

Second Quarter and First Half of 2017

# AF Gruppen ASA





# Q2



## ***From the CEO***

AF Gruppen reported a solid quarterly result. The strong order intake and the Group's financial standing provides a good foundation for realisation of its growth strategy towards 2020. Our record-high order backlog shows that our expertise and services are in demand by our customers.

The ability to be curious and look for opportunities is part of the AF Culture. It is our entrepreneurial spirit and execution capability that gives AF Gruppen its competitive advantage and makes us an attractive employer. During the last half of the year we have welcomed many new members to our team, and AF now has approximately 3 600 employees. The ability to communicate our core values will be decisive for maintaining a strong and clear culture and achieving profitable growth at the same time.

A key element of the AF Culture is our work with health, safety and the environment. This forms the basis of all our operations. Therefore it is inspiring to see that we both deliver solid financial results and preserve the health of our employees. The focused work on good, preventive safety and health shall be just as clear in our future creation of value.

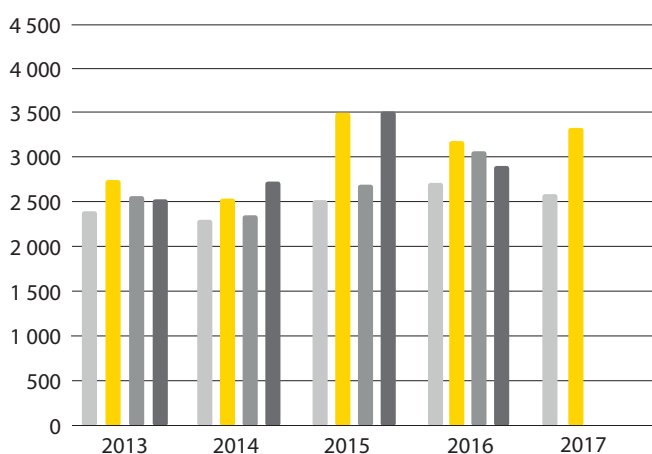
AF has always been proud of its strenght and ability to perform complex tasks. The group's entrepreneurial spirit has been characterised by the ability and will to think differently and to find better, more future-oriented ways to generate value.

***Addressing Future***

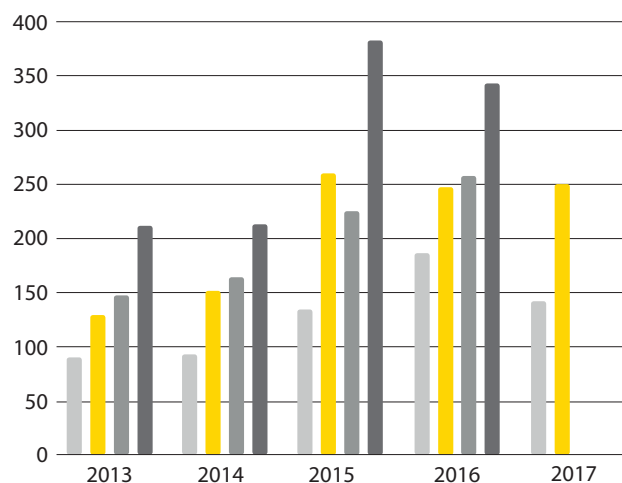
## HIGHLIGHTS

- Revenues were NOK 3,347 million (3,170 million) in the 2<sup>nd</sup> quarter and NOK 6,009 million (5,877 million) for the 1<sup>st</sup> half of the year.
- Earnings before tax were NOK 250 million (249 million) in the 2<sup>nd</sup> quarter and NOK 393 million (435 million) for the 1<sup>st</sup> half of the year.
- Profit margin was 7.5% (7.8%) in the 2<sup>nd</sup> quarter and 6.5% (7.4%) for the 1<sup>st</sup> half of the year.
- Net operating cash flow was NOK 203 million (190 million) in the 2<sup>nd</sup> quarter and NOK 619 million (342 million) for the 1<sup>st</sup> half of the year.
- The order book stood at NOK 18,928 million (11,626 million) as at 30 June 2017.
- Net interest-bearing receivables were NOK 698 million (300 million) as at 30 June 2017.

REVENUES PER QUARTER (NOK MILLION)



EARNINGS BEFORE TAX PER QUARTER (NOK MILLION)



## SUMMARY OF 2ND QUARTER AND THE 1ST HALF OF 2017

Key figures (NOK million)	2Q 17	2Q 16	1H 17	1H 16	2016
Revenues and other income	3 347	3 170	6 009	5 877	11 876
EBITDA	292	280	476	501	1 212
Earnings before financial items and tax (EBIT)	251	248	396	436	1 034
Earnings before tax (EBT)	250	249	393	435	1 040
Result per share (NOK)	1.77	1.70	2.66	3.05	7.44
EBITDA margin	8.7 %	8.8 %	7.9 %	8.5 %	10.2 %
Operating profit margin	7.5 %	7.8 %	6.6 %	7.4 %	8.7 %
Profit margin	7.5 %	7.8 %	6.5 %	7.4 %	8.8 %
Return on capital employed (ROaCE) <sup>1)</sup>	-	-	47.1 %	57.3 %	54.2 %
Cash flow from operating activities	203	190	619	342	822
Net interest-bearing receivables (debt)	698	300	698	300	606
Equity ratio	28.9 %	24.9 %	28.9 %	24.9 %	29.8 %
Order backlog	18 928	11 626	18 928	11 626	15 332
LTI-1 rate	1.4	0.7	1.2	1.3	1.3
Absence due to illness	2.8 %	3.3 %	3.2 %	3.8 %	3.7 %

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





E18 Tvedestrand-Arendal

## BUSINESS AREAS

### Civil Engineering

NOK million	2Q 17	2Q 16	1H 17	1H 16	2016
Revenues and income	1 061	960	1 918	1 781	3 368
Earnings before financial items and tax (EBIT)	67	82	126	182	461
Earnings before tax (EBT)	69	84	128	192	475
Operating margin	6.3 %	8.5 %	6.6 %	10.2 %	13.7 %
Profit margin	6.5 %	8.7 %	6.7 %	10.8 %	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
- Målselv Maskin & Transport
- Kanonaden Entreprenad
- Pålplintar

Civil Engineering reported revenues of NOK 1 061 million (960 million) and earnings before tax of NOK 69 million (84 million) in the 2<sup>nd</sup> quarter. Revenues totalled NOK 1 918 million (NOK 1 781 million) and earnings before tax totalled NOK 128 million (NOK 192 million) for the 1<sup>st</sup> half of the year.

AF Anlegg saw a successful start-up of the major project E18 Tvedestrand – Arendal, and the unit reported a high level of activity. AF Anlegg, Målselv Maskin & Transport and Kanonaden Entreprenad all performed well and reported good results for both the 2<sup>nd</sup> quarter and 1<sup>st</sup> half of the year.

Pålplintar has rebounded from a weak start and reported good results for the 2<sup>nd</sup> quarter.

In June, AF Anlegg was appointed by the Norwegian Defence Estates Agency as the contractor for the Hangar Infrastructure and Outdoor Work contract at Ørland air base.

The work is scheduled to start in September 2017, and completion is expected in 2020. The contract is a general contract and has an estimated value of NOK 341 million, excluding VAT.

AF Anlegg was appointed as the contractor for the construction of a new E6 section through Soknedal in Trøndelag by the Central Region of the Norwegian Public Roads Administration after the end of the quarter. The work will start in September 2017, and completion is expected in 2021. The contract is a general contract and has an estimated value of NOK 994 million, excluding VAT.

AF Anlegg was appointed as the contractor for the renovation of tunnels in Sunnmøre by the Central Region of the Norwegian Public Roads Administration after the end of the quarter. The work encompasses the construction, civil engineering and electrical disciplines. The work is scheduled to start in September 2017, and completion is expected by May 2019. The contract is a general contract and has an estimated value of approximately NOK 600 million, excluding VAT.

The order backlog for Civil Engineering as at 30 June 2017 was NOK 5 698 million (2 934 million).



Demolition of industrial buildings for Borregaard

## Environment

NOK million	2Q 17	2Q 16	1H 17	1H 16	2016
Revenues and income	149	206	274	368	729
Earnings before financial items and tax (EBIT)	12	15	17	22	42
Earnings before tax (EBT)	12	15	16	22	42
Operating margin	7.9 %	7.4 %	6.1 %	6.1 %	5.8 %
Profit margin	7.8 %	7.3 %	6.0 %	6.0 %	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 (206 million) and earnings before tax of NOK 12 million (15 million) for the 2<sup>nd</sup> quarter. Revenues totalled NOK 274 million (368 million) and earnings before tax were NOK 16 million (22 million) for the 1<sup>st</sup> half of the year.

AF Decom reported a lower level of activity in the 2<sup>nd</sup> quarter due to fewer large projects in the portfolio. The unit reported good results for the 2<sup>nd</sup> quarter. AF Härnösand Byggreturer reported

a low level of activity, but continued good profitability for its projects.

Rimol Miljøpark in Trondheim treats and recycles contaminated materials. Rimol Miljøpark reported a high level of activity and good results in the 2<sup>nd</sup> quarter. Rimol Miljøpark is one of eight candidates nominated to receive the Building Industry Innovation Award for 2017.

An agreement was signed in the 2<sup>nd</sup> quarter for the development of a new environmental centre for the treatment of contaminated materials at Nes in Akershus. The establishment of the new environmental centre has started and completion is expected in May 2018.

The order backlog for the Environment business area was NOK 383 million (264 million) as at 30 June 2017.





Engebrets Promenade, Lillestrøm

## Building

NOK million	2Q 17	2Q 16	1H 17	1H 16	2016
Revenues and income	1 926	1 698	3 521	3 309	6 688
Earnings before financial items and tax (EBIT)	114	125	196	206	485
Earnings before tax (EBT)	117	130	202	213	498
Operating margin	5.9 %	7.4 %	5.6 %	6.2 %	7.3 %
Profit margin	6.1 %	7.6 %	5.7 %	6.4 %	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

In the 2<sup>nd</sup> quarter, Building reported revenues of NOK 1 926 million (1 698 million) and earnings before tax of NOK 117 million (NOK 130 million). Revenues totalled NOK 3 521 (3 309 million) and earnings before tax were NOK 202 million (213 million) for the 1<sup>st</sup> half of the year.

Building reported a high level of activity in the 2<sup>nd</sup> quarter and good results. AF Bygg Oslo, LAB and the companies in Strøm Gundersen and MTH all reported good results for the 2<sup>nd</sup> quarter and first half of the year. AF Bygg Østfold and AF Bygg Sweden will be starting several new projects during the quarter. Both units reported satisfactory results for the 2<sup>nd</sup> quarter. The market conditions in the Agder counties and Rogaland are challenging, and AF Bygg Prosjektpartner reported weak results.

AF Byggfornyelse received an order for an additional construction stage at Bispevika in the 2<sup>nd</sup> quarter. The project includes 215 apartments overall, in addition to externally-oriented activities at street level and an extension of Oslo's harbour promenade. The work will start in the autumn, and completion is expected in the spring of 2020. The estimated contract value is approximately NOK 739 million, excluding VAT. The start of construction work above ground is subject to adequate advance sales of apartments.

Building's order backlog was NOK 10 925 million (7 105 million) as at 30 June 2017.

The Building business area has also announced an additional 12 contracts to the stock exchange in the 2<sup>nd</sup> quarter:

Business Unit	Project	Contract Value
AF Bygg Oslo	Røkollen Apartments, Oslo	NOK 191 million
AF Bygg Oslo	Lillo Gård Lunden Apartments, Oslo	NOK 600 million
AF Bygg Oslo	Krydderhagen, fifth construction stage, Oslo	NOK 353 million
AF Bygg Østfold	Rustad School, Ås	NOK 224 million
AF Bygg Østfold	Vestre Langøyåsen stage 2, Fredrikstad	NOK 105 million
AF Bygg Østfold	Hoppern School, Moss	NOK 215 million
AF Bygg Østfold	Idd School, Halden	NOK 173 million
AF Bygg Prosjektpartner	Helicopter base, Banak Air Station, Lakselv	NOK 205 million
Strøm Gundersen	Nye Kilen Brygge, apartments stage 1, Sandefjord	NOK 224 million
LAB Entreprenør	Skjoldnes Apartments, Bergen	NOK 254 million
LAB Entreprenør	Dairy at Flesland, Bergen	NOK 300 million
AF Bygg Sverige	Kortedala Torg Apartments, Gothenburg	SEK 100 million



Nye Kilen Brygge, Sandefjord

## Property

NOK million	2Q 17	2Q 16	1H 17	1H 16	2016
Revenues and income	14	14	22	23	48
Earnings before financial items and tax (EBIT)	20	17	47	26	44
Earnings before tax (EBT)	17	12	40	18	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. The development projects are organised in associates and joint ventures, which are recognised in accordance with the equity method of accounting.

Property reported earnings before tax of NOK 17 million (12 million) in the 2<sup>nd</sup> quarter. The earnings before tax for the first half of the year were NOK 40 million (18 million).

The residential property market in the greater Oslo area has become more hesitant in the 2<sup>nd</sup> quarter. A total of 55 (105) apartments were sold in the 2<sup>nd</sup> quarter, and AF's share was 21 (49). Year to date a total of 182 (215) apartments have been sold. AF's share was 68 (91). The sales ratio for projects in progress is 88.6 %. The high sales ratio gives an expectation of a positive earnings performance for the ongoing operations.

At the end of the 2<sup>nd</sup> quarter, there was a total of 220 (152) units for sale. AF's share was 98 (66). Nye Kilen Brygge in Sandefjord and Lillo Gård Lunden, Buildings C and D, were released for sale in the 2<sup>nd</sup> quarter. At the end of the 2<sup>nd</sup> quarter, Property had seven unsold completed apartments, three of which were AF's share.

Property has seven residential property projects with a total of 1 081 apartments in the production stage (AF's share is 480):

- Krydderhagen at Hasle (329 apartments)
- Thurmannskogen in Lørenskog (243 apartments)
- Engebrets Promenade in Lillestrøm (171 apartments)
- Losjeplassen in Drammen (102 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 five commercial projects under construction with a total gross area of 34 564 sq. metres (AF's share is 15 357)

- Folkets Hus in Lillestrøm (total gross area of 2 500 sq. metres)
- Lillo Gård Shops in Oslo (total gross area of 6 354 sq. metres)
- Securitas Building in Oslo (total gross area of 15 159 sq. metres)
- Hasle Linje Næring Wang Ung at Hasle in Oslo (total gross area of 3 051 sq. metres)
- Midtun Allier in Bergen (total gross area of 7 500 sq. metres)

AF has a building site inventory that is estimated at 2 580 (2 281) residential units. AF's share of this is 1 096 (975) residential units. AF also has commercial property under construction with a total gross area of 92 084 (125 444) square metres. AF's share of this is a total gross area of 45 273 (60 322) square metres. LAB and Målselv Maskin & Transport have development rights that are included in the figures.

AF Eiendom owns one-third of the company Ladejarlen Utvikling AS, which acquired four attractive centrally located properties at Lade in Trondheim Municipality in March 2017. The properties have been regulated for the construction of new buildings with a total gross area of 26 000 m<sup>2</sup>, 23 000 m<sup>2</sup> of which is for residential purposes and up to 3 000 m<sup>2</sup> of which is for commercial purposes. In addition, there will be underground parking and storage facilities. The area has been approved for the construction of approximately 400 apartments. The sales release is scheduled for the fourth quarter of 2017, and the estimated start of construction is in the first quarter of 2018. The purchase price for the companies was NOK 163 million.





AF's area effective energy central

## Energy

NOK million	2Q 17	2Q 16	1H 17	1H 16	2016
Revenues and income	59	45	110	82	177
Earnings before financial items and tax (EBIT)	6	4	10	6	18
Earnings before tax (EBT)	6	3	10	4	16
Operating margin	10.3 %	8.4 %	9.3 %	7.4 %	10.0 %
Profit margin	10.4 %	6.7 %	9.3 %	5.2 %	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 2<sup>nd</sup> quarter were NOK 59 million (45 million) and earnings before tax were NOK 6 million (3 million).

AF Energi & Miljøteknikk reported an increased level of activity in the 2<sup>nd</sup> quarter. The unit's ongoing projects are performing well operationally and reported good results for the quarter and the first half of the year.

AF Energi & Miljøteknikk has several EPC contracts in the analysis phase, and it is expected that they will be converted to projects to be executed.

AF Energi & Miljøteknikk was awarded the K302 Heating and Cooling Plant contract for Statsbygg at Campus Ås. Contract encompasses the delivery and installation of equipment for cooling production, heat recycling and thermal energy storage with the associated distribution network. The gross building area is 63 000 m<sup>2</sup>, in addition to technical mezzanines. The contract is a general contract and has an estimated value of NOK 109 million, excluding VAT. The work will start in September 2017 and completion is expected in May 2020.

The order backlog for Energy was NOK 345 million (94 million) as at 30 June 2017.



Final part of the Murchison jacket arriving at Vats

## Offshore

NOK million	2Q 17	2Q 16	1H 17	1H 16	2016
Revenues and income	200	240	355	392	1 014
Earnings before financial items and tax (EBIT)	17	27	27	33	107
Earnings before tax (EBT)	14	24	22	20	94
Operating margin	8.5 %	11.2 %	7.6 %	8.5 %	10.5 %
Profit margin	7.2 %	10.1 %	6.2 %	5.2 %	9.3 %

The Offshore business area encompasses AF's services related to the removal, demolition and recycling of offshore installations. Offshore also includes new building, modification and maintenance work related to HVAC, cranes, modules and rig services. In addition, Offshore 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 2<sup>nd</sup> quarter were NOK 200 million (240 million) and earnings before tax were NOK 14 million (24 million). Revenues totalled NOK 355 million (NOK 392 million) and earnings before tax totalled NOK 22 million (NOK 20 million) for the 1<sup>st</sup> half of the year.

AF Offshore Decom performed well and reported good results for the quarter. The unit concluded a successful offshore

campaign in the Murchison project during the quarter. There has been a high level of activity at the AF Environmental Base at Vats during the quarter.

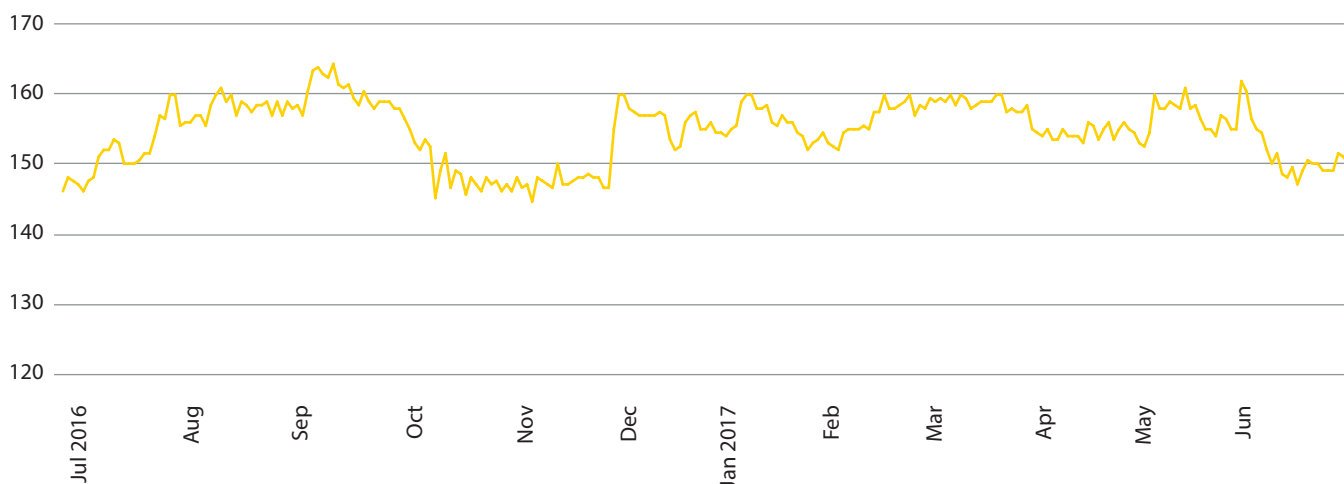
AF Offshore AeronMollier has challenging market conditions. The unit reported a low level of activity for the quarter and delivered a weak result for the 2<sup>nd</sup> quarter.

In the 2<sup>nd</sup> quarter, AF Offshore Decom, as a subcontractor to Heerema Marine Contractors (HMC), was awarded a contract by ConocoPhillips Skandinavia AS for the removal and recycling of platforms linked to the Ekofisk field in the North Sea. The contract encompasses the engineering, preparation, removal and decommissioning (EPRD) of four platforms, as well as an option for an additional platform, with a total weight of around 36 000 tonnes. The platforms are to be removed and recovered during the period from 2017 to 2022.

The order backlog for Offshore was NOK 1 004 million (963 million) as at 30 June 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.

Cash flow from operations was NOK 203 million (190 million) in the 2<sup>nd</sup> quarter. Cash flow from operations was NOK 619 million (342 million) in the 1<sup>st</sup> half of the year. AF Gruppen's cash flow from net investments was NOK -105 million (-3 million) in the 2<sup>nd</sup> quarter and NOK -247 million (-26 million) for the 1<sup>st</sup> half of the year. Cash flow before capital transactions and financing was NOK 98 million (187 million) in the 2<sup>nd</sup> quarter and NOK 372 million (316 million) for the 1<sup>st</sup> half of the year. Dividends totalling NOK 486 million were paid to the company's shareholders in the 2<sup>nd</sup> quarter.

AF Gruppen had net interest-bearing receivables of NOK 698 million (300 million) at the end of the 2<sup>nd</sup> quarter.

AF Gruppen's total financing framework is NOK 1 880 million. The AF Group has a three-year credit facility of NOK 1 200 million with Danske Bank. 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 up until June 2020.

The available liquidity, including credit facilities, stood at NOK 2,578 million as at 30 June 2017.

Total assets were NOK 7 034 million (6 401 million) as at 30 June 2017. Group equity totalled NOK 2 034 million (NOK 1 594 million). This corresponds to an equity ratio of 28.9 % (24.9 %).

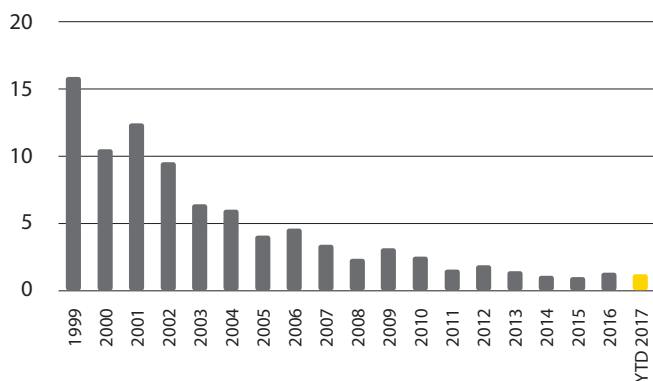
## SHARE PERFORMANCE

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

## LIST OF SHAREHOLDERS AS AT 30 JUNE 2017

Name	No. shares	% share
OBOS BBL	18 066 733	18.6
ØMF Holding AS	14 685 335	15.1
Constructio AS	13 741 782	14.1
Folketrygdfondet	7 066 655	7.3
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
SE Banken (nom)	1 582 736	1.6
Staavi, Bjørn	1 530 041	1.6
<b>Ten largest shareholders</b>	<b>65 210 995</b>	<b>67.1</b>
Total other shareholders	31 944 606	32.9
Own shares	26 511	0.0
<b>Total number of shares</b>	<b>97 182 112</b>	<b>100.0</b>

## LTI RATE



## LTI RATE DEVELOPMENT



Mutual Fund Index (OSEFX), as well as the new Oslo Børs Mid Cap Index (OSEMX).

As at 30 June 2017, the AF share had a closing price of NOK 150. This corresponds to a return of 0.32 % to date in 2017, adjusted for a dividend of NOK 5.00 per share distributed in the 2<sup>nd</sup> quarter. The Oslo Børs Benchmark Index showed a return of 2.15 % during the same period.

The General Meeting of AF Gruppen adopted a new option programme for all the employees of AF Gruppen on 12 May 2017. A total of 3 500 000 options will be offered over a period of three years. On 22 June this year, a total of 3 325 000 options were subscribed for by 1 536 employees. The options can be exercised in 2020, and the exercise price is NOK 153.21. The number of outstanding unexercised options in AF Gruppen ASA was 3 325 000 after this.

The company's Board of Directors has been granted authority by the General Meeting to determine the dividend to be distributed in the 2<sup>nd</sup> half of the year. A decision will be made on this in connection with the presentation of the quarterly results for the 3<sup>rd</sup> quarter on 10 November 2017.

## 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 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 2<sup>nd</sup> quarter. This gives an LTI rate (lost-time injury rate) of 1.4 (0.7) for the 2<sup>nd</sup> quarter. The LTI rate for the first half of 2017 was 1.2 (1.3).

The LTI rate has been reduced over the years through systematic and long-term efforts. 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. Based on an assessment of the risks, physical and organisational barriers are established to reduce the risk of personal injury to a low and acceptable level.

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

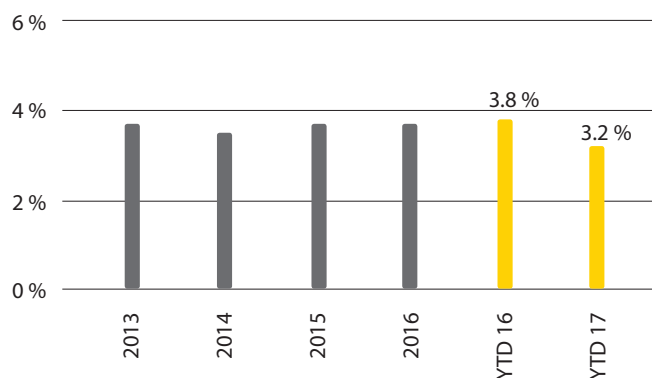
The registration of sickness absence forms the basis for the measurement of health work at AF. For the 2<sup>nd</sup> quarter, sickness absence was 2.8 % (3.3 %), and to date this year it was 3.2 % (3.8 %). Sickness absence at AF is low compared to that of comparable businesses, but AF is working to lower sickness absence even more. 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. AF believes that it can achieve this target through systematic health work, which consists, 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.

Follow-up of the source separation rate parameter acts as



## SICK LEAVE DEVELOPMENT



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 2<sup>nd</sup> quarter, the result for building was 82 % (85 %), the result for renovation was 85 % (80 %) and the result for demolition was 94 % (99 %). To date in 2017, the source separation rate for building was 81 % (83 %), for renovation it was 86 % (79 %) and for demolition it was 95 % (98 %). These results are considered very good, and they are well above the government requirement of a minimum of 60 %. A total of 74 780 (191 959) tonnes of waste has been sorted in the 2<sup>nd</sup> quarter, and a total of 161 887 (283 771) tonnes has been sorted in 2017. The environmental centres have treated 67 999 tonnes (35 082) of contaminated materials to date this year.

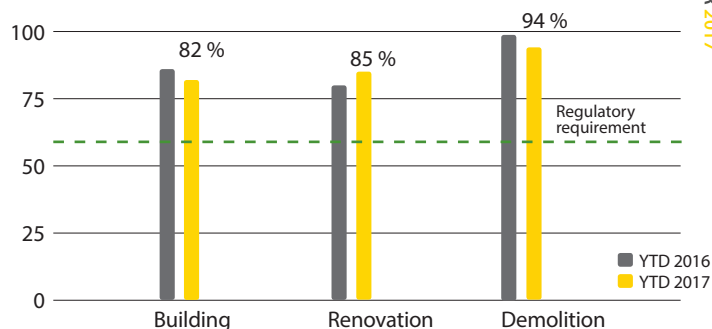
## ORGANISATION

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 are building the organisation with a robust composition of technical expertise and management capacity 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. 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 had a total of 3 621 (3 215) employees at the end of the 2<sup>nd</sup> quarter. Of these employees, 3 216 (3 028) were employed in Norway, 390 (175) in Sweden, 1 (1) in Lithuania, 9 (9) in China and 5 (2) in Germany.

## SOURCE SEPARATION RATE



## 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 23 risk reviews in the business units, in which the Corporate Management Team also participated, were conducted in connection with the 2<sup>nd</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. Liquidity risk is considered low. AF Gruppen has a total financing framework of NOK 1 880 million and available liquidity of NOK 2 578 million as at 30 June 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 2017 State Budget, NOK 66.8 billion has been allocated to transport, which is an increase of 11.8 % over the budget for 2016. NOK 33.6 billion of this has been allocated to roads. This represents an increase of 9.4 % compared with 2016. Prognosesenteret expects a high level of activity in the civil engineering market for the period from 2017 to 2019, with growth in investments of 11 % in 2017, 10 % in 2018 and 14 % in 2019. The greatest growth is expected in road construction, as well as in power and energy plants. The Oslo Region, Interior Region and Southern Norway, are expected to see the greatest growth. 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.

Figures from Property Norway for July 2017 show that residential property prices in Norway declined by 1.2 %, while the prices are nonetheless 4.8 % higher than one year ago. Oslo and Bærum saw the weakest price performance in July, with a decline of 2.8 %. There has been a high level of activity in the residential property market, and only in 2015 and 2016 were more accumulated residential units sold than this year. At the same time, uncertainty in the residential property market is greater now than one year ago, and the large supply of residential property reflects a more hesitant market and a more moderate price performance. Property Norway expects that this will characterise the market throughout Norway in the months to come. Prognosesenteret is expecting a stable, positive development in 2017 for residential and non-residential renovation, remodelling and extension with growth of 2.8 % and 1 %, respectively, compared with 2016. A good market is expected overall 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 Norwegian Parliament adopted 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 (10 TWh reduction), 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 non-residential building starts, and the number of start permits in June was at the same level as in June 2016. Overall, a good market is expected for AF's activities in the Energy area.

The price of oil was stable at over USD 110 for a long time, until it fell sharply in the beginning of 2016 and went below USD 30. The price of oil has recovered somewhat, but the fall in oil prices has contributed to reduced profitability and a lower willingness to invest among the oil companies. Statistics Norway estimates that investments related to oil, gas and pipeline transport will amount to NOK 154.4 billion in 2017. This is a decline of 9.1 % compared with the corresponding figures for 2016. 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 the Riksbanken expecting annual growth in the gross national product of 2-2.5 % in the coming years. The forecasts from the Swedish Construction Federation assume continued strong growth for building and civil engineering investments in Sweden in 2017. 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, 24 August 2017**

Board of Directors of AF Gruppen ASA

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# Financial Information





## CONDENSED CONSOLIDATED STATEMENT OF INCOME

NOK million	2Q 17	2Q 16	1H 17	1H 16	2016
Revenues and income	3 347	3 170	6 009	5 877	11 876
Subcontractors	-1 422	-1 302	-2 502	-2 478	-5 168
Cost of materials	-771	-715	-1 164	-1 097	-1 778
Payroll cost	-594	-633	-1 312	-1 302	-2 650
Operating expenses ex. depreciation and impairment	-316	-253	-610	-509	-1 084
Net gains (losses) and profit (loss) from associates	46	14	55	10	15
<b>EBITDA</b>	<b>292</b>	<b>280</b>	<b>476</b>	<b>501</b>	<b>1 212</b>
Depreciation and impairment of tangible fixed assets	-41	-32	-80	-64	-135
Depreciation and impairment of intangible assets	-1	-	-1	-1	-42
<b>Earnings before financial items and tax (EBIT)</b>	<b>251</b>	<b>248</b>	<b>396</b>	<b>436</b>	<b>1 034</b>
Net financial items	-	1	-3	-1	6
<b>Earnings before tax (EBT)</b>	<b>250</b>	<b>249</b>	<b>393</b>	<b>435</b>	<b>1 040</b>
Income tax expense	-50	-63	-89	-113	-253
<b>Net income for the period</b>	<b>200</b>	<b>186</b>	<b>304</b>	<b>323</b>	<b>787</b>
Attributable to:					
Shareholders of the parent	170	157	254	283	691
Non-controlling interests	30	28	50	40	96
<b>Net income for the period</b>	<b>200</b>	<b>186</b>	<b>304</b>	<b>323</b>	<b>787</b>
Earnings per share (NOK)	1.77	1.70	2.66	3.05	7.44
Diluted earnings per share (NOK)	1.77	1.66	2.66	2.99	7.29
<b>Key figures</b>	<b>2Q 17</b>	<b>2Q 16</b>	<b>1H 17</b>	<b>1H 16</b>	<b>2016</b>
EBITDA margin	8.7 %	8.8 %	7.9 %	8.5 %	10.2 %
Operating profit margin	7.5 %	7.8 %	6.6 %	7.4 %	8.7 %
Profit margin	7.5 %	7.8 %	6.5 %	7.4 %	8.8 %
Return on capital employed (ROaCE) <sup>1)</sup>	-	-	47.1 %	57.3 %	54.2 %
Return on equity	-	-	38.0 %	46.2 %	43.3 %
Equity ratio	28.9 %	24.9 %	28.9 %	24.9 %	29.8 %
Net interest-bearing receivables (debt) <sup>2)</sup>	698	300	698	300	606
Capital employed <sup>3)</sup>	2 154	1 753	2 154	1 753	2 063
Order backlog	18 928	11 626	18 928	11 626	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	2Q 17	2Q 16	1H 17	1H 16	2016
Net income for the period	200	186	304	323	787
Net actuarial gains and losses	-	-	-	-	-4
<b>Items that will not be reclassified to income statement in subsequent periods</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-4</b>
Net cash flow hedges	23	21	23	47	118
Currency translation differences	16	-9	26	-14	-23
<b>Items that may be reclassified to income statement in subsequent periods</b>	<b>39</b>	<b>12</b>	<b>49</b>	<b>33</b>	<b>94</b>
<b>Other comprehensive income for the period</b>	<b>39</b>	<b>12</b>	<b>49</b>	<b>33</b>	<b>90</b>
<b>Total comprehensive income for the period</b>	<b>239</b>	<b>197</b>	<b>353</b>	<b>355</b>	<b>877</b>
Attributable to:					
-Shareholders of the parent	209	169	301	316	781
- Minority	30	28	51	40	96
<b>Total comprehensive income for the period</b>	<b>239</b>	<b>197</b>	<b>353</b>	<b>355</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 31/12/2015</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	-	-14	-	47	283	316	40	355
Purchase of treasury shares	-	-	-	-	-19	-19	-	-19
Sale of treasury shares	-	-	-	-	13	13	-	13
Dividend paid	-315	-	-	-	-148	-463	-71	-534
Share-based remuneration	3	-	-	-	-	3	-	3
Transactions with minority	-	-	-	-	-32	-32	-13	-45
<b>As at 30/06/2016</b>	<b>99</b>	<b>15</b>	<b>-12</b>	<b>-125</b>	<b>1 401</b>	<b>1 379</b>	<b>215</b>	<b>1 594</b>
<b>As at 31/12/2016</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	-	25	-	-	254	301	51	353
Capital increase	281	-	-	-	-	281	-	281
Purchase of treasury shares	-	-	-	-	-8	-8	-	-8
Sale of treasury shares	-	-	-	-	13	13	-	13
Dividend paid	-121	-	-	-	-364	-486	-73	-559
Share-based remuneration	2	-	-	-	-	2	-	2
Addition of minority by acquisitions	-	-	-	-	-	-	18	18
Transactions with minority	-	-	-	-	-22	-22	6	-16
<b>As at 30/06/2017</b>	<b>385</b>	<b>31</b>	<b>-16</b>	<b>-53</b>	<b>1 392</b>	<b>1 761</b>	<b>273</b>	<b>2 034</b>



## CONSOLIDATED BALANCE SHEET

NOK million	30/06/2017	30/06/2016	31/12/2016
Tangible fixed assets	1 186	1 118	1 105
Intangible assets	2 175	2 078	2 032
Investment in associates and joint ventures	430	425	389
Deferred tax asset	47	78	51
Interest-bearing receivables	260	186	206
Pension plan and other financial assets	6	10	6
<b>Total non-current assets</b>	<b>4 104</b>	<b>3 895</b>	<b>3 789</b>
Inventories	160	140	139
Projects for own account	156	56	47
Trade receivables and other receivables	2 056	2 037	2 061
Interest-bearing receivables	46	62	44
Financial derivatives	-	-	-
Cash and cash equivalents	512	211	469
<b>Total current assets</b>	<b>2 931</b>	<b>2 506</b>	<b>2 760</b>
<b>Total assets</b>	<b>7 034</b>	<b>6 401</b>	<b>6 549</b>
Equity attributable to shareholders of the parent	1 761	1 379	1 680
Minority interests	273	215	270
<b>Total equity</b>	<b>2 034</b>	<b>1 594</b>	<b>1 950</b>
Long-term interest-bearing debt	104	100	83
Retirement benefit obligations	1	2	1
Provisions	155	162	158
Deferred tax	282	399	265
Financial derivatives	31	62	46
<b>Total non-current liabilities</b>	<b>574</b>	<b>724</b>	<b>553</b>
Short-term interest-bearing debt	15	59	30
Trade payables and other short term debt	3 869	3 597	3 369
Financial derivatives	31	40	63
Provisions	150	173	207
Tax payable	360	213	377
<b>Total current liabilities</b>	<b>4 426</b>	<b>4 083</b>	<b>4 046</b>
<b>Total liabilities</b>	<b>5 000</b>	<b>4 807</b>	<b>4 599</b>
<b>Total equity and liabilities</b>	<b>7 034</b>	<b>6 401</b>	<b>6 549</b>

## CONSOLIDATED CASH FLOW STATEMENT

NOK million	2Q 17	2Q 16	1H 17	1H 16	2016
Earnings before financial items and tax (EBIT)	251	248	396	436	1 034
Depreciation, amortisation and impairment	41	33	81	65	177
Change in net working capital	2	-82	290	-64	-216
Income taxes paid	-45	-19	-94	-53	-165
Other adjustments	-47	10	-53	-42	-8
<b>Cash flow from operating activities</b>	<b>203</b>	<b>190</b>	<b>619</b>	<b>342</b>	<b>822</b>
Net investments	-105	-3	-247	-26	-13
<b>Cash flow before financing activities</b>	<b>98</b>	<b>187</b>	<b>372</b>	<b>316</b>	<b>809</b>
Share issue	-	-	232	-	120
Dividend paid to majority shareholders	-486	-463	-486	-463	-744
Dividend paid to minority shareholders	-13	-51	-73	-111	-123
Sale (purchase) of treasury shares	-3	-5	5	-6	-8
Borrowings (repayment of debt)	14	19	1	33	-36
Interest paid	-3	-13	-6	-16	-15
<b>Cash flow from financing activities</b>	<b>-491</b>	<b>-514</b>	<b>-326</b>	<b>-563</b>	<b>-807</b>
<b>Net decrease (increase) in in cash and cash equivalents</b>	<b>-394</b>	<b>-327</b>	<b>45</b>	<b>-248</b>	<b>3</b>
Net cash and cash equivalents at beginning of period	907	536	469	459	459
Change in cash and cash equivalents without cash effect	-1	2	-2	-	7
<b>Net cash and cash equivalents end of period</b>	<b>512</b>	<b>211</b>	<b>512</b>	<b>211</b>	<b>469</b>



## BUSINESS AREAS

The AF Group'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 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 in Norway. 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 physical degree of completion, the percentage sold and the 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	2Q 17	2Q 16	1H 17	1H 16	2016
External revenue and income	1 047	960	1 895	1 780	3 364
Internal revenue and income	15	-	23	1	4
<b>Total revenue and income</b>	<b>1 061</b>	<b>960</b>	<b>1 918</b>	<b>1 781</b>	<b>3 368</b>
EBITDA	85	94	161	209	512
Earnings before financial items and tax (EBIT)	67	82	126	182	461
<b>Earnings before tax (EBT)</b>	<b>69</b>	<b>84</b>	<b>128</b>	<b>192</b>	<b>475</b>
EBITDA-margin	8.0 %	9.8 %	8.4 %	11.7 %	15.2 %
Operating margin	6.3 %	8.5 %	6.6 %	10.2 %	13.7 %
Profit margin	6.5 %	8.7 %	6.7 %	10.8 %	14.1 %
Assets	1 819	1 314	1 819	1 314	1 326
<b>Order backlog</b>	<b>5 698</b>	<b>2 934</b>	<b>5 698</b>	<b>2 934</b>	<b>5 589</b>

## Environment

NOK million	2Q 17	2Q 16	1H 17	1H 16	2016
External revenue and income	135	194	249	346	689
Internal revenue and income	15	13	25	22	40
<b>Total revenue and income</b>	<b>149</b>	<b>206</b>	<b>274</b>	<b>368</b>	<b>729</b>
EBITDA	16	19	25	30	58
Earnings before financial items and tax (EBIT)	12	15	17	22	42
<b>Earnings before tax (EBT)</b>	<b>12</b>	<b>15</b>	<b>16</b>	<b>22</b>	<b>42</b>
EBITDA-margin	10.7 %	9.3 %	9.2 %	8.1 %	8.0 %
Operating margin	7.9 %	7.4 %	6.1 %	6.1 %	5.8 %
Profit margin	7.8 %	7.3 %	6.0 %	6.0 %	5.7 %
Assets	263	262	263	262	260
<b>Order backlog</b>	<b>383</b>	<b>264</b>	<b>383</b>	<b>264</b>	<b>212</b>

## Building

NOK million	2Q 17	2Q 16	1H 17	1H 16	2016
External revenue and income	1 923	1 678	3 513	3 265	6 622
Internal revenue and income	3	20	7	44	66
<b>Total revenue and income</b>	<b>1 926</b>	<b>1 698</b>	<b>3 521</b>	<b>3 309</b>	<b>6 688</b>
EBITDA	126	135	218	224	523
Earnings before financial items and tax (EBIT)	114	125	196	206	485
<b>Earnings before tax (EBT)</b>	<b>117</b>	<b>130</b>	<b>202</b>	<b>213</b>	<b>498</b>
EBITDA-margin	6.5 %	7.9 %	6.2 %	6.8 %	7.8 %
Operating margin	5.9 %	7.4 %	5.6 %	6.2 %	7.3 %
Profit margin	6.1 %	7.6 %	5.7 %	6.4 %	7.4 %
Assets	3 738	3 575	3 738	3 575	3 554
<b>Order backlog</b>	<b>10 925</b>	<b>7 105</b>	<b>10 925</b>	<b>7 105</b>	<b>8 467</b>

## Property

NOK million	2Q 17	2Q 16	1H 17	1H 16	2016
External revenue and income	14	13	22	22	46
Internal revenue and income	-	1	-	1	2
<b>Total revenue and income</b>	<b>14</b>	<b>14</b>	<b>22</b>	<b>23</b>	<b>48</b>
EBITDA	20	17	47	26	44
Earnings before financial items and tax (EBIT)	20	17	47	26	44
<b>Earnings before tax (EBT)</b>	<b>17</b>	<b>12</b>	<b>40</b>	<b>18</b>	<b>30</b>
EBITDA-margin	-	-	-	-	-
Operating margin	-	-	-	-	-
Profit margin	-	-	-	-	-
Assets	1 007	851	1 007	851	868
<b>Order backlog</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Energy

NOK million	2Q 17	2Q 16	1H 17	1H 16	2016
External revenue and income	58	44	109	82	177
Internal revenue and income	1	-	1	-	1
<b>Total revenue and income</b>	<b>59</b>	<b>45</b>	<b>110</b>	<b>82</b>	<b>177</b>
EBITDA	6	4	10	6	18
Earnings before financial items and tax (EBIT)	6	4	10	6	18
<b>Earnings before tax (EBT)</b>	<b>6</b>	<b>3</b>	<b>10</b>	<b>4</b>	<b>16</b>
EBITDA-margin	10.5 %	8.6 %	9.5 %	7.6 %	10.2 %
Operating margin	10.3 %	8.4 %	9.3 %	7.4 %	10.0 %
Profit margin	10.4 %	6.7 %	9.3 %	5.2 %	8.9 %
Assets	133	118	133	118	140
<b>Order backlog</b>	<b>345</b>	<b>94</b>	<b>345</b>	<b>94</b>	<b>108</b>



## Offshore

NOK million	2Q 17	2Q 16	1H 17	1H 16	2016
External revenue and income	204	239	359	391	1 013
Internal revenue and income	-4	-	-4	-	1
<b>Total revenue and income</b>	<b>200</b>	<b>240</b>	<b>355</b>	<b>392</b>	<b>1 014</b>
EBITDA	21	29	35	37	161
Earnings before financial items and tax (EBIT)	17	27	27	33	107
<b>Earnings before tax (EBT)</b>	<b>14</b>	<b>24</b>	<b>22</b>	<b>20</b>	<b>94</b>
EBITDA-margin	10.4 %	12.0 %	9.8 %	9.5 %	15.9 %
Operating margin	8.5 %	11.2 %	7.6 %	8.5 %	10.5 %
Profit margin	7.2 %	10.1 %	6.2 %	5.2 %	9.3 %
Assets	1 473	1 493	1 473	1 493	1 537
<b>Order backlog</b>	<b>1 004</b>	<b>963</b>	<b>1 004</b>	<b>963</b>	<b>550</b>

## Other segments (Group)

NOK million	2Q 17	2Q 16	1H 17	1H 16	2016
External revenue and income	12	6	34	13	29
Internal revenue and income	6	10	9	16	38
<b>Total revenue and income</b>	<b>18</b>	<b>16</b>	<b>44</b>	<b>29</b>	<b>67</b>
EBITDA	-5	-10	-13	-12	-42
Earnings before financial items and tax (EBIT)	-9	-15	-20	-20	-60
<b>Earnings before tax (EBT)</b>	<b>-9</b>	<b>-12</b>	<b>-18</b>	<b>-16</b>	<b>-51</b>
Assets	314	514	314	514	1 110
<b>Order backlog</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Eliminations

NOK million	2Q 17	2Q 16	1H 17	1H 16	2016
External revenue and income	-19	-25	-31	-56	58
Internal revenue and income	-35	-44	-63	-84	-151
<b>Total revenue and income</b>	<b>-54</b>	<b>-69</b>	<b>-93</b>	<b>-140</b>	<b>-93</b>
EBITDA	-4	-11	-5	-15	-5
Earnings before financial items and tax (EBIT)	-4	-11	-5	-15	-5
<b>Earnings before tax (EBT)</b>	<b>-4</b>	<b>-11</b>	<b>-5</b>	<b>-15</b>	<b>-5</b>
Assets	-1 621	-1 691	-1 621	-1 691	-2 157
<b>Order backlog</b>	<b>141</b>	<b>122</b>	<b>141</b>	<b>122</b>	<b>106</b>

## IFRIC 15

NOK million	2Q 17	2Q 16	1H 17	1H 16	2016
External revenue and income	-26	60	-142	33	-121
Internal revenue and income	-	-	-	-	-
<b>Total revenue and income</b>	<b>-26</b>	<b>60</b>	<b>-142</b>	<b>33</b>	<b>-121</b>
EBITDA	27	4	-3	-4	-58
Earnings before financial items and tax (EBIT)	27	4	-3	-4	-58
<b>Earnings before tax (EBT)</b>	<b>27</b>	<b>4</b>	<b>-3</b>	<b>-4</b>	<b>-58</b>
Assets	-92	-35	-92	-35	-89
<b>Order backlog</b>	<b>433</b>	<b>145</b>	<b>433</b>	<b>145</b>	<b>299</b>

## Segment total

NOK million	2Q 17	2Q 16	1H 17	1H 16	2016
External revenue and income	3 347	3 170	6 009	5 877	11 876
Internal revenue and income	-	-	-	-	-
<b>Total revenue and income</b>	<b>3 347</b>	<b>3 170</b>	<b>6 009</b>	<b>5 877</b>	<b>11 876</b>
EBITDA	292	280	476	501	1 212
Earnings before financial items and tax (EBIT)	251	248	396	436	1 034
<b>Earnings before tax (EBT)</b>	<b>250</b>	<b>249</b>	<b>393</b>	<b>435</b>	<b>1 040</b>
EBITDA-margin	8.7 %	8.8 %	7.9 %	8.5 %	10.2 %
Operating margin	7.5 %	7.8 %	6.6 %	7.4 %	8.7 %
Profit margin	7.5 %	7.8 %	6.5 %	7.4 %	8.8 %
Assets	7 034	6 401	7 034	6 401	6 549
<b>Order backlog</b>	<b>18 928</b>	<b>11 626</b>	<b>18 928</b>	<b>11 626</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 2nd quarter and 1st half 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 interim accounts for the 2<sup>nd</sup> quarter and 1<sup>st</sup> half of the year 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.

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.

SEK million	
Cash consideration	131
Share issue	52
<b>Gross consideration</b>	<b>183</b>
– Cash and cash equivalents	-33
<b>Net consideration</b>	<b>150</b>
Tangible fixed assets and intangible assets	58
Inventories	5
Current non-interest-bearing receivables	133
Minority interests	-20
Deferred and payable tax	-14
Current interest-bearing liabilities	-6
Current non-interest-bearing liabilities	-145
<b>Net identifiable assets and liabilities</b>	<b>11</b>
<b>Goodwill</b>	<b>139</b>





Welder Marian Radu in action at Haga. Photo: Hampus Lundgren



## 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

## 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 exercised by 1 133 employees of AF Gruppen in connection with the option programme. The average redemption price for the options was NOK 71.37. The number of shares after the option redemptions was 97 182 112. Primary insiders in AF Gruppen have purchased 267 046 shares in AF Gruppen ASA in this connection.

## 7. IFRIC 15

Segment information is presented in accordance with the AF Group'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 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	Q 2 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 %
Engbrets Promenade A, Lillestrøm	118	46	Q3 2016	Q4 2017	40 %
Engbrets 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, Sverige	73	54	Q1 2017	Q2 2018	100 %
BRF Tornet, Surte, Sverige	43	20	Q1 2017	Q1 2018	100 %

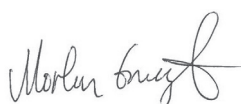
## Statement of the Board and CEO

On this day, the Board of Directors and the CEO have reviewed and approved the half-year financial statements and the unaudited abridged consolidated half-year accounts for AF Gruppen as at 30 June 2017 and for the 1st half of 2017 (Half-Year Report 2017).

It is confirmed to the best of our knowledge that:

- The half-year financial statements have been prepared in accordance with IAS 34 – Interim Reporting and IFRS, as approved by the EU, as well as supplementary requirements in the Norwegian Accounting Act..
- The amounts and disclosures in the half-year accounts provide a true and fair view of AF Gruppen's assets, liabilities, financial position and results as a whole..
- The amounts and disclosures in the half-year report provide a true and fair 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.
- The amounts and disclosures in the half-year report provide a true and fair overview of significant transactions with related parties.

Oslo, 24 August 2017



Morten Grongstad  
CEO



Pål Egil Rønn  
Board Chairman



Borghild Lunde



Hege Bømark



Kristian Holth



Daniel Kjørberg Siraj  
Deputy Chairman



Kenneth Svendsen



Pål Jacob Gjerp



Arne Sveen



# ALTERNATIVE PERFORMANCE MEASURES

AF Gruppen presents alternative performance targets as a supplement to performance targets that are regulated by IFRS. The alternative performance targets are presented to provide better insight into and understanding of the operations, financial standing and foundation for development going forward. AF Gruppen uses alternative performance targets that are commonly used in the industry and among analysts and investors.

## Return on capital employed (ROaCE):

This performance target provides useful information to both AF's management and Board of Directors, as well as to investors concerning the results that have been achieved during the period under analysis. AF uses the performance target to measure the return on capital employed, regardless of whether the financing is through equity capital or debt. Use of the performance target should not be considered an alternative to performance targets calculated in accordance with IFRS, but as a supplement.

*The alternative performance targets are defined as follows:*

**EBITDA** – Earnings before i) taxes, ii) net financial items, iii) depreciation and amortisation.

**Operating profit (EBIT)** – Earnings before i) taxes, ii) net financial items.

**EBITDA margin** – EBITDA divided by operating revenue and other revenues.

**Operating margin** – Operating profit (EBIT) divided by operating revenue and other revenues.

**Profit margin** – Earnings before tax divided by operating revenue and other revenues.

**Gross interest-bearing liabilities** – Sum total of long-term interest-bearing loans and credits and short-term interest-bearing loans and credits.

**Net interest-bearing liabilities (receivables)** – Gross interest-bearing liabilities less i) long-term interest-bearing receivables, ii) short-term interest-bearing receivables and iii) cash and cash equivalents.

**Capital employed** – Sum total of shareholders' equity and gross interest-bearing liabilities.

**Average capital employed** – Average capital employed in the last four quarters.

**Return on capital employed (ROaCE)** – Earnings before taxes and interest for the last four quarters divided by the average capital employed.

**Equity ratio** – Shareholders' equity divided by total equity and liabilities.

**Average shareholders' equity** – Average shareholders' equity for the last four quarters.

**Return on equity** – Earnings for the last four quarters divided by the average shareholders' equity.

**Order intake** – Estimated value of contracts, contract changes and orders that have been agreed upon during the reporting period

**Order backlog** – Remaining estimated value of contracts, contract changes and orders that have been agreed upon, but have not been earned by the reporting date

*The tables below show the reconciliation of alternative performance targets with line items in the reported financial figures in accordance with IFRS.*

## Gross interest-bearing liabilities / Net interest-bearing liabilities

NOK million	30/06/17	31/03/17	30/06/16	31/12/16
Interest-bearing loans and credit facilities – long-term	104	109	100	83
Interest-bearing loans and credit facilities – short-term	15	13	59	30
<b>Gross interest-bearing liabilities</b>	<b>120</b>	<b>121</b>	<b>159</b>	<b>113</b>
Less:				
Interest-bearing receivables	-260	-232	-186	-206
Interest-bearing receivables	-46	-44	-62	-44
Cash and cash equivalents	-512	-907	-211	-469
<b>Net interest-bearing liabilities (receivables)</b>	<b>-698</b>	<b>-1 063</b>	<b>-300</b>	<b>-606</b>

## Equity Ratio

NOK million	30/06/17	31/03/17	30/06/16	31/12/16
Shareholders' equity	2 034	2 275	1 594	1 950
Divided by:				
Total equity and liabilities	7 034	7 140	6 401	6 549
<b>Equity ratio</b>	<b>28.9 %</b>	<b>31.9 %</b>	<b>24.9 %</b>	<b>29.8 %</b>

## Average shareholders' equity

NOK million	30/06/17	31/03/17	30/06/16	31/12/16
Shareholders' equity as at 3rd quarter 2015	-	-	1 699	-
Shareholders' equity as at 4th quarter 2015	-	-	1 820	-
Shareholders' equity as at 1st quarter 2016	-	-	1 910	1 910
Shareholders' equity as at 2nd quarter 2016	-	1 594	1 594	1 594
Shareholders' equity as at 3rd quarter 2016	1 824	1 824	-	1 824
Shareholders' equity as at 4th quarter 2016	1 950	1 950	-	1 950
Shareholders' equity as at 1st quarter 2017	2 275	2 275	-	-
Shareholders' equity as at 2nd quarter 2017	2 034	-	-	-
<b>Average shareholders' equity</b>	<b>2 021</b>	<b>1 911</b>	<b>1 756</b>	<b>1 819</b>

## Return on equity

NOK million	30/06/17	31/03/17	30/06/16	31/12/16
Result 3rd quarter 2015	-	-	163	-
Result 4th quarter 2015	-	-	325	-
Result 1st quarter 2016	-	-	137	137
Result 2nd quarter 2016	-	186	186	186
Result 3rd quarter 2016	183	183	-	183
Result 4th quarter 2016	281	281	-	281
Result 1st quarter 2017	104	104	-	-
Result 2nd quarter 2017	200	-	-	-
<b>Result for the last four quarters</b>	<b>768</b>	<b>754</b>	<b>811</b>	<b>787</b>
Divided by:				
Average shareholders' equity	2 021	1 911	1 756	1 819
<b>Return on equity</b>	<b>38.0 %</b>	<b>39.4 %</b>	<b>46.2 %</b>	<b>43.3 %</b>

## Capital employed

NOK million	30/06/17	31/03/17	30/06/16	31/12/16
Shareholders' equity	2 034	2 275	1 594	1 950
Gross interest-bearing liabilities	120	121	159	113
<b>Capital employed</b>	<b>2 154</b>	<b>2 396</b>	<b>1 753</b>	<b>2 063</b>

## Average capital employed

NOK million	30/06/17	31/03/17	30/06/16	31/12/16
Capital employed as at 4th quarter 2015	-	-	1 815	-
Capital employed as at 4th quarter 2015	-	-	1 925	-
Capital employed as at 1st quarter 2016	-	-	2 040	2 040
Capital employed as at 2nd quarter 2016	-	1 753	1 753	1 753
Capital employed as at 3rd quarter 2016	1 960	1 960	-	1 960
Capital employed as at 4th quarter 2016	2 063	2 063	-	2 063
Capital employed as at 1st quarter 2017	2 396	2 396	-	-
Capital employed as at 2nd quarter 2017	2 154	-	-	-
<b>Average capital employed</b>	<b>2 143</b>	<b>2 043</b>	<b>1 883</b>	<b>1 954</b>

## Return on capital employed

NOK million	30/06/17	31/03/17	30/06/16	31/12/16
Earnings before tax 4th quarter 2015	-	-	225	-
Earnings before tax 4th quarter 2015	-	-	382	-
Earnings before tax 1st quarter 2016	-	-	186	186
Earnings before tax 2nd quarter 2016	-	249	249	249
Earnings before tax 3rd quarter 2016	265	265	-	265
Earnings before tax 4th quarter 2016	340	340	-	340
Earnings before tax 1st quarter 2017	142	142	-	-
Earnings before tax 2nd quarter 2017	250	-	-	-
<b>Earnings before tax last four quarters</b>	<b>998</b>	<b>996</b>	<b>1 042</b>	<b>1 040</b>
Interest expenses 4th quarter 2015	-	-	4	-
Interest expenses 4th quarter 2015	-	-	17	-
Interest expenses 1st quarter 2016	-	-	5	5
Interest expenses 2nd quarter 2016	-	12	12	12
Interest expenses 3rd quarter 2016	9	9	-	9
Interest expenses 4th quarter 2016	-6	-6	-	-6
Interest expenses 1st quarter 2017	4	4	-	-
Interest expenses 2nd quarter 2017	4	-	-	-
<b>Interest expenses last four quarters</b>	<b>11</b>	<b>19</b>	<b>37</b>	<b>19</b>
<b>Earnings before tax and interest expenses</b>	<b>1 008</b>	<b>1 015</b>	<b>1 080</b>	<b>1 059</b>
Divided by:				
Average capital employed	2 143	2 043	1 883	1 954
<b>Return on capital employed</b>	<b>47.1 %</b>	<b>49.7 %</b>	<b>57.3 %</b>	<b>54.2 %</b>





Project manager Frederik Spang at the new National Museum. Photo: Redink



## COMPANY INFORMATION

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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 in Greater Oslo and Sweden*  
Andreas Jul Røsjø, *EVP Property and Energy*  
Amund Tøftum, *EVP Offshore*  
Eirik Wraal, *EVP Environment and Social responsibility*  
Bård Frydenlund, *EVP HR and Building in South-West*

### **Financial calendar**

**Presentation of interim accounts:**

25/08/2017 Interim report 2<sup>nd</sup> quarter 2017  
10/11/2017 Interim report 3<sup>rd</sup> quarter 2017

The presentation of interim accounts will take place at Hotel Continental, Stortingsgata 24-26, at 8:30 a.m.

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

Cover: Dam Svartavatn, Rogaland county



Machine operator Gina Husdal, AF Anlegg. Photo: Hampus Lundgren





## OPERATIONAL STRUCTURE

