



---

## 3<sup>RD</sup> QUARTER 2016

Investor presentation

Thursday 3 November 2016

---

---

# CONTENTS

## + Highlights

CEO Arne Giske

## + Results – segments and Group

CFO Terje Larsen

## + Status and outlook

CEO Arne Giske

---



Frederiksbjerg Skole in Aarhus won «2016 school building of the year» in Denmark



---

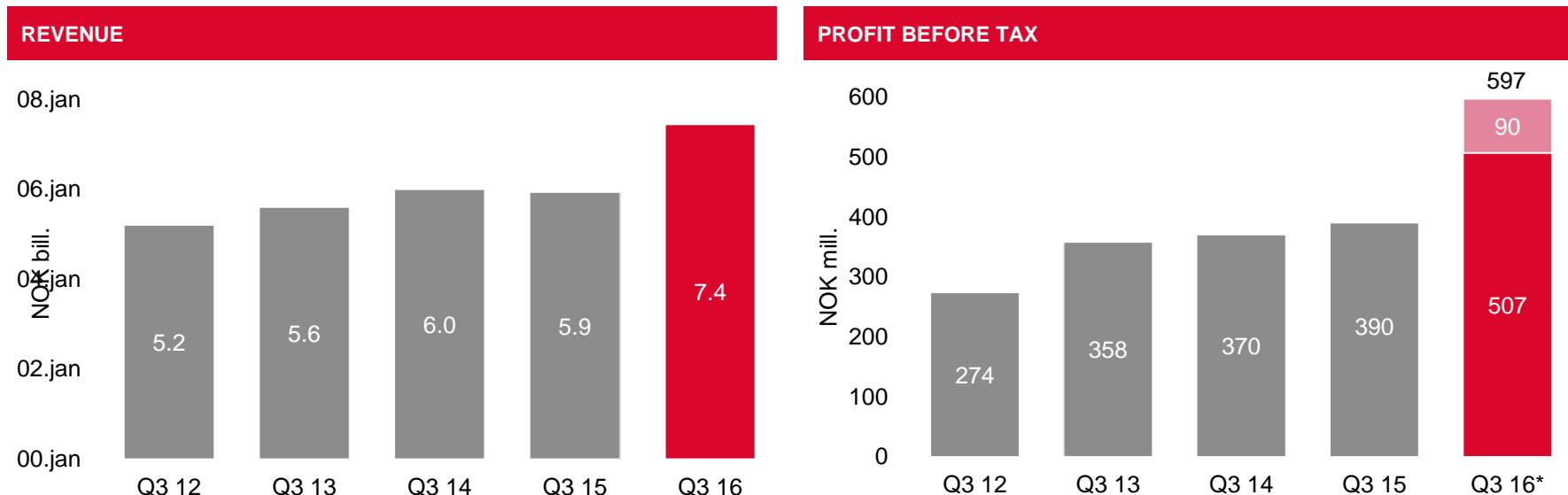
# PROGRESS AND HIGH LEVEL OF ACTIVITY

- + Revenue growth
- + High level of activity
- + Improved results



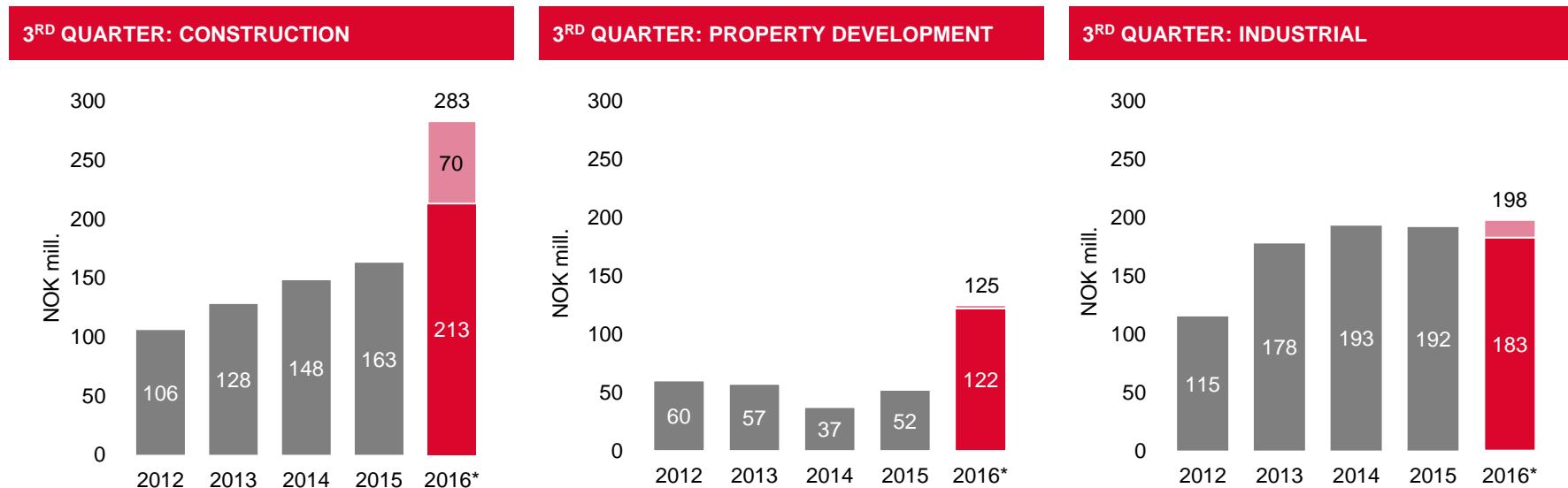
Good sales at Hagaterrassen, Stockholm

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



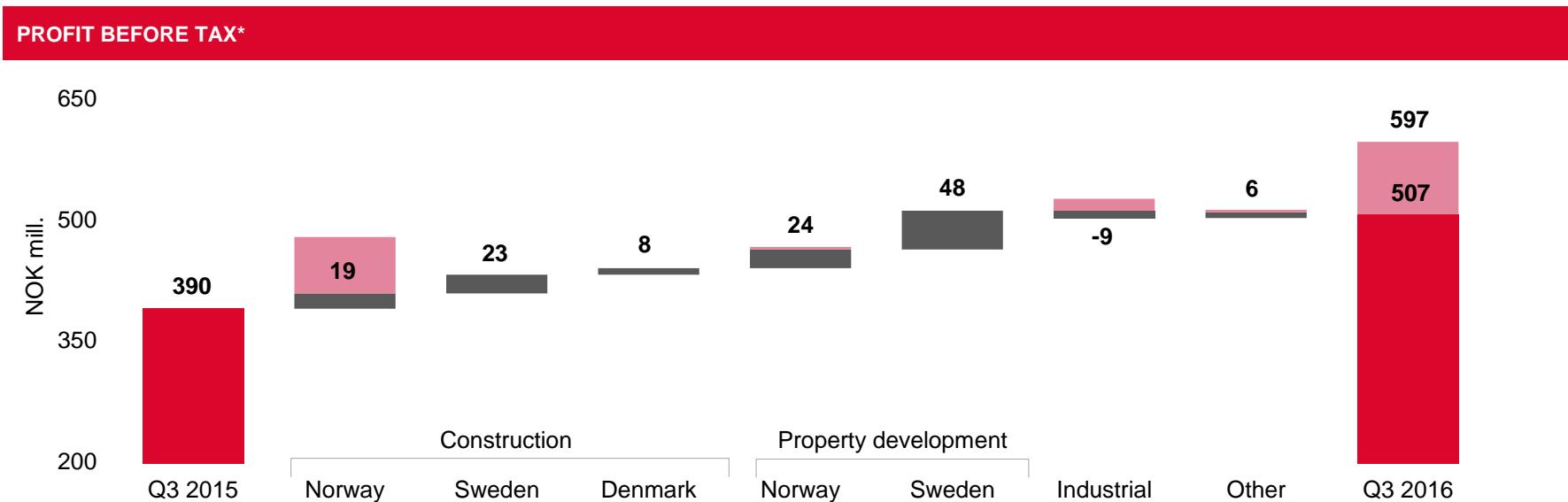
\* Positive one-off effect from changes to the disability pension scheme in Norway of NOK 90 mill.

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



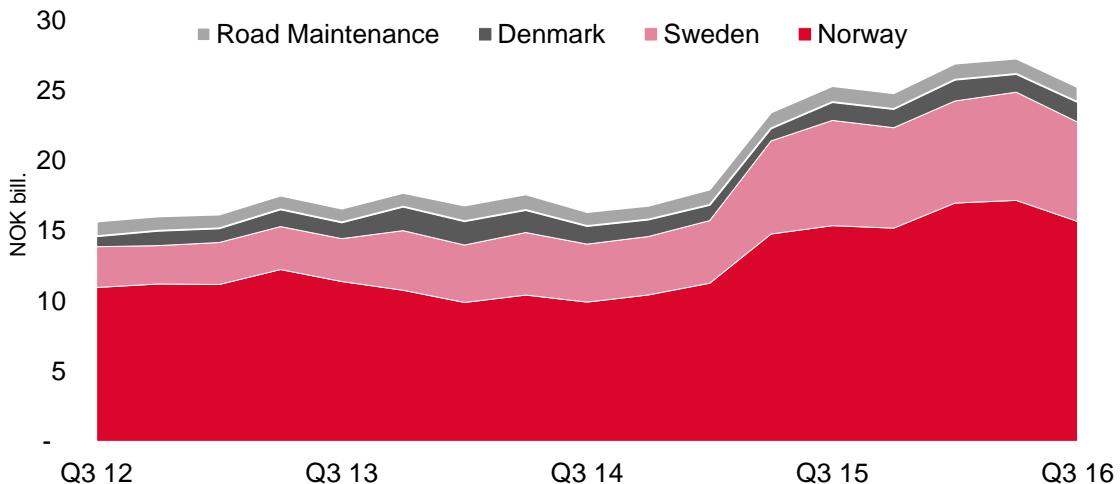
\* Positive one-off effect from changes to the disability pension scheme in Norway of NOK 90 mill. attributed to Construction with NOK 70 mill., NOK 15 mill. to Industrial, NOK 2.5 mill. to Property Development and NOK 2.5 mill. to Other.

# CHANGES IN PROFIT BEFORE TAX

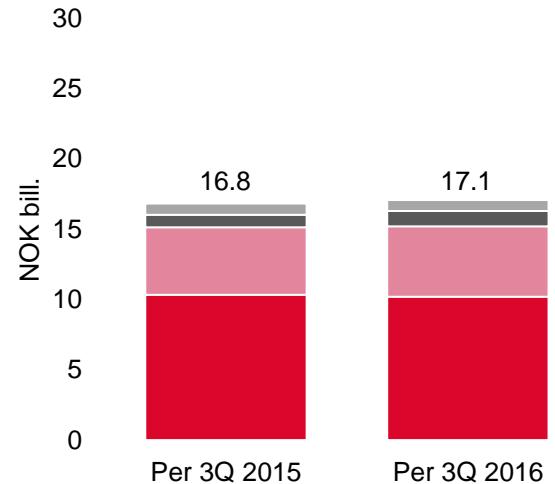


# ORDER BACKLOG

ORDER BACKLOG CONSTRUCTION AND INDUSTRIAL



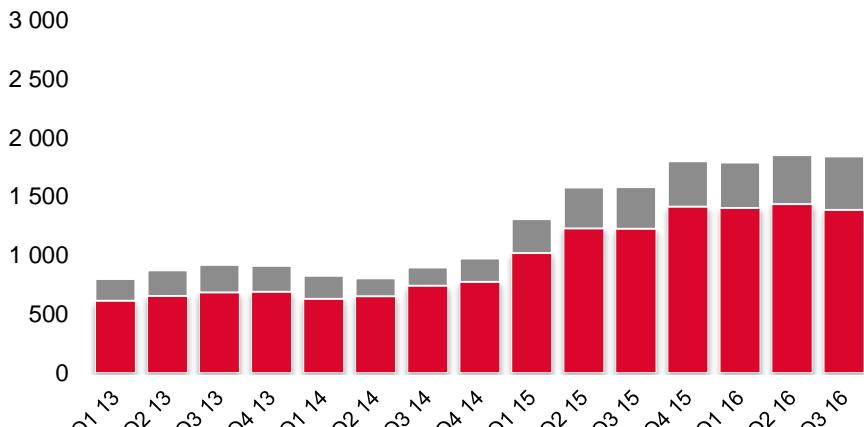
ORDERS IN REVENUE NEXT 12 MONTHS



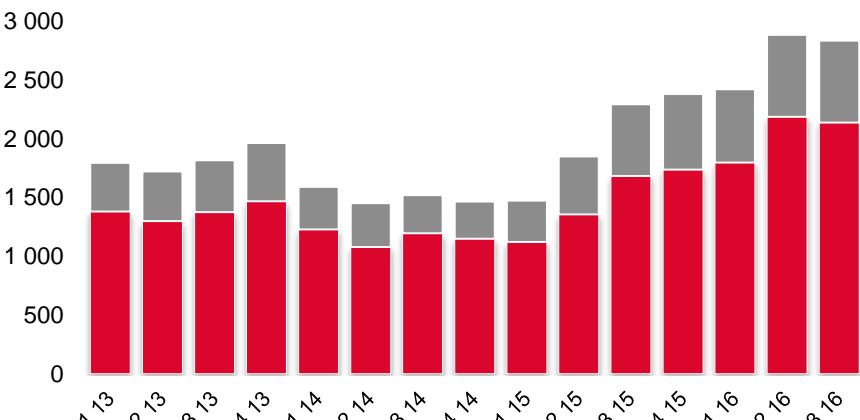
Order backlog for Industrial is presented as Road Maintenance next 18 months

# RESIDENTIAL SALES AND PRODUCTION

NO. OF UNITS SOLD\* – NORWAY AND SWEDEN

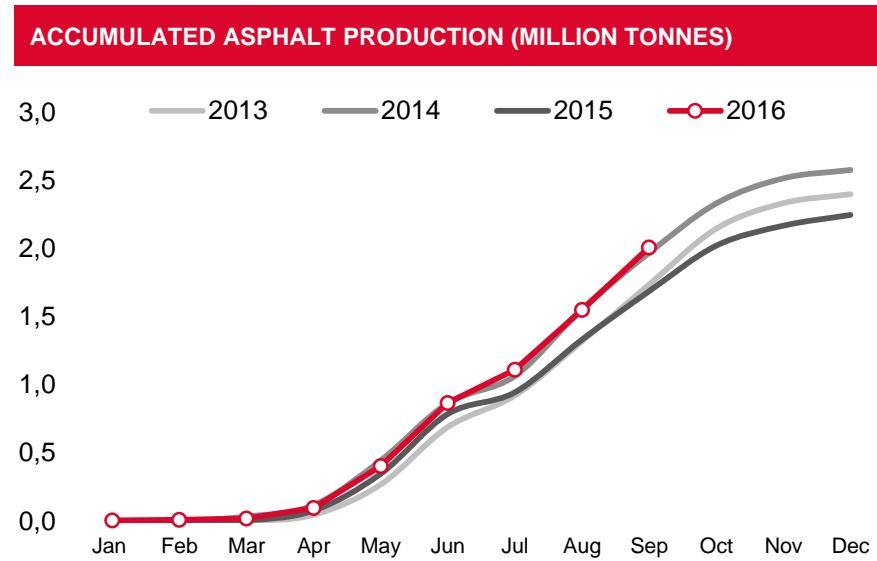
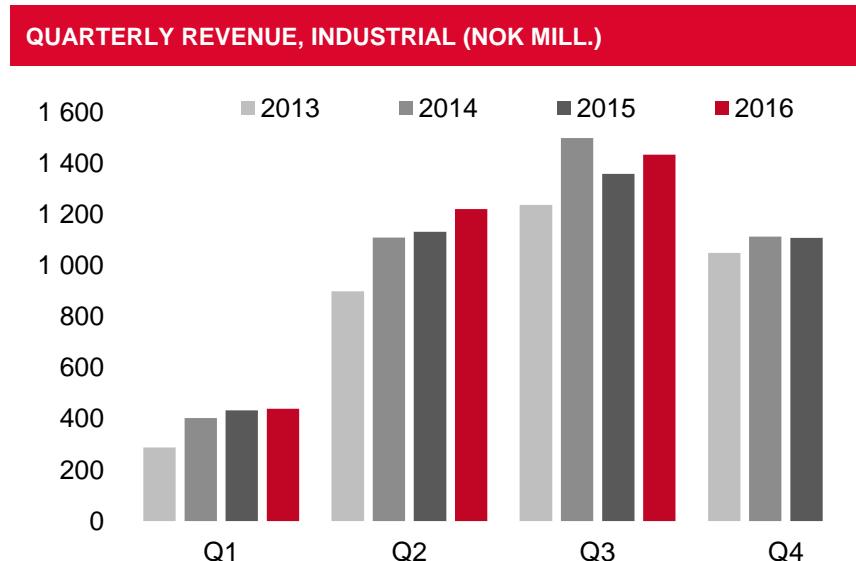


NO. OF UNITS UNDER CONSTRUCTION – NORWAY AND SWEDEN

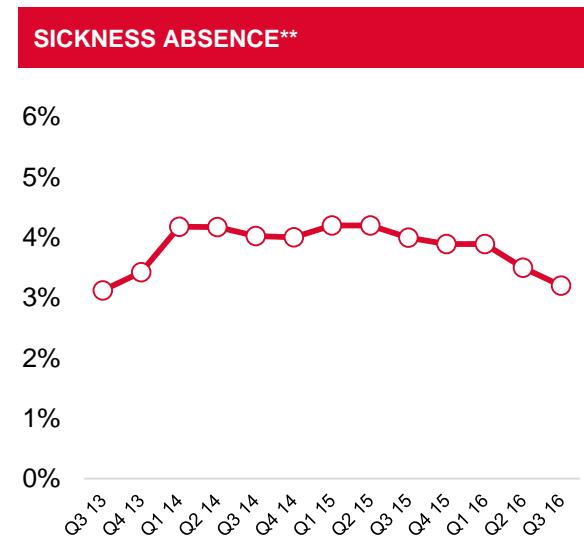
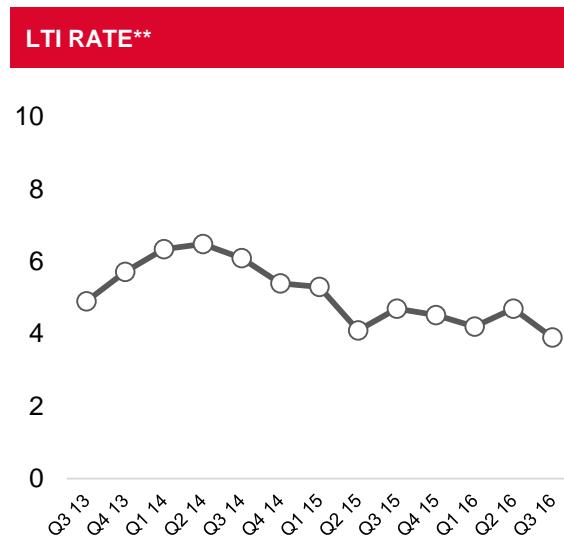
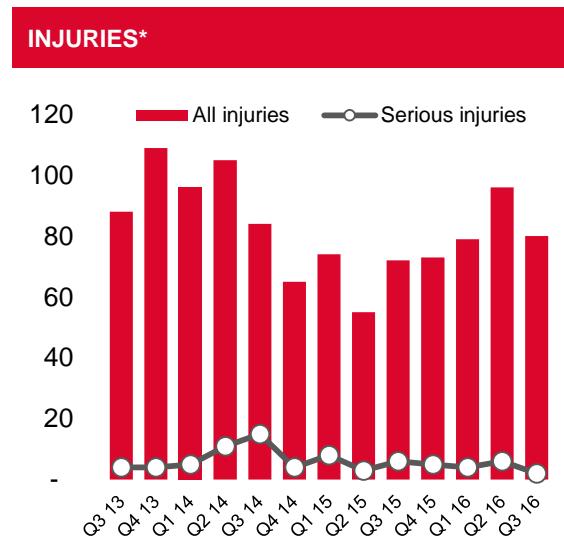


\*12-month rolling

# HIGH LEVEL OF ACTIVITY IN INDUSTRIAL



# 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)



Veidekke performs the civil engineering work at the new Munch museum in Oslo

---

## BUSINESS AREAS

---

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

Amounts in NOK million	3 <sup>rd</sup> quarter 2016			3 <sup>rd</sup> quarter 2015		
	Revenue	Profit*	Margin*	Revenue	Profit	Margin
Construction Norway*	3 685	216	5.9%	2 742	127	4.6%
Construction Sweden	1 714	35	2.0%	1 405	12	0.9%
Construction Denmark	459	32	7.0%	354	24	6.8%
<b>Total Construction*</b>	<b>5 858</b>	<b>283</b>	<b>4.8%</b>	<b>4 501</b>	<b>163</b>	<b>3.6%</b>
Property Development Norway*	54	32		43	6	
Property Development Sweden	400	93		436	45	
<b>Total Property Development</b>	<b>454</b>	<b>125</b>		<b>479</b>	<b>52</b>	
<b>Industrial*</b>	<b>1 434</b>	<b>198</b>	<b>13.8%</b>	<b>1 359</b>	<b>192</b>	<b>14.2%</b>
Other*	-299	-9		-394	-18	
<b>Total Group*</b>	<b>7 447</b>	<b>597</b>	<b>8.0%</b>	<b>5 946</b>	<b>390</b>	<b>6.6%</b>

\* 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

## +

### Significantly increased revenues

- $\frac{2}{3}$  of increase from Building Construction, regional variations
- $\frac{1}{3}$  of increase from Civil Engineering

## +

### Increased earnings from sales growth

- Margin excl. changes to pension scheme at 4.0%
- Building Construction – good overall profitability, but weak in regions affected by the market downturn in the oil sector
- Civil Engineering – profitability impacted by project write-downs and tendering work

## +

### Order backlog still at a high level

- 2% increase from the year before
- 9% decrease from last quarter

Amounts in NOK million	3 <sup>rd</sup> quarter		YTD	
	2016	2015	2016	2015
Revenue	3 685	2 742	10 903	8 406
Operating profit (EBIT)	214	115	460	278
Net financial items	2	11	19	35
Profit before tax (EBT)*	216	127	479	313
Profit margin*	5.9%	4.6%	4.4%	3.7%
Order backlog	15 675	15 375	15 675	15 375

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

# CONSTRUCTION SWEDEN

## +

### Increased revenues

- $\frac{3}{4}$  of increase from Building Construction
- $\frac{1}{4}$  of increase from Civil Engineering

## +

### Improved profitability

- Volume- and margin improvement
- Improved profitability within residential production

## +

### Order backlog still at a high level

- Stabile development since last quarter in local currency

Amounts in NOK million	3 <sup>rd</sup> quarter		YTD	
	2016	2015	2016	2015
Revenue	1 714	1 405	5 577	4 067
Operating profit (EBIT)	35	17	73	49
Net financial items	-1	-5	-3	-1
Profit before tax (EBT)	35	12	70	49
Profit margin	2.0%	0.9%	1.3%	1.2%
Order backlog	7 080	7 499	7 080	7 499

# CONSTRUCTION DENMARK

- +** Increased revenues
  - Higher activity and business acquisitions last quarter
- +** Profit- and margin improvement
  - High profitability in the project portfolio
- +** Increased order backlog in the quarter
  - Residential project in Copenhagen, own account
  - Several larger projects in the development phase

Amounts in NOK million	3 <sup>rd</sup> quarter		YTD	
	2016	2015	2016	2015
Revenue	459	354	1 199	1 186
Operating profit (EBIT)	31	23	66	59
Net financial items	1	1	3	4
Profit before tax (EBT)	32	24	69	63
Profit margin	7.0%	6.8%	5.8%	5.3%
Order backlog	1 429	1 306	1 429	1 306

# PROPERTY DEVELOPMENT IN NORWAY

- + High residential sales
  - Oslo area and Trondheim
- + Ongoing projects mostly in joint ventures
  - Joint venture projects do not generate accounting revenue, profit is stated after tax
- + Good result
  - Increased production
  - Tax-adjusted EBT at NOK 48 mill. (NOK 12 mill.)
- + Large number of units under construction
  - 2 projects with 33 units started
- + Return on invested capital of 13.5%\*

\*12-month rolling

16

Amounts in NOK million	3 <sup>rd</sup> quarter		YTD	
	2016	2015	2016	2015
Revenue	54	43	190	326
Operating profit (EBIT)	35	4	114	92
Net financial items	-3	2	-8	-4
Profit before tax (EBT)*	32	6	106	88
Invested capital	2 209	1 735	2 209	1 735
Veidekke's share				
Number of units sold	84	59	350	294
Numbers of units started	33	126	305	370
Units under construction	649	561	649	561
Sales ratio (under construction)	86%	65%	86%	65%

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



# PROPERTY DEVELOPMENT SWEDEN

- + High residential sales and high sales ratio
- + Strong result improvement
- + Large number of units under construction
  - One project with 21 units started
  - Several units expected to start construction in 4<sup>th</sup> quarter
- + Return on invested capital of 30.7%\*
- + Continued strong housing market
  - Signs that the market is leveling off

Amounts in NOK million	3 <sup>rd</sup> quarter		YTD	
	2016	2015	2016	2015
Revenue	400	436	1 678	1 225
Operating profit (EBIT)	92	44	233	97
Net financial items	1	2	2	3
Profit before tax (EBT)	93	45	234	100
Invested capital	923	874	923	874
Veidekke's share				
Number of units sold	135	210	684	771
Numbers of units started	75	207	686	543
Units under construction	1 497	1 123	1 497	1 123
Sales ratio (under construction)	96%	97%	96%	97%

\*12-month rolling

# INDUSTRIAL

- + High level of activity and good overall result
- + Asphalt
  - High revenue
  - Good operations and strong result
- + Aggregates
  - Increased revenue and profit
- + Road Maintenance
  - Weak result with large variation in project profitability
  - Loss provisions of NOK 30 million for future losses in four maintenance contracts expiring in 2019
  - Restructuring in progress

Amounts in NOK million	3 <sup>rd</sup> quarter		YTD	
	2016	2015	2016	2015
Revenue	1 434	1 359	3 095	2 924
Operating profit (EBIT)	198	197	113	141
Net financial items	0	-4	-10	-16
Profit before tax (EBT)*	198	192	103	125
Profit margin*	13,8%	14,2%	3,3%	4,3%
Order backlog**	1 066	1 146	1 066	1 146

Amounts in NOK million (Q3 2016)	Asphalt	Maintenance	Aggregates
Revenue	1 054	217	163
Profit before tax (EBT)*	203	-39	34

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

\*\* Order backlog for Industrial is presented as Road Maintenance next 18 months





---

# FINANCIAL STATEMENTS

IFRS

---

# INCOME STATEMENT

Amounts in NOK million	3 <sup>rd</sup> quarter		YTD	
	2016	2015	2016	2015
<b>Revenue</b>	<b>7 045</b>	<b>5 548</b>	<b>20 489</b>	<b>16 855</b>
Operating expenses	-6 467	-5 177	-19 515	-16 119
Share of net income from associates and JVs	39	13	135	85
Depreciation/impairment	-119	-90	-337	-266
<b>Operating profit*</b>	<b>500</b>	<b>294</b>	<b>771</b>	<b>555</b>
Net financial income	-1	7	30	22
<b>Profit before tax</b>	<b>499</b>	<b>302</b>	<b>801</b>	<b>577</b>
Income tax expense	-80	-60	-140	-115
<b>Profit after tax</b>	<b>419</b>	<b>241</b>	<b>661</b>	<b>462</b>
Of which non-controlling interests	2	5	26	11
<b>Profit after tax (net)</b>	<b>417</b>	<b>237</b>	<b>635</b>	<b>451</b>
<b>Earnings per share (NOK)</b>	<b>3.1</b>	<b>1.8</b>	<b>4.7</b>	<b>3.4</b>
<b>Profit before tax, segment</b>	<b>597</b>	<b>390</b>	<b>1 032</b>	<b>666</b>

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

# BALANCE SHEET – ASSETS

Amounts in NOK million	30.09.2016	30.09.2015	31.12.2015
Goodwill and other intangible assets	1 372	1 024	1 255
Deferred tax assets	65	54	65
Land and buildings	550	545	556
Plant and machinery	1 903	1 422	1 689
Investments in associates and 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>
Non-residential and residential projects	4 165	3 309	3 355
Inventories	369	387	310
Trade and other receivables	6 523	5 782	5 171
Cash and cash equivalents	337	729	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>

# BALANCE SHEET – EQUITY AND LIABILITIES

Amount in NOK million	30.09.2016	30.09.2015	31.12.2015
<b>Equity</b>	<b>3 180</b>	<b>2 766</b>	<b>3 218</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>
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>Net interest-bearing debt</b>	<b>1 183</b>	<b>927</b>	<b>606</b>

# STATEMENT OF CASH FLOWS

Amounts in NOK million	YTD 2016				YTD 2015	
	Construction	Property Development	Industrial	Other <sup>1)</sup>	Group	Group
<b>Profit before tax</b>	<b>649</b>	<b>340</b>	<b>103</b>	<b>-291</b>	<b>801</b>	<b>577</b>
Depreciation/impairment	212	1	123	2	337	266
Other working capital	-251	-358	-314	343	-580	-1 117
<b>Cash flow from operating activities</b>	<b>610</b>	<b>-17</b>	<b>-89</b>	<b>55</b>	<b>558</b>	<b>-274</b>
Acquisition/disposal of PPE	-301	-5	-174	-13	-494	-236
Other investing activities	-144	16	4	-196	-320	-165
<b>Cash flow from investing activities</b>	<b>-445</b>	<b>11</b>	<b>-171</b>	<b>-209</b>	<b>-814</b>	<b>-401</b>
Dividend paid	-	-	-	-535	-535	-468
Other financial items	-48	-37	-20	318	213	-57
<b>Cash flow from financing activities</b>	<b>-48</b>	<b>-37</b>	<b>-20</b>	<b>-217</b>	<b>-322</b>	<b>-525</b>
<b>Change in net interest-bearing debt</b>	<b>117</b>	<b>-43</b>	<b>-280</b>	<b>-372</b>	<b>-578</b>	<b>-1 200</b>
<b>Invested capital at 30.09<sup>2)</sup></b>		<b>3 272</b>	<b>1 483</b>		<b>4 941</b>	<b>4 672</b>

\*1) Includes IFRS adjustments and Group eliminations

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



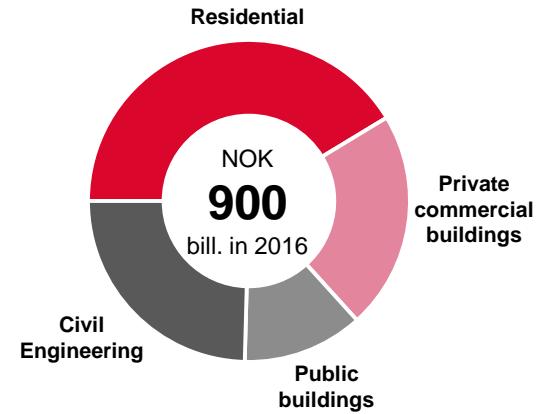
«Utsikten» at Gularfjellet

---

# STATUS AND OUTLOOK

---

# A GROWING AND CHANGING SCANDINAVIAN MARKET



# CONSTRUCTION MARKET FORECASTS



	2015 NOK bill.	2016 growth	2017 growth
Residential	<b>130</b>	5%	5%
Private comm. buildings	<b>55</b>	-2%	-2%
Public buildings	<b>35</b>	3%	3%
Civil Engineering	<b>80</b>	7%	7%
<b>Construction total</b>	<b>299</b>	4%	4%



	2015 NOK bill.	2016 growth	2017 growth
	<b>150</b>	15%	2%
	<b>102</b>	4%	1%
	<b>42</b>	7%	5%
	<b>78</b>	3%	6%
	<b>372</b>	9%	3%



	2015 NOK bill.	2016 growth	2017 growth
	<b>61</b>	5%	10%
	<b>21</b>	3%	7%
	<b>27</b>	-2%	-2%
	<b>49</b>	3%	-2%
	<b>158</b>	3%	4%

Sources: SSB, SCB, DST and Veidekke

# HIGH LEVEL OF ACTIVITY IN BUILDING CONSTRUCTION



Hotel, commercial buildings and residential, Vitaminveien, Oslo



Diagonale by the Oslo Opera House



Bragenes Torg, Drammen



Research facilities at Karolinska Institutet, Huddinge



Danish Centre for Particle Therapy, Aarhus



Svea Symfoni, Stockholm



Pyramiden, Stockholm



Horten upper secondary school



Revetal lower secondary school, Vestfold



Vrå school, Knivsta at Uppsala

# LARGE VARIATION IN CIVIL ENGINEERING PROJECTS



Water and sewerage installations



Groundwork



Tunnel



0-6 km  
Avalanche protection



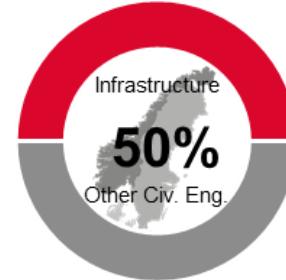
Power- and industrial plants



Environmental clean-up



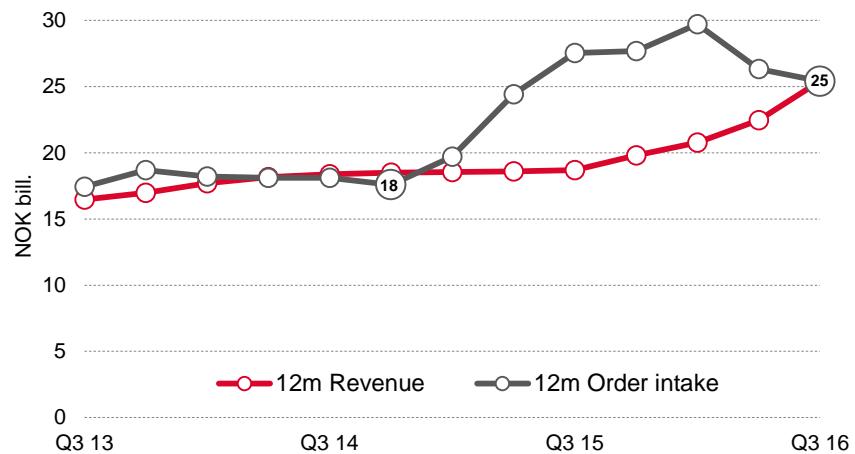
Railway



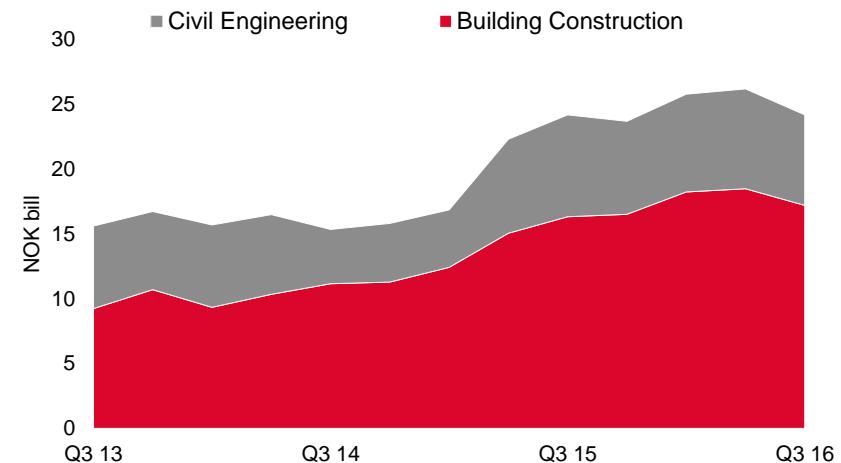
Road construction

# HIGH ORDER INTAKE AND REVENUE GROWTH

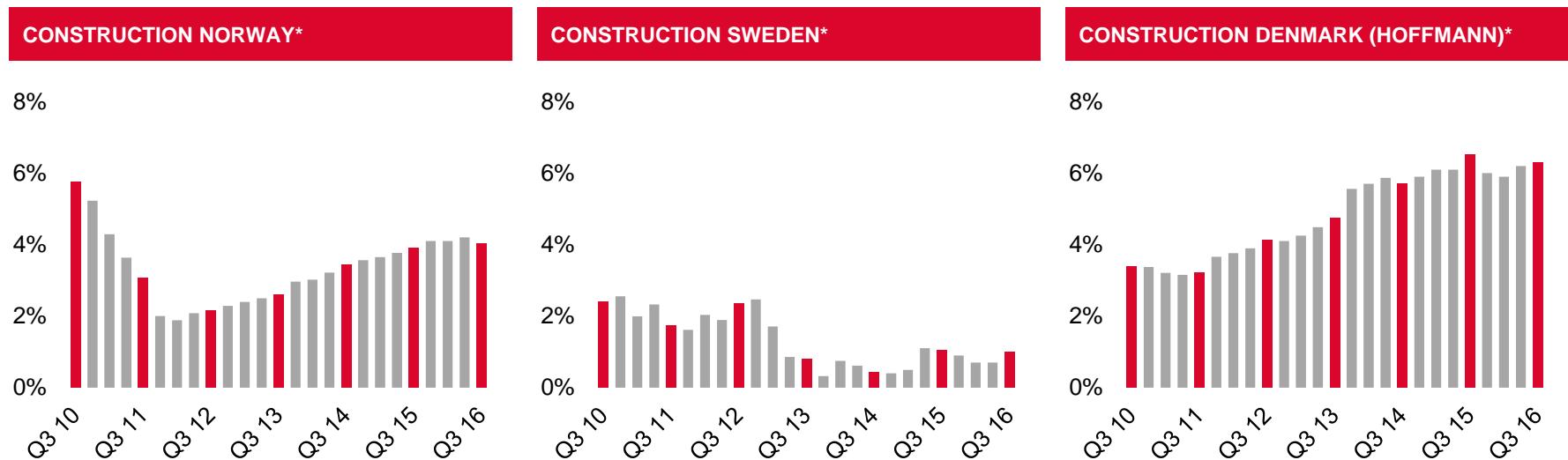
REVENUE AND ORDER INTAKE (“BOOK-TO-BILL RATIO” 1,00)



BUILDING CONSTR. ACCOUNTS FOR >70 % OF THE ORDER RESERVE



# PROFIT MARGIN CONSTRUCTION



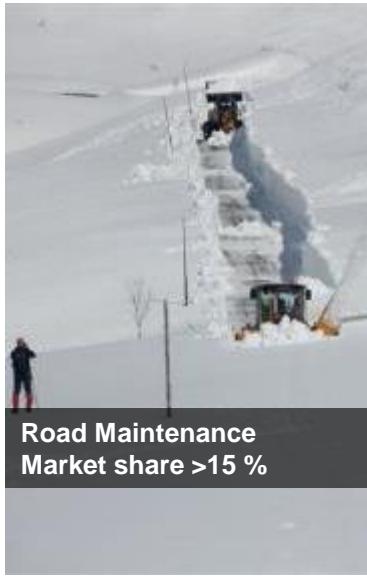
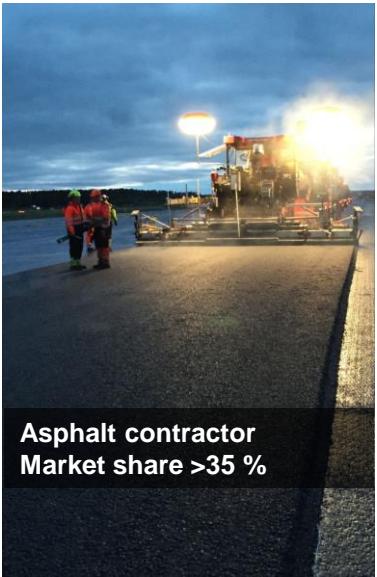
\*12-month rolling. For Norway is the profit margin exclusive positive one-off effect from changes to the disability pension scheme in Q3 2016

# GOOD DEVELOPMENT FOR INDUSTRIAL

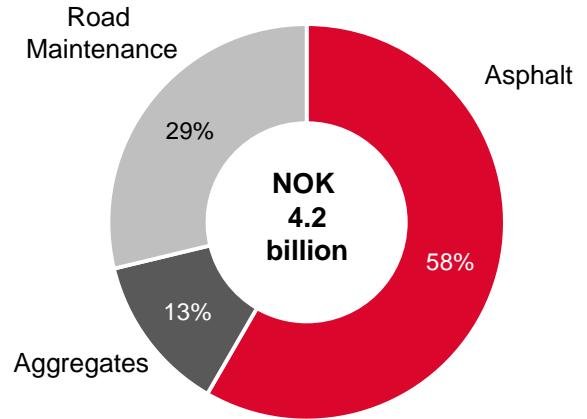


\* 12-month rolling revenues, Industrial, NOK million

# INDUSTRIAL

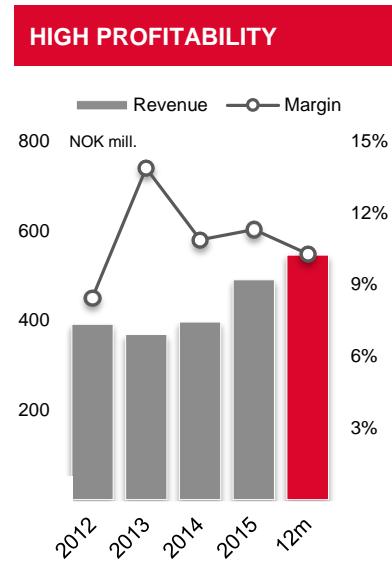


## REVENUE LAST 12 MONTHS



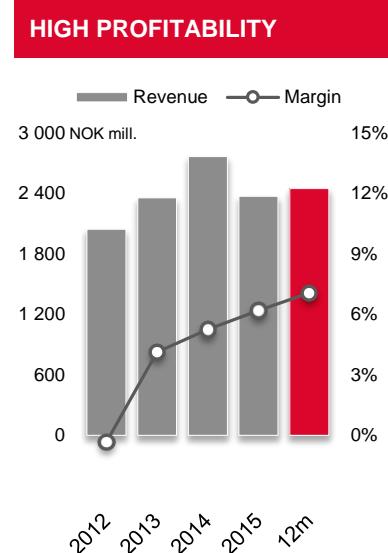
# AGGREGATES – GOOD LOCATIONS AND GROWTH

- + Production of aggregates to construction and civil engineering projects
- + Market leader in Norway with 28 quarries
- + 8 million tonnes aggregates per year
- + 150 employees
- + Increasing activity
- + Good operations and high margins



# ASPHALT – SOLID POSITION AND GOOD DEVELOPMENT

- + Asphalt contractor – producer and laying
  - 30 asphalt plants across Norway
  - 120 teams
- + Annual production of 2.5 million tonnes
  - Season from May to October
- + 700 employees
- + High level of activity and good operations
- + Systematic improvements
- + Good results



# ROAD MAINTENANCE – TURNAROUND

## +

- Maintenance of 11 330 km road

- 18 contracts with Norwegian Public Roads Administration
- 2 contracts related to Public-Private Partnerships
- Winter maintenance at OSL Gardermoen airport

## +

- 15% market share in Norway

## +

- 200 employees

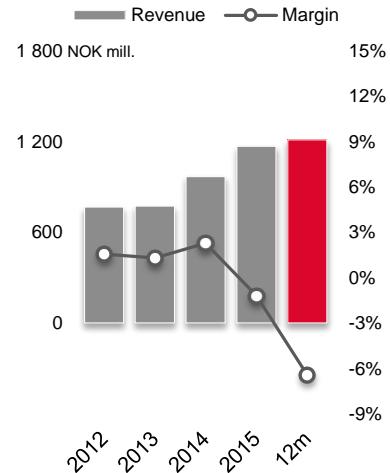
## +

- Low portfolio profitability

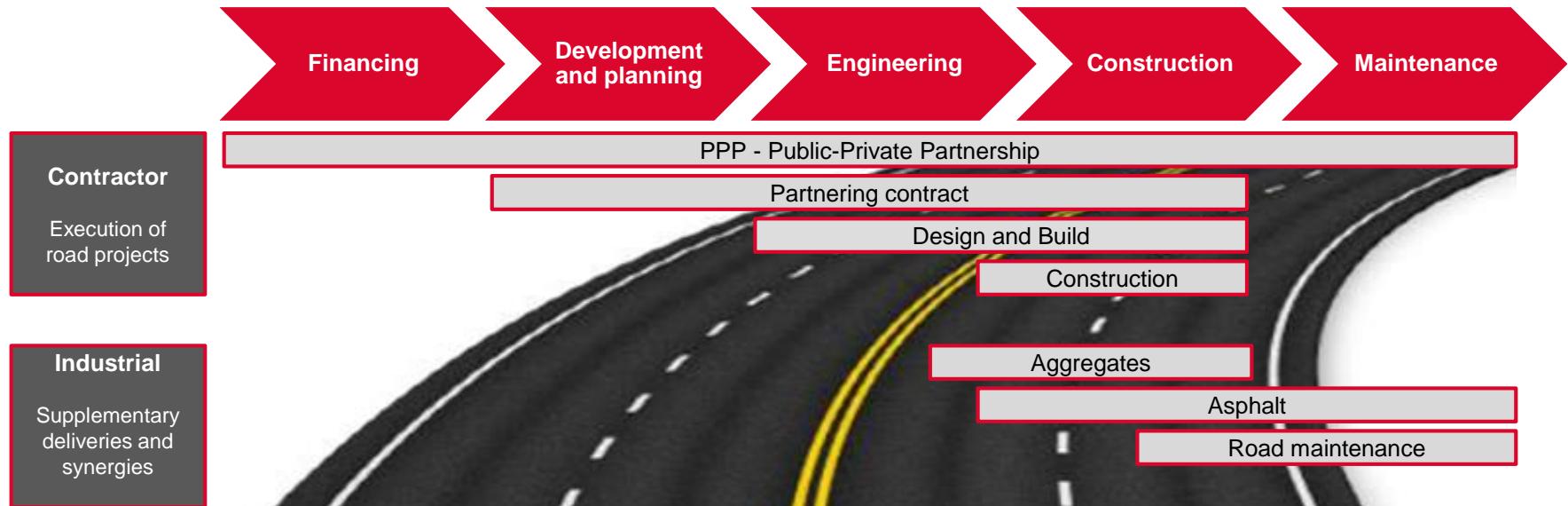
- Weak result with large variation in project profitability
- Loss provisions made
- Restructuring in progress



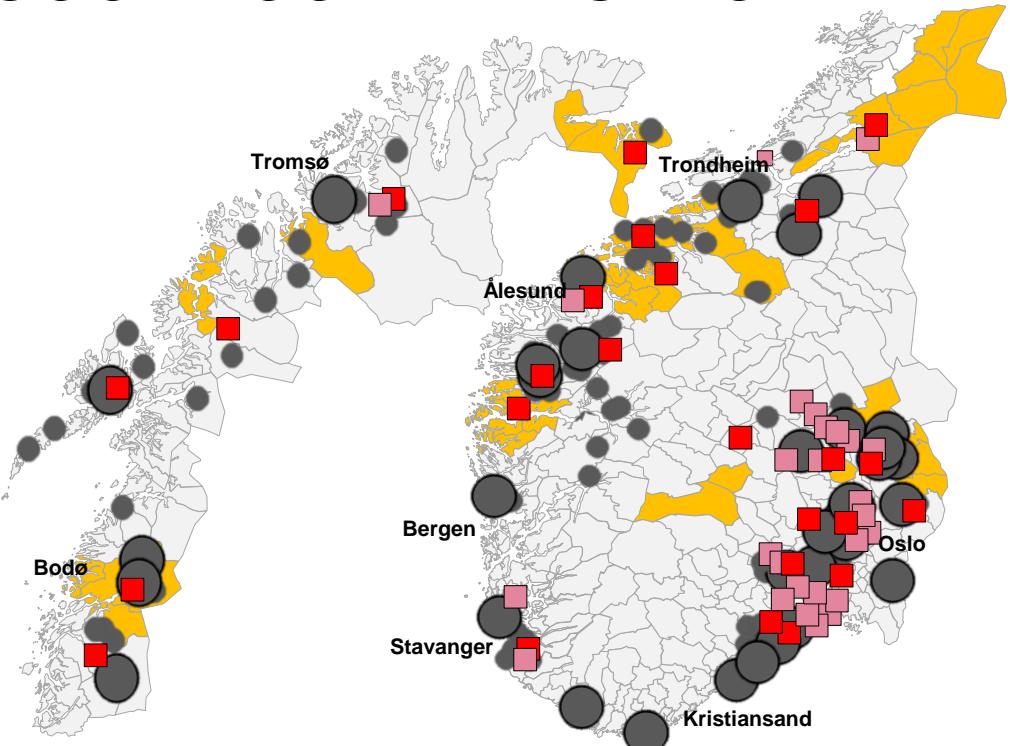
## WEAK RESULTS



# COOPERATION – ROAD CONSTRUCTION AND MAINTENANCE



# GOOD LOCAL PRESENCE



- + Asphalt plants and Quarries & plants are covering the most important markets
- + 24 Road maintenance contracts
- + Veidekke is well positioned for the many planned road projects



1) Projects with expected volume of >100 000 tonnes asphalt (Sources: Veidekke, The Norwegian Public Roads Administration (SVV))

## LEADING POSITION WITHIN THE ROAD SEGMENT



## Aggregates



## Asphalt



## Road Maintenance

- Good operations and continuous improvements
- Develop positions through organic growth and acquisitions
- Good operations and continuous improvements
- Develop positions
- Large infrastructure projects
- Environmental benefits through energy efficiency
- Turnaround
- The right contract and project execution
- Large infrastructure projects

# HIGH RESIDENTIAL PRODUCTION

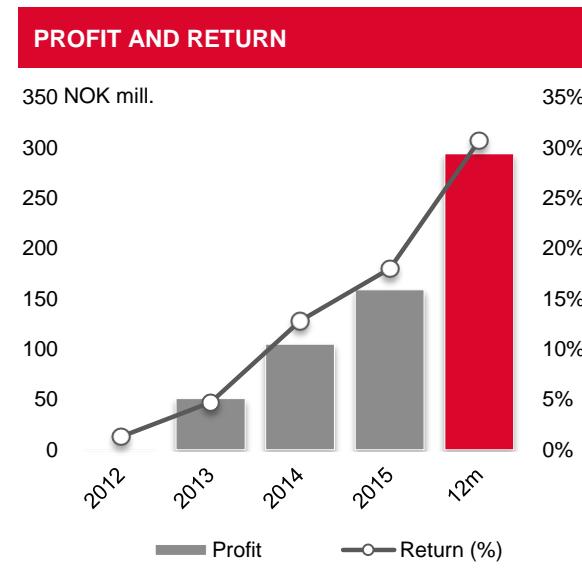
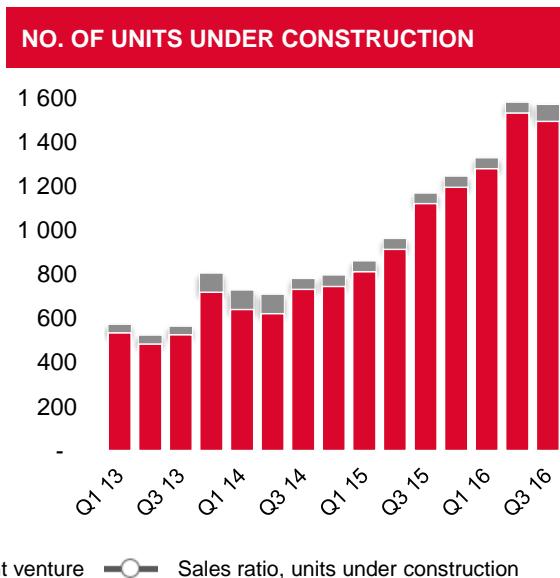
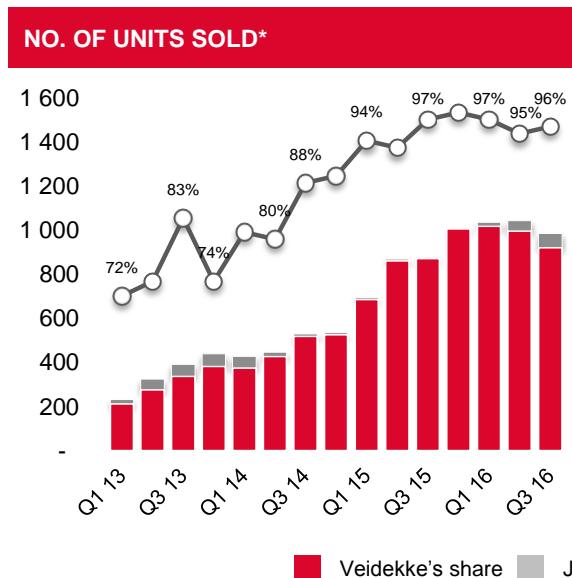


# SEVERAL RESIDENTIAL SALE STARTS



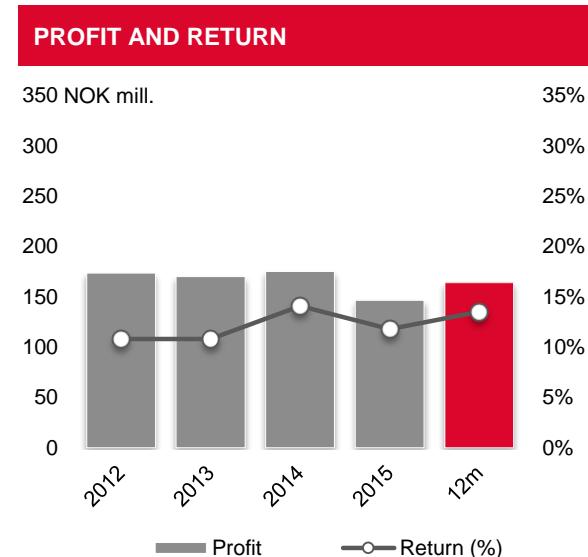
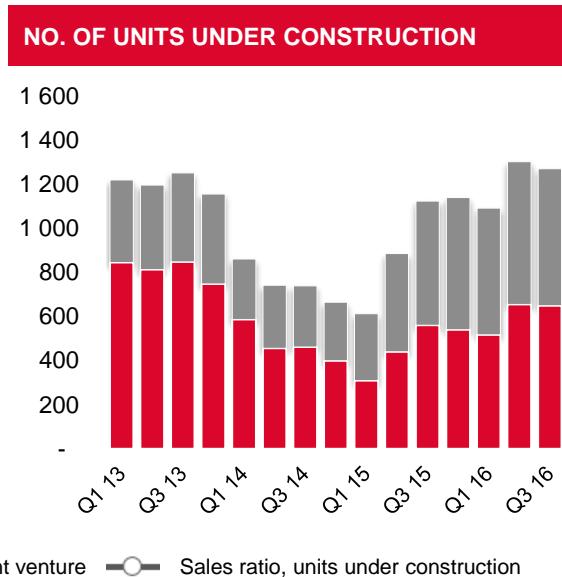
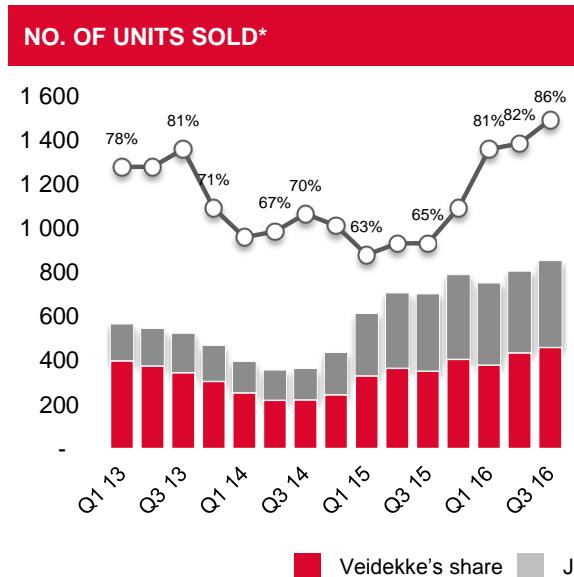
Facsimile from Q2 2016 presentation

# PROPERTY DEVELOPMENT SWEDEN



\*12-month rolling

# PROPERTY DEVELOPMENT NORWAY



\*12-month rolling

---

# SUMMING UP

- + Revenue growth
- + Improved results
- + High level of activity
- + Good outlook

---





---

## APPENDIX

---

# BUSINESS AREAS, YEAR TO DATE

Amounts in NOK million	First 9 months 2016			First 9 months 2015		
	Revenues	Profit*	Margin*	Revenues	Profit	Margin
Construction Norway	10 903	479	4.4%	8 406	313	3.7%
Construction Sweden	5 577	70	1.3%	4 067	49	1.2%
Construction Denmark	1 199	69	5.8%	1 186	63	5.3%
<b>Total Construction</b>	<b>17 680</b>	<b>619</b>	<b>3.5%</b>	<b>13 660</b>	<b>425</b>	<b>3.1%</b>
Property Development Norway	190	106	-	326	88	-
Property Development Sweden	1 678	234	-	1 225	100	-
<b>Total Property Development</b>	<b>1 868</b>	<b>340</b>	<b>-</b>	<b>1 551</b>	<b>189</b>	<b>-</b>
<b>Industrial</b>	<b>3 095</b>	<b>103</b>	<b>3.3%</b>	<b>2 924</b>	<b>125</b>	<b>4.3%</b>
Other	-1 229	-30	-	-956	-72	-
<b>Total Group</b>	<b>21 413</b>	<b>1 032</b>	<b>4.8%</b>	<b>17 178</b>	<b>666</b>	<b>3.9%</b>

\* 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.

# HOUSING PORTFOLIO

Property Development Housing portfolio - Veidekke's share	Under construction 31.12.2014	Completed 2015	Start-up 2015	Under construction 31.12.2015	Completed 2016	Start-up 2016	Under construction 30.09.2016
<b>Construction - number of units</b>							
Norway	399	-248	390	541	-197	305	649
Sweden	750	-174	622	1 198	-387	686	1 497
<b>Total under construction</b>	<b>1 149</b>	<b>-422</b>	<b>1 012</b>	<b>1 739</b>	<b>-584</b>	<b>991</b>	<b>2 146</b>
<b>Of which sold</b>							
Norway	272			383			560
Sweden	667			1 176			1 434
<b>Total sold under construction</b>	<b>939</b>			<b>1 559</b>			<b>1 994</b>
Sales rate %	82 %			90 %			93 %
<b>Completed unsold units</b>							
Norway	32			16			26
Sweden	9			6			16
Denmark	-			-			-
<b>Total completed unsold units</b>	<b>41</b>			<b>22</b>			<b>42</b>
<b>Number of projects under construction</b>							
Norway	16	-12	17	21	-8	12	25
Sweden	13	-3	10	20	-7	10	23
<b>Total projects under construction</b>	<b>29</b>	<b>-15</b>	<b>27</b>	<b>41</b>	<b>-15</b>	<b>22</b>	<b>48</b>