

August 25th 2017

Q2 2017

AF Gruppen ASA



2nd quarter 2017



Highlights

Good quarter and strong order intake

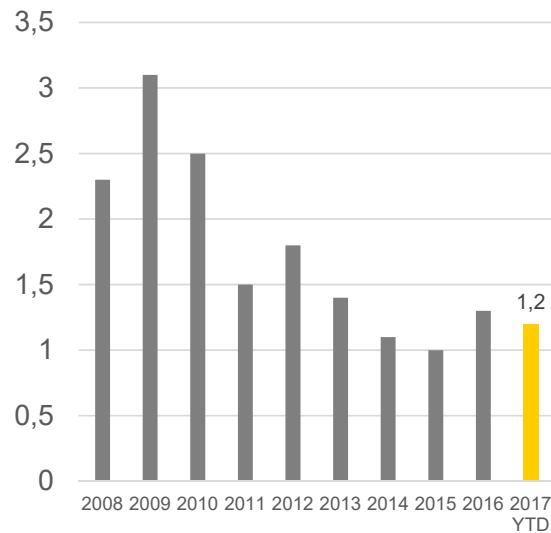
- Revenues: NOK 3,347 million (3,170) in Q2 vs. NOK 6,009 million (5,877) year-to-date.
- EBT: NOK 250 million (249) in Q2 vs. NOK 393 million (435) year-to-date.
- EBT margin: 7.5% (7.8 %) in Q2 vs. 6.5 % (7.4 %) year-to-date.
- Strong order backlog: NOK 18,928 million (11,626)
 - Incoming orders in Q2 of NOK 6.3 billion
- Solid financial position: Net interest bearing receivables of NOK 698 million (300)

2nd quarter 2017



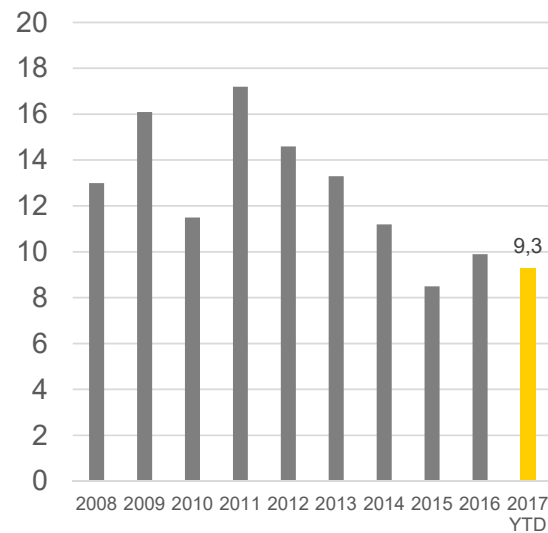
Safety

Lost-time injury frequency (LTIF)



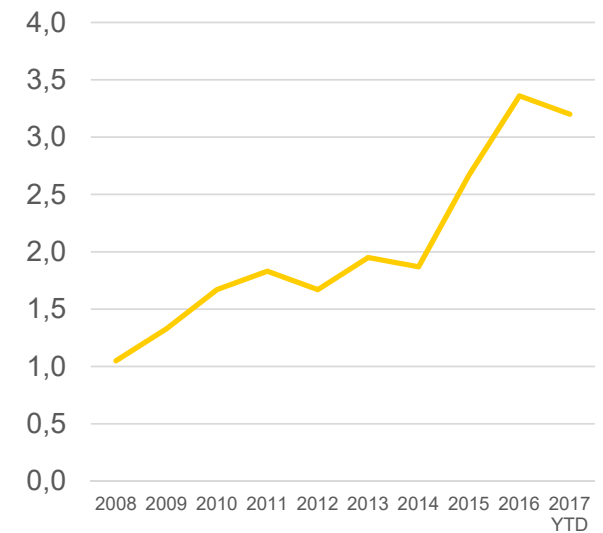
Number lost-time injuries per million hours worked. Measuring of LTIF also includes injuries by subcontractor employees.

Total recordable injury frequency (TRIF)



Number of lost-time injuries, injuries involving substitute work and medical treatment injuries per million hours worked. Measuring of TRIF also includes injuries by subcontractor employees.

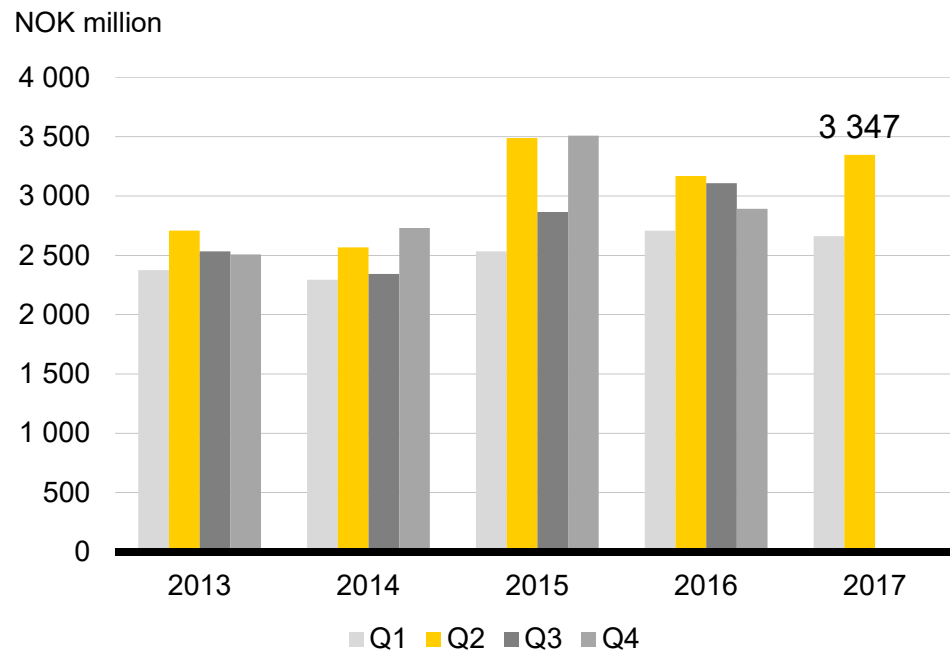
Reported unwanted incident frequency (RUIF)



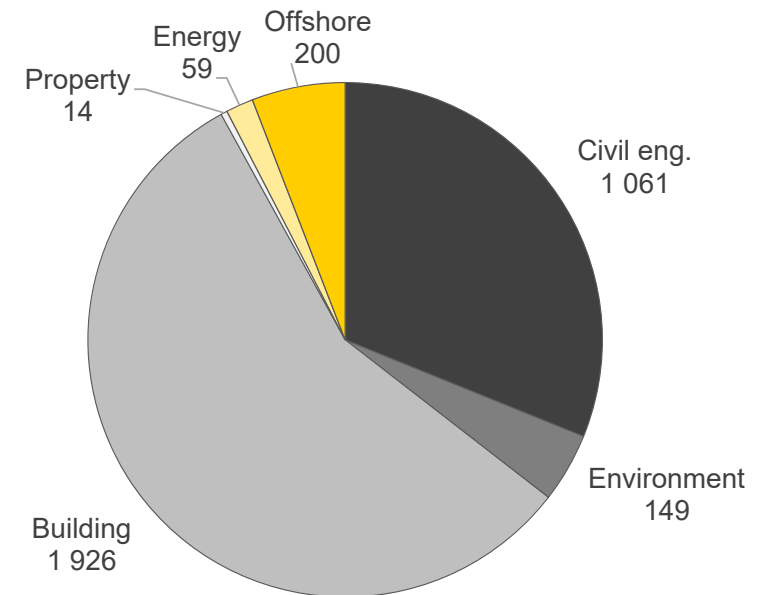
Number of reported unwanted incidents per man-year.

2nd quarter 2017

Revenues



■ Q2 revenues by business area:

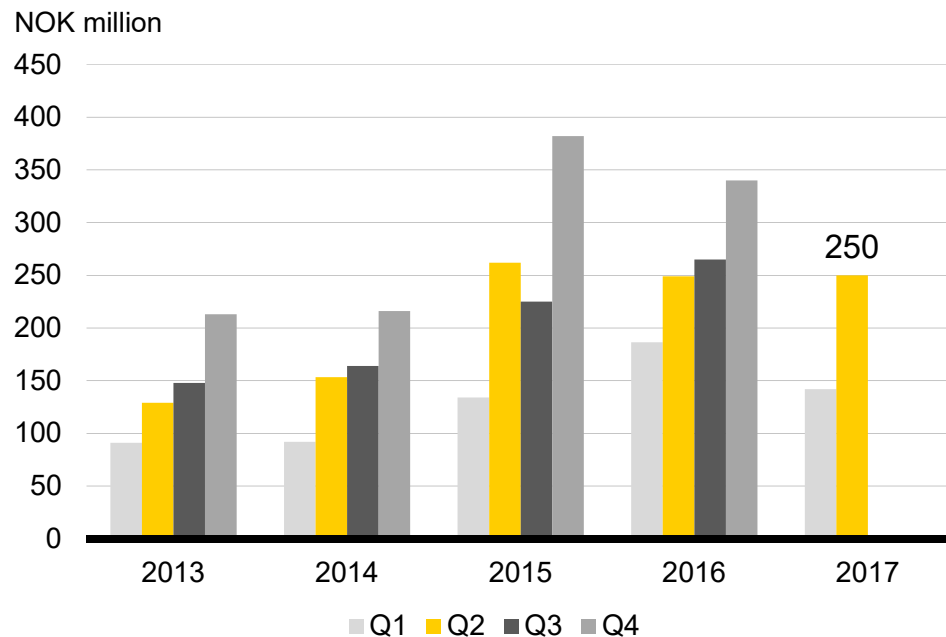


■ Revenues 1st half-year: NOK 6,009 million (5,877)

2nd quarter 2017



Earnings before tax



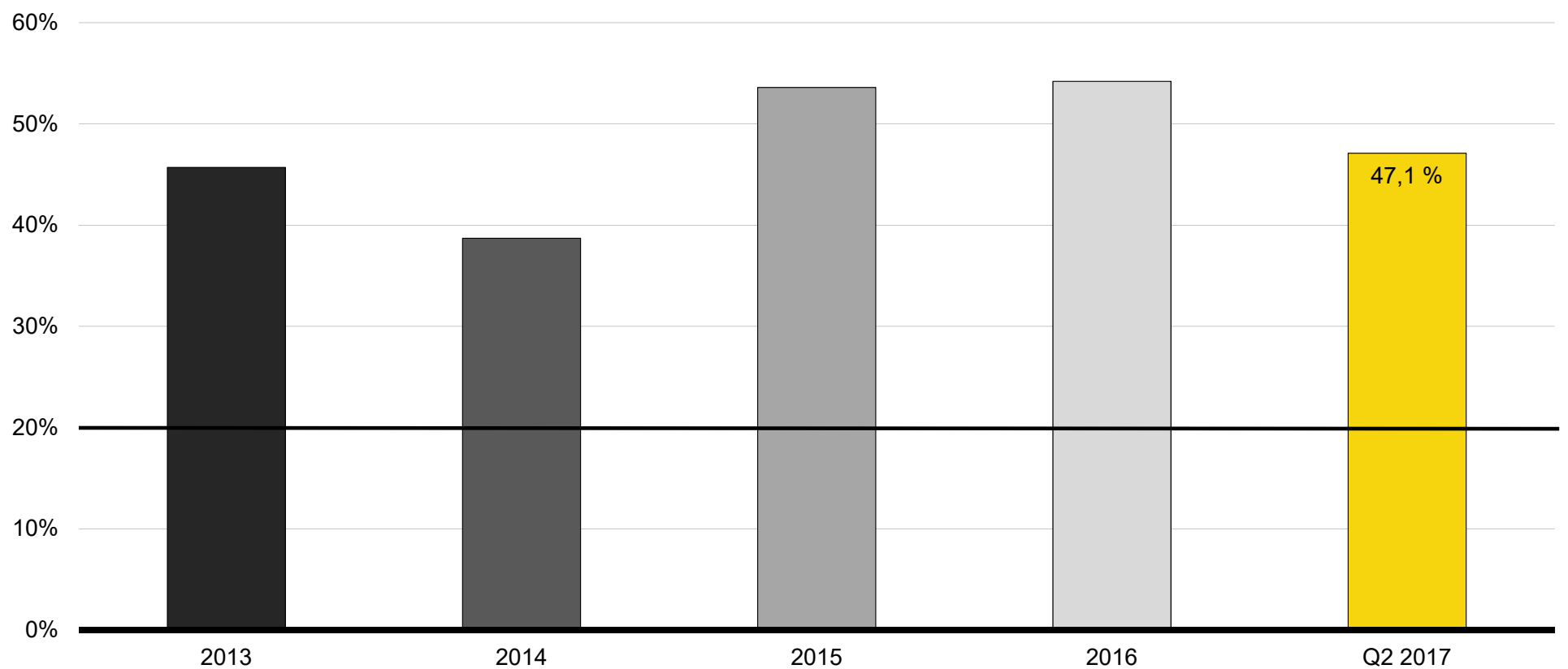
- Good margins in all six business areas in Q2
- EBT Q2: NOK 250 million (249)
- EBT % Q2: 7.5 % (7.8 %)
- EBT 2017 YTD: NOK 393 million (435)
- EBT % 2017 YTD: 6.5 % (7.4 %)

2nd quarter 2017



Return on capital employed

12 month rolling average



*AF's target is to achieve a return on capital employed above 20 %.

2nd quarter 2017



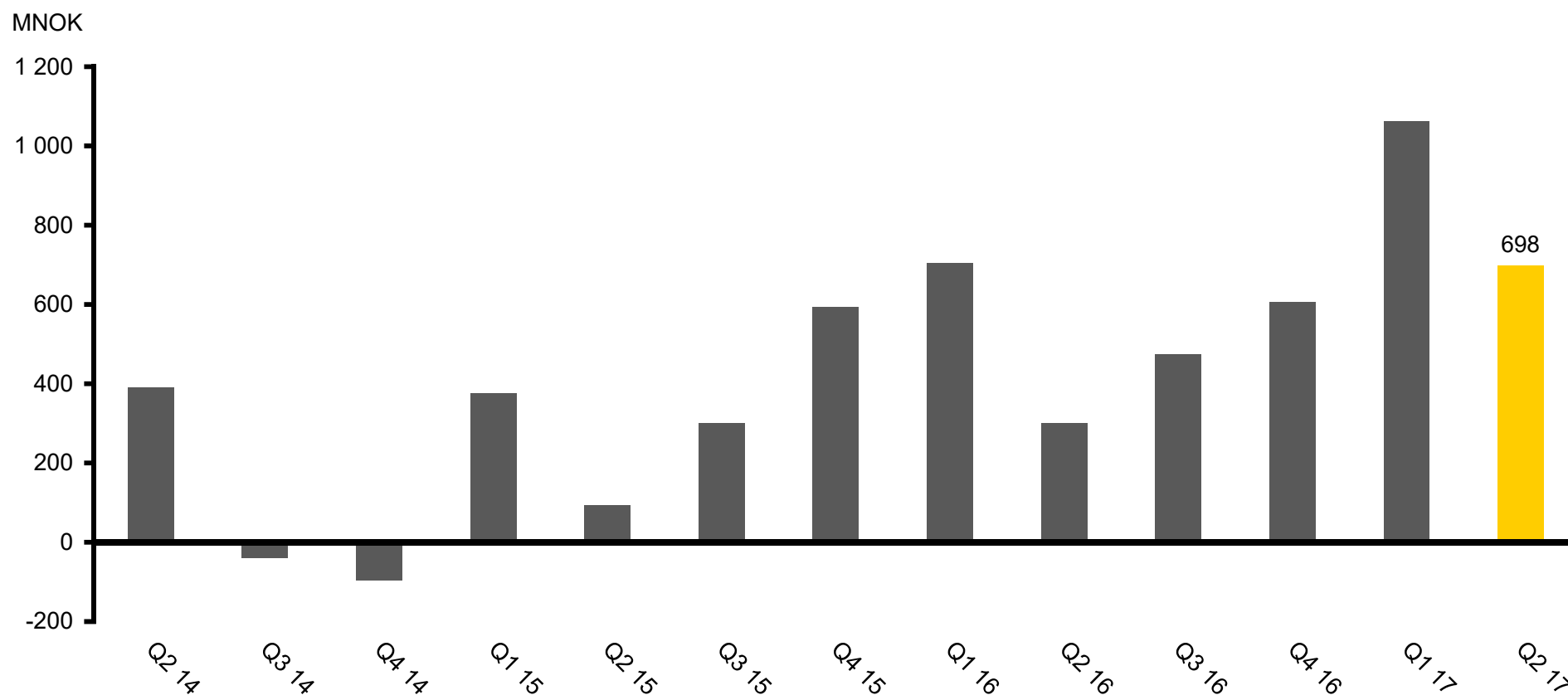
Cash flow statement

NOK million	Q2 2017	Q2 2016	YTD 2017	YTD 2016
EBIT	251	248	396	436
Depreciations, amortization and impairment	41	33	81	65
Change in net working capital	2	-82	290	-64
Other adjustments / taxes paid	-92	-9	-147	-95
Cash flow from operations	203	190	619	342
Net investments	-105	-3	-247	-26
Cash flow from capital activities	-502	-519	-322	-580
Interest paid and change in interest bearing debt	11	6	-5	17
Net decrease (increase) in cash and cash equivalents	-394	-327	45	-248
Net cash and cash equivalents at beginning of period	907	536	469	459
Change in cash and cash equivalents without cash effect	-1	2	-2	0
Net cash and cash equivalents end of period	512	211	512	211

2nd quarter 2017



Net interest bearing receivables



Net interest bearing receivables as of 30 June is NOK 698 million (300).

2nd quarter 2017



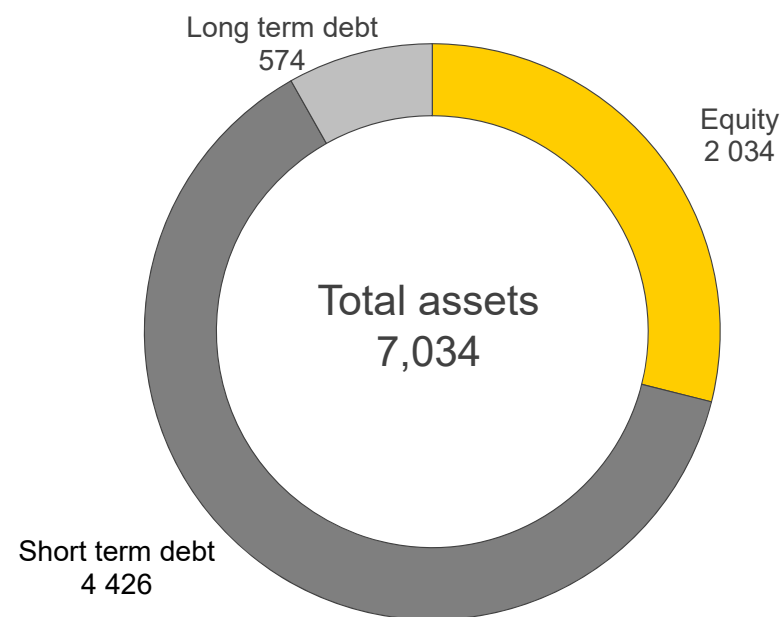
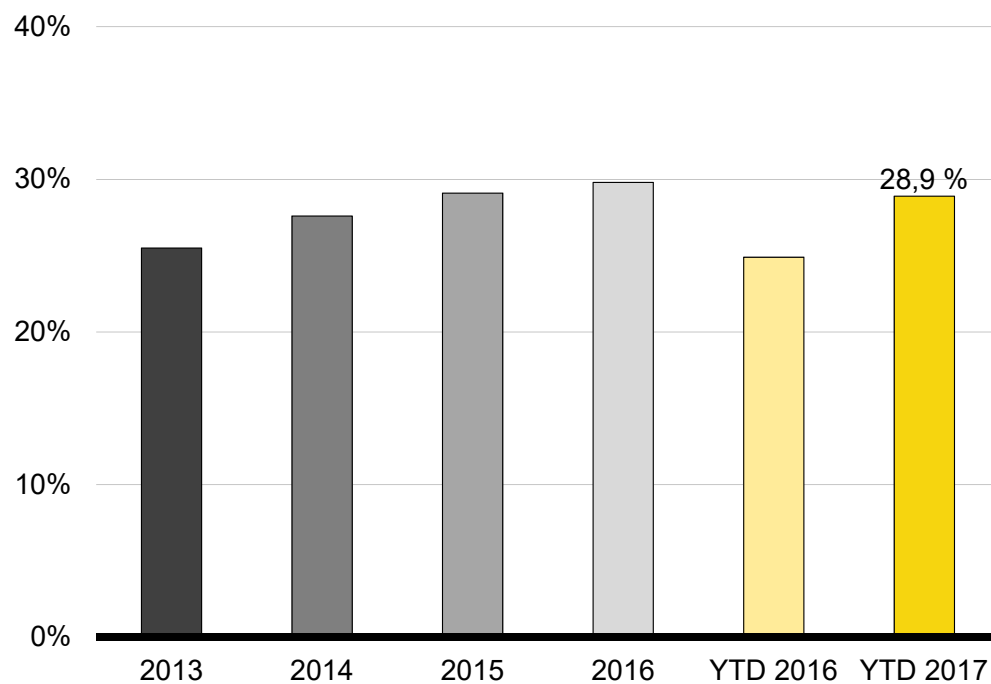
Balance sheet

NOK million	30.06.17	30.06.16	31.12.16
Non-current assets	4,104	3,895	3,789
Current assets, ex. Cash	2,418	2,295	2,291
Cash and cash equivalents	512	211	469
Total assets	7,034	6,401	6,549
Equity	2,034	1,594	1,950
Long term debt	574	724	553
Short term debt	4,426	4,083	4,046
Total equity and debt	7,034	6,401	6,549

2nd quarter 2017



Equity ratio

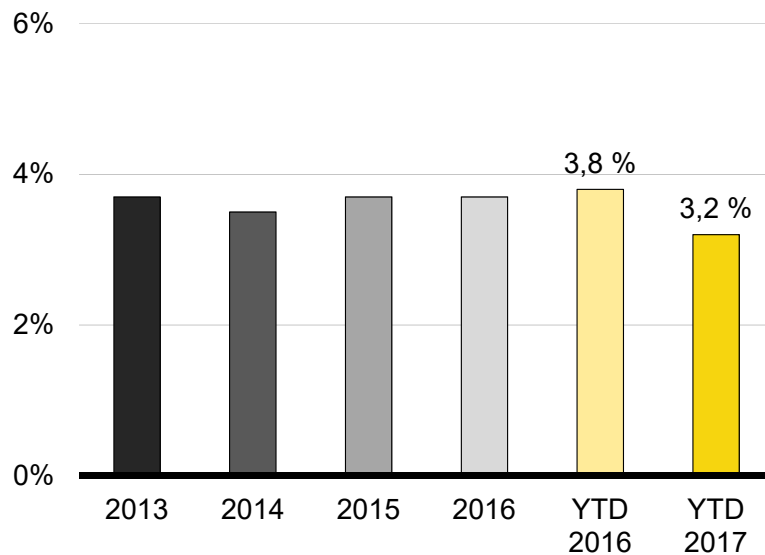


2nd quarter 2017



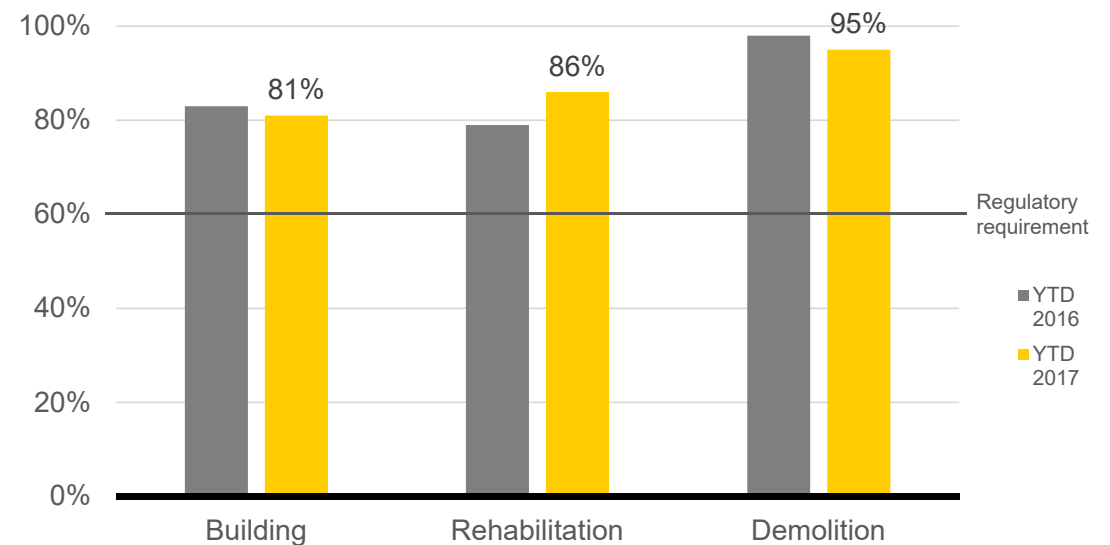
Health and environment

Sick leave



Sick leave in Q2: 2.8 %

Source separation rate



A total of 74,780 (191,959) tonnes of waste has been sorted in the 2nd quarter, and a total of 161,887 (283,771) tonnes has been sorted in the first half-year.

2nd quarter 2017

Business areas



High activity level and good operational performance

NOK million	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Revenues	1,061	960	1,918	1,781
EBIT	67	82	126	182
EBT	69	84	128	192
EBIT %	6.3 %	8.5 %	6.6 %	10.2 %
EBT %	6.5 %	8.7 %	6.7 %	10.8 %

- AF Anlegg has had a successful start-up on the E18 Tvedestrand-Arendal project. High activity level and good operational performance for the unit.
- Måselv Maskin & Transport and Kanonaden Entreprenad both have good operational performance and deliver good Q2 results.
- Pålplintar has turned around a weak start to the year and delivers good results in Q2.
- AF Anlegg awarded large contract after quarter-end for the construction of E6 through Soknedal in Trøndelag.
- Order backlog: NOK 5,698 million (2,934)



E18 Tvedestrand - Arendal

Lower activity level, good operational performance

NOK million	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Revenues	149	206	274	368
EBIT	12	15	17	22
EBT	12	15	16	22
EBIT %	7.9 %	7.4 %	6.1 %	6.1 %
EBT %	7.8 %	7.3 %	6.0 %	6.0 %

- Due to fewer large projects in their portfolio, AF Decom experiences a slightly lower activity level.
- Lower activity level in AF Härnösand Byggreturer, but the unit has good profitability.
- High activity level and good operational performance at Rimol Miljøpark in Q2.
- The establishment of the new environmental facility at Nes in Akershus has started. Construction to be completed in Q2 2018.
- Order backlog: NOK 383 million (264)



Borregaard

High activity level and strong order intake

NOK million	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Revenues	1,926	1,698	3,521	3,309
EBIT	114	125	196	206
EBT	117	130	202	213
EBIT %	5.9 %	7.4 %	5.6 %	6.2 %
EBT %	6.1 %	7.6 %	5.7 %	6.4 %

- AF Bygg Oslo, LAB and the companies in Strøm Gundersen and MTH all deliver good Q2 and first half-year results.
- AF Bygg Østfold and AF Bygg Sverige has started on several new projects in Q2. Both units deliver satisfactory quarterly results.
- Market conditions in south-western Norway are demanding and AF Bygg Prosjektpartner delivers weak results.
- Bygg has announced 13 new contracts in Q2, with a total contract value of NOK 3.7 billion excl. VAT.
- Order backlog: NOK 10,950 (7,105)



Slakthuset, Gothenburg

Good sales ratio

NOK million	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Revenues	14	14	22	23
EBIT	20	17	47	26
EBT	17	12	40	18
EBIT %	148.8 %	124.3 %	211.5 %	115.2 %
EBT %	127.3 %	86.8 %	182.1 %	81.2 %

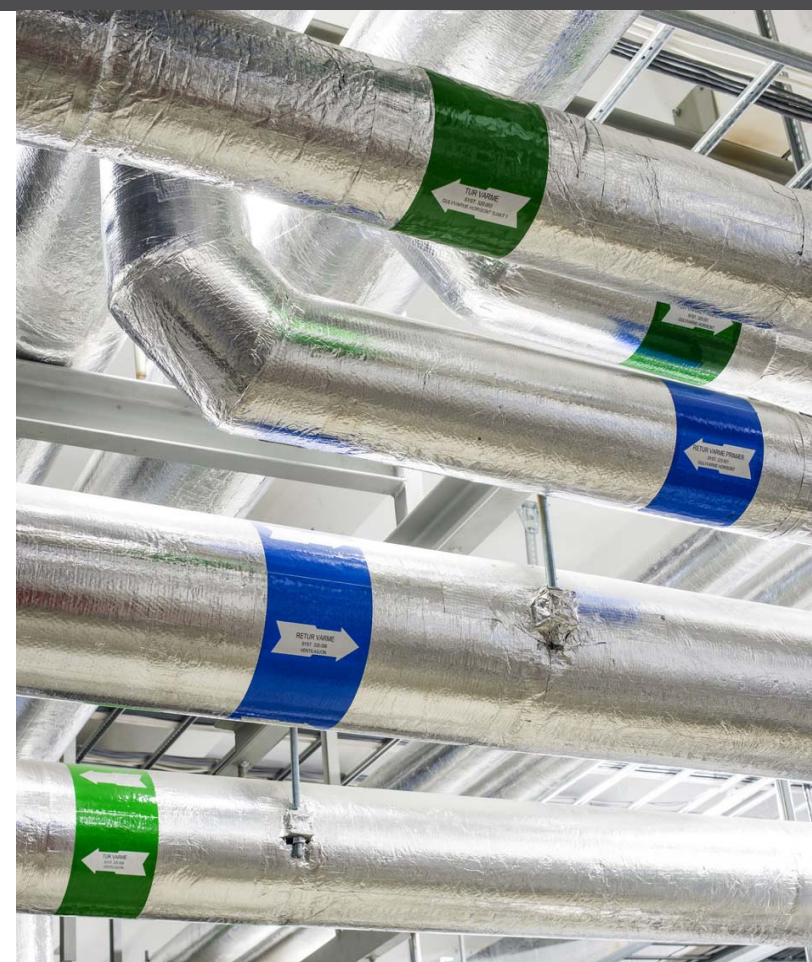
- 54 (115) apartments were sold in Q2. AF's share is 20 (47).
- Seven housing projects with 1,081 apartments in the production phase (AF's share 480). 89 % of the apartments in production are sold as per June 30th.
- Land and development rights in progress: 2,580 (2,281) residential units. AF's share is 1,096 (975)
- AF has 92,084 (125,444) m² gross area of urban premises under development. AF's share is 45,273 (60,322).



Good results and strong order intake

NOK million	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Revenues	59	45	110	82
EBIT	6	4	10	6
EBT	6	3	10	4
EBIT %	10.3 %	8.4 %	9.3 %	7.4 %
EBT %	10.4 %	6.7 %	9.3 %	5.2 %

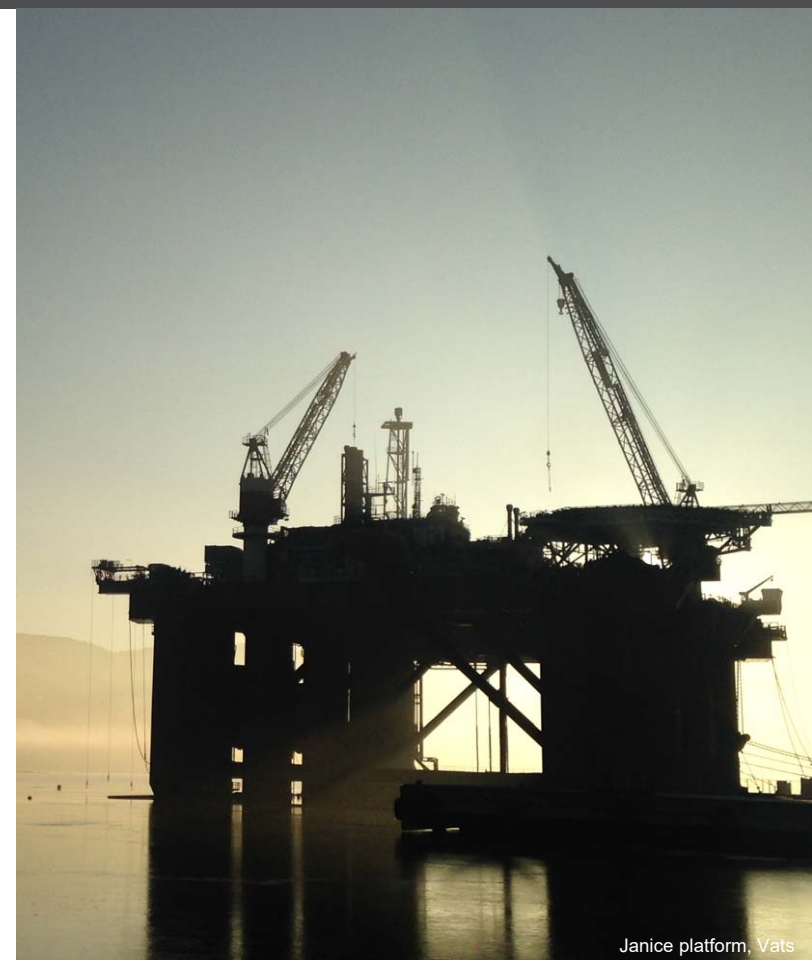
- AF Energi & Miljøteknikk increases their activity level in Q2. Good operational performance for AF Energi & Miljøteknikk in ongoing projects and the unit delivers good Q1 and 1st half-year results.
- Stable demand for energy services. The unit has a high volume of tender calculations and a rising order backlog
- AF Energi & Miljøteknikk awarded contract K302 Heating and Cooling system for Statsbygg at Campus Ås. Contract value is NOK 109 million excluding VAT.
- Order backlog: NOK 345 million (94)



Good results form demolition activities

NOK million	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Revenues	200	240	355	392
EBIT	17	27	27	33
EBT	14	24	22	20
EBIT %	8.5 %	11.2 %	7.6 %	8.5 %
EBT %	7.2 %	10.1 %	6.2 %	5.2 %

- Good operational performance and good results for AF Offshore Decom. The unit successfully completed the offshore campaign on the Murchison project in Q2.
- Demanding market conditions for AF Offshore AeronMollier. The unit has low activity in Q2 and delivers weak results for.
- AF Offshore Decom has been awarded a contract by ConocoPhillips Skandinavia for the removal and disposal of 4 platforms connected to the Ekofisk field. The project will run from 2017 to 2022.
- Order backlog: NOK 1,004 million (963)



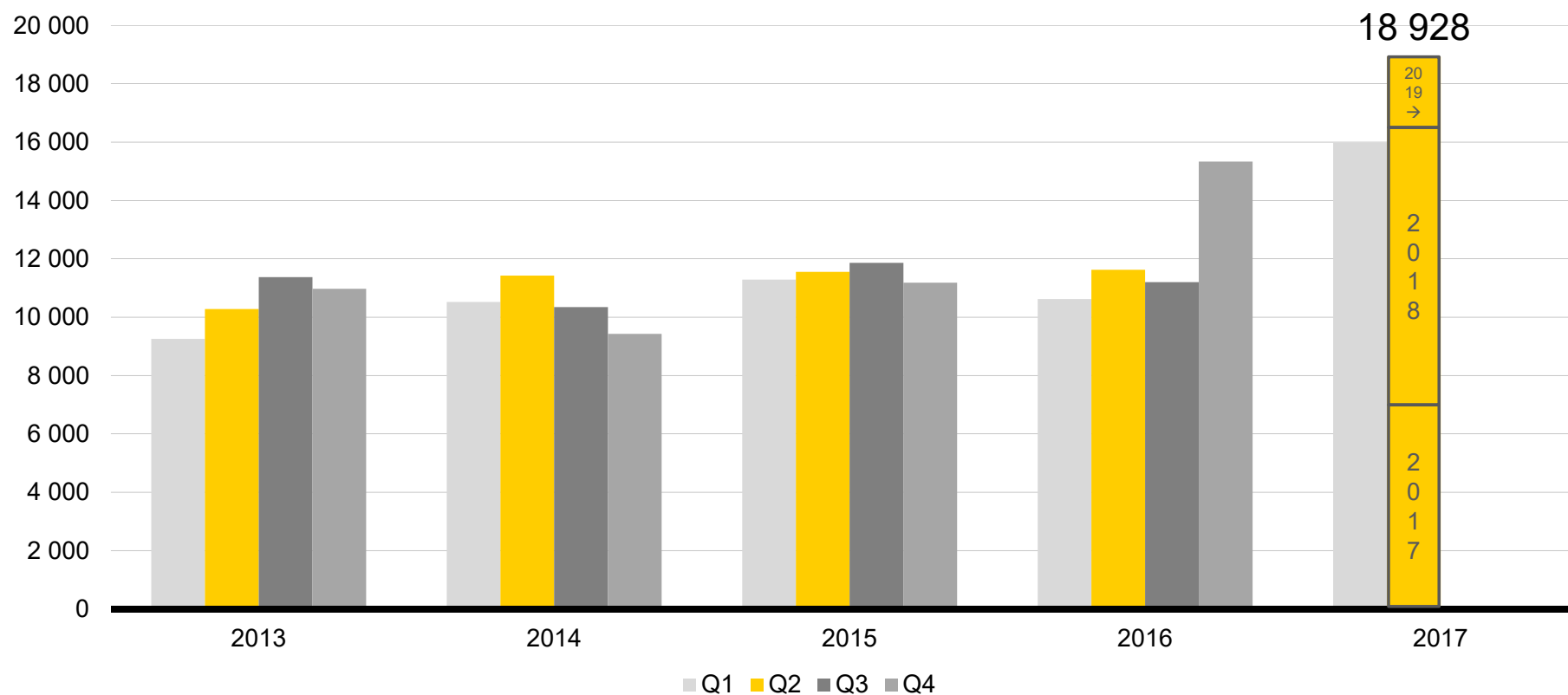
Janice platform, Vats

Order backlog

Solid order backlog



NOK million

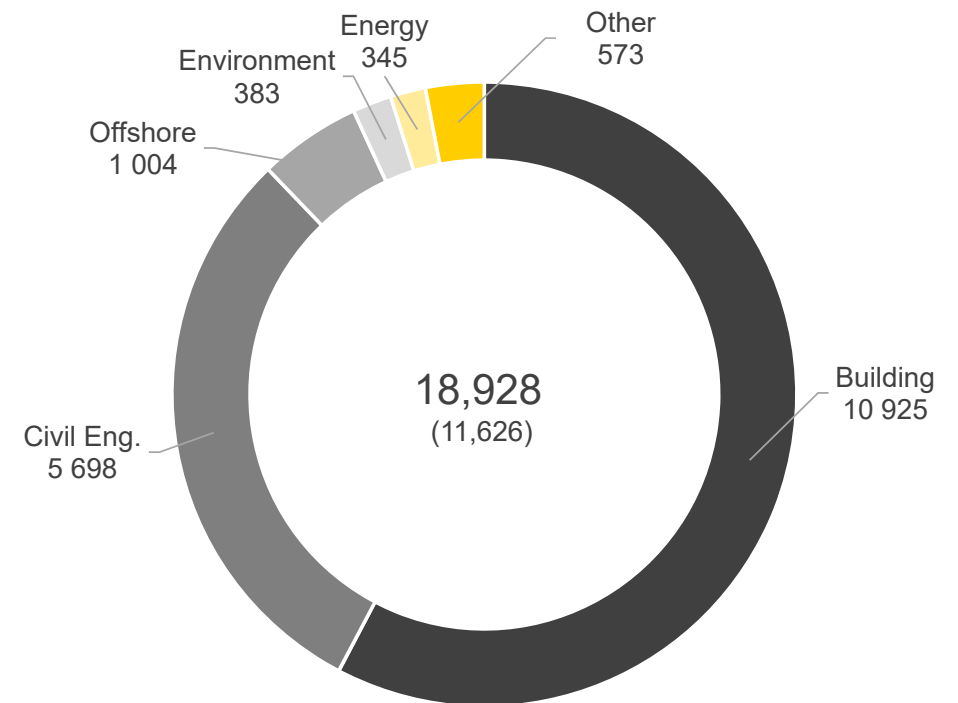
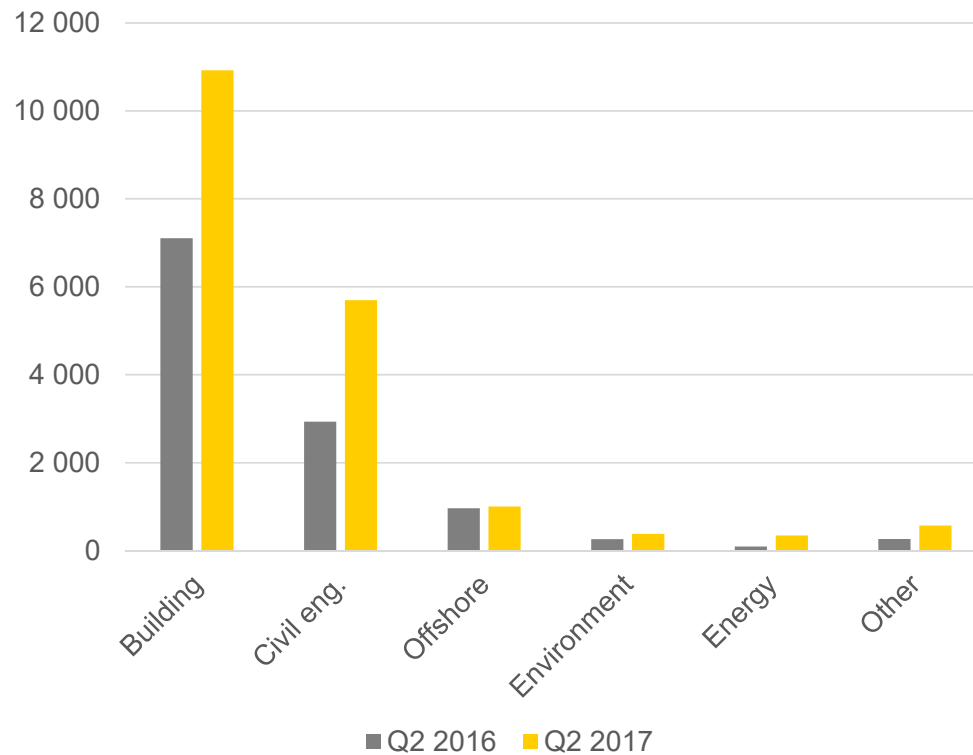


Order backlog



Order backlog per business area

NOK million



Property operations



Kilen Brygge 2, Sandefjord, 150 units
- in cooperation with Miliarium Eiendom

Property operations

Developing attractive homes and jobs



HOMES –
UNITS



IN PRODUCTION

1,081

SALES PHASE

164

SITE BANK

2,484

PERCENTAGE SOLD

89%

BUSINESS
IN m²



IN PRODUCTION

34,500

SITE BANK

92,000

AF STAKE

~40%



EBIT AF 2017 YTD

**NOK 47
million**



Our two-pronged strategy for the property business



Support the
activities in
AF Bygg

- Partnership based on genuine free competition and current market prices
- Own production should amount to 10-30% of turnover in AF Bygg

Operate
profitably
ourselves

- Look exclusively for projects that meet AF's profitability requirements:
 - Return on capital employed > 15%
 - EBT margin > 12%
 - Partner structures with 33% stake

Conscious partnership strategy

- Risk spreading
- Reciprocal learning and access to new property opportunities
- Disciplined
- Less invested capital per m² right to build option for VO Bygg
- Not consolidated

Mix of industrial and financial partners

Examples:

OBOS

Brødrene Jensen

Trond Mohn

Profier

Stokke Industri

Wilhelm Jordan

Høegh Eiendom

Selvaag Bolig

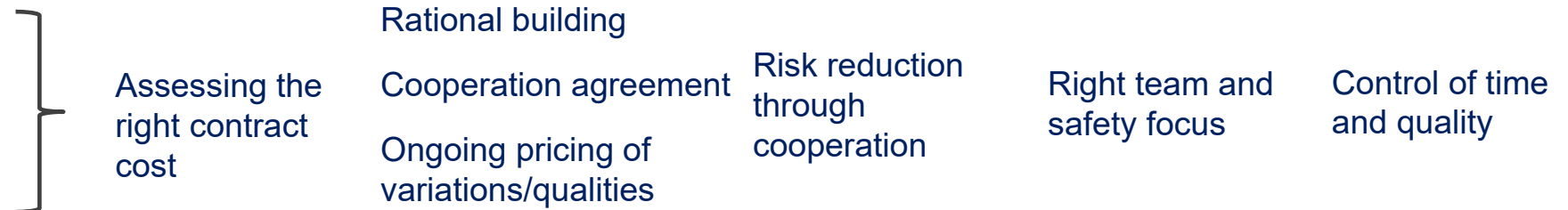


Highly competitive with own contractor



Client
(AF Eiendom + partner)

Contractor
(AF Bygg unit)



———— **Client and contractor together from day one** ————

Property operations



Continued growth in line with AF and building business



AF Eiendom, Norway:

- Constitutes the 'hub' of project development: creating value in cooperation with fellow investors and partners.
- Actively helping to professionalise the property industry
- Building a bigger housing portfolio in Bergen, otherwise mirroring the building business's growth ambitions



Skiparviken, Bergen – 141 units
- in partnership with Profier



AF Projektutveckling, Sweden:

- We want to develop attractive properties with the city and our partners in which people want to live and work
- Raising our profile in Gothenburg and, in the future, considering new regions in Sweden
- Growing both our housing and commercial site portfolios



Skeppsbron, Gothenburg – 100 (125) units
- in discussions with several potential partners

Our model for disciplined capital use is working well

- "The industry's most expensive capital"
- Option agreements and site acquisition agreements with deferred payment
- Smaller stakes result in less invested capital per m² right to build option
- High external borrowing assessment
- VO Bygg will have prior right to construction contracts and a potentially higher overall return will be generated on invested capital
- 6 contracts awarded to VO Bygg over the past 12 months. Total value of NOK 2,1 billion



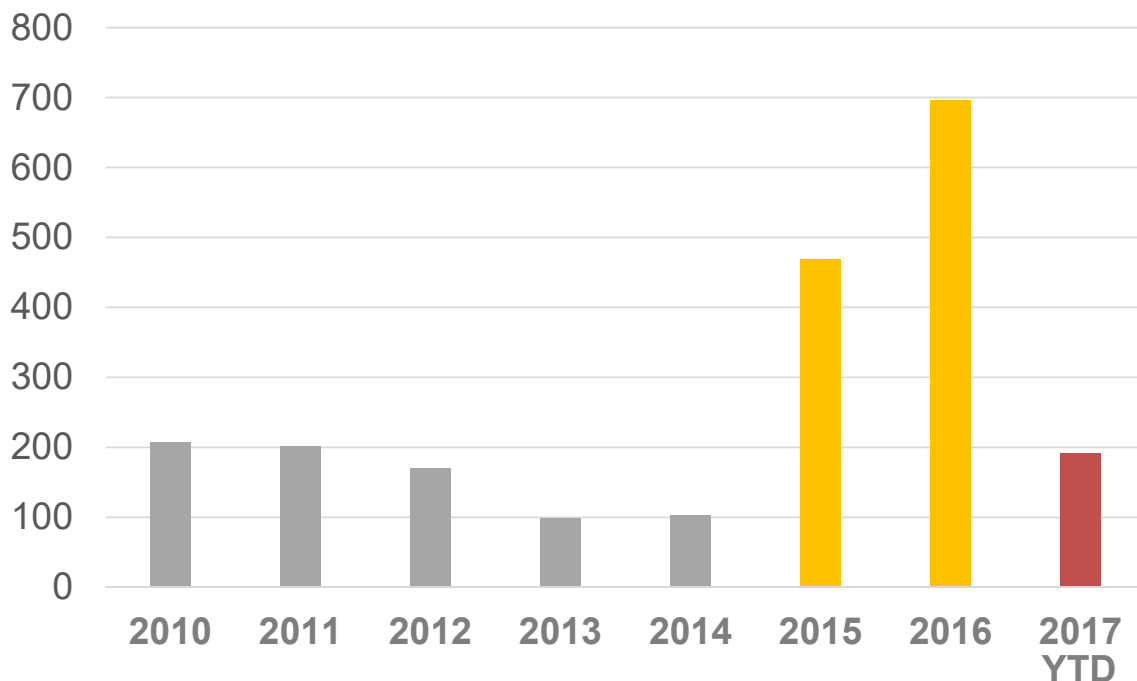
Lillo Gård, Oslo, 411 units

- in partnership with OBOS, Aspelin Ramm, Eiendomsplan, and others

Record high home sales in 15/16 mean good result predictability

Annual number of home sales (100%)

*Number of
homes:*



- 1,165 homes sold in total in 2015 and 2016
- Average turnover per housing project is \geq NOK 800 million
- Housing projects are split into smaller phases and commenced once \geq 50% have been sold
- Income recognition in relation to project's prognoses x degree of completion (FG) x degree of sales (SG)*
- Record high home sales in 2015/2016 mean good result predictability for the next three years

*is eliminated on group level in accordance with IFRIC until handover

New sales records and high AF own production share























- The development portfolio is expected to be able to produce a total turnover of NOK 16.5 billion in 2017-2023 (Bolig og Næring)



We are preparing for a more demanding market going forward

Trends in our markets

	2015	2016	2017
SALES PRICE NEW HOME OSLO			
SALES PRICE NEW HOME GOTHENBURG			
SALES PRICE NEW HOME BERGEN			
SALES PRICE NEW HOME TRONDHEIM			
SALES VALUE OFFICE BUILDING OSLO			
FREQUENCY MAJOR LEASES			
RENT LEVEL OFFICE NEW BUILD OSLO			

- A 'normalisation' of the housing market is not unexpected
- Little acquisition in the last twelve months in Greater Oslo due to price level and competition situation
- Low risk in started projects (degree of sales 89%, 128 unsold units)
- Clause prohibiting contract sales to counteract non-performance of purchase contracts
- Positive expectations for housing projects in Gothenburg, Bergen and Trondheim
- Still quiet in the office market, but some bright points

2nd quarter 2017

Summary



MNOK	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Inntekter	3,347	3,170	6,009	5,877
EBIT	251	248	396	436
EBT	250	249	393	435
EBIT %	7.5 %	7.8 %	6.6 %	7.4 %
EBT %	7.5 %	7.8 %	6.5 %	7.4 %

- A good quarter
- All time high order backlog: NOK 18,928 million (11,626)
- Decline in LTI and all-time low absence due to illness
- Strong financial position and order intake supports our growth strategy



Thank you for your
attention!

Q3 2017:
November 10th 2017

