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## 3<sup>RD</sup> QUARTER 2017

Investor presentation  
9 November 2017

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# CONTENTS

+ Highlights

+ Results – segments and Group

+ Status and outlook



Veidekke to build Lysgården in Trondheim

# HIGH LEVEL OF ACTIVITY

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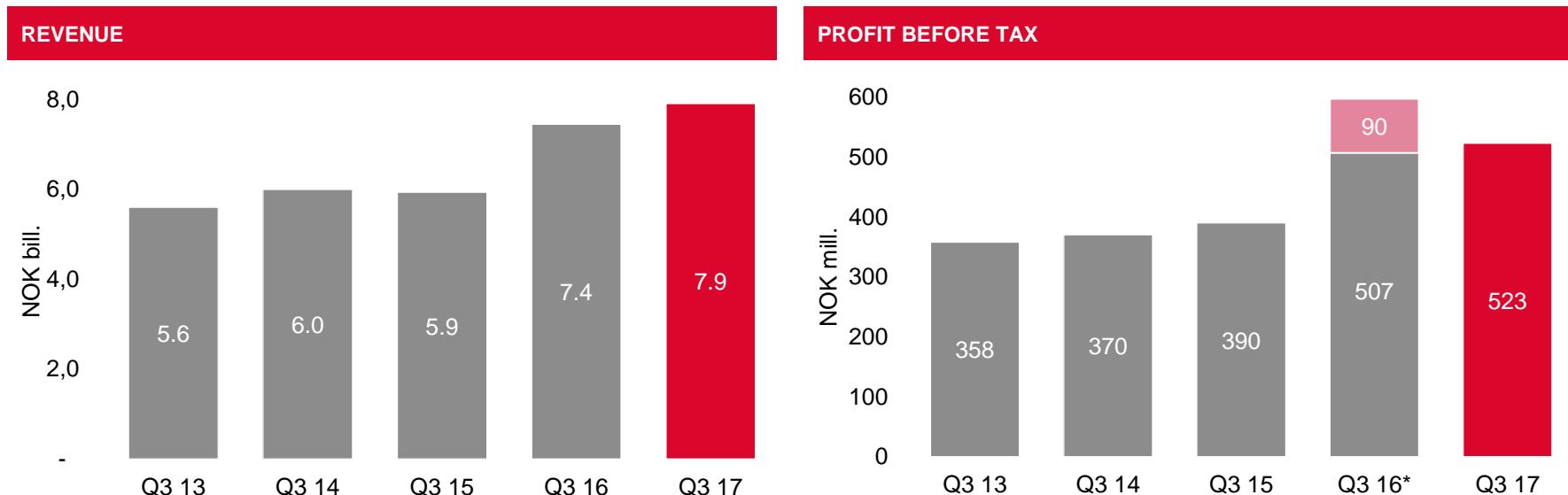
- + Revenue and earnings growth
- + High level of activity in residential construction and asphalt
- + Strong order intake
- + Lower residential sales

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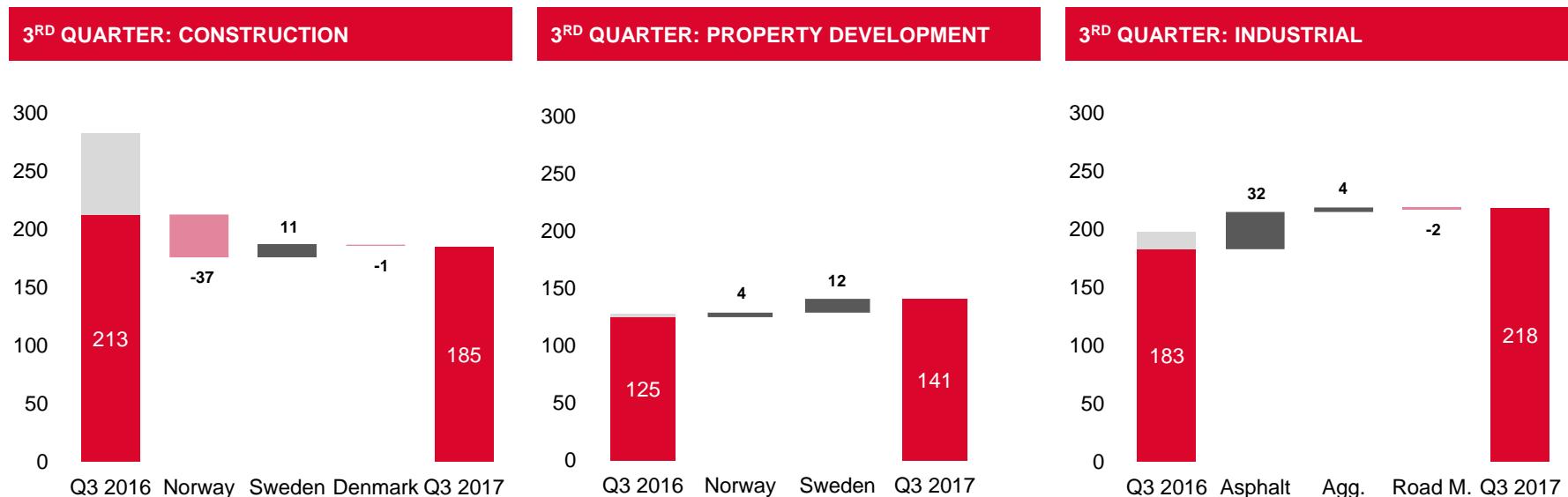
Veidekke has added 10% more asphalt year-to-date than the best-ever 2016

# REVENUE AND EARNINGS – 3<sup>RD</sup> QUARTER



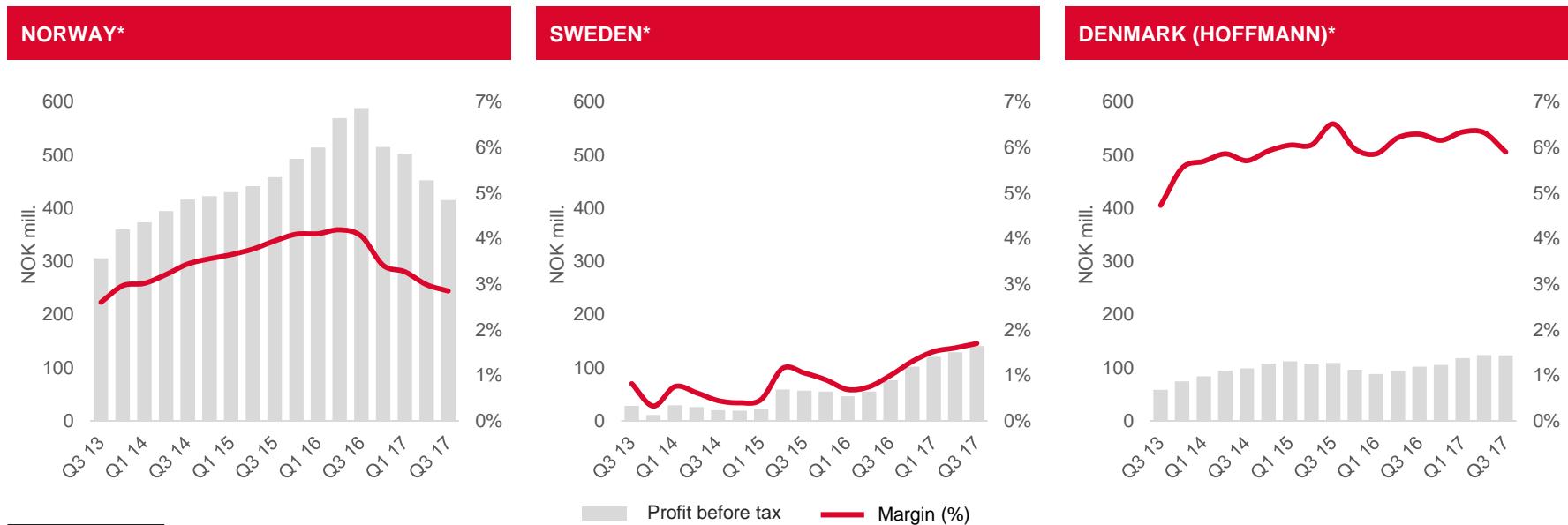
\* Positive one-off effect from changes to the disability pension scheme in Norway of NOK 90 mill.

# PROFIT BEFORE TAX – 3<sup>RD</sup> QUARTER



\* Positive one-off effect from changes to the disability pension scheme in Norway of NOK 90 mill. attributed to Construction with NOK 70 mill., NOK 15 mill. to Industrial, 5 NOK 2.5 mill. to Property Development and NOK 2.5 mill. to Other.

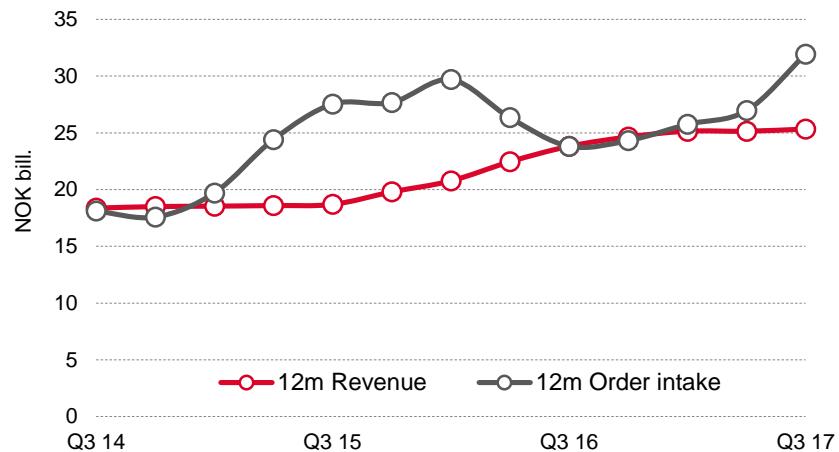
# RESULT AND PROFIT MARGIN - CONSTRUCTION



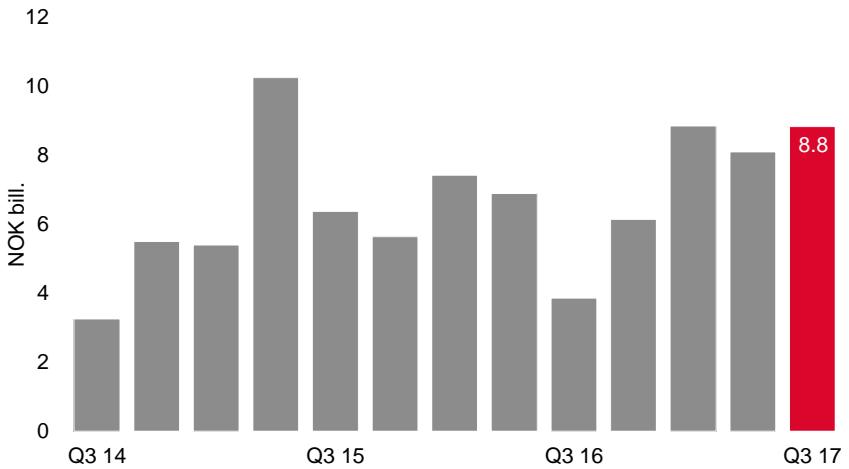
\* 12-month rolling. Adjusted for positive one-off effects from changes in the pension scheme in Norway in 2016

# SOLID ORDER INTAKE

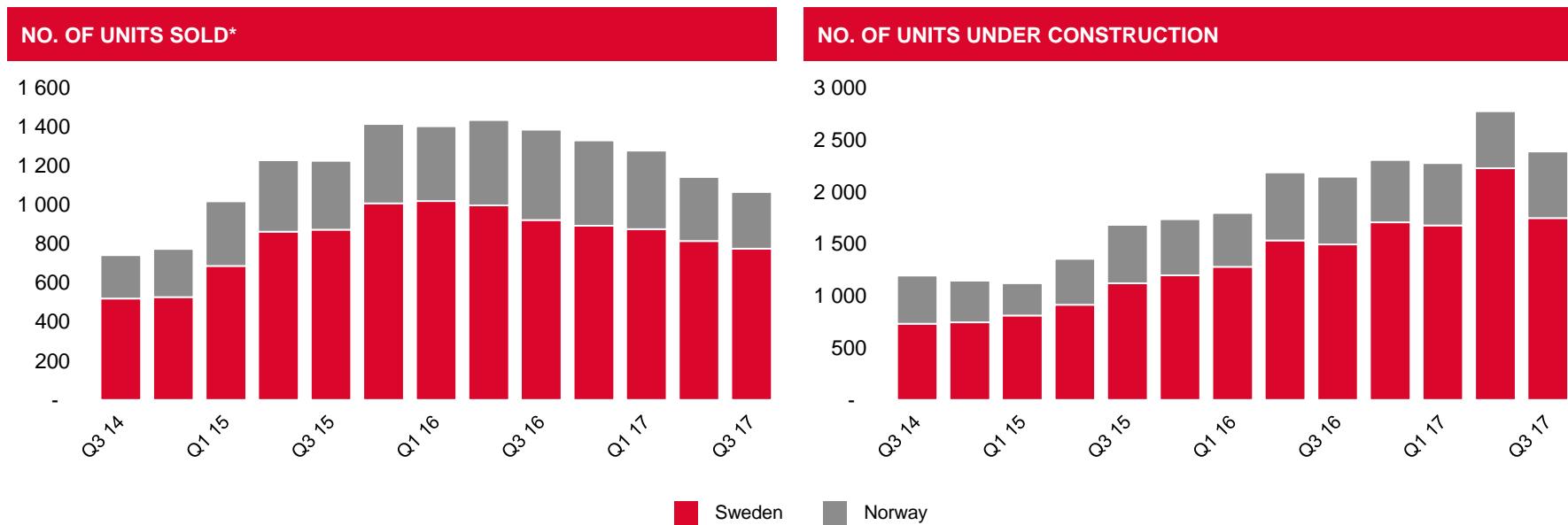
REVENUE AND ORDER INTAKE (“BOOK-TO-BILL” 1.26)



ORDER INTAKE PER QUARTER, CONSTRUCTION



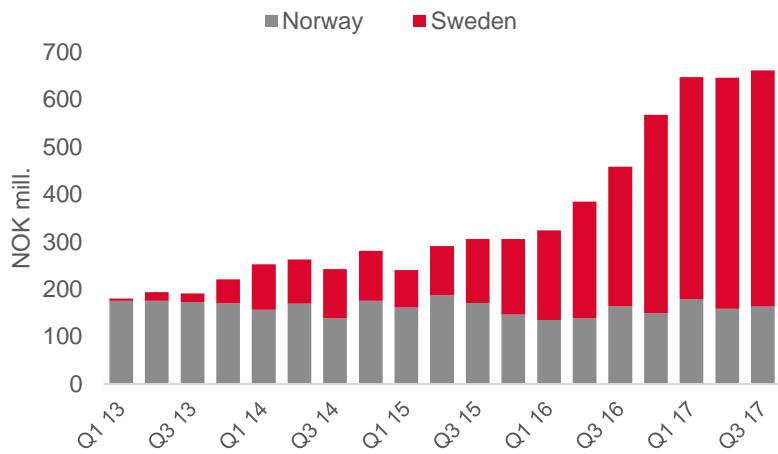
# RESIDENTIAL SALES AND PRODUCTION



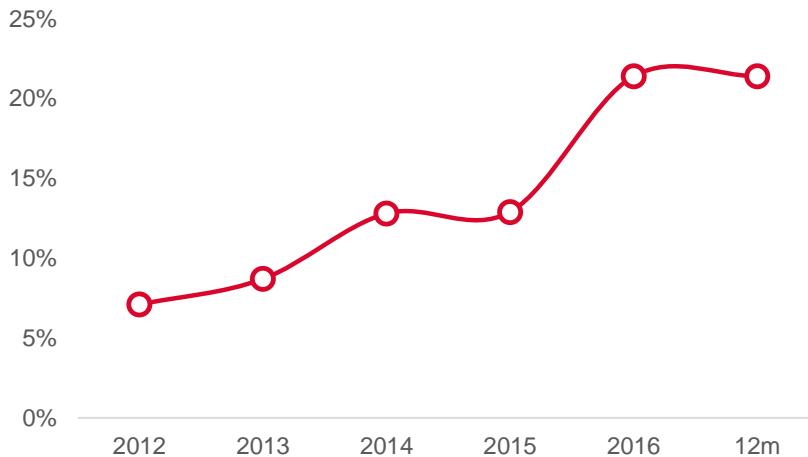
\* 12-month rolling, Veidekke's share

# RESULTS PROPERTY DEVELOPMENT

## PROFIT BEFORE TAX\*



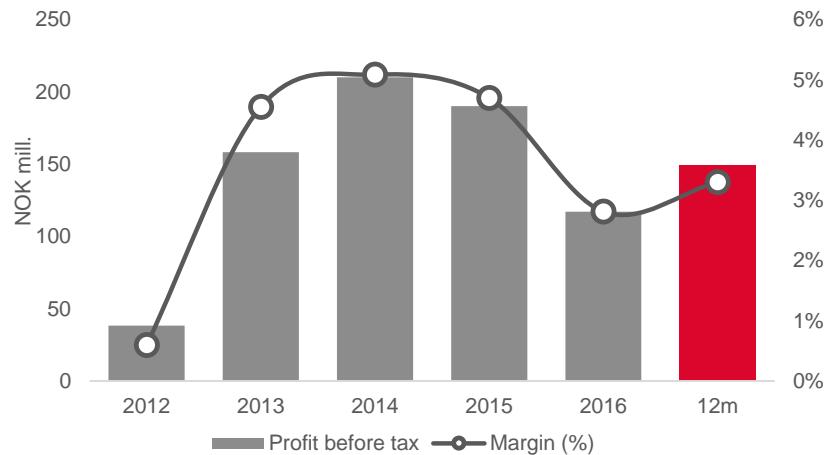
## RETURN ON CAPITAL INVESTED



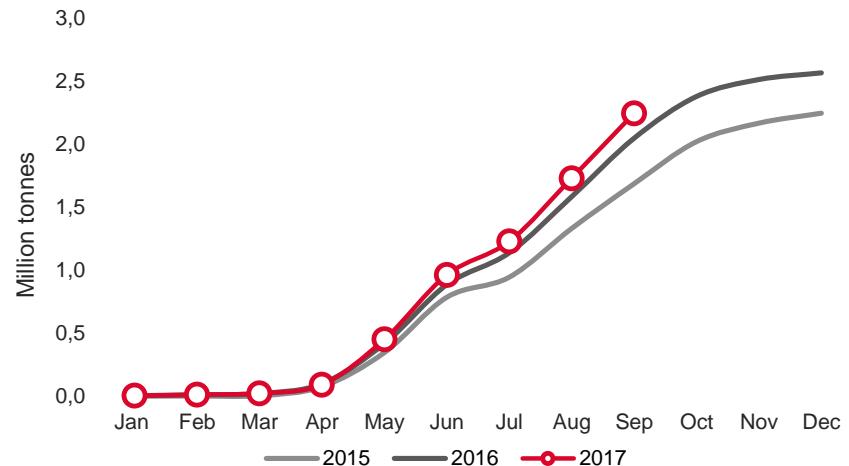
\* 12-month rolling. Adjusted for positive one-off effects from changes in the pension scheme in Norway in 2016

# HIGH LEVEL OF ACTIVITY IN INDUSTRIAL

## PROFIT BEFORE TAX AND MARGIN\*

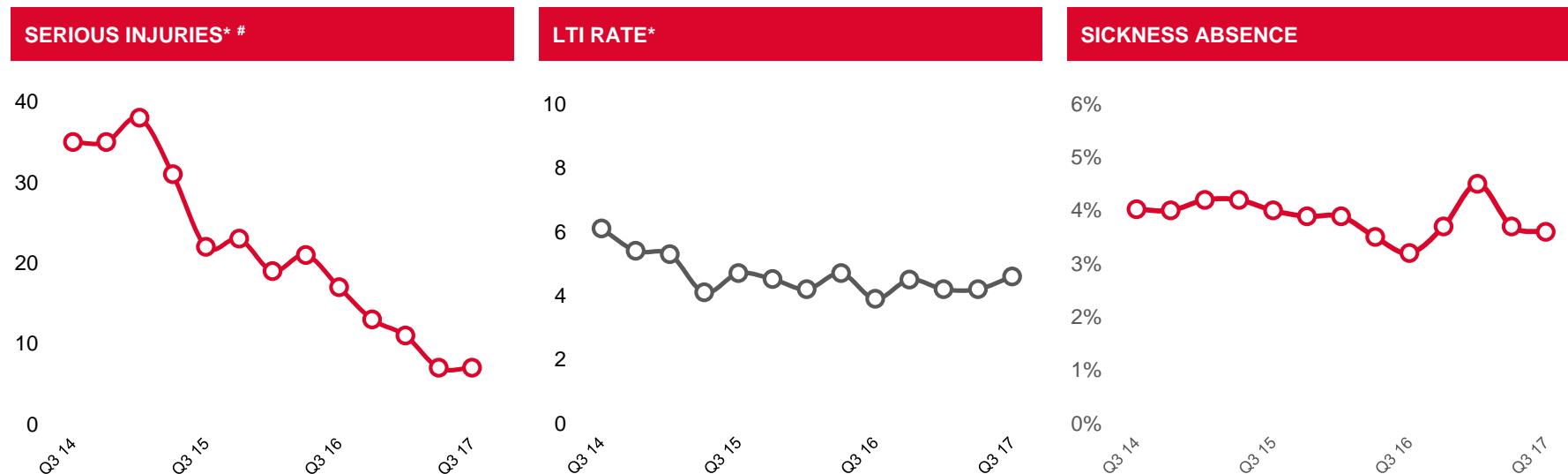


## 10% HIGHER ASPHALT PRODUCTION THAN A YEAR AGO



\* 12-month rolling. Adjusted for positive one-off effects from changes in the pension scheme in Norway in 2016

# OCCUPATIONAL HEALTH AND SAFETY



# Veidekke employees, hired staff and sub-contractors \*12-month rolling (LTI = Number of lost-time injuries per million hours worked for Veidekke employees)



Bjørvika, Oslo

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# BUSINESS AREAS

TERJE LARSEN, CFO

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# BUSINESS AREAS, 3<sup>RD</sup> QUARTER

Amounts in NOK million	3 <sup>rd</sup> quarter 2017			3 <sup>rd</sup> quarter 2016		
	Revenue	Profit	Margin	Revenue	Profit*	Margin*
Construction Norway*	3 475	109	3.1%	3 685	146	4.0%
Construction Sweden	2 024	46	2.3%	1 714	35	2.0%
Construction Denmark	552	31	5.6%	459	32	7.0%
<b>Total Construction*</b>	<b>6 052</b>	<b>185</b>	<b>3.1%</b>	<b>5 858</b>	<b>213</b>	<b>3.6%</b>
Property Development Norway*	112	36		54	29	
Property Development Sweden	572	105		400	93	
<b>Total Property Development*</b>	<b>684</b>	<b>141</b>		<b>454</b>	<b>122</b>	
<b>Industrial*</b>	<b>1 694</b>	<b>218</b>	<b>12.8%</b>	<b>1 434</b>	<b>184</b>	<b>12.8%</b>
Other*	-518	-21		-299	-12	
<b>Total Group*</b>	<b>7 912</b>	<b>523</b>	<b>6.6%</b>	<b>7 447</b>	<b>507</b>	<b>6.8%</b>

\* Excluded positive one-off effect from changes to the disability pension scheme in Norway of NOK 90 mill. attributed to Construction with NOK 70 mill., NOK 15 mill. to Industrial, NOK 2.5 mill. to Property Development and NOK 2.5 mill. to Other.

# CONSTRUCTION NORWAY

## +

### Revenue decrease

- Decrease in Civil Engineering and building construction in the Southern and Western regions of Norway

## +

### Variation in results

- Building C.: Good profitability in most units, but low in the Southern and Western regions of Norway
- Civil Eng.: Low profitability in parts of the project portfolio and high capacity- and tendering costs
- Measures implemented to lift profitability

## +

### 32% increase in order backlog year-to-date

## +

### Acquisition of Grande Entreprenør in Trøndelag

Amounts in NOK million	3 <sup>rd</sup> quarter		YTD	
	2017	2016*	2017	2016*
Revenue	3 475	3 685	10 727	10 903
Operating profit (EBIT)	103	144	284	390
Net financial items	6	2	25	19
Profit before tax (EBT)*	109	146	309	409
Profit margin*	3.1%	4.0%	2.9%	3.7%
Order backlog	19 038	15 675	19 038	15 675

\* Excluded positive one-off effect from changes to the disability pension scheme of NOK 70 mill. in Q3 2016

# CONSTRUCTION SWEDEN

- +** Increased revenue
  - Growth in Civil Engineering
- +** The profitability improvement continues
  - Result and margin improvements mainly in Civil Engineering
- +** Continued focus on lifting profitability
  - Management and organisation strengthened in residential construction
- +** High order backlog
  - $\frac{2}{3}$  Building Construction and  $\frac{1}{3}$  Civil Engineering

Amounts in NOK million	3 <sup>rd</sup> quarter		YTD	
	2017	2016	2017	2016
Revenue	2 024	1 714	6 118	5 577
Operating profit (EBIT)	44	35	109	73
Net financial items	2	-1	-	-3
Profit before tax (EBT)	46	35	109	70
Profit margin	2.3%	2.0%	1.8%	1.3%
Order backlog	10 286	7 080	10 286	7 080

# CONSTRUCTION DENMARK

## +

### High revenue growth

- Increased activity in the Copenhagen area and within technical installations

## +

### A good result

- High profitability in the project portfolio

## +

### Order backlog at par with last year

- No large building contracts signed in the quarter, but several projects in a development phase

Amounts in NOK million	3 <sup>rd</sup> quarter		YTD	
	2017	2016	2017	2016
Revenue	552	459	1 539	1 199
Operating profit (EBIT)	30	31	83	66
Net financial items	1	1	3	3
Profit before tax (EBT)	31	32	87	69
Profit margin	5.6%	7.0%	5.6%	5.8%
Order backlog	1 457	1 429	1 457	1 429

# PROPERTY DEVELOPMENT IN NORWAY

- + A good result
  - Tax-adjusted EBT at NOK 49 mill. (NOK 48 mill.)
- + Lower residential sales
  - One new project with 39 units was released for sale
- + Stable number of units under construction
- + High residential sales ratio in the portfolio
- + Return on invested capital of 10.3%\*

Amounts in NOK million	3 <sup>rd</sup> quarter		YTD	
	2017	2016*	2017	2016*
Revenue	112	54	471	190
Operating profit (EBIT)	47	32	144	112
Net financial items	-11	-3	-24	-8
Profit before tax (EBT)	36	29	120	103
Invested capital	3 013	2 209	3 013	2 209
Veidekke's share				
Number of units sold	46	84	204	350
Numbers of units started	108	33	175	305
Units under construction	640	649	640	649
Sales ratio (under construction)	90%	86%	90%	86%

\* Excluded positive one-off effect from changes to the disability pension scheme of NOK 2.5 mill. in Q3 2016

\*\*12-month rolling

# PROPERTY DEVELOPMENT SWEDEN

- + A strong result
- + Lower residential sales
  - One new project with 90 units was released for sale
- + High number of units under construction
  - Few units started
- + High residential sales ratio in the portfolio
- + Return on invested capital of 55%\*
- + Purchased land in Stockholm (100 units)

Amounts in NOK million	3 <sup>rd</sup> quarter		YTD	
	2017	2016	2017	2016
Revenue	572	400	2 121	1 678
Operating profit (EBIT)	104	92	312	233
Net financial items	1	1	3	2
Profit before tax (EBT)	105	93	316	234
Invested capital	1 098	923	1 098	923
Veidekke's share				
Number of units sold	96	135	566	683
Numbers of units started	19	75	836	686
Units under construction	1 865	1 497	1 865	1 497
Sales ratio (under construction)	85%	96%	85%	96%

\*12-month rolling

# INDUSTRIAL

- + Good result
- + Asphalt
  - Very high level of activity
  - Strong result
- + Road Maintenance
  - Weak result
  - NOK 39 mill. in write-downs on two contracts, and closing of operation in the quarter
- + Aggregates
  - Good results, margins at a stable and high level

Amounts in NOK million	3 <sup>rd</sup> quarter		YTD	
	2017	2016*	2017	2016*
Revenue	1 694	1 434	3 417	3 095
Operating profit (EBIT)	225	183	138	98
Net financial items	-7	0	-19	-10
Profit before tax (EBT)	218	183	119	88
Profit margin	12.8%	12.8%	3.5%	2.8%
Order backlog*	1 011	1 066	1 011	1 066

Amounts in NOK million (Q3 2017)	Asphalt	Maintenance	Aggregates
Revenue	1 320	211	163
Profit before tax (EBT)	226	-44	36

\* Excluded positive one-off effect from changes to the disability pension scheme of NOK 15 mill. in Q3 2016



High level of activity during the asphalt season

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# FINANCIAL STATEMENTS

IFRS

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# INCOME STATEMENT

Amounts in NOK million	3 <sup>rd</sup> quarter		YTD	
	2017	2016*	2017	2016*
<b>Revenue</b>	<b>7 461</b>	<b>7 045</b>	<b>21 663</b>	<b>20 489</b>
Operating expenses	-6 980	-6 467	-20 706	-19 515
Share of net income from associates and JVs	71	39	162	135
Depreciation/impairment	-131	-119	-380	-337
<b>Operating profit</b>	<b>421</b>	<b>500</b>	<b>739</b>	<b>771</b>
Net financial income	-7	-1	-1	30
<b>Profit before tax</b>	<b>414</b>	<b>499</b>	<b>738</b>	<b>801</b>
Income tax expense	-54	-80	-111	-140
<b>Profit after tax</b>	<b>360</b>	<b>419</b>	<b>627</b>	<b>661</b>
Of which non-controlling interests	8	2	22	26
<b>Profit after tax (net)</b>	<b>352</b>	<b>417</b>	<b>605</b>	<b>635</b>
<b>Earnings per share (NOK)</b>	<b>2.6</b>	<b>3.1</b>	<b>4.5</b>	<b>4.7</b>
<b>Profit before tax, segment</b>	<b>523</b>	<b>597</b>	<b>1 004</b>	<b>1 032</b>

\* Included positive one-off effect from changes to the disability pension scheme of NOK 90 mill. in Q3 2016

# BALANCE SHEET – ASSETS

Amounts in NOK million	30.09.2017	30.09.2016	31.12.2016
Goodwill and other intangible assets	1 460	1 372	1 385
Deferred tax assets	65	65	65
Land and buildings	591	550	560
Plant and machinery	2 159	1 903	1 954
Investments in associates and joint ventures	1 278	1 260	1 363
Financial assets	436	547	649
<b>Total non-current assets</b>	<b>5 990</b>	<b>5 697</b>	<b>5 975</b>
Non-residential and residential projects	6 399	4 165	4 877
Inventories	538	369	455
Trade and other receivables	6 926	6 523	5 494
Cash and cash equivalents	317	337	644
<b>Total current assets</b>	<b>14 181</b>	<b>11 394</b>	<b>11 470</b>
<b>Total assets</b>	<b>20 171</b>	<b>17 091</b>	<b>17 445</b>

# BALANCE SHEET – EQUITY AND LIABILITIES

Amounts in NOK million

	30.09.2017	30.09.2016	31.12.2016
<b>Equity</b>	<b>3 419</b>	<b>3 180</b>	<b>3 465</b>
Pensions and deferred tax liabilities	861	825	877
Bonds	-	750	750
Amounts due to credit institutions	870	994	212
Other non-current liabilities	152	138	136
<b>Total non-current liabilities</b>	<b>1 883</b>	<b>2 708</b>	<b>1 975</b>
Current interest-bearing debt	1 288	67	44
Trade payables and warranty provisions	5 745	5 173	5 097
Public duties and taxes payable	1 253	1 168	784
Other current liabilities	6 584	4 794	6 080
<b>Total current liabilities</b>	<b>14 869</b>	<b>11 203</b>	<b>12 005</b>
<b>Total equity and liabilities</b>	<b>20 171</b>	<b>17 091</b>	<b>17 455</b>
<b>Net interest-bearing debt</b>	<b>1 632</b>	<b>1 183</b>	<b>0</b>

# STATEMENT OF CASH FLOWS

Amounts in NOK million	YTD 2017				YTD 2016	
	Construction	Property Development	Industrial	Other <sup>1)</sup>	Group	Group
<b>Profit before tax</b>	<b>504</b>	<b>435</b>	<b>119</b>	<b>-321</b>	<b>738</b>	<b>801</b>
Depreciation/impairment	233	1	137	9	380	337
Other working capital	-229	-1 170	-380	241	-1 538	-580
<b>Cash flow from operating activities</b>	<b>508</b>	<b>-734</b>	<b>-124</b>	<b>-71</b>	<b>-420</b>	<b>558</b>
Acquisition/disposal of PPE	-281	-2	-202	-32	-518	-494
Other investing activities	-70	24	-74	-82	-202	-320
<b>Cash flow from investing activities</b>	<b>-351</b>	<b>22</b>	<b>-276</b>	<b>-114</b>	<b>-720</b>	<b>-814</b>
Dividend paid	-	-	-	-602	-602	-535
Other financial items	1	-51	-28	187	109	213
<b>Cash flow from financing activities</b>	<b>1</b>	<b>-51</b>	<b>-28</b>	<b>-415</b>	<b>-493</b>	<b>-322</b>
<b>Change in net interest-bearing debt</b>	<b>158</b>	<b>-763</b>	<b>-428</b>	<b>-599</b>	<b>-1 633</b>	<b>-578</b>
<b>Invested capital at 30.09<sup>2)</sup></b>		<b>4 231</b>	<b>1 693</b>		<b>6 300</b>	<b>4 941</b>

\*1) Includes IFRS adjustments and Group eliminations

2) Invested capital is calculated only for the capital-intensive business segments  
Property Development and Industrial



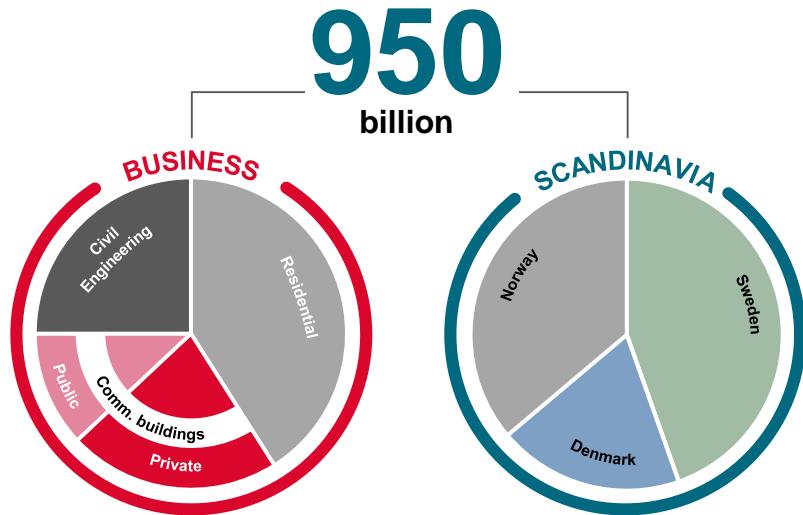
Flatås Park in Göteborg is under construction

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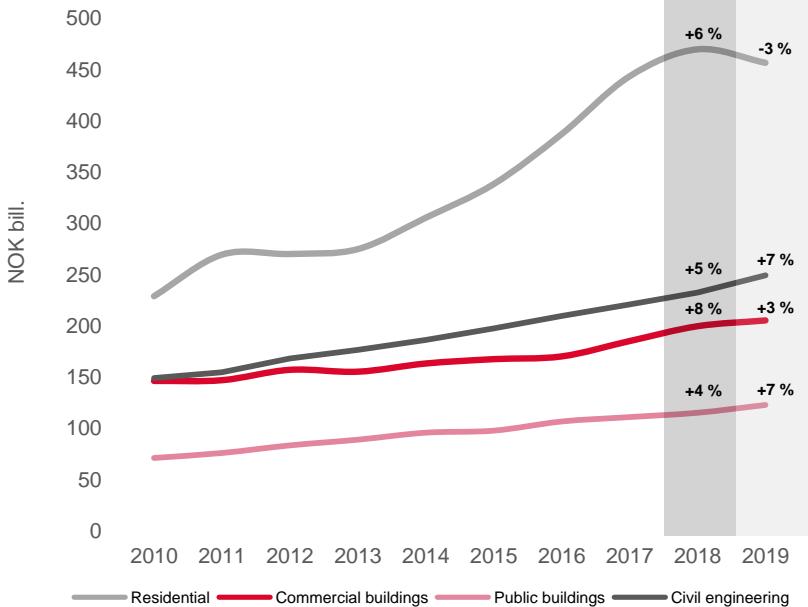
## STATUS AND OUTLOOK

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# A STRONG SCANDINAVIAN MARKET

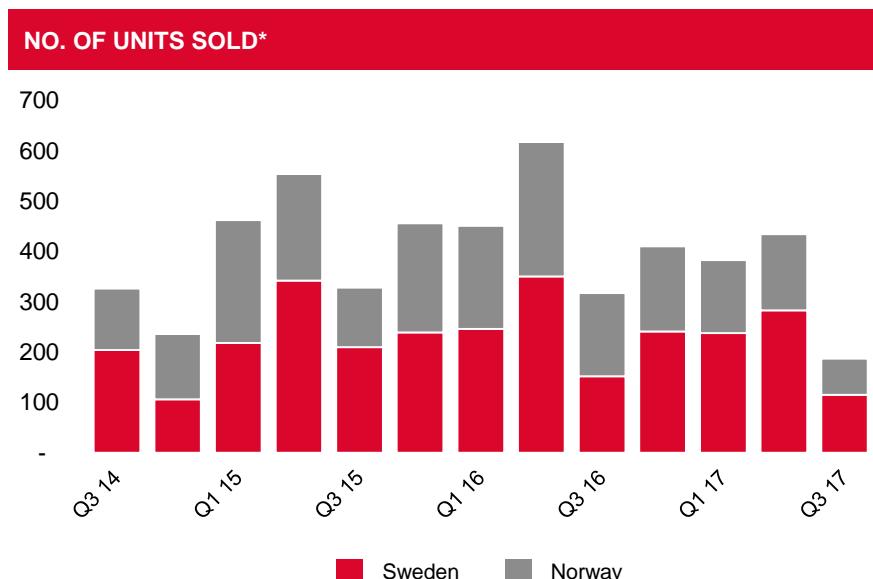


## CONSTRUCTION AND CIVIL ENGINEERING INVESTMENTS



Sources: Veidekke, SCB, DST and SSB. % refers to annual growth rate

# RESIDENTIAL SALES IN THE QUARTER



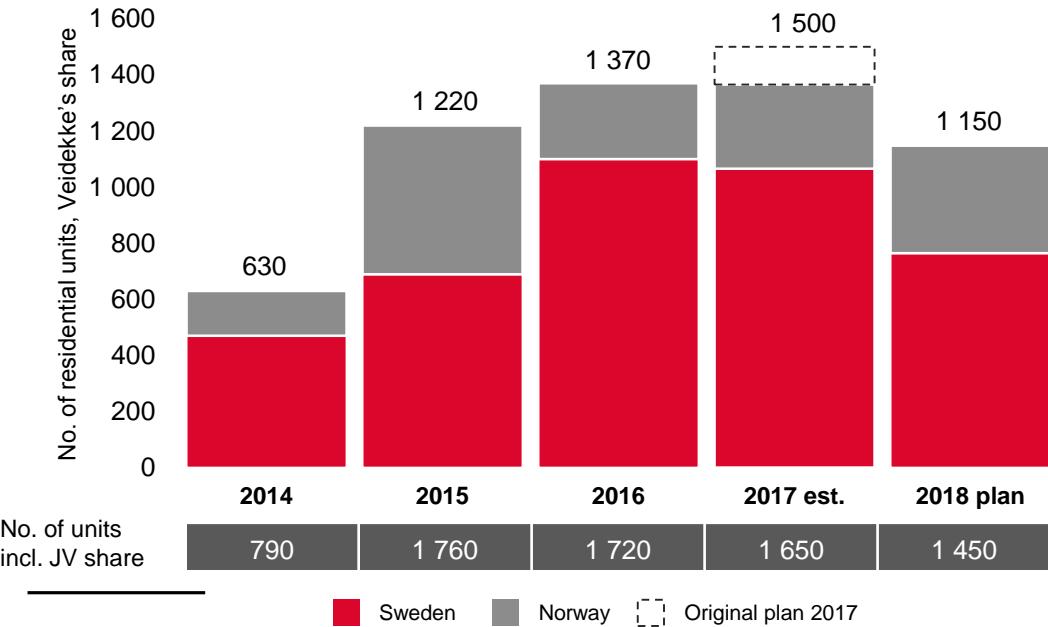
- + High sales ratio in ongoing projects
- + Few new projects released for sale
- + Weaker markets in Oslo and Stockholm

\* Veidekke's share + partner share

# SALES STARTS SINCE JUNE



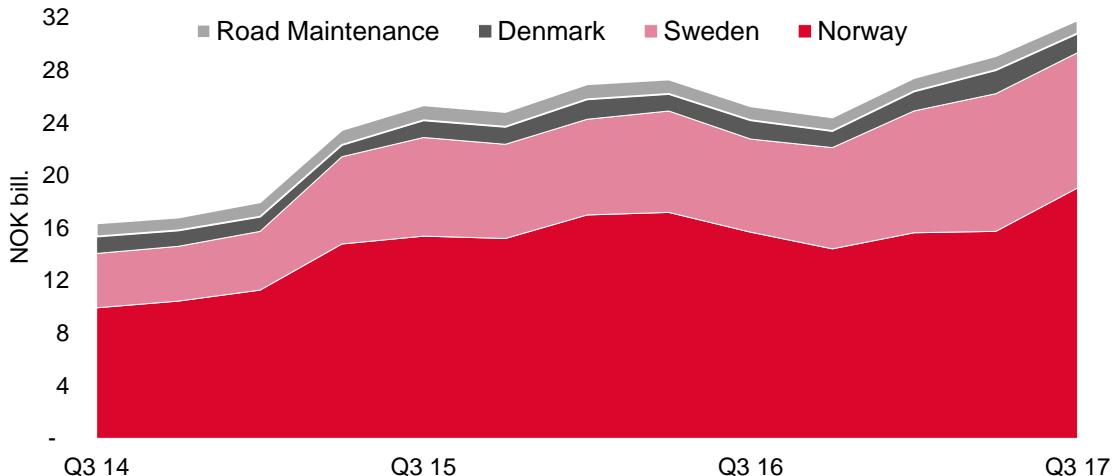
# EXPECTING FEWER SALES STARTS



- + Sales start postponed to 2018 for some projects
- + Expecting longer sales periods
- + Minimum 50% pre-sale ahead of construction start
- + Robust project portfolio
  - Sales ratio
  - Quality in the land bank

# ORDER BACKLOG DOUBLED IN THREE YEARS

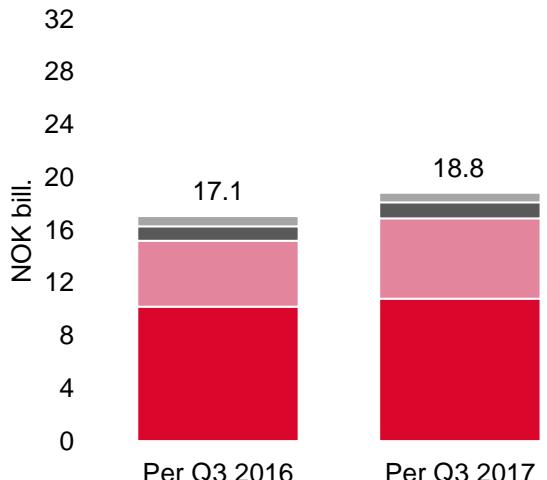
ORDER BACKLOG CONSTRUCTION AND INDUSTRIAL



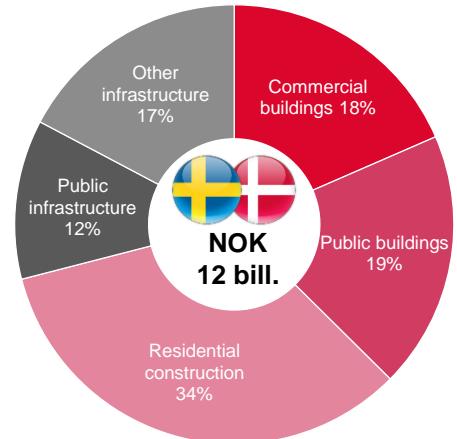
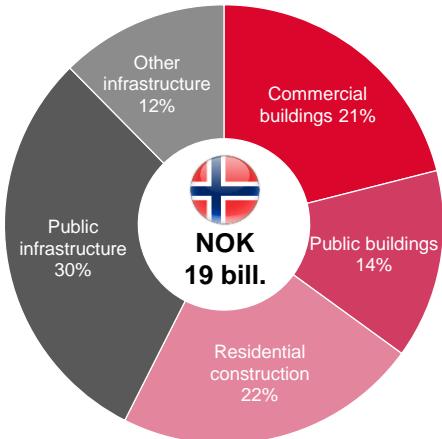
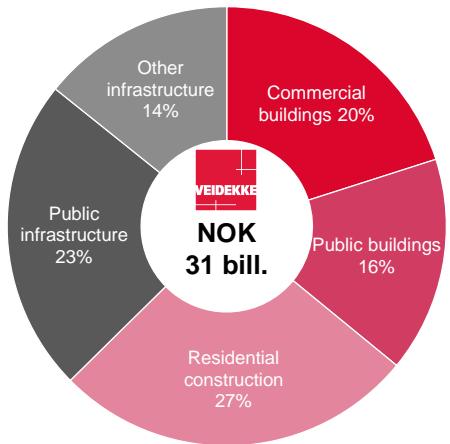
Order backlog for Industrial is reported as Road Maintenance next 18 months

30

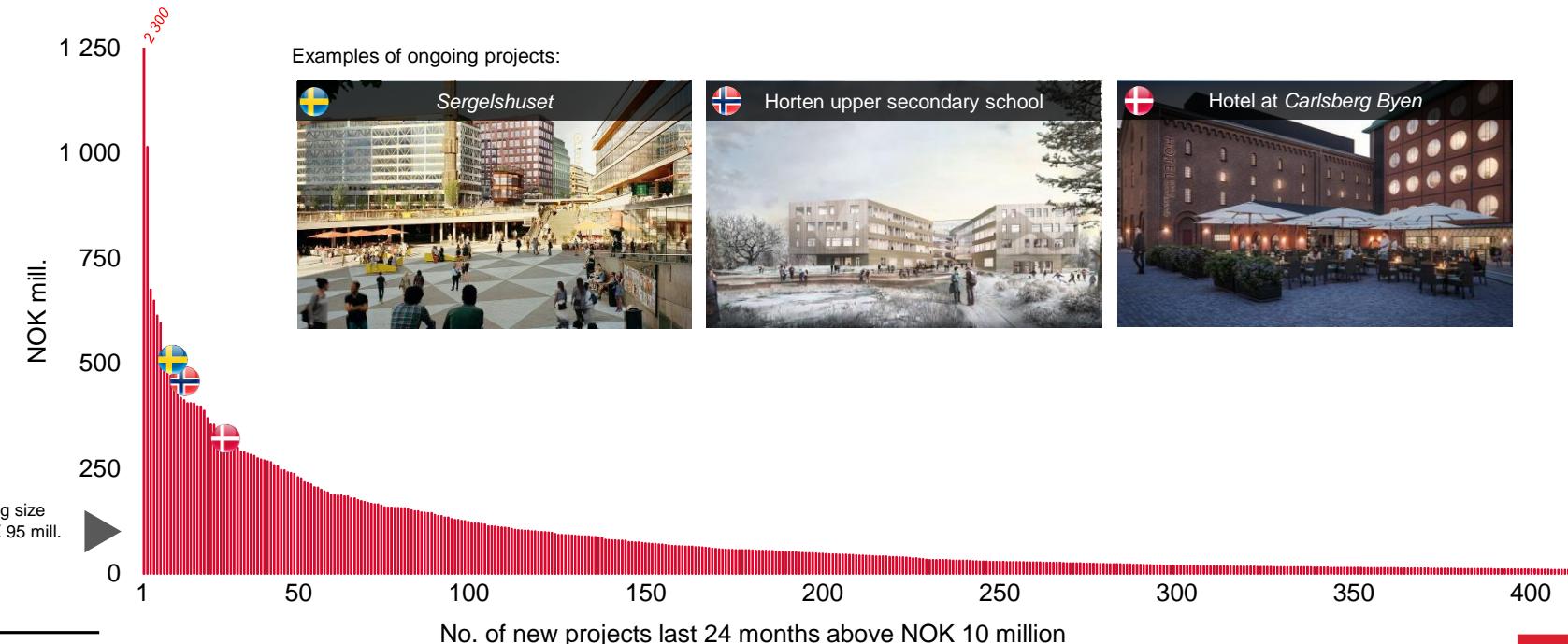
CONSTRUCTION ORDERS IN REVENUE NEXT 12 MONTHS\*



# BALANCED ORDER BACKLOG ON SECTORS...



# ... AND ON PROJECT SIZE



# STRENGTHENING OF OUR POSITIONS

## CONSTRUCTION



## PROPERTY DEVELOPMENT



- + Strong order backlog
- + Take advantage of good customer- and market positions
- + Measures and reorganisation

## INDUSTRIAL



- + Good project execution
- + Selective sales starts with focus on the right project
- + Further development of good positions
- + Consolidation to lift profitability in Road Maintenance

# SUMMING UP

- + Revenue and result growth in the quarter
- + Strong order intake
- + Strong total market, but weaker residential market



E6 between Arnkvern-Moelv shall be finalised in December 2020



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## APPENDIX

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# BUSINESS AREAS, YEAR TO DATE

Amounts in NOK million	First 9 months 2017			First 9 months 2016*		
	Revenue	Profit	Margin	Revenue	Profit	Margin
Construction Norway*	10 727	309	2.9 %	10 903	409	3.7 %
Construction Sweden	6 118	109	1.8 %	5 577	70	1.3 %
Construction Denmark	1 539	87	5.6 %	1 199	69	5.8 %
<b>Total Construction*</b>	<b>18 385</b>	<b>504</b>	<b>2.7 %</b>	<b>17 680</b>	<b>549</b>	<b>3.1 %</b>
Property Development Norway*	471	120		190	103	
Property Development Sweden	2 121	316		1 678	234	
<b>Total Property Development*</b>	<b>2 593</b>	<b>435</b>		<b>1 868</b>	<b>338</b>	
<b>Industrial*</b>	<b>3 417</b>	<b>119</b>	<b>3.5 %</b>	<b>3 095</b>	<b>88</b>	<b>2.8 %</b>
Other*	-1 628	-55	-	-1 229	-32	2.6 %
<b>Total Group*</b>	<b>22 767</b>	<b>1 004</b>	<b>4.4 %</b>	<b>21 413</b>	<b>942</b>	<b>4.4 %</b>

\* Excluded positive one-off effect from changes to the disability pension scheme in Norway of NOK 90 mill. attributed to Construction with NOK 70 mill., NOK 36 15 mill. to Industrial, NOK 2.5 mill. to Property Development and NOK 2.5 mill. to Other.

# HOUSING PORTFOLIO

Property Development Housing portfolio - Veidekke's share	Under construction 31.12.2015	Completed 2016	Start-up 2016	Under construction 31.12.2016	Completed 2017	Start-up 2017	Under construction 30.09.2017
<b>Construction - number of units</b>							
Norway	541	-293	352	600	-135	175	640
Sweden	1 198	-439	948	1 707	-672	830	1 865
<b>Total under construction</b>	<b>1 739</b>	<b>-732</b>	<b>1 300</b>	<b>2 307</b>	<b>-807</b>	<b>1 005</b>	<b>2 505</b>
<b>Of which sold</b>							
Norway	383			517			573
Sweden	1 176			1 604			1 575
<b>Total sold under construction</b>	<b>1 559</b>			<b>2 121</b>			<b>2 148</b>
Sales rate %	90 %			92 %			86 %
<b>Completed unsold units</b>							
Norway	16			16			11
Sweden	2			4			2
<b>Total completed unsold units</b>	<b>18</b>			<b>20</b>			<b>13</b>
<b>Number of projects under construction</b>							
Norway	21	-14	15	22	-8	7	21
Sweden	20	-10	13	23	-10	13	25
<b>Total projects under construction</b>	<b>41</b>	<b>-24</b>	<b>28</b>	<b>45</b>	<b>-18</b>	<b>20</b>	<b>46</b>

In addition comes one own-account project in Copenhagen with 115 units under construction. The project is reported in the accounts under Construction Denmark.