

May 9th 2018

Q1 2018

AF Gruppen ASA



1st quarter 2018



Highlights

Strong growth

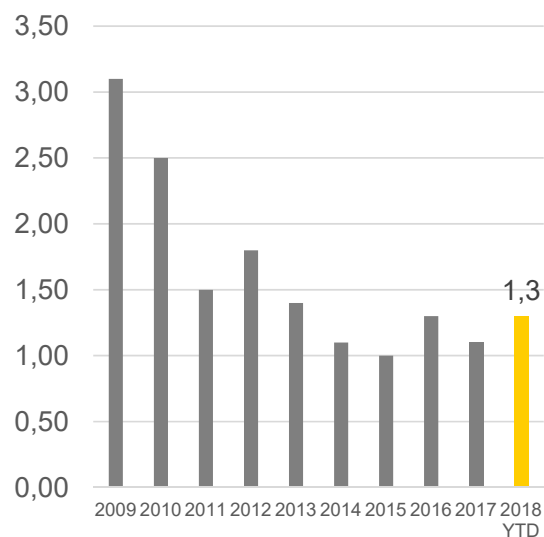
- Revenues: NOK 3,883 million (2,662)
- EBT: NOK 194 million (142)
- EBT margin: 5.0 % (5.4 %)
- Strong order backlog: NOK 19,451 million (15,984)
- Solid financial position: Net interest bearing receivables of NOK 1,017 million (1,063)
 - Dividend proposal for payment 1st half-year 2018 of NOK 5.00 (5.00).

1st quarter 2018

Safety

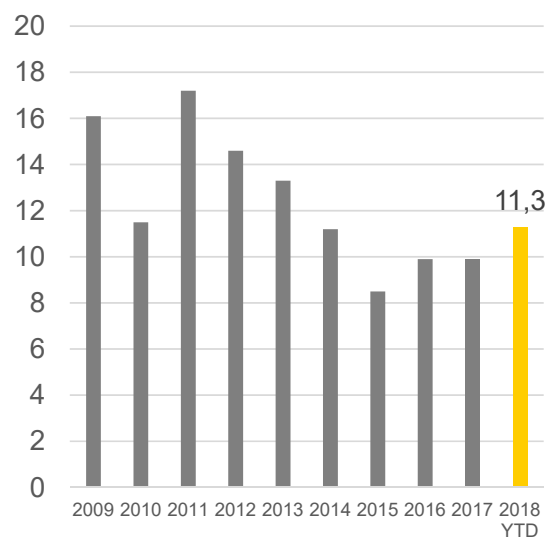


Lost-time injury frequency (LTIF)



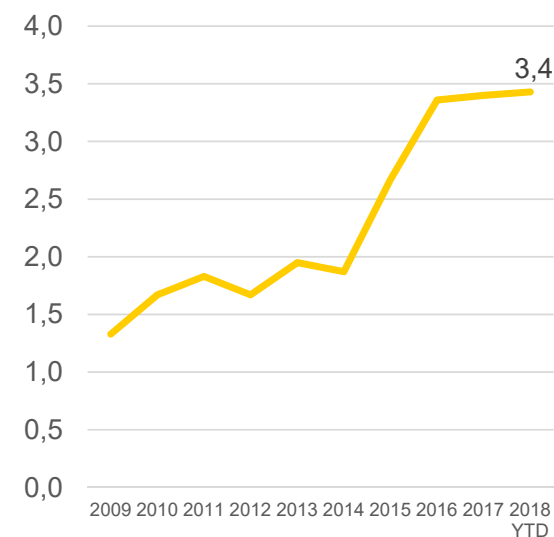
Number lost-time injuries per million hours worked. Measuring of LTIF also includes injuries by subcontractor employees.

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)



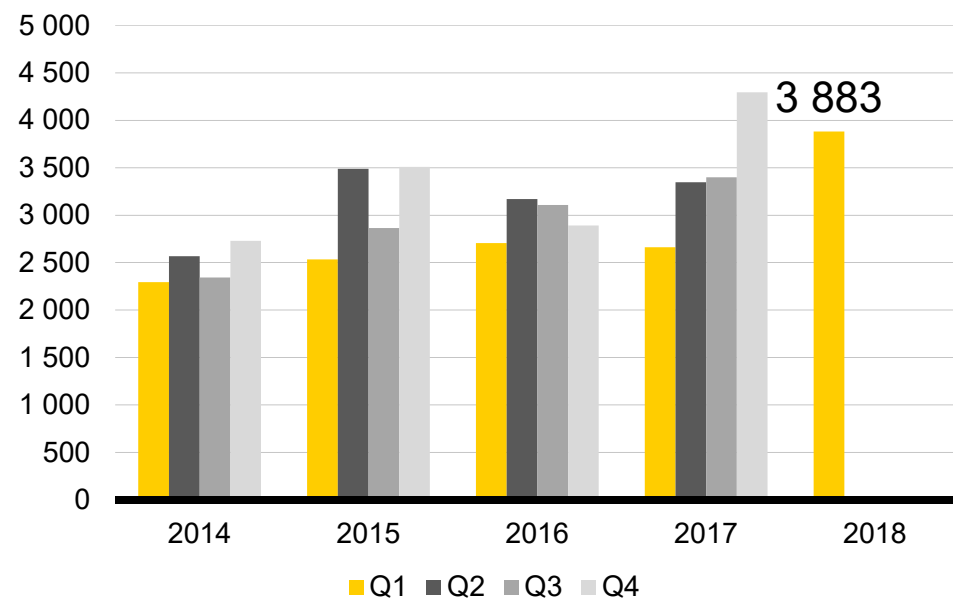
Number of reported unwanted incidents per man-year.

1st quarter 2018

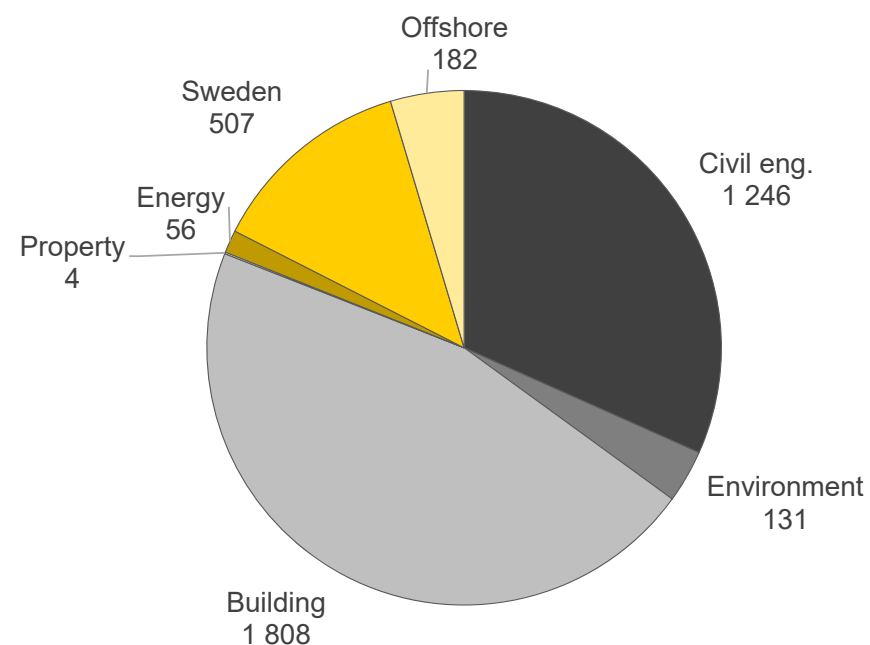
Revenues



NOK million



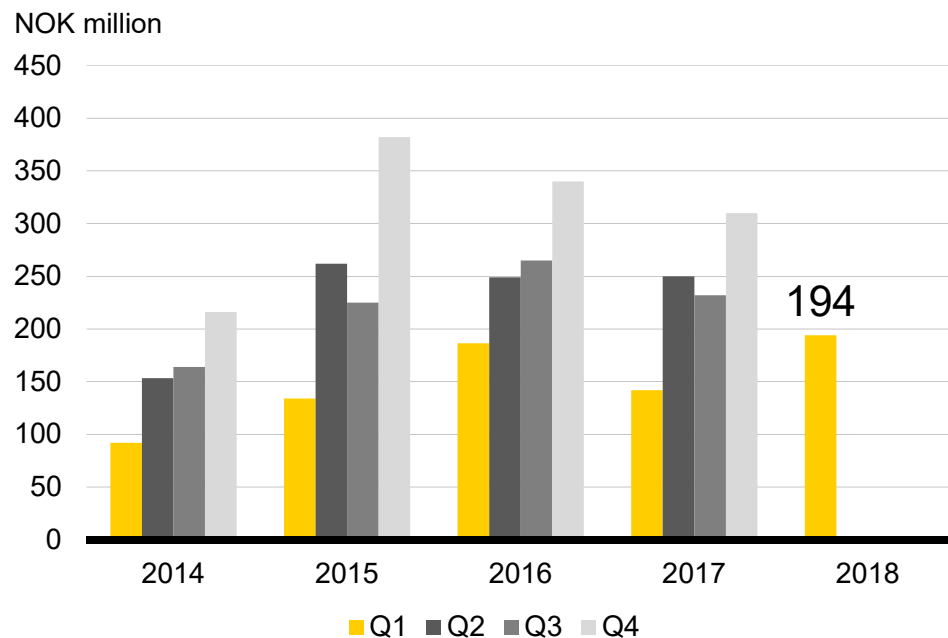
Q1 revenues by business area:



1st quarter 2018



Earnings before tax



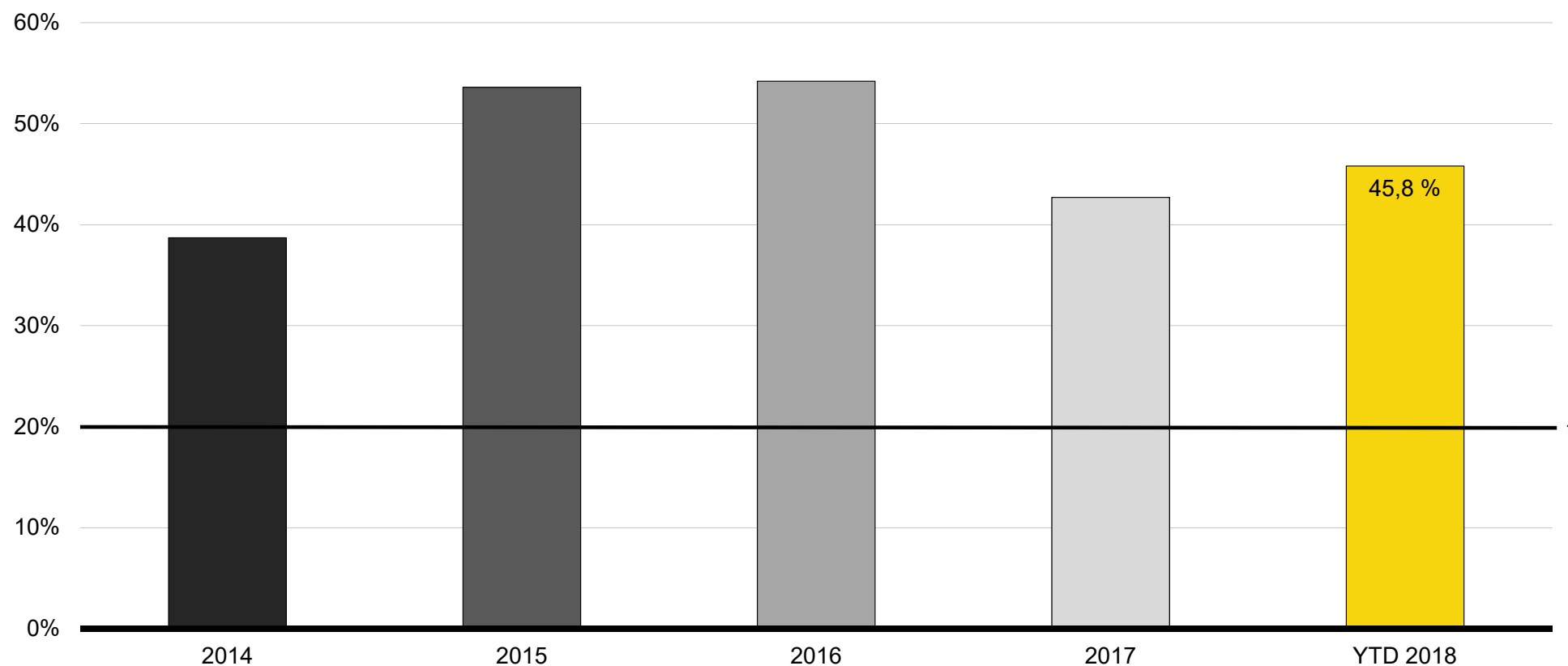
- A good 1st quarter
- EBT Q1: NOK 194 million (142)
- EBT % Q1: 5.0 % (5.4 %)

1st quarter 2018



Return on capital employed

12 month rolling average



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

1st quarter 2018



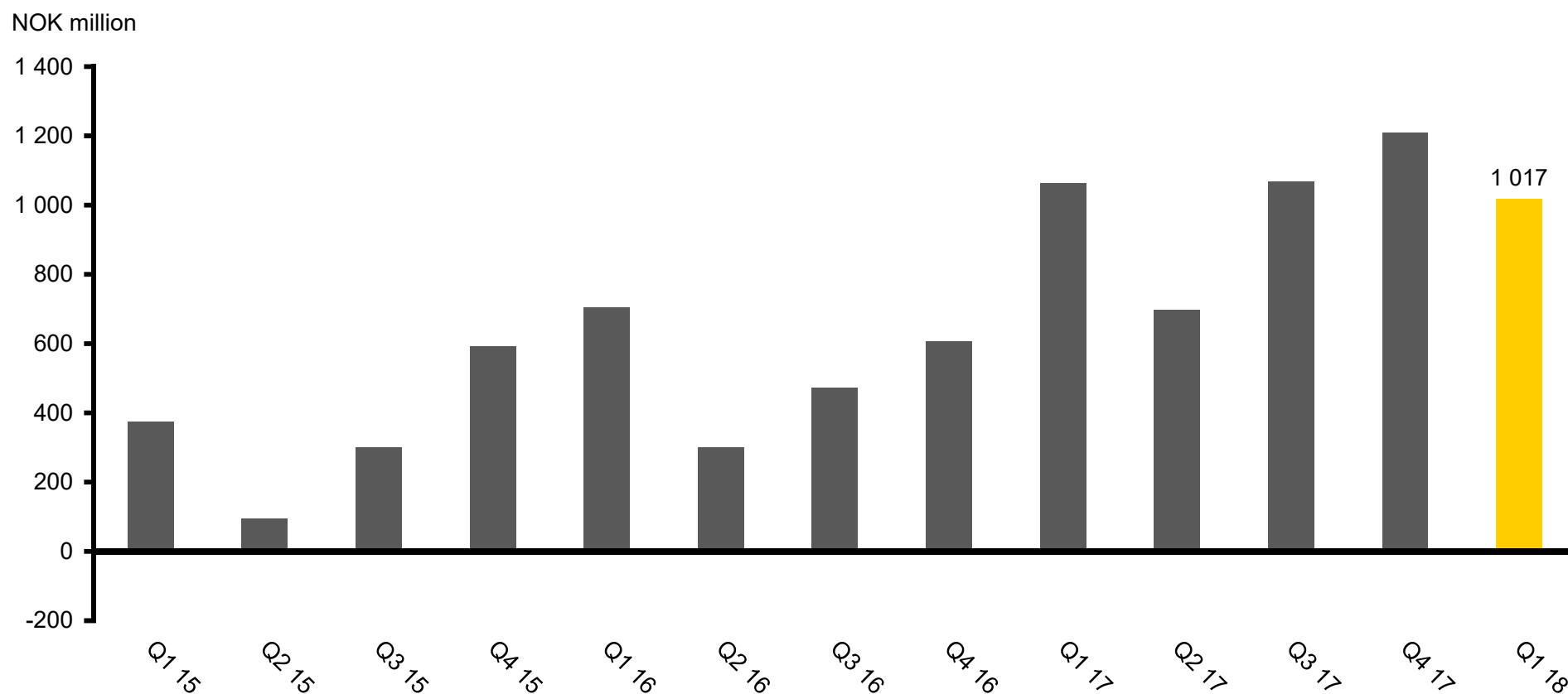
Cash flow statement

NOK million	Q1 2018	Q1 2017	2017
EBIT	185	145	924
Depreciations, amortization and impairment	44	39	169
Change in net working capital	-52	287	775
Other adjustments / taxes paid	-50	-56	-514
Cash flow from operations	126	415	1,354
Net investments	-245	-142	-119
Cash flow from capital activities	-90	180	-594
Interest paid and change in interest bearing debt	-10	-15	-11
Net decrease (increase) in cash and cash equivalents	-219	439	632
Net cash and cash equivalents at beginning of period	1,098	469	469
Change in cash and cash equivalents without cash effect	-1	-	-2
Net cash and cash equivalents end of period	879	907	1,098

1st quarter 2018



Net interest bearing receivables



Net interest bearing receivables as of 31 March is NOK 1,017 million (1,063).

1st quarter 2018



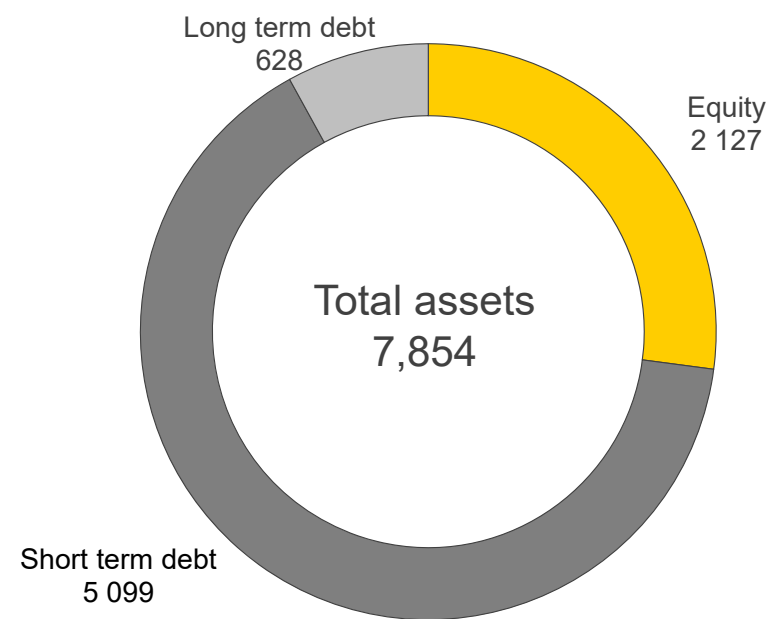
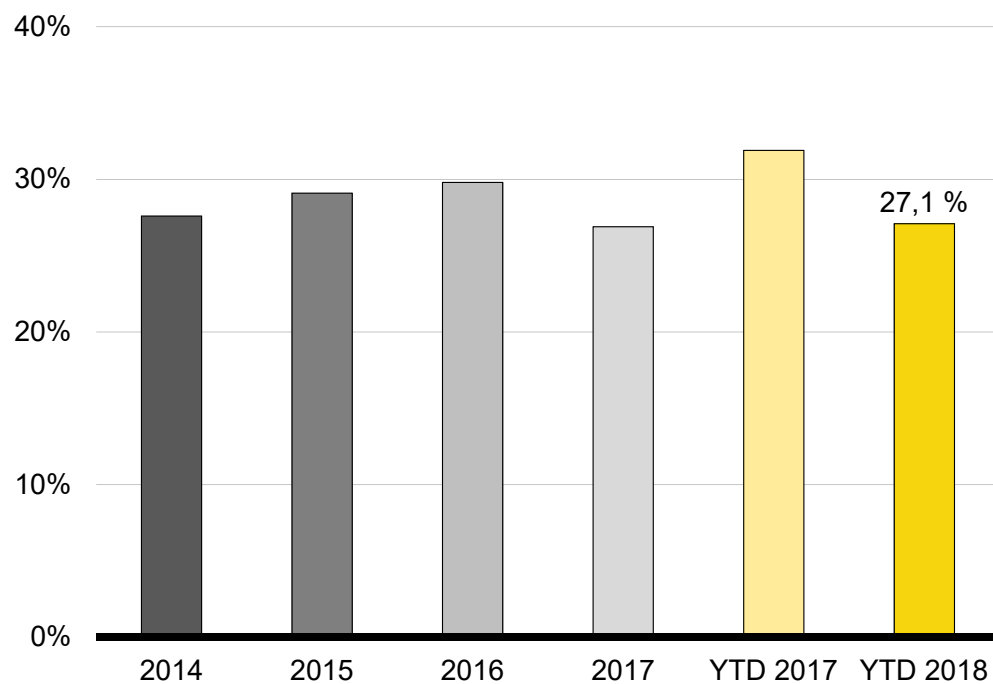
Balance sheet

NOK million	31.03.18	31.03.17	31.12.17
Non-current assets	4,095	4,006	4,049
Current assets, ex. Cash	2,881	2,227	2,581
Cash and cash equivalents	879	907	1,098
Total assets	7,854	7,140	7,728
Equity	2,127	2,275	2,077
Long term debt	628	567	647
Short term debt	5,099	4,298	5,004
Total equity and debt	7,854	7,140	7,728

1st quarter 2018



Equity ratio

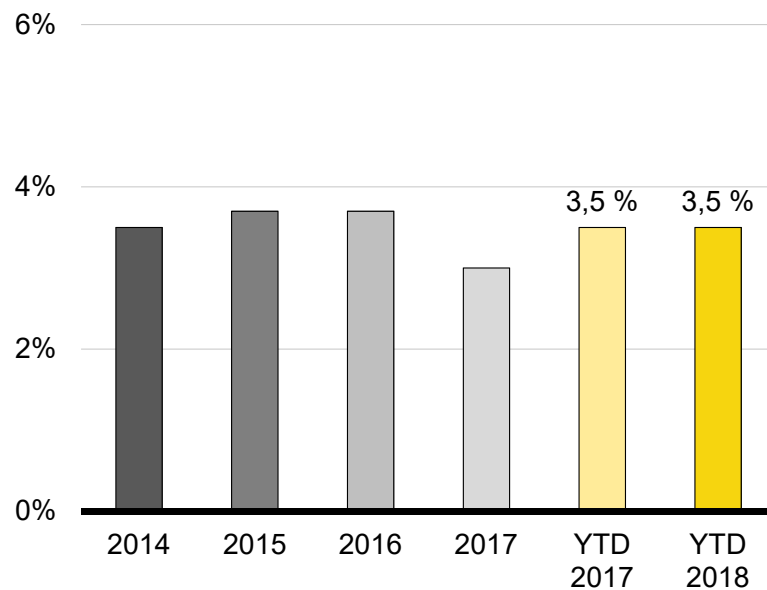


1st quarter 2018

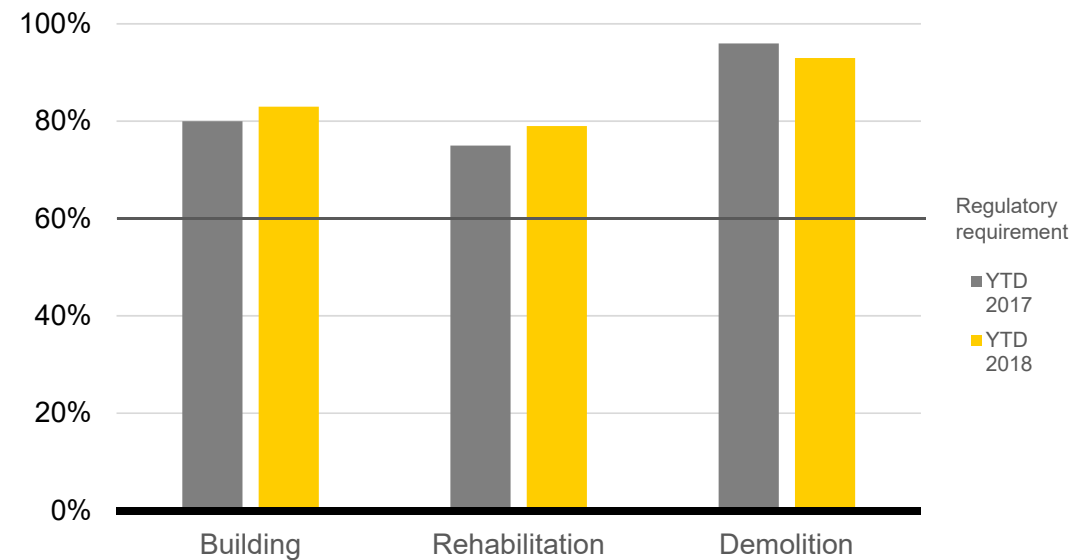


Health and environment

Sick leave



Source separation rate



A total of 52,363 (85,675) tonnes of waste has been sorted in the 1st quarter.

1st quarter 2018

Business areas



High activity level

NOK million	Q1 2018	Q1 2017	2017
Revenues	1,246	668	3,569
EBIT	57	50	249
EBT	67	49	269
EBIT %	4.6 %	7.5 %	7.0 %
EBT %	5.4 %	7.4 %	7.5 %

- AF Anlegg has a very high activity level and the unit delivers good results.
- Målselv Maskin & Transport delivers good Q1 results.
- AF Anlegg entered into an agreement in Q1| with Bane Nor Property for construction of new maintenance facilities for trains for Bane Nor Property at Kvalaberg in Stavanger. Contract value is estimated at NOK 200 million excl. VAT.
- Order backlog: NOK 5,723 million (5,281)



Higher activity level and good performance

NOK million	Q1 2018	Q1 2017	2017
Revenues	131	100	474
EBIT	8	3	28
EBT	7	2	27
EBIT %	5.8 %	2.6 %	5.9 %
EBT %	5.5 %	2.4 %	5.8 %

- High activity level for AF Decom in Q1. The unit has good operational performance and delivers good Q1 results.
- Seasonally lower activity level at Rimol Miljøpark and Jølsen Miljøpark in Q1.
- Environment is developing a new environmental facility near Oslo. It is expected to open in Q2 2018 and will be the first facility of its kind in the eastern part of Norway.
- Order backlog: NOK 276 million (209)



The new Nes environmental facility

High activity level, stable results

NOK million	Q1 2018	Q1 2017	2017
Revenues	1,808	1,483	7,474
EBIT	90	80	467
EBT	96	83	481
EBIT %	5.0 %	5.4 %	6.3 %
EBT %	5.3 %	5.6 %	6.4 %

- AF Bygg Oslo, LAB and the companies in MTH all deliver good Q1 results.
- AF Bygg Østfold, AF Byggfornyelse and Strøm Gundersen all have a higher activity level in Q1 and deliver satisfactory results.
- AF Nybygg has landed two new jobs after quarter-end, and the unit is expected to deliver positive results for 2018.
- Order backlog: NOK 9,936 (8,141)



Karolines Hage, Horten

More positive residential market

NOK million	Q1 2018	Q1 2017	2017
Revenues	4	5	21
EBIT	17	23	78
EBT	14	19	64
EBIT %			
EBT %			

- 55 (127) apartments were sold in Q1. AF's share is 22 (47).
- Four housing projects with 717 apartments in the production phase (AF's share 267). 77 % of the apartments in production are sold as per March 31st.
- Land and development rights in progress: 2,113 (2,278) residential units. AF's share is 856 (903)
- AF has 92,084 (93,642) m² gross area of urban premises under development. AF's share is 45,273 (46,429).



New Kilen pier, Sandefjord

Increasing activity level, weak results

NOK million	Q1 2018	Q1 2017	2017
Revenues	56	51	244
EBIT	0	4	20
EBT	-1	4	22
EBIT %	0.0 %	8.1 %	8.2 %
EBT %	-2.6 %	8.1 %	9.1 %

- Increasing activity level for AF Energi & Miljøteknikk in Q1, but the unit delivers weak results.
- The results are affected by the start-up of two new offices in Bergen and Lithuania, as well as challenging completions of two EPC-contracts.
- Order backlog: NOK 286 million (164)



EPC contract, Ullensaker

Solid growth

MNOK	Q1 2018	Q1 2017	2017
Inntekter	507	327	1 611
EBIT	22	17	83
EBT	21	17	82
EBIT %	4.3 %	5.2 %	5.2 %
EBT %	4.2 %	5.2 %	5.1 %

- Kanonaden Entreprenad delivers satisfactory results in Q1. Pålplintar has a lower activity level and delivers weak results.
- High activity level at AF Härnösand Byggreturer. The unit has good profitability in their projects in Q1.
- AF Bygg Göteborg and AF Bygg Syd delivers satisfactory quarterly results.
- Wait-and-see attitude in the swedish residential market. AF Projektutveckling still delivers strong Q1 results.
- Order backlog: NOK 1,746 million (1,051).



Kanonaden Entreprenad

Demanding market conditions

NOK million	Q1 2018	Q1 2017	2017
Revenues	182	155	664
EBIT	3	10	59
EBT	4	8	49
EBIT %	1.8 %	6.5 %	8.8 %
EBT %	2.2 %	5.0 %	7.4 %

- As expected, AF Offshore Decom has a lower activity level, but the unit still delivers positive Q1 results.
- Demanding market conditions for AF AeronMollier. The unit has somewhat lower activity in Q1 and delivers weak results.
- AF AeronMollier has won several smaller projects in the 1st quarter, including contracts with Havyard Ship Technology as well as a contract for phase 2 of the Johan Sverdrup development.
- Order backlog: NOK 922 million (605)



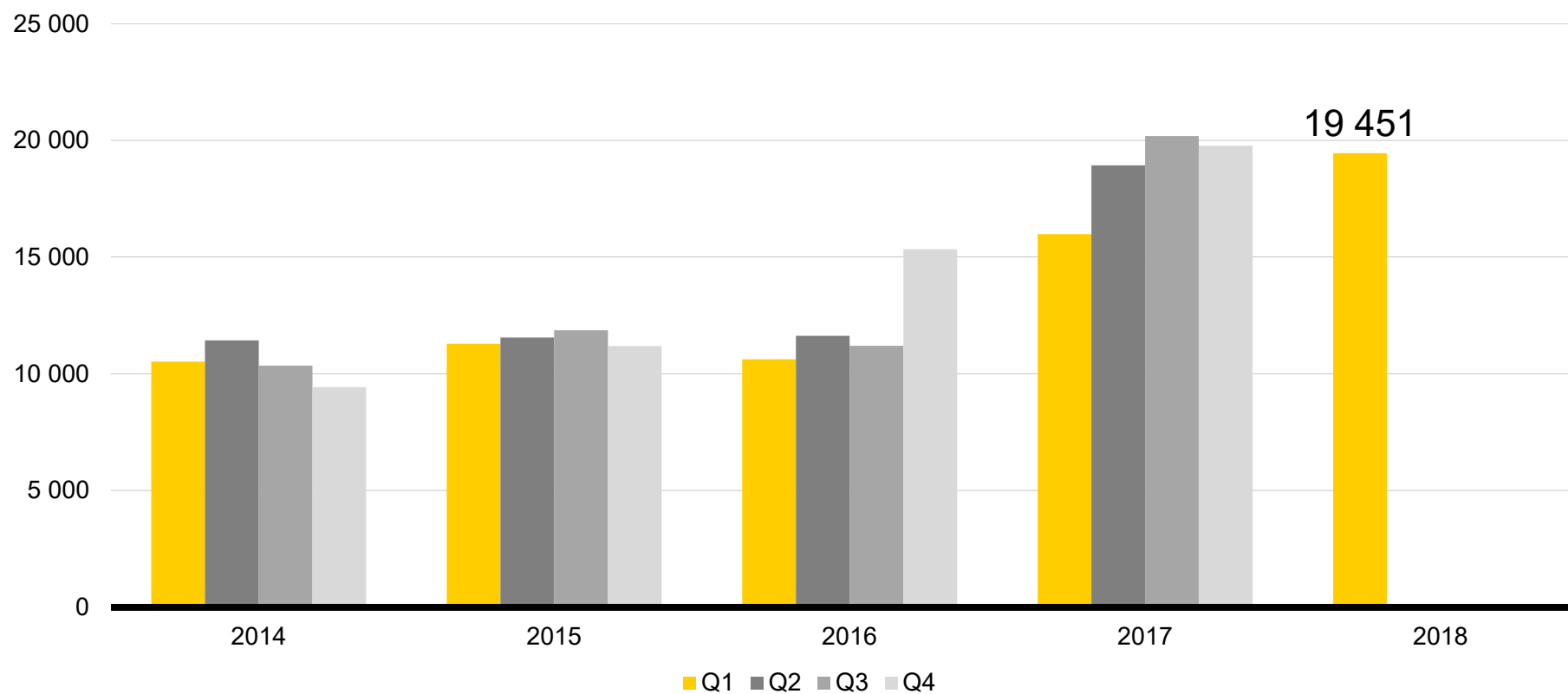
Ferries, Havyard

Order backlog



Solid order backlog

NOK million

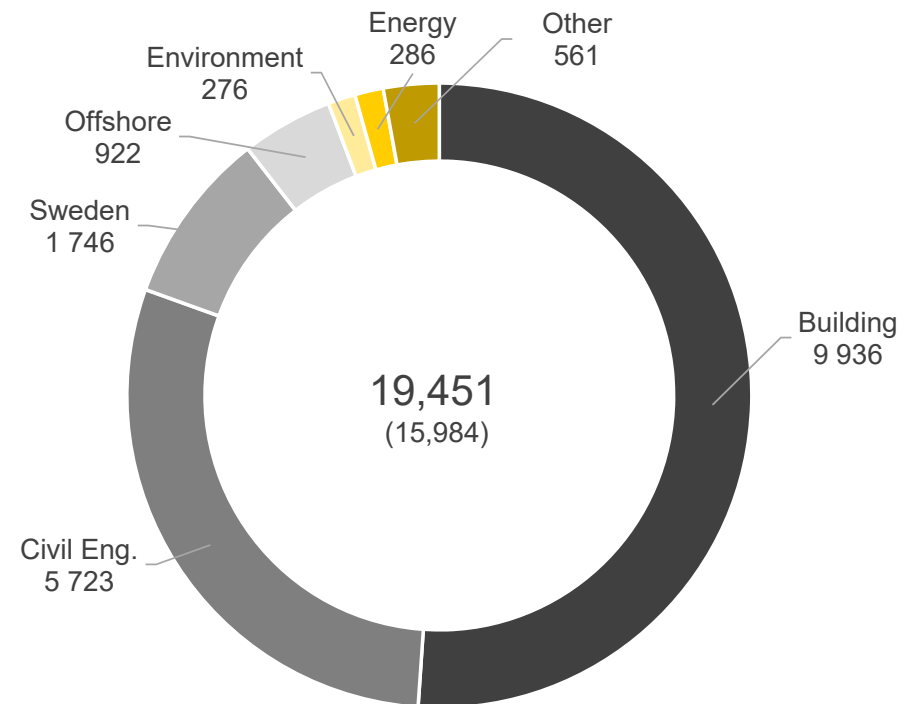
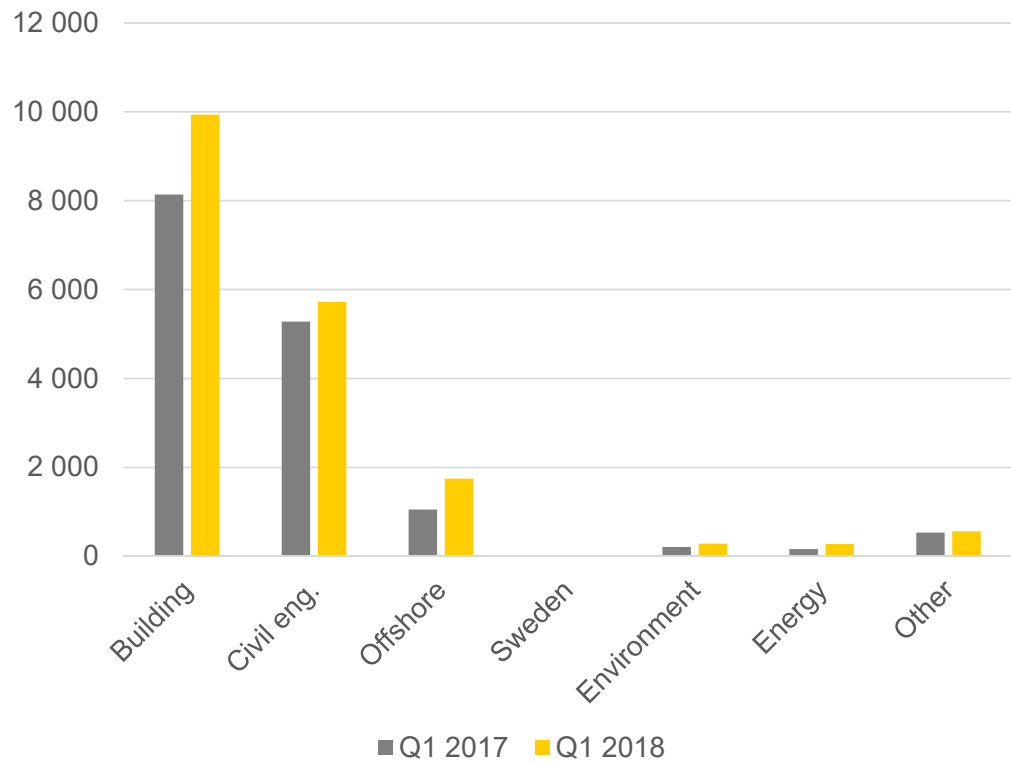


Order backlog



Order backlog per business area

NOK million



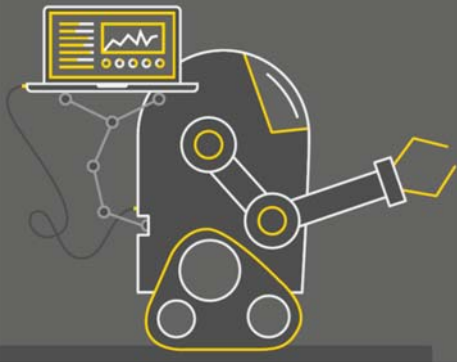
Innovation in AF



Innovation is one of the key elements of AF's group strategy for 2016-2020

Strategic initiative

We will increase our competitiveness through innovation



Improve the existing

Actively seek new business models for AF

Make strategic investments in start-up companies

1

Innovation in projects

2

Innovation in the Group

Innovation in AF

Innovation goals in AF

Increase productivity

Reduce the level of costs

*Improve quality in processes
and the value of the end
product*

Attract the sharpest minds

Value
creation for
AF

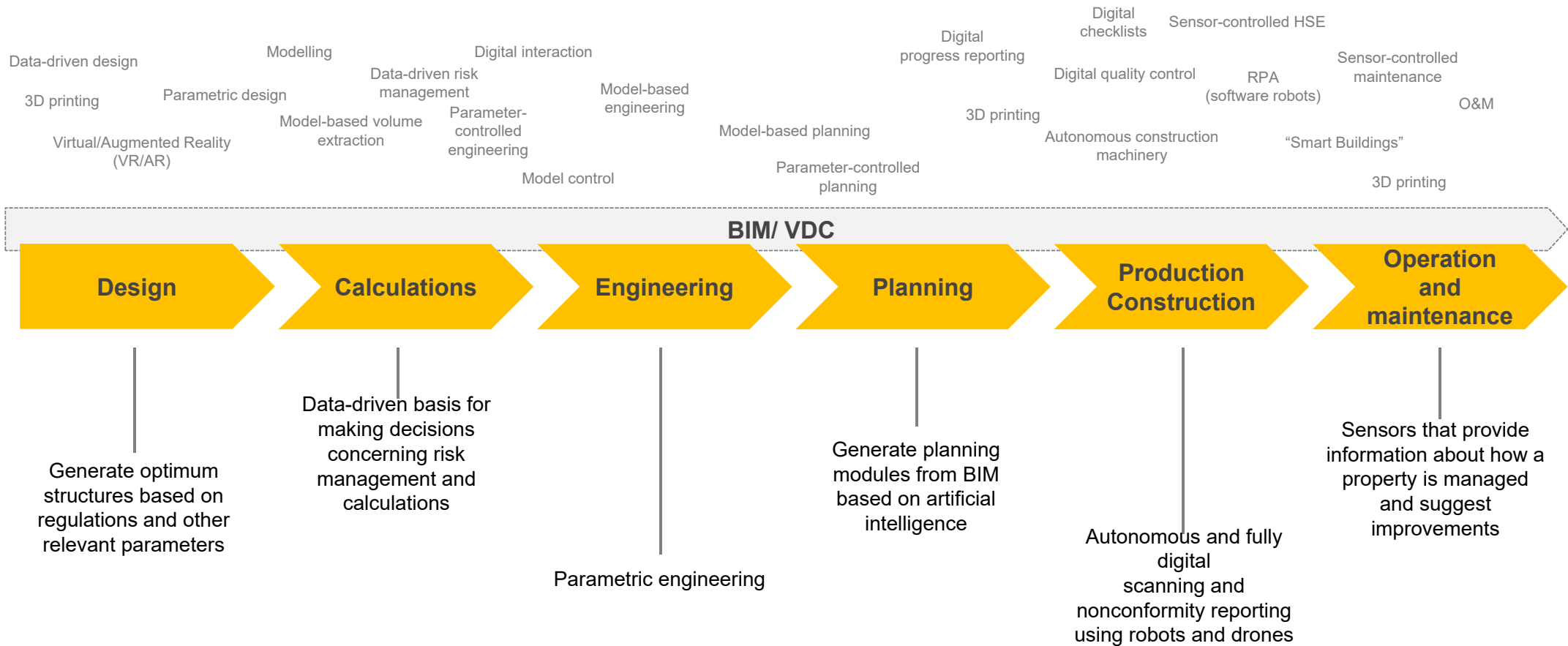


*Great potential in both the short and the long term and makes
us better prepared to face the forms of competition and
competitive landscape of the future.*

Group managed projects



The opportunities for innovation and using digital tools in construction processes are almost limitless



Innovation in projects 1



We work with robots in operations – both physical and virtual

RPA in operations

Robotic process automation in project execution

Project: The National Museum

Realisable
gain:
1 work year

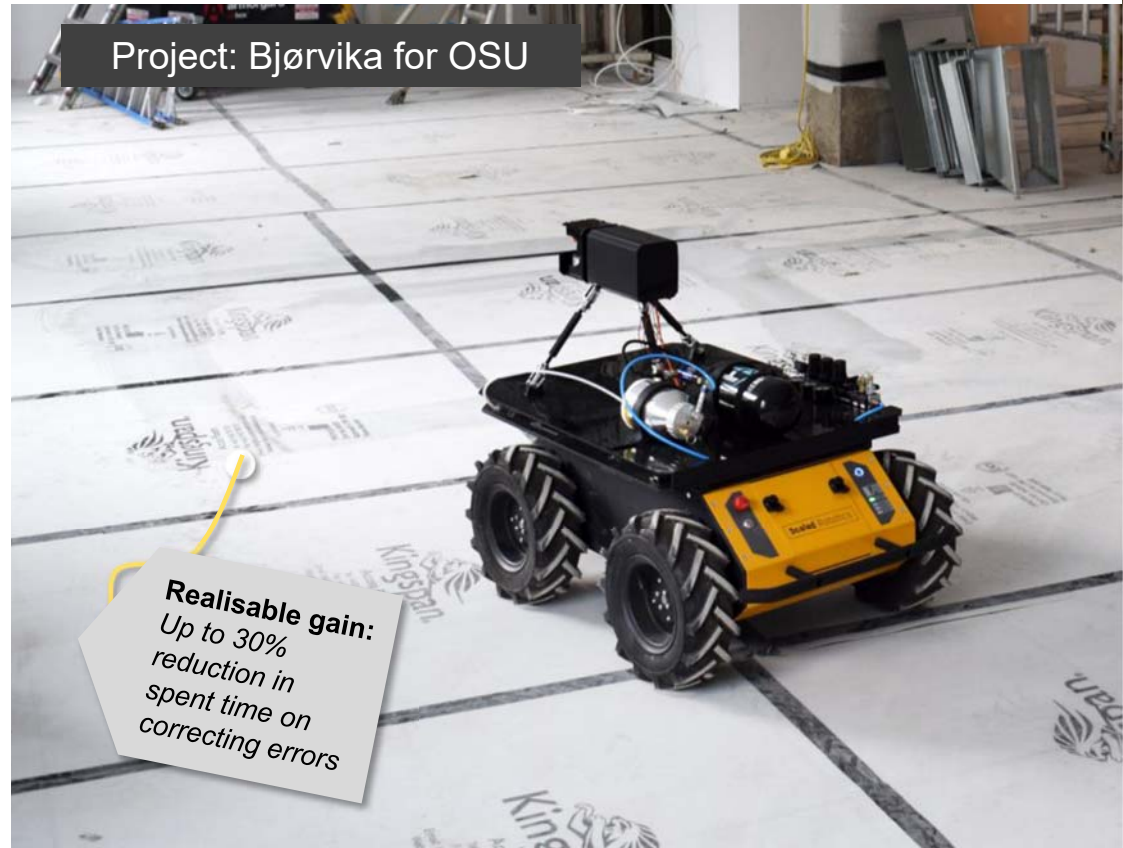


Test phase for physical robots

3D scanning and checks against BIM model

Project: Bjørvika for OSU

Realisable gain:
Up to 30%
reduction in
spent time on
correcting errors



Innovation in projects 1

AF is rapidly adopting new technologies



Test project for 3D printing of spare parts

Useable technology that has quickly become available



Extensive use of drones

Suitable for surveys, measuring masses and complicated demolition jobs



Digitalisation is taking place in every link of our projects' value chains

Paperless construction site

Drawingless based on BIM

Project: Vamma Power Station



VDC – Virtual Design Construction

BIM, participative planning and LEAN in Construction

Project: Arendal-Tvedestrand



Changed business concepts having major impact

Prefabrication of technical modules

Modularisation and offsite production of buildings (DfMA) being looked at

Project: Moholt

Realisable gain:
80% reduction in
installation time



Self-developed technology for environmental parks

Accepts polluted masses, decontaminates and reuses 80%

Project: Rimol

Realisable gain:
5x disposal
capacity and reuse
of masses



New technology and new methods are changing the way we execute our projects

Parametric design in planning

Objective data-optimised solutions for plot use

Project: Kleivveien



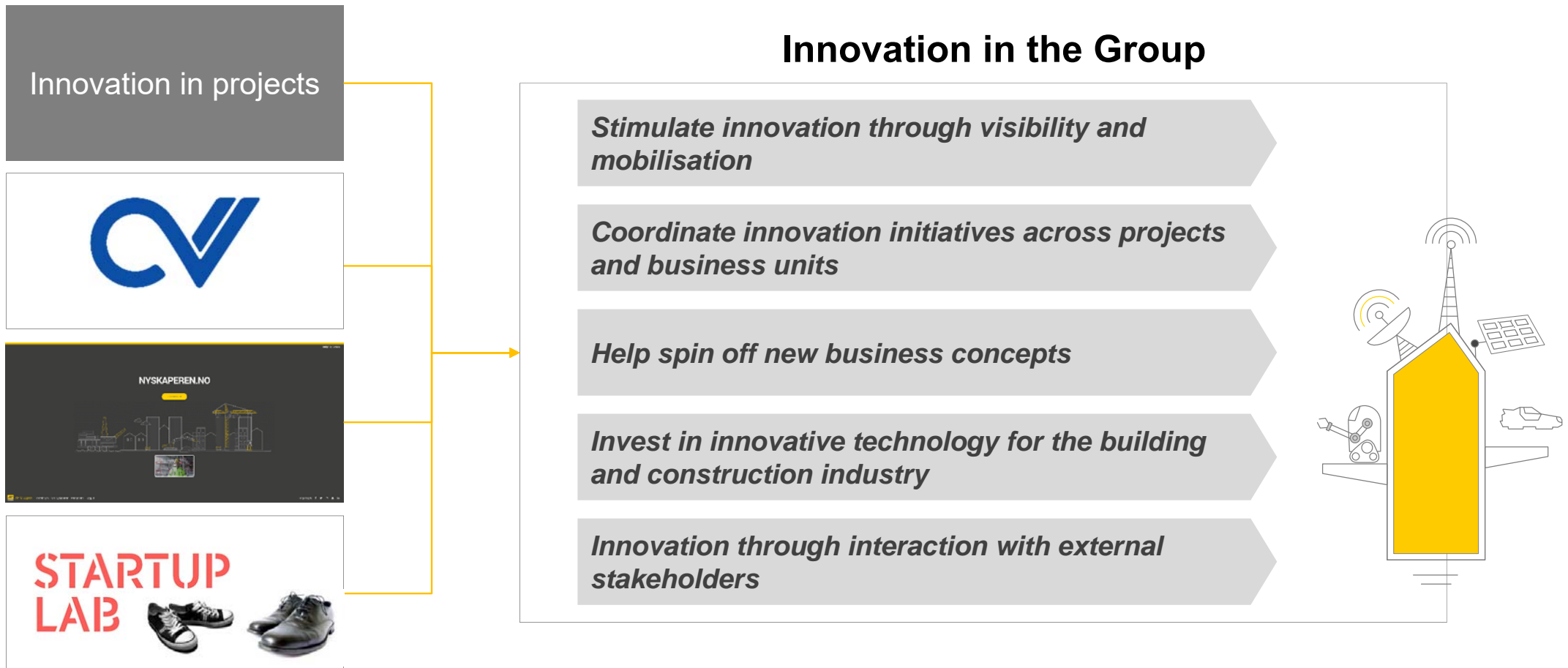
New interaction models

Innovative interaction patterns in the construction industry

Project: Bispevika for OSU



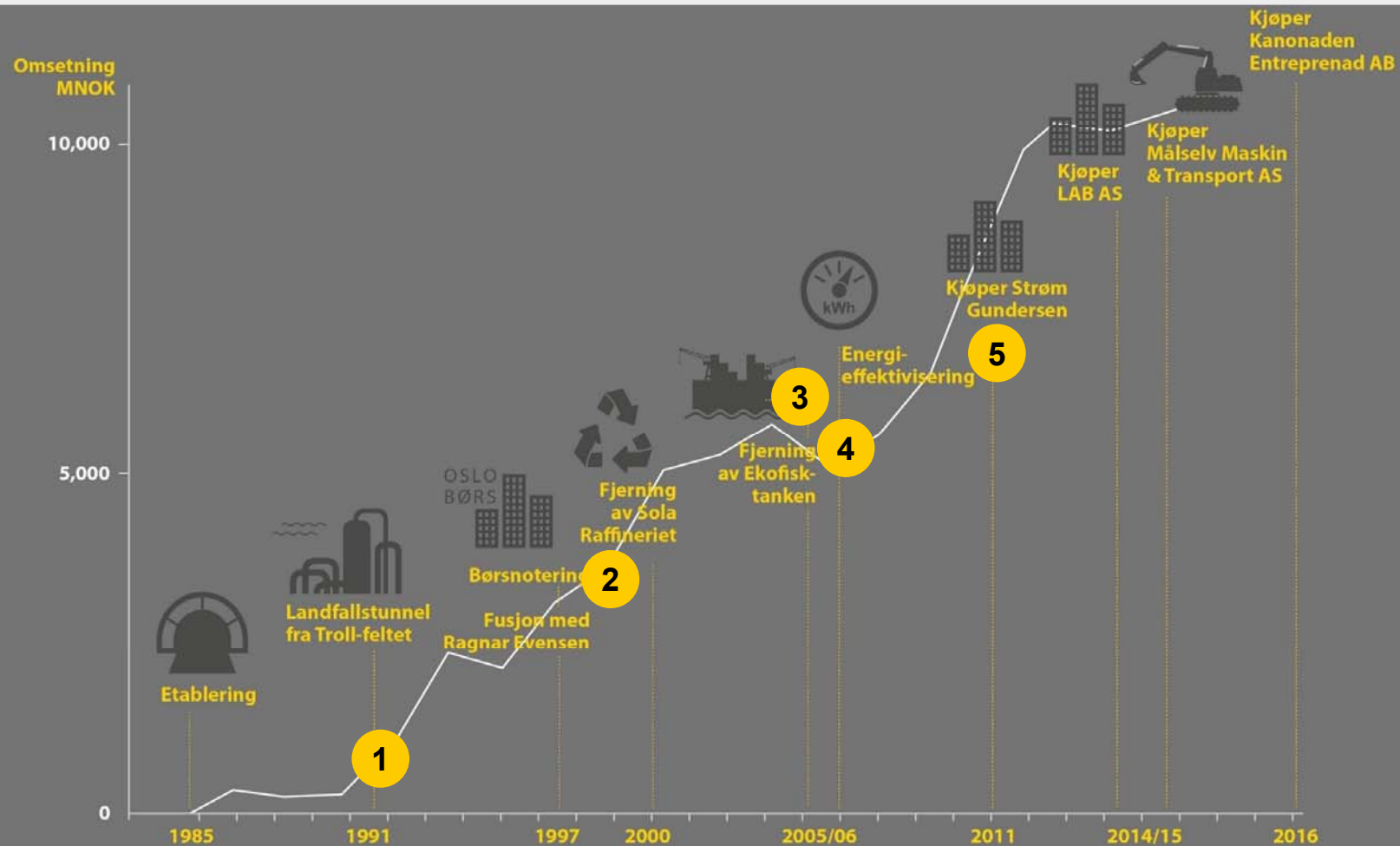
The Group coordinates innovation initiatives across AF and with external stakeholders



New business concepts 2



AF has a history of spinning off new business concepts from its traditional core



Construction City 2

Together with OBOS, we are creating a unique arena for interaction in Construction City



85,000 sqm business cluster for the building and construction industry and the property industry of the future that will be realised by 2023

Owners, developers and
tenants



Project partners and tenants

Multiconsult



Cluster partners

STARTUP
LAB



Together with OBOS, we are establishing Construct Venture to invest in innovative technology for the building and construction industry



Owners	AF and OBO 50/50
Committed capital	NOK 80 million
Focus	Targeted industry focus on building and construction Companies that are in the early stages of commercialisation
Active ownership	Board representation and active involvement in the companies we invest in
Co-ownership	Considering co-investments with others if the focus is right
Geography	Norway and the Nordic countries, but also relevant international companies

Goal

Building a smart supplier industry that can contribute to increased profitability in our core business – investing to take part in the value creation

Advanced technology proven in other industries is now being introduced into building and construction

Examples of use

Companies

Digitalisation

- BIM
- 3D scanning
- Project management tools

Virtual/Augmented/ Mixed Reality

- Apartment display models
- Out on the construction site to see the digital model "live"

Machine learning and artificial intelligence

- Architectural process
- Analysis of large amounts of data to predict maintenance

Robotisation

- Scanning of buildings to check against original model
- Marking out of interior walls

Internet of Things

- Sensors on machinery and housing to understand their use and utilisation
- Predictive maintenance

3D printing

- Spare parts for construction machinery out on the site
- Custom parts for buildings

Offshore technology

- Seismic for investigating ground conditions on a plot or construction site
- Horizontal drilling for connecting to mains pipes – "no dig solutions"



1st quarter 2018

Summary



NOK million	Q1 2018	Q1 2017	2017
Revenues	3,883	2,662	13,704
EBIT	185	145	924
EBT	194	142	935
EBIT %	4.8 %	5.5 %	6.7 %
EBT %	5.0 %	5.4 %	6.8 %

- Strong revenue growth (+46 %)
- High order backlog: NOK 19,451 million (15,984)
- Strong financial position
- Dividend of NOK 5.00 per share (5.00)



Storebukta, Kolbotn

Thank you for your
attention!

Q2 2018:
August 24th 2018

