

AF Gruppen ASA Q1 2022

13 May 2022

The AF logo consists of the letters 'AF' in a bold, black, sans-serif font, positioned within a yellow square.

Highlights

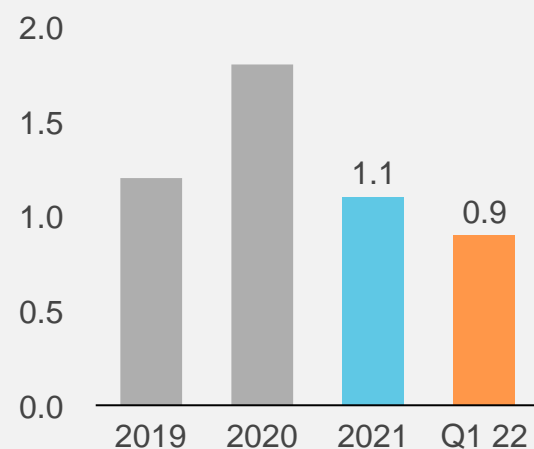
Solid growth and record high order backlog, but lower profitability in Q1

- Revenue: NOK 6,809 (6,209) million in Q1
- Earnings before tax: NOK 209 (245) million in Q1
- Profit margin: 3.1 % (4.0 %) in Q1
- Cash flow from operations: NOK 607 (205) million in Q1
- Order backlog: NOK 42,697 (33,818) million as of 31 March 2022
- Net interest-bearing debt of NOK 371 (46) million as of 31 March 2022
- The board of directors suggests a dividend of NOK 6.50 (6.50) per share to be paid in the first half of 2022



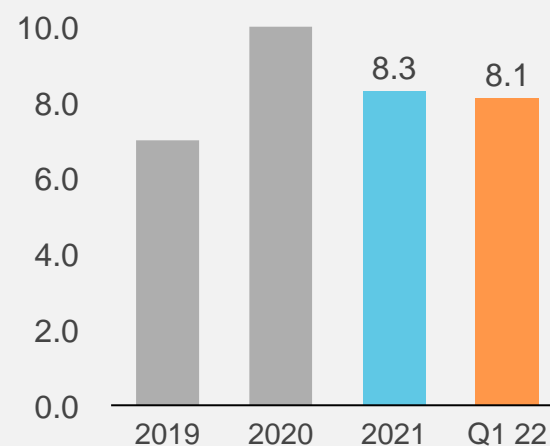
Safety

Lost-time injury frequency (LTIF)



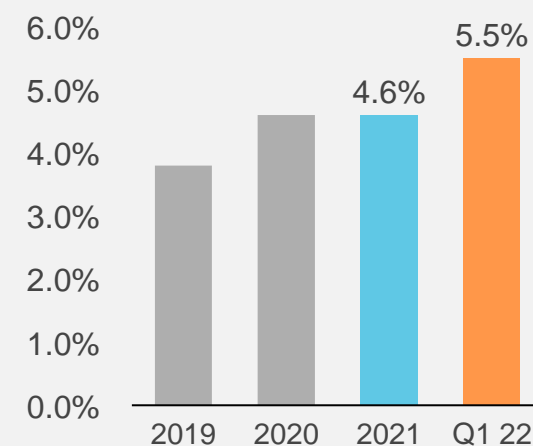
Number of lost-time injuries and severe personnel injuries not resulting in lost-time, including subcontractor employees, per million hours worked

Total recordable injury frequency (TRIF)



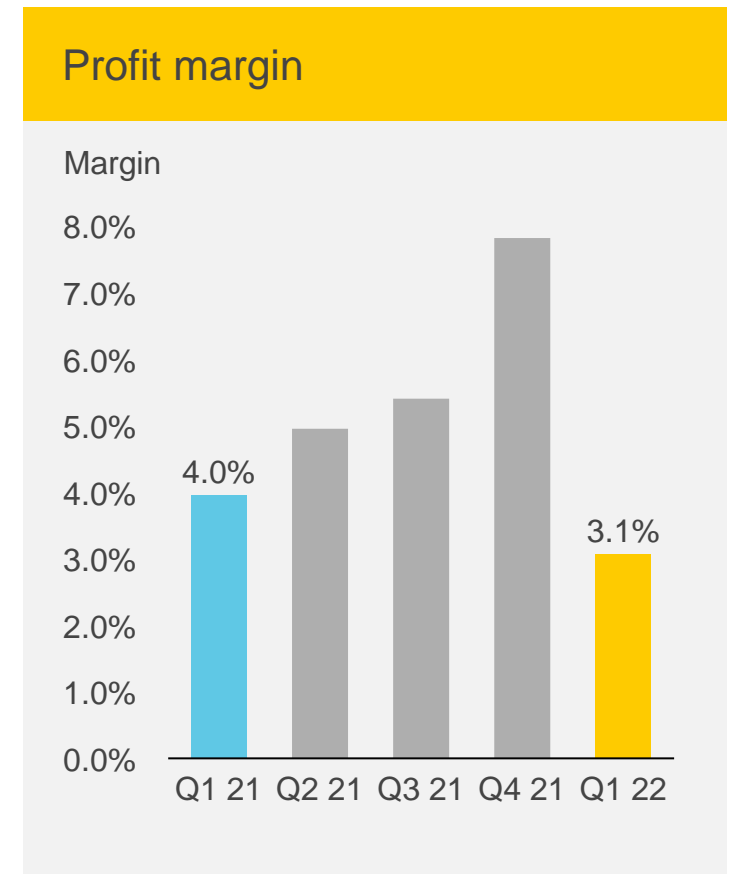
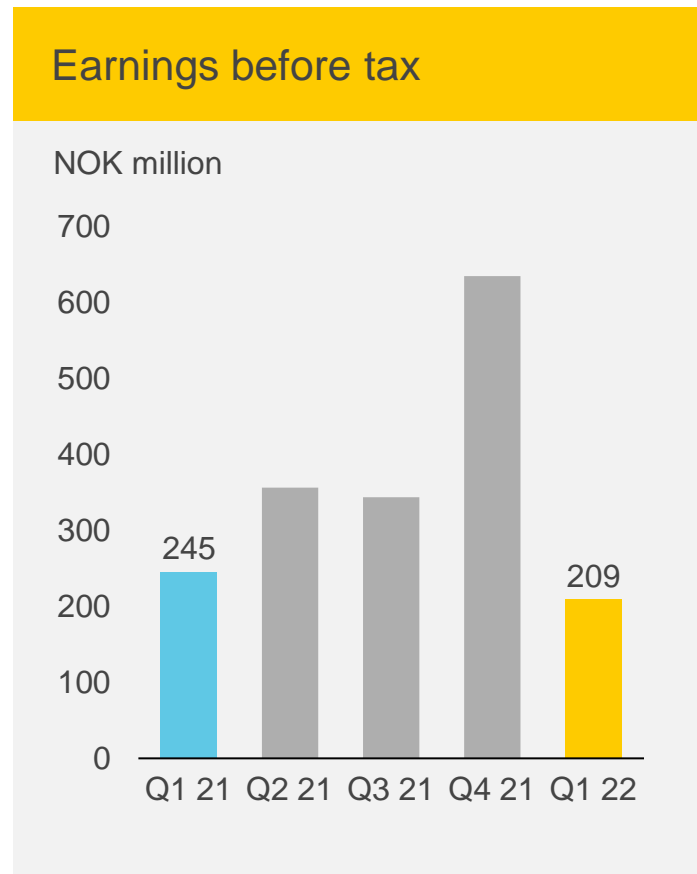
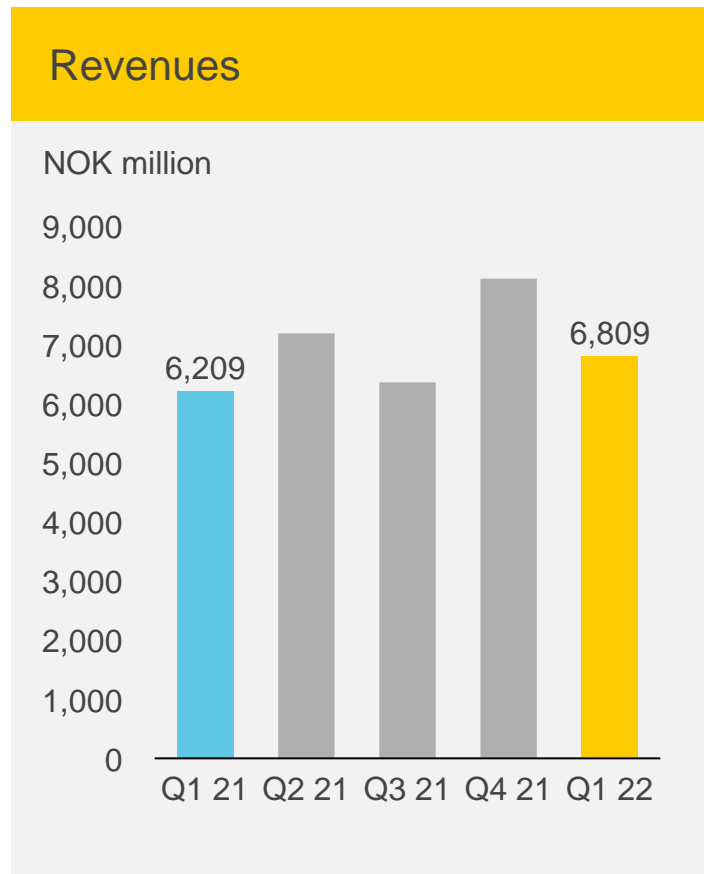
Number of lost-time injuries, injuries involving substitute work and medical treatment injuries, including subcontractor employees, per million hours worked

Sick leave



Sick leave related to Covid-19 is estimated to account for 1,1 percentage points of the total sick leave of 5,5% in Q1

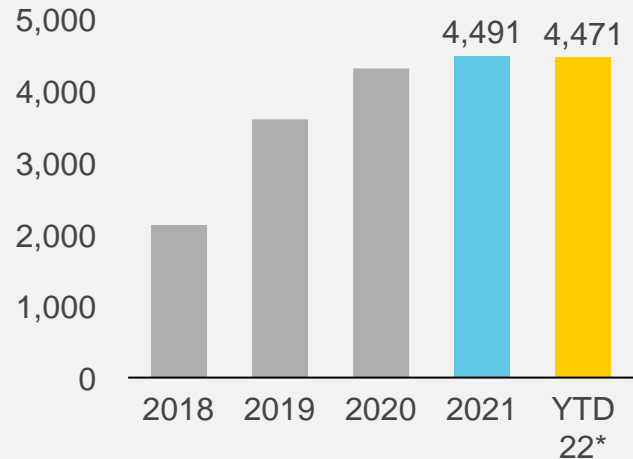
Revenues and earnings – quarterly



Return on capital employed

Average capital employed

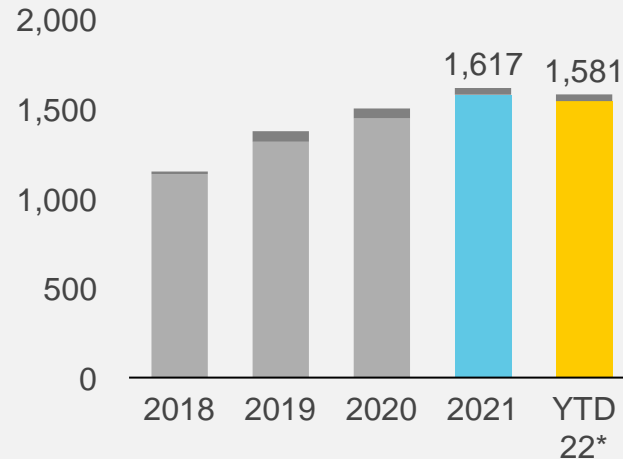
NOK million



* Rolling average last four quarters

Earnings before tax and interest expense *

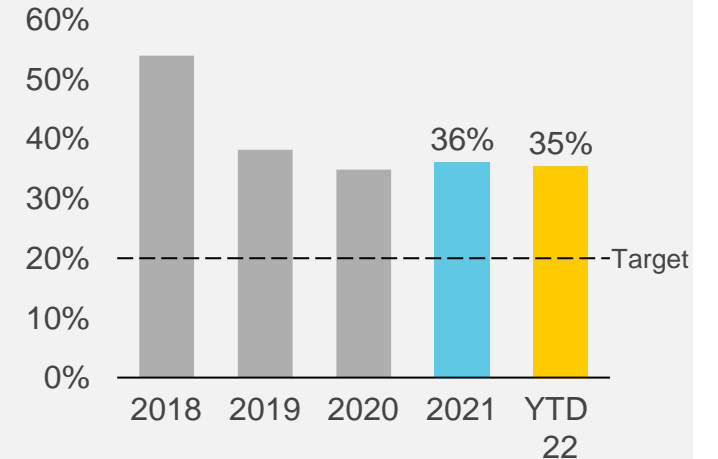
NOK million



* Rolling average last four quarters

■ Interest expenses added

Return on capital employed

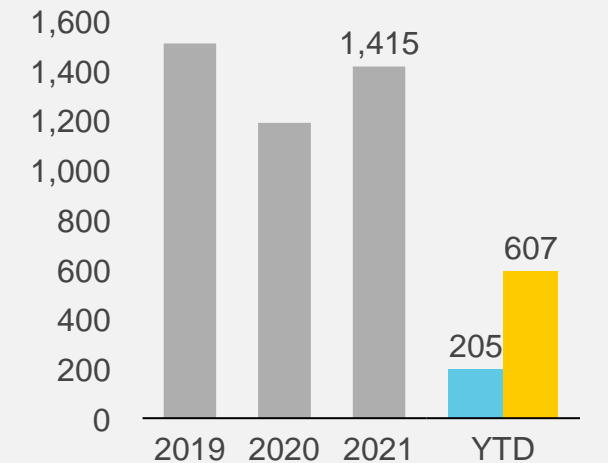


Cash flow statement

NOK million	Q1 2022	Q1 2021	2021
EBIT	215	264	1 609
Depreciations, amortisation and impairment	130	136	567
Change in net working capital	421	-115	-340
Other adjustments / taxes paid	-159	-80	-422
Cash flow from operations	607	205	1 415
Net investments	-34	-38	184
Cash flow from capital activities	-124	-93	-1 187
Interest paid and change in interest bearing debt	-139	-104	-387
Net change in cash and cash equivalents	310	-29	25
Net cash and cash equivalents at beginning of period	680	708	708
Change in cash and cash equivalents without cash effect	-17	-49	-52
Net cash and cash equivalents end of period	974	630	680

Cash flow from operations

NOK million

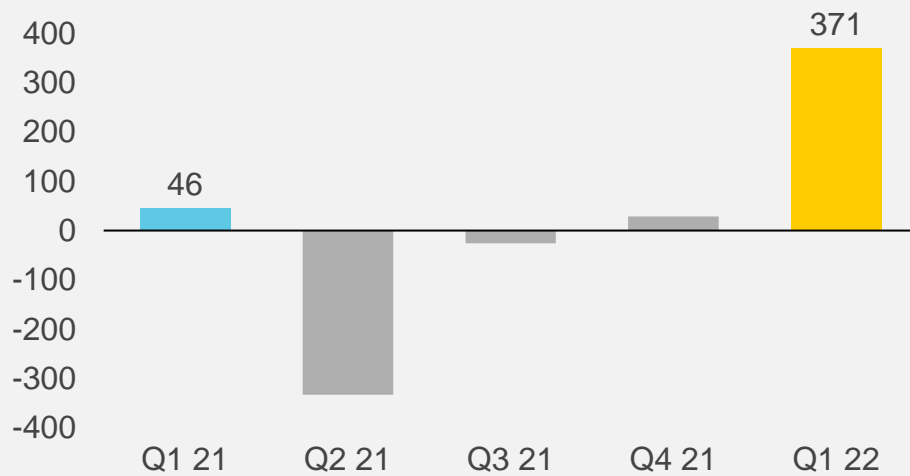


■ YTD 2021
■ YTD 2022

Net interest-bearing receivables and liquidity

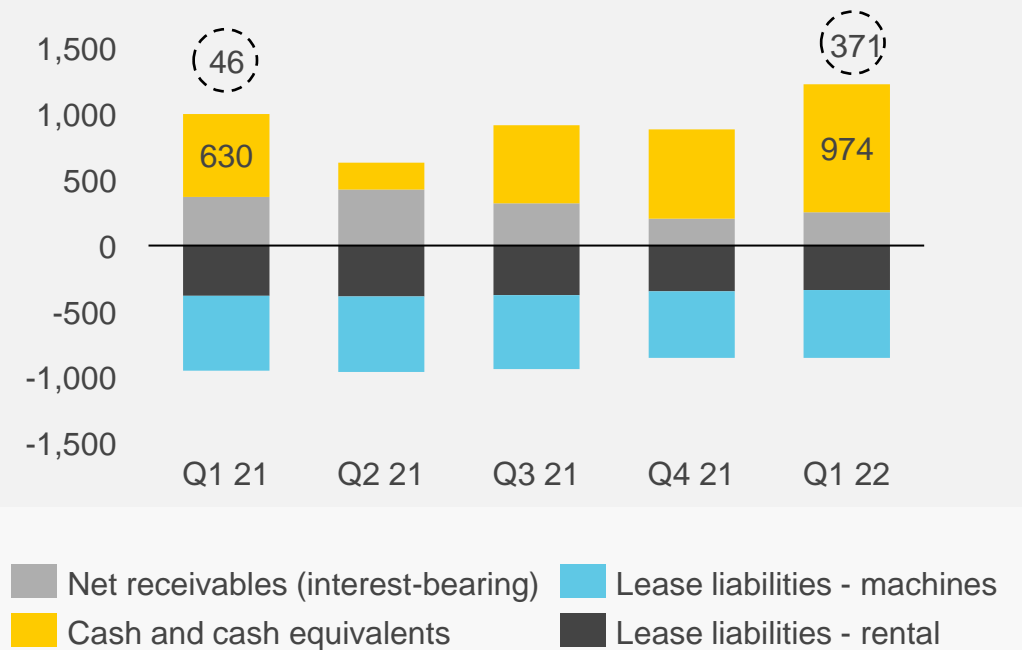
Net interest-bearing receivables

NOK million



Components net interest-bearing receivables

NOK million

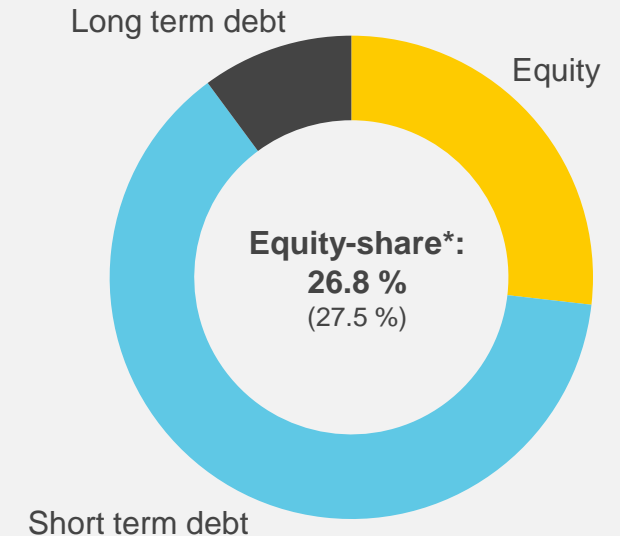


Available liquidity: NOK 3,974 million (including financial facilities of NOK 3,000 million)

Balance sheet

NOK million	31.03.22	31.03.21	31.12.21
Non-current assets	7,608	7,689	7,490
Current assets, ex. cash	4,993	4,614	4,937
Cash and cash equivalents	974	630	680
Total assets	13,574	12,932	13,108
Equity	3,639	3,553	3,572
Long term debt	1,381	1,402	1,343
Short term debt	8,554	7,977	8,193
Sum egenkapital og gjeld	13,574	12,932	13,108

Equity share



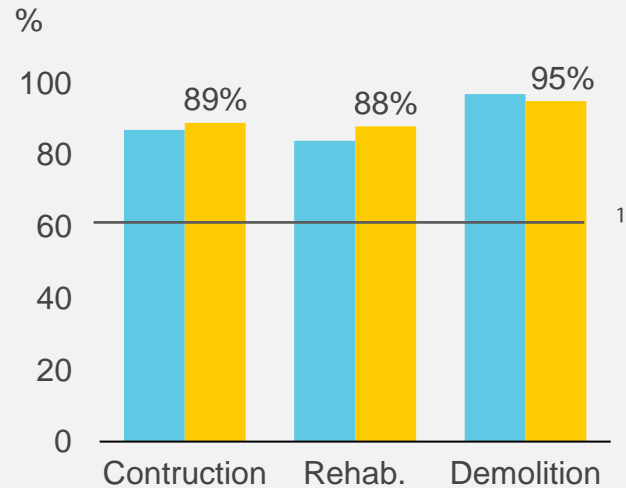
* Equity ratio excluding the effect of IFRS 16 is 28.1% per 31 March 2022

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

Environment

Source separation rate

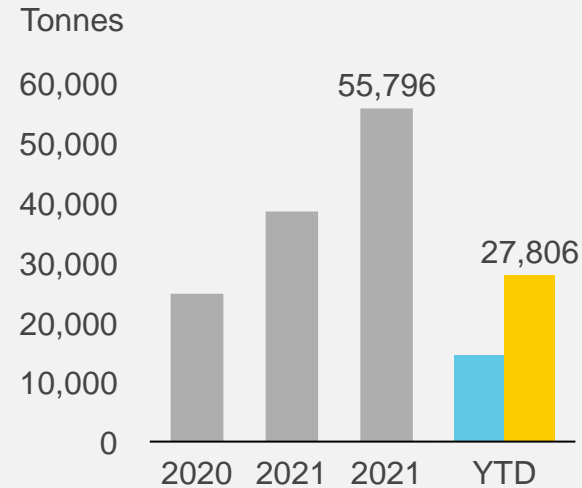
Waste sorted: 82,661 (105,369) tonnes YTD in 2022



¹ Regulatory requirement of 60%

■ YTD 2021
■ YTD 2022

Metal demolished and sorted for recycling

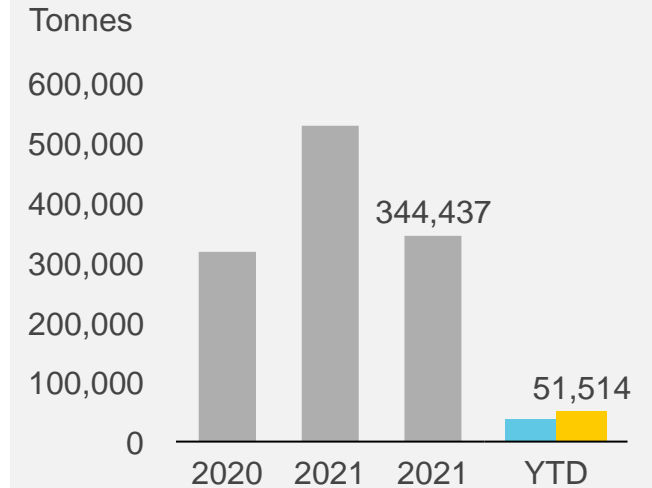


27,806 tonnes = 27,806 (14,470) tonnes CO₂-equivalents saved

■ YTD 2021
■ YTD 2022

Recycling environmental parks

Recycling rate 78% (77%) YTD in 2022



51,514 tonnes = 3,820 (2,815) tonnes CO₂-equivalents saved

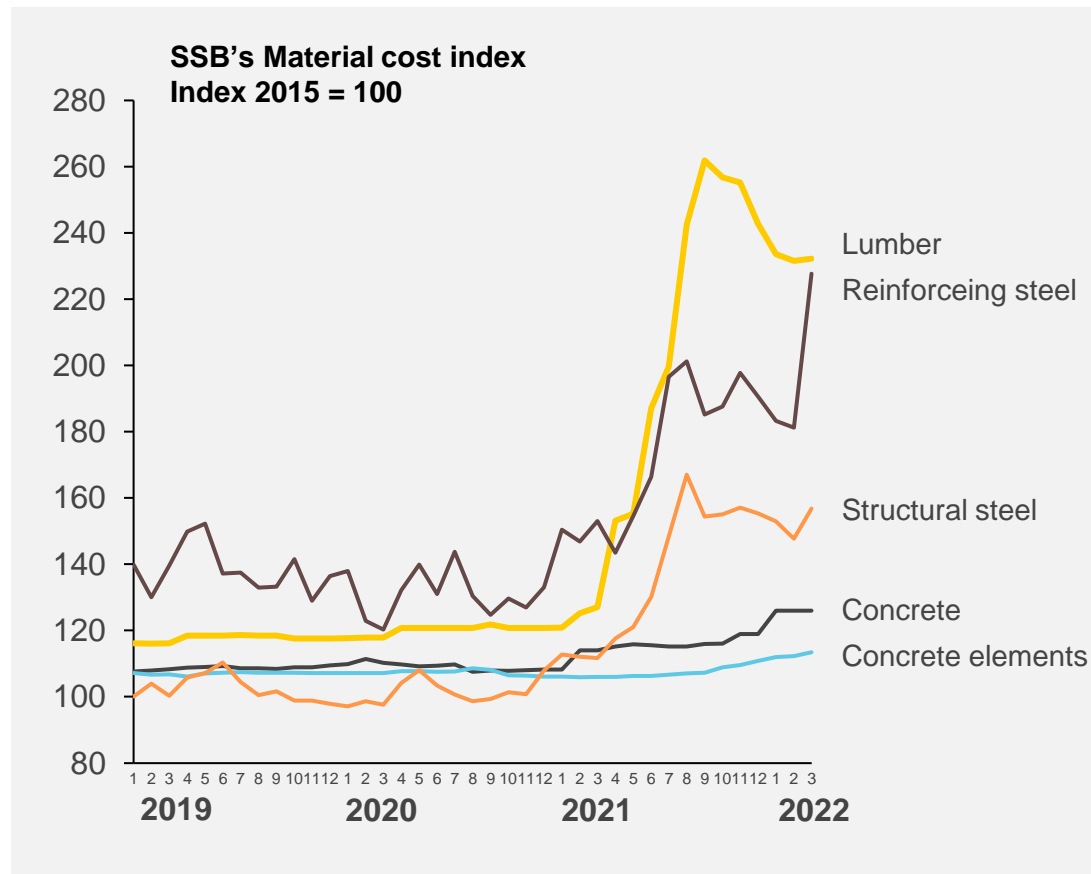
■ YTD 2021
■ YTD 2022

Business areas

1th quarter 2022



AF Gruppen is strongly affected by challenging market conditions



Source: SSB. 08657: Construction cost index for residential buildings. Material indexes for lumber, concrete og steel (2015=100), after type of material, month og contents

- Geopolitical turbulences creates uncertainty and less stability short term
- The war in Ukraine, new lockdowns in China and the energy crisis has led to further pressure on an already demanding price and delivery situation for many of our input factors
- Projects are experiencing fluctuations in raw material prices beyond what material cost indices are showing
- SSBs Material cost index from March 2021 to March 2022:
 - Lumber: +83%
 - Concrete: +11%
 - Reinforcing steel: +49%
 - Structural steel: +40%

Change in construction cost index for residential buildings

March 2021 – March 2022

11.9 %

Source: SSB

Change in road construction costs from the same quarter the previous year

1st quarter 2021 - 1st quarter 2022

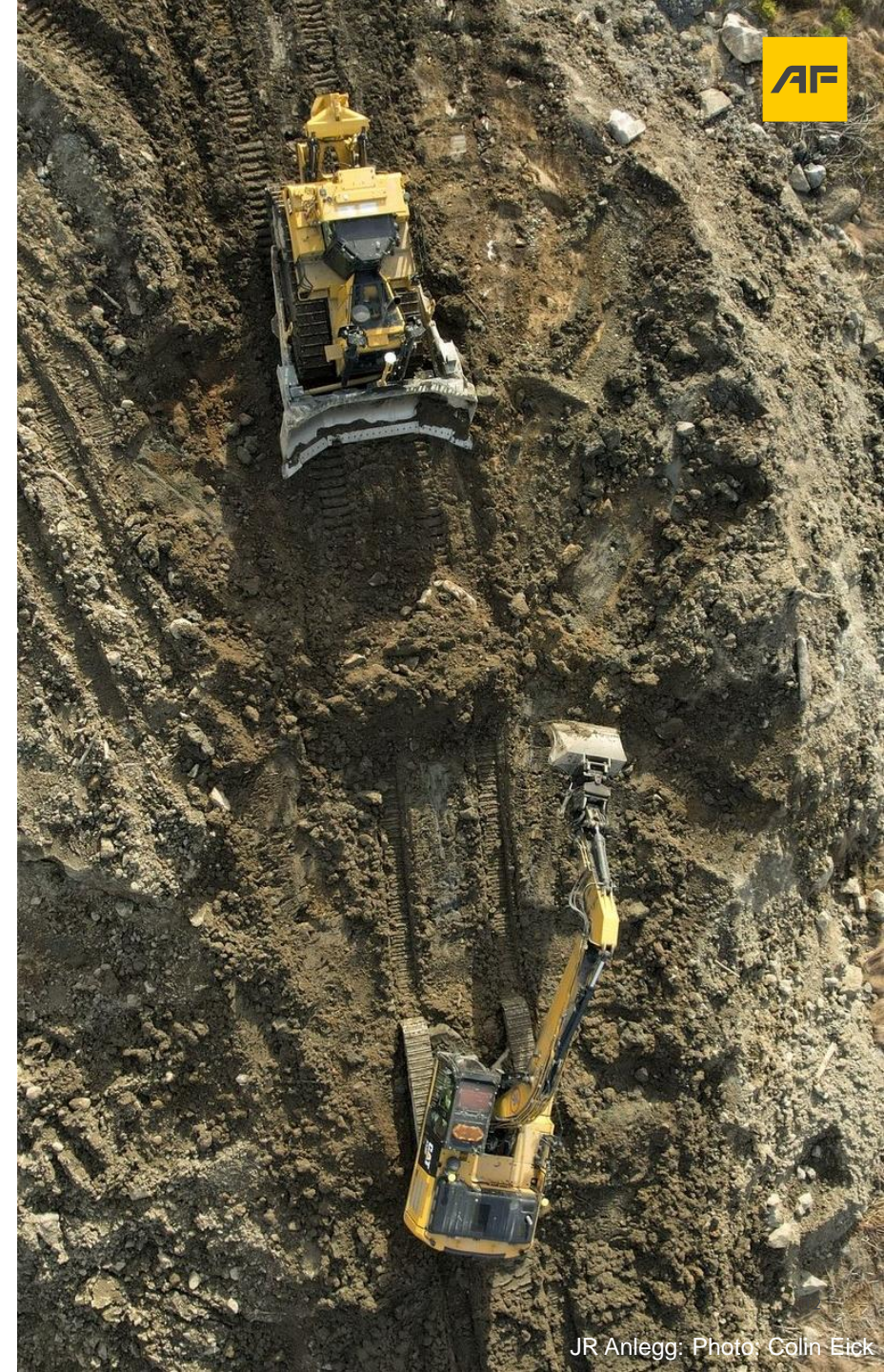
12.9 %

Source: SSB

Solid profitability and record high order backlog

NOK million	Q1 22	Q1 21	2021
Revenues	1,242	1,509	6,002
EBIT	84	96	515
EBT	83	94	510
EBIT %	6.7%	6.4%	8.6%
EBT %	6.7%	6.2%	8.5%

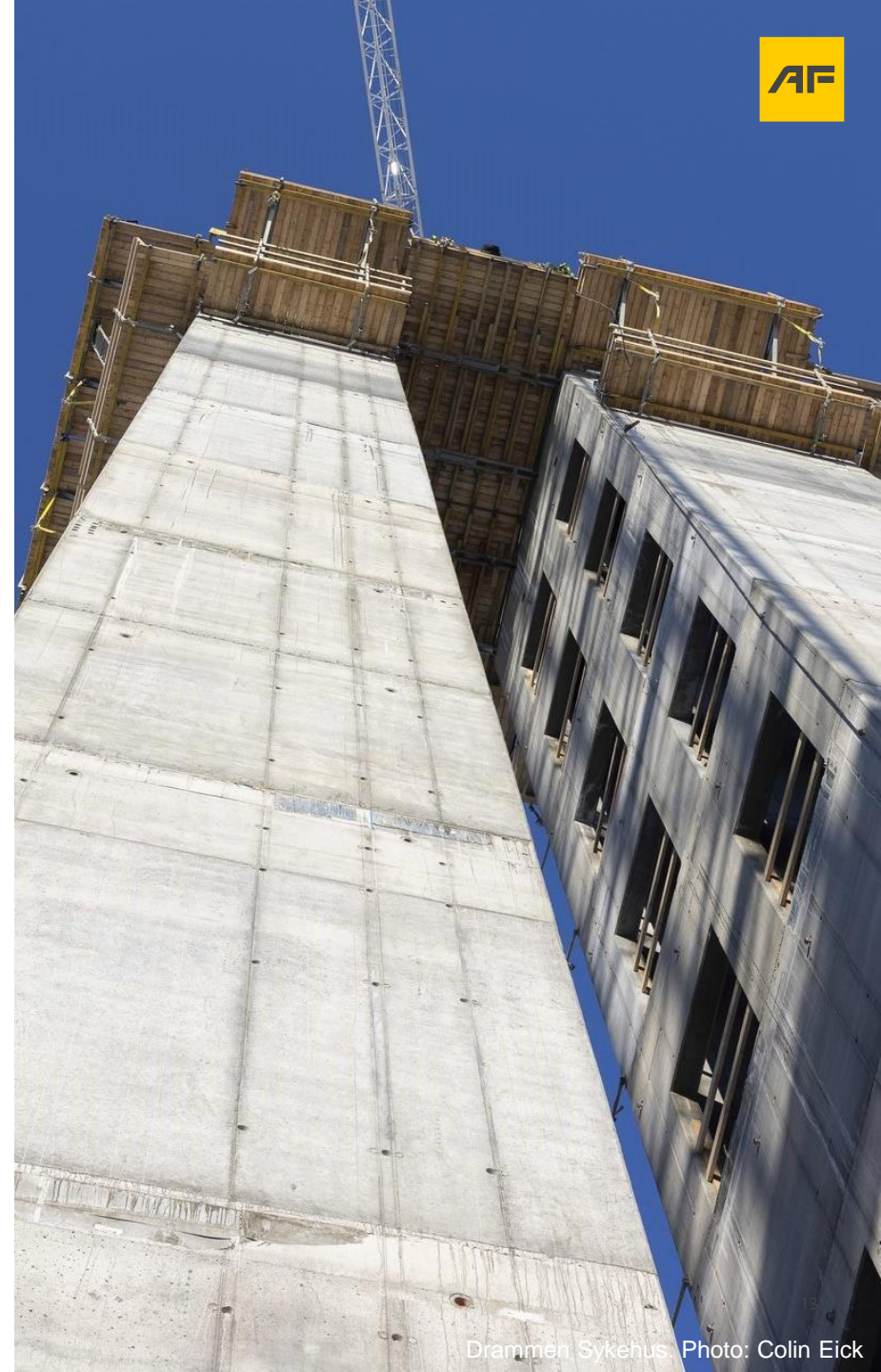
- Very good results from Målselv Maskin & Transport. Good results from AF Anlegg and Eiqon. Consolvo has reported low profitability so far this year due to seasonality
- In the first quarter, AF Gruppen signed the final agreement to purchase 80% of the shares in Stenseth & RS Holding AS. The acquisition was completed during Q1
- Together with Italian Ghella, AF Anlegg signed a contract with Oslo municipality for building the new water distribution tunnels in Oslo. The contract has an approximate value of NOK 8,750 million excluding VAT. AF Gruppen's share is 60%
- AF Anlegg also signed a contract with Equinor to build the new landfall tunnel for the Statpipe pipelines on Karmøy. The contract has a value of approximately NOK 300 million excl. VAT
- Order backlog: NOK 12,425 (7,140) million



Low profitability and considerable provisions made

NOK million	Q1 22	Q1 21	2021
Revenues	2,481	1,853	8,865
EBIT	18	82	447
EBT	17	82	450
EBIT %	0.7%	4.4%	5.0%
EBT %	0.7%	4.4%	5.1%

- Price developments for raw materials (lumber and steel) and energy affects the construction unit's profitability negatively. Provisions for future losses has been made and estimates have been revised downwards as a result of higher material prices
- Haga & Berg still reported excellent results in the quarter. AF Bygg Østfold and Åsane Byggmesterforretning also reported good results
- AF Bygg Oslo signed a contract to build block 2 of the Storøykilen residential project at Fornebu in Bærum. The contract has a value of NOK 274 million excl. VAT
- LAB Entreprenør signed two contracts in Q1. The contracts were signed with Vik municipality and Bonava with total value of NOK 562 million excl. VAT
- Order backlog: NOK 13,211 (12,041) million



Low profitability, but large variation in the results of the various units

NOK million	Q1 22	Q1 21	2021
Revenues	1,243	1,222	5,196
EBIT	23	25	132
EBT	20	16	111
EBIT %	1.8%	2.1%	2.5%
EBT %	1.6%	1.3%	2.1%

- High raw material and energy prices also affects the units in Betonmast
- Betonmast Romerike, Røsand, and Østfold still reported satisfactory results
- An agreement for the sale of Betonmast Telemark was entered in the quarter. The transaction was completed in February 2022 and has not affected the results
- In the first quarter, Betonmast entered into an agreement with Sulland Eiendom AS and Nordbo Mjøsa AS to build 74 apartments in Toten. The contract has a value of NOK 240 million excl. VAT
- Order backlog: NOK 6,258 (6,563) million



Sale of the hotel and office building Karvesvingen 7. Low residential sales in Q1

NOK million	Q1 22	Q1 21	2021
Revenues	6	6	35
EBIT	2	7	75
EBT	3	7	76
Capital employed	678	897	703

- Low residential sales in the quarter. Sales contracts were signed for a total of 57 (122) homes, whereof AF's share was 26 (56)
- The final agreement to sell all the shares in the company owning the hotel and office building Karvesvingen 7 in Hasle, Oslo (21,056 square metres GFA) was signed in the quarter. The transaction was completed after quarter end
- Six projects with a total of 770 units are in production (AF's share is 236). Sales ratio on commenced projects are 86%
- Residential portfolio under development: 1,658 (2,438) units. AF's share: 802 (1,223)
- Commercial portfolio under development: 51,856 (143,380) BTA sqm. AF's share: 25,749 (41,196)



Revenue growth, but lower profitability

NOK million	Q1 22	Q1 21	2021
Revenues	1,585	1,394	6,300
EBIT	46	51	302
EBT	44	49	295
EBIT %	2.9%	3.7%	4.8%
EBT %	2.8%	3.5%	4.7%

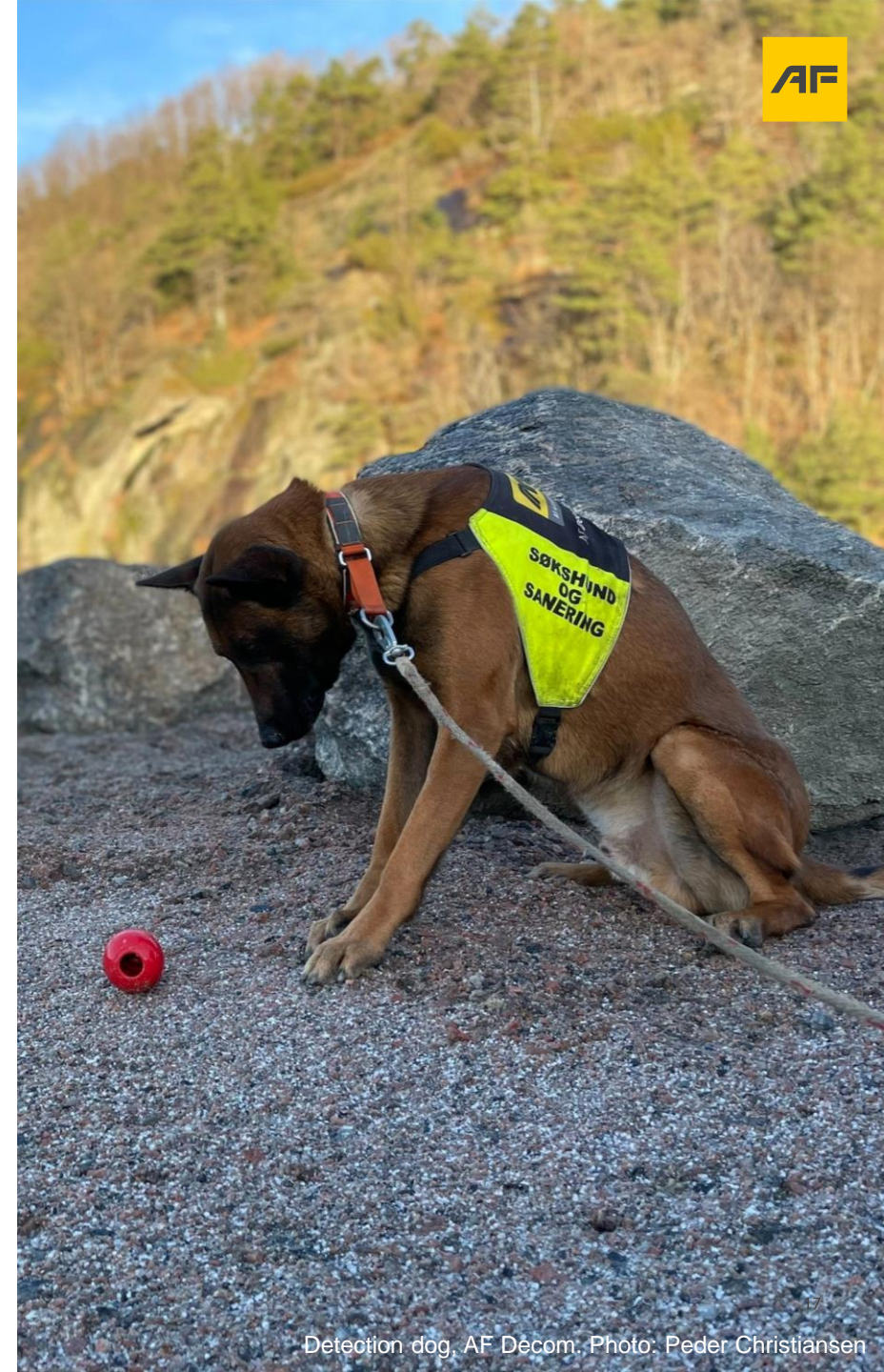
- High prices on raw materials and delivery challenges also affects the Swedish business area
- Betonmast Sweden has become part of the business area Sweden from Q1 2022. The comparative figures have been restated. The Swedish Betonmast units reported strong revenue growth in the quarter, but had low profitability
- Overall, the other units reported a satisfactory profitability
- Kanonaden reported revenue growth and the unit continues to excel with solid results. AF Härnösand Byggreturer also reported good profitability in the quarter
- Two contracts were announced in Q1, with a total value of SEK 283 million excl. VAT
- Order backlog: NOK 8,531 (5,475) million



Improved margin in the quarter

NOK million	Q1 22	Q1 21	2021
Revenues	237	250	1,152
EBIT	12	11	109
EBT	11	9	107
EBIT %	4.9%	4.4%	9.4%
EBT %	4.5%	3.7%	9.3%

- Energy and Environment reported improved margin in the quarter and a higher result
- AF Decom reported a good first quarter with increased activity and profitability. AF Decom has in the first quarter sorted metal for recycling and recycled materials at the environmental centers corresponding to 15,049 (6,521) CO₂-equivalents
- The environmental parks have seasonal lower activity, and some of the received materials in the quarter has not been recycled yet
- AF Energy reports lower revenues, and a weaker result compared to the same quarter last year. There is varying profitability in the project portfolio
- Order backlog: NOK 763 (701) million



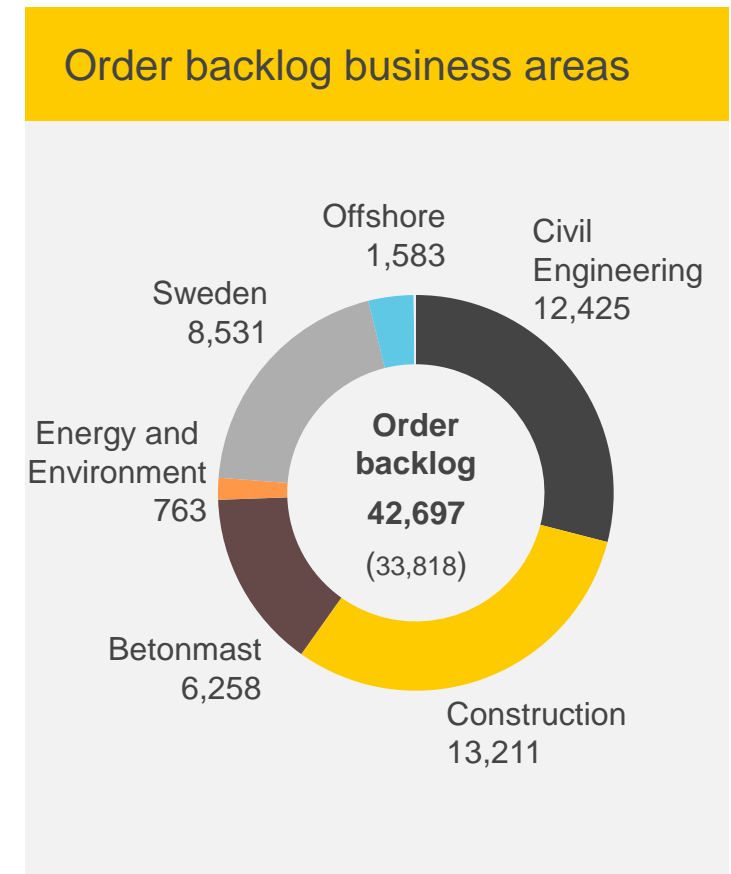
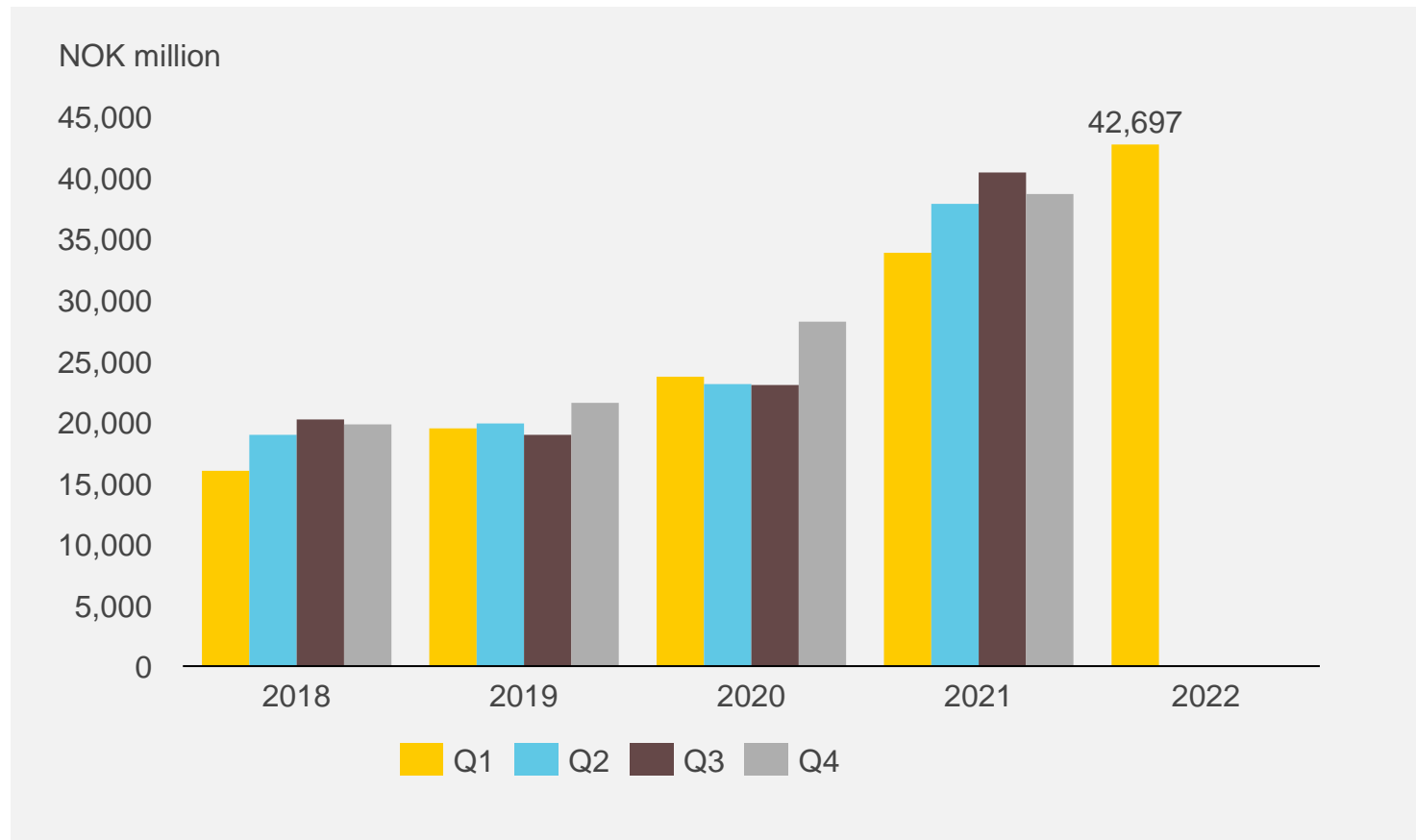
Revenue growth and a strong profitability improvement

NOK million	Q1 22	Q1 21	2021
Revenues	185	160	848
EBIT	17	8	83
EBT	16	6	78
EBIT %	9.4%	4.9%	9.8%
EBT %	8.6%	3.7%	9.2%

- Offshore reported a strong revenue growth and very good results in the quarter
- AF Offshore Decom had high activity and a very good profitability following high production and solid operations at AF Miljøbase Vats, as well as a positive effect from increased sales of precious metals
- AF Offshore Decom has in the first quarter sorted metal for recycling corresponding to 16,577 (10,764) CO₂-equivalents
- AF AeronMollier reported increased revenues and higher results compared to the same quarter last year. In addition, the unit had a strong order intake in the quarter
- Order backlog: NOK 1,583 (1,460) million



Strong order backlog



The Offshore Business Area

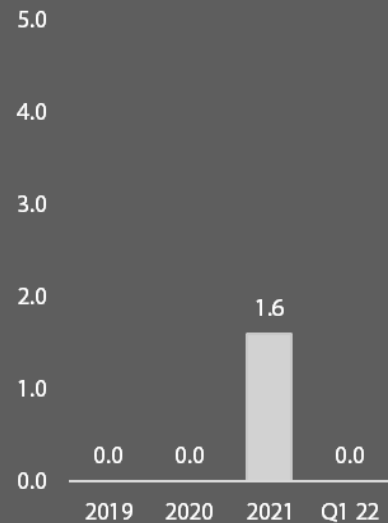
Q1 2022 | Theme presentation

AF

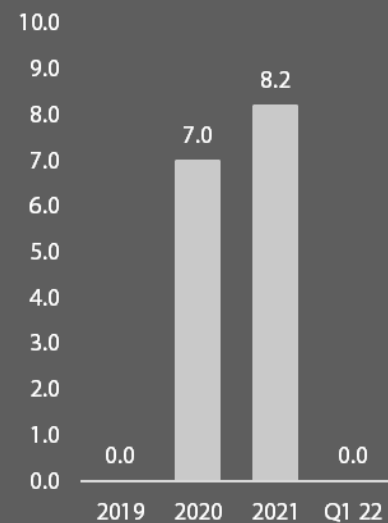


Stable development in health, safety and the environment

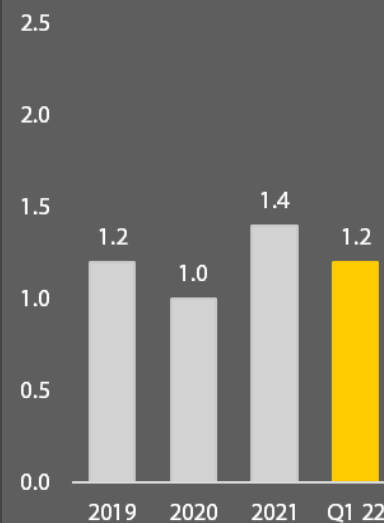
LTI rate



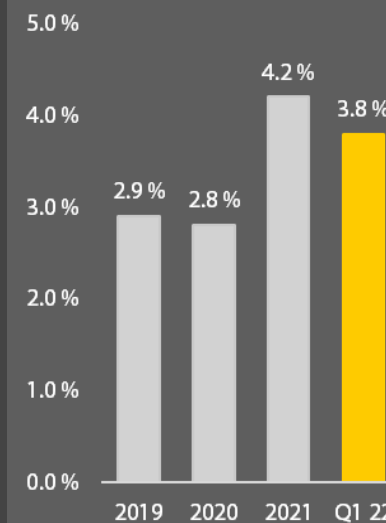
TRIF rate



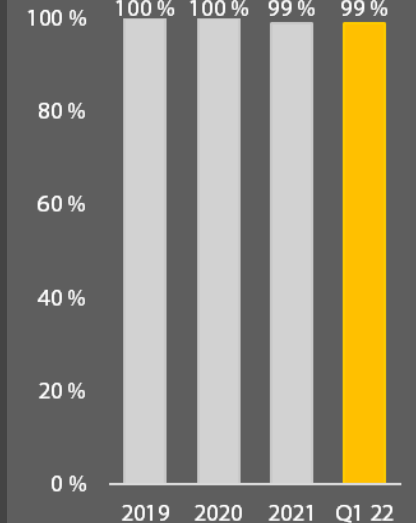
Frequency of reported near misses



Sick leave

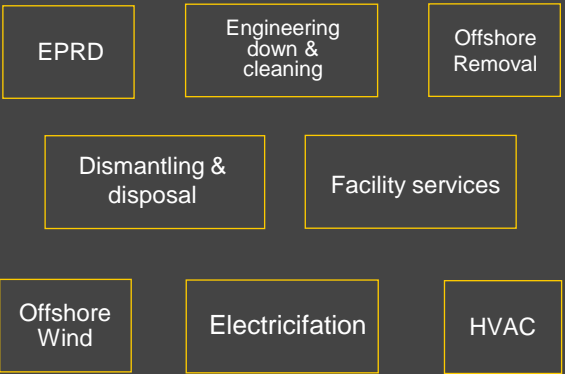


Recycling and source separation



The Offshore Business Area

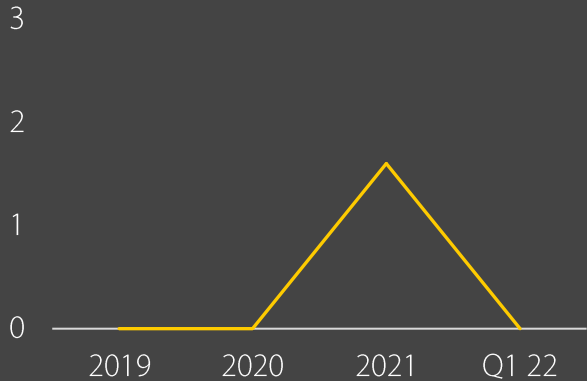
Market segments



1Q 2022



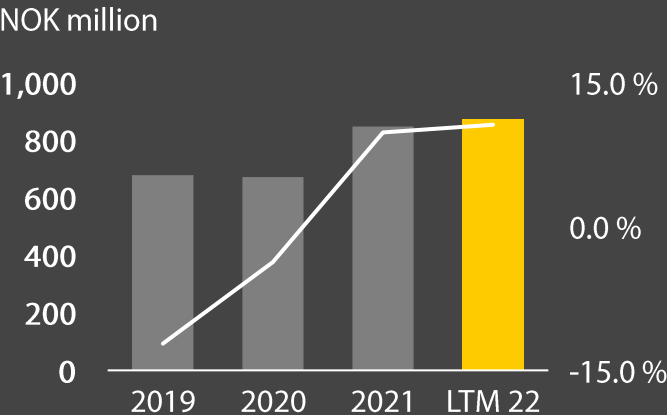
Lost-time injury frequency rate (LTIF)



Number of employees



Development in revenues and EBIT %



Companies

- AF Offshore Decom
 - AF Offshore Decom UK Ltd.
 - AF Environmental Base Vats
- AF AeronMollier

Offshore removal



Dunlin Alpha – one of our recently completed campaigns

- EPRD (engineering, preparatory work, removal and recycling) of the Dunlin Alpha platform in the UK continental shelf of the North Sea
- Total weight of approximately 20,000 tonnes
- Consortium with Heerema Marine Contractors (HMC)
- The assignment carried out on behalf of Fairfield Betula Limited
- Offshore removal will take place in two campaigns
- 180 employees involved in the campaign

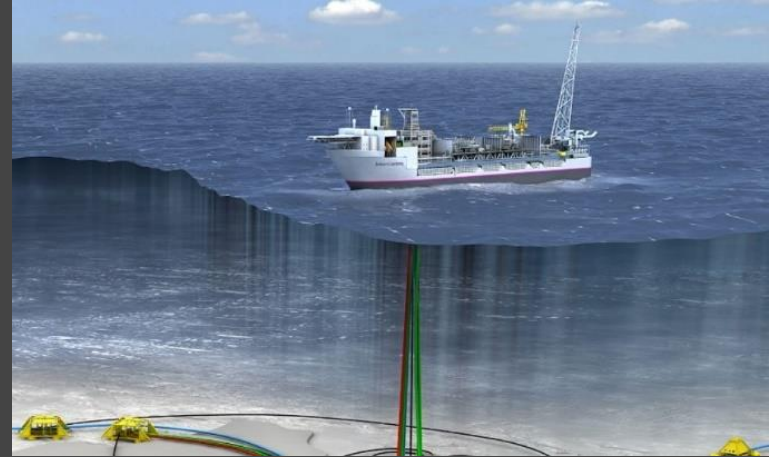
AF Environmental Base Vats – Europe's most modern and environmentally sound facility for recycling and disposal of advanced offshore installations

- The core of cleaning up activity in the North Sea, can handle all types of infrastructure from the offshore industry
- Attractive location with a deep water quay (23 metres) and calm conditions that make the facility suitable for the most advanced and complex marine operations
- Concrete surface with membrane and drainage systems underneath – ensuring all hazardous waste are collected, recycled and disposed according to sustainability demands



AF AeronMollier – electrification of offshore and the marine market

- Supplier of energy systems in ventilation, heating and refrigeration, pipes, electrical and automation to marine, offshore and onshore based activities
- New builds and modification of systems for climate control (HVAC) for offshore and the marine market, supplied more than 1,000 installations since 1985
- AERS – a new innovative system developed to achieve optimal energy efficiency for HVAC solutions
- Broad product and service portfolio directed at two business areas; marine and offshore
- First offshore wind project is underway

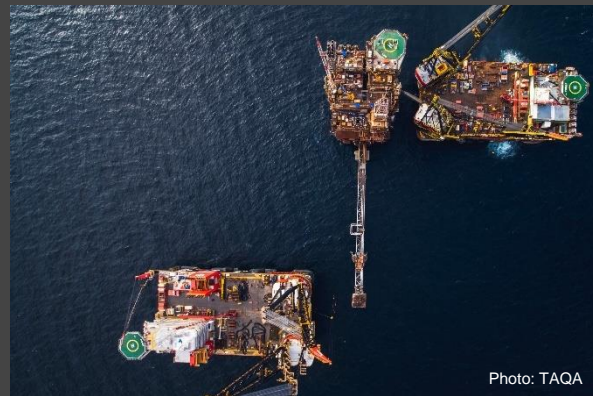


Photos: Ulstein Group/Per Eide Studio

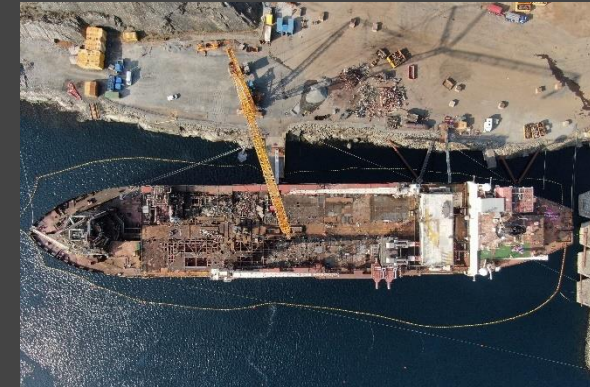
Projects that contribute to a sustainable green restructuring of the offshore sector



Sunrise Wind
Client: Aker Solutions



BRAE Bravo
Client: TAQA



Curlew FPSO
Client: Shell UK Ltd



Project Fjord1 electric ferries
Client: Fjord1



Project Siremar (HVAC for LNG hybrid ferry)
Client: Sefine Shipyard



Kongen (Oslo-Nesodden)
Client: Norled

Socially beneficial and environmentally friendly services

- Contributes to the circular economy – the current scarcity of raw materials makes recycling more important than ever before, combined with increasingly stringent regulations
- An average of 98% of all materials received at AF Environmental Base Vats are recycled
- Electrification and energy saving measures offshore and in the marine market contribute to the green shift
- Potential to further expand the value chain in Decom

Strong environmental profile



98%

Recycling rate for materials received for decommissioning



~300,000

Amount of steel recycled



~300,000

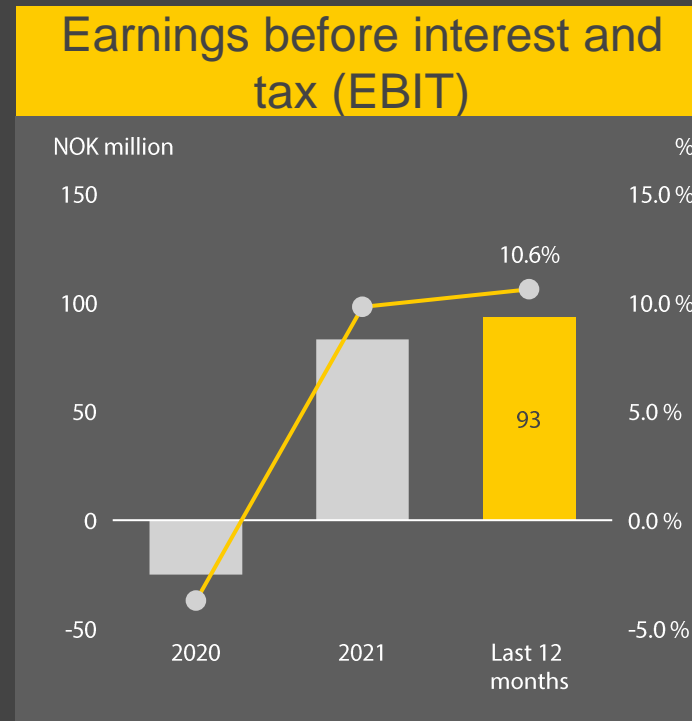
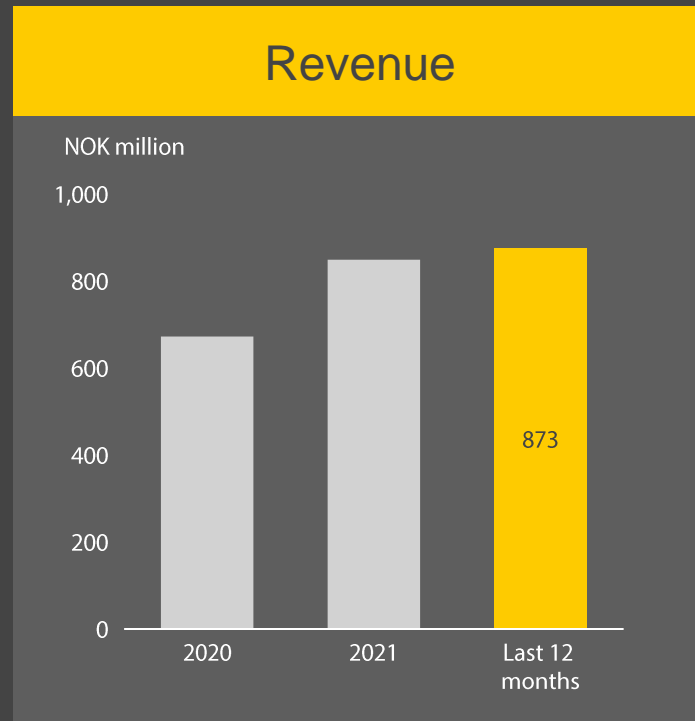
Number of tonnes CO₂ emissions reduced



~10,000

Number of tonnes of hazardous waste removed since 2015

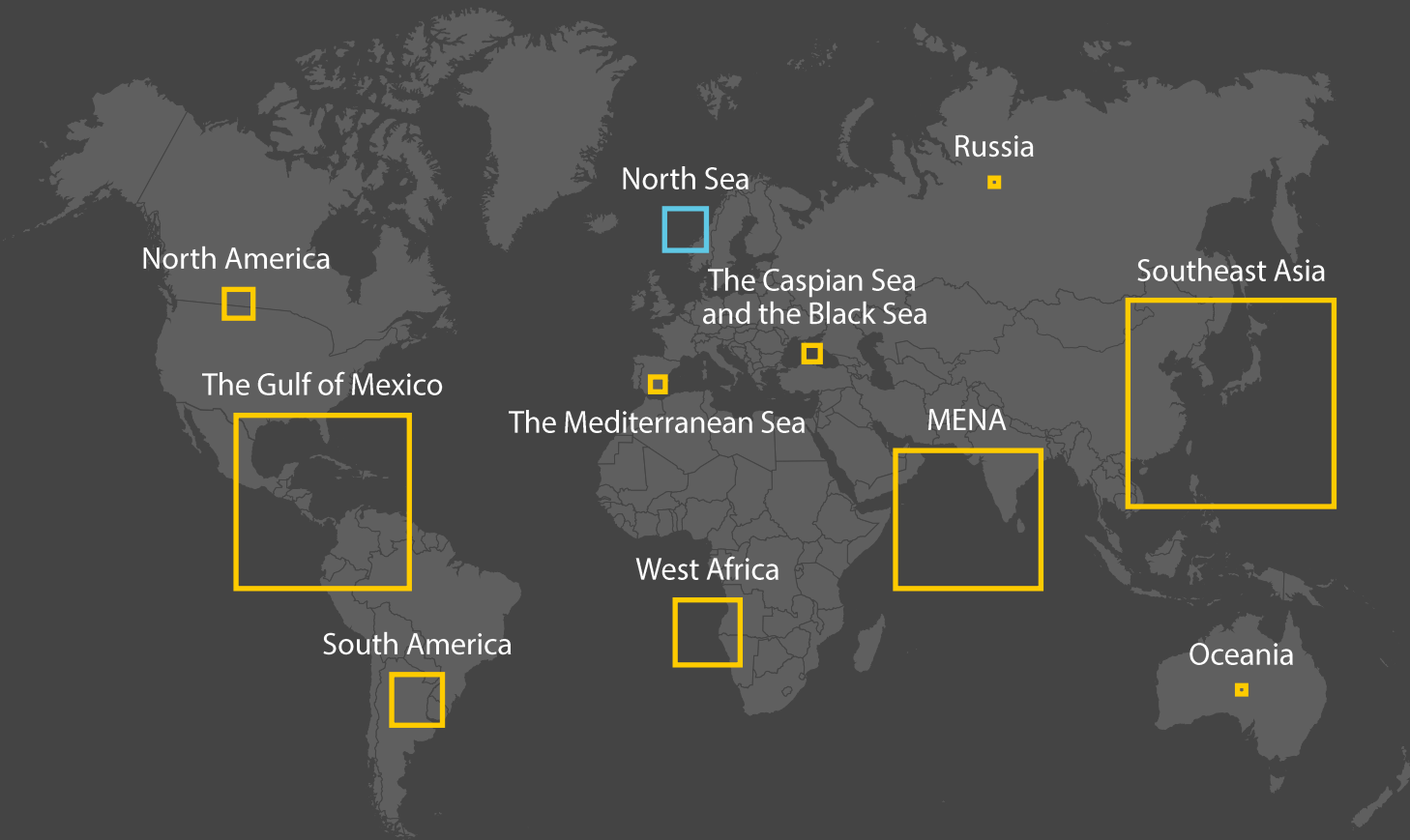
Strong profitability improvement and strong order backlog



Success factors to ensure healthy profitability and growth over time



Strong position in the North Sea, with significant growth potential globally



The size of the boxes illustrates the number of oil platforms in the various regions

- A leading global player in environmentally-friendly recycling of offshore installations
- Strong established position in the North Sea, has carried out removal preparations on over 40 installations
- Significant growth potential globally
- More than 15 years of experience of complex projects for world-leading players
- Owner and operator of Europe's most modern facility for environmental clean-up

Solutions for a sustainable, green restructuring of the offshore sector



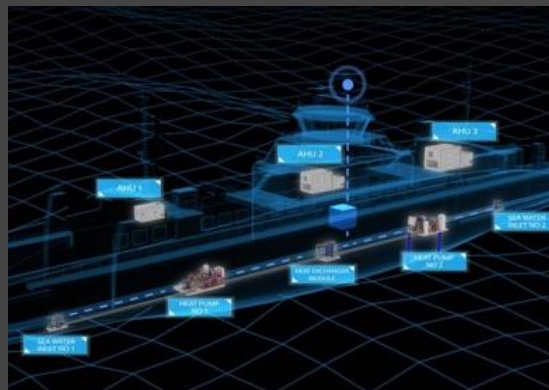
Offshore vind



Circular economy



Safe disposal of harmful substances



Electrification of the offshore sector



Adapted to regulations and increased digital requirements

The offshore business area is well equipped to seize opportunities and deliver for tomorrow's requirements and needs

Well positioned for further profitability and growth

- Solid order backlog, increasing demand and potential for further expansion of the value chain

Global potential

- Use own expertise with complementing partnerships, both globally and when extending the range of services

A part of tomorrow's solution

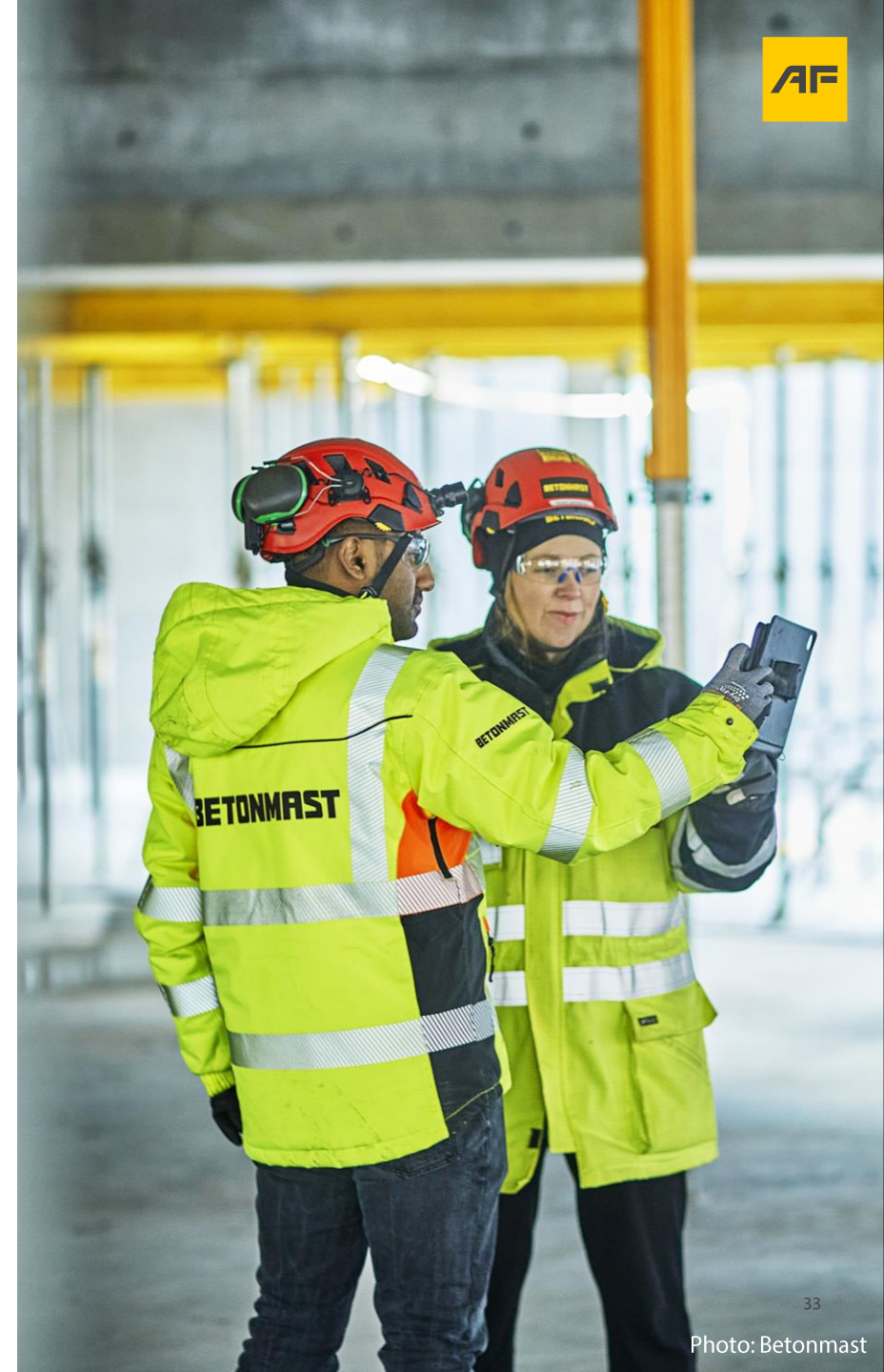
- Green restructuring and circular economy



Summary

NOK million	Q1 22	Q1 21	2021
Revenues	6,809	6,209	27,868
EBIT	215	264	1,609
EBT	209	245	1,580
EBIT %	3.2%	4.2%	5.8%
EBT %	3.1%	4.0%	5.7%

- Positive trend in the safety work
- Revenue growth, but lower profitability due to higher prices and delivery challenges on raw materials
- Strong cash flow from operations
- Strong financial position
- Solid order backlog: NOK 42,697 (33,818) million
- The board of directors suggests a dividend of NOK 6.50 (6.50) per share to be paid in the first half of 2022



Thank you for
your attention

Q2 | 26 August 2022

AF



Photo: Helge Skodvin