First quarter 2019

AF Gruppen ASA

Q1

From the CEO

We are pleased that we are continuing to deliver stable and good results even with strong growth in a highly competitive market. Profitable growth is essential in order to compete for the most interesting contracts, attract the best employees and reinforce an already healthy corporate culture. Although we are achieving strong growth in revenue, good results and have a historically high order backlog, we must still intensify our work on safety. Safety is the first priority, and our goal is that no one should be injured when working in AF. We have therefore introduced the Safety Enhancement Program, which is a set of measures intended to strengthen our safety culture and raise the awareness of each and every employee. The AF culture shall be characterised by clear core values, risk management and systematic work on health, safety and the environment.

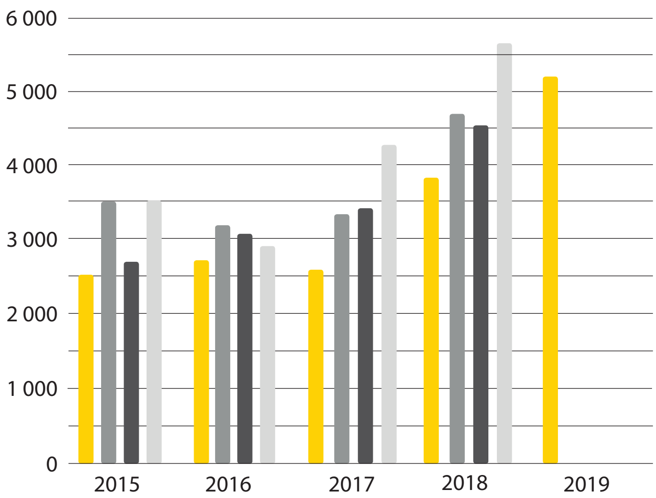
AF has always been proud of its strength and ability to perform complex tasks. The group's entrepreneurial spirit has been characterised by the ability and willingness to think differently and to find better, more future-oriented ways to generate value.

HIGHLIGHTS

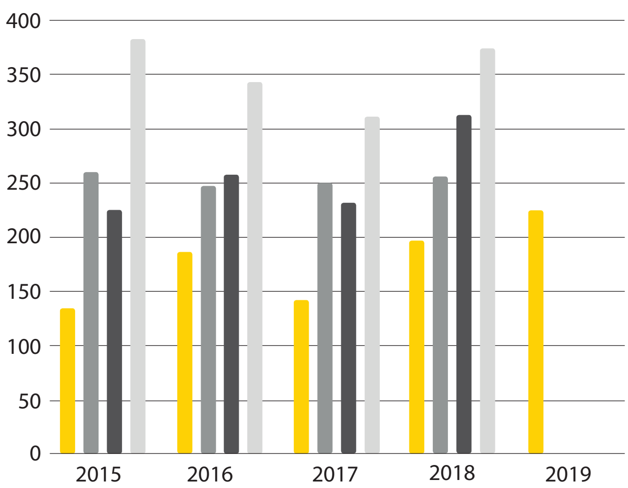
- Revenues were NOK 5 214 million (3 883 million) for the 1st quarter.
- Earnings before tax were NOK 226 million (194 million) in Q1.
- The profit margin was 4.3 % (5.0 %) for the 1st quarter.
- Net operating cash flow was NOK 257 million (126 million) for Q1.
- The order backlog stood at NOK 23,679 million (19,451 million) as at 31 March 2019.
- Net interest-bearing liabilities as of 31 March 2019 were NOK 189 million* (NOK -1,017 million).
- The Board of Directors' has proposed a dividend for payment of NOK 5.00 (5.00) per share for the first half of 2019.

** The implementation of IFRS 16 from 1 January 2019 led to an increase of interest-bearing debt of NOK 888 million.*

REVENUES PER QUARTER (NOK MILLION)



EARNINGS BEFORE TAX PER QUARTER (NOK MILLION)



SUMMARY OF 1ST QUARTER

Key figures (NOK million)	1Q 19	1Q 18	2018
Revenues and other income	5 214	3 883	18 767
EBITDA	342	228	1 303
Earnings before finacial items and tax (EBIT)	232	185	1 119
Earnings before tax (EBT)	226	194	1 136
Result per share (NOK)	1.41	1.33	7.88
Diluted result per share (NOK)	1.41	1.33	7.88
EBITDA margin	6.6 %	5.9 %	6.9 %
Operating margin	4.5 %	4.8 %	6.0 %
Profit margin	4.3 %	5.0 %	6.1 %
Return on capital employed (ROaCE) [1]	49.5 %	45.8 %	53.9 %
Cash flow from operating activities	257	126	841
Net interest-bearing debt (receivables)	189	-1 017	-894
Equity ratio	22.3 %	27.1 %	25.0 %
Order backlog	23 679	19 451	21 541
LTI-1 rate	1.9	1.3	0.8
Absence due to illness	3.7 %	3.5 %	3.3 %

[1] 12-month rolling average

The Energy and Environment business areas merged as of 1 January 2019. The new business area consists of AF Energi & Miljøteknikk and AF Decom.

IFRS 16 Leases is implemented from 1 January 2019. Historical figures are not restated. See note 4 for further information.

The Opera House beachfront in Oslo

BUSINESS AREAS

Civil Engineering

NOK million	1Q 19	1Q 18	2018
Revenues and income	1 657	1 246	5 861
Earnings before financial items and tax (EBIT)	71	57	275
Earnings before tax (EBT)	74	67	293
Operating margin	4.3 %	4.6 %	4.7 %
Profit margin	4.4 %	5.4 %	5.0 %

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

Civil Engineering consists of two business units:

- AF Anlegg
- Målselv Maskin & Transport

The Civil Engineering business area reported revenues of NOK 1 657 million (1 246 million) for the 1st quarter. This corresponds to growth of 33,0 per cent compared with the same quarter last year. Earnings before tax were NOK 74 million (67 million).

AF Anlegg reported a very high level of activity for quarter. Even with strong growth, the unit delivered good results and an industry-leading profit margin. The E18 Tvedestrand – Arendal project is in a hectic final phase until traffic starts on 2 July 2019, while the E39 Kristiansand west – Mandal east project in general has had a good mobilisation and start-up. Målselv Maskin & Transport continues to deliver very good results in the first quarter.

After the end of the quarter, Civil Engineering entered into a contract with Statkraft for the construction of Vesle Kjela power plant in the municipality of Vinje. The contract includes the blasting of approx. 2 km of tunnel and construction-related work on the power station underground. Work starts in April/May 2019, and is to be completed in August 2021. The contract is valued at approximately NOK 180 million, including VAT.

The order backlog for Civil Engineering stood at NOK 6 628 million (5,723 million) as at 31 March 2019.

The Coffee House at Vestby

Building

NOK million	1Q 19	1Q 18	2018
Revenues and income	2 508	1 808	9 055
Earnings before financial items and tax (EBIT)	128	90	619
Earnings before tax (EBT)	132	96	645
Operating margin	5.1 %	5.0 %	6.8 %
Profit margin	5.3 %	5.3 %	7.1 %

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

The Building business area is divided into fourteen business units and their associated subsidiaries:

- AF Bygg Oslo
- AF Byggfornyelse
- AF Nybygg
- AF Bygg Østfold
- Strøm Gundersen
- Strøm Gundersen Vestfold
- Haga & Berg
- Consolvo
- AF Håndverk (formerly MTH)
- EIQON
- LAB Entreprenør
- Åsane Byggmesterforretning
- FAS
- HTB

The Building business area reported revenues of NOK 2,508 million (1,808 million) for the 1st quarter. Earnings before tax were NOK 132 million (96 million).

There is a high level of activity in the building market in Norway. Revenue growth for Building is 21,2 % and the profit margin is in line with the same quarter last year. Most business units have a high level of activity and deliver good results for the quarter, particularly in AF Bygg Oslo and contracting activities in Bergen. Additionally, the rehabilitation operations in Oslo deliver strong results.

A number of new contracts were signed in the 1st quarter. AF Bygg Oslo entered into a contract with Hasle Linje 2 AS in February for the construction of a new Nordic Choice Hotel and office building at Hasle in Oslo. The NOK 490 million (excl. VAT) contract will be executed as an engineering, procurement and construction contract. Construction start is the first quarter of 2019, with completion in the first quarter of 2021. Strøm Gundersen has been chosen as contractor for building the project Heggedal Torg in Asker. The contract will be carried out as a design and build contract, and is valued at NOK 368 million excluding VAT. Construction starts immediately and is scheduled for two years.

The Building business area reported a further two contracts to the stock exchange after the end of the quarter, at a total contract value of NOK 848 million excluding VAT. In one contract LAB Entreprenør is proposed to build the county administration building in Bergen.

Building's order backlog was NOK 11 300 million (9 936 million) as at 31 March 2019.

Housing development in Billingstad

Property

NOK million	1Q 19	1Q 18	2018
Revenues and income	3	4	73
Earnings before financial items and tax (EBIT)	37	17	166
Earnings before tax (EBT)	35	14	157
Operating margin	-	-	-
Profit margin	-	-	-

The Property business area develops residential units and commercial buildings in Norway. The activities take place in geographic areas where AF has its own production capacity. The development projects are primarily organised as partly-owned companies that are consolidated in accordance with the equity method of accounting. The earnings that are consolidated in AF correspond to the earnings after tax multiplied by the ownership interest.

Good sales in projects with a high completion ratio has resulted in Property delivering a good pre-tax result of NOK 35 million (14 million) in the 1st quarter.

Sales have been very good with 162 (55) sold apartments in the 1st quarter, of which AF's share is 55 (22). The sales ratio for projects in progress is 78%.

At the end of the quarter Property had ownership interests in residential projects with a total of 313 (307) units for sale. AF's share was 117 (125). Of these, there was a total of 1 (2) unsold completed apartments, of which AF's share was 0.3 (0.7).

Property has six residential property projects with a total of 843 apartments under construction, of which AF's share is 313:
- Krydderhagen at Hasle (143 apartments)
- Thurmannskogen in Lørenskog (11 terrace houses)
- Lillo Gård at Nydalen (363 apartments)
- Nye Kilen Brygge in Sandefjord (100 apartments)
- Lilleby Triangel in Trondheim (97 apartments)
- Skiparviken in Bergen (129 apartments)

For further information, see Note 7.

As at the 1st quarter, Property had ownership interests in three commercial projects under construction in Oslo, with a gross floor area of 44,755 square metres, of which AF's share is 20,597 sqm GFA):
- Atea Building at Hasle (18 333 sqm GFA)
- K4 hotel and offices at Hasle (20,068 sqm GFA)
- Lille Gård Shops at Nydalen (6,354 sqm GFA)

AF has an ownership stake in a building site inventory (residential units under development) in Norway that is estimated to yield 2,034 (2,113) residential units. AF's share of this is 861 (856) residential units. In addition, AF also has an ownership stake in commercial property under construction with a gross floor area of 53 683 (92 084) square metres. AF's share of this is a gross floor area of 26 264 (45 273) square metres.

Demolition works at Billingstad

Energy and Environment

NOK million	1Q 19	1Q 18	2018
Revenues and income	217	186	875
Earnings before financial items and tax (EBIT)	9	8	44
Earnings before tax (EBT)	7	6	41
Operating margin	4.0 %	4.1 %	5.0 %
Profit margin	3.2 %	3.1 %	4.7 %

The Energy and Environment business area includes AF's energy services for onshore operations as well as services for demolition and recycling on land in Norway.

The business area consists of two business units:
- AF Energi & Miljøteknikk
- AF Decom

Energy and Environment also has operations in Rimol Environmental Centre, Nes Environmental Centre and Jølsen Environmental Centre, in addition to energy operations in Lithuania.

Revenues for the 1st quarter were NOK 217 million (186 million) and earnings before tax were NOK 7 million (6 million). This represents a good start to the year with growth of 16.7 % and a stable margin compared to the previous year.

There has been seasonal lower activity at Rimol Environmental Centre in the 1st quarter. AF is looking at possibilities for establishing more environmental centres in the time ahead.

The business area is looking for specific business opportunities with new and innovative solutions to challenges society is facing. The ambition is to become the industry leader in green solutions through our expertise in energy and the environment.

The order backlog for Energy and Environment stood at NOK 650 million (563 million) as at 31 March 2019.

Knivsta Centrum outside Uppsala

Sweden

NOK million	1Q 19	1Q 18	2018
Revenues and income	838	507	2 270
Earnings before financial items and tax (EBIT)	33	22	114
Earnings before tax (EBT)	32	21	113
Operating margin	3.9 %	4.3 %	5.0 %
Profit margin	3.8 %	4.2 %	5.0 %

The Sweden business area encompasses activities related to building, civil engineering, property and environmental activities in Sweden.

The business area consists of seven business units with subsidiaries:
- Kanonaden Entreprenad
- Pålplintar
- AF Bygg Göteborg
- AF Bygg Syd
- AF Projektutveckling
- AF Härnösand Byggreturer
- HMB

Sweden reported revenues of NOK 838 million (507 million) and earnings before tax of NOK 32 million (21 million) for the 1st quarter. The acquisition of HMB was completed on 2 January 2019 and their figures are included in the figures for 2019.

The Swedish civil engineering market is marked by strong competition. Kanonaden Entreprenad has a stable level of activity, reported satisfactory results for the 1st quarter. Pålplintar has higher activity compared to the same quarter last year, and reports improved results, although profitability remains weak.

AF Projektutveckling does not yet have any projects in the production phase, but has some projects in the development phase. AF Bygg Göteborg and Bygg Syd have higher activity compared to the same quarter last year, but the result is somewhat below expectations. HMB reported satisfactory results for the quarter.

The market for environmental services is also good in Sweden. AF Härnösand Byggreturer reported a high level of activity and very good profitability for its projects. The unit also reports strong results for the 1st quarter.

In the quarter HMB was selected by Västerås stad as design and build contractor to build Mälarparkskolan. The school is expected to be completed for the autumn term in 2021. The contract is valued at SEK 163 million, and includes school buildings and an associated sports hall.

AF's Swedish property business has a building site inventory (residential units under construction) that is estimated to yield 465 (365) residential units. AF's share of this is 333 (353) residential units.

The order backlog for Sweden stood at NOK 3,056 million (1,746 million) as at 31 March 2019.

Demolition works at AF Environmental Base Vats

Offshore

NOK million	1Q 19	1Q 18	2018
Revenues and income	123	182	655
Earnings before financial items and tax (EBIT)	-8	3	-21
Earnings before tax (EBT)	-12	4	-27
Operating margin	-6.8 %	1.8 %	-3.2 %
Profit margin	-9.7 %	2.2 %	-4.1 %

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

The business area consists of two business units:
- AF Offshore Decom and subsidiaries
- AF AeronMollier

Offshore also has activities at AF Miljøbase Vats.

Revenues for the 1st quarter were NOK 123 million (182 million) and earnings before tax were NOK -12 million (4 million).

AF Offshore Decom reported a low level of activity as expected, and the unit delivered weak results. As communicated earlier, the market for the removal of offshore installations is marked by strong competition and few projects in the short term. There is no activity at the environmental centre in Vats, but a successful conclusion to an offshore campaign with the delivery of structures to Vats in April will ensure activity for the remainder of the season. At our Offshore projects preparatory work is ongoing for upcoming offshore campaigns in the next years.

AF AeronMollier has an increased activity level compared to the same quarter last year. The unit reports a weak positive result for the quarter.

The order backlog for Offshore stood at NOK 1,486 million (922 million) as at 31 March 2019.

Share price performance over the 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%, and its financial position shall at the same time reinforce the company's growth strategy and provide an adequate dividend capacity.

The implementation of IFRS 16 Leases from 1 January 2019 led to an increase of total assets by NOK 863 million. Interest-bearing debt increased by NOK 888 million and the equity (post tax) was reduced by NOK 19 million.

Net operating cash flow was NOK 257 million (126 million) and net cash flow from investments was NOK -388 million (-245 million) for the 1st quarter. Cash flow before capital transactions and financing was NOK -130 million (-118 million) for the 1st quarter.

The AF Gruppen had net interest-bearing debt of NOK 189 million (-1 017 million) at the end of the 1st quarter.

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

The available liquidity, including credit facilities, stood at NOK 2,285 million as at 31 March 2019.

Total assets were NOK 10,374 million (7,854 million) as at 31 March 2019. The Group's equity totalled NOK 2,312 million (2,127 million). This corresponds to an equity ratio of 22.3% (27.1%).

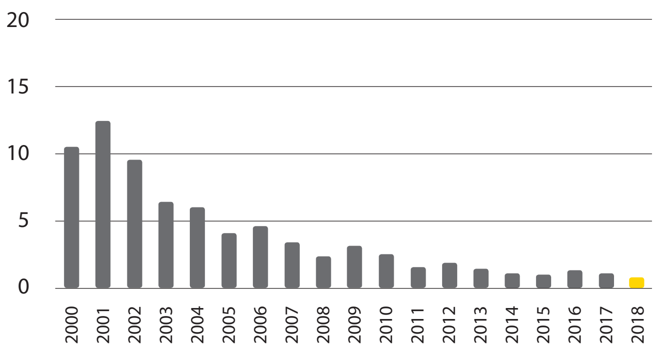
THE SHARE

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

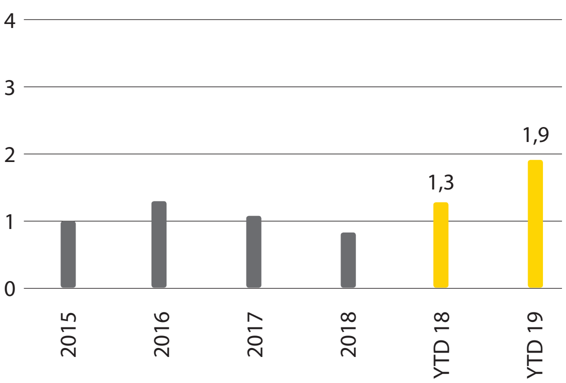
LIST OF SHAREHOLDERS AS AT 31 MARCH 2019

Name	No. shares	% share
OBOS BBL	16 366 733	16.4
ØMF Holding AS	14 933 859	15.0
Constructio AS	13 811 782	13.8
Folketrygdfondet	8 918 536	8.9
Artel II AS	2 508 267	2.5
LJM A/S	2 413 900	2.4
Landsforsakringar Fastighetsfond	2 074 910	2.1
VITO Kongsvinger AS	1 861 676	1.9
Arne Skogheim AS	1 753 870	1.8
Staavi, Bjørn	1 620 000	1.6
Ten largest shareholders	**66 263 533**	**66.4**
Total other shareholders	33 349 859	33.4
Own shares	132 703	0.1
Total number of shares	**99 746 095**	**100.0**

LTI RATE



LTI RATE DEVELOPMENT



The closing price for the AF share was NOK 153.50 as at 31 March 2019. This corresponds to a dividend-adjusted return of 16 per cent to date in 2019. The Oslo Børs Benchmark Index showed a return of 8% for the same period.

In January AF Gruppen increased its share capital in connection with the acquisition of HMB. The capital increase was carried out as a private offering of 736,911 shares with a nominal value of NOK 0.05 at a price of NOK 130.50. The number of shares after the issue is 99,746,095 and share capital is NOK 4,987,304.50.

As a result of the group's strong financial position, it has been decided to propose to the general meeting on 15 May that a dividend of NOK 5.00 (5.00) per share is paid for the first six months of 2019.

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 nine injuries resulting in absence were registered in the 1st quarter. This gives an LTI rate (lost-time injury rate) of 1.9 (1.3) for the 1st quarter.

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

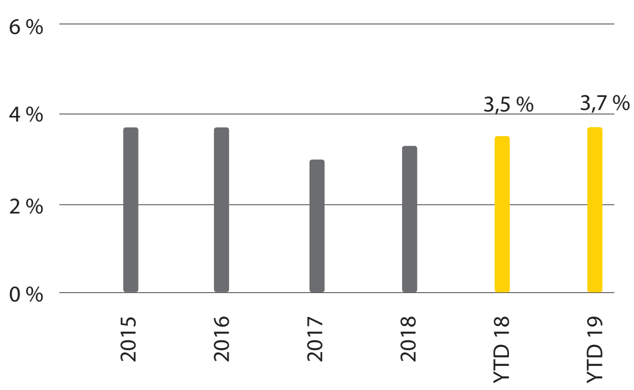
In spite of a low LTI rate, we are still seeing too many personal injuries at AF. For this reason the Safety Enhancement Program will be implemented, comprising the following six group measures: (1) the definition of LTI is extended to also include serious personal injury without absence, (2) a group goal of H2<5 is established, (3) closer follow-up of incidents with a major loss potential, (4) use of safety gloves and safety goggles becomes mandatory on all projects, (5) introduce Safetalk to strengthen practical risk management, and (6) strengthened learning of incidents through digitalisation. We have belief in that the Safety Enhancement Program will reinforce safety awareness among individuals and further raise the safety culture in the organisation.

Learning from own mistakes is of critical importance. 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 14 years, and we see a clear correlation between the increased reporting of undesired incidents and the decrease in injuries.

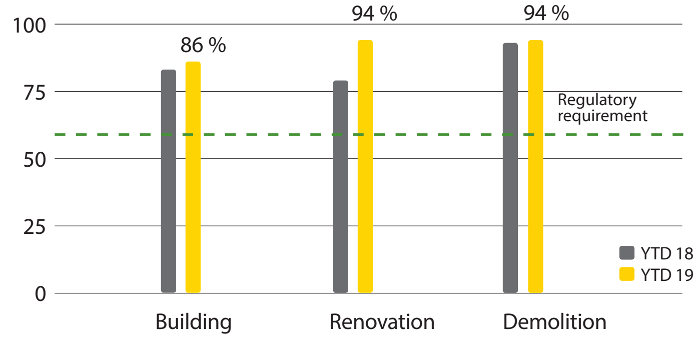
The registration of sickness absence forms the basis for the measurement of health work at AF. Sickness absence was 3.7 % (3.5 %) for the 1st quarter. AF's sickness absence is low compared to that of comparable businesses. Our target is total sickness absence of less than 3.0 %, a level we believe represents a healthy situation without absence due to occupational illnesses/injuries. Systematic efforts are being made, which consist, for example, of ongoing risk analysis of exposure that is harmful to health, the establishment of physical and organisational barriers, and close follow-up of employees on sick leave.

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

SICK LEAVE DEVELOPMENT



SOURCE SEPARATION RATE



Follow-up of the source separation rate parameter acts as an extra driving force for AF's environmental work. This parameter places the focus on an important environmental factor that AF has an opportunity to influence. The source separation rate indicates how much of the waste from AF's operations is separated for the purpose of facilitating recycling. For the 1st quarter, the result for building was 86% (83 %), the result for renovation was 94 % (79 %) and the result for demolition was 94 % (93 %). These results are considered very good, and they are well above the government requirement of a minimum of 60 %. A total of 48,957 tonnes (52.363 tonnes) were separated at source in the 1st quarter. The environmental centres have recycled a total of 72,827 tonnes of materials year to date.

ORGANISATION

With clear growth ambitions and a rapidly increasing order backlog, there is an increasing need for resources. Therefore, the continuous effort to build a uniform corporate culture is more important than ever. Motivated employees and a solid organisation are an important foundation for creating value. AF is experiencing a major influx of competent resources who desire to work for the company, and in the 1st quarter 2019 the number of employees has increased by 374 persons. At AF we are building the organisation with a robust composition of technical expertise and management capacity at all levels. The resources are organised close to production, with project teams where the managers have a major influential force.

AF aims to be a company to which talented individuals apply, independent of etnicity, religion and gender. In order to attract even more skilled people, AF is also setting new and ambitious targets for the share of women in the company. AF has adopted a "40/20 goal" that entails that 40 % of all officials in AF shall be women. AF Gruppen's total share of women shall increase from 8.4 % to 20 %. This is an ambitious goal. It entails that AF will move from being worst in the class to an industry leader. In the 1st quarter the share of women is 8.4 % in total and 18.3 % amongst officials.

Geir Flåta (b. 1978) took up position as CEO of AF Gruppen's wholly owned building operations in Norway on 20 March 2019, and comes from the position as head of the AF Nybygg business unit. Amund Tøftum, in addition to being EVP for Offshore, will be responsible for the part-owned Norwegian Building operations.

AF is also maintaining a high focus on innovation and digitalisation within our business areas. We are working in a structured manner on how new technology can contribute to increased productivity and minimise risk in our projects, contribute to a safer daily life for our employees, and not to mention create greater value for our customers. In addition, we are continuously seeking new business models on the border of or outside of our current core areas. This last year we have reinforced our efforts further by creating a corporate function for innovation and digitalisation, in addition to a joint venture fund with OBOS (Construct Venture).

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. Our employees are good ambassadors for the recruitment of new colleagues.

AF Gruppen had a total of 4,594 (3,850) employees at the end of the 1st quarter. Of these employees, 3,805 (3,357) were employed in Norway, 752 (462) in Sweden, 26 (17) in Lithuania, 3 (9) in China (under discontinuation) and 8 (5) in Germany.

RISK AND RISK MANAGEMENT

AF Gruppen is exposed to risk of both an operational and financial nature. AF Gruppen wants to assume operational risk that the business units can influence and control. AF has developed risk management processes that are well adapted to our operations. Standardised, action-oriented risk management processes ensure comprehensive and coherent risk management in all parts of the organisation. AF seeks to limit exposure to risk that cannot be influenced. A risk review is conducted for all projects before a tender is submitted. Analysis of risk during the tendering phase enables the correct pricing and management of risk in the project. The same project organisations conduct detailed risk reviews every quarter. The Corporate Management Team will participate in risk reviews of all projects with a contract value in excess of NOK 100 million. In addition, a total of 25 risk reviews in the business units, in which the Corporate Management Team also participated, were conducted in connection with the 1st quarter of 2019.

Financial risk encompasses market risk, credit risk and liquidity risk. Market risk includes commodity price risk, foreign exchange risk and interest rate risk. AF is exposed to foreign exchange risk, and as a major demolition and recycling operator, AF Gruppen is also exposed to fluctuations in steel prices. AF aims to have low exposure to risks that cannot be influenced, and it uses hedging instruments to mitigate the risk associated with foreign exchange rates and steel prices. AF has credit risk in relation to customers, suppliers and partners. In addition to the parent company and bank guarantees, the use of credit rating tools contributes to reducing risk. The liquidity risk is considered low. AF Gruppen's available liquidity, including credit facilities, stood at NOK 2,285 million as at 31 March 2019.

MARKET OUTLOOK

The civil engineering market in Norway is good and less sensitive to cyclical fluctuations since public sector demand is the greatest driver behind investments in civil engineering in Norway. In the 2019 State Budget, the government proposes to allocate NOK 73.1 billion to transport, which is an increase of NOK 5.4 billion (7.9%) over the final budget for 2018. NOK 65.2 billion will be used to follow up the National Transport Plan 2018-2029, NOK 37.1 billion of which is for road purposes. This represents an increase of 3.3% compared with 2018. Prognosesenteret expects a high level of activity in the construction market in 2019, but with a hiatus in 2020 due to an expectation of postponed start of construction on some larger projects. Growth in 2019 is expected to be 12%, and then to drop to 3% in 2020. The higher investment estimate for transport and road projects, as well as the planned start-up of many major civil engineering projects, provide a good foundation for further growth of AF's civil engineering activities.

Figures from Property Norway for Q1 2019 show the residential property prices in Norway rose 3.9%. However, adjusted for seasonal variations, the prices rose by 1.3%. In March, residential property prices were 3.2% higher than 12 months ago. At the end of March 12-month growth was positive in all parts of Norway. The strongest 12-month growth is in Asker/Bærum with 6.1%. Prognosesenteret expects that Norges Bank's interest rate hikes will have a negative impact on demand for housing. A decline in start permits will likely result in the startup of fewer new projects in 2019, and in combination with increased demand in Oslo and Bergen, one may see increasing housing prices as a result.

Prognosesenteret expects a 2% increase in the building market for 2019. It is expected that a decline of NOK 0.9 billion in residential production will be compensated for by significant growth in commercial building production of NOK 6 billion (9.6 per cent) and the fact that the renovation, remodelling and extension services market is expected to grow by NOK 2.2 billion (1.3 per cent). There are relatively significant regional differences in the development of the market in 2019. A general decline is expected in the south-eastern parts of the country, and an increase or zero growth in the remainder. The strong growth in start-ups in the housing segment in 2016-17 has resulted in increased completion from the autumn of 2018 and into 2019. Completions are only expected to decline in 2020-21. There were fewer start permits in 2018, and Prognosesenteret expects that starts in the upcoming period of 2019-2021 will be around 13% lower than in the previous three-year period, where the main causes are lower population growth and higher interest rates. Overall, however, high activity is expected in the building market. There is still a good outlook for the Norwegian economy, which is currently experiencing a moderate cyclical upswing.

The Energy and Environment business area includes AF's energy services for onshore operations as well as services for demolition and recycling on land in Norway. In the Environment business area traditional demolition services and the subsequent receiving, treating and recycling of materials are provided. The level of demolition activity is closely connected to the general level of activity in the building and civil engineering markets. A positive outlook for the civil engineering market in Norway and a good building market is positive for the demand for such services. The authorities in Norway have defined ambitious energy goals related to a reduction in the consumption of energy towards the year 2030. 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 delivery of heating and cooling to commercial buildings is another interesting market. Demand here is associated with new residential and commercial building starts, where despite a decrease compared to 2018, a high number of starts is expected in 2019. The market for energy performance contracts (EPCs) in municipalities and public enterprises is also an interesting market area. Overall, a good market is expected for AF's activities in the Energy and Environment.

Statistics Norway is expecting investments related to oil, gas and pipeline transport in 2019 of NOK 173 billion, up from an estimated NOK 160 billion in 2018. Uncertainty in the oil industry may have an impact on AF's HVAC activities, as well as on maintenance and modification. The market for the removal of offshore installations is marked by strong competition and few demolition projects to be carried out in 2019. Estimates from the British industry organisation Oil & Gas UK indicate that more than 200 platforms must be removed fully or partially on the British, Norwegian, Danish and Dutch sectors during the period from 2017 to 2025. This represents good opportunities for AF's offshore activities related to the demolition and removal of decommissioned oil installations. For AF's offshore activities in the HVAC area, as well as maintenance and modifications, the market conditions are still challenging, but growth is expected for certain cruise and passenger vessel segments.

Svensk Fastighetsförmidling expects a balanced housing market in 2019. In December 2018 the Swedish Central Bank raised interest rates to -0.25 %. Although interest rates are expected to rise gradually in the time ahead, the Central Bank reports that monetary policy will remain expansive. Following several years of high growth, Sveriges Byggindustrier expects a drop in building and civil engineering investments in Sweden for 2019 of -3%. A combination of credit tightening, moderate real wage growth and rising mortgage rates are expected to result in a reduction in residential investments. The largest segment measured by the investment level, new residential units, has risen sharply in recent years, but ended with decline by 1 per cent in 2018 and is expected to drop a further 11 per cent in 2019. Increased investments are expected in both private and public non-residential property, where the growth in public non-residential property is greatest with 7% in 2019. Construction investments are expected to increase by 5% in 2019, in particular in the private sector, but the public sector will also make a contribution. Overall, a good market is expected for AF's activities in Sweden

Oslo, 14 May 2019
Board of Directors of AF Gruppen ASA

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Alva Jornsdatter Henden in AF Energi & Miljøteknikk working on dry coolers at Senter Syd. Photo: AF Gruppen / Guro Mikkelsen

Financial information

Project Manager Nils Ørnes in AF Bygg Oslo at Røakollen. Photo: AFGruppen / Eirik Førde

CONDENSED CONSOLIDATED STATEMENT OF INCOME

NOK million	1Q 19	1Q 18	2018
Revenues and income	5 214	3 883	18 767
Subcontractors	-2 574	-1 793	-9 839
Cost of materials	-977	-751	-2 843
Payroll cost	-975	-824	-3 405
Operating expenses ex. depreciation and impairment	-362	-317	-1 567
Net gains (losses) and profit (loss) from associates	16	31	189
EBITDA	**342**	**228**	**1 303**
Depreciation and impairment of tangible fixed assets	-109	-43	-182
Depreciation and impairment of intagible assets	-	-1	-2
Earnings before financial items and tax (EBIT)	**232**	**185**	**1 119**
Net financial items	-6	9	18
Earnings before tax (EBT)	**226**	**194**	**1 136**
Income tax expense	-52	-42	-215
Net income for the period	**174**	**152**	**921**
Attributable to:			
Shareholders of the parent	140	130	772
Non-controlling interests	33	22	149
Net income for the period	**174**	**152**	**921**
Earnings per share (NOK kroner)	1,41	1,33	7,88
Diluted earnings per share (NOK kroner)	1,41	1,33	7,88

Key figures	1Q 19	1Q 18	2018
EBITDA margin	6.6 %	5.9 %	6.9 %
Operating profit margin	4.5 %	4.8 %	6.0 %
Profit margin	4.3 %	5.0 %	6.1 %
Return on capital employed (ROaCE) [1]	49.5 %	45.8 %	53.9 %
Return on equity	45.5 %	38.7 %	45.4 %
Equity ratio	22.3 %	27.1 %	25.0 %
Net interest-bearing debt (receivables) [2]	189	-1 017	-894
Capital employed [3]	3 320	2 240	2 223
Order backlog	23 679	19 451	21 541

[1] Return on capital employed (ROaCE) = Earnings before tax + interest expense / average capital employed
[2] Net interest-bearing receivables (debt) = Cash and cash equivalents + interest-bearing receivables - interest-bearing debt
[3] Capital employed = Equity + interest-bearing debt

STATEMENT OF COMPREHENSIVE INCOME

NOK million	1Q 19	1Q 18	2018
Net income for the period	174	152	921
Net actuarial gains and losses	-	-	-1
Currency translation differences minority	-4	-2	-
Items that will not be reclassified to income statement in subsequent periods	**-4**	**-2**	**-2**
Net cash flow hedges	14	9	-17
Currency translation differences majority	-28	-33	-13
Items that may be reclassified to income statement in subsequent periods	**-15**	**-24**	**-30**
Other comprehensive income for the period	**-18**	**-26**	**-32**
Total comprehensive income for the period	**156**	**126**	**890**
Attributable to:			
-Shareholders of the parent	126	106	741
- Minority	30	20	149
Total comprehensive income for the period	**156**	**126**	**890**

EQUITY

NOK million	Paid-in capital	Translation differences	Actuarial pension gains/ (losses)	Cash flow hedge	Retained earnings	Attributable to share-holders	Minority	Total equity
As at 01/01/2018	**482**	**32**	**-14**	**-15**	**1 225**	**1 709**	**384**	**2 094**
Comprehensive income	-	-33	-	9	130	106	20	126
Capital increase	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-7	-7	-	-7
Sale of treasury shares	-	-	-	-	8	8	-	8
Dividend paid	-	-	-	-	-	-	-90	-90
Share-based remuneration	4	-	-	-	-	4	-	4
Put options for minority	-	-	-	-	-3	-3	-	-3
Addition of minority by aqusitions	-	-	-	-	-	-	-	-
Transactions with minority	-	-	-	-	-1	-1	-3	-4
As at 31/03/2018	**486**	**-1**	**-14**	**-7**	**1 352**	**1 817**	**311**	**2 127**
As at 31/12/2018	256	20	-16	-33	1 519	1 746	378	2 124
Effect of IFRS 16	-	-	-	-	-19	-19	-	-19
As at 01/01/2019	**256**	**20**	**-16**	**-33**	**1 500**	**1 727**	**378**	**2 104**
Comprehensive income	-	-28	-	14	140	126	30	156
Capital increase	96	-	-	-	-	96	-	96
Purchase of treasury shares	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	12	12	-	12
Dividend paid	-	-	-	-	-	-	-	-
Share-based remuneration	4	-	-	-	-	4	-99	-96
Addition of minority by aqusitions	-	-	-	-	-	-	40	40
Transactions with minority	-	-	-	-	-	-	-	-
As at 31/12/2019	**356**	**-9**	**-16**	**-19**	**1 652**	**1 964**	**348**	**2 312**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK million	31/03/2019	31/03/2018	31/12/2018
Tangible fixed assets	2 319	1 260	1 356
Intagible assets	2 614	2 170	2 288
Investment in associates and joint ventures	400	396	361
Deferred tax asset	25	23	19
Interest-bearing receivables	375	235	305
Pension plan and other financial assets	7	11	8
Total non-current assets	**5 741**	**4 095**	**4 337**
Inventories	202	215	184
Projects for own account	98	164	38
Trade receivables and other receivables	3 890	2 479	3 238
Interest-bearing receivables	38	16	32
Derivatives	-	8	1
Cash and cash equivalents	405	879	656
Total current assets	**4 633**	**3 760**	**4 149**
Total assets	**10 374**	**7 854**	**8 486**
Equity attributable to sharholders of the parent	1 964	1 817	1 746
Minority interests	348	311	378
Total equity	**2 312**	**2 127**	**2 124**
Long-term interest-bearing debt	748	99	91
Retirement benefit obligations	1	1	1
Provisions	190	190	150
Deferred tax	422	327	418
Derivatives	43	10	43
Total non-current liabilities	**1 404**	**628**	**704**
Short-term interest-bearing debt	260	14	8
Trade payables and other short term debt	6 002	4 737	5 281
Derivatives	7	6	10
Provisions	229	208	223
Tax payable	161	135	138
Total current liabilities	**6 658**	**5 099**	**5 659**
Total liabilities	**8 063**	**5 727**	**6 363**
Total equity and liabilities	**10 374**	**7 854**	**8 486**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

NOK million	1Q 19	1Q 18	2018
Earnings before financial items and tax (EBIT)	232	185	1 119
Depreciation, amortisation and impairment	110	44	184
Change in net working capital	-36	-52	-178
Income taxes paid	-36	-23	-123
Other adjustments	-12	-27	-160
Cash flow from operating activities	**257**	**126**	**841**
Net investments	-388	-245	-255
Cash flow before financing activities	**-130**	**-118**	**586**
Share issue	-	-	87
Dividend paid to majority shareholders	-	-	-836
Dividend paid to minority	-100	-90	-234
Sale (purchase) of treasury shares	12	-	-10
Borrowings (repayment of debt)	-25	-7	-24
Interest paid	-9	-3	-13
Cash flow from financing activities	**-122**	**-100**	**-1 030**
Net decrease (increase) in cash and cash equivalents	**-252**	**-219**	**-444**
Net cash and cash equivalents at the beginning of period	656	1 098	1 098
Change in cash and cash eqivalents without cash effect	2	-1	1
Net cash and cash equivalents at the end of period	**405**	**879**	**656**

BUSINESS AREAS

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

The Energy and Environment business areas merged as of 1 January 2019. The comparable figures for the business areas have been similarly restated.

Segment information is presented in accordance with the AF Gruppen's accounting policies in accordance with IFRS with the exception of the principles for revenue recognition for residential property development in accordance with IFRS 15. This policy exception applies to the Building and Property segments and Sweden. Revenue from projects for own account in these segments is not recognised upon handover as regulated in IFRS 15, but in accordance with the degree of completion method. This means that the recognition of revenue in these projects is the product of the degree of completion, sales ratio and expected contribution margin.

Segment information is presented in accordance with reporting to the Corporate Management Team and is consistent with the financial information utilised by the Company's senior decision-makers when evaluating developments and allocating resources. The effect of the deviant application of principles 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	1Q 19	1Q 18	2018
External revenue and income	1 646	1 242	5 821
Internal revenue and income	11	4	40
Total revenue and income	**1 657**	**1 246**	**5 861**
EBITDA	113	74	340
Earnings before financial items and tax (EBIT)	71	57	275
Earnings before tax (EBT)	**74**	**67**	**293**
EBITDA-margin	6.8 %	5.9 %	5.8 %
Operating margin	4.3 %	4.6 %	4.7 %
Profit margin	4.4 %	5.4 %	5.0 %
Assets	2 516	1 820	2 014
Order backlog	**6 628**	**5 723**	**7 664**

Building

NOK million	1Q 19	1Q 18	2018
External revenue and income	2 489	1 795	8 945
Internal revenue and income	19	14	110
Total revenue and income	**2 508**	**1 808**	**9 055**
EBITDA	151	101	666
Earnings before financial items and tax (EBIT)	128	90	619
Earnings before tax (EBT)	**132**	**96**	**645**
EBITDA-margin	6.0 %	5.6 %	7.4 %
Operating margin	5.1 %	5.0 %	6.8 %
Profit margin	5.3 %	5.3 %	7.1 %
Assets	4 955	4 337	5 128
Order backlog	**11 300**	**9 936**	**9 871**

Property

NOK million	1Q 19	1Q 18	2018
External revenue and income	3	4	73
Internal revenue and income	-	-	-
Total revenue and income	**3**	**4**	**73**
EBITDA	37	17	169
Earnings before financial items and tax (EBIT)	37	17	166
Earnings before tax (EBT)	**35**	**14**	**157**
EBITDA-margin	-	-	-
Operating margin	-	-	-
Profit margin	-	-	-
Assets	976	824	885
Order backlog	**-**	**-**	**-**

Energy and Environment

NOK million	1Q 19	1Q 18	2018
External revenue and income	192	171	815
Internal revenue and income	25	15	60
Total revenue and income	**217**	**186**	**875**
EBITDA	20	12	61
Earnings before financial items and tax (EBIT)	9	8	44
Earnings before tax (EBT)	**7**	**6**	**41**
EBITDA-margin	9.1 %	6.4 %	7.0 %
Operating margin	4.0 %	4.1 %	5.0 %
Profit margin	3.2 %	3.1 %	4.7 %
Assets	487	355	490
Order backlog	**650**	**563**	**501**

Sweden

NOK million	1Q 19	1Q 18	2018
External revenue and income	838	507	2 268
Internal revenue and income	-	-	2
Total revenue and income	**838**	**507**	**2 270**
EBITDA	44	26	131
Earnings before financial items and tax (EBIT)	33	22	114
Earnings before tax (EBT)	**32**	**21**	**113**
EBITDA-margin	5.3 %	5.1 %	5.8 %
Operating margin	3.9 %	4.3 %	5.0 %
Profit margin	3.8 %	4.2 %	5.0 %
Assets	1 572	1 240	1 332
Order backlog	**3 056**	**1 746**	**1 578**

Offshore

NOK million	1Q 19	1Q 18	2018
External revenue and income	122	181	652
Internal revenue and income	1	1	3
Total revenue and income	**123**	**182**	**655**
EBITDA	-2	7	-6
Earnings before financial items and tax (EBIT)	-8	3	-21
Earnings before tax (EBT)	**-12**	**4**	**-27**
EBITDA-margin	-1.4 %	4.0 %	-0.9 %
Operating margin	-6.8 %	1.8 %	-3.2 %
Profit margin	-9.7 %	2.2 %	-4.1 %
Assets	1 088	1 397	1 332
Order backlog	**1 486**	**922**	**1 456**

Other Segments (Group)

NOK million	1Q 19	1Q 18	2018
External revenue and income	11	6	17
Internal revenue and income	7	6	27
Total revenue and income	**18**	**12**	**44**
EBITDA	11	-5	-28
Earnings before financial items and tax (EBIT)	-5	-9	-48
Earnings before tax (EBT)	**-9**	**-11**	**-54**
Assets	1 137	1 670	2 873
Order backlog	-	-	-

Eliminations

NOK million	1Q 19	1Q 18	2018
External revenue and income	-58	-46	69
Internal revenue and income	-63	-39	-242
Total revenue and income	**-121**	**-86**	**-173**
EBITDA	-2	-4	11
Earnings before financial items and tax (EBIT)	-2	-4	11
Earnings before tax (EBT)	**-2**	**-4**	**11**
Assets	-2 204	-3 696	-5 420
Order backlog	**154**	**203**	**94**

GAAP adjustments

NOK million	1Q 19	1Q 18	2018
External revenue and income	-30	23	107
Internal revenue and income	-	-	-
Total revenue and income	**-30**	**23**	**107**
EBITDA	-30	-	-42
Earnings before financial items and tax (EBIT)	-30	-	-42
Earnings before tax (EBT)	**-30**	**-**	**-42**
Assets	-153	-93	-147
Order backlog	**405**	**359**	**378**

Segment total

NOK million	1Q 19	1Q 18	2018
External revenue and income	5 214	3 883	18 767
Internal revenue and income	-	-	-
Total revenue and income	**5 214**	**3 883**	**18 767**
EBITDA	342	228	1 303
Earnings before financial items and tax (EBIT)	232	185	1 119
Earnings before tax (EBT)	**226**	**194**	**1 136**
EBITDA-margin	6.6 %	5.9 %	6.9 %
Operating margin	4.5 %	4.8 %	6.0 %
Profit margin	4.3 %	5.0 %	6.1 %
Assets	10 374	7 854	8 486
Order backlog	**23 679**	**19 451**	**21 541**

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, Building, Property, Energy and Environment, Sweden, 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 1st quarter of 2019 has not been audited.

2. BASIS OF PREPARATION

The consolidated accounts for AF Gruppen encompass AF Gruppen ASA and its subsidiaries, joint ventures and associated companies. The consolidated financial statements for the 4th quarter have been prepared in accordance with IAS 34 Interim Accounts. The summary of the financial information presented in the quarterly accounts is intended to be read in conjunction with the annual report for 2018, 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

New segment structure

The Energy and Environment business areas merged into a single business area, Energy & Environment, as of 1 January 2019: Energy and Environment. The new business area consists of the business units AF ecom and AF Energi & Miljøteknikk.

The comparable figures for the business areas have been similarly restated.

Acquisition of HMB Holding AB

AAF Gruppen Sverige AB, a subsidiary of AF Gruppen, completed the agreement to acquire 70 per cent of the shares in HMB Holding AB (HMB) on 2 January 2019. The remaining 30 per cent of the shares will remain in the ownership of key individuals in the company. Sellers of shares in HMB Holding AB are 13 HMB employees through their respective investment companies. All sellers will continue both as employees of HMB and as owners of HMB Holding AB.

HMB is a successful contracting company, established in 1994 with roots in Dalarna in Sverige. HMB builds commercial, residential and public buildings, and under every form of contract in the market. HMB has operations in Stockholm/Mälardalen and in Dalarna, Västmanland, Uppland and Gästrikland. All of the owners are active in the company. HMB will become a subsidiary of AF Gruppen Sverige AB, where AF Gruppen's swedish operations are organised. The acquisition will strengthen AF Gruppen's position in the Swedish building and civil engineering market, and is an important step in AF Gruppen's ambition to grow in Sweden. During the period from 2015 to 2018, HTB reported average revenues of NOK 1 120 million and an operating margin of 6.1%. On a 100% basis, the agreed enterprise value for HTB AS was SEK 600 million and the estimated value of the shares was SEK 614 million. Settlement for the shares AF acquired consisted of 736 911 shares in AF Gruppen ASA at a price of NOK 130.50 per share, which corresponds to SEK 99 million and SEK 286 million in cash. In addition, contingent consideration of an estimated SEK 44 million has been agreed, which will be settled in 2021.

Amounts in SEK million	HMB
Cash consideration	286
Value of issued shares	99
Contingent consideration	44
Consideration 70% of the the shares	**430**
Minority interests (30 % of assets and liabilities)	36
Gross consideration HMB Holding AB	**465**
Cash consideration 3.4% of the shares in HMB Construction AB	20
Minority interests in HMB Construction AB (4.5%)	6
Gross consideration	**491**
Property, plant and equipment and intangible assets	87
Financial assets	6
Cash and cash equivalents	79
Short-term non-interest-bearing receivables	191
Short-term interest-bearing receivables	29
Deferred tax and tax payables	-23
Current interest-bearing liabilities	-17
Trade payables and current non-interest-bearing liabilities	-222
Net identifiable assets and liabilities	**129**
Goodwill	**362**
Cash consideration 70 % of the the shares	286
Cash consideration 3.4% of the shares in HMB Construction AB	20
- Cash and cash equivalents	-79
Net consideration	**228**

In addition to the transaction described above, AF Gruppen Sverige AB has also acquired 3.4 per cent of the shares in HMB Construction AB, a 92,1 per cent owned subsidiary of HMB Holding AB. The sellers of the shares in HMB Construction AB are 69 employees of HMB Construction AB, and they will all continue as owners and employees after the transaction.

Presented below is an allocation of the purchase price based on the estimated opening balance sheet of HMB as at 2 January 2019. 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 HMB. The allocation is not final.

The acquisition will result in goodwill of NOK 362 million, which is linked to the geographical market position and the organisation's ability to operate profitably. None of the goodwill will be tax deductible.

At the time acquisition, the minority interests represented NOK 41 million and have been calculated as the non-controlling owners' share of the net fair value of identifiable assets and liabilities on the date of the acquisition. Goodwill is only recognised for the portion of the shares that AF acquired.

4. ACCOUNTING POLICIES

The accounting policies applied to the accounts are consistent with those described in the annual report for 2018 with the exception of the principles for leases.

New and amended accounting standards

AF Gruppen has implemented IFRS 16 Leases from 1 January 2019 based on the modified retrospective method, which entails that the accumulated effect of the transition will be recognised in other reserves and the comparison figures will not be restated.

The new standard replaced IAS 17 Leases. In IFRS 16 the distinction made between operating and financial leases is eliminated, and practically all leases are to be recognised on the balance sheet of the lessee. There are only two exceptions to this, leases with a duration of less that 12 months and leases with a low value. It is optional for the lessee to make use of these exceptions. AF Gruppen has chosen not to recognise leases of a short duration on the balance sheet. These leases will still be accounted for in the same manner as before.

The present value of the future lease liability shall be recognised as an interest-bearing loan and the value of the lease (right of use) shall be recognised as a non-current asset. The balance sheet total is increased upon transition to the new standard, and the most important key figures, such as the equity ratio and net interest-bearing liabilities, will change accordingly.

The right of use recognised on the balance sheet will be amortised over the agreed term of the lease, and interest on the lease liability will be recognised as an interest expense. These income statement items will replace rental costs, which were recognised under other operating expenses in accordance with IAS 17. This has led to the company's operating profit and EBITDA increasing in relation to the former standard. The cost recognition will be more degressive because the interest element will be higher at the start of the term of the lease.

Both instalments and interest on lease obligations recognised on the balance sheet are classified as financing activities in the cash flow statement.

AF Gruppen has many operating leases that are recognised on the balance sheet upon the implementation of IFRS 16, primarily related to the leasing of office space, construction equipment and means of transport. In contracts with options, an assessment has been made of whether the options will be exercised for each individual contract.

At the time of implementation, the lease liability for all the contracts are calculated based on the discounted future cash flows. The associated right of use has been set at the same value for all the contracts with one exception. For this contract, the right of use has been calculated from the start date for the contract, with subsequent depreciation. The difference between the calculated lease liability and right of use for this contract is recognised in equity at the time of implementation. As at 1 January 2019, the Group has recognise a present value of future lease liabilities of NOK 888 million, a right of use of NOK 863 million, a deferred asset of NOK 5 million and an equity effect (after tax) of NOK 19 million. The liability has been calculated with a discount rate corresponding to the company's marginal borrowing rate. The weighted-average incremental borrowing rate for lease liabilities initially recognised as of january 1, 2019, was 2.3 per cent p.a.

As at 31/3/2019, the implementation of IFRS 16 has had a positive effect on EBITDA of NOK 66 million and EBIT of NOK 4 million. EBT and Profit after tax are reduced by NOK 1 million as a consequence of the standard. As at 31/3/2019, the total balance has increased by NOK 841 million. Interest-bearing debt has increased by NOK 867 million and equity has reduced by NOK 20 million.

Reconciliation of lease liabilities pursuant to IFRS 16	**NOK million**
Minimum leaee payments under operating leases as of December 31, 2018	1 013
Short-term leases exempted from recognition	-51
Effect from discounting	-74
Liabilities additionally recognised based on the initial application of IFRS 16	**888**
Liabilities from finance leases as of December 31, 2018	67
Liabilities from leases as of january 1, 2019	**955**

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.

7. DEVIANT APPLICATION OF PRINCIPLES IN THE SEGMENT ACCOUNTS

The segment information is presented in accordance with the Group's accounting policies in accordance with IFRS with the exception of the principles for revenue recognition for residential property development in accordance with IFRS 15. This policy exception applies to the Building and Property segments and Sweden. Revenue from projects for own account in these segments is not recognised upon handover as regulated in IFRS 15, but in accordance with the degree of completion method. This means that the recognition of income in these projects is the product of the degree of completion, sales ratio and expected contribution margin. The effect of this on the consolidated accounts is illustrated in a separate table in the segment information.

The effect for the year of the deviant application of principles in the segment accounts with respect to earnings before tax is NOK -30 million (-0 million) for the 1st quarter. The effect on equity was NOK -174 million (-89 million), and the accumulated reversed revenues were NOK 405 million (359 million) as at 31 March 2019.

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	AFs construction value ex. VAT (NOK million)	Housing units	Construction period Start up	Completion	Ownership share AF
Krydderhagen D1/D2/D3/D4, Hasle	355	143	Q2 2017	Q2 2019	50 %
Thurmannskogen H/J/K, Lørenskog	139	75	Q2 2017	Q1 2019	33 %
Thurmannskogen C/R, Lørenskog	67	11	Q2 2018	Q2/Q4 2019	33 %
Lillo Gård Haugen, Nydalen	563	174	Q1 2017	Q2/Q3 2019	25 %
Lillo Gård Lunden A/B/C/D, Nydalen	630	107	Q1 2017	Q1/Q4 2019	25 %
Lillo Gård Lunden E/F/G, Nydalen	600	133	Q1 2017	Q3/Q4 2020	25 %
Nye Kilen Brygge A1/A2 og C1/C2, Sandefjord	224	100	Q1 2018	Q1 2020	50 %
Skiparviken, Bergen	324	129	Q2 2018	Q2 2021	50 %
Stronde Byggetrinn I, Hardanger	140	34	Q4 2018	Q2 2020	49 %
Lilleby Triangel, Trondheim	-	97	Q1 2019	Q2 2020	33 %

AF Decoms new explosive detection dogs. Photo: AF Gruppen/Hans Fredrik Asbjørnsen

COMPANY INFORMATION

AF Gruppen ASA

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Norway

Company's Board of Directors

Pål Egil Rønn, *Board Chairman*
Arne Baumann
Borghild Lunde
Hege Bømark
Kristian Holth
Kenneth Svendsen
Hilde Wikesland Flaen
Arne Sveen
Gunnar Bøyum, *deputy*

Corporate Management

Morten Grongstad, *CEO*
Sverre Hærem, *CFO*
Arild Moe, *EVP Civil Engineering*
Ida Aall Gram, *EVP Property*
Amund Tøftum, *EVP Offshore and Building Norway (part-owned companies)*
Eirik Wraal, *EVP Energy and Environment*
Bård Frydenlund, *EVP HR and Sweden*
Geir Flåta, *Building Norway (wholly-owned companies)*

Financial calendar

Presentation of interim accounts:

15/05/2019 Interim report 1st quarter 2019
23/08/2019 Interim report 2nd quarter 2019
08/11/2019 Interim report 3rd quarter 2019

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**

Cover: Worker at E18 Tvedestrand-Arendal.
Photo: AF Gruppen / Eirik Førde

OBOS and AF Gruppen are developing Construction City at Ulven in Oslo. Ill: OBOS/AF Gruppen

OPERATIONAL STRUCTURE

AF GRUPPEN

Civil Engineering

AF Anlegg

JR Anlegg

Målselv Maskin & Transport

Building

AF Byggfornyelse

AF Bygg Oslo

AF Bygg Østfold

AF Nybygg

LAB

LAB Entreprenør

FAS

Åsane Byggmester-forretning

HTB

MTH

Kirkestuen

Lasse Holst

Thorendahl

VD Vindu og Dør Montasje

Oslo Stillasutleie

Storo Blikk

Oslo Prosjektbygg

EIQON

EIQON Anlegg

EIQON Betongbygg

EIQON Nybygg

Strøm Gundersen

Strøm Gundersen

Strøm Gundersen Vestfold

Consolvo

Haga & Berg Entreprenør

Property

AF Eiendom

LAB Eiendom

Energy and Environment

AF Energi & Miljøteknikk

AF Energija Baltic UAB

Boligenergi

AF Decom

Jølsen Miljøpark

Rimol Miljøpark

Nes Miljøpark

Sweden

Kanonaden

Kanonaden Entreprenad

Kanonaden Mälardalen

Bergbolaget i Götaland

Pålplintar

AF Bygg Göteborg

AF Bygg Syd

HMB

AF Projektutveckling

AF Härnösand Byggreturer

Offshore

AF Offshore Decom

AF Offshore Decom UK Ltd.

AF Miljøbase Vats

AF AeronMollier

Aeron Energy Tech. Co