

# AF Gruppen ASA Q3 2022

11 November 2022



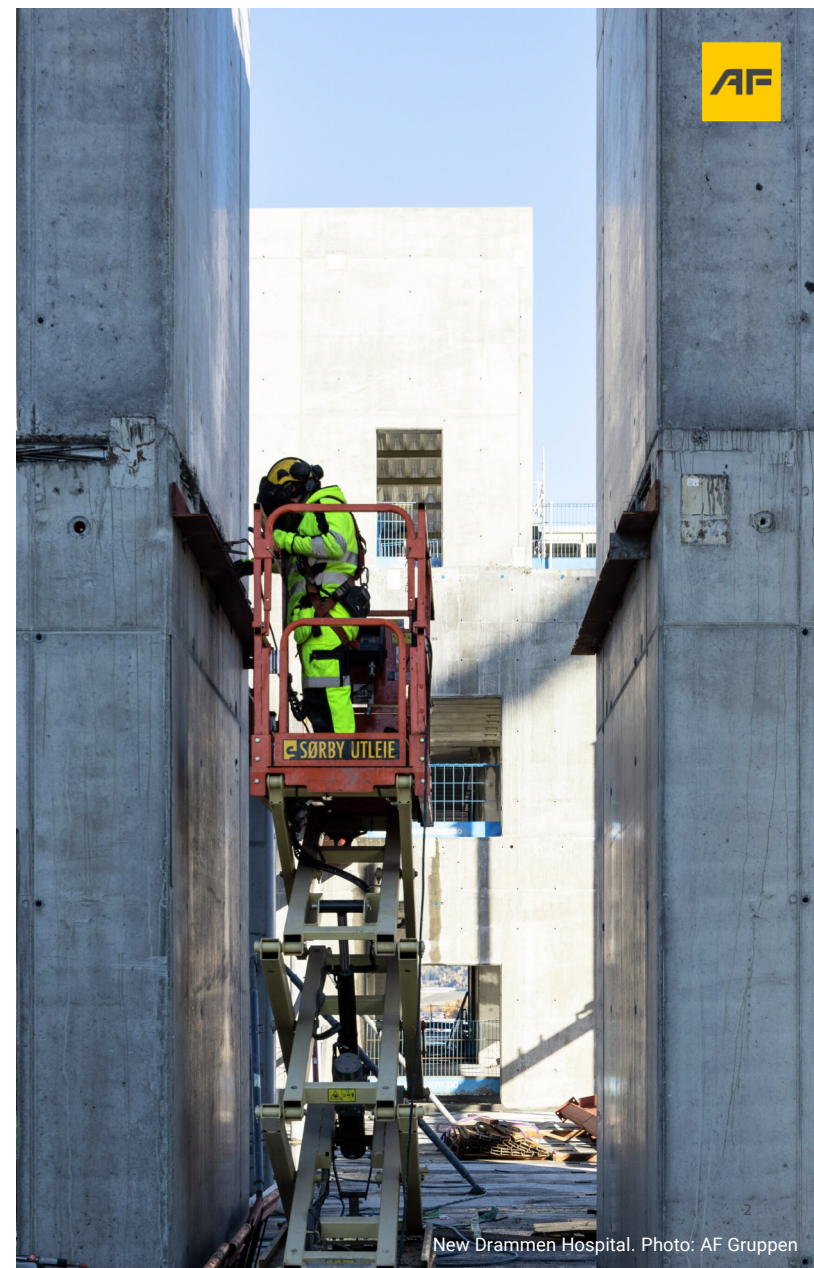
Removal of offshore platform. Photo: Weldcam

3<sup>rd</sup> quarter 2022

## Highlights

### AF Gruppen with Strong Growth, Varying Profitability and a solid Order Backlog

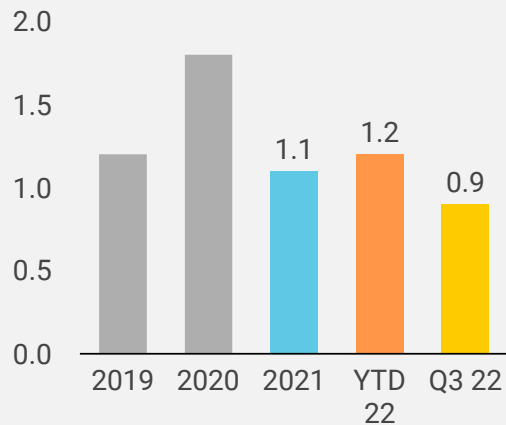
- Revenue: NOK 7,537 (6,358) million in Q3 and NOK 22,638 (19,756) million year-to-date
- Earnings before tax: NOK 263 (344) million in Q3 and NOK 898 (945) million year-to-date
- Profit margin: 3.5% (5.4%) in Q3 and 4.0% (4.8%) year-to-date
- Cash flow from operations: NOK 272 (380) million in Q3 and NOK 1,498 (1 114) million year-to-date
- Order backlog: NOK 39,716 (40,391) million as of 30 September 2022
- Net interest-bearing receivables of NOK 254 (-26) million as of 30 September 2022
- The Board of Directors has proposed a dividend of NOK 4.00 (4.00) per share for the second half of the year



New Drammen Hospital. Photo: AF Gruppen

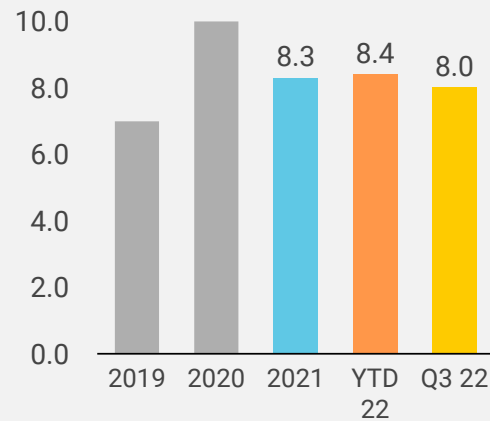
# Health and Safety

## Lost-time Injury Frequency (LTIF)



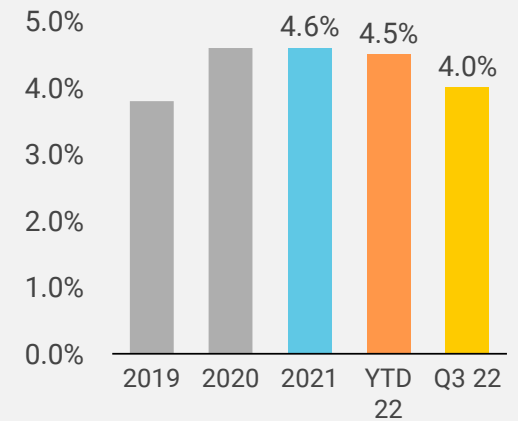
Number of lost-time injuries and severe personnel injuries not resulting in lost-time, including subcontractor employees, per million hours worked

## 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

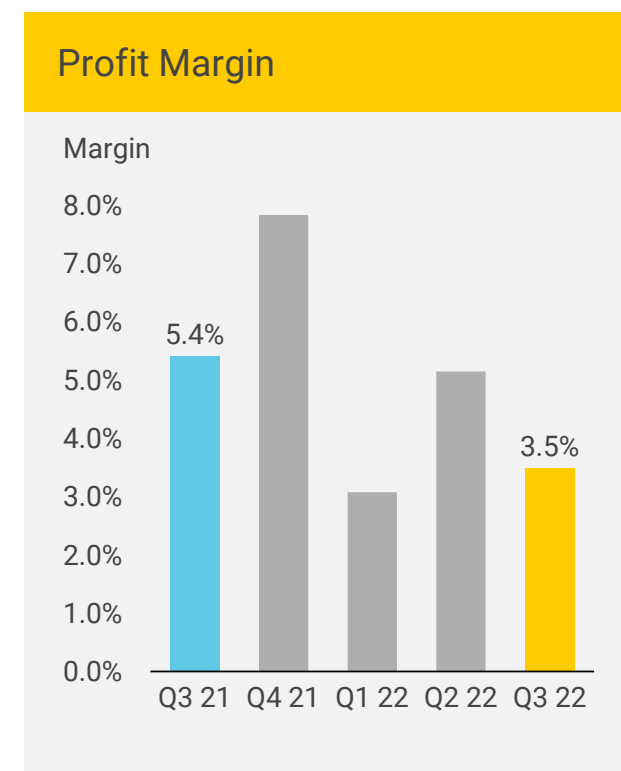
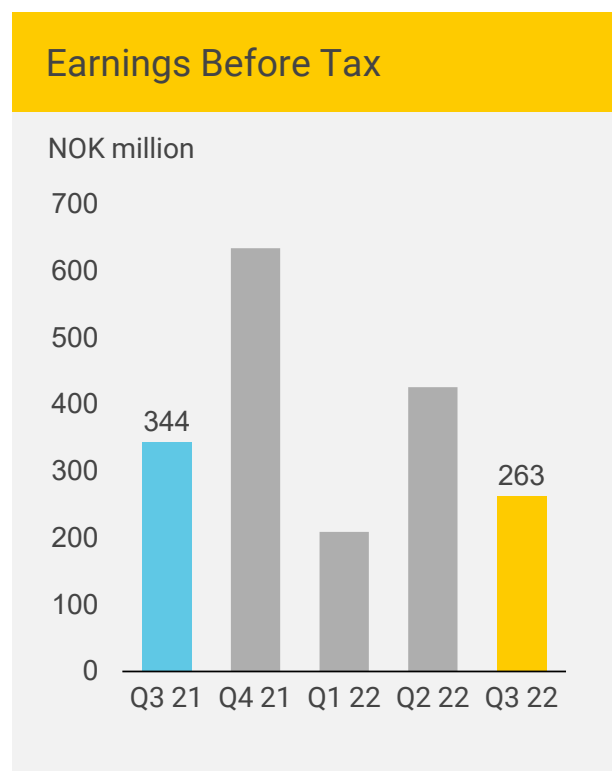
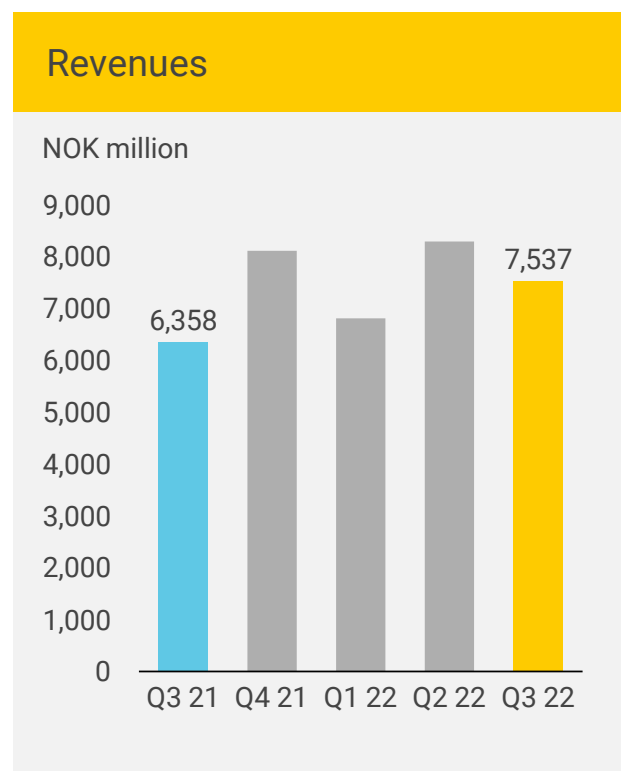
## Sick Leave



3<sup>rd</sup> quarter 2022



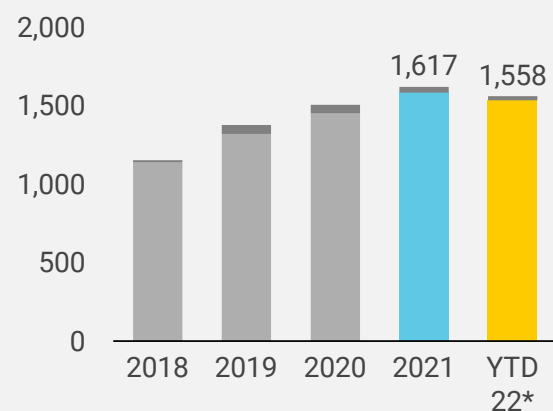
## Revenues and Earnings



# Return on Capital Employed

## Earnings Before Tax and Interest Expense \*

NOK million

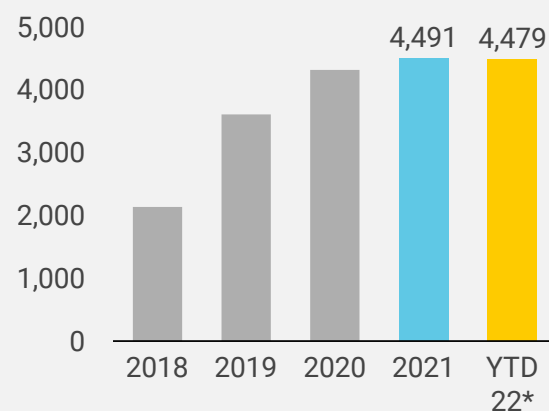


\* Last four quarters rolling

■ Interest expenses added

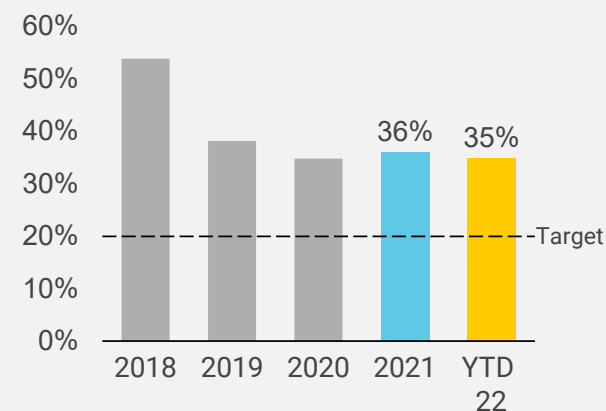
## Average Capital Employed

NOK million



\* Rolling average last four quarters

## Return on Capital Employed



3<sup>rd</sup> quarter 2022

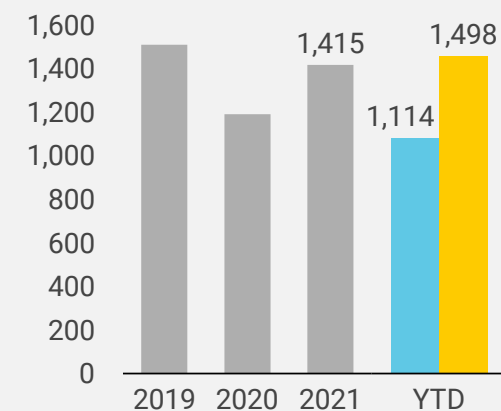


# Cash Flow Statement

NOK million	Q3 2022	Q3 2021	YTD 2022	YTD 2021
EBIT	271	344	907	970
Depreciations, amortisation and impairment	133	151	399	428
Change in net working capital	-77	-68	532	-24
Other adjustments / taxes paid	-54	-48	-341	-260
<b>Cash flow from operations</b>	<b>272</b>	<b>380</b>	<b>1,498</b>	<b>1,114</b>
Net investments	-25	118	144	-18
Cash flow from capital activities	-20	-24	-1,053	-883
Interest paid and change in interest bearing debt	-280	-86	-242	-290
<b>Net change in cash and cash equivalents</b>	<b>-53</b>	<b>389</b>	<b>347</b>	<b>-77</b>
Net cash and cash equivalents at beginning of period	1,086	205	680	708
Change in cash and cash equivalents without cash effect	3	0	8	-38
<b>Net cash and cash equivalents end of period</b>	<b>1,036</b>	<b>593</b>	<b>1,036</b>	<b>593</b>

## Cash Flow from Operations

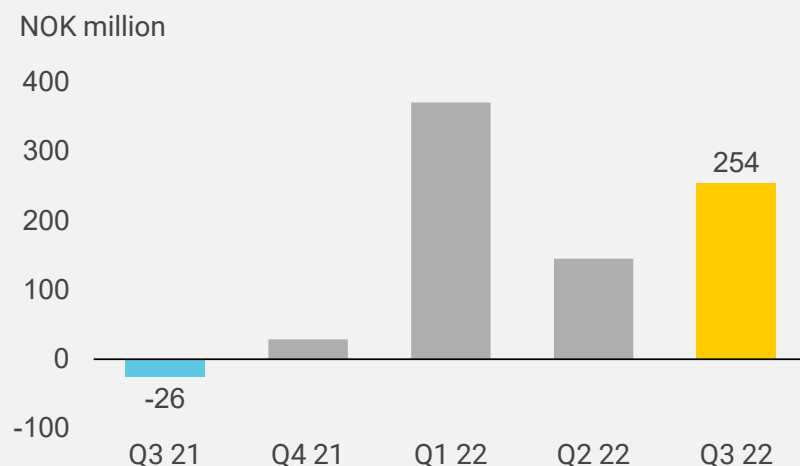
NOK million



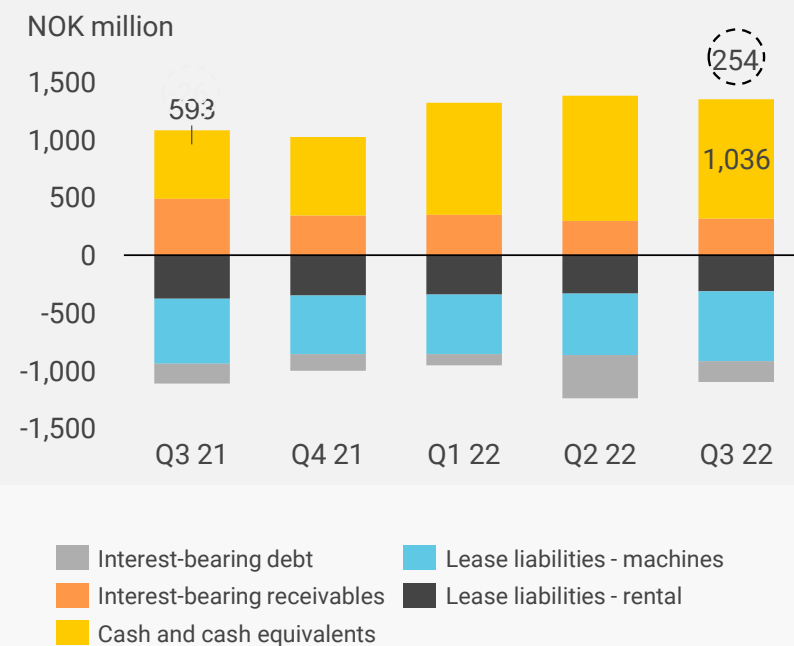
■ YTD 2021  
■ YTD 2022

# Net Interest-bearing Receivables and Liquidity

## Net Interest-bearing Receivables



## Components Net Interest-bearing Receivables



Available liquidity: NOK 3,939 million (including financial facilities of NOK 3,000 million)

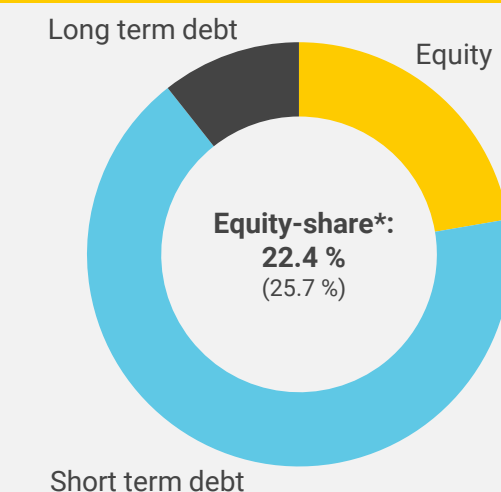
3<sup>rd</sup> quarter 2022



# Balance Sheet

NOK million	30.09.22	30.09.21	31.12.21
Non-current assets	7,705	7,646	7,490
Current assets, ex. cash	5,955	4,898	4,937
Cash and cash equivalents	1,036	593	680
<b>Total assets</b>	<b>14,695</b>	<b>13,137</b>	<b>13,108</b>
Equity	3,286	3,378	3,572
Long term debt	1,563	1,369	1,343
Short term debt	9,847	8,389	8,193
<b>Sum egenkapital og gjeld</b>	<b>14,695</b>	<b>13,137</b>	<b>13,108</b>

## Equity Share



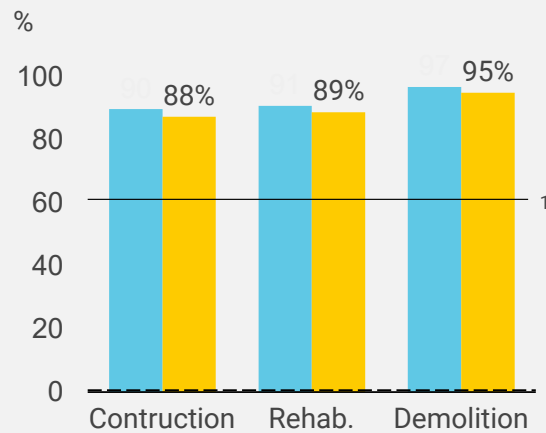
\* Equity ratio excluding the effect of IFRS 16 is 23.5% per 30.09.22

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

# Environment

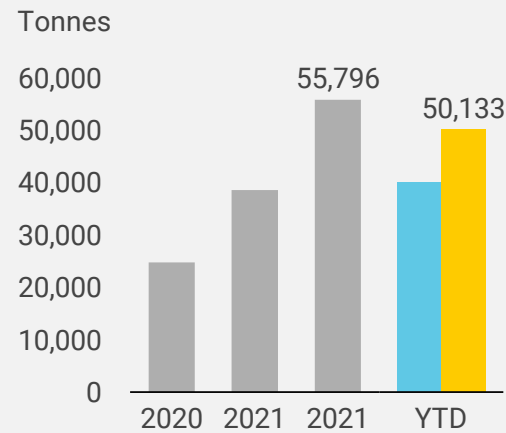
## Source Separation Rate

Waste sorted: 213,745 (240,243) tonnes YTD in 2022



■ YTD 2021  
■ YTD 2022

## Metal Demolished and Sorted for Recycling

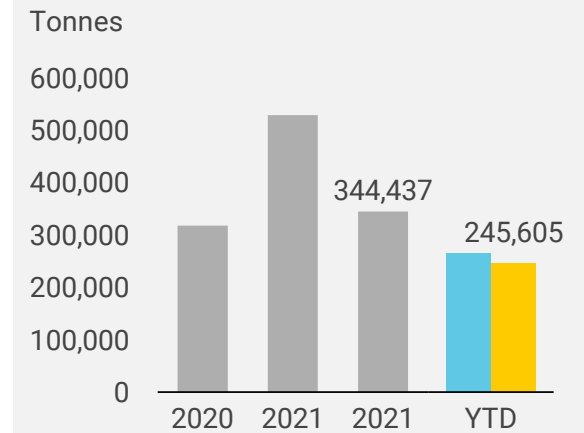


50,133 tonnes = 50,133 (39,975) tonnes CO<sub>2</sub>-equivalents saved

■ YTD 2021  
■ YTD 2022

## Recycling Environmental Centre

Recycling rate 81% (77%) YTD in 2022



245,605 tonnes = 68,932 (60,677) tonnes CO<sub>2</sub>-equivalents saved

■ YTD 2021  
■ YTD 2022

# Business Areas

3<sup>rd</sup> quarter 2022



## Solid Order Backlog and Strong Results

NOK million	Q3 22	Q3 21	YTD 3Q 22	YTD 3Q 21
Revenues	1,462	1,403	4,241	4,480
EBIT	92	98	275	294
EBT	93	97	272	290
EBIT %	6.3%	7.0%	6.5%	6.6%
EBT %	6.4%	6.9%	6.4%	6.5%

- Målselv Maskin & Transport and Consolvo continue to report very good results. AF Anlegg and Stenseth & RS reports good results. Eiqon had high activity, but reports weak results
- AF Anlegg was appointed by Avinor as turnkey contractor with interaction at the new airport in Mo i Rana. The order backlog only includes the interaction phase, and the final target price will be determined before the execution phase with a cost limit of NOK 3,300 million excl. VAT
- After the quarter, AF Anlegg has been appointed as contractor for the construction of the new water treatment plant at Huseby with interaction for Agency for Water and Sewerage department in Oslo municipality. The contract has an estimated value of NOK 3,000 million excl. VAT
- Order backlog: NOK 11,887 (7,617) million



## Varying Results and Weaker Profitability

NOK million	Q3 22	Q3 21	YTD 3Q 22	YTD 3Q 21
Revenues	2,631	2,007	8,029	6,026
EBIT	100	80	199	293
EBT	99	80	199	296
EBIT %	3.8%	4.0%	2.5%	4.9%
EBT %	3.8%	4.0%	2.5%	4.9%

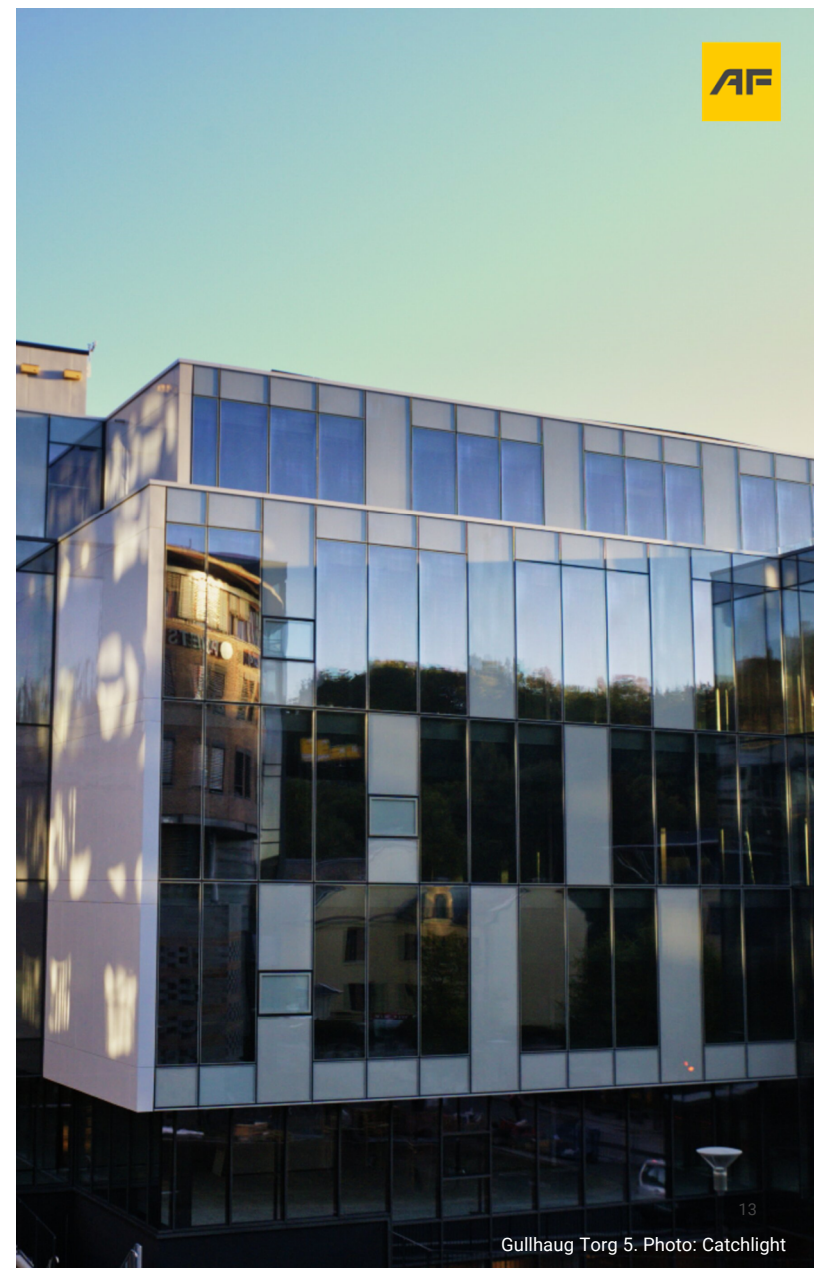
- High activity and large variation in profitability. AF Bygg Oslo, Strøm Gundersen Vestfold and Haga Berg reports excellent results in the quarter
- High energy and construction cost affects the business units profitability negatively. AF Byggfornyelse, Strøm Gundersen, AF Bygg Østfold, LAB and Fundamentering reports negative results in the quarter
- AF Bygg Østfold is appointed as turnkey contractor with interaction for phase one of a new water treatment plant in Fredrikstad municipality for FREVAR KF. The total contract value for phase one and two is expected to be NOK 1,100 million excl. VAT. In addition to this, further two contracts with a total value of approx. NOK 233 million excl. VAT has been reported to the stock exchange
- Order backlog: NOK 11,844 (14,594) million



## Weak Profitability

NOK million	Q3 22	Q3 21	YTD 3Q 22	YTD 3Q 21
Revenues	1,252	1,203	3,768	3,691
EBIT	37	37	89	78
EBT	41	33	91	63
EBIT %	3.0%	3.1%	2.4%	2.1%
EBT %	3.3%	2.7%	2.4%	1.7%

- Large variation in the business unit's results contributes to weak profitability
- Betonmast Romerike reports excellent results. Betonmast Oslo, Østfold, Asker & Bærum and Trøndelag Østfold reports good results
- Betonmast Innlandet and Boligbygg reports weak results in the quarter
- Order backlog: NOK 5,370 (7,135) million



## Property

# Low Residential Sales in the Quarter

NOK million	Q3 22	Q3 21	YTD 3Q 22	YTD 3Q 21
Revenues	7	6	18	20
EBIT	-5	27	54	43
EBT	-3	27	59	43
Capital employed	548	836	548	836

- Low residential sales in the quarter. Sales contracts signed for a total of 89 (158) residential units in the quarter, whereof AF's share was 34 (77) units
- Seven projects with a total of 793 residential units are in production (AF's share is 369). Sales ratio on commenced projects are 83 %
- Residential portfolio under development: 1,522 (2,085) units. AF's share: 760 (1,060)
- Commercial portfolio under development: 62,342 (54,737) GFA sqm. AF's share: 30,949 (27,175)



Sweden

## Demanding Quarter with Negative Results

NOK million	Q3 22	Q3 21	YTD 3Q 22	YTD 3Q 21
Revenues	1,759	1,383	5,303	4,407
EBIT	-35	58	86	162
EBT	-36	57	82	157
EBIT %	-2.0%	4.2%	1.6%	3.7%
EBT %	-2.0%	4.1%	1.6%	3.6%

- Sweden reports negative results due to adjustments to project estimates in Betonmast Sweden
- Kanonaden and Härnösand Byggreturer continues to report excellent results
- HMB has sound operations with good results. After the quarter, HMB has been awarded a turnkey contract to build 151 homes for Genova and Redito. In addition to a new upper secondary and high school in Västerås for Hemsö, with a combined value of MSEK 500 excl. VAT
- Order backlog: NOK 8,071 (8,977) million



## Very Good Profitability

NOK million	Q3 22	Q3 21	YTD 3Q 22	YTD 3Q 21
Revenues	261	266	753	839
EBIT	21	24	51	57
EBT	21	23	50	54
EBIT %	8.2%	8.9%	6.8%	6.8%
EBT %	7.9%	8.8%	6.7%	6.4%

- Energy and Environment reports very good results in the quarter
- AF Decom reports a very good results despite somewhat lower activity compared to last year
- AF Energi experience increased demand, and reports significantly increased results compared to last year
- AF Decom has so far this year sorted metal for recycling and recycled materials at the environmental centers corresponding to 34,488 (28,638) CO<sub>2</sub>- equivalents
- Order backlog: NOK 688 (574) million



## Offshore

# Excellent Profitability and Order Backlog

NOK million	Q3 22	Q3 21	YTD 3Q 22	YTD 3Q 21
Revenues	380	207	870	623
EBIT	51	18	105	43
EBT	46	19	102	41
EBIT %	13.4%	8.9%	12.0%	7.0%
EBT %	12.2%	9.0%	11.7%	6.5%

- AF Offshore Decom reports excellent profitability, as a result of high production and good operations at AF Environmental Base Vats
- AF Offshore Decom has so far this year sorted metal for recycling corresponding to 34,445 (32,029) CO<sub>2</sub>- equivalents
- AF AeronMollier reports increased revenues compared to last year, profits are still below expectations
- AF Offshore Decom was appointed by TotalEnergies EP Nederland as contractor for the removal and recycling of 10 platforms with an estimated weight of 17,000 tonnes this quarter
- Order backlog: NOK 1,927 (1,600) million

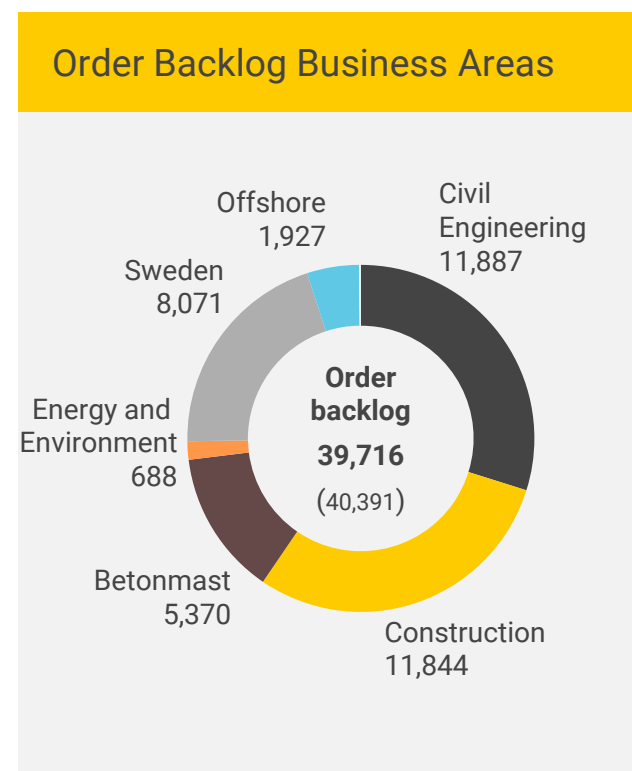
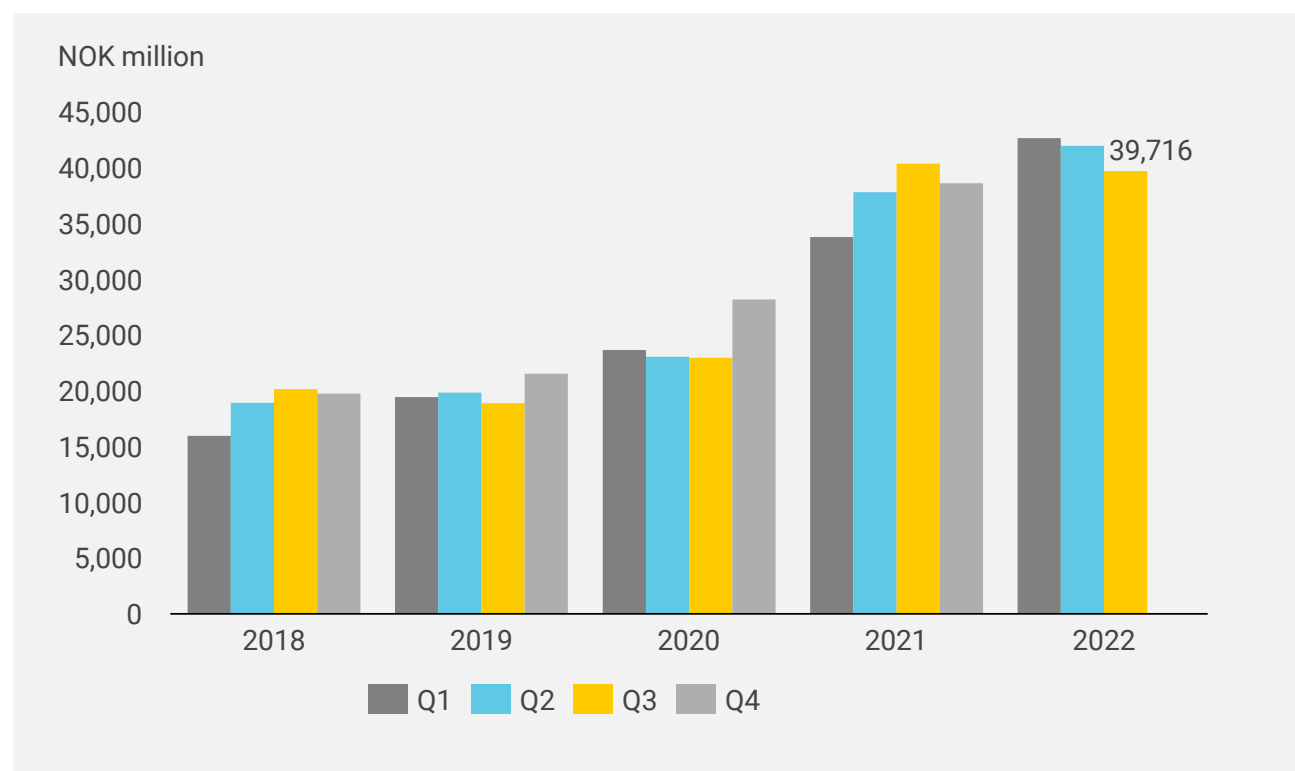


Curlew FPSO. Photo: Woldcam

3<sup>rd</sup> quarter 2022



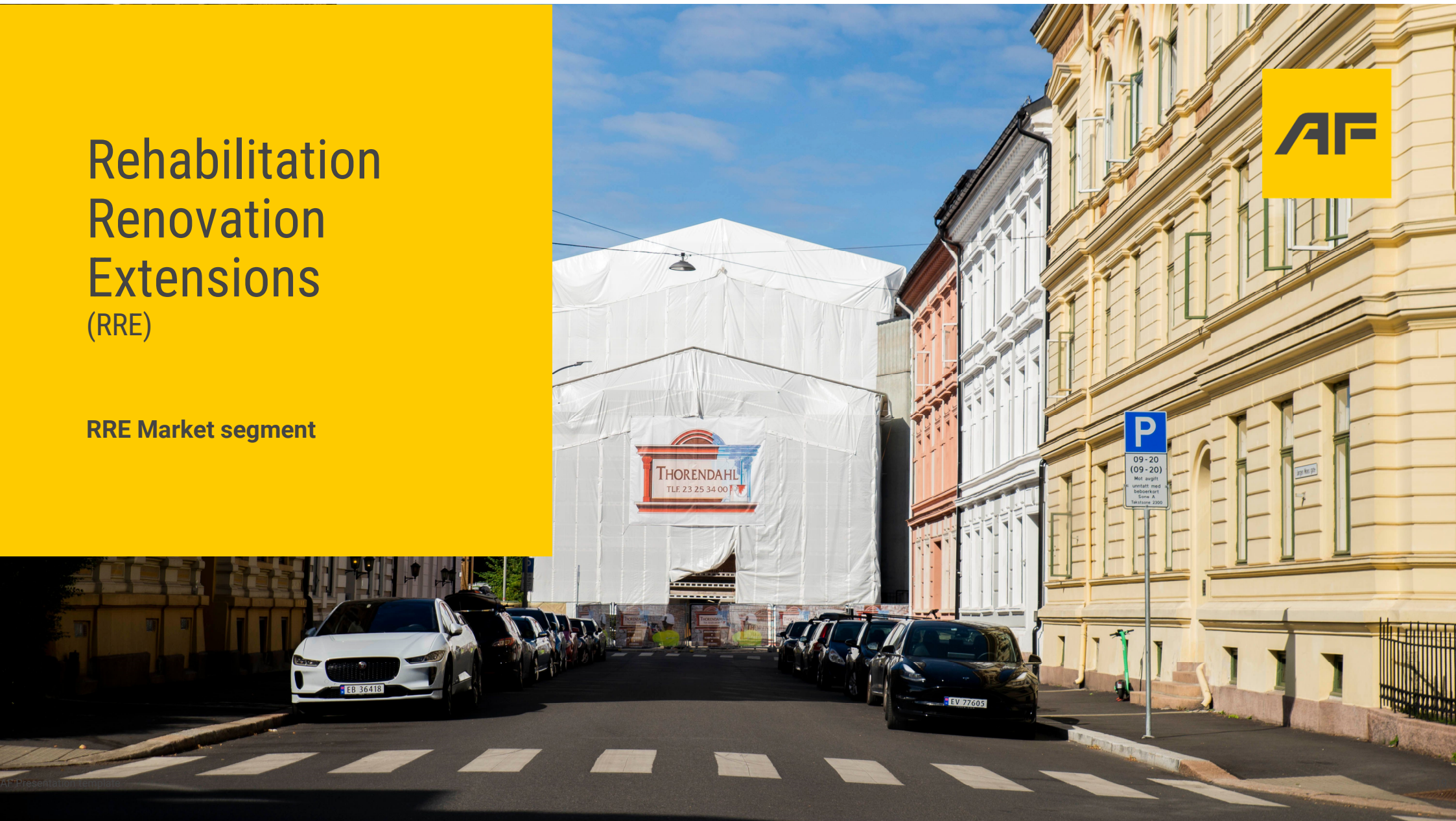
## Strong Order Backlog



# Rehabilitation Renovation Extensions (RRE)

RRE Market segment

AF



## RRE Market segment

Rehabilitation

Renovation

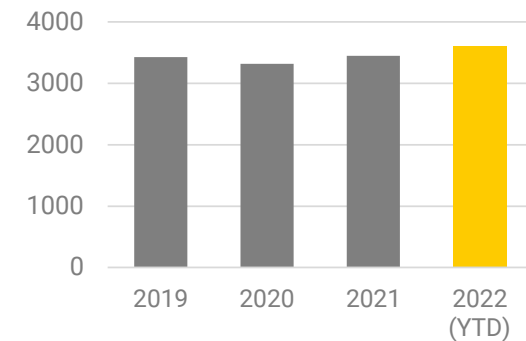
Extensions

## Revenue 2022 (YTD)

# 3,600

Revenue (NOK million)

## Development (NOK million)



Bygg Østfold



Energi



Byggfornyelse



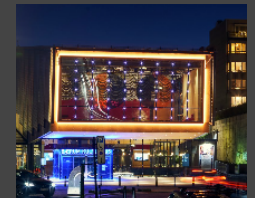
# Expertise in a wide range of services



**Fire prevention**

**Service and maintenance**

**Energy rehabilitation  
(Energy conservation)**



**Roofing and tinsmith  
services**

**Facade rehabilitation**

**Tile, stone and concrete  
rehabilitation**



**Carpentry work**

**Installation and rental of  
scaffolding**

**Concrete and casting work**



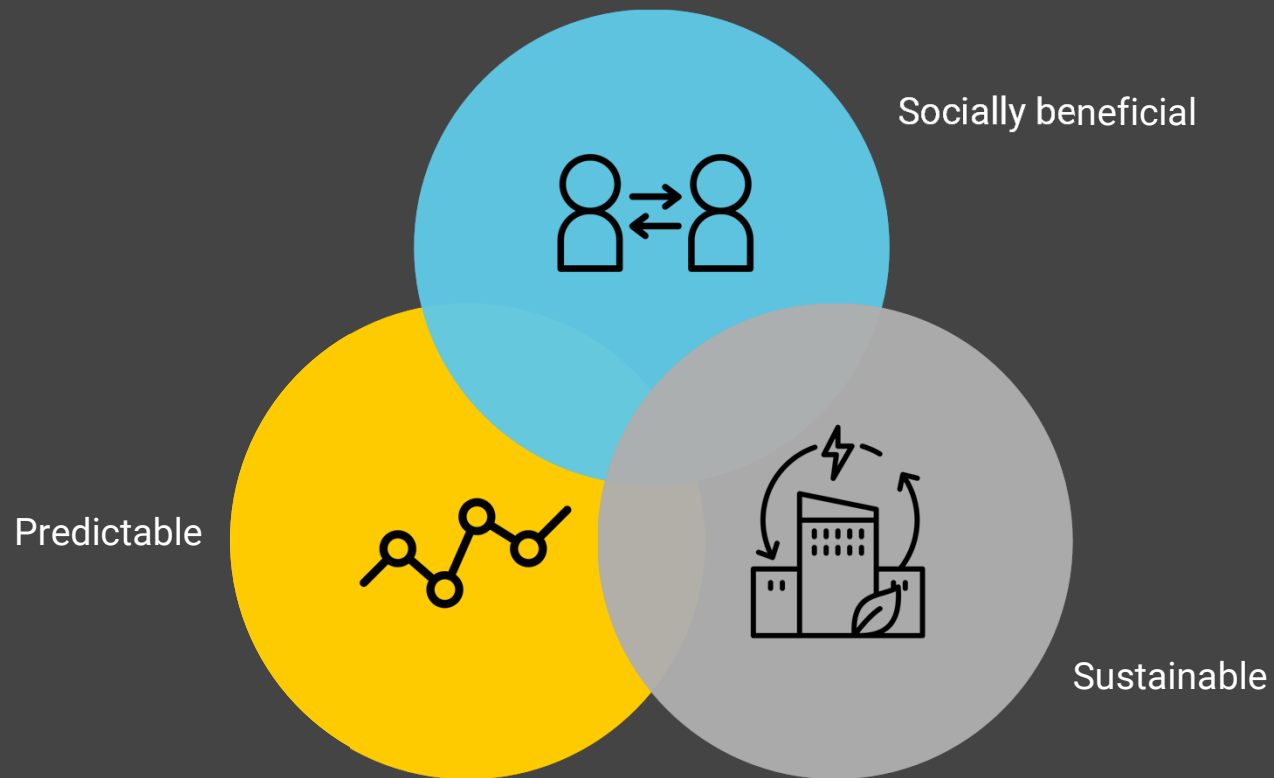
**Pipe rehabilitation**

**Rendering systems**

**Installation and  
replacement of windows  
and doors**



# Clearing up the past, building for the future



# Our most sustainable buildings already exist

»» Social factors such as local identity and the preservation of cultural values are good reasons for the preservation of facades, details, use of materials.

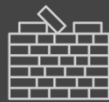
- The Directorate for Cultural Heritage



Facade  
rehabilitation



Rehabilitation  
roof surfaces



Rehabilitation  
brickwork



»»» The rehabilitation of buildings has only as half the impact on the environment as building new ones

- SINTEF

- Production of building materials
- Transport
- Construction process
- Consumption
- Waste volumes



# The EU - a driver on the way to a green transition?



## EU Green Deal

The EU (and Norway) > a 40 % reduction in greenhouse gas emissions by 2030 (target of climate neutrality by 2050).

### Binding targets

- Fresh air, clean water, healthy soil and biodiversity
- Healthy and affordable food
- More public transport
- Renovated, energy-efficient buildings (EU Renovation wave)



## EU Renovation Wave

The renovation of buildings is a key initiative in reaching climate targets.

- Combatting "energy poverty" and worst-performing buildings
- Renovation of public buildings and social infrastructure
- Decarbonising heating and cooling
- Contribution to economic recovery through new green jobs



## Feedback

- Climate emissions should include both energy efficiency and the emissions from the contractor + the supply chain
- 2% - 3% of the building stock should be renovated annually (probably more)
- Residential and commercial buildings account for more than half of electricity consumption in Norway
- Buildings are a source of emissions that the public sector can influence or has a lot of control over

# Continuing stable forecasts for the RRE market

## Market drivers

- Minor fluctuations
- Increase in building stock
- Change in age distribution
- Need for energy efficiency
- Climate requirements

## Market forecasts

- 2023: +1.0%
- 2024: +2.6%

Source: Prognosesenteret



# The road ahead



- Continue to attract, develop and retain the industry's best management and technical expertise
- Reduce our footprint and lead the way in creating socially beneficial business opportunities
- Be the preferred partner
- The industry's most inquisitive contractor

3<sup>rd</sup> quarter 2022

## Summary

NOK million	Q3 22	Q3 21	YTD 3Q 22	YTD 3Q 21
Revenues	7,537	6,358	22,638	19 756
EBIT	271	344	907	970
EBT	263	344	898	945
EBIT %	3.6%	5.4%	4,0%	4,9%
EBT %	3.5%	5.4%	4,0%	4,8%

- Revenue growth and varying profitability
- Strong cash flow from operations
- Strong financial position
- Solid order backlog: NOK 39,716 (40,391) million
- The Board of Directors has proposed a dividend of NOK 4.00 (4.00) per share for the second half of the year



Thank you for your  
attention

Q4 | 10 February 2023



Furuset Hageby. Photo: AF Gruppen