



Horten upper secondary school



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**3rd quarter 2016**

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Arne Giske  
President and CEO

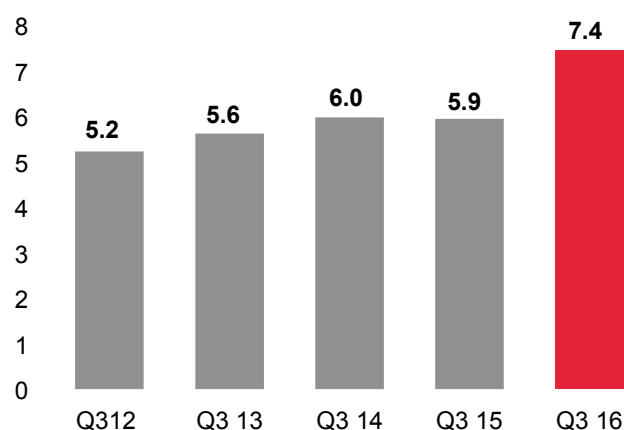
We are pleased to see that the positive trend has continued through the third quarter too, with increased revenue and profits. There has been high activity and improved results in all three construction units. Residential sales remain strong, and so far this year we have sold homes for over NOK 6 billion. This will contribute to further increases in residential production going forwards. The summer half of the year is the high season for both Asphalt and Aggregates, and with high demand and good operations in these areas, Industrial has delivered a solid profit.

The market is good in most areas and segments, and I have every confidence that we will manage to exploit the market to build an even stronger Veidekke. Low sickness absence and a decline in the number of injuries, both injuries in general and serious injuries in particular, indicate that our targeted occupational health and safety work is yielding results, which is an important prerequisite to be able to continue the good development in our operations.

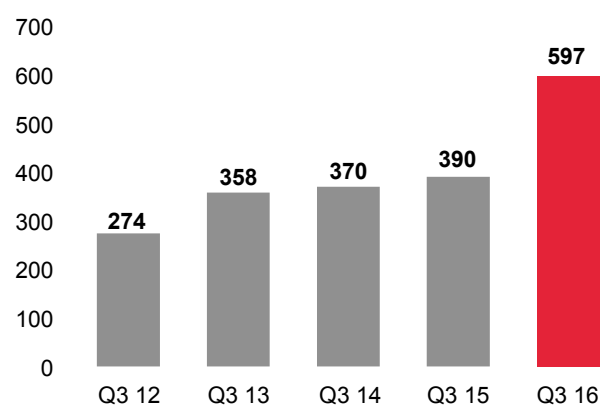
## HIGHLIGHTS THIRD QUARTER 2016

- Revenue NOK 7.4 (5.9) billion
- Profit before tax NOK 597 (390) million
- Order backlog NOK 25.3 (25.3) billion
- Net interest-bearing debt NOK 1 183 (927) million
- Earnings per share NOK 3.1 (1.8) (IFRS)

Revenue, NOK billion



Profit before tax, NOK million



# BOARD OF DIRECTORS' REPORT FOR Q3 2016

## KEY FIGURES<sup>1)</sup>

NOK million	Q3 2016	Q3 2015	At 30.9.2016	At 30.9.2015	2015
Revenue, segment	7 447	5 946	21 413	17 178	24 509
Profit before tax, segment	597	390	1 032	666	1 043
Business area Construction	283	163	619	425	644
Business area Property Development	125	52	340	189	306
Business area Industrial	198	192	103	125	190
Business area Other	-9	-18	-30	-72	-97
Earnings per share, segment	3.8	2.3	6.2	3.9	6.5
Profit margin, segment (%)	8.0	6.6	4.8	3.9	4.3
Revenue, IFRS <sup>2)</sup>	7 045	5 548	20 489	16 855	24 225
EBITDA, IFRS	618	385	1 109	821	1 316
Profit before tax, IFRS	499	302	801	577	950
Earnings per share, IFRS (NOK) <sup>3)</sup>	3.1	1.8	4.7	3.4	5.7
Net interest-bearing debt	1 183	927	1 183	927	606
Total order backlog <sup>4)</sup>	25 251	25 325	25 251	25 325	24 814

<sup>1)</sup> The comments in the report relate to figures taken from the segment accounts. Comments to the IFRS accounts are specified in the text.

<sup>2)</sup> Under IFRS, revenue from residential sales is not recognised until the residential unit is taken over by the buyer. In segment reporting, revenue is recognised using the formula: estimated final profit x sales ratio x stage of completion.

<sup>3)</sup> No dilutive effect.

## HIGHLIGHTS Q3

The Group can look back on a quarter with strong growth and clearly improved profit performance. Revenue amounted to NOK 7.4 billion, compared with NOK 5.9 billion in Q3 2015. Most of the growth was in construction operations and reflects the high order intake in the past two years. Profit before tax was NOK 597 million, compared with NOK 390 million in the third quarter of 2015. The profit growth is largely ascribable to volume growth in construction operations and increased residential production in property development operations. The profit also includes a positive one-off effect of NOK 90 million as a result of amendments to the Act on occupational pensions related to disability <sup>4)</sup>. This non-recurring item has no cash effect. There was high activity and good capacity utilisation in industrial operations, but provisions for future losses in road maintenance contracts had a negative impact on the profit.

Order intake in the third quarter amounted to NOK 4.2 billion. The order backlog was NOK 25.3 billion at the close of the quarter, which is the same level as at the beginning of the year.

Net interest-bearing debt was NOK 1.2 billion at the close of Q3, an increase of NOK 578 million from the beginning of the year. Cash flow in the quarter was positive at NOK 336 million.

Profit before tax in accordance with IFRS was NOK 499 million in the third quarter, which is NOK 98 million lower than the profit before tax in the segment accounts. The difference is due to increased residential production and relatively fewer hand-overs of completed residential projects.

<sup>4)</sup> The changes in the Occupational Pensions Act have resulted in changes in Veidekke's collective disability pension scheme with effect from 30 September 2016. The effect on profit before tax amounts to NOK 70 million in Construction Norway, NOK 15 million in Industrial, NOK 2.5 million in Property Development Norway, and NOK 2.5 million in Other Operations.

## BUSINESS AREAS

### CONSTRUCTION OPERATIONS

NOK million	Q3 2016	Q3 2015	At 30.9 2016	At 30.9 2015	2015
Revenue	5 858	4 501	17 680	13 660	19 795
Profit before tax	283	163	619	425	644
Profit margin %	4.8	3.6	3.5	3.1	3.3
Order backlog	24 184	24 179	24 184	24 179	23 686

Revenue from Veidekke's construction operations increased by 30% from the third quarter last year. This revenue growth is attributed to a high order intake throughout the past two years.

Profit before tax was NOK 283 million, compared with NOK 163 million in the third quarter of 2015. The profit was affected by a positive one-off effect from changes to the disability pension scheme in Norway. The remaining profit growth can be attributed to volume increases. The profit margin increased to 4.8%, from 3.6% in the third quarter of 2015. Adjusted for the changes to the disability pension, the profit margin is unchanged from last year at 3.6%.

New contracts totalling NOK 4.0 billion were signed in Q3. The order backlog was NOK 24.2 billion, which is at the same level as in Q3 2015, but up from NOK 23.7 billion at the beginning of the year.

#### CONSTRUCTION NORWAY

NOK million	Q3 2016	Q3 2015	At 30.9 2016	At 30.9 2015	2015
Revenue	3 685	2 742	10 903	8 406	12 031
Profit before tax	216	127	479	313	493
Profit margin %	5.9	4.6	4.4	3.7	4.1
Order backlog	15 675	15 375	15 675	15 375	15 195

The activity level in the construction and civil engineering market in Norway is generally high, but there are still regional differences. There is great demand for new homes in most of the major cities and good activity in public building. The market for commercial buildings is stable at a moderate level. The civil engineering sector is still growing and the outlook is positive, primarily due to increased investments in infrastructure. There is tough competition for major infrastructure contracts in the civil engineering market, from both established competitors and new entrants.

The Norwegian construction operations reported revenue of NOK 3.7 billion for the third quarter, up 34% from the corresponding quarter last year. There was significant growth in both building construction and civil engineering operations, with the strongest growth in central eastern Norway.

Profit before tax was NOK 216 million, up from NOK 127 million for the same quarter last year. The profit for the third quarter included a one-off effect of NOK 70 million from changes to the disability pension. The remaining profit growth is attributable to higher volumes. The profit margin adjusted for the change of pension plan was 4.0% in the quarter, compared with 4.6% in Q3 last year. Building Construction had a good profit margin, despite the fact that parts of the business unit have been affected by the market downturn in the oil sector. Civil Engineering's profit

margin for the quarter was characterised by a number of project write-downs and high costs related to tendering work.

The order intake for the quarter was NOK 2.3 billion, compared with NOK 3.4 billion in the third quarter of 2015. The order backlog totalled NOK 15.7 billion at the close of the quarter, compared with NOK 15.2 billion at the beginning of the year and NOK 15.4 billion at the end of Q3 2015.

Major projects awarded in Q3:

- Horten upper secondary school for Vestfold County. New school for 1,200 pupils with an area of 18,000 m2 built in accordance with the BREEAM NOR Outstanding environmental standard. Contract value NOK 451 million.
- Blomsterbygget. Warehouse in Romerike for Anthon B Nilsen Eiendom AS. Contract value NOK 156 million.
- Maskinparken 1 in Trondheim. Apartments for Lilleby Eiendom AS. Contract value NOK 91 million.
- Jam factory in Sogndal for Lerum Eignedom AS. Contract value NOK 80 million.
- Medical centre in Ørsta for Ørsta municipality. Contract value NOK 75 million.

#### CONSTRUCTION SWEDEN

NOK million	Q3 2016	Q3 2015	At 30.9 2016	At 30.9 2015	2015
Revenue	1 714	1 405	5 577	4 067	6 156
Profit before tax	35	12	70	49	56
Profit margin %	2.0	0.9	1.3	1.2	0.9
Order backlog	7 080	7 499	7 080	7 499	7 160

Sweden has seen persistently high activity in both the residential market and the market for public and commercial buildings. There are still substantial regional differences in the civil engineering market, with major infrastructure projects in the east and west and less activity in the south. As in Norway, the competition for infrastructure projects is tough.

The Swedish construction operations reported revenue of NOK 1.7 billion for the third quarter, which is an increase of 23% in local currency compared with Q3 2015. There was growth in both Building Construction and Civil Engineering.

Profit before tax was NOK 35 million, up from NOK 12 million for the same quarter last year. The profit margin increased to 2.0%, from 0.9% in the third quarter last year. The profit growth is related to both higher volumes and improved margins, particularly in the residential segment.

The order intake for the quarter was NOK 1.1 billion, compared with NOK 2.0 billion in the corresponding period last year, of which 80% was building construction projects and 20% was civil engineering projects. The Swedish construction operations had an order backlog of NOK 7.1 billion at the close of the quarter, compared with NOK 7.2 billion at the beginning of the year and NOK 7.5 billion at the close of Q3 2015. Measured in local currency, the order backlog has increased by 6% from the beginning of the year.

Major projects awarded in Q3:

- Vrå Skola. School building in Knivsta in Uppsala for Knivsta Kommunfastigheter AB. Contract value NOK 166 million.
- Barkabystaden Building B. Residential project in Järfälla Municipality for Veidekke Bostad. Contract value NOK 120 million.

- Drivhuset Gårda. Redevelopment of office premises in Gothenburg for Vasakronan. Contract value NOK 114 million.
- Krusmyntan. Senior living apartments in Tyresö for Hemsö. Contract value NOK 104 million.

In the third quarter Veidekke acquired the company AB Berggren och Bergman, which is engaged in civil engineering operations in Norrland. The company had revenue of NOK 170 million in 2015 and 45 employees and will complement Veidekke's civil engineering operations in the north.

#### CONSTRUCTION DENMARK

NOK million	Q3 2016	Q3 2015	At 30.9 2016	At 30.9 2015	2015
Revenue	459	354	1 199	1 186	1 608
Profit before tax	32	24	69	63	96
Profit margin %	7.0	6.8	5.8	5.3	6.0
Order backlog	1 429	1 306	1 429	1 306	1 331

The positive development in the Danish construction and civil engineering market continues, mainly driven by public investments and the recovering residential market, while activity remains low in commercial buildings.

Veidekke's Danish construction operations, Hoffmann A/S, reported revenue of NOK 459 million for the third quarter, up from NOK 354 million in the same quarter the previous year. This is 28% growth measured in local currency and is partly attributable to the acquisition of technical installation businesses in Q2.

Profit before tax was NOK 32 million, compared with NOK 24 million in the third quarter of 2015. This corresponds to a profit margin of 7.0%, compared with 6.8% for the same period last year. The high profit margin is due to solid profitability in the project portfolio.

This quarter it was decided to start the own-account project Central House on Amager in Copenhagen. The project consists of 115 apartments, 63 of which were sold at the close of the quarter.

The order intake for the quarter was NOK 606 million, compared with NOK 785 million in the third quarter of 2015. Hoffmann had an order backlog of NOK 1.4 billion at the close of the quarter, compared with NOK 1.3 billion at the beginning of the year and at the close of Q3 2015. Measured in local currency, the order backlog has increased by 7% from the beginning of the year.

Major projects awarded in Q3:

- Central House. Own-account residential project in Copenhagen. Contract value NOK 323 million.

#### PROPERTY DEVELOPMENT

NOK million	Q3 2016	Q3 2015	At 30.9 2016	At 30.9 2015	2015
Revenue	454	479	1 868	1 551	2 126
Profit before tax	125	52	340	189	306
Number of units under construction <sup>1)</sup>	2 146	1 684	2 146	1 684	1 739
Number of units sold <sup>1)</sup>	219	269	1 034	1 065	1 416

<sup>1)</sup> A significant portion of Veidekke's property development operations take place in joint ventures. This particularly applies to the Norwegian operations. The figures in the table illustrate Veidekke's share.

The residential market in Norway and Sweden remains good, and there was high demand for new homes in this quarter too. In Sweden there was growth in all Veidekke's focus areas: Greater Stockholm, Gothenburg and Malmö. In Norway it is primarily projects in and around Oslo and Trondheim that have sold well.

Veidekke sold a total of 317 residential units during the quarter, including jointly owned projects, with a value of NOK 1.5 billion. By comparison, 328 residential units were sold in the third quarter of 2015, and 617 residential units were sold in the second quarter of 2016.

Revenue from property development operations was NOK 454 million in the quarter, compared with NOK 479 million in the third quarter of 2015. Profit before tax was NOK 125 million, compared with NOK 52 million for the same quarter last year. Compared with previous quarters, the profit performance in both Norway and Sweden is marked by a higher contribution from ongoing residential projects.

Residential production is high, and at the end of the quarter there were 2,146 units under construction (Veidekke's share), compared with 2,189 in the previous quarter and 1,684 in Q3 2015. The sales ratio for residential units under construction was 93% at the close of the quarter.

At the end of the quarter the Group had a total land bank of 16,050 residential units, of which Veidekke's share was 13,250 units.

Capital invested in property development operations totalled NOK 3.3 billion at the end of the quarter. The return on invested capital was 18.3%, on a 12-month rolling basis, compared with 13.6% in Q3 the previous year. The return is adjusted for taxes in associates and joint ventures.

## PROPERTY DEVELOPMENT NORWAY

NOK million	Q3 2016	Q3 2015	At 30.9 2016	At 30.9 2015	2015
Revenue	54	43	190	326	413
Profit before tax	32	6	106	88	146
Number of units under construction <sup>1)</sup>	649	561	649	561	541
Number of units sold <sup>1)</sup>	84	59	350	294	406

<sup>1)</sup> Veidekke's property development operations take place in joint ventures. The figures in the table illustrate Veidekke's share.

Residential sales remained strong in the third quarter too, and the sales ratio in the projects was high. A total of 165 units were sold during the quarter. By comparison, 118 units were sold in the third quarter of 2015. Veidekke's share of the sales was 84 units, compared with 59 units in the same quarter last year. Residential sales are limited by the fact that there are few units for sale, both due to the high sales ratio in the projects and because there are few new projects ready for sale. During the quarter two new projects with a total of 42 units were listed for sale: one in Asker and one in Sandnes.

Revenue totalled NOK 54 million, compared with NOK 43 million in the same quarter last year. Revenue is low as a result of the fact that most projects are carried out in joint venture operations, which do not generate accounting revenues.

Profit before tax increased to NOK 32 million, from NOK 6 million in the third quarter of 2015. The profit growth is attributable to increased contributions from ongoing production. The profit for the third quarter included a positive one-off effect of NOK 2.5 million from changes to the disability pension. Since residential production is primarily undertaken in joint ventures, tax has already been paid on most of the profit recorded on the line for profit before tax. Adjusted for this, the profit for the quarter comes to NOK 48 million, compared with NOK 12 million in Q3 2015.

Residential production was stable from the previous quarter, with 649 units (Veidekke's share), up from 561 units in Q3 last year. The sales ratio for residential units under construction was 86%, compared with 65% in the third quarter of 2015. Production started on two residential projects with a total of 33 units (Veidekke's share) this quarter. Both projects are in Trondheim. Residential production is expected to remain stable going forwards.

At the close of the quarter the land bank contained 7,150 residential units, of which Veidekke's share was 4,900 units. During the quarter the business area acquired a centrally located plot in Lørenskog in Akershus for development of about 60 homes.

Invested capital amounted to NOK 2.2 billion at the end of the quarter, compared with NOK 1.7 billion in the third quarter last year. The return on invested capital (12-month rolling) was 13.5%, adjusted for taxes in associates and joint ventures, compared with 13.8% at the close of Q3 2015.

## PROPERTY DEVELOPMENT SWEDEN

NOK million	Q3 2016	Q3 2015	At 30.9 2016	At 30.9 2015	2015
Revenue	400	436	1 678	1 225	1 712
Profit before tax	93	45	234	100	159
Number of units under construction <sup>1)</sup>	1 497	1 123	1 497	1 123	1 198
Number of units sold <sup>1)</sup>	135	210	684	771	1 010

<sup>1)</sup> Veidekke's share.

In Sweden, the residential market remains very buoyant, and sales were high in this quarter too. However, the market growth seems to have levelled off somewhat in terms of both sales and prices. Some 135 residential units were sold in the quarter, compared with 320 units in the previous quarter, and 210 units in the third quarter of 2015. Only one small project in Skåne was listed for sale during the quarter. More projects will come onto the market in the next quarter.

Revenue totalled NOK 400 million, compared with NOK 436 million in the same quarter last year.

Profit before tax was NOK 93 million, compared with NOK 45 million in the third quarter of 2015. The profit growth is attributable to the increase in residential production.

At 30 September 2016 there were 1,497 residential units under construction, compared with 1,534 in the previous quarter and 1,123 in the third quarter of 2015. Production started on one residential project in Stockholm with a total of 150 units during the quarter, of which Veidekke's share is 75. The sales ratio for projects under construction was 96%, compared with 97% in the third quarter of 2015.

At the end of the third quarter the land bank in Sweden contained 8,900 residential units, of which Veidekke's share is 8,350. The units in the land bank are distributed among approximately 100 projects.

Capital invested amounted to NOK 0.9 billion at the close of the quarter, which is on a par with the third quarter of 2015. The return on invested capital was 30.7%, on a 12-month rolling basis, compared with 15.4% in Q3 2015.

## INDUSTRIAL

NOK million	Q3 2016	Q3 2015	At 30.9 2016	At 30.9 2015	2015
Revenue	1 434	1 359	3 095	2 924	4 033
Profit before tax	198	192	103	125	190
–12 month rolling	167	201	167	201	190
Order backlog	1 066	1 146	1 066	1 146	1 128

The market outlook for industrial operations is good. There is still a high level of public investment in maintenance of the Norwegian road network, and several major new road projects are expected in the coming years.

The third quarter is the high season for Asphalt and consequently the period of the year with the highest level of activity for the Industrial business area. Revenue for the quarter amounted to NOK 1.4 billion, which is on a par with the third quarter of 2015.

The business area reported a profit of NOK 198 million, compared with NOK 192 million in Q3 2015. High levels of activity and good operations yielded good results in both Asphalt and Aggregates, while Road Maintenance's profit reflected provisions for future losses in a number of road maintenance contracts. The combined profit for Industrial was satisfactory. The profit for the quarter included a positive one-off effect of NOK 15 million from changes to the disability pension. The combined profit margin for Industrial was 13.8%, compared with 14.2% in Q3 2015.

Asphalt's revenue increased by 5% compared with the same quarter last year. Overall, the business unit had a very high level of activity, mainly due to high contract volumes for the Norwegian Public Roads Administration. The profit increased by 6% from Q3 last year due to high volumes and increased profitability.

Road Maintenance saw its revenue increase by 6% compared with the third quarter of 2015. The business unit recorded a loss for the quarter, due to additional provisions for future losses in four maintenance contracts totalling NOK 30 million. The business unit is under restructuring, and several measures have been implemented, which are expected to yield improvements in the longer term.

Revenue in Aggregates was 30% higher than in the third quarter of 2015. The revenue growth contributed to profit growth compared with the corresponding quarter last year, and the profit margin was at the same high level as last year.

At the end of the third quarter of 2016 Road Maintenance had an order backlog of NOK 1.1 billion for the next 18 months, which is on a par with the third quarter of 2015. Production started on two new contracts during the quarter, both of which are a continuation of existing contracts, while a total of four contracts were concluded. At the end of the quarter the project portfolio comprised 24 maintenance contracts.

## OTHER OPERATIONS

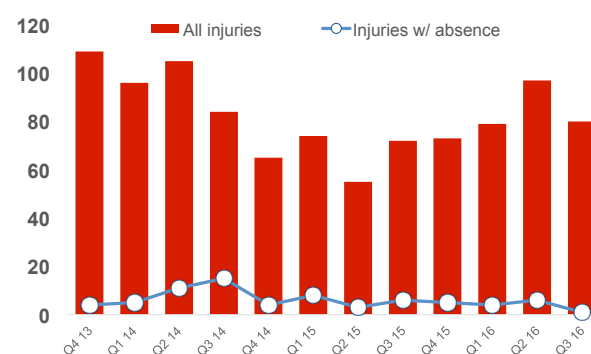
Other operations consist of the unallocated costs associated with the Group's corporate administration and financial management, the Group's ownership role in public-private partnerships (PPP) and the elimination of intra-group profits.

The result was a loss of NOK -9 million, compared with NOK -18 million for the third quarter last year. The change is

due to lower financial costs and lower elimination of intra-group profits.

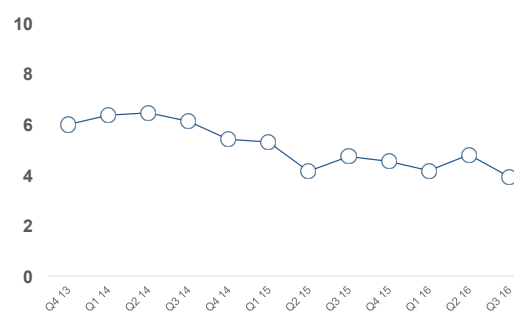
## OCCUPATIONAL HEALTH AND SAFETY (OHS)

Veidekke's primary OHS goals are zero serious injuries and elimination of four out of five injuries. The most important instruments for achieving these goals are good routines and planning, as well as training in and the use of safe and proper equipment for everyone working in Veidekke's projects. Preventive safety work aims to reduce the number of serious accidents and incidents. This has led to requirements for new and better fall protection for work at heights and safety equipment in connection with use of large vehicles.



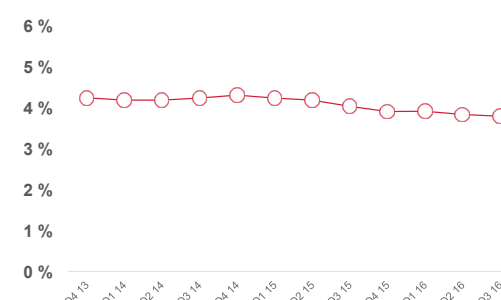
Total number of injuries, own employees and subcontractors.

The lost-time injury (LTI) rate for the third quarter was 3.9, down from 4.7 in both the previous quarter and Q3 2015. This quarter's LTI rate is the lowest ever recorded in Veidekke.



LTI per million hours worked, own employees.

Sickness absence in the Group was 3.2% in the quarter, down from 3.5% in the second quarter of 2016 and 4.0% in the third quarter of 2015. Most of the long-term sickness absence is due to musculoskeletal disorders, and Veidekke is therefore focusing on targeted preventive measures to reduce these problems.



Sickness absence, own employees.

## FINANCIAL SITUATION

Net interest-bearing debt was NOK 1.2 billion at the close of the quarter, an increase of NOK 578 million from the beginning of the year. Net interest-bearing debt was NOK 927 million at the same date last year. Cash flow from operating activities for the last nine months was NOK 558 million, compared with NOK -274 million in the corresponding period the previous year. Cash flow was marked by the higher profit and good liquidity from the Group's construction operations. Industrial operations had a seasonally normal negative cash flow at the close of Q3. Cash flow in Property Development was negative at the end of the third quarter, as a result of increased residential production, few completed projects and the acquisition of new sites, among other factors. Otherwise cash flow was characterised by a high level of investment in machinery and equipment as a result of the increased scope of activity, interim financing of PPP projects (Public-Private Partnerships) and acquisition of businesses.

Veidekke's financial position is regarded as good, and the Group has considerable financial capacity. The Group has a long-term borrowing facility of NOK 3.6 billion with DNB. At the end of the quarter unutilised borrowing facilities amounted to NOK 2.7 billion. In addition to the borrowing facility Veidekke has completed a bond issue of NOK 750 million, which matures in 2018.

## RELATED PARTY TRANSACTIONS

Veidekke has ongoing transactions with related parties as part of its ordinary operations, including contracts for the development of specific projects. There were no other significant related party transactions in the third quarter of 2016. Note 33 to the 2015 annual financial statements provides further disclosures on the sizes and types of transactions during the previous year.

## SHAREHOLDER INFORMATION

<b>Largest shareholders 30 September 2016</b>	<b>Ownership share in %</b>
OBOS BBL	17.8
Folketrygdfondet	12.4
IF Skadefors�kring AB	7.3
Handelsbanken Aksjefond	2.9
Skandinaviska Enskilda Banken AB (Nom)	2.5
Must Invest AS	2.1
MP Pensjon PK	2.0
Danske Invest Norske Instit. II	2.0
Swedbank Robur Sm�bolagsfond	1.9
Verdipapirfondet DNB Norge (IV)	1.5
Foreign shareholders	27.4
Employees, total ownership	15.2

A total of 5.6 million Veidekke shares were traded in Q3 2016. The share price ranged from NOK 101.00 to NOK 124.50, and was NOK 123.00 at 30 September 2016.

## RISKS

Veidekke's operations are largely based on the execution of individual projects. The projects vary greatly in terms of complexity, size, duration and risk, which means that systematic risk management in all parts of the business is of crucial importance. Veidekke analyses and assesses risk at the tendering stage, and risk is followed up closely throughout the execution phase.

Proper expertise is a critical success factor for good operational efficiency and project execution. To ensure that the Group has sound and updated knowledge, Veidekke devotes significant resources to skills development for employees through internal courses and training programmes and has a targeted focus on recruitment.

Infrastructure projects have complex contract terms, allowing room for different interpretations of what constitutes proper fulfilment of the contract. As a result, disagreement may arise about the final settlement between the construction company and the contracting client. At the close of the quarter Veidekke had several unresolved final settlements related to infrastructure projects. Outstanding claims after deductions for recognised provisions and uncertain project revenues were in the range of NOK 400 million at 30 September 2016. The outcome of the individual disputes, positive or negative, may have an effect on the results.

The residential market is cyclical, and property development earnings are closely related to new project start-ups. To reduce the risk associated with unsold projects, Veidekke has a general principle that new residential projects will not be started until a sales ratio of 50% has been achieved. Consequently, lower residential sales may delay residential projects. At the close of the third quarter of 2016 the residential market was generally strong in both Norway and Sweden, but in areas that are directly affected by the decline in the oil industry, the residential market remains weak. This applies mostly to the Stavanger region.

Veidekke is primarily exposed to financial risks related to trade receivables and interest-bearing liabilities. These risks are classified as credit, market and liquidity risks. For a more detailed description of the company's financial risk, see note 28 in Veidekke's 2015 Annual Report.

## MARKET OUTLOOK

### NORWAY

A moderate positive development is expected in the Norwegian economy until the end of 2017. Important driving forces behind the positive development are high investment demand from households as a result of low interest rates and expansive public spending. The regional differences in the Norwegian economy will persist, but will probably be less marked than they have been in recent years.

The expectations of a strong Norwegian construction and civil engineering market through to the end of 2017 remain unchanged. Investments in construction and civil engineering are expected to increase by 4% in both 2016 and 2017. This is an upward revision of earlier forecasts for 2017 and can be explained by high residential sales and start-up of a large number of residential projects. Strong growth is expected in the civil engineering market, with growth estimates of 7% for both 2016 and 2017. As a whole, activity in the public and commercial building market appears to be levelling off, with growth in public building projects and a moderate decline in private commercial building projects.

### SWEDEN

There has been high growth in the Swedish economy in the past six quarters, resulting in economic expansion and strong labour market performance. The upturn is expected to continue throughout 2017, despite expectations of lower GDP growth. The investment demand from households and companies is expected to level off at a high level.

The construction and civil engineering market has expanded rapidly in recent years in line with the general economic development. The growth expectations for 2016 have been revised upwards to 9%, whereas the market is expected to slow down slightly in 2017, with growth in activity of 3%. The lower growth expectation for the coming year is primarily related to declining investments in new homes, mainly as a result of constraints on the supply side. The National Budget for 2017 suggests that the growth in the civil engineering market will increase, primarily as a result of strong investment growth in roads and railways. The growth in public and commercial buildings will increasingly be driven by the public sector, while growth in the market for commercial buildings will level off.

### DENMARK

There have been mixed signals from the Danish economy over the past year. The employment market is strong, but GDP growth is weak. Forecasts suggest a moderate improvement in growth in 2017.

The construction and civil engineering market is expected to increase by 3% in 2016, rising to 4% in 2017. Investment demand in private segments such as housing and commercial buildings is developing positively, albeit from a very low level of investment. Investments in new homes are expected to grow by 5% in 2016, rising to 10% in 2017. The construction of new commercial buildings is being held back by the high vacancy rate, but growth in demand is nevertheless expected to rise to 7% in 2017.

Oslo, 2 November 2016  
Board of Veidekke ASA

Martin Mæland  
*Chair*

Per Otto Dyb   Gro Bakstad   Ingalill Berglund   Ann-Christin Andersen   Hans von Uthmann  
*Deputy chair*

Odd Andre Olsen   Inge Ramsdal   Arve Fludal

Arne Giske  
*President and CEO*



## CONSOLIDATED INTERIM FINANCIAL STATEMENT (UNAUDITED)

- A. FINANCIAL STATEMENT THIRD QUARTER
- B. BUSINESS SEGMENTS
- C. STATEMENT OF CHANGES IN EQUITY
- D. NOTES TO THE INTERIM FINANCIAL STATEMENTS

## DECLARATION BY THE BOARD OF DIRECTORS AND PRESIDENT & CEO

We hereby confirm that, to the best of our knowledge, the following interim financial statements have been prepared in accordance with applicable accounting standards and that the disclosures in the accounts give a true and fair view of the consolidated entity's assets, liabilities, financial position and operational results.

Oslo, 2 November 2016  
Board of Veidekke ASA

Martin Mæland  
*Chair*

Per Otto Dyb   Gro Bakstad   Ingalill Berglund   Ann-Christin Andersen   Hans von Uthmann  
*Deputy chair*

Odd Andre Olsen   Inge Ramsdal   Arve Fludal

Arne Giske  
*President and CEO*

**A. FINANCIAL ACCOUNTS FOR THIRD QUARTER 2016**

NOK million

<b>INCOME STATEMENT</b>	<b>Q3 2016</b>	<b>Q3 2015</b>	<b>At 30.9.2016</b>	<b>At 30.9.2015</b>	<b>2015</b>
Revenue	7 045	5 548	20 489	16 855	24 225
Operating expenses	-6 467	-5 177	-19 515	-16 119	-23 039
Share of net income from joint ventures	39	13	135	85	130
<b>Operating profit before depreciation (EBITDA)</b>	<b>618</b>	<b>385</b>	<b>1 109</b>	<b>821</b>	<b>1 316</b>
Impairment of non-current assets	-	-	-	-	-
Depreciation	-119	-90	-337	-266	-372
<b>Operating profit (EBIT)</b>	<b>500</b>	<b>294</b>	<b>771</b>	<b>555</b>	<b>944</b>
Financial income	16	21	73	62	94
Financial costs	-17	-14	-43	-39	-88
<b>Profit before tax</b>	<b>499</b>	<b>302</b>	<b>801</b>	<b>577</b>	<b>950</b>
Income tax expense	-80	-60	-140	-115	-167
<b>Profit after tax</b>	<b>419</b>	<b>241</b>	<b>661</b>	<b>462</b>	<b>782</b>
of which non-controlling interests	2	5	26	11	18
Earnings per share (NOK) <sup>1)</sup>	3.1	1.8	4.7	3.4	5.7

<sup>1)</sup> No dilutive effect.

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>Q3 2016</b>	<b>Q3 2015</b>	<b>At 30.9.2016</b>	<b>At 30.9.2015</b>	<b>2015</b>
<b>Profit after tax</b>	<b>419</b>	<b>241</b>	<b>661</b>	<b>462</b>	<b>782</b>
Revaluation of pensions	-	-	-	-	25
<b>Net items that will not be reclassified subsequently to profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25</b>
Currency translation differences	-65	83	-134	67	97
Fair value adjustment of financial assets	-	-15	-2	-10	-
<b>Net items that may be reclassified subsequently to profit or loss</b>	<b>-65</b>	<b>68</b>	<b>-136</b>	<b>57</b>	<b>97</b>
<b>Total comprehensive income</b>	<b>354</b>	<b>309</b>	<b>525</b>	<b>519</b>	<b>905</b>
of which non-controlling interests	-	6	23	12	20

<b>STATEMENT OF CASH FLOWS</b>	<b>Q3 2016</b>	<b>Q3 2015</b>	<b>At 30.9.2016</b>	<b>At 30.9.2015</b>	<b>2015</b>
Profit before tax	499	302	801	577	950
Tax paid	-11	-20	-42	-86	-226
Depreciation/impairment	119	90	337	266	372
Other operational items	-68	-152	-538	-1 032	-325
<b>Cash flow from operating activities</b>	<b>538</b>	<b>220</b>	<b>558</b>	<b>-274</b>	<b>771</b>
Acquisition/disposal of property, plant and equipment	-136	-75	-494	-236	-463
Other investing activities	-79	-112	-320	-165	-600
Change in interest-bearing receivables	17	14	10	-5	414
<b>Cash flow from investing activities</b>	<b>-198</b>	<b>-173</b>	<b>-804</b>	<b>-406</b>	<b>-648</b>
Change in interest-bearing liabilities	-423	-49	787	1 092	432
Dividend paid	-	-	-535	-468	-468
Change other non-current liabilities	-	10	-	-6	-57
Other financial items	11	-18	-58	-65	-85
<b>Cash flow from financing activities</b>	<b>-412</b>	<b>-57</b>	<b>194</b>	<b>554</b>	<b>-178</b>
<b>Change in cash and cash equivalents</b>	<b>-72</b>	<b>-10</b>	<b>-52</b>	<b>-127</b>	<b>-55</b>
Cash and cash equivalents, start of period	415	317	402	435	435
Exchange rate adjustment foreign cash balances	-6	15	-14	13	22
Cash and cash equivalents, end of period	337	322	337	322	402

NOK million

<b>NET INTEREST-BEARING POSITION</b>	<b>At 30.9.2016</b>	<b>At 30.9.2015</b>	<b>At 31.12.2015</b>
Cash and cash equivalents	337	322	402
Financial assets (short-term)	-	407	-
Interest-bearing assets (long-term)	292	314	302
Interest-bearing liabilities <sup>1)</sup>	-1 812	-1 970	-1 310
<b>Net interest-bearing position</b>	<b>-1 183</b>	<b>-927</b>	<b>-606</b>
<b>Change in net interest-bearing position (from 1 Jan)</b>	<b>-578</b>	<b>-1 200</b>	<b>-879</b>

<sup>1)</sup> The disposal of shares in PPP companies in the first quarter of 2016 had a positive effect of NOK 303 million on interest-bearing debt and no effect on cash flow.

<b>OTHER KEY FIGURES</b>	<b>At 30.9.2016</b>	<b>At 30.9.2015</b>	<b>At 31.12.2015</b>
Order backlog (NOK million)	25 251	25 325	24 814
Equity ratio (%)	19	19	22
Number of employees	7 393	6 783	6 995

<b>STATEMENT OF FINANCIAL POSITION</b>	<b>At 30.9.2016</b>	<b>At 30.9.2015</b>	<b>At 31.12.2015</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	1 244	913	1 151
Other intangible assets	128	110	104
Deferred tax assets	65	54	65
Land and buildings	550	545	556
Plant and machinery	1 903	1 422	1 689
Investments in joint ventures	1 260	1 069	1 134
Financial assets	547	626	852
<b>Total non-current assets</b>	<b>5 697</b>	<b>4 739</b>	<b>5 550</b>
<b>Current assets</b>			
Residential projects	4 165	3 309	3 355
Inventories	369	387	310
Trade and other receivables	6 523	5 782	5 171
Financial assets	-	407	-
Cash and cash equivalents	337	322	402
<b>Total current assets</b>	<b>11 394</b>	<b>10 207</b>	<b>9 238</b>
<b>Total assets</b>	<b>17 091</b>	<b>14 946</b>	<b>14 788</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	67	67	67
Other equity	2 942	2 634	3 006
Non-controlling interests	171	64	145
<b>Total equity</b>	<b>3 180</b>	<b>2 766</b>	<b>3 218</b>
<b>Non-current liabilities</b>			
Pensions and deferred tax liabilities	825	691	939
Bonds	750	750	750
Amounts due to credit institutions	994	80	517
Other non-current liabilities	138	107	103
<b>Total non-current liabilities</b>	<b>2 708</b>	<b>1 628</b>	<b>2 309</b>
<b>Current liabilities</b>			
Debt to credit institutions	67	1 140	43
Trade payables and warranty provisions	5 173	4 302	4 626
Public duties and taxes payable	1 168	1 315	760
Other current liabilities	4 794	3 795	3 832
<b>Total current liabilities</b>	<b>11 203</b>	<b>10 552</b>	<b>9 261</b>
<b>Total equity and liabilities</b>	<b>17 091</b>	<b>14 946</b>	<b>14 788</b>

**B. BUSINESS SEGMENTS**

NOK million

	Q3 2016	Q3 2015	At 30.9.2016	At 30.9.2015	2015
<b>CONSTRUCTION</b> (specification page 14)					
Revenue	5 858	4 501	17 680	13 660	19 795
Operating expenses	-5 501	-4 296	-16 873	-13 127	-18 981
Share of net income from joint ventures	-3	1	4	5	14
Depreciation/impairment	-74	-51	-212	-151	-217
<b>Operating profit (EBIT)</b>	<b>281</b>	<b>156</b>	<b>599</b>	<b>387</b>	<b>611</b>
Net financial items	2	8	19	38	33
<b>Profit before tax (EBT)</b>	<b>283</b>	<b>163</b>	<b>619</b>	<b>425</b>	<b>644</b>
<b>Total assets, segment</b>	<b>10 393</b>	<b>8 874</b>	<b>10 393</b>	<b>8 874</b>	<b>9 651</b>
<b>PROPERTY</b> (specification page 15)					
Revenue	454	479	1 868	1 551	2 126
Operating expenses	-395	-450	-1 678	-1 435	-1 935
Share of net income from joint ventures	69	19	157	74	115
Depreciation/impairment	-	-	-1	-1	-1
<b>Operating profit (EBIT)</b>	<b>127</b>	<b>47</b>	<b>347</b>	<b>189</b>	<b>305</b>
Net financial items	-2	4	-7	-1	1
<b>Profit before tax (EBT)</b>	<b>125</b>	<b>52</b>	<b>340</b>	<b>189</b>	<b>306</b>
<b>Total assets, segment</b>	<b>4 725</b>	<b>4 135</b>	<b>4 725</b>	<b>4 135</b>	<b>4 364</b>
<b>INDUSTRIAL</b>					
Revenue	1 434	1 359	3 095	2 924	4 033
Operating expenses	-1 199	-1 130	-2 869	-2 688	-3 684
Share of net income from joint ventures	6	7	10	18	17
Depreciation/impairment	-43	-39	-123	-114	-154
<b>Operating profit (EBIT)</b>	<b>198</b>	<b>197</b>	<b>113</b>	<b>141</b>	<b>211</b>
Net financial items	-	-4	-10	-16	-22
<b>Profit before tax (EBT)</b>	<b>198</b>	<b>192</b>	<b>103</b>	<b>125</b>	<b>190</b>
<b>Total assets, segment</b>	<b>2 496</b>	<b>2 260</b>	<b>2 496</b>	<b>2 260</b>	<b>1 858</b>
<b>OTHER OPERATIONS</b> <sup>1)</sup>					
Revenue	-	-	-	1	1
Operating expenses	-14	-16	-83	-58	-74
Share of net income from joint ventures	3	3	10	9	15
Depreciation/impairment	-1	-	-2	-	-
<b>Operating profit (EBIT)</b>	<b>-12</b>	<b>-13</b>	<b>-74</b>	<b>-48</b>	<b>-59</b>
Net financial items	-	-2	26	-1	-10
<b>Profit before tax (EBT)</b>	<b>-12</b>	<b>-16</b>	<b>-49</b>	<b>-49</b>	<b>-69</b>
<sup>1)</sup> Other operations include the Group's central unassigned costs and net financial items, plus Veidekke's PPP role (Public-Private Partnership).					
<b>GROUP ELIMINATIONS</b>					
Revenue	-299	-394	-1 229	-957	-1 444
Operating expenses	302	390	1 247	933	1 413
Share of net income from joint ventures	-	-	-	-	-
Depreciation/impairment	-	-	-	-	-
<b>Operating profit (EBIT)</b>	<b>3</b>	<b>-4</b>	<b>18</b>	<b>-24</b>	<b>-32</b>
Net financial items	-	2	1	2	3
<b>Profit before tax (EBT)</b>	<b>3</b>	<b>-2</b>	<b>19</b>	<b>-23</b>	<b>-28</b>
<b>TOTAL VEIDEKKE GROUP SEGMENT ACCOUNTS</b>					
Revenue	7 447	5 946	21 413	17 178	24 509
Operating expenses	-6 806	-5 502	-20 255	-16 375	-23 261
Share of net income from joint ventures	75	30	181	107	161
Depreciation/impairment	-119	-90	-337	-266	-372
<b>Operating profit (EBIT)</b>	<b>598</b>	<b>383</b>	<b>1 002</b>	<b>644</b>	<b>1 037</b>
Net financial items	-1	7	30	22	6
<b>Profit before tax (EBT)</b>	<b>597</b>	<b>390</b>	<b>1 032</b>	<b>666</b>	<b>1 043</b>
<b>Total assets, segment</b>	<b>15 505</b>	<b>13 907</b>	<b>15 505</b>	<b>13 907</b>	<b>13 752</b>

## RECONCILIATION OF SEGMENT ACCOUNTS AND FINANCIAL ACCOUNTS

NOK million

	Q3 2016	Q3 2015	At 30.9.2016	At 30.9.2015	2015
<b>TOTAL VEIDEKKE GROUP SEGMENT ACCOUNTS</b>					
Revenue	7 447	5 946	21 413	17 178	24 509
Operating expenses	-6 806	-5 502	-20 255	-16 375	-23 261
Share of net income from joint ventures	75	30	181	107	161
Depreciation/impairment	-119	-90	-337	-266	-372
	<b>598</b>	<b>383</b>	<b>1 002</b>	<b>644</b>	<b>1 037</b>
Net financial items	-1	7	30	22	6
<b>Profit before tax (EBT)</b>	<b>597</b>	<b>390</b>	<b>1 032</b>	<b>666</b>	<b>1 043</b>
<b>Total assets, segment</b>	<b>15 505</b>	<b>13 907</b>	<b>15 505</b>	<b>13 907</b>	<b>13 752</b>
<b>IFRIC 15 ADJUSTMENTS <sup>1) 2)</sup></b>					
Revenue	-402	-398	-925	-323	-284
Operating expenses	340	326	740	256	222
Share of net income from joint ventures	-36	-16	-46	-22	-30
Depreciation/impairment	-	-	-	-	-
<b>Operating profit (EBIT)</b>	<b>-98</b>	<b>-88</b>	<b>-231</b>	<b>-89</b>	<b>-93</b>
Net financial items	-	-	-	-	-
<b>Profit before tax (EBT)</b>	<b>-98</b>	<b>-88</b>	<b>-231</b>	<b>-89</b>	<b>-93</b>
<b>Total assets, segment</b>	<b>1 586</b>	<b>1 023</b>	<b>1 586</b>	<b>1 023</b>	<b>1 036</b>

<sup>1)</sup> Under IFRS, income and earnings for completed residential units are not recognised until the date on which the apartment is delivered to the buyer. In the internal monitoring of residential projects, the reporting is on a percentage of completion basis, which means that revenue and expenses are recognised by reference to the project's estimated final profit x stage of completion x sales rate.

<sup>2)</sup> See also the accompanying notes, item 2 Accounting policies.

	Q3 2016	Q3 2015	At 30.9.2016	At 30.9.2015	2015
<b>TOTAL VEIDEKKE GROUP</b>					
Revenue	7 045	5 548	20 489	16 855	24 225
Operating expenses	-6 467	-5 177	-19 515	-16 119	-23 039
Share of net income from joint ventures	39	13	135	85	130
Depreciation/impairment	-119	-90	-337	-266	-372
<b>Operating profit (EBIT)</b>	<b>500</b>	<b>294</b>	<b>771</b>	<b>555</b>	<b>944</b>
Net financial items	-1	7	30	22	6
<b>Profit before tax (EBT)</b>	<b>499</b>	<b>302</b>	<b>801</b>	<b>578</b>	<b>950</b>
<b>Total assets, segment</b>	<b>17 091</b>	<b>14 946</b>	<b>17 091</b>	<b>14 946</b>	<b>14 788</b>

**Construction operations by country**

NOK million

	<b>Q3 2016</b>	<b>Q3 2015</b>	<b>At 30.9.2016</b>	<b>At 30.9.2015</b>	<b>2015</b>
<b>CONSTRUCTION NORWAY</b>					
Revenue	3 685	2 742	10 903	8 406	12 031
Operating expenses	-3 418	-2 595	-10 293	-8 032	-11 439
Share of net income from joint ventures	-	-	-	-	4
Depreciation/impairment	-53	-32	-151	-96	-142
<b>Operating profit (EBIT)</b>	<b>214</b>	<b>115</b>	<b>460</b>	<b>278</b>	<b>454</b>
Net financial items	2	11	19	35	38
<b>Profit before tax (EBT)</b>	<b>216</b>	<b>127</b>	<b>479</b>	<b>313</b>	<b>493</b>
<b>Total assets, segment</b>	<b>7 184</b>	<b>5 993</b>	<b>7 184</b>	<b>5 993</b>	<b>6 300</b>
<b>CONSTRUCTION SWEDEN</b>					
Revenue	1 714	1 405	5 577	4 067	6 156
Operating expenses	-1 658	-1 372	-5 455	-3 974	-6 032
Share of net income from joint ventures	-3	1	4	5	9
Depreciation/impairment	-18	-17	-54	-49	-67
<b>Operating profit (EBIT)</b>	<b>35</b>	<b>17</b>	<b>73</b>	<b>49</b>	<b>66</b>
Net financial items	-1	-5	-3	-1	-10
<b>Profit before tax (EBT)</b>	<b>35</b>	<b>12</b>	<b>70</b>	<b>49</b>	<b>56</b>
<b>Total assets, segment</b>	<b>2 258</b>	<b>1 887</b>	<b>2 258</b>	<b>1 887</b>	<b>2 255</b>
<b>CONSTRUCTION DENMARK</b>					
Revenue	459	354	1 199	1 186	1 608
Operating expenses	-425	-329	-1 125	-1 121	-1 510
Share of net income from joint ventures	-	-	-	-	-
Depreciation/impairment	-3	-2	-7	-6	-8
<b>Operating profit (EBIT)</b>	<b>31</b>	<b>23</b>	<b>66</b>	<b>59</b>	<b>91</b>
Net financial items	1	1	3	4	5
<b>Profit before tax (EBT)</b>	<b>32</b>	<b>24</b>	<b>69</b>	<b>63</b>	<b>96</b>
<b>Total assets, segment</b>	<b>952</b>	<b>995</b>	<b>952</b>	<b>995</b>	<b>1 095</b>
<b>TOTAL CONSTRUCTION</b>					
Revenue	5 858	4 501	17 680	13 660	19 795
Operating expenses	-5 501	-4 296	-16 873	-13 127	-18 981
Share of net income from joint ventures	-3	1	4	5	14
Depreciation/impairment	-74	-51	-212	-151	-217
<b>Operating profit (EBIT)</b>	<b>281</b>	<b>156</b>	<b>599</b>	<b>387</b>	<b>611</b>
Net financial items	2	8	19	38	33
<b>Profit before tax (EBT)</b>	<b>283</b>	<b>163</b>	<b>619</b>	<b>425</b>	<b>644</b>
<b>Total assets, segment</b>	<b>10 393</b>	<b>8 874</b>	<b>10 393</b>	<b>8 874</b>	<b>9 651</b>

**Property development by country**

NOK million

	<b>Q3 2016</b>	<b>Q3 2015</b>	<b>At 30.9.2016</b>	<b>At 30.9.2015</b>	<b>2015</b>
<b>PROPERTY DEVELOPMENT NORWAY</b>					
Revenue	54	43	190	326	413
Operating expenses	-70	-55	-215	-298	-362
Share of net income from joint ventures	51	16	139	64	100
Depreciation/impairment	-	-	-	-	-1
<b>Operating profit (EBIT)</b>	<b>35</b>	<b>4</b>	<b>114</b>	<b>92</b>	<b>150</b>
Net financial items	-3	2	-8	-4	-4
<b>Profit before tax (EBT)</b>	<b>32</b>	<b>6</b>	<b>106</b>	<b>88</b>	<b>146</b>
<b>Total assets, segment</b>	<b>2 446</b>	<b>1 955</b>	<b>2 446</b>	<b>1 955</b>	<b>2 026</b>
<b>PROPERTY DEVELOPMENT SWEDEN</b>					
Revenue	400	436	1 678	1 225	1 712
Operating expenses	-325	-395	-1 463	-1 137	-1 573
Share of net income from joint ventures	17	3	17	10	15
Depreciation/impairment	-	-	-	-	-1
<b>Operating profit (EBIT)</b>	<b>92</b>	<b>44</b>	<b>233</b>	<b>97</b>	<b>155</b>
Net financial items	1	2	2	3	5
<b>Profit before tax (EBT)</b>	<b>93</b>	<b>45</b>	<b>234</b>	<b>100</b>	<b>159</b>
<b>Total assets, segment</b>	<b>2 279</b>	<b>2 179</b>	<b>2 279</b>	<b>2 179</b>	<b>2 338</b>
<b>TOTAL PROPERTY DEVELOPMENT</b>					
Revenue	454	479	1 868	1 551	2 126
Operating expenses	-395	-450	-1 678	-1 435	-1 935
Share of net income from joint ventures	69	19	157	74	115
Depreciation/impairment	-	-	-1	-1	-1
<b>Operating profit (EBIT)</b>	<b>127</b>	<b>47</b>	<b>347</b>	<b>189</b>	<b>305</b>
Net financial items	-2	4	-7	-1	1
<b>Profit before tax (EBT)</b>	<b>125</b>	<b>52</b>	<b>340</b>	<b>189</b>	<b>306</b>
<b>Total assets, segment</b>	<b>4 725</b>	<b>4 135</b>	<b>4 725</b>	<b>4 135</b>	<b>4 364</b>

**C. STATEMENT OF CHANGES IN EQUITY**

Equity holders of Veidekke ASA

NOK million

	Share capital	Other paid-in capital <sup>1)</sup>	Currency translation differences	Other retained earnings	Fair value adjustment <sup>2)</sup>	Total	Non-controlling interests	Total
<b>Equity at 1 January 2015</b>	<b>67</b>	<b>305</b>	<b>26</b>	<b>2 369</b>	<b>-94</b>	<b>2 673</b>	<b>71</b>	<b>2 744</b>
Profit for the period	-	-	-	451	-	451	11	462
Other comprehensive income	-	-	65	-	-10	56	1	57
IFRS 2 - share-based transactions employees	-	-	-	-11	-	-11	-	-11
Changes in non-controlling interests	-	-	-	-	-	-	-3	-3
Dividend	-	-	-	-468	-	-468	-15	-483
<b>Equity at 30 Sept 2015</b>	<b>67</b>	<b>305</b>	<b>92</b>	<b>2 342</b>	<b>-103</b>	<b>2 701</b>	<b>64</b>	<b>2 766</b>
<b>Equity at 1 January 2016</b>	<b>67</b>	<b>305</b>	<b>122</b>	<b>2 674</b>	<b>-94</b>	<b>3 073</b>	<b>145</b>	<b>3 218</b>
Profit for the period	-	-	-	635	-	635	26	661
Other comprehensive income	-	-	-130	-	-2	-133	-3	-136
IFRS 2 - share-based transactions employees	-	-	-	-11	-	-11	-	-11
Options, non-controlling interests	-	-	-	-20	-	-20	-	-20
Additions, acquisitions of operations - non-controlling interests	-	-	-	-	-	-	20	20
Changes in non-controlling interests	-	-	-	-	-	-	-1	-1
Dividend	-	-	-	-535	-	-535	-16	-551
<b>Equity at 30 Sept 2016</b>	<b>67</b>	<b>305</b>	<b>-9</b>	<b>2 742</b>	<b>-96</b>	<b>3 009</b>	<b>171</b>	<b>3 180</b>

<sup>1)</sup> Paid-in capital over and above nominal value of shares.<sup>2)</sup> Change in fair value of available-for-sale shares and hedging instruments that qualify for hedge accounting.

There have been no purchases of own shares in 2016.

## D. NOTES TO THE FINANCIAL STATEMENTS

### 1. General information

Veidekke is a Scandinavian construction and property development company headquartered in Oslo. The consolidated accounts for Q3 2016 include Veidekke ASA and its subsidiaries and the Group's investments in associates and joint ventures. At the end of Q3 2016, the Group comprised essentially the same entities as described in the 2015 annual report. Details of business combinations in 2016 can be found in note 8. The interim financial statements are unaudited.

### 2. Accounting policies

The Group presents its financial reports in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The quarterly accounts have been prepared in accordance with IAS 34 Interim Financial Reporting and are in line with the Stock Exchange Rules.

The quarterly accounts have been prepared using the same accounting policies as in the annual accounts for 2015.

The interpretation IFRIC 15 deals with the sale of completed residential units and plays a significant role in clarifying the Group's accounting. There are no changes in the accounting treatment of this area compared with previous years. The interpretation clarifies whether an arrangement comes under the scope of construction contracts (IAS 11) or sale of goods (IAS 18). The interpretation also clarifies when revenue and profit from property development projects are recognised in the accounts. This means that revenue and profit from the sale of completed residential units are recognised when a unit is contractually delivered to the buyer.

In its segment reporting, Veidekke recognises revenue on a percentage of completion basis, by reference to the project's estimated final outcome, stage of completion and sales rate. This is done to provide as correct a picture as possible of current value creation in the area of residential development and to ensure conformity with the Group's internal management reporting.

The interim financial statements do not include all the disclosures required in a full annual report and should therefore be read in connection with the Group's 2015 annual report, which is available online at [veidekke.com/en](http://veidekke.com/en).

### 3. Segment reporting

The Group consists of three segments: Construction, Property Development and Industrial. The segment results for Q3 2016 are presented in the table on page 13.

### 4. Estimates

Construction and property development projects represent a large part of Veidekke's operations. Accounting for project activities is largely based on estimates. Significant judgements used in applying the Group's accounting policies and the main sources of estimate uncertainty at the end of Q3 2016 are unchanged from those in the 2015 annual report.

### 5. Operations with significant seasonal fluctuations

The Group's asphalt and aggregates operations, which are reported under the Industrial business area, are subject to seasonal fluctuations as a result of climatic conditions. Most production takes place between May and October, and the majority of the revenues from operations accrue during these months. However, expenses related to administrative staff, maintenance of production equipment and depreciation are spread over the full year. This means that there will normally be significant fluctuations in the quarterly accounts for Veidekke's industrial operations.

	12-month rolling at 30.9 2016	12-month rolling at 30.9 2015	2015
<b>INDUSTRIAL <sup>1)</sup></b>			
Revenue	4 204	4 037	4 033
Profit before tax	167	201	190
<b>GROUP <sup>1)</sup></b>			
Revenue	28 745	23 797	24 509
Profit before tax	1 408	1 034	1 043

<sup>1)</sup> The figures are taken from the segment accounts.

**6. Non-currents assets**

PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS	NOK million				
	Q3 2016	Q3 2015	At 30.9.2016	At 30.9.2015	2015
<b>Carrying amount at start of period</b>	<b>2 577</b>	<b>2 050</b>	<b>2 349</b>	<b>1 999</b>	<b>1 999</b>
Additions	145	86	526	278	516
Additions from acquisition of operations	3	8	101	71	199
Depreciation and amortisation	-119	-90	-337	-266	-372
Currency translation differences etc.	-21	25	-43	17	34
Disposals	-5	-3	-14	-22	-26
<b>Carrying amount at end of period</b>	<b>2 580</b>	<b>2 077</b>	<b>2 580</b>	<b>2 077</b>	<b>2 349</b>
Other intangible assets	128	110	128	110	104
Land and buildings	550	545	550	545	556
Plant and machinery	1 903	1 422	1 903	1 422	1 689
<b>Carrying amount at end of period</b>	<b>2 580</b>	<b>2 077</b>	<b>2 580</b>	<b>2 077</b>	<b>2 349</b>

GOODWILL	NOK million				
	Q3 2016	Q3 2015	At 30.9.2016	At 30.9.2015	2015
<b>Carrying amount at start of period</b>	<b>1 216</b>	<b>799</b>	<b>1 151</b>	<b>804</b>	<b>804</b>
Additions	56	86	146	86	310
Impairment	-	-	-	-	-
Currency translation differences	-27	28	-53	24	37
Disposals	-	-	-	-	-
<b>Carrying amount at end of period</b>	<b>1 244</b>	<b>913</b>	<b>1 244</b>	<b>913</b>	<b>1 151</b>

**7. Residential projects**

	NOK million		
	At 30.9.2016	At 30.9.2015	2015
Units under construction	1 853	1 117	1 158
Completed units for sale	53	47	48
Residential sites for development	2 250	2 117	2 137
Non-residential projects	9	28	12
<b>Total residential projects</b>	<b>4 165</b>	<b>3 309</b>	<b>3 355</b>
<b>Residential projects in joint ventures</b>	<b>1 061</b>	<b>907</b>	<b>970</b>
Units under construction <sup>1)</sup>	2 146	1 684	1 739
Sale rate, units under construction <sup>1)</sup>	93%	86%	90%
Unsold, completed units <sup>1)</sup>	24	21	18

<sup>1)</sup> Including Veidekke's share in joint ventures.

## 8. Acquisitions / sales of operations

On 11 January 2016 Veidekke Entreprenør AS acquired 80% of the shares in the civil engineering contractor Tore Løkke AS in Sør-Trøndelag. This company undertakes contracts all over Norway and has 78 employees. According to the financial statements for 2015, the company had revenue of NOK 132 million and profit before tax of NOK 2 million in 2015. The expected purchase price for 80% of the shares is NOK 80 million, of which NOK 68 million was paid on takeover. NOK 44 million has been allocated to goodwill, including the non-controlling party's share. On the acquisition date, the company had NOK 12 million in cash. There is a sale and purchase option on the remaining 20% of the shares. The price will be determined on the basis of expected future earnings and is expected to be NOK 20 million. The purchase price allocation is preliminary.

Veidekke Entreprenad AB acquired Åkersberga Lastbilcentral AB on 1 April 2016. The company owns gravel and dumping rights in the central Stockholm area and provides earthwork services. The company reported revenues of NOK 115 million for 2015 and profit before tax of NOK 11 million. The purchase price for the company was NOK 50 million, NOK 7 million of which will not be paid until 2017. The company had NOK 28 million in cash on the acquisition date. NOK 7 million has been allocated to goodwill. The purchase price allocation is preliminary.

Hoffmann A/S acquired the companies Alpedalens VVS AS, Installationsgruppen AS and Techniq Installation AS on 23 June 2016. The companies reported revenues of NOK 110 million for 2015 and a profit of NOK 11 million. The companies have 60 employees in total. The acquisition strengthens Veidekke's expertise and own production in the western part of Denmark in technical disciplines such as electrical installations, HVAC and sanitary installations. The purchase price was NOK 59 million. The company had NOK 16 million in cash on the acquisition date. NOK 37 million has been allocated to goodwill. The purchase price allocation is preliminary.

On 4 July 2016 Veidekke Entreprenad AB acquired 100% of the shares in the company AB Berggren & Bergman, which is engaged in civil engineering operations in northern Sweden. This acquisition complements Veidekke's existing civil engineering operations in the area. The company has 45 employees and in 2015 had revenue of NOK 171 million and a profit of NOK 10 million. The purchase price for the company was NOK 60 million. The company had NOK 4 million in cash on the acquisition date. NOK 56 million has been allocated to goodwill. The purchase price allocation is preliminary.

## 9. Special items

In the first quarter of 2016 Veidekke reduced its holding in the two companies that are the contract partners for the PPP projects Rykkinn School and Jessheim College from 100% to 50%. PPP (Public-Private Partnership) projects are a collaboration between a public and a private operator on a building construction project, where a municipality or government agency orders a service, which in these cases relates to lease of a school for a period of 25 years. These transactions resulted in a gain in the financial statements of NOK 23 million, which was recognised in Q1 2016. The gain has been included under the business area «Other operations» and is classified as financial income.

Property Development Norway sold a commercial lot in Asker in the second quarter of 2016, which generated an accounting gain of NOK 36 million.

Changes in the disability pension rules of the Occupational Pensions Act came into force on 1 January 2016. The Act is intended to ensure that private disability pension schemes are adapted to the Norwegian National Insurance Scheme's rules on disability benefit. As a result of the changes in the rules, in the third quarter Veidekke terminated the company's disability pension scheme for employees in Norway and from the same date established a new scheme with corresponding coverage, but without the accumulation of paid-up value. Discontinuation of the old scheme has had a positive effect on profits of NOK 90 million in Q3, of which NOK 70 million is in Construction Norway, NOK 15 million is in Industrial, NOK 2.5 million is in Property Development Norway, and NOK 2.5 million is in Other Operations. The gain has been classified as reduced operating expenses and pension liabilities in the accounts.

## 10. Financial instruments

There were no significant changes relating to financial risk or the Group's use of financial instruments during the period. Further details can be found in the 2015 Annual Report.

## 11. Dividend

A dividend of NOK 4.0 per share, totalling NOK 535 million, was paid for the 2015 financial year. The dividend was adopted by the Annual General Meeting on 10 May 2016 and was recognised in Q2 2016.

## 12. Covenants associated with loan agreements

On 28 October 2015 Veidekke signed a new five-year loan agreement with DNB ASA, with a credit limit of NOK 3.6 billion. This loan matures on 2 November 2020. At 30 September 2016, unutilised borrowing facilities amounted to NOK 2.7 billion.

1. Net interest-bearing debt divided by EBITDA for the previous four quarters shall not exceed 3.5. At 30 September 2016, the ratio was 0.7.

2. The Group's own projects shall not exceed 75% of the Group's book equity. At 30 September 2016, the share of the Group's own projects was 13%.

Definitions:

Net interest-bearing debt is the Group's current and non-current interest-bearing liabilities minus the Group's cash and cash equivalents and interest-bearing receivables.

EBITDA is the Group's operating profit plus depreciation and impairment.

Share of own projects is the value of started, unsold homes and commercial buildings in projects implemented under the control of the borrower or another Group company, and is calculated based on the expected sales price, with a minimum set at cost price.

**13. Events after the reporting date**

No events have occurred after the reporting date that would have any significant effect on the submitted accounts.

**14. Deferred revenue recognition in accounting for sales of completed homes under IFRIC 15**

The interpretation IFRIC 15, Agreements for the Construction of Real Estate, does not allow entities to recognise revenues and profit from the sale of completed homes until the property has been contractually delivered to the buyer. In its internal monitoring, Veidekke recognises revenue for these projects on a percentage of completion basis by reference to the project's estimated final outcome, stage of completion and sales ratio. Segment reporting follows these principles.

**Summary of revenue and profit before tax recognised in segment reporting:**

NOK million

REVENUE	Q3 2016	Q3 2015	At 30.9.2016	At 30.9.2015	2015
Accumulated revenue from non-delivered projects at start of period	1 786	882	1 352	956	956
+ Revenue from non-delivered projects during the period	518	403	1 563	1 102	1 573
- Revenue from delivered projects during the period	-116	-6	-639	-779	-1 289
<b>Net IFRIC 15 adjustments to revenue</b>	<b>402</b>	<b>398</b>	<b>925</b>	<b>323</b>	<b>284</b>
+/- Currency translation differences	-116	78	-205	78	112
<b>Accumulated revenue from non-delivered projects at end of period</b>	<b>2 072</b>	<b>1 357</b>	<b>2 072</b>	<b>1 357</b>	<b>1 352</b>

NOK million

PROFIT BEFORE TAX	Q3 2016	Q3 2015	At 30.9.2016	At 30.9.2015	2015
Accumulated profit before tax from non-delivered projects at start of period	447	219	330	219	219
+ Profit before tax from non-delivered projects during the period	165	99	509	315	435
- Profit before tax from delivered projects during the period	-66	-11	-278	-226	-342
<b>Net IFRIC 15 adjustments to profit before tax</b>	<b>98</b>	<b>88</b>	<b>231</b>	<b>89</b>	<b>93</b>
+/- Currency translation differences	-20	14	-36	15	19
<b>Accumulated profit before tax from non-delivered projects at end of period</b>	<b>525</b>	<b>322</b>	<b>525</b>	<b>322</b>	<b>330</b>

At 30 September 2016, revenues of NOK 2 072 million and profit before tax of NOK 525 million had accrued on sales of units under construction. These amounts are recognised as revenue in the segment reporting, but under IFRS are not recognised until the homes are handed over.

**15. Calculation of return on capital invested in property development, 12-month rolling**

NOK million

	Average invested capital	Profit before tax	At 30.9.2016 Financial costs	Taxes in joint ventures	Return	At 30.9.2015 Return
Norway (NOK)	1 943	164	40	58	13.5%	13.8%
Sweden (SEK)	988	295	8	-	30.7%	15.4%
Denmark (DKK)	131	-	2	-	1.0%	2.0%
Currency translation differences	34	-1	-	-	-	-
<b>Total</b>	<b>3 095</b>	<b>458</b>	<b>50</b>	<b>58</b>	<b>18.3%</b>	<b>13.6%</b>

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Founded: 1936  
Head office: Skabos vei 4, Skøyen, 0278 Oslo

The Company's articles of association and corporate governance policy are available at: <http://veidekke.com/en/corporate-governance/>

**The Board of Directors consists of:**

Martin Mæland (Chairman)  
Per Otto Dyb (Deputy Chairman)  
Gro Bakstad  
Ingalill Berglund  
Ann-Christin Andersen  
Hans von Uthmann  
Odd Andre Olsen, employee representative  
Inge Ramsdal, employee representative  
Arve Fludal, employee representative

**Executive Management consists of:**

Arne Giske	President and CEO
Dag Andresen	Executive Vice President, responsible for construction operations in Norway
Jimmy Bengtsson	Executive Vice President, responsible for construction operations in Sweden
Jørgen Wiese Porsmyr	Executive Vice President, responsible for Industry and Property Norway and for operations in Denmark.
Terje Larsen,	CFO and Executive Vice President, responsible for Economy & Finance, IT, Procurement and Strategy
Hege Schøyen Dillner	Executive Vice President, responsible for HR, HSE, Environment and Legal
Lars Erik Lund	Executive Vice President, responsible for Communication and Public Affairs

**Investor Relations:**

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**Financial calendar:**

Fourth quarter: 9 February 2017

