentation



A Strong Foundation in Today's Business Model



Risk Management is Based on Four Key Principles

- We seek risk we can influence – risk we can't influence must be avoided or secured
- Managing risk must be an integral part of all commercial activities
- We must identify, analyse and manage risk in a unified and structured manner
- Risk management involves both dealing with threats and utilise opportunities



* Risk assessments are also conducted for safety and the climate and environment, but this presentation focuses only on operational risk.

Why do We Perform Structured Business Risk Management?

- Strengthens our ability to identify and manage risk
- An arena for learning and exchanging experiences
- Promotes commercialism throughout the entire organisation
- Important checkpoint and awareness tool – brings perspective to a very operations-focused business



Photo: Bård Gudim

Risk Management – An Integral Part of All Commercial Activities



The goal is not to eliminate risk, but to identify, manage and price it correctly

Tenders - Utilise the Collective Knowledge and Experience

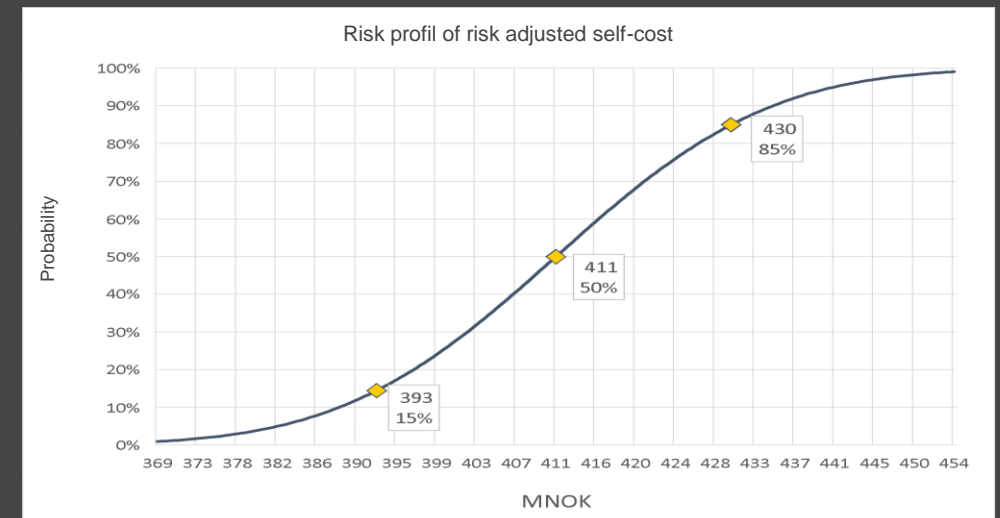
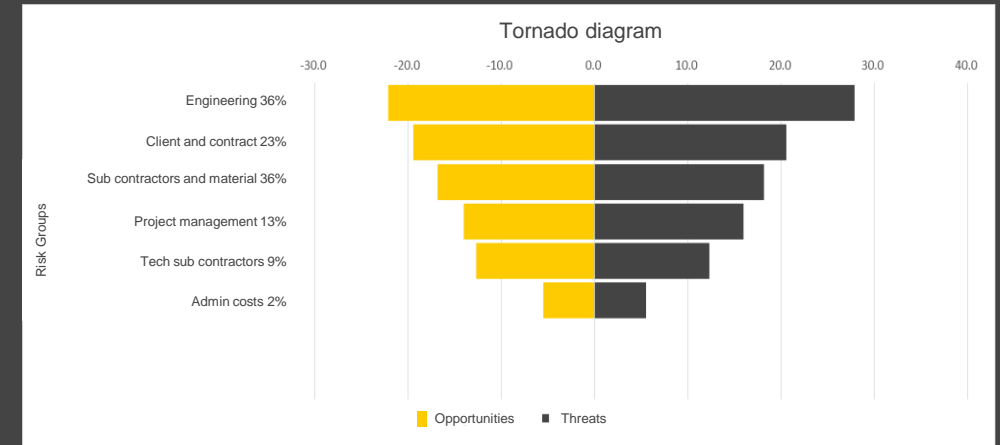
Purpose:

- Identify, define and quantify business-related risk
- Give the tender team better insight into the project's risk profile
- Strengthened basis to determine correct self-cost and mark-up

Format and participants (ideally 8-12)

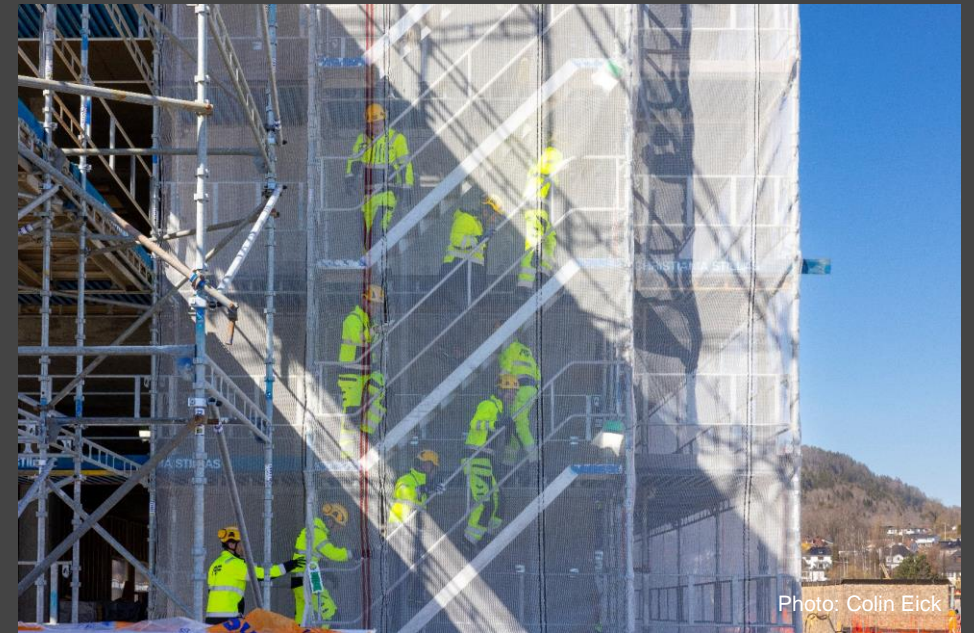
- Tender team
- Project manager / team
- Technical expert
- BU management
- Executive Vice President

The methodology is based on the successive principle and was developed in partnership with Steen Lichtenberg



Our Risk Management is a Source of Competitive Advantage

- Strong involvement from management
- Better margins and less variations in results
- Increased control and ownership of projects by management at all levels
- Better and more systematic tendering processes
- Increased awareness of the projects' organisations

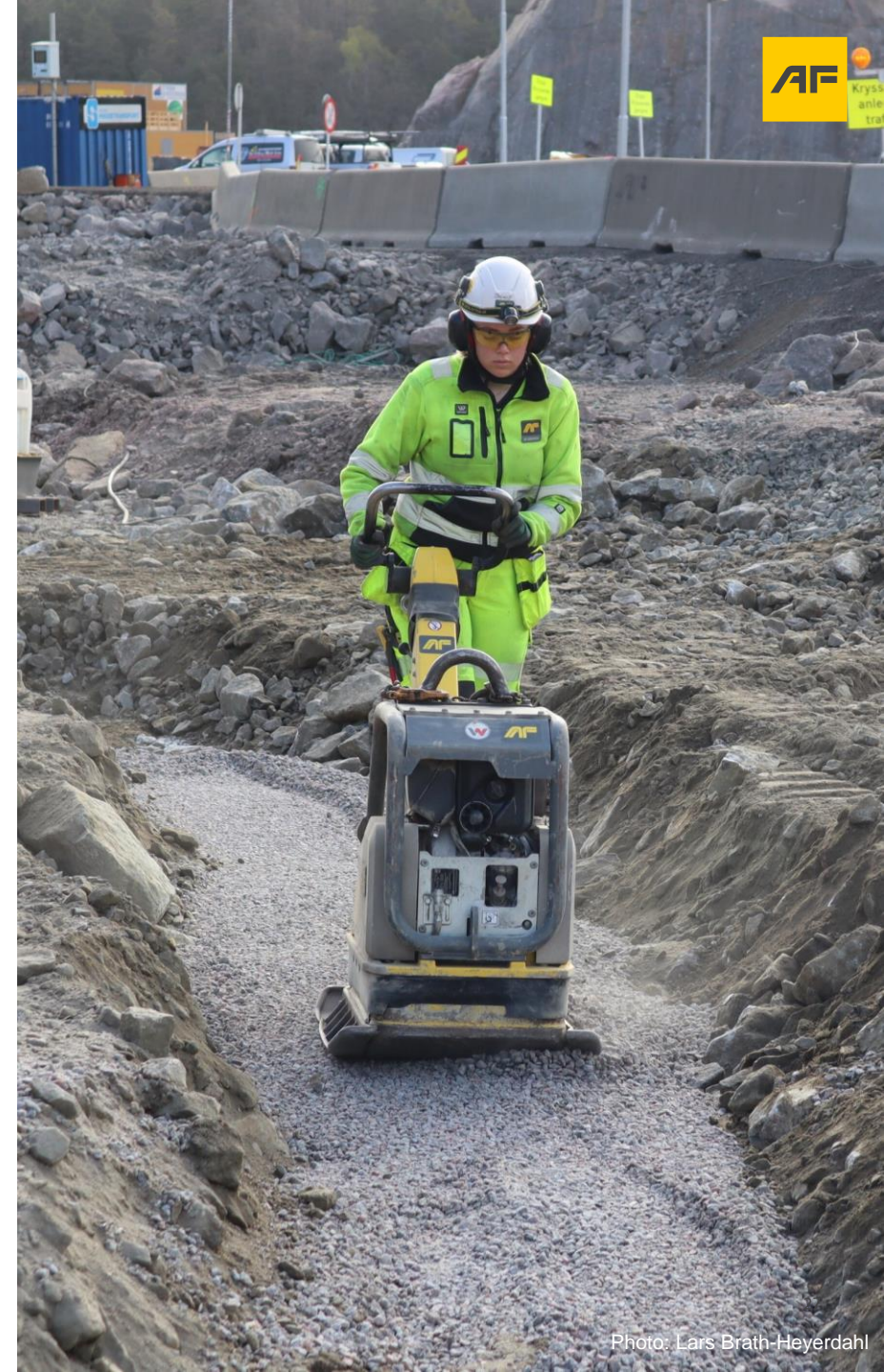




Summary

NOK million	Q2 22	Q2 21	1H 22	1H 21
Revenues	8,292	7,189	15,101	13 398
EBIT	421	363	636	626
EBT	426	356	635	602
EBIT %	5.1%	5.0%	4,2%	4,7%
EBT %	5.1%	5.0%	4,2%	4,5%

- Revenue growth and good profitability
- Strong cash flow from operations
- Strong financial position
- Solid order backlog: NOK 42,003 (37,837) million



Thank you for your attention

Q3 | 11 November 2022

AF



New children and youth hospital in Bergen. Photo: Helge Skodvin