

AF Gruppen ASA Q3 2021

12 November 2021

AF



Foto: Max Emanuelson

Highlights

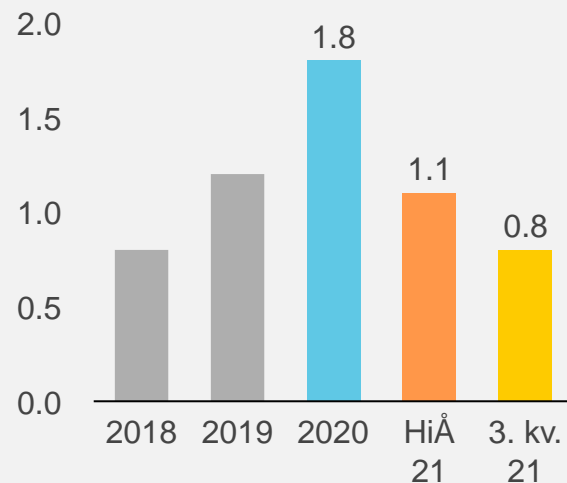
AF Gruppen with solid profitability, record high order backlog and increased dividend

- Revenue: NOK 6,358 (6,366) million in Q3 and NOK 19,756 (19,540) million year-to-date
- Earnings before tax: NOK 344 (368) million in Q3 and NOK 945 (833) million year-to-date
- Profit margin: 5.4 % (5.8 %) in Q3 and 4.8 % (4.3 %) year-to-date
- Cash flow from operations: NOK 380 (574) million in Q3 and NOK 1 114 (1 274) million year-to-date
- Order backlog: NOK 40,391 (31,269) million as of 30 September 2021
- Net interest-bearing debt of NOK 26 (-341) million as of 30 September 2021
- Dividend for the second half of 2021: NOK 4.00 (3.50) per share



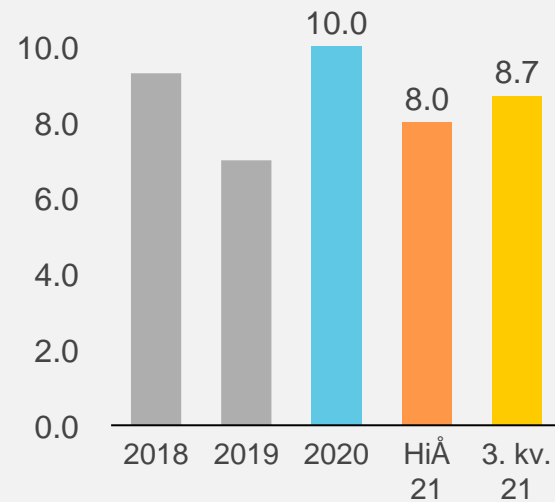
Safety

Lost-time injury frequency (LTIF)



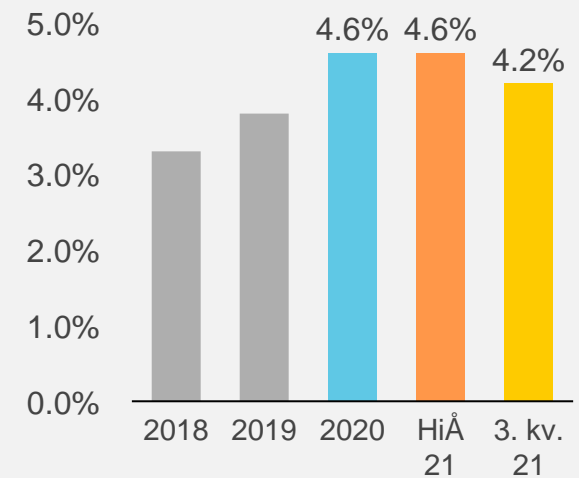
Number of lost-time injuries and severe personnel injuries not resulting in lost-time, including subcontractor employees, per million hours worked

Total recordable injury frequency (TRIF)



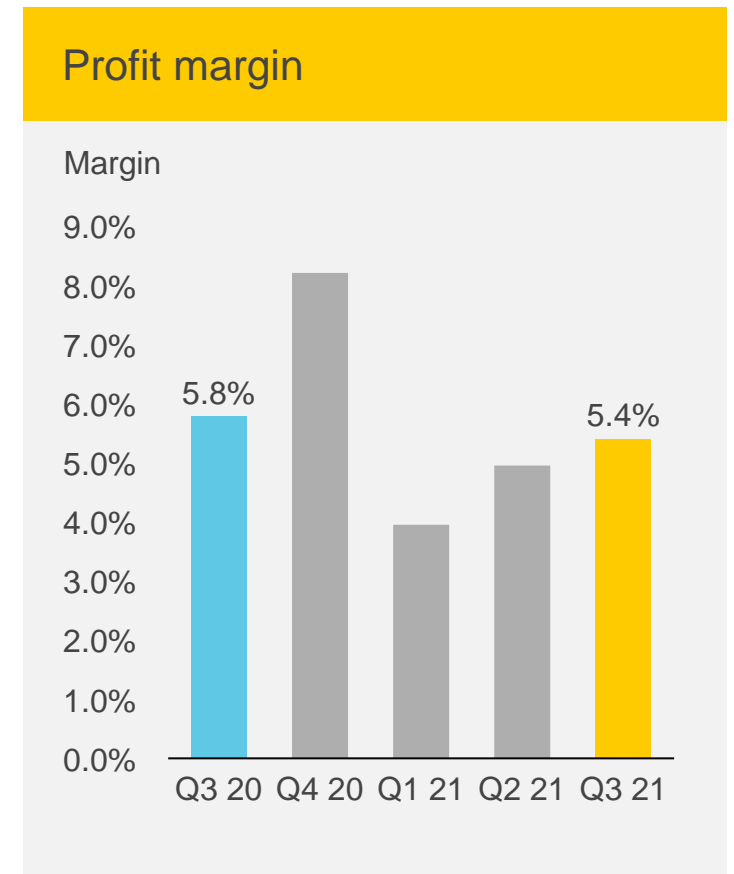
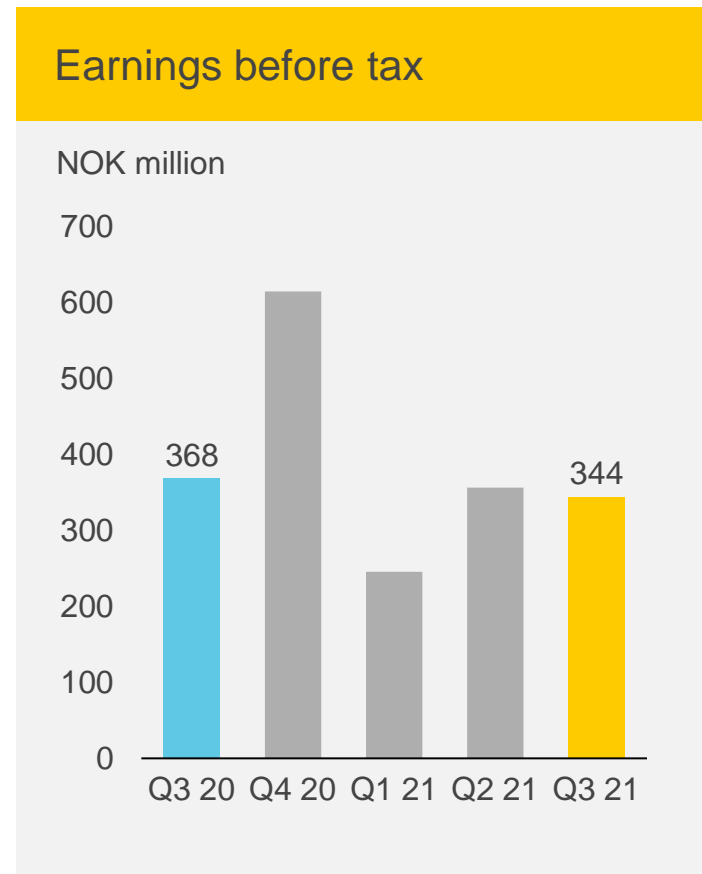
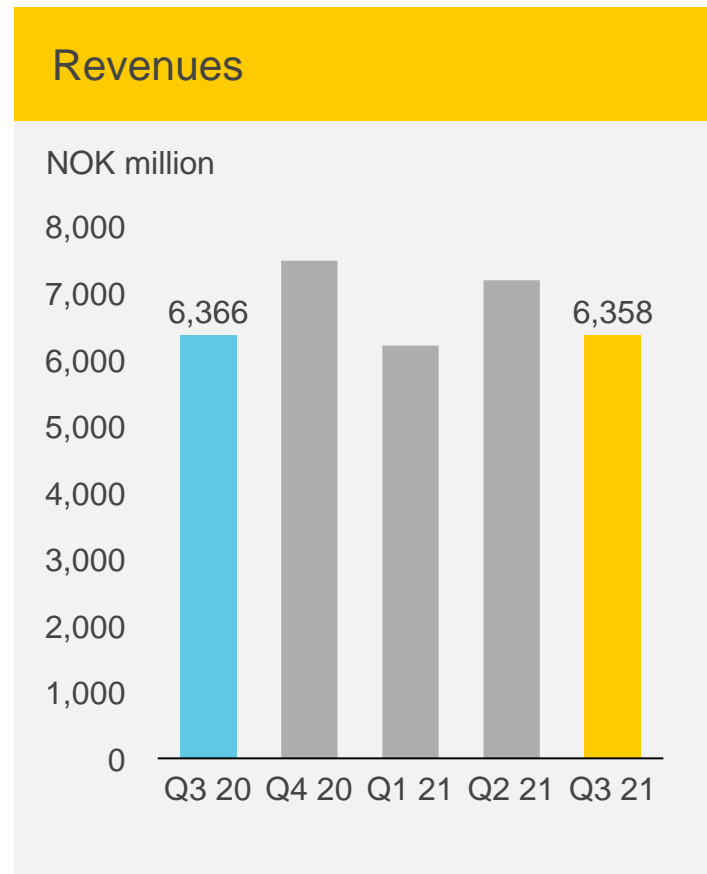
Number of lost-time injuries, injuries involving substitute work and medical treatment injuries. Including subcontractor employees, per million hours worked

Sick leave



Sick-leave increased due to Covid-19. Covid-19 related absence estimated to 4% of the total absence in Q3, and 8% year-to-date

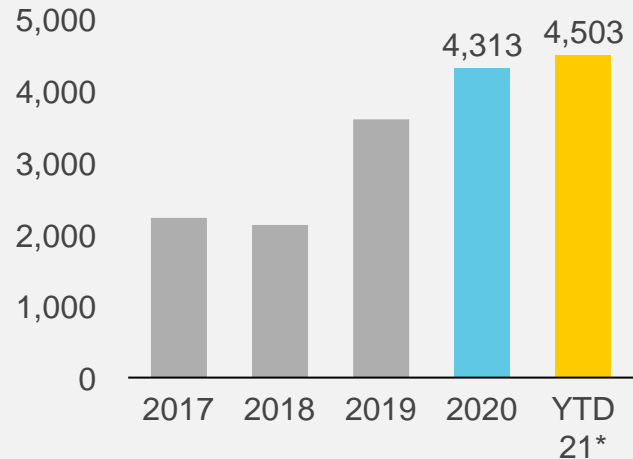
Revenues and earnings – quarterly



Return on capital employed

Average capital employed (rolling average)

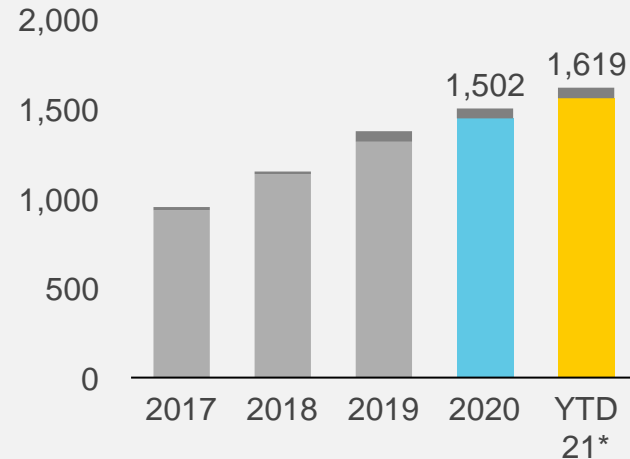
NOK million



* Rolling average last four quarters

Earnings before tax and interest expense (four quarters rolling)

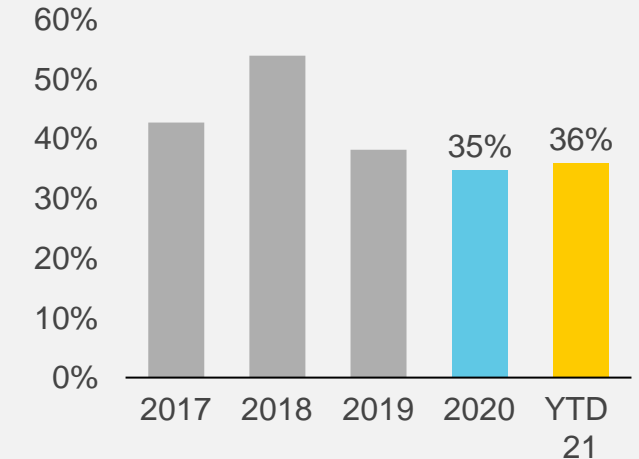
NOK million



* Rolling average last four quarters

■ Interest expenses added

Return on capital employed

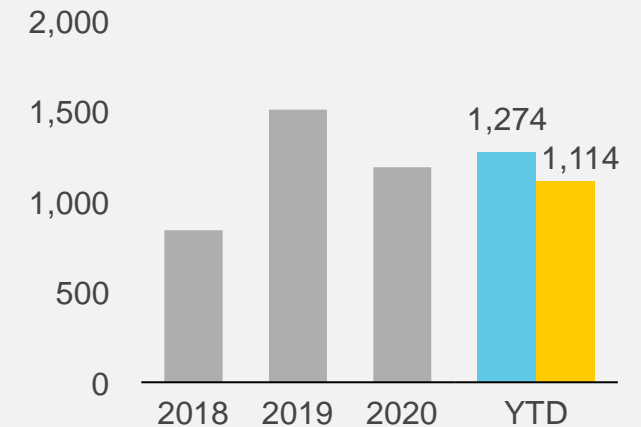


Cash flow statement

NOK million	Q3 2021	Q3 2020	YTD 2021	YTD 2020
EBIT	344	371	970	847
Depreciations, amortisation and impairment	151	135	428	404
Change in net working capital	-68	139	-24	238
Other adjustments / taxes paid	-48	-71	-260	-216
Cash flow from operations	380	574	1 114	1 274
Net investments	118	-60	-18	-122
Cash flow from capital activities	-24	-19	-883	-531
Interest paid and change in interest bearing debt	-85	-167	-290	-310
Net change in cash and cash equivalents	389	328	-77	311
Net cash and cash equivalents at beginning of period	205	561	708	563
Change in cash and cash equivalents without cash effect	0	4	-38	20
Net cash and cash equivalents end of period	593	893	593	893

Cash flow from operations

NOK million



■ YTD 2020

■ YTD 2021

Net interest-bearing debt and liquidity

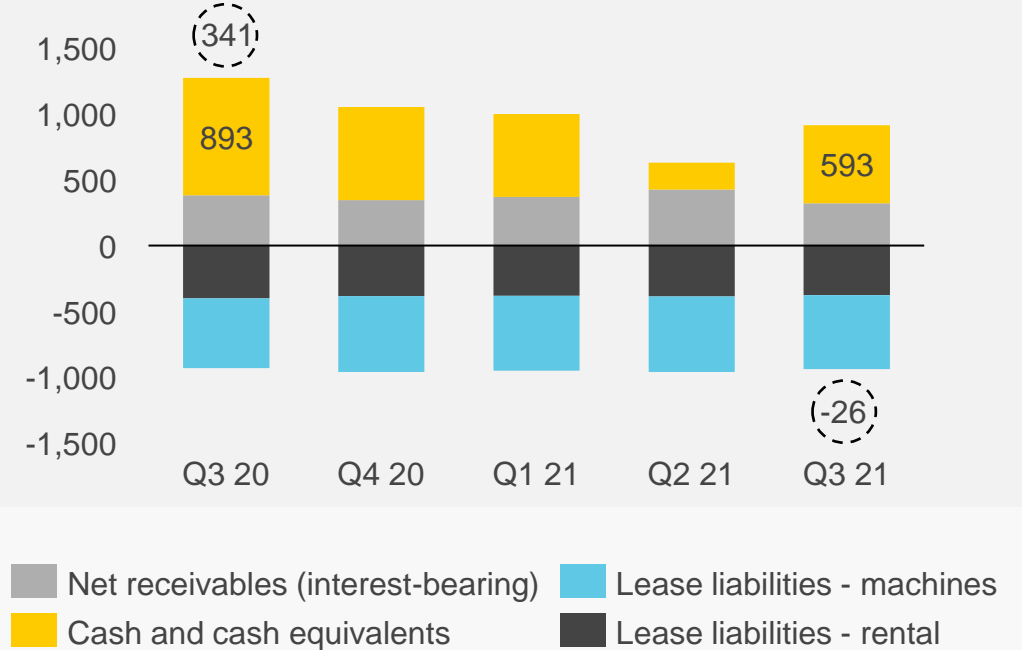
Net interest-bearing debt

NOK million



Components net interest-bearing debt

NOK million

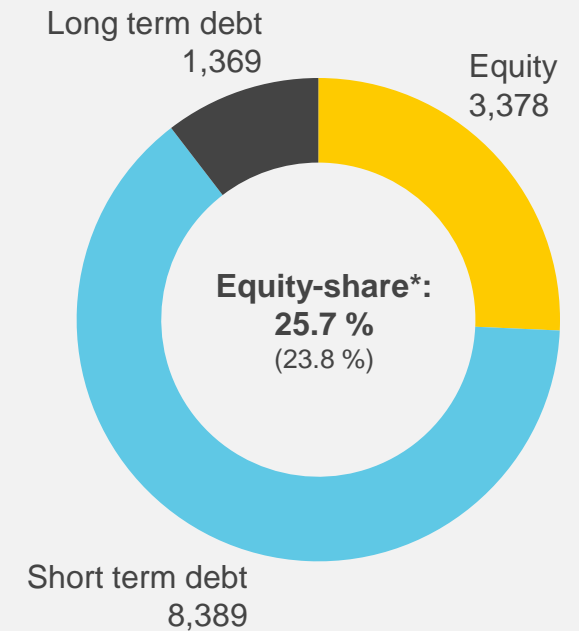


Available liquidity: NOK 3,570 million (including financial facilities of NOK 3,000 million)

Balance sheet

NOK million	30.09.21	30.09.20	31.12.20
Non-current assets	7,646	7,859	7,760
Current assets, ex. cash	4,898	4,676	4,394
Cash and cash equivalents	593	893	708
Total assets	13,137	13,429	12,862
Equity	3,378	3,195	3,494
Long term debt	1,369	1,372	1,426
Short term debt	8,389	8,862	7,942
Total equity and debt	13,137	13,429	12,862

Equity share



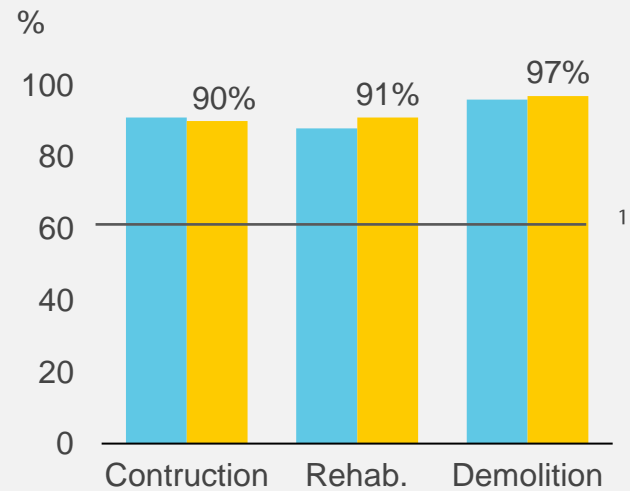
*Equity ratio excluding the effect of IFRS 16 would be 27.3% at 30.09.21

All the company's covenants exclude the effect of IFRS 16

Environment

Source separation rate

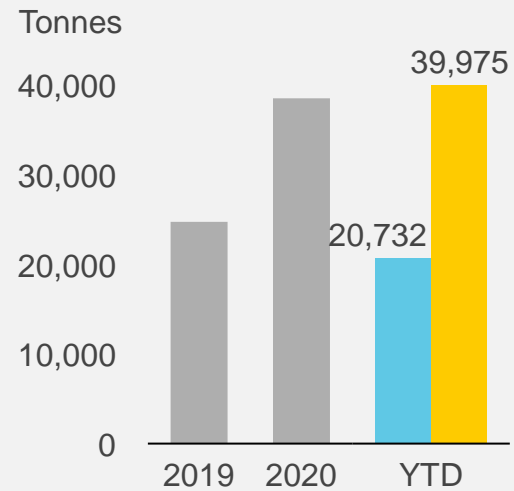
Waste sorted: 240,243 (221,589) tonnes year-to-date



¹ Regulatory requirement of 60%

■ YTD 2020
■ YTD 2021

Metal demolished and sorted for recycling

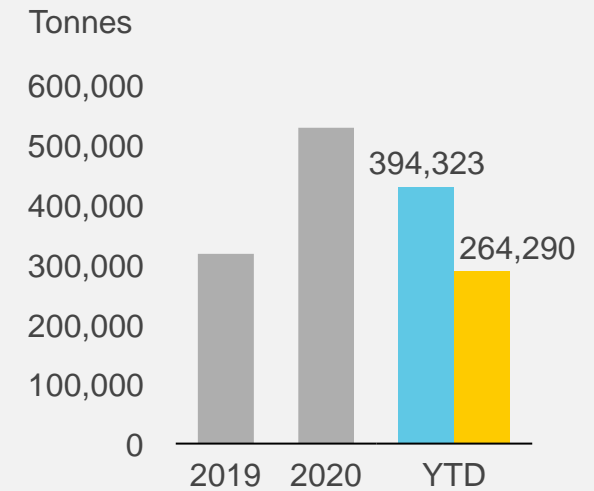


39,975 tonnes = 39,975 (20,732) tonnes CO₂-equivalents

■ YTD 2020
■ YTD 2021

Recycling environmental parks

Recycling rate 77%% (86%) year-to-date



264,290 tonnes = 20,692 (24,333) tonnes CO₂-equivalents

■ YTD 2020
■ YTD 2021

Business areas

3rd quarter 2021



Revenue growth and improved profitability

NOK million	Q3 21	Q3 20	2H 21	2H 20
Revenues	1,403	1,302	4,480	3,659
EBIT	98	83	294	173
EBT	97	80	290	169
EBIT %	7.0 %	6.4 %	6.6 %	4.7 %
EBT %	6.9 %	6.1 %	6.5 %	4.6 %

- Solid revenue growth and improved profitability. The activity level increased compared to the same quarter last year. Overall solid operations in all units
- Very good results in Måselv Maskin & Transport in the quarter
- Revenue growth and stable profitability in AF Anlegg and Consolvo. Improved profitability in Eiqon
- Order backlog: NOK 7,617 (8,048) million



Weaker profitability, but strong order intake in the quarter

NOK million	Q3 21	Q3 20	2H 21	2H 20
Revenues	2,007	1,987	6,026	6,437
EBIT	80	115	293	349
EBT	80	117	296	357
EBIT %	4.0 %	5.8 %	4.9 %	5.4 %
EBT %	4.0 %	5.9 %	4.9 %	5.5 %

- Haga & Berg, Strøm Gundersen, AF Bygg Oslo and AF Bygg Østfold delivered good results in the quarter
- Impairments in the project portfolio from AF Nybygg contributes negatively in the quarter. In addition LAB, HTB and AF Håndverk delivered weak results. AF Nybygg's portfolio is now transferred to AF Bygg Oslo
- Price development on raw materials (wood and steel) is challenging in several projects. Projects compensated for wage and price inflation (LPS) are less impacted
- Construction City contractors are AF Bygg Oslo and Betonmast Oslo. 2/3 of the contract value of NOK 2,676 million are included in Constructions' order backlog
- Order backlog: NOK 14,594 (9,293) million



Continued weak profitability

NOK million	Q3 21	Q3 20	2H 21	2H 20
Revenues	1,626	1,926	5,079	5,746
EBIT	44	68	103	172
EBT	40	65	87	166
EBIT %	2.7 %	3.5 %	2.0 %	3.0 %
EBT %	2.5 %	3.4 %	1.7 %	2.9 %

- Weak profitability, however large variation in the results of the various units
- Stable and good results from Betonmast Romerike, Oslo and Østfold
- Betonmast Boligbygg and Telemark have low project contributions and continue to deliver weak results
- Betonmast Sverige delivered profitability below expectation in the quarter
- 1/3 of Construction City's contract value is included in the order backlog of Betonmast
- Order backlog: NOK 11,281 (7,651) million



Good sales in new projects in the quarter

NOK million	Q3 21	Q3 20	2H 21	2H 20
Revenues	6	6	20	18
EBIT	27	27	43	41
EBT	27	26	43	38
Capital employed	836	976	836	976

- Good sales in the quarter, particularly in AF Eiendom's project Bekkestua Have. In total 158 (193) units were sold in the quarter, whereof AFs share was 77 (71)
- An agreement to sell AF's share in Construction City was announced in July, and completed in the quarter
- Six projects with a total of 636 units are in production (AFs share is 269). Sales ratio on commenced projects are 80%
- Residential portfolio under development: 1,931 (2,198) units. AFs share: 989 (1,124)
- Commercial portfolio under development: 42,380 (145,100) BTA sqm. AFs share: 20,996 (43,733)



Increased activity and improved profitability

NOK million	Q3 21	Q3 20	2H 21	2H 20
Revenues	266	224	839	667
EBIT	24	15	57	32
EBT	23	14	54	32
EBIT %	8.9 %	6.5 %	6.8 %	4.7 %
EBT %	8.8 %	6.3 %	6.4 %	4.8 %

- Energy and Environment delivered revenue growth and improved profitability in the quarter
- AF Decom increased its activity and continues to deliver very good results, both within demolition and recycling at AFs environmental centers
- AF Decom has year-to-date sorted metal for recycling and recycled materials at the environmental centers corresponding to 28,638 (33,497) CO₂-equivalents
- AF Energi reduced its activity in the quarter and delivered results below expectations
- Order backlog: NOK 574 (481) million



Revenue growth and stable results. Record high order backlog

NOK million	Q3 21	Q3 20	2H 21	2H 20
Revenues	958	870	3,016	2,969
EBIT	51	48	137	130
EBT	50	46	133	126
EBIT %	5.3 %	5.5 %	4.6 %	4.4 %
EBT %	5.2 %	5.3 %	4.4 %	4.2 %

- Sweden delivered revenue growth and stable results in the quarter
- Kanonaden and AF Härnösand Byggreturer continue to deliver good results
- HMB and AF Bygg Syd with profitability somewhat below expectations
- AF Prefab Mälardalen contributes negatively, following low production in the quarter
- Price development on raw materials (wood and steel) is challenging also in Sweden. In addition, there is uncertainty related to the production of cement in Sweden tied to the situation of Cementa
- Record high order backlog following a good order intake in the quarter
- Order backlog: NOK 4,831 (3,825) million



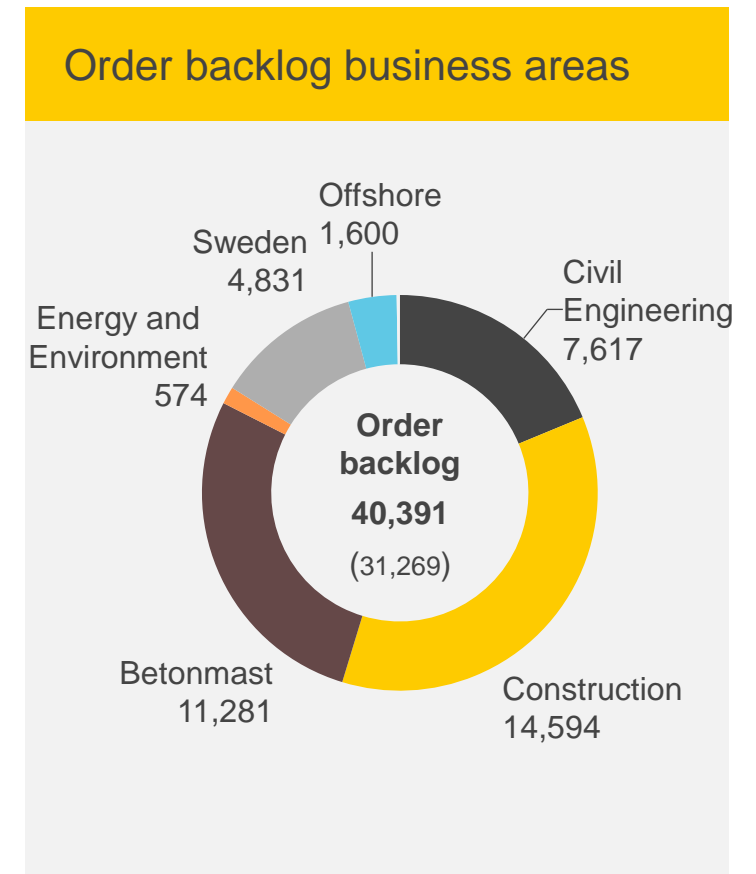
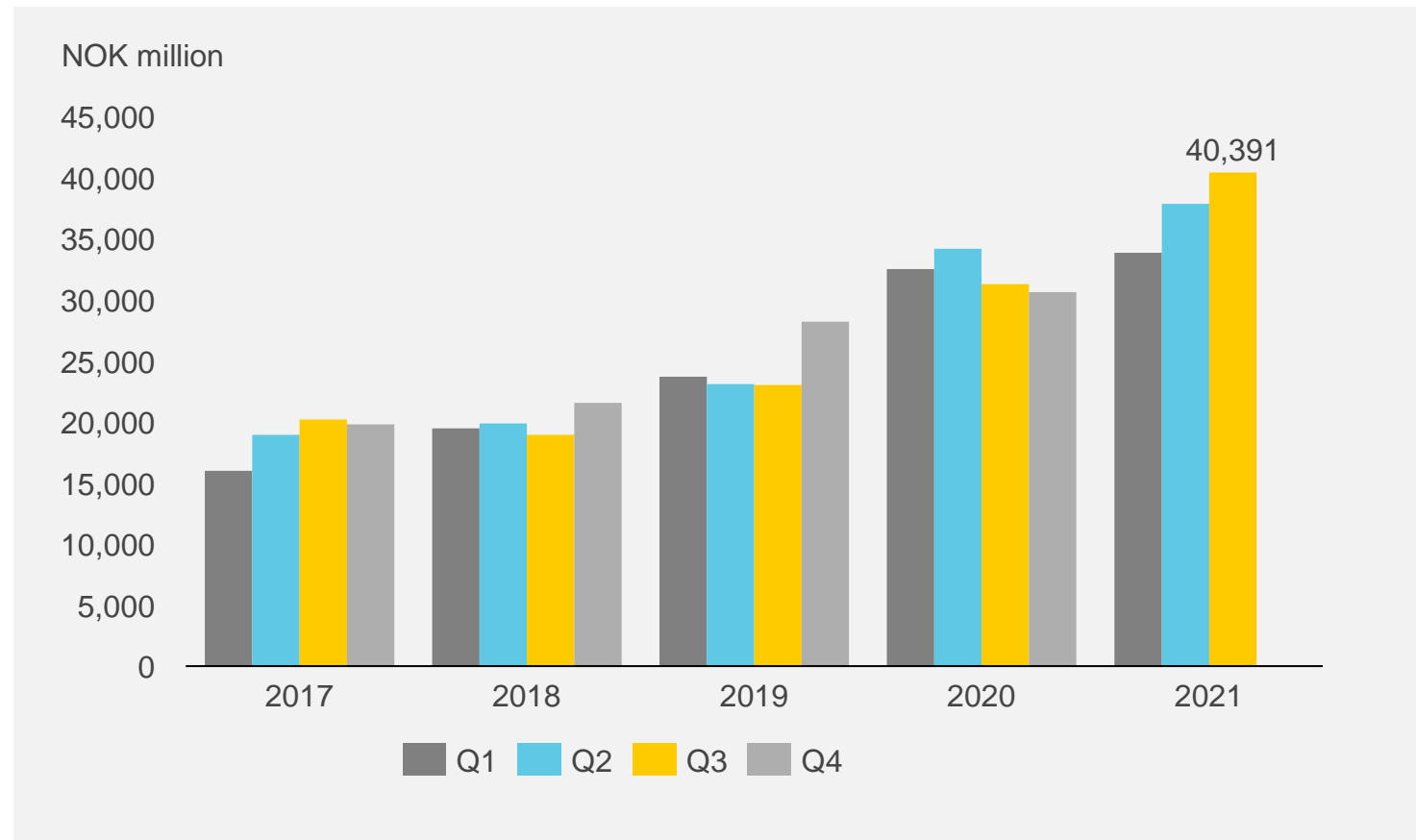
Improved profitability and increased activity

NOK million	Q3 21	Q3 20	2H 21	2H 20
Revenues	207	208	623	510
EBIT	18	11	43	-39
EBT	19	10	41	-50
EBIT %	8.9 %	5.5 %	7.0 %	-7.7 %
EBT %	9.0 %	5.0 %	6.5 %	-9.7 %

- AF Offshore Decom had high in activity and good profitability following solid operations at AF Miljøbase Vats.
- Fairfield Decom was discontinued in the quarter. Impairments related to this negatively affects the result
- AF Offshore Decom has year-to-date sorted metal for recycling corresponding to 32,029 (11,568) CO₂-equivalents
- AF AeronMollier maintain steady results in the quarter
- Order backlog: NOK 1,600 (1,497) million



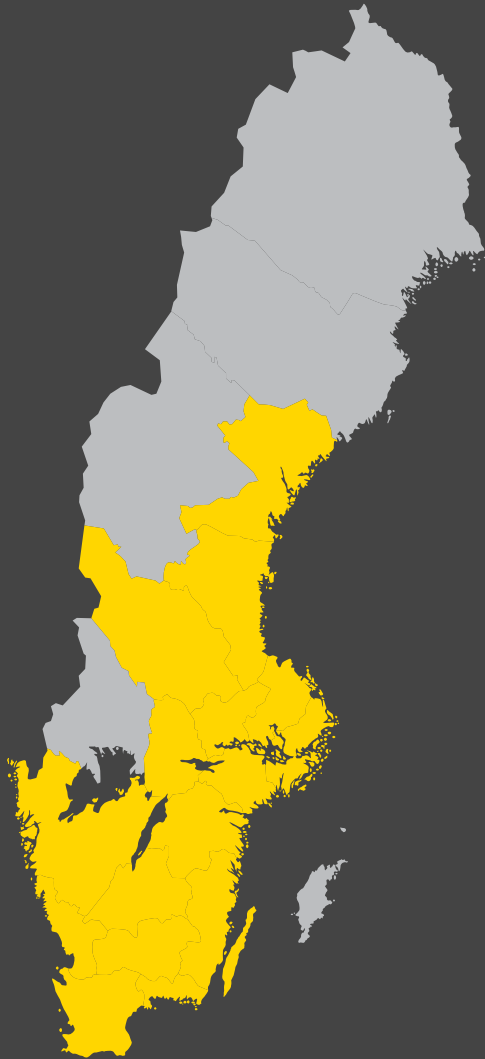
Strong order backlog



Business area Sweden

Q3 2021 | Theme
presentation

Our business in Sweden



Business area Sweden



Bygg Syd



Projektutveckling



Prefab Mälardalen

BETONMAST

Betonmast Göteborg
Betonmast Mälardalen
Betonmast Stockholm
Betonmast Malmö
Betonmast Anläggning

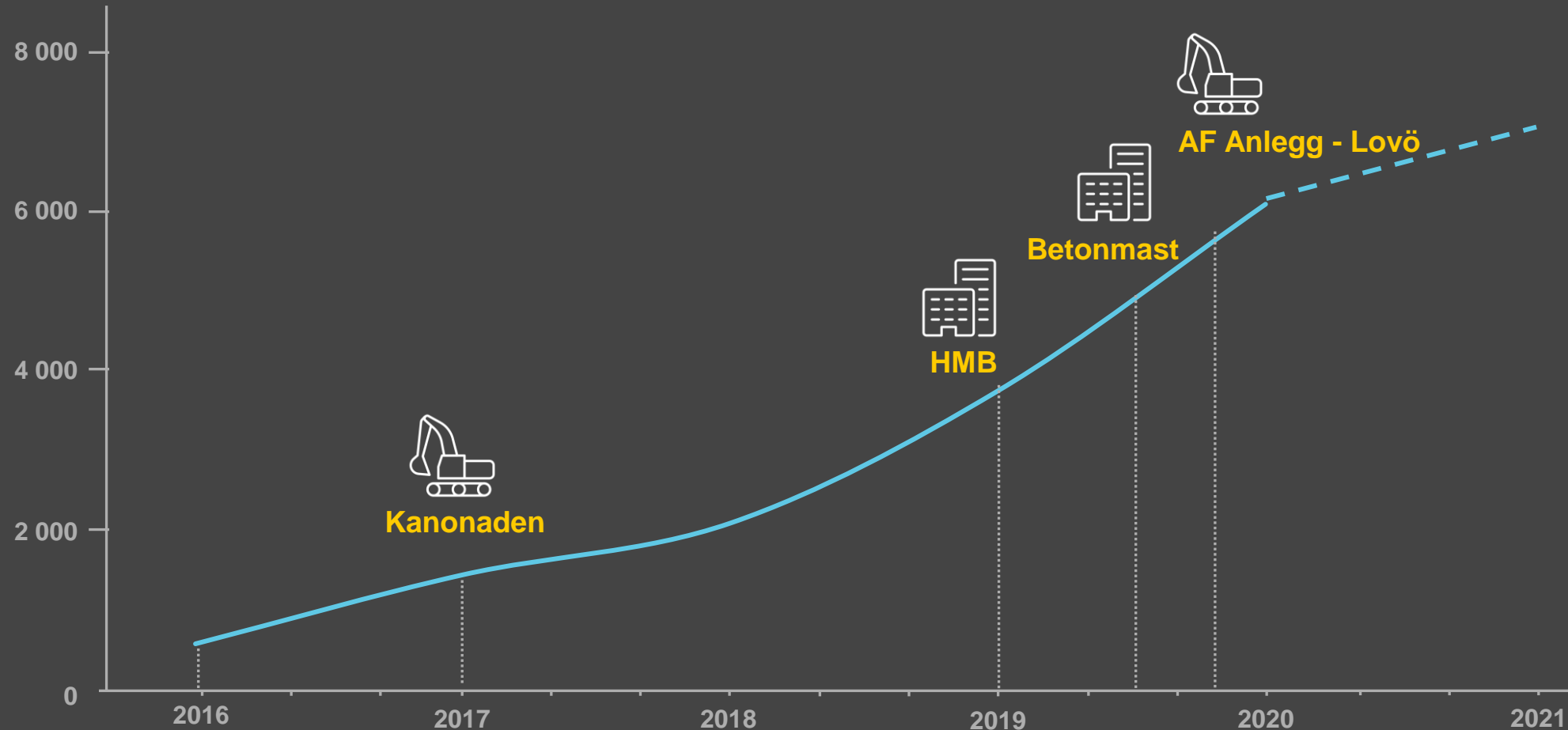


Anlegg

Lovö-projektet

AF Gruppens' growth in Sweden

Revenue
MNOK



Includes Business Area Sweden, Betonmast Sweden and AF Anleggs' Lovö project

Business Area Sweden

Services

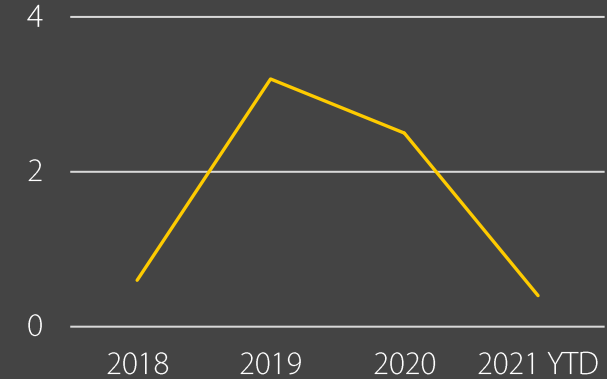
Civil engineering	Construction	Rehabilitation
Property	Demolition	Prefab

YTD 2021

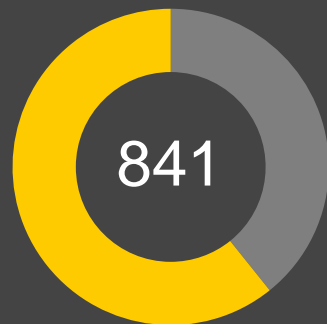
3 016
Revenues (MNOK)

4,6 %
Operating margin

Lost-time injury frequency (LTIF)

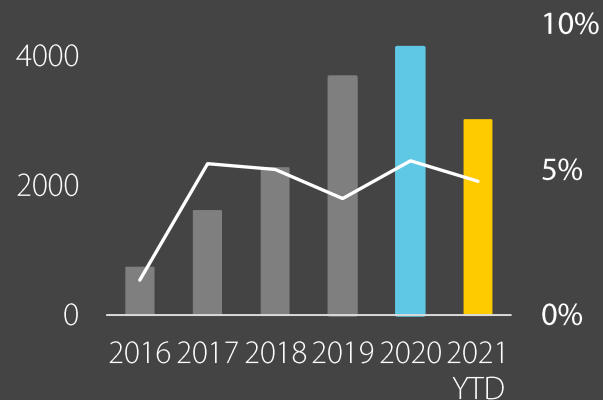


Number of employees



■ Salaried employees ■ Skilled employees

Development revenues and EBIT%



Business units

- Kanonaden
- AF Prefab Mälardalen
- AF Bygg Syd
- AF Projektutveckling
- AF Härnösand Byggreturer
- HMB

Broad project portfolio with diversified customer group



Kanonaden

Wind power
Customer: OX2



Kanonaden

Logistics
Customer: COOP



AF Bygg Syd

Sjölunda
avloppsreningsverk
Customer: VA Syd



AF Härnösand Byggreturer

Maja Beskowskolan
Customer: Umeå
kommun

Broad project portfolio with diversified customer group



HMB

Mälarparksskolan i
Västerås
Customer: Västerås stad



AF Projektutveckling /
Aspelin Ramm Fastigheter

Celsiusgatan

Buyer Donnierygymnasiet:
Skandia Fastigheter



HMB

Åsikten Södra
Customer: Riksbyggen



AF Prefab Mälardalen

Strategy: We use same approach in Sweden as in Norway

**Value-based
corporate
culture**

**Decentralised
decision-
making
authority**

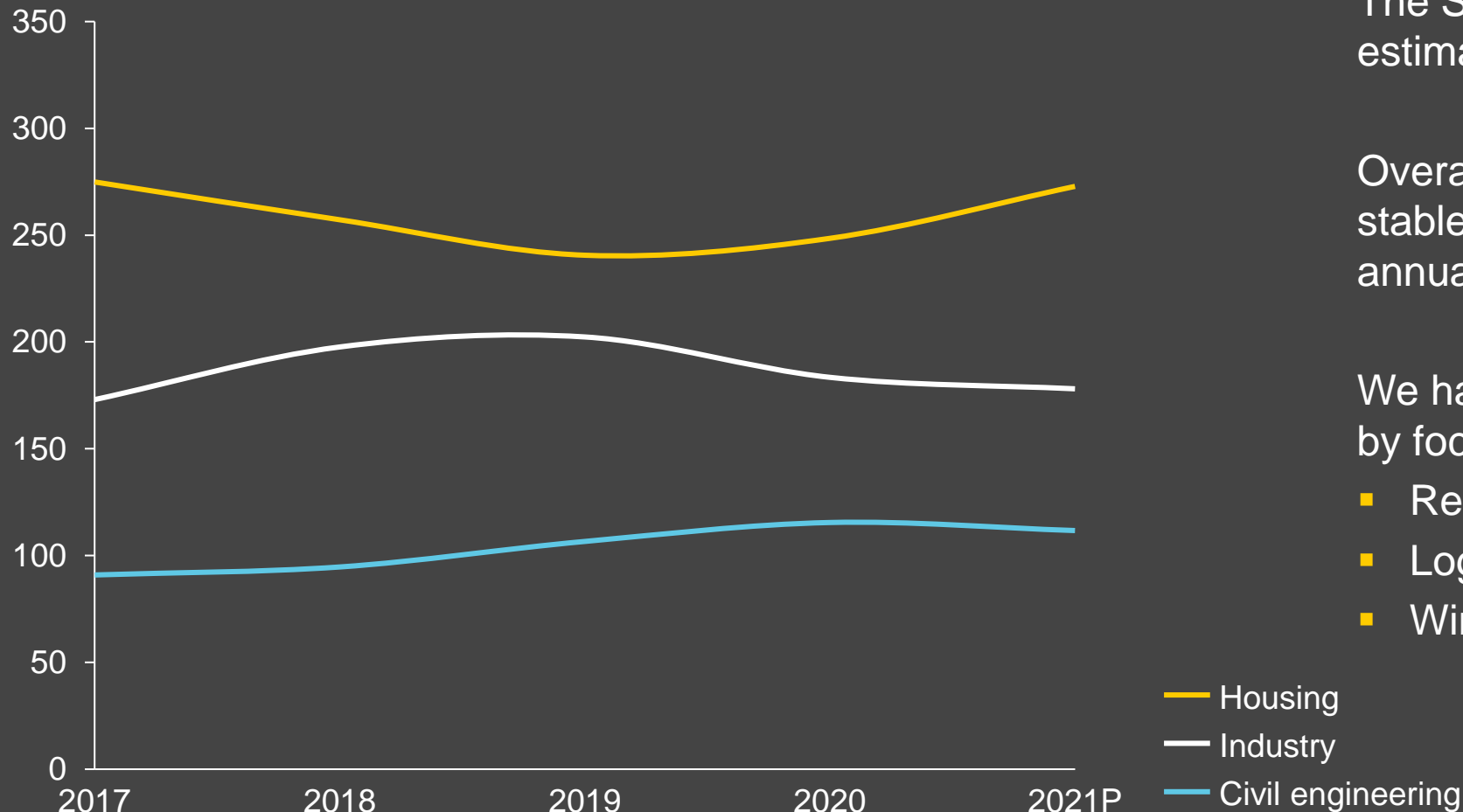


**Employee
ownership**

**Active risk
management**

Stable development in the Swedish construction and civil engineering market

Investments in construction and civil engineering in Sweden per segment 2017-2021P (SEK billion fixed 2020-prices)



The Swedish construction market is estimated at SEK 563 billion in 2021

Overall investment level in Sweden stable over the past five years with annual growth of 1%

We have grown despite flat market by focusing on:

- Recurring customers
- Logistics centres
- Wind power

We have experienced good development for our business in Sweden

Investments in buildings and facilities by geography and segment
2020 and annual growth 2019-2021P

Our perception of the market:

- Housing is expected to grow and we are experiencing high demand, but variations between our geographies
- Industry is varied and we expect some decline going forward
- Civil engineering look promising and segments such as logistics and wind power have increased
- Large fluctuations in commodity prices create uncertainty going forward

SEK billion (2020 prices)	Housing	Industry	Civil engineering	Sum
Stockholm Mälardalen	108 7 %	72 -10 %	45 0 %	225 0 %
South east-Sweden Jönköping, Östergötland, Kalmar, Kronoberg, Blekinge	26 6 %	20 -6 %	12 4 %	59 1 %
South-Sweden Skåne	33 4 %	27 -3 %	12 5 %	71 2 %
South west-Sweden Västra Götaland, Halland	51 7 %	35 7 %	22 3 %	108 2 %
South Norrland Dalarna, Gävleborg, Västernorrland, Västerbotten	16 9 %	18 5 %	13 3 %	47 6 %
Sum	234 6 %	171 -6 %	105 2 %	510 1 %

The situation around Cementsa creates uncertainty

Cementa produces 75% of the cement used in Sweden. The company's permit to mine limestone in Slite on Gotland expired on 31 October 2021.

The company itself announces that they expect to maintain cement production throughout Q1 2022 based on limestone already extracted as well as purchases from Norkalk.

In an amendment to the Law, Riksdagen has given the government authority to grant a new temporary permit, which they have not used yet. It is expected that a permit will be appealed

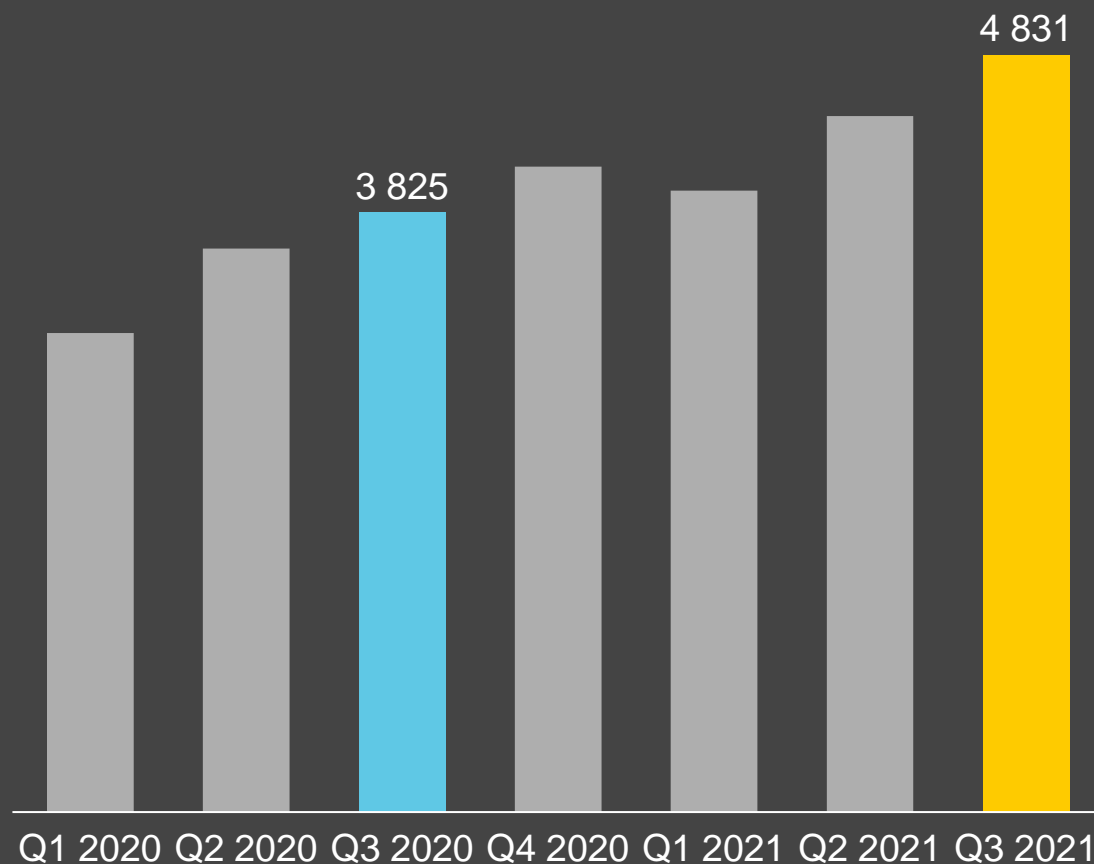
Byggföretagens impact assessment indicates major consequences for civil engineering and construction projects, 280,000 jobs are threatened and an investment loss of SEK 20 billion per month

AF seek to minimize the risk, but it will have major consequences if there is a complete stop in cement production

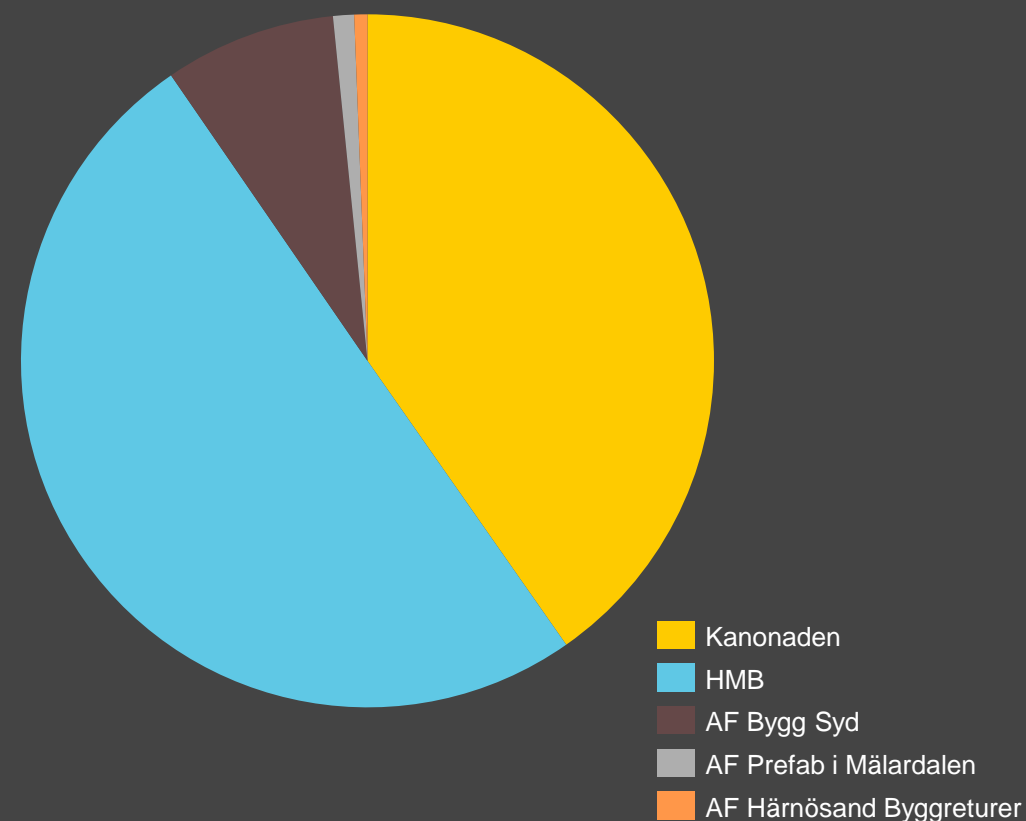


Solid order backlog – increased over the last quarters

Development order backlog
(NOK million)



Order backlog per Q3 2021 by business unit



Well positioned for the future

Focus on

- Manage a solid order backlog with a wide range of projects and segments
- Strategic project selection
- Active risk management

Seek profitable growth

- AF has many skilled employees within a large market
- Strengthen the position in selected market segments
- Actively identify new market and business opportunities



Summary

NOK million	Q3 21	Q3 20	2H 21	2H 20
Revenues	6,358	6,366	19,756	19,540
EBIT	344	371	970	847
EBT	344	368	945	833
EBIT %	5.4 %	5.8 %	4.9 %	4.3 %
EBT %	5.4 %	5.8 %	4.8 %	4.3 %

- Stable revenue and solid profit margin
- Strong financial position
- Good cash flow from operations
- Record high order backlog: NOK 40,391 (31,269) million
- Dividend of NOK 4.00 (3.50) per share for second half 2021



Thank you for your attention

Q4 | 11 February 2022

AF