



financial report

2013



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FINANCIAL CALENDAR 2013

Publication dates for interim reports:

First quarter: 8 May

Second quarter: 14 August

Third quarter: 5 November

The Annual General Meeting will be held on 7 May

The shares will be quoted ex-dividend on 8 May

Dividend will be distributed to shareholders on 19 May

Annual report

INCREASED PROFITABILITY AND HIGH ACTIVITY

The marked conditions were good both in Norway and Sweden in 2013. Even though the growth slowed down during the year, the activity level in the Group was high. The overall sale of homes was good with growth in Sweden, whilst the sales in Norway slowed down during the last quarter. The group showed improved results during the year, due to both improved profitability in the industrial operations in Norway and a distinct improvement in the construction operations in Norway and Denmark. In December 2013 Veidekke acquired the Stockholm-based construction company Arcona. The acquisition will contribute to strengthen Veidekke's position in the Swedish market.

Veidekke is one of the largest construction companies in Scandinavia with 6 300 employees. The operations include building and civil engineering, residential development, asphalt operations, aggregates and road maintenance. In Norway and Denmark Veidekke is a nationwide contractor, while the operations in Sweden are concentrated around the major cities Stockholm, Gothenburg and Malmö. Veidekke's head office is in Oslo.

The Group profit before tax (segment accounts) was NOK 775.8 million, against NOK 680.4 million last year. Total turnover (segment accounts) amounted to NOK 21 191 million against NOK 20 460 million last year. The order backlog was NOK 18 273 million at 31 December 2013, compared with NOK 16 518 million at the beginning of the year.

Total turnover (IFRS) amounted to NOK 21 781 million, compared with NOK 19 839 million in 2012. Profit before tax (IFRS) was NOK 718.3 million, compared with NOK 698.3 million in 2012. Group profit (IFRS) was NOK 555.8 million against NOK 538.0 million in 2012.

HIGHLIGHTS

Construction operations delivered improved results in 2013, in spite of profit pressure in Sweden. The activity level was high, largely

driven by the Norwegian entities. The order backlog increased and was 7 per cent higher at year-end than at the beginning of the year. The increase relates to operations in Sweden and Denmark. The profit margin in construction operations increased compared to last year, considering the one-off effect of the change in the Norwegian pension schemes in 2012.

Property operations saw a decrease in turnover in 2013 compared to last year. The decrease is due to the fact that much of the activity in Norway was undertaken in joint ventures, which do not generate accounting revenue. The sales in the residential market in Sweden have improved strongly, with a growth of 49 per cent from 2012, which has resulted in start-up of a number of new residential projects during 2013. In Norway Veidekke sold 23 per cent less homes than last year. This is partly due to the fact that the market is slowing down, and partly to the fact that a number of the ongoing projects have reached a sales grade of 100 per cent.

In *Industry* activity was very high in 2013. The result improved significantly from 2012, and the major increase relates to the Asphalt operations. After a weak profit last year, actions were taken to

improve profitability, and this have had a positive effect during the year.

Net interest-bearing debt was reduced by NOK 1 110 million during 2013. This is a result of more handovers of residential projects in the Norwegian property operations, sale of property development projects and increased liquidity in the projects within the Norwegian construction operations.

Based on the dividend policy of Veidekke, combined with underlying good performance, solid order backlog and improved financial position, the Board of Directors proposes a dividend of NOK 3.0 per share for the financial year 2013.

The building and construction industry is a high-risk business, and HSE (occupational health, safety and working environment) is a key focus area for Veidekke. Despite this, a tragic accident occurred on 15 May 2013, causing the death of one of Veidekke's employees. This is a reminder of the importance of the work to ensure awareness and management of risk in this industry.

ACTIVITY *

** All figures in the comments to the business areas are based on the segment information in the financial statements. See note 1 for information on the accounting for residential development in accordance with IFRIC 15.*

Construction

Building and construction activities in Norway and Denmark are nationwide, while activity in Sweden is concentrated in the regions around Stockholm, Gothenburg and Malmö.

In total, Construction operations had a turnover of NOK 16 968 million, compared with NOK 16 311 million in 2012. Profit before tax amounted to NOK 445.6 million, against NOK 496.7 million in 2012. This represents a profit margin of 2.6 per cent compared to 3.0 per cent in 2012. The figures for 2012 include a one-off effect from the transition to a new pension plan.

Norway

The Norwegian construction activities are organised in Veidekke Entreprenør AS and its subsidiaries, and is a nationwide organisation that comprise all types of building and construction work. Building operations are mainly related to projects in the areas of commercial buildings, residential buildings, schools and other public buildings, which adds up to approximately 60 per cent of the activity in Norway. The civil engineering division, which undertakes work in the areas of transport (road and rail), hydro-power and wind farms, and industrial projects, accounts for 40 per cent of the total construction operations.

The turnover amounted to NOK 12 132 million, compared with NOK 11 480 million in 2012 and profit before tax amounted to NOK 359.9 million (NOK 356.7 million in 2012). Adjusted for a one-off item related to change in pension scheme in 2012, the profit margin increased from 2.3 per cent in 2012 to 3.0 per cent in 2013. The increase is mainly due to improved results in the civil engineering operations.

The order backlog ended at NOK 10.8 billion at the end of 2013, against NOK 11.2 billion in 2012, which is regarded as satisfactory. Major building and construction contracts won in 2013 include: Bybanen in Bergen for Bybaneutbygging/Hordaland County Municipality with a contract value of NOK 635 million; the residential project Sørenstrand in Oslo for D1A Utvikling AS (Veidekke Eiendom/ Rema Eiendom) with a contract value of NOK 406 million; construction of a new pier at Oslo Airport for Oslo Lufthavn with a contract value of NOK 350 million; construction of care homes for Re Municipality with a contract value of NOK 276 million; and construction of Munkerud School for the City of Oslo with a contract value of NOK 224 million.

There has been a high level of activity in the building and construction market during the last three years. While the level of activity for non-residential buildings and public service buildings has remained unchanged, the residential market appears to be levelling off. The civil engineering market is dominated by public transport infrastructure projects, and this type of project will continue to dominate the civil engineering market in the future. Private industry project activity remains at a very low level.

The key to successful project execution is having the available capacity and expertise, and by managing to combine knowledge of the local market and understanding of the individual customer's needs with the economies of scale that come with being a major corporation. Veidekke is able to achieve this by undertaking a number of projects as internal partnerships between the various districts and in some cases across national boundaries. Construction of housing for Veidekke's own account is done in close cooperation with Veidekke Eiendom (Property), and a critical success factor in this context is that the contractor is involved from an early

stage to ensure that all the risk factors are identified and that the project is as cost-effective as possible.

Sweden

The construction operations in Sweden consist primarily of building and construction activities, and minor industrial operations, and are concentrated around the major cities of Stockholm, Gothenburg and Malmö.

In December 2013 Veidekke strengthened its market position in Sweden by the acquisition of the Stockholm based construction company Arcona AB with 180 employees and a turnover of NOK 990 million. The main activity in Arcona is commercial building development.

Increased residential sales and higher activity within the civil engineering market contributed to an improved marked in 2013. By contrast commercial buildings saw lower activity, and there is fierce competition for projects. The large infrastructure projects planned in and around Stockholm have been postponed, which in turn, is leading to stronger competition for the remaining projects.

The turnover in the Swedish construction operations amounted to NOK 3 499 million (NOK 3 556 million). The result weakened significantly during 2013 and ended at NOK 11.4 million (NOK 87.7 million). The decline is due to lower volumes and project impairments in building operations in Stockholm and in tunnel operations. The order backlog was NOK 4 250 million at year end (NOK 2 733 million) and includes NOK 712 million in backlog from the newly acquired company Arcona. Adjusted for the Arcona acquisition the order backlog increased by 18 per cent (local currency) compared to last year. The majority of the increase is related to building activity in Stockholm, which had a low order backlog at the end of 2012.

Major contracts signed during the year include the residential projects Svea Fanfar 1 for Veidekke Bostad AB/CA Fastigheter and Panorama amounting to NOK 231 million. Traversen 18 for Magnolia AB amounting to NOK 216 million and Parkkvarteret for AB Helsingborg amounting to NOK 150 million. In addition the construction operations signed a contract with LKAB related to mining development in Kiruna amounting to NOK 150 million.

Denmark

Veidekke's operation in Denmark, Hoffmann A/S, operates nationwide building and construction activities. Hoffman has offices in Glostrup and Næstved in Zealand and in Fredericia and Århus in Jutland.

The Danish economy showed weak growth in 2013. In spring 2013 the Danish government launched its economic growth plan called "Vækstplan DK", with a wide range of measures to encourage investment and growth towards 2020. However, the investment plan is largely aimed at the residential sector and infrastructure projects, and investment growth will therefore primarily be outside the segments in which Hoffmann operates.

Hoffmann has over the past years become one of the preferred contractors for turnkey contracts and partnering contracts. Architect, contractor and consulting engineers co-operate from the beginning of the project, and together they contribute to ensure that the customer gets the best product at the agreed time, with the agreed quality and on budget. Hoffmann's partnering model has thus helped the company gain a leading position in the market for commercial buildings.

Hoffmann had a turnover in 2013 amounting to NOK 1 337 million, compared with NOK 1 275 million in 2012, an increase of 5 per cent. The operations showed a strong improvement in result, and ended

at 74.3 MNOK (52.3 MNOK). The profit margin increased from 4.1 per cent in 2012 to 5.6 per cent in 2013. The increase is due to good profitability and cost control in the projects, as well as the resolution of several disputes with a positive outcome.

The order backlog increased by 42 per cent (measured in local currency) in 2013 and ended at NOK 1 709 million. The orders received during 2013 were mainly commercial buildings, and the largest contracts are new head office for Microsoft amounting to NOK 505 million and the construction of Outlet city in part of the City 2 shopping centre amounting to NOK 159 million. Both projects are for Danica Pensjonsforsikring AS.

Property development

Veidekke develops and sells residential projects in Norway and Sweden. This division consists of the companies Veidekke Eiendom AS and Veidekke Bostad AB.

In total 2013 was a good year for Veidekke's property development operations. The result ended at NOK 220.5 million against NOK 172.9 million last year. The progress is due to increased activity in Sweden, with high sales and a number of project start-ups. The activity was high also in the Norwegian entity, but the residential market slowed down significantly towards the end of the year.

Since the end of 2009, when the number of homes under construction was down to 311, the number of homes under construction has risen continuously, and was by the end of 2013 at 1 417 (Veidekke's share). The gross figures for 2013 are 1 912 homes under construction, and the Group's activity in the residential market is back at the all-time high level in 2007.

Despite the decline in residential sales in Norway, the boom in sales in Sweden meant that Veidekke's overall residential sales rose by 9 per cent from 2012. Norway is

seeing something of a slump after several years of extremely high demand for homes. The market for new homes is hesitant, despite good macroeconomic factors such as low interest rates, low unemployment and a substantial need for homes. The market in Sweden is showing signs of recovery after a period of low activity.

Veidekke is one of the leading residential developers in Scandinavia, and one of the main keys to Veidekke's success is the good interaction between Property and Construction. Veidekke Construction is involved from the very outset in the assessment of new sites, helping ensure that all risk factors are identified so that the price and the product are correct from the start. Through collaboration with the contractor, Property is involved in active product development and creates rational housing concepts with a high living standard.

Another important success factor is a good land bank, and every year considerable resources are invested in new land. At the end of the year Veidekke's land bank included values of a total of NOK 2 billion, representing 12 800 homes (Veidekke's share 10 350). Property reviews the portfolio on an ongoing basis with a view to optimising the return on investment and ensuring efficient execution of the projects.

Norway

Veidekke Eiendom develops, builds and sells blocks of flats and to a lesser degree detached and terraced houses. Geographically activity is concentrated in and around the major cities.

2013 started with strong residential sales that lasted until the autumn. However, towards the end of the year housing sales suddenly slowed down. With the exception of the project Sjø Panorama in Sandnes, all new projects were organised as joint ventures. A total of 12 projects were started in 2013.

compared with 18 in 2012. A total of 307 dwellings (Veidekke's share) were sold in 2013, compared with 451 in 2012. The ability to initiate production on new major projects in 2014 depends on residential sales picking up again. It is a general requirement in Veidekke that at least 50 per cent of a project must have been sold before the final decision on start-up is made. This level of activity can only be maintained if residential sales improve in 2014.

In 2013, 500 (213) homes were completed, and at the end of 2013 Property Norway had 749 (906) homes under construction in 16 (25) projects, of which 216 (184) had not been sold.

In 2013 the property development in Norway had a turnover of NOK 1 070 million (NOK 1 341 million). The decline in turnover is due to increased activity in joint ventures. The profit before tax amounted to NOK 170.1 million (NOK 173.8 million).

At year end the total capital employed in the Norwegian property development operations was NOK 2 017 million (NOK 2 172 million). The land bank was equivalent to 6 000 housing units (Veidekke's share 3 850).

Sweden

Veidekke Bostad is now a major player in the Swedish market and operates in the Stockholm area, Skåne and Gothenburg.

The housing market in Sweden increased strongly starting in the second quarter of 2013, and stayed at a high level throughout the year. In total Veidekke sold 382 homes compared with 201 in 2012, representing an increase of 90 per cent. The increased sales resulted in start-up of a number of residential projects, and a total of 9 (3) projects were started during 2013.

In 2013, Veidekke Bostad completed 135 (236) homes, and by the end of 2013 Property operations in Sweden had 720 (371) homes

under construction (Veidekke's share), in 13 (7) projects. Of the homes under construction, 172 (78) was unsold.

In 2013, property operations in Sweden had a turnover of NOK 713 million (NOK 770 million). This is a decline of 8 per cent in 2013, primarily due to the fact that the 2012 figures included NOK 250 million from the sale of Phase 1 of the project Svea Fanfar to a joint venture. The profit before tax was NOK 50.5 million (NOK -1 million). The improvement in earnings is largely attributable to the increase in activity in 2013.

At year end the total capital employed in the Swedish property development operations was NOK 1 013 million (NOK 1 177 million). The land bank was equivalent to 6 800 housing units (Veidekke's share: 6 500), of which some 70 per cent were options.

Industry

The industry operations are organised in the company Veidekke Industri AS with subsidiaries, comprising three business units: Asphalt, Aggregates (crushed stone and gravel), and Road Operation and Maintenance. Veidekke Industri is the largest asphalt contractor in Norway and the second largest producer of aggregates.

The activity was at a high level for all three business units during 2013. The total turnover ended at NOK 3 476 million (NOK 3 193 million), an increase of 9 per cent. The growth is related to the asphalt business.

Profit before tax amounted to NOK 158.2 million (NOK 38.3 million), corresponding to a profit margin of 4.6 per cent (1.2 per cent). The improvement in earnings is mainly attributable to asphalt operations, but the other business areas also improved their profitability in 2013.

The turnover in *asphalt operations* was NOK 2 355 million and accounted for 67 per cent of Veidekke

Industri's total turnover in 2013. The operations are nation-wide and include 28 asphalt plants. The total volume of asphalt ended at 2.3 million tons, an increase of 20 per cent from 2012, representing a market share of 35 per cent. Of the total asphalt production 35 per cent went to the Norwegian Public Roads Administration's maintenance contracts, 18 per cent went to new building projects, and the remainder went to municipal authorities and private players. The profitability improved significantly during the year after a weak result in 2012, and the profit margin ended at 4.8 per cent (-0.8 per cent). The improvement was a result of effective operations, systematic work on the market strategy, cost reductions and improvements in loss making entities.

Aggregates operations had a turnover of NOK 368 million (NOK 291 million) in 2013, and accounted for 11 per cent of Veidekke Industri's total turnover in 2013. The operations include 30 plants spread across the whole of Norway. The stone materials are used primarily in the development of infrastructure and general building and construction operations. The largest groups of customers are asphalt and concrete producers and machinery contractors. The profit margin ended at 14.5 per cent (8.4 per cent). Profitability improved significantly during the year, largely as a result of the disposal of unprofitable operations.

The aggregates operations have expanded through the acquisition of two companies during 2013; Skedsmo Pukkverk AS and the remaining 50 per cent of the company Tullin Ree & Sønner AS in Sandnes. The acquisitions are in line with the strategy to secure long term resources in central regions.

Road Operation and Maintenance activities had a turnover in 2013 amounting to NOK 774 million

(NOK 757 million) and accounted for 22 per cent of Veidekke Industri's total turnover. At year-end Veidekke has a portfolio of 20 maintenance contracts, lasting up to six years. Six of the contracts were signed during 2013. The profit margin ended at 2.0 per cent (1.6 per cent). After losses in previous years, contracts have developed according to plan in the last two years in terms of profits.

Other operations

Other activities include Veidekke's PPP role (Public-Private Partnership) through the project company Allfarveg AS, and operation of the Group's central management and financial administration.

OTHER ISSUES

Modified pension scheme for 2012 in accordance with new IFRS standard

With effect from 1 January 2013 Veidekke adopted a revised IFRS standard for pensions. The revised standard resulted in retrospective application, and the 2012 figures are restated in accordance with the revised standard. This resulted in an increased profit before tax for 2012 by NOK 111 million, from NOK 587 million to NOK 698 million. The increased result is mainly related to change in the recognition of the effect of the termination of the pension scheme in the Norwegian operations. In 2012 the pension scheme was changed for Norwegian employees under the age of 57 with effect from the beginning of the year, switching from a defined-benefit to a defined-contribution plan. The restated 2012 financials includes a gain of NOK 240 million related to this.

ORGANISATION

Veidekke is headquartered in Oslo.

At 31 December 2012, the Group had a total of 6 285 employees (6 253) in Scandinavia: 3 336 were skilled workers, of whom 107 are female, and 2 778 were administrative staff, of whom 586 are female. In Norway, there were 4 642 employees: 2 588 skilled workers

and 1 883 administrative staff. In Sweden, Veidekke had 1 239 employees: 542 skilled workers and 697 administrative staff. In Denmark, Veidekke employs 404 people: 206 skilled workers and 198 administrative staff.

New CEO

Terje R. Venold retired 1 July 2013, after 20 years as President and CEO of Veidekke. Arne Giske was appointed as new President and CEO after Terje R. Venold. A number of changes were also made in Veidekke's corporate management in connection with the change of CEO.

Equality and diversity

Veidekke's ability to reach its business goal of profitable growth is dependent on the Group attracting qualified workers. The organisation must, as far as possible, reflect society at large and increase diversity in the workforce by recruiting from a broader social spectrum in terms of previous experience, age, gender, cultural background, nationality and disability. The main challenges facing us are related to increasing the proportion of women and the number of people from minority backgrounds among our employees.

Veidekke attaches importance to retaining relevant expertise in the company and has developed various schemes to encourage older employees to choose to remain in their positions after they reach retirement age at 62.

For more information on Veidekke's work in the area of equality and diversity, see Veidekke's CSR Report on <http://no.veidekke.com>.

Labour market and attractiveness

Veidekke has a good reputation in the labour market, and surveys confirm that the company is regarded as an attractive workplace among various groups of workers. However, there is growing demand for skilled workers in the building and construction industry, and Veidekke works continuously to

further develop the organisation to ensure Veidekke is a preferred workplace, thereby improving our ability to attract and retain the best employees. The building and construction industry also faces competition from other industries for the best candidates, and Veidekke is therefore also involved in efforts to encourage young people and students to choose studies that the company needs.

For more information on Veidekke's work in the area of attractiveness and recruitment, see Veidekke's CSR Report on <http://no.veidekke.com>

Professional development and training

Priority is given to improving employees' skills at Veidekke, and there is a wide range of opportunities for professional development for all employee groups. Our in-house training academy Veidekkeskolen in Norway offers a variety of educational activities linked to the employees' every day work. Veidekkeskolen offers courses in project management, financial and management systems, ethical and legal issues, energy and the environment, occupational health and safety (HSE), technology and production, communication, and leadership skills. In 2013 a total of 5 672 training days were completed in courses arranged by Veidekkeskolen with a total of 3 391 employees attending one or more courses.

Veidekke has well-established arrangements for trainees and apprentices. In 2013 Veidekke had 181 apprentices in Norway, making the company one of the largest apprenticeship employers in the country. In Denmark and Sweden Veidekke had 26 and 25 apprentices respectively. In Norway, a total of 44 newly qualified graduates were recruited to Veidekke's trainee scheme.

For more information on Veidekke's work in the area of skills development and recruitment, see Veidekke's CSR Report on <http://no.veidekke.com>.

Discrimination

Veidekke attaches importance to creating a working environment characterised by mutual respect and equality and has zero tolerance for any form of harassment of colleagues or business associates or behaviour that can be perceived as threatening or demeaning. Veidekke's Code of Conduct encourages employees to report any actions that may be contrary to the guidelines. Procedures have been developed for reporting irregular activities ("whistle-blowing"), and such matters can be reported internally or externally.

OCCUPATIONAL HEALTH, SAFETY AND THE WORKING ENVIRONMENT (HSE)

The building and construction industry is a high-risk business. Occupational health, safety and the working environment (HSE) is therefore one of Veidekke's main priority areas, and the goal is an injury-free Veidekke.

The number of accidents was reduced in 2013, but in spite of the decline in the number of accidents and serious incidents, a fatal accident occurred on one of Veidekke's construction sites on 15 May 2013 in which one of Veidekke's employees lost his life. Raising awareness and establishing good risk management routines are top priorities within Veidekke's HSE work, both to ensure that this type of accident does not happen again and to further reduce the number of accidents and near-accidents.

Lost-time injury rate by country

Lost-time injury rate*	2013	2012	2011
Norway	4.2	7.4	4.7
Sweden	11.7	12.4	11.6
Denmark	1.5	10.0	7.0
Group	5.2	8.4	6.1

* Number of lost-time injuries per million hours worked.

The statistics demonstrate an overall decline in the number of injuries from 2012 to 2013, and there is also a decline in the number of serious injuries from last year. The lost-time injury rate (LTI), indicating the number of injuries resulting in absence from work among Veidekke's own employees, fell in 2013 compared with the previous year. The cumulative LTI rate for the Group as a whole was 5.2 in 2013 compared with 8.4 in 2012. The LTI rate decreased in all three countries, with greatest reductions in Denmark and Norway.

A clear focus on health and safety at the earliest possible stage in the planning, development and design of projects is essential to avoid injuries. Increased risk awareness and better risk management form the basis for organisational, architectural and technical choices that will increase safety in the execution phase of the project. As part of the Group's overall HSE strategy, there has been a particular focus on increased training and professional development for everyone who works at the company's building and construction sites. In 2013 all the business areas in the company introduced a requirement that all people who are going to work on one of Veidekke's projects must first complete mandatory safety training. 2013 also saw the introduction of stricter requirements concerning use of personal protective equipment. For example, goggles and protective gloves are now mandatory in most of Veidekke's businesses.

Veidekke held its third consecutive annual Safety Week for own employees and business partners in 2013, focusing on increasing risk awareness and understanding.

Sickness absence

Prevention of sickness absence is a high priority in Veidekke. Through close, constructive dialogue with employees on sick leave. Veidekke aims to facilitate the prompt return to work of people on sick leave.

Sickness absence by country

Sickness absence	2013	2012	2011
Norway	4.4	4.9	5.6
Sweden	3.6	3.6	3.7
Denmark	1.3	2.0	2.4

There was a marked decline in sickness absence in 2013. In Norway accumulated sickness absence decreased from 4.9 to 4.4 per cent, and in Denmark it decreased from 2.0 to 1.3 per cent. In Sweden sickness absence has remained unchanged at 3.6 per cent (3.6 per cent).

THE EXTERNAL ENVIRONMENT

The building and construction industry is responsible for much of modern society's impact on the environment. The building process generates a tremendous amount of waste, uses more than 50 per cent of Europe's natural resources and may have a negative impact on biodiversity. Buildings account for more than 40 per cent of the primary energy consumption in Europe.

In recent years, however, there have been major advances in environmental work in the building and construction industry, and we are seeing an ever-increasing number of new innovative, smart and energy efficient solutions. This provides opportunities to make a difference, and Veidekke, as a major player, has a special responsibility here.

More stringent regulatory requirements related to energy consumption are expected. Business customers are becoming increasingly environmentally aware and are requesting energy and environmental classification of their buildings. Investors are also setting requirements regarding companies' environmental performance, including through the annual survey by the Carbon Disclosure Project (CDP), which monitors large companies' greenhouse gas emissions and their strategies to reduce emissions.

Veidekke's ambition is to be a leader within the industry in terms of reducing greenhouse gas emissions and protecting the environment. Veidekke aims to have the best environmental practice. This means that Veidekke must be able to offer its customer the best environmental solutions based on the available expertise. For more information on Veidekke's environmental work, see Veidekke's CSR Report on <http://no.veidekke.com>.

CORPORATE GOVERNANCE

Corporate governance in Veidekke is based on the principles laid down in the Norwegian Code of Practice for Corporate Governance.

Veidekke's operations consist of a large number of ongoing projects. Veidekke is a multi-local organisation with a high degree of local responsibility and autonomy, in order to be able to meet its customers' needs and ensure project performance and value creation in the different projects. Control and oversight are ensured through the Group's management systems and systematic reporting from the individual projects. Reporting is performed ten times per year and covers financial and non-financial matters. The profitability and risk associated with each individual project are central control parameters.

Veidekke is owned primarily by financial investors, meaning independence from the shareholders is not a significant issue. One exception is OBOS, which owns 28 per cent of the shares. To ensure independence from OBOS, the same individuals are never involved in owner representation and project collaboration. Employees hold a combined total of 18.4 per cent of the shares, but no individual employee holds more than 0.2 per cent of the shares.

See page 86 for a complete account of corporate governance in Veidekke.

REMUNERATION OF SENIOR EXECUTIVES

The Board has appointed a Remuneration Committee that deals with all matters concerning the salary and other remuneration of the President and CEO and gives advice to the President and CEO on salaries and compensation schemes for the management. The Committee reports to the Board of Directors.

For more information on salaries and remuneration of executives, see note 31.

SHAREHOLDERS AND THE STOCK MARKET

At year-end Veidekke had 7 356 shareholders. The largest shareholders are OBOS (28.0 per cent), IF Skadeförsäkring AB (9.1 per cent) and Folketrygdfondet (7.6 per cent). Foreign ownership was 26.2 per cent (22.8 per cent).

A total of 26.9 million Veidekke shares were traded on the Oslo Stock Exchange in 2013, representing a turnover rate of 20.1 per cent. There were 25 416 trades of Veidekke shares during the year. The share price ranged between NOK 43.50 at the lowest and NOK 51.25 at the highest in 2013. The return including dividends for the year was 16.6 per cent. By comparison, the Oslo Stock Exchange Benchmark Index had a return of 23.6 per cent. All Veidekke shares are freely transferable, cf. Section 5-8a of the Securities Trading Act.

Share issues to employees

In line with Veidekke's strategy to connect more closely with employees through co-ownership of the company, sales of shares to employees were carried out in May and September 2013. The shares have a three-year lock-in period.

After this year's sale 3 217 employees own a combined total of 25 million Veidekke shares. At year-end the employees had a combined holding of 18.4 per cent.

Share buy-back

On 6 May 2013 the Annual General Meeting renewed the Board's authorisation to buy back own shares corresponding to just under 10 per cent of the share capital. The company did not buy back any of its own shares in 2013. The buy-back of shares is considered on an ongoing basis in connection with the work to ensure an optimal financial structure for the Group.

FINANCIAL ITEMS AND CAPITAL STRUCTURE

The Group's net interest-bearing debt was reduced by NOK 1 110 million from NOK 1 506 million in 2012 to NOK 396 million in 2013. This reduction is mainly related to increased project liquidity in construction operations and reduced capital tied up in property development. Capital employed in property development operations was reduced as a result of several project handovers and individual project sales, and amounted to NOK 3.2 billion (NOK 3.5 billion) at 31 December 2013.

Investments in fixed assets totalled NOK 267 million (NOK 449 million), and non-current assets totalling NOK 122 million (NOK 109 million) were sold. Expansion investments amounted to NOK 88 million in 2013, primarily related to Industry's purchase of rock crushing companies. The company Arcona was acquired on 31 December 2013, but the transaction was not settled until January 2014.

The Group's net cash flow from operations for the year was NOK 1 648 million (NOK -394 million). The Group's total assets were NOK 11 666 million (NOK 11 185 million). Total equity was NOK 2 466 million (NOK 2 183 million), corresponding to an equity ratio of 21.1 per cent (19.5 per cent).

Veidekke aims to maintain a strong financial position. This can best be achieved through good operational management, low risk exposure and a sound management of the parameters that exert an influence on the company's financial risk. Financial development is an

integral part of the Group's strategy process, and the Group's financial policy governs the management of financial risk. Veidekke is primarily exposed to risks related to financial instruments such as accounts receivable, liquidity and interest-bearing liabilities. The risk is related to credit, market and liquidity factors. For a more detailed presentation of the company's financial risk, see note 29.

RISK AND UNCERTAINTY FACTORS

Veidekke's operations are based on the implementation of individual projects. The projects vary greatly in terms of complexity, size, duration and risk. Systematic risk management is therefore essential throughout the entire organisation. Veidekke analyses and assesses risk at the tendering stage, and risk is managed systematically through the entire implementation phase.

Access to the correct competencies is decisive for sound operations and project execution. In periods with a tight labour market, it can be challenging to gain access to relevant expertise. Veidekke therefore gives systematic priority to recruitment and professional development throughout the entire Group.

Periods of economic recession entail greater risks in terms of uncertainty concerning subcontractors' ability to deliver and complete projects. For Veidekke, this problem applies mainly to operations in Denmark, where there has been a spate of bankruptcies in the building and construction market recently.

The residential market is also very sensitive to economic fluctuations, and earnings in the Property operations depend on the start-up of new projects. Limited access to financing for Veidekke's customers and hesitant house buyers may affect the future development of property projects for Veidekke's own account. As a general prin-

ciple, Veidekke will not initiate new residential projects until a sales rate of 50 per cent has been achieved. Lower residential sales may therefore delay residential projects.

MARKET SITUATION

Overall the Scandinavian building and construction market developed in line with expectations in 2013, with a gradually weaker development in the residential market in Norway, a general improvement in the Swedish market through the autumn, and positive trends in the Danish market.

The global economy has been much less turbulent in 2013. The clearest signs of recovery were in the US economy, with falling unemployment and increased sales of homes and new cars. In Europe there are signs that the economic downturn is nearing an end, and major financial turmoil has been avoided in the euro zone.

Norway

Growth in the Norwegian economy slowed down in 2013, and most industries have experienced a slow-down in pace of growth. There has been little growth in private consumption, and household savings are very high. Low investment in the mainland economy has also served to dampen growth in Norway.

In the building and construction sector, growth within civil engineering projects and non-residential buildings has helped buoy up activity. The residential market has slowed down over the year with a fall in house prices of around 2 per cent. Housing starts have declined from about 30 000 in 2012 to an estimated 28 000 in 2013. Despite the decrease in the number of housing starts, the activity level in the residential market is still regarded as high. Although the household economic situation is solid, uncertainty about developments in house prices have led to hesitancy among house buyers and lower sales of new homes.

Sweden

As expected the growth in the Swedish economy has been weak throughout 2013. This is mainly due to lack of growth in Europe. There were, however, some early signs of recovery in the fourth quarter. Unemployment is falling, and there is growing optimism in the industry.

The weak economy during the year was reflected in the developments in the building and construction market. The decline in the construction of non-residential buildings and reduced activity in civil engineering projects as a result of the postponement of a number of large infrastructure projects has contributed to a decrease in the total investments in building and construction. Nevertheless, the residential market has picked up slightly during the course of the year with increasing sales and higher house prices.

Denmark

The Danish economy started picking up in 2013 after a weak start to the year. The growth was largely due to improvement in exports, while private consumption and domestic demand are still below expectations with very little growth. In 2013 house prices rose sharply in Copenhagen and Århus, albeit from an extremely low level after several years of decline. Through the autumn there have also been signs of a slight increase in private demand for residential and non-residential buildings.

MARKET OUTLOOK

The moderate global economic recovery will continue in 2014. However, high unemployment in many parts of Europe and uncertainty about economic policy in the United States will dampen the future growth outlook.

Norway

The growth in the Norwegian economy has slowed down somewhat during the last year. The GDP for mainland Norway is expected to rise by roughly 2 per cent in 2014. Wage growth is expected to be around 3.5 per cent, and inflation has increased, entailing slightly lower growth in households' purchasing power compared with recent years.

Investments in building and construction are expected to increase by about 2.5 per cent in 2014. Smaller growth in house prices will probably result in zero growth in residential investments in 2014. Continued growth and a good market are expected for non-residential buildings and civil engineering projects, but with strong competition for contracts.

Sweden

The improvement in the Swedish economy will continue in 2014 due to increased exports, increased domestic demand and improvements in household finances. The persistent weak development elsewhere will dampen export growth and developments in GDP in 2014 too. Investments in building and construction may therefore pick up in 2014 from negative growth of -2 per cent in 2013 to about 4 per cent growth in 2014. The recovery will largely be driven by the improvements in the residential market and increased investment in non-residential buildings. It is still uncertain how investments in major construction projects will develop in 2014.

Denmark

The positive trend in the Danish economy is expected to continue in 2014, boosted by growing domestic demand. This will provide a positive stimulus to the private sector of the building and construction market in Denmark. However, even with this brighter outlook, the recovery in the construction market is expected to be fairly moderate.

THE CHALLENGES AHEAD

The Board wishes to emphasise the importance of maintaining a focus on profitable growth. This requires very careful prioritisation in the selection of projects, and it places even greater demands on assessment of the risks associated with each project.

Veidekke's long-term ambitions remain unchanged. There is large potential for long-term profitable growth, Veidekke will continue to be a leading player in Scandinavia and among the most profitable contractors and property developers in its markets.

POST BALANCE SHEET EVENTS

No events have occurred after the balance sheet date that have any significant effect on the financial statements.

THE PARENT COMPANY VEIDEKKE ASA

The primary task of the parent company Veidekke ASA is to exercise ownership over the operative entities in the Group. The company has 53 (49) employees, of whom 24 (22) are women.

Veidekke ASA performs a number of Group functions for the Group companies, including services such as financial management, IT infrastructure, handling of the Group's insurance arrangements, HSE functions, providing legal expertise, and communication and public relations. Veidekke ASA invoices each of the subsidiaries for these services.

Veidekke ASA's accounts are prepared in compliance with NGAAP (Norwegian accounting rules).

The company's operating result was a loss of NOK -55.7 million (NOK -14.7 million). Dividends and

group contributions from subsidiaries totalled NOK 505 million (NOK 405 million).

Dividend

Based on Veidekke's dividend policy, combined with sound underlying operations, the solid order backlog and the company's strengthened financial position, the Board proposes an ordinary dividend of NOK 3.0 per share for the 2013 financial year. This corresponds to a pay-out ratio of 74 per cent, which is in keeping with Veidekke's dividend policy of a minimum return of at least 50 per cent of annual earnings per share. The Board also refers to the more detailed presentation of the company's dividend policy, described under Shareholder information.

Allocation of the profit for the year

The parent company, Veidekke ASA, posted a profit for the year of NOK 414.6 million (NOK 414.0 million). At the Annual General Meeting on 7 May 2014, the Board will propose that the profit be distributed as follows:

	(NOK million)
Allocated to dividend	401.1
Allocated to other equity	13.4
Profit for the year	414.5

GOING CONCERN

In accordance with Section 3-3 of the Norwegian Accounting Act, the Board confirms that the company is a going concern. The financial statements for 2013 have been prepared on the basis of this assumption.

Oslo, 27 March 2014
The Board of Directors for
Veidekke ASA



Martin Mæland
Chairman



Per Otto Dyb
Deputy Chairman



Gro Bakstad



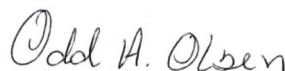
Annika Billström



Ann Christin Gjerdseth



Hans von Uthmann



Odd Andre Olsen



Inge Ramsdal



Lars S. Skaare



Arne Giske
President and CEO

Income Statement Veidekke Group

(Figures in NOK million)	Note	2013	2012
Operating revenues	2, 3, 7, 32, 34	21 780.9	19 839.0
Subcontractors		-9 448.3	-9 052.6
Cost of materials		-5 000.6	-3 784.7
Personnel expenses	4, 5, 22, 31	-4 450.4	-4 141.6
Other operating expenses		-1 934.0	-1 945.3
Impairment of non-current assets	10,11	-11.3	-2.7
Depreciation	11	-309.8	-302.5
Total operating expenses		-21 154.4	-19 229.3
Result from investments in associated companies and joint ventures	13, 34	65.2	35.2
Operating profit		691.7	645.0
Financial income	6, 30	80.8	82.7
Financial expenses	6, 30	-54.2	-29.4
Profit before tax		718.3	698.3
Income tax expense	23	-162.6	-160.2
Profit for the year		555.8	538.0
Profit for the year attributable to:			
Equity holders of Veidekke ASA		543.7	527.2
Non-controlling interests		12.1	10.8
Total		555.8	538.0
Earnings per share (NOK) (ordinary/diluted)	8	4.1	3.9

Statement of comprehensive income

Figures in NOK million	Note	2013	2012
Profit for the year		555.8	538.0
Value adjustment pensions	22, 23	-3.9	176.2
Total items that will not be reclassified to profit and loss in subsequent periods		-3.9	176.2
Currency conversion differences		90.7	-25.8
Fair value adjustment of financial assets	23, 30	4.1	8.6
Total items that will be reclassified to profit and loss in subsequent periods		94.8	-17.2
Total other income and expenses		90.9	159.0
Comprehensive income		646.7	697.0
Comprehensive income attributable to:			
Equity holders of Veidekke ASA		631.8	597.1
Non-controlling interests		14.8	7.1
Total		646.7	604.2

Balance sheet Veidekke Group at 31 December

(Figures in NOK million)	Note	2013	2012	1 January 2012
ASSETS				
Non-current assets				
Goodwill	9, 12	775.2	631.0	546.3
Other intangible assets	10	104.5	46.0	34.2
Deferred tax assets	23	55.5	62.4	67.4
Property	11	499.5	511.7	488.0
Machinery etc.	11	1 229.6	1 234.8	1 136.8
Investments in associated companies and joint ventures	13	908.3	755.0	515.1
Financial assets	15	417.4	394.1	280.1
Total non-current assets		3 990.0	3 635.0	3 067.9
Current assets				
Current assets properties - non-residential	16	83.6	81.9	42.3
Current assets properties - residential	17	3 064.0	3 542.0	3 219.5
Inventory	18	307.9	330.0	264.2
Accounts receivable	19	3 173.9	2 913.8	2 640.5
Other receivables		283.2	476.5	414.8
Cash and cash equivalents	20	763.6	205.5	276.0
Total current assets		7 676.3	7 549.7	6 857.3
Total assets		11 666.4	11 184.7	9 925.2
EQUITY AND LIABILITIES				
Equity				
Share capital	21	66.9	66.9	66.9
Other equity		2 337.5	2 051.3	1 755.7
Non-controlling interests	12	62.0	64.5	64.1
Total equity		2 466.4	2 182.6	1 886.7
Non-current liabilities				
Pension liabilities	22	215.6	225.5	733.3
Deferred tax liabilities	23	342.1	258.4	61.3
Bonded debt	24	750.0	-	-
Debts to credit institutions	24	53.4	1 855.6	803.0
Other non-current liabilities	24	36.5	28.0	380.0
Total non-current liabilities		1 397.5	2 367.4	1 977.6
Current liabilities				
Certificate debts and debts to credit institutions		672.4	217.5	1.9
Trade payables and accruals	25	3 029.1	2 797.5	2 820.4
Unpaid government charges		579.7	355.3	320.0
Provisions	26	740.0	788.4	716.4
Tax payable	23	89.8	14.4	16.9
Other current liabilities	25	2 691.4	2 461.7	2 185.3
Total current liabilities		7 802.4	6 634.7	6 060.9
Total equity and liabilities		11 666.4	11 184.7	9 925.2

Statement of changes in equity Veidekke Group

Equity holders of Veidekke ASA									
(Figures in NOK million)	Note	Share capital	Other paid in capital *	Currency translation differences	Other retained earnings	Fair value adjustment **	Total	Non-controlling interests	Total
Equity at 1 January 2012		66.9	304.8	-79.5	2 032.0	-96.5	2 227.7	66.8	2 294.4
Implementation of new pension rules, IAS 19R					-405.0		-405.0	-2.7	-407.7
Equity at 1 January 2012		66.9	304.8	-79.5	1 627.0	-96.5	1 822.7	64.1	1 886.7
Profit for the year					527.2		527.2	10.8	538.0
Other comprehensive income				-25.5	175.2	8.6	158.3	0.6	159.0
Change in non-controlling interests								5.7	5.7
IFRS 2 – Share-based transactions employees	5				-11.3		-11.3		-11.3
Transactions with non-controlling interests					-7.0		-7.0	-7.4	-14.4
Options, non-controlling interests					-4.2		-4.2		-4.2
Dividend	21				-367.7		-367.7	-9.4	-377.1
Equity at 31 December 2012		66.9	304.8	-105.0	1 939.4	-87.9	2 118.1	64.5	2 182.6
Equity at 1 January 2013		66.9	304.8	-105.0	1 939.4	-87.9	2 118.1	64.5	2 182.6
Profit for the year					543.7		543.7	12.1	555.8
Other comprehensive income				87.9	-3.9	4.1	88.1	2.8	90.9
IFRS 2 – Share-based transactions employees	5				-12.7		-12.7		-12.7
Transactions with non-controlling interests					1.4		1.4		1.4
Change in non-controlling interests							-	-7.4	-7.4
Dividend	21				-334.3		-334.3	-9.9	-344.2
Equity at 31 December 2013		66.9	304.8	-17.1	2 133.6	-83.8	2 404.4	62.0	2 466.4

* Paid-in capital over and above nominal value of shares.

** Change in fair value of available-for-sale shares and hedging instruments that qualify for hedge accounting.

Statement of Cash Flow Veidekke Group

(Figures in NOK million)	Note	2013	2012
OPERATING ACTIVITIES			
Profit before tax		718.3	698.3
Net interest items	6	44.9	16.2
Tax paid	23	-18.2	-36.9
Depreciations and impairments	10, 11	321.1	305.2
Gains on sales of property, machinery etc.	11	-30.6	-22.6
Gains on sales of companies	6, 12	-	-24.0
Share-based transactions entered against equity	5, 23	-12.7	-11.3
Profit and loss items without cash flow effect	2	-113.0	-226.0
Generated from this year's activities		909.7	698.9
Change in non-residential and residential projects	12, 16, 17	321.6	-704.0
Change in accounts receivable	19	-158.7	-221.5
Change in other current assets		218.0	-50.8
Change in trade payables etc.	25	231.6	-45.2
Change in other operating debt		125.6	-71.0
Net cash flow from operating activities (A)		1 647.8	-393.5
INVESTMENT ACTIVITIES			
Purchase of non-current assets	9, 10, 11	-259.0	-448.5
Sales of non-current assets	11	122.2	108.7
Purchase of subsidiaries	12	-6.0	-102.6
Purchase of other shares		-10.0	-
Sales of other shares	6	-	14.4
Interest received	6	39.1	37.3
Change in interest-bearing receivables	15	45.3	-107.4
Net cash flow other investments	15	9.9	-73.4
Net cash flow from investment activities (B)		-58.5	-571.5
FINANCING ACTIVITIES			
New long-term borrowing	24	732.6	1 116.2
Repayment of non-current liabilities	24	-1 802.1	-5.7
New short-term borrowing		454.9	215.6
Interest paid	6	-84.0	-53.5
Dividend payment to non-controlling interests	21	-9.9	-9.4
Dividend paid	21	-334.3	-367.7
Net cash flow from financing activities (C)		-1 042.7	895.5
TOTAL NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		546.6	-69.6
Cash and cash equivalents at 1 January		205.5	276.0
Exchange rate adjustment cash and cash equivalents		11.5	-0.9
Cash and cash equivalents at 31 December		763.6	205.5
Supplementary information:			
Long-term borrowing facilities	30	3 100.0	3 100.0
Used committed borrowing facilities at 31 December		655.0	1 800.4

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Note 1. Accounting policies – Veidekke Group

INTRODUCTION

Corporate information

Veidekke is a Scandinavian construction and property development company headquartered in Oslo. The company operates nationwide in Norway and Denmark and has extensive operations in central regions in Sweden. Veidekke is domiciled in Norway and listed on the Oslo Stock Exchange under ticker VEI. The consolidated financial statements were approved by the Board of Directors on 27 March 2014.

Basis for preparation of the accounts

The consolidated financial statements have been prepared in accordance with EU-approved International Financial Reporting Standards (IFRS) and Interpretations issued by the International Accounting Standards Board (IASB) and disclosure requirements in accordance with the Norwegian Accounting Act.

Only standards that are effective for the fiscal year ended 31 December 2013 have been applied.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale (AFS) financial assets measured at fair value. In acquisitions achieved in stages or disposals, any previously held holdings are re-measured at fair value if the transaction has resulted in change of control but without loss of control. See the separate section on page 19 for more information.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial

position as at 1 January 2012 is presented in these consolidated financial statements due to retrospective application of certain accounting policies listed below.

The consolidated financial statements are presented in Norwegian kroner (NOK) and all values are rounded to the nearest million to one decimal place, except when otherwise indicated.

The accounting policies adopted are consistent with those of the previous financial year, with the exception of the amendments in IFRS that have been adopted by the Group with effect as of 1 January 2013. Below such amendments are listed, with details on the impact these have had on the Group's financial statements.

Voluntary changes

From 2013, the Group has chosen to present the Group's share of profit of the operations from joint ventures as a part of operating profit. These have historically been presented on a separate line below the operating profit. Joint ventures are used within the Group's property operations. Supervision and establishment of joint venture set ups are of operative character and not of financial character. These projects are supervised on a similar basis as wholly owned project except for the fact that the set-up has an equal partner. Consequently, the Group's share of profit from these entities is presented as a part of the operating profit. Comparative information for 2012 has been provided.

Implementation of new accounting standards and interpretations

IAS 19 Employee Benefits

As a result of the amendments to IAS 19R the Group has implemented the new accounting policy for defined-benefit pension plan from 1 January 2013. The amendments require that pension liabilities are recognised at fair value. The elimination of the corridor method entails that actuarial gains and

losses are recognised in other comprehensive income (OCI) in the period in which they occur. Service costs for the period and net interest expense are recognised in profit and loss, while re-measurements, such as actuarial gains and losses, are recognised in other comprehensive income. Expected return on pension assets are calculated using the discount rate. As a result of the changes to the standard, the Group's pension liabilities increased by MNOK 210, the deferred tax liability was reduced by MNOK 59, and the Group's equity was reduced by MNOK 151 on 1 January 2013.

The opening statement of financial position of the earliest comparative period presented (1 January 2012) and the comparative figures have accordingly been restated. The Group's profit and loss for 2012 was increased by MNOK 111 before taxes. Of this, MNOK 100 is related to the gain entailed by termination of the defined benefit plan in Norway. The remaining MNOK 11 relates to amortisation of past service costs and reduction in expected return on plan assets.

With effect from 31 December 2012 Veidekke changed its pension schemes for Norwegian employees, entailing that employees under the age of 57 years switched from a defined-benefit to a defined-contribution plan. The restated financial statements for 2012 included a gain of NOK 240 million related to this change of schemes.

IAS 1 Presentation of Financial Statements

The amendments in IAS 1 require all items in other comprehensive income to be grouped into two categories. Items that can be reclassified to profit or loss in subsequent periods (such as net gain on hedging of a net investment, conversion differences on translation of foreign operations into the reporting currency, net change in cash flow hedges and net gains or losses on financial assets held for sale) shall be presented separate from items

that will never be reclassified (such as actuarial gains and losses related to defined-benefit pension plans). The amendments will only affect the presentation and has no effect on the Group's financial position or profit or loss.

The following changes in IFRS implemented from 1 January 2012 have no or little impact on the Group's financial statements:

IAS 12

The amendment to IAS 12 entails that deferred tax on investment properties measured at fair value under IAS 40 Investment Properties should in principle be determined on the basis of the assumption that the assets will be recovered through sale and not through use.

IFRS 7

Financial Instruments–Disclosure: Changes to the disclosure requirements are related to an enterprise's right to offset financial instruments where offsetting has been agreed.

IFRS 13

Fair Value Measurement: The standard provides principles and guidance for fair value measurement of assets and liabilities where another IFRS requires or permits fair value measurements.

IFRIC 20

Applies to the accounting treatment of waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs').

The following changes in "Annual Improvements 2009–2011" have been implemented, but have no or little impact on the financial statements of Veidekke:

- IAS 1 Presentation of Financial Statements: The amendments in IAS 1 clarify the difference between voluntary comparative amounts and the minimum requirements.
- IAS 16 Property, Plant and Equipment: The amendment clarifies that significant spare parts and servicing equipment which meet the definition of property, plant and equipment, are not inventory.
- IAS 32 Financial Instruments: The amendment clarifies that income taxes arising from distributions to owners of equity instruments shall be accounted for in accordance with IAS 12.

Judgements and key sources of estimation uncertainty

Veidekke's operations consist primarily of construction work. Veidekke applies the percentage of completion method for revenue recognition based on a forecast of final project results and degree of completion for its construction projects. Revenue is recognised as work progresses.

The percentage of completion method entails some uncertainty, since it is based on estimates and judgements. For construction projects, there is uncertainty associated with the progress of ongoing work, disputes, final outcome, etc. The final profit may therefore differ from the forecasted profit. For completed projects, there is uncertainty about hidden deficiencies, including guarantee work, and the outcome of possible disputes with the client.

Assets and liabilities with significant accounting estimates:

Assets and liabilities	Estimates/assumptions	Disclosures	Carrying amount
Accounts receivable Trade payables Guarantee provisions	As at 31 December 2013, assessments have been made on all projects. Assessments on status with regard to what each project expect to earn when the project has been completed are made. The assessment is based on estimates, experience and professional judgements.	7, 19, 25, 26	The main part of the Group's current assets and short term debt are related to projects.
Goodwill	Discounted future cash flows. The main assumption is estimated future earnings.	9	775 MNOK
Sites under development	Valuation of sites for development are based on estimates on expected usage, regulation permissions, expected start up and expected future sales prices.	17	1 991 MNOK
Net pension liabilities	The Group's pension liabilities are based on calculations performed by the actuary. Estimates are based on a number of actuarial assumptions.	22	216 MNOK

CONSOLIDATION

Basis of consolidation

The consolidated financial statements include the accounts of the Parent Company and those companies in which the Parent Company, directly or indirectly, has a controlling influence. Controlling influence is normally achieved when the Group owns more than 50 per cent of the voting powers in the company, or when the Group is in a position to exercise actual control over the company. Control of a company can also be achieved through agreements or articles of association. When judging whether a controlling influence exists, potential voting shares that can be utilised or converted without delay must be taken into account.

Group formation can be achieved by establishing new companies, by acquisitions or through mergers. Subsidiaries are consolidated when controlling influence is achieved and until control ceases.

The consolidated financial statements show the Group's profit and financial position as if they are one legal entity. The companies' financial statements are consolidated line by line. The consolidated financial statements are prepared in accordance with uniform accounting standards.

Companies in which the Group has controlling influence but where non-controlling interest exist, are fully consolidated in the consolidated financial statements. The non-controlling share of the subsidiary's equity constitutes part of the Group equity. The share of the profit attributable to non-controlling interests is included in the consolidated profit for the year. The non-controlling share of the profit and equity are presented as separate items in the financial statement. When acquiring a subsidiary with non-controlling interests, 100 per cent of the identifiable assets and liabilities are recognised in the consolidated balance sheet, whereas in terms of goodwill a decision is made for

each individual acquisition as to whether only the controlling party's (Veidekke's) share of goodwill is recognised, or whether the non-controlling party's share of goodwill is recognised as well.

When Veidekke acquires a non-controlling interest in a subsidiary, the purchase price in excess of the non-controlling party's part of the carrying amount is recorded as a reduction in the equity of the owners of the parent company. The sale of a portion of a subsidiary is recognised as a separate equity transaction when the transaction does not result in a loss of controlling interest. The share of the negative equity in the subsidiary is included in the non-controlling interest.

All intra-group receivables, liabilities, revenue and expenses are eliminated in their entirety when preparing the consolidated financial statements. Gains that arise from intra-Group transactions that are unrealised are eliminated in their entirety.

Step acquisitions and disposals

In connection with the acquisition and sale of companies, it has to be decided if the transaction is an asset transaction or a business combination. In Veidekke's Construction and Industry operations, the acquisition and sale of companies will normally be treated as business combinations. In Veidekke's Property Development operations, the acquisition and sale of companies will normally be treated as asset transactions.

Step acquisitions/disposals of businesses

When companies defined as businesses are acquired in steps and Veidekke gains controlling influence of the business, the previously held equity interest is recognised at fair value and the gain or loss is recognised in the income statement. The fair value of the previous non-controlling ownership interest is included in the calculation of goodwill.

The sale of a portion of a subsidiary is recognised as a separate equity transaction when the transaction does not result in a loss of controlling interest. If control of the Group Company engaged in business ceases, any remaining holding shall be recognised at fair value.

Step acquisitions/disposals of assets

When companies defined as assets deals are acquired in steps, moving from having a non-controlling interest in a company to obtaining control, the cost price is allocated to the identifiable assets and liabilities based on their relative fair value on the acquisition date.

When part of a subsidiary which is considered an asset is sold, where Veidekke retains more than 50 per cent of the shares, no gain is recognised in the income statement. If the sale results in loss of control, normally when there is a stake of 50 per cent or lower, a gain or loss is recognised in the income statement corresponding to the reduced ownership share.

Business combinations

Business combinations may be achieved through the purchase of a company's operations, the purchase of companies, or mergers and are dealt with using the purchase method. Under this method of accounting, the identifiable assets and liabilities are entered in the consolidated balance sheet at fair value. Identifiable assets also include intangible assets, such as patents, licences, trademarks, logos and customer portfolios.

The part of the price that exceeds the fair value of identifiable assets and liabilities constitutes goodwill. Only purchased goodwill is recognised in the balance sheet. Negative goodwill on acquisition is taken to the income statement at the time the group is established. Acquisition costs are expensed. Identifiable excess value is included in the calculation of deferred tax, whereas no provision is made for deferred tax in the case of goodwill. The fair value of

tangible assets is depreciated systematically, while goodwill and intangible assets with an indeterminate lifespan are tested annually for impairment.

Conditional costs are taken into account at fair value in the acquisition analysis, and any future changes are recognised in the accounts.

Excess value and goodwill are established at the time of group establishment. If there are subsequent changes in ownership, the changes will not affect goodwill or identified excess value as they are locked from the acquisition date, but it affects allocations between controlling and non-controlling interests.

Associated companies

Associated companies are companies in which the Veidekke Group exercises significant but not controlling influence, which is presumed to be the case when the Group's holdings amount to a minimum of 20 per cent and a maximum of 50 per cent of the voting power.

From the date when Veidekke obtains significant influence, holdings are included in the consolidated financial statements according to the equity method. The accounts of associated companies are adapted to IFRS, as adopted by Veidekke, before they are incorporated in Veidekke's consolidated financial statements.

Joint ventures

Veidekke also operate companies jointly with other companies, and in which control is exercised jointly according to agreement, and are reported as joint ventures. Some of these operations are managed through separate legal entities, which may be limited companies or general partnerships. Joint venture companies are primarily used in property development, but also for investments in PPP companies. Joint control means unanimity among the participants on important decisions. The equity method

is applied for joint ventures when preparing the consolidated financial statements. Joint venture companies are accounted for using the equity method from the date that joint control of the company commences and until the joint control ceases. The accounts of joint venture companies are adapted to IFRS, as adopted by Veidekke, before they are incorporated in Veidekke's consolidated financial statements.

The equity method of accounting

The equity method implies that the carrying amount of the Group's share in associated companies and joint ventures is equivalent to the Group's portion of their share capital as well as goodwill in the consolidated accounts and any other remaining consolidate surpluses and deductions of internal profits. The Group's share of the associated company's or joint venture's income after taxes is recognised as "result from investments in associated companies and joint ventures" in the income statement. Any depreciation, amortisation and impairment losses on acquired surpluses are recognised in profit and loss. Any subordinated loan is presented as part of the investment. Profit less distributions is added to the investment in the balance sheet. Negative equity in the company is not recognised in the balance sheet unless the Group is obligated to cover such loss, or when there are agreements making it likely that Veidekke, when needed, will inject new equity into the company.

Working partnerships

Veidekke also runs operations along with other enterprises through working partnerships. A working partnership is a collaboration between two or more participants who undertake a construction project together, and where the partners share the risk in the project (profit and loss). Separate accounts are kept for each working partnership. Working partnerships constitute part of Veidekke's

ordinary activities, and the company takes an active part in the management of these entities. A working partnership is a joint venture, and its activities are regarded as jointly controlled operations. This means that the participants control operations jointly, as stipulated in agreements. This requires unanimity on important decisions.

Veidekke uses the proportionate consolidation method for working partnerships. Under the proportionate consolidation method, each participant includes its share of the partnership's accounts, and each line in the profit and loss account and balance sheet is incorporated. Intra-group transactions are eliminated with a proportionate share.

Translation of foreign operations

The Group presents its consolidated financial statements in Norwegian kroner which is the currency of the economic environment where the majority of the companies in the Group conduct their business. Assets, liabilities, revenue and expenses of foreign operations are translated to Norwegian kroner as follows:

- Assets and liabilities, including goodwill and other consolidated surpluses and deficits, are translated at the exchange rate prevailing on the closing day.
- Revenue and expenses are translated at the average exchange rate for the month.
- Currency translation differences are recognised under other comprehensive income.

Translation differences are recognised in other comprehensive income. When divesting a foreign operation, the accumulated translation differences attributable to the operation are realised in the consolidated income statement. Sale and liquidation of a company, repayment of capital etc, are treated as disposal.

REVENUE RECOGNITION

Construction projects

Veidekke's operations consist mainly of construction projects that last from a few months to three or four years. This applies to all types of building and construction work. Veidekke primarily recognise revenue based on the degree of completion on the closing day, which is normally determined as services performed on the closing day in proportion to the total to be performed. Revenue is recognised when the estimated final profit can be reliably measured.

For claims and disputed amounts with high uncertainty, revenues are normally not recognised until an agreement has been reached or a legally binding court ruling has been given. For claims with low uncertainty and where the uncertainty is related to the amount to be recognised, a prudent part of the claim is recognised. Provision is made for guarantee work based on historical experience and identified risks. The guarantee period is normally from three to five years.

For projects that are expected to make a loss, the whole loss is recognised in the income statement at the time it has been identified. Costs relating to tenders and other preparatory work are expensed as they are incurred. The degree of completion is determined on the basis of the work executed and is normally calculated as the ratio of accrued expenses to date to estimated total expenses for the project. Accrued expenses to date are equal to booked expenses plus accruals for time lag in invoicing (Accrued but not recorded). Income to date is equal to total anticipated expenses plus project contributions multiplied by the percentage of completion.

Projects are normally invoiced monthly with 30 days' credit. The projects have different payment plans, Invoicing is done either in

step with the execution of the work or in accordance with agreed payment plans.

Accrual accounting is used for both income and expenses. Non-invoiced earned income is booked under accounts receivable (Earned, not invoiced). Unearned invoiced income (agreed payment plans) is also booked under accounts receivable (Invoiced, not executed). Only one of these items may be applied per project. If the item "Invoiced, not executed" is larger than booked accounts receivable for the project, the surplus is entered as advance payment from customers (Other current liabilities). Each project thus shows either a net receivable from the customer or a net debt to the customer. Cost accruals (Accrued, not recorded) are entered under creditors, while provisions for guarantee work on completed projects are entered under guarantee provisions etc.

Please refer to Note 7 Projects in progress, Note 19 Accounts receivable, Note 25 Trade payables and other current liabilities and Note 26 Guarantee funds etc.

These accounting principles also apply largely to projects in Veidekke's asphalt operations.

Non-residential projects

Non-residential projects involve the building of commercial buildings for sale on Veidekke's own account. Veidekke acquires sites and properties for the development and construction of non-residential buildings. It also finds long-term tenants. The acquired sites and incurred expenses on non-residential projects are recognised in the balance sheet under Non-residential projects.

Disposals of non-residential buildings on Veidekke's own account are recognised in profit and loss when the project is sold and contractually handed-over to the buyer. All project-related costs including interest are capitalised. Loss-making projects are charged

to the income statement at the time the loss is identified.

Residential projects

Residential projects involve the building of homes for sale on Veidekke's own account. Sites are acquired with the purpose of constructing residential units for sale and are classified as current assets – Residential projects. Sites are capitalised when future economic risks and rewards are transferred. A housing project consists of many units and, normally, a minimum of 50 per cent of the units must be sold prior to start-up of the project.

Projects under development

From the time the right is gained by either buying a site or entering into an option agreement, costs associated with the development of the site are capitalised. Interest expenses are included in the acquisition cost and are capitalised on the property from the time value is added to the property. Interest expenses are capitalised as long as there is development activity on the property. The property is valued at the lower of cost (including development costs and interest expenses) and fair value. If the carrying amount exceeds fair value, an impairment is undertaken.

Projects under construction

Revenue and profits from the sales of fully developed homes for Veidekke's own account are only recognised in the accounts once an apartment is complete and is contractually handed over to the buyer. This means that all costs except general sales and administration costs are capitalised as part of the acquisition costs as current assets under the item Residential projects. This principle follows from interpretation IFRIC 15 and results in a deferred revenue recognition compared to the percentage of completion method. Prepayments from customers are recorded as current liabilities. Interest expenses related to housing projects under construction are capitalised on an ongoing basis and are included in

the project's initial cost. This means that at the time of hand-over, interest is expensed as a part of the project costs and is classified as operating expenses.

Unsold residential units and sites for development

Unsold completed homes and sites under development are capitalised under Residential projects. The fair value of sites and unsold residential units are based on specific individual assessments.

Impairment is recognised if the fair value is considered to be lower than the carrying amount.

Accounting policies for property development projects in the segment reporting (Note 2)

In the segment reporting, projects under construction are accounted for using the percentage of completion method. Profit is recognised in accordance with the project's estimated final profit multiplied by the sales rate multiplied by the percentage of completion. Revenue to date is also calculated in this way. When calculating the estimated final result, only directly attributable costs are regarded as project costs, including interest costs. Loss-making projects are expensed in the period the loss is identified. Revenue is not recognised before the sales rate, measured in value, exceeds 50 per cent. If projects under construction have not reached the sales rate, no revenue is recognised until the sales rate is reached. This is due to the uncertainty of the estimated profit.

Long-term contracts for the operation and maintenance of public roads

Operation and maintenance contracts usually have duration of five to seven years. In general, the same accounting principles are applied to operation and maintenance contracts as to construction projects. For projects that are expected to show a net loss in the remaining contract period, the loss is recognised when it is identified. The performance assessment covers the remaining ordinary term.

PPP project

Veidekke has an ownership share in a PPP project (public-private partnership) involving the construction of a road with a subsequent operation and maintenance period. The PPP contract is accounted for in accordance with IFRIC 12 Service Concession Arrangements ("The Financial Asset Model"), as a financial asset at cost amortised over the contract period. The PPP contract was awarded to the associated company Allfarveg AS, for which Veidekke uses the equity method of accounting. See Note 14. The Group company Veidekke Industri provides services to Allfarveg related to road maintenance. The revenues from this are recognised as they occur.

Other operations

Income from sales of products (aggregates, asphalt etc.) is recognised on delivery. For rental income the agreed rent is recognised on a straight-line basis. Income from services rendered, consultancy assignments etc, is recognised in line with the execution of the work. Sales of non-current assets are recognised in the income statement on delivery.

FINANCIAL INSTRUMENTS

The Group classifies financial investments in the following categories:

1. Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is acquired primarily with the intention of selling it in the short term. Gains and losses on investments held for sale are recognised as they occur. Veidekke does not currently have any such financial assets.

2. Held-to-maturity investments

Veidekke does not undertake such investments, and this category is therefore not further described.

3. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured in the balance sheet at amortised cost using the effective rate of interest method, with a deduction for any impairment. Gains and losses are recognised in the income statement when loans or receivables are derecognised or impaired.

4. Available-for-sale financial assets

Available-for-sale financial assets are financial investments that are either designated in this category or cannot be classified in the other categories. After initial recognition, investments available for sale are measured at fair value, whereby changes in value are recognised in other comprehensive income, until the investment is sold or it is determined that the investment must be written down. At this point, the accumulated values, which were previously recognised in comprehensive income, are transferred to the income statement. When a financial asset is derecognised, the cumulative gains and losses are reclassified from the AFS reserve to the statement of profit and loss in financial income/expenses. Dividends and interest income from investment in financial assets are recognised as finance income when the Group has a right to receive the dividend or interest income.

The fair value of investments that are traded in a stock exchange is measured at the market price on the balance sheet date. The fair value of investments that are not part of an active market is estimated by applying generally accepted valuation techniques or by using valuations for comparable investments in an active market.

Impairment of financial assets

If there are indications of impairment relating to loans and receivables that are measured at amortised cost, an impairment assessment is performed. The impairment amount is calculated as the difference between the asset's carrying amount and the fair value of anticipated future cash flows. Impaired amount is charged to the income statement.

Veidekke has two types of financial risks relating to the Group's accounts receivable: credit risk and project risk. Credit risk relates to the customer's ability to pay. This risk has always been low at Veidekke because contracts normally require bank guarantees. Provision for such losses is made using a separate "Provision for bad debts" account. Provisions are made based on historical experience related to various customer groups. Specific receivables are impaired when the company, based on a specific assessment, regards them as non-recoverable.

Project risk relates to the customer's willingness to pay a debt. The risk that the customer is unwilling to pay is treated as part of the individual project's valuation. In the consolidated financial statement, such provision will be presented as a reduction of accounts receivable. In the notes, this risk will be presented as part of the item "Invoiced, not executed". See Notes 19 and 30 for more details.

If a financial asset classified as available for sale based on objective criteria has been impaired, the impairment loss is recognised in the income statement. Reversal of impairment of available-for-sale equity instruments is recognised in comprehensive income. A reversal of the impairment of available-for-sale debt instruments is recognised in the income statement.

Derivatives and hedging transactions

On initial recognition, derivatives are recognised at fair value. Thereafter, the item is valued again at each balance sheet date. On entering into a derivative agreement, the Group defines whether this is a fair value hedge of fair value exposures or a cash flow hedge of cash flow exposure.

Changes in the fair value of derivatives that are both defined as hedging and satisfy the requirements for hedging are recognised in comprehensive income. The items are reversed and recognised in the income statement during the period the hedged obligation or transaction affects profit or loss.

Changes in the fair value of derivatives that do not qualify as hedging are recognised in profit and loss as they occur.

Financial obligations – Loans

Loans are reported in the accounts by recognising the amount that is received less directly related transaction costs. The loan is thereafter measured at amortised cost using the effective rate of interest method.

Deduction of financial assets and obligations

A financial asset is derecognised if the right to receive cash flows from the asset no longer exists. Similarly, a financial obligation is deducted if the obligation has been honoured, cancelled or has expired as agreed.

Financial income and expenses

Financial income includes interest income on financial investments, dividends received, currency gains and gains from available-for-sale financial assets. Finance income also includes changes in fair value of financial assets at fair value through profit or loss, and gains from hedging instruments recogni-

sed in the income statement, and interest income and dividends from financial assets available for sale. Interest income is recognised in the profit and loss account using the effective rate of interest method.

Financial costs include interest charges on loans, currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment of financial assets and losses on hedging instruments that have been recognised in the income statement. All loan expenses are recognised using the effective rate of interest method.

Interest expenses in connection with loans to senior employees

In connection with the Group's share programme for senior employees, the Group offers loans to the employees. Accounting of these loans is performed in accordance with IAS 39 at amortised cost. The interest income is measured using the effective rate of interest method based on estimated market interest rates. These loans are currently interest-free, and the difference between the nominal value of the loans and their fair value based on discounting the future cash flow by the estimated market interest rate represents the prepaid benefit to employees. These prepaid benefits are recognised in the income statement over the period from a loan is granted until it is paid off.

OTHER POLICIES

Pensions

Veidekke has pension schemes for all its employees in Scandinavia. These include both defined-contribution and defined-benefit plans. In Norway, up until 31 December 2012, the Group's retirement pensions in Norway were defined-benefit plans. From 1 January 2013, employees in Norway under the age of 57 were transferred to a defined-contribution scheme. This is discussed in more detail in Note 22 Pensions. Employees in Denmark and Sweden have defined-contribution pension plans.

For defined-contribution plans, the Group makes a contribution to the employee's pension savings. Here, the future pension depends on the size of the contribution and return on the pension funds. The cost to the enterprise is equal to the contributions for the year. The company's only commitment is to make an annual contribution, and no liability is recorded in the balance sheet.

For defined-benefit plans, the company commits to providing a pension of a defined future benefit. Veidekke's pension schemes are financed either by funds or by operations. The pension scheme for employees in Norway over the age of 57 years on 1 January 2013 normally provides a pension of approx. 60 per cent of the salary on retirement, including the public pension benefits. The vesting period is 30 years. Here, the Group has risk for the return on the pension funds. An actuarial calculation is made each year of the pension costs and pension liabilities. Pension liabilities equal the present value of the accrued pension rights. Employees' pension rights are expensed as they occur, and provision is made for pension liabilities in the balance sheet. The pension calculation takes into account estimated wage growth, and pension costs are recognised linearly over the employment period.

Defined benefit plans are recognised at fair value. Net pension liabilities or assets are recognised as long term debt or financial asset. Pension assets consist of premium fund and a share of the life assurance company's funds (premium reserve). Net pension expense related to the defined benefit plans include service cost and net interest on the defined benefit liability recognised in the profit and loss.

In defined-benefit plans, an annual difference arises between the estimated and actual return on pension funds and between estimated and actual pension liabilities, called actuarial gains and losses. This is due to discrepancies and changes in the assumptions on which estimates were based. Re-measurements of the net defined benefit liability are recognised in other comprehensive income. Any changes in plans are recognised in profit or loss immediately, unless the change depends on the employees remaining in the Group, in which case the change is amortised over the remaining vesting period.

Many Norwegian companies have an early retirement scheme (AFP schemes). The new pension scheme is a defined-benefit multi-company scheme, but because the administrator is not in a position to procure reliable calculations concerning accrued rights, the accounting for the scheme is conducted as for a defined-contribution scheme. This is discussed in more detail in Note 22.

Tax

Current tax is tax to be paid or received that is related to the year in question. Income taxes consist of current tax and deferred tax. Income taxes are recognised in the income statement except when the underlying transaction is recognised directly under other comprehensive income, in which case the accompanying tax effect is also recognised there. Tax rates applied are rates that have been

decided as of the closing day. Payable tax is calculated based on the company's taxable profit for the year. Deferred tax is a provision (accrual) for future tax.

Deferred tax liabilities/assets are calculated according to the balance sheet method based on temporary differences arising between the financial statement and tax accounts. Temporary differences arise because some items are treated differently in financial accounts and tax accounts. Both tax-increasing and tax-reducing timing differences occur. Deferred tax is calculated on net temporary differences, i.e. by offsetting tax-increasing against tax-reducing differences. Deferred taxes are measured based on expected future tax rate for each entity within the Group for which the temporary differences has occurred. Deferred taxes are recognised at nominal value and presented as non-current financial asset or long term debt.

Deferred tax assets relating to loss carry-forwards are recognised in the accounts only when it is probable that the company will have adequate profits to make use of the deferred tax assets.

Tax payable and deferred tax are recognised in the profit and loss, unless the taxes occur due to a transaction or event which are recognised in other comprehensive income or charged directly to the equity or occur as a part of a business combination. Tax items relating to unrealised intra-group gains are eliminated along with these.

Goodwill

Goodwill arises in acquisitions when the cost of the acquired operations exceeds the net fair value of acquired assets and liabilities and contingent liabilities. Goodwill includes synergies, organisation, know-how, market position, etc. If the acquisition does not involve 100 per cent ownership for the parent company, it is possible to use the entire fair

value as the basis for determining goodwill. This entails the non-controlling party's share of goodwill being recognised as goodwill. If the fair value of the net identified assets exceeds the original purchase price (negative goodwill), the amount is recognised in profit and loss.

Other intangible assets

Intangible assets with a definite useful life are measured at cost less accumulated depreciation and accumulated impairment losses. This applies, among other things, to the right to extract aggregates, for which depreciation is determined based on extractions.

Tangible non-current assets

Tangible non-current assets consist of plants, buildings, machinery and equipment, etc. Veidekke recognises tangible non-current assets using a historical cost model. Tangible non-current assets are measured at cost less accumulated depreciation and impairments. Tangible non-current assets are recognised in the balance sheet when it is probable that future economic benefits from the asset will flow to the company and the original cost can be measured reliably. This applies both to first-time purchase of operating equipment and to subsequent changes, conversions, overhauls, etc. Other repairs and maintenance are recognised as expenses as they arise. Tangible non-current assets are depreciated linearly over their estimated useful lives.

The estimated expected useful lives for the current period and comparable periods are as follows:

- Vehicles: 5 years
- Machinery etc.: 5–7 years
- Asphalt plants: 10–15 years
- Bitumen tanks: 15 years
- Buildings: 20–50 years

The depreciation period and residual value are assessed annually. Gains and losses on disposals of non-current assets are reported in profit and loss and represent the difference between

sales price and carrying amount. Gains on sales of non-current assets are presented under operating revenues, while losses on sales of assets are presented under other operating costs.

Impairment of non-current assets

If there is an indication of impairment, the recoverable amount is calculated. Non-current assets are impaired to the recoverable amount if this is lower than the carrying amount. The recoverable amount is the higher of net sales value and value in use. The value in use is the present value of the future cash flows that the asset is expected to generate. If there is an indication that the asset is impaired, the recoverable amount is calculated and the asset is impaired as required.

Intangible non-current assets with an indefinite useful life and goodwill are tested for impairment in the fourth quarter each year and are impaired as required. The value in use is calculated for each cash-generating unit (CGU). If a CGU has to be impaired, goodwill is impaired first. Other assets are then impaired proportionately. If the value of impaired intangible non-current assets rises again later, the impairment may be reversed. Impairment of goodwill, however, is not reversed.

The calculation of value in use for each CGU is based on discounted expected future cash flows. The calculation is based on the CGU's budgets and forecasts, including residual value. Maintenance costs and replacement investments are also taken into account, but not investments for expansion. Financing expenses and tax are not included in the calculation.

When identifying cash-generating units, considerations are made to the lowest identifiable group of assets that generates incoming cash flows and which in all essence is independent of incoming cash flows from other assets or groups of assets. Units, in which

significant similar synergies and types of activities are connected, are considered cash-generating units. Within the construction operations, a cash-generating unit will normally be on the company level, whereas for industry operations, they will normally encompass business areas, for example Asphalt or Crushed Stone and Gravel (aggregates).

Financial lease agreements

Financial lease agreements (leasing) are agreements in which the significant risks and rewards of the leased asset have been transferred to the lessee. Financial lease arrangements for equipment are recognised in the balance sheet and depreciated in the normal way, but not over a longer period of time than the underlying lease, whilst the leasing commitments are presented as debt to credit institutions. The lease commitment is recognised in the balance sheet at the lower of the present value of the leasing payments and the fair value of the leased asset. The year's leasing payment consists of interest, which is presented in interest charges, and repayment of capital, which is presented as repayment of debts.

Operating lease agreements

Lease agreements where the significant risks and rewards have not passed to the lessee are classified as operating lease agreements. For operating lease agreements, lease payments are recognised as expenses on a straight-line basis over the lease period. The commitments are not shown in the balance sheet.

Currency transactions

Transactions involving foreign currency are translated at the exchange rate at the time of the transaction. Monetary items in foreign currency are assessed at the exchange rate on the balance sheet date, and related currency gains/losses are recognised in the income statement. Monetary items are items that will be settled at a fixed nominal amount.

This applies to current assets, receivables, debts, etc. For non-monetary items, the exchange rate at the time of the transaction is used, i.e. there is no subsequent retranslation. This applies to tangible non-current assets, inventories, etc.

Inventories

Inventories consist of project inventory and inventory for Industry operations. Project inventory is included in project valuations. Inventory for aggregates and asphalt operations are measured at the lower of total production costs and net selling price.

Guarantee funds etc.

Provision is made when the Group has an obligation (legal or self-imposed) as a result of a previous event, and it is probable that a financial settlement will take place as a result of that obligation, and the amount can be measured reliably. Provision is made for confirmed work under guarantee and for probable concealed deficiencies. See Note 26.

Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term current investments that can be immediately converted into cash and have a maximum term to maturity of three months.

Classification

Assets and liabilities relating to the operating cycle (projects) are classified as current assets and current liabilities. Veidekke has debts to credit institutions in the form of withdrawal rights, which are used to finance both non-current assets (investments) and working capital. The agreed due date is November 2015. When withdrawal has been made, the loan is presented as a long-term loan. Other debts to credit institutions that are issued to finance non-current assets (investments) are classified as non-current liabilities, while other loans that are issued to finance working capital

(current assets) are classified as current liabilities. Other receivables and debts due for payment after more than a year are classified as non-current assets and non-current liabilities. The next year's instalments on long-term debts are classified as current liabilities.

Share discounts

Veidekke buys back own shares and issues them to its employees at a discount. These sales of shares are reported in accordance with IFRS 2 – share-based payments. The discount is charged to the income statement at fair value at the time of issue, taking into account the lock-in period. The discount is calculated according to an option-pricing model. The fair value of the discount is charged as payroll expenses. See Note 5.

Proposed dividend

Proposed dividends are not recorded as liabilities in the accounts until the Annual General Meeting has approved them.

Contingent liabilities

Veidekke's profits from projects are strongly influenced by estimates, entailing some uncertainty. See the discussion on page 18 under "Estimates". Information on uncertainties is provided in Note 33.

Borrowing costs

Borrowing costs are recognised in the statement of comprehensive income when they arise. Borrowing costs are capitalised to the extent that they are directly related to the purchase, construction or production of a non-current asset. For Veidekke, interest related to property development projects is capitalised as a part of the project costs. Borrowing costs are capitalised until the date when the non-current asset is ready for its intended use. This concerns, for example, the acquisition of an asphalt plant. If the cost price exceeds the non-current asset's fair value, an impairment loss is recognised.

Own shares

Repurchased shares are recognised at cost including costs directly attributable to equity. The company's own shares are presented as a reduction in equity. Losses or gains on transactions with own shares are not recognised in the income statement.

Restructuring

Restructuring provisions are recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has been either initiated or announced to the affected parties.

Earnings per share

Earnings per share are calculated by dividing the profit for the period attributable to the owners of the parent company by the weighted average number of outstanding shares in the period.

Cash flow statement

The statement of cash flows is prepared under the indirect method.

In the property divisions, investments are made continuously in new development projects, including sites. Investments also include acquisitions of companies. Investments within the Property segment are regarded as part of the operating activities and are presented under operating activities in the cash flow statement. Associated companies and joint ventures are also used as part of the operating activities for the development of property projects. Both purchases and sales of associated companies and joint ventures are regarded as operating activities. In the other segments of the Group, purchases and sales of companies are classified as investment activities.

Segment reporting (Note 2)

The Group's operating segments are presented in accordance with the internal financial reporting that is presented to the Group's chief operating decision-maker.

In essence, internal financial reporting follows current IFRS rules with one exception – accounting for residential projects. These projects are accounted for in accordance with the project's estimated final profit, multiplied by the sales rate, multiplied by the percentage of completion. When calculating the estimated final result, only directly attributable costs are regarded as project costs, including interest costs. No profit is recognised in the accounts before the sales rate in terms of value exceeds 50 per cent. Revenue to date is also calculated in this way. Project losses are expensed immediately.

See the segment note (Note 2) for further information. See also the detailed description under income recognition of residential projects.

Approved IFRSs and IFRICs with future effective dates

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective, are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

IFRS 11 applies to joint arrangements

Provides guidance on accounting for two different types of joint arrangements – joint operations and joint ventures. Pursuant to IFRS 11, joint ventures shall be accounted for using the equity method. In joint operations, parties shall recognise their share of assets and liabilities in which they have a common interest. The assets and obligations each party has alone shall be recognised in full. Earnings from a joint operation shall be recognised by the parties equivalent to their respective share in the operation, using the equity method. In practice, this corresponds to the current gross method of accounting.

Veidekke uses such joint arrangements in certain construction projects. These are currently accounted for using the proportional consolidation method, which means that Veidekke's share of all income and balance sheet items are consolidated into the Group accounts proportionally. Veidekke has undertaken detailed assessments to ascertain whether these projects should be regarded as joint operations or joint ventures, and the preliminary conclusion is that Veidekke's projects should be regarded as joint operations and that the projects should be accounted for as before, using the proportional consolidation method. The Standard is effective from 1 January 2014.

The following new/revised/ additions to the standards are expected to have little effect on Veidekke's consolidated accounts, but will be implemented from the time the EU requires that they be adopted:

IFRS 9 Financial Instruments:

Reflects the two first phases of IASB's work on the replacement of IAS 39, which are classification and measurement of financial assets and financial liabilities and hedge accounting.

IFRS 10 Consolidated Financial Statements

Replaces the portion of IAS 27 Consolidated and separate financial statements that addresses the accounting for consolidated financial statements, and to some extent changes the meaning of "control".

IFRS 12 Disclosure of Interest in other Entities

Sets out the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Applying the new standard will increase the scope of information provided about a company's interests in other entities.

*IAS 27 (Revised) * – Separate Financial Statements*

IFRS 10 will replace those parts of IAS 27 that deal with consolidated statements. IAS 27 will now only refer to company statements and will therefore not be relevant to consolidated financial statements after coming into force.

*IAS 28 (Revised) * – Investment in Associates and Joint Ventures*

The scope of IAS 28 has been expanded to include investments joint ventures.

IAS 32 Financial Instruments – Presentation

Clarifies the meaning of "currently has legally enforceable right to set-off" and the application of the IAS 32 offsetting criteria to settlement systems.

IAS 36 (Revised)

The amendment entails the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

IAS 39 (Revised)

IAS 39 is amended to provide relief from discontinuing hedge accounting when a derivative designated as a hedging instrument is novated to provide clearing with a central counterparty as a result of law or other regulation, when certain criteria are met.

IFRIC 21 Levies

The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment for the levy.

Note 2. Segment information

Segment information is presented for the operating segments as it is reported to the corporate management and the CEO, who are the Group's top operative management and decision-making body. The segment information also includes the geographic areas as they are reported to the CEO and corporate management. The segments are grouped according to activity. The construction segment comprises mainly the construction of buildings and infrastructure. The property segment comprises the development of sites, property development and the sale of property (primarily residential). The industry segment comprises the production of aggregates (crushed stone and gravel) and asphalt, the laying of asphalt and road maintenance. Other includes the Group's public-private partnership work and administrative costs linked to operation of the holding company Veidekke ASA. For a more detailed description of the operating segments, please see pages 2-5 of the Annual Report.

Operational segments

	Construction		Property	
Income statement	2013	2012	2013	2012
Operating revenues	16 967.5	16 310.9	1 782.6	2 110.7
Operating expenses	-16 389.3	-15 704.4	-1 657.4	-1 990.2
Impairment of non-current assets	-	-	-5.1	-
Depreciation	-169.0	-161.3	-2.7	-5.3
Share of profit, associated companies and joint ventures	3.1	1.9	97.2	44.6
Operating profit	412.3	447.1	214.5	159.9
Net financial items	33.3	49.5	6.0	13.1
Profit before tax	445.6	496.7	220.5	172.9
Balance sheet at 31 December				
Non-current assets	1 762.7	1 558.0	990.4	830.5
Current assets	3 438.3	2 988.2	3 098.6	3 591.0
Cash and cash equivalents	2 164.3	1 608.4	52.6	63.5
Total assets	7 365.3	6 154.6	4 141.6	4 485.0
Equity	1 342.4	1 141.7	1 160.0	893.5
Non-current liabilities	521.4	395.6	1 913.0	2 460.6
Current liabilities	5 501.4	4 617.3	1 068.6	1 130.8
Total equity and liabilities	7 365.3	6 154.6	4 141.6	4 485.0
Other information at 31 December				
Investment in fixed assets *	170.5	305.7	2.5	6.6
Capital invested **			3 224.2	3 519.5
Investments in associated companies and joint ventures	53.7	49.7	870.6	652.1
Number of employees	5 162	5 148	110	109
Profit and loss items with no effect on cash flow (in addition to impairments and depreciation) ***	-27.3	-79.4	-94.4	-12.1
Order backlog	16 728	15 007	-	-
- due for completion within 12 months	12 110	10 588	-	-

* Does not include investments in companies or financial assets.

** Capital invested is only specified for the segments Property and Industry, as they are the two most capital-intensive segments. See Note 28 Capital management.

*** The year's changes with no effect on cash flow relate to guarantee provisions, impairment of financial assets, pension liabilities and profits from associated companies and joint ventures. This applies to selected income statement items that have not resulted in corresponding cash-flow contributions. A negative figure is normally a result of items recognised as income, but without a positive effect on the cash flow. For this reason, the figure is presented as negative in the statement.

	Industry		Other		Group eliminations		Group	
	2013	2012	2013	2012	2013	2012	2013	2012
	3 475.9	3 192.5	0.8	0.5	-1 035.9	-1 154.5	21 190.8	20 460.1
	-3 172.8	-3 001.3	-69.0	-55.5	1 036.0	1 153.1	-20 252.5	-19 598.3
	-6.2	-2.7	-	-	-	-	-11.3	-2.7
	-137.7	-135.7	-0.4	-0.2	-	-	-309.8	-302.5
	178.0	64.0	-55.8	-42.6	0.1	-1.4	749.2	627.1
	-19.8	-25.7	7.2	16.4	-	-	26.6	53.3
	158.2	38.3	-48.6	-26.2	0.1	-1.4	775.8	680.4
	1 043.7	978.1	1 519.8	1 472.2	-1 218.1	-1 164.7	4 098.5	3 674.1
	494.6	617.2	275.6	411.7	-791.4	-726.1	6 515.7	6 882.0
	35.9	5.8	953.0	35.5	-2 442.2	-1 507.7	763.6	205.5
	1 574.2	1 601.2	2 748.4	1 919.4	-4 451.7	-3 398.6	11 377.8	10 761.6
	384.4	306.9	1 068.9	1 358.9	-1 222.3	-1 171.8	2 733.4	2 529.2
	611.5	675.0	841.4	239.0	-2 452.7	-1 511.6	1 434.7	2 258.5
	578.3	619.3	838.1	321.6	-776.7	-715.2	7 209.8	5 973.9
	1 574.2	1 601.2	2 748.4	1 919.4	-4 451.7	-3 398.6	11 377.8	10 761.6
	94.2	135.2	-	1.1	-	-	267.2	448.5
	981.8	1 041.9	-	-	-	-	4 209.2	4 602.3
	95.9	95.9	-3.3	-42.7	-	-	1 016.8	755.0
	961	947	53	49	-	-	6 286	6 253
	-42.6	-46.9	51.3	23.8	-	-	-113.0	-114.6
	1 545	1 511	-	-	-	-	18 273	16 518
	1 217	989	-	-	-	-	13 327	11 577

Construction operations

	Construction Norway		Construction Sweden	
	2013	2012	2013	2012
Income statement				
Operating revenues	12 131.7	11 480.2	3 499.4	3 555.6
Operating expenses	-11 677.8	-11 048.0	-3 447.4	-3 431.4
Impairment of non-current assets	-	-	-	-
Depreciation	-122.1	-121.1	-40.2	-33.1
Share of profit, associated companies and joint ventures	2.1	1.6	1.1	-0.0
Operating profit	333.8	312.7	12.8	91.2
Net financial items	26.0	44.0	-1.4	-3.5
Profit before tax	359.9	356.7	11.4	87.7
Balance sheet at 31 December				
Non-current assets	1 038.2	1 048.7	556.4	372.9
Current assets	2 412.0	2 210.2	716.6	501.0
Cash and cash equivalents	1 675.7	1 241.3	106.2	55.2
Total assets	5 125.9	4 500.2	1 379.3	929.1
Equity	878.9	768.8	208.7	150.7
Non-current liabilities	443.4	324.7	51.5	52.6
Current liabilities	3 803.6	3 406.7	1 119.0	725.8
Total equity and liabilities	5 125.9	4 500.2	1 379.3	929.1
Other information at 31 December				
Investment in fixed assets	127.1	252.3	39.0	52.1
Investments in ass. companies and joint ventures	25.9	24.8	27.8	24.5
Number of employees	3 570	3 549	1 188	1 177
Order backlog	10 768	11 217	4 250	2 733
- due for completion within 12 months	7 909	7 749	2 819	2 014

Property development

	Property Norway		Property Sweden*	
	2013	2012	2013	2012
Income statement				
Operating revenues	1 069.8	1 341.1	712.8	769.6
Operating expenses	-974.2	-1 216.9	-683.3	-773.3
Impairment of non-current assets	-5.1	-	-	-
Depreciation	-1.9	-5.1	-0.8	-0.2
Share of profit, associated companies and joint ventures	71.4	30.7	25.8	13.9
Operating profit	160.0	149.9	54.5	10.0
Net financial items	10.0	23.9	-4.0	-10.8
Profit before tax	170.1	173.8	50.5	-0.8
Balance sheet at 31 December				
Non-current assets	824.1	663.7	166.3	166.8
Current assets	1 417.2	1 788.1	1 681.5	1 802.9
Cash and cash equivalents	23.9	12.4	28.7	51.1
Total assets	2 265.1	2 464.2	1 876.5	2 020.7
Equity	653.8	453.2	506.2	440.3
Non-current liabilities	1 343.7	1 682.5	569.3	778.2
Current liabilities	267.6	328.6	801.0	802.2
Total equity and liabilities	2 265.1	2 464.2	1 876.5	1 981.9
Other information at 31 December				
Investment in fixed assets	-	2.7	2.5	3.9
Capital invested	2 017.2	2 171.8	1 207.0	1 347.7
Investments in associated companies and joint ventures	789.6	599.6	81.0	52.5
Number of employees	58	54	52	55

* Property Sweden also includes the former segment Property Denmark.

	Construction Denmark		Construction	
	2013	2012	2013	2012
	1 336.5	1 275.1	16 967.5	16 310.9
	-1 264.1	-1 225.0	-16 389.3	-15 704.4
	-	-	-	-
	-6.7	-7.1	-169.0	-161.3
	65.7	43.3	412.3	447.1
	8.6	9.0	33.3	49.5
	74.3	52.3	445.6	496.7
	168.1	136.4	1 762.7	1 558.0
	309.6	277.0	3 438.3	2 988.2
	382.4	311.9	2 164.3	1 608.4
	860.1	725.3	7 365.3	6 154.6
	254.7	222.2	1 342.4	1 141.7
	26.5	18.3	521.4	395.6
	578.9	484.9	5 501.4	4 617.3
	860.1	725.3	7 365.3	6 154.6
	4.5	1.3	170.5	305.7
	404	422	5 162	5 148
	1 709	1 057	16 728	15 007
	1 381	825	12 110	10 588

	Property	
	2013	2012
	1 782.6	2 110.7
	-1 657.4	-1 990.2
	-5.1	-
	-2.7	-5.3
	214.5	159.9
	6.0	13.1
	220.5	172.9
	990.4	830.5
	3 098.6	3 591.0
	52.6	63.5
	4 141.6	4 485.0
	1 160.0	893.5
	1 913.0	2 460.6
	1 068.6	1 130.8
	4 141.6	4 485.0
	2.5	6.6
	3 224.2	3 519.5
	870.6	652.1
	110	109

Reconciliation between segment and financial reporting:

	Segment reporting		IFRIC 15 adjustments		New rules for pensions		Financial statements	
	2013	2012	2013	2012	2013	2012	2013	2012
Income statement								
Operating revenues	21 190.8	20 460.1	590.1	-621.1	-	-	21 780.9	19 839.0
Operating expenses	-20 252.5	-19 598.3	-580.8	562.8	111.4	-	-20 833.3	-18 924.1
Impairment of non-current assets	-11.3	-2.7	-	-	-	-	-11.3	-2.7
Depreciation	-309.8	-302.5	-	-	-	-	-309.8	-302.5
Share of profit, associated companies and joint ventures	131.9	70.4	-66.7	-35.2	-	-	65.2	35.2
Operating profit	749.2	627.1	-57.4	-93.5	111.4	-	691.7	645.0
Net financial items	26.6	53.3	-	-	-	-	26.6	53.3
Profit before tax	775.8	680.4	-57.4	-93.5	111.4	-	718.3	698.3
Balance sheet at 31 December								
Non-current assets	4 098.5	3 674.1	-108.5	-39.1	-	-	3 990.0	3 635.0
Current assets	6 515.7	6 882.0	397.0	462.2	-	-	6 912.7	7 344.2
Cash and cash equivalents	763.6	205.5	-	-	-	-	763.6	205.5
Total assets	11 377.8	10 761.6	288.5	423.1	-	-	11 666.4	11 184.7
Equity	2 733.4	2 529.2	-266.9	-195.3	-151.3	-	2 466.4	2 182.6
Non-current liabilities	1 434.7	2 258.5	-37.1	-42.4	151.3	-	1 397.5	2 367.4
Current liabilities	7 209.8	5 973.9	592.6	660.8	-	-	7 802.4	6 634.7
Total equity and liabilities	11 377.8	10 761.6	288.5	423.1	-	-	11 666.4	11 184.7

Deferred income reporting on property development projects for own account in accordance with IFRIC 15

Interpretation IFRIC 15 governs the accounting of contracts for fully developed dwellings for Veidekke's own account. According to this interpretation, revenues and gains from the sale of housing for a company shall not be recognised in the accounts until the property has been contractually delivered to the buyer (pass of legal title). As part of Veidekke's internal follow-up of projects of this type, measurements are conducted in line with successive income reporting. This means that revenues and earnings are recognised in accordance with the final forecast for the project, percentage of completion and sales rate. Veidekke's segment reporting follows these principles. IFRIC 15 adjustments apply to the segments Property and Construction.

Implementation of new accounting policies for pensions

With effect from 2013, new accounting principles were adopted for pensions. The financial statements for 2012 have therefore been restated in accordance with the new principles. The Group's internal reports for the 2012 financial year have not been restated. For this reason, the 2012 segment accounts have not been restated either.

Summary of operating revenues and profit before tax (EBT) recognised under the segment reporting:

OPERATING REVENUES	2013	2012
Accumulated operating revenues from projects not delivered to buyer at start of period	1 644.6	1 033.0
Additions – purchase of companies	-	-
+ Operating revenues from projects not delivered to buyer in the period	1 495.5	1 660.8
- Operating revenues from projects delivered to buyer in the period	-2 085.6	-1 039.7
Net IFRIC 15 adjustments to operating revenues	-590.1	621.1
+/- Foreign conversion differences	48.8	-9.4
Earned operating revenues from projects not delivered to buyer at end of period	1 103.4	1 644.6
PROFIT BEFORE TAX	2013	2012
Accumulated profit before tax on projects not delivered to buyer at start of period	246.8	154.1
Additions – purchase of companies	-9.0	-
+ Profit before tax from projects not delivered to buyer in the period	383.7	247.6
- Profit before tax from projects delivered to buyer in the period	-326.2	-154.1
Net IFRIC 15 adjustments to earnings before tax	57.4	93.5
+/- Foreign conversion differences	8.8	-0.8
Earned profit before tax from projects not delivered to buyer at end of period	304.1	246.8

The statement above is to be understood such that at 31 December 2013 earned income was NOK 1 103 million and the profit before tax was NOK 304 million on the sale of apartments under construction. These results cannot be recognised in accordance with IFRS, and will be recognised in the financial statements when the individual sold units are handed over. Uncertainty related to the final result is low because only sold apartments are included in the statement above, the sales price is fixed, and the project has normally come so far that there is very little risk associated with the final building costs. It normally takes about 18 months from production start until an apartment is handed over.

Segment reporting

Criteria for segment classification

The operating segments are based on the type of product delivery, market, risk situation and earnings. Segments are reported as they are submitted to the chief operational management.

Presentation of segments

Profit and cash flow from projects constitute a substantial part of the net financial items for Veidekke. For this reason, earnings before tax provides a more realistic picture of the earnings in the areas of activity than operating profit or loss does. Therefore, financial items and profit before tax are presented in addition to the operating profit. Furthermore, complete balance sheets are presented for each area of activity.

Non-distributed items

Some Group costs are not allocated to a specific operational segment. The same applies to a number of financial items. Non-distributed items are shown under "Other".

Largest customer

Veidekke's largest single customer, the Norwegian Public Roads Administration, accounts for 17 per cent of the Group's total revenues in 2013 (NOK 3 668 million). Revenues relate to the segments Industry and Construction Norway. Veidekke does not regard the Norwegian government as an enterprise group.

Intra-divisional transactions

Some contracts are carried out jointly by different entities. Intra-group sales and collaboration take place on commercial terms. The table below shows intra-group sales between the different areas of activity.

	Norway		Sweden	
	2013	2012	2013	2012
Intra-group sales				
Construction Norway/Property Norway	-521.5	-704.8		
Industry/Construction Norway	-181.7	-83.2		
Construction Sweden/Property Sweden			-338.4	-311.0
Hoffmann/Hoffmann Property				
Construction Norway/Construction Sweden				
Other				
Total	-703.2	-788.0	-338.4	-311.0

Geographical segments

The geographical distribution of the Group's activities corresponds to the geographical location of the resources used for the respective activities. This corresponds in the main to the geographical location of the customers. The statement has been prepared in accordance with the accounting policies used in the income statement (IFRS).

	Norway		Sweden	
	2013	2012	2013	2012
Income statement				
Operating revenues	17 815.7	16 174.0	4 694.0	4 618.7
Operating profit	687.4	430.5	63.4	99.9
Profit before tax	672.2	476.6	25.7	91.0
Balance sheet				
Total non-current assets	2 843.5	2 659.6	675.8	514.1
Capital invested	2 378.0	2 752.9	1 164.3	1 319.2
Number of employees	4 642	4 599	1 239	1 232
Order backlog	12 314	12 728	4 250	2 733
- due for completion within 12 months	9 126	8 738	2 819	2 014

	Denmark		Eliminations		Total	
	2013	2012	2013	2012	2013	2012
					-521.5	-704.8
					-181.7	-83.2
					-338.4	-311.0
	-	-0.1			-	-0.1
			-8.6	-42.8	-8.6	-42.8
			14.3	-12.5	14.3	-12.5
	-	-0.1	5.7	-55.3	-1 035.9	-1 154.5

	Denmark		Other		Group	
	2013	2012	2013	2012	2013	2012
	1 347.8	1 299.5	-2 076.7	-2 253.2	21 780.9	19 839.0
	63.3	40.7	-122.4	74.0	691.7	645.0
	69.0	46.8	-48.5	-83.8	718.3	698.3
	169.1	153.8	301.7	307.5	3 990.0	3 635.0
	356.6	300.4	43.4	34.4	3 942.3	4 407.0
	405	422	-	-	6 286	6 253
	1 709	1 057	-	-	18 273	16 518
	1 381	825	-	-	13 327	11 577

Note 3. Operating revenue

	2013	2012
Ordinary operating revenue	21 680.0	19 729.1
Other operating income	100.9	110.0
Operating revenue	21 780.9	19 839.0

Specification of other operating income

	2013	2012
Gains on sale of operating equipment *	35.9	43.1
Rental income	45.0	51.6
Other income	20.1	15.3
Other operating income	100.9	110.0

* Only gains are presented under other operating income; any losses are presented under other operating expenses.

Note 4. Payroll costs

	2013	2012
Payroll	3 429.4	3 367.7
Pension costs *	263.3	29.5
Employer's National Insurance contributions	568.6	523.9
Other payroll costs (social benefits etc.)	189.2	220.4
Total	4 450.4	4 141.6

* For 2012, provisions totalling NOK 240 million have been reversed in connection with termination of the defined-benefit pension plan for employees in Norway under 57 years of age.

	2013	2012
Number of fulltime equivalents	6 121	6 271
Number of employees at 31 December	6 286	6 253

Note 5. Share issues to employees

Each year Veidekke sells shares to its employees at a discount to current market price during the employee subscription period. The shares are subject to two and three-year lock-in periods. These sales of shares are reported in accordance with IFRS 2 on share-based payments. The recognised discount is calculated as the difference between market price and purchase price at the time of purchase, taking into account the agreed lock-in period for the shares. The effect of the agreed lock-in period is calculated as the value of a put option using the Black-Scholes model. The assumptions relating to volatility are based on the actual fluctuations in the price of Veidekke shares.

	2013	2012
Sales of shares to employees (number of shares)	2 763 785	2 718 467
Expensed discount after tax	10.2	7.6
Discount entered directly as a reduction in equity related to the Group's share programme	12.7	11.3

	2013	2012
Loans to senior executives for purchase of Veidekke shares	185.8	208.1
Expensed change in the present value of the share loan	8.5	7.9
Number of executives with loans	576	573
Share scheme loans for all employees	44.2	42.9
Number of employees with loans	1 576	1 551

Loans to senior executives are currently interest-free and repaid at 5 per cent a year. The loans are revocable after 10 years and are secured by collateral in the shares.

The loans to employees in connection with the share scheme for all employees are also interest-free and secured by collateral in the shares. The loan term is up to one year.

Expensed changes in the present value of the long-term interest-free loans are classified as payroll expenses. See Notes 6 and 31.

Note 6. Financial income/financial expenses

	2013	2012
Interest income	11.7	13.5
Interest income from joint ventures	21.7	15.8
Other interest income from non-financial institutions	21.5	8.0
Foreign currency gains	12.2	10.5
Dividends received	1.5	1.2
Other financial income	12.2	33.8
Financial income	80.8	82.7
Interest expenses	-25.8	-7.5
Interest charges from non-financial institutions	-6.4	-6.4
Foreign currency losses	-14.6	-11.4
Losses on impairment of financial assets – shares available for sale	-	-0.6
Other financial expenses	-7.4	-3.6
Financial expenses	-54.2	-29.4
Financial income/expenses	26.6	53.3

Interest income, based on the effective interest method, for loans to employees is presented as reduced interest costs. Expensed advances on pay are presented as payroll costs, see Note 15. For 2013 this represents NOK 8.5 million. The corresponding figure for 2012 was NOK 7.9 million.

In March 2012 Veidekke exercised a resale option relating to the company Ringeriksveien Eiendom ANS. The sale price was NOK 24.0 million and the transaction resulted in a gain of NOK 23.1 million, which was recognised under Other financial income.

Capitalised interest charges	2013	2012
Capitalised interest at 1 January	65.4	49.4
Capitalised interest charges for the year	57.4	40.4
Realisation of assets	-56.2	-24.2
Additions/disposals on purchase/sale of companies	-	-0.3
Currency conversion differences	1.0	-
Capitalised interest at 31 December	67.5	65.4
The capitalised interest charges relate to the following assets:		
Sites under development	43.3	31.0
Property development projects under production	21.2	31.0
Operating equipment	3.1	3.4
Capitalised interest at 31 December	67.5	65.4
Interest capitalisation rate	3.2%	3.3%

Note 7. Projects in progress

	2013	2012
Allocation of turnover		
Project revenues	18 996.0	17 953.1
Revenue residential projects	2 316.0	1 385.2
Sale of goods/services (raw materials)	367.9	390.7
Other operating income	100.9	110.0
Total turnover	21 780.9	19 839.0
Detailed project income		
Income recognised from projects in progress at 31 December		
Accumulated income	19 627.4	16 461.5
Accumulated project profit	1 309.0	933.9
Loss-making projects in progress – remaining turnover *	379.0	435.9
Due from customers	687.3	560.3
Earned, not invoiced income	479.2	698.8
Advance payments from customers	682.0	605.1

* Anticipated losses on these projects have been charged to income.

	2013	2012
Order backlog		
Construction	16 728	15 007
Road operation and maintenance (due for completion within 18 months)	986	1 025
Asphalt (due for completion within 18 months)	560	486
Total order backlog	18 273	16 518
- of which due to be completed within the next 12 months	13 327	11 577

Road maintenance contracts

Veidekke has 18 maintenance contracts for national and regional roads for the Norwegian Public Roads Administration. These contracts have a duration of up to six years. In addition Veidekke has one contract for Avinor and one for Allfarveg AS.

	2013	2012
Turnover from road maintenance contracts	853.9	789.8
Number of contracts	20	21
Order backlog maintenance contracts 18 months	986	1 025
Order backlog maintenance contracts longer than 18 months	1 031	980
Total order backlog maintenance contracts	2 016	2 005
Remaining turnover from unprofitable contracts *	-	15.6
Number of unprofitable contracts	-	1

* The remaining turnover from unprofitable contracts in this table is also included in the table above for the Group.

Note 8. Earnings per share

	2013	2012
Earnings per share (NOK)	4.1	3.4
Profit for the year	555.8	457.8
Owners of the parent company's share of the profit for the year	543.7	448.0
Average no. of shares (million)	133.7	133.7
No. of shares at 1 January (million)	133.7	133.7
No. of shares at 31 December (million)	133.7	133.7

Veidekke does not have any financial instruments that have a diluting effect.

Note 9. Goodwill

	2013	2012
At 1 January		
Acquisition cost	889.5	805.1
Accumulated depreciation and impairments	-258.5	-258.8
Carrying amount at 1 January	631.0	546.3
Accounting year		
Carrying amount at 1 January	631.0	546.3
Translation differences	30.1	-6.9
Impairments	-11.3	-
Additions	125.5	91.6
Disposals	-	-
Carrying amount at 31 December	775.2	631.0
At 31 December		
Acquisition cost	1 045.0	889.5
Accumulated depreciation	-251.2	-251.3
Accumulated impairments	-18.5	-7.2
Carrying amount at 31 December	775.2	631.0

The Group's largest goodwill items, plus the goodwill for each operating segment

Book value	31.12.13	31.12.12
Purchases (cash-generating unit) in order of size		
Construction Sweden – Arcona AB	120.3	0.0
Construction Sweden – Veidekke Entreprenad AB, Region Väst	86.1	77.7
Construction Denmark – Hoffmann A/S	84.6	74.1
Industry – Aggregates	79.3	82.0
Industry – Asphalt	72.6	72.6
Construction Norway – Veidekke Agder AS	70.7	70.7
Sum goodwill items > NOK 40 million	513.6	377.1
Goodwill items < NOK 40 million (18 units)	261.7	253.9
Total goodwill	775.2	631.0
Total for each operating segment		
Construction Sweden	306.4	166.3
Construction Norway	219.5	219.5
Industry	151.7	154.4
Construction Denmark	84.6	74.1
Property	13.0	16.7
Total goodwill	775.2	631.0

The Group has recognised goodwill arising from the acquisition of 43 businesses. Each goodwill item is allocated to a cash-generating unit. When a purchased business continues to be operated as an independent unit, this business is designated the cash-generating unit. Units with significant synergies and similar types of activities are considered cash-generating units. This is the case when acquired operations are integrated with an existing Veidekke company or when the operations of an acquired business are closely linked to an existing Veidekke company. In these cases, the combined business is considered the cash-generating unit for which goodwill is measured and followed-up. The Group has recorded 24 cash-generating units associated with capitalised goodwill.

Goodwill is not amortised, but is tested for impairment in the fourth quarter each year. In the event of a particular indication of possible impairment, the test is carried out on a quarterly basis. The test is carried out by comparing the estimated recoverable amount with carrying amount of invested capital for the unit in question. When the recoverable amount exceeds capital invested, the book value of the goodwill is upheld. When the recoverable amount is lower than capital invested, the book value is impaired to the estimated recoverable amount. Capital invested is the unit's total capital less interest-free current liabilities and interest-free non-current liabilities.

The recoverable amount is the estimated present value of future cash flows for the unit and is based on the figures in the management's approved budget and strategy for the next three years. In addition, the following assumptions are used:

Turnover and operating profit margin – next three years

In accordance with the management's approved budget and strategy for the next three years. These are estimated on the basis of current sales and margins and the expected market development.

Turnover level and profit margin in the subsequent periods

Assumed annual growth used in the cash flows in years 4 and 5 corresponds to anticipated general growth in the economy (a nominal 2.5 per cent p.a.). This calculation assumes a terminal value after 5 years based on the Gordon model.

Key assumptions

	Discount rate (WACC) before tax	Before-tax discount rate for calculation of the terminal value	Nominal growth rate in the terminal phase
Norway	10.4%	11.7%	2.5%
Sweden	10.1%	11.3%	2.5%
Denmark	10.4%	11.6%	2.5%

Discount rate

The discount rate is based on the weighted average cost of capital (WACC) method. The nominal discount rate before tax is based on the Group's estimated capital cost calculated as a weighted average of the cost for the Group's equity and the cost of its debt. The discount rate takes into account the debt interest rate, risk-free interest rate, debt ratio, risk premium and a liquidity premium. A discount rate of 11.3 per cent before tax was applied in the impairment tests for 2012. The reason for the reduction in the discount rate compared to 2012 is that the risk premium is regarded as slightly lower.

Investment requirements/reinvestment

The unit's expected future investment needs are reflected in the calculations. These are set according to the management's approved budget and strategy for the next three years. For the period beyond the next three years, reinvestment requirements are assumed to correspond to expected depreciation. Changes in working capital requirements have been assessed and largely set at NOK 0.

Assumptions forming the basis for last year's estimates

The assumptions on which estimates were based at the end of 2012 were to a great extent achieved by a good margin, with the exception of earnings assumptions for Veidekke Agder AS.

Assumptions for goodwill items with a value of over NOK 40 million

	Turnover in 2013	Margin 2013	Turnover growth 2014–2018 ¹⁾	Impairment indicator: Profit margin over time ²⁾
Construction Sweden – Arcona AB	991	2.6%	2.5%	1.5%
Construction Sweden – Veidekke Entreprenad AB, Region Väst	920	0.3%	> 2.5%	0.5%
Construction Denmark – Hoffmann A/S	1 337	5.6%	> 2.5%	1.5%
Industry – Aggregates (crushed stone and gravel)	368	14.5%	2.5%	7.0%
Industry – Asphalt	2 354	4.8%	2.5%	2.0%
Construction Norway – Veidekke Agder AS	457	-10.9%	> 2.5%	2.0%

¹⁾ Expected growth in turnover used in impairment tests at 31 December 2013.

²⁾ One impairment indicator is if the future expected profit margin is consistently lower than the stated profit margin.

Goodwill Veidekke Agder AS – Construction Norway business area

Veidekke Agder AS is a construction company operating in southern Norway. After several years with excellent

financial results, the company has returned substantial losses in the period 2011–2013. In 2013 the company had a turnover of NOK 457 million and posted a loss before tax of NOK 50 million. The loss in 2013 is due to the combination of low volumes, small project margins and high overheads. The weak project margins in 2013 are mainly related to two completed projects, which alone have contributed a combined loss of NOK 47 million in 2013. Omitting these two projects, the company met Veidekke's internal targets for project margins in 2013. The budgeted turnover in 2014 and 2015 is NOK 520 million and NOK 500 million respectively, yielding profit margins of 0.3 per cent and 2.2 per cent. The limit for impairment is a profit margin of 2 per cent over time. Substantial structural and strategic changes have been done in 2013.

Sensitivity analysis for goodwill items with a value of over NOK 40 million

The Group has carried out sensitivity analyses to assess the calculated present values for each cash-generating unit, most of which have shown that the recoverable amount of goodwill exceeds the value recorded in the accounts for goodwill for all major items by a good margin. With the exception of Veidekke Agder and Veidekke Entreprenad AB. Region Väst where changes in the underlying assumptions may necessitate impairments.

The sensitivity analysis is based on the assumptions described above. Calculations are made on the basis that one of the estimated financial assumptions changes and that the remaining assumptions remain the same.

The following changes in the underlying assumptions have been included in the sensitivity analysis:

	Discount rate + 1%	Discount rate + 2%	Turnover down 10% ¹⁾	Turnover down 20% ¹⁾
Need for impairment	-	NOK 8 million	-	NOK 35 million
	Profit margin down 20%	Profit margin down 40 %		
Need for impairment	-	NOK 14 million		

¹⁾ Margins maintained.

In the sensitivity calculations a reasonable outcome range has been assumed. A reduction in turnover in excess of 20 per cent is considered unlikely. However, if this were to occur, such a reduction could have a significant impact on the units' performance and would result in impairments.

Note 10. Other intangible assets

Other intangible assets include extraction rights in the business area Aggregates and purchased customer relations and brands.

	2013	2012
Carrying amount at 1 January	46.0	34.2
Original cost at 1 January	59.9	41.7
Investments in ongoing operations	0.7	0.4
Investments in purchase of a company/a company's operations	61.2	20.7
Original cost of sold companies/disposals	-	-2.5
Translation differences original cost	5.2	-0.4
Original cost at 31 December	127.0	59.9
Accumulated depreciation and impairments 1 January	-13.9	-7.5
Accumulated depreciation sold companies	-	2.5
Depreciation	-7.6	-6.2
Impairment	-	-2.7
Translation differences depreciation	-1.1	0.1
Accumulated depreciation and impairments 31 December	-22.6	-13.9
Carrying amount at 31 December	104.5	46.0

Depreciation of the right to extract crushed stone and gravel is determined on the basis of extraction of gravel. Customer relations are depreciated on a straight line basis over four to five years.

Note 11. Machinery and property

	2013			2012		
	Machinery etc.	Property	Total	Machinery etc.	Property	Total
Carrying amount at 1 January	1 234.8	511.7	1 746.5	1 136.8	488.0	1 624.8
Original cost at 1 January	3 290.5	745.3	4 035.8	3 031.1	743.5	3 774.6
Investments in ongoing operations	258.7	7.7	266.5	402.2	45.9	448.1
Investments in connection with purchase of a company/a company's operations	32.7	48.7	81.4	18.8	10.1	28.9
Disposals original cost	-141.6	-76.3	-217.9	-161.5	-82.4	-243.9
Disposals original cost sold companies	-	-	-	-	-	-
Reclassification/other changes	-0.1	0.1	-	7.8	34.7	42.5
Translation differences original cost	38.1	18.5	56.6	-7.8	-6.6	-14.4
Original cost at 31 December	3 478.3	744.0	4 222.4	3 290.5	745.3	4 035.8
Accum. depreciation/impairments at 1 January	-2 055.7	-233.6	-2 289.3	-1 894.3	-255.5	-2 149.8
Accum. depreciation sold operating equipment	115.9	10.5	126.4	121.5	36.3	157.8
Accum. depreciation sold companies	-	-	-	-	-	-
Depreciation for the year	-286.0	-16.2	-302.2	-279.9	-16.4	-296.2
Impairment for the year	-	-	-	-	-	-
Reclassification/other changes	-	-	-	-8.1	-	-8.1
Translation differences depreciation	-22.9	-5.2	-28.1	5.0	2.0	7.0
Accumulated depreciation/impairments at 31 December	-2 248.7	-244.6	-2 493.3	-2 055.7	-233.6	-2 289.3
Carrying amount at 31 December	1 229.6	499.5	1 729.1	1 234.8	511.7	1 746.5
Depreciation method	Linear	Linear				
Depreciation rate	7-25 %	2-5 %				

At 31 December 2013 interest expenses totalling NOK 3.1 million related to construction of asphalt plants have been recognised in the balance sheet. Under "Machinery, etc." NOK 26.6 million has been capitalised related to financial leasing. The Group has entered into contracts worth approx. NOK 64 million on delivery of operating equipment, which are due for delivery in 2014.

Investments and sales (sales price)

	2013		2012	
	Inv.	Disposals	Inv.	Disposals
Machinery, etc.	258.7	42.4	402.2	35.9
Property	7.7	79.8	45.9	72.9
Total	266.5	122.2	448.1	108.7

Net gain (loss) on sale of operating equipment *

	2013	2012
Machinery, etc.	16.6	-4.1
Property	14.0	26.7
Total net gain on sales	30.6	22.6

* Gains on sale of operating equipment are included in operating revenues. Losses on sale of operating equipment are included in operating expenses.

Note 12. Acquisitions and disposals of businesses

Acquisition of companies 2013

On 31 December 2013 Veidekke purchased the Stockholm-based contractor Arcona AB. The acquisition also included BSK Arkitekter and a majority shareholding in the company Exengo Installationskonsult AB. Arcona AB and its subsidiaries had a turnover of NOK 990 million and recorded a pre-tax profit of approx. NOK 25 million in 2013. The purchase price was NOK 156 million and was paid in January 2014. At the acquisition date, the acquired operations had bank deposits of approx. NOK 64 million. This means that the positive net cash effect from the acquisition is NOK 64 million at 31 December 2013. Excess value arising from the acquisition amounted to NOK 131 million, and of this NOK 120 million was allocated to goodwill, NOK 19 million was allocated to brand, NOK -5 million was allocated to the guarantee funds, and NOK -3 million is related to deferred tax. The goodwill relates mainly to organisation and competence. Since the acquisition took place just before the presentation of the accounts, this purchase price allocation is preliminary.

On 31 July 2013 Veidekke acquired the company Skedsmo Pukkverk AS. The purchase price was NOK 60 million, with a net cash effect of NOK -53 million. Excess value arising from the acquisition amounted to NOK 43 million, and of this NOK 46 million was allocated to land, NOK 4 million was allocated to fixed assets, NOK 10 million was allocated to stone reserves and NOK -17 million was allocated to deferred tax. Since its acquisition, the company has had a turnover of NOK 16.2 million and achieved a result before tax of NOK -0.5 million. The corresponding figures for 2013 as a whole are NOK 31 million and NOK -4.2 million respectively.

On 1 November 2013 Veidekke bought the remaining 50 per cent of the shares in Tullinn Ree & Sønner AS, a rock crushing company in Rogaland. The purchase price for the 50 per cent holding was NOK 15 million, which resulted in a gain in the financial statements of NOK 1.3 million in connection with the realisation of the previous joint venture investment. There is NOK 26.5 million in excess value related to the acquisition (for 100 per cent ownership), of which NOK 31.5 million has been allocated to extraction rights, NOK -8.5 million is related to deferred tax and NOK 3.5 million has been allocated to goodwill. The company had a turnover of NOK 25.7 million in 2013 and posted a profit before tax of NOK 1.5 million, of which NOK 4.8 million and NOK 0.4 million respectively were after 1 November.

In addition, Veidekke bought two small companies in 2013 for the combined sum of NOK 3.4 million.

Purchase price allocation of the acquired and consolidated companies compiled in a single statement:

	Book value acquired company	Net excess value	Purchase value
Cash and bank deposits	72.2		72.2
Other intangible assets	2.0	61.2	63.2
Machinery, property, etc.	32.2	49.6	81.8
Trade and other receivables	131.0		131.0
Pensions and deferred tax	0.5	-28.5	-28.0
Non-current liabilities	-25.8		-25.8
Trade payables (creditors) and other current liabilities	-162.8	-4.7	-167.6
Net identified assets and liabilities	49.2	77.6	126.8
Goodwill at time of acquisition			125.5
Non-controlling interests			-2.6
Realisation of joint venture – step acquisition			-15.0
Purchase price			234.6
Agreed purchase price			234.6
Deferred payment			-156.5
Cash received			-72.2
Net cash outflow			6.0

Cash flow statement 2013

Acquisitions of subsidiaries are classified in the cash flow statement under the item "purchase of subsidiaries" with a total of NOK 6.0 million.

Acquisition of companies 2012

In April 2012 Veidekke purchased 100 per cent of the shares in the Swedish construction company Brinkab AB for NOK 66.5 million, of which NOK 10.6 million was deferred payments falling due between 2013 and 2016. Attributable goodwill was NOK 37.2 million, and NOK 21.0 million was allocated to other intangible assets. The purchase price has since been adjusted up by NOK 3.8 million, which has been expensed.

Note 13. Investments in associated companies and joint ventures

	Profit		Carrying amount	
	2013	2012	2013	2012
Total associated companies (AC)	11.9	12.5	122.4	108.0
Total joint ventures (JV)	53.3	22.8	785.9	647.0
Total	65.2	35.2	908.3	755.0

Investments in associated companies (AC)

Veidekke has investments in associated companies in all its business areas. The recorded profit for the year and balance sheet figures are specified in the table below:

	Profit		Carrying amount*	
	2013	2012	2013	2012
Property projects Norway	6.7	0.6	34.6	30.2
Property projects Sweden	-0.4	10.2	30.1	27.5
Total property development	6.3	10.8	64.8	57.7
Industry Norway	2.3	0.0	3.8	0.9
Construction Norway	2.2	1.7	26.0	24.8
Construction Sweden	1.1	-0.0	27.8	24.5
Total	11.9	12.5	122.4	108.0

* There are no price listings (market price on the stock exchange) for any of Veidekke's associated companies.

The Group's total share of assets, liabilities, income and expenses related to investments in associated companies is presented in the table below. The information has been taken from the respective financial statements.

	2013			
	Construction	Property	Industry	Total
Income statement				
Income	206.4	36.3	5.8	248.5
Expenses	-198.2	-27.4	-2.7	-228.3
Profit before tax	8.2	8.8	3.1	20.2
Balance sheet				
Assets				
Non-current assets	55.3	87.9	3.2	146.4
Current assets	56.7	110.6	1.6	168.9
Liabilities				
Non-current liabilities	32.0	70.7	0.4	103.1
Current liabilities	26.1	68.4	0.6	95.2
Net assets	53.9	59.3	3.8	117.0
Subordinated loans		5.4		5.4
Investments in AC	53.9	64.8	3.8	122.4

Consolidation method: Equity method

	2012			
	Construction	Property	Industry	Total
Income statement				
Income	144.2	18.0	1.2	163.4
Expenses	-139.9	-6.7	-1.2	-147.8
Profit before tax	4.4	11.2	0.1	15.7
Balance sheet				
Assets				
Non-current assets	37.5	180.0	1.2	218.6
Current assets	34.8	121.6	0.6	157.1
Liabilities				
Non-current liabilities	5.6	123.3	-	128.9
Current liabilities	17.3	120.6	0.9	138.8
Net assets	49.4	57.7	0.9	108.0
Investments in AC	49.4	57.7	0.9	108.0

Consolidation method: The equity method

Reconciliation between profit in the company accounts and accounting in Veidekke's consolidated accounts	Profit	
	2013	2012
Profit before tax – associated companies	20.2	15.7
Tax on the profit for the year	-8.2	-4.4
Profit after tax – associated companies	11.9	11.3
Sale of shares	-	-
Other items	-0.0	1.2
In Veidekke's consolidated accounts	11.9	12.5

Investments in joint ventures (JV)

Veidekke has investments in joint ventures in all its business areas. The recorded profit for the year and balance sheet figures are specified in the table below:

	Profit		Carrying amount*	
	2013	2012	2013	2012
Property projects Norway	33.2	3.1	689.1	534.9
Property projects Sweden	-9.0	-4.4	4.9	16.8
Total property development	24.1	-1.4	694.0	551.7
Industry Norway	16.5	11.2	92.1	95.0
Construction Norway	-0.2	-	-0.2	-
Construction Denmark	-0.0	0.3	-	0.4
Public-Private Partnership Allfarveg Norway	12.8	12.6	-	-
Total	53.3	22.8	785.9	647.0

* There are no price listings (market price on the stock exchange) for any of Veidekke's joint venture companies.

The Group's total share of assets, liabilities, income and expenses related to investments in joint ventures is presented in the table below. The information has been taken from the respective financial statements.

	2013				Total
	Construction	Property	Industry	Public-Private Partnerships	
Income statement					
Income	0.8	949.9	206.0	16.3	1 172.9
Expenses	-1.0	-830.9	-183.0	-	-1 014.9
Profit before tax	-0.2	119.0	22.9	16.3	158.0
Balance sheet					
Assets					
Non-current assets	-	31.7	85.5	728.5	845.7
Current assets	0.6	2 111.3	74.3	58.4	2 244.5
Liabilities					
Non-current liabilities	0.8	1 353.3	33.5	768.0	2 155.6
Current liabilities	-0.0	558.0	34.2	19.0	611.1
Net assets	-0.2	231.6	92.1	0.0	323.5
Subordinated loans	-	570.9	-	-	570.9
IFRIC 15 adjustments		-108.5			-108.5
Investments in JV	-0.2	694.0	92.1	-	785.9

Consolidation method: The equity method

	2012				Total
	Construction	Property	Industry	Public-Private Partnerships	
Income statement					
Income	2.2	552.7	169.9	17.1	741.8
Expenses	-1.8	-507.7	-149.7	-	-659.2
Profit before tax	0.4	45.0	20.2	17.1	82.6
Balance sheet					
Assets					
Non-current assets	-	191.5	95.5	719.2	1 006.2
Current assets	0.5	955.5	58.3	53.8	1 068.2
Liabilities					
Non-current liabilities	-	605.6	25.8	756.7	1 388.0
Current liabilities	0.1	463.6	33.1	16.3	513.1
Net assets	0.4	77.8	95.0	0.0	173.2
Subordinated loans		513.0			513.0
IFRIC 15 adjustments		-39.1			-39.1
Investments in JV	0.4	551.7	95.0	0.0	647.0

Consolidation method: The equity method

Reconciliation between profit in the company accounts and accounting in Veidekke's consolidated accounts

	Profit	
	2013	2012
Profit before tax – joint ventures	158.0	82.6
Tax on the profit for the year	-36.7	-23.1
Profit after tax – joint ventures	121.3	59.5
Sale of shares and value adjustments	-	-
Reversal of profit in accordance with IFRIC 15	-66.7	-35.2
Other items	-1.3	-1.5
In Veidekke's consolidated accounts	53.3	22.8

The largest investments in associated companies and joint ventures:

Company	Veifor AS	M17 Utvikling AS	D1a Utvikling AS	Lilleby Eiendom AS	Scale Veidekke Holding AS	Allfarveg AS
Business area	Property Norway	Property Norway	Property Norway	Property Norway	Property Norway	Other
Ownership share	50%	50%	50%	50%	50%	50%
Type of company	FKS	FKS	FKS	FKS	FKS	FKS
Business office	Oslo	Oslo	Oslo	Trondheim	Stavanger	Oslo
Share of income	396.5	24.5	-	-	-	16.3
Share of expenses	-339.9	-26.6	-3.5	-0.0	0.4	-
Tax expense	-15.0	2.3	1.0	-	-	-3.4
Profit	41.6	0.3	-2.5	-0.0	0.4	12.8
Non-current assets	-	405.6	1.0	-	4.5	728.5
Current assets	404.4	19.9	185.0	35.8	38.1	58.4
Non-current liabilities	77.0	421.1	82.5	36.3	4.0	768.0
Current liabilities	267.2	3.3	106.1	0.3	-	19.0
Net assets	60.2	1.1	-2.6	-0.8	38.6	-
Subordinated loans	66.6	96.7	82.5	69.0	4.6	-
Book value 31 December 2013	126.8	97.8	79.9	68.2	43.2	-

Working partnerships

Some major construction contracts are undertaken as "joint operations" in working partnerships with other construction companies. The table below shows the consolidated values in the consolidated accounts from working partnerships (proportional consolidation method):

	Working partnerships	
	2013	2012
Income statement		
Income	771.3	395.4
Expenses	-779.8	-381.6
Profit before tax	-8.5	13.8
Balance sheet		
Assets		
Non-current assets	11.4	6.0
Current assets	294.6	141.6
Liabilities		
Non-current liabilities	0.0	0.0
Current liabilities	272.3	130.7
Net assets	33.7	16.9

Consolidation method: Proportional consolidation

Note 14. PPP Project Allfarveg

As a 50 per cent owner of Allfarveg AS, Veidekke participates in the E39 Lyngdal–Flekkefjord public–private partnership (PPP). Allfarveg AS has built and now operates this road for the Norwegian Public Roads Administration. The road was completed in summer 2006. The subsequent operation period is 25 years.

Allfarveg AS contracted out the construction of the road to a working partnership, in which Veidekke had a 70 per cent share. The operation and maintenance contract has been awarded to Veidekke through Veidekke Industri AS. The cost of constructing the road was approx. NOK 1.2 billion. To this must be added operation, maintenance and financing. Settlement by the Public Roads Administration takes place monthly in equal instalments over the 25-year operating period.

Allfarveg AS treats the PPP contract as a financial asset, which is accounted for in accordance with the principles of IFRIC 12 Service Concession Arrangements (the Financial Assets Model). The financial asset is accounted for using the amortised cost method. Operation and maintenance income is recognised over the operation period, in line with execution of the work.

Allfarveg AS is a joint venture, and Veidekke uses the equity method of accounting for this investment. Profit sharing among the shareholders is skewed. At 31 December 2013 Veidekke was entitled to 62.2 per cent of the dividend.

In 2013 Veidekke's ownership share in Allfarveg AS contributed a profit of NOK 12.8 million (NOK 12.6 million). Allfarveg is financed by long-term loans, which are being repaid over the operation period. The interest terms have been hedged with interest-rate swaps for the entire duration of the project.

Movements for the year:

	2013	2012
Book value in the balance sheet at 1 January	-	-19.8
Veidekke's share of the profit	12.8	12.6
Received distribution from Allfarveg AS	-14.4	-11.1
Adjustment for fair value, long-term interest-rate swaps in Allfarveg AS	14.9	-12.5
Adjustment by not including negative equity	-13.3	30.8
Book value in the balance sheet at 31 December	-	-

Note 15. Financial assets

	2013	2012
Share loans to employees ¹⁾	185.8	208.2
Other shares *	8.1	7.4
Financial investments **	112.1	80.3
Other non-current receivables	111.3	98.2
Financial assets	417.4	394.1

* Other shares are financial instruments available for sale and recognised in the accounts at fair value. The original cost prices are used as an estimate of fair value.

** NOK 112.1 million has been invested in a money market fund with low risk bonds. The funds are to cover pension liabilities and have been pledged. The investment is regarded as available for sale.

¹⁾ Share loans to employees

	2013	2012
Loans to employees at fair value	152.7	171.1
Long-term advance to employees	33.1	37.1
Book value of share loans to employees	185.8	208.2

Loans to employees are recognised in accordance with the principles of IAS 39 at fair value. The loans are currently interest-free. Fair value is estimated by discounting the expected future repayments by an estimated market interest rate. The estimations are based on an assumed market interest rate of 4.0 per cent (4.0 per cent) after tax and an assumed average remaining term of five years. The difference between the fair value and the nominal value of the loans is treated as advance payments to employees. In the balance sheet, the advance payment is presented together with an estimated fair value of the loans. Satisfactory security has been furnished for the loans.

See Note 5.

Note 16. Inventory – non-residential projects

Non-residential projects involve the building of commercial buildings for sale for Veidekke's own account. Costs incurred in respect of sites, buildings under construction and completed commercial buildings for sale are recognised under this item in the balance sheet. Many of the projects run for longer than 12 months, and assets may therefore not be realised and settled until after more than 12 months have passed. Sites for development will normally be realised after 12 months.

Non-residential projects at 31 December

	Sites for development		Under construction		Completed buildings		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Projects, Norway	60.5	69.5	8.9	-	-	-	69.4	69.5
Projects, Denmark	14.2	12.4	-	-	-	-	14.2	12.4
Projects, Sweden	-	-	-	-	-	-	-	-
Balance sheet total	74.7	81.9	8.9	-	-	-	83.6	81.9

	2013	2012
Gain (+) / Loss (-) on sale of non-residential projects	-	-

Note 17. Inventory – Residential projects

Residential projects involve building housing for sale for Veidekke's own account. Costs incurred in respect of sites for development and housing under construction are recognised under this item in the balance sheet. Many of the projects run for longer than 12 months, and assets may therefore not be realised and settled until after more than 12 months have passed. Sites for development will normally be realised after 12 months.

Residential projects at 31 December	2013	2012
Sites for development	1 991.0	1 757.9
Projects in progress/unsold completed dwellings	1 073.1	1 784.1
Balance sheet total	3 064.0	3 542.0

Residential projects at 31 December

	Sites for development		Under construction		Unsold completed		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Projects, Norway	569.3	402.8	652.6	1 263.0	23.0	17.8	1 244.9	1 683.7
Projects, Denmark	151.2	142.1	-	-	-	-	151.2	142.1
Projects, Sweden	1 270.5	1 213.0	352.5	470.9	45.0	32.3	1 667.9	1 716.2
Balance sheet total	1 991.0	1 757.9	1 005.1	1 733.9	68.0	50.1	3 064.0	3 542.0

Number of dwellings under construction and unsold completed dwellings at 31 December 2013:

	No. of dwellings under construction	No. of dwellings unsold under construction	No. of dwellings unsold completed**	Average sales rate*	Average percentage of completion*
Projects, Norway – subsidiaries	356	58	7	84%	62%
Projects, Norway – joint ventures (Veidekke's share)***	393	158	9	60%	57%
Projects, Sweden – subsidiaries	633	166	6	74%	77%
Projects, Sweden – joint ventures (Veidekke's share)***	87	13	-	85%	68%
Projects, Denmark – subsidiaries	-	-	-	-	-
Total number/total sales rate	1 469	395	22	74%	68%

* For units under construction

** Also includes unsold dwellings that are temporarily let.

*** Shares in joint ventures are reported in the balance sheet under "investment in joint ventures". See Note 13.

Earnings from sold dwellings under construction*

	No. of dwellings under construction		Recognised in the segment accounts before tax (Note 2)*		Recognised in the financial accounts before tax		Average percentage of completion	
	2013	2012	2013	2012	2013	2012	2013	2012
Projects, Norway – subsidiaries and joint ventures	749	906	126.2	176.8	-1.4	-1.9	59%	52%
Projects, Sweden – subsidiaries and joint ventures	720	371	79.3	70	-5.9	-3.6	76%	67%
Total number/total sales rate	1 469	1 277	205.5	246.8	-7.3	-5.5	68%	57%

* Revenues and earnings from the sale of completed residential projects are recognised in profit and loss on the date that the unit is handed over to the buyer in accordance with the contract. In the segment accounts, profit is recognised in line with the estimated final profit, sales rate and degree of completion. The segment accounts provide the most accurate picture of the ongoing value creation.

Market risk

Market risk within property development is mainly related to unsold dwellings and the site portfolio, the values of which will be affected by changes in the market. The tables below present the situation at 31 December 2013, and also indicate the consequences of possible market changes.

Unsold dwellings

	No. of units under construction	No. of unsold units	Original sales value (NOK mill.)	Market value (NOK mill.)	Estimated cost (NOK mill.)*	No. of units let
Under construction	1 469	395	1 547	1 547	1 293	
Completed	-	22	68	68	60	1
Total	1 469	417	1 615	1 615	1 353	1

* For projects under construction, estimated cost means the full cost according to estimated final result.

At the end of 2013 Veidekke's property operations in Scandinavia had a total of 1 469 units under construction. On the same date, the Group had 417 unsold residential units, of which 395 were under construction and the remaining 22 have been completed.

Sensitivity analysis

In preparing these accounts, an assessment was made of the value of each dwelling. The column "Market value" in the table above shows the total market value, which amounts to NOK 1 615 million. On average, the market value is at the same level as the original sales value. Column 5 in the table shows the total expected cost of the homes, totalling NOK 1 353 million. The portion that is under construction is consistent with the estimated final result. Market value at 31 December 2013 is estimated to be approx. 16 per cent above book value.

The table below shows the change in value for the Group if the prices should fall below today's level (by 10 per cent and 20 per cent, respectively), based on the current portfolio. Some 95 per cent of the unsold homes are under construction. The average sales rate of projects under construction is roughly 74 per cent, and average percentage of completion is about 68 per cent. This means that the projects will be completed in an average of about six months, and it is expected that these homes will be sold before the projects are completed.

A 10 per cent fall in price will not necessitate impairments. If prices drop by 20 per cent, impairments will amount to around NOK 61 million.

	Market value (NOK million)	Book value (NOK million)	Impairments if 10% fall in price (NOK million)	Impairments if 20% fall in price (NOK million)
All unsold	1 615	1 353	-	61
Exposure	1 615	1 353	-	61

Land bank

At the end of 2013, Veidekke's land bank in Scandinavia comprised altogether 10 450 housing units.

A substantial share of the portfolio consists of purchase options, especially in Sweden where the local authorities own a large number of sites and offer property developers options (called "markanvisninger"). The sites are distributed as shown in the following table:

No. of housing units	Owned by Veidekke	Purchase options	Total
Norway	3 150	700	3 850
Sweden	2 100	4 500	6 600
Denmark	-	-	-
Total	5 250	5 200	10 450

Expected building starts:

Housing units	Number	2014	2015	2016	Later
Norway	3 850	300	600	700	2 250
Sweden	6 600	430	680	700	4 790
Denmark	-	-	-	-	-
Total	10 450	730	1 280	1 400	7 040

Veidekke's share of the total cost of the sites for which Veidekke has a direct obligation to purchase is expected to amount to NOK 3 194 million. Of this NOK 2 399 million had been paid at the end of 2013. The remaining payment related to Veidekke's share of NOK 795 million is expected to fall due as follows: NOK 152 million in 2014, NOK 255 million in 2015 and NOK 388 million later. The remaining payment related to Veidekke's share of NOK 795 million pertains to 3 075 housing units and is divided into NOK 561 million in wholly owned projects and NOK 234 million in partly owned projects.

The remaining share of the site portfolio consists of sites with options to purchase, meaning that Veidekke may, but is not obliged to, purchase the sites. The largest of the portfolio sites are located in Oslo, Stockholm and Trondheim.

Sites with a purchase price exceeding NOK 100 million (Veidekke's share):

	Ownership share	Purchase price (NOK mill.)	Rental income 2012 (NOK mill.)	Price per GFAS ²⁾ (NOK)	No. of housing units
Oslo: Lørenvangen	50%	132	9	4 542	430
Oslo: Middelthunsgate 17 ³⁾	50%	405	25	27 945	190
Trondheim: Ladeveien	100%	258	2	7 578	424
Stockholm: Svea Fanfar 2	100%	163	-	20 225	93
Stockholm: Svea Fanfar 3	100%	137	-	20 327	94
Stockholm: Svea Fanfar 4	100%	112	-	20 312	61
Other projects Norway (purchase price < NOK 100 mill.)		799	7	3 428	2 806
Other projects Sweden (purchase price < NOK 100 mill.)		1 036		5 242	6 352
Other projects Denmark (purchase price < NOK 100 mill.) ⁴⁾		219		3 007	-
Total/average		3 262	43	5 975	10 450

¹⁾ Some of the purchase prices may be adjusted based on the final permits.

²⁾ GFAS means the housing units' expected gross floor area for sale.

³⁾ Existing buildings that are expected to be converted to housing.

⁴⁾ NOK 67 million of the purchase price for Denmark has already been impaired. Book value in the balance sheet at 31 December 2013 was NOK 151 million. The sites in Denmark have been put up for sale.

The sites in the table above are those that are most sensitive to market changes. However, on several of the sites the existing buildings provide regular rental income. The sites have been purchased over a period of several years, and for the portfolio as a whole, the average price is NOK 5 975 per gross floor area for sale (GFAS). This means that the site cost's share of the project costs is in the range of 10–12 per cent.

Value assessment

The value of all the large sites in the portfolio was assessed in connection with the year-end closing of accounts. The net present value method was used, where all cash flows are discounted to the point in time at which the assessment is made, using a chosen discount factor that reflects the Group's required rate of return, which is 15 per cent before tax for this type of investment. Where possible, comparisons were also made with similar sites.

Sensitivity analysis

The best benchmarking method involves comparing transactions with similar transactions in the same area; however, as there have been very few transactions in the last year, this has proved difficult.

In connection with the value assessment, the following parameters were considered: building start date, sales price and building costs. It is as difficult to quantify the excess value of a development portfolio as it is to identify exactly the effects of changes in the market. Nevertheless, the effect of a few scenarios can be described as follows:

1. Moderate fall in sales prices (10–15 per cent)

There is a correlation between variations in sales prices and building costs, but it is not parallel. If sales prices go down, the building costs will eventually follow, as both depend on activity. This means that it is possible to keep profit margins relatively stable even if prices fall. When the cost of the site is a relatively small part of the project costs, the effect on the project profit margin is small, and the value of the site remains, to a large extent, intact.

2. Dramatic fall in sales prices (25–30 per cent)

Although there is a correlation between sales prices and building costs, there is a limit to how far building costs can fall. Furthermore, the cost of the site as a percentage of the project costs will increase with a dramatic fall in prices. The value of the sites will decrease, and the total effect will most likely be around NOK 100 million.

3. Delays in the start-up of building projects

With a required rate of return of 15 per cent, the value of a site will be affected by changes in the start date for building projects. In the calculations performed when a site is purchased, assumptions are made regarding how long it will take to get planning permission, and thus before sales and building start-up. Everything else being equal, a one-year delay in the building start date will reduce the value of the portfolio by 15 per cent. Therefore, only delays of two to three years will have a significant impact on the valuation.

Note 18. Inventory – other

Inventory includes project inventories and the inventory for Industry operations. Project inventories consist of materials, spare parts, small equipment, etc., while the inventory for Industry operations consists of raw goods and materials (crushed stone, gravel and bitumen).

	2013	2012
Inventory for Industry operations	102.3	120.6
Other inventories	205.6	209.4
Total inventory	307.9	330.0

Note 19. Accounts receivable

	2013	2012
Invoiced accounts receivable	3 947.1	2 865.9
Provisions for bad debts	-30.0	-36.0
Due from customers	687.3	560.3
Executed, not invoiced	565.3	753.2
Invoiced, not executed	-1 995.8	-1 229.6
Balance sheet accounts receivable	3 173.9	2 913.8

Projects for other parties are normally invoiced monthly with 30 days' credit. Invoicing is normally done in step with the execution of the work, but forward payment plans are also used. Public-sector customers are not regarded as posing a credit risk. See Note 29 Financial risk.

Accrual accounting is used in projects for both income and expenses. Non-invoiced earned income is booked under the item "Executed, not invoiced". Unearned invoiced income (forward payment plans) is booked under "Invoiced, not executed". Only one of these items may be applied per project.

If the item "Invoiced, not executed" is larger than booked accounts receivable for the project, the surplus is entered as advance payment from customers (Other current liabilities). Each project thus shows either a net receivable from the customer or a net debt to the customer. Cost accruals (Accrued, not recorded) are entered under Trade payables (creditors), while provisions for guarantee work on completed projects are entered under Guarantee provisions etc.

Note 20. **Cash and cash equivalents**

The Group's cash and cash equivalents consist of bank deposits. NOK 39.5 million was tied up at 31 December 2013. The Group does not have any short-term investments.

Note 21. Number of shares, shareholders, etc.

Veidekke ASA's largest shareholders at 31 December 2013	No. of shares	Ownership share
OBOS Invest AS	37 469 440	28.0%
IF Skadeförsäkring AB	12 111 648	9.1%
Folketrygdfondet	10 160 297	7.6%
Skandinaviska Enskilda Banken (NOM)	5 663 079	4.2%
MP Pensjon PK	3 000 000	2.2%
JP Morgan Chase (NOM)	2 700 000	2.0%
Must Invest AS	2 560 250	1.9%
Skandinaviska Enskilda Banken FIN (NOM)	1 431 210	1.1%
Odin Norge	1 413 268	1.1%
Danske Invest Norske Instit. II.	1 298 238	1.0%
Nordea Bank Danmark AS (NOM)	994 572	0.7%
Nordea Nordic Small Cap Fund	851 747	0.6%
Fondsfinans Spar	850 000	0.6%
KLP Aksje Norge Indeks VPF	843 547	0.6%
Danske Invest Norske Aksjer Instit.	775 923	0.6%
Total 15 largest shareholders	82 123 219	61.4%
Employees (3 217 individuals)	24 602 652	18.4%
Other	26 979 071	20.2%
Total	133 704 942	100%

Changes in the number of shares

No. of shares 1 January 2013	133 704 942
No. of shares 31 December 2013	133 704 942

Each share has a nominal value of NOK 0.50

Shares owned by senior executives at 31 December 2013:

The Board	No. of shares
Martin Mæland (Chairman) ^{1) 2)}	37 469 440
Per-Otto Dyb (deputy chair)	-
Gro Bakstad	13 000
Hans von Uthmann	-
Annika Billström	-
Ann Christin Gjerdseth	-
Inge Ramsdal	6 300
Odd Andre Olsen	2 400
Lars Sevald Skaare	67 875

Shares owned by board members **37 559 015**

Members of the corporate management team

Arne Giske	180 700
Dag Andresen	222 225
Jørgen Wiese Porsmyr	97 245
Per-Ingemar Persson ¹⁾	147 600
Terje Larsen	100 000
Hege Schøyen Dillner	2 000

Shares owned by corporate management **749 770**

Total **38 308 785**

¹⁾ Includes shares owned by related parties and close associates

²⁾ CEO of OBOS

Own shares

Veidekke does not own any of its own shares.

Dividend

The dividend for 2012, which was paid out in 2013, amounted to NOK 334.2 million (NOK 2.5 per share). The proposed dividend for the 2013 financial year is NOK 401.1 million (NOK 3.0 per share).

Payment of dividends to the holding company's shareholders does not affect the company's tax payable or deferred tax.

Note 22. Pensions**Implementation of new accounting policies for pensions**

As a result of the amendments to IAS 19 the Group implemented new accounting rules for defined-benefit pension schemes from 1 January 2013. The amendments require that pension liabilities be recorded in the balance sheet at fair value, meaning it is no longer possible to use the "corridor method" to record actuarial gains and losses on pensions. The elimination of the corridor method entails that actuarial gains and losses must be recognised in other comprehensive income (OCI) in the period in which they arise. The accounts and note disclosures for 2012 have been restated according to the new standard. See Note 1 on the Group's accounting policies for more details.

Pension schemes

Veidekke has pension schemes for all its employees, although they differ between Norway, Sweden and Denmark.

Norway

In Norway, Veidekke has the following pension schemes:

- General pension scheme
- Contractual early retirement scheme (AFP)
- Early retirement scheme for executives
- Additional pension for employees with salaries exceeding 12G

General pension scheme

On 1 January 2013 Veidekke established a new defined-contribution pension plan for employees in Norway. This plan covers employees who were under the age of 57 years on 1 January 2013 and all new employees employed after 1 January 2013. The reason Veidekke decided to switch to a defined-benefit pension plan was the expected changes in the rules for occupational pensions and the introduction of new accounting rules for pensions that came into force on 1 January 2013.

Under the new defined-contribution scheme, Veidekke pays a fixed monthly contribution into the individual employee's pension account. The size of the contribution depends on the employee's salary. For salaries between 1G and 6G, the contribution is equal to 5 per cent of the pay; for salaries between 6G and 12G the contribution is 8 per cent. The employee can choose the risk profile for the management of the pension funds. In the event of death, the pension account accrues to the employee's survivors.

Prior to 1 January 2013 Veidekke had a defined-benefit pension scheme. In connection with the transition to a defined-contribution scheme, a compensation scheme was introduced for employees who would lose out as a result of the switch to the new pension plan.

Employees who were aged 57 or older on 31 December 2012 keep their defined-benefit pensions, in which the company commits itself to providing a pension of a specified size and where the company bears the risk of the return on the pension assets. For employees aged 57 or older, the earning period for a full retirement pension from Veidekke's general defined-benefit pension scheme is a minimum of 30 years. Veidekke's pension plan is a supplemental pension which, together with the National Insurance pension, provides a retirement pension of roughly 60 per cent of the employee's salary on retirement, assuming full pension rights. Pension credit is not earned on salary above 12G (the National Insurance basic amount) in this plan. Both retirement pensions – from the National Insurance scheme and Veidekke's defined-benefit pension – are life-long. The pension is financed by funds accumulated in a life insurance company, which manages the funds and administers the scheme.

Risk cover

Veidekke has a pension scheme for its employees covering disability and providing a children's pension in the event of death. These insurance schemes include accrual of paid-up policy rights and are therefore to be regarded as a defined-benefit scheme.

Contractual early retirement scheme (AFP)

The private-sector early retirement scheme is a life-long supplement to the public retirement pension scheme and is paid no earlier than age 62. Most of the companies in Veidekke in Norway have AFP early retirement pensions for their employees. Employees must satisfy a number of conditions to be eligible for early retirement under the AFP scheme.

The new pension scheme is a defined-benefit multi-employer pension plan and is financed through premiums, which are determined as a percentage of the salary. Currently there is no reliable measurement and allocation of liabilities and assets in the scheme. For accounting purposes, the scheme is treated as a defined-contribution plan for which premium payments are expensed as incurred, and no provisions are made in the accounts. If the scheme had been included in the balance sheet, its implementation would have had significant impact. The premium for 2013 was 2.0 per cent of salaries between 1G and 7.1G. The premium is expected to rise to 2.2 per cent in 2014. There is no accumulation of capital in the scheme, and further increases in the premium level are expected over the coming years.

The old AFP pension scheme provided pension benefits between the ages of 62 and 67, and entitled employees to retire with a pension at 62. The employer pays an annual premium based on the payroll costs. In addition, the employer covers 25 per cent of the pension for employees who have taken early retirement through the AFP scheme. For accounting purposes, the employer's contributions are treated as a defined-benefit plan, while the annual premium is treated as a defined-contribution plan. The accounts contain a provision made for Veidekke's company contributions for employees belonging to the old scheme and the company's share of the shortfall in this scheme.

Early retirement scheme for executives

Veidekke has an early retirement scheme for its senior executives in Norway. It is a defined-benefit plan that provides a pension between the ages of 64 and 67 and has 20 members. They have the right to retire at the age of 64, with an early retirement pension that is 60 per cent of their final salary. Early retirement benefits are funded from operations. The scheme is closed. For further details, please refer to Note 31.

Pensions on salaries over 12G

Veidekke has a pension scheme for employees in Norway with salaries exceeding 12G giving pension credit for salary above 12G. The scheme covers retirement pension, disability pension and children's pension. The scheme is twofold. For employees aged 57 or older there is a scheme that, assuming full pension rights, provides a retirement pension amounting to roughly 60 per cent of the salary on retirement, including National Insurance pension benefits and Veidekke's general pension scheme. The earning period for the full additional pension is 15 years from the year in which the salary exceeds 12G and the employee joined the scheme. The retirement age is 67, and the pension will be paid for life. This pension scheme is financed through operations. For employees under the age of 57 there is an allocation scheme where 20 per cent of salary over 12G is set aside. The allocated amount is adjusted each year in line with defined indices. The pension is paid from 67 to 77 years, and is financed through operations.

Administration

Veidekke's ordinary pension scheme for employees in Norway over the age of 57 is financed through funds accumulated in a life insurance company, which manages the pension funds and administers the scheme. Veidekke has chosen a particular investment strategy for pension funds: "investment selection with no guaranteed return". This means that Veidekke itself determines the overall allocation of pension fund assets and, conversely, that Veidekke itself must provide for the guaranteed annual return in the scheme. The purpose of this is to achieve higher returns on the pension funds over time by increasing the proportion of equities and property investments. This means that the Group is taking a higher risk, which in turn will normally entail greater fluctuations in the returns on the pension assets. For 2013 as a whole the return was 8.7 per cent, compared with 7.6 per cent in 2012. The life insurance company terminated this agreement with effect from 1 January 2014. This means that after this date the pension assets will be managed according to standard contractual terms and conditions for occupational pensions.

Denmark

In Denmark, Veidekke has a pension scheme covering all employees. It is a defined-contribution plan whereby the company makes a monthly contribution to the scheme, while the employees bear the risk for the return on the pension funds. The pension scheme is provided as a supplement to public pension benefits. The pension funds are placed in a life insurance company, which manages the funds and administers the scheme. The pension scheme covers retirement and disability pension, and the employer pays two-thirds of the contributions, while the employee pays the remaining third. The employer's contribution constitutes 8 per cent of the salary, and the employee can choose the risk profile for the management of the funds. The retirement age in Denmark is either 65 years or 67 years, depending on year of birth. The payment of the retirement pension is very flexible, and, in the event of death before retirement, the pension is payable to surviving dependants. There is a corresponding defined-contribution scheme for the management of the Danish company, but in this scheme the employer's contribution is 10 per cent of the salary.

Sweden

Veidekke has a pension scheme covering all the employees in Sweden. It is a defined-contribution plan in which the company's only commitment is to make an annual contribution, while the employees bear the risk of the return on the pension funds. The pension scheme is provided as a supplement to public pension benefits. The pension funds are placed in life insurance companies, which manage the funds and administer the scheme. The pension scheme covers retirement and disability pension. The company's contribution to the scheme constitutes 10 per cent of the employee's salary. Pensionable age in Sweden is 65. The payment of the retirement pension is very flexible, and, in the event of death, the pension is payable to surviving dependants.

	2013					2012
	Veidekke ASA	Veidekke Entreprenør AS	Veidekke Industri AS	Other companies	Group Total	Group Total
Pension costs						
Service cost (present value)	6.0	18.9	7.4	8.0	40.3	135.1
Interest charges on net pension liabilities	2.3	3.2	0.9	1.7	8.1	19.2
Termination of defined-benefit scheme for employees under 57	0.4	-5.5	-2.0	0.3	-6.8	-240.3
Cost of defined-benefit plans	8.7	16.6	6.3	10.0	41.6	-86.0
Cost of defined-contribution plans	3.0	94.6	22.5	101.6	221.7	115.5
Pension costs	11.7	111.2	28.8	111.6	263.3	29.5
Recognised in total comprehensive income						
Change in value (actuarial gains and losses)	-24.7	15.1	-3.0	7.5	-5.1	244.7
Change in value after tax	-18.1	11.0	-2.2	5.4	-3.9	176.2
Recognised in the balance sheet at 31 December						
Pension liabilities – defined-benefit schemes	-176.4	-608.0	-213.2	-154.2	-1 151.8	-1 037.4
Pension assets	87.7	571.1	195.5	117.2	971.5	827.1
Net pension liabilities defined-benefit schemes	-88.7	-36.9	-17.7	-37.0	-180.3	-210.3
Pension liabilities – other schemes	-1.5	-10.6	-1.9	-21.4	-35.4	-15.2
Net pension liabilities in balance sheet	-90.2	-47.5	-19.6	-58.4	-215.6	-225.5
Net pension liabilities						
Net liabilities at 1 January	-60.7	-80.8	-23.0	-45.9	-210.3	-718.3
Pension costs	-8.2	-22.1	-8.3	-11.6	-50.2	-182.2
Termination of pension plan	-0.4	5.5	2.0	-0.3	6.8	240.3
Actuarial gains and losses for the year	-24.7	15.1	-3.0	7.5	-5.1	244.7
Employer's contribution and National Insurance	5.4	45.4	14.6	13.2	78.6	176.8
Net liabilities at 31 December	-88.7	-36.9	-17.7	-37.0	-180.3	-238.7
Pension liabilities						
Liabilities at 1 January	-144.9	-548.9	-192.1	-151.5	-1 037.4	-1 905.7
Service cost	-6.0	-18.9	-7.4	-8.0	-40.3	-134.6
Interest cost	-5.3	-20.4	-7.1	-5.4	-38.2	-47.6
Termination of pension plan	0.0	-5.5	-2.0	0.3	-7.2	707.0
Actuarial gains and losses demographic assumptions	-15.8	-38.7	-18.4	-10.5	-83.4	*
Actuarial gains and losses economic assumptions	-15.1	-4.9	1.1	13.5	-5.4	280.3
Employer's National Insurance contributions paid	0.4	4.9	1.4	1.6	8.3	19.7
Pensions paid	9.9	18.9	9.3	6.1	44.2	43.5
Liability at 31 December	-176.4	-608.0	-213.2	-154.2	-1 151.8	-1 037.4
Pension liability at 31 December						
Asset-based schemes	-75.7	-528.2	-181.2	-132.5	-917.6	-829.8
Non-asset-based schemes	-100.7	-79.8	-32.0	-21.7	-234.2	-207.6
Liabilities at 31 December	-176.4	-608.0	-213.2	-154.2	-1 151.8	-1 037.4
Pension assets						
Assets at 1 January	84.5	468.1	169.1	105.4	827.1	1 187.4
Expected return	3.0	17.2	6.2	3.7	30.1	28.4
Contributions	3.1	40.0	11.7	12.9	67.7	142.5
Issue of paid-up policies on termination of pension plan	-0.4	0.0	0.0	0.0	-0.4	-466.7
Actuarial gains and losses for the year	6.2	58.7	14.3	4.5	83.7	-35.9
Pensions paid	-8.7	-12.9	-5.8	-9.3	-36.7	-28.6
Pension assets at 31 December	87.7	571.1	195.5	117.2	971.5	827.1

* Information for 2012 has not been provided

Financial assumptions	2013	2012
Discount rate	4.1%	3.8%
Annual wage growth	3.75%	3.75%
Annual adjustment of G	3.5%	3.5%
Annual adjustment of pensions under payment	0.6%	0.2%

A discount rate of 4.1 per cent was used to calculate the fair value of the pension liability at 31 December 2013. The discount rate is based on the market interest rate for covered bonds (OMF). It is Veidekke's assessment that the bond market is sufficiently deep and that it is therefore most appropriate to use a discount rate based on the interest rate for covered bonds. Estimated mortality is based on the relevant mortality table for Norway (K2013). Assumptions regarding disability are based on the relevant disability table used by Storebrand.

The estimated premium for defined-benefit plans for 2014 is approx. NOK 60 million. The premium is expected to be primarily paid from the premium fund, which is part of the pension assets at 31 December 2013. The cost of defined-benefit pension plans for 2014 is expected to be approx. NOK 55 million. Approximately NOK 40 million is expected to be paid to former employees under the defined-benefit pension scheme.

The future annual cost of the defined-benefit schemes depends on a number of factors beyond actual wage growth. Annual service cost is calculated using actuarial assumptions that have a major impact on the cost. This includes expectations concerning future wage growth, future adjustments of the National Insurance basic amount ("G"), future pension adjustments, the discount rate and mortality tables.

Sensitivity analysis

Veidekke's defined-benefit pension schemes are mostly arranged as asset-based pension schemes managed by life insurance companies. This means that the life insurance company at all times has premiums in line with the accrued rights. About half of the recognised pension liabilities and assets are related to asset-based schemes for former employees who are now retired. For this group, it is not expected that the life insurance company will require additional premium payments in the event of changes in the underlying economic and demographic assumptions. Any changes made in the assumptions that are categorised as "probable" will not have a significant impact on the ordinary income statement. The effect on the balance sheet may be slightly larger, as pension commitments are recognised at fair value. Changes in actuarial assumptions can entail differences in the Group's equity of up to NOK 100 million.

Pension assets	2013	2012
Investment		
Property	13.1%	13.3%
Bonds	45.4%	39.7%
Short-term investments	18.8%	16.3%
Shares	22.7%	30.8%
Total	100%	100%
Return on plan assets		
Book return	8.7%	7.6%
Actual return	8.7%	7.6%

Please see the more detailed discussion above under "Administration" with regard to the fact that from 1 January 2014 life insurance company has taken over management of the Group's pension assets. This has entailed a reduction in the proportion of equities in the portfolio in 2014 compared with the situation on 31 December 2013.

Note 23. Income tax expense and deferred tax

Income tax expense	2013	2012
Tax payable	102.1	26.3
Change in deferred tax	66.2	128.5
Adjustments previous years	-5.7	5.5
Total	162.6	160.2

Deviation in income tax expense	2013		2012	
28% of profit before tax	201.1	28.0%	195.5	28.0%
Actual income tax expense	162.6	22.6%	160.2	21.4%
Deviation	38.5	5.4%	35.3	6.6%

Deviation in income tax expense				
Non-deductible expenses	-5.3		-4.5	
Effect of change in tax rate ¹⁾	13.1		-8.6	
Tax from associated companies and joint ventures (equity method) ²⁾	16.6		8.9	
Tax-exempted realisations and dividends	24.8		41.3	
Utilisation of deferred tax assets	-12.0		4.8	
Impairments non-deductible	-16.2		-5.3	
Adjustments previous years	5.7		-5.5	
Lower tax rate in Sweden and Denmark	5.8		3.0	
Other items	6.1		1.4	
Total	38.5		35.3	

¹⁾ From 1 January 2014, the tax rate in Norway was reduced from 28 per cent to 27 per cent, and in Denmark from 25 per cent gradually down to 22 per cent. For 2012, the item refers to the cut in the tax rate in Sweden from 26.3 per cent to 22 per cent.

²⁾ This relates to the profit from associated companies and joint ventures, which are accounted for using the equity method. These are recognised in profit and loss on the basis of earnings after tax, and this results in discrepancy in the income tax expense.

	Basis for deferred tax		Carrying amount deferred tax	
	2013	2012	2013	2012
Projects in progress etc. (current items)	2 000.7	1 717.9	522.3	467.2
Losses carried forward	-525.3	-544.1	-110.8	-123.2
Property, plant and equipment – accelerated depreciation	222.1	118.0	56.2	29.2
Guarantee funds and other provisions	-744.8	-647.8	-199.0	-180.4
Pension liabilities	-209.5	-216.7	-56.6	-60.6
Other non-current items	280.9	231.0	74.6	63.7
Deferred tax (temporary differences)	1 024.1	658.4	286.6	195.9
Carrying amount deferred tax assets – tax assets that cannot be offset against deferred tax				-62.4
Carrying amount deferred tax				258.4
Carrying amount net deferred tax				195.9

	Effect of deferred tax	
	2013	2012
Projects in progress etc. (current items)	55.1	41.8
Losses carried forward	12.3	14.1
Accelerated depreciation	27.0	13.2
Guarantee funds and other provisions	-18.7	-4.7
Pension liabilities	4.1	129.1
Other non-current items	10.9	8.5
Change in deferred tax	90.8	202.0
Currency conversion differences	3.0	1.0
Deferred tax in connection with acquisitions/disposals	-28.0	-8.3
Change in deferred tax recognised in total comprehensive income	0.5	-66.2
Effect on earnings of deferred tax	66.2	128.5

At 31 December 2013 Veidekke had deferred tax recorded in the balance sheet in Sweden amounting to NOK 55.5 million (NOK 50.8 million). The amount is net after calculation of tax liabilities. The loss carry-forwards in Sweden have no time limit. In addition Veidekke has loss carry-forwards in Sweden with a combined value of NOK 37 million that had not been recognised in the balance sheet at 31 December 2013.

Tax incorporated into total comprehensive income

	2013			2012		
	Profit before tax	Tax	Total com- prehensive income	Profit before tax	Tax	Total com- prehensive income
Statement of total comprehensive income						
From the income statement	718.3	162.6	555.8	698.3	160.2	538.0
Other income recognised in total comprehensive income:						
Value adjustment, pensions	-5.4	-1.5	-3.9	244.7	68.5	176.2
Currency conversion differences	90.7		90.7	-25.8		-25.8
Fair value adjustment of financial assets, joint ventures	1.8		1.8	14.7		14.7
Fair value adjustment of financial assets, other	3.2	0.9	2.3	-8.5	-2.4	-6.1
Total comprehensive income	808.6	162.1	646.7	923.4	226.3	697.0

Tax recognised directly in equity

In 2013 NOK 4.6 million (NOK 4.5 million) was recorded as a reduction in tax payable and an increase in equity related to sale of own shares at a discount to Group employees. See Note 4.

Note 24. Non-current liabilities

Non-current liabilities to bondholders and credit institutions

	2013	2012
Non-current drawings on committed borrowing facilities, DNB	-	1 774.6
Bonded debt	750.0	-
Other loans, credit institutions	53.4	80.9
Non-current interest-bearing liabilities	803.4	1 855.6

Other non-current liabilities. non-interest-bearing

	2013	2012
Anticipated purchase sum shares Seby AS and Hammerfest Entreprenør AS*	13.3	13.3
Other non-current liabilities	23.1	14.6
Other non-current liabilities	36.5	28.0

Instalment profile details can be found in Note 30.

* Veidekke has a stake in the subsidiaries Seby AS and Hammerfest Entreprenør AS of 70 per cent and 83 per cent respectively. There are option agreements with the existing owners, according to which Veidekke has a right and obligation to purchase the remaining shares in these companies. It is not probable that these rights will be exercised, and Seby and Hammerfest Entreprenør are therefore recognised as non-controlling interests.

Note 25. Trade payables (creditors) and other current liabilities

Trade payables (creditors)	2013	2012
Recorded trade payables (creditors)	1 959.6	1 962.1
Accrued expenses	1 069.5	835.4
Total trade payables (creditors)	3 029.1	2 797.5

Other current liabilities	2013	2012
Advance payments from customers	1 407.6	1 372.6
Other liabilities	1 283.8	1 089.0
Total other current liabilities	2 691.4	2 461.7

Advance payments from customers include unearned invoiced income on projects (Invoiced, not executed) and advance payments from customers in connection with purchase of flats.

Other liabilities are mainly payable holiday pay, deferred payments in connection with the purchase of sites and at 31 December 2013 deferred payment for Arcona AB.

See also Note 19 Accounts receivable.

Note 26. Guarantee funds, etc.

	2013	2012
Guarantee funds etc. at 31 December 2012	788.4	
Reclassification	-93.0	
Guarantee funds etc. at 1 January	695.4	716.4
Currency conversion differences	26.9	-10.1
+ new guarantee funds (additions)	350.5	461.2
- reversed guarantee funds (disposals)	-218.1	-219.7
- actual claims expenses (consumption)	-114.7	-159.3
Guarantee funds etc. at 31 December	740.0	788.4

Liability for material defects

All projects shall be handed over to the customer in accordance with the contract. If defects or omissions are detected in projects that have been handed over, the contractor may be liable to remedy them at no extra charge. The guarantee period is normally from three to five years. At handover of a project, the customer must submit a

claim for all visible defects or omissions. During the guarantee period the contractor is liable for hidden defects and omissions. After the guarantee period has expired the contractor is only liable for hidden defects/omissions that were intentional or due to gross negligence. The final limitation period is 13 years. There are two main types of contracts used in the construction industry in Norway: construction contracts ("utførelsesentreprise") and turnkey contracts ("totalentreprise"). In construction contracts the contractor is liable for any defects or omissions that are due to the execution of the work, while the customer is liable for defects or omissions arising from the planning and design. In turnkey contracts the contractor also assumes responsibility for the planning and design.

Guarantee funds etc.

Provision is made for guarantee work under the item Guarantee funds etc., for example to remedy any defects or omissions on completed projects. Guarantee funds etc. also covers other liabilities, such as claims from subcontractors, claims from third parties, etc. Provisions are made to cover both accrued guarantee liabilities and contingent liabilities etc. Among other things the provisions must cover future expenses for the remedy of hidden defects, i.e. defects and omissions that have not been detected. In addition, they must also cover detected issues where there is uncertainty regarding the scope, responsibility, costs, etc. (disputes).

Note 27. Mortgages, guarantees and joint and several liability

Mortgages	2013	2012
Recorded liabilities secured by mortgages etc.	20.7	136.1
Book value of mortgaged assets	181.2	204.2
Guarantees		
Guarantees to joint ventures and associated companies	52.0	46.5
Guarantees to other companies	39.7	1.0

Guarantees can only be enforced if the joint venture or associated company is unable to meet its obligations.

The Group has given a negative pledge for loans and guarantees.

As a result of its participation in partnerships and joint ventures, Veidekke could become liable for other participants' inability to fulfil their obligations. However, Veidekke is not liable until the company in question is unable to meet its obligations.

Veidekke has pledged financial assets with a carrying amount of NOK 110.1 million at 31 December 2013 to cover pension liabilities incurred. See Note 15 Financial assets.

Note 28. Capital management

The aim of the Group's capital management is to ensure sufficient financial flexibility for the Group to be able to undertake operational and strategic actions in the short term and in the long term. The goal is to have a financial structure that promotes profitability and value creation throughout the entire Group and thus provide the shareholders with a high return.

Veidekke aims to have a strong financial position. Key parameters in the efforts to ensure a solid capital structure are the Group's equity, its level of and developments in net interest-bearing debt, ongoing cash flow and financial constraints. The Group's liquidity is strongly affected by seasonal variations with the highest debt burden through the summer half of the year due to the high activity levels. The Group's capital management is adapted to take these variations into account.

Veidekke's dividend policy calls for a pay-out ratio of least 50 per cent of the profit after tax. Shareholders shall receive continuous returns that are directly correlated with results. The existing dividend policy was introduced in 2002 and since then, the average pay-out ratio has been 65 per cent of earnings per share. Including extraordinary dividends and share buy-backs, the average pay-out ratio has been 79 per cent of earnings per share. Since 2002 Veidekke has paid out NOK 4.4 billion in dividends to its shareholders.

During periods in which the Group has a strong financial position, Veidekke uses share buy-backs as an instrument to optimise the capital structure of the Group. Buy-backs are thus a supplement to the current dividend policy. Share buy-backs are considered only if the share price is considered to be below actual market value. Between 2006 and 2008, Veidekke repurchased 6.7 per cent of the outstanding shares. In recent years, Veidekke has prioritised dividend pay-outs and operational investments rather than buy-backs. The Board is authorised to buy back approximately 10 per cent of the company's share capital.

Operations are financed at the Group level. The Group has a differentiated portfolio of loans with respect to both the source of the loan and its maturity structure. The Group uses the bank, bond and commercial paper markets as sources of financing. Veidekke has no official credit rating, but actively monitors quantitative and qualitative factors that affect the Group's credit worthiness.

The Group has substantial amounts of capital tied up in its property operations in the form of sites and residential projects in its construction operations in Norway and Sweden. A ceiling of NOK 3.5 billion has been set for capital invested in property development. At year-end capital invested amounted to NOK 3.2 billion (NOK 3.5 billion). Capital management is based on the risk exposure in both the various different market segments according to geography, product (type of housing, sales rate, portfolio of sites, etc.) and the various forms of collaboration with external partners, including associated companies.

At 31 December 2013 Veidekke had an equity ratio of 21.1 per cent (19.6 per cent) and a gearing ratio (net interest-bearing liabilities as a percentage of equity) of 16 per cent (65 per cent). At year-end the Group had unused committed borrowing facilities amounting to NOK 2 445 million (NOK 1 099 million). The maturity and repayment structure are discussed in Note 30.

Note 29. Financial risk

It is Veidekke's aim to have a strong financial position. This can best be achieved through good operational management, low risk exposure and sound management of the parameters that exert an influence on the company's financial risk. Financial management and control is an integral part of the Group's strategy process, and the Group's financial policy sets the guidelines for the handling of financial risk management.

Veidekke has a central finance unit whose main tasks are to ensure the Group's financial flexibility in the short term and the long term and to monitor and manage financial risk in collaboration with the individual companies. The guidelines for the finance unit are laid down in the Group's financial policy, as adopted by the Board. The finance unit is responsible for tasks relating to financing and management of interest-rate and currency risk, while the business areas manage the risks relating to ongoing operations, including credit risk and payment conditions. Veidekke is primarily exposed to risk through financial instruments such as accounts receivable, liquidity and interest-bearing liabilities. The risk is related to credit, market and liquidity factors.

(1) Credit risk

Credit risk is the risk of financial losses due to the inability of a customer or the counterparty of a financial instrument to fulfil their contractual obligations. The Group's credit risk is mainly attached to the settlement of receivables, the largest risk of which is inherent in the Group's accounts receivable. The credit risk attached to accounts receivable is related to the customer's ability to pay, and not the customer's willingness to pay (project risk). Further details regarding project risk are provided in a separate section.

The Group has a substantial share of public-sector customers (35 per cent), for whom the credit risk is considered very low. For private customers (65 per cent), Veidekke seeks to handle the credit risk within the Group's various divisions through the contracts with the client and good credit follow-up routines. The Group's largest single customer is the Norwegian Public Roads Administration.

On signing contracts, the credit risk depends on the specific design of agreements with the client. As a part of Veidekke's risk management, the management systems contain clear procedures for the drafting of contracts, including specifications stating that agreed payment plans shall be closely linked to planned progress. In addition,

turnkey contracts are, to a large extent, based on national standards (e.g. Standards Norway), which contain standard requirements for the client's provision of security for the contract price (Standards Norway require up to 17.5 per cent of the contract price during the building period). Together, these two measures mean that exposure to credit risk within ordinary construction projects is regarded as low. In Sweden, there is no national standard provision for bank guarantees making the risk somewhat higher in this market.

In the Industry Division, which has a considerably larger number of customers, importance is placed on procedures for credit rating, timely invoicing, guarantees and active follow-up of outstanding claims.

Within property operations, Veidekke seeks to minimise risk through advance payments, and by ensuring that handover does not take place until full payment for the dwelling has been received.

The Group has no significant credit risk relating to any one party. The Group has not acted as guarantor for any third party's debts with the exception of the matters discussed in Note 27.

(2) Project risk

There is always a risk that a customer may not be willing to settle its debts. This is regarded as an operating risk and not a financial risk, and is handled as part of the ordinary project valuation. For further details relating to the accounting, see Note 19 Accounts receivable.

(3) Interest rate risk

Veidekke's interest rate risk is linked to the Group's portfolio of debt. This risk is managed on the Group level. The various business areas are exposed to interest rate risk, and in some partly-owned companies, interest derivatives are used to reduce considerable long-term interest risk.

Historically the Group has used interest rate derivatives to some extent to reduce fluctuations in profit figures arising from changes in interest rate levels, i.e. interest rate swaps as cash flow hedges of loans. In November 2011 Veidekke signed a six-year fixed rate deal for NOK 250 million. Under this agreement Veidekke pays a fixed interest rate of 3.3 per cent plus a loan margin until November 2017. In June 2013 Veidekke signed a five-year fixed rate deal for NOK 500 million. Under this agreement, Veidekke pays a fixed interest rate of 2.22 per cent plus a loan margin until June 2018. These interest rate swaps are recorded as hedging.

A long-term interest rate contract has been signed for the joint venture company Allfarveg AS. This is presented in more detail in Note 30.

Determination of fair value

The value of the Group's interest rate swaps is estimated using the forward rate on the balance sheet date and is confirmed by the financial institution with which the agreement is signed. The current interest rate level is expected to have a significant effect on the demand for the Group's products, particularly among private customers. Therefore, an indirect interest rate risk is inherent in the general market risk. Rising interest rates normally result in lower activity for the Group's building and construction operations and also reduce sales of homes for the property development division.

(4) Liquidity risk

Liquidity risk is the risk that Veidekke will not be able to fulfil its payment obligations when they fall due. Liquidity risk management has high priority as an element in the objective of financial flexibility. Good liquidity is an important prerequisite to profitability in Veidekke and the company's ability to invest and take risks in capital-intensive activities. Management, measurement and control of liquidity are carried out from the project level and up through all the levels of the organisation.

At the end of 2013, unused committed borrowing facilities amounted to NOK 2 445 million (NOK 1 099 million). The borrowing facilities are based on a negative mortgage declaration and are conditional on Veidekke's financial key figures (covenants), sales of significant assets without consent, and own-account risk in residential and non-residential projects. Veidekke meets all the conditions laid down in the loan agreement with a clear margin and has satisfactory financial flexibility.

The Group also has other substantial borrowing facilities available to it to meet its current performance guarantees for construction projects.

In order to handle liquidity risks in projects for own account within property operations, the main rule is that residential projects shall not be started until the sales rate exceeds 50 per cent.

Key financial figures for the loan agreement (covenants):

- (I) Net interest-bearing debt should not exceed EBITDA for the previous four quarters multiplied by 3, with the exception of in the second and third quarters of each year, when the ratio should not exceed 3.5.
At 31 December 2013 this figure was 0.4.
- (II) The Group's own account exposure shall not at any time exceed 60 per cent of the Group's book equity.
At 31 December 2013, own account exposure was 28 per cent.

Definitions:

Net interest-bearing debt is defined as the Group's current and non-current liabilities minus the Group's liquid assets and interest-bearing receivables. EBITDA is the Group's operating profit plus depreciation and amortisation.

Own-account exposure is defined as the value of ongoing unsold dwellings and commercial buildings in projects implemented under the auspices of the borrower or another company within the Group, calculated on the basis of anticipated sales price, with a minimum cost.

If Veidekke approaches the limits of the key financial figures, the following will be implemented:

- Net interest-bearing debt will be reduced through the sale of assets in the two capital-intensive business areas: Industry and Property.
- Own-account exposure will be reduced by stopping/delaying the start-up of new projects which have not achieved 100 per cent sales.

See Note 20 for information on cash and cash equivalents, Note 24 on non-current interest-bearing liabilities, and Note 27 for information about mortgages and guarantees.

(5) Market risk

Market risk is the risk that changes in market prices, e.g. currency exchange rates, interest rates and share prices, will influence the revenues or values of financial instruments. The purpose of market risk management is to ensure that the risk exposure is well within the defined limits while, at the same time, risk-adjusted yield is optimised.

Currency risk

Fluctuations in currency rates have little direct influence on Veidekke, as its operations are largely national in character and the project cash flows are normally in the same currency. Any substantial currency risks that arise are hedged through forward exchange contracts or similar arrangements. Equity in foreign subsidiaries is not hedged, and changes will affect the Group's total comprehensive income. Net currency losses in 2013 were NOK 2.4 million (NOK 0.9 million).

Market price risk – shares

The Group is exposed to price risk related to equity instruments through investments classified as available for sale. This applies primarily to shares. This type of investment is normally not a part of the Group's investment strategy. Veidekke prioritises investments in companies and projects which allow the Group considerable influence on future operations and development.

The Group has financial investments that are classified as held for sale totalling NOK 120.9 million at 31 December 2013, of which NOK 112.1 million has been invested in a money market fund with low risk bonds.

(6) Derivatives and hedging of material derivatives

Raw materials/materials for use in production

Veidekke has little hedging of input factors for use in production. When such hedging does occur, it is not performed until after the order has been placed.

The petroleum product bitumen is an important input factor for the asphalt operations. The price development for this product is closely linked with developments in oil prices. However, bitumen costs are rarely hedged. The reason for this is that our largest customer, the Norwegian Public Roads Administration, contractually bears the risk related to the price development for bitumen. As regards deliveries to other customers, the time between order placement and execution is usually short, thus reducing the risk related to price changes. At 31 December 2013 Veidekke had entered into a few contracts where the work will be performed several years into the future, and in these cases, the price of bitumen price is hedged.

Note 30. Financial instruments

Credit risk exposure

Credit risk is the risk that a customer becomes insolvent and is not able to settle its debts with Veidekke (bankruptcy risk).

The balance sheet value of financial assets represents the maximum credit exposure. A separate assessment is made for the accounts receivable. The maximum exposure to credit risk for the Group's financial assets on the balance sheet date is shown in the following table:

	2013	2012
Long-term receivables/investments	409.3	386.7
Accounts receivable ¹⁾	3 173.9	2 913.8
Short-term receivables	283.2	450.7
Total credit risk financial assets	3 866.5	3 751.2

¹⁾ Details regarding unhedged credit risk related to accounts receivable are provided below.

Overview of accounts receivable that have been invoiced and recognised in the balance sheet:

	2013	2012
Invoiced accounts receivable	3 947.1	2 865.9
Accounts receivable in balance sheet	3 173.9	2 913.8

See Note 19 for further details relating to accounts receivable that have been invoiced and recognised in the balance sheet.

Maturity structure of invoiced accounts receivable at 31 December:

	2013	2012
Receivables not due for payment	2 377.7	1 812.8
Less than 30 days since due date	545.4	523.2
30–60 days since due date	75.9	133.9
60–90 days since due date	63.3	75.9
90–180 days since due date	234.8	21.9
More than 180 days since due date ²⁾	650.1	298.2
Invoiced accounts receivable	3 947.1	2 865.9

²⁾ Receivables that are overdue by more than 180 days may be significant. These are generally related to disputes, which take time to resolve and which, in some cases, have to be resolved in a court of law. Any impairment of a receivable is based on project risk and is included in the individual evaluation of the project's likely outcome (estimated final result).

Estimation of unhedged credit risk for accounts receivable:

	2013	2012
Balance sheet accounts receivable	3 173.9	2 913.8
Received bank guarantees related to the accounts receivable	275.1	318.2
Other guarantees	375.1	387.0
Receivables from public authorities (state and municipal level) ³⁾	1 597.2	953.2
Maximum unhedged credit risk in accounts receivable	926.5	1 255.4

³⁾ Receivables from public authorities in Scandinavia are assumed to have zero credit risk.

Changes in provision for impairment related to credit risk from accounts receivable:

	2013	2012
Provisions at 1 January	36.0	35.7
Additions/disposals of companies	-	2.0
Translation differences	0.2	(0.0)
Provisions made during the year	23.0	25.4
Provisions used during the year	-3.9	-6.0
Provisions reversed during the year	-25.4	-21.1
Provisions at 31 December	30.0	36.0

Provisions are mainly made in groups.

Available-for-sale financial assets

	2013	2012
Book value at 1 January	87.6	21.5
Additions	33.2	80.3
Change in value recognised in profit and loss	-	-0.6
Sales/deduction	-	-13.6
Available-for-sale financial assets	120.9	87.6

See Note 15 for details relating to financial assets available for sale.

Valuation hierarchy

The table below analyses financial instruments in the balance sheet at fair value according to valuation method. The different levels are defined as follows:

Level 1: Fair value is measured using quoted prices from active markets for identical financial instruments. No adjustment is made for these prices.

Level 2: Fair value is measured using other observable input than that used in level 1, either directly (prices) or indirectly (derived from the prices).

Level 3: Fair value is measured using input that is not based on observable market data.

At 31 December 2013	Level 1	Level 2	Level 3
Available-for-sale financial assets	-	112.7	8.1
Financial assets at fair value through profit	-	-	-
Interest rate derivative	-	-759.1	-
Total	-	-646.4	8.1

At 31 December 2012	Level 1	Level 2	Level 3
Available-for-sale financial assets	-	80.3	7.4
Financial assets at fair value through profit	-	-	-
Interest rate derivative	-	-261.9	-
Total	-	-181.7	7.4

Reconciliation:

	Level 1	Level 2	Level 3
Financial instruments at 1 January 2013	-	-181.7	7.4
Additions for year – financial assets	-	32.5	0.8
Disposals for year – financial assets	-	-	-
Additions for year – interest rate derivatives	-	-500.0	-
Change in value of interest rate derivative recognised in total comprehensive income	-	2.3	-
Change in value recognised in profit and loss	-	-	-
Total financial instruments at 31 December 2013	-	-646.4	8.1

Effective interest rates for selected financial instruments:

	31.12.2013**	2013*	2012*
Liquidity	1.9%	2.0%	2.3%
Current interest-bearing liabilities	3.2%	3.3%	3.3%
Non-current interest-bearing liabilities	3.2%	3.3%	3.3%

* Average effective interest rate is calculated as the average of the rates applicable through the year.

** Actual interest rates at 31 December 2013.

The Group uses interest rate derivatives to hedge against earnings fluctuations as a result of changes in interest rates, i.e. interest rate swaps as cash flow hedging of loans. At 31 December 2013 the Group has two such interest rate derivatives. See the table below for details.

Interest rate agreement	Nominal value	Due date	Interest	Fair value	Value adjustment
					2013
Veidekke ASA – 6 year swap	-250.0	13.11.2017	3.3%	-10.6	1.3
Veidekke ASA – 5 year swap	-500.0	04.06.2018	2.2%	2.0	2.0

The Group uses hedge accounting for these contracts, and they are recognised in the balance sheet at fair value with revaluations against total comprehensive income. In 2013 there was a value adjustment of NOK 3.3 million (before tax).

See the separate description of interest rate derivatives in the joint venture company Allfarveg AS.

Sensitivity analysis of cash flow for financial instruments

Generally Veidekke has its strongest financial position at the end of the year. There are seasonal fluctuations in some parts of the organisation, which in turn have an effect on the Group's financial instruments. There may be considerable variation in the Group's contract types and terms of payment. Overall, this means that there are a number of risk factors linked to estimating sensitivity to changes in interest rates. Based on average interest-bearing liabilities in 2013, the estimate is that a general increase in interest rates of one percentage point would lead to a NOK 10 million decrease in profit before tax for the year (NOK 15 million in 2012).

A one percentage point decrease in interest rates would cause a similar improvement in profit before tax. The assessment does not include the investments in the joint venture company Allfarveg AS.

Hedging – Allfarveg PPP project

As a 50 per cent owner of Allfarveg AS, Veidekke participates in the E39 Lyngdal–Flekkefjord public–private partnership (PPP). Allfarveg AS has built and is going to operate this road for the Norwegian Public Roads Administration. The project was completed in summer 2006, and the subsequent operation period is 25 years.

Allfarveg AS is financed with long-term loans repayable over the life of the project. The company has entered into an interest rate swap to hedge future interest payments on these loans. Veidekke's share of Allfarveg's earned profit is 61.6 per cent. The interest swap satisfies the requirements for hedge accounting. Key figures for loans and interest rate swaps are shown in the table below.

	Nominal value	Due date	Fair value
Financing			
Loan	659.5	February 2030	659.5
Hedging			
Interest rate swaps	655.8	February 2030	521.6

Changes in equity (hedge reserve):

	2013	2012
Hedge reserve at 1 January	-106.5	-94.0
Change in hedge reserve	14.9	-12.5
Hedge reserve at 31 December	-91.7	-106.5
Adjustment of hedge reserve by not including negative equity	17.5	30.8
Hedge reserve at 31 December included in the financial statements	-74.1	-75.7

The table above shows that at 31 December 2013 Veidekke's share of the fair value of the interest rate derivative was negative NOK 91.7 million, of which NOK 74.1 is included in the financial statements as an investment in a joint venture. See Note 14 for more details.

Sensitivity analysis of interest rate swaps in Allfarveg

A change in the interest rate of 100 basis points would have the following impact on the accounts after tax:

	Profit and loss		Total comprehensive income	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Interest rate swap Allfarveg	-	-	21.1	-

Liquidity risk

Maturity structure of the Group's non-current liabilities

	Book value, balance sheet	2014	2015	2016	2017	After 2017	Total contractual cash flows
Maturity structure							
Used committed borrowing facilities DNB*	-	-	-	-	-	-	-
Bond issues**	750.0	-	-	-	-	886.9	886.9
Other loans, credit institutions	53.4	12.4	13.1	11.0	8.6	13.5	58.6
Other non-current liabilities	36.5	0.4	11.3	0.4	12.5	16.4	41.1
Total	839.9	12.9	24.3	11.4	21.1	916.9	986.6

* At 31 December 2013 the group account has a positive balance. The borrowing facilities expire on 2 November 2015.

** Total contractual cash flows include accumulated interest rates up until the loan expires on 4 June 2018. The statement is based on the assumption that no interest is paid before the agreement expires.

Key figures

	2013	2012
Unused committed borrowing facilities	2 445.0	1 099.6
Weighted effective interest rate	3.3%	3.3%

Maturity structure of current liabilities

2013						
	Book value, balance sheet	Payable on demand/due date not set	0-3 months	3-12 months	Over 12 months	Anticipated cash flow
Maturity structure						
Current liabilities to credit institutions	14.1	-	0.5	1.6	12.0	14.1
Other current interest-bearing liabilities	658.3	-	-	655.0	3.3	658.3
Trade payables (creditors) ¹⁾	3 029.1	1 276.4	1 587.6	157.1	8.0	3 029.1
Unpaid government charges	579.7	1.7	522.9	53.3	1.7	579.7
Tax payable	89.8	-	23.3	66.3	0.3	89.8
Current liabilities	2 691.4	406.5	887.8	1 128.6	268.5	2 691.4
Total current liabilities	7 062.4	1 684.6	3 022.2	2 061.8	293.8	7 062.4

2012						
	Book value, balance sheet	Payable on demand / due date not set	0-3 months	3-12 months	Over 12 months	Anticipated cash flow
Maturity structure						
Current liabilities to credit institutions	17.5	-	0.8	2.3	14.4	17.5
Other current interest-bearing liabilities	200.0	-	-	200.0	-	200.0
Trade payables (creditors) ¹⁾	2 797.5	668.7	1 911.6	208.6	8.7	2 797.5
Unpaid government charges	355.3	2.3	298.8	52.4	1.8	355.3
Tax payable	14.4	2.4	7.7	2.1	2.1	14.4
Current liabilities	2 461.7	461.6	1 087.0	463.9	449.1	2 461.7
Total current liabilities	5 846.3	1 135.0	3 305.8	929.3	476.2	5 846.3

¹⁾ When the due date is not set for trade payables, this is largely related to project accrual due to invoice not having been received.

Methods used to determine the fair value of financial instruments

The following financial instruments are not recognised at fair value: cash and cash equivalents, accounts receivable, other current receivables and debt to credit institutions, short-term certificate debt, trade payables (creditors), unpaid government charges and tax and other current liabilities.

The balance sheet values for cash and cash equivalents and liabilities to credit institutions are substantially the same as the fair value as these instruments have a short maturity term. Correspondingly, the balance sheet values of accounts receivable and trade payables are substantially the same as the fair value, as they are agreed upon under "normal" terms. This also applies to unpaid government charges, tax payable and current liabilities. Other non-current, interest-bearing liabilities include certificate loans listed on the Oslo Stock Exchange. Non-current liabilities have variable interest rates and continuous interest rate adjustment, and therefore, the balance sheet value is substantially the same as the fair value. The fair value of the Group's interest rate swap is estimated using the forward rate on the balance sheet date and is confirmed by the financial institution with which the agreement is signed.

Note 31. Compensation to senior executives**Declaration to the Annual General Meeting on the principles for determining management salaries**

The Board of Directors must report to the Annual General Meeting on how salaries and other compensation to senior executives are determined, as laid down in Section 6-16a of the Public Limited Companies Act. The declaration for 2014 will be enclosed with the Notice of the Annual General Meeting.

Salaries for the company's senior executives are determined on the basis of information obtained from wage statistics and the responsibilities and complexity of their positions, as well as comparisons with pay levels for other enterprises within and outside the industry. The company's strategy is to offer salaries that are competitive, but not above those of other similar companies. A bonus programme has been established under which the maximum payment is set at 30 per cent of annual salary. This is based on budgets and target achievement in relation to agreed action plans. The bonus consists of two parts: the maximum bonus for achievement of financial results is 20 per cent of the annual salary, while the maximum bonus linked to fulfilment of the targets in individual action plans is 10 per cent. The bonus for achievement of financial results is based on defined margin targets, where the business leaders have half of the bonus linked to the consolidated profit and half linked to the business unit's profit. The bonus for the heads of staff functions related to financial performance is based on the consolidated results. Veidekke's managers also participate in the company's general programme of offering shares to senior executives at discount prices and with financial assistance. Veidekke has no share option schemes.

Implemented management compensation policy for 2013 and effects for the company and the shareholders of agreements both entered into and revised

The salary adjustments in 2013 have been made in accordance with the declaration that was submitted to the Annual General Meeting on 6 May 2013. There have been no significant changes in the salary conditions for senior executives. New contracts signed in connection with the changes in the corporate management in 2013 are in accordance with this declaration. For 2013 the company had a bonus scheme for the CEO and senior executives with a maximum achievable bonus of 30 per cent of their annual salary. The bonus is calculated on the basis of the company's and the individual business unit's results in terms of margin, as well as achievement of individual goals. Of the maximum bonus achievement of 30 per cent, 20 per cent was bonus linked to Group and business unit performance and 10 per cent was bonus based on targets defined in individual action plans.

Compensation to the President and CEO and the corporate management team

	2013				2012
	Salary	Bonus	Car, phone, interest rate advantage	Total compensation	Total compensation
President and CEO					
Arne Giske	2.6	0.3	0.2	3.1	2.8
Terje Venold ¹⁾	1.9	0.5	0.1	2.5	4.6
Corporate management					
Dag Andresen	2.7	0.3	0.2	3.2	3.2
Jørgen Wiese Porsmyr	2.3	0.3	0.2	2.8	2.7
Per-Ingemar Persson	3.0	0.3	0.1	3.4	3.3
Terje Larsen ²⁾	0.9	-	0.1	0.9	-
Hege Schøyen Dillner ²⁾	0.6	-	0.0	0.7	-
Bente Lillestøl ¹⁾	0.8	0.2	0.1	1.1	2.0
Kai Krüger Henriksen ¹⁾	0.9	0.2	0.1	1.2	2.2
Total CEO and corporate management	15.5	2.0	1.2	18.7	20.7
	2013				
	Year's changes in pension rights	Present value of pension liabilities	Pension premium	Loan for share purchases	
President and CEO					
Arne Giske	6.9	15.9		1.5	
Corporate management					
Dag Andresen	1.0	14.1		1.0	
Jørgen Wiese Porsmyr	1.2	8.0		0.8	
Per-Ingemar Persson	1.6	5.4	1.4	0.5	
Terje Larsen ²⁾	3.5	7.2		0.9	
Hege Schøyen Dillner ²⁾	0.0	-	0.0	-	
Total CEO and corporate management	14.2	50.6	1.4	4.7	

¹⁾ Member of the corporate management until 30 June 2013.

²⁾ Member of the corporate management as of 1 September 2013.

President and CEO

Arne Giske took over as President and CEO from 1 July 2013. In 2013 Giske received a bonus for 2012 in accordance with the applicable bonus scheme for 2012 for his work in his former position as executive director of the Property division. For 2013, the company has established a bonus scheme for the CEO with a maximum achievable bonus of 30 per cent of annual salary. 20 per cent of the bonus is calculated based on the company's results measured by profit margin, and 10 per cent of the bonus is based on individual goals.

There is a 12 month mutual period of notice for the President and CEO. On termination of employment he is guaranteed a further 12 months' salary. If his contract is terminated by the company before he reaches the age of 60, he is also covered by an extended guarantee of 50 per cent of his salary per year until he turns 60. A deduction will be made from this guaranteed salary for any salary or other remuneration the President and CEO may receive from a new employer.

The President and CEO has a right to resign from his position on reaching the age of 64. The annual early retirement pension shall, from the date of retirement and until he reaches 67 years of age, account for 60 per cent of the salary on retirement from the position of President and CEO. Any payments from the National Insurance, the early retirement scheme (AFP), collective insurance schemes and paid-up policies will be deducted from the guaranteed pension. A retirement pension will be paid for life from the age of 67. This life-long pension constitutes 60 per cent of his salary above 12G. For salary up to 12G, a pension is earned in accordance with the ordinary pension scheme for employees in Norway. The annual early retirement and retirement pension for salaries exceeding 12G are adjusted each year according to the annual increase in the consumer price index from the date of retirement. If Veidekke's annual pay settlement is lower than the annual increase in the consumer price index, this rate can be used as the basis for adjustment instead.

The President and CEO participates in Veidekke's share programme for employees and purchased a total of 4 000 shares through the programme in 2013. This share programme is discussed in more detail in Note 5. The Group does not have a share option scheme. Veidekke has granted a loan to the President and CEO for the purchase of Veidekke shares amounting to NOK 1.5 million at 31 December 2013. The loan is currently interest-free, is being repaid on an ongoing basis and is secured by collateral in the shares. The interest-rate advantage has been reported to the tax authorities.

Terje R. Venold

Venold resigned from his position and retired on 1 July 2013. In 2013, he received a bonus for 2012 in accordance with the applicable bonus scheme for 2012. After stepping down as CEO, Venold has worked for Veidekke on defined tasks decided by the new CEO. He has worked for up to two days a week, and the remuneration for this work has been an agreed fixed payment corresponding to 40 per cent of the pensionable salary. The pensionable salary has been set at NOK 4.1 million. This agreement lasts until 1 July 2014.

At 31 December 2013, Venold had a loan with the company of NOK 2.5 million. The loan is secured by collateral in real property and has an annual interest rate of 3.7 per cent. The loan is to be repaid no later than 1 July 2014.

Corporate management

With one exception, members of the corporate management have employment contracts stipulating a mutual notice period of six months. Upon termination, they are guaranteed salary for a further 12 months. Salaries and other remuneration received from potential new employers will be deducted from the guaranteed salary.

Dag Andresen, Terje Larsen and Jørgen Wiese Porsmyr have the right to take early retirement from the age of 64. During the period from resignation to the age of 67, an annual pension will be paid equivalent to 60 per cent of the pensionable salary on retirement from the position of executive vice president. A retirement pension will be paid for life from the age of 67 and will be the equivalent of 60 per cent of the pensionable salary on retirement. The annual early retirement and retirement pension are adjusted each year according to the annual increase in the consumer price index from the date of retirement. If Veidekke's annual pay settlement is lower than the annual increase in the consumer price index, this rate can be used as the basis for adjustment instead. Any payments from the National Insurance, the early retirement scheme (AFP), collective insurance schemes and paid-up policies will be deducted from the guaranteed pension.

Per-Ingemar Persson has an individual agreement and will accordingly receive resignation compensation for 18 months in addition to the six-month notice period. He also has a pension agreement which enters into effect at the age of 60. From age 60 to 65, he will receive a pension equivalent to 70 per cent of his salary. After the age of 65, his pension will come from a defined-contribution plan, to which Veidekke has paid 35 per cent of his salary in annual premiums.

Hege Schøyen Dillner is entitled to retire at the age of 67 and will receive a pension in accordance with the ordinary pension scheme for employees in Norway. See Note 22 for more information about Veidekke's pension arrangements.

From 1 September 2013 the corporate management team participates in Veidekke's share programme for employees and purchased a total of 22 400 shares through the programme in 2013. This share programme is discussed in more detail in Note 5. Veidekke has no share option schemes.

Veidekke has granted loans to members of the corporate management for the purchase of Veidekke shares amounting to NOK 4.7 million at 31 December 2013. A list of loans to members of the corporate management team is shown in the table above. Some of the loans are interest-free, and they are secured by collateral in the shares.

Compensation to Board members

	Fees	Salary compensation ¹⁾	Total compensation	Loan for share purchases	Other loans
Martin Mæland (Chairman)	0.5	-	0.5	-	-
Per Otto Dyb (Deputy Chairman)	0.3	-	0.3	-	-
Hans von Uthmann	0.3	-	0.3	-	-
Annika Billström	0.3	-	0.3	-	-
Gro Bakstad	0.3	-	0.3	-	-
Ann Christin Gjerdsseth	0.3	-	0.3	-	-
Inge Ramsdal (elected by employees)	0.2	0.7	0.9	-	-
Lars Sevald Skaare (elected by employees)	0.2	1.0	1.2	0.5	-
Odd Andre Olsen (elected by employees)	0.2	0.7	0.9	-	-
Total for the Board	2.6	2.3	5.0	0.5	-

¹⁾ Total salary compensation for work other than board-related work done for Veidekke during term of service

Veidekke has established auditing, compensation and property committees. Compensation for participation in these committees is included in the board members' fees.

For an overview of corporate management and Board shareholdings, see Note 21.

Remuneration to auditors

	2013	2012
Statutory audit including audit-related assistance	10.1	10.3
Tax-related assistance	1.0	0.6
Other services in addition to auditing	0.7	2.3
Total remuneration to auditors	11.8	13.2

Remuneration excludes VAT.

Note 32. Leasing commitments**Agreements where Veidekke is the lessee**

Veidekke has various non-cancellable lease agreements linked to properties, sites, operating equipment, etc. The lease agreements are due for payment as shown in the table below:

	Rent		Operating equipment		Other commitments	
	2013	2012	2013	2012	2013	2012
Expenses this year	115.4	98.0	20.3	25.8	0.2	0.2
Expenses next year	112.4	75.1	17.0	18.6	0.2	0.4
Total expenses the next 2–5 years	219.4	187.8	30.9	28.7	0.8	0.1
Total expenses after more than 5 years	103.7	67.8	0.1	1.6	0.2	-

Agreements where Veidekke is the lessor

Veidekke has various lease agreements linked to properties, sites, operating equipment, etc.

Agreements related to the rent of property:

	Rental income	
	2013	2012
Income this year	33.2	32.3
Income next year	25.9	26.2
Total income the next 2–5 years	82.9	22.0
Total income after more than 5 years	2.4	2.2

Note 33. **Contingencies**

Through its ongoing operations, Veidekke is occasionally involved in disputes with clients regarding the interpretation and understanding of signed contracts. Veidekke strives to resolve these kinds of disputes outside the courts whenever possible, but some cases must nevertheless be decided by arbitration or in court. Disputes may be Veidekke's claims on customers (additional claims) and customers' claims on Veidekke (remedy of defects, compensation, etc.). Thorough assessments are conducted in connection with disputed claims to ensure the most correct reporting in the accounts. Reference is made to the Group's accounting policies:

"For claims and disputed amounts with high uncertainty, revenues are normally not recognised until an agreement has been reached or a legally binding court ruling has been given. For claims with low uncertainty and where the uncertainty is related to the amount to be recognised, a prudent part of the claim is recognised. Provision is made for guarantee work based on historical experience and identified risks."

At year-end Veidekke was involved in 18 disputes for claims over NOK 10 million, which are being processed by the judicial system.

Note 34. **Related party transactions**

Veidekke's related parties include associated companies and joint ventures (see Note 13), Veidekke's shareholders, members of the Board and senior executives in Veidekke.

OBOS has a 28 per cent stake in Veidekke and is also a major business partner. The collaboration with OBOS consists in the joint development of residential projects and in deliveries by Veidekke to companies within the OBOS Group.

The residential projects that are developed in partnership with OBOS are undertaken through establishment of companies in which OBOS and Veidekke each have a 50 per cent holding. At 31 December 2013 the following companies are jointly owned by OBOS and Veidekke:

- Sorgenfri Utbyggingsselskap AS
- Horneberg Utviklingsselskap AS
- Sjetnan Nedre AS
- Svankevigå AS
- Lørenvangen Utvikling AS
- Veifor AS
- Middelthunsgate 17 Utvikling AS
- ULOS AS
- Stadionboligene Hamar AS

Other than this, Veidekke does not have any significant agreements or transactions with related parties.

Transactions with associated companies (AC) and joint ventures (JV)

Turnover	2013		2012	
	AC	JV	AC	JV
Construction	14.9	945.5	52.3	328.9
Industry operations	-	40.4	-	43.3
Other	5.7	19.6	2.4	6.2
Total	20.6	1 005.6	54.6	378.4
Balance sheet at 31 December				
Receivables	5.0	149.1	12.6	84.6
Liabilities	8.0	4.1	21.9	1.4

Transactions with selected parties

	Contract value projects		Revenue	Receivables
	in progress			
OBOS	767.4	437.9		82.4
Veifor AS*	762.4	398.5		28.8

* 50% owned by OBOS

Note 35. Subsequent events

No events have occurred after the balance sheet date that have any significant effect on the financial statements.

Note 36. Corporate structure

Overview of the main subsidiaries in the Group:

Company	Location	Ownership share
Veidekke Entreprenør AS	Oslo	100%
Veidekke Industri AS	Oslo	100%
Veidekke Eiendom AS	Oslo	100%
Veidekke Bolig AS	Oslo	100%
Veidekke Sverige AB	Lund	100%
Hoffmann A/S	Copenhagen	100%
Veidekke Agder AS	Kristiansand	100%
Block Berge Bygg AS	Klepp	100%
Veidekke Entreprenad AB	Stockholm	100%
Veidekke Bostad AB	Stockholm	100%
VeiBo Group AB	Stockholm	100%
Arcona AB	Stockholm	100%

Altogether the Group consists of approx. 50 operative subsidiaries owned directly or indirectly by Veidekke ASA.

Income statement Veidekke ASA

(Figures in NOK million)	Note	2013	2012
Operating revenues		102.4	131.4
Payroll costs	1	-82.0	-71.1
Other operating expenses	3	-75.4	-68.9
Depreciation	4	-0.7	-1.9
Total operating expenses		-158.1	-141.9
Operating profit		-55.7	-10.5
Dividends and group contributions from subsidiaries	2	504.6	404.5
Other financial income	2	62.1	58.8
Financial expenses	2	-44.8	-13.8
Profit before tax		466.2	439.1
Income tax expense	9	-51.6	-25.0
Profit for the year		414.5	414.0
Allocation of profit			
Dividend		401.1	334.3
Other equity		13.4	79.8
Total		414.5	414.0

Balance sheet at 31 December Veidekke ASA

(Figures in NOK million)	Note	2013	2012
ASSETS			
Non-current assets			
Deferred tax assets	9	16.7	6.3
Property	4	13.6	13.9
Machinery etc.	4	0.7	1.2
Investments in subsidiaries	5	1 522.1	1 461.1
Investments in associated companies and joint ventures	6	66.1	66.1
Financial investments	7	110.1	80.3
Other non-current receivables	7	188.5	208.4
Total non-current assets		1 917.9	1 837.3
Current assets			
Accounts receivable external		0.1	0.2
Current receivables, Group companies		527.3	399.8
Other receivables		15.2	9.2
Cash and cash equivalents		1 154.0	3.9
Total current assets		1 696.5	413.2
Total assets		3 614.4	2 250.5
EQUITY AND LIABILITIES			
Equity			
Share capital		66.9	66.9
Other equity		1 459.2	1 463.8
Total equity	8	1 526.1	1 530.7
Non-current liabilities			
Pension liabilities	10	90.3	60.4
Bond issues	11	750.0	-
Other long-term loans	11	-	34.9
Total non-current liabilities		840.3	95.4
Current liabilities			
Certificate loans		655.0	200.0
Trade payables		55.9	24.9
Unpaid government charges		3.8	5.5
Tax payable	9	30.6	0.3
Dividends payable	8	401.1	334.3
Current liabilities, Group companies		95.8	53.3
Other current liabilities		5.9	6.1
Total current liabilities		1 248.1	624.4
Total equity and liabilities		3 614.4	2 250.5

Cash flow statement Veidekke ASA

(Figures in NOK million)	2013	2012
OPERATING ACTIVITIES		
Profit before tax	466.2	439.1
Recognised dividends and group contributions, not yet paid	-504.6	-394.4
Received dividends and group contributions from subsidiaries	398.4	505.7
Contributions to subsidiaries	-58.8	-
Tax paid	0.0	-
Depreciation	0.7	1.9
Gains/loss on sale of non-current assets	-	-50.6
Pensions, difference expensed/paid	5.1	-3.5
Generated from this year's activities	307.0	498.2
Change in other current assets	31.0	-3.2
Change in other items	-38.3	-93.9
Net cash flow from operating activities (A)	299.7	401.1
INVESTMENT ACTIVITIES		
Purchase of tangible non-current assets	-	-1.6
Sales of non-current assets	-	60.8
Net cash flow from investment activities (B)	0.0	59.2
FINANCING ACTIVITIES		
New long-term loans	750.0	-
Repayment of long-term loans	-34.9	-365.1
New certificate loans	455.0	200.0
Dividends received from joint ventures	14.6	11.1
Dividends paid	-334.3	-367.7
Net cash flow from financing activities (C)	850.4	-521.7
TOTAL NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C)	1 150.1	-61.3
Cash and cash equivalents at 1 January	3.9	65.3
Cash and cash equivalents at 31 December	1154.0	3.9
Supplementary information		
Long-term borrowing facilities DNB	3 100	3 100
Used committed borrowing facilities at 31 December	655	2 000

Notes Veidekke ASA

Changes in the 2012 figures

Veidekke implemented new accounting policies for defined-benefit pension schemes from 1 January 2013. As a result, the accounts for 2012 have been restated entailing an improvement in the profit for 2012 of NOK 4.2 million before tax and NOK 3.0 million after tax. Please see the note on the Group's accounting policies and Note 22 to the consolidated accounts for more details.

Accounting policies

The parent company Veidekke ASA is a holding company with no operations. Its activities consist of investments in subsidiaries and associated companies, and its income consists of dividends and Group contributions from these companies. In addition, Veidekke ASA invoices its subsidiaries for services rendered. Veidekke ASA prepares its financial statements in accordance with Norwegian accounting standards.

Investments in subsidiaries are accounted for using the cost method. This means that investments are booked at cost price, and dividends from the companies are recognised in profit and loss. Investments are impaired if the book value exceeds fair value.

The parent company applies the same accounting principle as the group, with the exception of when dividends and group contributions are recognised, and the accounting for financial instruments (interest rate swaps).

Group contributions are recognised in the income statements in the same year as they are accrued by the subsidiary. Dividends from subsidiaries are recognised in the income statements in the same year as they are accrued in the subsidiary (the year before distribution). The dividend proposed in Veidekke ASA was recognised as a liability on 31 December 2013.

Unless otherwise specified, all amounts are in NOK millions.

Note 1. Payroll costs

	2013	2012
Payroll	58.3	54.6
Pension costs	10.3	2.1
National Insurance contributions	8.0	7.9
Other payroll costs (social benefits etc.)	5.5	6.6
Total	82.0	71.1

	2013	2012
Number of fulltime equivalents	49	48
Number of employees at 31 December	53	49

Note 2. Financial income/financial expenses

	2013	2012
Dividend and group contributions from subsidiaries	504.6	404.5
Interest income	47.5	22.6
Dividends from joint ventures	14.6	11.1
Other financial income *	0.0	25.0
Total other financial income	62.1	58.8
Interest expenses	-45.7	-11.2
Currency losses	1.2	-1.6
Other financial expenses	-0.3	-1.0
Financial expenses	-44.8	-13.8

* Other financial income in 2012 was primarily related to the gain in connection with exercising of a resale option relating to a property.

Note 3. Remuneration auditors

In 2013 remuneration to the auditors was NOK 0.9 million for auditing, NOK 0.3 million for audit-related assistance and NOK 0.2 million for tax-related assistance. All amounts are stated excluding VAT.

Note 4. Property and machinery etc.

	Property	Machinery	Total 31 Dec. 2013	Total 31 Dec. 2012
At 1 January				
Original cost	63.3	12.5	75.8	83.5
Accumulated depreciation	-49.5	-11.4	-60.9	-59.0
Book value at 1 January	13.9	1.2	15.1	24.7
Accounting year				
Book value at 1 January	13.9	1.2	15.1	24.7
Additions	-	-	-	1.6
Disposals book value	-	-	-	-9.3
Depreciation	-0.3	-0.4	-0.7	-1.9
Book value at 31 December	13.6	0.7	14.3	15.1
At 31 December				
Original cost	63.3	12.5	75.8	75.8
Accumulated depreciation	-49.8	-11.8	-61.6	-60.9
Book value at 31 December	13.6	0.7	14.3	15.1
Depreciation method	Linear	Linear		
Depreciation rate	2–5 %	10–25 %		

Sales price of sold properties amounted to NOK 36.8 million in 2013. Gains of NOK 27.5 million have been included under the item "operating revenues".

Note 5. Shares in subsidiaries

Company	Location	Ownership share %	Book value*
Veidekke Entreprenør AS	Oslo	100	630.7
Hoffmann A/S	Copenhagen	100	365.6
Veidekke Danmark AS	Copenhagen	100	22.4
Veidekke Industri AS	Oslo	100	214.4
Hovinmoen Utvikling AS	Oslo	100	17.7
Veidekke Sverige AB	Lund	100	194.5
Veidekke Eiendom AS	Oslo	100	70.2
AS Noremco Construction	Oslo	100	6.0
Veidekke Internasjonal AS	Oslo	100	0.5
Total			1 522.1

* Book value in Veidekke ASA's accounts at 31 December 2013 (cost method).

Note 6. Shares in associated companies and joint ventures

Company	Location	Ownership share %	Book value*
Allfarveg AS	Oslo	50	66.1
Total			66.1

* Book value in Veidekke ASA's accounts at 31 December 2013 (cost method).

Note 7. Non-current receivables

	2013	2012
Loans to employees	185.8	208.1
Financial investments *	110.1	80.3
Other non-current receivables	2.7	0.3
Total	298.6	288.7

* The investment is related to funds to cover pension liabilities.

Note 8. Reconciliation of equity

	2013	2012
Equity at 1 January	1 530.7	1 478.2
Profit for the year	414.5	414.0
Dividends payable	-401.1	-334.3
Change in value of pensions	-18.1	-27.3
Equity at 31 December	1 526.1	1 530.7

	Share capital	Total issued share capital	Other equity	Total equity
Equity at 31 December 2012	66.9	304.2	1 183.9	1 555.0
New accounting principles for pensions			-24.3	-24.3
Equity at 1 January 2013	66.9	304.2	1 159.6	1 530.7
Profit for the year			414.5	414.5
Dividends payable			-401.1	-401.1
Change in value of pensions			-18.1	-18.1
Equity at 31 December 2013	66.9	304.2	1 155.0	1 526.1

Note 9. Income tax expense and deferred tax

Income tax expense	2013	2012
Tax payable in the balance sheet	30.6	0.3
Change in deferred tax	-3.7	8.3
Tax on Group contribution	26.3	16.5
Adjustment previous year	-1.6	0.0
Total income tax expense	51.6	25.0

Deviation in income tax expense	2013	2012
28 per cent of profit before tax	130.5	121.8
Actual income tax expense	51.6	25.0
Deviation	78.9	96.7

Deviation in income tax expense		
Non-deductible expenses	-0.5	-0.3
Tax-exempted dividends	78.2	96.8
Other permanent differences	0.0	1.4
Effect of change in tax rate	-0.4	0.0
Adjustments previous years	1.6	-1.2
Total	78.9	96.7

Deferred tax	2013	2012
Temporary differences		
Current items	-2.3	-1.0
Gains and loss account	33.7	42.2
Non-current assets	-3.1	-3.3
Pensions	-90.3	-60.4
Basis for deferred tax	-61.9	-22.6
Deferred tax (27 per cent/28 per cent)	-16.7	-6.3
Book deferred tax (- deferred tax asset)	-16.7	-6.3

Note 10. Pensions

The company is required by law to have occupational pension arrangements under the Norwegian Mandatory Occupational Pension Act. The company's pension plans comply with the statutory requirements laid down in this Act. The company's pension scheme was modified with effect from 31 December 2012, and new accounting rules for defined-benefit pension schemes were introduced on 1 January 2013. See the presentation of the accounting policies and Note 22 to the consolidated accounts.

Note 11. Non-current liabilities

The Group has long-term committed borrowing facilities in DNB of NOK 3 100 million at 31 December 2013, which run until 2 November 2015. Veidekke ASA is responsible for the Group's total withdrawals from the group account, which at 31 December 2013 totalled NOK 0. At 31 December 2013 the non-current liability recorded in the accounts consists of bond loans. For further details see Notes 29 and 30 to the consolidated accounts.

Note 12. Guarantees

At 31 December 2013, Veidekke ASA has provided guarantees for its subsidiaries totalling approx. NOK 1 700 million in connection with specific construction projects for Group companies. The company has a current bank guarantee to cover payroll tax obligations.

Note 13. Other notes

The following requirements are covered in notes to the consolidated accounts:

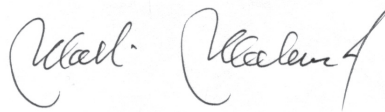
- Note 21: Number of shares, shareholders etc.
- Note 29: Financial risk
- Note 30: Financial instruments
- Note 31: Compensation to senior executives

Declaration in accordance with §5-5 of the Securities Trading Act

We herby confirm that, to the best of our knowledge and belief, the Group and company financial statements for 2013 have been prepared in compliance with current accounting standards, and that the information in the accounts gives a true and fair view of the Group and company assets, liabilities and financial position, as well as the results of their operations in their entirety.

The Board of Directors' Annual report gives a true and fair view of the Group and company development, result and position, as well as of the main risk and uncertainty factors the Group is faced with.

Oslo, 27 March 2014
The Board of Directors for
Veidekke ASA



Martin Mæland
Chairman



Per Otto Dyb
Deputy chairman



Gro Bakstad



Annika Billström



Ann Christin Gjerdseth



Hans von Uthmann



Odd Andre Olsen



Inge Ramsdal



Lars S. Skaare



Arne Giske
President and CEO

Corporate governance

Veidekke aims to secure a high and stable return for its shareholders by operating construction and property development activities in Scandinavia.

Veidekke believes that a number of important parameters must form the foundation for both the company and its employees in order for the business as a whole to achieve its objectives over time. At the core of this foundation is the company's strong corporate culture with its emphasis on profitability and risk management.

1. STATEMENT ON CORPORATE GOVERNANCE

Veidekke strives to ensure good corporate governance and bases its reporting on the most recent version of the "Norwegian Code of Practice for Corporate Governance" dated 23 October 2012 with amendments of 21 December 2012.

Veidekke aims to be professional, honest, enthusiastic and ground-breaking. These are the company's core values, which shall guide all employees at Veidekke and be reflected in our behaviour in all relationships. Veidekke has developed its own ethical guidelines and policies for compliance with the Competition Act, which are available on the company's website under "Corporate Governance".

The company's objectives and main strategy are described in more detail on our website <http://no.veidekke.com>.

2. OPERATIONS

Veidekke's operations are defined in its Articles of Association, which are available on Veidekke's website under "Corporate Governance".

Veidekke ASA is a public limited company. Its registered head office is in Oslo, and the Group has operations in Norway, Sweden and Denmark. Veidekke's operations are managed by Veidekke Entreprenør (Construction), Veidekke Eiendom (Property) and Veidekke Industri (Industry), all in Norway, and Veidekke Sverige in Sweden and Hoffmann in Denmark. Each business area is further broken

down into regions, districts and departments.

Veidekke's operations in Norway, Denmark and Sweden include building and construction projects, renovation, specialised civil engineering contracts and development of residential and non-residential properties for private and public customers. In Norway, Veidekke is also engaged in asphalt operations, production of crushed stone and gravel, and road services.

The Group has a decentralised business model in terms of distribution of responsibilities and authority, implying a high degree of responsibility and authority for the individual heads of entities. This ensures closer proximity to our customers and suppliers, which has proven to be an advantage in competition for contracts and business opportunities for Veidekke.

Corporate management

The corporate management team consists of the President and CEO, the heads of the three business areas (Construction, Property and Industry) and the heads of the central staff functions: finance, business administration, human resources, and communications and legal.

3. EQUITY AND DIVIDENDS

At 31 December 2013 Veidekke had an equity ratio of 21.1 per cent. This is within an acceptable range with regard to capital strength, optimised risk-adjusted yield and future investment requirements. In the event of any capital increases, plans for the employment of the

capital are presented to the company's Annual General Meeting.

The Group's growth is expected to be primarily based on organic growth, but Veidekke also considers acquisition opportunities among small or medium-sized companies in the Group's business and geographical areas. Veidekke has a strong financial position and uses its own financial resources to carry out such acquisitions.

Veidekke aims to give its shareholders a high and stable return on their investment in the company. We will achieve this by each unit striving to achieve ambitious strategic goals. Construction has set a goal of a profit margin of 5 per cent, while the actual profit margin for 2013 was 2.6 per cent. Operations in Denmark reported a profit margin of 5.6 per cent, operations in Norway achieved a profit margin of 3.0 per cent, while operations in Sweden had a profit margin of 0.3 per cent. Industry has set a goal of a profit margin of 6.5 per cent. Industry's profit margin goal is higher than that for Construction because of this business area's higher proportion of invested capital. Industry achieved a profit margin of 4.6 per cent in 2013. Property has set itself the goal of a return on invested capital of 15 per cent. Return on invested capital was 8.7 per cent in 2013. The Group must have a strong financial position, and with its current balance sheet structure, a gearing ratio of 40–60 per cent at year-end would fulfil these minimum requirements. At 31 December 2013 the Group had a gearing ratio of 16 per cent.

Veidekke is working on a number of measures to ensure profitability through improved competitiveness. This includes control of risk exposure and capital efficiency, as well as participative planning processes and other measures to improve efficiency.

Dividend policy

Veidekke's target is to distribute at least 50 per cent of the profit for the year to the shareholders. A dividend of NOK 3.0 per share is proposed for the 2013 financial year. This corresponds to a distribution ratio of 74 per cent. The Board justifies this proposal on the basis of the company's dividend policy, the good results achieved, the company's strong financial position and the positive outlook for the immediate future.

Board authorisation – capital expansion

The Board of Directors has been authorised by the Annual General Meeting to increase the share capital by up to NOK 6.5 million, which corresponds to approx. 10 per cent of the company's share capital. This authorisation may be used when deemed necessary by the Board in connection with the take-over of an enterprise, the company's schemes whereby employees can buy shares in the company, and for investment in real property. The authorisation helps ensure that the company can undertake necessary transactions quickly and efficiently, as needs dictate. The reasoning behind the authorisation also dictates waiver of the shareholders' pre-emptive rights. Should the Board decide to waive the shareholders' pre-emptive rights, the reasons for this decision must be explained for the individual case in hand. Authorisation to increase the share capital is subject to the approval of the Annual General Meeting and is valid until the next Annual General Meeting or until 31 May at the latest.

Board authorisation – buyback of own shares

The Board of Directors has been authorised by the Annual General Meeting to buy back Veidekke shares. The reason for this authorisation is to ensure the highest possible return for the shareholders over time and, if the share price appears favourable, purchase of own shares will be a good supple-

ment to dividends. Share buyback may also be relevant if the equity and liquidity situation is good and there are limited other attractive investment opportunities. It is the company's intention to cancel these shares at the next Annual General Meeting. Authorisation to repurchase Veidekke shares is subject to the approval of the Annual General Meeting and is valid until the next Annual General Meeting or until 31 May at the latest.

Veidekke works continuously to make the necessary arrangements to maintain the employees' ownership share, and strives each year to give the employees the opportunity to buy shares at a discount. Veidekke offers financial assistance for share purchases. Financed purchases are subject to a lock-in period of two to three years. At the end of 2013, 3 217 employees held a combined 19.0 per cent stake in the company.

4. EQUAL TREATMENT OF SHAREHOLDERS

It is the company's policy to treat all shareholders equally.

Veidekke's main shareholder is OBOS Invest AS, which has an ownership share of 28 per cent. There are rules regarding impartiality, which ensure that resolutions do not favour the main shareholder in any contexts. OBOS is a major property developer, and for several years OBOS and Veidekke have worked together on the development of a number of property projects. In order to ensure that all terms and conditions and agreements are based on commercial terms, it has been the practice of the two parties, Veidekke and OBOS, to set up a company of which they each own 50 per cent. These companies develop and sell projects. This also helps ensure that the main shareholder does not gain an unfair advantage at the expense of the other shareholders.

If significant transactions are carried out with major shareholders over and above ordinary commercial contracts, independent consultants are engaged to ensure a correct valuation.

Whenever possible, existing shareholders have pre-emptive rights in the event of capital increases.

The Board's rules of procedure provide guidelines concerning the duty of board members and the CEO to disclose any conflicts of interest. The board members have a duty to disclose any conflicts of interest.

Employees as owners

Special for Veidekke compared with other listed companies is its high number of employee owners. Veidekke regards the involvement of its employees as shareholders as an important and positive element in the development of the company. The company's aim is for at least half of its employees to hold shares in the company, totalling at least 15 per cent of the shares. It also wishes each of its senior executives (773 people) to hold a significant number of shares in the company. This group currently has a combined stake of 12.1 per cent.

The Group has strict insider trading rules and trade restrictions. See "Shareholder information" on page 94 for more details about the insider trading rules for employees.

5. FREELY NEGOTIABLE SHARES

Veidekke has one class of shares, and there are no marketing restrictions for trading. In 2013, 26.9 million shares were traded on the Oslo Stock Exchange, with a turnover rate of 20.1 per cent. The Group works continuously to maintain satisfactory liquidity in Veidekke shares. This is done primarily through good ongoing communication with investors and the market. For further information, see "Shareholder information" on page 94.

6. ANNUAL GENERAL MEETING

Veidekke strives to ensure that as many shareholders as possible can exercise their rights by participating in the Annual General Meeting and that it is an effective meeting place for shareholders and the Board. The Annual General Meeting is held in May each year. In 2014 the Annual General Meeting will be held on 7 May.

Notice of the meeting and case documents are published on the company's website no later than three weeks before the Annual General Meeting is held. Registration is possible via written feedback, fax or internet, and the

registration deadline is two working days prior to the meeting. Shareholders who are not able to attend in person have the opportunity to vote by proxy. Proxy forms are distributed with the notice of the meeting.

In addition to the company's management, the Board of Directors, the Nomination Committee and the auditor are present at the Annual General Meeting. The Chairman of the Board usually opens the meeting and asks the meeting to propose a chair for the meeting. If no proposals are made, it is standard practice for the Chairman of the Board to offer to chair the meeting.

7. NOMINATION COMMITTEE

Use of a nomination committee is stipulated in the Company's Articles of Association. The Nomination Committee submits recommendations to the Annual General Meeting on the election of members for the Board of Directors and for the Nomination Committee. Candidates who are nominated for the Board should be shareholders or representatives of shareholders.

The Nomination Committee shall have at least three members. The majority of the Nomination Committee must be independent of the Board of Directors and the company's management. The company's chief executive officer or other senior executives may not be members of the Nomination Committee.

The Annual General Meeting elects the Nomination Committee's chair and other members. Since it is the responsibility of the Nomination Committee to propose candidates for the Board of Directors, there is no deadline for the submission of such proposals to the Nomination Committee. Shareholders can submit Board candidate proposals to the Nomination Committee via the company's website. In 2013 the Nomination Committee consisted of Harald Norvik (chair), Jan Tore Berg-Knutsen, Erik Must and Olaug Svarva.

8. CORPORATE ASSEMBLY, BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

The Board of Directors is Veidekke's highest administrative body and is directly responsible to the Annual General Meeting. Six members are elected by the shareholders, and three are elected by and from among the employees. The shareholder-elected board members are elected for one year at a time.

In 2003, Veidekke entered into an agreement with its employees that the company would not have a corporate assembly. In return, the employees' representation on the Board of Directors was increased. Since the Group does not have a corporate assembly, the Board elects its own chair as laid down in the Public Companies Act. The Board also elects its own vice-chair.

In determining the composition of the Board, importance is attached to safeguarding the joint interests of the shareholders and the skills, capacity and diversity of the company. Effort shall be made to ensure there is at least one Norwegian, one Danish and one Swedish board member. The composition of the Board of Directors of Veidekke ASA complies with the provisions of the Public Companies Act regarding the percentage of women in listed companies.

The composition of the Board of Directors ensures that it is able to act independently of the shareholders' special interests. The Board's rules of procedure also contain instructions for dealing with issues in which a board member has a vested interest. The rules in the Articles of Association governing the election of the Nomination Committee help to ensure the Board of Directors' independence.

All board members who are elected by the shareholders are independent of the company's management. For further information on existing board authorisations, see "Shareholder information" on page 94.

9. THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors defines targets, lays down strategies and budgets, and actively contributes expertise and experience. In accordance with adopted plans, the Board carries out an annual review of the company's business areas, and follows a systematic annual plan for matters to be discussed at board meetings. Nine board meetings are held each year. At least one of the meetings is held alternately in Sweden and Denmark, and two meetings are combined with a visit to a district or branch office and one of its projects in Scandinavia.

The work of the Board is laid down in its rules of procedure, and each year it evaluates its own work and competence.

The Audit Committee

The Audit Committee is composed of three board members elected by the shareholders, and its work is governed by mandates and instructions that have been approved by the Board. The task of the Audit Committee is to develop the collaboration between the Board and the management, and between the Board and the external auditors. On behalf of the Board, the Audit Committee shall make itself familiar with and develop insight into and knowledge of accounting and financial matters, supervision and risk management. The Committee reports to the Board of Directors.

In 2013 the Audit Committee consisted of Gro Bakstad (chair), Hans von Uthmann and Ann Christin Gjerdsæth.

The Remuneration Committee

The Remuneration Committee is composed of three board members elected by the shareholders, and its work is governed by mandates and instructions that have been approved by the Board. The Committee submits proposals to the Board on salaries and compensation schemes for the President and CEO. The Committee also gives advice to the President and CEO on salaries and compensation schemes for the management. The Committee reports to the Board of Directors.

In 2013 the Remuneration Committee consisted of Martin Mæland (chair), Per Otto Dyb and Hans von Uthmann.

The Property Committee

The Property Committee is composed of two board members elected by the shareholders, and its work is governed by mandates and instructions that have been approved by the Board. The Property Committee reviews all major investment decisions to ensure good internal control with regard to starting any new own-account projects and purchase of land for development. In 2013 the Property Committee consisted of Annika Billström (chair) and Martin Mæland.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The ability to plan, structure, execute and evaluate building processes is a key skill at Veidekke. Effective management is a central critical success factor for the company and an integrated part of the running of the business. With a large number of projects in progress at any time in the Group's three business areas (Construction, Property and Industry), systematic reporting from each project to each division is needed, from where it can be passed to the Group management and board. Reporting is performed ten times per year and covers financial and non-financial parameters. Each project must focus on profitability, risk, injuries, absence and the environment.

The management of Veidekke continuously monitors the overall portfolio of projects to ensure an acceptable level of risk exposure and a sound basis for profitability. The management systems for the different entities provide clear guidelines for how projects are to be carried out with regard to quality, progress, cost-effectiveness, health, safety and the environment. These tools play an important part in ensuring quality in our order backlog and a uniformly high standard in the execution of projects. The status and profitability of the order backlog is an important item on the agenda for the divisional management teams, the corporate management and the Board of Directors.

Risk exposure in the Property Division, through unsold units under construction and any completed units, is measured continuously. The start-up of new property development projects will be postponed if the risk for Veidekke's own account is deemed to be too high. The Board's Property Committee helps to ensure good internal control with regard to starting any new projects for own account and site acquisitions.

Veidekke's financial policy provides guidelines for the different entities' financial management and activities. The objective of the guidelines is to avoid, limit, control and measure financial risk, promote capital rationalisation and optimise the Group's financial resources.

Planning

Veidekke's financial and strategic planning is based on the company's "planning wheel". A fixed agenda is defined throughout the year for the production of framework documents, strategy plans, budgets and subsequent monitoring of the businesses.

Financial management

The Group is governed by clear financial objectives linked to profit margins, capital yield and capital structure. These objectives are then broken down and translated into achievable targets for the different companies, divisions and projects. The projects have clear requirements regarding profitability and cash flow. In Construction, requirements are set for the projects' profit margins, including financial items. Property and Industry are capital-intensive areas, and these projects are also measured by return on employed capital.

Financial reporting

Veidekke's Group accounts are prepared in accordance with the applicable IFRS regulations. The Group's chosen accounting policies are communicated down through the divisions with particular emphasis on new and significant standards and any amendments to them. Accounting information is reported through the Group's common reporting system. All companies report to the Group ten times a year based on output from their own ERP systems. The reporting system has an overall chart of accounts and has built-in

control systems to ensure consistency of information. Reporting is expanded for year-end financial reporting to meet the different disclosure requirements.

Consolidation and control of accounting information takes place at several levels of the organisation, in accordance with Veidekke's decentralised business model. Each unit is responsible for compliance with the applicable laws and regulations for financial reporting, and for seeking assistance from the division and/or corporate staff in cases requiring significant judgement or transactions outside the ordinary course of business. The Group has a special procedure that it follows in connection with the purchase and sale of businesses.

The greatest risk in a project-based organisation is associated with financial reporting related to the correct status and risk assessment of projects. Veidekke therefore attaches importance to ensuring we have the necessary project reporting expertise. Courses are held in relevant financial and management systems, and it is a requirement that all project managers and site managers have completed a three-module course in business management or equivalent.

Ethical guidelines

With reference to the company's core values – professional, honest, enthusiastic and ground-breaking – Veidekke has drawn up a Code of Conduct for employees in collaboration with the Confederation of Norwegian Enterprise (NHO) in which the basic principle is freedom with responsibility. The guidelines are implemented through the active participation of the employee in the process, discussions and involvement in ethical issues that the company's activities raise. The company's Code of Conduct is accessible on Veidekke's intranet and website.

Reporting irregular activities

In-house rules have been drawn up for reporting irregular activities ("whistle-blowing") in the company, and an external ombudsman has been appointed. These guidelines are accessible on Veidekke's intranet.

Compliance with competition law

Veidekke has a comprehensive compliance programme which gives relevant employees an insight into the basic rules of competition law that apply to Veidekke's activities. The purpose of the programme is to increase understanding of and ensure compliance with relevant laws and regulations. This compliance programme is accessible on Veidekke's intranet and website.

11. REMUNERATION OF BOARD MEMBERS

The remuneration of the board members is determined by the Annual General Meeting based on the recommendations of the Nomination Committee. The remuneration reflects the Board's responsibility, expertise and time commitment, and is independent of the company's financial results.

None of the board members elected by the shareholders has special responsibilities over and above what follows from their office. See also note 31.

Several of the board members hold shares in Veidekke. These members are listed in note 21.

12. REMUNERATION OF SENIOR EXECUTIVES

A statement is given to the Annual General Meeting each year regarding the company's guidelines for remuneration of senior executives.

Salaries for the company's executives are based on information obtained from comparative statistics showing pay levels in other enterprises in the industry and other relevant enterprises. The company's strategy is to offer salaries that are competitive, but not above those of other similar companies. A bonus scheme has also been established in which the maximum payment to each individual is set at 30 per cent of their annual salary, based on budgets and target achievement in a pre-determined action plan.

Managers also participate in Veidekke's general share programme under which employees are invited each year to purchase Veidekke shares at a discount price and with financial assistance. See

also "Shareholder information" on page 94.

Veidekke has no share option schemes. See also notes 5 and 31.

13. INFORMATION AND COMMUNICATION

Investor relations have a central place in Veidekke. The company attaches importance to providing high-quality information based on openness and transparency in a timely manner, thus ensuring that the share price reflects the assets of the company.

The management meets investors and the financial market both in Norway and abroad several times a year and makes active use of the feedback from these meetings. See also "Shareholder information" on page 94.

14. CORPORATE TAKEOVER

If an offer is received to take over the company's shares, the company's Board of Directors should not use authorisations or pass other resolutions that obstruct the offer unless this has been approved by the Annual General Meeting after the offer is known.

15. AUDITOR

The external auditor attends at least two board meetings a year, including the meetings dealing with the annual accounts and audit summary. Arrangements are made to ensure that the Board of Directors has the opportunity to ask the auditor questions without the management being present.

The auditor attends all the meetings of the Audit Committee. The plan for the execution of the audit is presented to the Audit Committee. At these meetings, the auditor also presents a report from the interim audit and a report for the annual accounts, in which the auditor gives his/her opinion on the quality of the internal control in all parts of the Group and discusses any accounting problems revealed by the audit.

Veidekke has guidelines for the scope and type of additional services provided by the auditor. Each year the auditor confirms to the Board of Directors in writing that he/she meets the stipulated requirements regarding independence.

See note 31 for more detailed information about the scope of the services provided.

16. CORPORATE SOCIAL RESPONSIBILITY

Veidekke requires that all business units in the company abide by the national laws and regulations in its three markets: Norway, Sweden and Denmark. A number of guidelines and models have been established that govern the company's behaviour in society, and the company works to continuously improve and implement these across the organisation.

The ISO guidance standard on social responsibility, ISO 26000, which was launched in December 2010, provides advice on how to integrate CSR into the organisation and how companies can best contribute to sustainable development through their activities. Veidekke uses ISO 26000 as inspiration and guidance for continuous improvement and systematisation of its corporate social responsibility work.

Veidekke uses the Global Reporting Initiative (GRI) as the basis for its corporate social responsibility reporting.

For more information on corporate social responsibility in Veidekke, please see the company's CSR Report on <http://no.veidekke.com>

Auditor's Report



Statsautoriserte revisorer
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To the Annual Shareholders' Meeting of
Veidekke ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Veidekke ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2013, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2013, the statements of income, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report



2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of Veidekke ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report [and on the statements on corporate governance and corporate social responsibility]

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report [and in the statements on corporate governance and corporate social responsibility] concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, March 28, 2014
ERNST & YOUNG AS

Erik Mamelund
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Shareholder information

- + Shareholder value will be created through good profitability across the Group.
- + Dividends shall constitute at least 50 per cent of the annual profit
- + Veidekke is and shall be a financially robust company.
- + Employee co-ownership is one of the keys to Veidekke's success.

Shareholder value

There is a clear long-term correlation between return on shares (measured by rising share prices and dividends) and the company's value creation. Value creation is primarily reflected in the company's current financial results.

Return on investment

Veidekke aims to give its shareholders a stable, high return on their investment in the company. Veidekke's return in 2013 was 16.6 per cent, compared with 23.6 per cent for the Oslo Stock Exchange.

2013 saw 26.9 million Veidekke shares traded on the Oslo Stock Exchange with a turnover rate of 20.1 per cent. By comparison, 20.2 million shares were traded in 2012,

yielding a turnover rate of 15.1 per cent. There were 25 416 trades of Veidekke shares during the year, compared with 25 763 the previous year.

Dividend

Veidekke's dividend policy stipulates a pay-out amounting to at least 50 per cent of the profit for the year (pay-out ratio).

The Board proposes a dividend of NOK 3.0 per share for the 2013 financial year, compared with NOK 2.5 for 2012, corresponding to a pay-out ratio of 74 per cent, compared with 64 per cent in 2012. Shareholders will thus receive a direct return of 6.1 per cent, based on the share price at the end of the year. The dividend will be paid on

19 May 2014 to all the shareholders who are registered as owners on the date of the Annual General Meeting, which has been set for 7 May 2013.

Ownership structure

At the close of the year Veidekke had 7 356 shareholders, compared with 7 306 at the beginning of the year. Veidekke's largest owners are OBOS Invest (28 per cent), IF Skadeforsikring AB (9.1 per cent) and Folketrygdfondet (7.6 per cent). A total of 3 217 employees own shares in the company, with a combined stake of 18.4 per cent. By comparison, a total of 3 170 employees had an ownership share of 19.0 per cent in 2012. During the

Share distribution at 31 December 2013

Shareholding		No. of shareholders	No. of shares	Per cent
From	To			
1	100	1 199	50 496	0.04
101	1 000	2 473	1 316 336	0.98
1 001	10 000	2 726	9 687 209	7.25
10 001	100 000	863	23 256 322	17.39
100 001		95	99 394 579	74.34
Total		7 356	133 704 942	100.00

year foreign ownership rose by 3.5 percentage points from 22.7 per cent to 26.2 per cent.

Veidekke's share capital at 31 December 2013 was NOK 66 852 471, divided into 133 704 942 shares of NOK 0.50 each. Veidekke has always had one share class, and each share carries one vote.

The development of the share capital since its initial public offering is shown in the tables on page 96.

Largest shareholders at 31 December 2013

Name	Ownership share (%)
OBOS Invest AS	28.0
IF Skadeförsäkring AB	9.1
Folketrygdfondet	7.6
Skandinaviska Enskilda Banken a/c Clients Account (NOM)	4.2
MP Pensjon PK	2.2
JP Morgan Chase Bank (Handelsbanken Nordic Custody) (NOM)	2.0
Must Invest AS	1.9
Skandinaviska Enskilda Banken a/c Finnish Residents (NOM)	1.1
Odin Norge	1.1
Danske Invest Norske Instit. II.	1.0
Total ten largest	58.20
Employees (3 217 shareholders)	18.4
Other shareholders	26.2
Total	100.0

There is a list of the 20 largest shareholders on Veidekke's website, which is updated each week. The company's share registrar is Nordea.

Employee co-ownership

Employee co-ownership has been one of the keys to Veidekke's success for several decades. Co-ownership fosters commitment and ensures an increased focus on risk and profitability. As co-owners the employees benefit from the company's value creation. Through co-ownership the employees gain a long term perspective as both shareholders and employees, which contributes to Veidekke's ability to retain its employees. In line with Veidekke's strategy to forge strong ties with the employees through co-ownership of the company, a sale of shares to employees was carried out in 2013.

In May the company offered shares to key personnel. Some 773 senior executives were offered the opportunity to purchase between 50 and 5 000 Veidekke shares each. The employees could choose between three options: option A with a 20 per cent discount and partial financial assistance (1 500–5 000 shares), option B with a 30 per cent discount and no financial assistance (1 500–5 000 shares) and option C with a 20 per cent discount and no financial assistance (50–1 500 shares). 413 senior executives took advantage of the offer and ordered a total of 1.3 million shares among them.

After rationalisation (in option A) the employees were awarded a total of 1.2 million shares. The shares were purchased at a price of NOK 35.20 and NOK 30.80, which corresponded to a discount

on the average market price during the subscription period of 20 per cent (with financial assistance from Veidekke) and 30 per cent (with cash settlement) respectively. The shares in the offer to senior executives have a three-year lock-in period.

In November the company offered shares to all permanent employees in Veidekke. The offer to buy between 50 and 2 300 shares in the company was extended to 5 876 employees. In all 1 834 employees took advantage of the offer and purchased a total of 1.6 million shares. The purchase price including a 20 per cent discount on the average market price during the subscription period was NOK 40.62. The shares in the offer to all permanent employees have a two-year lock-in period.

Authorisation to issue shares and purchase own shares

The Annual General Meeting has authorised the Board of Directors to issue up to 13 million shares. Since 1986 this authorisation has been successively renewed. The authorisation has primarily been used in connection with issues of shares to employees and minor mergers.

The Board of Directors is also authorised to acquire the company's own shares for a total nominal value of up to NOK 6.5 million, equivalent to just under 10 per cent of the share capital. Between 2006 and 2008 Veidekke bought back 9.3 million shares for NOK 421 million.

Form of issue	Amount paid in (NOK million)	No. of shares after increase (1,000)	Share capital after increase (NOK million)	Adjustment factor
1986 Dispersion issue, price NOK 11.71	25.3	3 053	30.5	
1986 Issue employees, price NOK 10.54	3.1	3 113	31.1	
1988 Bonus issue 5:1		3 736	37.4	0.833
1989 Merger Hesselberg Vei		4 693	46.9	
1989 Dividend shares	0.5	4 746	47.5	0.998
1990 Merger Folke A. Axelson A/S		4 802	48.0	
1990 Dividend shares	0.6	4 861	48.6	0.999
1991 Merger Stoltz Røthing Haugesund A/S		4 912	49.1	
1991 Merger Aker Entreprenør A/S		5 623	56.2	
1995 Issue employees, price NOK 26.24	8.0	5 698	57.0	
1998 Share split 1:2		11 396	57.0	
2000 Share split 1:2		22 791	57.0	
2000 Rights issue 6:1	191.2	26 590	66.5	0.981
2001 Issue employees, price NOK 42.00	19.0	27 039	67.6	
2002 Issue employees, price NOK 43.00	11.6	27 309	68.3	
2003 Issue employees, price NOK 44.00	13.2	27 609	69.0	
2004 Issue employees, price NOK 66.00	66.0	28 609	71.5	
2007 Share split 1:5		143 045	71.5	
2007 Cancellation of shares		140 164	70.1	
2008 Cancellation of shares		135 959	68.0	
2009 Cancellation of shares		133 705	66.9	

KEY FIGURES FOR THE VEIDEKKE SHARE	2013	2012	2011	2010	2009
Market price at 31 December	48.8	44.0	38.7	52.5	49.8
- high	51.25	48.8	54.0	53.5	53.5
- low	43.5	37.9	33.7	38.0	23.0
Earnings per share ¹⁾	4.1	3.9	4.8	2.6	3.0
Market price/earnings (P/E)	11.9	11.3	8.1	20.2	16.6
Market price/book value per share (P/B)	2.7	2.7	2.7	3.4	3.3
Dividend per share	3.0	2.5	2.75	2.5	2.5
Pay-out ratio (per cent)	73.2	64.1	57.3	96.2	83.3
Turnover rate (per cent)	20.1	15.1	17.2	16.3	46.1
Earnings yield (per cent)	6.1	5.7	7.1	4.8	5.0
Outstanding shares (average million)	133.7	133.7	133.7	133.7	133.7
Market price at 31 December (NOK million)	6 525	5 883	5 174	7 020	6 659
No. of shareholders at 31 December	7 356	7 306	7 163	7 059	7 208

¹⁾ No dilution effect.

Inside information

The company's internal insider trading rules are stricter than is required by the Securities Trading Act. In addition to the extended statutory duty to investigate, the company observes the duty to obtain clearance for primary insiders, in order to ensure more thorough compliance with the duty to investigate. This is in keeping with the recommendations of the Oslo Stock Exchange. Veidekke has also drawn up internal rules, which have been made known to all employees in key positions and to senior union representatives. These rules entail, among other things, that trading in Veidekke shares are prohibited during the four weeks prior to the publication of the interim results and that employees must exercise great caution at all times when buying and selling shares.

Investor relations

The Investor Relations department (IR) is responsible for coordinating the Group's contact with financial markets. The main objective of Veidekke's investor relations work is to build trust by ensuring that all parties are treated equally in terms of equal access to financial information. Open dialogue with investors, analysts and other stakeholders in the financial markets helps ensure that the Group's underlying values are reflected in the pricing of the Veidekke share.

Interim results are reported in accordance with the financial calendar printed on the inside cover of this Annual Report. Veidekke holds presentations for shareholders, brokers, analysts, debt investors, the press and employees in connection with the disclosure of the annual and interim results. These presentations can be followed via webcast in English and Norwegian.

The company publishes information in Norwegian and English. Veidekke's quarterly reports, analyst presentations, economic activity reports, and other important press releases and presentations, as well as information about the Veidekke share, share price, shareholder information, up-to-date lists of shareholders and analysts who follow the Veidekke share can be found on our website at:
no.veidekke.com/ir/

ARTICLES OF ASSOCIATION FOR VEIDEKKE ASA

(Effective from 5 May 2010)

Article 1 The name of the Company is Veidekke ASA. The Company is a public limited company. The Company's object is to engage in contracting activities, and other financial activities, including participation in other companies by investing in shares or in other manner.

Article 2 The Company's registered office is in Oslo.

Article 3 The Company's share capital is NOK 66,852,471 divided into 133,704,942 shares, each with a nominal value of NOK 0.50 fully paid and registered by name. The Company's shares shall be registered in the Norwegian Central Securities Depository.

Article 4 Each share carries one vote at the general meeting of the Company.

Article 5 The Company's Board of Directors shall have from seven to nine members. A maximum of six members and any alternates shall be elected by the Annual General Meeting. A maximum of three members and alternates for those members shall be elected by and from among the Company's employees in accordance with regulations issued in pursuance of provisions in the Public Limited Companies Act [Norway] relating to employee representation on the board of directors of public limited companies. The period of office is one year.

The Board of Directors elects its chairperson.

The age limit for Board members is set at seventy. Any Board member attaining the age of seventy shall remain in office until the next Annual General Meeting.

Article 6 The Company shall have a nomination committee. The committee shall have at least three members. The Annual General Meeting shall elect the nomination committee's chairperson and other members and determine the remuneration of the committee's members. The term of office is one year.

The nomination committee shall submit a recommendation to the Annual General Meeting on the election of members to the nomination committee. Nominated candidates should be shareholders or representatives of shareholders. The proposal for a new nomination committee shall be such that the majority of the new nomination committee is independent of the Board of Directors and senior executives of the Company. The nomination committee may not propose the Company's chief executive officer or other senior executives as members of the nomination committee. The Board of Directors shall submit a recommendation to the Annual General Meeting on the remuneration of the nomination committee's members.

The nomination committee shall submit a recommendation to the Annual General Meeting on the election of and fees to be paid to members of the Board of Directors. The nomination committee shall justify its recommendations.

Article 7 Two members of the Board jointly or one member of the Board and the President and CEO jointly shall have the right to sign on behalf of the Company.

Article 8 The Annual General Meeting is held each year no later than the end of May at a time and place determined by the Board of Directors. Notice shall be sent in writing at least two weeks in advance. The notice shall be accompanied by the agenda.

Shareholders or proxies for those shareholders who wish to attend and vote at the Annual General Meeting must give notification to this effect to the Company before the deadline stated in the notice. The deadline must not expire more than five days prior to the Annual General Meeting.

The Annual General Meeting shall:

- Adopt the annual accounts and annual report, including employment of profit or covering of loss, and approve the distribution of a dividend
- Elect members of the nomination committee
- Determine the number of Board members, elect the Board members who by law shall not be elected by the employees and any alternates for the Board members elected by the shareholders
- Consider the Board of Directors' statement on remuneration to senior executives
- Deal with other business that is by law to be addressed by the General Meeting.

Article 9 Unless otherwise provided for in these Articles of Association, the provisions in the Public Limited Companies Act [Norway] shall apply.

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The annual report can be found at
en.veidekke.com/investor-relations/

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