

November 10<sup>th</sup> 2017

Q3 2017

AF Gruppen ASA



3<sup>rd</sup> quarter 2017



# Highlights

## **Good quarter and solid order backlog**

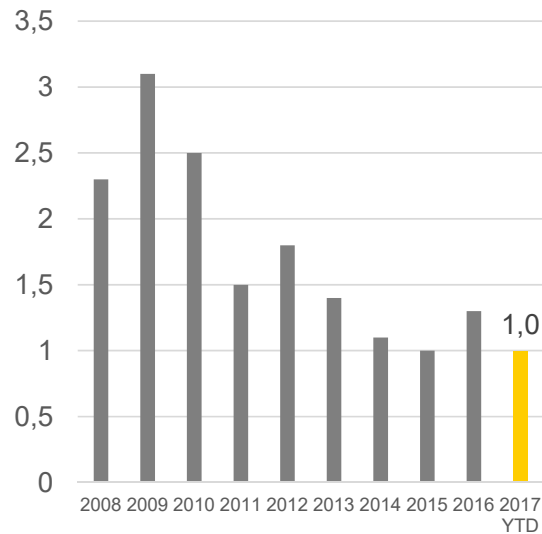
- Revenues: NOK 3,399 million (3,108) in Q3 and NOK 9,408 million (8,984) year-to-date.
- EBT: NOK 232 million (265) in Q3 and NOK 625 million (700) year-to-date.
- EBT margin: 6.8 % (8.5 %) in Q3 and 6.6 % (7.8 %) year-to-date.
- Strong order backlog: NOK 20,183 million (11,200)
- Solid financial position: Net interest bearing receivables of NOK 1,068 million (473)
- Dividend for 2<sup>nd</sup> half-year of NOK 3.50 (3.00) per share approved.

3<sup>rd</sup> quarter 2017



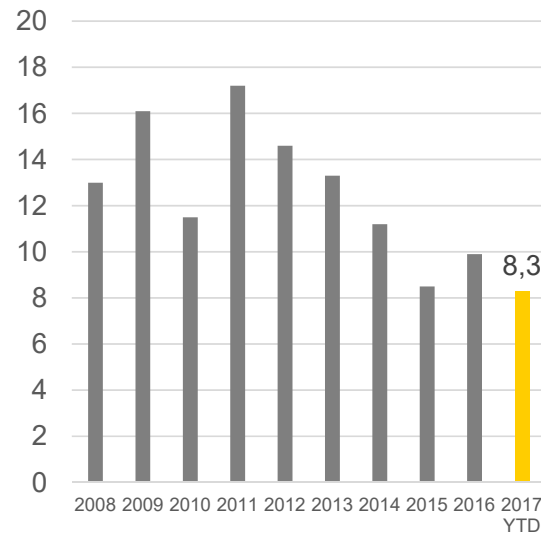
# Safety

## Lost-time injury frequency (LTIF)



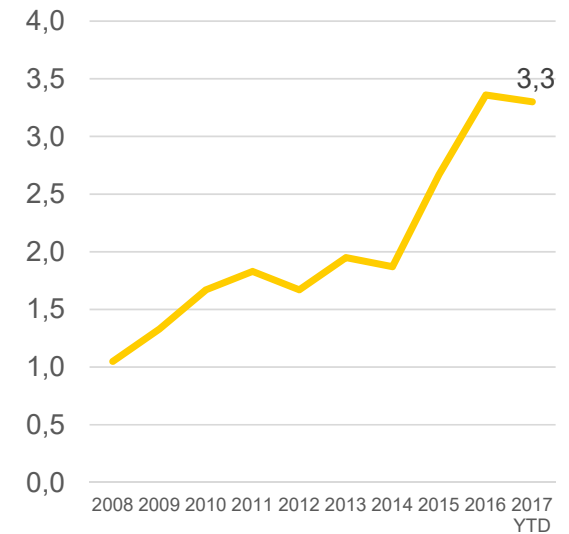
Number lost-time injuries per million hours worked. Measuring of LTIF also includes injuries by subcontractor employees.

## 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.

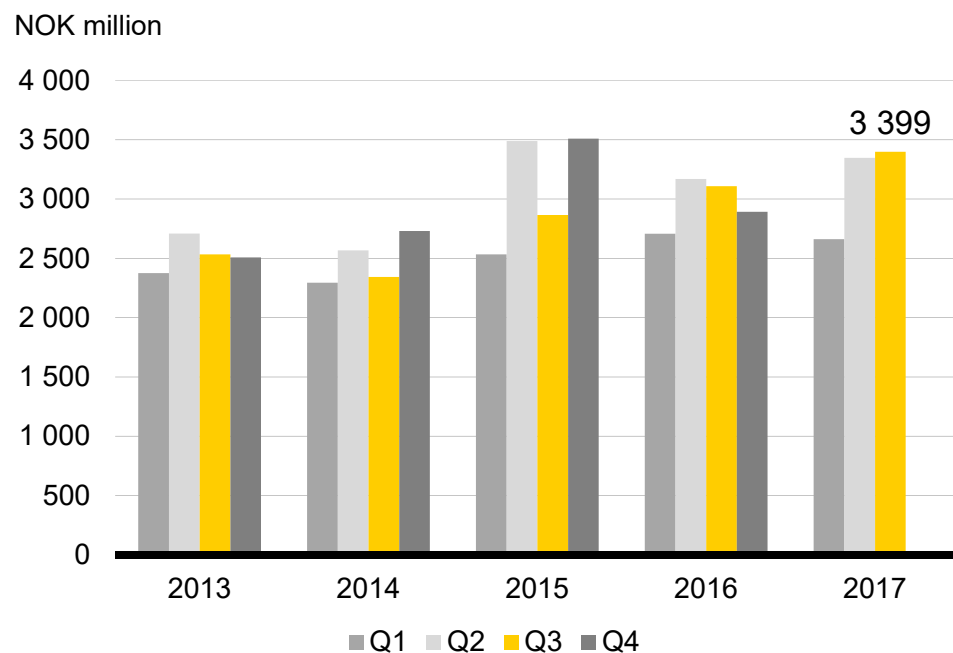
## Reported unwanted incident frequency (RUIF)



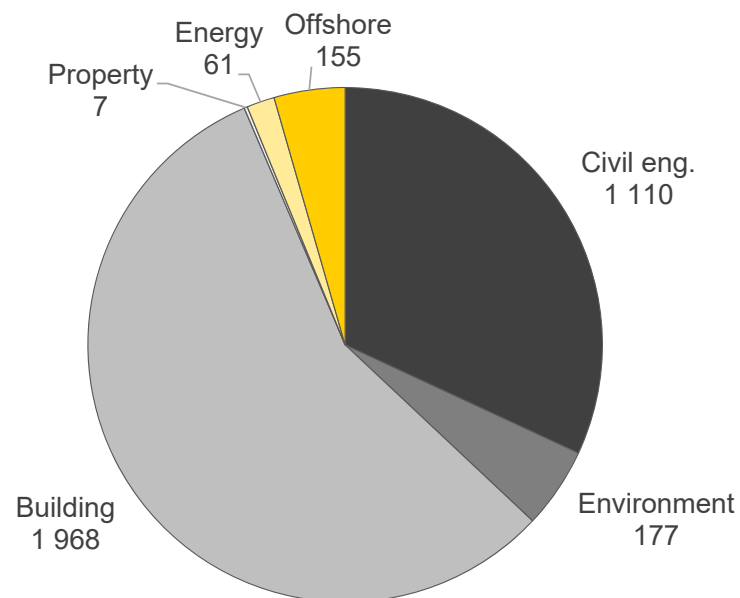
Number of reported unwanted incidents per man-year.

3<sup>rd</sup> quarter 2017

# Revenues



## Q3 revenues by business area:

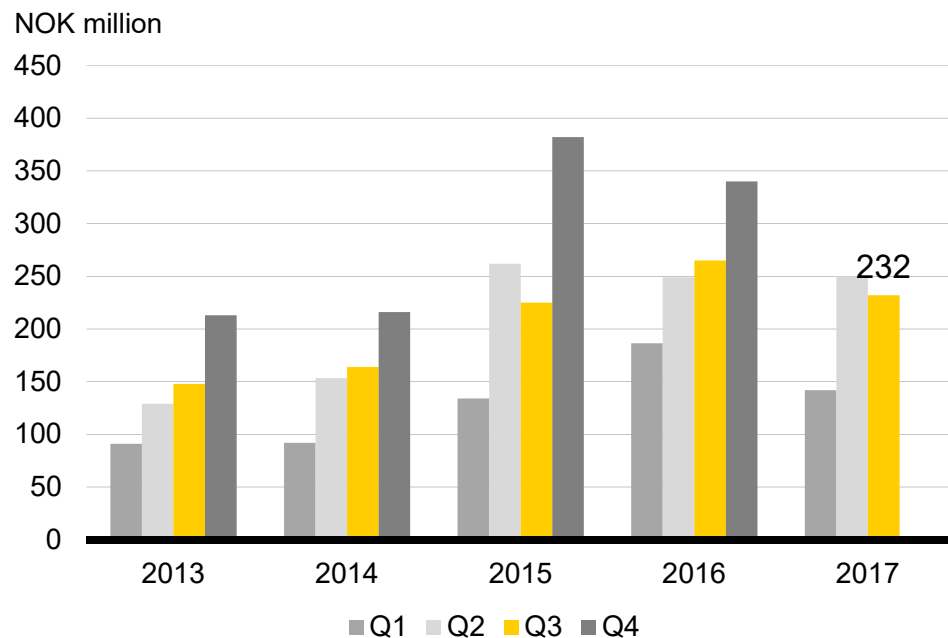


■ Revenues year-to-date: NOK 9,408 million (8,984)

3<sup>rd</sup> quarter 2017



## Earnings before tax



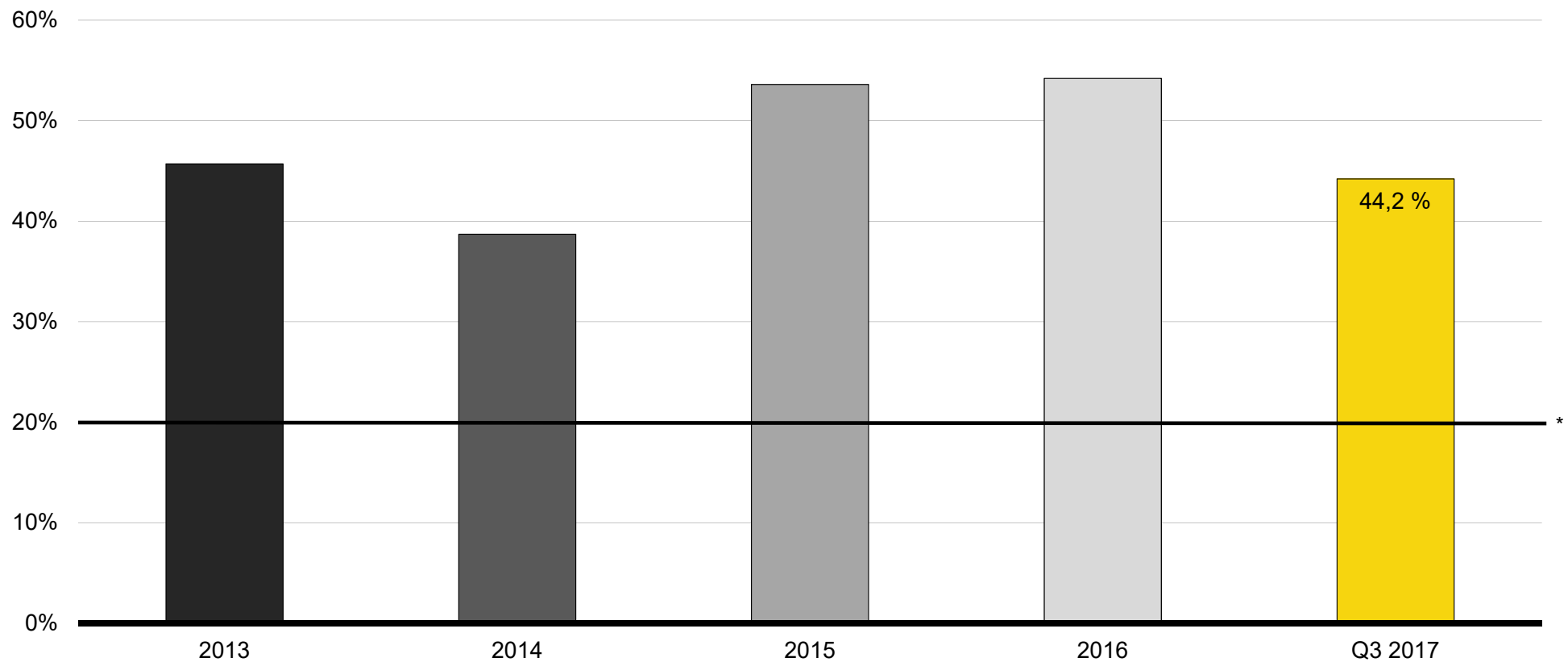
- Good margins in all six business areas in Q3
- EBT Q3: NOK 232 million (265)
- EBT % Q3: 6.8 % (8.5 %)
- EBT 2017 YTD: NOK 625 million (700)
- EBT % 2017 YTD: 6.6 % (7.8 %)

3<sup>rd</sup> quarter 2017



# Return on capital employed

12 month rolling average



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



3<sup>rd</sup> quarter 2017



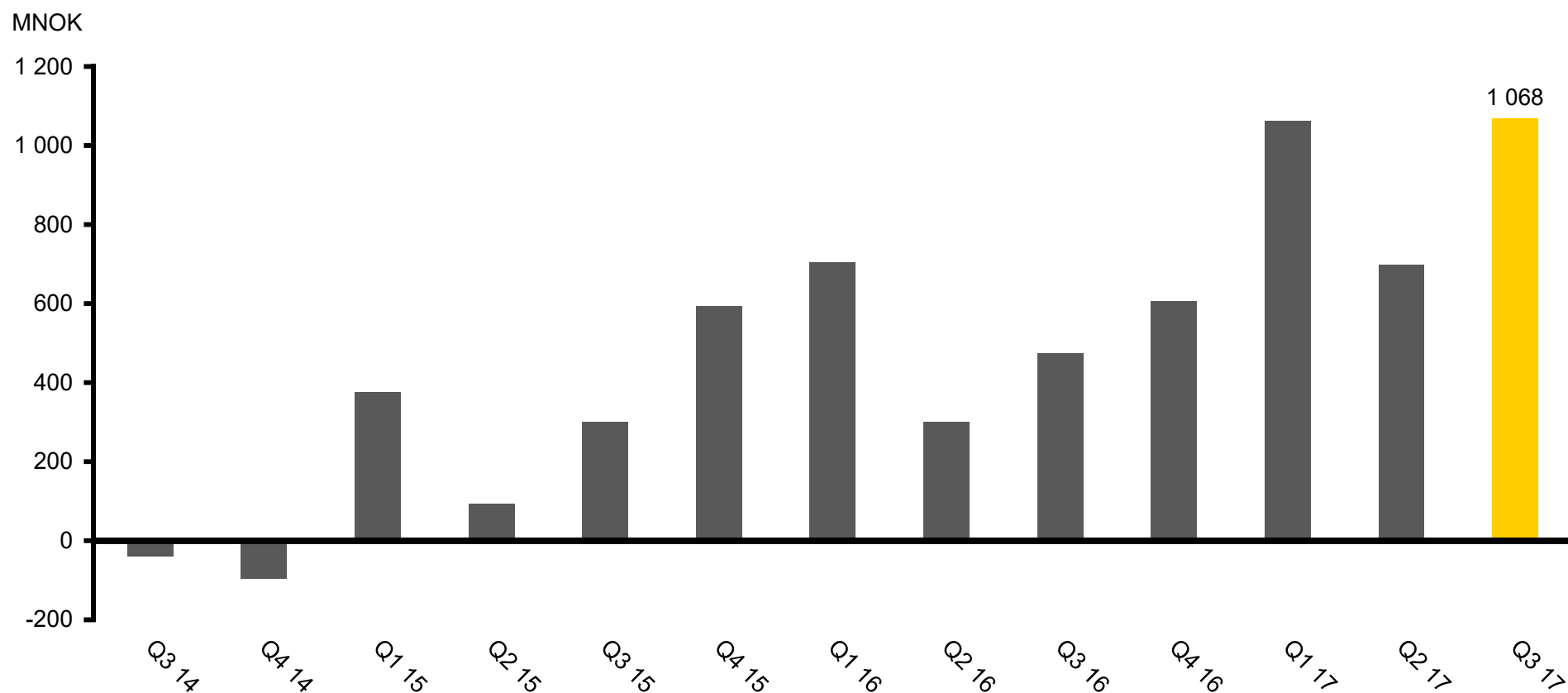
# Cash flow statement

NOK million	Q3 2017	Q3 2016	YTD 2017	YTD 2016
EBIT	230	270	626	706
Depreciations, amortization and impairment	43	74	123	138
Change in net working capital	147	-195	437	-258
Other adjustments / taxes paid	-10	25	-157	-71
<b>Cash flow from operations</b>	<b>410</b>	<b>174</b>	<b>1 029</b>	<b>516</b>
Net investments	-67	0	-314	-27
Cash flow from capital activities	-4	-9	-326	-590
Interest paid and change in interest bearing debt	32	-26	27	-9
<b>Net decrease (increase) in cash and cash equivalents</b>	<b>371</b>	<b>138</b>	<b>416</b>	<b>-109</b>
Net cash and cash equivalents at beginning of period	512	211	469	459
Change in cash and cash equivalents without cash effect	0	9	-2	9
<b>Net cash and cash equivalents end of period</b>	<b>883</b>	<b>359</b>	<b>883</b>	<b>359</b>

3<sup>rd</sup> quarter 2017



# Net interest bearing receivables



Net interest bearing receivables as of 30 September is NOK 1,068 million (473).



3<sup>rd</sup> quarter 2017



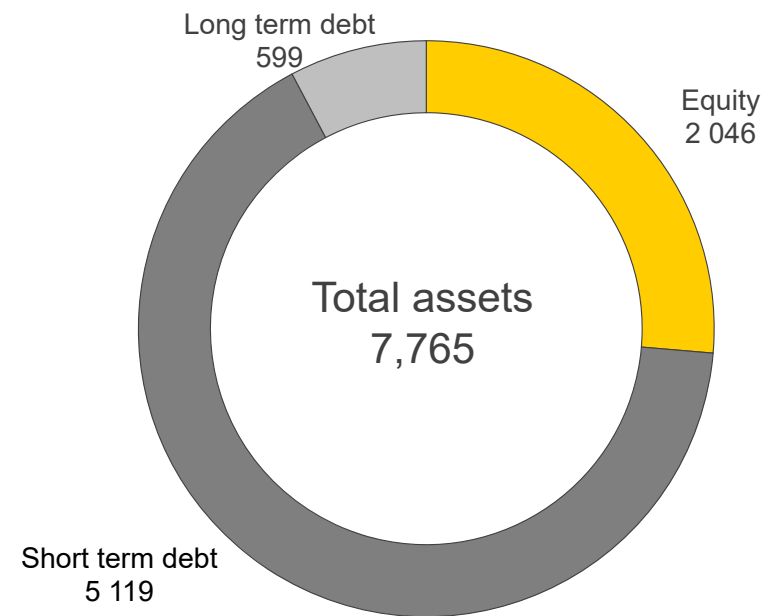
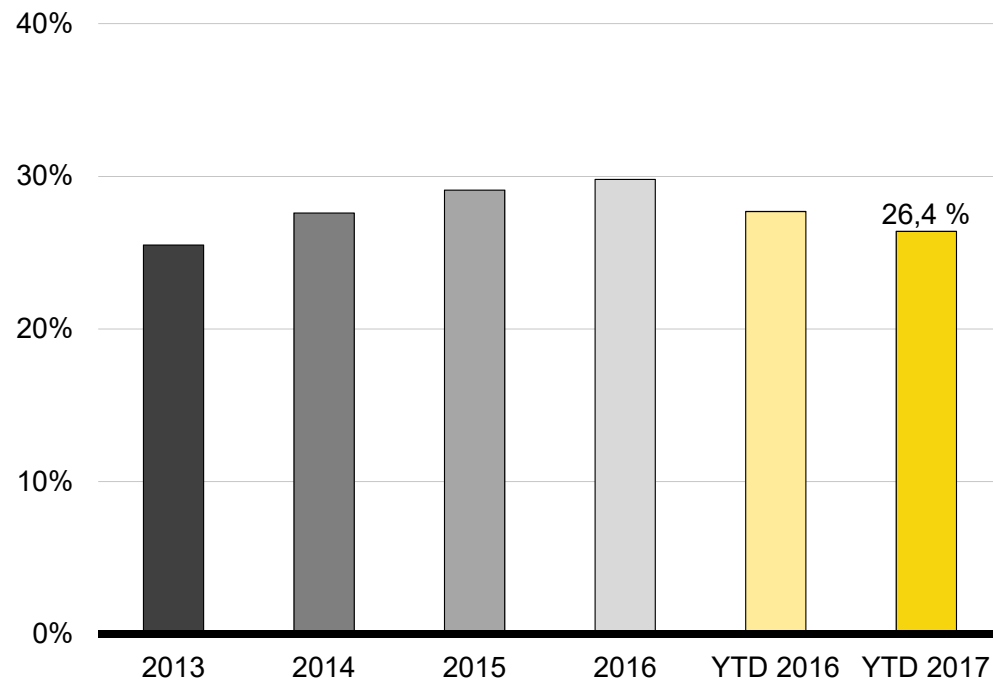
# Balance sheet

NOK million	30.09.17	30.09.16	31.12.16
Non-current assets	4,138	3,809	3,789
Current assets, ex. Cash	2,743	2,409	2,291
Cash and cash equivalents	883	359	469
<b>Total assets</b>	<b>7,765</b>	<b>6,577</b>	<b>6,549</b>
Equity	2,046	1,824	1,950
Long term debt	599	717	553
Short term debt	5,119	4,037	4,046
<b>Total equity and debt</b>	<b>7,765</b>	<b>6,577</b>	<b>6,549</b>

3<sup>rd</sup> quarter 2017



# Equity ratio

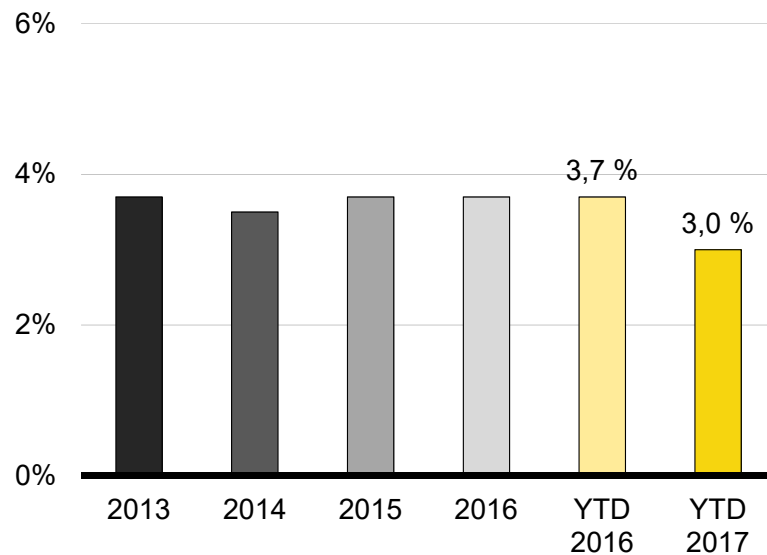


3<sup>rd</sup> quarter 2017



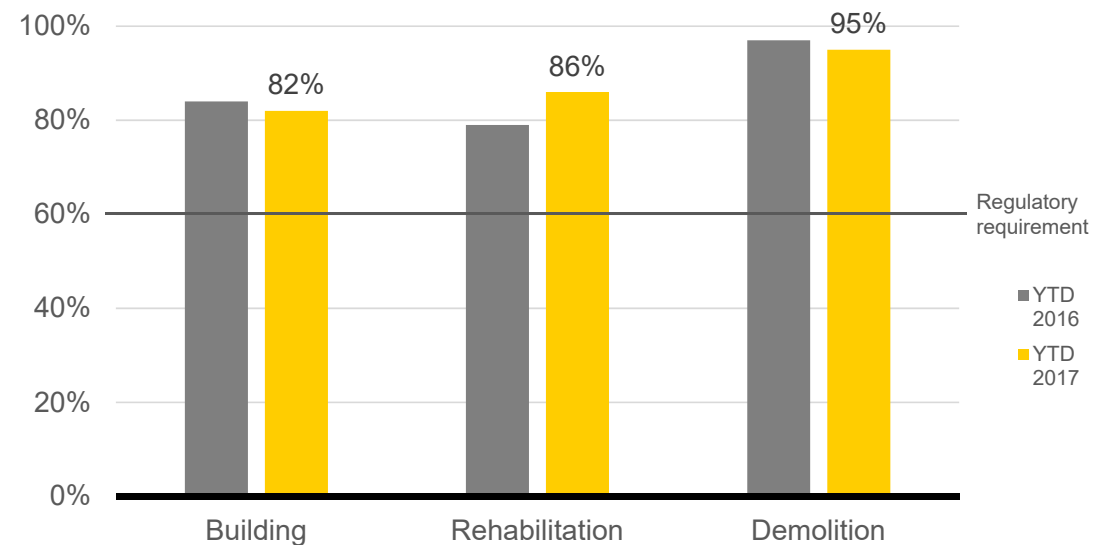
# Health and environment

## Sick leave



Sick leave in Q3: 2.6 %

## Source separation rate



A total of 76,578 (191,608) tonnes of waste has been sorted in the 3<sup>rd</sup> quarter.

3<sup>rd</sup> quarter 2017

Business areas





# High activity level and solid order backlog

NOK million	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Revenues	1,110	842	3,028	2,623
EBIT	66	86	192	268
EBT	70	86	198	278
EBIT %	6.0 %	10.2 %	6.4 %	10.2 %
EBT %	6.3 %	10.2 %	6.5 %	10.6 %

- Full production for AF Anlegg on the E18 Tvedestrand - Arendal project. The unit has a high activity level.
- Målselv Maskin & Transport and Kanonaden Entreprenad both have good operational performance and deliver good Q3 results.
- Pålplintar has somewhat lower activity in the 3<sup>rd</sup> quarter.
- AF Anlegg awarded three large contracts in Q3 with a total contract value of NOK 2.2 billion.
- Order backlog: NOK 7,410 million (2,697)



E18 Tvedestrand - Arendal

# Solid order situation

NOK million	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Revenues	177	189	452	557
EBIT	10	10	27	32
EBT	10	10	26	32
EBIT %	5.7 %	5.2 %	6.0 %	5.8 %
EBT %	5.6 %	5.1 %	5.8 %	5.7 %

- AF Decom experiences a slightly lower activity level and varying profitability in the regional departments.
- AF Härnösand Byggreturer has good profitability in their projects.
- Somewhat lower activity level at Rimol Miljøpark in Q3, but positive results.
- The construction work on the new environmental facility at Nes in Akershus has started. Facility to be operative in Q2 2018.
- Order backlog: NOK 379 million (202)



## High activity level and good operational performance

NOK million	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Revenues	1,968	1,542	5,489	4,852
EBIT	140	123	336	329
EBT	144	125	346	338
EBIT %	7.1 %	8.0 %	6.1 %	6.8 %
EBT %	7.3 %	8.1 %	6.3 %	7.0 %

- AF Bygg Oslo, LAB and the companies in Strøm Gundersen and MTH all deliver good Q3 results.
- AF Bygg Østfold and AF Bygg Sverige has increasing activity in Q3. Both units deliver satisfactory quarterly results.
- Market conditions in south-western Norway are demanding and AF Bygg Prosjektpartner delivers weak results.
- Bygg has announced 3 new contracts in Q3, with a total contract value of NOK 750 million excl. VAT.
- Order backlog: NOK 10,600 (7,274)





# Wait-and-see market

NOK million	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Revenues	7	15	29	38
EBIT	13	8	60	34
EBT	9	4	49	22
EBIT %	179.2 %	51.0 %	203.5 %	89.2 %
EBT %	128.8 %	26.4 %	168.8 %	59.0 %

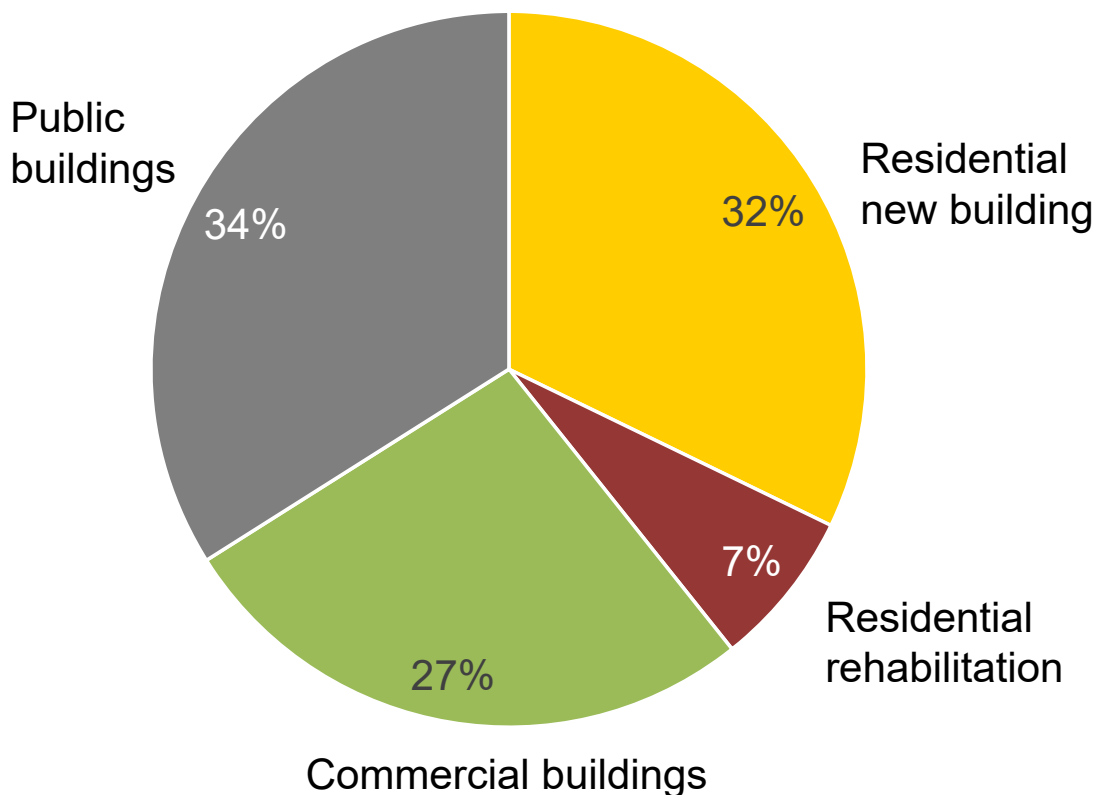
- 17 (291) apartments were sold in Q3. AF's share is 7 (117). 18 (221) apartments were announced for sale in Q3.
- Seven housing projects with 980 apartments in the production phase (AF's share 466). 88 % of the apartments in production are sold as per September 30<sup>th</sup>.
- Land and development rights in progress: 2,572 (2,244) residential units. AF's share is 1,095 (956)
- AF has 92,084 (107,310) m<sup>2</sup> gross area of urban premises under development. AF's share is 45,273 (51,213).

Thurmannskogen



# Building's revenue distribution YTD 2017

Total revenues for Building year-to-date: NOK 5 489 million



- 32 % of Building's revenues comes from residential new building
- Building has an order backlog of NOK 10,600 million, of which residential new building with sales reservation is NOK 860 million (8,1 %)
- For AF Gruppen, revenues from residential new building is 19 % of total revenues
- AF Gruppen has an order backlog of NOK 20,183 million, of which residential new building with sales reservation is 4,3 %

# Stable activity level

NOK million	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Revenues	61	37	171	119
EBIT	4	4	15	10
EBT	4	4	15	8
EBIT %	7.2 %	11.5 %	8.5 %	8.6 %
EBT %	7.4 %	11.0 %	8.6 %	7.0 %

- AF Energi & Miljøteknikk had a stable activity level in Q3. Good operational performance for AF Energi & Miljøteknikk in ongoing projects and the unit delivers good Q3 results.
- Stable demand for energy services. The unit has a high volume of tender calculations and a rising order backlog.
- New business opportunities for AF Energi & Miljøteknikk through partnering contracts.
- Order backlog: NOK 301 million (115)



# High activity at Vats

NOK million	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Revenues	155	411	510	803
EBIT	12	65	39	98
EBT	10	60	32	81
EBIT %	8.0 %	15.7 %	7.7 %	12.2 %
EBT %	6.5 %	14.7 %	6.3 %	10.1 %

- Good operational performance and good results for AF Offshore Decom. High activity level at Environmental Base Vats in Q3.
- Low activity level for AF Offshore AeronMollier in Q3 and the unit delivers weak quarterly results.
- AF Offshore Decom UK has entered into an agreement with the intent to establish a new joint venture, AF Dundee, which will lay the foundations of creating a UK North Sea oil and gas decommissioning hub in the city of Dundee.
- AF Offshore Decom has received notice that ConocoPhillips (UK) Limited intend to enter into a frame agreement for the future removal and disposal of up to 7 platforms in the Southern North Sea. (not included in order backlog)
- Order backlog: NOK 883 million (626)



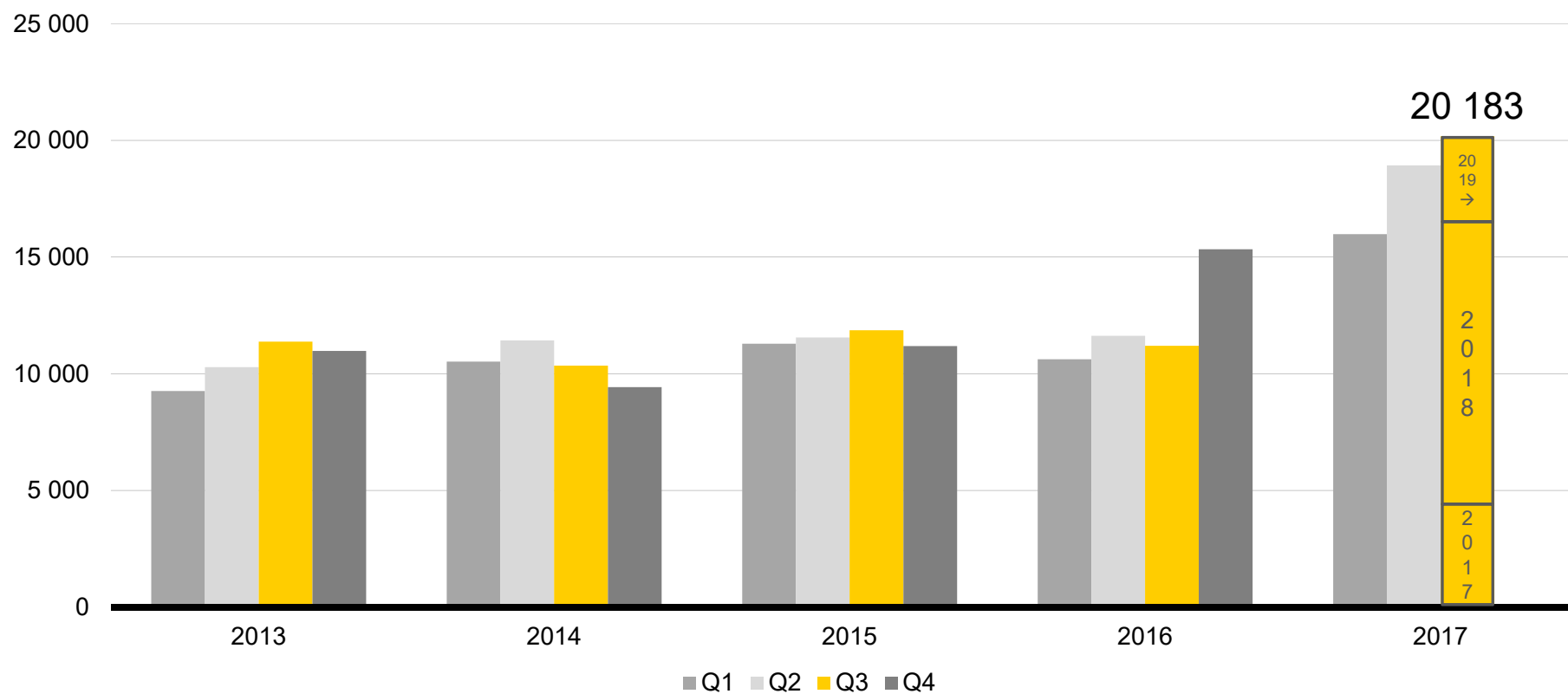
AF Miljøbase Vats

## Order situation

# Solid order backlog



NOK million



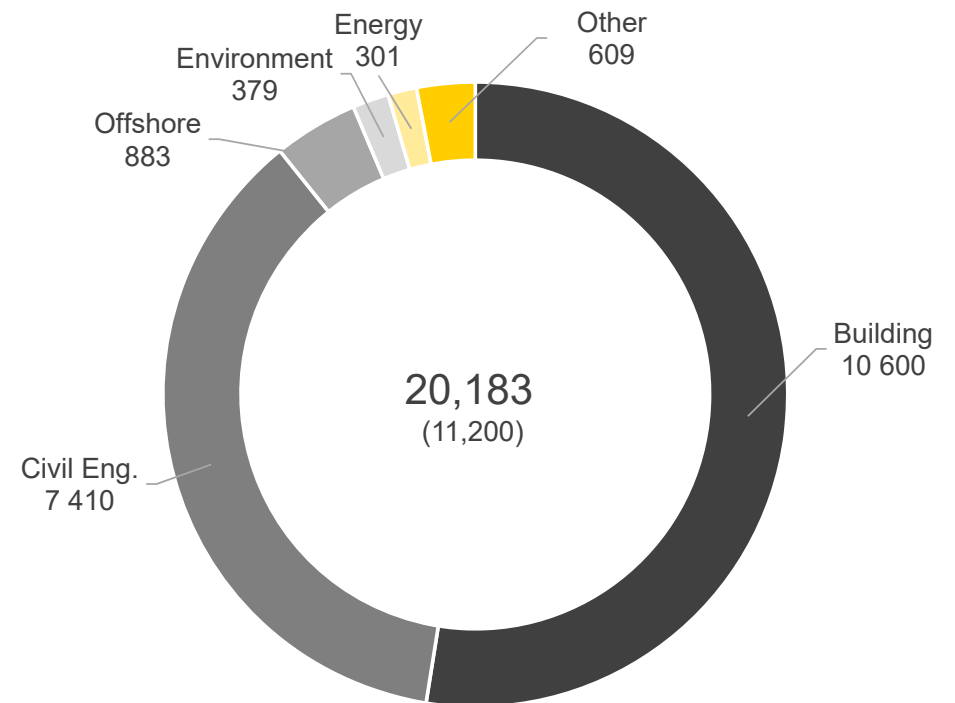
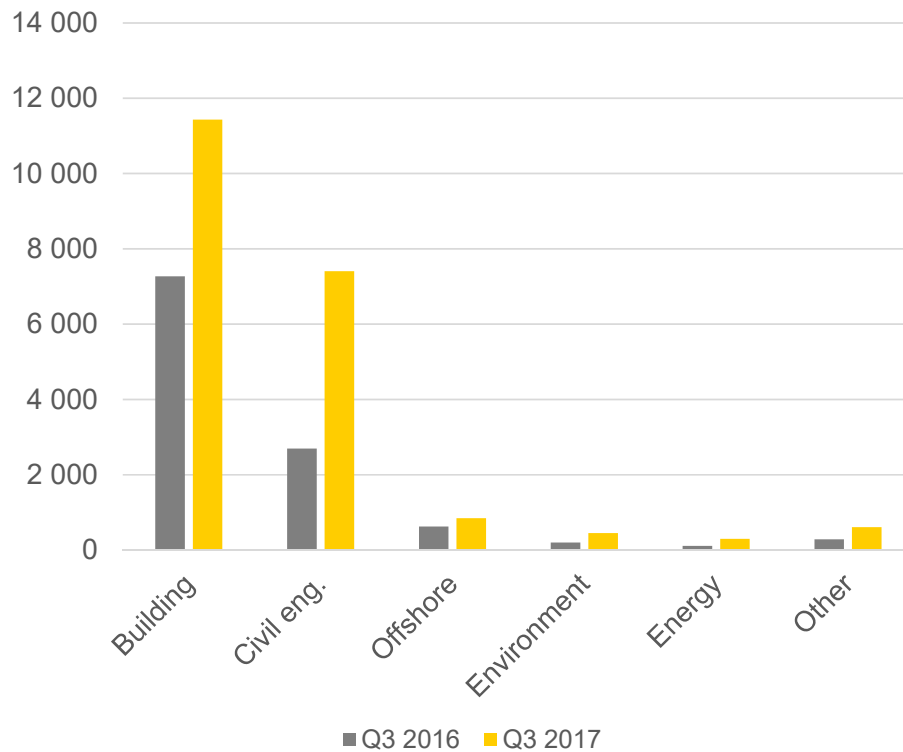


## Order situation

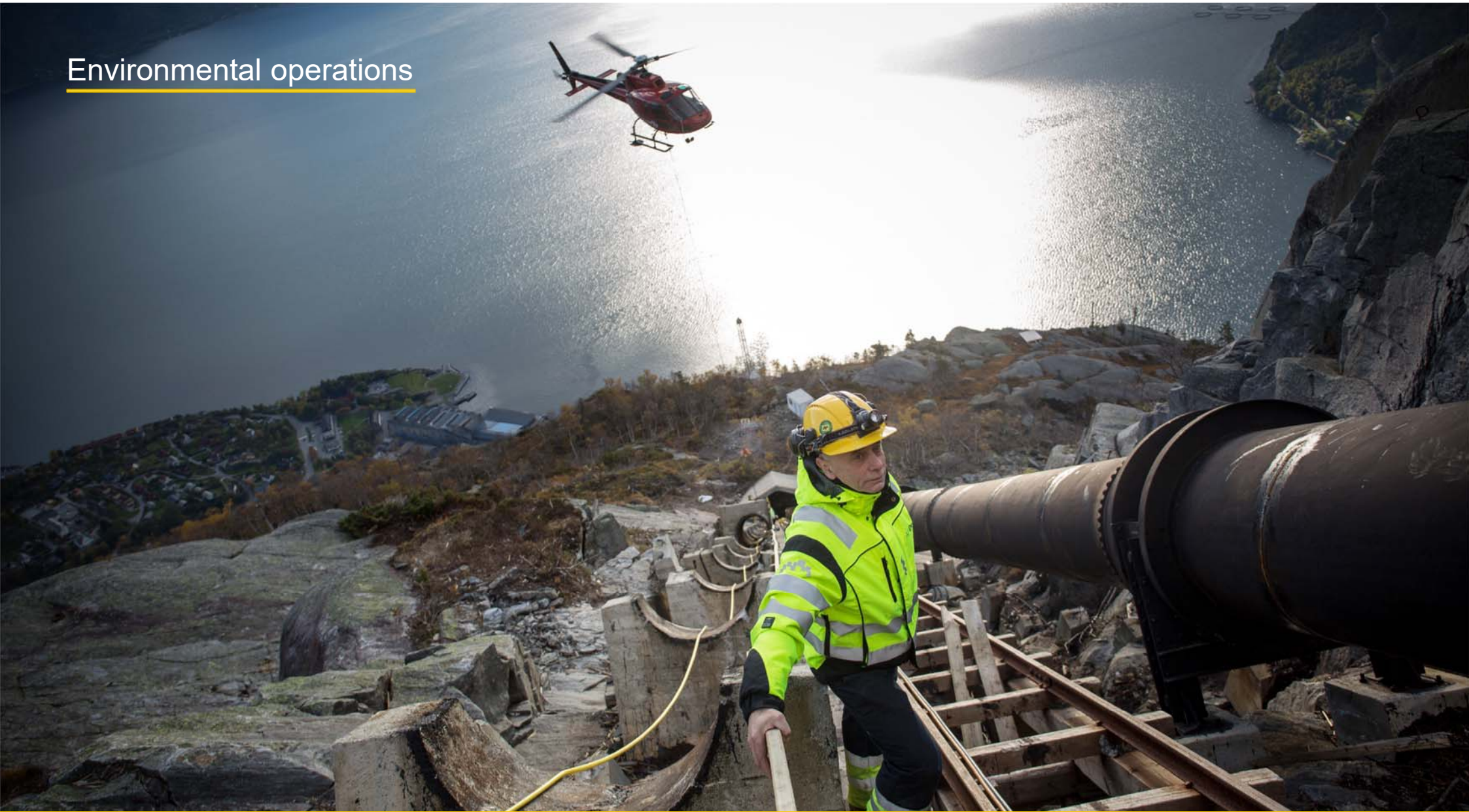


# Order backlog per business area

NOK million

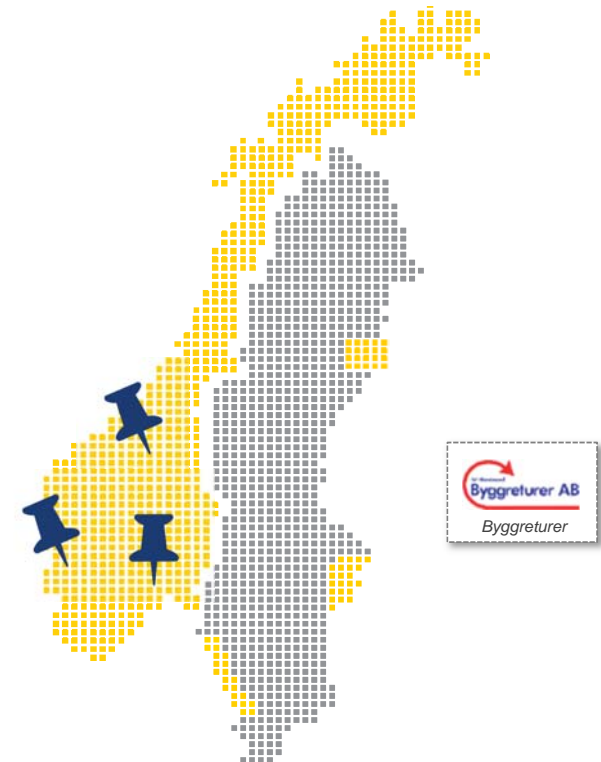
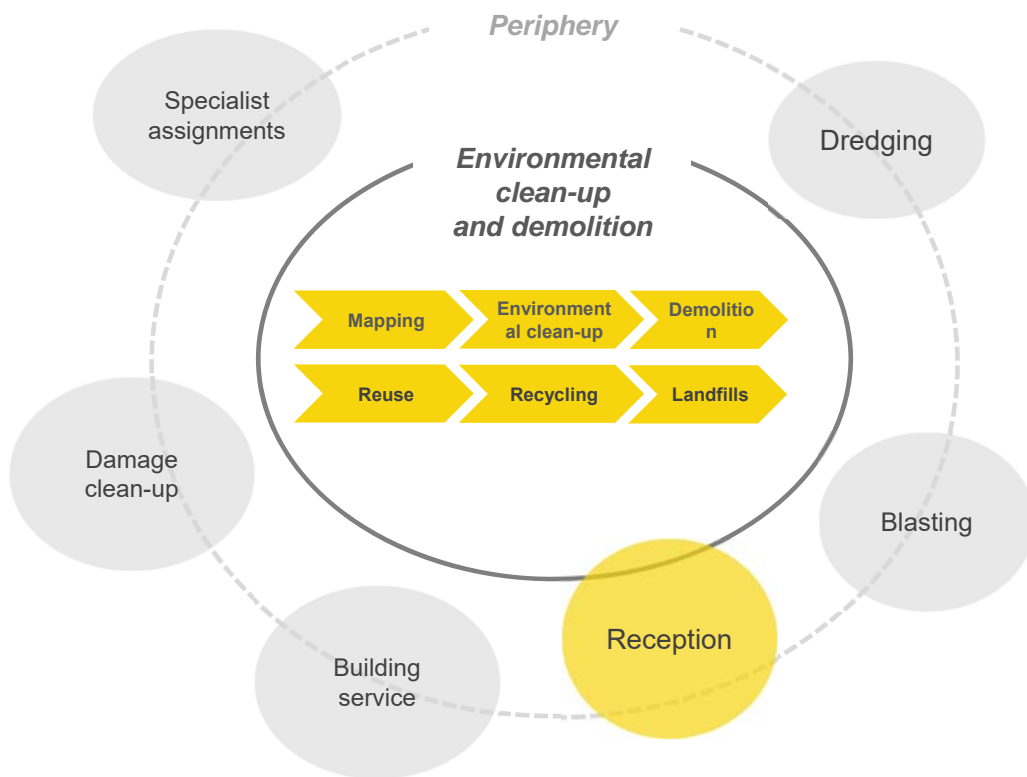


## Environmental operations





# Leading player in Norway and Sweden



Environment



# Our expertise covers a wide range of services

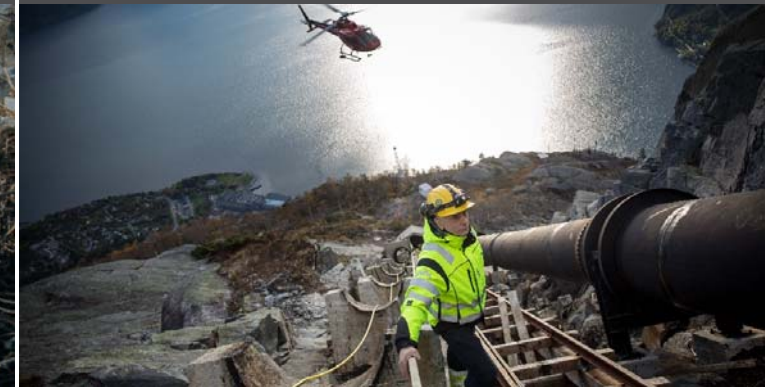
**Decontamination and  
demolition**



**New buildings and  
renovation**



**Power**



**Salvage**



**Infrastructure**

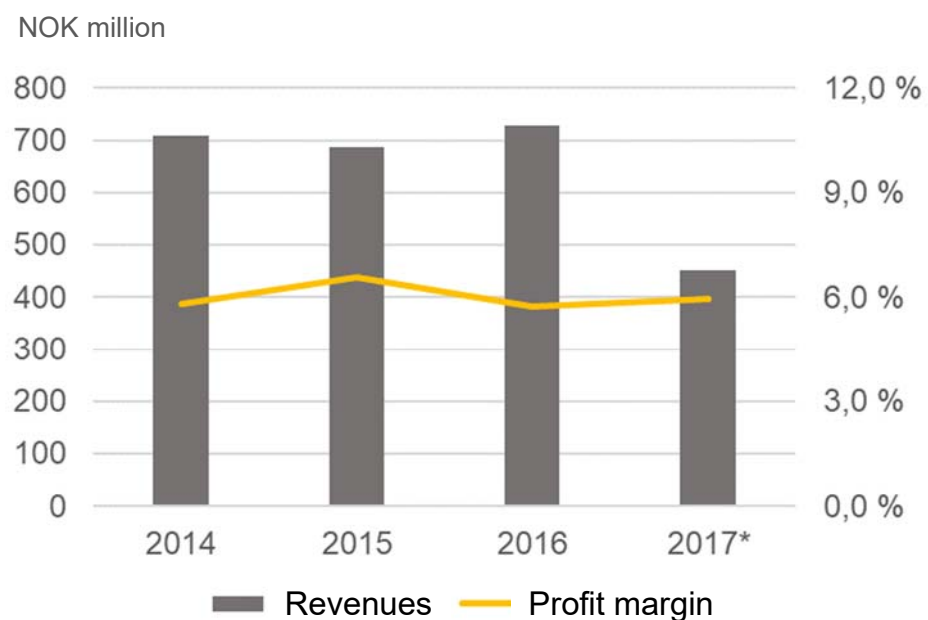


**Industry**

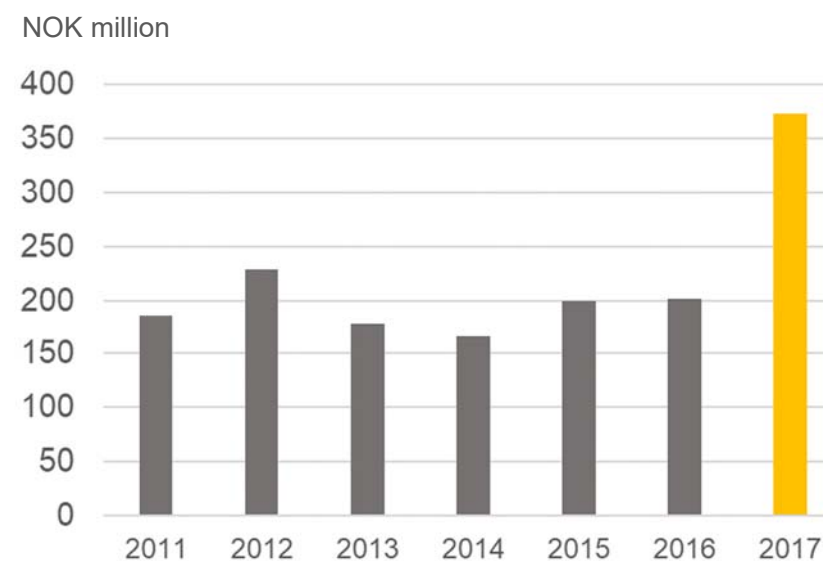


# Healthy order situation

## Turnover and profit margin

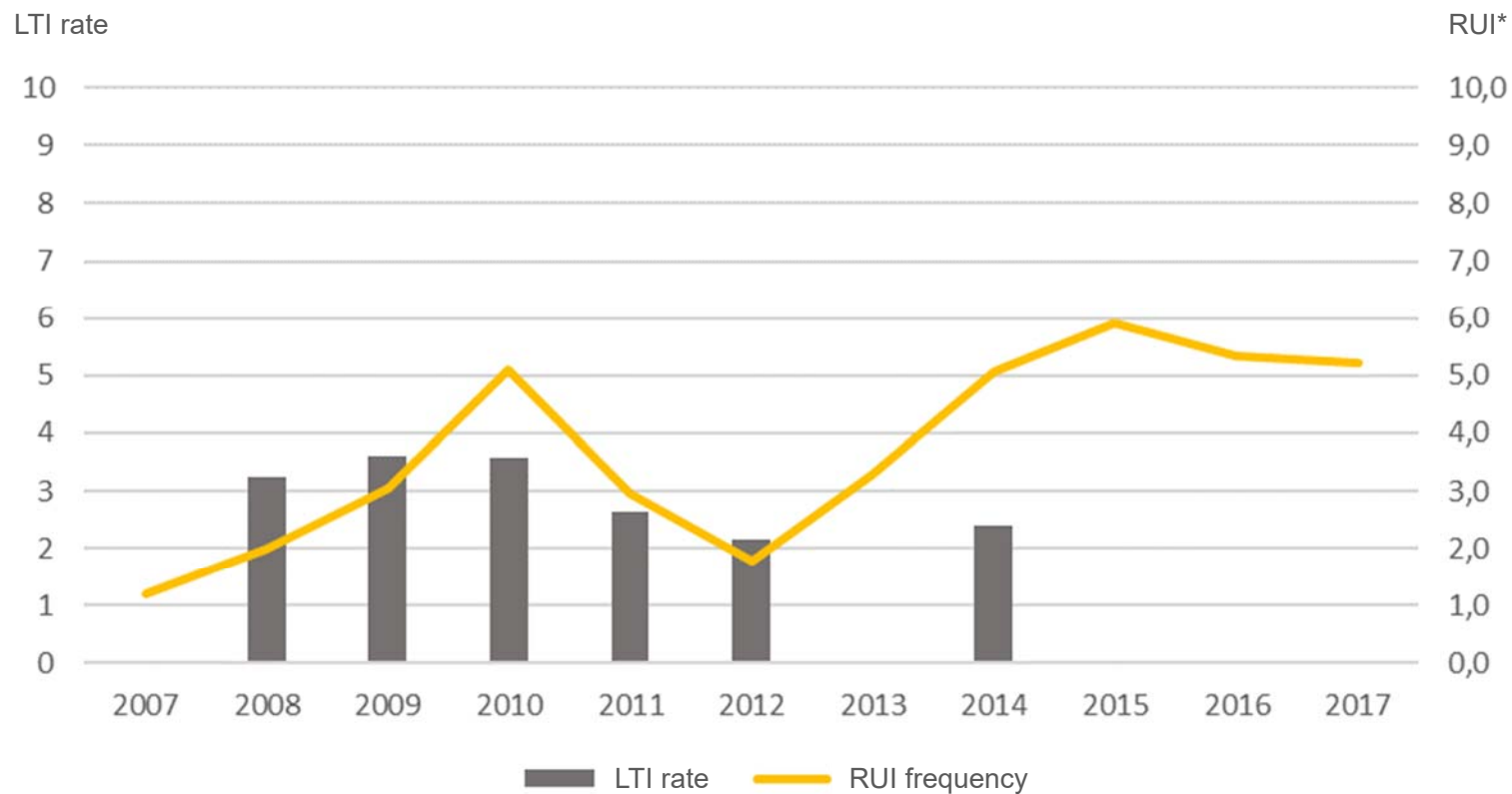


## Order backlog



\*as of Q3. 2017

# Added value with focus on safety and the environment



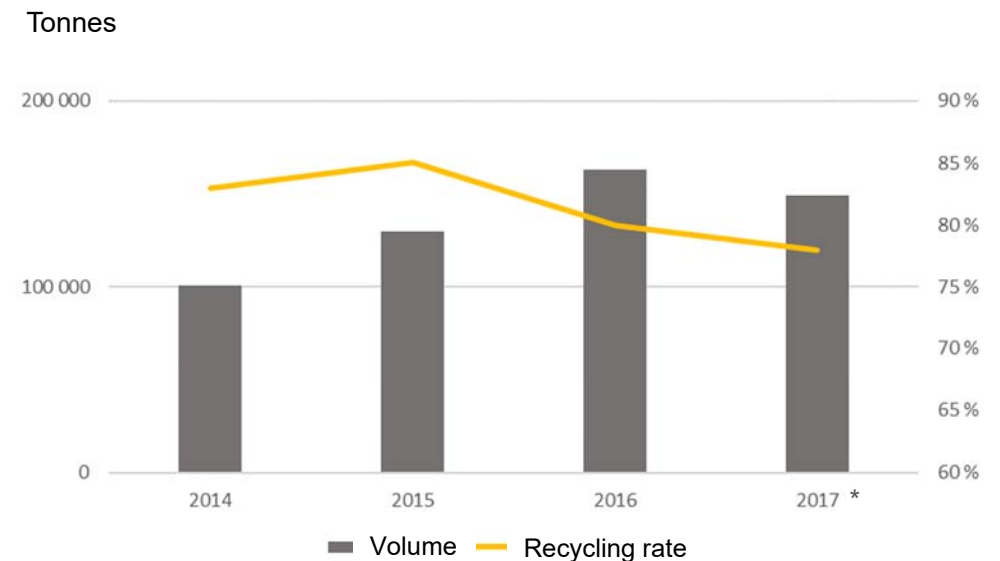
\*Reported unwanted incidents as of Q3. 2017 – Norwegian operations

# Source separation and recycling

## Key figures source separation

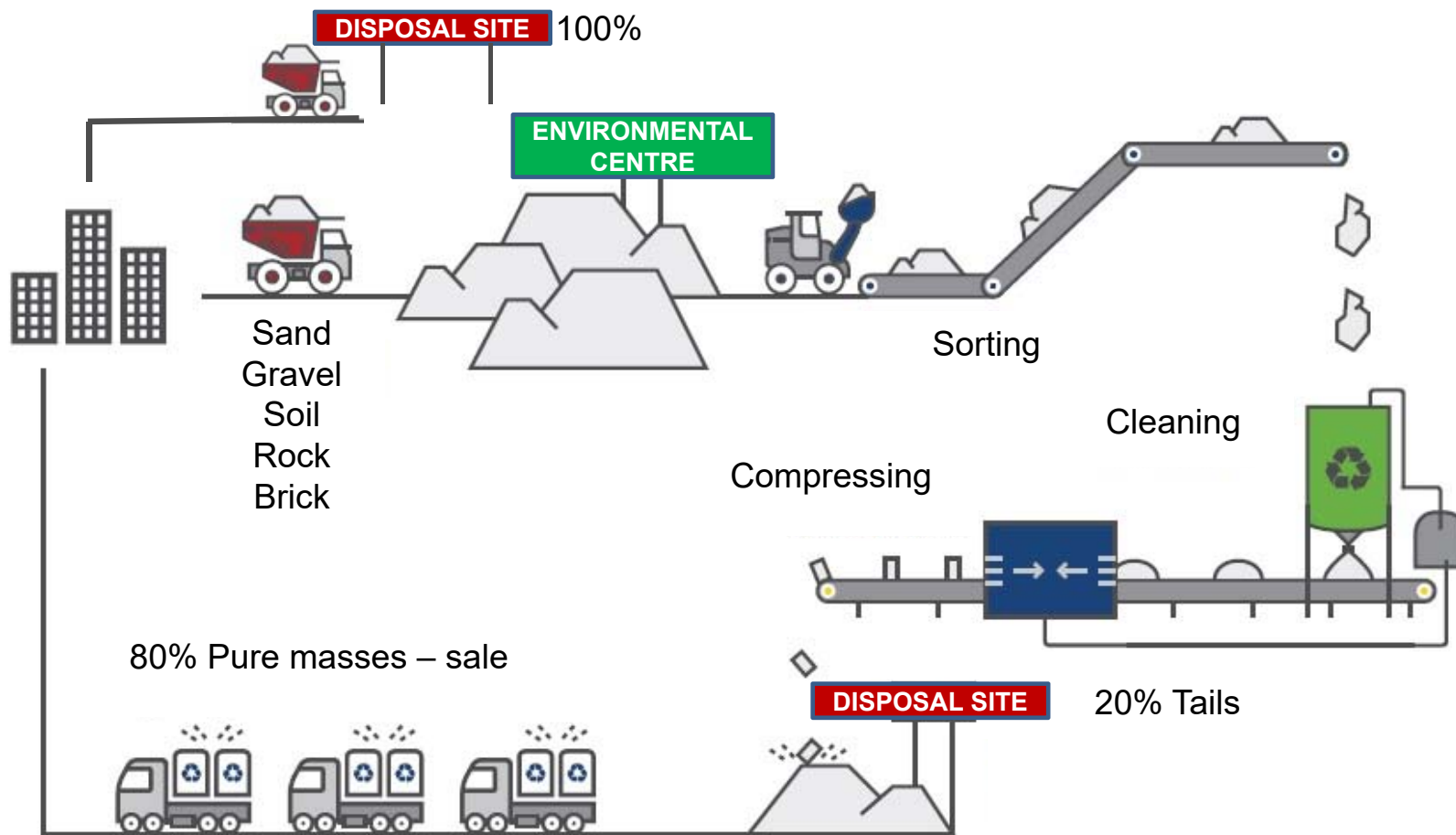


## Key figures recycling



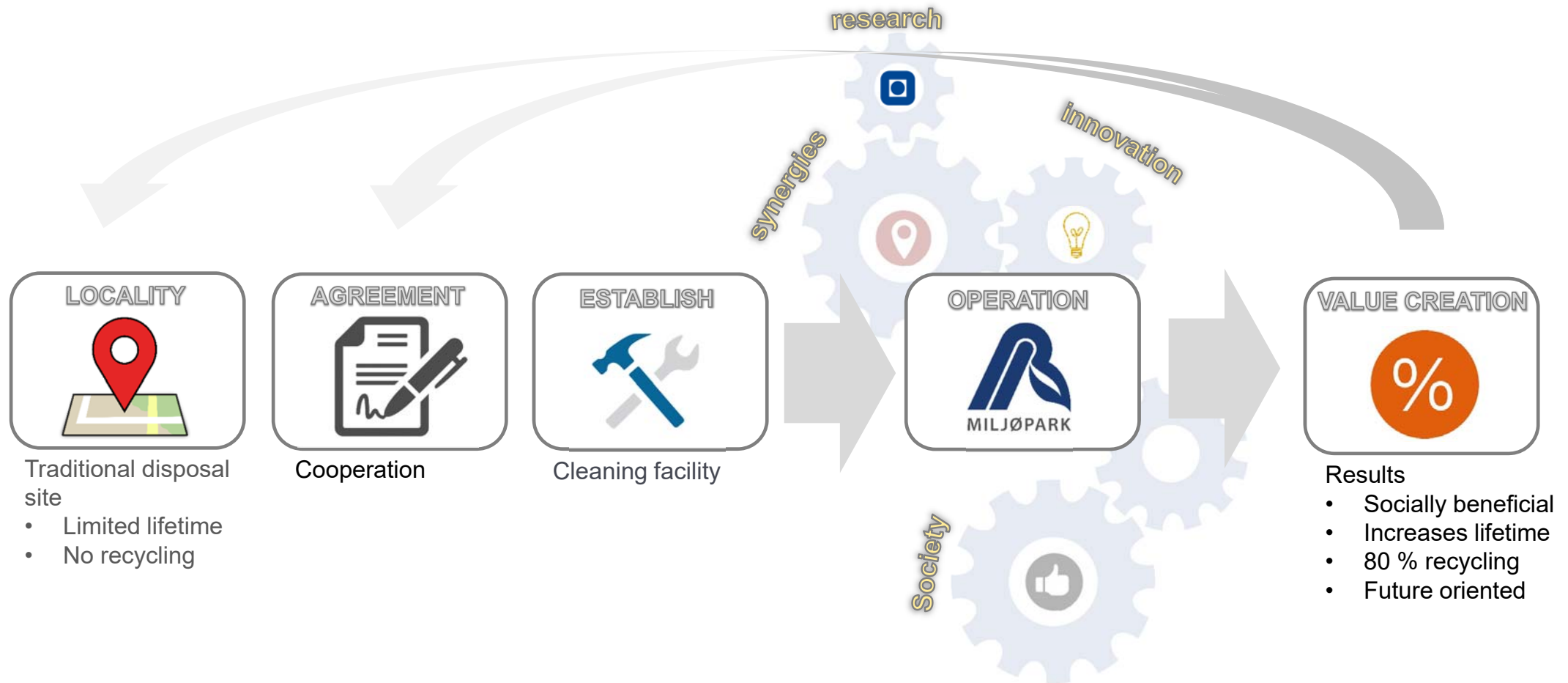
\*Per Q3. 2017

# The circular city





# Sustainable interaction provides further growth





## Environment

An operation that is broader and less dependent on economic cycles



*We shall help to promote resources and technology necessary for creating the society and jobs of the future*

*...which is why we want to offer solutions that meet the environmental challenges of the future*

CONTRACTOR

ENVIRONMENTAL CENTRE



INNOVATION  
ORIGINALITY  
PERIPHERY

RESOURCE  
TECHNOLOGY  
LOCALITY

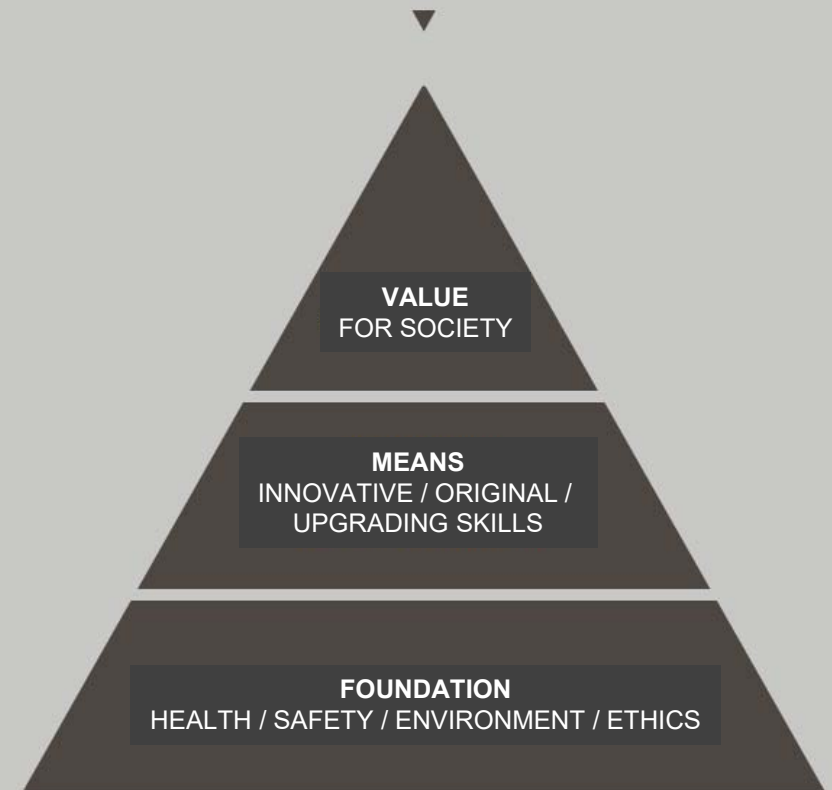
Corporate social responsibility

# Sustainable entrepreneurship



*"We shall offer solutions that meet the environmental challenges of the future"*

## SOCIAL CHALLENGES



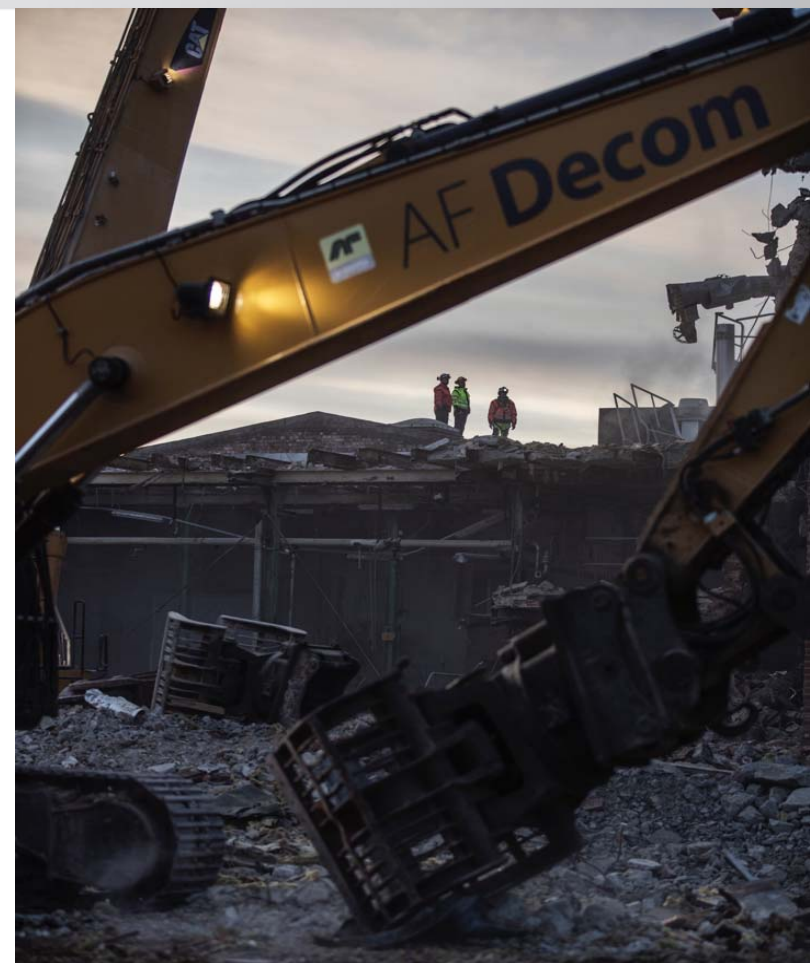
3<sup>rd</sup> quarter 2017

# Summary



MNOK	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Inntekter	3,399	3,108	9,408	8,984
EBIT	230	270	626	706
EBT	232	265	625	700
EBIT %	6.8 %	8.7 %	6.7 %	7.9 %
EBT %	6.8 %	8.5 %	6.6 %	7.8 %

- A good quarter
- All time high order backlog: NOK 20,183 million (11,200)
- Positive development in LTI-rate
- Record-low absence due to illness
- Strong financial position and order intake supports our growth strategy





Thank you for your  
attention!

Q4 2017:  
February 16<sup>th</sup> 2018

