



AF Gruppen

4. quarter 2006

Agenda

Profits increased by 47% in 2006 1

Business areas 2

Profit improvements in AF 3

Outlook for 2007 4

Appendix 5

Summary – 2006

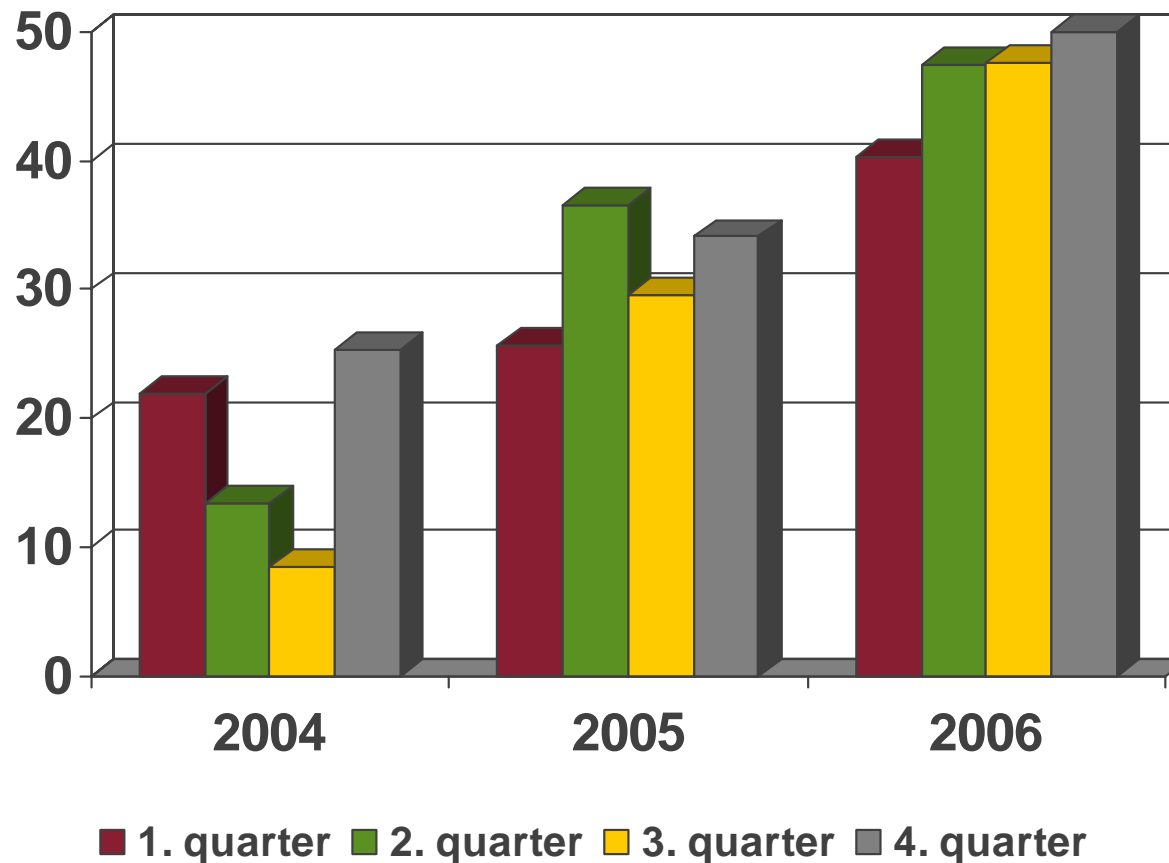
- Very good results in 2006
 - Operating revenue increased by 24% to NOK 5 194 mill
 - Operating profit increased by 62% to NOK 191,8 mill
 - Profit before tax increased by 47% to NOK 185,4 mill
 - Earnings per share was NOK 9,73 (6,56)
 - Proposed dividend is NOK 5,00 pr. share (3,00)

Summary – 4. quarter

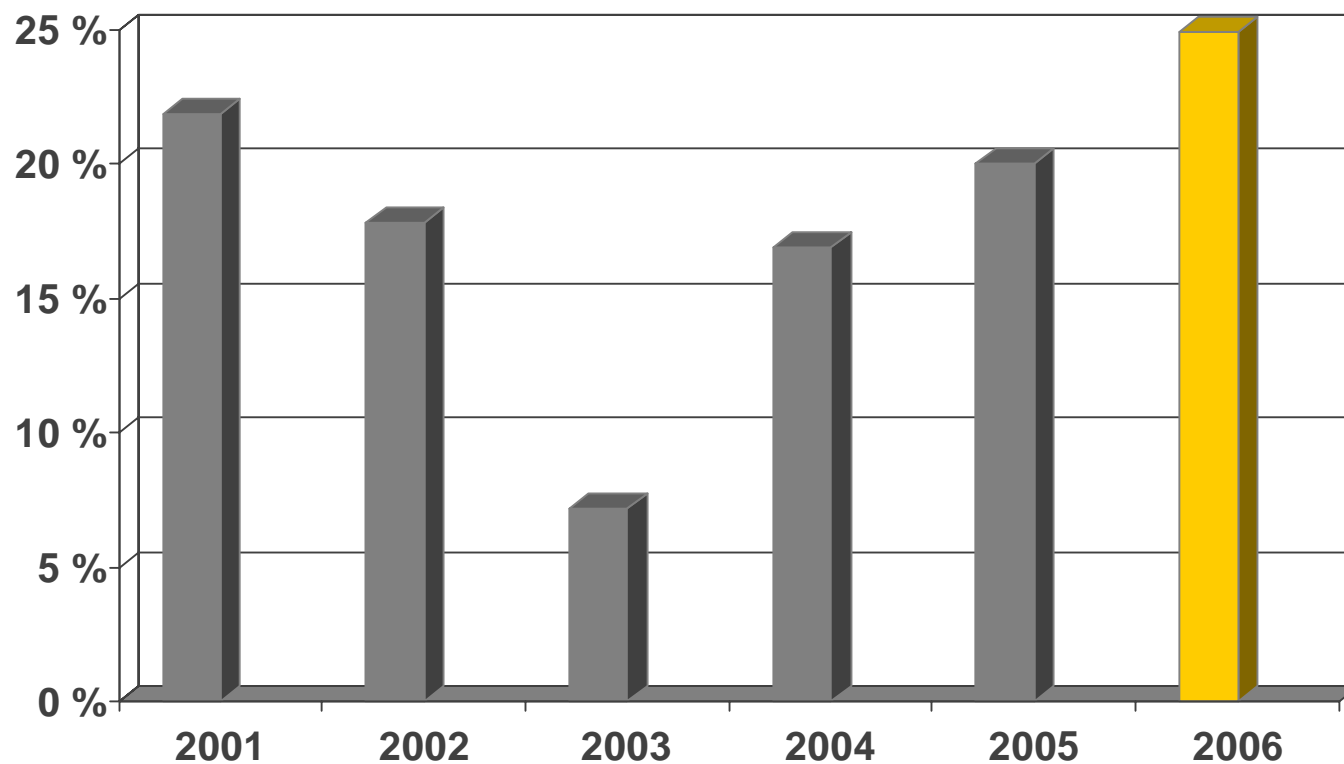
- Highest ever quarterly profits
 - *Operating revenue increased by 2% to NOK 1 340 mill*
 - *Profit before tax increased by 47% to NOK 50,0 mill*
 - *Earnings per share was NOK 2,69 (1,59)*
 - *Six succeeding quarters with increased profits*

The positive trend continues

- Six succeeding quarters with increased profits

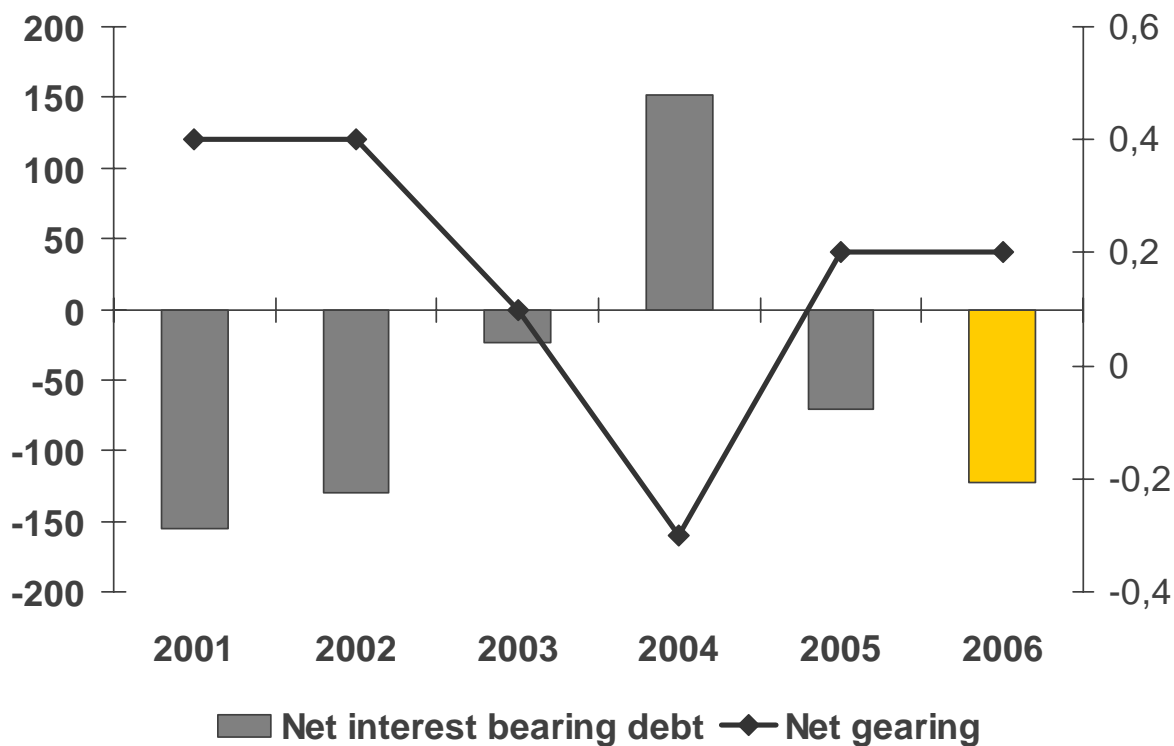


Return on Invested Capital



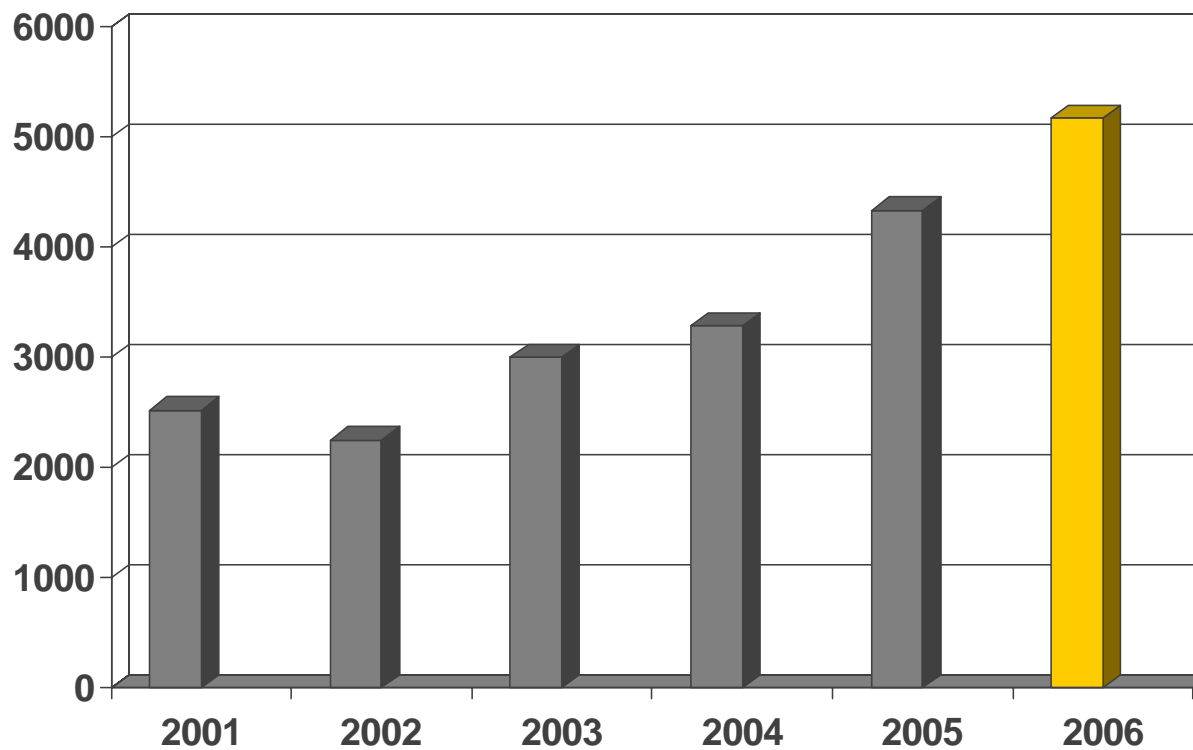
Return on Invested capital was 24,9% in 2006

Net interest bearing debt



Still a strong balance sheet with good potential for growth

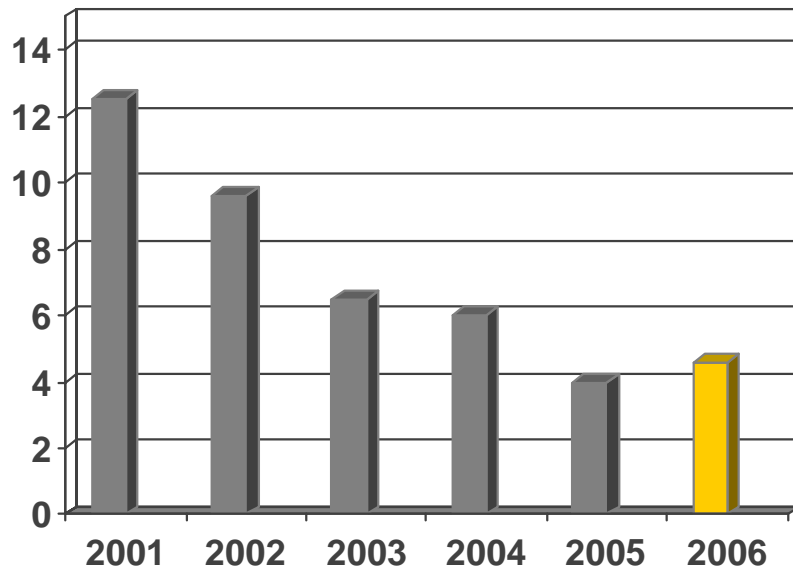
Order backlog



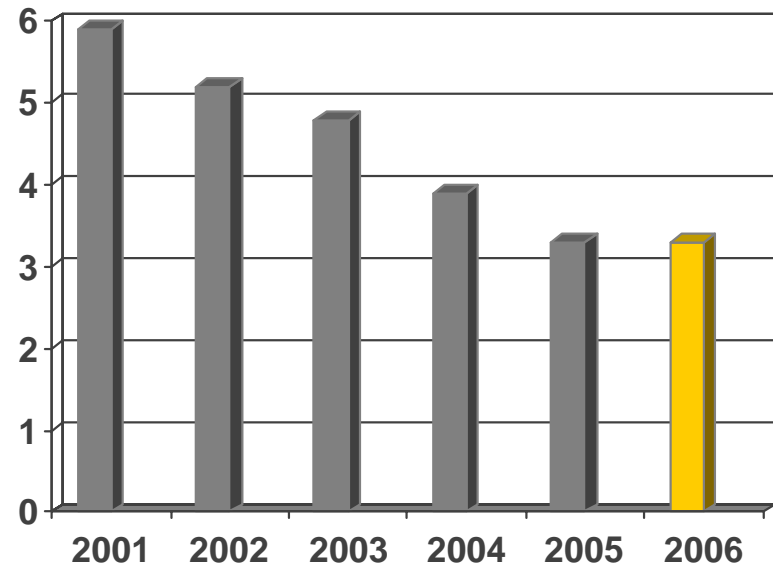
AF's highest ever order backlog

HSE - statistics

- H-Value

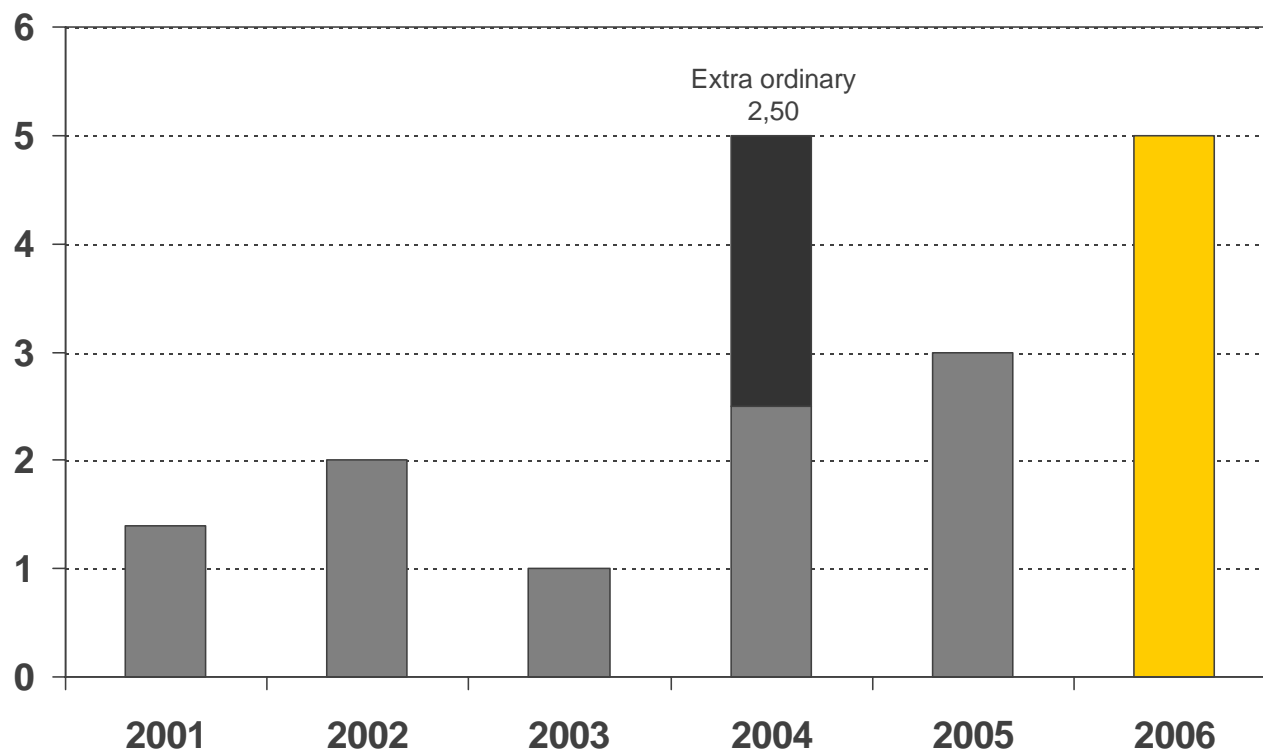


- Sick leave



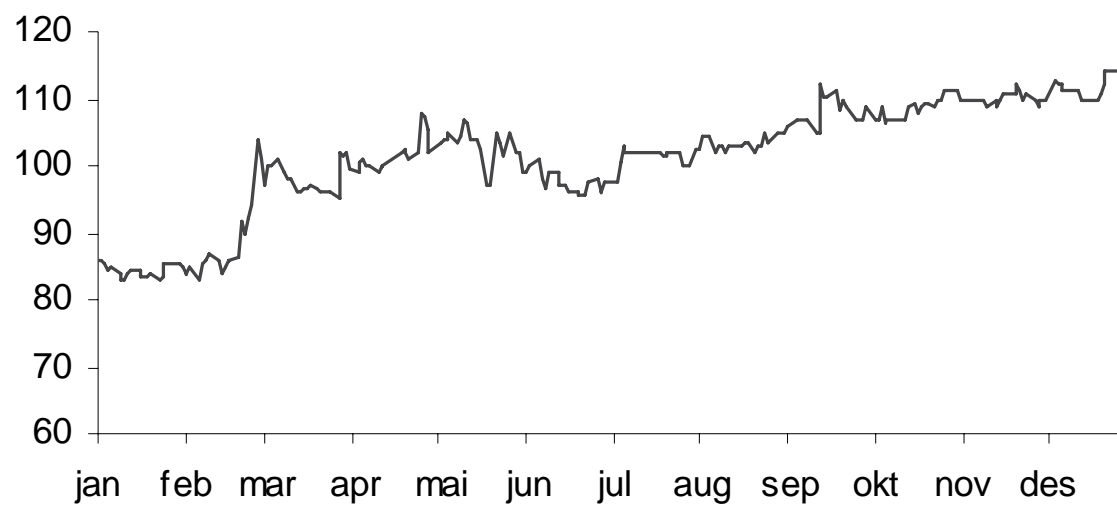
6 years with year-to-year improvement in HSE-statistics!

Dividend per share 2001 - 2006



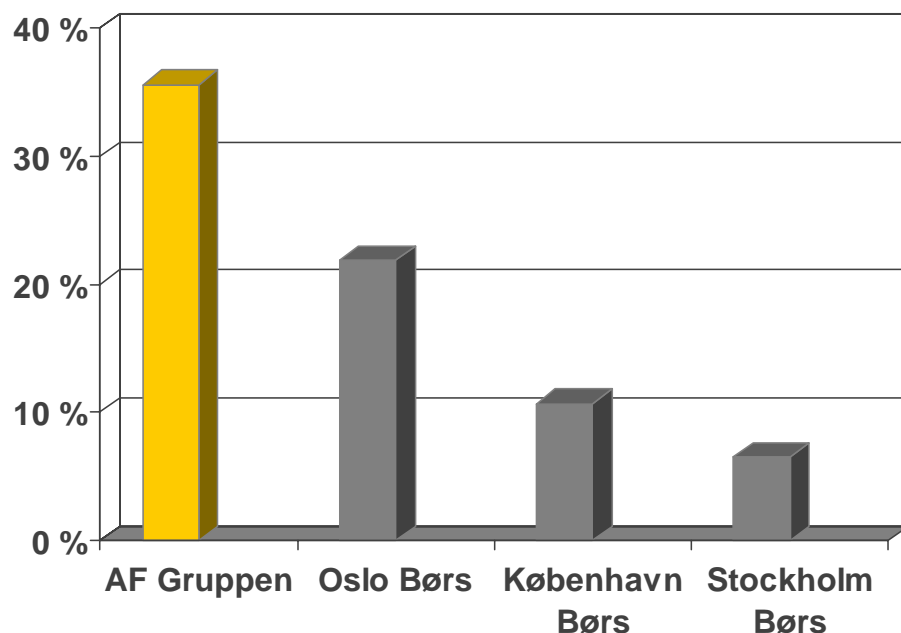
AF has paid approximately 57% of its profits in dividend to the shareholders in the period 2001-2006

Share price 2006



- Share price 01.01.06:
86,00
- Share price 31.12.06:
112,50
- Return on stock in %: 31%

Annual return on stock in the last 5 years



- The annual return on the AFG stock (incl. dividend) has on average been 35,6% in the last 5 years
- The return has been higher than for all Nordic stock indexes for every years since 2002

The return on the AFG stock has been higher the Oslo Børs for every year since 2002

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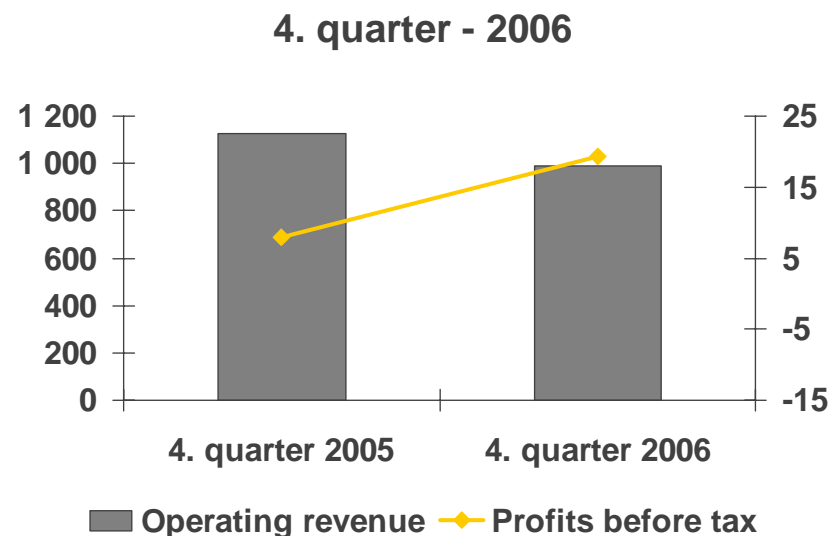
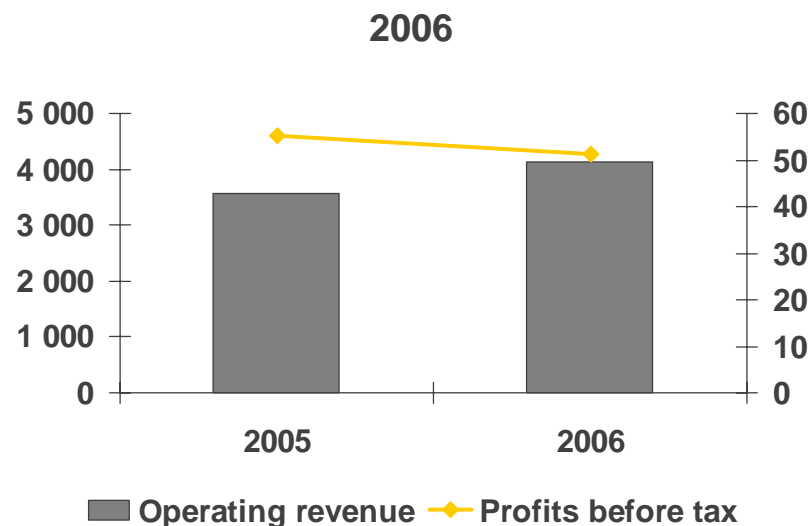
Business areas

Business area	2006			4. quarter 2006		
	Operating revenue	Profits before tax	Profit-margin (%)	Operating revenue	Profits before tax	Profit-margin (%)
Construction	4 131,1	51,4	1,2%	991,3	19,4	2,0%
Services	745,8	110,5	14,8%	220,7	32,0	14,5%
Eiendom	504,1	39,3	13,4*	168,4	5,1	13,4%*
Other / Elimination	- 186,7	- 15,7	-	- 39,8	-6,5	-
Total	5 194,2	185,4	3,6%	1 340,5	50,0	3,7%

* Return on Invested Capital

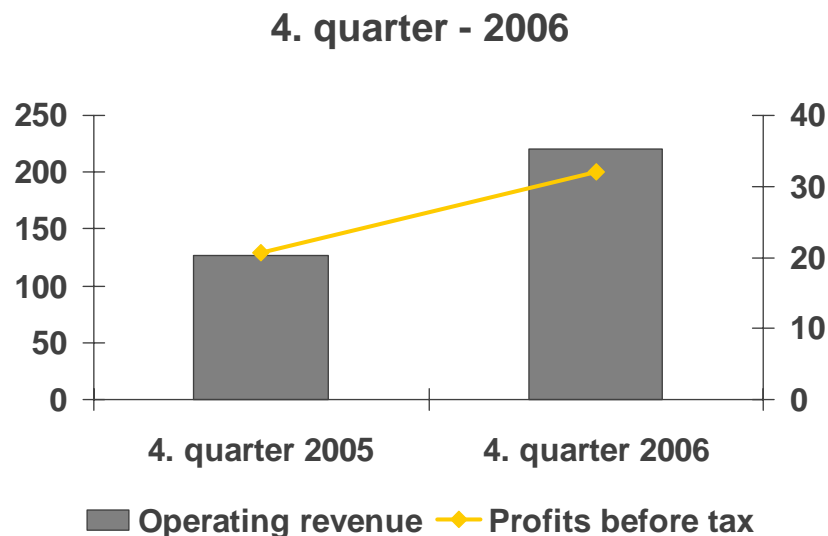
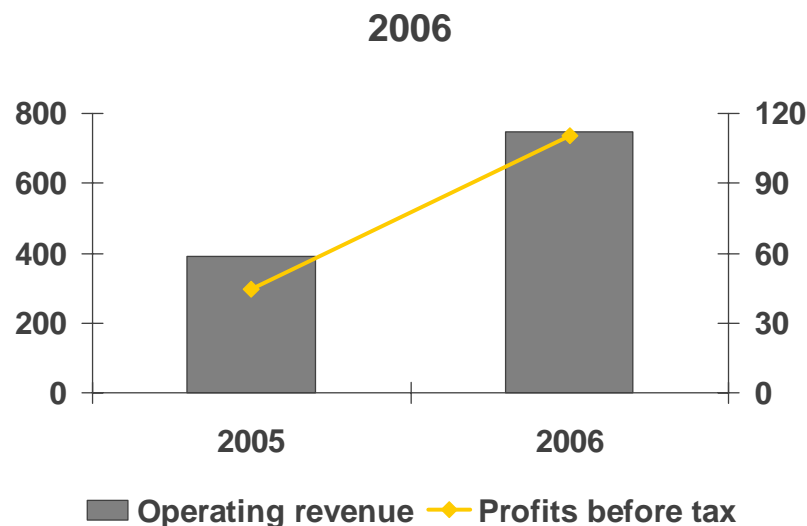
Construction

- Stable results in civil engineering, but large negative variances in the building business
- Since the write downs of approximately 50 mill in the building business in the 3. quarter, results have improved in the 4. quarter
- Strong focus on profit improvements and thorough risk analysis in the tender process
- Selective assessments of new projects
- Still record high order backlog with many long-lasting contracts



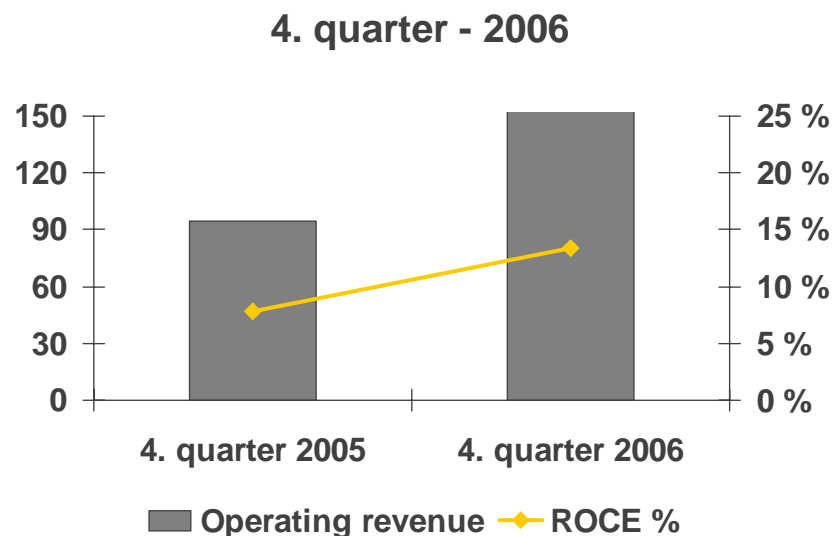
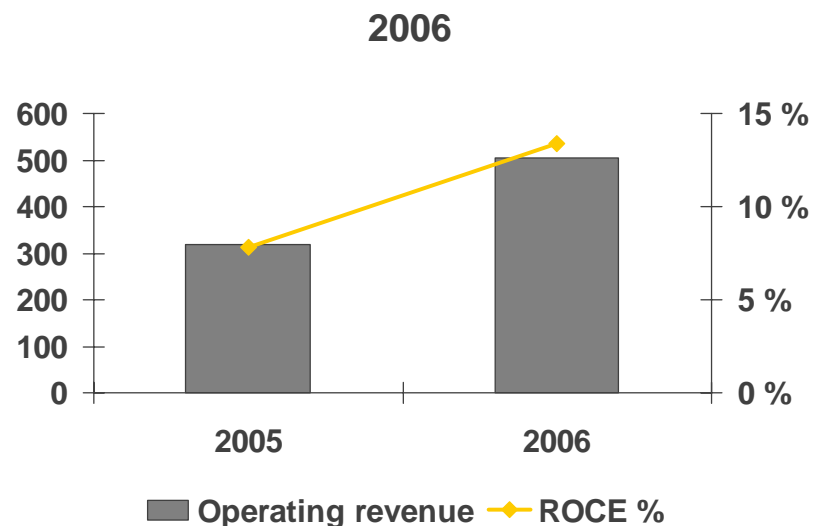
Services

- Very good results in the business area Services in 2006
 - *Strong increase in operating revenue and significant increase in profits in each quarter*
- Onshore and offshore demolition business constitute a large share of the profits
- New business entities increase profits and number of new contracts



Property development

- Large increase in operating revenue and profits are twice as high in the property development business
 - Established projects on own account in new markets (Østfold, Gothenburg)
- Return on Invested Capital was 13,4% (7,8%)
- Positive outlook for the future
 - App. 415 residential units under production (53 unsold)
 - App. 1 200 residential units in progress
 - Sweden contribute an increasing share



New projects in the 4. quarter

Project	Type	Size
Langerud Sykehjem	Nursing home	NOK 200 mill
Statoil / Mollier HVAC	HVAC maintenance offshore	NOK 290 mill
Vulkan Eiendom	Non-residential housing	NOK 55 mill
Larvik Havn	Ferry terminal	NOK 148 mill
Værste bydel, Fredrikstad	Apartements	NOK 237 mill
Hotell Opera	Hotel	SEK 88 mill

In addition, high level of order bookings in demolition onshore

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Main challenges

Risk
management

Quality

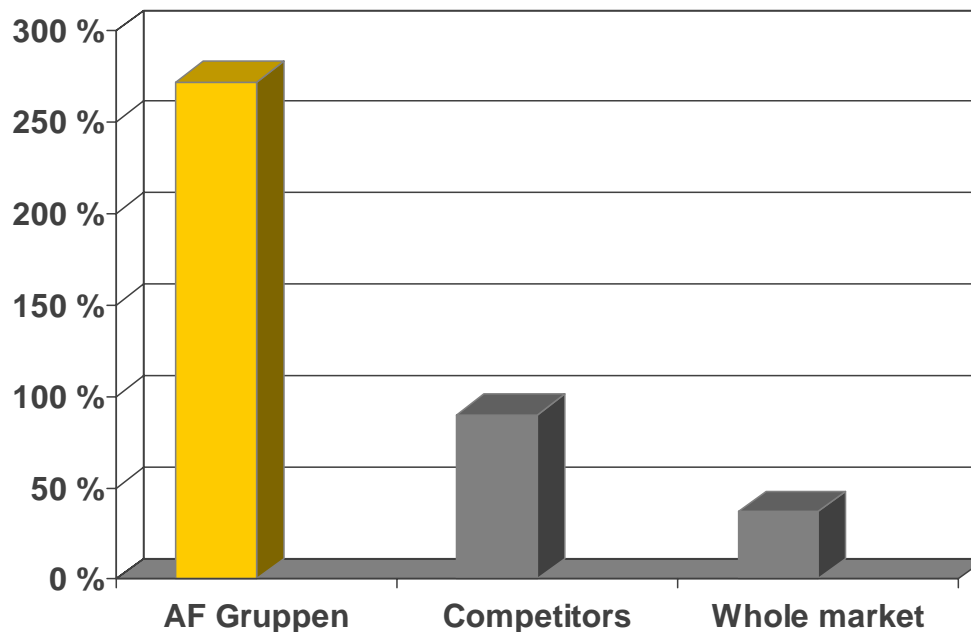


Purchasing

Productivity

High growth increases need for systematic risk management

Growth in operating revenue 2000 - 2006



- Status today:

- *AF has almost tripled its size since 2000*
- *The high growth is partly responsible for certain large loss making projects that could have been avoided*
- *An internal analysis of the projects shows that the main reason for failure is due to a lack of risk management in the tender phase*

Risk taker = Profit maker?

- Why is this so difficult in the building and civil engineering business?
 1. *The projects have many different characteristics
(Size, type of contract, customer etc.)*
 2. *The downside is often much larger than the upside*
 3. *The business has a decentralised structure and a lack of culture for systematic profit improvements*

AF focuses on the following risk elements



- Customer
- Capacity
- Business plan
- Competiveness
- Size
- Geography

- Calculation
- Customer and contract
- Suppliers
- Project planning
- Organization
- Progress
- External conditions
- Productivity

- Changes compared to tender
- Variances from contract standard
- Legal claims

- Progress
- Calculation
- Suppliers
- Customer
- Quality
- Organization and resurces

AF's risk management

AF 1986 - 2006

- Many different systems and varying discipline with regard to usage
- Qualitative judgements based on individual experience
- Tender team primarily responsible

New AF 2007 -

- One common system for all of AF
- Explicitly defined demands to usage (all project larger than NOK 25, a simplified model for smaller projects)
- Quantitative judgements which aims to set a correct price for the relevant risk
- Systematic reporting and follow-up of risk
- Risk team in the Group, with experts which handles the process
- Leader of the business unit takes part in the risk analysis
- Group management take part in large tenders

Targets

- Reduce number of loss making projects
- Reduce time used to evaluate tenders where AF does not have a competitive advantage
- Discover risk elements at an early stage in the projects

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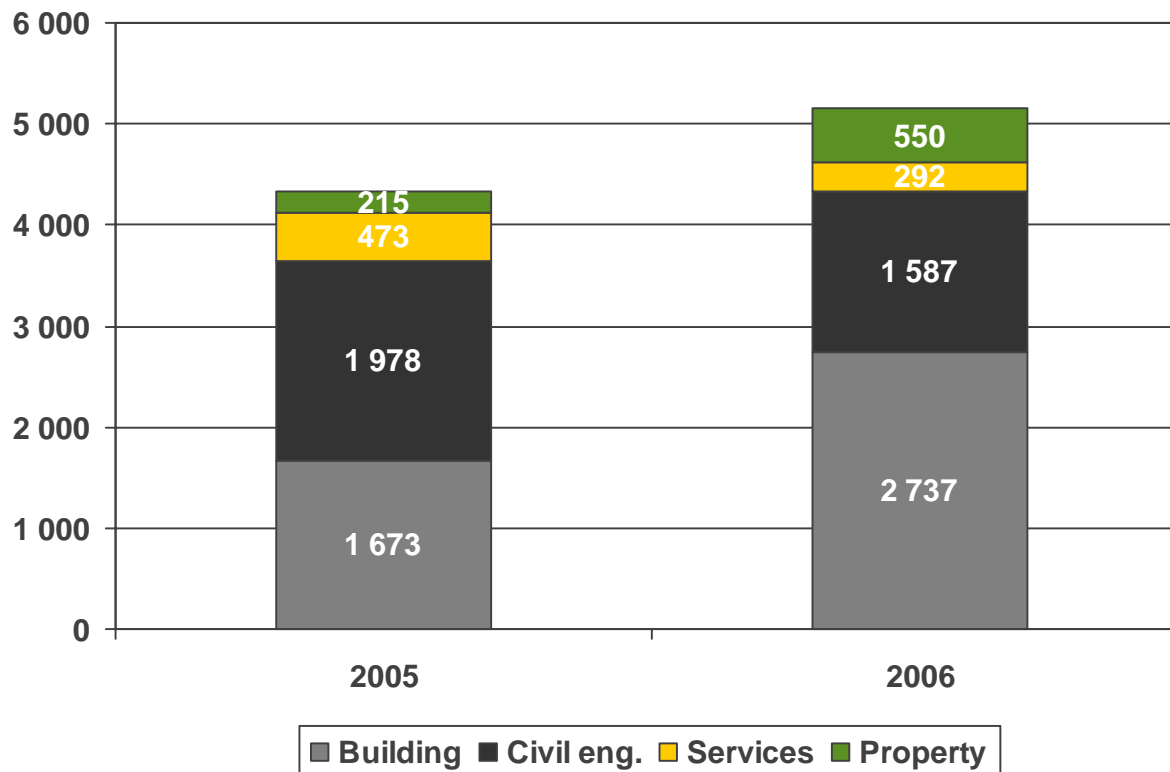
Appendix 5

Market outlook is still positive









Annual growth	2006	2007	2008
Building	8,0%	-0,7%	0,0%
Civil eng.	4,0%	3,4%	1,8%
Total	7,1%	0,1%	0,4%

- Market looks to stabilise at a record high level
 - Further growth restricted by capacity problems in the business
 - Fewer tenders on civil engineering projects and large building projects

Ordre backlog indicates continued growth



Outlook per business unit

Business unit	Operating revenue	Profits
Construction		
Building		
Civil eng.		
Services		
Property		

Building business is expected to account for much of the growth in operating revenue and profits

Financial targets 2006 - 2008

	Property	Construction	Services	AF Gruppen
Operating margin %		>4%	>10%	
ROCE %	>15%	>30%	>20%	*
ROE %				>20%

* *Higher than the average for stock listed Scandinavian contracting firms



Thank you for your attention!



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Key figures

Key figures NOK 1 000	01.01-31.12.2006	01.01-31.12.2006	Change %
Operating revenue	5 194 193	4 174 868	24 %
Operating profit (EBIT)	191 834	118 312	62 %
Profit before tax (EBT)	185 409	126 042	47 %
Earnings NOK pr. share	9,73	6,56	48 %
Return on invested capital (ROIC)	24,9 %	19,4 %	-
Return on equity	28,0 %	21,2 %	-
Operating margin (EBIT%)	3,6 %	2,8 %	-
Gross margin (EBT%)	3,5 %	3,0 %	-
Order reserve	5 177 249	4 339 000	19 %
Orders received	6 032 443	5 184 443	16 %

Profits 2006

Profit and loss account NOK 1 000	01.01 - 31.12.2006	01.01 - 31.12.2005	Change 12 months
Operating revenue	5 194 193	4 174 868	24 %
Materials	(892 025)	(790 971)	13 %
Subcontractors	(2 538 581)	(1 962 294)	29 %
Wages	(1 108 548)	(899 890)	23 %
Other operating expenses	(390 942)	(338 671)	15 %
Depreciation of fixed assets	(72 263)	(64 107)	13 %
Write down		(623)	
Operating profit	191 834	118 312	62 %
Other interest income	9 417	13 085	-28 %
Investments in associated companies	(3 582)		
Other interest expenses	(18 298)	(11 832)	55 %
Other financial (expenses)/income	6 038	6 477	-7 %
Net financial items	(6 425)	7 730	-183 %
Profit before tax	185 409	126 042	47 %
Tax expense	(51 512)	(38 289)	35 %
Net profit for the year	133 897	87 753	53 %

Balance sheet - Assets

Assets NOK 1 000	31.12.2006	31.12.2005	Change 12 months
Land, buildings and machinery	303 822	255 991	19 %
Goodwill	169 188	107 934	57 %
Interest bearing non current receivables	23 274	11 642	100 %
Other non current assets	8 121	8 985	-10 %
Deferred tax assets	-	10 888	-100 %
Inventories	39 278	51 473	-24 %
Projects on own account held for sale	304 568	356 351	-15 %
Accounts receivable	1 119 870	843 307	33 %
Shares held as current assets	17 030	11 152	53 %
Cash and cash equivalents	150 078	200 490	-25 %
Total assets	2 135 229	1 858 213	15 %

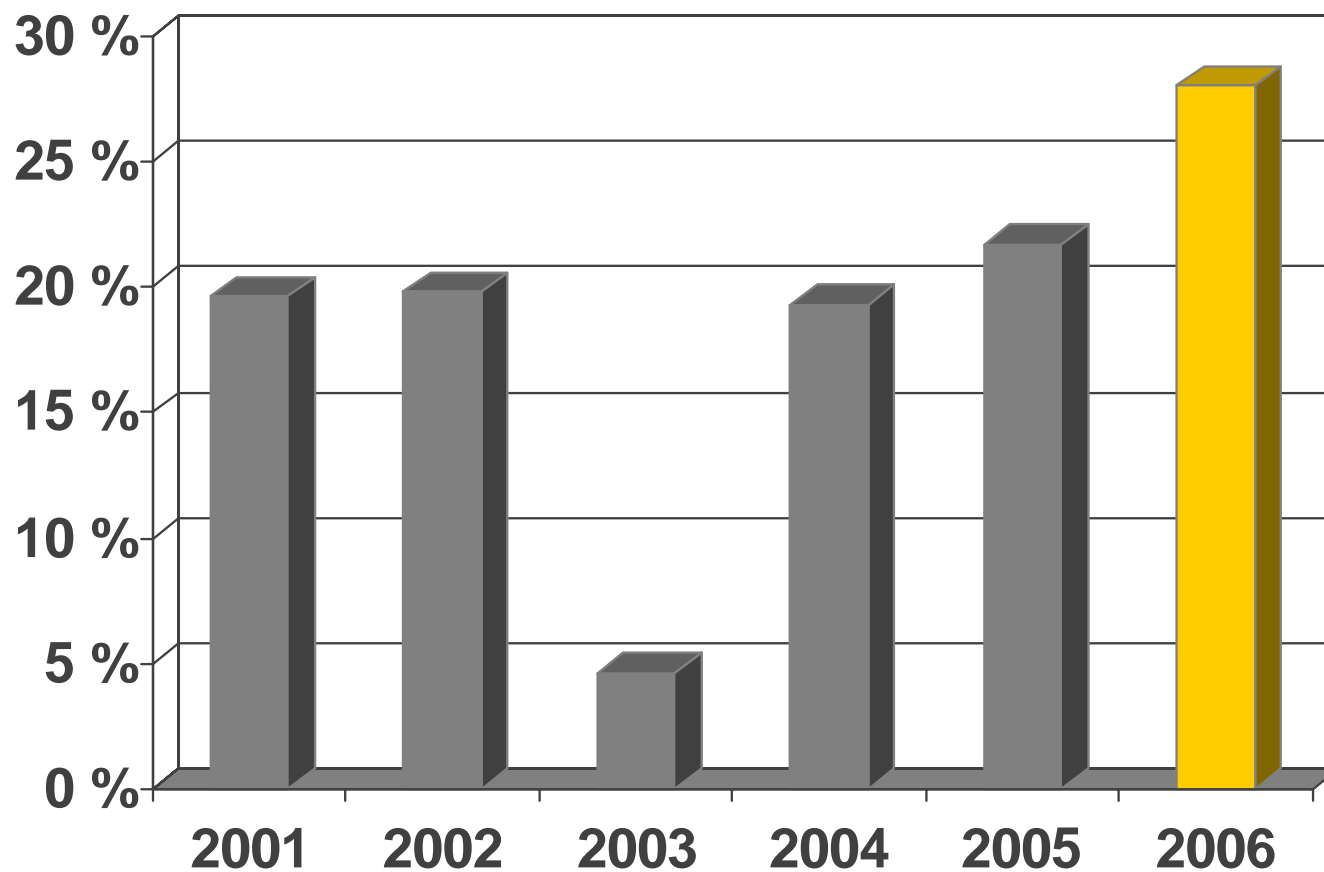
Balance sheet – Debt and equity

Debt and equity NOK 1 000	31.12.2006	31.12.2005	Change 12 months
Contributed equity	12 779	12 779	0 %
Retained earnings	512 231	419 911	22 %
Total equity	525 010	432 690	21 %
Interest bearing loans (long term)	225 735	194 836	16 %
Retirement benefit obligations	6 521	10 331	-37 %
Deferred tax obligations	29 421		
Interest bearing loans (short term)	81 099	95 279	-15 %
Trade payables and non interest bearing liabilities	1 232 539	1 100 642	12 %
Provisions	16 368	14 560	12 %
Taxes payable	18 536	9 875	88 %
Total equity and liabilities	2 135 229	1 858 213	15 %

Cash flow

Cash flow NOK 1 000	01.01 - 31.12.2006	01.01 - 31.12.2005
Cash flow from operating activities	247 369	152 927
Reduction/(increase) in net operating capital	(70 219)	(187 320)
Net cash flow from operating activities	177 150	(34 393)
Cash flow from investing activities	(180 484)	(113 355)
Increase/(decrease) interest bearing debt	12 909	(44 722)
(Increase)/decrease interest bearing receivables	(11 632)	6 630
(Increase)/decrease financial assets	(5 878)	2 078
Payed dividend	(41 310)	(66 973)
Net purchase of own shares	(1 167)	
Cash flow from financial activities	(47 078)	(102 987)
Net change in cash during the year	(50 412)	(250 735)
Net interest bearing (liabilities)/assets at the start of period	200 490	451 225
Net interest bearing (liabilities)/assets at the end of period	150 078	200 490

Return on equity 2006



Equity ratio (%)

