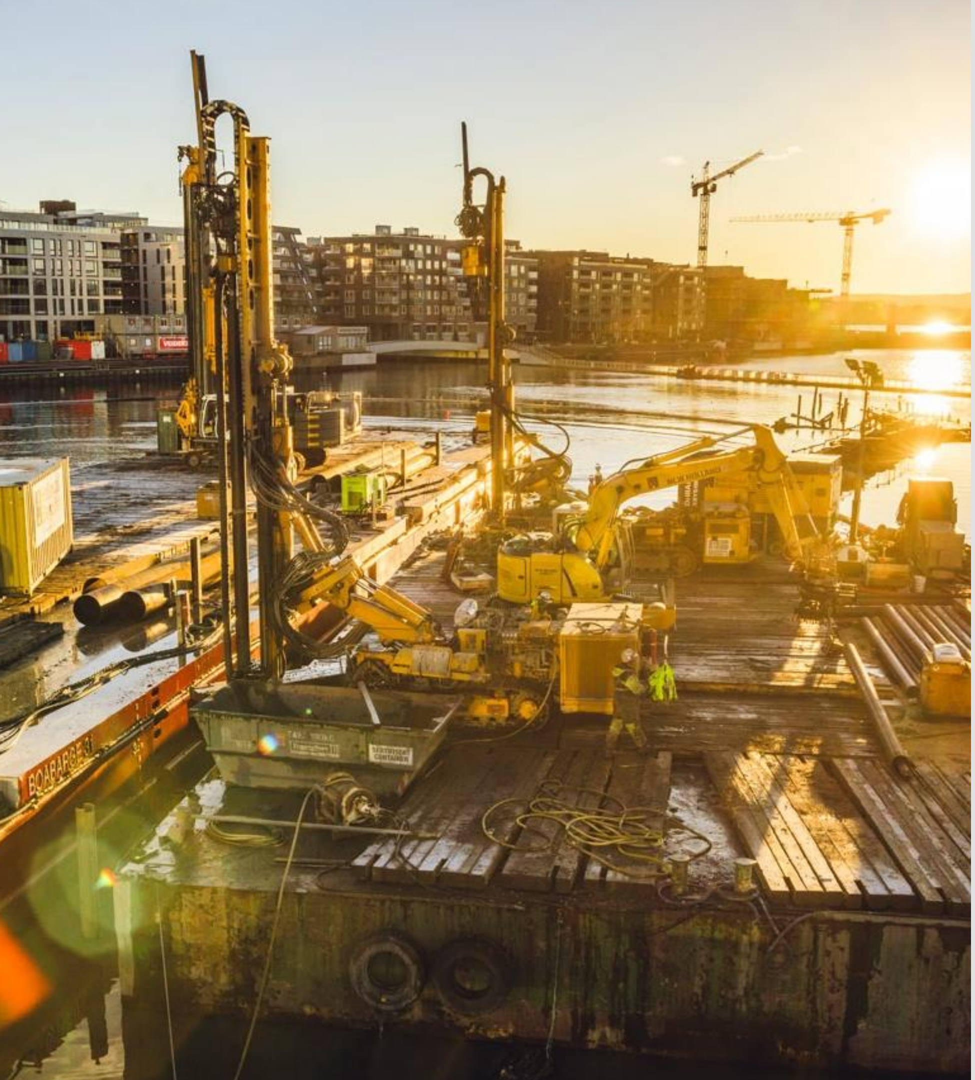


ECONOMIC ACTIVITY REPORT SEPTEMBER 2016

14 September 2016

Kristoffer Eide Hoen

Director of Analysis

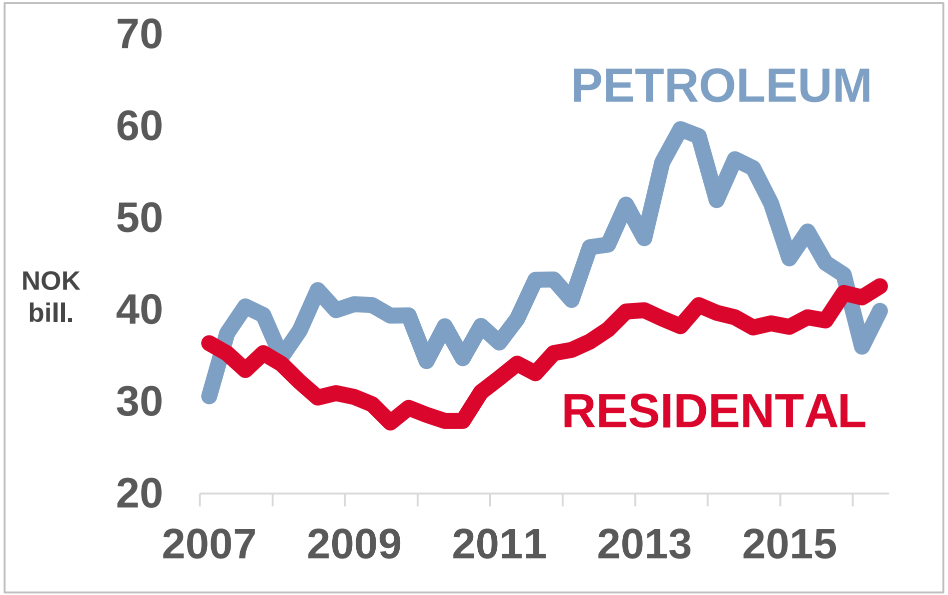
WHAT IS DRIVING THE PRIVATE SECTOR IN NORWAY?

Facsimile from Dagbladet 25 August 2016

"Investments in housing take over as the main driver in the Norwegian economy"

Boliginvesteringer tar over drajobben i norsk økonomi

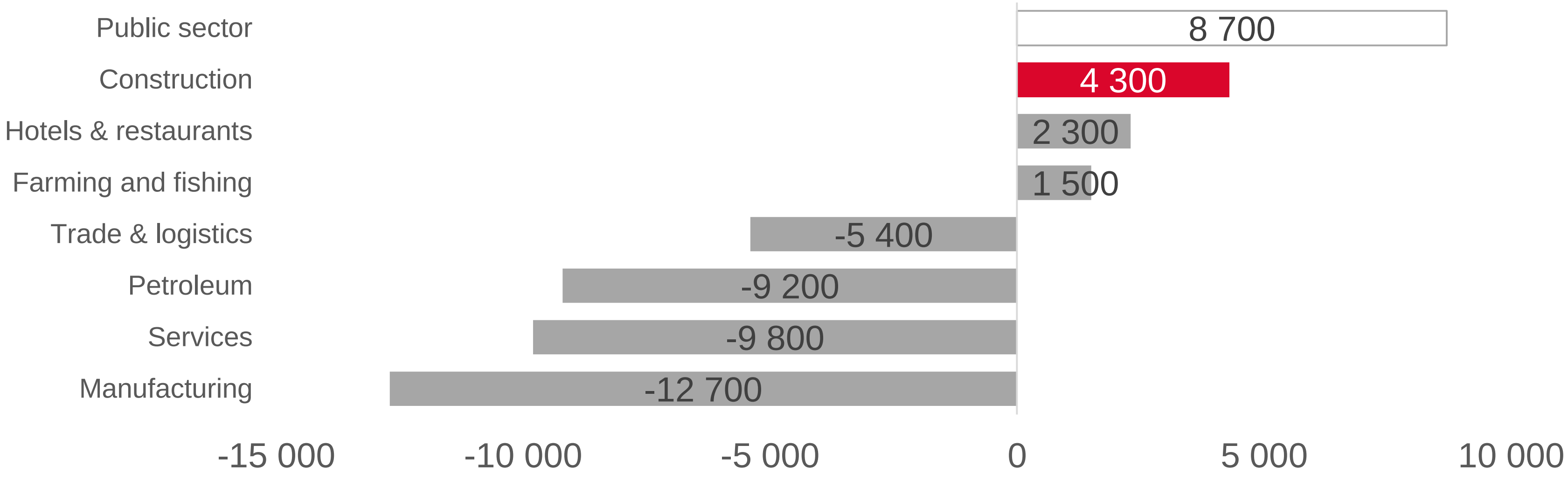
INVESTMENTS 2007-2016



Kilde: SSB

WHAT IS DRIVING THE PRIVATE SECTOR IN NORWAY?

NET JOB CREATION LAST 12 MONTHS*



* Change in number of people employed in the last 12 months at end of Q2 2016

CONTENTS

- Macroeconomic trends
- Forecasts for investments in construction 2016 and 2017
- Key markets

HOW WE MAKE OUR FORECASTS:

+ Macroeconomic forecasts based on consensus among recognized economic analysis institutions, such as:
  - IMF, Konjunkturinstitutet, SSB, the Danish Economic council, central banks etc.

+ Forecasts for construction are prepared by Veidekke on the basis of:
  - Our experience about correlations between the economy and the construction market
  - Internal "look-out points" across Scandinavia
  - Industrial reports

VEIDEKKE

GEOPOLITICS HAS A GREATER IMPACT ...

THE REFUGEE CRISIS

TENSIONS TO THE EAST


BERLINGSKE

BUSINESS POLITIKO DEBAT GLOBAL TECH VIDEN KULTUR AOK LIV

GLOBALT

FOTO • TV

Drama in Bornholm: Russian fighter plane chases Swedish military aircraft

Drama ved Bornholm: Russisk kampfly jagtede svensk militærfly

BREXIT – NOT QUITE AS EXPECTED

Facsimile from VG 8 September 2015 and from Berlingske 22 January 2016

GEOPOLITICS HAS A GREATER IMPACT...

BREXIT – NOT QUITE AS EXPECTED

«From a macroeconomic perspective, the Brexit vote implies a substantial increase in economic, political and institutional uncertainty…»

IMF, July 2016

INTERNATIONAL GDP FORECASTS ARE DOWNGRADED

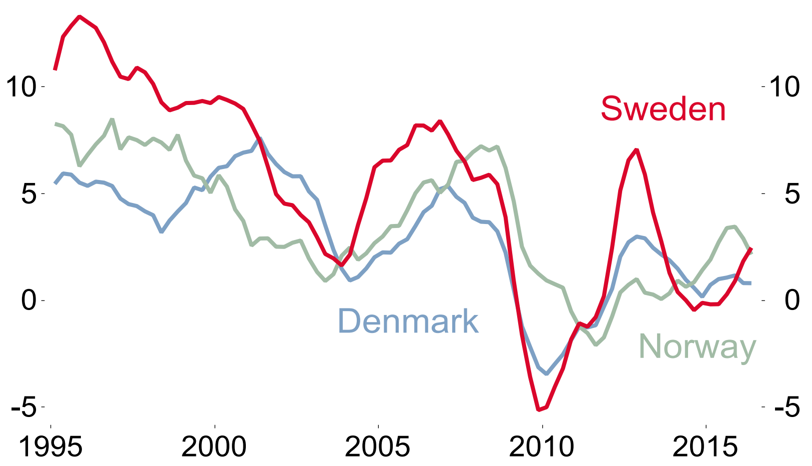
GDP growth (%)	2013–2015	2016	2017
Eurozone	0.7	1.8 (0)	1.4 (-0.6)
Germany	1.2	1.8 (-0.1)	**1.4 (-0.6)**
UK	2.4	1.8 (-0.6)	**0.8 (-1.4)**
USA	2.2	1.5 (-1.1)	**2.2 (-0.4)**
China	7.3	6.5 (+0.1)	6.0 (0)
Global	3.3	3.1 (-0.4)	3.4 (-0.3)

Change from the March 2016 Economic Activity Report in brackets

Sources: GDP-growth: Konjunkturinstitutet
Exports: Statistics Denmark, Statistics Norway and Statistics Sweden

WEAKER EXPORT GROWTH THAN EXPECTED?

Annual percentage growth in exports*



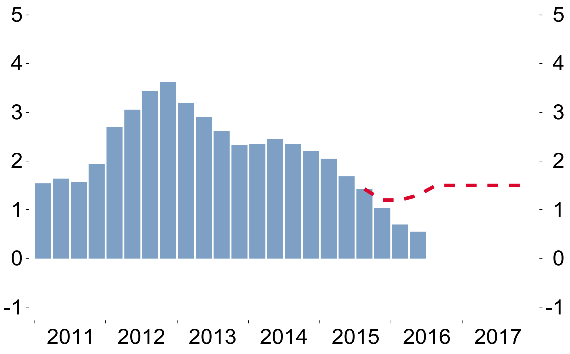
* Not incl. petroleum for Norway

ECONOMIC GROWTH:

SWEDEN LEADING THE WAY

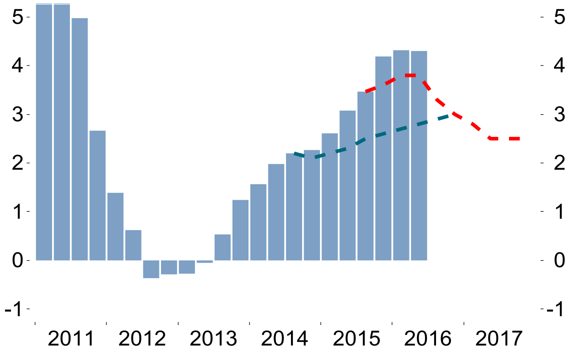
GDP-growth, Mainland

Annual growth rate, trend adjusted



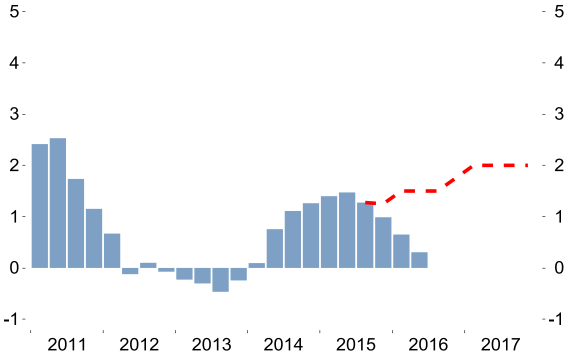
GDP Growth

Annual growth rate, trend adjusted



GDP-growth

Annual growth rate, trend adjusted



Norway: weak growth in GDP

- Have we reached rock bottom?
- GDP-forecast at 1.5% in 2017

Sweden: booming economy

- …Though declining GDP-growth ahead

Denmark: disappointing GDP figures

- Declining growth rate
- …but does not provide a complete picture

Source: Veidekke, Statistics Sweden, Statistics Denmark and Statistics Norway

Legend:

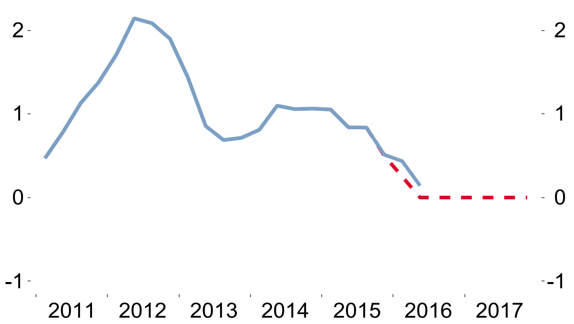
Red dashed line shows forecast from our March 2016 Economic Activity Report

LABOUR MARKET:

STABILISING IN NORWAY, STRONG IN SWEDEN AND DENMARK

Employment growth

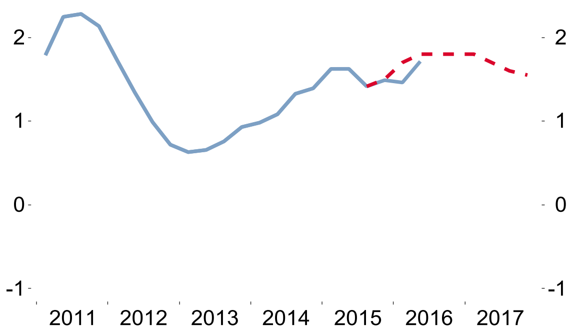
Annual growth in percent



Norway: stabilising after decline
- Employment growth is weak
- …but the growth in workforce has also declined, stabilising unemployment

Employment growth

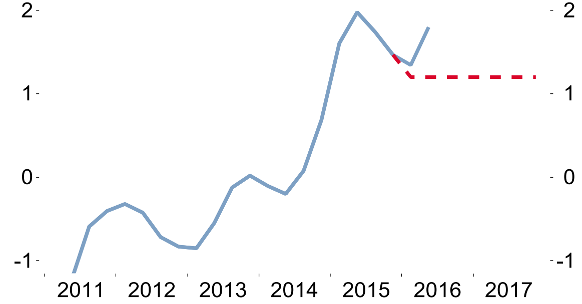
Annual growth in percent



Sweden: strong growth
- Increased challenges in recruiting
- Unemployment declining

Employment growth

Annual growth in percent



Denmark: strong growth
- Significant employment growth
- Unemployment declining

Source: Veidekke, Statistics Sweden, Statistics Denmark and Statistics Norway

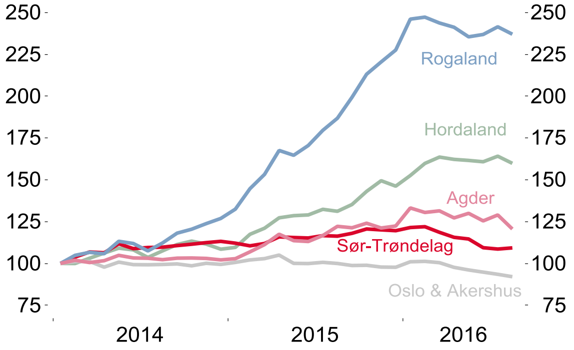
Legend:
Red dashed line shows forecast from our March 2016 Economic Activity Report

LABOUR MARKET:

STABILISING IN NORWAY, STRONG IN SWEDEN AND DENMARK

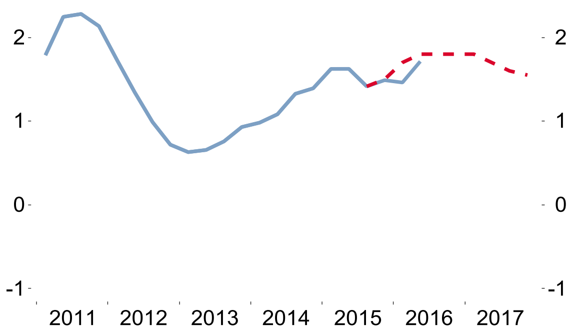
Unemployment, selected regions

Index January 2014=100



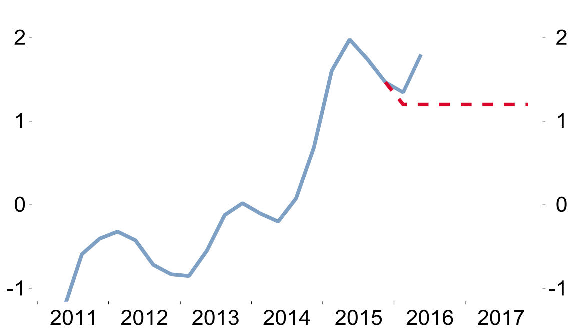
Employment growth

Annual growth in percent



Employment growth

Annual growth in percent



Norway: stabilising after decline

- Employment growth is weak
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Sweden: strong growth

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- Unemployment declining

Denmark: strong growth

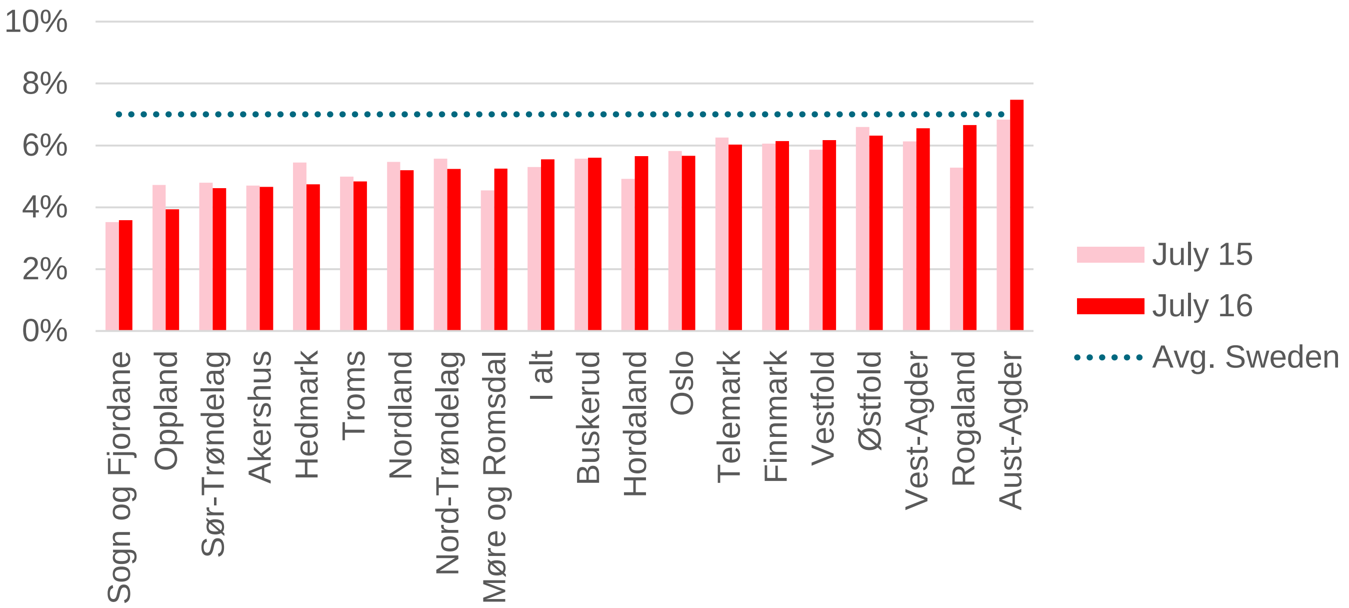
- Significant employment growth
- Unemployment declining

Source: Veidekke, Statistics Sweden, Statistics Denmark and Statistics Norway

Legend:
Red dashed line shows forecast from our March 2016 Economic Activity Report

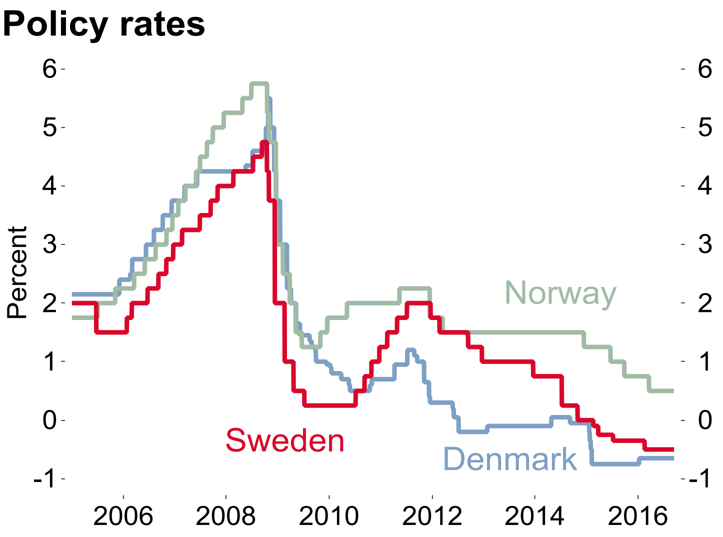
UNEMPLOYMENT MODERATE IN ALL COUNTIES

UNEMPLOYED AND PEOPLE ON LABOUR MEASURES, JULY 2016 AND 2015



Source: the Norwegian Labour and Welfare Administration (NAV)

CLOSE TO 0% INTEREST – AND NO IMMEDIATE PROSPECT OF CHANGE ...



+ Historically low interest rates during the forecast period
+ Households' interest rate expectations are even lower
+ Limited possibilities for further stimulus

Source: Norges Bank, Danish National Bank og Riksbanken

CONTENTS

- Macroeconomic trends
- **Forecasts for investments in construction 2016 and 2017**
- Key markets

OUR FORECASTS – LOGIC AND TIME FRAME:

Last year | This year | Next year | 2 years

«MACROs»

Economic forces

Typical indicators:

Interest rate
Growth and the labour market
Consumption and confidence
Public economy and budget

External input (Consensus)

«DEMAND»

Investment decisions

House prices
construction starts
Order intake

Own and others' analyses

«ACTIVITY»

Investments (production)

Investments
(=The companies' revenue)

Veidekke's forecasts on investments in construcion

OUR FORECASTS FOR INVESTMENTS IN CONSTRUCTION

INVESTMENTS* IN CONSTRUCTION. FORECASTED GROWTH IN VOLUMES FOR 2016 AND 2017

MARCH 2016

	2015 NOK bill.**	2016 growth	2017 growth
Residential	130	0 %	-1 %
Commercial buildings	55	-2 %	-2 %
Public buildings	35	3 %	3 %
Civil engineering	80	12 %	7 %
Construction totals	299	**3 %**	**1 %**

2015 NOK bill.**	2016 growth	2017 growth
150	5 %	2 %
102	4 %	4 %
42	5 %	5 %
78	2 %	6 %
372	**4 %**	**4 %**

2015 NOK bill.**	2016 growth	2017 growth
61	5 %	10 %
21	3 %	7 %
27	5 %	5 %
49	-2 %	-2 %
158	**3 %**	**5 %**

Source: Veidekke

* Numbers of investments includes new buildings, upgrades and reconstruction. They do not include maintenance, eg. roads.
** Conversion to NOK uses exchange rates from H1 2016 New and updated figures for 2015 have been published since the last Economic Activity Report. We also converted the figures from 2013 to 2016 prices, drawing the level figures for 2015 up.

OUR FORECASTS FOR INVESTMENTS IN CONSTRUCTION

INVESTMENTS* IN CONSTRUCTION. FORECASTED GROWTH IN VOLUMES FOR 2016 AND 2017

SEPT. 2016

	2015 NOK bill.**	2016 growth	2017 growth
Residential	130	5%	5%
Commercial buildings	55	-2%	-2%
Public buildings	35	3%	3%
Civil engineering	80	7%	7%
Construction totals	299	**4%**	**4%**

	2015 NOK bill.**	2016 growth	2017 growth
Residential	150	15%	2%
Commercial buildings	102	4%	1%
Public buildings	42	7%	5%
Civil engineering	78	3%	6%
Construction totals	**372**	**9%**	**3%**

	2015 NOK bill.**	2016 growth	2017 growth
Residential	61	5%	10%
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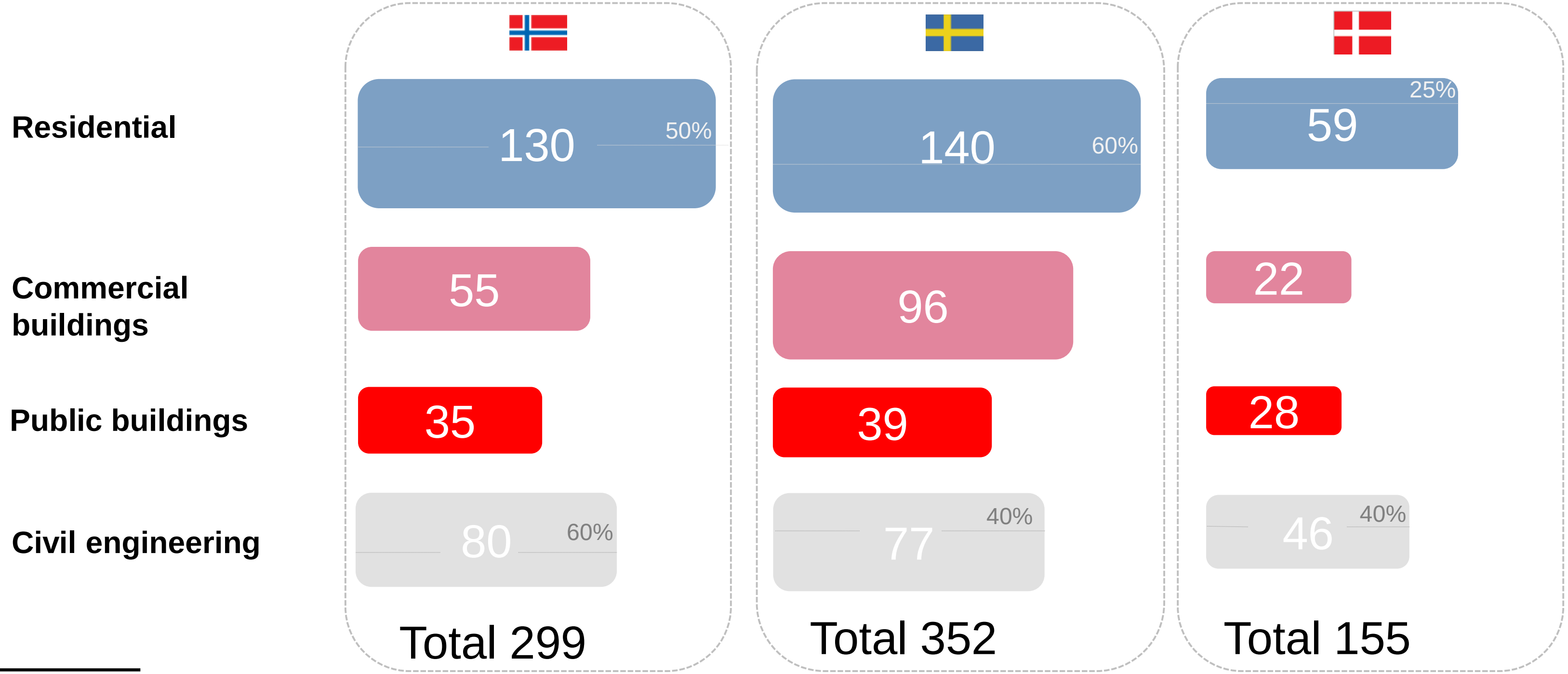
CONTENTS

+ Macroeconomic trends
+ Forecasts for investments in construction 2016 and 2017
+ **Key markets:**
  - Strong demand for housing
  - Commercial buildings – weak recovery
  - Civil engineering – expanding markets

INVESTMENTS IN CONSTRUCTION, NOK BILLION



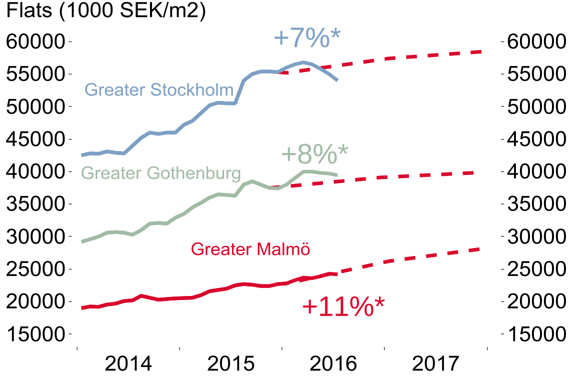
Source: Veidekke, Statistics Sweden, Statistics Denmark, Statistics Norway and Norges Bank

Share of new-build residential buildings
Share of transport infrastructure

1. STRONG DEMAND FOR HOUSING

SWEDEN: STRONG DEMAND IN 2017 AS WELL

Residental prices, flats

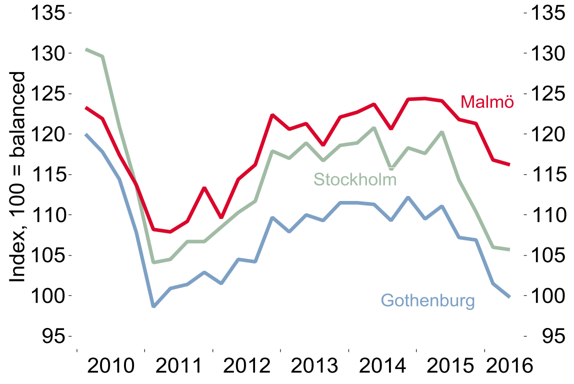


* Annual growth increase per July 2016

Legend:
Red dashed line shows forecast from our March 2016 Economic Activity Report

Source: Statistics Sweden, Konjunkturinstitutet and Veidekke

Boindex flats



** Measures the purchasing power of households after buying a home. A score of 100 indicates a healthy domestic economy. Lower scores indicate dangerously low purchasing power after buying a home.

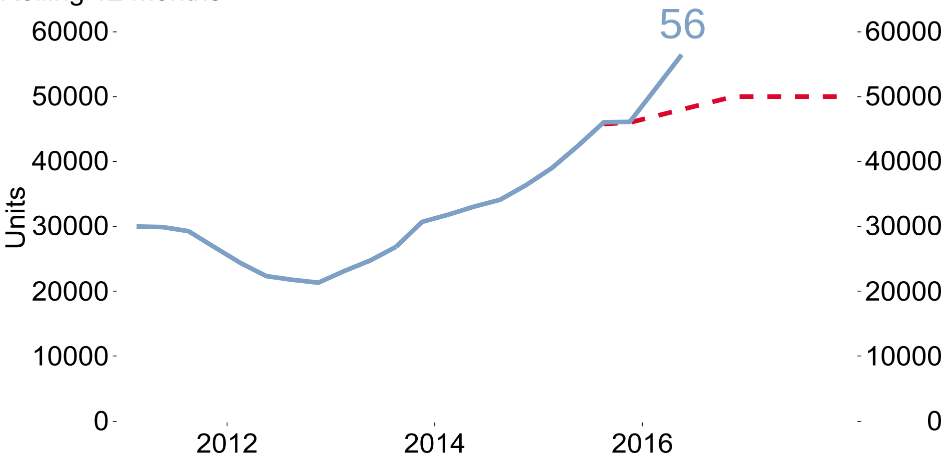
+ Autumn residental markets off to a good start
  - Positive sales starts in the industry
  - Price recovery in Aug./Sept.***
+ Price levels testing upper boundaries?
  - Boindex close to 100 indicates an upper bound for households purchasing power
  - Strong increase in houseprices and new regulation of amortization explains decline in index from autumn 2015

*** Source is "real-time" price and sales statistics from Booli

SWEDEN: GROWTH IN NEW HOMES CONTINUES

Residential Buildings started

Rolling 12 months



- + The annual rate for housing starts is close to 60,000 units
- + Recent figures show 17% growth in investments in the first half of 2016
  - Investment growth of 15% in 2016
  - Forecast for 2017 shows high level of activity but declining growth

Legend:
Red dashed line shows forecast from our March 2016 Economic Activity Report

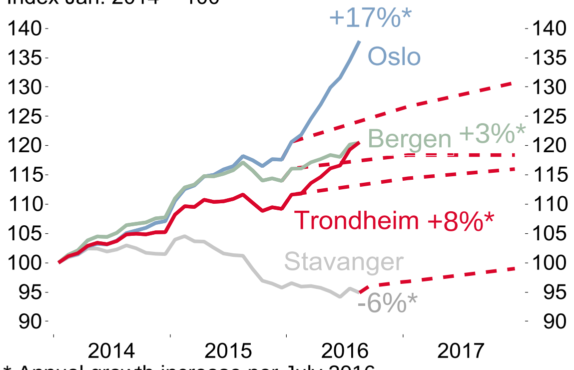
Source: Statistics Sweden and Veidekke

Residential

NORWAY: STRONG GROWTH IN PRICES

Residential prices - flats

Index Jan. 2014 = 100

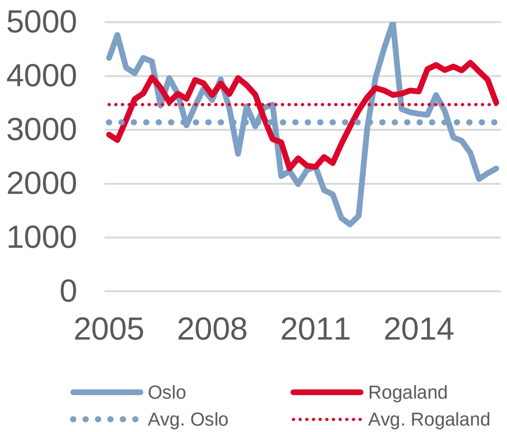


* Annual growth increase per July 2016

Legend:
Red dashed line shows forecast from our March 2016 Economic Activity Report

Completed new homes per Q2 2016

No. of units, rolling sum of 12 months



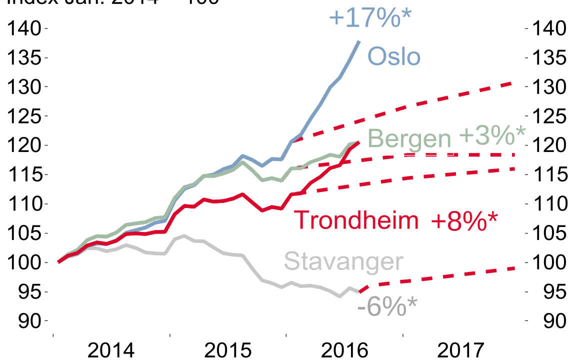
+ Strong demand due to low interest rates and the stabilizing economy
  - Unemployment levels out
  - Household psychology
  - Share of investor-related demand slightly increased, albeit at a low level
+ Imbalance last 12-24 months
  - Supply is lagging
  - Reinforcing effects
  - Improvements next 12 months

Source: Veidekke, Statistics Norway and the Norwegian Real Estate Association (EFF)

NORWAY: STRONG GROWTH IN PRICES

Residential prices - flats

Index Jan. 2014 = 100

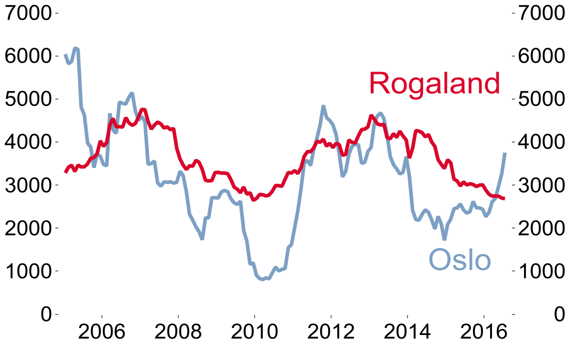


* Annual growth increase per July 2016

Legend:
Red dashed line shows forecast from our March 2016 Economic Activity Report

Residental start ups - Oslo og Akerhus

Units, 12 months rolling



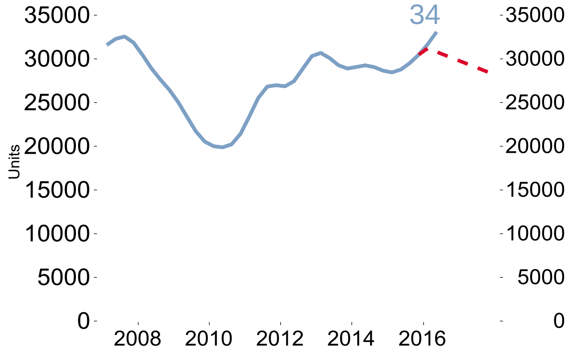
- Strong demand due to low interest rates and the stabilising economy
  - Unemployment leves out
  - Household phsycology
  - Share of investor-related demand slightly increased, albeit at a low level
- Imbalance last 12-24 months
  - Supply is lagging
  - Reinforcing effects
  - Improvements next 12 months

Source: Veidekke, Statistics Norway and the Norwegian Real Estate Association (EFF)

NOWRAY: STRONG GROWTH IN START UPS

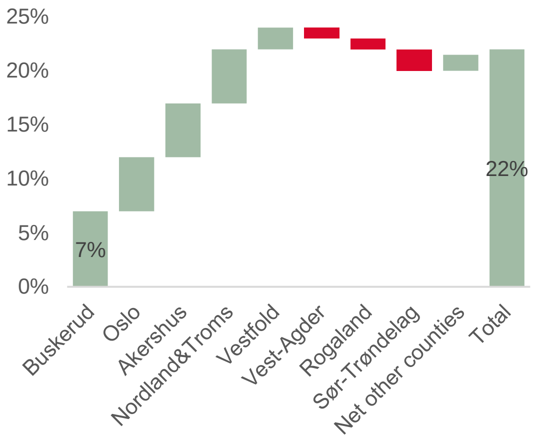
Residential Construction started

Rolling 12 months



Growth in flats and terraced houses

Contribution to total annual growth in sq.m. per Q2 2016



- Strong growth in activity past 12 months
  - Annual rate for new build housing is almost at 34,000 units
  - 22% growth in flats and terraced housing
  - Growth sentered to central the Oslo-region
- Westcoast: Stabilising after period of decline
- Forecasts show 5% growth in investments in 2016 og 2017

Legend:
Red dashed line shows forecast from our March 2016 Economic Activity Report

Source: Veidekke, Statistics Norway and the Norwegian Real Estate Association (EFF)

2. COMMERCIAL BUILDINGS – SLOW RECOVERY

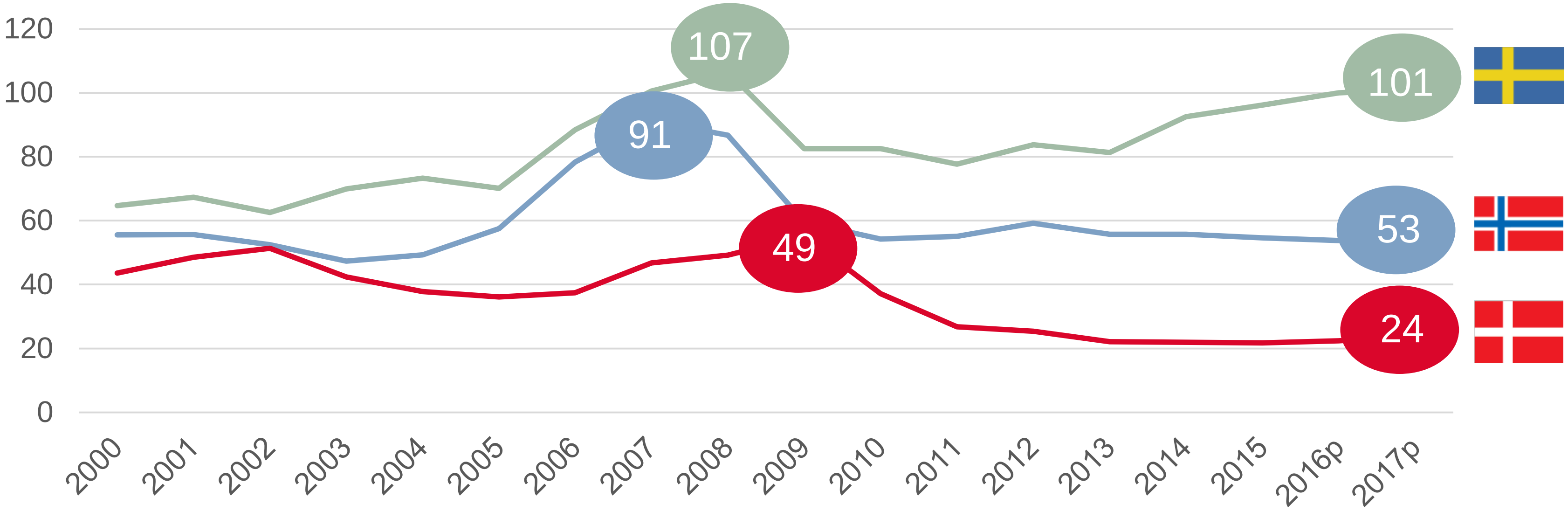
Kilde: DST, SCB, SSB og Veidekke

Commercial buildings

2. COMMERCIAL BUILDINGS – SLOW RECOVERY

INVESTMENTS IN COMMERCIAL BUILDINGS. NOK BILLION, 2016 PRICES

The highest recorded level and Veidekke's forecast for 2017



Source: Veidekke, Statistics Sweden, Statistics Denmark and Statistics Norway

SWEDEN: LEVELLING OFF AFTER TWO YEARS OF GROWTH?

INVESTMENT FORECASTS FOR SELECTED INDUSTRIES:

As of February in the respective years:	For 2015	For 2016	Change
Manufacturing	5.9 bill.	7.7 bill.	+30%
Retail	3.7 bill.	4.1 bill.	+12%
Transport and storage	9.1 bill.	8.7 bill.	-5%
Commercial property – development companies	40 bill.	42 bill.	+5%

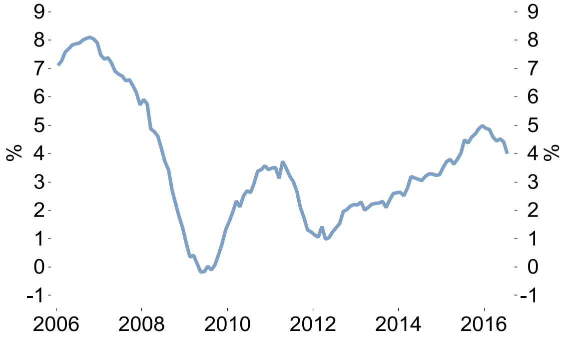
+ Underlying drivers have been positive in recent years
  - Positive forecasts for 2016 with 4% investment growth
+ Levelling off at a high level in 2017
  - Household demand remains positive
  - Slowdown in export growth and manufacturing production
  - Banks expect more moderate growth in corporate lending

Source: Statistics Sweden

SWEDEN: LEVELLING OFF AFTER TWO YEARS OF GROWTH?

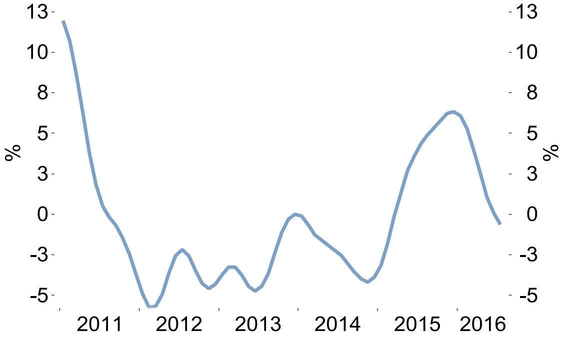
Retail trade

Annual growth rate



Industrial production

Annual growth rate



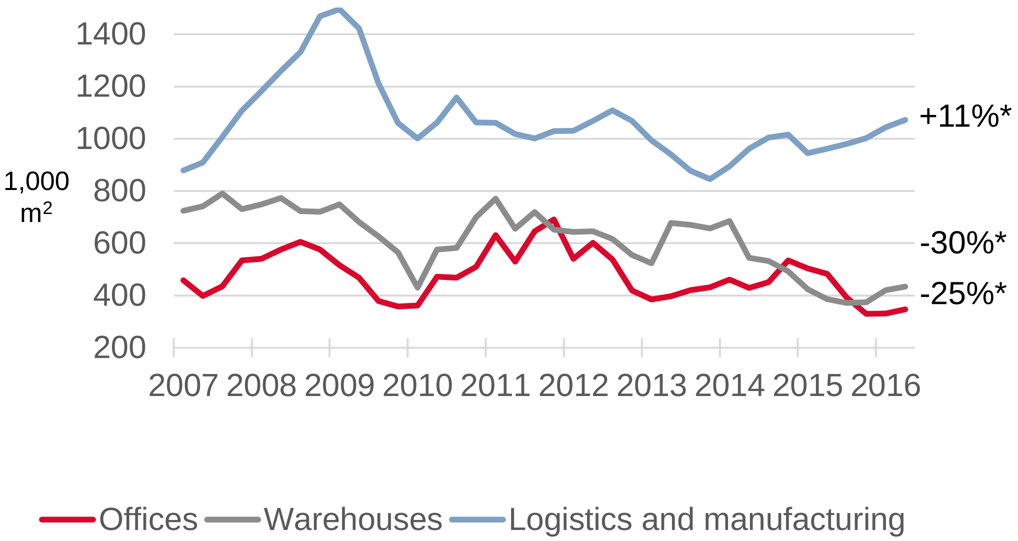
- + Underlying drivers have been positive in recent years
  - Positive forecasts for 2016 with 4% investment growth
- + Levelling off at a high level in 2017
  - Household demand remains positive
  - Slowdown in export growth and manufacturing production
  - Banks expect more moderate growth in corporate lending

Source: Statistics Sweden

NORWAY: STRUCTURAL FACTORS?

- Weak forecasts:
  - Forecasts of 2% decline remains for 2016 and 2017
- Structural changes in the demand for new buildings?
  - Growth in logistics
  - Warehouses remains at low levels
    - Weak growth in retail trade
  - Offices – new decline in 2016:
    - …low supply for several years should curb growth in vacancy

COMMERCIAL BUILDINGS START UPS
Rolling 12 months



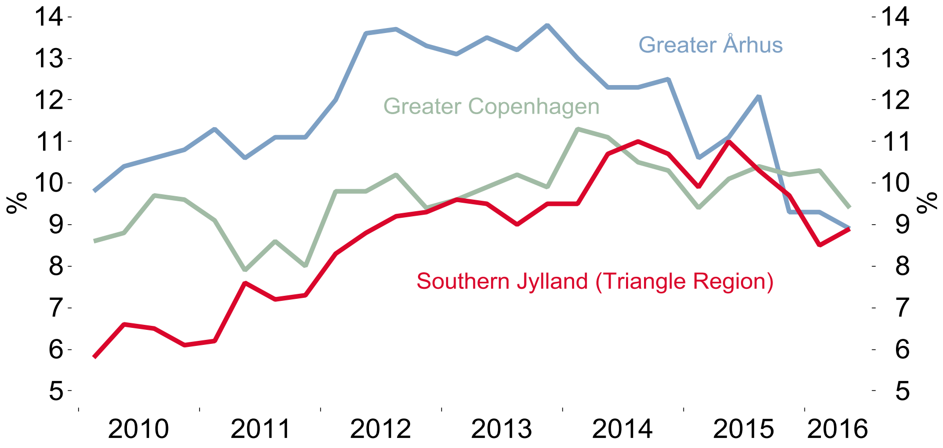
* Annual growth (%) at end of Q2 2016

Source: Statistics Norway

DENMARK: ON THE RIGHT TRACK, BUT STILL HIGH VACANCY RATE

Sadolin & Albæk Market Barometer

Vacancy rate offices



Source: Sadolin og Albæk

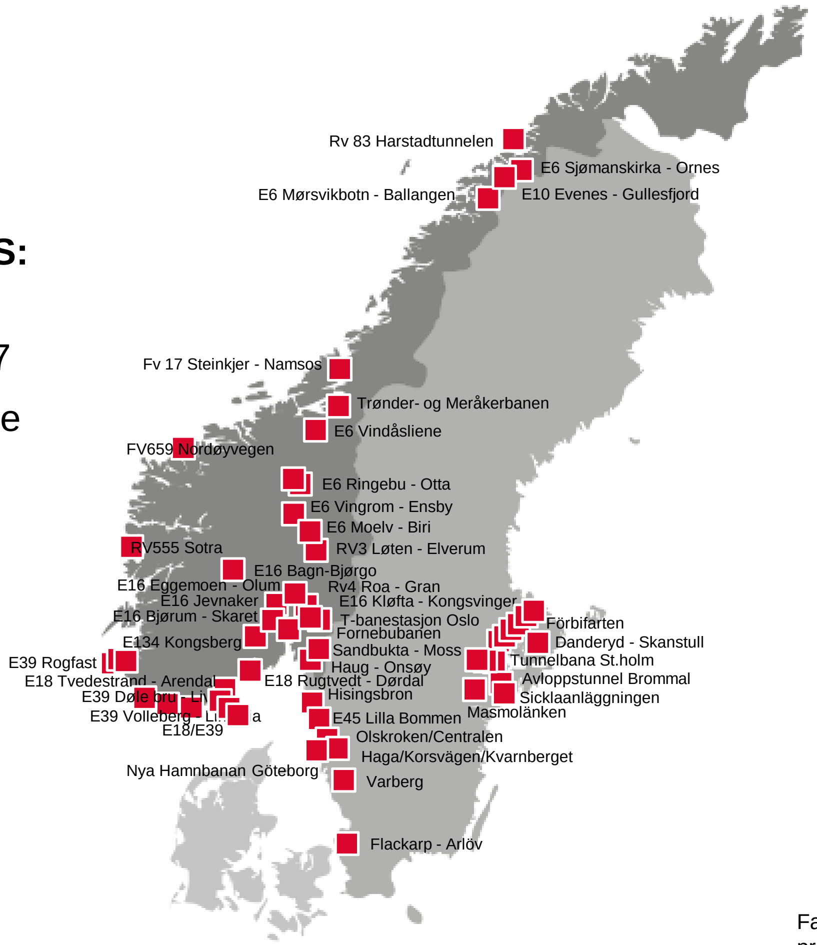
- Growth from a very low level
  - Forecasts of 3% investment growth in 2016 and 7% in 2017
- Positive development in underlying driving forces:
  - Employment growth
  - Household consumption
  - Manufacturing production
- … but capacity utilization in existing buildings is still too low

3. CIVIL ENGINEERING – EXPANDING MARKETS

Civil

TRANSPORT INVESTMENTS:

+ Several large projects are due for tendering in 2016/17
+ The projects amount to more than NOK 120 billion for Norway and Sweden combined*



*Projects above NOK 700 million

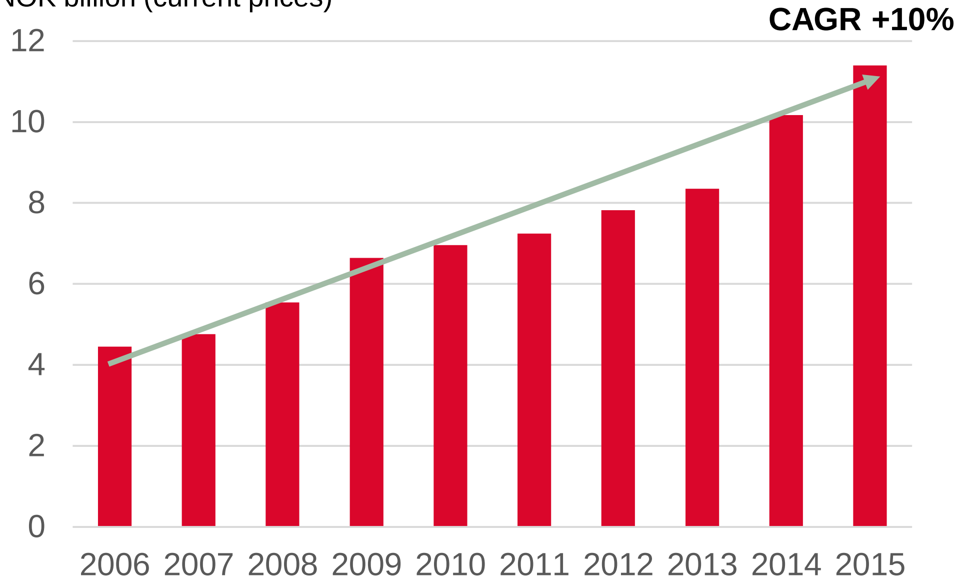
Facsimile from Veidekke's investor presentation for Q4 2015

INCREASING VOLUMES IN WATER SUPPLY AND SEWERAGE

VEIDEKKE PROJECT OHARA*, OS MUNICIPALY, HORDALAND

* Os main sewerage tube facility

MUNICIPAL INVESTMENTS IN WATER AND SEWERAGE
NOK billion (current prices)

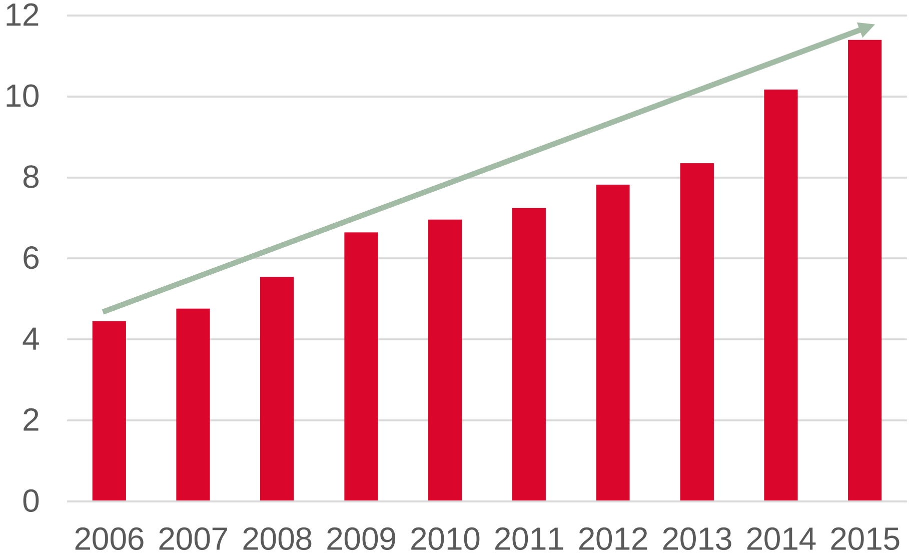


Source: Statistics Norway

INCREASING VOLUMES IN WATER SUPPLY AND SEWERAGE

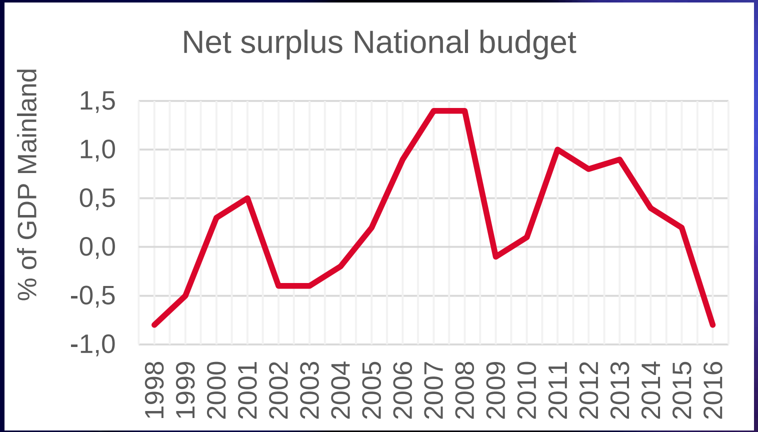
Holmen, Akershus August 6 2016

MUNICIPAL INVESTMENTS IN WATER AND SEWERAGE
NOK billion (current prices)



Source: Statistics Norway

TIGHTER PRIORITIES OR…?



Source: National Budget for 2016

Norwegian Finance Minister: Siv Jensen

Høyre om!

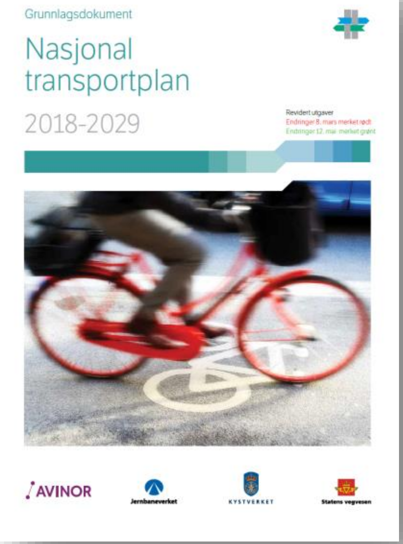
Høyre-Torbjørn freder formuesskatten

KUTTESTOPP: Kunnskapsminister Torbjørn Røe Isaksen, her under et Høyre-arrangement på Kanalplassen i Arendal torsdag.
FOTO: TERJE BENDIKSBY, NTB SCANPIX

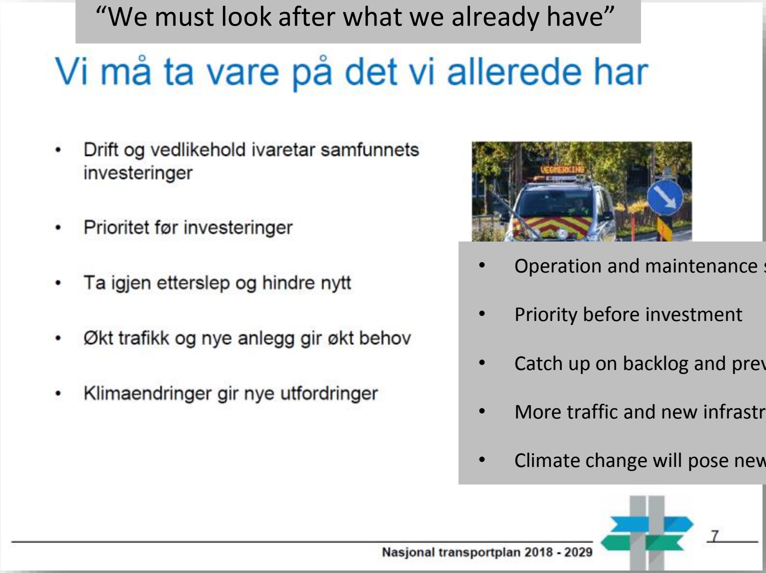
PLANNING BASIS ON NATIONAL TRANSPORTATION PLAN 2018-2029:

«BETTER AT MAINTENANCE…» - NEW POLITICAL RETORICS?

Norwegian National Transport Plan 2018–2029



"We must look after what we already have"



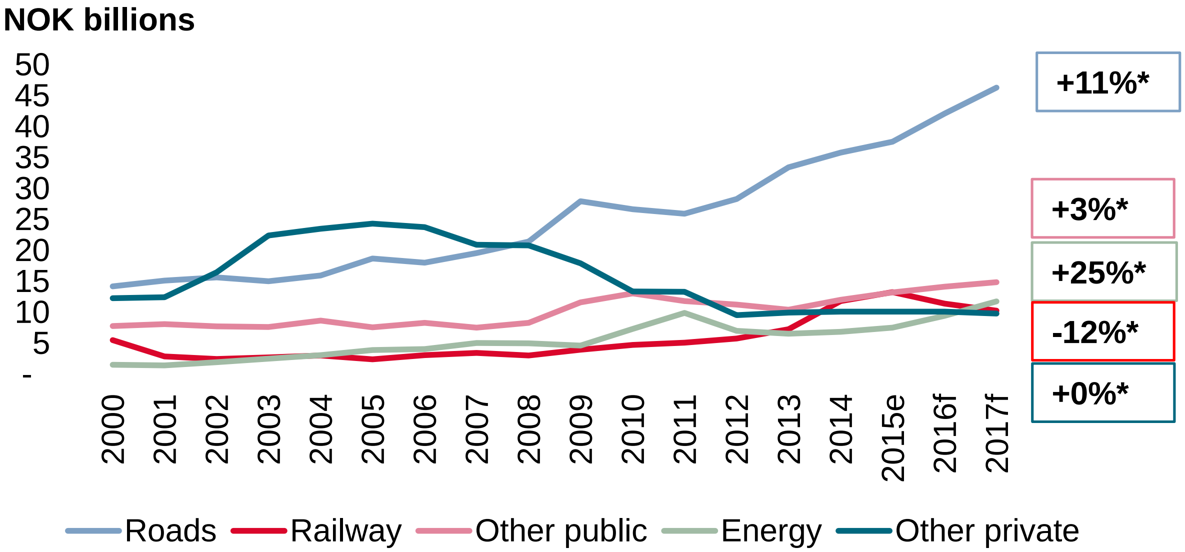
- Operation and maintenance safeguard society's investments
- Priority before investment
- Catch up on backlog and prevent new one
- More traffic and new infrastructure will mean greater needs
- Climate change will pose new challenges

«No cuts in the use of petroleum revenues»
Hans Olav Syversen (KRF), Chair of the Finance Committee

Facsimile from Dagens Næringsliv 10.9.2016

2017 investment financing secured?

NORWAY: HEADING FOR HIGHER ACTIVITY LEVELS

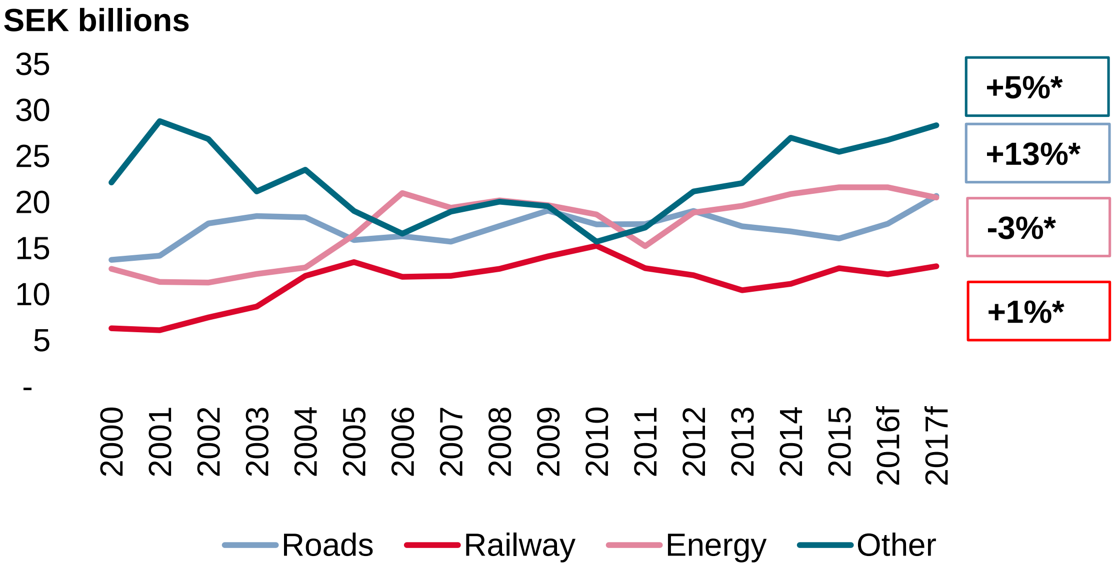


* CAGR 2016-2017

- Continued growth in Roads
  - Although some projects are postponed
- High levels in railway
  - But new projects will not provide growth until after 2017
- Growth continues in Energy
  - Upgrading lines is the primary driver of growth
- Positive development in water and sewerage

Kilde: Veidekke og SSB

SWEDEN – BOOM IN PUBLIC DEMAND



* CAGR 2016-2017

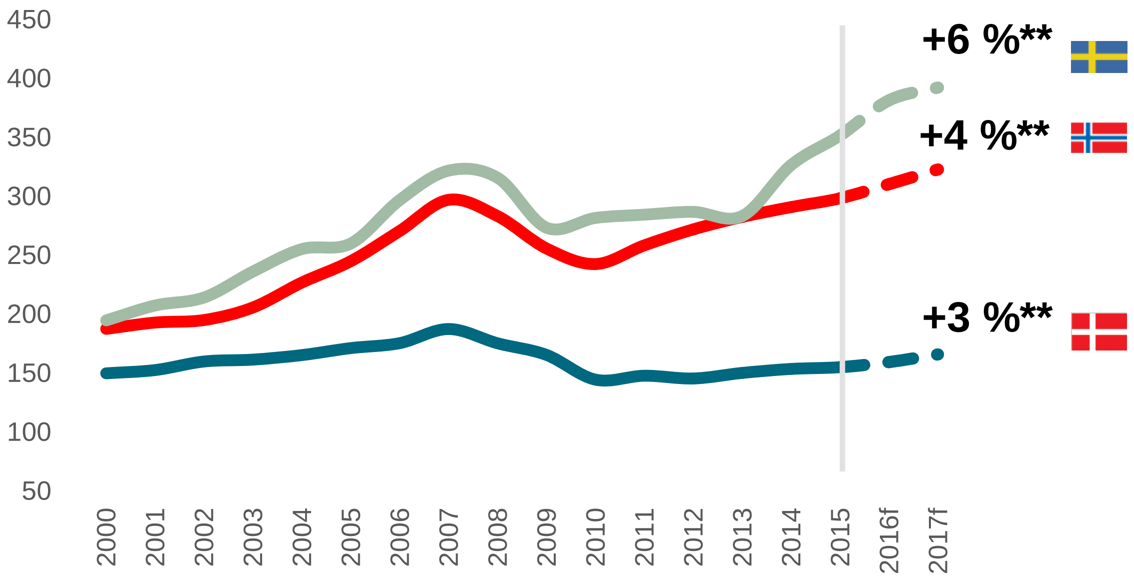
- Roads growing after years of stagnation
- Railway sector «taking a break» in 2016 and 2017
- Positive development in water and sewerage
  - New requirements – climate and water quality
  - Infrastructure for residental development
- Energy levelling off

Kilde: Veidekke og SCB

SUMMARY

ACTIVITY GROWTH CONTINUES

INVESTMENTS IN CONSTRUCTION. NOK* BILLIONS 2016-PRICES



+ Mainly positive outlooks for the Economies
+ High level of activity in the forecasting period
+ Residental and public infrastructure are the main drivers of growth

Source: Veidekke, Statistics Sweden, Statistics Denmark and Statistics Norway

* Exchange rates for H1 2016
** Compound annual growth rate (CAGR)

APPENDIX – FORECASTS

FORECASTS – LOCAL CURRENCY

	Level 2015 NOK bill.	2015 growth	2016 growth	2017 growth	CAGR 2015-17
Residental	130	2% ↓	5% ↑	5% ↑	5% ↑
Commercial buil.	55	-2% ●	-2% ●	-2% ●	-2% ●
Public buil.	35	3% ●	3% ●	3% ●	3% ●
Civil engineering	80	7% ↑	7% ↓	7% ●	7% ↓
Total	299	3% ↑	4% ↑	4% ↑	4% ↑
Housing starts, units		31.000	34.000 ↑	35.000 ↑	

Legend: ● Forecast unchanged from March 2016 EA Report ↓↑ Forecast downgraded / revised upwards from March 2016 EA Report

Source: Veidekke

FORECASTS – LOCAL CURRENCY

	Level 2015 SEK bill.	2015 growth	2016 growth	2017 growth	CAGR 2015-17
Residental	149	17% ↓	15% ↑	2% ●	8% ↑
Commercial buil.	102	4% ↓	4% ●	1% ↓	2% ↓
Public buil.	42	1% ↓	7% ↑	5% ●	6% ↑
Civil engineering	78	0% ↓	3% ↑	6% ●	4% ●
Total	370	8% ↓	9% ↑	3% ↓	6% ↑
Housing starts, units		46.000	58.000 ↑	60.000 ↑	

Legend: ● Forecast unchanged from March 2016 EA Report ↓ ↑ Forecast downgraded / revised upwards from March 2016 EA Report

Source: Veidekke and SCB

FORECASTS – LOCAL CURRENCY

	Level 2015 DKK bill.	2015 growth	2016 growth	2017 growth	CAGR 2015-17
Residental	48	0% ●	5% ●	10% ●	7% ●
Commercial buil.	17	-1% ↑	3% ●	7% ●	5% ●
Public buil.	21	6% ↑	-2% ↓	-2% ↓	-2% ↓
Civil engineering	39	0% ↓	3% ↑	-2% ●	0% ↑
Total	125	1% ●	3% ●	4% ↓	3% ↓
Housing starts, units		14,500*	17,000 ↑	19,500 ●	

Legend: ● Forecast unchanged from March 2016 EA Report ↓↑ Forecast downgraded / revised upwards from March 2016 EA Report

Source: Veidekke and DST

* Estimates from the Danish Construction Association as at February 2016