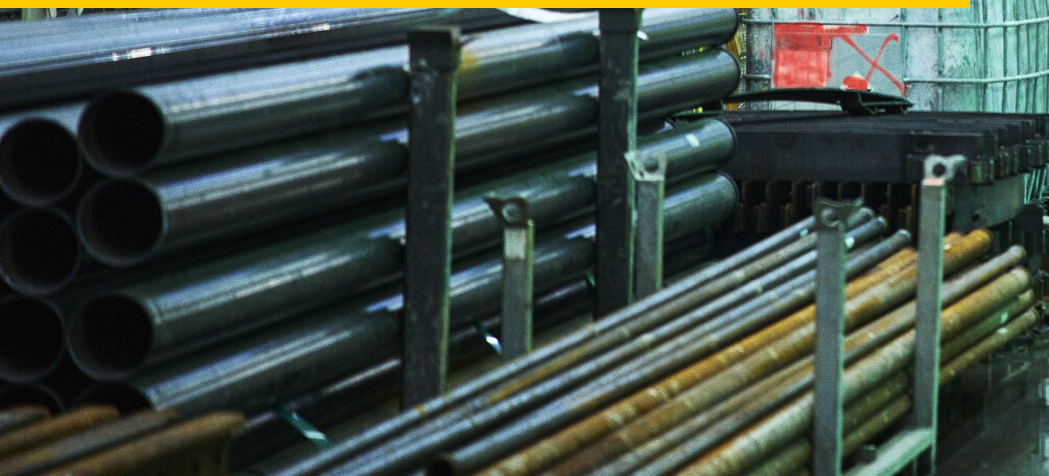


AF Gruppen ASA Q2 2024

30 August 2024

AF



JV AF Ghella is building a clean water tunnel for the Norwegian Agency for Water and Sewerage Works. Photo: Bård Gudim

Overview

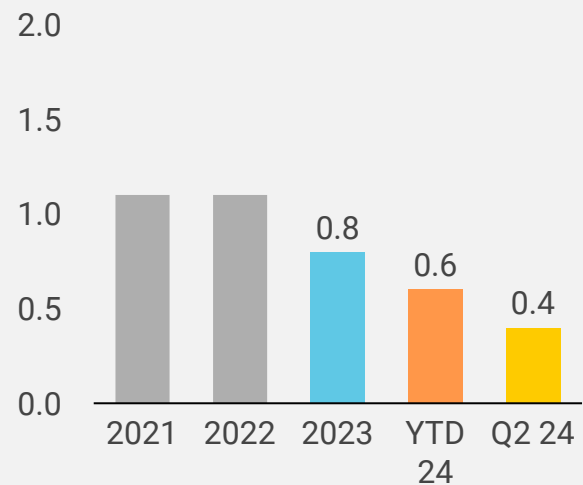
Weak result driven by a downward adjustment of a project estimate in Offshore

- Revenue of NOK 7,651 (7,853) million in Q2 and NOK 14,838 (15,246) million year-to-date
- Earnings before tax of NOK 21 (292) million in Q2 and NOK 207 (305) million year-to-date
- Profit margin of 0.3% (3.7%) in Q2 and 1.4% (2.0%) year-to-date
- Cash flow from operations of NOK 661 (227) million in Q2 and NOK 789 (203) million year-to-date
- Order intake of NOK 5,629 (10,877) million in Q2 and NOK 11,100 (20,173) million year-to-date
- Order backlog of NOK 38,253 (44,693) million as of 30 June 2024
- Net interest-bearing debt of NOK 979 (1 582) million as of 30 June 2024



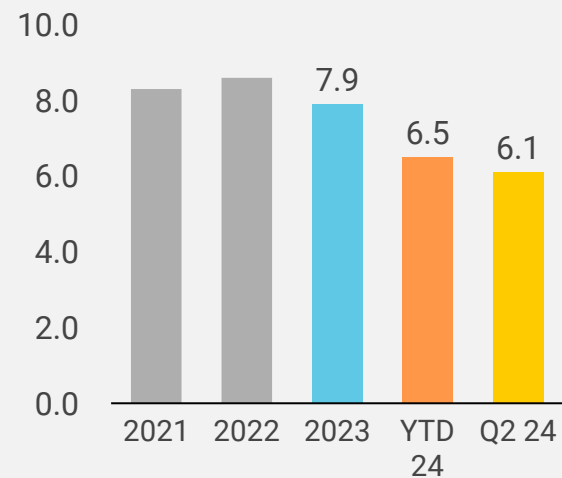
Health and safety

Lost-time injury frequency (LTIF)



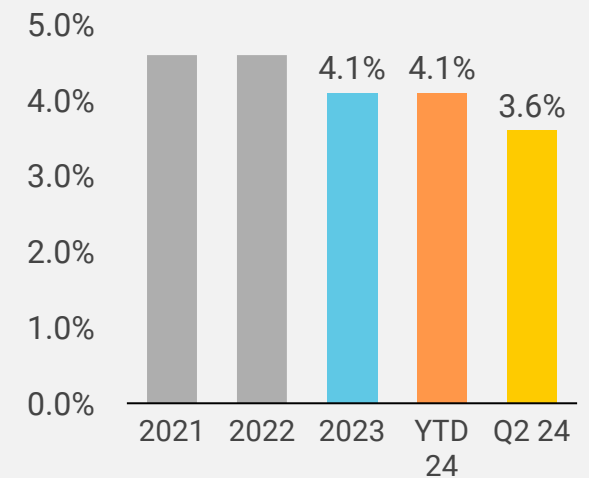
Number of lost-time injuries and severe personnel injuries not resulting in lost-time, including subcontractor employees, per million hours worked

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

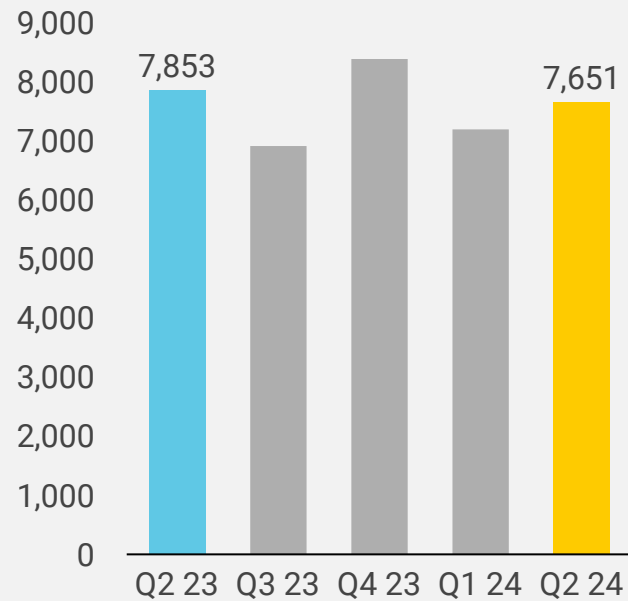
Sick leave



Revenues and earnings

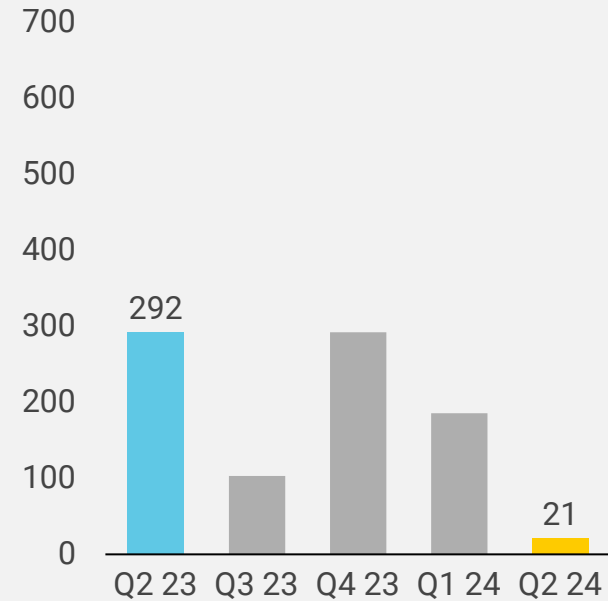
Revenues

NOK million

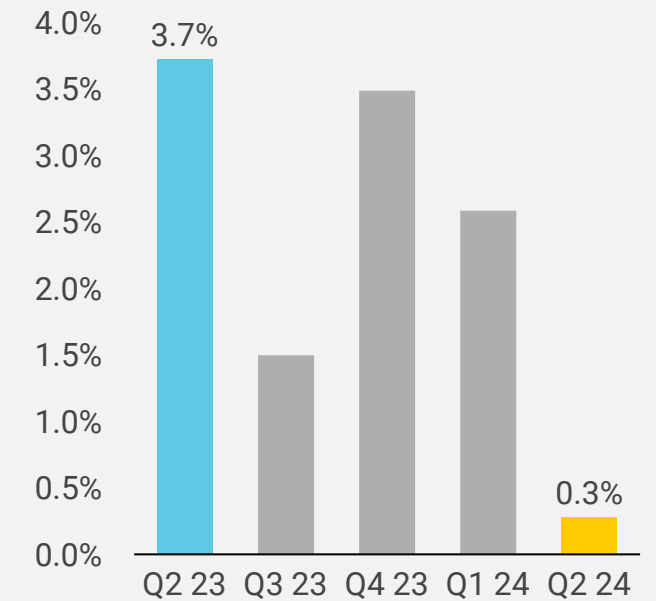


Earnings before tax

NOK million



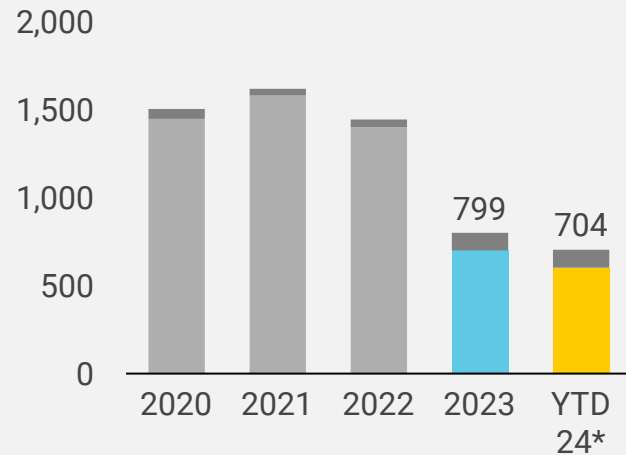
Profit margin



Return on capital employed

Earnings before tax and interest expense *

NOK million

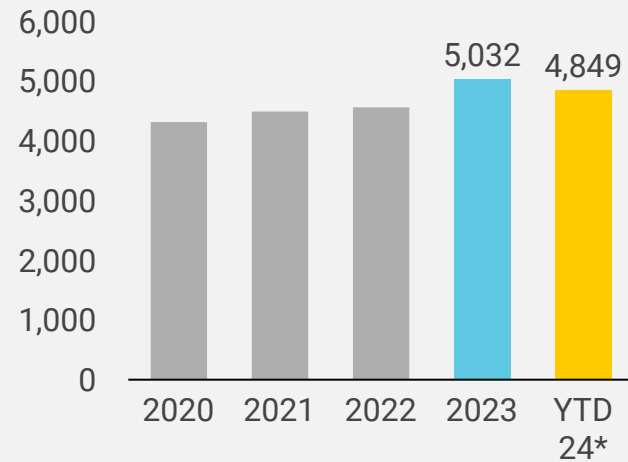


* Last four quarters

■ Interest expenses added

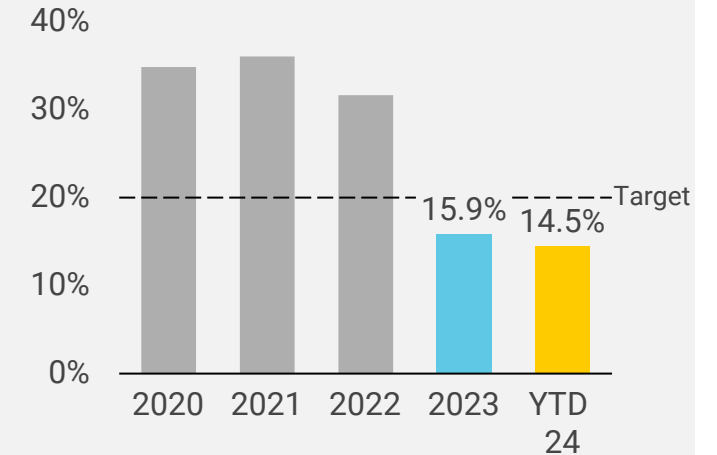
Average capital employed

NOK million



* Rolling average last four quarters

Return on capital employed



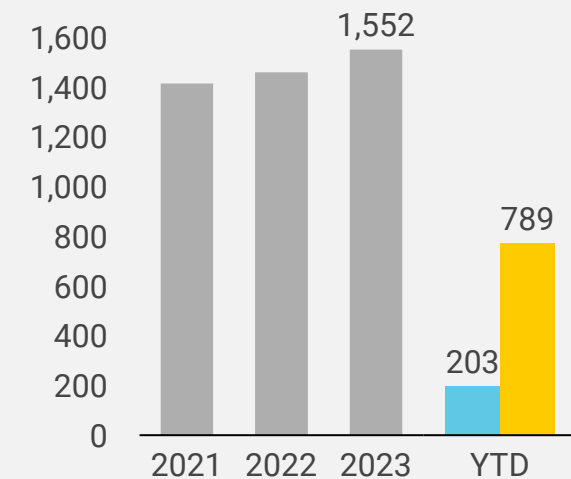
The Group's target return on capital employed is 20%

Cash flow statement

NOK million	Q2 2024	Q2 2023	YTD 2024	YTD 2023
EBIT	37	303	238	318
Depreciation, amortisation and impairment	173	135	329	266
Change in net working capital	544	-114	386	-178
Taxes paid	-60	-71	-118	-152
Other	-33	-25	-46	-52
Cash flow from operations	661	227	789	203
Net investments	-112	-323	-222	-400
Dividend to shareholders in ASA	-380	-700	-380	-700
Other capital transactions	-99	-81	-304	-164
Interest paid and change in interest bearing debt	1	688	191	738
Net change in cash and cash equivalents	72	-189	74	-323
Net cash and cash equivalents at beginning of period	348	677	347	765
Change in cash and cash equivalents without cash effect	-10	7	-10	52
Net cash and cash equivalents end of period	411	494	411	494

Cash flow from operations

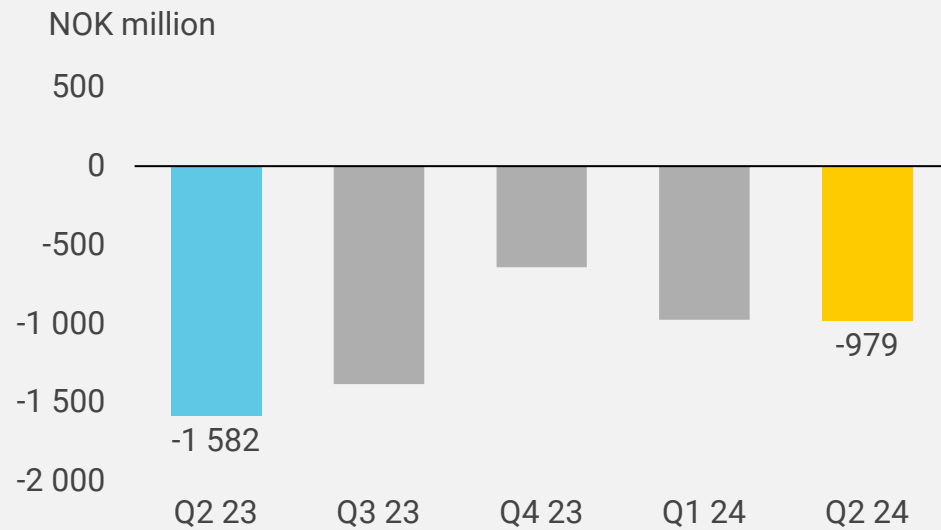
NOK million



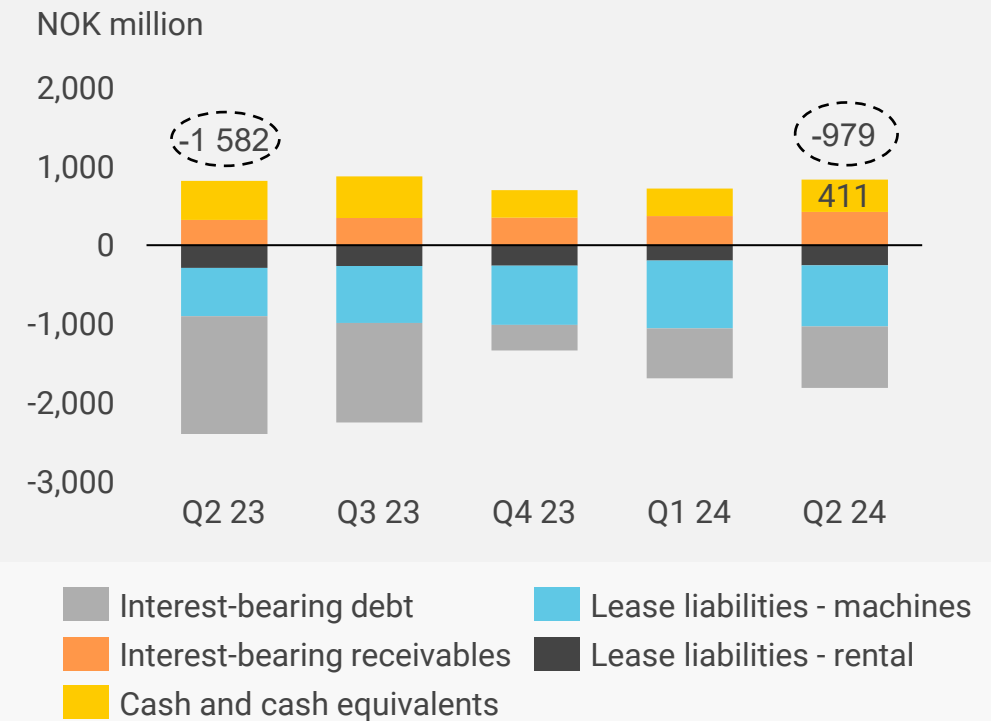
■ YTD 2023
■ YTD 2024

Net interest-bearing debt and liquidity

Net interest-bearing receivables (debt)



Components net interest-bearing receivables (debt)

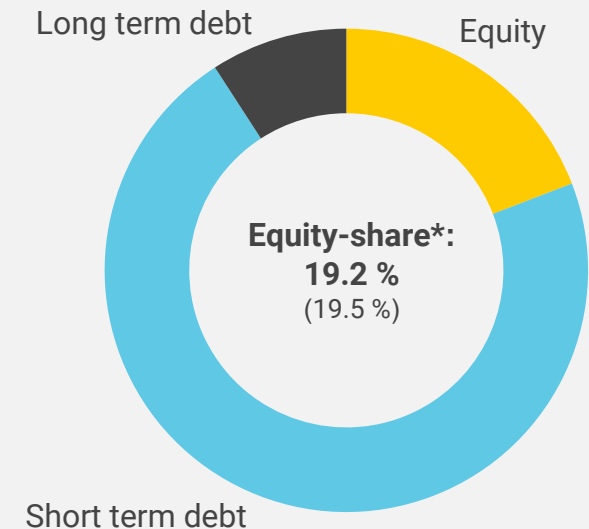


Available liquidity: NOK 3,261 million (including financial facilities of NOK 3,500 million)

Balance sheet

NOK million	30.06.24	30.06.23	31.12.23
Non-current assets	8,629	8,119	8,407
Current assets, ex. cash	5,807	6,260	5,894
Cash and cash equivalents	411	494	347
Total assets	14,846	14,872	14,647
Equity	2,844	2,897	3,203
Long term debt	1,358	1,314	1,338
Short term debt	10,644	10,662	10,106
Total equity and debt	14,846	14,872	14,647

Equity share

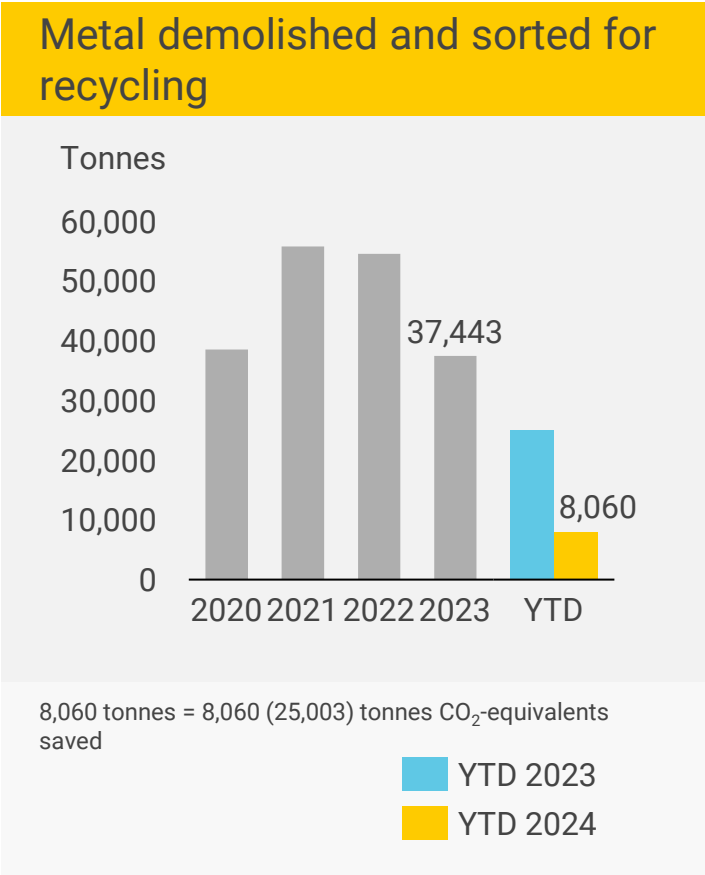
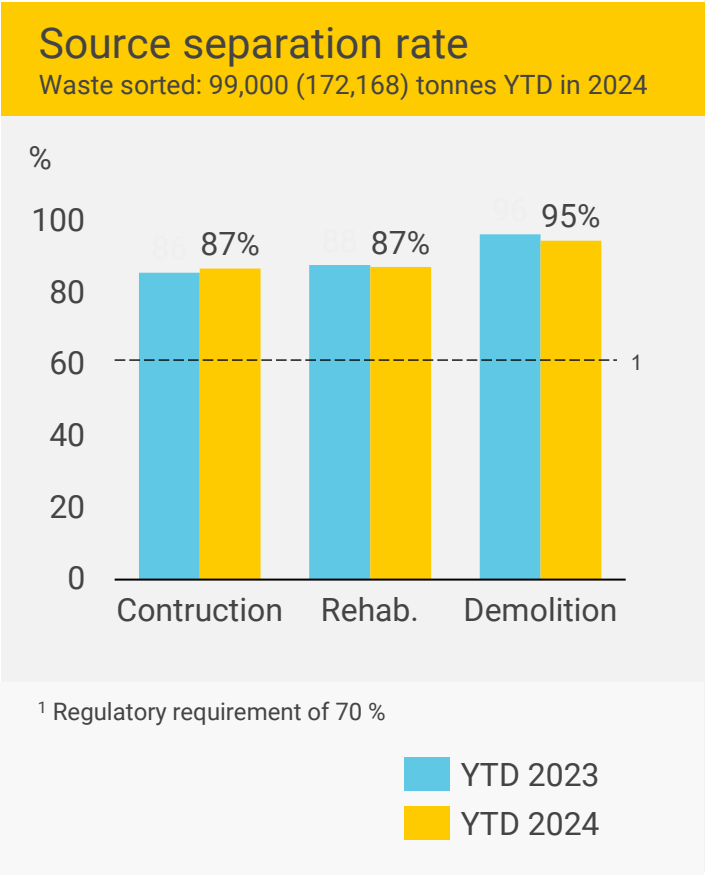


* Equity ratio excluding the effect of IFRS 16 is 20.3% per 30.06.24

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



Environment



Business Areas

2nd quarter 2024



Record high revenue and a good result

NOK million	Q2 24	Q2 23	1H 24	1H 23
Revenues	2,400	1,505	4,444	2 956
EBIT	140	104	256	181
EBT	154	107	285	185
EBIT %	5.8%	6.9%	5.8%	6.1%
EBT %	6.4%	7.1%	6.4%	6.3%

- Civil Engineering had a 59% revenue growth compared to Q2 of last year and delivers a good result in the quarter
- AF Anlegg has another quarter with record high revenue with good profitability. AF Anlegg has a solid portfolio of projects with several big projects in production. There is high activity and good progress across projects
- Målselv Maskin & Transport, Stenseth & RS and VSP deliver very good results in the second quarter. Eiqon had low activity and a weak result in the quarter
- Order intake: NOK 848 (4,018) million. Order backlog: NOK 15,053 (20,030) million



Stable profitability

NOK million	Q2 24	Q2 23	1H 24	1H 23
Revenues	2,279	2,674	4,482	5 264
EBIT	95	112	159	162
EBT	97	105	163	151
EBIT %	4.2%	4.2%	3,5%	3,1%
EBT %	4.2%	3.9%	3,6%	2,9%

- Construction maintained profitability despite revenue decline of 15 % relative to Q2 of last year
- AF Bygg Østfold, Haga & Berg, Strøm Gundersen and Strøm Gundersen Vestfold deliver very good results in Q2. AF Bygghornylse and ÅBF deliver good results
- AF Bygg Oslo, LAB Entreprenør and HTB deliver results somewhat below expectations. AF Håndverk and FAS have weak results in Q2
- Four new contracts were announced in the quarter for a combined value of NOK 776 million excl. VAT
- Order intake: NOK 1,775 (3,801) million. Order backlog: NOK 10,144 (10,469) million



Weak result

NOK million	Q2 24	Q2 23	1H 24	1H 23
Revenues	979	1,117	1,984	2,323
EBIT	9	33	-10	67
EBT	19	37	9	77
EBIT %	1.0%	3.0%	-0,5%	2.9%
EBT %	2.0%	3.4%	0,4%	3.3%

- Betonmast experienced a 12 % revenue decline compared to the same quarter of last year
- Betonmast Røsand, Østfold and Innlandet deliver good results in the quarter. Buskerud-Vestfold and Romerike deliver results somewhat below expectations and Betonmast Asker og Bærum delivered results below expectations
- Betonmast Boligbygg, Oslo and Trøndelag had weak results in the quarter
- Two contracts have been announced in the quarter for a combined value of NOK 637 million excl. VAT
- Order intake: NOK 752 (900) million. Order backlog: NOK 5,312 (4,898) million



Low residential sales

NOK million	Q2 24	Q2 23	1H 24	1H 23
Revenues	5	6	11	16
EBIT	-8	-3	-15	-5
EBT	-4	-1	-7	0
Capital employed	897	756	897	756

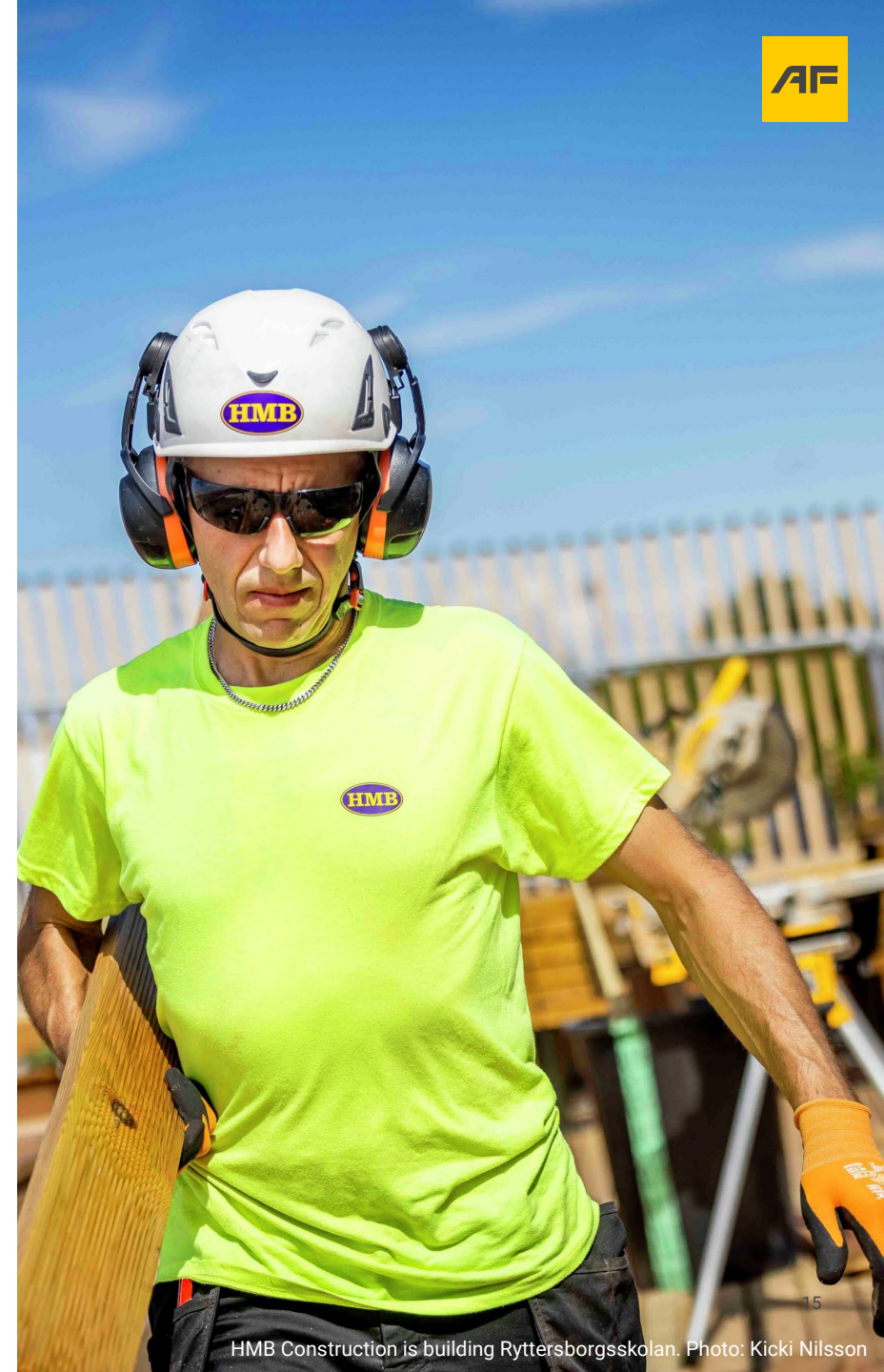
- A challenging real estate market with high interest rates and uncertainty still contributing to low sales figures. Sales contracts for 21 (16) units were signed in the quarter, of which 10 (7) represent AF's share. In total, 132 residential units were delivered in Q2
- Three projects with a total of 589 residential units are in production (AF's share is 246). The sales ratio in commenced projects is 68 %
- Residential portfolio under development: 1,707 (1,651) units. AF's share: 852 (824)
- Commercial portfolio under development: 73,407 (73,107) GFA sqm. AF's share: 36,524 (36,374)



Varying performance and break-even result

NOK million	Q2 24	Q2 23	1H 24	1H 23
Revenues	1,401	2,150	2,763	4 077
EBIT	1	27	3	-135
EBT	-2	26	-3	-138
EBIT %	0.1%	1.3%	0,1%	-3,3%
EBT %	-0.2%	1.2%	-0,1%	-3,4%

- Sweden has a revenue decline of 35 % compared to Q2 of last year
- AF Prefab i Mälardalen delivers very good results in Q2. Kanonaden and AF Härnösand Byggreturer deliver good results. HMB has a result somewhat below expectations and AF Bygg Syd has a weak result this quarter
- The entities originating from former Betonmast Sverige continues to deliver negative results this quarter. AF Anläggning Väst is now discontinued
- Two new contracts were announced by HMB with a combined value of NOK 475 million excl. VAT
- Order intake: NOK 1,167 (718) million. Order backlog: NOK 4,437 (6,212) million



High activity and good results

NOK million	Q2 24	Q2 23	1H 24	1H 23
Revenues	388	326	726	613
EBIT	22	19	40	30
EBT	21	21	38	33
EBIT %	5.7%	5.9%	5,4%	4,9%
EBT %	5.4%	6.3%	5,3%	5,4%

- Energy and Environment has increased activity levels by 19 % compared to the same quarter last year and delivers a good result for Q2
- AF Energi delivers a good result for the quarter. The entity has completed the acquisition of 70 % of ETA Norge's shares, a bioenergy contractor
- AF Decom has a good result in Q2. AF Decom has sorted metal for recycling and recycled materials at the environmental centers corresponding to 14,589 (16,399) CO₂-equivalents so far this year.
- Order intake: NOK 338 (1,116) million. Order backlog: NOK 1,208 (1 484) million



Demanding quarter marked by adjustment

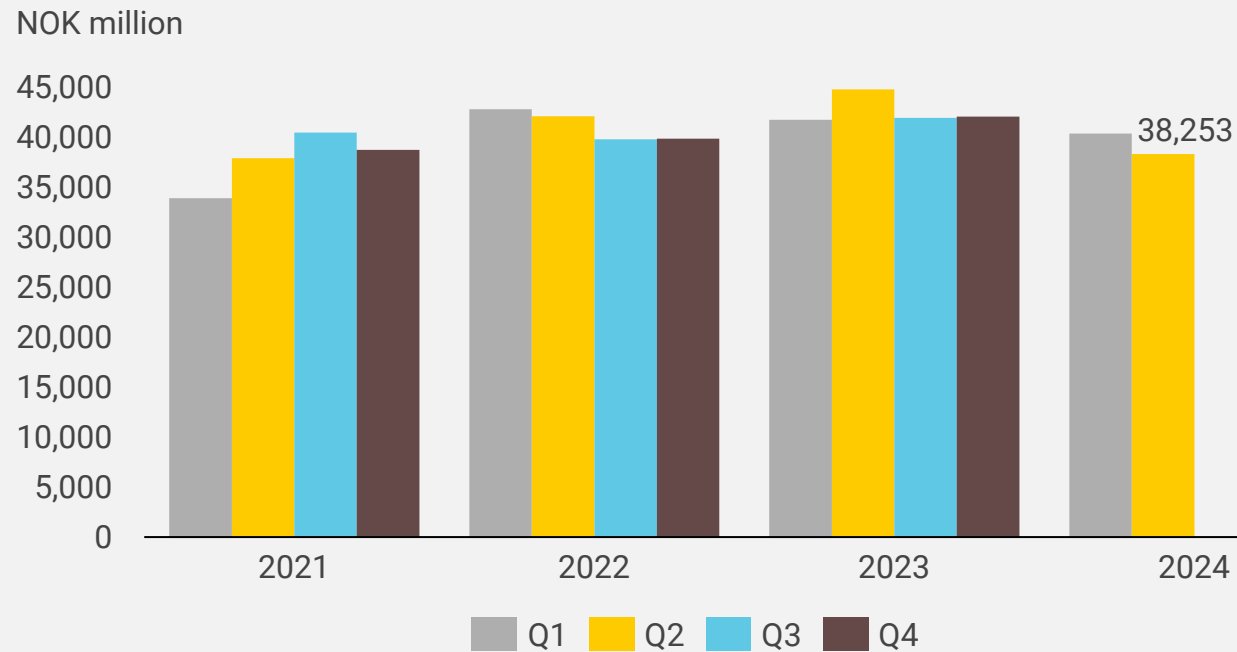
NOK million	Q2 24	Q2 23	1H 24	1H 23
Revenues	285	342	580	586
EBIT	-234	17	-220	35
EBT	-241	12	-234	28
EBIT %	-82.1%	5.0%	-38,0%	5,9%
EBT %	-84.5%	3.6%	-40,3%	4,8%

- AF Offshore Decom has performed yet another downward adjustment of the estimated results on a single project which impacts the result for Offshore in Q2
- Aeron has significantly increased activity from Q2 of last year with good profitability. One contract has been announced by Aeron in the quarter with a value exceeding NOK 500 million excl. VAT. The contract involves delivery of ventilation and cooling systems for an offshore wind project.
- So far this year, metal sorted for recycling corresponds to savings of 11,273 (18,107) CO₂-equivalents at AF Miljøbase Vats
- Order intake: NOK 859 (164) million. Order backlog: NOK 1,871 (1,446) million

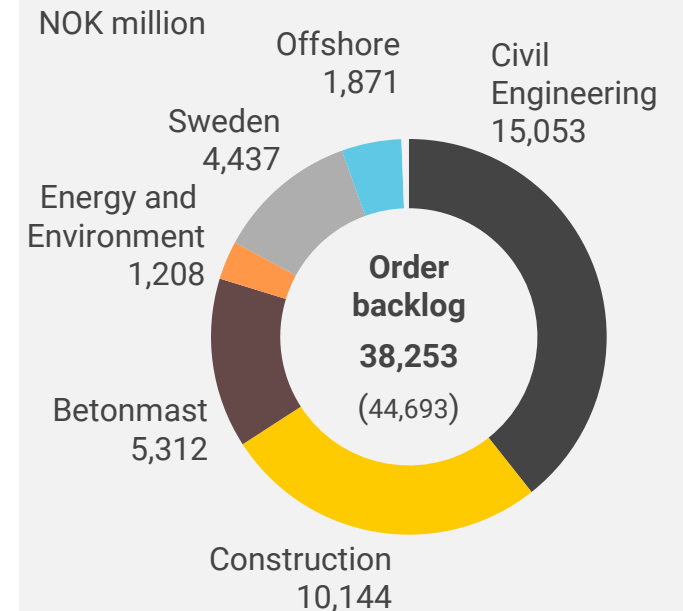


Solid order backlog

Development in order backlog



Order backlog business areas



Cost development in Construction Norway

Q2 2024 | Theme presentation

AF

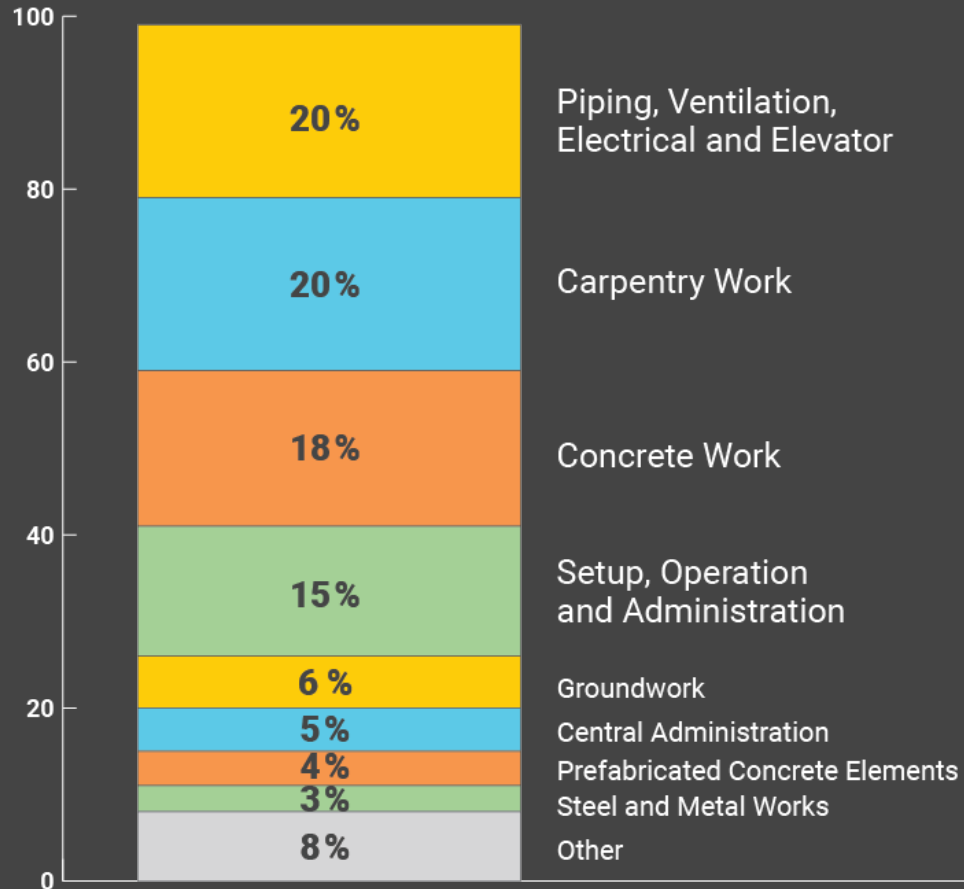


Cost development for Norwegian residential buildings

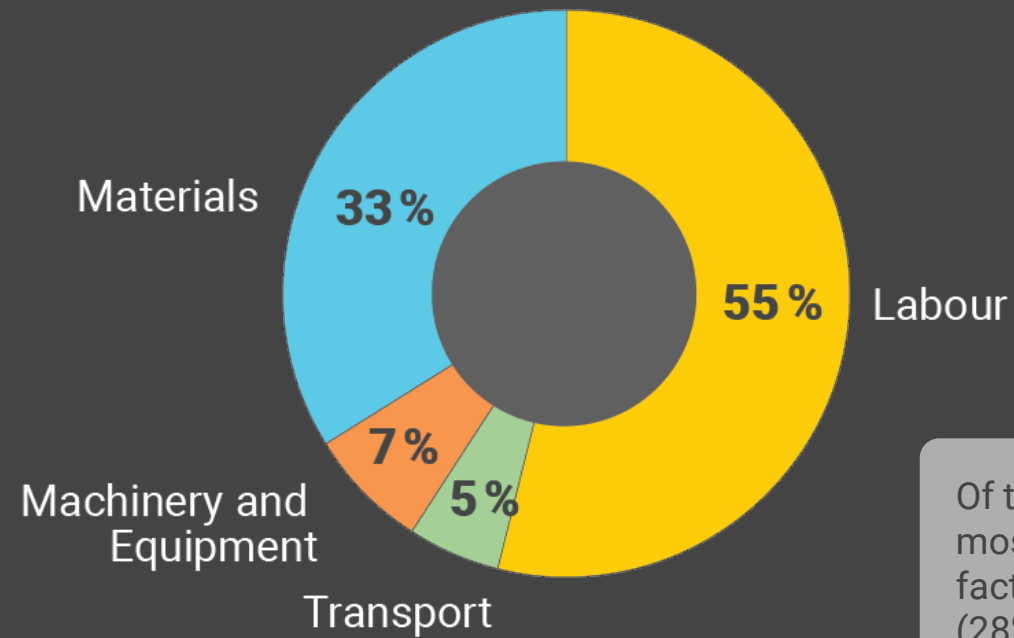
- Construction costs are frequently cited as a primary reason for the limited number of new homes being built in Norway
- Some groups anticipate a decrease in cost levels, and we have examined the cost trends of the key input factors and drivers in the construction industry.



Most residential buildings have a relatively equal distribution of costs



Cost Distribution of a Typical Residential Building

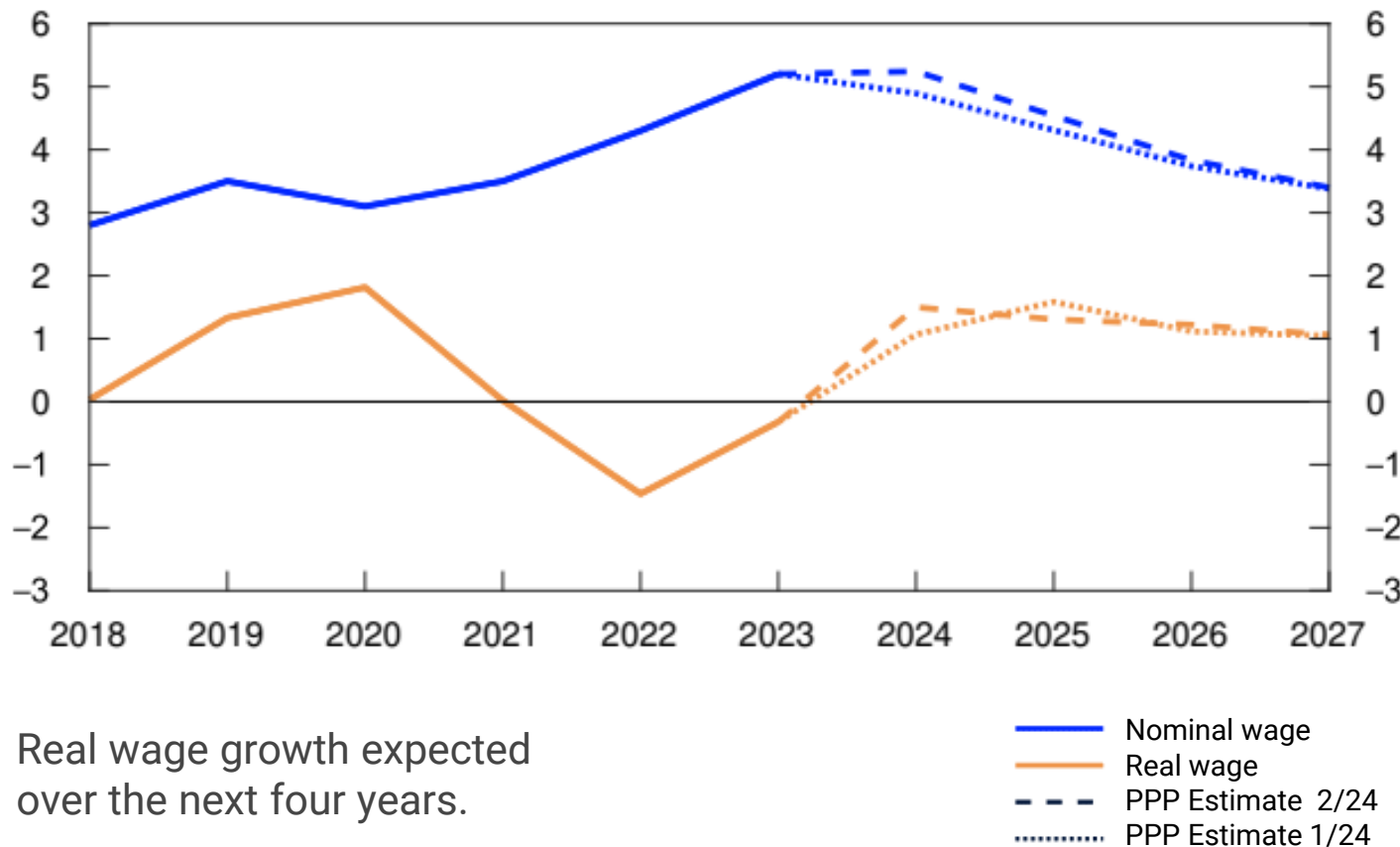


Labour is by far the largest input factor in construction projects.

Of the materials, the most important input factors are timber (28%) and concrete (22%).

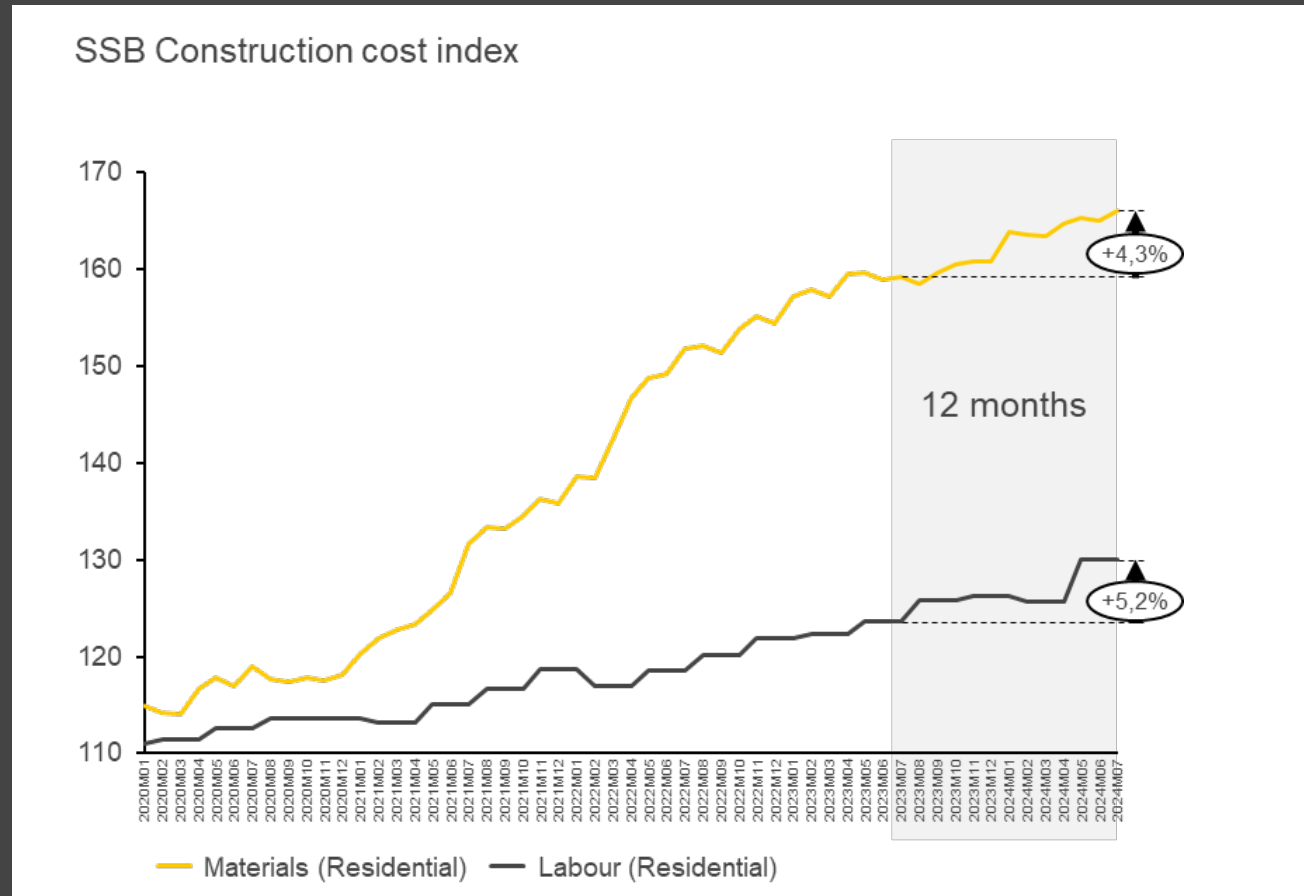
The price of labour is the biggest driver of construction costs

Annual growth in per cent



- Labour accounts for 55% in a reference project from Statistics Norway.
- Expectations and signals of real wage growth in the coming years.
- Expected labour emigration – layoffs and a weak krone.
- Hiring restrictions.
- Limited access to labour and an aging population.

Higher labour costs will sustain the index despite expected stabilisation in material prices

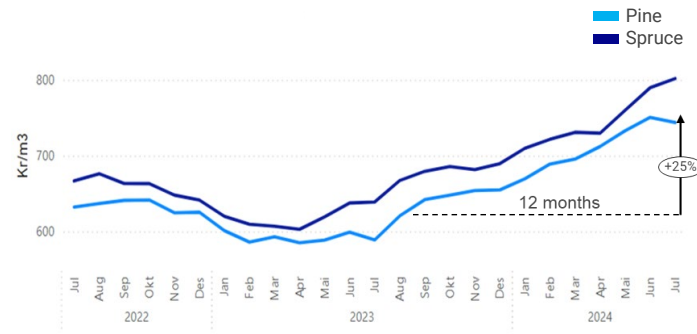


- Construction costs – 12 months growth in construction costs has never been negative since Statistics Norway started in 1979.
- Continued increase in most cost indices.
- The cost increase for labour and materials in residential buildings has been 5.2% and 4.3% respectively in the last 12 months.

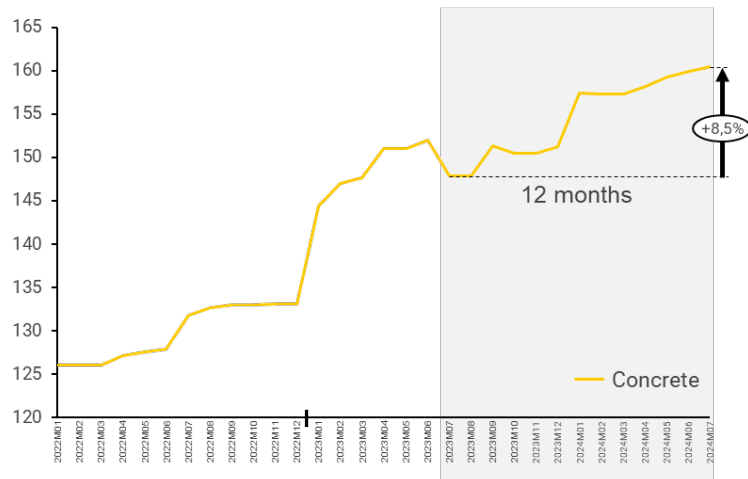
Continued significant price increases for key materials in 2024

The two largest input factors of materials:

Price index for lumber

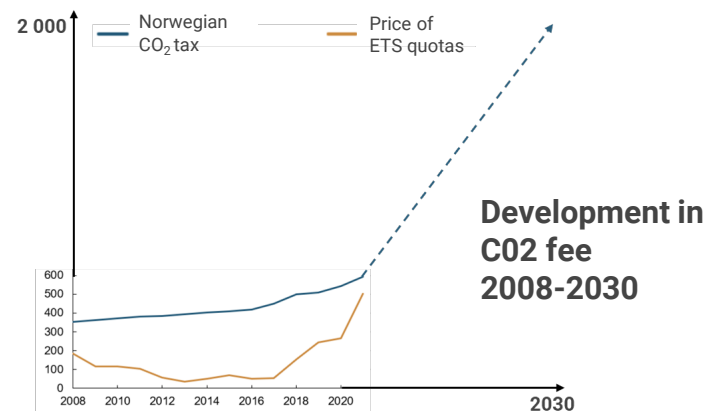
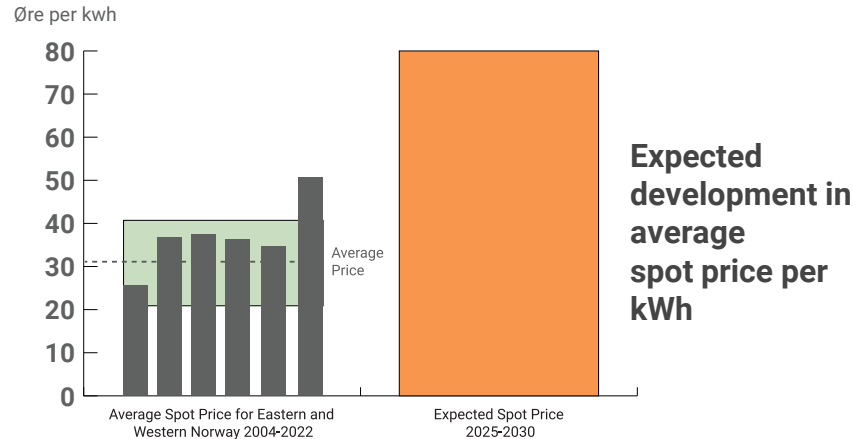


Price index for concrete



- **Main material groups have risen:** We observe that even though several material prices have fallen (from abnormally high levels), the total index is pulled up by price increases for important materials such as concrete and timber.
- **Stricter climate regulations and additional project requirements** are contributing to higher project costs.
- **Expensive input factors:** High electricity prices, increased CO2 taxes and generally expensive input factors for production mean that material production is still expensive. When economic activity picks up, these factors may lead to further price increases.

Expected cost increase on several key input factors



- **Increased electricity prices:**
The price of electricity has been 20-40 øre/kWh in the period 2000-2022, but is expected to stabilise at 80 øre/kWh in the period 2025-2030.
- **The expected increase in Norwegian CO₂ taxes** may be a cost driver for the industry. The Norwegian CO₂ tax will increase by 19% in 2024 and further linearly to the government's target of NOK 2,000 in 2030.

Increased climate and environmental requirements

Tougher climate and environmental requirements:

- Requirements for the reduction of greenhouse gas emissions, the transition to a circular economy, land use, the utilisation of natural resources and standards for the indoor environment. Increased documentation demands (BREEAM and EU taxonomy).
- Requirements for upgrading of machinery, emission-free construction sites.

Stricter national and local requirements:

- Stricter national climate ambitions can contribute to limiting the supply side of various materials as a result of measures to limit total emissions (e.g. curbing forest clearing).
- Proposal sent for consultation from the Norwegian Environment Agency to give municipalities the authority to set climate requirements for building and construction sites.



Illustration case: The development of cost for comparable housing projects in 2003 and 2024

Case:

A medium-sized housing project in 2024 has a cost 2.5 times higher than a comparable project from 2003 (index-adjusted).

Medium sized residential building 2003	
	Share
Setup, operations and admin	15,8 %
Groundwork	7,0 %
Outdoor/gardener	1,1 %
Concrete work	16,8 %
Masonry	3,8 %
Carpenter	19,6 %
Completion	13,6 %
Technical	15,0 %
Engineering	2,8 %

Sum total MNOK 139
SUM /apartment MNOK 1.7

Medium sized residential building 2024	
	Share
Setup, operations and admin	16,6 %
Groundwork	4,7 %
Outdoor/gardener	5,1 %
Concrete work	19,1 %
Masonry	2,7 %
Carpenter	9,5 %
Completion	15,4 %
Technical	18,8 %
Engineering	3,0 %

Sum total MNOK 362
SUM /apartment MNOK 4.0

Significant increase in housing standard and quality, in combination with increased demands.

The main cost drivers for construction costs in the period:

- Increased qualities of the home (choice of materials, architecture, façade, outdoor, electrical, pipes, appliances, etc.).
- Increased environmental and energy requirements (heating, ventilation, insulation).
- Other technical and regulatory requirements that have been introduced during the period.

While some groups expect material prices and construction costs to decrease, several key factors indicate the opposite trend



Interest rates
have stabilised at
a new level



Low exchange
rate (NOK)
contributes to
higher inflation



Inflation –
continued strong
economic growth



Prospects for
increased
protectionism



Continued high
geopolitical
uncertainty

Lower costs will largely depend on succeeding with productivity growth and good choice of solutions

Productivity



Competence



New technology
and innovation



Industrialisation

Solutions



Increased
collaboration in
the value chain



Early involvement
and design



Solution and
material
selection



Expected cost development ahead

- There are limited indications that construction costs will decrease significantly in the near future.
- We construct higher quality and more energy-efficient buildings, meeting increased technical and regulatory requirements.
- To sustain high activity levels and control costs, the industry must foster better collaboration, embrace new technologies, and enhance cooperation throughout the value chain.



Summary



NOK million	Q2 24	Q2 23	1H 24	1H 23
Revenues	7,651	7,853	14,838	15 246
EBIT	37	303	238	318
EBT	21	292	207	305
EBIT %	0.5%	3.9%	1,6%	2,1%
EBT %	0.3%	3.7%	1,4%	2,0%

- Varying performance and collectively a weak result
- Strong financial position
- Order intake: NOK 5,629 (10,877) million
- Order backlog: NOK 38,253 (44,693) million



Thank you for your attention

Presentation Q3
15 November 2024

AF