

Fourth quarter and preliminary results for 2017



# AF Gruppen ASA



# Q4

## *From the CEO*



AF Gruppen continues to grow and is delivering good results in all business areas. Our healthy financial position and the order intake is a good point of departure to achieve the goals of the growth strategy. In order to enable growth in Sweden, all Swedish activities will be gathered in a common business area with clear organization and management. The financial reporting will change correspondingly as of the first quarter of 2018. For 2017 revenues in Sweden were NOK 1.5 billion and earnings before tax NOK 67 million.

It's inspiring to see that in a year with strong growth, we achieve both sound financial results and ensure the health and well-being of our employees. The year's employee survey shows record-high satisfaction with AF Gruppen as an employer. This is a competitive advantage, and attracts both talented executives and skilled workers. Growth gives the employees new opportunities and challenges, and is over time an important factor in employee development. This allows us to create a competitive AF.

Clear core values and systematic work on risk management and health, safety and the environment is a part of AF's culture and will continue to govern our choices. It's pleasing to see that we have record-low sick leave for 2017, which is well below the average of the industry.

We have a very good point of departure for 2018, and are on course to achieve our ambition of profitably growing to revenues of NOK 20 billion in 2020.

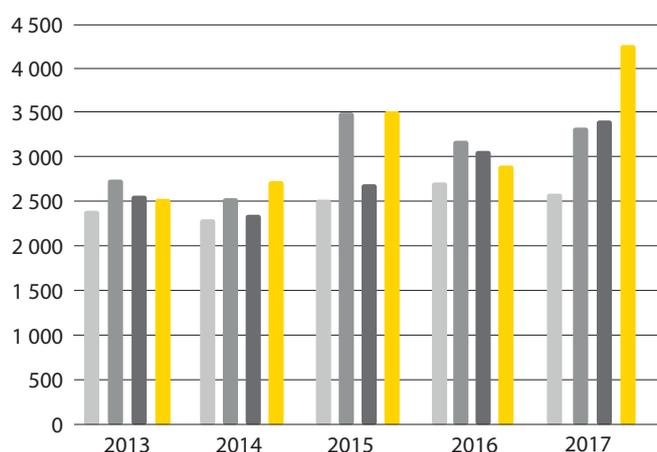
AF has always been proud of its strength and ability to perform complex tasks. The group's entrepreneurial spirit has been characterised by the ability and will to think differently and to find better, more future-oriented ways to generate value.

*Addressing Future*

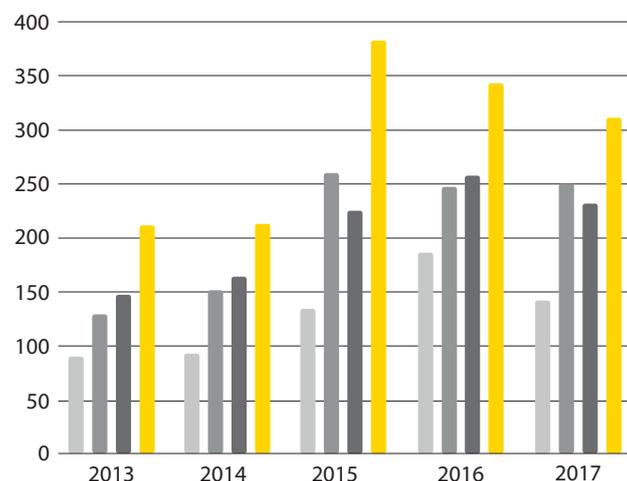
## HIGHLIGHTS

- Revenues were NOK 4 296 million (2 892 million) for the 4th quarter and NOK 13 704 million (11 876 million) for the full year.
- Earnings before tax were NOK 310 million (340 million) for the 4th quarter and NOK 935 million (1 040 million) for the full year.
- Profit margin was 7.2% (11.8%) for the 4th quarter, and 6.8% (8.8%) for the full year.
- Net operating cash flow was NOK 325 million (306 million) for the 4th quarter and NOK 1 354 million (822 million) for the full year.
- The order book stood at NOK 19 773 million (15 332 million) as at 31 December 2017.
- Net interest-bearing receivables were NOK 1 210 million (606 million) as at 31 December 2017.
- The Board of Directors has proposed a dividend of 5.00 (5.00) per share for the first half of the year.

REVENUES PER QUARTER (NOK MILLION)



EARNINGS BEFORE TAX PER QUARTER (NOK MILLION)



## SUMMARY OF 4<sup>TH</sup> QUARTER

Key figures (NOK million)	4Q 17	4Q 16	2017	2016
Revenues and other income	4 296	2 892	13 704	11 876
EBITDA	343	367	1 092	1 212
Earnings before financial items and tax (EBIT)	297	328	924	1 034
Earnings before tax (EBT)	310	340	935	1 040
Result per share (NOK)	2.34	2.65	6.43	7.44
EBITDA margin	8.0 %	12.7 %	8.0 %	10.2 %
Operating profit margin	6.9 %	11.3 %	6.7 %	8.7 %
Profit margin	7.2 %	11.8 %	6.8 %	8.8 %
Return on capital employed (ROaCE) <sup>1)</sup>	-	-	42.7 %	54.2 %
Cash flow from operating activities	325	306	1 354	822
Net interest-bearing receivables (debt)	1 210	606	1 210	606
Equity ratio	26.9 %	29.8 %	26.9 %	29.8 %
Order backlog	19 773	15 332	19 773	15 332
LTI rate	1.1	0.8	1.1	1.3
Absence due to illness	3.0 %	3.8 %	3.0 %	3.7 %

<sup>1)</sup> 12-month rolling average



Tunnel rehabilitation works at Sunnmøre

## BUSINESS AREAS

### Civil Engineering

NOK million	4Q 17	4Q 16	2017	2016
Revenues and income	1 450	745	4 478	3 368
Earnings before financial items and tax (EBIT)	99	193	292	461
Earnings before tax (EBT)	113	197	311	475
Operating margin	6.8 %	25.9 %	6.5 %	13.7 %
Profit margin	7.8 %	26.5 %	7.0 %	14.1 %

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

Civil Engineering consists of four business units:

- AF Anlegg
- Måselv Maskin & Transport
- Kanonaden Entreprenad
- Pålplintar

Civil Engineering reported revenues of NOK 1 450 million (745 million) and earnings before tax of NOK 113 million (197 million) for the 4<sup>th</sup> quarter. Full-year revenues were NOK 4 478 million (NOK 3 368 million) and earnings before tax were NOK 311 million (475 million). Earnings in 2017 have been marked by the start-up of many projects, while the earnings in 2016 were marked by the completion of many projects.

There is a high level of activity and growth in the civil engineering market in Norway. AF Anlegg started, for example, the major E18 Tvedestrand – Arendal project in 2017. The unit reported a high level of activity in quarter and delivered good results. Måselv Maskin & Transport delivered very good results for the quarter and the full year.

The Swedish civil engineering market is hesitant and marked by strong competition. Kanonaden Entreprenad reported good operational performance and delivered good results for the 4<sup>th</sup> quarter and the year as a whole. Pålplintar reported a lower level of activity and weak results.

The order backlog for Civil Engineering was NOK 6 510 million (5 589 million) as at 31 December 2017.



Peterson factory, Moss

## Environment

NOK million	4Q 17	4Q 16	2017	2016
Revenues and income	149	172	601	729
Earnings before financial items and tax (EBIT)	18	10	45	42
Earnings before tax (EBT)	18	10	45	42
Operating margin	12.3 %	5.7 %	7.5 %	5.8 %
Profit margin	12.2 %	5.7 %	7.4 %	5.7 %

The Environment business area encompasses AF's services related to demolition and recycling services onshore.

The business area consists of two business units:

- AF Decom
- AF Härnösand Byggreturer

Environment also has operations in Rimol Miljøpark and Jølsen Miljøpark.

Environment reported revenues of NOK 149 million (172 million) and earnings before tax of NOK 18 million (10 million) for the 4<sup>th</sup> quarter. Revenues totalled NOK 601 million (729 million) and earnings before tax totalled NOK 45 million (42 million) year to date.

The market for environmental services is good in both Norway and Sweden. AF Decom reported a good level of activity in the 4<sup>th</sup> quarter, but fewer large projects in the portfolio resulted in

a decline in revenues for 2017 compared with 2016. The unit reported good results for the fourth quarter. AF Härnösand Byggreturer reported a high level of activity and very good profitability for its projects, both for the fourth quarter and the year. Both units reported a record-high order backlog at the start of 2018.

Rimol Miljøpark in Trondheim treats and recycles contaminated materials. Rimol Miljøpark reported good operational performance and good results for the 4<sup>th</sup> quarter.

Environment is developing a new environmental centre for the treatment of contaminated materials at Nes in Akershus. Work on the new environmental centre has started, and completion is expected in the 2nd quarter of 2018.

The order backlog for the Environment business area was NOK 344 million (212 million) as at 31 December 2017.



Kongshavn college, Oslo

## Building

NOK million	4Q 17	4Q 16	2017	2016
Revenues and income	2 551	1 836	8 041	6 688
Earnings before financial items and tax (EBIT)	144	157	480	485
Earnings before tax (EBT)	147	160	493	498
Operating margin	5.6 %	8.5 %	6.0 %	7.3 %
Profit margin	5.8 %	8.7 %	6.1 %	7.4 %

The Building business area encompasses activities related to new building and renovation in Norway and Sweden.

The Building business area is divided into nine business units:

- AF Bygg Oslo
- AF Byggfornyelse
- AF Nybygg
- AF Bygg Østfold
- AF Bygg Prosjektpartner
- AF Bygg Sweden and subsidiaries
- Strøm Gundersen and subsidiaries
- MTH and subsidiaries
- LAB and subsidiaries

Building reported revenues of NOK 2 551 million (1 836 million) and earnings before tax of NOK 147 million (160 million) for the 4<sup>th</sup> quarter. Revenues were NOK 8 041 (6 688 million) and earnings before tax were NOK 493 million (498 million) for the full year 2017.

The building market in Norway reported a high level of activity, but a more hesitant residential property market

resulted in the start-up of fewer projects. Building increased its level of activity in the 4<sup>th</sup> quarter and delivered good results overall, but the level of profitability was variable among the business units. AF Bygg Oslo, LAB, the companies in Strøm Gundersen and MTH all reported good results for the 4<sup>th</sup> quarter and full year 2017. AF Bygg Østfold reported an increasing level of activity and good results for the 4<sup>th</sup> quarter. The market in Southern Norway and Rogaland is still challenging. AF Bygg Prosjektpartner reported very weak results for 2017, and the unit's projects have been transferred to AF Anlegg effective 1 January 2018.

The residential property market is also hesitant in Sweden. AF Bygg Sweden reported an increasing level of activity, but the profitability of the underlying units varied. AF Bygg Syd reported growth and good profitability, but the unit in Gothenburg reported weak results for the full year 2017.

The order backlog for Building was NOK 11 100 million (8 467 million) as at 31 December 2017.

The Building business area has also announced seven new contracts to the stock exchange in the 4th quarter:

Business Unit	Project	Contract Value
AF Bygg Sverige	Ängelholm water cleansing facility	SEK 119 million
AF Bygg Østfold	Joh. Johannson Coffee House	NOK 250 million
LAB Entreprenør	Appartments and commercial buildings	NOK 464 million
Strøm Gundersen	Diakonhemmet Gardens	NOK 327 million
AF Bygg Göteborg	Sports hall, Lerum	SEK 135 million
Strøm Gundersen	Proffen Garden City	NOK 109 million
AF Bygg Østfold	Motor depot, Rygge	NOK 130 million



Krydderhagen at Hasle, Oslo

## Property

NOK million	4Q 17	4Q 16	2017	2016
Revenues and income	13	10	43	48
Earnings before financial items and tax (EBIT)	29	10	88	44
Earnings before tax (EBT)	25	8	75	30
Operating margin	-	-	-	-
Profit margin	-	-	-	-

The Property business area is engaged in the development of residential units and commercial buildings in Norway and Sweden. The activities take place in geographic areas where AF has its own production capacity. Property reported revenues of NOK 2 128 million (1 615 million) for 2017, of which AF's share was NOK 832 million (692 million). The development projects are organised in associates and joint ventures, which are recognised in accordance with the equity method of accounting, and only AF's share of the earnings are included in the accounts.

Property reported earnings before tax of NOK 25 million (8 million) for the 4<sup>th</sup> quarter. Earnings before tax for the year were NOK 75 million (NOK 30 million).

The market in Greater Oslo was marked by a more hesitant attitude among residential buyers in the 4<sup>th</sup> quarter. A total of 90 (174) apartments were sold in the 4<sup>th</sup> quarter, and AF's share was 36 (105). In 2017, a total of 285 (668) apartments were sold. AF's share was 111 (316). The sales ratio for projects in progress is 86%.

At the end of the 4<sup>th</sup> quarter, Property had a total of 363 (191) units for sale. AF's share was 147 (79).

At the end of the 4<sup>th</sup> quarter, Property had 10 (8) unsold completed apartments, 4 (5) of which were AF's share.

Property has five residential property projects with a total of 742 apartments under construction (AF's share is 338):

- Krydderhagen at Hasle (329 apartments)
- Thurmannskogen in Lørenskog (177 apartments)
- Lillo Gård at Nydalen (162 apartments)
- BRF Glashuset in Halmstad, Sweden (54 apartments)
- BRF Ekbacken 8 in Surte, Sweden (20 apartments)

For further information, see Note 7 on page 28.

Property has three commercial projects under construction in Oslo with a total gross area of 24 564 square metres (AF's share is 10 602 square metres):

- Lille Gård Shops at Nydalen (tot. gross area of 6 354 sq. metres)
- Securitas Building at Hasle (tot. gross area of 15 159 sq. metres)
- Hasle Linje Næring Wang Ung at Hasle (tot. gross area of 3 051 sq. metres)

AF has a building site inventory (residential units under construction) that is estimated at 2 314 (2 054) residential units. AF's share of this is 982 (848) residential units. AF also has commercial property under construction with a total gross area of 92 084 (107 310) square metres. AF's share of this is a total gross area of 45 273 (51 213) square metres. LAB and Målselv Maskin & Transport have development rights that are included in the figures.



EPC at Ullensaker municipality, installation in technical room

## Energy

NOK million	4Q 17	4Q 16	2017	2016
Revenues and income	73	59	244	177
Earnings before financial items and tax (EBIT)	6	7	20	18
Earnings before tax (EBT)	7	7	22	16
Operating margin	7.5 %	12.8 %	8.2 %	10.0 %
Profit margin	10.0 %	12.8 %	9.1 %	8.9 %

The Energy business area encompasses AF's energy services for onshore activities.

The business area consists of a single business unit:

- AF Energi & Miljøteknikk

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

Revenues in the 4<sup>th</sup> quarter were NOK 73 million (59 million) and earnings before tax were NOK 7 million (7 million). Full-year revenues were NOK 244 million (177 million) and earnings before tax were NOK 22 million (16 million).

The energy services market is growing, and the size of the contracts is increasing at the same time.

AF Energi & Miljøteknikk reported a high level of activity in the 4<sup>th</sup> quarter. The unit reported good operational performance and good results for the 4<sup>th</sup> quarter and the full year.

AF Energi & Miljøteknikk has had many EPC contracts in the analysis phase, and several of these have been converted to projects to be executed. The unit therefore has a strong order backlog at the end of 2017.

The order backlog for Energy was NOK 260 million (108 million) as at 31 December 2017.



AF Environmental Base Vats, Rogaland

## Offshore

NOK million	4Q 17	4Q 16	2017	2016
Revenues and income	154	211	664	1 014
Earnings before financial items and tax (EBIT)	19	9	59	107
Earnings before tax (EBT)	17	13	49	94
Operating margin	12.5 %	4.3 %	7.4 %	10.5 %
Profit margin	11.0 %	6.2 %	6.5 %	9.3 %

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

The business area consists of two business units:

- AF Offshore Decom and subsidiaries
- AF Offshore AeronMollier

Offshore also has activities related to the AF Environmental Base at Vats and the maintenance and modification of onshore facilities (MMO).

Revenues in the 4<sup>th</sup> quarter were NOK 154 million (211 million) and earnings before tax were NOK 17 million (13 million). Revenues were NOK 664 million (1 014 million) and earnings before tax were NOK 49 million (94 million) for the full year 2017. Revenues and earnings for 2016 and 2017 were positively marked by AF Offshore Decom's offshore removal of the

Murchison platform. Revenues in 2016 were impacted by large offshore campaigns related to this project.

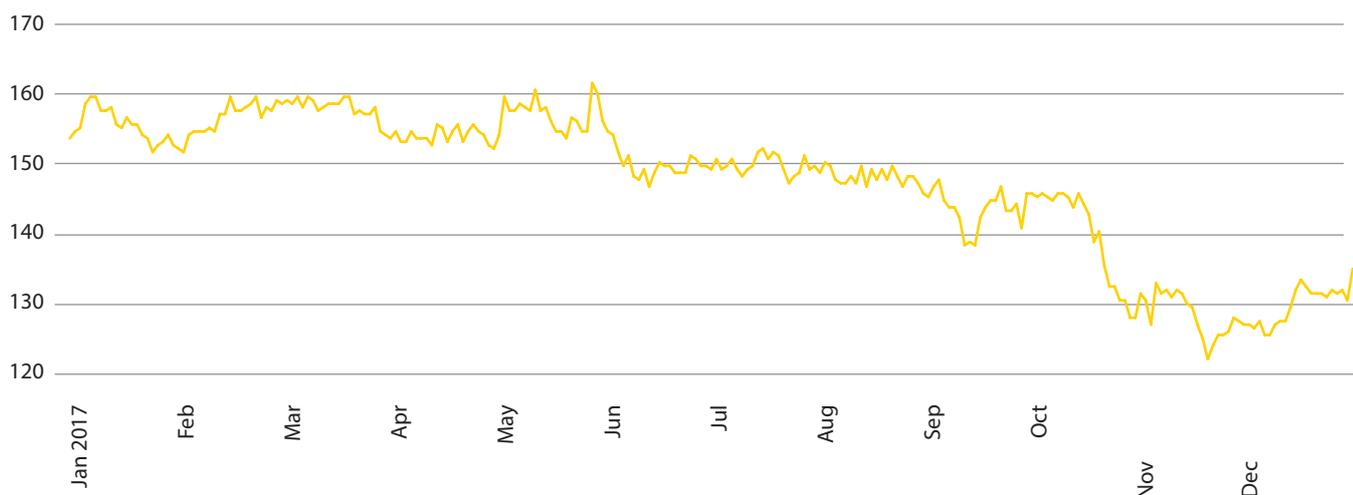
The market for the removal of offshore installations is marked by strong competition and few projects in the short term.

AF Offshore Decom reported a lower level of activity, but good operational performance, and the unit delivered good results for the quarter and full year 2017. New projects contracted in 2017 will primarily be carried out in 2019 or later. The level of activity at the AF Environmental Base at Vats has been high in 2017, and the unit delivered good results.

AF Offshore AeronMollier has challenging market conditions. The unit reported a low level of activity for 2017, and the unit delivered a weak result for the 4<sup>th</sup> quarter and full year 2017. Organisational adaptations were carried out in the business unit during the quarter.

The order backlog for Offshore was NOK 916 million (550 million) as at 31 December 2017.

## AFG - Share price last 12 months



## FINANCIAL INFORMATION

AF Gruppen shall have robust financing with respect to operational and market-related fluctuations. The company's required return on invested capital is 20%. At the same time, the financial position shall reinforce the company's growth strategy and provide an adequate dividend capacity.

Net operating cash flow was NOK 325 million (306 million) in the 4<sup>th</sup> quarter. Net operating cash flow was NOK 1 354 million (822 million) year to date. AF Gruppen's cash flow from net investments was NOK 196 million (14 million) in the 4<sup>th</sup> quarter and NOK -119 million (-13 million) for the full year. Cash flow before capital transactions and financing was NOK 521 million (320 million) in the 4<sup>th</sup> quarter and NOK 1 235 million (809 million) for the full year. A dividend of NOK 343 million was distributed in the 4<sup>th</sup> quarter. Dividends totalling NOK 829 million (744 million) were paid to the AF Gruppen's shareholders in 2017. Shares for NOK 90 million were issued in the 4<sup>th</sup> quarter in connection with the Group's option programme.

AF Gruppen had net interest-bearing receivables of NOK 1 210 million (606 million) at the end of the 4<sup>th</sup> quarter.

AF Gruppen's total financing framework is NOK 1 880 million. AF Gruppen has a credit facility of NOK 1 200 million with Danske Bank that will remain in effect until 2020. The framework also consists of a credit facility of NOK 80 million with DnB. In addition, AF has a credit facility of NOK 600 million with Handelsbanken that will be renewed annually until June 2020.

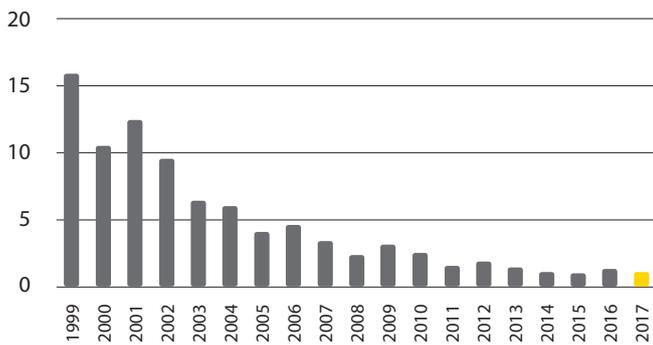
The available liquidity, including credit facilities, stood at NOK 2 978 million as at 31 December 2017.

Total assets were NOK 7 724 million (6 549 million) as at 31 December 2017. The Group's equity totalled NOK 2 078 million (1 950 million). This corresponds to an equity ratio of 26.9% (29.8%).

## LIST OF SHAREHOLDERS AS AT 31 DECEMBER 2017

Name	No. shares	% share
OBOS BBL	18 066 733	18.4
ØMF HOLDING AS	14 752 859	15.1
CONSTRUCTIO AS	13 741 782	14.0
FOLKETRYGDFONDET	6 924 956	7.1
ARTEL II AS	2 508 267	2.6
LJM A/S	2 413 900	2.5
VITO KONGSVINGER AS	1 861 676	1.9
ARNE SKOGHEIM AS	1 753 870	1.8
LANDSFORSÅKRINGAR FASTIGHETFOND	1 695 454	1.7
STAAVI, BJØRN	1 560 000	1.6
<b>Ten largest shareholders</b>	<b>65 279 497</b>	<b>66.6</b>
Total other shareholders	32 536 402	33.2
Own shares	145 101	0.1
<b>Total number of shares</b>	<b>97 961 000</b>	<b>100.0</b>

## LTI RATE



## SHARE PERFORMANCE

AF Gruppen's shares are listed on the Oslo Børs OB Match List and trade under the ticker AFG. The share is included in Oslo Børs All Share Index (OSEAX), Benchmark Index (OSEBX) and Mutual Fund Index (OSEFX), as well as the new Oslo Børs Mid Cap Index (OSEMX).

The closing price for the AF share was NOK 133.50 as at 31 December 2017. This corresponds to a return of -8.3% in 2017, adjusted for a dividend of NOK 8.50 per share distributed throughout the year. The Oslo Børs Benchmark Index showed a return of 19.1 % during the same period.

In October a total of 543 employees subscribed for a total of 1 000 000 shares in connection with AF Gruppen's share programme. The shares were subscribed for at a price of NOK 115.80 per share, which corresponds to a discount of 20% in relation to the average market price during the subscription period. The Board of Directors resolved to sell 221 112 treasury shares in this connection. In November, 778 888 new shares were issued. The new issue was adopted by the Board of Directors in accordance with the authorisation granted by the General Meeting of 12 May 2017. After completion of the new issue, the total number of shares is 97 961 000, which corresponds to share capital of NOK 4 898 050.

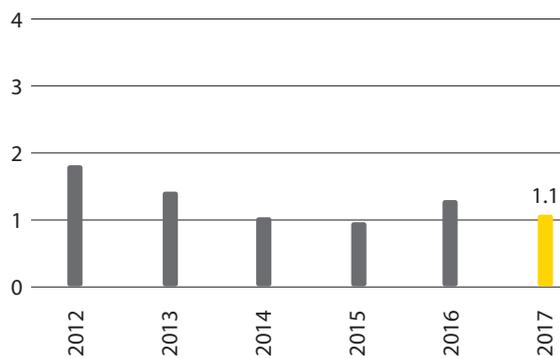
The company distributed a dividend of NOK 3.50 per share in the 4<sup>th</sup> quarter. In 2017, a total dividend of NOK 8.50 (8.00) per share was distributed. For 2018, a dividend of NOK 5.00 (5.00) per share has been proposed for the first half of the year. NOK 3.75 of this will be a reimbursement of paid-in capital.

## HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

HSE has high priority in AF Gruppen and is an integral part of the management at all levels. AF has a structured and uniform HSE system that encompasses all the projects. The working environment should be safe for everyone – including those who are employed by our subcontractors. The figures from the subcontractors are therefore included in the injury statistics.

The LTI rate is an important measurement parameter for safety

## LTI RATE DEVELOPMENT



work at AF. The LTI rate is defined as the number of injuries resulting in absence per million man-hours. A total of 4 injuries resulting in absence were registered in the 4<sup>th</sup> quarter. This gives an LTI rate (lost-time injury rate) of 1.1 (0.8) for the 4<sup>th</sup> quarter. The accumulated LTI rate for 2017 was 1.1 (1.3).

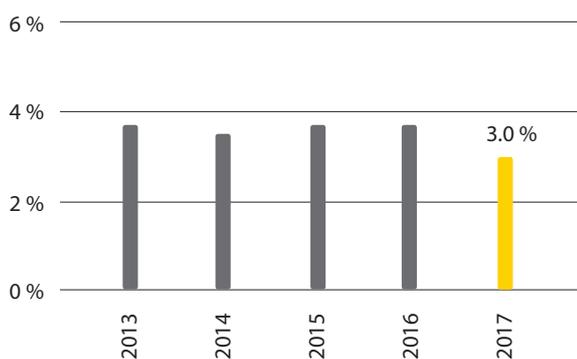
Through systematic and long-term efforts, the LTI (lost time in jury) rate has been reduced over the years. Significant resources are being invested to further improve our HSE efforts in order to be able to achieve our goal of an LTI rate of zero. Key to this work is AF's fundamental understanding and acceptance that all injuries have a cause and can, therefore, be avoided. Identifying risk and risk analysis are a key part of our preventive activities. Physical and organisational barriers are established to reduce the risk of personal injury to an acceptable level based on an assessment of the risks.

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, as well as investigating the most serious incidents. The number of reports has increased steadily during the last 13 years, and we see a clear correlation between the increased reporting of undesired incidents and the decrease in injuries.

The registration of sickness absence forms the basis for the measurement of health work at AF. For the 4<sup>th</sup> quarter, sickness absence was 3.0 % (3.8 %), and to date this year it was 3.0 % (3.7 %). AF's sickness absence is low compared to that of comparable businesses. Our target is total sickness absence of less than 3.0 %, a level we believe represents a healthy situation without absence due to occupational illnesses/injuries. Systematic efforts are being made, which consist, for example, of ongoing risk analysis of exposure that is harmful to health, the establishment of physical and organisational barriers, and close follow-up of employees on sick leave.

Environmental work has high priority throughout the entire Group. AF would like to avoid environmental damage and minimise undesirable effects on the environment. Environmental work is an integral part of HSE work, and the tools used are therefore the same that are used otherwise in connection with HSE work.

## SICK LEAVE DEVELOPMENT



Follow-up of the source separation rate parameter acts as an extra driving force for AF's environmental work. This parameter places the focus on an important environmental factor that AF has an opportunity to influence. The source separation rate indicates how much of the waste from AF's operations is separated for the purpose of facilitating recycling. For the 4<sup>th</sup> quarter, the result for building was 83 % (88 %), the result for renovation was 83 % (79 %) and the result for demolition was 96 % (96 %). To date in 2017, the source separation rate for building was 83 % (85 %), for renovation it was 85 % (79 %) and for demolition it was 95 % (97 %). These results are considered very good, and they are well above the government requirement of a minimum of 60 %. A total of 85 906 (101 519) tonnes of waste has been sorted in the 4<sup>th</sup> quarter, and a total of 324 370 (507 198) tonnes has been sorted in 2017. The environmental centres have recycled a total of 179 163 tonnes (165 318) tonnes of material in 2017.

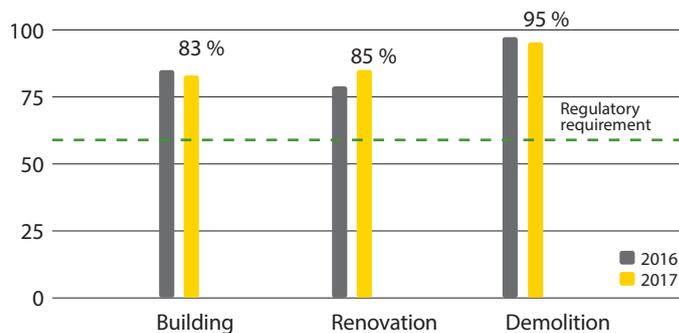
## ORGANISATION

With clear growth ambitions and a rapidly increasing order backlog, there is an increasing need for resources. Therefore, the continuous effort to build a uniform corporate culture is more important than ever. Motivated employees and a solid organisation are an important foundation for creating value. At AF we are building the organisation with a robust composition of technical expertise and management capacity at all levels. The resources are organised close to production, with project teams where the managers have a major influential force.

AF invests a lot of time and resources in the development of employees through training in various positions in production and through development of the AF Academy. More than 80 % 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.

AF Gruppen has organised itself for further growth and has resolved to expand its corporate structure from 1 January 2018 by a dedicated business area for Sweden. All the Swedish units will be part of this business area. AF's

## SOURCE SEPARATION RATE



Swedish units reported revenues of NOK 1.5 billion for 2017.

AF Gruppen had a total of 3 768 (3 049) employees at the end of the 4<sup>th</sup> quarter. Of these employees, 3 301 (2 868) were employed in Norway, 448 (168) in Sweden, 5 (1) in Lithuania, 9 (9) in China and 5 (3) in Germany.

## RISK AND RISK MANAGEMENT

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 is conducted for all projects before a tender is even submitted. Analysis of risk during the tendering phase enables the correct pricing and management of risk in the project. The same project organizations conduct detailed risk reviews every quarter. The Corporate Management Team will participate in risk reviews of all projects valued at more than NOK 100 million. In addition, a total of 22 risk reviews in the business units, in which the Corporate Management Team also participated, were conducted in connection with the 4<sup>th</sup> quarter of 2017.

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, AF Gruppen is also exposed to fluctuations in steel prices. AF aims to have low exposure to risks that cannot be influenced, and it uses hedging instruments to mitigate the risk associated with foreign exchange rates and steel prices. 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. The liquidity risk is considered low. AF Gruppen has a total financing framework of NOK 1 880 million and available liquidity of NOK 2 978 million as at 31 December 2017.

## **MARKET OUTLOOK**

The civil engineering market in Norway is relatively stable and less sensitive to cyclical fluctuations since public sector demand is the greatest driver behind investments in civil engineering in Norway. In the 2018 State Budget, NOK 67.5 billion has been allocated to transport, which is an increase of 6.5% over the budget for 2017. NOK 35.9 billion of this has been allocated to roads. This represents an increase of 7.7% compared with 2017. Prognosesenteret expects a high level of activity in the civil engineering market for the period from 2018 to 2019, with growth in investments of 12.8% and 12.1%, respectively. It is primarily the large road projects in the Interior Region and Southern and Southwestern Norway that are driving growth. The higher investment estimate for transport and road projects, 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.

Figures from Property Norway for January 2018 show the residential property prices in Norway rose 2.0%. However, adjusted for seasonal variations, the prices declined 0.4%. In January, residential property prices were 2.2% lower than 12 months ago. According to Property Norway, there is a moderate or negative price trend in most areas of the country, but an increase in the number of residential units sold in January indicates good demand. In combination with a decline in the number of residential units for sale, this gives us reason to believe that the prices are flattening out. Nevertheless, residential buyers still have many units to choose from in the market, which will probably result in a continued moderate price development in the months to come. Prognosesenteret expects total growth in the building market to be 1.3% in 2018. A retraction of 0.8% is expected for investments in new residential units, but new commercial buildings and renovation, remodelling and extension for residential and commercial buildings are expected to grow from 1.5% to 2.5%. A good market is expected overall, but with somewhat greater uncertainty at the same time for AF's activities in the Building and Property business areas.

The Environment business area provides traditional demolition services and the subsequent receiving, treating and recycling of materials. The level of demolition activity is closely connected to the general level of activity in the building and civil engineering markets. The positive outlook for the civil engineering market in Norway and moderate growth in the residential market is positive for the demand for services in the Environment business area. The market opportunities for the treatment of contaminated materials are huge, since the materials that were previously delivered to disposal sites can now be recycled. Overall, this provides a good foundation for further growth in AF's environmental operations.

The authorities in Norway have defined ambitious energy goals related to a reduction in the consumption of energy towards the year 2030. These goals are to be realised through a significant reduction in the consumption of

energy by existing buildings compared with the current level, among other things. Enova has found that there is a major maintenance backlog for public buildings and major conservation opportunities in connection with the rehabilitation of buildings. The market for energy savings contracts (EPCs) in municipalities and public enterprises is also an interesting market area. There has been a significant increase in the number of advertised energy savings contracts in recent years, and this growth is expected to continue. The delivery of heating and cooling plants for non-residential buildings is also an interesting market. The demand here is connected to commercial building starts, and an increased number of starts is expected for 2018. Overall, a good market is expected for AF's activities in the Energy area.

Low oil prices have contributed to reduced profitability and a reluctance to invest among oil companies. Statistics Norway estimates that investments related to oil, gas and pipeline transport will amount to NOK 144.3 billion in 2018. This is a decline of 1.6 % compared with the corresponding figures for 2017. Uncertainty in the oil industry may have an impact on AF's HVAC activities, as well as on maintenance and modification. At the same time, a lower oil price will make several of the fields in the North Sea less profitable, and the oil companies will to a greater extent than previously consider shutting down and removing the older platforms. This represents good opportunities for AF's offshore activities related to the demolition and removal of decommissioned oil installations.

The development of the Swedish economy is influenced by the eurozone, and the Swedish central bank Riksbanken has kept its key rate at -0.5% for a long time to stimulate the Swedish economy. An expansive monetary policy and increased employment contribute to Riksbanken expecting annual growth in the gross national product of 2-3% towards the year 2020. The forecasts from the Swedish Construction Federation assume growth of 4-5% for building and civil engineering investments in Sweden in 2018. An expansive monetary policy and positive developments in macro-economic conditions and growth in the building and construction industry form a sound basis for AF's Swedish operations.

### **Oslo, 15 February 2018**

Board of Directors of AF Gruppen ASA

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Bathroom rehabilitation in Kastanjeveien. Photo: AF Gruppen / Thomas Haugersveen

# Financial Information



## CONDENSED CONSOLIDATED STATEMENT OF INCOME

NOK million	Q4 17	Q4 16	2017	2016
Revenues and income	4 296	2 892	13 704	11 876
Subcontractors	-2 326	-1 356	-6 233	-5 168
Cost of materials	-479	-181	-2 277	-1 778
Payroll cost	-877	-693	-2 961	-2 650
Operating expenses ex. depreciation and impairment	-315	-301	-1 256	-1 084
Net gains (losses) and profit (loss) from associates	45	6	116	15
<b>EBITDA</b>	<b>343</b>	<b>367</b>	<b>1 092</b>	<b>1 212</b>
Depreciation and impairment of tangible fixed assets	-45	-38	-166	-135
Depreciation and impairment of intangible assets	-1	-1	-2	-42
<b>Earnings before financial items and tax (EBIT)</b>	<b>297</b>	<b>328</b>	<b>924</b>	<b>1 034</b>
Net financial items	13	12	12	6
<b>Earnings before tax (EBT)</b>	<b>310</b>	<b>340</b>	<b>935</b>	<b>1 040</b>
Income tax expense	-37	-59	-181	-253
<b>Net income for the period</b>	<b>274</b>	<b>281</b>	<b>754</b>	<b>787</b>
Attributable to:				
Shareholders of the parent	227	247	621	691
Non-controlling interests	46	34	133	96
<b>Net income for the period</b>	<b>274</b>	<b>281</b>	<b>754</b>	<b>787</b>
Earnings per share (NOK)	2.34	2.65	6.43	7.44
Diluted earnings per share (NOK)	2.34	2.61	6.43	7.29
<b>Key Figures</b>	<b>Q4 17</b>	<b>Q4 16</b>	<b>2017</b>	<b>2016</b>
EBITDA margin	8.0 %	12.7 %	8.0 %	10.2 %
Operating profit margin	6.9 %	11.3 %	6.7 %	8.7 %
Profit margin	7.2 %	11.8 %	6.8 %	8.8 %
Return on capital employed (ROaCE) <sup>1)</sup>	-	-	42.7 %	54.2 %
Return on equity	-	-	35.8 %	43.3 %
Equity ratio	26.9 %	29.8 %	26.9 %	29.8 %
Net interest-bearing receivables (debt) <sup>2)</sup>	1 210	606	1 210	606
Capital employed <sup>3)</sup>	2 198	2 063	2 198	2 063
Order backlog	19 773	15 332	19 773	15 332

<sup>1)</sup> Return on capital employed (ROaCE) = (Earnings before tax + interest expense) / average capital employed

<sup>2)</sup> Net interest-bearing receivables (debt) = Cash and cash equivalents + interest-bearing receivables - interest-bearing debt

<sup>3)</sup> Capital employed = Equity + interest-bearing debt

## STATEMENT OF COMPREHENSIVE INCOME

NOK million	Q4 17	Q4 16	2017	2016
Net income for the period	274	281	754	787
Net actuarial gains and losses	1	-4	1	-4
<b>Items that will not be reclassified to income statement in subsequent periods</b>	<b>1</b>	<b>-4</b>	<b>1</b>	<b>-4</b>
Net cash flow hedges	1	5	38	118
Currency translation differences	14	5	28	-23
<b>Items that may be reclassified to income statement in subsequent periods</b>	<b>15</b>	<b>10</b>	<b>66</b>	<b>94</b>
<b>Other comprehensive income for the period</b>	<b>16</b>	<b>6</b>	<b>67</b>	<b>90</b>
<b>Total comprehensive income for the period</b>	<b>290</b>	<b>287</b>	<b>821</b>	<b>877</b>
Attributable to:				
-Shareholders of the parent	243	253	686	781
- Minority	47	34	135	96
<b>Total comprehensive income for the period</b>	<b>290</b>	<b>287</b>	<b>821</b>	<b>877</b>

## EQUITY

NOK million	Paid-in capital	Translation differences	Actuarial pension gains/(losses)	Cash flow hedge	Retained earnings	Attributable to shareholders	Minority	Total equity
<b>As at 31/12/15</b>	<b>411</b>	<b>29</b>	<b>-12</b>	<b>-171</b>	<b>1 303</b>	<b>1 561</b>	<b>259</b>	<b>1 820</b>
Comprehensive income	-	-23	-4	118	691	781	96	877
Capital increase	120	-	-	-	-	120	-	120
Purchase of treasury shares	-	-	-	-	-32	-32	-	-32
Sale of treasury shares	1	-	-	-	23	24	-	24
Dividend paid	-315	-	-	-	-429	-744	-74	-818
Share-based remuneration	7	-	-	-	-	7	-	7
Transactions with minority	-	-	-	-	-37	-37	-11	-48
<b>As at 31/12/16</b>	<b>223</b>	<b>6</b>	<b>-16</b>	<b>-53</b>	<b>1 519</b>	<b>1 680</b>	<b>270</b>	<b>1 950</b>
Comprehensive income	-	26	-	38	621	686	135	821
Capital increase	371	-	-	-	-	371	-	371
Purchase of treasury shares	-	-	-	-	-55	-55	-	-55
Sale of treasury shares	-	-	-	-	45	45	-	45
Dividend paid	-121	-	-	-	-707	-829	-77	-906
Share-based remuneration	9	-	-	-	-	9	-	10
Put options for minority	-	-	-	-	-191	-191	-1	-192
Addition of minority by acquisitions	-	-	-	-	-	-	49	49
Transactions with minority	-	-	-	-	-24	-24	7	-17
<b>As at 31/12/17</b>	<b>482</b>	<b>32</b>	<b>-16</b>	<b>-15</b>	<b>1 209</b>	<b>1 693</b>	<b>384</b>	<b>2 078</b>

## CONSOLIDATED BALANCE SHEET

NOK million	31/12/17	31/12/16
Tangible fixed assets	1 241	1 105
Intangible assets	2 188	2 032
Investment in associates and joint ventures	363	389
Deferred tax asset	26	51
Interest-bearing receivables	216	206
Pension plan and other financial assets	10	6
<b>Total non-current assets</b>	<b>4 045</b>	<b>3 789</b>
Inventories	159	139
Projects for own account	186	47
Trade receivables and other receivables	2 216	2 061
Interest-bearing receivables	16	44
Financial derivatives	3	-
Cash and cash equivalents	1 098	469
<b>Total current assets</b>	<b>3 679</b>	<b>2 760</b>
<b>Total assets</b>	<b>7 724</b>	<b>6 549</b>
Equity attributable to shareholders of the parent	1 693	1 680
Minority interests	384	270
<b>Total equity</b>	<b>2 078</b>	<b>1 950</b>
Long-term interest-bearing debt	102	83
Retirement benefit obligations	1	1
Provisions	189	158
Deferred tax	327	265
Financial derivatives	23	46
<b>Total non-current liabilities</b>	<b>643</b>	<b>553</b>
Short-term interest-bearing debt	19	30
Trade payables and other short term debt	4 481	3 369
Financial derivatives	26	63
Provisions	353	207
Tax payable	126	377
<b>Total current liabilities</b>	<b>5 003</b>	<b>4 046</b>
<b>Total liabilities</b>	<b>5 646</b>	<b>4 599</b>
<b>Total equity and liabilities</b>	<b>7 724</b>	<b>6 549</b>

## CONSOLIDATED CASH FLOW STATEMENT

NOK million	Q4 17	Q4 16	2017	2016
Earnings before financial items and tax (EBIT)	297	328	924	1 034
Depreciation, amortisation and impairment	45	39	169	177
Change in net working capital	339	43	775	-216
Income taxes paid	-312	-99	-407	-165
Other adjustments	-44	-5	-107	-8
<b>Cash flow from operating activities</b>	<b>325</b>	<b>306</b>	<b>1 354</b>	<b>822</b>
Net investments	196	14	-119	-13
<b>Cash flow before financing activities</b>	<b>521</b>	<b>320</b>	<b>1 235</b>	<b>809</b>
Share issue	90	120	322	120
Dividend paid to majority shareholders	-343	-281	-829	-744
Dividend paid to minority	-3	-6	-77	-123
Sale (purchase) of treasury shares	-12	2	-10	-8
Borrowings (repayment of debt)	-39	-49	2	-36
Interest paid	1	7	-13	-15
<b>Cash flow from financing activities</b>	<b>-306</b>	<b>-208</b>	<b>-604</b>	<b>-807</b>
<b>Net decrease (increase) in in cash and cash equivalents</b>	<b>215</b>	<b>112</b>	<b>632</b>	<b>3</b>
Net cash and cash equivalents at beginning of period	883	359	469	459
Change in cash and cash equivalents without cash effect	-	-2	-2	7
<b>Net cash and cash equivalents end of period</b>	<b>1 098</b>	<b>469</b>	<b>1 098</b>	<b>469</b>

## BUSINESS AREAS

AF Gruppen's division into operating segments is consistent with the division of the business areas: Civil Engineering, Environment, Building, Property, Energy and Offshore.

Segment information is presented in accordance with the AF Gruppen'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 in accordance with IAS 11. This means that the recognition of income in these projects is the product of the degree of completion, sales ratio and expected contribution margin.

Segment information is presented in accordance with reporting to the Corporate Management Team and is consistent with the financial information utilised by the Company's senior decision-makers when evaluating developments and allocating resources. The effect of IFRIC 15 on the consolidated accounts is illustrated in a separate table in the segment information. Additional information on projects for own account is provided in Note 7.

### Civil Engineering

NOK million	Q4 17	Q4 16	2017	2016
External revenue and income	1 430	742	4 413	3 364
Internal revenue and income	20	3	65	4
<b>Total revenue and income</b>	<b>1 450</b>	<b>745</b>	<b>4 478</b>	<b>3 368</b>
EBITDA	119	203	367	512
Earnings before financial items and tax (EBIT)	99	193	292	461
<b>Earnings before tax (EBT)</b>	<b>113</b>	<b>197</b>	<b>311</b>	<b>475</b>
EBITDA-margin	8.2 %	27.3 %	8.2 %	15.2 %
Operating margin	6.8 %	25.9 %	6.5 %	13.7 %
Profit margin	7.8 %	26.5 %	7.0 %	14.1 %
Assets	2 245	1 326	2 245	1 326
<b>Order backlog</b>	<b>6 510</b>	<b>5 589</b>	<b>6 510</b>	<b>5 589</b>

## Environment

NOK million	Q4 17	Q4 16	2017	2016
External revenue and income	129	163	531	689
Internal revenue and income	20	9	70	40
<b>Total revenue and income</b>	<b>149</b>	<b>172</b>	<b>601</b>	<b>729</b>
EBITDA	23	14	63	58
Earnings before financial items and tax (EBIT)	18	10	45	42
<b>Earnings before tax (EBT)</b>	<b>18</b>	<b>10</b>	<b>45</b>	<b>42</b>
EBITDA-margin	15.5 %	8.3 %	10.4 %	8.0 %
Operating margin	12.3 %	5.7 %	7.5 %	5.8 %
Profit margin	12.2 %	5.7 %	7.4 %	5.7 %
Assets	347	260	347	260
<b>Order backlog</b>	<b>344</b>	<b>212</b>	<b>344</b>	<b>212</b>

## Building

NOK million	Q4 17	Q4 16	2017	2016
External revenue and income	2 541	1 826	8 017	6 622
Internal revenue and income	11	10	24	66
<b>Total revenue and income</b>	<b>2 551</b>	<b>1 836</b>	<b>8 041</b>	<b>6 688</b>
EBITDA	157	167	525	523
Earnings before financial items and tax (EBIT)	144	157	480	485
<b>Earnings before tax (EBT)</b>	<b>147</b>	<b>160</b>	<b>493</b>	<b>498</b>
EBITDA-margin	6.2 %	9.1 %	6.5 %	7.8 %
Operating margin	5.6 %	8.5 %	6.0 %	7.3 %
Profit margin	5.8 %	8.7 %	6.1 %	7.4 %
Assets	5 066	3 554	5 066	3 554
<b>Order backlog</b>	<b>11 100</b>	<b>8 467</b>	<b>11 100</b>	<b>8 467</b>

## Property

NOK million	Q4 17	Q4 16	2017	2016
External revenue and income	13	10	42	46
Internal revenue and income	-	-	-	2
<b>Total revenue and income</b>	<b>13</b>	<b>10</b>	<b>43</b>	<b>48</b>
EBITDA	29	10	88	44
Earnings before financial items and tax (EBIT)	29	10	88	44
<b>Earnings before tax (EBT)</b>	<b>25</b>	<b>8</b>	<b>75</b>	<b>30</b>
EBITDA-margin	-	-	-	-
Operating margin	-	-	-	-
Profit margin	-	-	-	-
Assets	945	868	945	868
<b>Order backlog</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Energy

NOK million	Q4 17	Q4 16	2017	2016
External revenue and income	70	59	235	177
Internal revenue and income	4	-	9	1
<b>Total revenue and income</b>	<b>73</b>	<b>59</b>	<b>244</b>	<b>177</b>
EBITDA	6	8	21	18
Earnings before financial items and tax (EBIT)	6	7	20	18
<b>Earnings before tax (EBT)</b>	<b>7</b>	<b>7</b>	<b>22</b>	<b>16</b>
EBITDA-margin	7.9 %	13.0 %	8.5 %	10.2 %
Operating margin	7.5 %	12.8 %	8.2 %	10.0 %
Profit margin	10.0 %	12.8 %	9.1 %	8.9 %
Assets	163	140	163	140
<b>Order backlog</b>	<b>260</b>	<b>108</b>	<b>260</b>	<b>108</b>

## Offshore

NOK million	Q4 17	Q4 16	2017	2016
External revenue and income	152	211	665	1 013
Internal revenue and income	2	-	-1	1
<b>Total revenue and income</b>	<b>154</b>	<b>211</b>	<b>664</b>	<b>1 014</b>
EBITDA	23	17	74	161
Earnings before financial items and tax (EBIT)	19	9	59	107
<b>Earnings before tax (EBT)</b>	<b>17</b>	<b>13</b>	<b>49</b>	<b>94</b>
EBITDA-margin	15.0 %	8.3 %	11.2 %	15.9 %
Operating margin	12.5 %	4.3 %	8.8 %	10.5 %
Profit margin	11.0 %	6.2 %	7.4 %	9.3 %
Assets	1 262	1 537	1 262	1 537
<b>Order backlog</b>	<b>916</b>	<b>550</b>	<b>916</b>	<b>550</b>

## Other Segments (Group)

NOK million	Q4 17	Q4 16	2017	2016
External revenue and income	-14	6	34	29
Internal revenue and income	6	12	23	38
<b>Total revenue and income</b>	<b>-8</b>	<b>17</b>	<b>57</b>	<b>67</b>
EBITDA	3	-20	-18	-42
Earnings before financial items and tax (EBIT)	-1	-26	-33	-60
<b>Earnings before tax (EBT)</b>	<b>-1</b>	<b>-22</b>	<b>-32</b>	<b>-51</b>
Assets	2 050	1 110	2 050	1 110
<b>Order backlog</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Eliminations

NOK million	Q4 17	Q4 16	2017	2016
External revenue and income	-10	-28	-47	58
Internal revenue and income	-63	-35	-189	-151
<b>Total revenue and income</b>	<b>-73</b>	<b>-63</b>	<b>-236</b>	<b>-93</b>
EBITDA	-5	-6	-8	-5
Earnings before financial items and tax (EBIT)	-5	-6	-8	-5
<b>Earnings before tax (EBT)</b>	<b>-5</b>	<b>-6</b>	<b>-8</b>	<b>-5</b>
Assets	-4 245	-2 157	-4 245	-2 157
<b>Order backlog</b>	<b>157</b>	<b>106</b>	<b>157</b>	<b>106</b>

## IFRIC 15

NOK million	Q4 17	Q4 16	2017	2016
External revenue and income	-14	-96	-187	-121
Internal revenue and income	-	-	-	-
<b>Total revenue and income</b>	<b>-14</b>	<b>-96</b>	<b>-187</b>	<b>-121</b>
EBITDA	-11	-27	-19	-58
Earnings before financial items and tax (EBIT)	-11	-27	-19	-58
<b>Earnings before tax (EBT)</b>	<b>-11</b>	<b>-27</b>	<b>-19</b>	<b>-58</b>
Assets	-109	-89	-109	-89
<b>Order backlog</b>	<b>486</b>	<b>299</b>	<b>486</b>	<b>299</b>

## Segment Total

NOK million	Q4 17	Q4 16	2017	2016
External revenue and income	4 296	2 892	13 704	11 876
Internal revenue and income	-	-	-	-
<b>Total revenue and income</b>	<b>4 296</b>	<b>2 892</b>	<b>13 704</b>	<b>11 876</b>
EBITDA	343	367	1 092	1 212
Earnings before financial items and tax (EBIT)	297	328	924	1 034
<b>Earnings before tax (EBT)</b>	<b>310</b>	<b>340</b>	<b>935</b>	<b>1 040</b>
EBITDA-margin	8.0 %	12.7 %	8.0 %	10.2 %
Operating margin	6.9 %	11.3 %	6.7 %	8.7 %
Profit margin	7.2 %	11.8 %	6.8 %	8.8 %
Assets	7 724	6 549	7 724	6 549
<b>Order backlog</b>	<b>19 773</b>	<b>15 332</b>	<b>19 773</b>	<b>15 332</b>

# NOTES

## 1. GENERAL INFORMATION

AF Gruppen is one of Norway's leading contracting and industrial groups. AF Gruppen is divided into six business areas: Civil Engineering, Environment, Building, Property, Energy and Offshore.

AF Gruppen ASA is a public limited company registered and domiciled in Norway. The head office is located at Innspurten 15, 0663 Oslo. AF is listed on the Oslo Børs OB Match List under the ticker symbol AFG.

This summary of financial information for the 4th quarter of 2017 has not been audited.

## 2. BASIS OF PREPARATION

The consolidated accounts for AF Gruppen encompass AF Gruppen ASA and its subsidiaries, joint ventures and associated companies. The consolidated financial statements for the 4th quarter have been prepared in accordance with IAS 34 Interim Accounts. The summary of the financial information presented in the quarterly accounts is intended to be read in conjunction with the annual report for 2016, which has been prepared in accordance with the International Financial Reporting Standards (IFRS).

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

## 3. CHANGES IN THE GROUP'S STRUCTURE

On 9 February 2017, AF Gruppen agreed to acquire 70% of the shares in Kanonaden Entreprenad AB. The transaction encompasses the subsidiaries Bergbolaget i Götaland AB, Kanonaden Entreprenad Öst AB and Kanonaden Täkt och Förvaltning AB. Kanonaden Entreprenad will be part of the Civil Engineering business area.

Kanonaden Entreprenad AB was established in 1983, with headquarters in Nässjö, Jönköping County, Sweden. In 2016, the company and its subsidiaries saw revenue of SEK 708 million, and the company had approximately 170 employees. Kanonaden Entreprenad AB performs work in the fields of site preparation work, water and sewage, concrete, district heating, cable laying, wind power and roadworks. The company is engaged in activities in Southern Sweden, including Stockholm and Gothenburg.

The business operations of Kanonaden Entreprenad AB, including shares in subsidiaries, are valued at SEK 260 million on a 100% basis. Settlement consisted of 318 766 shares in AF Gruppen ASA at NOK 153.40 per share and SEK 131 million in cash.

An allocation of the purchase price based on the opening balance sheet of Kanonaden Entreprenad AB as at 9 February 2017 is presented below. Allocation of the purchase price was prepared using the acquisition method as regulated in IFRS 3. The purchase price has been allocated at the fair value of the assets and liabilities of Kanonaden Entreprenad AB. The allocation is not final.

Beløp i MSEK	Kanonaden
Cash payment	131
Value of issued shares in AF Gruppen ASA	52
- Cash and cash equivalents	-33
<b>Net consideration</b>	<b>150</b>
Property, plant and equipment and intangible assets	58
Inventory	5
Short-term non-interest-bearing receivables	133
Minority interests	-20
Provisions	-4
Deferred tax and tax payables	-22
Current interest-bearing liabilities	-6
Trade payables and current non-interest-bearing liabilities	-133
<b>Net identifiable assets and liabilities</b>	<b>11</b>
<b>Goodwill</b>	<b>139</b>

The acquisition resulted in goodwill of SEK 139 million, which is linked to the geographical market position and the organisation's ability to operate profitably.

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

## 4. ACCOUNTING POLICIES

The accounting policies applied to the accounts are consistent with those described in the annual report for 2016.

### New and amended accounting standards

AF Gruppen has not implemented new or changed standards in 2017 with material effect on the Group's financial position and results.



Riving av offshoreinstallasjoner ved AF Miljøbase Vats. Foto: AF Gruppen

## 5. ESTIMATES

The preparation of the interim accounts requires the use of assessments, estimates and assumptions that have an effect on the application of accounting principles and recognised figures related to assets and commitments, revenues and costs. The estimates are based on the management's best judgement and experience, and there is some uncertainty related to the concurrence of these estimates with the actual result. Estimates and their underlying assumptions are assessed on a continuous basis. Changes in accounting estimates are recognised for the period in which the estimate is changed and for future periods if these are affected by the change in estimate.

## 6. TRANSACTIONS WITH RELATED PARTIES

The Group's related parties consist of associates, joint ventures, the Company's shareholders and members of the Board of Directors and Corporate Management Team. All business transactions with related parties are carried out in accordance with the arm's length principle.

In March, a total of 3 253 346 options were exercised by 1 133 employees of AF Gruppen in connection with the option programme for 2014-2017. The average redemption price for the options was NOK 71.37. The number of outstanding unexercised options in AF Gruppen ASA after redemptions linked to this option programme was 0. Primary insiders in AF Gruppen purchased 267 046 shares in AF Gruppen ASA in connection with the redemption.

In October 2017, a share issue in AF Gruppen ASA was carried out as part of the share programme for the Group's employees. Primary insiders subscribed then for 51 475 shares at a price of NOK 115.80 per share. The subscription price was 20% lower than the average market price during the subscription period.

## 7. IFRIC 15

Segment information is presented in accordance with the AF Gruppen's accounting policies in accordance with IFRS with the exception of IFRIC 15 (Agreements for the Construction of Real Estate). The effect of IFRIC 15 on the consolidated accounts is illustrated in a separate table in the segment information. According to IFRIC 15, income from the sale of apartments and the associated proportion of contracting services shall not be entered until handover.

The effect of IFRIC 15 on earnings before tax for the year was NOK -19 million (-58 million). The effect on equity was NOK -104 million and the accumulated reversed revenues were NOK 486 million (299 million) as at 31 December 2017.

The table below shows residential housing projects for our own account that are in the production phase. Contractor values have been included in those cases where group companies are the contractor.

### Projects for own account - Property

Project	AF's construction value ex. VAT (NOK million)	Housing units	Construction period		Ownership share AF
			Start up	Completion	
Krydderhagen B1/B2/B3, Hasle	182	87	Q3 2015	Q2 2017	50 %
Krydderhagen C1/C2/C3, Hasle	169	84	Q3 2016	Q1 2018	50 %
Krydderhagen D1/D2/D3/D4, Hasle	385	143	Q2 2017	Q2 2019	50 %
Krydderhagen E1/E2, Hasle	185	102	Q2 2017	Q3 2018	50 %
Thurmannskogen A/E, Lørenskog	170	90	Q2 2015	Q1/Q2 2017	33 %
Thurmannskogen B/C/D, Lørenskog	220	96	Q4 2015	Q4 2017/Q1 2018	33 %
Thurmannskogen F/G, Lørenskog	150	72	Q3 2016	Q3 2018	33 %
Thurmannskogen H/J/K, Lørenskog	139	75	Q2 2017	Q2 2019	33 %
Engebrets Promenade A, Lillestrøm	118	46	Q3 2016	Q4 2017	40 %
Engebrets Promenade B/C/D, Lillestrøm	290	125	Q2 2015	Q4 2017	40 %
Rolfsbukta Terrasse, Fornebu	-	72	Q2 2015	Q2 2017	33 %
Losjeplassen, Drammen	-	102	Q3 2015	Q4 2017	50 %
Lillo Gård Haugen, Nydalen	506	162	Q1 2017	Q2 2019	25 %
BRF Glashuset, Halmstad	72	54	Q1 2017	Q2 2018	100 %
BRF Tornet, Surte	42	20	Q1 2017	Q1 2018	100 %

Machine operator Odd Inge Danielsen Rygh prepares the installation of a tower crane in Bjørnrvika. Photo: AF Gruppen/Oda Hveem



# SELSKAPSINFORMASJON

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## **AF Gruppen ASA**

### Head office:

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0603 Oslo  
Norway  
T +47 22 89 11 00  
F +47 22 89 11 01

### Postal address:

P.O. Box 6272 Etterstad  
0603 Oslo  
Norway

## **Company's Board of Directors**

Pål Egil Rønn, *Board Chairman*  
Daniel Kjørberg Siraj, *Deputy Chairman*  
Borghild Lunde  
Hege Bømark  
Kristian Holth  
Kenneth Svendsen  
Pål Jacob Gjerp  
Arne Sveen  
Gunnar Bøyum, *deputy*  
Björn Erik Svensson, *deputy*  
Odd-Erik Zimmer, *deputy*

## **Corporate Management**

Morten Grongstad, *CEO*  
Sverre Hærem, *CFO*  
Arild Moe, *EVP Civil Engineering*  
Henning Olsen, *EVP Building*  
Andreas Jul Røsjø, *EVP Property and Energy*  
Amund Tøftum, *EVP Offshore*  
Eirik Wraal, *EVP Environment and Social responsibility*  
Bård Frydenlund, *EVP HR and Sweden*

## **Financial calendar**

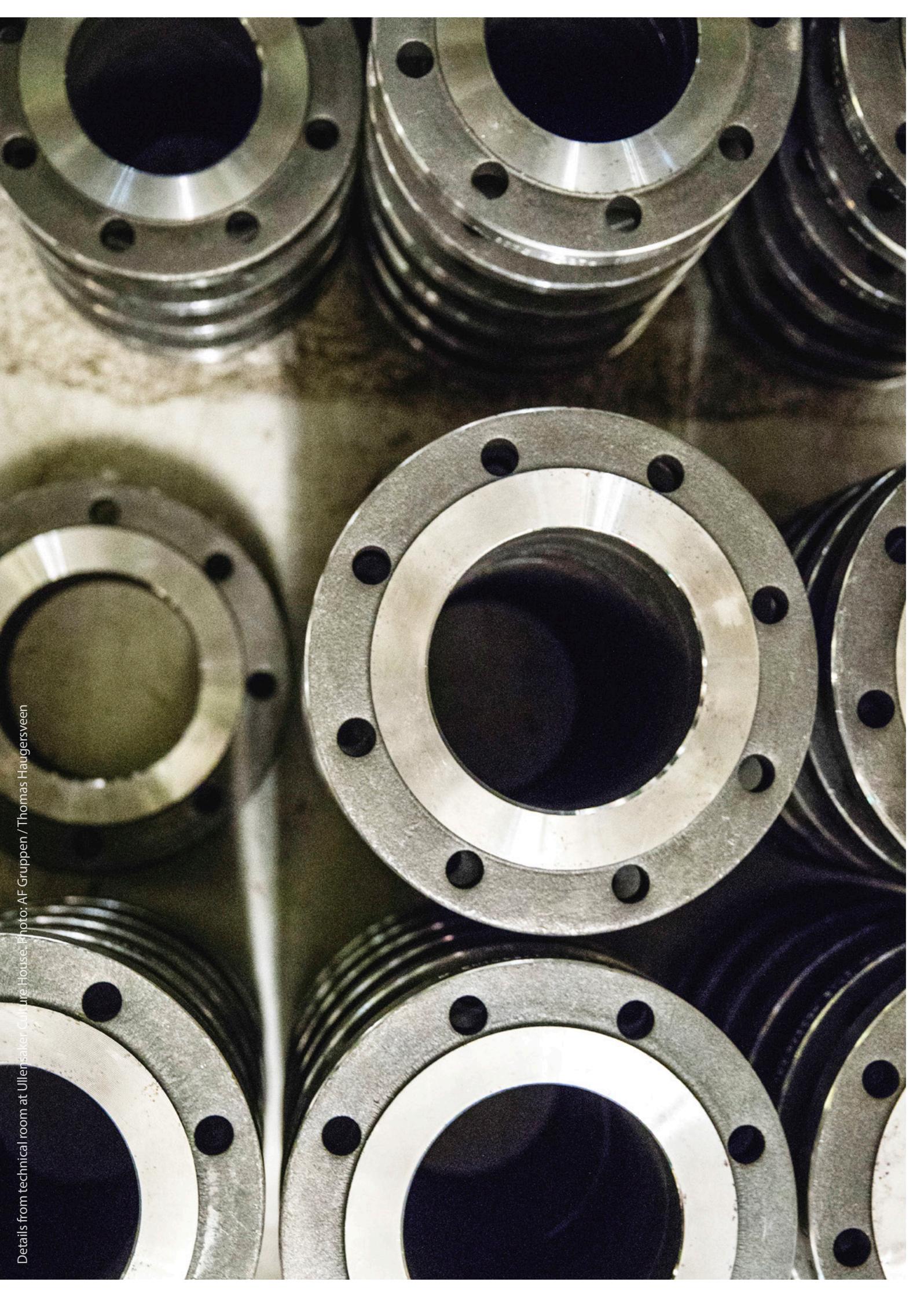
### Presentation of interim accounts:

16/02/2018 Interim report 4th quarter 2017  
09/05/2018 Interim report 1st quarter 2018  
24/08/2018 Interim report 2nd quarter 2018  
09/11/2018 Interim report 3rd quarter 2018

The interim reports will be presented at the offices of Danske Bank at Aker Brygge (Bryggetorget 4) at 8:30 a.m.

For more information on the company, visit our web site at [www.afgruppen.no](http://www.afgruppen.no)

Cover: Røydalen bridge at E18 Tvedestrand - Arendal.  
Photo: AF Gruppen / Eirik Strøm Pedersen



Details from technical room at Ullensaker Culture House. Photo: AF Gruppen / Thomas Haugersveen

## OPERATIONAL STRUCTURE

