

August 23rd 2019

Q2 2019

AF Gruppen ASA



Highlights

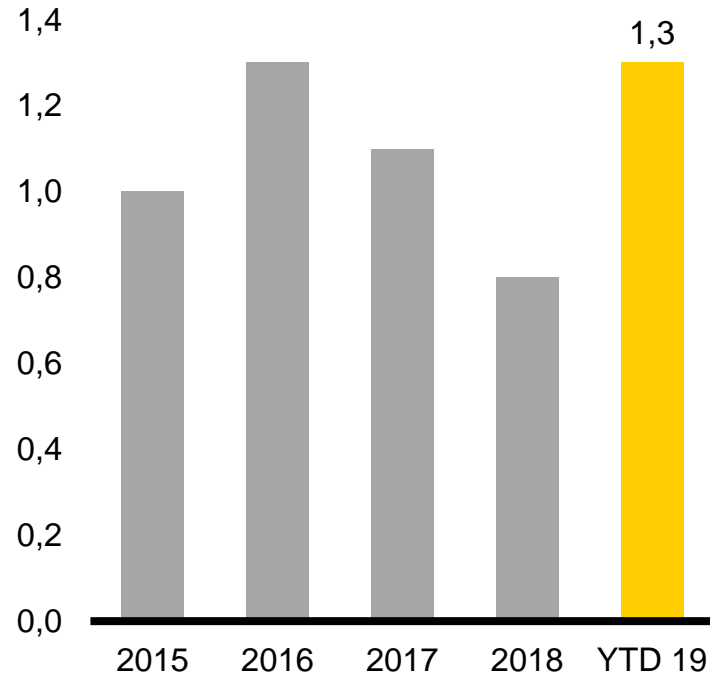
High growth and solid results

- Revenue: NOK 5,863 million (4,692) in Q2 vs. NOK 11,077 million (8,575) year-to-date
- EBT: NOK 363 million (256) in Q2 vs. NOK 590 million (450) year-to-date
- EBT margin: 6.2 % (5.5 %) in Q2 vs. 5.3 % (5.3 %) year-to-date
- Net operating cash flow: NOK 284 million (33) in Q2
- Strong order backlog: NOK 23,085 million (19,866) at the end of Q2
- Net interest-bearing liabilities of NOK 753* million (-609) at the end of Q2
- AF Gruppen acquires Betonmast with management in Betonmast

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

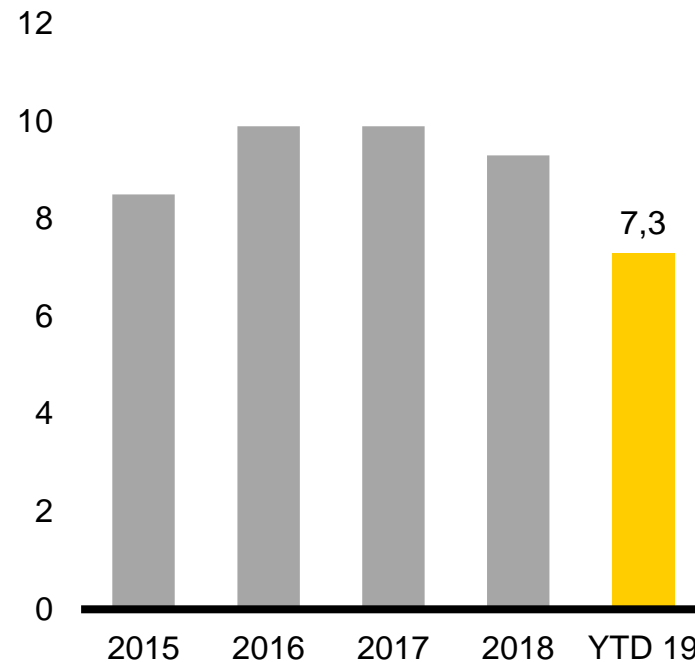
Safety

Lost-time injury frequency (LTIF)



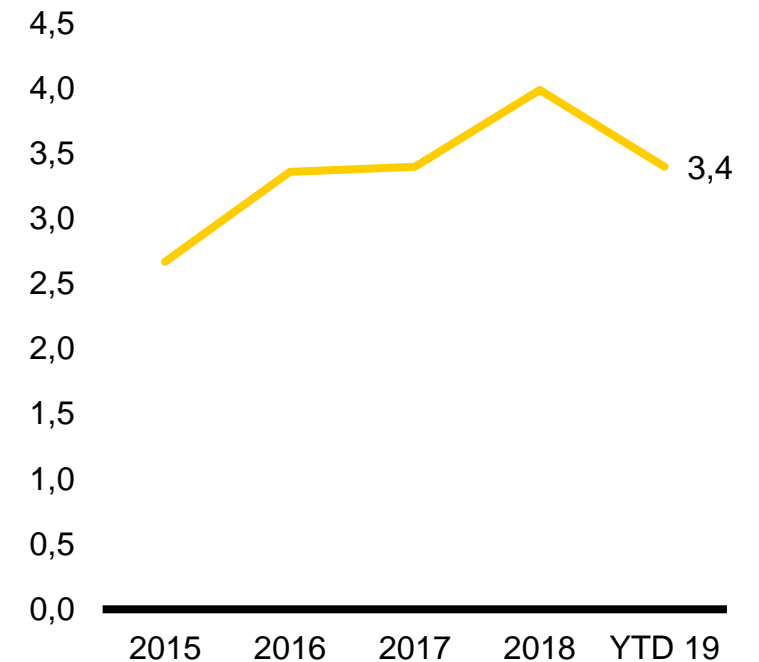
Number of lost-time injuries and severe personnel injuries not resulting in lost-time per million hours worked

Total recordable injury frequency (TRIF)



Number of lost-time injuries, injuries involving substitute work and medical treatment injuries per million hours worked

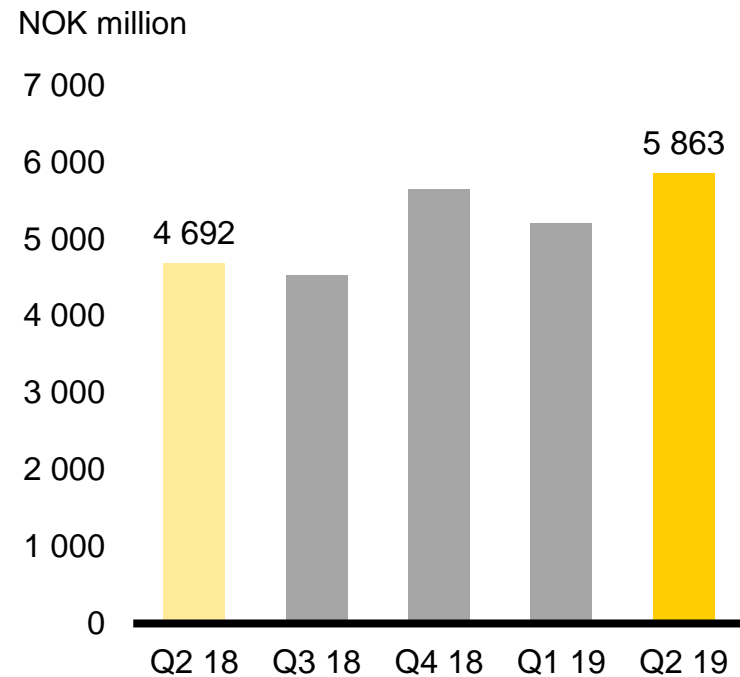
Reported unwanted incident frequency (RUIF)



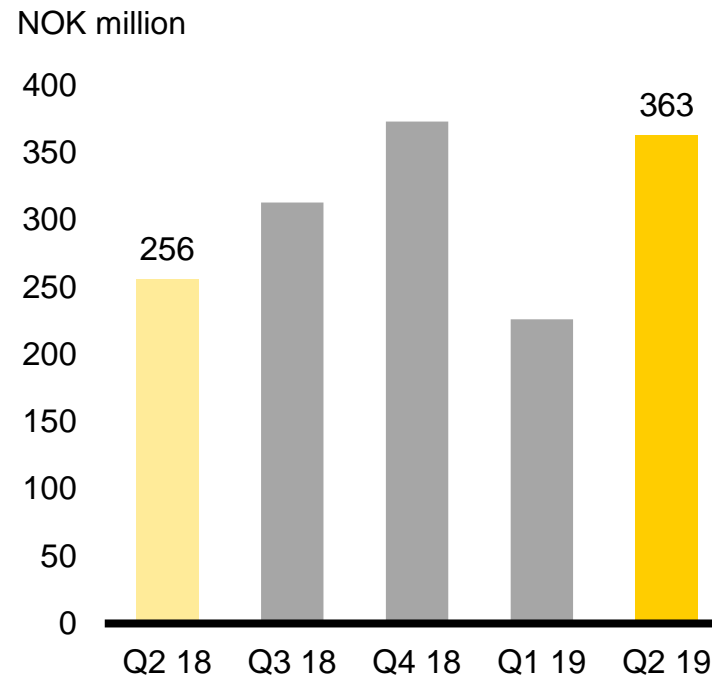
Number of reported unwanted incidents per man-year

Revenues and earnings – quarterly

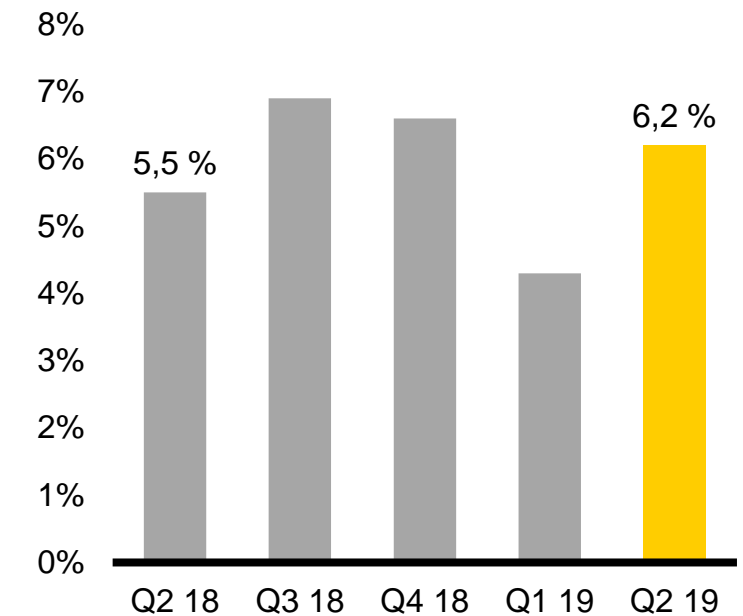
Revenues



Earnings before tax

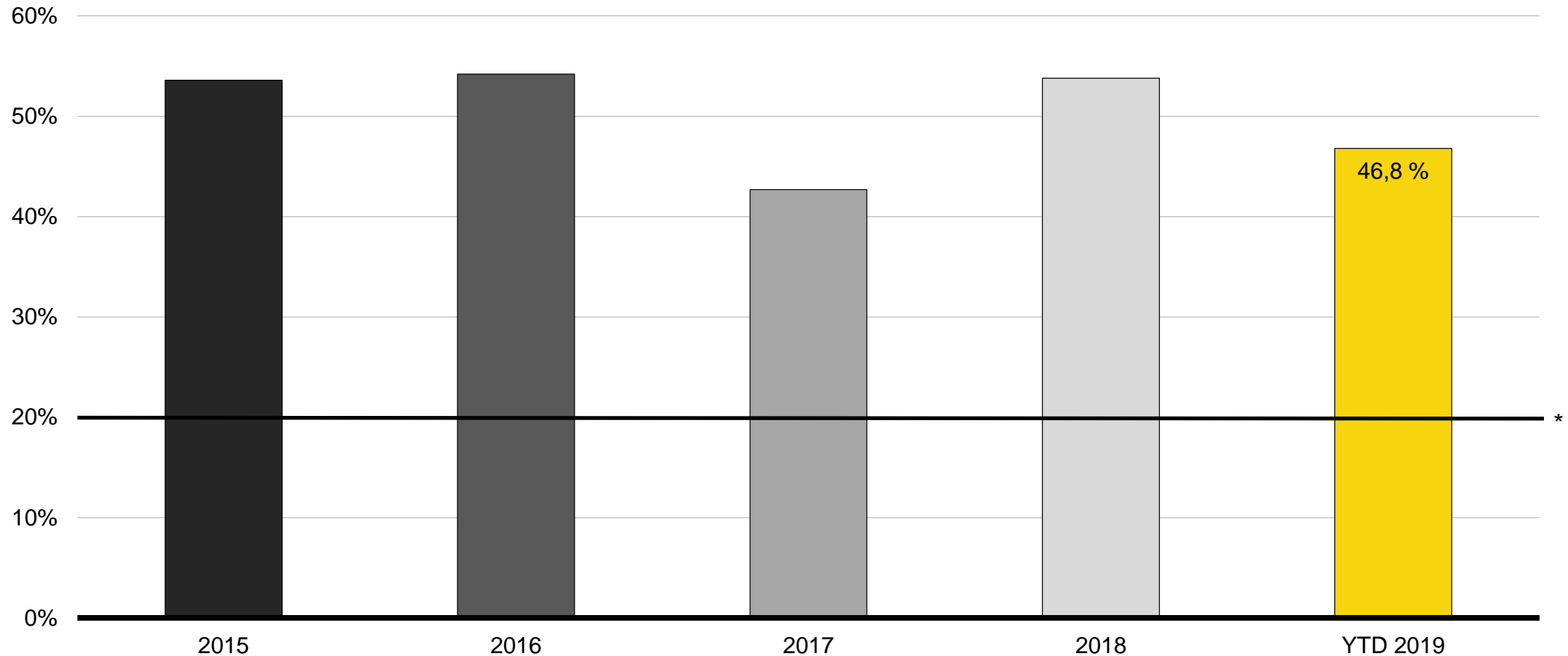


Profit margin



Return on capital employed

12 month rolling average

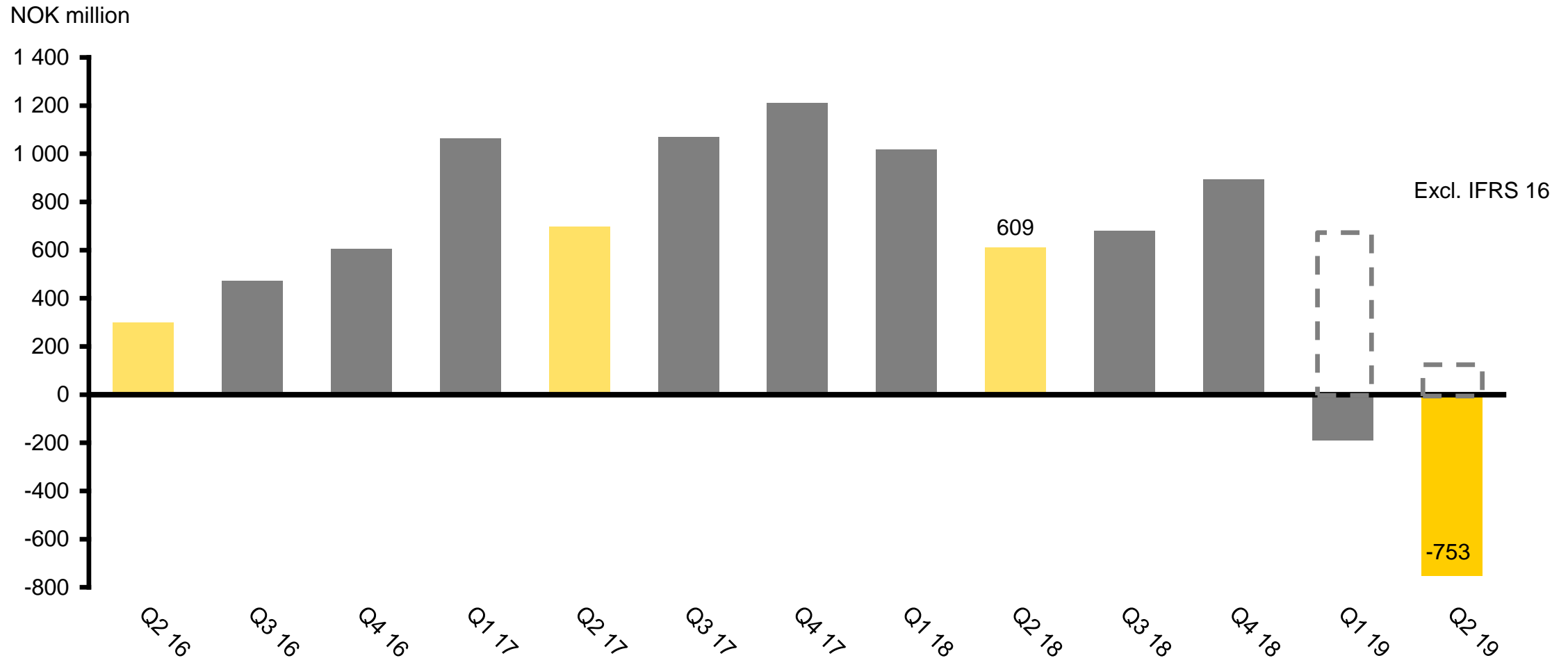


*AF's target is to achieve a return on capital employed above 20 %

Cash flow statement

NOK million	Q2 2019	Q2 2018	YTD 2019	YTD 2018
EBIT	369	256	601	441
Depreciations, amortization and impairment	117	42	227	86
Change in net working capital	-80	-220	-116	-272
Other adjustments / taxes paid	-121	-45	-170	-95
Cash flow from operations	284	33	542	159
Net investments	-102	20	-490	-225
Cash flow from capital activities	-655	-504	-743	-594
Interest paid and change in interest bearing debt	437	-59	403	-70
Net change in cash and cash equivalents	-36	-510	-288	-729
Net cash and cash equivalents at beginning of period	405	879	656	1,098
Change in cash and cash equivalents without cash effect	1	0	3	-1
Net cash and cash equivalents end of period	370	368	370	368

Net interest-bearing receivables



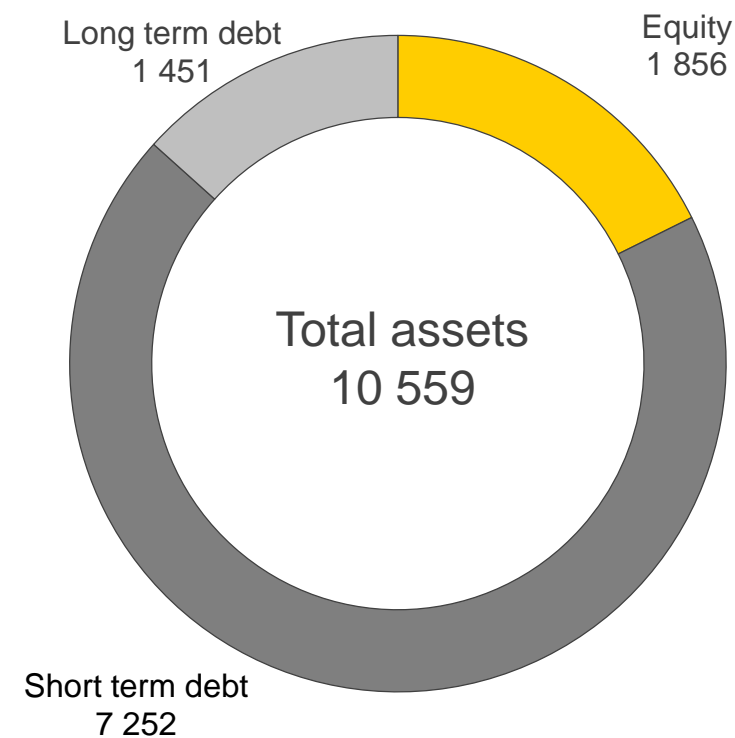
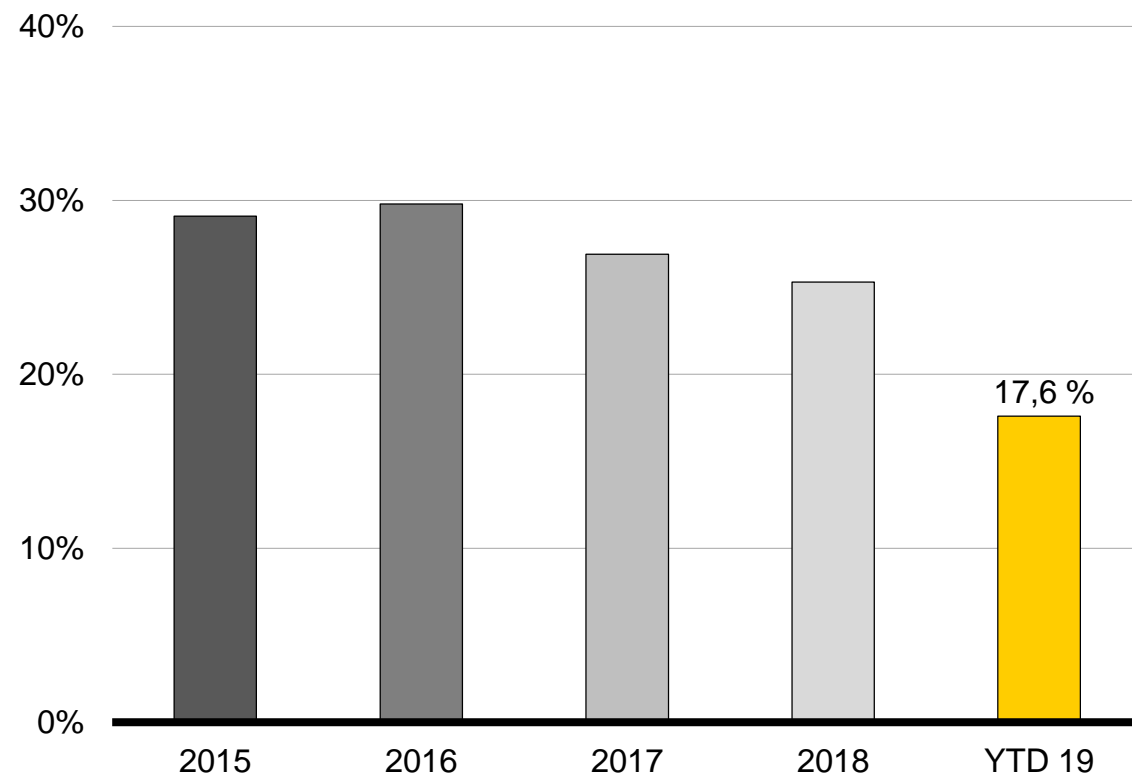
Net interest-bearing debt as of June 30th 2019 were NOK 753 million (-609)

The implementation of IFRS 16 from January 1st 2019 led to an increase of interest-bearing debt of NOK 888 million. Implementation with no cash effect

Balance sheet

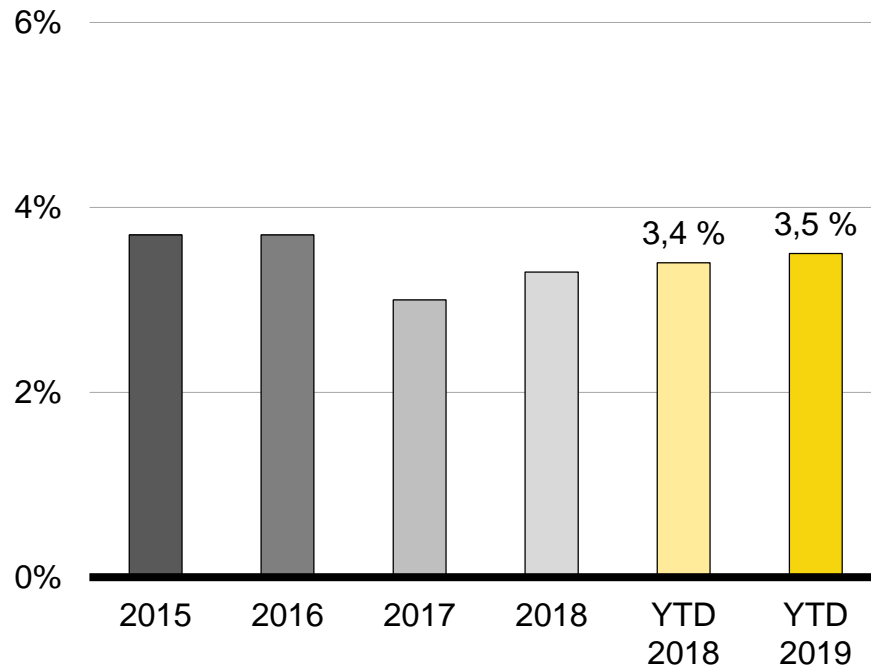
NOK million	30.06.2019	30.06.2018	31.12.18
Non-current assets	5,796	4,153	4,337
Current assets, ex. Cash	4,393	3,044	3,493
Cash and cash equivalents	370	368	656
Total assets	10,559	7,565	8,486
Equity	1,856	1,803	2,124
Long term debt	1,451	610	704
Short term debt	7,252	5,151	5,659
Total equity and debt	10,559	7,565	8,486

Equity ratio

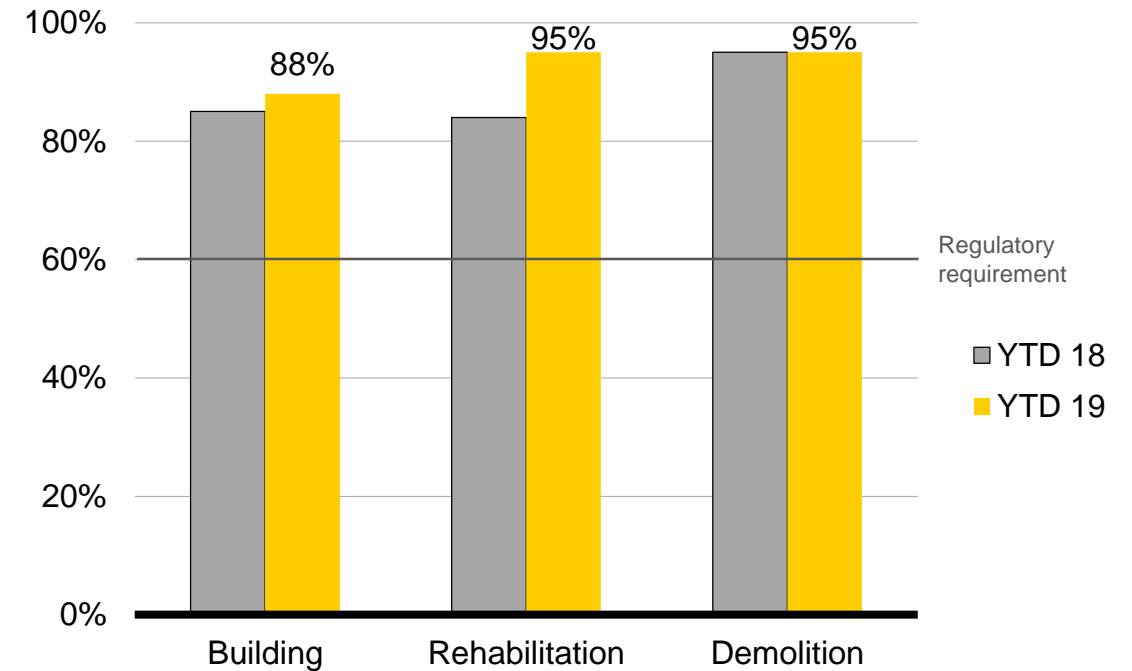


Health and environment

Sick leave



Source separation rate



A total of 146,480 (126,966) tonnes of waste has been sorted YTD 19

2nd quarter 2019

Business areas



High activity level and good results

NOK million	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Revenues	1,706	1,481	3,363	2,727
EBIT	90	49	161	107
EBT	89	53	163	120
EBIT %	5.3 %	3.3 %	4.8 %	3.9 %
EBT %	5.2 %	3.6 %	4.8 %	4.4 %

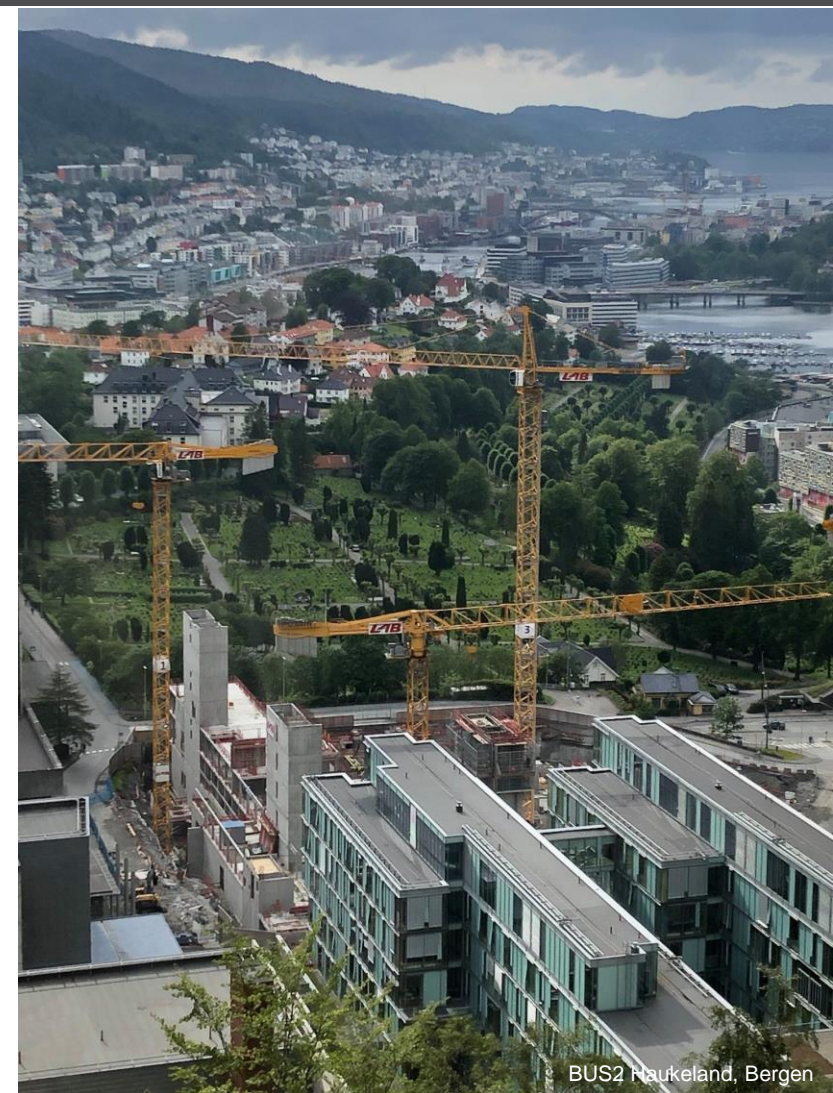
- AF Anlegg reported a high level of activity and good results in Q1. The unit grew 15 % compared to the same quarter last year
- The E18 Tvedestrand – Arendal project was opened for traffic on 2 July, almost four months before the original schedule. Some minor work remains on the project. On E39 Kristiansand west – Mandal east project, production is already efficient and good. There are several projects contributing to a good result
- Målselv Maskin & Transport maintains a good level of activity and continues to deliver very good results in second quarter
- Order backlog: NOK 5,740 million (5,206)



Strong growth and solid results

NOK million	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Revenues	2,736	2,258	5,244	4,066
EBIT	164	139	292	230
EBT	169	145	301	242
EBIT %	6.0 %	6.2 %	5.6 %	5.6 %
EBT %	6.2 %	6.4 %	5.7 %	5.9 %

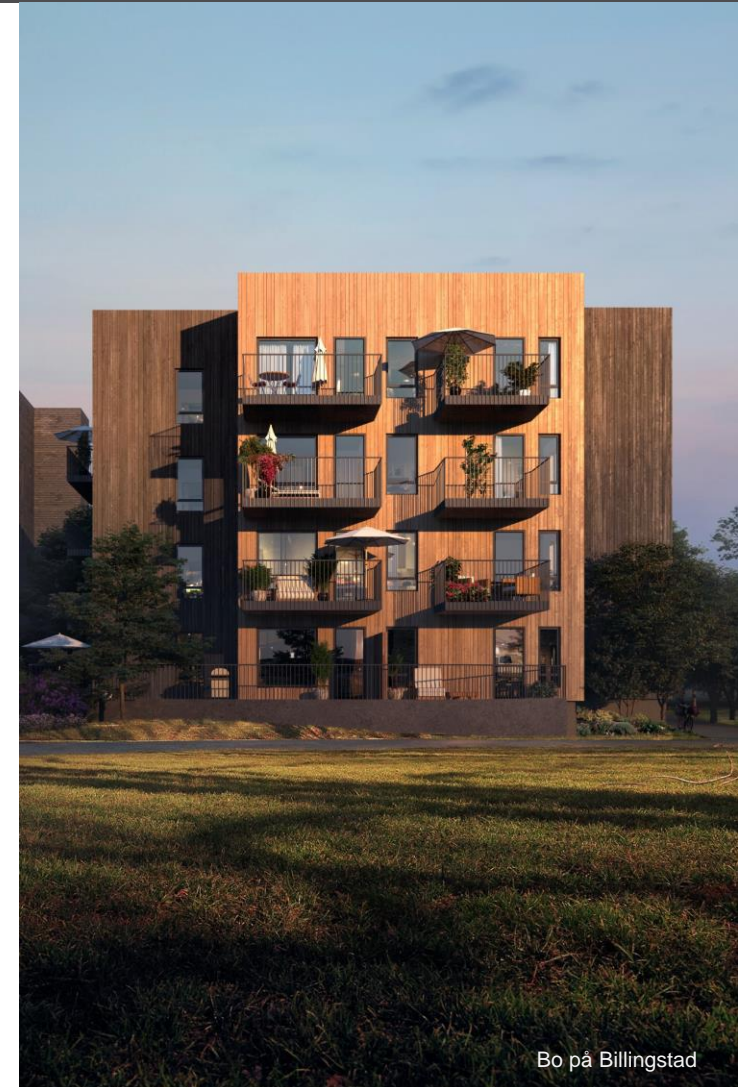
- Revenue growth of 21 % and solid profit margins
- Most business units have growth in revenues and deliver good results for the quarter, particularly in AF Bygg Oslo, AF Nybygg and contracting activities in Bergen. Additionally, the rehabilitation operations in Oslo delivered strong results. Eiqon and AF Bygg Østfold delivered results below expectations for the quarter
- A number of new contracts were signed in Q1. LAB Entreprenør recommended to build a new county administration building in Bergen. The contract will be carried out as a collaborative design and build contract and is valued at NOK 737 excl. VAT
- Order backlog: NOK 11,792 million (11,070)



Good results

NOK million	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Revenues	4	49	7	53
EBIT	23	43	60	61
EBT	23	40	58	55
Capital employed	922	804	922	804

- Good sale in projects with high completion ratio contributed to a good pre-tax result of NOK 23 million (40)
- 80 (117) sold apartments in the 2nd quarter, of which AF's share is 37 (38)
- Seven residential property projects with a total of 816 apartments under construction (AF's share is 319). 75 % sales ratio for projects in progress as of 30. June 2019
- Land and development rights in progress: 2,154 (1,972) residential units. AF's share is 996 (816)
- AF has 52,183 (73,751) m² gross area of urban premises under development. AF's share is 25,764 (36,198)



Increased activity and good profitability

NOK million	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Revenues	288	247	505	433
EBIT	16	10	24	18
EBT	15	9	22	15
EBIT %	5.5 %	4.1 %	4.8 %	4.1 %
EBT %	5.1 %	3.6 %	4.3 %	3.4 %

- Revenue growth of 17 % and good margins compared with the same quarter last year
- AF Energi & Miljøteknikk with increased activity level and higher margins. Positive outlook for the rest of the year
- AF Decom delivered good results both within demolition and environmental centres. The operating permit for Nes Environmental Centre was issued in June
- Order backlog: NOK 628 million (484)



Revenue growth, but variable profitability

NOK million	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Revenues	925	629	1,763	1,137
EBIT	28	45	61	67
EBT	27	45	59	66
EBIT %	3.0 %	7.2 %	3.4 %	5.9 %
EBT %	2.9 %	7.1 %	3.3 %	5.8 %

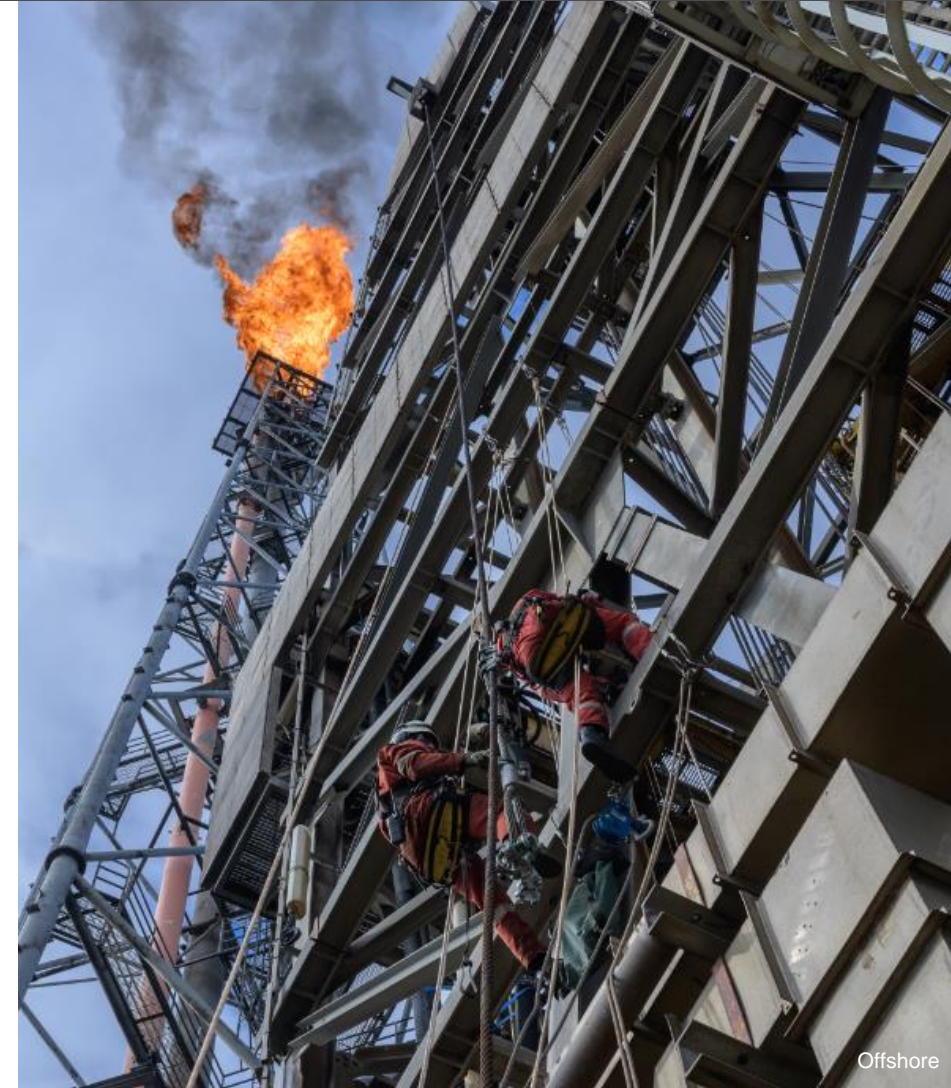
- Kanonaden's activity level on par with the same quarter last year, yet a weaker result. Pålplintar has gained control of production and costs, but activity levels remain too low
- AF Bygg Göteborg and AF Bygg Syd with lower activity level compared to the same quarter last year, but the results have improved. HMB delivered results somewhat below expectations for the quarter
- AF Härnösand Byggreturer reported a high level of activity and very good profitability
- Order backlog: NOK 2,939 million (1,513)



A low activity level contributing to weak results

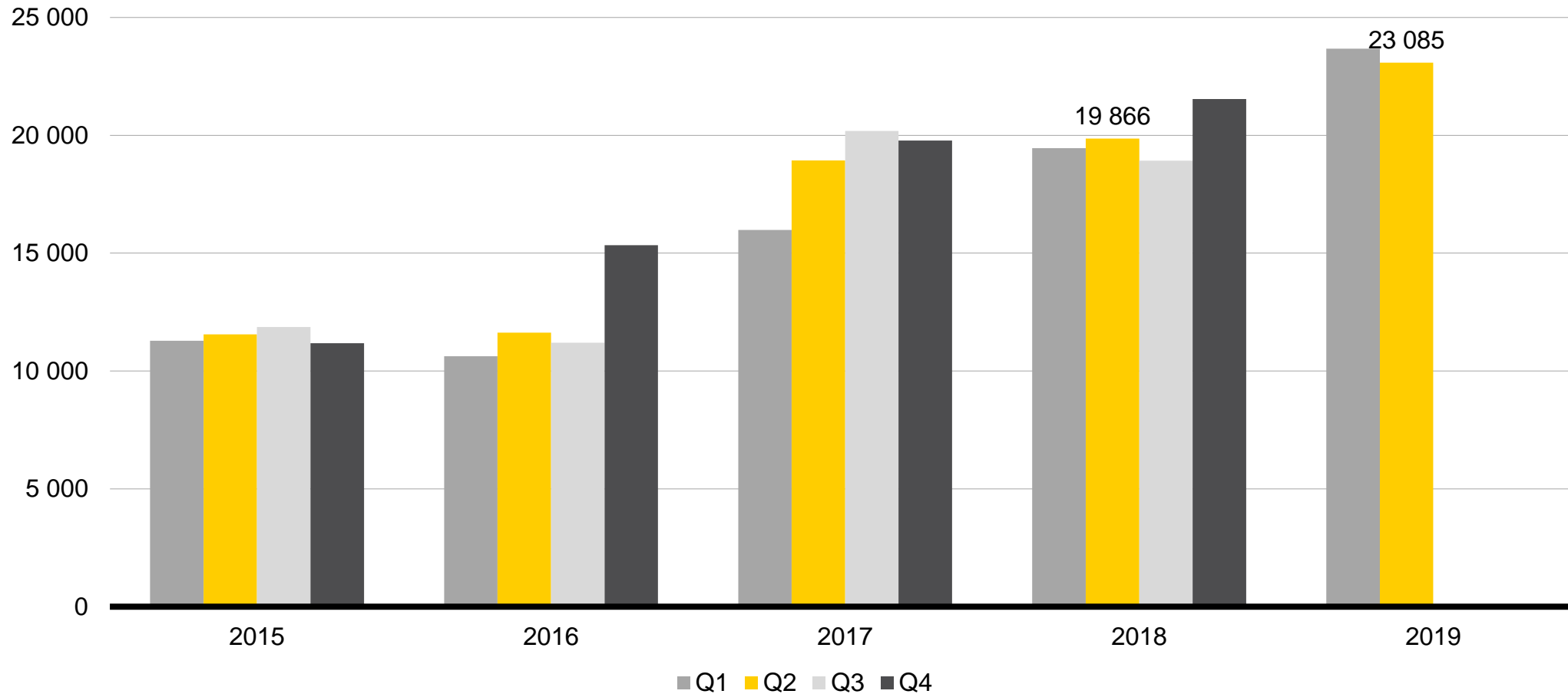
NOK million	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Revenues	191	184	314	366
EBIT	5	6	-3	9
EBT	1	4	-11	8
EBIT %	2.6 %	3.1 %	-1.1 %	2.5 %
EBT %	0.6 %	2.1 %	-3.4 %	2.1 %

- AF Offshore Decom still with a low activity level contributing to weak results. Engineering phase ongoing at our Offshore projects for upcoming offshore campaigns over the next years
- Activity level in Vats expected to increase from Q3 and remain high for the rest of the year
- AF AeronMollier with increased activity level compared to the same quarter last year. The unit reported positive results both in Offshore and Marine
- AF Offshore Decom has established the company Fairfield Decom in partnership with Heerema Marine Contractors (HMC) and Decom Energy
- Order backlog: NOK 1,474 million (924)

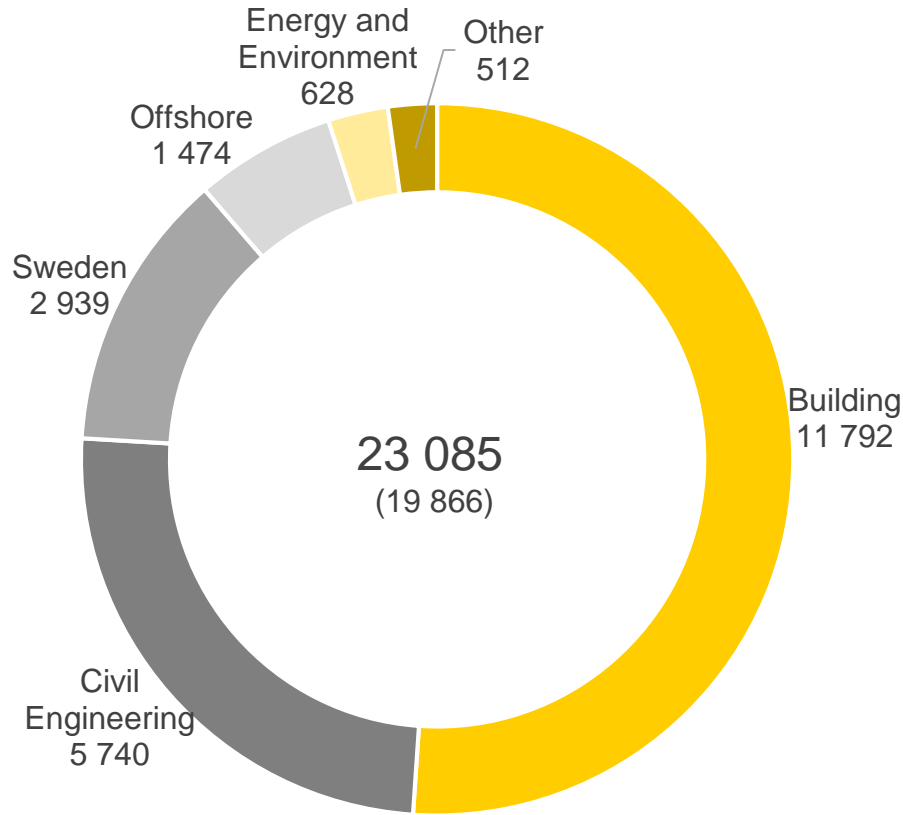
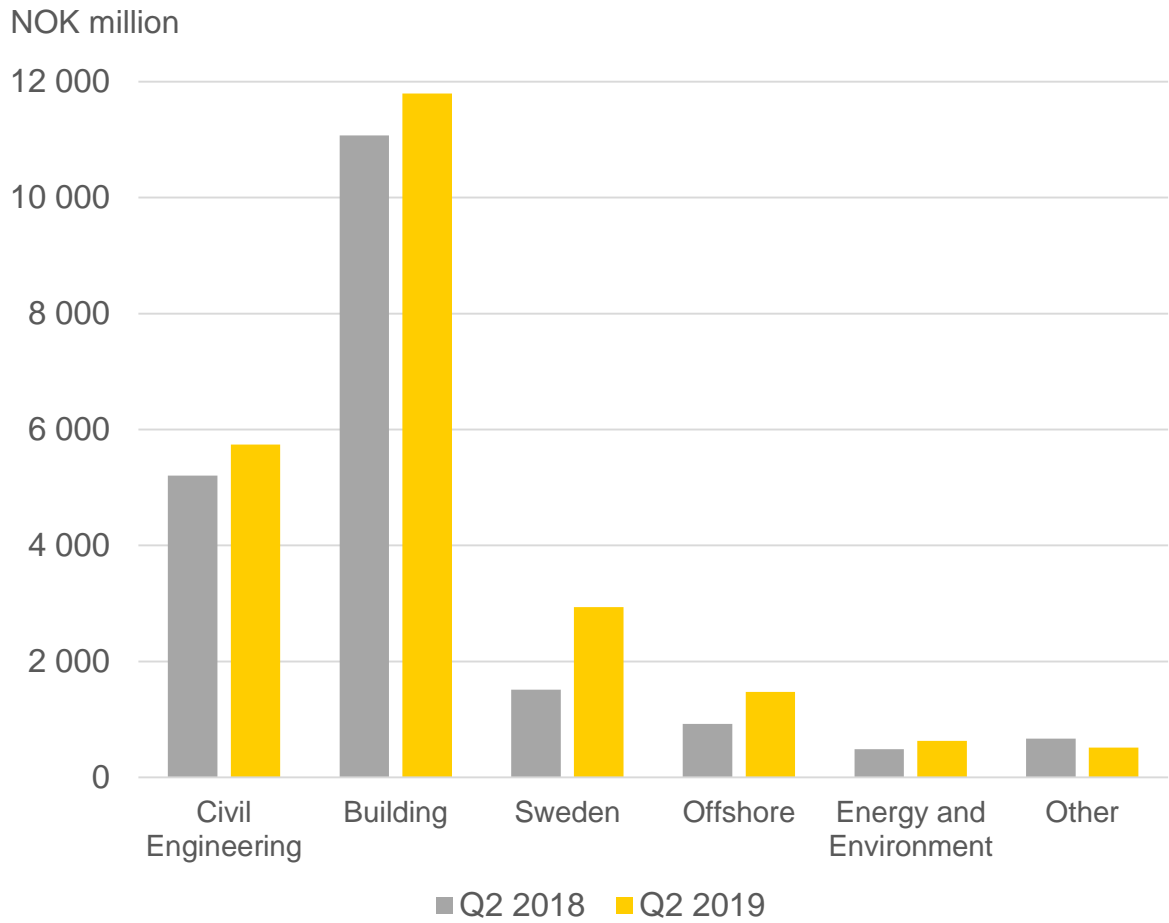


A strong order backlog

NOK million



Order backlog per business area





Acquisition of Betonmast

Betonmast



The Betonmast Group operates in construction and property in Norway and Sweden. The group recorded turnover of almost NOK 7 billion in 2018 and has an order backlog of about NOK 7.3 billion

BETONMAST

Established	2006
Head office	Oslo
Owners	BetonmastHæhre Holding AS (p.t)
CEO	Jørgen Evensen
Employees	1,007 employees (2018)

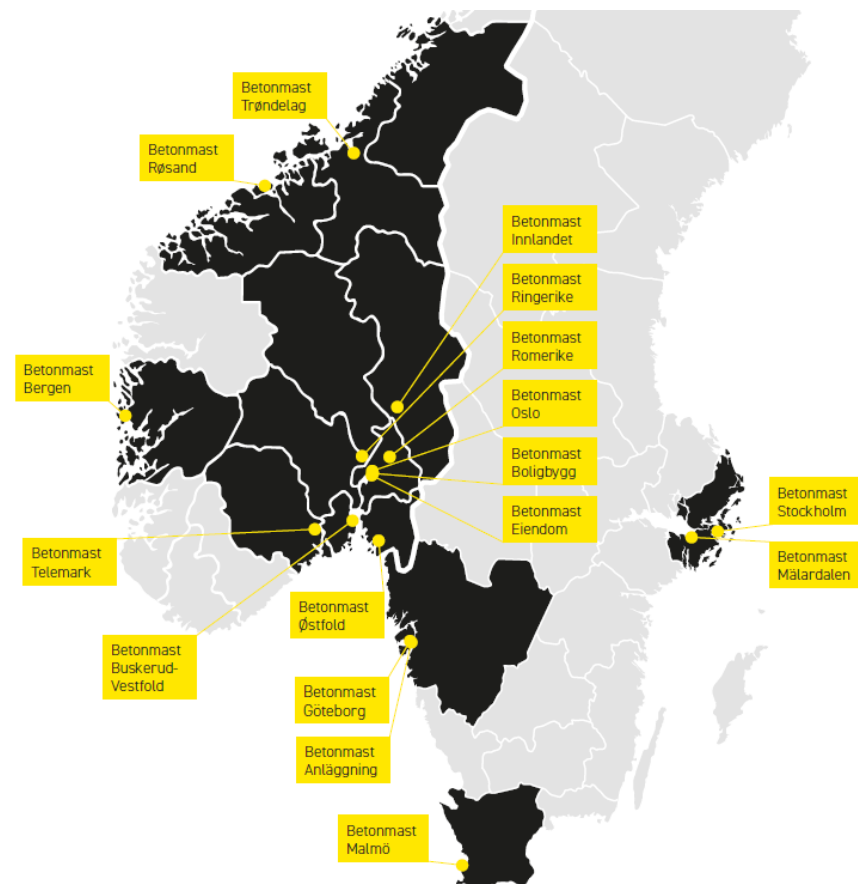
Finance

Trading volume NOK 6,942 million (2018)

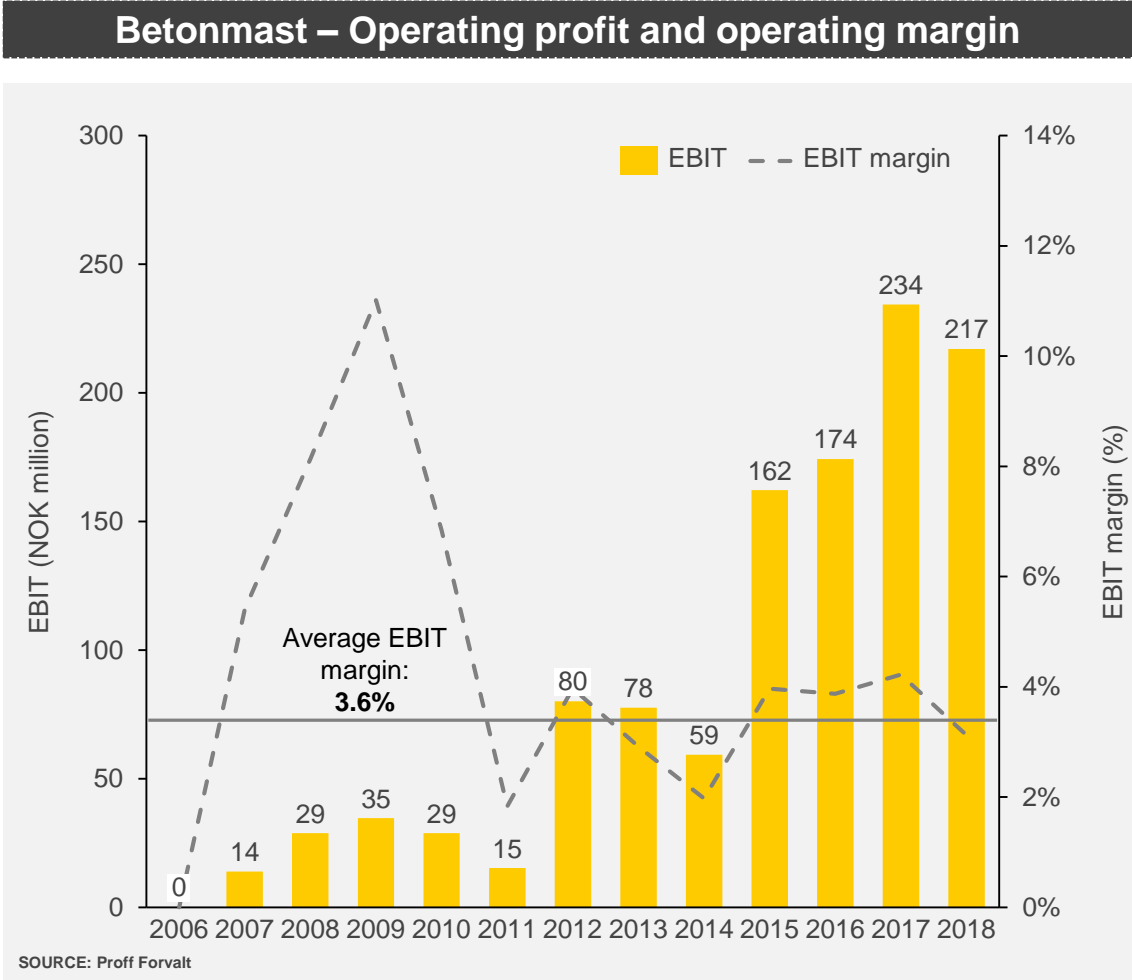
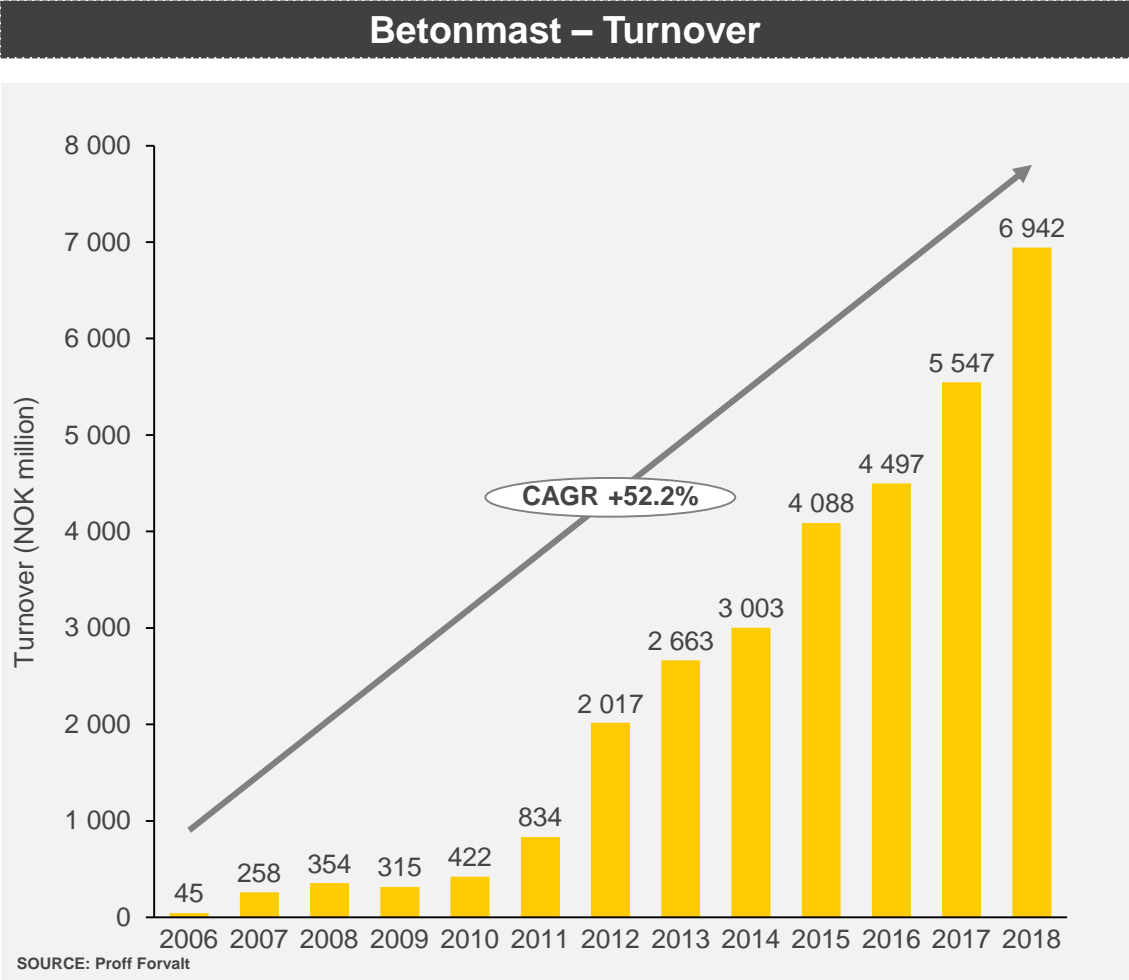
Order backlog NOK 7,322 million as of June

Description of the business

- The Betonmast Group consists of 17 companies distributed between the segments of Betonmast Norway, Betonmast Eiendom and Betonmast Sweden
- Their project portfolio encompasses everything from major housing projects to commercial and public buildings

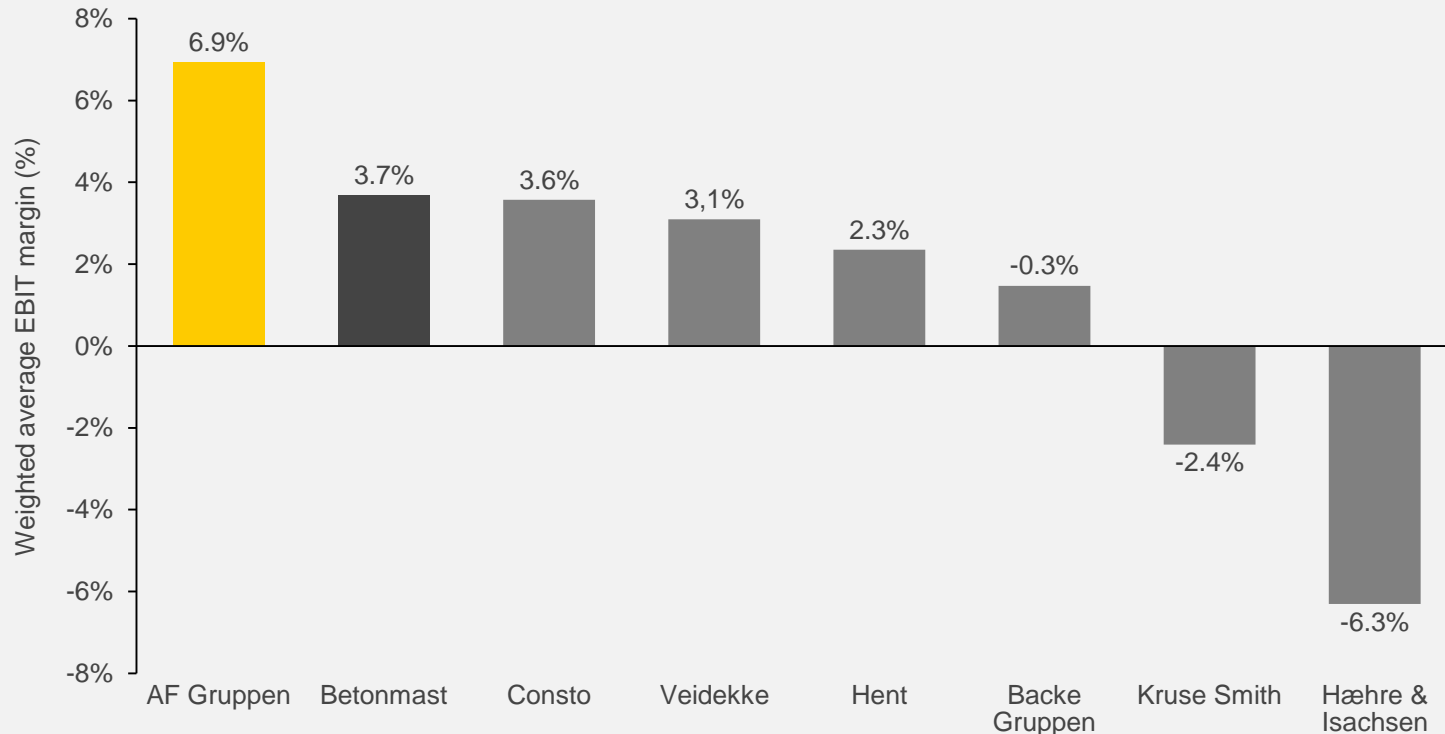


Betonmast has experienced formidable growth since its establishment in 2006 and has delivered good results over this period



Betonmast delivers good profitability relative to comparable companies

Weighted average operating margin in comparable companies (2016-2018)



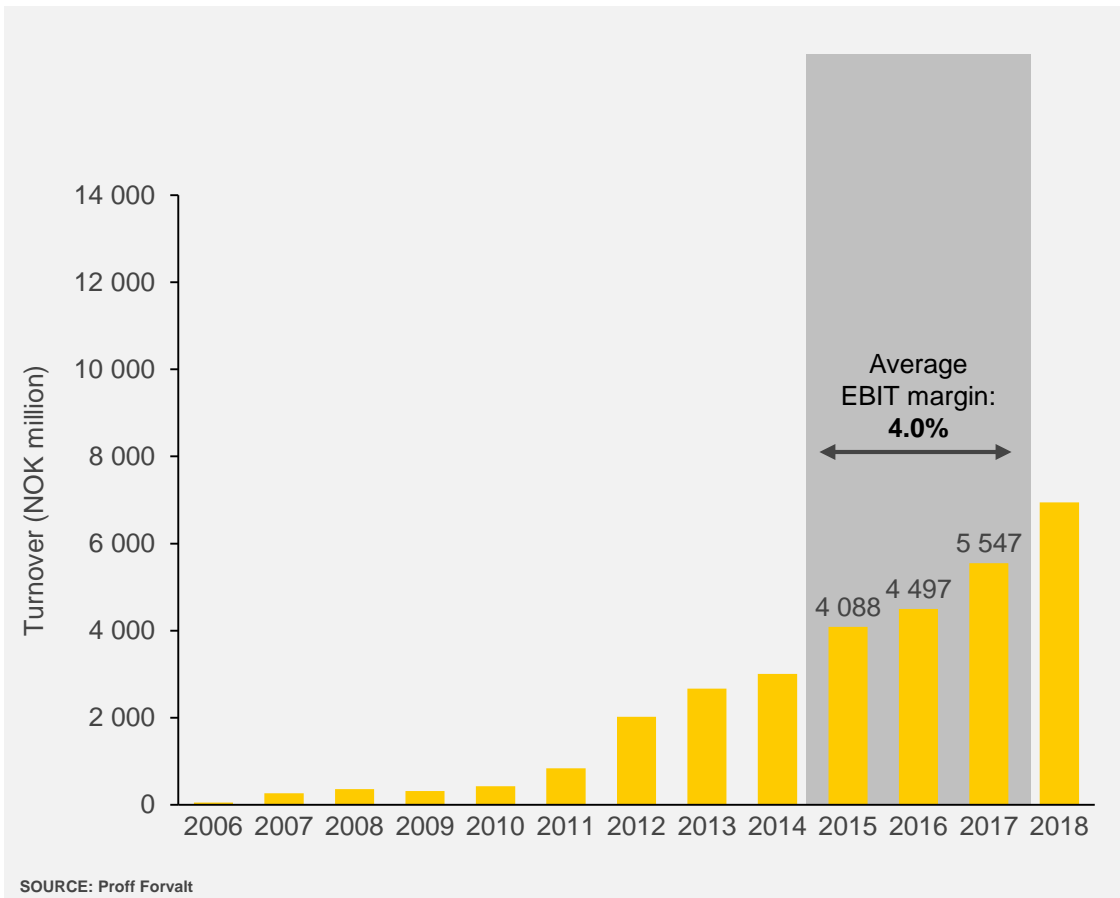
SOURCE: Proff Forvalt, annual financial statements

Betonmast is a company with...

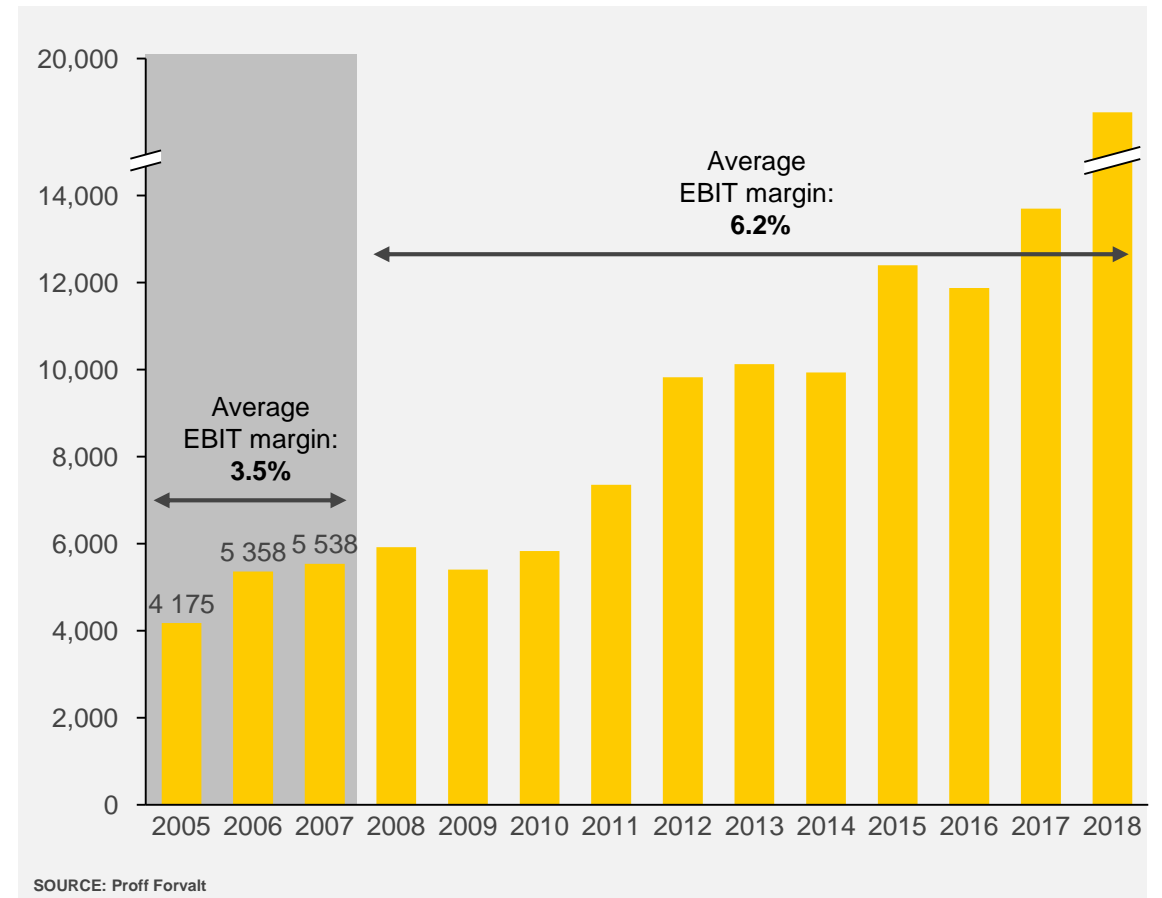
- A competent management team and employees
- Strong customer relationships
- An exciting and diversified project portfolio
- A solid order backlog
- Positive outlook going forward

There are a number of similarities in the development of AF Gruppen and Betonmast

Betonmast – Historical development



AF Gruppen – Historical development



Two companies with a number of similarities



Organic and structural growth



Strength in terms of project organisation



Profitable growth



Strong culture and ownership amongst employees



Local self-government, responsibilities and mandate



Management capacity, recruitment and development

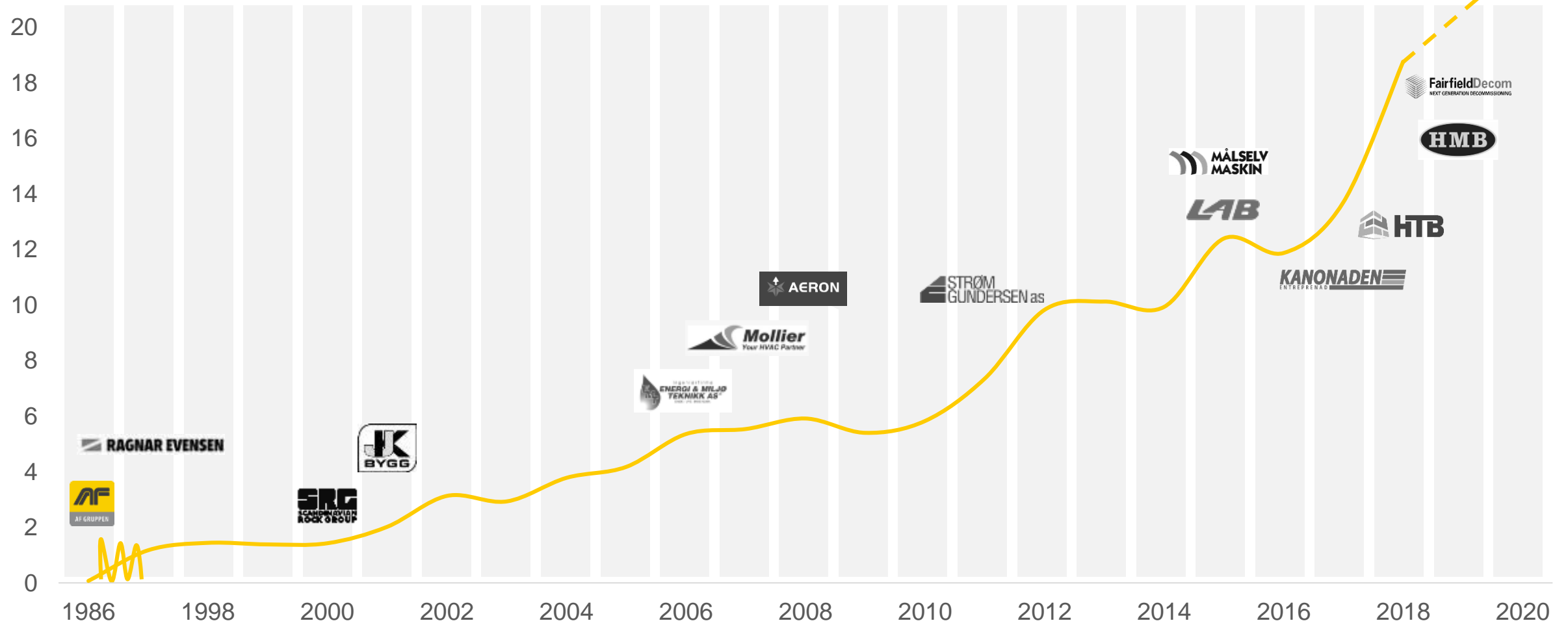
Established by entrepreneurs with extensive contracting experience and a clear idea of how project business should be run

AF Gruppen growth history



Long history of combining organic and structural growth

AF Gruppen's turnover in NOK billions and our key acquisitions



Four absolutes



AF Gruppen has a firm belief in local autonomy, but has four 'absolutes' when integrating



Behavioural
code and
ethics

Purpose, goals
and values



HSE



Risk
management



Financial
reporting

The transaction



The price for all shares in Betonmast AS is NOK 2,075 million. Following the transaction, AF Gruppen will maintain an ownership share of approximately 60 %

Agreement	
Price	NOK 2,075 million (NOK 140.50/share) for 100%
Ownership	AF (66%) and management and former shareholders of Betonmast (34%)
Timing	The transaction is expected to be concluded in October 2019

Conditions

- Approval from the annual general meeting of BetonmastHæhre, which is scheduled for 16 September. Shareholders representing 66 % of the shares of BetonmastHæhre are committed to vote for the transaction
- Limited due diligence
- Approval of the transaction by the competition authorities



Once the acquisition is completed, Betonmast will offer shares to all employees who currently have ownership in BetonmastHæhre to retain their ownership in Betonmast on the same terms Betonmast is paying in the transaction. It is assumed that after this AF Gruppen will maintain an ownership share of approximately 60 %

The transaction

The Betonmast Group for the period 2016-2018



P&L and Balance sheet

P&L	2016	2017	2018
Revenue	4 497	5 547	6 942
EBIT	174	234	217
EBIT-margin	3,9 %	4,2 %	3,1 %
Balance Sheet	2016	2017	2018
Non-current assets	274	356	446
Bank deposits	546	1 165	1 335
Current assets	846	1 315	1 315
Total current assets	1 392	2 480	2 650
Total assets	1 666	2 836	3 097
Equity	274	364	386
Interest-bearing debt, long-term	35	124	29
Other long-term liabilities	100	147	134
Total long-term liabilities	134	271	163
Interest-bearing debt, short-term	-	1	300
Other short-term liabilities	1 258	2 200	2 247
Total short-term liabilities	1 258	2 201	2 547
Total equity and liabilities	1 666	2 836	3 097
Net cash	512	1 039	1 006

Comments

- The price of NOK 2,075 million for 100% of the shares has been fixed
- BetonmastHæhre AS will not withdraw dividends from Betonmast
- There will be no adjustment for net cash or working capital in the transaction
- Equity, net cash and working capital will evolve in line with normal operation for 2019

The transaction

Financing of the transaction



Financing

Equity (50 %)

Key figures in Betonmast	352,1
AF Gruppen	685,4
Total	1037,5

Loans (50 %)

AF Gruppen - Credit facilities	1037,5
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Comments

- The price of NOK 2,075 million will be financed through a combination of equity (50%) and loans (50%)
- Key figures in Betonmast (NOK 352 million)
 - Financing for the equity has been confirmed
- AF Gruppen (NOK 685.4 million)
 - Financing through a private offering NOK 400 million directed at the company four largest shareholders
 - Using existing credit facilities of NOK 285.4 million

The transaction



Private offering to AF Gruppen's four largest shareholders

Share issue		
AF Gruppen - Private offering	Ownership AF	Share in private offering
OBOS BBL	16,3 %	120,3
ØMF Holding AS	14,9 %	110,0
Constructio AS	13,8 %	102,1
Folketrygdefondet	9,2 %	67,6
Total	54,2 %	400,0

Comments

- Private offering (NOK 400 million)
 - Through the use of existing board authorisation, there will be a targeted share issue worth a total of NOK 400 million to AF Gruppen's four biggest shareholders in accordance with their respective ownership stakes.
 - The issue price will be equal to the share price upon completion of the transaction
- Repair share issue
 - The board of AF Gruppen wishes to ensure equal treatment of all shareholders and thus intends to propose to an extraordinary general assembly to adopt a repair issue to the remaining shareholders of the company
 - The issue price will be the same price as in the private placement

Summary

NOK million	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Revenues	5,863	4,692	11,077	8,575
EBIT	369	256	601	441
EBT	363	256	590	450
EBIT %	6.3 %	5.5 %	5.4 %	5.1 %
EBT %	6.2 %	5.5 %	5.3 %	5.3 %

- High revenue growth (25 %)
- Solid results
- Strong order backlog: NOK 23,085 million (19,866)
- AF Gruppen acquires Betonmast



Thank you for your
attention!

Q3 2019:
November 8th 2019

